

Office Q4 2022

YoY Chg 12-Mo. Forecast

4.1%

Vacancy Rate



-34K

Net Absorption, SF, YTD



\$22.31

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

461.5K

Southwest Florida Employment



2.4%

Southwest Florida Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW:

Economic conditions in the Southwest Florida MSA comprised of Lee, Collier, and Charlotte Counties were adversely affected from national high inflation and the aftermath of recent Hurricane Ian. The unemployment rate spiked in all three counties from September to October 2022. Single family sales, building permits, and active listings also decreased 40% from October 2021 to 2022, representing a shift in the residential real estate market attributed to both monetary policy and Hurricane Ian.

SUPPLY AND DEMAND:

Office vacancy dropped 60 basis points (bps) quarter-over-quarter registering in at 4.1% with no change year-over-year (YOY) despite many business relocations due to hurricane damage. The region boasts a 4.1% vacancy, given the national office vacancy is 18.2%, and increased by 140 bps YOY as secondary and tertiary markets gain leverage from the functional office landscape post-pandemic. This signals strength and resiliency in the existing office space, however, demand momentum for new businesses may be hindered by rising premium costs for property and flood insurance.

Developers plan to deliver four buildings totaling 134,231 square feet (sf) of office space in 2023 which is a significant uptick from the 31,727-sf completed in 2022. However, the office space expansion will have little effect on supply side pressure with 99,250 sf, or 74%, being build-to-suit projects.

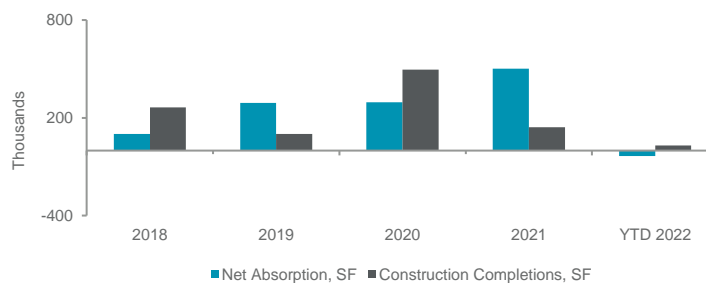
Year-to-date absorption has begun to increase as the bulk of recent construction has been pre-leased and leasing activity remaining steady the last four quarters with an average of 216,000 sf leased per quarter. Notable deals in the fourth quarter consist of hurricane cleanup effort relief tenants including FEMA signing a one-year deal in the S. Fort Myers submarket for almost 45,000 sf, and State Farm Insurance Company leasing 20,000 sf.

PRICING:

Market rent has surged to \$22.31 per-square-foot for the highest recorded average rental rate, reporting a 10.4% increase YOY.

Despite inflation and increasing interest rates, average cap rates for office investments stand at 7.3%, or 0.2% lower than the prior period.

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	2,313,605	0	41,741	1.8%	8,547	1,056	42,468	0	\$19.38	\$19.01
SUBMARKET TOTALS	2,313,605	0	41,741	1.8%	8,547	1,056	42,468	0	\$19.38	\$19.01
Bonita Springs	1,110,614	10,129	46,739	5.1%	-20,463	17,755	126,195	0	\$20.20	---
Cape Coral	1,582,750	0	13,020	0.8%	-1,805	17,261	25,545	0	\$20.44	---
Estero	499,997	0	1,367	0.3%	2,438	4,222	9,433	0	---	---
City of Fort Myers	3,867,828	19,112	58,074	2.0%	15,863	62,609	73,169	0	\$19.32	---
South Fort Myers	5,617,513	214,824	179,912	7.0%	20,030	-242,388	369,554	99,250	\$21.61	\$21.51
North Fort Myers	229,834	---	---	---	---	---	---	0	---	---
Lehigh Acres	168,510	0	1,436	0.9%	---	-136	2,735	0	---	---
The Islands	181,771	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	13,258,817	244,065	300,548	2.7%	16,063	-140,677	606,631	99,250	\$20.39	\$21.51
East Naples	1,224,124	0	39,074	3.2%	7,056	-3,962	41,150	34,981	\$30.39	---
North Naples	3,793,418	2,604	234,719	6.3%	41,682	106,589	242,033	0	\$27.49	\$27.00
Naples	670,075	0	27,146	4.1%	4,203	4,261	25,367	0	\$35.00	---
Marco Island	175,089	0	7,888	4.5%	8,322	2,225	5,603	0	---	---
Lely	34,014	---	---	---	---	---	---	0	---	---
Outlying Collier County	370,716	3,484	0	0.9%	-3,484	-3,484	---	0	---	---
Golden Gate	76,123	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	6,343,559	6,088	308,827	3.8%	57,779	105,629	314,153	34,981	\$30.96	\$27.00
SOUTHWEST FLORIDA TOTALS	21,915,981	250,153	651,116	4.1%	82,389	-33,992	963,252	134,231	\$22.31	\$20.90

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
12651 Gateway Blvd.	S. Fort Myers/San Carlos	FEMA (US Government)	44,730	New lease
12651 Gateway Blvd.	S. Fort Myers/San Carlos	State Farm Mutual Auto Insurance	20,000	New lease
12751 New Brittany Blvd.	S. Fort Myers/San Carlos	Undisclosed	10,532	New lease
4501 Tamiami Trl N.	North Naples	Equipment Enterprises Inc.	8,770	New lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
10201 Arcos Ave.	Estero	White Oak Healthcare Finance / Rendina Healthcare	35,132	\$16.2M/\$461.48
23601 N Commons Dr.	Bonita Springs	Beit Sefer LLC / Educational Pathways Inc.	23,112	\$6M/\$259.61
671 Goodlette Rd N.	Naples	The Ninigret Group / CI Naples I LLC	22,998	\$5.3M/\$230.45

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