

MARKETBEAT

Fort Myers / Naples

Office Q2 2019



CUSHMAN & WAKEFIELD

**COMMERCIAL
PROPERTY
SOUTHWEST FLORIDA**

FORT MYERS/NAPLES OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Southwest Florida Employment	470k	486k	▲
Southwest Florida Unemployment	3.3%	3.0%	▼
U.S. Unemployment	3.9%	3.6%	▼

**Numbers above are monthly figures, May 2019, FL Dept. Economic OPP.*

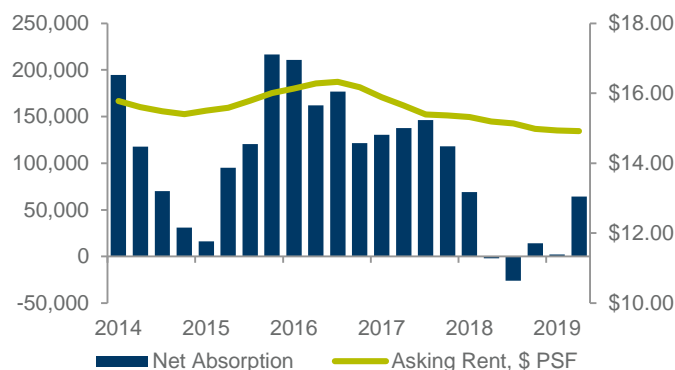
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	6.4%	6.0%	▼
YTD Net Absorption (sf)	-197k	-3k	▲
Under Construction (sf)	157k	336k	▼
Average Asking Rent*	\$14.85	\$14.76	■

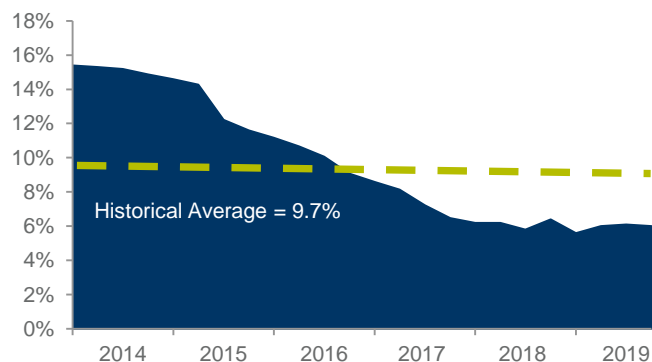
**Rental rates reflect gross asking \$psf/year*

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Southwest Florida, which includes Charlotte, Lee and Collier counties, had an unemployment rate of 3.0%, down -60 basis points (bps) year-over-year. The unemployment rates for the three counties with office inventory were 3.0% in Lee County, the largest office market in the region, Collier County at 2.8% and Charlotte County at 3.5%. Professional & Business Services added +3,000 jobs over the year, giving it a +5.2% increase which was one of the highest growth rates in the state. The Financial Activities sector added another 100 jobs over the past 12 months while employment in the Government and Information sectors fell by -0.6% and -4.3%, respectively in the Cape Coral-Fort Myers combined MSA.

Market Overview

The market wide overall vacancy rate fell to 6.0% at the close of second quarter, a marginal -10 bps decrease from first quarter 2019. Despite stabilization in overall market vacancy, low tenant demand for Class A office space pushed the vacancy rate in that class to 15.1%, the highest overall vacancy rate in three years. Decreased occupancy in Class A office buildings lowered average asking rental rates both year-over-year and quarter-over-quarter, closing first quarter at \$17.89 per square foot (psf).

Leasing activity slowed in second quarter overall, with a slight increase in renewals. Overall net absorption in the market was positive in the second quarter even though there was a slight decrease in the total number of reported lease deals. There was nearly 1.3 million square feet (msf) of direct vacant space available, mostly from Class B assets in the North Naples and City of Fort Myers submarkets. Some of the largest office lease transactions occurred in the S. Fort Myers/San Carlos submarket of Lee County. One of the largest office leases signed was at 12140 Carissa Commerce Court in Fort Myers for Priority Marketing.

