MARKETBEAT

Fort Myers / Naples

Office Q1 2017

CUSHMAN & WAKEFIELD | COMMERCIAL PROPERTY SOUTHWEST FLORIDA

FORT MYERS/NAPLES OFFICE

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Lee County Employment	254k	260k	▲
Lee County Unemployment	4.7%	4.8%	▲
U.S. Unemployment	4.9%	4.8%	▬

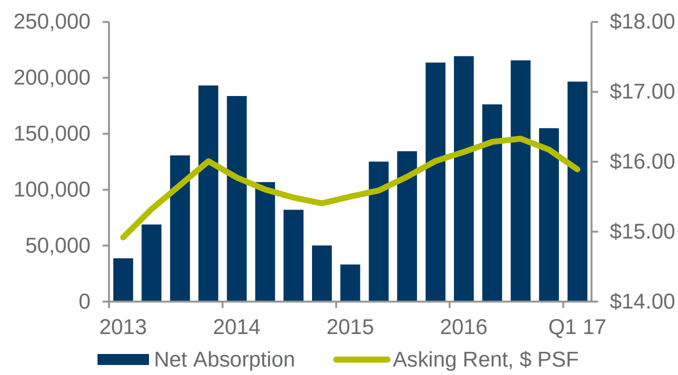
Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	10.1%	7.2%	▼
YTD Net Absorption (sf)	71k	237k	▲
Under Construction (sf)	149k	146k	▼
Average Asking Rent*	$16.27	$15.14	▼

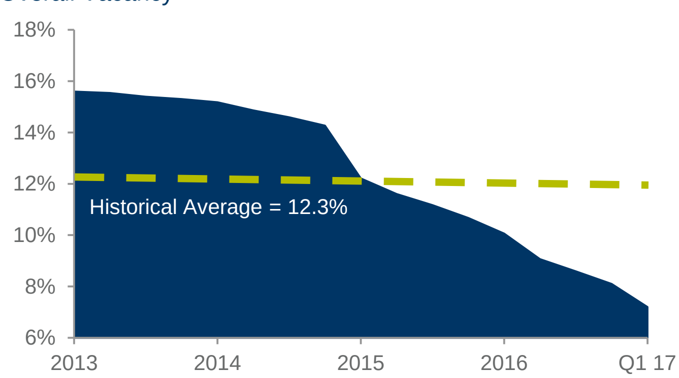
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Southwest Florida's regional economy was fairly strong in the first quarter. Positive trends included a 5% increase in single family building permits issued and a 3% increase in single family home sales. Lee County home prices increased 13% when compared to 2016.

Seasonally-adjusted taxable sales increased 4% from the prior year. However, tourist tax revenues were down 10% and there was only a small increase in airport passenger activity. The sum of arrivals and departures for the three Southwest Florida airports- Southwest Florida International (RSW), Sarasota Bradenton International (SRW), and Punta Gorda (PGD)- was less than 1%.

Class B Office Continues to Lead

Class B office space continues the trend from Q4 2016 with the highest amount of absorption recorded for the quarter. The overall trend in the Southwest Florida submarket is decreasing vacancy and decreased asking rents, while spaces continue to be absorbed. This market allows for tenants to afford spaces that may not be prime high-end units, but Class B space that is functional, yet affordable. Many office users are no longer able to pay high rates and are downsizing their spaces. Larger spaces are therefore more difficult to lease and forcing landlords to grant more concessions and incentives to tenants. Larger spaces are being demised and offered at a lower rate. The overall net absorption for Class B office space is nearly seven times more than the overall net absorption for Class A buildings.

Office medical space continues to be in strong demand. Area demographics and population increases support a need for healthcare construction and office medical space. Golisano Children's Hospital delivered their 17,000-square-foot office medical facility in Naples. More than half of the office that delivered in first quarter 2017 was for office medical use.

