MARKETBEAT
Fort Myers / Naples
Office Q1 2019

CUSHMAN & WAKEFIELD | COMMERCIAL PROPERTY SOUTHWEST FLORIDA

FORT MYERS/NAPLES OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Southwest Florida Employment	274k	283k	▲
Southwest Florida Unemployment	3.5%	3.3%	▼
U.S. Unemployment	4.1%	3.8%	▼

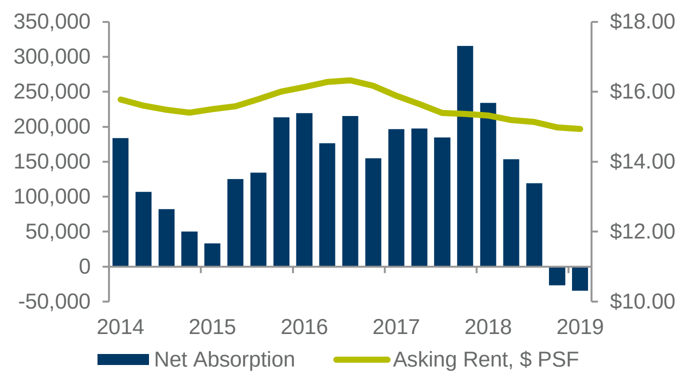
**Numbers above are quarterly averages*
Employment numbers are for the Cape Coral/Fort Myers MSA.

Market Indicators (Overall, All Classes)

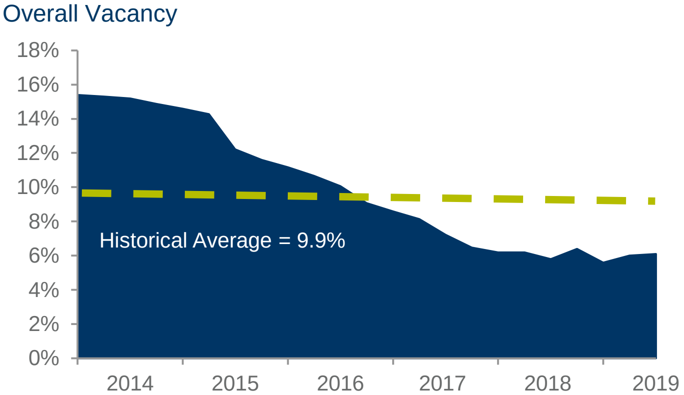
	Q1 18	Q1 19	12-Month Forecast
Vacancy	5.8%	6.1%	▼
YTD Net Absorption (sf)	-88k	-119k	▲
Under Construction (sf)	157k	627k	▬
Average Asking Rent*	$14.97	$14.79	▼

*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent
4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Southwest Florida, which includes Charlotte, Collier, Glades, Hendry and Lee counties, had an unemployment rate of 3.4%, down -20 basis points (bps) year-over-year. The unemployment rates in the three counties with office inventory include Lee County, with the largest office market in the region, at 3.3%, Collier County at 3.1% and Charlotte County at 3.9%. Overall, the labor force was up +1,800 jobs over the year, led by new positions in the Professional & Business Services sector. Financial Activities employment added 200 jobs over the past 12 months. Government and Information employment in the Cape Coral-Fort Myers MSA dropped -0.7% and -3.6%, respectively from last year. The Punta Gorda MSA, however had a +3.2% increase of +200 jobs in the Government sector, which was the second fastest growth rate compared to all other metro areas in the state.

Market Overview

Vacancy remained within range of 6.0% during most of 2018, market wide. The overall vacancy rate closed out the first quarter of 2019 at 6.1%, a marginal +30 bps increase from this time last year. The average asking rental rate decreased both year-over-year and quarter-over-quarter, closing first quarter at $14.79 per square foot (psf). Class A asking rents ended the quarter at $18.44 psf. The Class A overall vacancy rate ended first quarter at 11.4%.

Overall net absorption was negative in the first quarter after two consecutive quarters of positive absorption. There was nearly 120,000 square feet (sf) put back on the market, mostly from Class B assets in the City of Fort Myers submarket. Even with the negative absorption, at the end of first quarter there was almost 350,000 sf of Class A space available which represented a -80 bps drop in overall vacancy from this time last year. Some key lease transactions for the quarter were in Class A office space with one of the largest leases signed being at 4415 Metro Parkway in the City of Fort Myers submarket for The News Press.

