



Broward County

Office

23Q2

## Key Takeaways

- Rental rates stabilized at \$36.70 PSF full service, up by only 0.8% YOY.
- The vacancy rate increased slightly, by 20-basis points QOQ, landing at 11.5%.
- With fears of an economic recession looming, tenants continued to shuffle and exercise space options.



Vacancy Rate

11.5%

YOY

FORECAST



Net Absorption

-99K SF

YOY

FORECAST



Under Construction

210K SF

YOY

FORECAST



Direct Class A Asking Lease Rates (FS)

\$40.74/SF

YOY

FORECAST

## Stable Office Market Fundamentals

In the first half of 2023, Broward County office market fundamentals remained steady, despite the ongoing economic uncertainty looming and fears of a recession. Similar to the first three months of the year, the vacancy rate, net absorption, and rental rate remained stable quarter-over-quarter. Yet, as most key metrics showed signs of little growth, demand was persistent in the second quarter with close to 900,000 square feet leased. Transitioning into the second half of 2023, it's expected that population growth and tenant demand will keep the market in healthy condition.

## Market Indicators



2.4%

Unemployment Rate



2.4%

GDP - Quarterly % change yr/yr



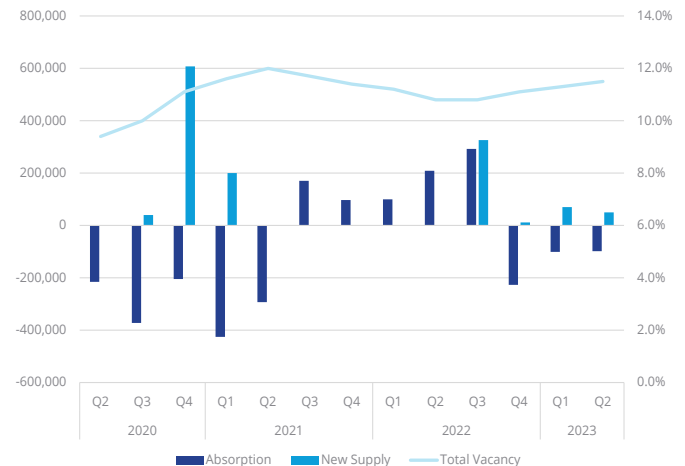
3.858%

U.S. 10 Year Treasury Note

## Historic Comparison

	22Q2	23Q1	23Q2
Total Inventory (in Thousands of SF)	64,527.7	64,896.7	64,946.3
New Supply (in Thousands of SF)	0.0	70.0	49.6
Net Absorption (in Thousands of SF)	208.6	(101.2)	(98.6)
Overall Vacancy	10.8%	11.3%	11.5%
Under Construction (in Thousands of SF)	599.0	259.4	209.8
Overall Direct Asking Lease Rates (FS)	\$36.42	\$36.58	\$36.70

## Market Graph



In the first half of 2023, the Broward County office market remained stable, with the vacancy rate increasing by 20-basis points quarter-over-quarter. Similarly, net absorption reached negative 98,600 square feet, as a result of an additional 49,600 square feet of new supply. Based on continued population growth and steady tenant demand, it's expected the office market will hold steady for the remainder of 2023.

## Recent Transactions



Lease

Park Center  
Cypress Creek | 119k SF

Lease

Bayview Corp. Tower  
Cypress Creek | 34k SF

Lease

110 East  
Downtown | 32k SF

Sale

110 East  
Downtown | \$117/SF

Sale

Cornerstone One  
Plantation | \$223/SF

Sale

Plantation Med. Off. Park  
Plantation | \$244/SF

## Executive Summary

Broward County office fundamentals remained stable in the second quarter of 2023, despite net absorption dipping into the red for the third quarter in a row. This was mainly due to a shuffling of tenants who looked to exercise options. In addition to the negative absorption, the vacancy rate increased slightly, by 20-basis points quarter-over-quarter landing at 11.5 percent. At the same time, rental rates increased slightly year-over-year, up by 0.8 percent to \$36.70 per square foot full service, which is indicative of healthy tenant demand. Based on continued population growth and interest in the market, it's expected Broward County office fundamentals will remain afloat through the remainder of 2023.

