

## Office Q2 2022

YoY Chg 12-Mo. Forecast

**4.7%**  
Vacancy Rate



**-2,237**  
Net Absorption, SF



**\$20.46**  
Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

**454K**  
Southwest Florida  
Employment



**2.8%**  
Southwest Florida  
Unemployment Rate



**3.6%**  
U.S.  
Unemployment Rate



Source: BLS

### ECONOMIC OVERVIEW:

Total nonagricultural employee headcounts expanded in the Southwest Florida (SWFL) MSA comprised of Lee, Collier, and Charlotte Counties adding 22,400 or 4.5% year-over-year (YOY). Office-using employment including professional and business services, information, and financial services accounted for 5,100 or 22.8% of all the new jobs created. The regions economic growth cycle continued this quarter despite rising inflation due to the rapid population growth and increased tourism. Single-family housing permits increased 11% over the previous quarter and airport passenger activity boosted 18% from a year ago driving a 15% increase in seasonally adjusted taxable sales YOY.

### SUPPLY AND DEMAND:

The office market showed signs of stabilization with net absorption clocking in at -2,237 square feet (sf) for the quarter compared to -99,379 sf in the previous quarter. The area's total overall vacancy edged upward 30 basis points (bps) although this was not due to a lack in demand but attributed to the S. Fort Myers/San Carlos submarket's vacancy rising 230 bps from Gartner, one of the region's largest employers, subleasing their former spaces totaling roughly 300,000 sf.

The SWFL MSA is not seeing an overbuild in office space, deliveries have slowed the first half of the year with only 31,727 sf of new construction year-to-date which is the lowest recorded since 2018. Of the 131,981 sf in the pipeline, 97,000-sf consists of a build-to-suit project for Alta Resources new headquarters leaving only 34,981 sf to be absorbed.

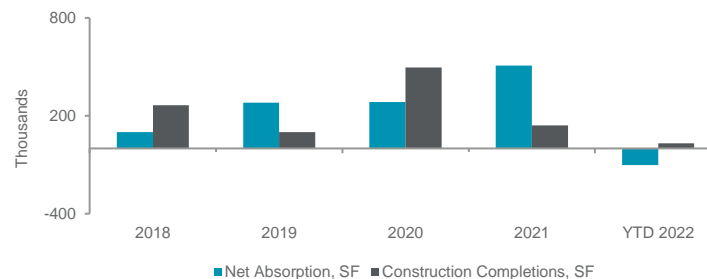
The in-migration demographics have shifted from retiree dominated to more working-age people fueling the regions office space demand momentum. SWFL is emerging as an attractive location for business given the shifting demographics coupled with Florida's tax advantages and business friendly environment and discounted value compared to other major metropolitan areas in Florida.

### PRICING:

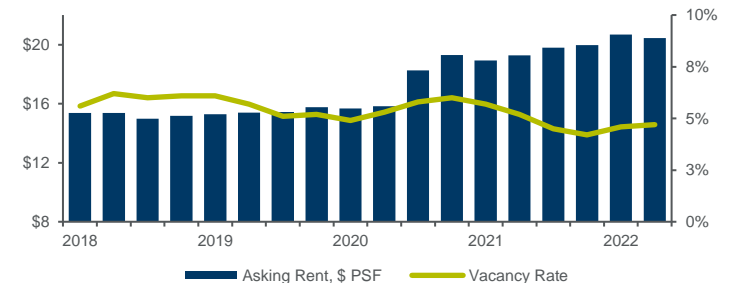
Nationally, the office market is lacking demand and institutional investors are scaling back their portfolios, however, SWFL is a top market in terms of vacancy and rent growth is strong with overall asking gross rent up \$1.46 per square feet YOY.

Commercial real estate has low correlation to the more intangible parts of the economy like the stock market, so as apartments, hospitality, self storage, and even retail asset types are the focus nationally as brands return to brick-and-mortar shopping, office should not be out of the picture as an inflation hedge in SWFL. Despite rising interest rates, pricing in the office market is favorable versus replacement cost while land, labor, and construction costs rise.

