

# MARKETBEAT

## Southwest Florida

Office Q3 2019



COMMERCIAL  
PROPERTY  
SOUTHWEST FLORIDA

### CHARLOTTE/FORT MYERS/NAPLES COMBINED MSA

#### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Southwest Florida Employment	462k	479k	▲
Southwest Florida Unemployment	3.9%	3.8%	▲
U.S. Unemployment	3.8%	3.7%	▲

\*Numbers above are monthly figures, September 2019, FL Dept. Economic OPP.

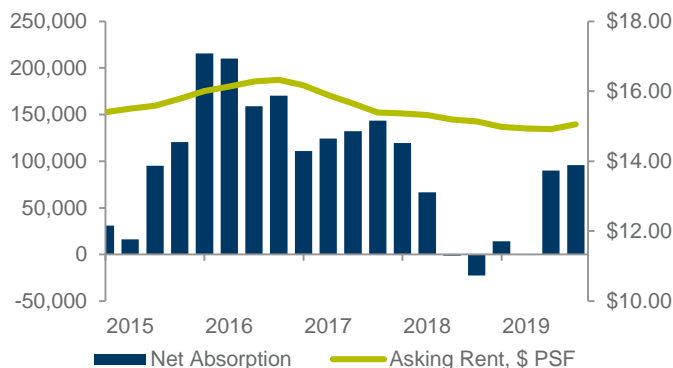
#### Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	5.6%	5.2%	▼
YTD Net Absorption (sf)	-141k	197k	▲
Under Construction (sf)	157k	596k	▲
Average Asking Rent*	\$15.09	\$15.66	▲

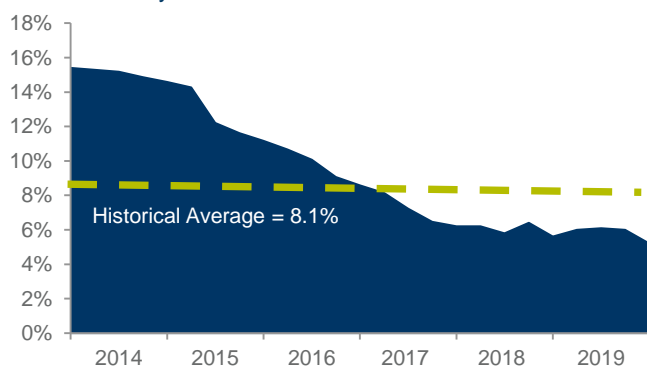
\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

Southwest Florida, which includes Charlotte, Lee and Collier counties, had an unemployment rate of 3.8%, down -10 basis points (bps) year-over-year. The unemployment rates for the three counties with office inventory were 3.5% in Lee County, the largest office market in the region, Collier County at 3.8% and Charlotte County at 4.1%. Professional & Business Services added +2,300 jobs over the year, giving it a +3.9% increase, which was one of the highest growth rates in the state. The Financial Activities sector added another 300 jobs over the past 12 months while employment in the Information sector fell -2.2% in the Charlotte-Cape Coral-Fort Myers combined MSA.

### Market Overview

The market wide overall vacancy rate narrowed to 5.2% at the close of third quarter, a -80 bps decrease from second quarter 2019. Overall market vacancy stabilized for Class A office space as leasing activity and absorption increased from second quarter. Increased occupancy in Class A office buildings raised overall average asking rental rates quarter-over-quarter, closing at \$18.79 per square foot (psf), the highest so far this year.

Overall net absorption in the market was positive at the end of third quarter. Leasing activity remained the strongest in the S. Fort Myers/San Carlos submarket of Lee County with approximately 20 deals. There was nearly 265,093 square feet (sf) of direct vacant space available with overall rent ending the quarter at \$13.78 psf. However, the largest leases signed were in both the Bonita Springs and City of Fort Myers submarkets. One of the largest leases for the third quarter was approximately 27,690 sf to Discovery Senior Living Holdings at the Bonita Bay Executive Center.

Build-to-suit construction remained dominant for the third consecutive quarter in 2019. Although, there have not been any new-to-market tenants, the demand for large blocks of functional Class A space was strong for existing occupants. There was nearly 596,000 sf of new office construction with most of the pipeline expected to deliver fourth quarter 2019 into first quarter 2020. Increased population and employment growth supported new development for large blocks of office space in both Lee and Collier Counties for the third quarter.

