

## Medical Office Q1 2021

YoY Chg      12-Mo. Forecast

**8.3%**  
Vacancy Rate



**79,584K**  
Net Absorption, SF



**\$15.71**  
Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q1 2021

YoY Chg      12-Mo. Forecast

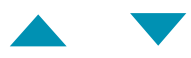
**420K**  
Southwest Florida  
Employment



**3.5%**  
Southwest Florida  
Unemployment Rate



**6.0%**  
U.S.  
Unemployment Rate



Source: BLS

### ECONOMIC OVERVIEW:

The Southwest Florida MSA, which includes Collier, Lee, and Charlotte counties closed the first quarter (Q1) with an unemployment rate of 3.5%, down 190 basis points (bps) from last quarter and 10 bps higher than the region's rate from one year ago at the peak of the pandemic. A key indicator showing signs of growth is Southwest Florida's net inbound migration. With population numbers forecasted to grow by double digits in the next decade, and the continual movement of the older demographic into the area, the need and demand for medical services have grown exponentially. With healthcare providers such as Lee Memorial Health System, NCH Naples Hospitals and the Charlotte Regional Medical Center, the medical office and healthcare sectors have seen phenomenal gains over the past decade and plans for expansion (Gulf Coast Medical Center) in the near future not only create jobs but will provide expanded services to the MSA. From 2019 to 2027, the Centers for Medicare and Medicaid Services (CMS) project that healthcare spending will rise by approximately \$268 billion per year, nearly twice as much each year as the previous decade.

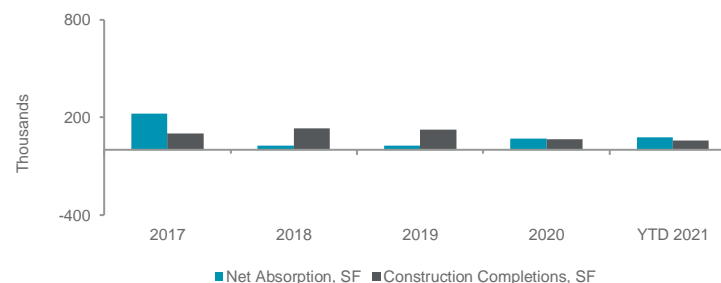
### SUPPLY AND DEMAND:

While the pandemic caused short term challenges for medical real estate, demand for Medical Office Buildings (MOBs) have consistently been higher than that for traditional office. From 2009 to 2019, MOB occupancy increased by approximately 16%, a faster pace of occupancy growth than the national office market where occupancy rose slightly less than 12%. The medical office sector in the MSA has seen vacancy levels drop to approximately 8%, almost half of the rate from five years ago. With approximately 400k sf under construction, we may see absorption decrease significantly, however, more than half of the space coming online has been built to suit. In light of the economic indicators and supplemental data, we expect continued interest in exploring MOB conversions of certain office assets meeting the necessary criteria, as long as there is demand for the product type.

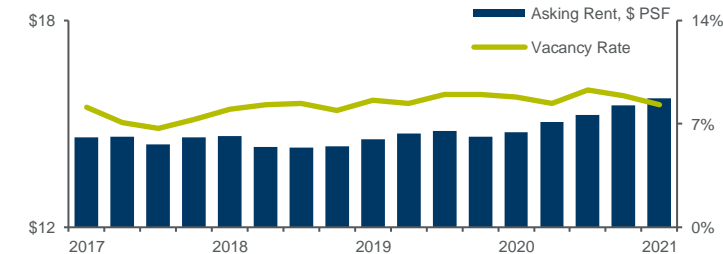
### PRICING:

Southwest Florida's steady medical office demand pushed asking rates higher at the end of the first quarter, overall average market rent for medical office leasing totaled \$15.71 per square foot (psf), a \$.96 psf increase from the first quarter of 2020. Collier County rents remain highest in the market at an average of \$20.20 psf, while Lee County continued to grow its rents year over year by approximately 7%. We may see asking rates flatten as more space becomes available, however, until the pandemic is under control, all indications in the market point to positive rate growth.

