

MARKETBEAT

Southwest Florida

Medical Office Report Q1 2019



Southwest Florida

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Southwest Florida Employment	274k	283k	▲
Southwest Florida Unemployment	3.5%	3.3%	▼
U.S. Unemployment	4.1%	3.8%	▼

*Numbers above are quarterly averages

Employment numbers are for the Cape Coral/Fort Myers MSA.

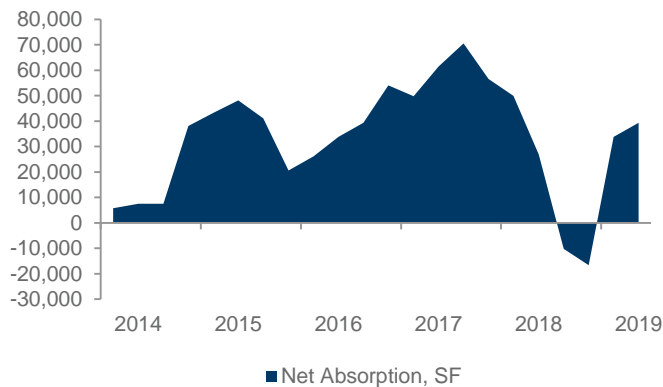
Market Indicators (Overall, All Three Counties)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	8.9%	9.6%	▲
YTD Net Absorption (sf)	-40k	-19k	▼
Under Construction (sf)	30k	53k	■
Average Asking Rent*	\$14.67	\$14.68	■

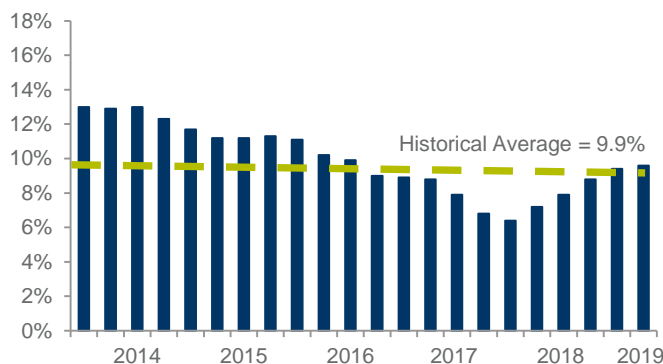
*Rental rates reflect overall gross asking \$psf/year for all spaces in medical office buildings.

Overall Net Absorption

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Southwest Florida, which includes Charlotte, Collier, Glades, Hendry and Lee counties, had an unemployment rate of 3.4%, down -20 basis points (bps) year-over-year. Lee County, with the largest medical office market in the region, had an unemployment rate at 3.3%, while Collier County was at 3.1% and Charlotte County slightly higher at 3.9%. Employment in Southwest Florida had an increase in annual job growth in the Education and Health Services sector, up +2,400 jobs in 12-months. This employment sector registered a +4.7% increase in employment in the Cape Coral-Fort Myers MSA and a +3.6% increase in the Naples-Collier County MSA.

Market Overview

Existing practices are consolidating in the Southwest Florida market as shown by increased year-over-year vacancy. The overall vacancy rate rose from 8.9% last year to 9.6% at the close of first quarter 2019, an increase of +70 bps. During this timeframe asking rent has stabilized with little to no change from this time last year.

Lee County was the only submarket with positive absorption showing 50,000 square feet (sf) of total leasing, which accounted for nearly 65% of all leasing activity for the quarter. Overall absorption was modest however, despite a total of 31 leases in the first quarter. Much of the positive absorption was generated from small lease transactions with the average deal size for the quarter being less than 2,000 sf market-wide. Absorption was negative for Lee County this time last year, ending first quarter 2018 at -12,728 sf.

Sale volume decreased in the first quarter of 2019 with most buyers being private investors. Medical office building (MOB) development was slow at the start of 2019. The most recent delivery devoted to MOB use is located at 11380 Bonita Beach Road in the Lee County submarket. The owner-occupied building named Bonita Sol totals 6,218 sf with 2,646 sf available for leasing.