Most of the largest leases seen this quarter were either renewals or expansions from existing tenants. The largest renewal/expansion was Moss & Associates, who renewed and

expanded its lease to occupy Park Center on all three floors, for a total of 119,224 square feet. The second largest lease was Whole Foods Market renewing their office space for 33,827 square feet at Bayview Corporate Tower. Lastly, ABA Centers of America expanded the size of their headquarters to occupy the top two floors of 110 East, for a total of 32,138 square feet.

Although sales activity was somewhat light, the largest trade of the second quarter was the sale of 110 East located at 110 East Broward Boulevard for \$43 million, or \$117 per square foot, in a joint venture purchase between Pebb Capital, Intalex Capital, and CDS International Holdings. The second largest sale of the quarter was for Cornerstone One located at 1200 South Pine Island Road for nearly \$38 million, or \$223 per square foot, which was purchased by Brookdale Group.

## SFL Vacant Office Space Significantly Less than Space Available

As macroeconomic factors surrounding a possible recession hang over the U.S., office tenants in South Florida appear to be considering their options, as it pertains to offloading subleased space if need be. Over the course of the second quarter of 2023, there was a significant uptick in available sublease space, but the vacant sublease remained almost unchanged quarter-over-quarter, and in some instances decreased. In the second quarter of 2023, the amount of available sublease space across all three counties totaled 3.1 million square feet however, the amount of vacant sublease space was 52.4 percent less than that, a total of just 1.6 million square feet. This is due in large part to companies who have opted to not vacate, but instead decided to market a portion of the space that they are occupying, in case at some point they do decide to offload the space. Out of all three counties, Broward County had the least amount of vacant sublease space quarter-over-quarter, as the sublease vacancy decreased by 10-basis points from 0.9 percent down to 0.8 percent vacant.

### Office Sublease Space: Available vs. Vacant

South Florida Q2 2023

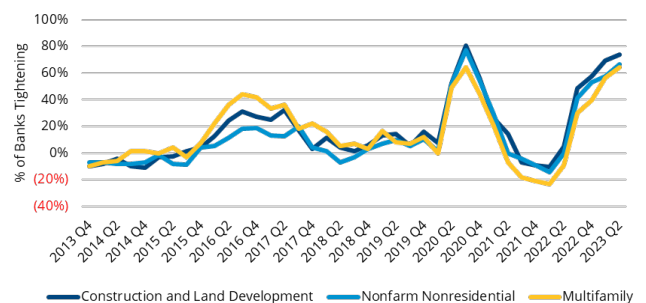


Source: Colliers International, Costar

## Tightened Lending Standards Cause Investors to Seek Recourse Options

Due to the increased cost to borrow, securing financing and closing a deal is becoming more challenging. The Fed's latest lender survey shows a clear upward trajectory of tightening lending standards, making it more difficult for borrowers to secure a new loan or refinance maturing loans. With rates higher than when they originally took out their debt, some landlords may fall short of meeting debt-service coverage ratio requirements causing them to seek private capital or mezzanine debt. That said, private capital is being raised for distressed product with slight discounts in South Florida despite its insulation during the pandemic, surge in population and new-to-market companies.

### Banks Tightening Lending Standards Through Q2 2023



Sources: Colliers, Federal Reserve Bank of St.

Significant Sales Activity

Address	Size	Buyer	Sales Price
110 East - 110 East Broward Blvd	368,791	JV: Pebb Capital, Intalex Capital, CDS International Holdings	\$43,000,000 (\$117)
Cornerstone One - 1200 S Pine Island Rd	170,172	Brookdale Group	\$37,935,000 (\$223)
Plantation Medical Office Park - 6710 W Sunrise Blvd	63,319	Dayan & Dayan	\$15,450,000 (\$244)
Cumber Executive Plaza - 10100 W Sample Rd	42,000	Ritter Zaretsky Lieber & Jaime, LLP	\$7,150,000 (\$170)
Sun Medical Center - 2866 E Oakland Park Blvd	14,053	AIDS Healthcare Foundation	\$6,900,000 (\$491)