### 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)*
Charlotte County	1,564,113	3,089	136,291	8.9%	3,701	3,701	6,054	28,000	\$13.93
<b>CHARLOTTE COUNTY TOTALS</b>	<b>1,564,113</b>	<b>3,089</b>	<b>136,291</b>	<b>8.9%</b>	<b>3,701</b>	<b>3,701</b>	<b>6,054</b>	<b>28,000</b>	<b>\$13.93</b>
Cape Coral	936,921	0	46,757	5.0%	12,169	12,169	2,200	0	\$15.27
City of Fort Myers	1,104,320	0	94,402	8.5%	-7,879	-7,879	22,487	0	\$10.40
South Fort Myers	2,980,713	0	223,067	7.5%	26,381	26,381	59,148	214,400	\$14.03
North Fort Myers	52,321	0	5,300	10.1%	3,600	3,600	10,000	0	\$10.00
Estero	200,094	0	18,285	9.1%	-1,549	-1,549	2,923	5,000	\$17.77
Bonita Springs	1,116,691	1803	146,207	13.3%	-614	-614	31,991	0	\$15.01
Lehigh	352,830	0	5,158	1.5%	8,408	8,408	4,544	0	\$16.33
The Islands	33,728	0	1,997	5.9%	0	0	0	0	\$13.50
<b>LEE COUNTY TOTALS</b>	<b>6,777,618</b>	<b>1,803</b>	<b>541,173</b>	<b>7.2%</b>	<b>40,516</b>	<b>40,516</b>	<b>133,293</b>	<b>219,400</b>	<b>\$14.04</b>
Naples	417,976	0	22,039	5.3%	-5,266	-5,266	1,503	0	\$21.23
Outlying Collier County	102,802	0	2,905	2.8%	-201	-201	270	35,000	\$15.00
Golden Gate	63,806	1066	1,150	3.5%	0	0	1,410	107,412	\$16.04
Lely	95,105	0	26,718	28.1%	15,199	15,199	0	0	\$22.09
Marco Island	139,359	0	2,803	2.0%	16,939	16,939	0	0	\$28.92
North Naples	1,721,508	750	115,821	6.8%	27,628	27,628	16,312	9,523	\$22.52
East Naples	596,241	0	98,243	16.5%	-18,932	-18,932	16,135	0	\$15.61
<b>COLLIER COUNTY TOTALS</b>	<b>3,136,797</b>	<b>1,816</b>	<b>269,679</b>	<b>9.3%</b>	<b>35,367</b>	<b>35,367</b>	<b>35,630</b>	<b>151,935</b>	<b>\$20.20</b>
<b>SOUTHWEST FLORIDA TOTALS</b>	<b>11,478,528</b>	<b>6,708</b>	<b>947,143</b>	<b>8.3%</b>	<b>79,584</b>	<b>79,584</b>	<b>174,977</b>	<b>399,335</b>	<b>\$15.71</b>

\*Rental rates reflect base rent asking

## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	Type
12600 Creekside Ln.	S. Ft Myers/San Carlos	Lee Memorial Health	17,083	*Renewal
12995 S Cleveland Avenue	S. Ft Myers/San Carlos	Millenium Physicians Group LLC	6,776	New Lease
12460 Brantley Commons Ct.	S. Ft Myers/San Carlos	Tenant Name Withheld	5,877	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2721 Del Prado Blvd S	Cape Coral	IRA Capital LLC/ Welltower 1031 Holding Co I LLC	39,162	\$357.40

