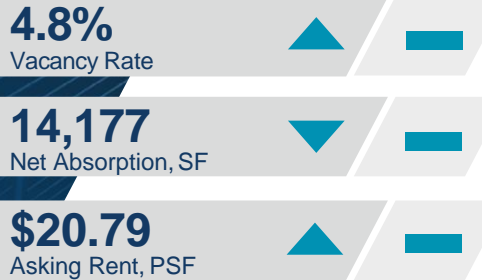


MARKETBEAT

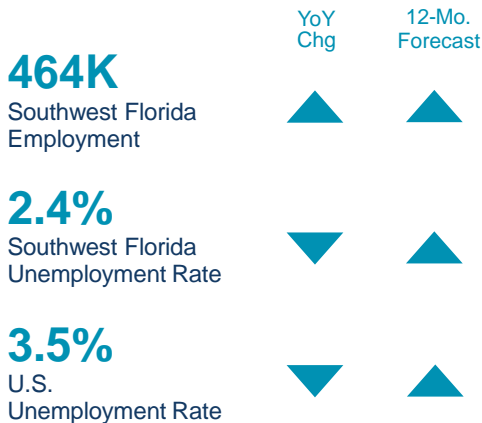
SOUTHWEST FLORIDA

Office Q3 2022



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022



Source: BLS

ECONOMIC OVERVIEW:

Economic indicators in the third quarter signaled signs of an economic slowdown in the Southwest Florida (SWFL) MSA including Lee, Collier, and Charlotte Counties as inflation continued to rise causing housing, gas, cars, and food prices to climb. As a result, the regions discretionary spending declined as evidenced by airport passenger activity nudging down 13%, suggesting a cooldown. The area's historically high net in migration began tapering off with single-family housing permits dipping 15% from June 2022 to July 2022. Not all indicators were in the red though, SWFL's nonagricultural employee headcount expanded 4.5% from a year ago adding 2,100 new jobs in the office market employment sectors including professional and business services and financial services.

SUPPLY AND DEMAND:

The office vacancy rate edged upward 10 basis points from the previous quarter clocking in at 4.8%, which is well below the 10-year average of 7.7%, and the national average office vacancy of 17.8%. Due to the SWFL office market remaining resilient through the pandemic, population growth and urban office vacancy rates continuing to climb.

Demand remained strong as 240,000+ square feet (sf) of office space was leased in the third quarter with the bulk going to class A space suggesting a flight to quality. Leasing activity this quarter accounted for 33% of all leasing activity year-to-date (YTD) resulting in 14,000+ sf of positive net absorption following two consecutive quarters in the red. Inventory levels remained flat with no new deliveries this quarter, and only four projects in the pipeline consisting mostly of build-to-suit projects indicating developers are putting investment dollars on sure bets.

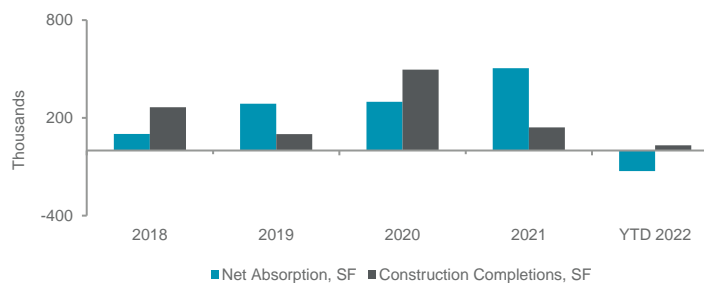
The lack of new construction and the recent damage caused by Hurricane Ian in Q3 will likely cause the region to experience pent up demand through the end of the year and potentially into the first quarter of next year. Once the dust settles and the market reacts to the effects of the recent hurricane, SWFL can expect to see a structural stabilization as inflationary pressure cools down the market and may raise concern of a looming recession.