### 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	2,325,105	0	55,468	2.4%	-2,173	-12,959	14,577	0	\$16.24	\$17.47
<b>SUBMARKET TOTALS</b>	<b>2,325,105</b>	<b>0</b>	<b>55,468</b>	<b>2.4%</b>	<b>-2,173</b>	<b>-12,959</b>	<b>14,577</b>	<b>0</b>	<b>\$16.24</b>	<b>\$17.47</b>
Bonita Springs	1,115,327	108	29,143	2.6%	13,232	42,662	104,053	0	\$21.22	---
Cape Coral	1,593,930	0	14,786	0.9%	13,255	15,051	12,878	0	\$14.12	---
Estero	562,236	0	1,367	0.2%	1,367	472	6,616	0	---	---
City of Fort Myers	3,933,695	0	92,973	2.4%	37,458	64,042	37,115	0	\$18.25	---
South Fort Myers	5,561,969	299,841	179,674	8.6%	-83,939	-264,614	172,890	97,000	\$18.10	\$19.95
North Fort Myers	233,262	---	---	---	---	---	---	0	---	---
Lehigh Acres	167,074	---	---	---	---	1,300	2,735	0	---	---
The Islands	181,771	---	---	---	---	---	---	0	---	---
<b>SUBMARKET TOTALS</b>	<b>13,349,264</b>	<b>299,949</b>	<b>317,943</b>	<b>2.9%</b>	<b>-18,627</b>	<b>-141,087</b>	<b>336,287</b>	<b>97,000</b>	<b>\$17.92</b>	<b>\$19.95</b>
East Naples	1,106,973	0	54,768	4.9%	9,888	-10,148	12,727	34,981	\$21.14	---
North Naples	3,736,623	3,772	245,565	6.7%	14,376	69,139	74,052	0	\$24.77	\$27.00
Naples	656,680	0	28,848	4.4%	-1,201	1,539	12,260	0	\$35.00	---
Marco Island	174,253	3,600	14,613	10.5%	-4,500	-8,100	---	0	\$20.00	---
Lely	29,014	---	---	---	---	---	---	0	---	---
Outlying Collier County	370,716	---	---	---	---	---	---	0	---	---
Golden Gate	76,123	---	---	---	---	---	---	0	---	---
<b>SUBMARKET TOTALS</b>	<b>6,150,382</b>	<b>7,372</b>	<b>343,794</b>	<b>6.6%</b>	<b>18,563</b>	<b>52,430</b>	<b>99,039</b>	<b>34,981</b>	<b>\$25.23</b>	<b>\$27.00</b>
<b>SOUTHWEST FLORIDA TOTALS</b>	<b>21,824,751</b>	<b>307,321</b>	<b>717,205</b>	<b>4.7%</b>	<b>-2,237</b>	<b>-101,616</b>	<b>449,903</b>	<b>131,981</b>	<b>\$20.46</b>	<b>\$18.81</b>

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3530 Kraft Rd.	North Naples	Radiology Regional Center	12,953	New lease
704-708 Goodlette-Frank Rd N	East Naples	Stepping Stone Kids Therapy	12,241	New lease
1610 Royal Palm Ave.	City of Fort Myers	Simple Logistics	7,858	New lease
9407 Cypress Lake Dr.	S. Fort Myers/San Carlos	Quigley Eye Specialist	6,857	New lease

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
5220 Summerlin Commons Blvd.	S. Fort Myers/San Carlos	Vorbeck Equities / Evan Berlin Revocable Trust	53,640	\$10.3M/\$191.09
43 Barkley Circle	S. Fort Myers/San Carlos	Orchard Knoll LLC / William Papas	19,429	\$2.8M/\$144.11
2886 Tamiami Trl	Charlotte County	Private Revocable Trust / Mjm Investments Enterprises	14,258	\$1.6M/\$112.22

**GARY TASMAN**

Principal Broker & CEO

+1 239 489 3600 / [gatasman@cpswfl.com](mailto:gatasman@cpswfl.com)

**HANNA RAY**

Research & Marketing Administrator

+1 239 489 3600 / [hray@cpswfl.com](mailto:hray@cpswfl.com)

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