Build-to-suit construction dominated the office pipeline in five main submarkets of Lee and Collier counties. There were no new under construction projects or completions in Charlotte County. The largest under-construction project remained unchanged at Creekside Commerce Park in the North Naples submarket. The office expansion for Arthrex, the global medical device company, will total 300,000 sf from construction management firm, DeAngelis Diamond. The speculative office construction was muted at the end of first quarter with no pre-leasing.

Outlook

Limited new speculative construction may continue to push the vacancy rate down. Cushman & Wakefield l Commercial Property Southwest Florida anticipates vacancy rates to slightly decrease with marginal changes in rent growth, as office occupancy and leasing activity rises.

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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	1,221,264	360	71,765	5.9%	-11,651	-11,651	0	$14.37	$19.00
Cape Coral	1,791,313	2,700	63,146	3.7%	-16,755	-16,755	5,800	$11.86	$12.49
City of Fort Myers	3,993,285	19,425	401,138	10.5%	-38,697	-38,697	50,366	$11.91	$17.56
Estero	628,929	0	7,704	1.2%	10,058	10,058	0	$15.29	N/A
Lehigh Acres	221,442	0	12,888	5.8%	-91	-91	0	$9.63	N/A
North Fort Myers	229,792	0	0	0.0%	0	0	0	N/A	N/A
S. Fort Myers/San Carlos	5,646,537	11,600	265,479	4.9%	-27,320	-27,320	151,800	$13.68	$15.33
The Islands	167,601	0	2,640	1.6%	-2,640	-2,640	0	N/A	N/A
LEE COUNTY SUBTOTAL	**13,900,163**	**34,085**	**824,760**	**6.2%**	**-87,096**	**-87,096**	**207,966**	**$12.97**	**$15.96**
East Naples	1,127,040	0	48,864	4.3%	-9,355	-9,355	104,860	$15.54	N/A
Golden Gate	87,060	0	0	0.0%	0	0	0	N/A	N/A
Lely	39,189	0	1,200	3.1%	3,720	3,720	0	$21.00	N/A
Marco Island	184,763	0	14,838	8.0%	0	0	0	$17.84	N/A
Naples	891,496	0	26,830	3.0%	-396	-396	0	$22.65	$31.58
North Naples	3,584,697	11,977	275,664	8.0%	-16,912	-16,912	313,800	$22.62	$23.19
Outlying Collier County	343,517	0	30,286	8.8%	-4,650	-4,650	0	$14.00	N/A
COLLIER COUNTY SUBTOTAL	**6,257,762**	**11,977**	**397,682**	**6.5%**	**-27,593**	**-27,593**	**418,660**	**$21.63**	**$23.99**
CHARLOTTE COUNTY SUBTOTAL	**2,645,604**	**0**	**116,618**	**4.4%**	**-4,391**	**-4,391**	**0**	**$13.44**	**$13.42**
TOTALS**	**22,803,529**	**46,062**	**1,339,060**	**6.1%**	**-119,080**	**-119,080**	**626,626**	**$14.79**	**$18.44**

*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 *	DIRECT AVERAGE ASKING RENT*
Class A	3,203,630	15,000	349,298	11.4%	-8,385	-8,385	443,000	$18.44	$18.34
Class B	13,227,336	26,212	693,331	5.3%	-86,764	-86,764	183,626	$14.24	$14.24
Class C	6,372,563	4,850	296,431	4.7%	-23,931	-23,931	0	$11.81	$11.81

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4415 Metro Pkwy., Fort Myers	19,550	The News Press	New Lease	City of Fort Myers
1525 Hendry St., Fort Myers	14,584	FieldEdge	New Lease	City of Fort Myers
1100 5th Ave. S., Naples	8,400	Adaptive Computing Enterprises, Inc.	New Lease	Naples

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / $PSF	SUBMARKET
13099 S. Cleveland Ave., Fort Myers	46,378	Hague, Inc./Star Mobile Home Sales, LP	$9,562,500/$206	S. Fort Myers/San Carlos
18245 Paulson Dr., Port Charlotte	13,182	Porter Family Investments, LLC/Progressive Equity Group, LLC	$1,335,000/$101	Charlotte County
7680 Cambridge Manor Pl., Fort Myers	10,000	The Cambridge Building, LLC/WSP Holdings of SW Inc.	$699,000/$70	S. Fort Myers/San Carlos