### Outlook

Occupiers continue to build-to-suit in the absence of large functional space for office using employers. Pent up office demand and increasing population growth supports the need for more space. Cushman & Wakefield I Commercial Property Southwest Florida anticipates the office construction pipeline to continue and asking rental rates to trend upward through the close of 2019.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Bonita Springs	1,224,205	280	54,991	4.5%	-23,556	-21,323	0	\$14.34	\$15.29
Cape Coral	1,740,308	1,610	49,008	2.9%	8,284	5,929	0	\$12.00	\$11.10
City of Fort Myers	3,942,997	19,157	202,698	5.6%	145,051	240,457	0	\$12.23	\$16.00
Estero	615,429	0	7,911	1.3%	-207	9,851	0	\$15.22	N/A
Lehigh Acres	168,305	0	4,941	2.9%	0	-1130	0	\$14.72	N/A
North Fort Myers	229,792	0	0	0.0%	2,164	0	0	\$11.44	N/A
S. Fort Myers/San Carlos	5,628,678	4,100	265,093	4.8%	-548	58,423	83,500	\$13.78	\$15.72
The Islands	165,716	0	0	0.0%	0	0	0	N/A	N/A
<b>LEE COUNTY SUBTOTAL</b>	<b>13,715,430</b>	<b>25,147</b>	<b>584,642</b>	<b>4.4%</b>	<b>131,188</b>	<b>292,207</b>	<b>83,500</b>	<b>\$13.33</b>	<b>\$15.49</b>
East Naples	1,010,222	0	36,674	3.6%	-7,910	-16,566	0	\$15.89	N/A
Golden Gate	77,060	0	0	0.0%	0	0	0	N/A	N/A
Lely	39,189	0	0	0.0%	1,200	4,920	0	\$21.00	N/A
Marco Island	184,763	0	19,245	10.4%	-2,298	-4,407	0	\$16.37	N/A
Naples	827,759	1,500	24,737	3.2%	-22,179	-4,003	0	\$24.61	\$42.42
North Naples	3,522,345	12,602	336,684	9.9%	-8,203	-91,556	505,000	\$22.78	\$23.97
Outlying Collier County	339,517	0	30,286	8.9%	-2,000	-4,650	0	\$14.13	N/A
<b>COLLIER COUNTY SUBTOTAL</b>	<b>6,000,855</b>	<b>14,102</b>	<b>447,626</b>	<b>7.7%</b>	<b>-41,390</b>	<b>-116,262</b>	<b>505,000</b>	<b>\$22.10</b>	<b>\$24.52</b>
<b>CHARLOTTE COUNTY SUBTOTAL</b>	<b>2,494,203</b>	<b>0</b>	<b>87,999</b>	<b>3.5%</b>	<b>-3,998</b>	<b>21,019</b>	<b>7,735</b>	<b>\$13.52</b>	<b>\$13.42</b>
<b>TOTALS</b>	<b>22,210,488</b>	<b>39,249</b>	<b>1,120,267</b>	<b>5.2%</b>	<b>85,800</b>	<b>196,964</b>	<b>596,235</b>	<b>\$15.66</b>	<b>\$18.79</b>

\*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT *	DIRECT AVERAGE ASKING RENT*
Class A	3,188,259	15,000	415,994	13.5%	2,593	6,210	300,000	\$18.79	\$18.71
Class B	12,949,213	18,482	545,633	4.4%	-27,069	77,486	296,235	\$14.62	\$14.63
Class C	6,073,016	5,767	158,640	2.7%	110,276	113,268	0	\$12.62	\$12.62

### Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3461 Bonita Bay Blvd., Bonita Springs, FL	27,690	Discovery Senior Living	New Lease	Bonita Springs
1422 Hendry St., Fort Myers, FL	12,000	MacFarlane Barney Development	New Lease	City of Fort Myers
4501 Tamiami Trl. N., Naples, FL	9,999	Benserson Information Technologies, Inc.	New Lease	North Naples
3050 Horseshoe Dr. N., Naples, FL	9,077	CareerSource Southwest Florida	Renewal	East Naples
12800 University Dr., Fort Myers, FL	6,445	Universal Trailer	New Lease	S. Fort Myers/San Carlos