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PUBLICATION

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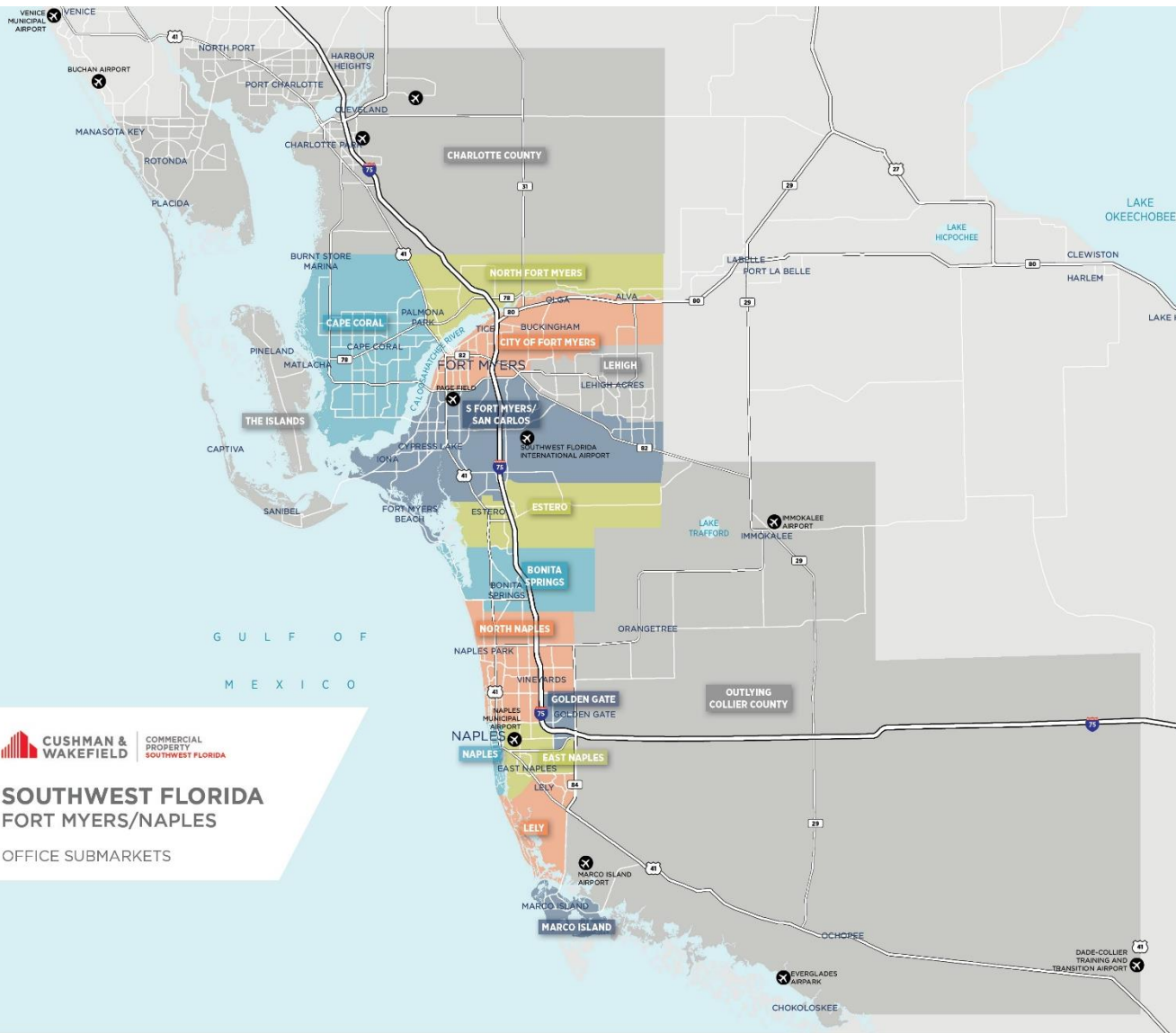
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# SOUTHWEST FLORIDA

Medical Office Q1 2021

## MEDICAL OFFICE SUBMARKETS



CUSHMAN & WAKEFIELD COMMERCIAL PROPERTY SOUTHWEST FLORIDA

### SOUTHWEST FLORIDA FORT MYERS/NAPLES

OFFICE SUBMARKETS

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