

MARKETBEAT

Southwest Florida

Medical Office Report Q3 2019



Southwest Florida

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Southwest Florida Employment	462k	479k	▲
Southwest Florida Unemployment	3.5%	3.2%	▼
U.S. Unemployment	3.8%	3.6%	▲

**Numbers above are quarterly averages*

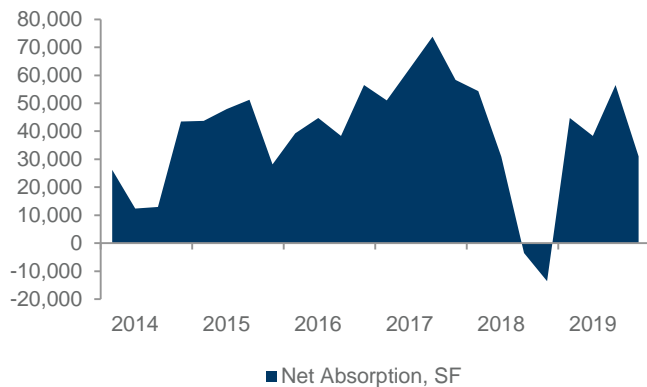
Market Indicators (Overall, All Three Counties)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	9.3%	8.4%	▼
YTD Net Absorption (sf)	-117k	56k	▲
Under Construction (sf)	51k	60k	■
Average Asking Rent*	\$14.58	\$14.75	■

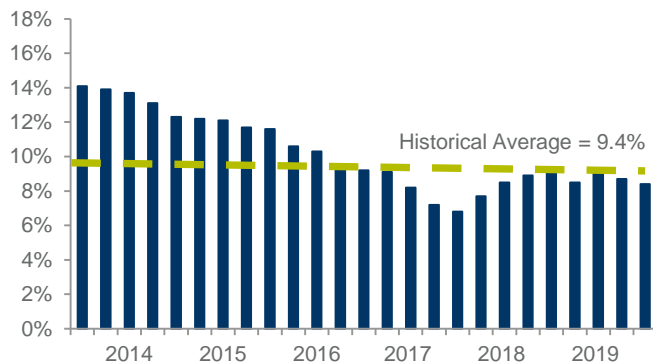
**Rental rates reflect overall gross asking \$psf/year for all spaces in medical office buildings.*

Overall Net Absorption

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Southwest Florida, which includes Charlotte, Lee and Collier counties, had an unemployment rate of 3.2% in September 2019. Lee County, with the largest medical office market in the region, had an unemployment rate at 2.9%, while Collier County was at 3.2% and Charlotte County slightly higher at 3.5%. Employment in Southwest Florida had an increase in annual job growth in the Education and Health Services sector, up +3,700 jobs in 12-months. This employment sector registered a +6.0% increase in employment. Lee County-the Cape Coral-Fort Myers MSA-had the fastest annual job growth rate at +8.3% when compared to all other metro areas in the state.

Market Overview

The overall vacancy rate was historically low at the end of third quarter. Vacancy rates decreased from 9.3% this time last year to 8.4%, a -90 bps decrease. During this timeframe asking rent stabilized, remaining consistently high with little to no change from one year ago. Vacancy remains tight in the Southwest Florida market with historically high occupancy and increased rental rates.

Overall absorption was positive, however modest, with a total of 34 leases recorded in the third quarter. Much of the positive absorption was generated from small lease transactions with the average deal size for the quarter being less than 2,406 sf market-wide.

Despite pent up demand for new space, medical office building (MOB) development remained slow. One of the construction projects in the market was the new development for Family Health Centers of Southwest Florida. An addition of approximately 62,546 sf will be added to the MOB pipeline from commercial construction management and general contracting firm, Owen Ames Kimball. The building is located at 3415 Lee Boulevard in the Lehigh submarket of Lee County. The owner-occupied building is expected to deliver by the end of the year.

Outlook

Increased provider costs and a lack of available quality space continued to challenge the MOB industry in Southwest Florida. Cushman & Wakefield I Commercial Property Southwest Florida expects to see asking rents and vacancy to remain strong as healthcare employment numbers grow. Despite increased patient demand and a low supply of new MOB inventory, we expect to see construction to remain unchanged until there is a more cohesive healthcare strategy.

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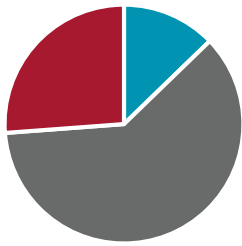
SUBMARKET	BUILDINGS	INVENTORY (SF)	UNDER CNSTR (SF)	DELIVERIES QTD	2019 YTD COMPLETIONS	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	LEASING ACTIVITY QTD	LEASING ACTIVITY YTD
Charlotte County	87	1,078,414	17,600	0	0	15,136	24,442	5,985	28,860
Lee County	335	5,160,518	42,700	0	15,018	-27,471	25,660	40,446	164,097
Collier County	148	2,213,263	0	0	19,910	34,698	5,883	34,128	79,991
TOTALS*	570	8,452,195	60,300	0	34,928	22,363	55,985	80,559	272,948