### Key Sales Transactions Q 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
2240 & 2286 W. First St., Fort Myers, FL	16,324	Vista Point Investment LLC/2240-86 West First, LLC	\$2,300,000/\$141	City of Fort Myers
2915 Colonial Blvd., Fort Myers, FL	12,458	Fifth Third Bank/2915 Colonial LLC	\$1,305,000/\$105	City of Fort Myers

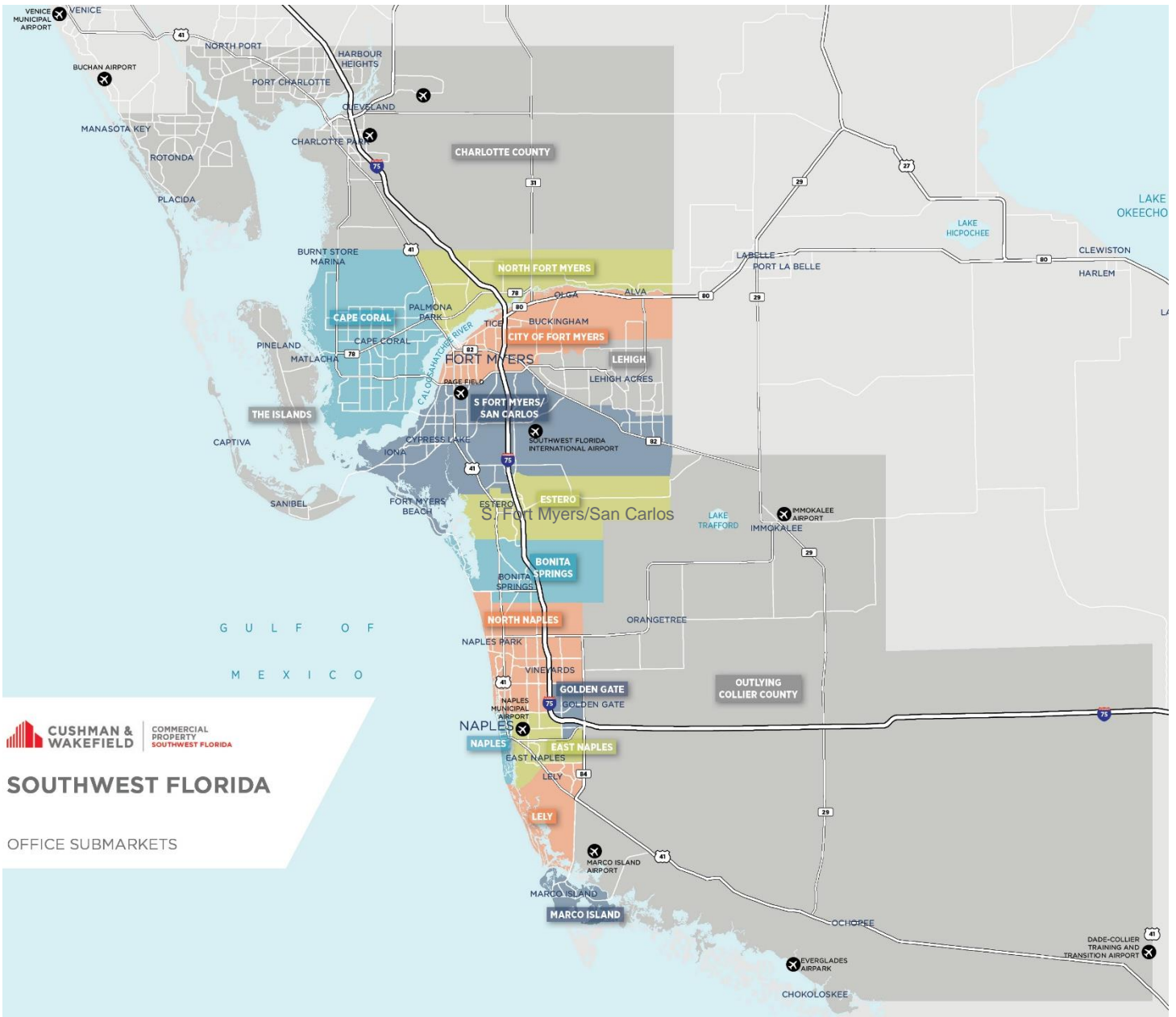
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OFFICE SUBMARKETS

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### About Cushman & Wakefield

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