



Office Q2 2020

YoY Chg 12-Mo. Forecast

5.0%
Vacancy Rate



-53,730K
Net Absorption, SF



\$16.01
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC OVERVIEW:

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information to COVID [here](#). The Southwest Florida MSA had an total unemployment rate of 14.5%. Perhaps this being because the leisure and hospitality sector still account for an outsized portion of the entire economy at roughly 15%, and was the most exposed to the pandemic. However, office-using employment in Fort Myers has been one of the biggest job growth areas over recent years, reflecting the office sectors emergence.

SUPPLY AND DEMAND:

The Fort Myers office market is historically tight, with an average vacancy rate of 5.0%, just over half of the long-term average and within striking distance of the lowest mark on record. This could offset the downward pressure from the ongoing crisis. Nine of the Southwest Florida submarkets ended the year with the overall vacancy rate at 3.0% or lower. Overall vacant space decreased by nearly 76,728 square feet (sf) in the past 12 months. Construction trends have persisted into 2020, including Neogenomics breaking ground on a 150,000 sf office and lab and ScotLynn's expected Fall start for its upcoming 60,000 sf North American corporate headquarters. Office investment volume has never been higher with a record-high of over \$195 million in sales during 2019 and a similar pace in the first quarter of 2020 before the pandemic brought most office transactions to a near standstill. Market cap rates have held relatively flat for the past four years. There is unlikely to be supply-side market strain over the near term which could help offset potential office demand loss due to the pandemic.

PRICING:

The overall average market rent in Southwest Florida closed the second quarter of 2020 at \$16.01 per square foot (psf) an increase of \$1.22 YoY than the recorded \$14.76 in 2019. Among submarkets, Estero has recently seen the most positive rent growth and commands some of the highest asking rents. Similarly, Bonita Springs has seen rent growth above the metro average, and it closely trails in asking rents. This could be partly due to the spillover effects of the more expensive Naples market to the south.

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

386K
Southwest Florida
Employment



14.5%
Southwest Florida
Unemployment Rate

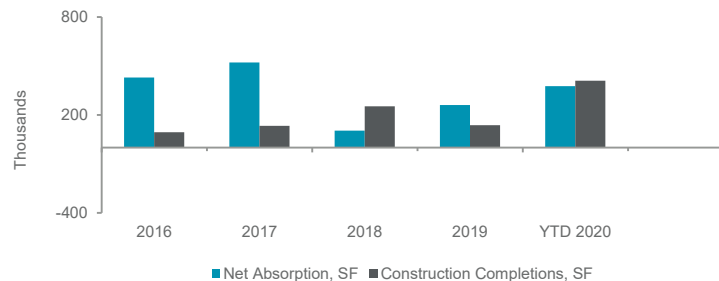


13.0%
U.S.
Unemployment Rate

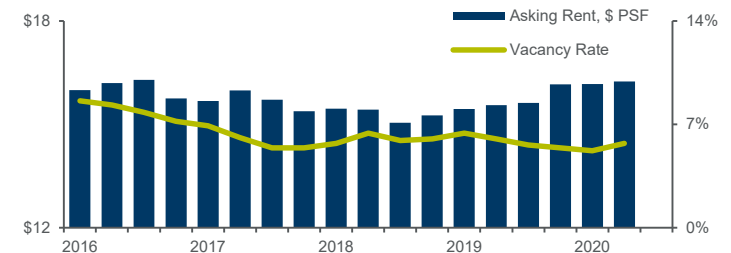


Source: BLS

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Charlotte County	2,360,257	0	65,086	2.8%	4,572	4,572	1,245,415	0	\$13.79	0
SUBMARKET TOTALS	2,360,257	0	65,086	2.8%	4,572	4,572	1,245,415	0	\$13.79	0
Bonita Springs	1,139,898	805	73,221	6.5%	-7,165	-14,320	14,634	0	\$14.03	\$14.37
Cape Coral	1,702,636	1,200	99,892	5.9%	-46,781	-52,742	1,152,536	0	\$10.97	\$12.64
Estero	615,388	0	11,441	1.9%	-353	-1,605	3,758	0	\$16.37	\$15.00
City of Fort Myers	3,912,232	10,023	185,032	4.7%	30,580	-5,133	70,059	0	\$10.36	\$22.00
South Fort Myers	5,708,248	7,528	243,109	4.4%	7,495	101,340	170,253	50,000	\$16.73	\$21.30
North Fort Myers	233,262	-	-	0%	1,104	0	-	0	\$13.33	-
Lehigh	163,519	0	3,811	2.3%	-	-	-	0	-	-
The Islands	159,839	600	600	0.4%	675	-	-	0	-	-
SUBMARKET TOTALS	13,635,022	20,156	606,483	4.6%	76,805	28,913	282,264	50,000	\$12.83	\$21.34
East Naples	1,103,308	0	90,998	8.2%	16,913	9,735	1,230,938	40,000	\$13.33	-
Naples	775,236	7,582	64,741	8.4%	-11,724	-12,657	-19,920	0	\$23.95	-
Marco Island	200,011	0	8,501	4.3%	40	-1,932	3,157	0	\$17.50	-
Lely	34,014	-	-	0%	-	-	-	0	-	-
Golden Gate	75,499	-	-	0%	-	-	-	0	-	-
Outlying Collier County	312,788	0	7,910	2.5%	-2,400	-800	66,10	0	-	-
North Naples	3,920,340	23,958	386,827	10.5%	-17,391	274,506	51,157	42,132	\$23.37	\$22.27
SUBMARKET TOTALS	6,421,196	31,540	551,395	9.1%	-14,562	-16,389	89,376	82,132	\$21.90	\$22.27
SOUTHWEST FLORIDA TOTALS	22,320,414	51,696	1,123,996	5.0%	-53,730	376,631	315,806	132,132	\$16.01	\$21.77