PRICING:

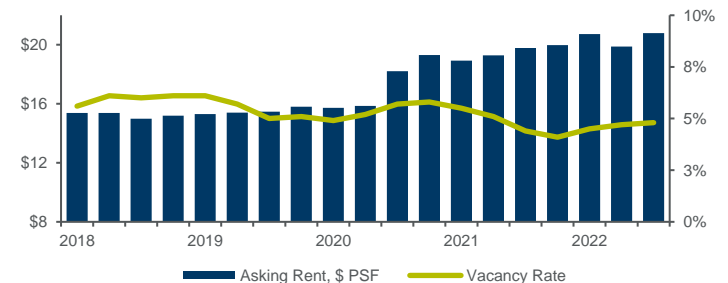
Rent growth continues to trend up with overall office gross rents at \$20.79 per square feet (psf) vs pre-pandemic pricing at \$15.73 psf in Q1 2020, a 24% increase, demonstrating one of the fastest paced rent growth environments in the nation.

With steady leasing activity, rental growth, and typical vacancies, SWFL's office market is an attractive risk-adjusted opportunity and has a strong potential for resiliency.

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	2,306,105	0	48,788	2.1%	19,260	-7,491	28,088	0	\$17.83	\$17.72
SUBMARKET TOTALS	2,306,105	0	48,788	2.1%	19,260	-7,491	28,088	0	\$17.83	\$17.72
Bonita Springs	1,110,663	10,237	28,331	3.5%	767	37,000	121,690	0	\$23.60	---
Cape Coral	1,592,100	0	11,965	0.8%	812	15,540	20,567	0	\$20.44	---
Estero	532,477	0	3,805	0.7%	-2,438	1,784	6,452	0	---	---
City of Fort Myers	3,863,688	19,112	56,942	2.0%	-8,273	50,098	68,188	0	\$19.32	---
South Fort Myers	5,614,361	279,852	211,617	8.8%	5,608	-264,748	224,617	99,250	\$18.28	\$19.95
North Fort Myers	229,834	---	---	---	---	---	---	0	---	---
Lehigh Acres	168,510	0	1,436	0.9%	-1,436	-136	2,735	0	---	---
The Islands	181,771	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	13,293,404	309,201	314,096	2.8%	-4,960	-160,462	444,249	99,250	\$20.41	\$19.95
East Naples	1,133,784	0	53,982	4.8%	786	-9,362	24,067	34,981	\$21.14	---
North Naples	3,787,797	3,772	264,124	7.1%	-1,431	56,718	194,581	0	\$25.21	\$27.00
Naples	656,680	0	31,349	4.8%	-1,481	58	20,376	0	\$35.00	---
Marco Island	174,253	3,600	12,610	9.3%	2,003	-6,097	2,003	0	\$20.00	---
Lely	34,014	---	---	---	---	---	---	0	---	---
Outlying Collier County	370,716	---	---	---	---	---	---	0	---	---
Golden Gate	76,123	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	6,233,367	7,372	362,065	6.5%	-123	41,317	241,027	34,981	\$25.34	\$27.00
SOUTHWEST FLORIDA TOTALS	21,832,876	316,573	724,949	4.8%	14,177	-126,636	713,364	134,231	\$20.79	\$19.72

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
12600 Corporate Lakes Dr.	S. Fort Myers/San Carlos	Kingland Systems	19,989	New lease
4150 Ford Street Ext.	City of Fort Myers	Children's Network of SWFL	13,643	New lease
5100 S. Cleveland Ave.	S. Fort Myers/San Carlos	Cano Health	13,000	New lease
2301 Del Prado Blvd. S.	Cape Coral	J. Lee Salon Suites	11,215	New lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
16261 Bass Rd.	S. Fort Myers/San Carlos	Edward Mace CPA / Lee Memorial Health System Foundation	24,662	\$8.5M/\$344.66
2484 Caring Way	Charlotte County	Premier Property Management / Bruce Macdonald	15,788	\$2.5M/\$158.35
21205 Olean Blvd.	Charlotte County	Celtic Ray Properties LLC / 21205 Olean Blvd LLC	8,893	\$1.5M/\$174.29

GARY TASMAN

Principal Broker & CEO

+1 239 489 3600 / gtsman@cpswfl.com

HANNA RAY

Research & Marketing Administrator

+1 239 489 3600 / hrray@cpswfl.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.