

# MARKETBEAT

## Fort Myers / Naples

Office Q3 2016



**CUSHMAN & WAKEFIELD**

COMMERCIAL PROPERTY  
SOUTHWEST FLORIDA

### FORT MYERS/NAPLES OFFICE

#### Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Lee County Employment	248k	255k	▼
Lee County Unemployment	5.8%	5.7%	▲
U.S. Unemployment	5.2%	4.9%	▼

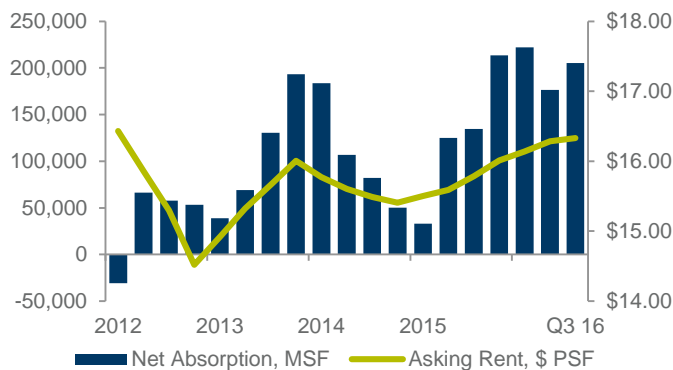
#### Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	11.2%	8.6%	▼
Net Absorption (sf)	87k	203k	▲
Under Construction (sf)	308k	74k	▼
Average Asking Rent*	\$16.18	\$16.36	▲

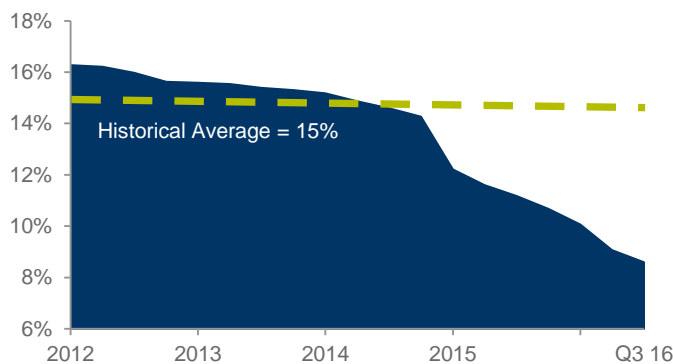
\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

Southwest Florida's regional economy reported improvement third quarter. Positive trends included a 6% increase in regional taxable sales, an 11% increase in tourist tax revenues, and an 8% increase in single family home sales by Realtors. These economic indicators represent somewhat of a turnaround from recent downward trends, and in the case of single family home sales, reflects increases in median prices in the tri-county area. Single-family building permits rebounded in all three counties from a decrease in July. Total activity rose to 713 permits issued in August 2016, an increase of 98 permits from August 2015 with Lee County issuing 392 of these permits.

### New Medical Space & Office Vacancy Declines

Construction completions of new office space is still mainly medical. Of the 146,044 square feet (SF) delivered in 2016, 64,808 SF was built for medical use as either a build-to-suit or completely leased building. In fact, all office product currently under construction (73,500 SF) is slated medical use. Florida Cancer Specialists renewed 31,478 SF in Q2 located at 8320 Gladiolus Drive, Fort Myers and will occupy another 50,000 SF located at 2890 Center Pointe Drive, Fort Myers, in Q1 2017. There is almost 196,000 SF of new medical office space scheduled for ground-breaking and completion in 2017 all mostly pre-leased. Medical office leasing totaled close to 58,000 SF during third quarter with average rents starting at \$24 per square feet gross.

The Southwest Florida office market ended the third quarter with an overall vacancy rate at 8.6%, down from 9.1% reported at the end of the Q2 2016. Class A product reported an overall vacancy rate of 13.0% marking the fifth consecutive quarter of a declining class A vacancy rate. Vacancy rates are likely to continue to decrease and rental rates continue to rise for office, especially for the Class A spaces. This trend clearly demonstrates a bottoming for this cycle.

### Outlook

Passenger activity in the three Southwest Florida airports in July 2016 was consistent with activity a year ago. Peak seasonal activity occurs February through April with significantly lower activity in the summer months. Area businesses are hiring again in retail and hospitality, mostly for minimum wage positions for the holidays and seasonal employment as winter residents flock to the area beginning now through the first of the year. Lee Health, Gartner and Hertz are actively adding head counts as well. No immediate economic impact is anticipated, and as long as employment continues to grow, occupancy in the office market should continue to expand.

