

MARKET REPORT

Office
Fort Lauderdale Metro Area

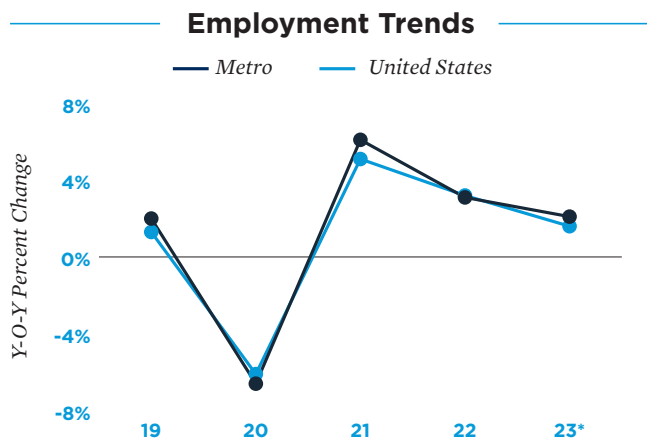
IPA
INSTITUTIONAL
PROPERTY
ADVISORS

4Q/23

Demand for High-Quality Floor Plans is Robust in Certain Submarkets, While Absent in Others

Class A segment accounts for majority of leasing. Fort Lauderdale recorded negative net absorption of 204,000 square feet during the opening half of 2023. Concurrently, the Class A sector noted positive net absorption of 138,000 square feet, putting vacant stock in that segment at a four-quarter low in June 2023. Demand for higher-end offices has been most pronounced in Plantation, which boasted the market's second-tightest Class A vacancy in the second quarter, at 16.3 percent. In June, global toy manufacturer Jazwares moved into a 133,000-square-foot spot in the submarket. The Federal Aviation Administration also took up 63,000 square feet nearby in May. With limited Class A space in the active pipeline here, existing top-tier assets should continue to capture leasing. Class B/C office demand has, meanwhile, been the strongest in the urban core and Hollywood.

High-end office demand is not balanced across the market. Among Fort Lauderdale's eight largest submarkets by inventory, Sawgrass Park and Southwest Broward have the second and third greatest amount of Class A supply as a share of local office space. Strong demand for high-quality floor plans of late would imply that these areas are performing well; however, that has not been the case. Both submarkets had year-over-year Class A vacancy hikes of at least 370 basis points in June 2023, with Sawgrass Park's 37.8 percent rate ranking as the metro's highest. Companies desiring high-end offices appear to be gravitating to the coast and urban core.



* Forecast

Sources: BLS; CoStar Group, Inc.

Office 2023 Outlook



**18,500
JOBS**

will be created

EMPLOYMENT:

Construction, government and manufacturing jobs shrunk during the first eight months. Traditional office-using industries expanded staff by 10,000 roles, however. This mixture produces a 2.1 percent overall growth in 2023.



**515,000
SQ. FT.**

will be completed

CONSTRUCTION:

The 2023 delivery volume will mark a three-year high, but the total is mostly confined to a few larger-scale projects. A trio of 70,000-square-foot-plus developments combine for more than two-thirds of the 2023 pipeline.



**80
BASIS POINT**

increase in vacancy

VACANCY:

Outside of the Atlantic Village Professional Center in Hallandale, the bulk of 2023 deliveries are pre-leased. Expiring pre-pandemic commitments, nevertheless, hike metrowide vacancy to 14.8 percent by year-end.



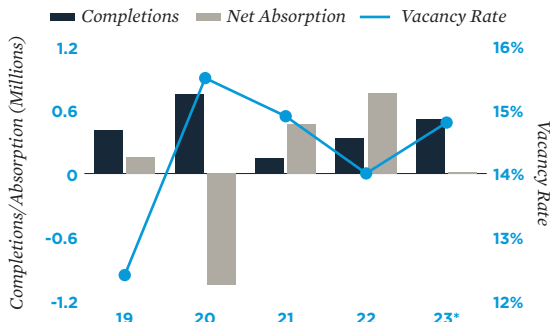
**2.3%
INCREASE**

in asking rent

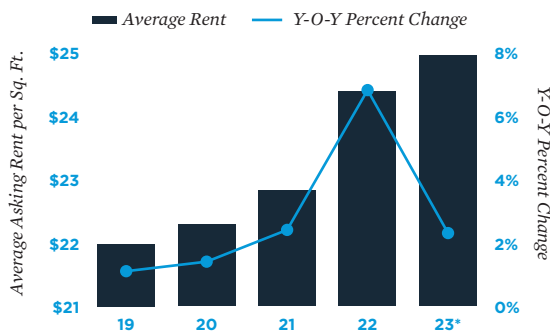
RENT:

For the 12th straight year, Fort Lauderdale's average asking rent increases, reaching \$24.95 per square foot. The metro still retains \$5- to \$19-per-square-foot discounts to West Palm Beach and Miami, however.

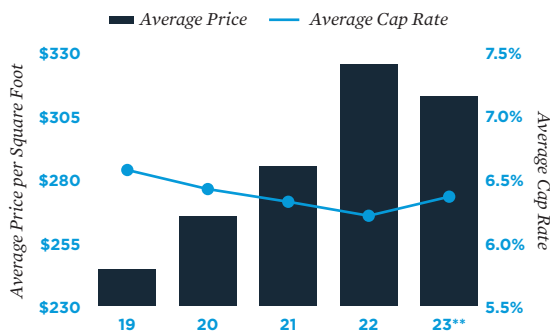
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

2Q 2023 - 12-Month Period



CONSTRUCTION

408,000 sq. ft. completed

- No supply additions of note took place from April through June 2023, marking the sixth instance in 10 quarters. The second half features more deliveries, including the Spirit Airlines headquarters near Dania Beach.
- A Hallandale project with 102,000 square feet of available traditional and medical office space could lift local vacancy upon completion in November.



VACANCY

120 basis point increase in vacancy Y-O-Y

- Helping contain the marketwide vacancy increase over the past year, Downtown Fort Lauderdale — the largest area by inventory — registered a 130-basis-point decline, placing the local rate at 14.6 percent in June.
- Fort Lauderdale's overall vacancy rose to 14.5 percent in the second quarter. Nevertheless, the rate was down 20 basis points from the March figure.



RENT

3.5% increase in the average asking rent Y-O-Y

- The 10 largest submarkets in Fort Lauderdale each posted annual rent growth to some degree. Asking rates surged by nearly 9 percent downtown, while Plantation and Commercial Blvd had sub-1 percent gains.
- Metrowide, the average asking rent has improved in every quarter since early 2021. At midyear 2023, the metric reached \$24.71 per square foot.

Investment Highlights

- Fewer investors and capital providers are active in the office sector amid softer utilization trends, higher borrowing cost hurdles and more conservative financing. As a result, metro deal flow during the first half of 2023 was down about 30 percent relative to the comparable six months of last year, and outside of 2020, the lowest since 2015. The average sale price on trades completed during the yearlong span ending in June measured at \$312 per square foot, representing a 28 percent bump relative to the pre-pandemic tally. Expectations for more stable interest rates and capital markets certainty going forward could encourage some office asset holders to list and capture appreciation, providing some investment opportunities.
- Mid-tier office buildings 10,000 to 30,000 square feet in scope have comprised a substantial share of recent trades. Fort Lauderdale proper accounted for most of these transactions, with an average entry cost of about \$265 per square foot. Several had a loft or creative space component.
- A handful of first half trades included offices slated for redevelopment. In one instance, a 131,000-square-foot property in Plantation was acquired to turn into apartments, helping take some vacant office space off the market.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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