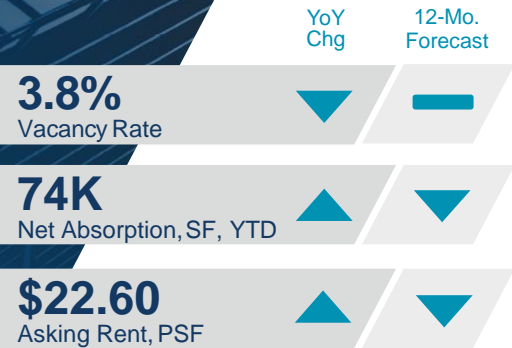


# MARKETBEAT

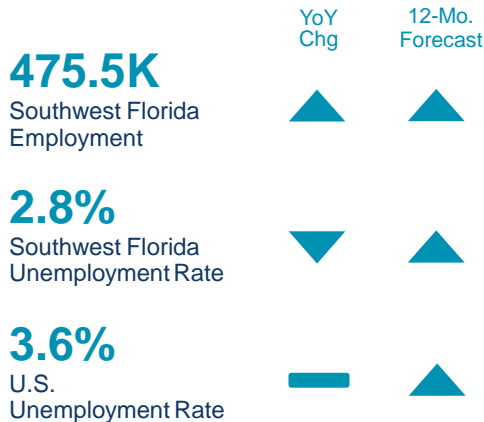
# SOUTHWEST FLORIDA

Office Q2 2023



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2023



Source: BLS

## ECONOMIC OVERVIEW:

Nine months after Hurricane Ian struck Southwest Florida, the metropolitan statistical area (MSA) continues to experience economic recovery. The region's unemployment rate now stands at 2.7%, a year-over-year (YOY) improvement of 10 basis points (bps) and notably lower than the national average of 3.6%. Non-agricultural employment has expanded by 12,400 new jobs YOY, demonstrating growth across nearly every sector. The strongest job growth has been observed in construction, leisure/hospitality, education, and health services. Additionally, the regional population has consistently increased, rising by 2.5% over the past five years.

## SUPPLY AND DEMAND:

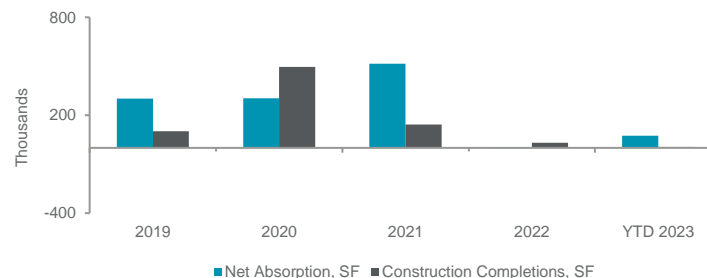
Southwest Florida maintains an overall vacancy rate below 4.0%, with Charlotte County holding the lowest vacancy rate in the tri-county region at 2.1%. In the region, 97.0% of the total office space is leased, and overall vacancies have remained unchanged since Q1 2023. The area witnessed its first delivery since Q2 2022: 5,856 square feet of speculative office space in the East Naples submarket. Additionally, two buildings totaling 113,000 square feet are under construction in the S. Fort Myers/San Carlos submarket, including a speculative project and a build-to-suit facility for Alta Resources.

New Class A leasing activity climbed 63% quarter-over-quarter, surging from 56,808 square feet in Q1 to 89,811 square feet in Q2. The majority of large leases took place in Collier County, encompassing two renewals at Mercato Naples and a new lease for 14,139 square feet in East Naples. The quarter concluded with positive net absorption of 2,789 square feet, resulting from total leasing activity amounting to 195,978 square feet.

