

Medical Office Q1 2023

YoY Chg 12-Mo. Forecast

4.6%
Vacancy Rate



-45K
Net Absorption, YTD, SF



\$21.29
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

58K
Southwest Florida
Healthcare Employment



415K
Southwest Florida
Population 65+



3.5%
U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW:

In Collier and Lee Counties, which comprise the majority of the Southwest Florida (SWFL) Metropolitan Statistical Area (MSA), the population of residents age 65 and over grew by 17,000 year-over-year (YOY), creating continued demand for healthcare services. Although the population growth rate in the region has slowed slightly since Q1 2022, the healthcare sector added 900 new jobs in the last twelve months. However, the employment growth rate in this sector is expected to slow somewhat over the next year.

SUPPLY AND DEMAND:

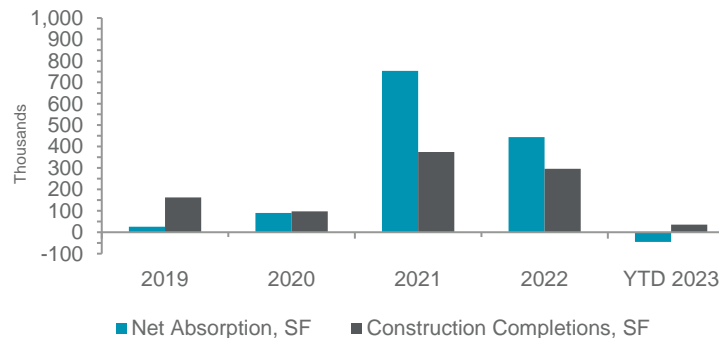
First quarter vacancy rates stand at 4.6%, a slight 10 basis points (bps) decrease YOY. This reflects a trend of increasing demand for rental space in the asset class over the last several years. Net absorption was negative at -44,950 square feet (sf), the first quarter of negative absorption since the heart of the pandemic in Q3 2020. The negative value is most likely due to recent changes in monetary policy, the local impact of Hurricane Ian, or a combination of the two factors.

Six buildings are currently under construction in the medical office asset class, five of which are in Collier County, totaling more than 94,000 sf. The remaining building is a 20,820-sf build-to-suit project in the Estero submarket, which has an anticipated delivery date near the end of Q2 2023. While Collier County will gain 94,000 sf of medical office space from these new projects, it will lose the 34,398 sf Baker Center on 8th Street S., which is being converted into a mixed-use condominium project. Additions to the medical office inventory in Q1 were limited to a mere 35,045 sf, including the delivery of the 20,000-sf Southbrook Medical Complex in Naples. Significant leases in the asset class included 16,015 sf to Vitas Healthcare in South Fort Myers/San Carlos and a seven-year lease totaling 11,700 sf to Wellmed in North Naples.

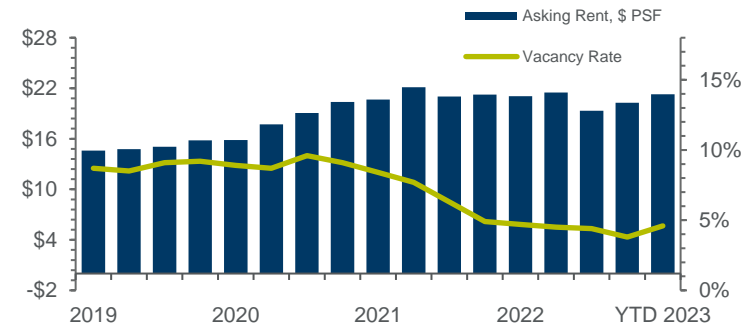
PRICING:

Overall asking rents rose slightly (1.1%) YOY, to \$21.29 per square foot (psf) from \$21.06 psf in Q1 2022. Gross rent has hovered between \$19.00 psf and \$22.00 psf since Q3 2020, suggesting that landlords are benefiting from ongoing increased demand in the SWFL MSA. These rental rates are expected to continue rising, as negative net absorption combined with a low number of construction completions will likely result in growing demand for available space. Cap rates for medical office sales decreased by 20 bps YOY from 7.5% in to 7.3%. Average sale price increased 25% YOY, up to \$235 psf from \$188 psf one year ago.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



SOUTHWEST FLORIDA

Medical Office Q1 2023

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	1,585,239	0	50,317	3.2%	65	65	1,746	0	\$17.50
CHARLOTTE COUNTY TOTALS	1,585,239	0	50,317	3.2%	65	65	1,746	0	\$17.50
Cape Coral	1,101,587	5,735	24,111	2.7%	4,320	4,320	8,080	0	\$30.00
City of Fort Myers	1,193,704	0	39,956	3.3%	-1,076	-1,076	7,858	0	---
South Fort Myers	3,475,340	85,197	134,846	6.3%	-67,673	-67,673	25,233	0	\$22.08
North Fort Myers	52,321	---	---	---	---	---	---	0	---
Estero	256,920	5734	3,101	3.4%	5,536	5,536	542	20,820	---
Bonita Springs	1,172,923	13805	27,098	3.5%	-1,441	-1,441	11,698	0	\$20.25
Lehigh	381,779	0	6,488	1.7%	2,383	2,383	6,032	0	---
The Islands	34,395	0	10,950	31.8%	---	---	---	0	---
LEE COUNTY TOTALS	7,668,969	110,471	246,550	7.5%	-57,951	-57,951	59,443	20,820	\$24.11
Naples	388,864	0	11,024	2.8%	-3,356	-3,356	---	34,398	\$35.00
Outlying Collier County	143,220	---	---	---	---	---	---	0	---
Golden Gate	171,202	1,504	4,100	3.3%	-3,804	-3,804	1,150	0	---
Lely	90,105	3,350	3,754	7.9%	4,461	4,461	5611	0	---
Marco Island	114,547	0	15,219	13.3%	2,803	2,803	3,099	0	---
North Naples	1,873,457	1,029	89,671	4.8%	11,845	11,845	30,402	53,825	---
East Naples	581,691	0	47,418	8.2%	987	987	7,298	5,856	---
COLLIER COUNTY TOTALS	3,363,086	5,883	171,186	6.7%	12,936	12,936	47,560	94,079	\$35.00
SOUTHWEST FLORIDA TOTALS	12,617,294	116,354	468,053	4.6%	-44,950	-44,950	108,749	114,899	\$21.29

