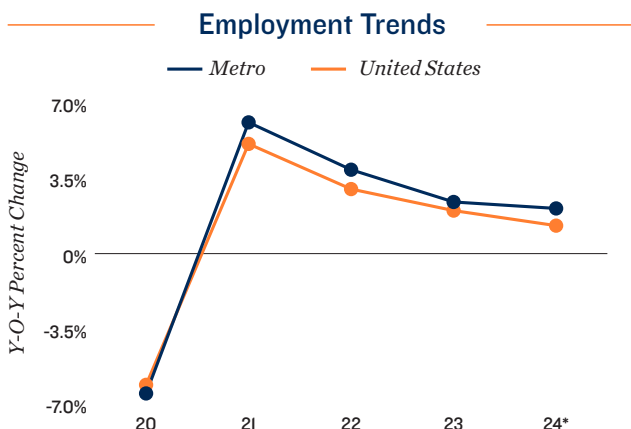


Business and Lifestyle Advantages Mitigate Office Market Headwinds

Hurdles faced by other office markets help backstop demand.

Fort Lauderdale ranks among the 15 lowest vacancy rates for major markets, at 14.7 percent as of March 2024. Lower taxes, an educated workforce, and positive quality of life considerations are prompting corporate relocations from Northeastern metros like New York and Washington, D.C. This demand is aiding local growth in the average asking rent, with the metro sustaining positive momentum for over 11 years and counting. While annual rent growth will somewhat taper in 2024 amid slower leasing trends, the pace is still projected to end December as the second fastest among major Florida markets.

Opportunities found in and outside of the CBD. Companies in Fort Lauderdale are showing a preference for less costly suburban office spaces. The Plantation submarket saw an uptick in leasing activity as companies absorbed 241,000 square feet here on net in 2023. A relatively large stock of office space with lower asking rents than the metrowide mean have attracted demand from firms looking to minimize costs. Companies occupying spaces here may also benefit from avoiding high traffic areas in the CBD, appealing to employees amid a tightening labor market. On the other hand, Downtown Fort Lauderdale has seen the strongest leasing activity in the market, specifically in the corridor between US Route 1 and State Road 811. Offices here benefit from both being in the CBD, while also having ease of access for employees commuting from suburban areas.



* Forecast
Sources: BLS; CoStar Group, Inc.

Office 2024 Outlook



19,000

JOB

will be created

EMPLOYMENT:

Overall employment will increase by 2.1 percent by year-end. Recent growth has been led by the education and health services sectors. Traditionally office-using jobs will see a net loss of 3,000 positions.



282,000

SQ. FT.

will be completed

CONSTRUCTION:

Completions will fall below 300,000 square feet for the third time in 10 years. The pipeline in 2024 is highlighted by two office buildings coming online in Hallandale, making up 220,000 square feet combined.



40

BASIS POINT

increase in vacancy

VACANCY:

Struggles for office-using companies are impacting vacancy. The rate increases to 15.2 percent by year-end, mirroring the highs set in the health crisis. Still, vacancy remains 60 basis points below the first quarter of 2021.



1.1%

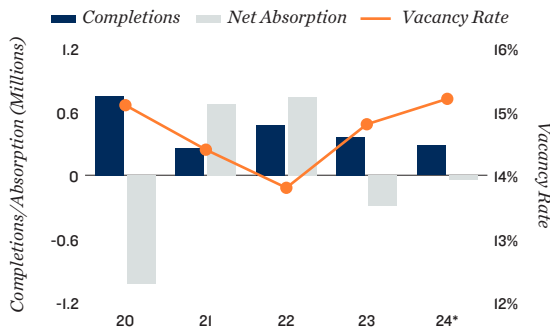
INCREASE

in asking rent

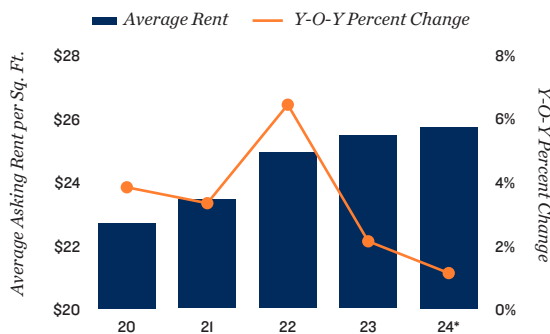
RENT:

The average asking rate will edge up to \$25.70 per square foot this year. Rent growth is being led by the Downtown and Hallandale areas so far, and both may carry momentum gained in 2023.

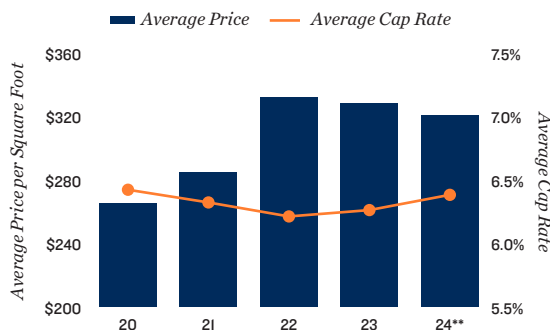
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

Fort Lauderdale Office:

Harrison E. Rein Vice President, Regional Manager

5900 North Andrews Avenue, Suite 100

Fort Lauderdale, FL 33309

Tel: (954) 245-3400 | harrison.rein@marcusmillichap.com

Prepared and edited by:

Kyle Chang

Research Associate | Research Services

For information on national office trends, contact:

John Chang

Senior Vice President, National Director | Research & Advisory Services

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Price: \$250

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

IQ 2024 - 12-Month Period

CONSTRUCTION

403,000 sq. ft. completed

- While construction was down from the previous yearlong period, inventory still grew by 0.6 percent between April 2023 and March 2024.
- Hallandale was home to a large portion of the completions, highlighted by two buildings at the Atlantic Village. These two mixed-use properties combined to offer 169,000 square feet of dedicated office space.

VACANCY

30 basis point increase in vacancy Y-O-Y

- While the vacancy rate in Fort Lauderdale is above most other Southern Florida metros, the rate of 14.7 percent recorded in March was still 250 basis points lower than the national average.
- The Hollywood area held the lowest vacancy rate over the year, falling by 60 basis points during the span to 8.0 percent in March.

RENT

1.4% increase in the average asking rent Y-O-Y

- Solid demand from corporate relocations and expansions helped boost the local asking rent to \$25.40 per square foot on average.
- Properties in the urban core fared better than their suburban counterparts. The CBD's average asking rent jumped by 3.8 percent over the year ending in March, while suburban spaces saw a 0.7 percent increase.

Investment Highlights

- Risk-averse investors looking to enter Southeast Florida may be attracted to Fort Lauderdale. An average cap rate on the lower end of the national office spectrum — mid-6 percent — speaks to the market's positive long-term outlook, while a mean sale price below its neighboring metros offers a slight entry cost advantage. Additionally, local rent growth has proved to be hardy, after the metro was among a handful of major markets to report consecutive years of positive gains since 2012.
- Transaction volume across the metro has fallen amid a high-cost lending environment. However, the Pompano Beach submarket reported a minimal velocity loss over the last year. This was in part due to lower average asking prices here than in Fort Lauderdale proper, at \$296 and \$321 per square foot, respectively, for the year ending in March.
- Investors willing to pay a premium may be interested in the Hallandale area. The average asking rent was pushed to the highest mark across the metro at \$39.77 per square foot, after three years of double-digit percentage growth. Some momentum is likely to be carried through 2024 as the area is assisted by its proximity to both Miami and Fort Lauderdale proper.