Outlook

Southwest Florida boasts positive population growth according to the U.S. Census Bureau. Cape Coral was named the fastest growing city according to Forbes magazine. This strong pace of population growth fuels stronger demand for housing, health care, professional services and consumer spending. Southwest Florida's influx of tourism and seasonal residents support the increasing demand for retail trade, housing, and food service. This trend is evident in the decrease in vacancy and increase in overall absorption in the market.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	CURRENT QTR DIRECT NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Bonita Springs	2,329,433	1,100	258,220	11.1%	7,511	7,511	0	$15.15	$16.70
Cape Coral	2,601,312	9,346	171,670	7.0%	-10,457	-10,457	10,000	$12.82	$12.27
City of Fort Myers	4,884,715	1,000	470,310	9.6%	68,944	68,944	0	$11.80	$17.21
Estero	829,508	0	26,129	3.1%	-178	-178	0	$16.70	$24.69
Lehigh Acres	433,687	0	28,632	6.6%	-474	-474	0	$12.88	N/A
North Fort Myers	282,365	0	1,480	0.5%	0	0	0	$9.21	N/A
S. Fort. Myers/San Carlos	8,264,998	11,579	548,626	6.8%	75,885	75,885	47,476	$13.64	$17.39
The Islands	195,525	0	0	0%	0	0	0	$14.60	N/A
LEE COUNTY SUBTOTAL	19,821,543	23,025	1,505,067	7.7%	141,231	141,231	57,476	$13.25	$16.77
East Naples	1,926,494	0	138,129	7.2%	6,748	6,748	0	$16.73	N/A
Golden Gate	130,415	0	3,900	3.0%	1,100	1,100	10,000	$17.17	N/A
Lely	127,559	0	33,864	26.5%	-1,250	-1,250	0	$15.61	15.00
Marco Island	362,691	0	9,976	2.8%	7,835	7,835	0	$21.39	N/A
Naples	1,295,007	0	41,607	3.2%	11,660	7,264	0	$20.87	$30.26
North Naples	5,241,947	11,457	336,361	6.6%	47,687	27,611	78,791	$21.40	$21.84
Outlying Collier County	360,128	0	12,000	3.3%	21,800	21,800	0	$17.68	$19.00
COLLIER COUNTY SUBTOTAL	9,444,241	11,457	575,837	7.0%	95,580	71,108	88,791	$19.60	$20.52
TOTALS	**29,265,784**	**34,482**	**2,080,904**	**7.2%**	**236,811**	**212,339**	**146,267**	**$15.14**	**$17.91**

*Rental rates reflect gross asking $psf/year

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT *	DIRECT AVERAGE ASKING RENT*
Class A	3,720,170	17,470	401,913	11.3%	43,684	23,608	60,000	$17.91	$18.17
Class B	19,057,873	17,012	1,286,448	6.8%	162,091	157,695	86,267	$15.27	$15.38
Class C	6,487,741	0	392,543	6.1%	31,036	31,036	0	$11.65	$12.95

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3845 Beck Boulevard	8,000	Withheld	Lease	Outlying Collier County
24311 Walden Center Drive	7,247	Southwest FL College	Lease	Bonita Springs
12800 University Drive	7,145	Clifton Larsen Allen LLP	Lease	S. Fort Myers/San Carlos
13099 S. Cleveland Avenue	6,390	Withheld	Lease	S. Fort Myers/San Carlos
27200 Riverview Center Boulevard	6,011	Everett Financial	Lease	Bonita Springs

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER / BUYER	PRICE / $PSF	SUBMARKET
4315 Metro Parkway -Metro Centre	76,762	Gemini Rosemont / Suncoast Schools FCU	$5,150,000 / $67	City of Fort Myers
1333 3rd Avenue South	75,000	Allen Systems Group, Inc. / Bayfront Professional Center, LLC	$11,000,000 / $147	East Naples
3073 S. Horseshoe Drive	72,814	Starwood Property Trust, Inc. / 3073 Horseshoe Drive, LLC	$7,560,000 / $104	East Naples
One Parker Center/Parker Commons Office Park (Two Properties)	46,974	PDI, LLC / JSA One Center, LLC	$5,900,000 / $126	S. Fort Myers/San Carlos

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About Cushman & Wakefield

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