*Rental rates reflect gross rent asking

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	Type
15455 Collier Blvd.	North Naples	WellMed	11,700	New Lease
704-708 Goodlette-Frank Rd N	East Naples	Stepping Stone Kids Therapy	5,550	New Lease
3400 Lee Blvd.	Lehigh	Lee Health Outpatient Rehabilitation	4,942	Renewal

*Renewals not included in leasing statistics

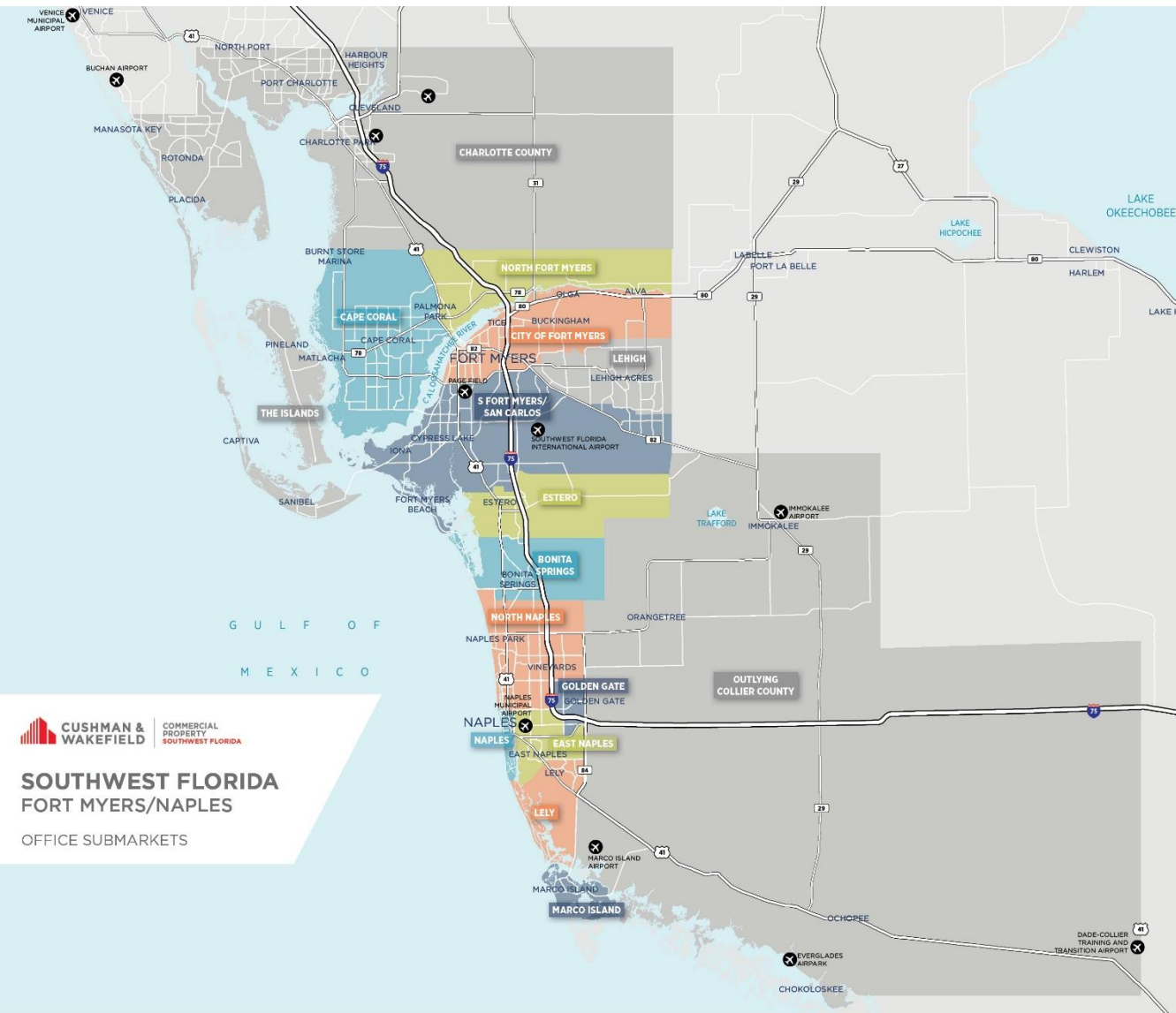
KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1708 Cape Coral Pkwy.	Cape Coral	MK Amato LLC / Game Time Holdings LLC	12,255	\$2.4M / \$196.65
3300 Tamiami Trl.	Charlotte County	STORE Capital Corporation / GIC Real Estate	12,072	Undisclosed
1555 Matthew Dr.	S. Fort Myers/San Carlos	Elevation Assets of FL / Gulf Shore Behavioral	5,763	\$1.3M / \$216.32

SOUTHWEST FLORIDA

Medical Office Q1 2023

MEDICAL OFFICE SUBMARKETS



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