

4Q24

# Broward Office Market Overview



# Market Observations

## Economy

- The market’s unemployment rate increased slightly by 16 basis points year over year to 3.3% at the end of November 2024. The rate remains well below the national average of 4.2%.
- Despite recent national economic headwinds, job growth increased by 1.7% year over year to 934,400 jobs by the end of November 2024, outperforming the 1.4% national job growth rate.
- Six of the 10 employment sectors reported year-over-year growth, with the other services sector leading job gains at 8.9% over the past twelve months.
- Office-using jobs overall declined slightly by 0.6% year over year to 263,340 employees, with all three office-using sectors reporting employment contractions. The financial activities, business and professional and information sectors declined by 0.3%, 0.6% and 0.9%, respectively. Despite this, office-using employment only declined 1.4% from the all-time high of 267,160 employees reported in December 2022.

## Major Transactions

- The City of Fort Lauderdale, on behalf of the Fort Lauderdale Police Department, signed the quarter's largest deal, renewing 47,602 SF of space in the Cypress Creek submarket.
- Four of the largest deals signed in the fourth quarter of 2024 were renewals, with the one new lease representing a relocation from another submarket within Broward.
- Cypress Creek was the favored submarket with three of the top five deals signed there. Ft Lauderdale CBD and Sawgrass Park submarkets meanwhile each had one deal apiece.

## Leasing Market Fundamentals

- Annual full-service asking rental rates increased slightly by 0.5% quarter over quarter to \$37.70/SF, reflecting a 1.0% decline from the all-time high of \$38.09/SF reported in the second quarter of 2024.
- Vacancy decreased 20 basis points quarter over quarter, ending the fourth quarter of 2024 at 14.8%, driven by positive absorption of 71,356 SF coupled with no deliveries.
- There is one 174,790-SF project currently under construction, the T3FAT Village East developed by Hines. Besides the underway project, there has been no other new construction starts over the past three quarters.
- Total leasing activity closed the fourth quarter at 409,536 SF, representing a 49.9% quarter-over-quarter decline. Leases signed averaged 2,275 SF per deal, continuing a trend of smaller lease deals compared to the pre-pandemic average deal size of 3,633 SF from 2008 to 2019.

## Outlook

- The Broward County office market will continue to see growth, albeit somewhat muted, driven in part by the continued decline in office-using employment. Office investment activity will remain low in the near term due to a steeper cost of debt and investors seeking opportunities in markets with higher levels of distress.
- Rents will likely continue to increase albeit at a slower pace, driven by demand for newer, higher-class space that command premium rates.
- The rent spread between Class A and Class B assets will likely narrow marginally, despite widening during the fourth quarter. This trend may push more tenants to shed unused space and lease smaller footprints in higher-quality assets.
- In the near term, demand is expected to outpace supply in the market due to muted construction activity. As a result, vacancy rates are expected to continue ticking downwards gradually.

