

Office Q4 2021

YoY Chg 12-Mo. Forecast

4.2%
Vacancy Rate



532K
Net Absorption, YTD, SF



\$19.65
Asking Rent, PSF



(Overall, All Property Classes)

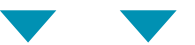
ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

440K
Southwest Florida
Employment



4.1%
Southwest Florida
Unemployment Rate



4.2%
U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW:

The Southwest Florida (SWFL) MSA comprised of Charlotte, Lee, and Collier Counties expanded nonagricultural employee headcounts across all sectors adding 27,200 new jobs, or 5.6% year-over-year (YOY). Of the new jobs created, 4,800, or 18%, was attributed to office-using employment including information, professional and business, and financial services. A strong labor market and shifting landscape of remote work coupled with Florida's tax advantages has made SWFL one of the fastest growing areas in the nation as evidenced by the 40% increase in single-family housing permits from a year ago.

SUPPLY AND DEMAND:

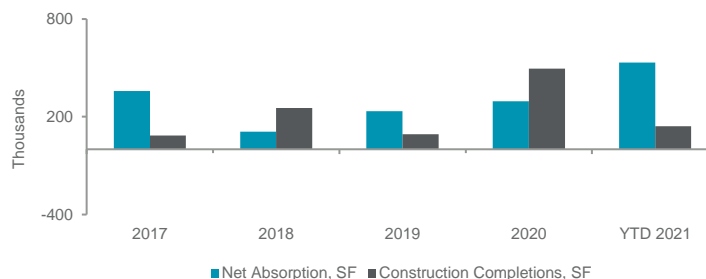
Contrary to the national trend, SWFL posted its fifth consecutive quarter of positive net absorption further contracting vacancy to 4.2%, down 40 basis points (bps) from the previous quarter and 160 bps from a year ago. Although no new space was delivered this quarter, developers slightly expanded SWFL's office inventory delivering 182,132 square feet (sf) in 2021, with the bulk of new supply already absorbed. The majority of the 197,867 sf set to come online in 2022 is fully leased leaving only 37,838 sf of speculative space to be delivered. Southwest Florida will face some near-term supply pressure that may counteract demand momentum going into 2022 if development is strained due to supply chain disruption, increased inflation, and the Federal Reserve's expectation to raise interest rates.

Leasing activity slowed significantly from the previous quarter as available space shrunk. Nonetheless, new lease deals of over 150,000 sf this quarter brought 2021's total to 827,828 sf, 10.3% increase over last year. Demand momentum remained strong through the end of 2021 as office investors capitalized on low entry costs and attractive first-year returns. In addition, relocation of workers from urban core cities into lower-cost suburban areas caused businesses to reposition closer to workers homes to facilitate employees returning to work, driving office demand.

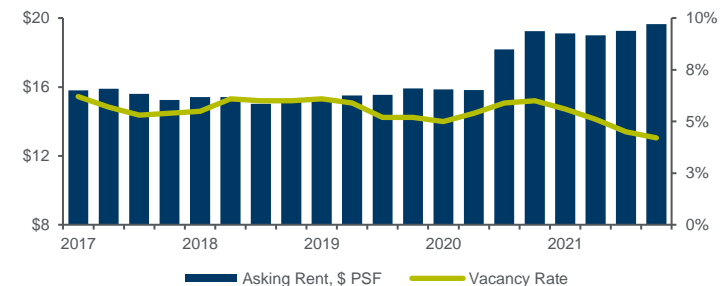
PRICING:

Asking rents remained stable throughout 2021 with a current rate of \$19.65 per square foot (psf), a \$.15 psf escalation from the previous quarter and \$.10 psf reduction YOY. Heading into 2022, rental rates will remain relatively flat in the near-term as vacancies continue to edge down coupled with strong positive net absorption. Office space, particularly low-rise suburban office buildings will not experience appreciation gains from rent growth but instead from increasing inflation and the trend towards the suburban office revival.

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	2,386,952	0	41,987	1.8%	4,357	25,002	45,986	0	\$17.10	---
SUBMARKET TOTALS	2,386,952	0	41,987	1.8%	4,357	25,002	45,986	0	\$17.10	---
Bonita Springs	1,140,207	133	75,620	6.6%	-16,416	-8,280	47,078	0	\$30.99	---
Cape Coral	1,645,459	0	48,762	3.0%	-10,134	-12,946	23,050	0	\$15.90	---
Estero	576,236	0	5,309	0.9%	-2,982	---	11,371	0	---	---
City of Fort Myers	3,859,938	22,350	115,609	3.6%	17,515	67,159	85,712	26,759	\$18.32	\$20.00
South Fort Myers	5,465,956	1,804	200,897	3.7%	46,043	124,767	227,809	123,127	\$17.41	\$20.63
North Fort Myers	233,262	---	---	---	---	---	---	0	---	---
Lehigh Acres	158,372	0	1,300	0.8%	---	---	---	0	---	---
The Islands	181,771	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	13,261,201	24,287	447,497	3.1%	34,026	170,700	395,020	149,886	\$20.66	\$20.32
East Naples	1,144,491	0	48,699	4.3%	17,512	111,860	98,720	34,981	\$19.23	---
North Naples	3,758,341	13,797	298,943	8.3%	11,785	147,927	166,980	10,000	\$27.60	---
Naples	656,680	1,818	30,379	4.9%	5,489	30,718	35,406	0	---	---
Marco Island	140,217	0	2,003	1.4%	---	---	---	0	---	---
Lely	29,014	---	---	---	---	---	---	0	---	---
Outlying Collier County	370,716	---	---	---	---	---	---	0	---	---
Golden Gate	76,123	---	---	---	---	---	---	3000	---	---
SUBMARKET TOTALS	6,175,582	15,615	380,024	4.7%	34,786	290,505	301,106	47,981	\$23.42	---
SOUTHWEST FLORIDA TOTALS	21,823,735	39,902	869,508	4.2%	73,169	532,061	827,808	197,867	\$19.65	\$20.50

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2070 Carrell Rd.	City of Fort Myers	Braxton College	18,560	New lease
713 E Marion Ave.	Charlotte County	Millennial Physicians Group	12,184	New lease
27599 Riverview Center Blvd.	Bonita Springs	Florida Family Insurance Co.	11,875	Renewal
8625 Tamiami Trl N.	North Naples	Zoompan	8,804	New lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
5801 & 5811 Pelican Bay	North Naples	Steelbridge Capital / CRC Companies, LLC	177,242	\$55.5M/ \$313.13
5237 Summerlin Commons Blvd.	S. Fort Myers/San Carlos	Premier Executive Center / Lantana Charter, LLC	41,006	\$4.5/\$109.74
1415 Panther Ln.	North Naples	Trail Blvd LLP / Lantana Charter, LLC	30,000	\$6.2M/\$208.25

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