

# MARKETBEAT

## Fort Myers / Naples

Office Q3 2017



COMMERCIAL  
PROPERTY  
SOUTHWEST FLORIDA

### FORT MYERS/NAPLES OFFICE

#### Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Lee County Employment	260k	260k	▲
Lee County Unemployment	4.6%	3.8%	▼
U.S. Unemployment	4.9%	4.4%	▼

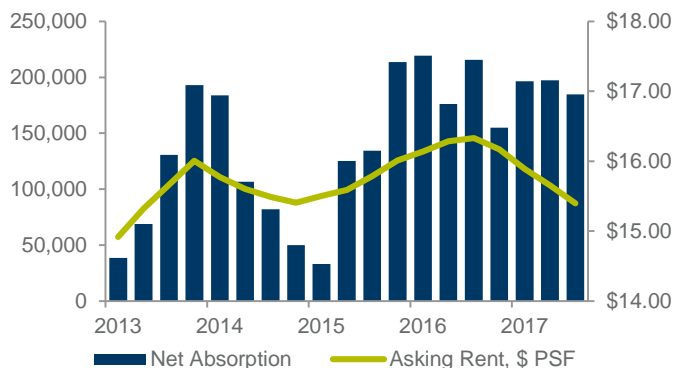
#### Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	8.6%	6.2%	▼
YTD Net Absorption (sf)	526k	645k	▼
Under Construction (sf)	74k	0	▼
Average Asking Rent*	\$16.36	\$15.34	▼

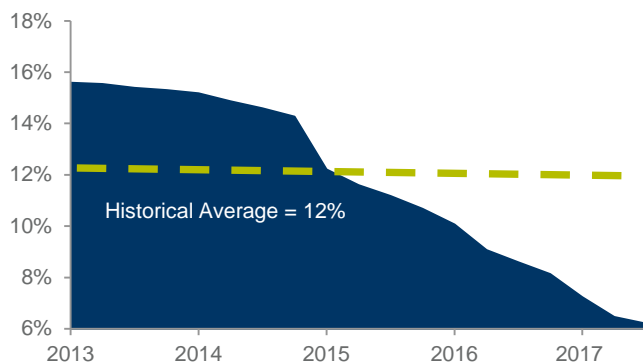
\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

Southwest Florida's regional economy exhibited strong growth for the third consecutive quarter in 2017. Positive trends include a 7% increase in tourist tax revenues, an increase in median home prices, and an increase in employment. Passenger activity at the Southwest Florida International Airport (RSW) increased 7% in the beginning of the third quarter 2017 compared to 2016. The vacancy rate also decreased from second quarter 2017.

### Changes Coming to the Fort Myers's Office Market

Hurricane Irma generated minimal demand from displaced tenants. While power outages and flooding affected the office market, the effect on leasing activity and vacancy was marginal as offices were able to be back up and running on average within a week.

Construction activity slowed for the third quarter 2017. However, future market analytics may change for Southwest Florida with the proposed redevelopment of The Atrium Executive Center. The redevelopment will displace nearly 150 tenants that currently lease office, retail, or executive suite space in the office building. H2 Organization is planning the construction of H2 Innovation Center-a single operation tech hub-that will be approximately 42,000 square feet (sf). The project will include co-working and incubation offices, on-site dining, fitness center, event space, and an innovation theater. The office building is located in the Fort Myers business district on the southwest corner of College Parkway and Winkler Avenue. The current space is approximately 110,996 sf of rentable office space in the S. Ft. Myers/San Carlos submarket of Lee County. Although construction has not started, the project is expected to be completed in 2018.

### Outlook

Displacement of tenants from the Atrium building is expected to increase leasing and absorption for fourth quarter 2017, as well as construction activity, well into next year. An increase in the office inventory is expected as the Southwest Florida market continues to grow. The hub is presumed to bring numerous entrepreneurs and new business to the region.