1. Economy
2. Leasing Market Fundamentals

4Q24

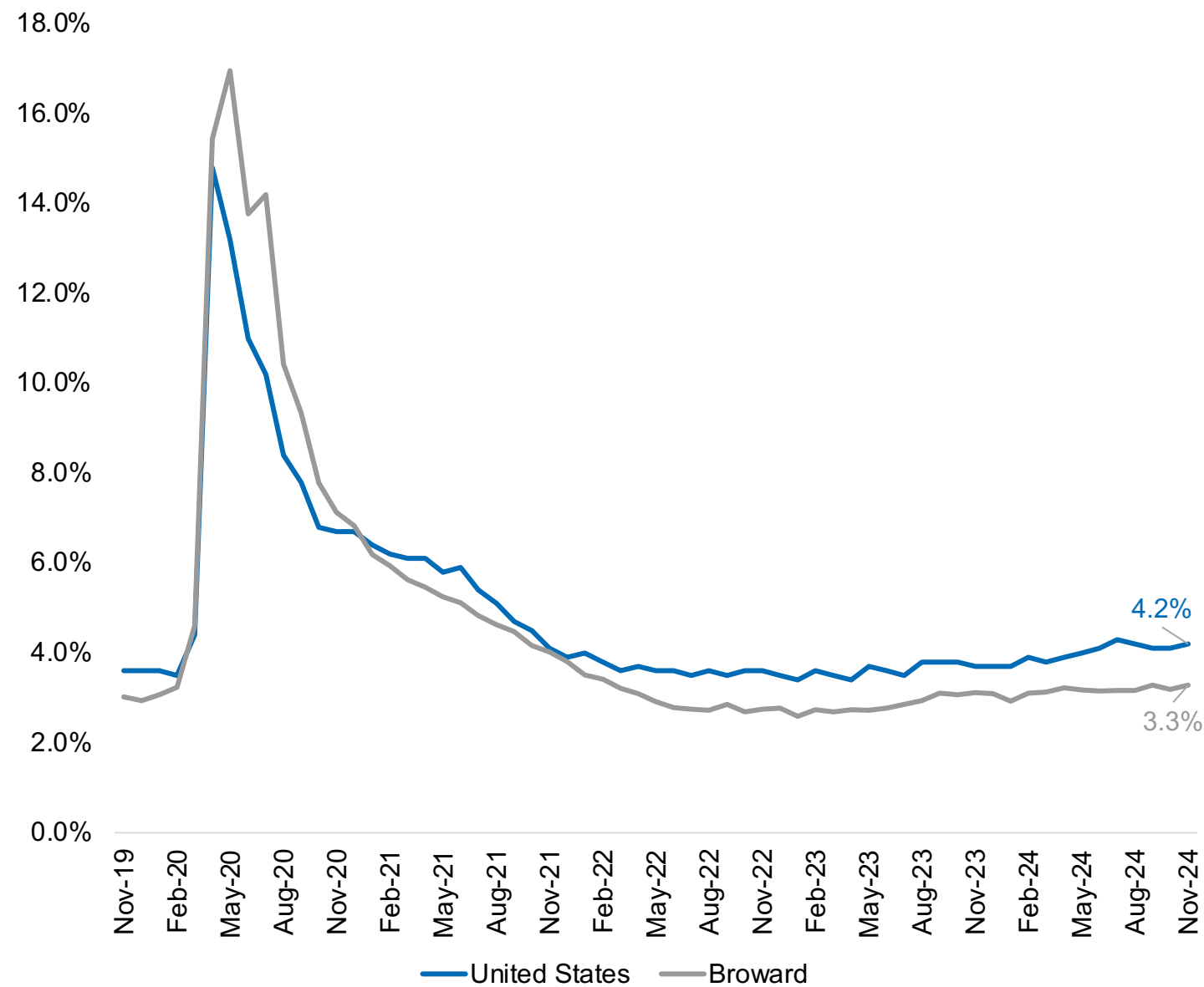
# Economy



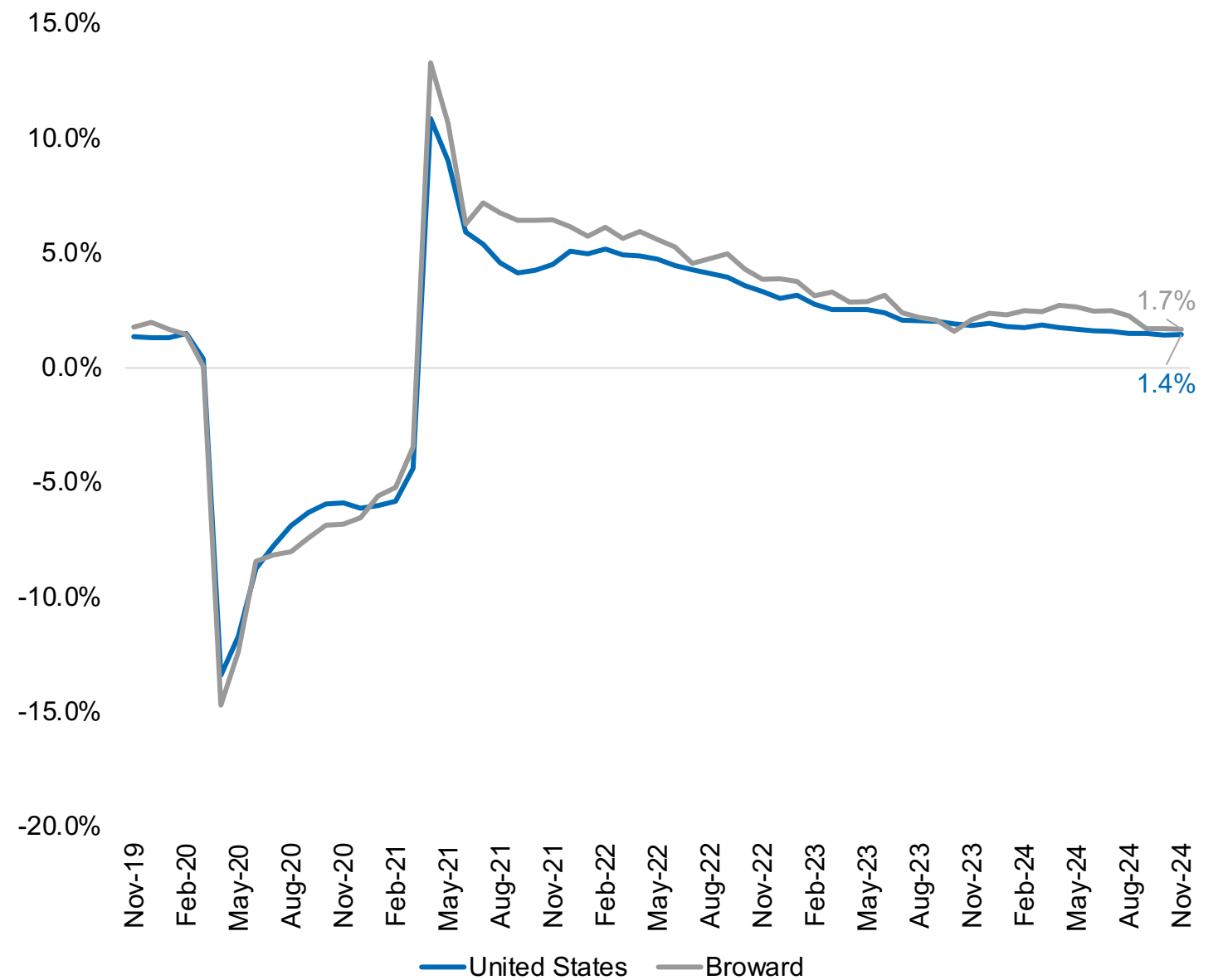
# Pace of Broward Jobs Growth Slows

The Broward market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. The region's unemployment rate increased slightly, by 16 basis point year over year to 3.3% in November 2024. This rate is 92 basis points below the national rate. The market reported 1.7% year-over-year employment growth every month from September through November 2024, reflecting the slowest rate of job growth since October 2023.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



