

MARKETBEAT

Southwest Florida

Medical Office Q3 2018



COMMERCIAL
PROPERTY
SOUTHWEST FLORIDA

Southwest Florida

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Southwest Florida Employment	320k	323k	▲
Southwest Florida Unemployment	4.1%	3.7%	▼
U.S. Unemployment	4.4%	3.9%	▼

*Numbers above are quarterly averages

Employment numbers are for the Cape Coral/Fort Myers MSA.

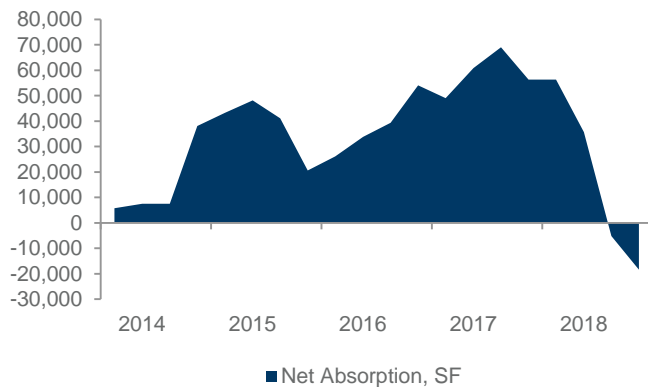
Market Indicators (Overall, All Three Counties)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	6.4%	9.4%	▼
YTD Net Absorption (sf)	225k	-117k	▲
Under Construction (sf)	156k	51k	▼
Average Asking Rent*	\$15.09	\$14.58	▲

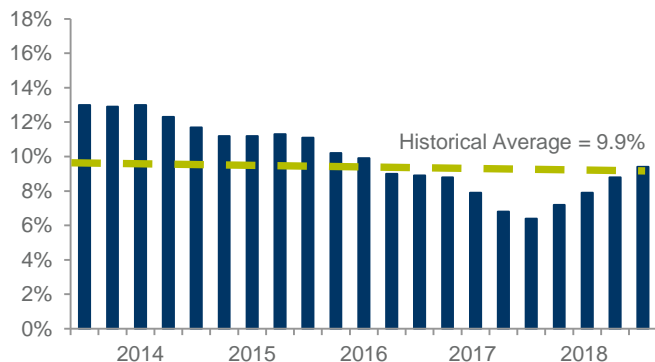
*Rental rates reflect overall gross asking \$psf/year for all spaces in medical office buildings.

Overall Net Absorption

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Southwest Florida, which includes Charlotte, Collier, Glades, Hendry and Lee counties, had an unemployment rate of 4.0%, down -50 basis points (bps) year-over-year. Lee County, with the largest medical office market in the region, had the lowest unemployment rate at 3.7%, while Collier County was at 4.2% and Charlotte County slightly higher at 4.3%. Employment in Southwest Florida had an increase in annual job growth in the Education and Health Services sector, up +2,900 jobs in 12-months. This employment sector registered a +5.0% increase in employment, being the highest growth rate over the year when compared to metro area growth statewide.

Market Overview

The overall vacancy rate rose from 6.4% last year to 9.4% at the close of third quarter 2018, an increase of +300 bps. During this timeframe there was a total of nearly 146,000 square feet (sf) that delivered to the market. Lee County had the highest overall vacancy rate in the medical office sector, registering at 9.9%. This county also had the largest amount of negative absorption, indicating more space coming onto the market than was leased. Lee County had the highest leasing activity for third quarter 2018 and the highest amount of square footage under construction.

Absorption numbers in Southwest Florida have not improved year-to-date in the medical office sector. Buildings devoted to medical office uses showed three consecutive quarters of negative absorption in 2018. Overall absorption was positive in 2017, with more than 225,000 sf taken off of the market.

The largest under-construction projects were in Lee and Collier counties. The NCH Healthcare System was under construction with a 41,000-square-foot outpatient medical center in Bonita Springs. The building was expected to deliver in early 2019. The new facility, NCH Healthcare Bonita, will have a 24/7 emergency room, outpatient surgery and imaging center, and physician offices. The project will not operate as a hospital.

