MARKETBEAT

SOUTHWEST FLORIDA

Office Q1 2023

CUSHMAN & WAKEFIELD | COMMERCIAL PROPERTY SOUTHWEST FLORIDA

	YoY Chg	12-Mo. Forecast
3.5% Vacancy Rate	▼	—
-32K Net Absorption, SF, YTD	▼	▼
$20.79 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
471.4K Southwest Florida Employment	▲	▲
3.0% Southwest Florida Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW:

The Southwest Florida (SWFL) metropolitan statistical area (MSA) had an unemployment rate of 3.0% in March 2023, 50 basis points (bps) below the national average of 3.5%. This represents a decline of 10 bps year-over-year, despite losing more than 45,000 jobs in the Fort Myers/Lee County region after Hurricane Ian. Education and health services led the market in Q1 job gains, followed closely by growth in the mining, logging and construction sector.

SUPPLY AND DEMAND:

With an overall vacancy rate of 3.5%, SWFL boasts one of the lowest office vacancy rates in the nation. However, a continued trend of low demand for Class A space has led to significantly higher vacancy rates (11.4%) in that property class. The Golden Gate, Lely and Outlying Collier County submarkets currently have no available space, offering evidence that businesses and residents are migrating inland from more prominent coastal areas. In South Fort Myers/San Carlos, an uncharacteristically high ratio of sublet space to direct space potentially indicates a shift in how businesses utilize physical workplaces in our post-hurricane, post-pandemic era.

For the third quarter in a row, SWFL reported zero construction completions, however we anticipate four deliveries in 2023 totaling 134,231 square feet (sf). Two are speculative projects in East Naples, which should alleviate some of Collier County's tight vacancy rate. The remaining projects are build-to-suit endeavors in the South Fort Myers/San Carlos submarket: a 97,000-sf headquarters for Alta Resources and a 2,250-sf office building with a signed 15-year lease to cannabis operator AYR Wellness.

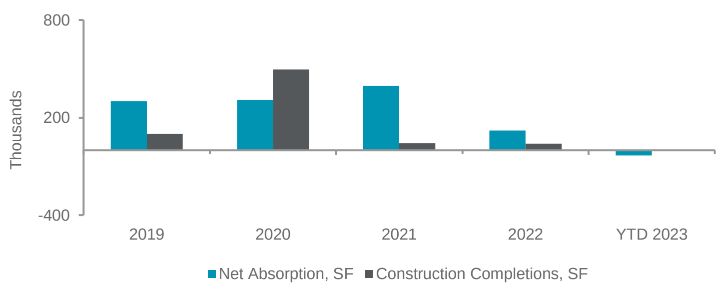
Overall absorption in the MSA is negative for the second consecutive quarter. This may continue to decline as FEMA and other hurricane relief tenants complete their short-term leases. Government agencies, medical office users, and legal and financial firms comprised the majority of significant leasing activities.

PRICING:

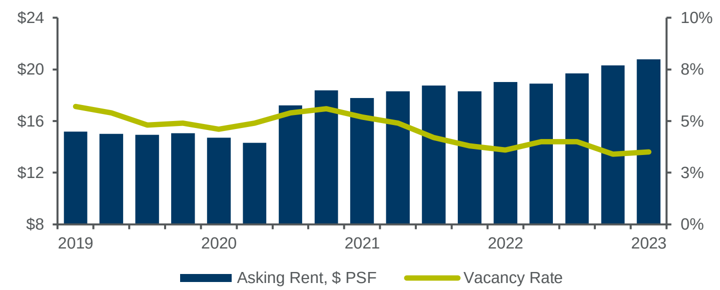
With a current asking rate of $20.79 per square foot (psf), gross office rents increased for the third straight quarter. Because of continued low demand for Class A space, Class A asking rates are $0.60 psf lower than overall asking rents. Collier County rents, averaging more than $30.00 psf, continue to outpace Lee and Charlotte Counties at $21.66 psf and $17.79 psf, respectively.

Average cap rates remain relatively steady at 7.4%, a slight 10 bps increase quarter-over-quarter. In the last year, 111 offices have traded, with 69 active office sale listings at the close of Q1.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Charlotte County	2,325,454	0	51,350	2.2%	-10,540	-10,540	5,692	0	$17.79	$17.56
SUBMARKET TOTALS	**2,325,454**	**0**	**51,350**	**2.2%**	**-10,540**	**-10,540**	**5,692**	**0**	**$17.79**	**$17.56**
Bonita Springs	954,989	365	32,325	3.4%	-373	-373	4,108	0	$27.29	---
Cape Coral	1,583,844	0	29,925	1.9%	-17,290	-17,290	9,742	0	$20.44	---
Estero	517,997	0	4,274	0.8%	---	---	280	0	---	---
City of Fort Myers	3,853,384	23,503	61,598	2.2%	-4,913	-4,913	6,263	0	$19.52	---
South Fort Myers	5,251,823	129,499	122,103	4.8%	25,339	25,339	58,672	99,250	$19.39	$21.63
North Fort Myers	229,834	---	---	---	---	---	---	0	---	---
Lehigh Acres	168,510	---	---	---	1,436	1,436	---	0	---	---
The Islands	176,653	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	**12,737,034**	**153,367**	**250,225**	**2.6%**	**4,199**	**4,199**	**79,065**	**99,250**	**$21.66**	**$21.63**
East Naples	1,193,692	11,494	52,094	5.3%	-24,514	-24,514	2,928	34,981	$30.39	---
North Naples	3,486,767	0	191,373	5.5%	-1,643	-1,643	37,741	0	$26.19	$27.00
Naples	687,895	0	27,476	4.0%	-4,393	-4,393	12,242	0	$35.00	---
Marco Island	141,477	---	---	---	4,500	4,500	---	0	---	---
Lely	34,014	---	---	---	---	---	1180	0	---	---
Outlying Collier County	370,716	0	0	0.0%	---	---	3,484	0	---	---
Golden Gate	70,923	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	**5,985,484**	**11,494**	**270,943**	**3.7%**	**-26,050**	**-26,050**	**57,575**	**34,981**	**$30.53**	**$27.00**
SOUTHWEST FLORIDA TOTALS	**21,047,972**	**164,861**	**572,518**	**3.5%**	**-32,391**	**-32,391**	**142,332**	**134,231**	**$20.79**	**$20.19**

Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5025 Castello Drive	North Naples	NAMI Collier County	12,494	New lease
15455 Collier Blvd.	North Naples	WellMed	11,700	New lease
5220 Summerlin Commons Blvd.	S. Fort Myers/San Carlos	North Law Firm	10,940	New lease
1100 5th Ave S.	Naples	Nicolet National Bank	5,672	New lease

Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
9100 Forum Corporate Pkwy.	City of Fort Myers	Keenan Development Group / Everglades College	41,156	$12M/$291.57
2180 W 1st St.	City of Fort Myers	2180 West First St LLC / Edwards Companies	36,028	$4.8M/$131.84
1600 Tamiami Trl.	Charlotte County	Florida Central Credit Union / Tidewater Capital Group	19,492	$3.5M/$179.56

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