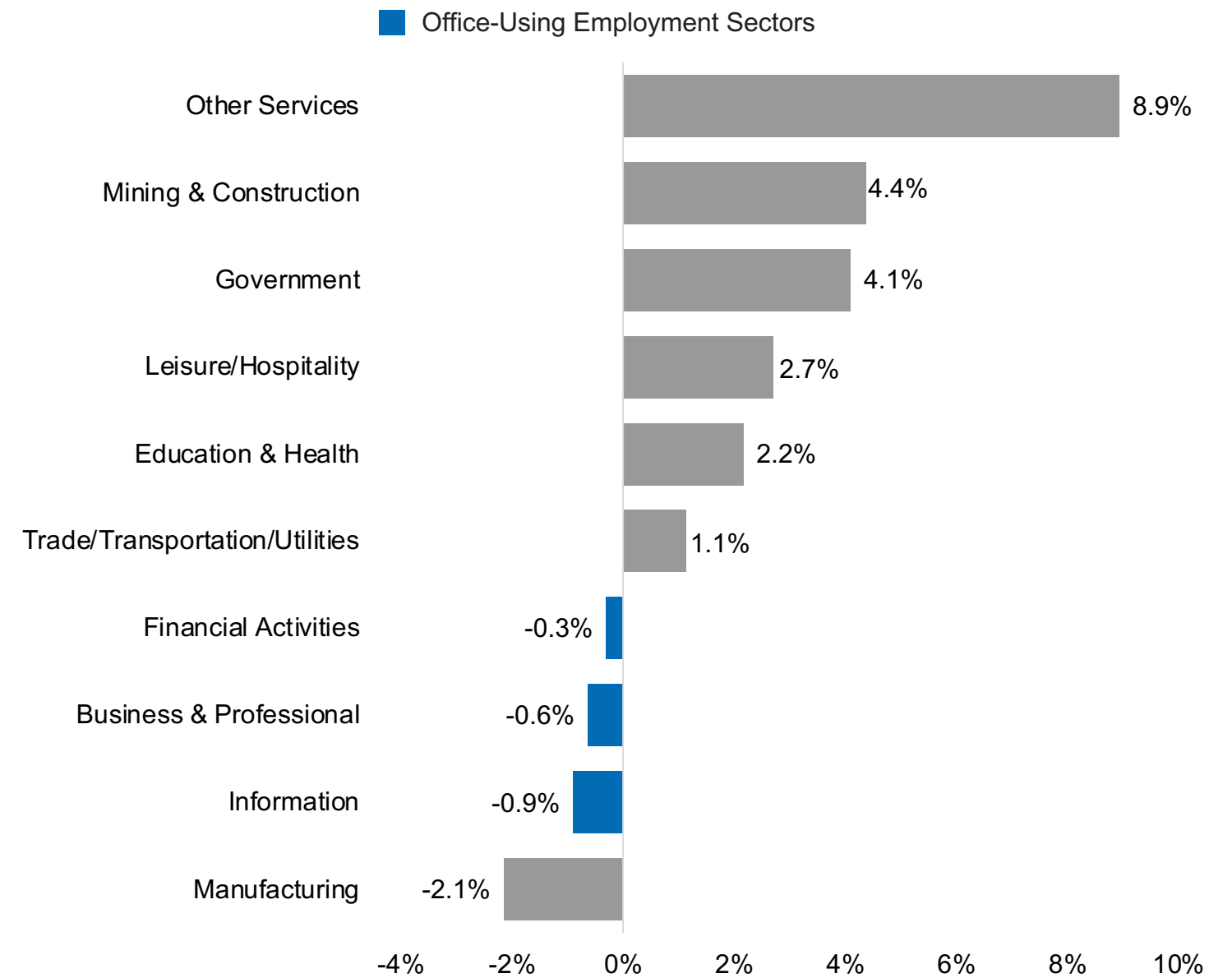
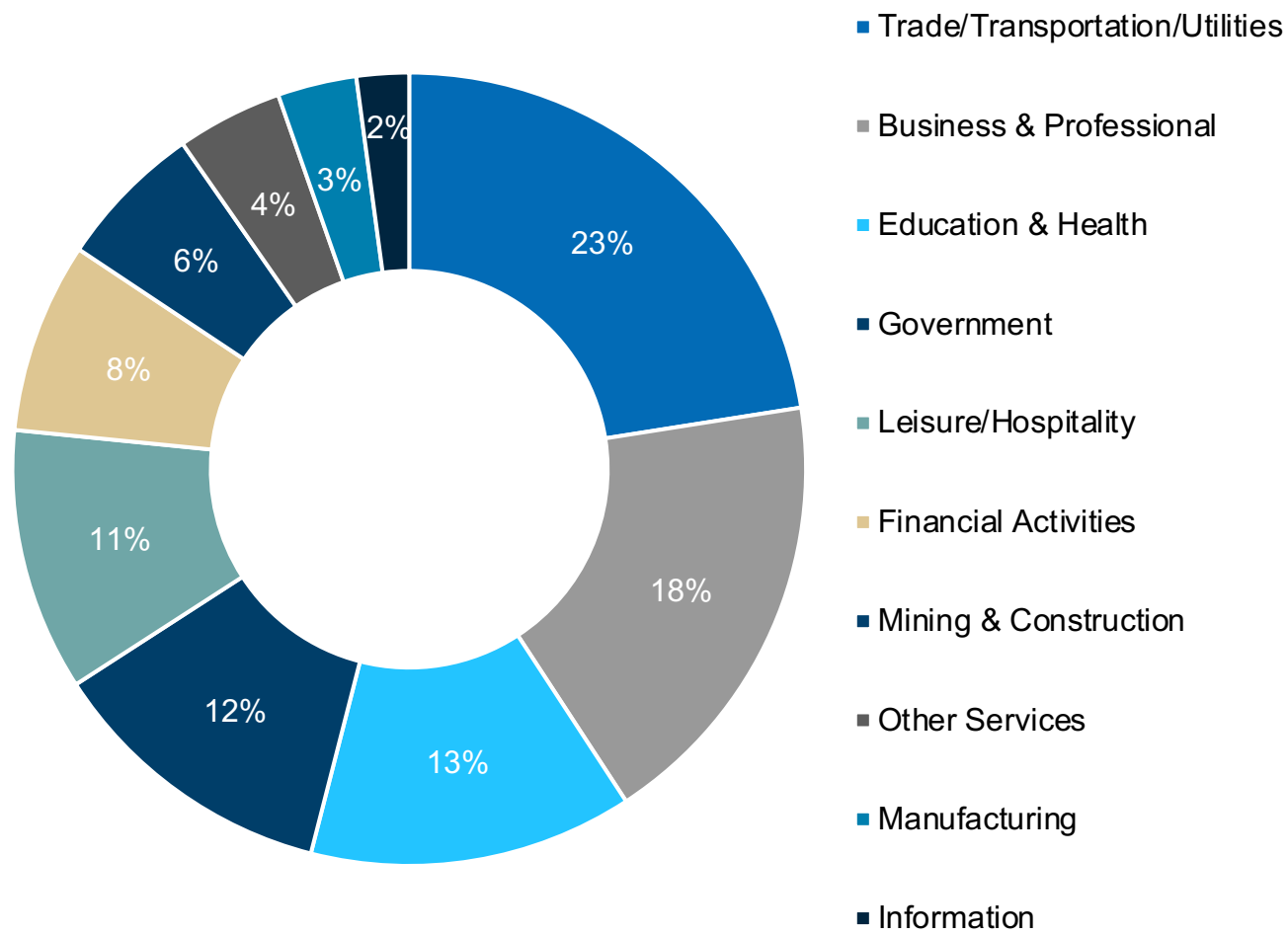
Source: U.S. Bureau of Labor Statistics, Broward County

# Employment Growth Continues in Most Sectors Despite Declines in All Office-Using Sectors

The Broward market has a high industry diversity with the top two industries accounting for only 40.8% of the market's industry employment share. The office-using employment's business and professional sector is the second-largest industry sector in the metro at 18.3%. Six of the 10 employment sectors in Broward reported growth, led by other services at 8.9%. All three office-using industries reported employment contraction year over year, with the financial activities, business and professional and information sectors declining by 0.3%, 0.6% and 0.9%, respectively.

Employment by Industry, November 2024

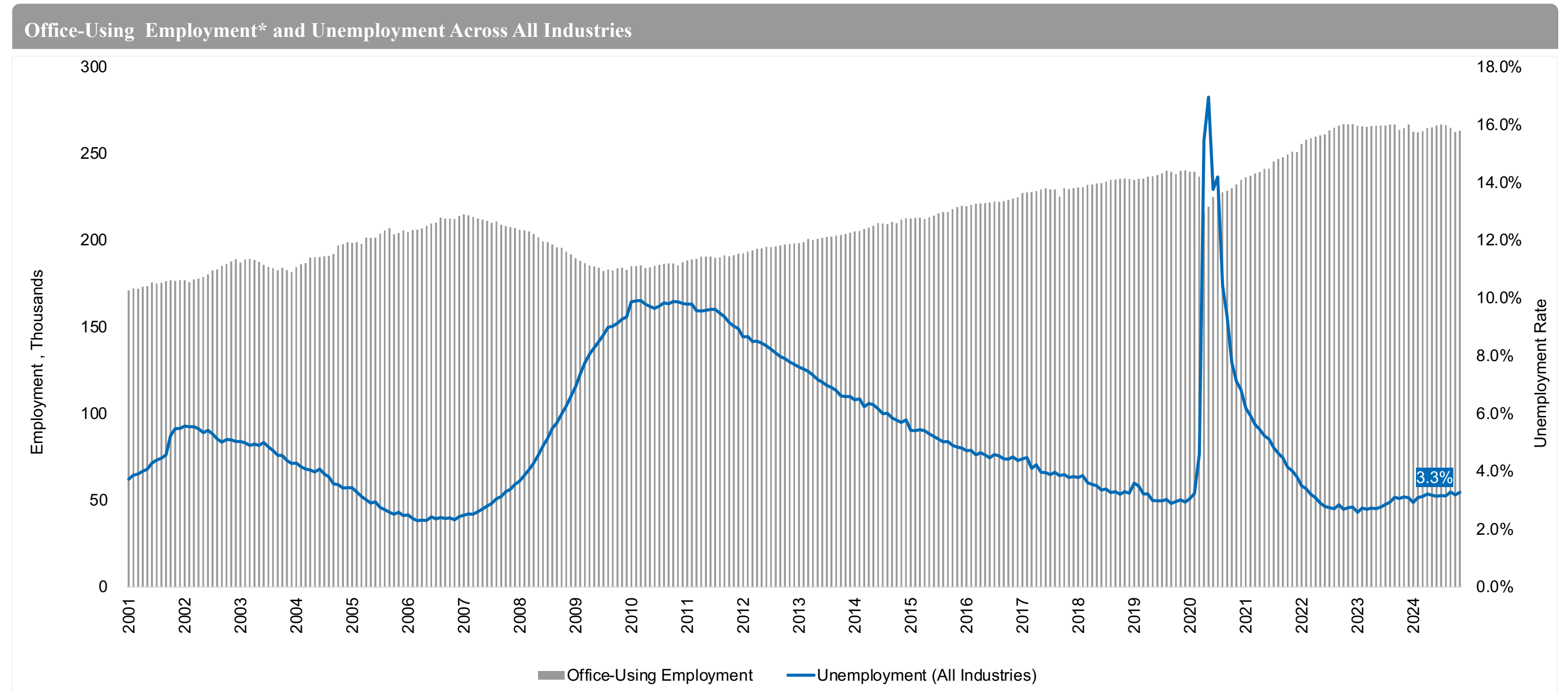
Employment Growth by Industry, 12-Month % Change, November 2024