Significant Lease Activity

Address	Size	Tenant	Type
Park Center - 6363 NW 6th Way	47,566/71,658	Moss & Associates	Renewal/Expansion
BayView Corporate Tower - 6451 N Federal Hwy	33,827	Whole Foods Market	Renewal
110 East - 110 E Broward Blvd	32,138	ABA Centers of America	Expansion
Crossroads II - 8151 Peters Rd	32,020	Morgan & Morgan	New
Bayview Corporate Tower - 6451 N Federal Hwy	15,028	KD Construction of Florida	New

Broward County Overall Market

Quarter & Year	Buildings	Total Inventory SF	Direct Vacancy %	Total Vacancy %	Net Absorp. Current Qtr. SF	Net Absorp. YTD SF	New Completions SF	Under Construction SF	Overall Avg. Direct Asking Rate FS	Class A Avg. Direct Asking Rate FS
2023 Q2	1,491	64,946,269	10.8%	11.5%	(98,640)	(199,794)	49,609	209,818	\$36.70	\$40.74
2023 Q1	1,490	64,896,660	10.4%	11.3%	(101,154)	(101,154)	70,000	259,427	\$36.58	\$40.53
2022 Q4	1,490	64,845,318	10.3%	11.1%	(227,427)	373,380	11,500	329,427	\$36.49	\$40.55
2022 Q3	1,490	64,853,818	9.9%	10.8%	292,302	600,807	326,122	272,865	\$36.29	\$40.30
2022 Q2	1,487	64,527,696	10.0%	10.8%	208,648	308,505	0	598,987	\$36.42	\$40.64
2022 Q1	1,488	64,606,641	10.3%	11.2%	99,857	99,857	0	487,231	\$36.01	\$40.55
2021 Q4	1,489	64,617,601	10.4%	11.4%	96,643	(452,214)	0	487,231	\$34.96	\$39.52
2021 Q3	1,493	64,733,273	10.6%	11.7%	170,150	(548,857)	0	487,231	\$34.93	\$39.55
2021 Q2	1,495	64,790,034	10.9%	12.0%	(292,909)	(719,007)	0	299,609	\$34.46	\$39.49
2021 Q1	1,496	64,806,034	10.8%	11.6%	(426,098)	(426,098)	200,049	150,000	\$34.24	\$40.02
2020 Q4	1,501	64,925,080	10.6%	11.1%	(204,729)	(1,088,232)	607,749	350,049	\$33.22	\$38.48
2020 Q3	1,499	64,379,346	9.6%	10.0%	(372,449)	(883,503)	39,343	957,798	\$31.73	\$36.72
2020 Q2	1,498	64,355,453	8.9%	9.4%	(215,312)	(511,054)	0	997,141	\$31.79	\$36.84