Notable healthcare buildings that were under construction in Q3 2018 delivered in Q4 2018 from both Lee Health and NCH Healthcare. The 163,000-square-foot medical facility and health and wellness village-Lee Health Coconut Point-opened in December of 2018 on 31 acres in Estero. The 44,265-square-foot medical center-NCH Healthcare Bonita-opened their emergency department in December of 2018 and physician offices in March of 2019 from general contractor, Waldbillig & Hood.

Outlook

Increased provider, labor and material costs continued to challenge the MOB industry in Southwest Florida. A continued trend of urgent care facilities and pharmacy healthcare in retail-centered locations may present rent challenges for traditional primary care providers and landlords. Cushman & Wakefield I Commercial Property Southwest Florida expects to see asking rents stabilize even with the increase in health services employment and healthcare property optimization.

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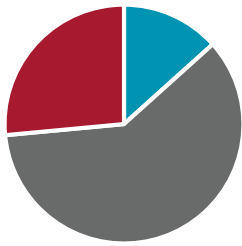
SUBMARKET	BUILDINGS	INVENTORY (SF)	UNDER CNSTR (SF)	DELIVERIES QTD	2019 YTD COMPLETIONS	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	LEASING ACTIVITY QTD	LEASING ACTIVITY YTD
Charlotte County	89	1,108,211	17,600	0	0	-7,530	-7,530	15,816	15,816
Lee County	330	4,997,090	35,200	6,218	6,218	20,354	20,354	50,392	50,392
Collier County	143	2,199,513	0	0	0	-32,119	-32,119	10,020	10,020
TOTALS*	562	8,304,814	52,800	6,218	6,218	-19,295	-19,295	76,228	76,228

SUBMARKET	BUILDINGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	TOTAL VACANT (SF)	OVERALL VACANCY RATE	DIRECT NNN AVERAGE ASKING RENT	GROSS AVERAGE ASKING RENT	OVERALL AVERAGE NNN ASKING RENT
Charlotte County	89	1,108,211	0	105,593	105,593	9.5%	\$13.59	\$13.66	\$13.59
Lee County	330	4,997,090	5,904	470,865	476,769	9.5%	\$12.84	\$12.43	\$12.79
Collier County	143	2,199,513	971	215,551	216,522	9.8%	\$20.06	\$21.09	\$20.01
TOTALS**	562	8,304,814	6,875	792,009	798,884	9.6%	\$14.70	\$14.50	\$14.68

*The market data does not include medical office buildings under 5,000 square feet (sf). Condominiums and executive suites are excluded.

**Q1 2019 totals do not include Health Care buildings, rehabilitation centers, or hospitals.

Medical Office Inventory by Submarket



■ Charlotte ■ Lee ■ Collier

Hospitals

PROPERTY NAME	BEDS	OWNER/OPERATOR
Bayfront Health Port Charlotte	254	Community Health Systems
Bayfront Health Punta Gorda	208	Community Health Systems
Englewood Community Hospital	100	HCA West Florida
Fawcett Memorial Hospital	238	Hospital Corporation of America (HCA)
Cape Coral Hospital	291	Lee Health
Golisano Children's Hospital of Southwest Florida	128	Lee Health
Lee Memorial Hospital	415	Lee Health
Lehigh Regional Medical Center	88	Prime Healthcare
Gulf Coast Medical Center	356	Lee Health
HealthPark Medical Center	267	Lee Health
NCH Baker Hospital Downtown	391	NCH Healthcare System, Inc.
NCH North Naples Hospital	322	NCH Healthcare System, Inc.
Physicians Regional Medical Center (two locations)	201	Community Health Systems, Inc.

*Sources: www.leegov.com/residents/medical/, Charlottecounty-chamber.org, www.fha.org, www.nchmd.org

Key Lease Transactions Q4 2018-Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
8000 Health Center Boulevard	3,300	Senior Home Care	New Lease	Lee County

Key Sale Transactions Q4 2018-Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
2721 Del Prado Boulevard South, Cape Coral	39,162	Cape Coral Medical and Surgical Suites, LLC/Cape Meadow, LLC & McKinley Meadow, LLC	\$10,000,000/\$255	Lee County

