

Commercial Markets: Q1 - 2018

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Q1 - 2018

Southwest Florida Office

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 - Retail
 - Office
 - Industrial
 - Multifamily
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- Commercial Sales
- Home Sale/Price Trends
- Building Permit Data
- SWFL Market Participant Survey Summary

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Data Sources

- ❖ CoStar Group, Inc.
- ❖ PWC/Korpacz.
- ❖ Real Estate Research Corp.
- ❖ U.S Department of Housing and Urban Development
- ❖ Valbridge Property Advisors
- ❖ Florida Realtors®
- ❖ Regional Economic Research Institute-FGCU
- ❖ NABOR

Some figures are estimated due to variances between the reports.

Prepared by:

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RETAIL – SNAPSHOT

- The Southwest Florida Retail market experienced a slight decline in market conditions in the first quarter 2018. The vacancy rate went from 4.3% to 4.7% in the current quarter.
- Retail net absorption was moderately negative in Southwest Florida, with negative (165,787) square feet absorbed. South Fort Myers, Estero, Lely, and North Fort Myers had the only gains.
- The largest lease signings occurring in 2018 included: the 5,105 square foot lease signed by New Phoenix Theatre in The Design Center; the 4,200 square foot deal signed by Automotive at 9300 Cloverleaf Ct; and the 3,794 square foot lease signed by Skilllets at Cypress Trace.

Retail Data*			
Market	Vacancy	YTD Net Absorption (sf)	Asking Rent
Bonita Springs	8.9%	(32,766)	\$14.78
Cape Coral	5.3%	(15,073)	\$12.76
Charlotte County	4.2%	(23,193)	\$13.06
City of Fort Myers	4.4%	(28,146)	\$12.54
East Naples	3.5%	(2,120)	\$16.12
Estero	5.0%	14,260	\$20.92
Golden Gate	2.4%	(1,885)	\$14.80
Lehigh	2.5%	(1,544)	\$14.20
Lely	15.2%	14,606	\$15.54
Marco Island	2.3%	(5,184)	\$17.85
Naples	1.1%	(5,787)	\$42.15
North Fort Myers	15.4%	1,590	\$10.12
North Naples	3.7%	(23,931)	\$24.83
Outlying Collier County	7.8%	(93,726)	\$18.25
South Fort Myers/San Carlos	3.9%	37,112	\$17.44
The Islands	0.5%	0	N/A

*All rental rates reported are calculated using Triple Net (NNN) rental rates.

OFFICE – SNAPSHOT

- The Southwest Florida Office market ended the first quarter 2018 with a vacancy rate of 6.8%. The vacancy rate was up with net absorption totalling negative (158,181) square feet.
- The largest lease signings occurring in 2018 included; the 10,997 square foot lease signed by Riverchase Dermatology at Valley National Bank Plaza in the Lee County market and the 10,003 square foot deal signed by CliftonLarsenAllen at Bank of America Center in the Collier County market.
- During the first quarter, three buildings totalling 28,504 square feet were completed in the Southwest Florida market.

Office Data*			
Market	Vacancy	YTD Net Absorption (sf)	Asking Rent
Bonita Springs	9.8%	(4,029)	\$13.69
Cape Coral	5.1%	(13,663)	\$12.54
Charlotte County	5.1%	21,149	\$13.61
City of Fort Myers	8.4%	(18,446)	\$11.95
East Naples	6.9%	(18,084)	\$18.50
Estero	3.5%	2,734	\$16.30
Golden Gate	3.8%	(2,400)	\$15.73
Lehigh	9.9%	(2,881)	\$11.98
Lely	30.1%	0	\$18.61
Marco Island	4.4%	(890)	\$18.85
Naples	4.1%	(24,769)	\$20.67
North Fort Myers	3.2%	(3,686)	\$11.11
North Naples	7.5%	(61,543)	\$22.15
Outlying Collier County	6.7%	2,314	\$12.38
South Fort Myers/San Carlos	6.7%	(33,987)	\$13.07
The Islands	0.5%	0	N/A

*All rental rates reported have been converted to a Full Service rental rate.

