

MARKETBEAT

Fort Myers / Naples

Office Q2 2017



COMMERCIAL
PROPERTY
SOUTHWEST FLORIDA

FORT MYERS/NAPLES OFFICE

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Lee County Employment	257k	257k	■
Lee County Unemployment	4.6%	4.3%	▼
U.S. Unemployment	4.9%	4.4%	■

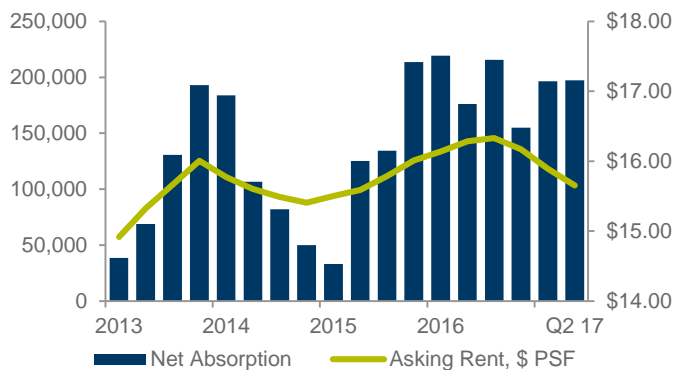
Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	9.1%	6.5%	▼
YTD Net Absorption (sf)	211k	214k	▲
Under Construction (sf)	214k	132k	▼
Average Asking Rent*	\$16.31	\$15.36	▼

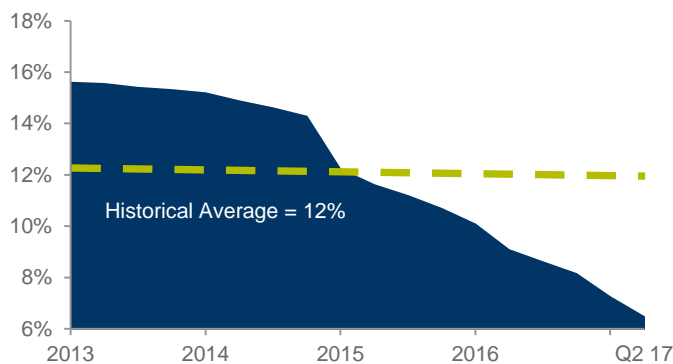
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Southwest Florida's regional economy exhibited strong growth in the second quarter 2017. Positive trends include an increase in tourist tax revenues, an 18.0% increase in single-family building permits, and a 5.0% increase in single family home sales. Median home prices also increased.

Traffic at the Southwest Florida International Airport (RSW) increased 15.0% in the beginning of the second quarter 2017 when compared to 2016. This is the highest recorded increase in RSW airport traffic to date. Passenger activity at the Punta Gorda Airport continues to increase with the developing air services of Allegiant and Frontier airlines adding to the health of the region's economy.

Office Market Remains Strong

Overall asking rental rates increased in the second quarter 2017 while the Class A overall asking rates decreased. Tenants are seeking Class B space and are willing to forgo Class A amenities for lower, more affordable rents. Leasing activity for Class B office space remained solid throughout the second quarter 2017 with vacancy at 6.3% and nearly three times the leasing activity of Class A space. Total net absorption for Class B office space is nearly 40% greater than Class A.

While year-over-year construction activity declined, the proposal of a Gartner, Inc. expansion will increase the Lee County office footprint some time in third quarter 2017. Gartner, Inc., an information technology and research advisory company, is planning to construct their third building of approximately 81,000 square feet (sf) of office space in the Gateway area of the S. Fort Myers/San Carlos submarket. The recruitment of employees for companies such as Gartner, Inc. continues to make the market more competitive in job creation while investing in the local economy. This trend is slowing changing the historically seasonal and tourist driven market.

Outlook

Southwest Florida- while a smaller market comparatively to other major metropolitan areas- is experiencing continued growth with a positive outlook for the future. The gradual decline in the unemployment rate as well as the population growth supports a healthy economy and strong stance for the office sector and the submarket as a whole.