**Bold** Denotes Colliers Represented Transaction

Submarket Breakdown

Property Type	# of Buildings	Total Inventory SF	Direct Vacancy %	Total Vacancy %	Net Absorp. Current Qtr. SF	New Completions SF	Under Construction SF	Avg. Direct Asking Rate FS
Central Business District								
Commercial Boulevard								
A	3	235,137	10.8%	10.8%	(7,431)	0	0	\$38.20
B	15	597,281	7.2%	9.7%	(3,662)	0	0	\$22.42
C	14	499,666	2.1%	2.1%	0	0	0	\$24.00
Overall	32	1,332,084	5.9%	7.0%	(11,093)	0	0	\$31.56
Downtown Fort Lauderdale								
A	27	5,812,625	17.2%	18.4%	50,862	0	0	\$52.27
B	59	2,352,580	5.1%	5.4%	24,091	0	30,000	\$35.53
C	41	1,061,721	10.7%	10.7%	(9,708)	0	0	\$35.59
Overall	128	10,678,601	11.5%	12.2%	65,245	0	30,000	\$50.32
Fort Lauderdale								
A	7	1,289,213	11.2%	11.2%	172	0	0	\$35.96
B	146	5,417,785	12.2%	12.3%	(79,383)	0	0	\$31.85
C	92	1,915,392	5.1%	5.2%	3,474	0	0	\$27.84
Overall	245	8,622,390	10.5%	10.5%	(75,737)	0	0	\$32.82
Hollywood								
A	8	818,819	14.4%	16.8%	(12,708)	49,609	0	\$42.18
B	90	2,847,064	6.1%	6.9%	20,018	0	0	\$38.43
C	60	1,175,151	1.6%	1.6%	(2,699)	0	0	\$27.60
Overall	158	4,841,034	6.4%	7.3%	4,611	49,609	0	\$39.22
Pompano Beach								
A	8	679,435	11.5%	17.4%	(1,536)	0	0	\$31.12
B	117	3,581,246	11.4%	12.3%	15,214	0	0	\$27.51
C	54	1,246,879	4.1%	4.1%	4,588	0	0	\$23.31
Overall	179	5,507,560	9.7%	11.1%	18,266	0	0	\$28.04
Suburban								
Cypress Creek								
A	24	2,714,160	14.4%	16.6%	40,020	0	0	\$31.03
B	96	4,396,223	6.6%	7.9%	10,019	0	0	\$25.13
C	36	846,592	4.0%	4.0%	(5,389)	0	0	\$20.77
Overall	156	7,956,975	9.0%	10.5%	44,650	0	0	\$28.28
Hallandale								
A	2	179,343	27.7%	27.7%	(6,974)	0	111,756	\$54.14
B	17	788,284	9.1%	9.1%	9,213	0	0	\$29.02
C	18	397,903	7.2%	7.2%	11,603	0	0	\$41.25
Overall	37	1,365,530	11.0%	11.0%	13,842	0	111,756	\$49.43