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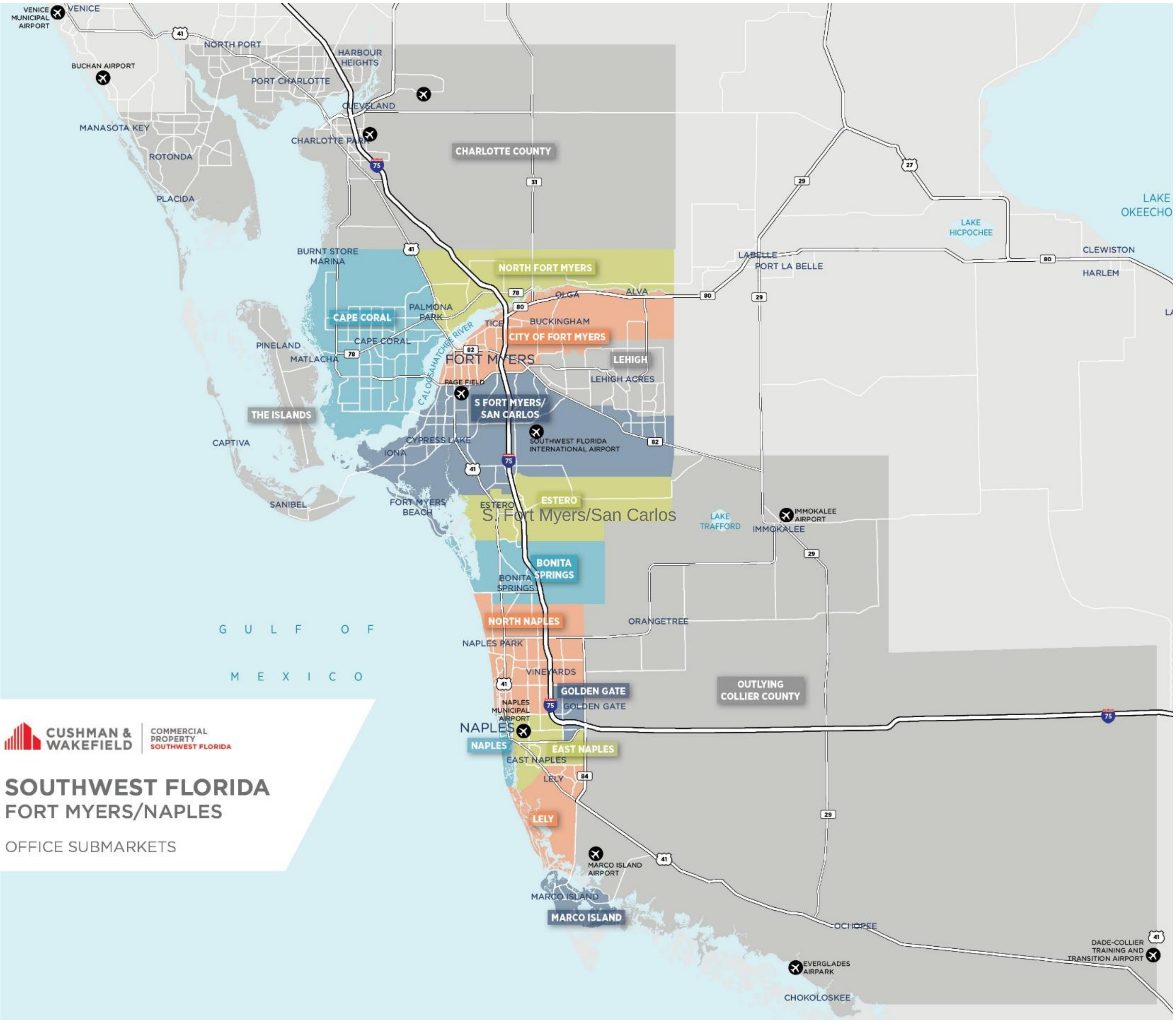

Cushman & Wakefield | CPSWFL
5220 Summerlin Commons Blvd.
Suite 500
Fort Myers, FL 33907
cpswfl.com

For more information, contact:
Gary Tasman
CEO/Principal Broker
Tel: +1 239 489 3600
gtasman@cpswfl.com

Claire Meyer
Director, Research
Tel: +1 239 489 3600
cmeyer@cpswfl.com

About Cushman & Wakefield

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