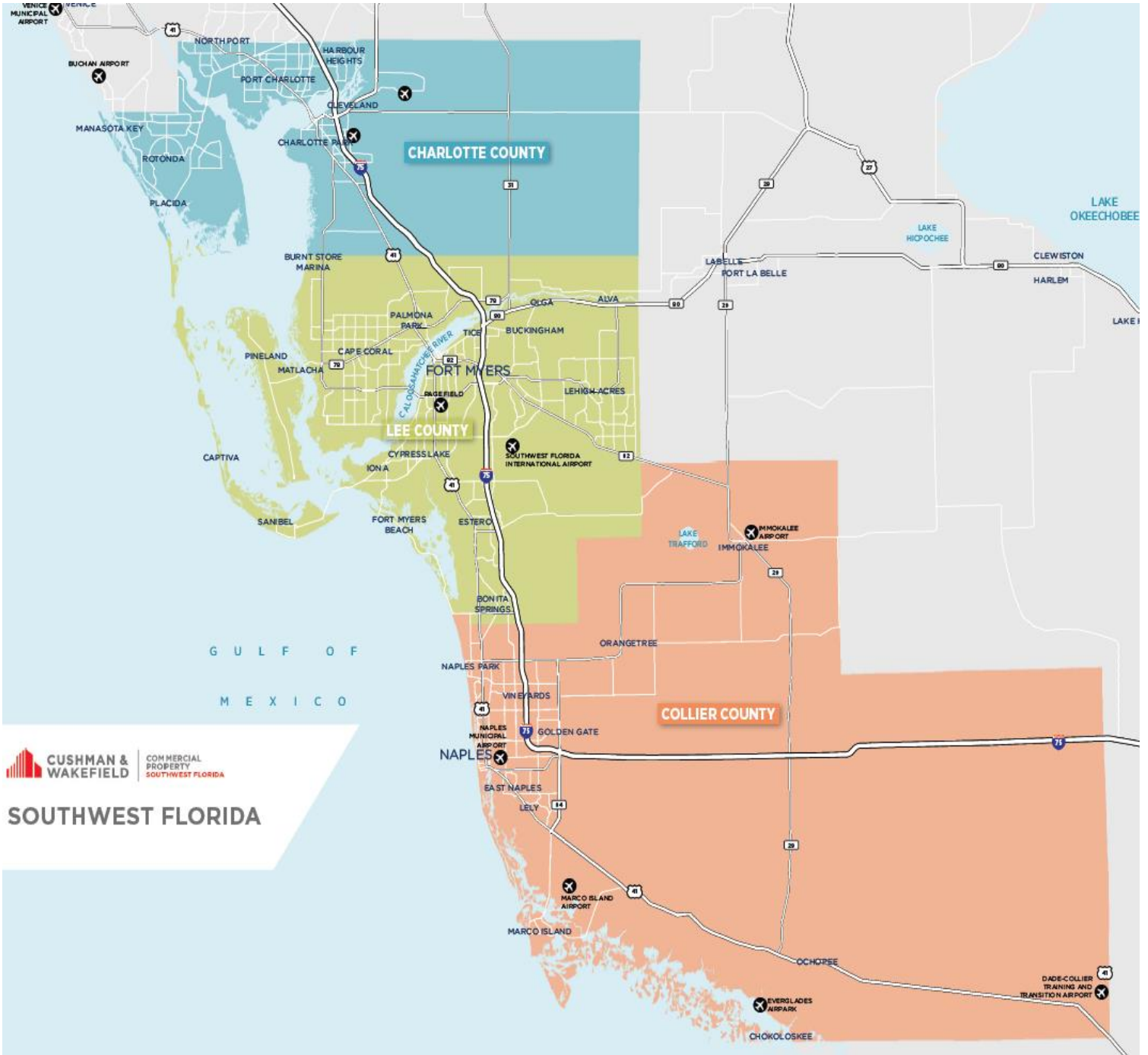
Key Land Sale Transactions Q4 2018-Q1 2019

PROPERTY	ACRES	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
NEC of S. Tamiami Trail & Williams Road	99.71	Estero North Point, Ltd./Fawcett Memorial Hospital, Inc.	\$52,500,000/\$12	Lee County

Notable Healthcare Completions Q4 2018-Q1 2019

PROPERTY	SF	NAME	DELIVERED	SUBMARKET
23450 Via Coconut Point, Estero	163,000	Lee Health Coconut Point	Q4 2018	Lee County
24040 S. Tamiami Trail, Bonita Springs	44,265	NCH Healthcare Bonita	Q4 2018	Lee County

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