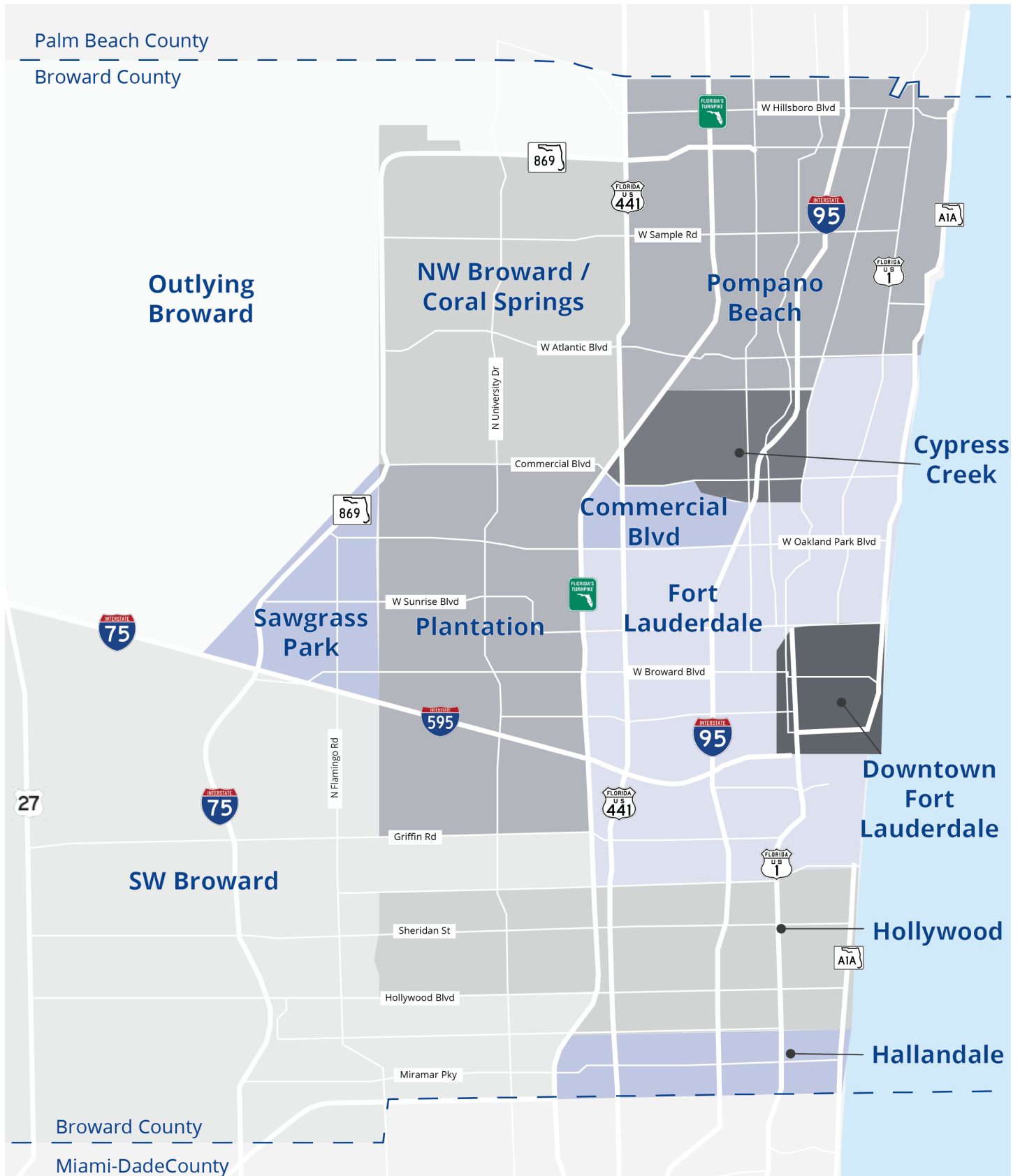
## Submarket Breakdown

Property Type	# of Buildings	Total Inventory SF	Direct Vacancy %	Total Vacancy %	Net Absorp. Current Qtr. SF	New Completions SF	Under Construction SF	Avg. Direct Asking Rate FS
NW Broward / Coral Springs								
A	11	789,699	14.2%	17.2%	23,947	0	0	\$34.27
B	96	2,730,901	11.9%	12.3%	(10,501)	0	0	\$28.14
C	40	913,007	5.1%	6.0%	14,873	0	0	\$30.08
<b>Overall</b>	<b>147</b>	<b>4,433,607</b>	<b>10.9%</b>	<b>11.9%</b>	<b>28,319</b>	<b>0</b>	<b>0</b>	<b>\$30.42</b>
Outlying Broward County								
A	0	0	0.0%	0.0%	0	0	0	-
B	2	28,296	9.9%	9.9%	0	0	0	-
C	0	0	0.0%	0.0%	0	0	0	-
<b>Overall</b>	<b>2</b>	<b>28,296</b>	<b>9.9%</b>	<b>9.9%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>
Plantation								
A	17	2,287,901	19.7%	20.6%	(5,314)	0	34,000	\$36.47
B	106	3,926,344	15.3%	15.7%	(127,227)	0	34,062	\$31.24
C	59	1,410,707	13.1%	13.1%	(5,123)	0	0	\$30.10
<b>Overall</b>	<b>182</b>	<b>7,624,952</b>	<b>16.2%</b>	<b>16.7%</b>	<b>(137,664)</b>	<b>0</b>	<b>68,062</b>	<b>\$33.22</b>
Sawgrass Park								
A	18	2,070,837	23.6%	25.1%	(46,007)	0	0	\$37.39
B	31	2,316,880	8.8%	9.3%	(22,257)	0	0	\$43.67
C	5	156,102	28.8%	28.8%	0	0	0	-
<b>Overall</b>	<b>54</b>	<b>4,543,819</b>	<b>16.2%</b>	<b>17.2%</b>	<b>(68,264)</b>	<b>0</b>	<b>0</b>	<b>\$39.09</b>
SW Broward								
A	38	3,659,769	8.1%	8.8%	33,935	0	0	\$35.26
B	109	3,786,080	6.5%	7.2%	(12,810)	0	0	\$33.89
C	24	565,572	12.1%	12.1%	(1,940)	0	0	\$31.48
<b>Overall</b>	<b>171</b>	<b>8,011,421</b>	<b>7.7%</b>	<b>8.3%</b>	<b>19,185</b>	<b>0</b>	<b>0</b>	<b>\$34.70</b>





## Submarket Map



# 501 offices in 65 countries on 6 continents



**\$5.0B**  
in revenue



**2B**  
square feet  
under management



**21,000 +**  
professionals and staff



## About Colliers

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## South Florida Regional Locations:

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