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SOUTHWEST FLORIDA

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	2,333,750	1,100	329,731	14.2%	30,001	37,613	0	\$14.11	\$13.93
Cape Coral	2,516,166	2,500	147,228	6.0%	29,767	49,651	0	\$12.40	\$17.06
City of Fort Myers	4,807,819	1,000	541,118	11.3%	24,905	75,297	50,000	\$12.35	\$17.11
Estero	848,246	0	42,811	5.0%	7,372	11,511	0	\$17.12	\$23.52
Lehigh Acres	432,108	0	26,803	6.2%	5,453	11,173	0	\$12.88	N/A
North Fort Myers	274,653	0	4,440	1.6%	(4,440)	2,160	6,500	\$8.47	N/A
S. Ft. Myers/San Carlos	8,283,582	11,729	662,542	8.1%	32,653	211,538	0	\$14.76	\$19.99
The Islands	195,228	0	0	0%	300	300	0	N/A	N/A
<b>LEE COUNTY SUBTOTAL</b>	<b>19,691,552</b>	<b>16,329</b>	<b>1,754,673</b>	<b>9.0%</b>	<b>126,011</b>	<b>399,243</b>	<b>56,500</b>	<b>\$13.91</b>	<b>\$18.01</b>
East Naples	1,830,717	3,000	156,093	8.7%	1,593	9,270	0	\$16.02	N/A
Golden Gate	138,615	0	6,250	4.5%	(3,250)	(5,100)	0	\$19.35	N/A
Lely	127,558	0	32,614	25.6%	3,564	(4,970)	0	\$19.56	\$20.45
Marco Island	364,441	0	23,805	6.5%	(2,354)	(673)	0	\$21.21	N/A
Naples	1,294,127	7,919	56,408	5.0%	5,742	23,045	0	\$21.94	\$24.25
North Naples	5,114,608	4,433	389,471	7.0%	70,840	62,218	17,000	\$25.15	\$30.53
Outlying Collier County	362,441	0	33,800	9.3%	905	1,605	0	\$30.13	\$34.81
<b>COLLIER COUNTY SUBTOTAL</b>	<b>9,232,507</b>	<b>15,352</b>	<b>698,441</b>	<b>7.7%</b>	<b>77,040</b>	<b>85,395</b>	<b>17,000</b>	<b>\$22.39</b>	<b>\$29.35</b>
<b>TOTALS</b>	<b>28,924,059</b>	<b>31,681</b>	<b>2,453,114</b>	<b>8.6%</b>	<b>203,051</b>	<b>484,638</b>	<b>73,500</b>	<b>\$16.36</b>	<b>\$21.48</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 OVERALL*	OVERALL AVERAGE ASKING RENT DIRECT*
Class A	3,715,209	3,600	478,468	13.0%	20,794	49,705	0	\$21.48	\$21.40
Class B	18,784,689	28,081	1,526,610	8.3%	158,814	389,282	73,500	\$15.78	\$15.78
Class C	6,424,161	0	448,036	7.0%	23,443	45,651	0	\$12.77	\$12.77

### Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4310 Metro Pkwy	20,858	Cintas	Lease	City of Fort Myers
26800 S. Tamiami Trl.	12,633	Withheld	Lease	Bonita Springs
9961 Interstate Commerce Dr.	10,206	Scotlynn Group	Lease	S. Fort Myers/San Carlos
3066 Tamiami Trl. N.	5,069	Republican National Committee	Lease	N. Naples

### Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Viscaya Professional Plaza (Portfolio of 6 properties)	77,119	OB/GYN Realty Group / Cape Coral Medical Investors, LLC	\$28,500,000 / \$370	Cape Coral & S. Fort Myers
4211 Metro Pkwy - The GE Building	61,287	FM Metro Property, Inc. / Lee Memorial Health System	\$4,300,000 / \$70	City of Fort Myers
633 9th St. N	15,081	633 Land Development, LLC / Tamiami Real Estate LP	\$4,550,000 / \$302	Naples
2180 Immokalee Rd. (Portfolio of 17 office condos)	12,505	MIT Iberia Centre, Inc. / Naples Iberia Trust, LLC	\$3,325,000 / \$266	N. Naples

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#### About Cushman & Wakefield

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