

Industrial Q1 2023

	YoY Chg	12-Mo. Forecast
0.6% Vacancy Rate	▼	▲
216K Net Absorption, YTD, SF	▲	▲
\$10.49 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

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:

Population numbers continued to rise in the Southwest Florida (SWFL) market. In Lee County, the largest county in the metropolitan statistical area (MSA), the population growth rate of 0.8% doubled the national index level of 0.4%. Overall, the SWFL MSA added 15,700 non-agricultural jobs year-over-year (YOY). Despite the boost in both population and jobs, single family building permits have decreased 20% since January 2022, and sales of existing homes are down 27% over the same period, likely a result of evolving monetary policy and regional challenges left over from Hurricane Ian.

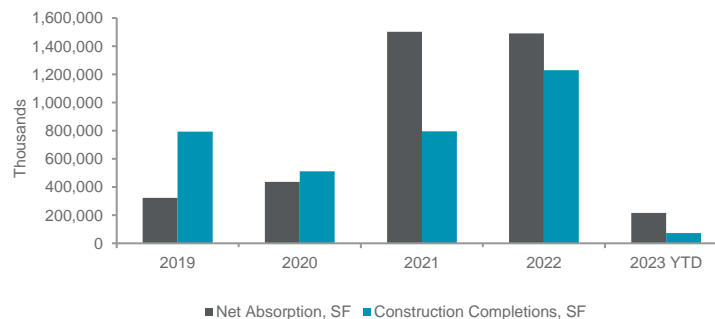
SUPPLY AND DEMAND:

For the 18th consecutive quarter, the SWFL industrial market has yielded positive net absorption, with total Q1 net absorption of 215,983 square feet (sf). The industrial vacancy rate ended the quarter at 0.6%, a decline of 110 basis points (bps) YOY and is even lower in Charlotte County and the City of Fort Myers, with vacancy rates of 0.4%. Demand in these submarkets should see some relief with almost 1.2 million square feet (msf) of speculative warehouse/distribution space scheduled for delivery in 2023. These include Tri-County 75, an 815,000-sf industrial development along Lockett Road in Fort Myers, and the 378,000 sf Florida Gulf Coast 75 Logistics Center on Piper Road in Charlotte County. In total, the MSA has more than 3 msf of warehouse product in the construction pipeline, representing a 6.6% increase in inventory. Nearly two-thirds (64%) of this inventory has been pre-leased, including build-to-suit projects. In total, more than 2.8 msf of new industrial supply is anticipated to deliver throughout 2023. Two industrial buildings were delivered in Q1: A 50,520 sf build-to-suit facility leased by Premier Linen Services and a 21,786-sf building leased by defense manufacturer Xavier Defense.

PRICING:

Overall triple net rates (NNN) rose by a modest 1.6% quarter-over-quarter, finishing Q1 at \$10.49 per square foot (psf). The market's 8.2% annual rent growth was 900 bps lower than the national index of 17.2%. Rent for manufacturing space in SWFL far outpaced other property classes, with YOY rent growth of 42.3%, rising steeply from \$11.57 psf in Q1 2022 to \$17.78 psf in Q1 2023. Industrial cap rates across the three-county market stand at 6.8%, 90 bps over the national cap rate, which may spark interest with investors seeking last-mile locations. The vast majority (96%) of industrial sales in Q1 were made to investors, who acquired 674,752 sf of industrial property.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q1 2023

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Charlotte County	4,321,740	15,678	0.4%	-6,950	-6,950	418,000	0	---	\$14.00	\$11.67
CHARLOTTE COUNTY SUBMARKET TOTALS	4,321,740	15,678	0.4%	-6,950	-6,950	418,000	0	---	\$14.00	\$11.67
Bonita Springs	1,365,006	15,800	1.2%	-1,200	-1,200	0	0	---	\$18.08	\$16.33
Cape Coral	3,108,385	16,942	0.5%	4,492	4,492	148,975	0	---	\$13.19	\$13.81
Estero	17,292	---	---	---	---	0	0	---	---	---
City of Fort Myers	9,206,202	38,642	0.4%	-6,500	-6,500	1,021,152	0	---	---	\$8.92
South Fort Myers	14,701,503	90,146	0.6%	221,102	221,102	468,800	72,306	\$13.00	\$12.98	\$11.39
North Fort Myers	1,135,340	16,000	1.4%	4,800	4,800	0	0	---	---	\$8.55
Lehigh Acres	1,134,493	10,942	1.0%	-3,697	-3,697	0	0	---	\$10.00	\$11.84
The Islands	108,735	---	---	---	---	0	0	---	---	---
LEE COUNTY SUBMARKET TOTALS	30,776,956	188,472	0.9%	218,997	218,997	1,638,927	72,306	\$13.00	\$13.56	\$11.81
East Naples	4,827,408	26,908	0.6%	-9,074	-9,074	7,800	0	\$18.00	\$14.21	\$18.38
North Naples	3,712,738	31,258	0.8%	9,410	9,410	0	0	\$18.05	\$18.00	\$20.25
Naples	46,200	---	---	---	---	0	0	---	---	---
Marco Island	82,180	---	---	---	---	0	0	---	---	---
Outlying Collier County	1,360,189	---	---	---	---	937,000	0	---	---	---
Golden Gate	78,895	---	---	3,600	3,600	0	0	---	---	---
COLLIER COUNTY SUBMARKET TOTALS	10,107,610	58,166	0.7%	3,936	3,936	944,800	0	\$18.03	\$16.11	\$19.32
SOUTHWEST FLORIDA TOTALS	45,206,306	262,316	0.6%	215,983	215,983	3,001,727	72,306	\$17.78	\$13.53	\$10.18

*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
16670-16880 Oriole Rd.	S. Fort Myers/San Carlos	Undisclosed	174,539	New Lease
28230 Challenger Blvd.	Charlotte County	ABC Supply Co.	60,000	New Lease
4300-4380 S Cleveland Ave.	City of Fort Myers	Highland Cabinetry	31,200	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9301 Piper Rd.	Charlotte County	SunCap Property Group / PGIM	250,000	\$46.6M / \$186.47
16710 Gator Rd.	S. Fort Myers/San Carlos	Fusion Industries / SBM Exchange I LLC	59,791	\$8.8M / \$146.34
2177 Andrea Ln.	S. Fort Myers/San Carlos	R & C Investment Properties / Properties of S & O LLC	20,904	\$2.4M / \$114.81

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