Source: U.S. Bureau of Labor Statistics, Broward County

# Overall Office-Using Employment Reports Slight Decline

Office-using employment in the Broward market decreased slightly by 0.6% year over year to 263,340 employees due to contractions in all office-using sectors. Despite this, office-using employment only declined 1.4% from the all-time high of 267,160 employees reported in December 2022. Currently, the seasonally adjusted unemployment rate is at 3.3%, which is above the 3.1% average reported in 2019, suggesting that the decline in office-using jobs likely contributed to the increased unemployment rate.



Source: U.S. Bureau of Labor Statistics, Broward County

\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

4Q24

# Leasing Market Fundamentals

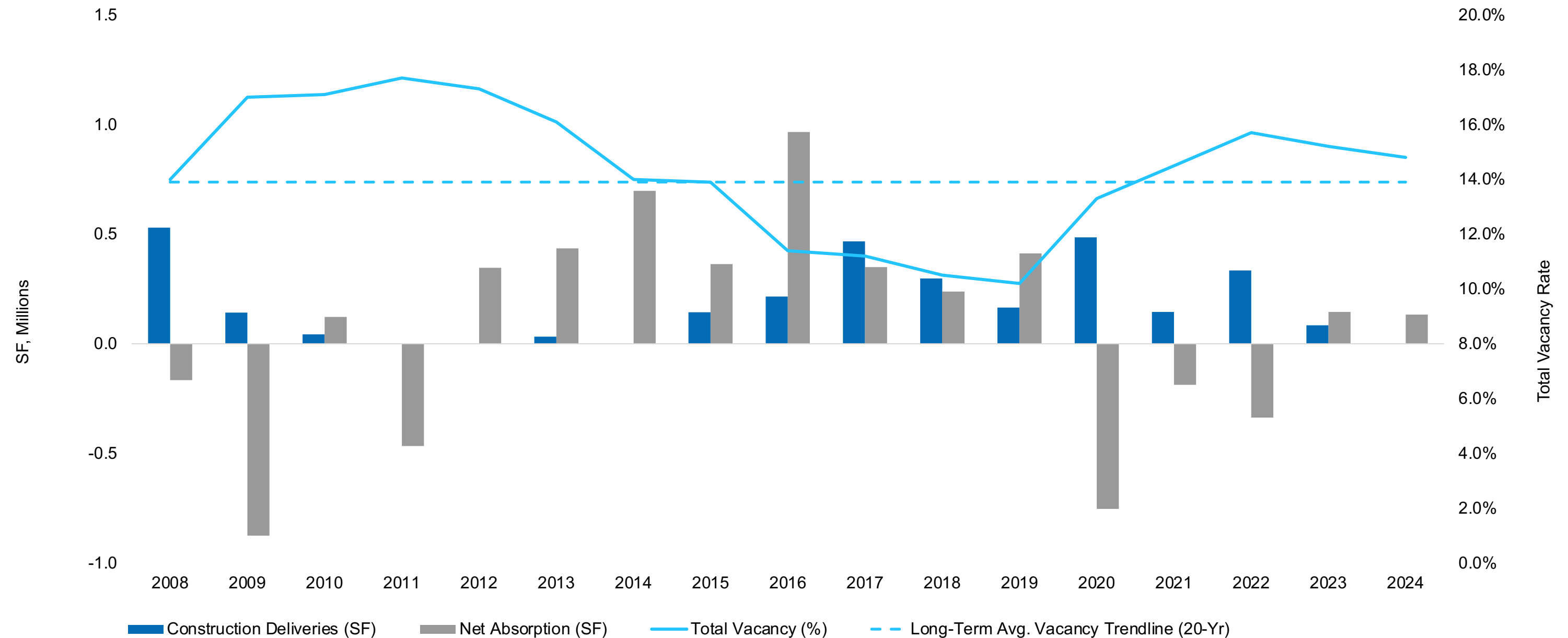




# Demand Outpaces Supply, Driving Vacancy Down

The Broward office vacancy rate declined by 20 basis points quarter-over-quarter to 14.8% in the fourth quarter of 2024, driven by positive net absorption of 71,356 SF and no new deliveries. With no office completions throughout 2024 and net absorption totaling 132,429 SF for the year, vacancy rates are expected to continue a gradual decline as demand outpaces supply.

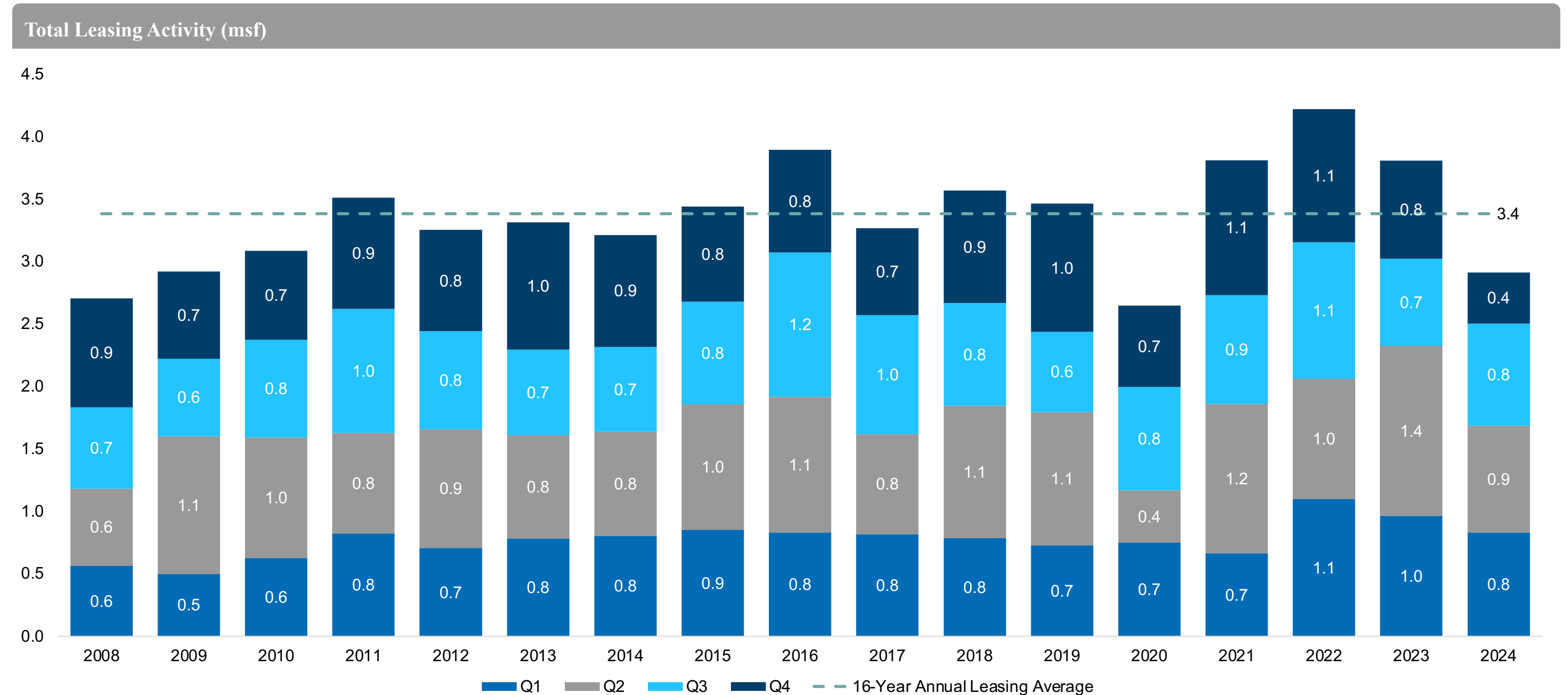
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Leasing Activity Pace Decreases for Second Consecutive Quarter