The build-to-suit construction pipeline remained predominately unchanged from first quarter 2019. The expansion for Arthrex, the orthopedic medical device company, remained under construction in Naples. One of the quarter's completions was from developer Optimal Outcomes and general contractor Precise Construction for Florida Cancer Specialists & Research Institute building which totaled 50,000 square feet. Speculative construction remained muted for the second consecutive quarter in 2019.

Outlook

There is pent up office demand in the Southwest Florida office market. However, increased costs of tenant improvements, labor shortages, and construction prices have constrained speculative office development and rent growth potential. Cushman & Wakefield Commercial Property Southwest Florida anticipates vacancy rates to remain stabilized with limited speculative construction and marginal changes in rent growth.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Bonita Springs	1,216,424	280	68,005	5.6%	5,821	-907	0	\$13.86	\$14.22
Cape Coral	1,782,014	0	59,128	3.3%	2,587	-10,271	5,800	\$11.60	\$12.49
City of Fort Myers	3,927,213	17,150	336,792	9.0%	130,185	97,989	0	\$11.08	\$14.22
Estero	628,929	0	7,704	1.2%	0	10,058	0	\$15.11	N/A
Lehigh Acres	209,442	0	8,888	4.2%	0	192	0	\$13.17	N/A
North Fort Myers	229,792	0	0	0.0%	0	0	0	\$11.87	N/A
S. Fort Myers/San Carlos	5,624,280	7,200	305,998	5.6%	-30,958	-49,312	8,800	\$13.74	\$15.72
The Islands	165,716	0	2,640	1.6%	0	-2640	0	N/A	N/A
LEE COUNTY SUBTOTAL	13,783,810	24,630	789,155	5.9%	107,635	45,109	14,600	\$12.61	\$15.02
East Naples	1,063,324	0	24,993	2.4%	11,581	4,126	0	\$14.96	N/A
Golden Gate	87,060	0	0	0.0%	0	0	0	N/A	N/A
Lely	39,189	0	0	0.0%	0	3,720	0	\$21.00	N/A
Marco Island	184,763	0	16,947	9.2%	-2,109	-2,109	0	\$19.59	N/A
Naples	892,404	0	14,831	1.7%	11,999	11,603	0	\$23.12	\$35.37
North Naples	3,583,975	9,128	344,203	9.9%	-22,272	-79,074	313,800	\$22.42	\$23.34
Outlying Collier County	339,517	0	28,286	8.3%	4,000	-2,650	0	\$14.13	N/A
COLLIER COUNTY SUBTOTAL	6,190,232	9,128	429,260	7.1%	3,199	-64,384	313,800	\$21.67	\$24.17
CHARLOTTE COUNTY SUBTOTAL	2,585,060	0	98,739	3.8%	18,721	16,685	7,735	\$13.09	\$13.42
TOTALS	22,559,102	33,758	1,317,154	6.0%	129,555	-2,590	336,135	\$14.76	\$17.89

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT *	DIRECT AVERAGE ASKING RENT*
Class A	3,155,790	15,000	462,800	15.1%	-37,418	-98,475	300,000	\$17.89	\$17.78
Class B	13,217,386	16,608	568,771	4.4%	161,864	105,979	36,135	\$14.56	\$14.56
Class C	6,185,926	2,150	285,583	4.7%	5,109	-10,094	0	\$11.53	\$11.53

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
12140 Carissa Commerce Ct., Fort Myers, FL	10,420	Priority Marketing	New Lease	S. Fort Myers/San Carlos
15701 S. Tamiami Trl., Fort Myers, FL	10,000	Law Office of Kevin F. Jursinski & Associates	Renewal	S. Fort Myers/San Carlos
2075 W. First St., Fort Myers, FL	5,815	Undisclosed	New Lease	City of Fort Myers

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
5117-5137 Castello Dr. & 5100-5200 Tamiami Trl. N., Naples, FL	102,075	Foxrock Newgate 5150 Realty, LLC/Tamiami Newgate LLC	\$33,000,000/\$323	North Naples
3001 & 3003 Tamiami Trl. N., Naples, FL	60,550	GOFSCO LLC/Collier Place Holdings LLC	\$12,850,000/\$212	North Naples
3060,3066,3078 Tamiami Trl. N., Naples, FL	39,924	Zentac Productions, Inc./FCRCG 3060 Tamiami, LLC	\$7,025,000/\$176	North Naples

