

# MARKETBEAT

# SOUTHWEST FLORIDA

Office Q3 2023

YoY Chg 12-Mo. Forecast

**3.5%**  
Vacancy Rate



**221K**  
Net Absorption, SF, YTD



**\$28.38**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

**480.3K**  
Southwest Florida  
Employment



**2.6%**  
Southwest Florida  
Unemployment Rate



**3.7%**  
U.S.  
Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW:

As we commemorate the one-year anniversary of Hurricane Ian in Q3 2023, the SWFL economy is on a trajectory of recovery and rebound. The nonfarm employment level has seen a positive shift, adding 8,800 jobs year-over-year (YOY), indicating a gradual revitalization of the labor market. However, a nuanced challenge emerges as unemployment experiences a slight uptick of 10 basis points (bps) YOY, a trend that aligns with the national data and is projected to ascend further, according to the Bureau of Labor Statistics.

## SUPPLY AND DEMAND:

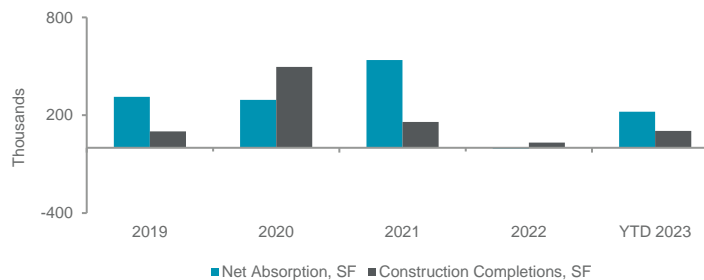
The Southwest Florida office sector is exhibiting signs of thriving activity despite economic challenges. The overall vacancy has witnessed a marginal reduction of 20 bps quarter-over-quarter and a more significant decrease of 110 bps YOY. A spotlight on Class A spaces reveals a notable vacancy reduction from 11.8% in Q3 2022 to the present 8.8%, a 300-bps decrement. The submarkets of Cape Coral, Estero, and Naples emerge as tight markets with sub 1.0% vacancy rates.

Contrasting the negative year-to-date (YTD) absorption of -132,004 square feet (sf) from the previous year, 2023 has pivoted to a positive YTD absorption of 221,019 sf. While the quarter observed no new deliveries, a 15,000 sf speculative construction project, slated for completion in 2024 and positioned in the Gulf Landing Logistics Center, is in the pipeline. Despite this, 103,856 sf has been delivered YTD, surpassing the total 2022 delivery of 31,727 sf. Furthermore, Class A leasing has been vibrant, constituting over 30% of the total leasing activity this quarter.

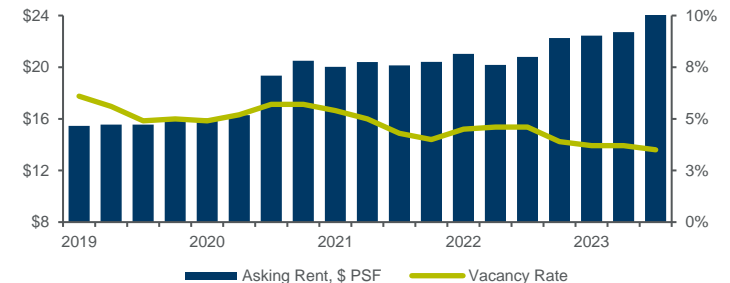
## PRICING:

Despite prevailing economic uncertainties and an environment of escalating interest rates, the average market sale price per square feet (psf) has managed to maintain relative stability, averaging \$228 psf, only slightly below the \$232 psf observed in Q3 of the preceding year. However, a closer inspection reveals that cap rates have experienced an upward shift, currently averaging 7.98% as opposed to 7.59% in Q3 2022, indicating a recalibration of risk and return expectations among investors. Additionally, rents have experienced a sharp incline, reaching an overall gross rent of \$28.38 psf, a substantial increment of \$5.66 psf from the last quarter, potentially influenced by factors such as commercial insurance premium hikes and reserve increases stemming from hurricane-related risks.