## PRICING:

Overall, asking rents reached \$22.60 per square foot (psf), marking a modest increase of \$0.16 quarter-over-quarter, and sitting \$2.42 psf higher than Q2 2022. Average cap rates have risen to 8.19%, reflecting a 48-bps increase YOY. Average sale prices have dipped to \$190 psf, down from the three-year record high of \$196 psf recorded in Q2 2022. This slight decline in price is likely attributable to rising interest rates and an uncertain economic climate.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT





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	2,337,099	0	49,159	2.1%	4,628	-3,020	21,583	0	\$16.70	\$16.43
<b>SUBMARKET TOTALS</b>	<b>2,337,099</b>	<b>0</b>	<b>49,159</b>	<b>2.1%</b>	<b>4,628</b>	<b>-3,020</b>	<b>21,583</b>	<b>0</b>	<b>\$16.70</b>	<b>\$16.43</b>
Bonita Springs	1,138,110	10,399	38,822	4.3%	3,219	301	25,308	0	---	---
Cape Coral	1,599,261	0	40,829	2.6%	-9,743	-33,104	16,507	0	---	---
Estero	517,997	0	1,367	0.3%	2,907	2,907	9,375	0	---	---
City of Fort Myers	3,758,205	4,774	53,049	1.5%	34,431	18,990	17,641	0	\$19.53	---
South Fort Myers	5,586,686	151,100	192,982	6.2%	-67,310	52,715	115,588	113,000	\$19.71	\$21.51
North Fort Myers	242,263	---	---	---	---	---	---	0	---	---
Lehigh Acres	164,408	---	---	---	---	1,436	---	0	---	---
The Islands	177,941	0	4,288	2.4%	-4,288	-4,288	---	0	---	---
<b>SUBMARKET TOTALS</b>	<b>13,184,871</b>	<b>166,273</b>	<b>331,337</b>	<b>2.9%</b>	<b>-40,784</b>	<b>38,957</b>	<b>184,419</b>	<b>113,000</b>	<b>\$19.62</b>	<b>\$21.51</b>
East Naples	1,222,844	11,494	45,187	4.6%	12,763	49	9,073	0	---	---
North Naples	3,821,041	6,326	203,452	5.5%	17,636	25,370	157,385	0	\$26.84	\$27.00
Naples	638,449	945	12,396	2.1%	8,546	4,953	24,433	0	\$35.00	---
Marco Island	175,089	0	3,388	1.9%	---	4,500	---	0	---	---
Lely	34,014	---	---	---	---	---	1,180	0	---	---
Outlying Collier County	370,716	---	---	---	---	3,484	3,484	0	---	---
Golden Gate	76,123	---	---	---	---	---	---	0	---	---
<b>SUBMARKET TOTALS</b>	<b>6,338,276</b>	<b>18,765</b>	<b>264,423</b>	<b>3.5%</b>	<b>38,945</b>	<b>38,356</b>	<b>195,555</b>	<b>0</b>	<b>\$30.92</b>	<b>\$27.00</b>
<b>SOUTHWEST FLORIDA TOTALS</b>	<b>21,860,246</b>	<b>185,038</b>	<b>644,919</b>	<b>3.8%</b>	<b>2,789</b>	<b>74,293</b>	<b>401,557</b>	<b>113,000</b>	<b>\$22.60</b>	<b>\$19.58</b>

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9128 Strada Pl.	North Naples	Merrill	21,364	Renewal
704-708 Goodlette-Frank Rd.	East Naples	Meliora Health, PLLC	14,139	New lease
9110 Strada Pl.	North Naples	Dentons Cohen & Grigsby	12,604	Renewal
3700 Central Ave.	City of Fort Myers	Blue Cloud Pediatric Surgery Centers	10,127	New lease

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3301 Bonita Beach Rd SW	Bonita Springs	Klingler LLC / IRC International Realty Corporation	69,442	\$14.4M/\$206.79
8140 College Pkwy.	S. Fort Myers/San Carlos	HB Family Limited Partnership / OGNC LLC	16,864	\$1.5M/\$92.21
5101 Tamiami Trl E	East Naples	Med-Life Enterprise Inc. / Farley White Interests	11,800	\$2.2M/\$186.44

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