Lee Health was also under construction with a 172,000-square-foot medical campus in Estero. Lee Health-Coconut Point will be a medical campus with a 24/7 emergency department, surgery center, pharmacy, rehabilitation, and physician offices. This location will have observation and recovery beds. The project was expected to deliver before the end of the year.

Outlook

Cushman & Wakefield I Commercial Property Southwest Florida expects to see vacancy decrease as absorption improves and more tenants move into new space. Two new medical facilities are anticipated for delivery within the next two quarters. The market may see a short-term increase in asking rents as new construction delivers as well as from non-hospital or physician related medical tenants take space.

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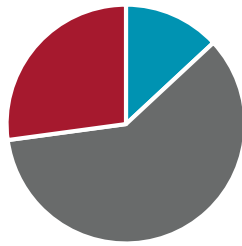
SUBMARKET	BUILDINGS	INVENTORY (SF)	UNDER CNSTR (SF)	DELIVERIES QTD	2018 YTD COMPLETIONS	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	LEASING ACTIVITY QTD	LEASING ACTIVITY YTD
Charlotte County	85	1,034,252	10,000	0	0	-6,076	-22,458	0	12,068
Lee County	316	4,730,106	41,418	0	24,190	-44,722	-87,501	45,717	110,870
Collier County	140	2,147,310	0	0	10,000	26,149	-7,128	26,261	79,117
TOTALS*	541	7,911,668	51,418	0	34,190	-24,649	-117,087	71,978	202,055

SUBMARKET	BUILDINGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	TOTAL VACANT (SF)	OVERALL VACANCY RATE	DIRECT NNN AVERAGE ASKING RENT	GROSS AVERAGE ASKING RENT	OVERALL AVERAGE NNN ASKING RENT
Charlotte County	85	1,034,252	0	84,968	84,968	8.2%	\$12.61	N/A	\$12.61
Lee County	316	4,730,106	8,122	461,168	469,290	9.9%	\$13.17	\$13.85	\$13.04
Collier County	140	2,147,310	971	186,417	187,388	8.7%	\$20.04	N/A	\$20.09
TOTALS**	541	7,911,668	9,093	732,553	741,646	9.4%	\$15.85	\$13.85	\$15.76

*The market data does not include medical office buildings under 5,000 square feet (sf). Condominiums and executive suites are excluded.

**Totals do not include Health Care buildings, rehabilitation centers, or hospitals.

Medical Office Inventory by Submarket



■ Charlotte ■ Lee ■ Collier

Hospitals

PROPERTY NAME	BEDS	OWNER/OPERATOR
Bayfront Health Port Charlotte	254	Community Health Systems
Bayfront Health Punta Gorda	208	Community Health Systems
Englewood Community Hospital	100	HCA West Florida
Fawcett Memorial Hospital	238	Hospital Corporation of America (HCA)
Cape Coral Hospital	291	Lee Memorial Health System
Golisano Children's Hospital of Southwest Florida	128	Lee Memorial Health System
Lee Memorial Hospital	415	Lee Memorial Health System
Lehigh Regional Medical Center	88	Prime Healthcare
Gulf Coast Medical Center	356	Lee Memorial Health System
HealthPark Medical Center	267	Lee Memorial Health System
NCH Baker Hospital Downtown	391	NCH Healthcare System, Inc.
North Naples Hospital	322	NCH Healthcare System, Inc.
Physicians Regional Medical Center (two locations)	201	Community Health Systems, Inc.