Leasing in the fourth quarter of 2024 decreased by 49.9% quarter over quarter to 409,536 SF and is 52.1% lower than the 16-year fourth-quarter average activity of 855,711 SF. Deal size averaged 2,275 SF in the fourth quarter, reflecting a 904 SF decrease quarter over quarter. The recent trend of smaller deals, compared to the pre-pandemic average of 3,633 SF from 2008 to 2019, reflects tenants reducing their footprints while seeking higher-quality space.

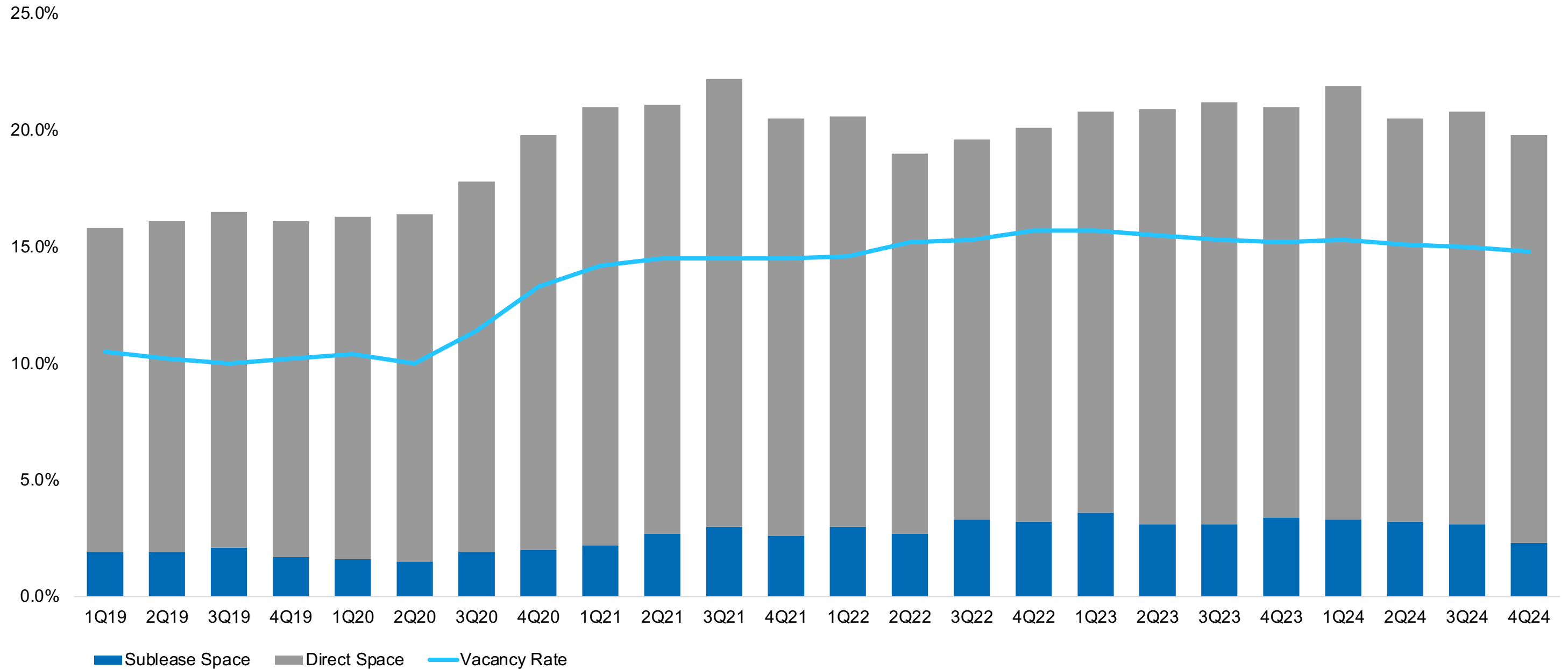


Source: Newmark Research, CoStar

# Overall Availability Declines

Sublease availability in Broward has generally been on the rise since the pandemic, reaching a peak in the first quarter of 2023. However, as of the fourth quarter of 2024, sublease availability declined 80 basis points quarter over quarter to 2.3%, the fourth consecutive quarterly decline and a 130 basis-point decline from the peak. Direct availability in the fourth quarter of 2024 decreased 20 basis points quarter over quarter to 17.5%. As a result, overall availability declined by 100 basis points to 19.8%. Over the same period, vacancy decreased 20 basis points quarter over quarter to 14.8%.

