MARKETBEAT

Fort Myers / Naples

Office Q4 2016

CUSHMAN & WAKEFIELD | COMMERCIAL PROPERTY SOUTHWEST FLORIDA

FORT MYERS/NAPLES OFFICE

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Lee County Employment	250k	258k	▲
Lee County Unemployment	4.7%	4.5%	▼
U.S. Unemployment	5.0%	4.8%	▼

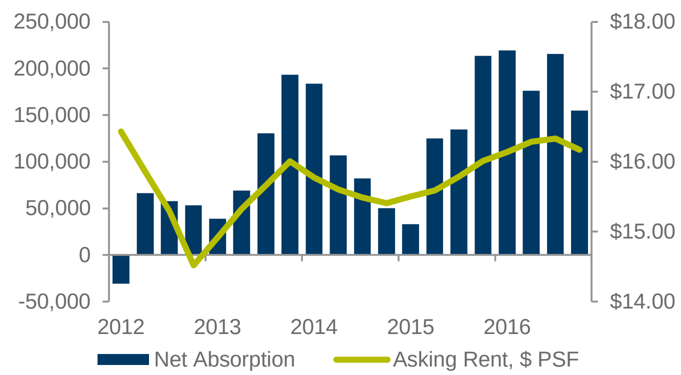
Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	10.7%	8.1%	▼
YTD Net Absorption (sf)	874k	620k	▲
Under Construction (sf)	23k	149k	▲
Average Asking Rent*	$16.38	$15.75	▼

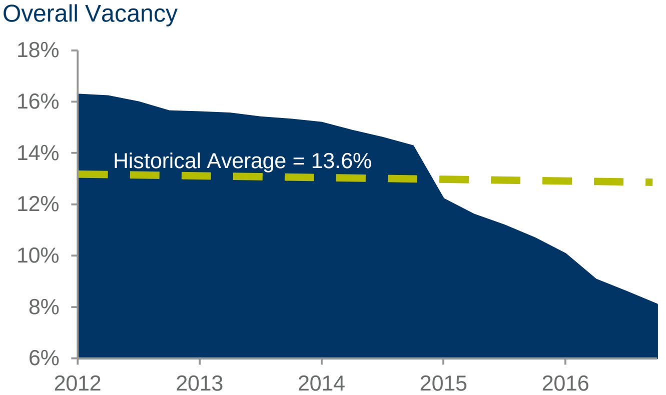
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Southwest Florida's regional economy provided mixed signals during December. Positive trends included a 9% increase in regional taxable sales from the prior year, a 3% increase in tourist tax revenues and a 5% increase in total airline passenger activity. Single family home sales increased by 13% from the prior year and single family permits grew 10% from November year-over-year. The regional unemployment rate held steady at 5% in November relatively consistent with a year ago.

Office market shows slow improvement

The office market continues to report positive indications of an improving market despite a minimal increase in sales pricing and asking rent. Office leasing improved since past quarters even though companies are downsizing their spaces. Due to technology, office users do not need large server rooms or desk spaces for all employees. This shift comes as no surprise; however this trend leaves these larger spaces vacant especially in the Class B and C offices located in hidden office parks that are less desirable due to functional obsolescence, age of building, location and nearby amenities. In order to fill many of these vacancies some owners have had to drop asking rates and offer free rent as incentives for tenants to move. For multi-year leases, owners aggressively escalate the increases to market rents.

Medical office users are quite the opposite seeking out larger and newer office spaces. Lee Health signed a lease in December for over 40,000 square feet (SF) of new office space that will be delivered in Q3 2017. Physicians Primary Care leased nearly 82,000 SF with a 10-year term. The improving housing market and low unemployment rate will positively influence office market conditions throughout the area.