*Sources: www.leegov.com/residents/medical/, Charlottecountychamber.org, www.fha.org, www.nchmd.org

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
13051 University Drive, Fort Myers	6,100	Associates in Digestive Health	New Lease	S. Fort Myers/San Carlos
8771 College Parkway, Fort Myers	5,607	Nurse on Call	Renewal	S. Fort Myers/San Carlos

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
5172 Mason Corbin Court, Fort Myers	10,484	Jabhim, LLC/MPG Summerlin, LLC	\$1,950,000/\$186	S. Fort Myers/San Carlos
4120 Tamiami Trail, Port Charlotte	10,043	400 Eason Med, LLC/Medical Office Management, LLC	\$740,000/\$74	Charlotte County

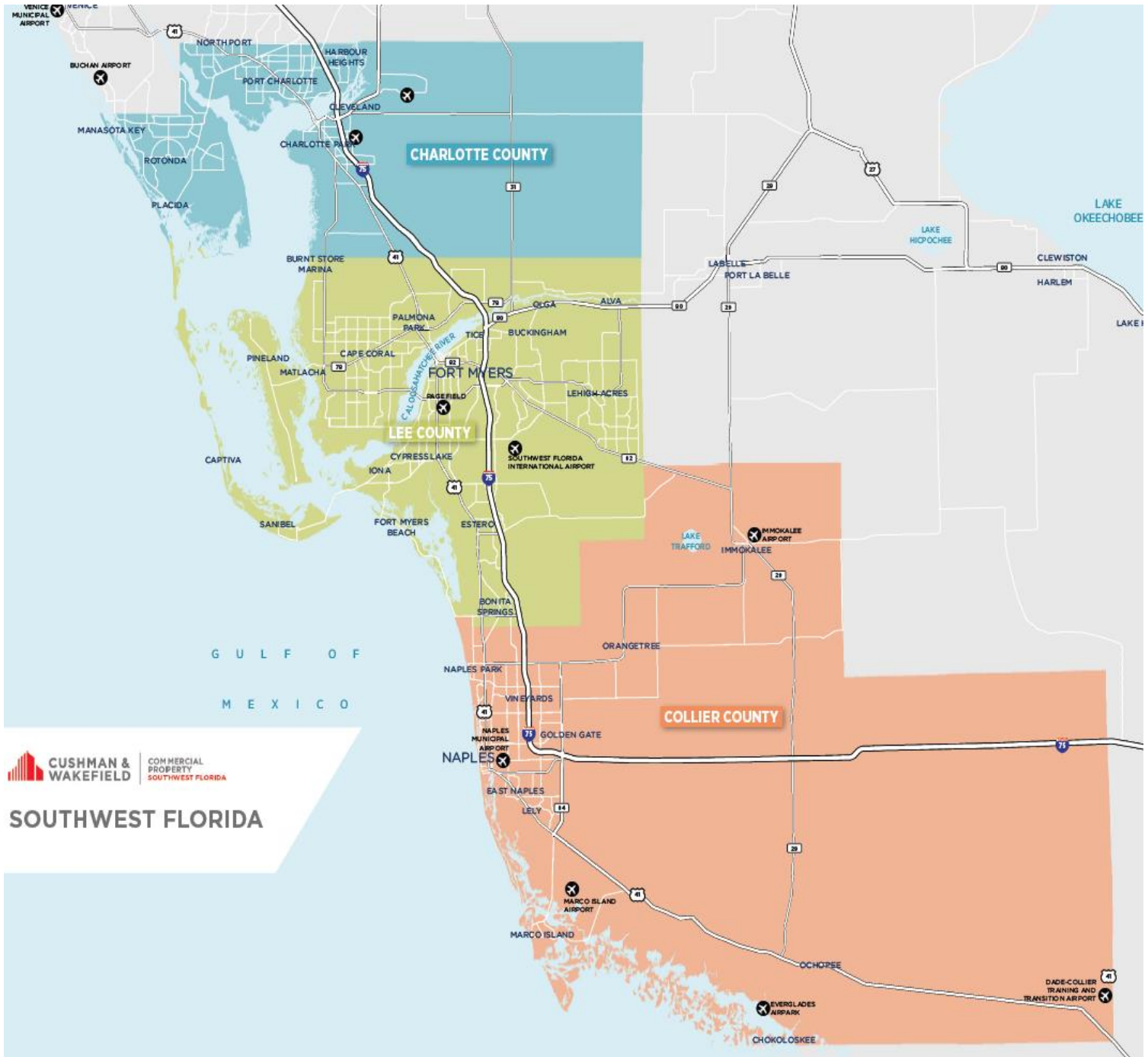
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