

MARKETBEAT

SOUTHWEST FLORIDA

Office Q4 2023

YoY Chg 12-Mo. Forecast

4.1%
Vacancy Rate



103K
Net Absorption, SF, YTD



\$26.59
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

481.8K
Southwest Florida
Employment



3.0%
Southwest Florida
Unemployment Rate



3.7%
U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW:

The Southwest Florida MSA comprised of Lee, Collier, and Charlotte Counties has exhibited economic growth with the addition of 11,200 jobs this year. This development is reflected in the unemployment rate of 3.0%, which is 70 basis points below the national average. However, both the regional and national unemployment rates are expected to rise within the next 12 months, according to the Bureau of Labor Statistics. In terms of tourism, a key economic driver, the seasonally adjusted real tourist tax revenues are currently aligned with the pre-pandemic levels of 2019 but remain lower than the figures from 2021 and 2022.

SUPPLY AND DEMAND:

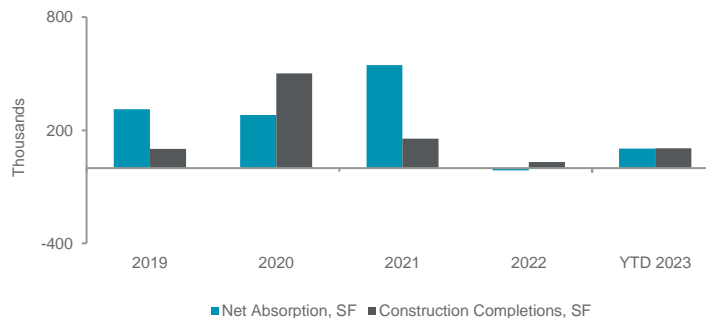
The office market is undergoing a shift in the Tri County area. A slight rise in vacancy rates to 4.1% year-over-year (YOY) is noted, which, while higher, remains competitive compared to the national average of 19.7% and other major Florida regions such as Tampa, Orlando, and Miami with double digit vacancies. Of these vacancies, 2.7% are direct vacancies, with the rest being subleases. Notably, two speculative office buildings are under construction in the South Fort Myers/San Carlos submarket. The only new office spaces delivered this year, totaling 103,856 square feet (sf), are now fully leased. However, the overall net absorption has decreased from 124,830 in Q4 2022 to -132,362 in Q4 2023, indicating a slowing market with rising vacancies, especially in South Fort Myers, one of the largest submarkets at 9.7% vacancy. In contrast, Cape Coral maintains a tight market with a vacancy rate below 1.0%. Year-to-date, total leasing activity stands at 666,235 sf, with the fourth quarter being the slowest for rental activity. The Health Care & Life Science sector is leading in leasing velocity, particularly for larger office footprints.

PRICING:

Pricing trends are showing mixed signals. The average overall gross rent across all property classes has decreased quarter-over-quarter but has increased significantly YOY, reflecting a \$6.29 per square foot, or 27% increase. In response to strong interest rates, capitalization rates have risen, and sale prices have adjusted downwards. The current average capitalization rates are 8.0% in Lee County, 7.8% in Collier County, and 8.7% in Charlotte County.

In summary, the Southwest Florida office market is experiencing a complex interplay of economic growth, fluctuating supply and demand dynamics, and evolving pricing trends, influenced by both local and national economic factors.

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	2,296,129	0	28,115	1.2%	13,215	11,411	20,777	0	---
SUBMARKET TOTALS	2,296,129	0	28,115	1.2%	13,215	11,411	20,777	0	---
Bonita Springs	1,195,477	15,974	46,709	5.2%	-17,808	-7,324	93,607	60,000	\$44.85
Cape Coral	1,599,487	0	7,228	0.5%	1,761	7,098	44,495	0	\$37.33
Estero	517,997	1,290	4,024	1.0%	-3,947	1,040	9,375	0	---
City of Fort Myers	3,833,455	9,943	50,585	1.6%	-8,953	14,309	50,410	0	\$20.00
South Fort Myers	5,811,886	281,638	281,657	9.7%	-157,540	-37,401	157,538	15,000	\$20.10
North Fort Myers	240,932	---	---	---	---	---	---	0	---
Lehigh Acres	164,408	---	---	---	---	1,436	---	0	---
The Islands	181,691	0	2,795	1.5%	-1,507	-2,795	---	0	---
SUBMARKET TOTALS	13,545,333	308,845	392,998	3.3%	-187,994	-23,637	355,425	75,000	\$30.57
East Naples	1,211,646	0	30,778	2.5%	19,122	24,488	20,104	0	\$64.68
North Naples	4,117,499	0	156,187	3.8%	23,283	72,275	232,769	0	\$38.47
Naples	674,655	0	7,863	1.2%	12	9,631	29,161	0	---
Marco Island	175,089	---	---	---	---	7,888	3,335	0	---
Lely	34,014	---	---	---	---	---	1,180	0	---
Outlying Collier County	368,214	---	---	---	3,484	3,484	3,484	0	---
Golden Gate	76,123	---	---	---	---	---	---	0	---
SUBMARKET TOTALS	6,657,240	0	194,828	2.5%	45,901	117,766	290,033	0	\$51.58
SOUTHWEST FLORIDA TOTALS	22,498,702	308,845	615,941	4.1%	-132,362	103,460	666,235	75,000	\$26.59

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6750 Immokalee Rd.	North Naples	Continuum Surgery Center	10,949	New Lease
27598 Riverview Center Blvd.	Bonita Springs	Curran Young Construction	7,276	New Lease
6204 Janes Ln.	North Naples	Undisclosed	6,000	New Lease
4522 Executive Dr.	North Naples	DeHope Daycare	5,500	New Lease

*Renewals not included in leasing statistics

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KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1685 Medical Ln.	S. Fort Myers/San Carlos	Compass Rose Foundation / Lightpost Florida LLC	42,570	\$5.9M / \$138.60
9696 Bonita Beach Rd.	Bonita Springs	Porter Group Partnership / Dr. Green Services	26,217	\$4.6M / \$175.46
1591 Hayley Ln.	S. Fort Myers/San Carlos	G & M Estates USA Inc / Harbor Properties	18,124	\$2.3M / \$124.14