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INDUSTRIAL – SNAPSHOT

- The Southwest Florida Industrial market ended the first quarter 2018 with a vacancy rate of 2.2%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (73,043) square feet.
- Some of the notable 2018 deliveries include: Southlinks Commons of Bonita Spring - Building 1, a 42,715-square-foot facility that delivered in first quarter 2018 and is now 100% occupied, and 6150 Metro Plex Dr, a 25,300-square-foot building that delivered in first quarter 2018 and is now 100% occupied.
- During the quarter, seven buildings totalling 106,671 square feet were completed.
- Total Industrial inventory amounted to 49,649,902 square feet in 3,697 buildings, with 176 owner-occupied buildings accounting for 3.43 million square feet of Industrial space.
- The largest projects underway at the end of the first quarter were Meridian Center North, a 200,961 square building foot building, and Robb & Stucky Headquarters, a 125,000 square foot facility that is 100% preleased.

Industrial-Flex Data*			
Market	Vacancy	YTD Net Absorption (sf)	Asking Rent
Bonita Springs	0.3%	46,092	\$11.94
Cape Coral	9.6%	9,378	\$9.85
Charlotte County	1.1%	(100)	\$12.40
City of Fort Myers	8.7%	1,805	\$9.83
East Naples	2.9%	1,437	\$11.21
Estero	0.0%	0	\$8.50
Golden Gate	0.0%	0	\$8.44
Lehigh	0.0%	0	N/A
Naples	0.0%	0	\$19.00
North Naples	5.5%	(8,046)	\$18.27
Outlying Collier County	0.0%	0	\$8.40
South Fort Myers/San Carlos	2.6%	9,088	\$8.84

*All rental rates reported are calculated using the quoted rental rate for each property.

Industrial-Warehouse Data*			
Market	Vacancy	YTD Net Absorption (sf)	Asking Rent
Bonita Springs	2.4%	(13,753)	\$9.43
Cape Coral	0.6%	1,111	\$8.51
Charlotte County	1.1%	240	\$9.52
City of Fort Myers	3.5%	(23,133)	\$6.54
East Naples	1.1%	4,403	\$11.54
Lehigh	2.4%	(12,692)	\$6.77
Naples	14.0%	0	N/A
North Fort Myers	0.0%	10,000	\$2.40
North Naples	0.6%	(3,426)	\$12.86
Outlying Collier County	1.6%	(33,993)	\$10.42
South Fort Myers/San Carlos	2.3%	(61,454)	\$7.63

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MULTIFAMILY – SNAPSHOT

- Occupancy for most submarkets in Southwest Florida remains high for Multi-Family space.
- Rental rates show improvement in almost all submarkets, with Cape Coral, Lely, and East Naples showing the largest increases in average rent per month prices over a rolling 12 month period.
- Southwest Florida submarkets with the highest average current rental rates based on price per square foot include North Naples, East Naples, Naples and Bonita Springs, all of which are in or border Collier County.

Apartment Data*				
Market	Occupancy	Avg Rent / Mo	Avg Rent / SF	Rent Change 12 Mo.
Bonita Springs	77.1%	\$1,805	\$1.49	+4.27%
Cape Coral	91.3%	\$1,006	\$1.00	+28.15%
Charlotte County	97.4%	\$935	\$0.96	+0.97%
City of Fort Myers	94.9%	\$1,054	\$1.12	+3.54%
East Naples	95.7%	\$1,312	\$1.47	+8.16%
Estero	86.5%	\$1,295	\$1.35	-2.33%
Golden Gate	94.2%	\$1,121	\$1.18	+4.28%
Lehigh	95.8%	\$650	\$0.77	+2.36%
Lely	95.3%	\$1,375	\$1.34	+18.63%
Marco Island	96.5%	\$1,109	\$1.40	+1.74%
Naples	96.4%	\$1,166	\$1.44	-4.03%
North Fort Myers	96.7%	\$670	\$0.90	+2.29%
North Naples	93.6%	\$1,636	\$1.57	+1.55%
Outlying Collier County	95.7%	\$1,018	\$1.03	+7.15%
South Fort Myers/San Carlos	94.1%	\$1,212	\$1.22	+5.11%

*All rental rates reported are calculated using the asking rental rate.