Available Space as Percent of Overall Market

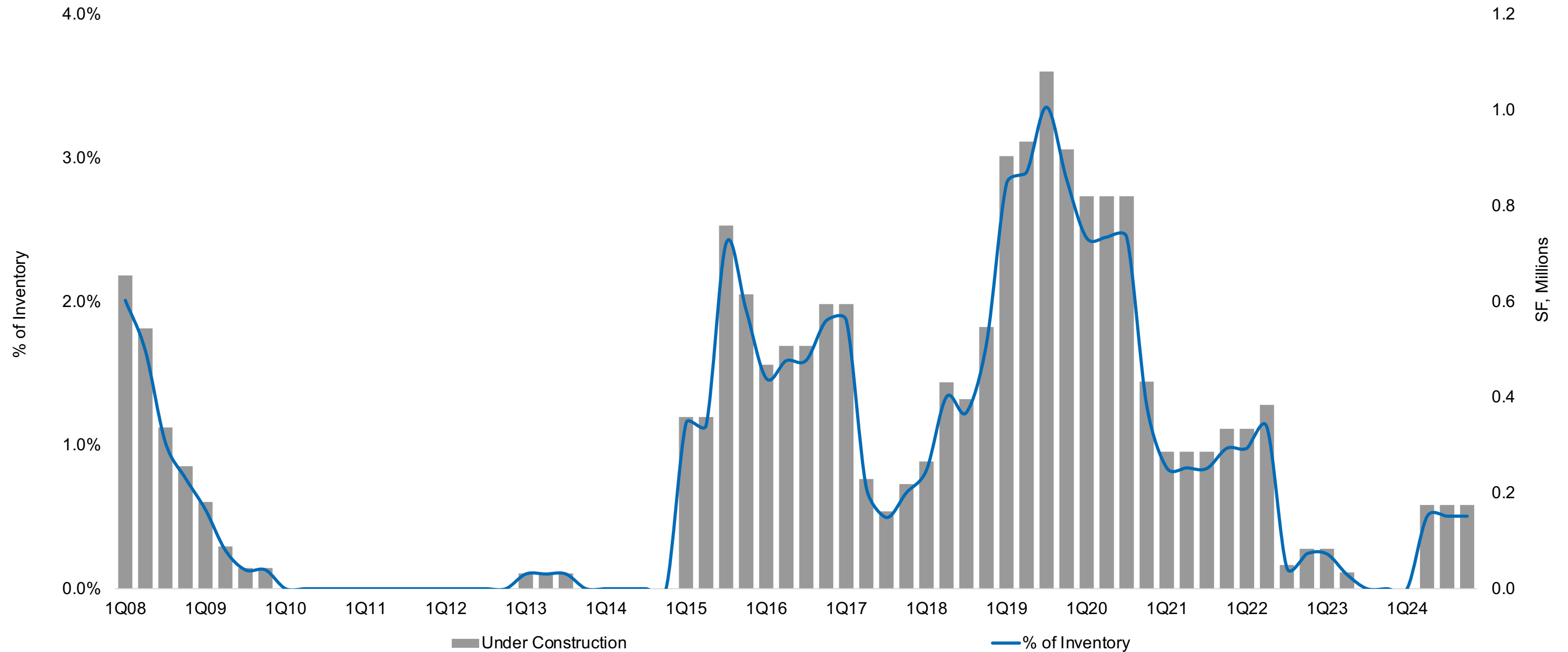


Source: Newmark Research, CoStar

# Construction Activity Remains Unchanged

The Broward market had 174,790 SF under construction at the end of the fourth quarter of 2024, unchanged for the third consecutive quarter. The pipeline consists of a single project, T3 FAT Village East, being developed by Hines in the Fort Lauderdale CBD submarket. The current volume of construction activity represents a sharp decline from elevated levels seen in 2019, when the market peaked at 1.1 MSF under construction in the third quarter of 2019. The more muted level of construction, representing only 0.5% of inventory, should keep supply more in balance with demand.