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SUBMARKET	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 (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Bonita Springs	2,350,657	1,100	240,054	10.3%	21,566	30,076	0	\$13.27	\$13.46
Cape Coral	2,622,415	0	160,816	6.1%	7,163	1,461	0	\$13.03	\$12.27
City of Fort Myers	4,861,323	1,000	401,322	8.3%	65,623	152,229	15,000	\$11.89	\$16.12
Estero	930,708	0	33,270	3.6%	-2,473	4,039	0	\$16.77	\$20.17
Lehigh Acres	431,464	0	28,632	6.6%	0	-474	0	\$13.52	N/A
North Fort Myers	282,129	0	0	0%	1,480	1,480	0	\$8.92	N/A
S. Fort. Myers/San Carlos	8,219,620	11,979	507,719	6.3%	45,868	68,888	47,476	\$13.82	\$16.83
The Islands	195,525	0	1,770	0.9%	-1,070	-1,070	0	\$14.60	N/A
LEE COUNTY SUBTOTAL	19,893,841	14,079	1,372,583	7.0%	139,157	256,629	62,476	\$13.20	\$15.81
East Naples	1,923,491	0	109,683	5.7%	14,026	34,582	0	\$17.18	N/A
Golden Gate	140,415	0	1,500	1.1%	12,400	13,500	0	\$16.59	N/A
Lely	127,560	0	27,870	21.8%	2,274	4,744	0	\$15.23	N/A
Marco Island	364,426	0	9,131	2.5%	1,464	8,680	0	\$20.22	N/A
Naples	1,295,007	0	37,982	2.9%	3,320	15,285	0	\$20.71	\$26.07
North Naples	5,235,261	3,441	313,247	6.0%	33,471	88,665	69,950	\$22.06	\$22.53
Outlying Collier County	359,396	0	6,000	1.7%	8,000	7,800	0	\$17.73	N/A
COLLIER COUNTY SUBTOTAL	9,445,556	3,441	506,676	5.4%	74,955	173,256	69,950	\$19.97	\$21.08
TOTALS	29,339,397	17,520	1,879,259	6.5%	214,112	429,885	132,426	\$15.36	\$17.34

*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 OVERALL*	OVERALL AVERAGE ASKING RENT DIRECT*
Class A	3,680,966	1,100	386,417	10.5%	59,785	77,899	60,000	\$17.34	\$16.22
Class B	19,257,449	16,420	1,187,485	6.3%	99,819	257,093	72,426	\$15.19	\$14.42
Class C	6,400,982	0	305,357	4.8%	54,508	94,893	0	\$13.50	\$13.09

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3745 Broadway Ave.	14,049	State of Florida	Lease	City of Fort Myers
2503 Del Prado Blvd. S.	12,497	Children's Network of Southwest Florida	Lease	Cape Coral
4210 Metro Pkwy.	6,792	Satcom	Lease	City of Fort Myers
4148-4160 Corporate Sq.	5,018	Rexel	Lease	East Naples
27200 Riverview Center Blvd.	4,294	HERC Rentals, Inc.	Lease	Bonita Springs

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
6630 Orion Dr.	53,558	J.E.D. of Southwest Florida, Inc. / Lee Memorial Health System	\$8,100,000 / \$151	S. Fort Myers/San Carlos
3637 Del Prado Blvd.	22,380	3637-B, LLC / Commercial Partners Title, LLC	\$2,390,000 / \$107	Cape Coral
9500 Bonita Beach Rd.	15,618	LSREF3 Sapphire 2 LLC / MPG Bonita, LLC	\$1,900,000 / \$122	Bonita Springs
9250 College Pkwy.	12,760	9250 College Parkway LLP / Blaunders-Houston, LP	\$1,600,000 / \$125	S. Fort Myers/San Carlos

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