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	87	1,078,414	0	76,390	76,390	7.1%	\$13.47	\$13.26	\$13.47
Lee County	335	5,160,518	8,337	440,033	448,370	8.7%	\$12.67	\$13.40	\$12.63
Collier County	148	2,213,263	7,623	174,751	182,374	8.2%	\$19.39	\$19.67	\$19.35
TOTALS**	570	8,452,195	15,960	691,174	707,134	8.4%	\$14.63	\$14.75	\$14.62

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

**Q3 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/, Charlottecountychamber.org, www.fha.org, www.nchmd.org

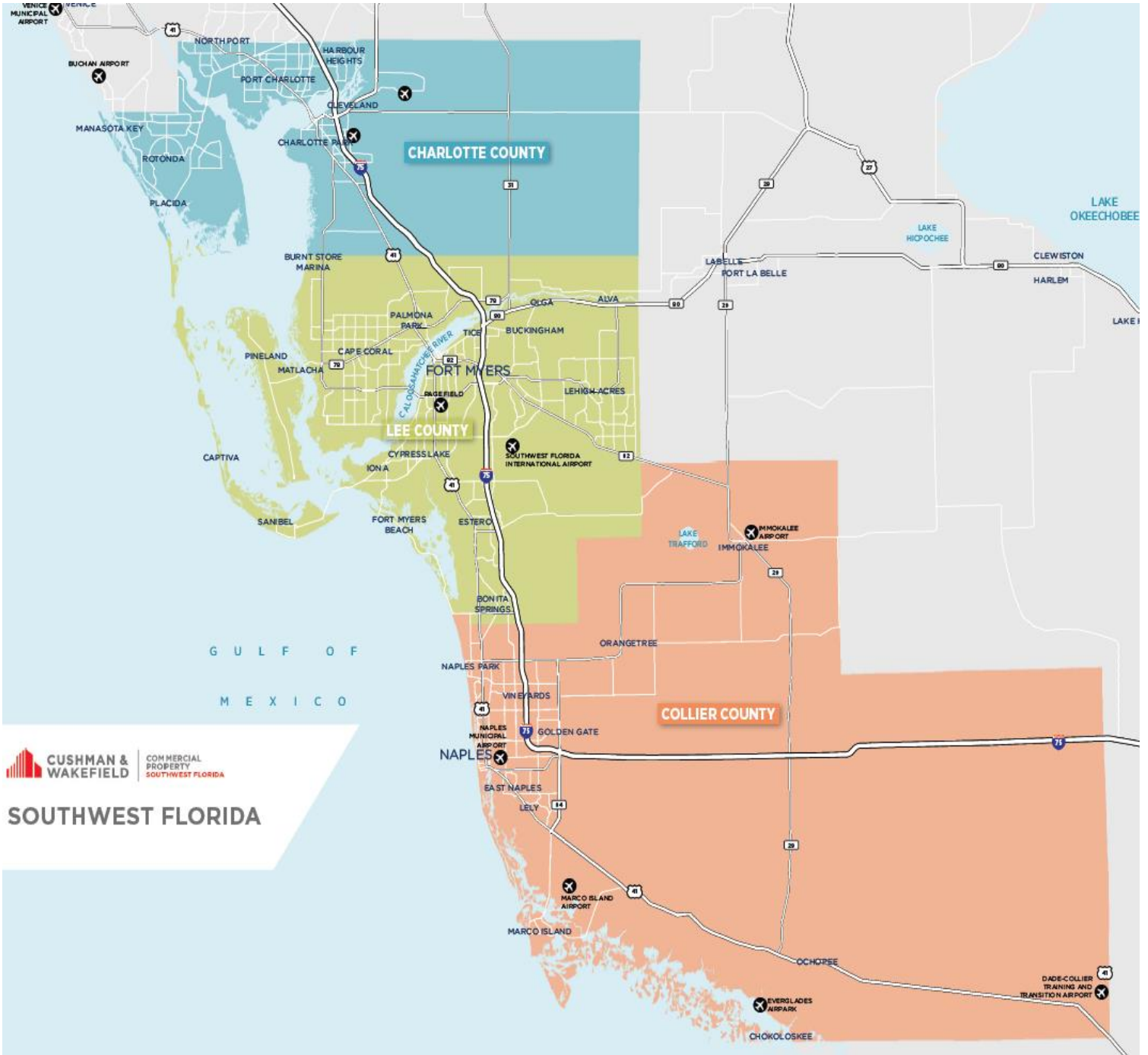
Key Lease Transactions-Past Six Months

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2675 Winkler Avenue, Fort Myers, FL	16,691	Millennium Physicians	New Lease	Lee County
8771 College Parkway, Fort Myers, FL	6,098	Serbin Medical Billing	New Lease	Lee County

Key Sale Transactions-Past Six Months

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
6801-6831 Palisades Park Court, Fort Myers, FL	43,200	Palisades Medical Properties, LP/NAPLESPR LLC	\$6,200,000/\$144	Lee County
13670 Metropolis Avenue, Fort Myers, FL	33,544	Metropolitan Medical Properties, L.P./AW Metropolitan Medical Park, LLC	\$6,900,000/\$205	Lee County

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