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

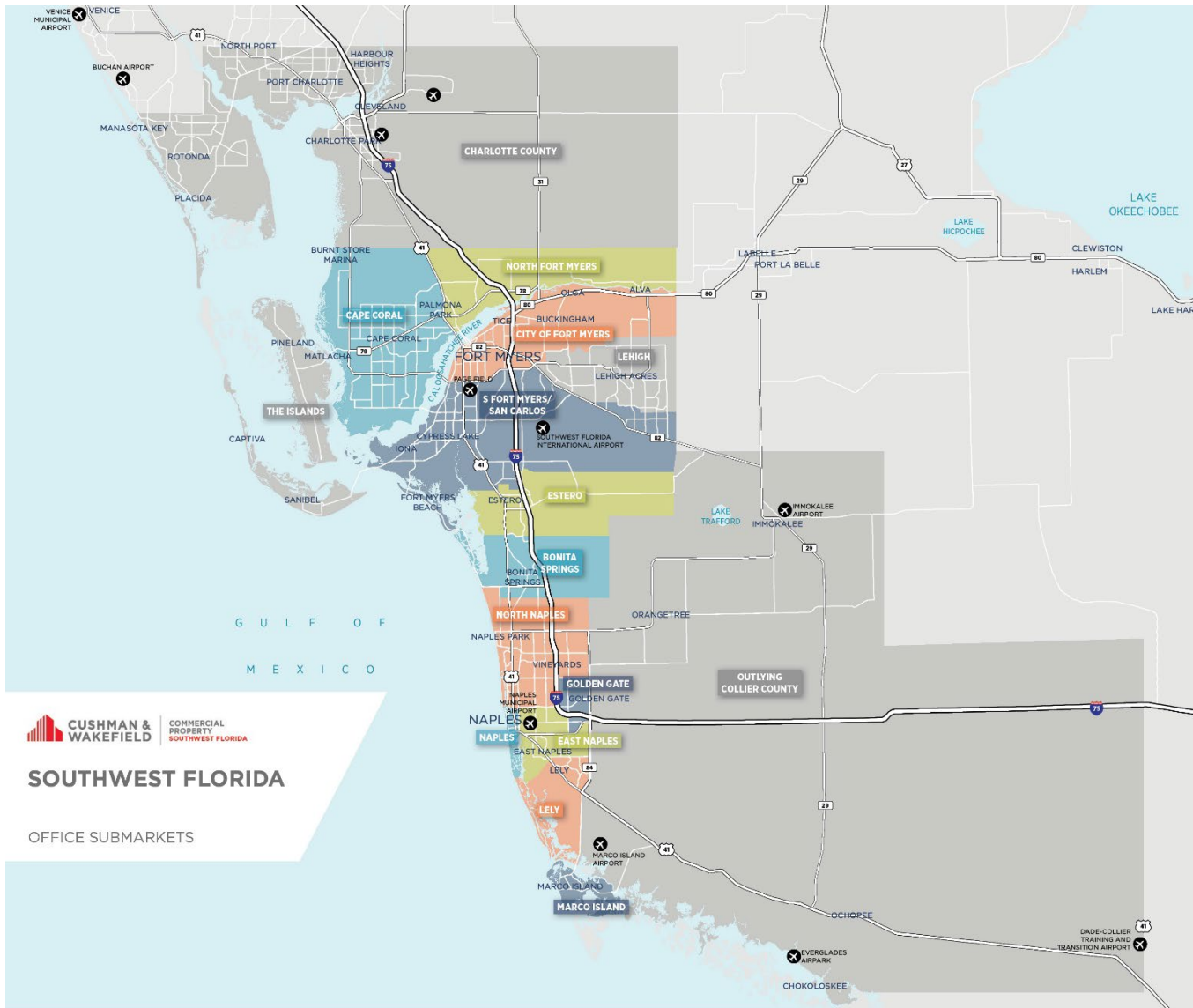
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9530 Marketplace Rd	S. Fort Myers/San Carlos	Global HR Research, LLC	22,553	Renewal*
13,500 Powers Court	S. Fort Myers/San Carlos	Arietis Health, LLC	10,000	New
12800 University Drive	S. Fort Myers/San Carlos	Stifel, Nicolaus & Company, Inc	5,499	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
12501 World Plaza Ln #51	S. Fort Myers/San Carlos	FineMark National Bank & Trust/Giga Ventures LLC	8,026	\$645,000/\$80.36

OFFICE SUBMARKETS



SOUTHWEST FLORIDA

OFFICE SUBMARKETS

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