## 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	2,375,096	0	49,184	2.1%	-2,125	-2,795	31,003	0	\$21.22	\$12.00
<b>SUBMARKET TOTALS</b>	<b>2,375,096</b>	<b>0</b>	<b>49,184</b>	<b>2.1%</b>	<b>-2,125</b>	<b>-2,795</b>	<b>31,003</b>	<b>0</b>	<b>\$21.22</b>	<b>\$12.00</b>
Bonita Springs	1,195,477	550	44,325	3.8%	5,301	10,484	61,630	0	\$27.09	---
Cape Coral	1,609,024	0	9,434	0.6%	17,073	-5,347	37,218	0	\$23.31	---
Estero	517,997	0	1,367	0.3%	---	2,907	9,375	0	---	---
City of Fort Myers	3,744,724	2,787	54,872	1.5%	-4,880	19,024	37,749	0	\$20.00	---
South Fort Myers	5,755,406	152,700	239,510	6.8%	-27,324	121,591	135,850	15,000	\$20.04	\$21.00
North Fort Myers	240,932	---	---	---	---	---	---	0	---	---
Lehigh Acres	164,408	---	---	---	---	1,436	---	0	---	---
The Islands	177,941	0	4,288	2.4%	---	-4,288	---	0	---	---
<b>SUBMARKET TOTALS</b>	<b>13,405,909</b>	<b>156,037</b>	<b>353,796</b>	<b>2.6%</b>	<b>-9,830</b>	<b>145,807</b>	<b>281,822</b>	<b>15,000</b>	<b>\$22.61</b>	<b>\$21.00</b>
East Naples	1,214,255	11,494	37,349	4.0%	6,231	5,366	14,695	0	\$28.18	---
North Naples	3,992,245	2,604	165,654	4.2%	32,851	58,252	180,992	0	\$28.49	\$27.00
Naples	616,945	0	5,216	0.8%	5,466	9,619	30,018	0	---	---
Marco Island	175,089	0	5,602	3.2%	-879	1,286	3,335	0	---	---
Lely	34,014	---	---	---	---	---	1,180	0	---	---
Outlying Collier County	368,214	---	---	---	---	3,484	3,484	0	---	---
Golden Gate	76,123	---	---	---	---	---	---	0	---	---
<b>SUBMARKET TOTALS</b>	<b>6,476,885</b>	<b>14,098</b>	<b>213,821</b>	<b>3.1%</b>	<b>43,669</b>	<b>78,007</b>	<b>233,704</b>	<b>0</b>	<b>\$28.34</b>	<b>\$27.00</b>
<b>SOUTHWEST FLORIDA TOTALS</b>	<b>22,257,890</b>	<b>170,135</b>	<b>616,801</b>	<b>3.5%</b>	<b>31,714</b>	<b>221,019</b>	<b>546,529</b>	<b>15,000</b>	<b>\$28.38</b>	<b>\$20.16</b>

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3451 Bonita Bay Blvd.	Bonita Springs	Bonita Bay Community Association	17,918	Renewal
600 5 <sup>th</sup> Ave.	Naples	Charles Schwab & Co.	10,996	New Lease
4501 Tamiami Trl N.	North Naples	Varnum LLP	10,208	New Lease
12701 Commonwealth Dr.	S. Fort Myers/San Carlos	ADT Commercial, LLC	8,082	New Lease

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1845 Veterans Park Dr.	North Naples	Stephen J Lockwood & Co. / Community Health Systems Inc.	14,905	\$6.7M / \$446.16
125 Airport Pulling Rd. N.	East Naples	Red Group Trust / Creighton Construction & Development	10,774	\$3.8M / \$352.70
900 N Collier Blvd.	Marco Island	Delta Research Corp. / Luigi Carvelli	10,454	\$3.9M / \$373.06

**GARY TASMAN**

Principal Broker & CEO

+1 239 489 3600 / [gatasman@cpswfl.com](mailto:gatasman@cpswfl.com)

**HANNA RAY**

Research & Marketing Administrator

+1 239 489 3600 / [hrray@cpswfl.com](mailto:hrray@cpswfl.com)

**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.