Outlook

Passenger activity in the three Southwest Florida airports in December 2016 was consistent with activity reported a year ago. Peak seasonal activity occurs February through April with significantly lower activity in the summer months. Continued job and income gains nationwide are booking regional tourism even though fuel prices have been crawling up over the year, but are still low enough to support consumer spending. Southwest Florida boasts positive population growth. This increase is due in part to retirees recovering the wealth lost during the recession and are now able to sell their homes and relocate to the area. This strong pace of population growth fuels stronger demand for housing, health care, professional services and consumer spending on retail. The large elderly population will keep education for health care growing.

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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	2,334,352	1,100	270,830	11.6%	38,388	90,406	0	$13.90	$13.17
Cape Coral	2,530,241	9,346	157,876	6.6%	(890)	37,196	10,000	$13.17	$21.00
City of Fort Myers	4,810,364	1,000	524,544	10.9%	31,714	111,555	50,000	$13.12	$18.70
Estero	832,406	0	35,584	4.3%	(3,024)	18,738	0	$18.43	$24.69
Lehigh Acres	433,687	0	28,158	6.5%	(1,355)	9,818	0	$12.71	N/A
North Fort Myers	283,433	0	3,760	1.3%	(2,280)	9,840	0	$8.29	N/A
S. Ft. Myers/San Carlos	8,278,259	11,579	668,567	8.2%	(22,651)	202,627	3500	$14.31	$19.83
The Islands	195,228	0	0	0%	0	300	0	N/A	N/A
LEE COUNTY SUBTOTAL	19,697,970	23,025	1,689,319	8.7%	39,902	480,480	63,500	$13.93	$18.34
East Naples	1,833,531	0	137,977	7.5%	9,450	32,001	0	$16.85	N/A
Golden Gate	138,615	0	4,100	3.0%	2,150	(2,950)	0	$16.74	N/A
Lely	127,558	0	32,614	25.6%	0	(4,970)	0	$16.64	N/A
Marco Island	364,441	0	17,811	4.9%	5,994	5,321	0	$22.12	N/A
Naples	1,294,127	3,442	46,949	4.2%	15,480	38058	0	$22.66	$24.25
North Naples	5,105,276	11,750	352,915	7.1%	21,512	70,606	85,841	$22.69	$25.27
Outlying Collier County	362,441	0	33,800	9.3%	0	1,605	0	$10.95	N/A
COLLIER COUNTY SUBTOTAL	9,225,989	15,192	626,166	7.0%	54,586	139,671	85,841	$20.09	$24.86
TOTALS	**28,923,959**	**38,217**	**2,315,485**	**8.1%**	**94,488**	**620,151**	**149,3410**	**$15.75**	**$20.18**

*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	3,718,023	14,286	479,981	13.3%	5,498	47,673	0	$20.18	$20.12
Class B	18,780,676	23,931	1,407,203	7.6%	75,488	507,348	73,500	$15.39	$15.38
Class C	6,425,260	0	428,301	6.7%	13,502	65,130	0	$12.95	$12.95

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3181 N. Bay Village Ct. S.	26,339	eMaint. Enterprises, LLC	Lease	Bonita Springs
2640 Golden Gate Pkwy	23,971	Oracle	Lease	East Naples
11390 Palm Beach Blvd.	22,296	Babcock Ranch	Lease	City of Fort Myers
4310 Metro Pkwy (Colonial Corporate Center)	20,858	Cintas	Lease	City of Fort Myers

Key Sales Transactions 2016

PROPERTY	SF	SELLER / BUYER	PRICE / $PSF	SUBMARKET
Eastlinks Business Park (2 properties)	251,141	Barron Collier Co. / CRIC 2 Funds, LLC	$88,700,000 / $234	South Fort Myers
Viscaya Professional Plaza (6 properties)	81,541	Physicians' Primary Care SWFL / Cape Coral Medical Investors, LLC	$28,500,000 / $370	Cape Coral & S. Fort Myers
4211 Metro Pkwy - The GE Building	66,065	FM Metro Property, Inc. / Lee Health Systems	$4,300,000 / $70	City of Fort Myers
2503 Del Prado Blvd S	61,179	Rapid Fire Development, LLC / Royal Palm Coast Holdings, LLC	$2,400,000 / $39	Cape Coral

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