MARKETBEAT

SOUTHWEST FLORIDA

Office Q2 2024

	YoY Chg	12-Mo. Forecast
4.7% Vacancy Rate	▲	—
-144K Net Absorption, SF, YTD	▼	▲
$23.35 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
483.5K Southwest Florida Employment	▲	▲
3.4% Southwest Florida Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW:

Southwest Florida's economy is outpacing the national average, with a historical Gross Metropolitan Product (GMP) growth rate of 3.4%, compared to the U.S. average of 2.4%. Since 2021, the region has seen an average GDP growth of 6.7%, surpassing both the overall state of Florida at 6.2% and the U.S. at 3.4%. The employment sectors with the highest growth rates are construction and office-using employment, with 9,000 office-using jobs added since February 2020. Employment levels continue to rise year-over-year (YOY), driven by net migration to Florida. Tourism, a significant revenue generator for the region, remains robust, with seasonally adjusted passenger activity totaling 7.4 million in the first five months of 2024, a 14% increase over the same period in 2023 and 6% above 2022.

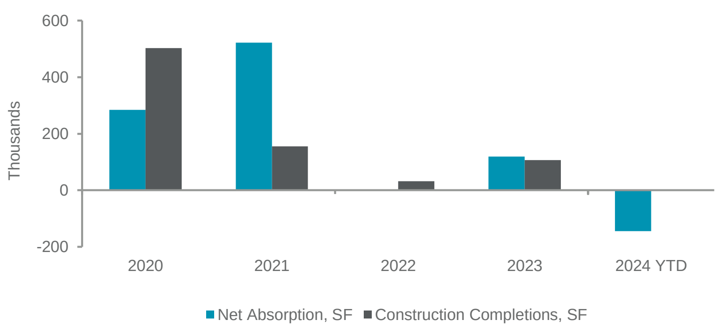
SUPPLY AND DEMAND:

Year-to-date net absorption in Southwest Florida's office market has declined, currently standing at -144,033 square feet, despite the absence of new construction completions and no forthcoming projects since Q2 of 2023, marking the slowest construction activity on record. The current vacancy rate stands at 4.7%, reflecting a YOY increase of 120 basis points (bps) and a 10-bps increase quarter over quarter. This modest but notable shift in market conditions contrasts sharply with the national office market, where the vacancy rate has hit a record high of 20.5%. Over the past five years, vacancy rates in Southwest Florida have demonstrated stability, ranging from a low of 3.4% to a high of 5.6%, indicating a balanced market environment with no immediate pressure for new development. However, with ongoing population growth and net migration of the workforce, there will eventually be demand for new office space.

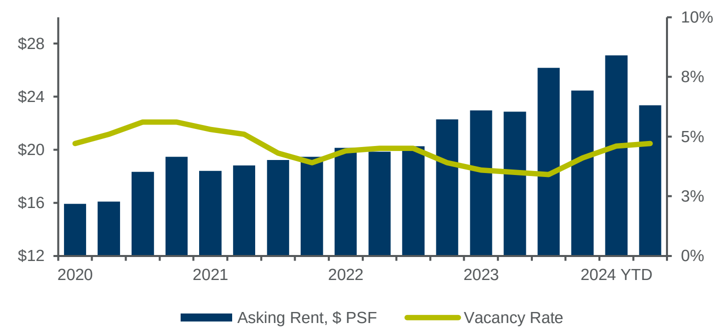
PRICING:

Office rents in Southwest Florida have experienced a slight quarter-over-quarter decline, with average overall gross rents at $23.35 per square foot (psf), though this represents a modest YOY growth of $0.48 psf. These rents remain favorable compared to Florida’s major hubs, with Miami at $54.85 psf, Tampa at $30.99 psf, and Orlando at $27.39 psf. Class A spaces in Southwest Florida command premium rents, averaging $30.00 psf, reflecting a $6.65 psf differential compared to the overall average of $23.35 psf, indicating that Class A rents are approaching those in major hubs, Tampa and Orlando. With no new developments in the pipeline and negative year-to-date absorption, rent growth is expected to slow over the next few quarters.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT

SOUTHWEST FLORIDA

Office Q2 2024

CUSHMAN & WAKEFIELD | COMMERCIAL PROPERTY SOUTHWEST FLORIDA

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	2,252,400	0	43,317	1.9%	-16,754	-15,172	14,470	0	$25.14	---
SUBMARKET TOTALS	**2,252,400**	**0**	**43,317**	**1.9%**	**-16,754**	**-15,172**	**14,470**	**0**	**$25.14**	**---**
Bonita Springs	1,182,857	15,974	40,430	4.8%	9,034	5,230	97,377	0	$35.00	---
Cape Coral	1,634,228	0	18,562	1.1%	2,989	-7,534	16,149	0	$16.83	---
Estero	751,145	0	1,290	0.2%	140	1,290	1,430	0	---	---
City of Fort Myers	3,790,994	150	43,983	1.2%	-9,587	-3,833	49,194	0	$19.54	---
South Fort Myers	5,718,604	278,588	355,517	11.1%	-36,517	-68,476	38,772	0	$22.42	---
North Fort Myers	208,962	---	---	---	---	---	---	0	---	---
Lehigh Acres	163,527	---	---	---	---	---	---	0	---	---
The Islands	176,574	0	4,338	2.5%	-1,543	-1,543	---	0	---	---
SUBMARKET TOTALS	**13,626,891**	**294,712**	**464,120**	**3.5%**	**-35,484**	**-74,866**	**202,922**	**0**	**$23.45**	**---**
East Naples	1,199,602	0	27,446	2.3%	11,544	-2,308	31,111	0	---	---
North Naples	4,187,664	0	182,347	4.4%	3,325	-21,144	86,220	0	$39.36	$30.00
Naples	549,195	0	9,810	1.8%	3,699	-1,947	10,212	0	---	---
Marco Island	181,048	---	---	---	---	---	---	0	---	---
Lely	34,014	---	---	---	---	---	---	0	---	---
Outlying Collier County	312,214	0	28,596	9.2%	---	-28,596	---	0	---	---
Golden Gate	75,189	---	---	---	---	---	---	0	---	---
SUBMARKET TOTALS	**6,538,926**	**0**	**248,199**	**4.4%**	**18,568**	**-53,995**	**127,543**	**0**	**$39.36**	**$30.00**
SOUTHWEST FLORIDA TOTALS	**22,418,217**	**294,712**	**755,636**	**4.7%**	**-33,670**	**-144,033**	**344,935**	**0**	**$23.35**	**$30.00**

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6750-6770 Immokalee Rd.	North Naples	Neuroscience & Spinal Associates	20,000	New Lease
9132 Strada Pl.	North Naples	Porter Wright Morris & Arthur LLP	11,869	Renewal
6611 Orion Dr.	S. Fort Myers/San Carlos	Florida Rural Legal Services, Inc.	10,177	New Lease
2234 S. Cleveland Ave.	City of Fort Myers	*Undisclosed*	10,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
4501 Winkler/4501 Colonial Blvd.	City of Fort Myers	Campus Capital / Evangelical Christian School Inc.	111,720	$28.6M / $256.00
13813 Metro Pkwy.	S. Fort Myers/San Carlos	Millennium Physician Group / Lee Memorial Health System	38,404	$13.2M / $343.71
13774 Plantation Rd.	S. Fort Myers/San Carlos	Law Offices of Martin Klingenberg / BOS Plantation LLC	16,736	$3.8M / $227.06

GARY TASMAN
Principal Broker & CEO
+1 239 489 3600 / gtasman@cpswfl.com

HANNA RAY
Research Analyst
+1 239 489 3600 / hray@cpswfl.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

cushmanwakefield.com