Cap Rates – National

According to the **Real Estate Research Corporation (RERC)** "Real Estate Report" and **PwC** "Real Estate Investor Survey," cap rates have shown increases in the Retail Strip Center, Suburban Office, and Flex Industrial categories. No change was reported in the Apartment space and there was a decrease in the Warehouse space market when compared to the prior quarter on a national scale. The rates shown below apply to modern Class A properties with occupancy by creditworthy tenants, good to excellent locations and/or contractual rent growth.

Property	National Rates - RERC & PWC			Change from Prior Qtr.
	Low	High	Average	
Retail Strip Center	5.50%	7.50%	6.20%	Increase
Suburban Office	5.50%	8.50%	6.90%	Increase
Flex Industrial	6.50%	9.00%	7.50%	Increase
Warehouse	4.50%	6.50%	5.70%	Decrease
Apartment	4.00%	6.00%	5.00%	No Change
Average for All Properties	5.20%	7.50%	6.26%	Increase

Single Family Home Sales & Prices

According to data gathered from Florida Realtors®, a total of 2,221 single-family homes were sold in the three coastal counties during March 2018 compared to 2,246 in March of 2017. Median sale prices in Charlotte increased over 5%, Lee County increased 2%, and increased over 6% in Collier County from March 2017 to March 2018.

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Single Family Home Sales & Median Sales Prices			
Collier County			
	Mar-18	Mar-17	% Change
No. of Sales	500	483	+3.5%
Median Price	\$477,900	\$450,000	+6.2%
Charlotte County			
No. of Sales	440	446	-1.3%
Median Price	\$219,950	\$210,000	+4.7%
Lee County			
No. of Sales	1,281	1,317	-2.7%
Median Price	\$260,000	\$255,000	+2.0%

Single Family Building Permits

Southwest Florida long-term trends continue to be mostly positive after a few years of stabilization according to data gathered from U.S Department of Housing and Urban Development. Single family building permits increased almost 54% in Charlotte County and had a slight decrease in Collier County from March 2017 to March 2018, while Lee County increased over 13%.

Single Family Building Permits		
Collier County		
Mar-18	Mar-17	% Change
281	284	-1.05%
Charlotte County		
Mar-18	Mar-17	% Change
140	91	+53.84%
Lee County		
Mar-18	Mar-17	% Change
457	404	+13.11%

Southwest Florida Market Participants Survey

Valbridge Property Advisors | Southwest Florida conducts a quarterly survey involving a variety of market participants in the Southwest Florida market including brokers, investors, bankers, property/leasing managers, etc. Market participants are surveyed on their opinions of current market conditions for Industrial, Office, Retail, and Multi-Family markets in Collier, Charlotte and Lee Counties.

The most recent survey conducted in May 2018, indicated participants believe the market to be Improving in most sectors. The following table summarizes the responses.

Market Conditions	Lee County	Collier County	Charlotte County
Industrial	Improving to Strong	Strong	Improving to Strong
Office	Stagnant to Improving	Stagnant to Improving	Improving
Retail	Improving	Improving to Strong	Improving
Multi-Family	Strong	Strong	Strong

Sale Prices	Lee County	Collier County	Charlotte County
Industrial	Improving	Strong	Improving to Strong
Office	Stagnant to Improving	Stagnant to Improving	Improving
Retail	Improving	Improving	Stagnant to Improving
Multi-Family	Strong	Strong	Strong

Rental Rates	Lee County	Collier County	Charlotte County
Industrial	Improving to Strong	Strong	Improving
Office	Improving	Improving	Stagnant to Improving
Retail	Improving	Strong	Stagnant to Improving
Multi-Family	Improving to Strong	Improving to Strong	Strong

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