## Office Under Construction and % of Inventory

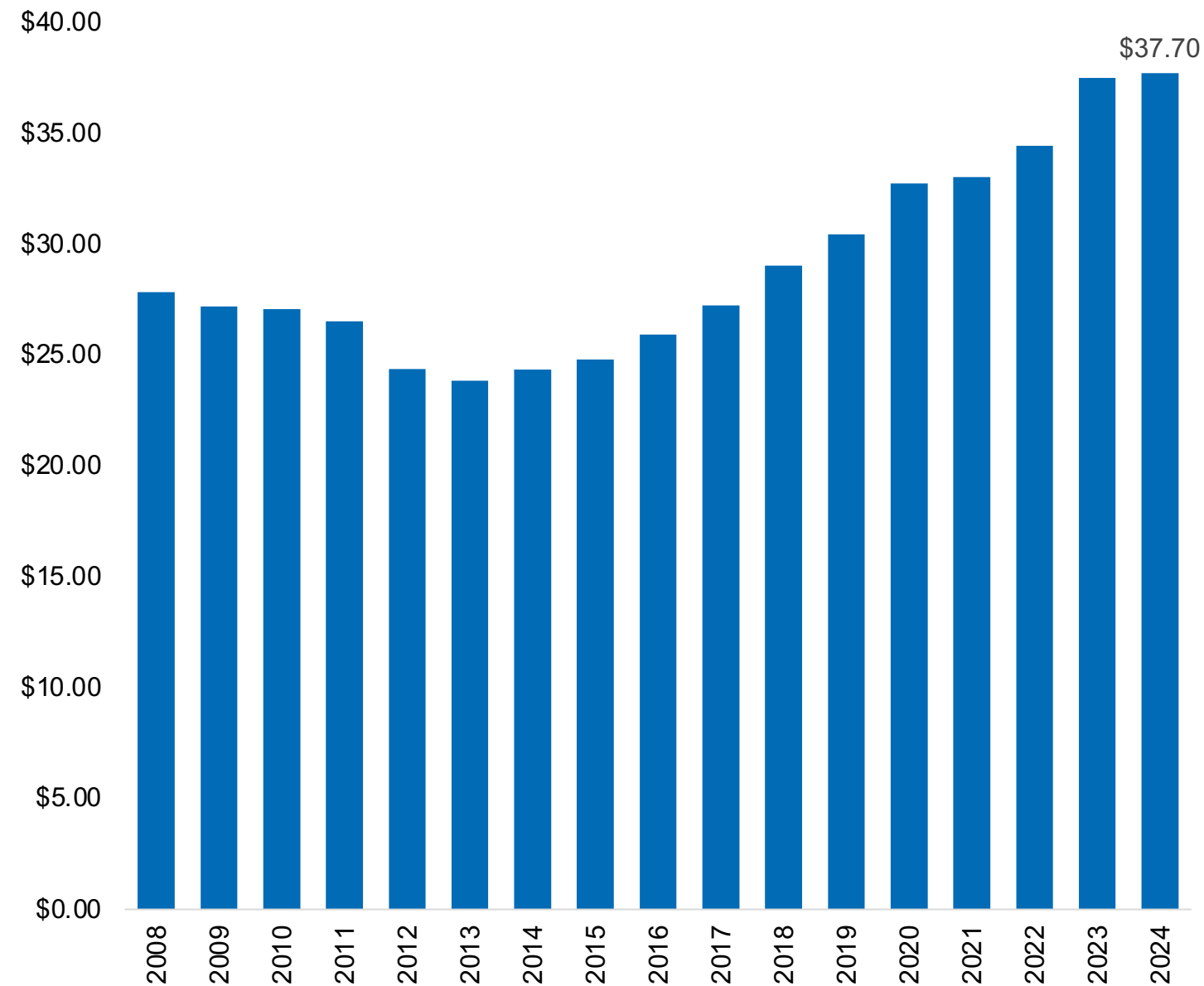


Source: Newmark Research, CoStar

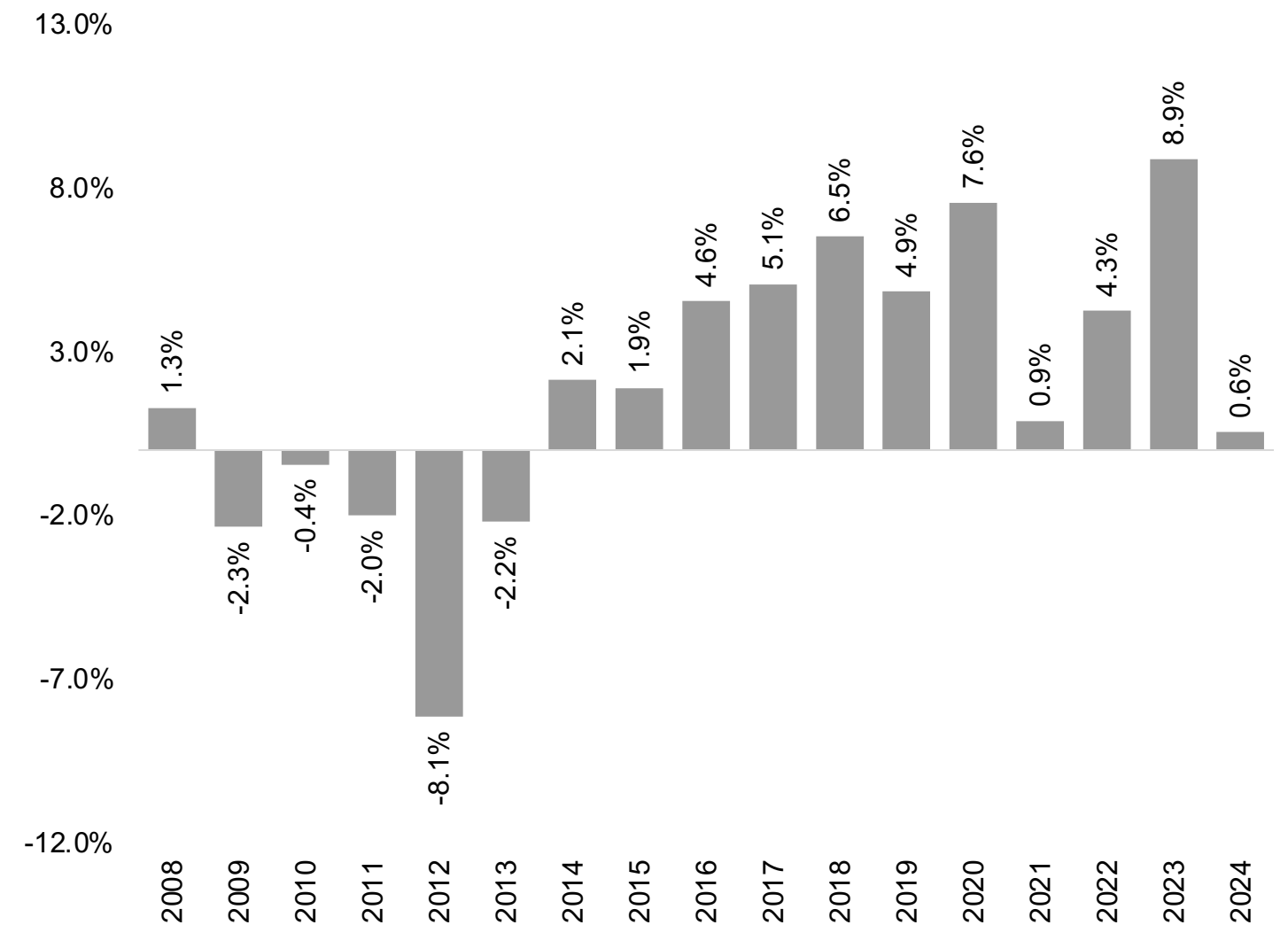
# Rents Increase Slightly Quarter over Quarter, but Remain Below All-Time High

In the fourth quarter of 2024, average asking rents increased slightly by 0.5% quarter over quarter to \$37.70/SF, dipping only 1.0% below the all-time high of \$38.09/SF reported in the second quarter of 2024. The annual pace of rental growth has declined to 0.6%, compared to the 8.9% year-over-year growth reported at the end of 2023. Despite the slowing pace of rental growth, asking rents are likely to remain elevated, as newer inventory will command premium rates.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

