

Office Q1 2022

YoY Chg 12-Mo. Forecast

4.4%

Vacancy Rate



-90K

Net Absorption, YTD, SF



\$20.36

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

449K

Southwest Florida Employment



3.2%

Southwest Florida Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW:

Southwest Florida's (SWFL) regional economy exhibited mixed signs in the first quarter of 2022. Airport passenger activity catapulted to pre-pandemic levels resulting in a tourist tax revenue boom compared to the previous year. COVID-19 constraints are seemingly in the rearview, but the long-term effects are still lingering in the labor market evidenced by the number of employed persons decreasing by 4,107 and the unemployed persons increasing by 1,767 from January to February of 2022. Although the labor market overall is tightening, office-using employment including information, professional and business, and financial services have edged upward showing positive signs for job growth as net migration continues strong in SWFL.

SUPPLY AND DEMAND:

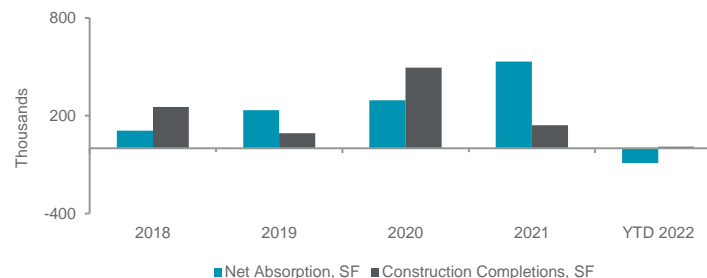
Rooted in the regions exploding population growth, office demand momentum continues strong despite leasing activity slowing down in Q1 with 77 completed deals versus 119 in Q4 2021. This is mainly attributed to the lack of supply and a low vacancy rate. The quarter posted negative net absorption of -89,647 sf following five consecutive quarters of positive absorption, pushing vacancies slightly upward by 20 basis points (bps) quarter-over-quarter. Office inventory slightly expanded from the delivery of a 10,000 square foot (sf) build-to-suit in the North Naples submarket. Looking ahead, there are 180,467 sf in the pipeline consisting of 70% build-to-suit projects, and of the speculative space under construction, 39% has already been leased.

As developers in the national market face supply chain disruption, increased inflation, and raising interest rates, developers in the SWFL office market show little sign of concern as population growth continues expanding, exhibiting resilience against inflation and instability. Although the region's commercial development has experienced rapid growth, supply side pressure persists as development lags behind the population explosion. Developers have a great opportunity to create value through speculative space as projected returns outweigh the risk of low cap rate deals.

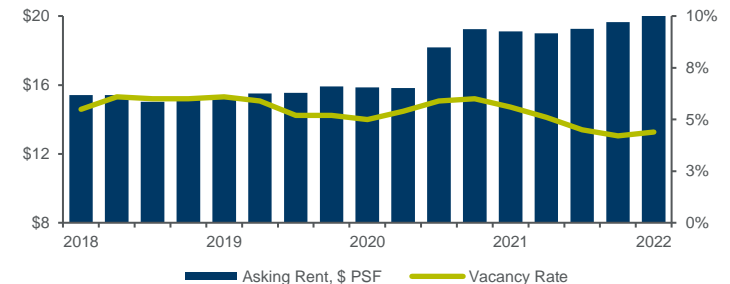
PRICING:

Asking rents have increased for the fifth consecutive quarter with a current rate of \$20.36 per square foot (psf), a \$.71 psf escalation from the previous quarter. Contrary to the average U.S. office fundamentals, the lack of available office investment opportunity in the SWFL market coupled with increasing interest rates have forced cap rates to compress, therefore we can expect upward pressure on rental rates to continue for the first half of the year.

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	2,359,973	0	54,899	2.3%	-15,351	-15,351	8,115	0	\$16.40	\$15.00
SUBMARKET TOTALS	2,359,973	0	54,899	2.3%	-15,351	-15,351	8,115	0	\$16.40	\$15.00
Bonita Springs	1,118,437	0	48,430	4.3%	28,489	28,489	26,370	0	\$20.34	---
Cape Coral	1,592,618	0	28,709	1.8%	1,796	1,796	3,550	0	\$11.84	---
Estero	576,236	0	6,484	1.1%	-895	-895	2,866	0	---	---
City of Fort Myers	3,860,850	156	106,337	2.8%	29,516	29,516	8,545	26,759	\$17.71	---
South Fort Myers	5,514,466	172,590	173,110	6.3%	182,748	-182,748	68,528	118,727	\$18.62	\$20.63
North Fort Myers	233,262	---	---	---	---	---	---	0	---	---
Lehigh Acres	158,372	---	---	---	1,300	1,300	---	0	---	---
The Islands	181,771	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	13,236,012	172,746	363,070	3.3%	-122,542	-122,542	109,859	145,486	\$17.13	\$20.63
East Naples	1,106,973	0	39,554	3.6%	3,269	3,269	8,843	34,981	\$20.90	---
North Naples	3,818,215	9,467	287,244	7.8%	46,661	46,661	29,137	0	\$25.76	---
Naples	656,680	1,818	27,525	4.5%	1,916	1,916	4,772	0	---	---
Marco Island	173,829	3,600	10,113	7.9%	3,600	-3,600	---	0	\$20.00	---
Lely	29,014	---	---	---	---	---	---	0	---	---
Outlying Collier County	370,716	---	---	---	---	---	---	0	---	---
Golden Gate	76,123	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	6,231,550	14,885	364,436	6.0%	48,246	48,246	42,752	34,981	\$22.22	---
SOUTHWEST FLORIDA TOTALS	21,827,535	187,631	782,405	4.4%	-89,647	-89,647	160,726	180,467	\$20.36	\$19.86

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
24301 Walden Center Dr.	Bonita Springs	Timilon Corporation	15,704	New lease
11215 Metro Pkwy.	S. Fort Myers/San Carlos	Smart Companies	14,092	New lease
9110 Strada Pl.	North Naples	Dr. Ross	5,016	New lease
1520 Royal Palm Square Blvd.	S. Fort Myers/San Carlos	Alliant Insurance	4,084	New lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1421 Pine Ridge Rd.	North Naples	Barron Collier Commercial / Secured Equities	37,000	\$12.7M/\$344.87
3800 Colonial Blvd.	S. Fort Myers/San Carlos	Orbis Properties / Haub Real Estate Holdings LLC	17,600	\$2.3M/\$130.68
11571 Verandah Blvd.	City of Fort Myers	Kh Verandah LLC / Naples Surgery Center Inc.	8,072	\$1.1M/\$136.27

GARY TASMAN

Principal Broker & CEO

+1 239 489 3600 / gatasman@cpswfl.com

HANNA RAY

Research & Marketing Administrator

+1 239 489 3600 / hray@cpswfl.com

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