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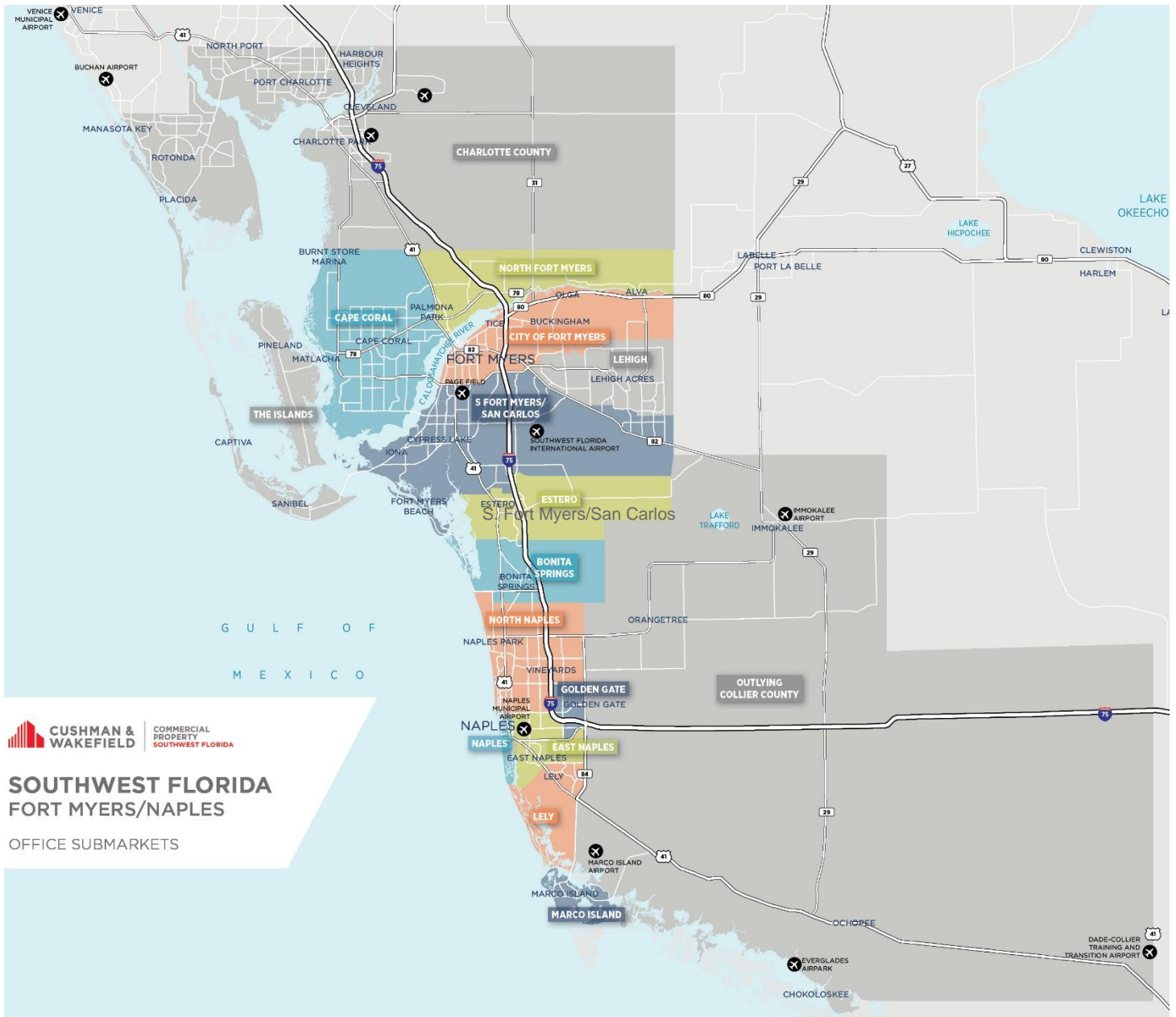
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OFFICE SUBMARKETS

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About Cushman & Wakefield

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