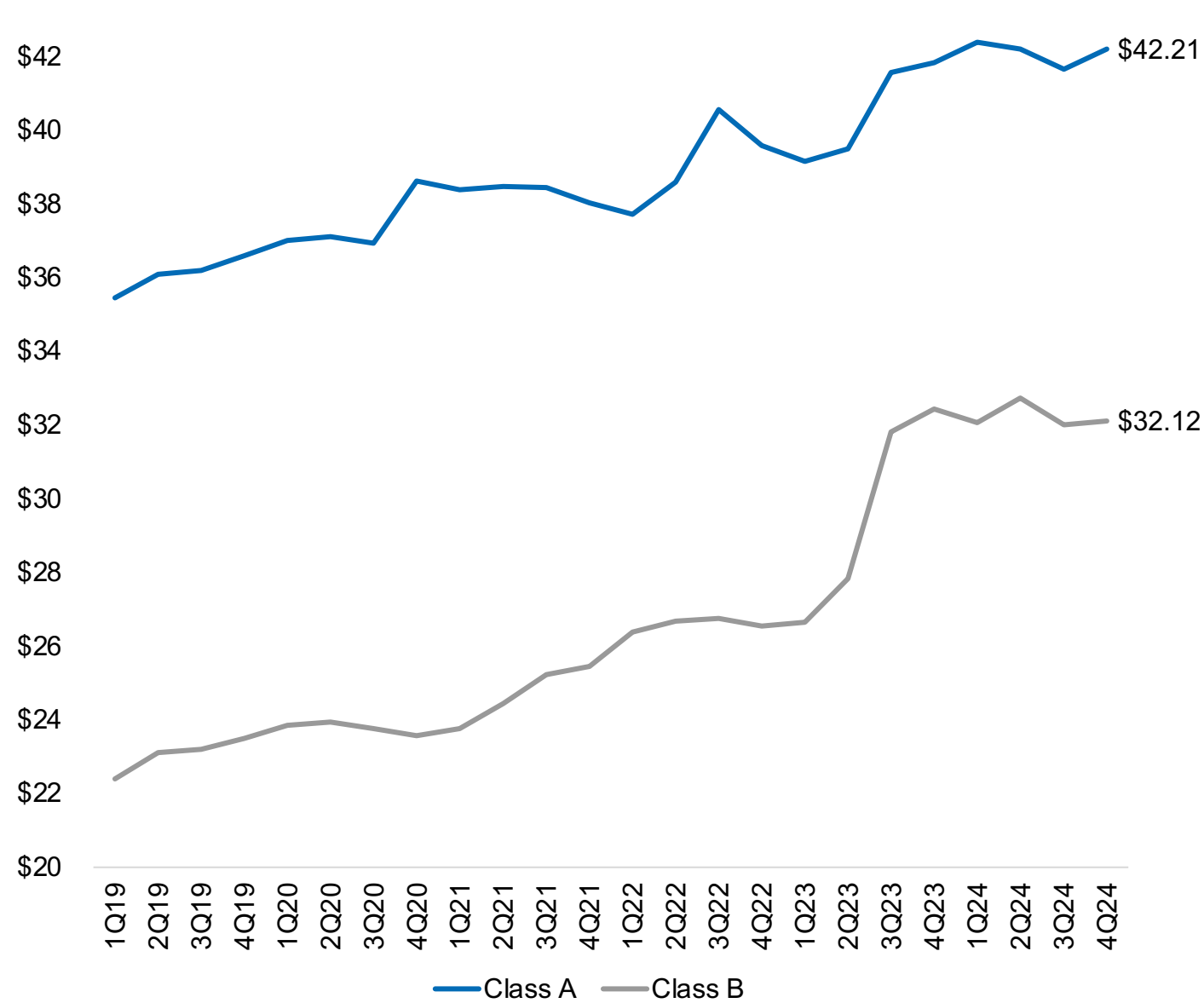


Source: Newmark Research, CoStar

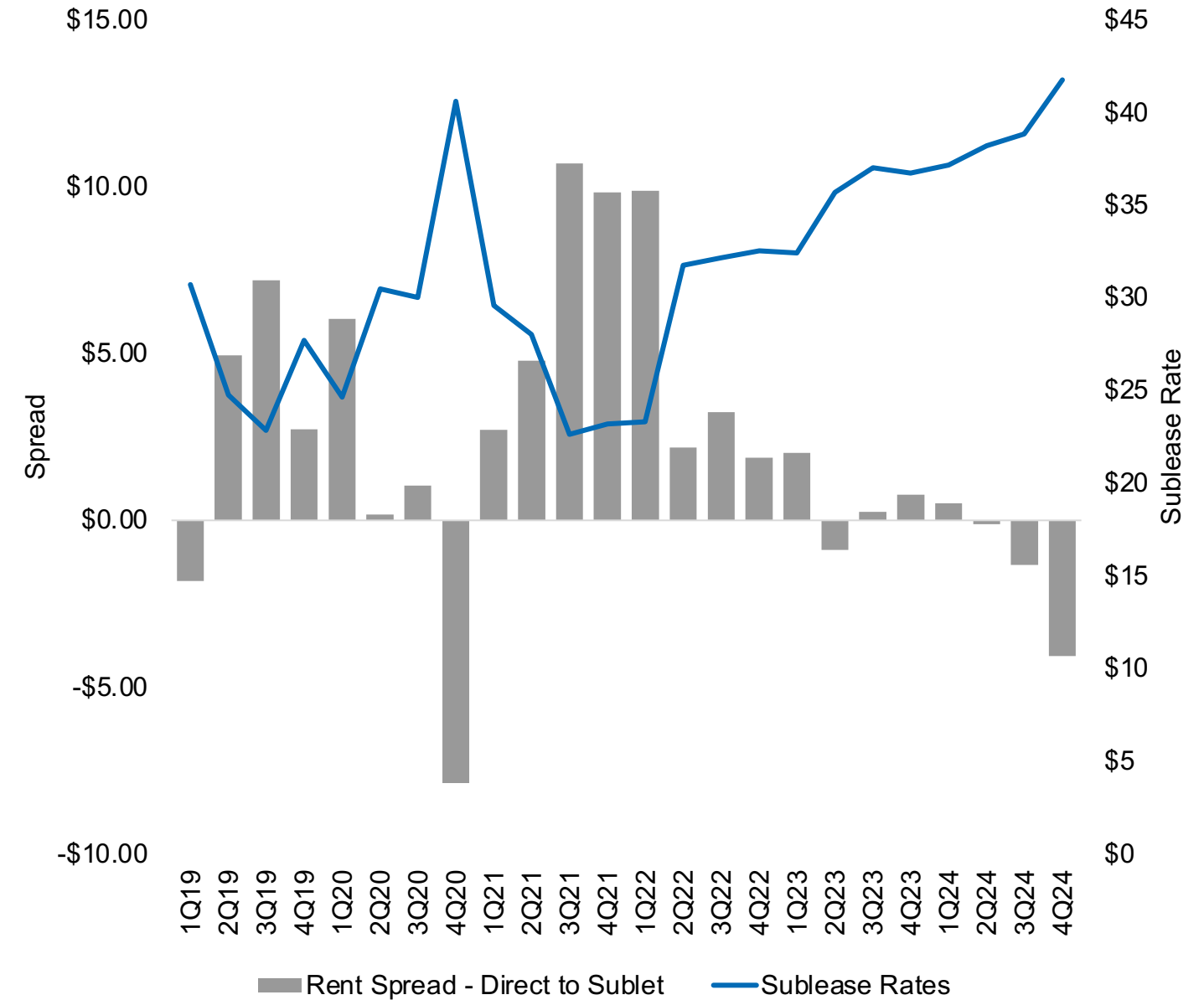
# Class A and Class B Rent Spread Increases

As of the fourth quarter of 2024, Class A average asking rents ended at \$42.21/SF, reflecting a 1.3% quarter-over-quarter increase. Class B asking rents also increased slightly by 0.3% quarter over quarter to \$32.12/SF. The rent gap between the two classes widened by 4.5% quarter over quarter to \$10.09, contrary to the recent trend of a narrowing gap in recent quarters. Meanwhile, sublease rates rose by 7.5% quarter over quarter to \$41.76/SF in the fourth quarter of 2024.

**Class A and Class B Asking Rents**



**Sublease Rates**



Source: Newmark Research, CoStar

# Renewals Constitute the Majority of the Quarter’s Biggest Deals

In the fourth quarter of 2024, four of the top five lease deals were renewals. The quarter also saw a continued trend of smaller average deal sizes. Cypress Creek was the favored submarket, securing three of the top five deals, all of which were renewals. Ft Lauderdale CBD and Sawgrass Park submarkets meanwhile each had one deal apiece.

## Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
City of Fort Lauderdale	Fort Lauderdale Landings – 1515 W Cypress Creek Rd	Cypress Creek	Renewal	47,602
<i>The City of Fort Lauderdale, on behalf of the Fort Lauderdale Police Department (FLPD), extended their lease for around 20% of the building. The space serves as temporary headquarters for the FLPD while it builds a permanent headquarters at 1300 W Broward Blvd.</i>				
Microsoft Corporation	Cypress Park West II – 6750 N Andrews Ave	Cypress Creek	Renewal	30,178
<i>The technology company executed an early extension of their lease which they had renewed in 2022 . The company has been a tenant at Cypress Park II since at least 2002.</i>				
Holland & Knight	Las Olas Square – 515 E Las Olas Blvd	Ft. Lauderdale CBD	Renewal	29,470
<i>Holland &amp; Knight is a law firm with several offices in the U.S. and abroad, including a headquarters in Tampa. The firm renewed the Las Olas Square space they have occupied since 2010.</i>				
Govine Insurance	Sawgrass Lake Center – 13450 W Sunrise Ave	Sawgrass Park	Direct New	25,200
<i>The company specializes in low-cost healthcare insurance and was an existing tenant in the market that will be relocating from the Ft. Lauderdale CBD submarket.</i>				
TD Bank	Cypress Financial Center – 5900 N Andrews Ave	Cypress Creek	Renewal	17,510
<i>The Toronto-based bank executed another renewal in Cypress Financial Center, where they have been a tenant since at least 2006.</i>				

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## Broward Office Submarket Overview (Page 1 of 2)

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## Broward Office Submarket Overview (Page 2 of 2)

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## Broward Office Submarket Map

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