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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	2,350,649	1,100	191,657	8.2%	34,266	69,780	0	\$13.65	\$13.59
Cape Coral	2,642,863	0	133,581	5.1%	43,353	52,806	0	\$12.59	\$10.55
City of Fort Myers	4,965,561	0	371,631	7.5%	7,715	165,324	0	\$11.93	\$15.75
Estero	827,072	0	31,180	3.8%	2,090	4,034	0	\$16.65	\$31.83
Lehigh Acres	442,892	0	37,487	8.5%	-8,889	-7,329	0	\$12.50	N/A
North Fort Myers	282,423	0	3,000	1.1%	-3,000	-1,520	0	\$9.22	N/A
S. Fort. Myers/San Carlos	8,219,606	11,979	487,500	6.1%	91,601	161,557	0	\$13.94	\$16.83
The Islands	196,810	0	1,000	0.5%	770	-300	0	N/A	N/A
<b>LEE COUNTY SUBTOTAL</b>	<b>19,927,876</b>	<b>13,079</b>	<b>1,257,036</b>	<b>6.4%</b>	<b>167,906</b>	<b>444,352</b>	<b>0</b>	<b>\$13.29</b>	<b>\$15.60</b>
East Naples	1,829,449	0	102,547	5.6%	3,546	30,415	0	\$16.10	N/A
Golden Gate	140,415	0	0	0%	1,500	15,000	0	\$20.72	N/A
Lely	127,559	0	30,177	23.7%	-2,307	2,437	0	\$15.05	N/A
Marco Island	364,426	0	6,301	1.7%	1,990	11,510	0	\$21.12	N/A
Naples	1,295,007	0	39,991	3.1%	-3,099	13,276	0	\$22.84	\$37.52
North Naples	5,307,806	5,910	355,289	6.8%	27,679	122,848	0	\$22.36	\$23.32
Outlying Collier County	362,880	0	9,484	2.6%	-3,484	4,816	0	\$18.26	N/A
<b>COLLIER COUNTY SUBTOTAL</b>	<b>9,427,542</b>	<b>5,910</b>	<b>543,789</b>	<b>5.8%</b>	<b>25,825</b>	<b>200,302</b>	<b>0</b>	<b>\$20.66</b>	<b>\$22.06</b>
<b>TOTALS</b>	<b>29,355,418</b>	<b>18,989</b>	<b>1,800,825</b>	<b>6.2%</b>	<b>193,731</b>	<b>644,654</b>	<b>0</b>	<b>\$15.34</b>	<b>\$17.41</b>

\*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	3,740,775	1,100	459,592	12.3%	39,577	93,824	0	\$17.41	\$17.43
Class B	19,210,904	17,889	1,090,983	5.8%	130,253	422,499	0	\$15.08	\$14.52
Class C	6,403,739	0	250,250	3.9%	23,901	128,331	0	\$13.33	\$13.33

### Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5200 Tamiami Trl. N.	10,130	Fidelity Brokerage Services LLC	Lease	North Naples
720 Goodlette Rd. N.	9,414	Bodine Perry, LLC	Lease	East Naples
3637 Del Prado Blvd.	6,000	Undisclosed	Lease	Cape Coral
5692 Strand Ct.	5,878	Collier Health Network Service	Lease	North Naples
12800 University Dr.	5,651	SoftServe, Inc.	Lease	S. Ft. Myers/San Carlos

### Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
12250 E. Tamiami Trl.	39,003	Sunderland Associates, LLC / 12250 East Trail, LLC	\$3,750,000 / \$96	Lely
17595 S. Tamiami Trl.	23,696	Alico Lakes Commons, LLC / R & S Inc.	\$2,758,800 / \$116	S. Ft. Myers/San Carlos
2500 Airport Rd. S.	21,380	Courtland Plaza, LLC / DH Squared Properties, LLC	\$2,030,000 / \$95	East Naples
3101 Terrace Ave.	13,000	Cali Realty Investments Corp. / Ultimate Garages, LLC	\$1,400,000 / \$108	East Naples

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#### About Cushman & Wakefield

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