

MARKETBEAT

Fort Myers/Naples

Retail Q2 2018



COMMERCIAL
PROPERTY
SOUTHWEST FLORIDA

ECONOMIC INDICATORS

| National | Q2 17 | Q2 18* | 12-Month Forecast |
|--------------------------|-------|--------|-------------------|
| GDP Growth | 2.2% | 3.0% | ▲ |
| CPI Growth | 1.9% | 2.8% | ▲ |
| Consumer Spending Growth | 2.7% | 2.5% | ▲ |
| Retail Sales Growth | 4.3% | 5.3% | ▲ |

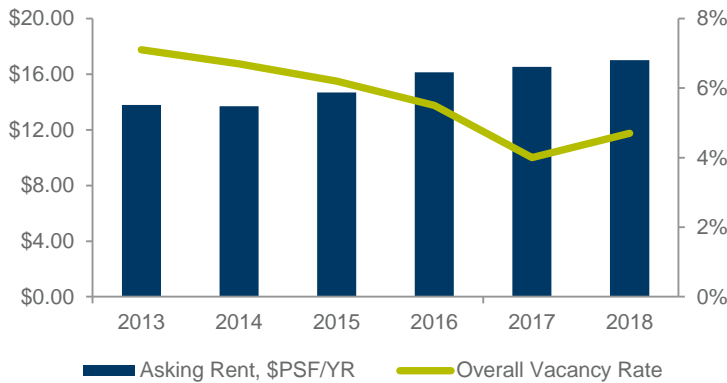
*Q2 18 Estimates. Values represent year-over-year % change. Forecast - Cushman & Wakefield.

| Regional | Q2 17 | Q2 18 | 12-Month Forecast |
|--------------------------|----------|----------|-------------------|
| *Median Household Income | \$54,520 | \$56,476 | ▲ |
| *Population Growth | 2.3% | 3.4% | ▲ |
| **Unemployment | 4.1% | 3.8% | ▼ |

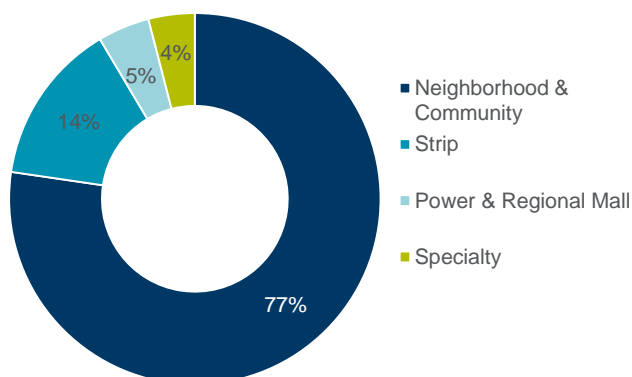
*U.S. Census Bureau; Moody's Analytics

**U.S. Bureau of Labor Market Statistics for Cape Coral-Fort Myers MSA

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Unemployment in the Cape Coral-Fort Myers region ended the second quarter 2018 at 3.8%. Jobs in retail trade had one of the highest percent changes for employment in the Cape Coral-Fort Myers metropolitan statistical area, up 3.7% in 12 months to employ over 42,000 people as of June 2018.

Market Overview

The overall vacancy rate remained stable year-over-year (YOY), ending the second quarter at 4.7%. In contrast, the overall average asking rents increased +5.3% YOY to \$17.02 per square foot (psf) per year. Super-regional and regional malls drove the market for the second quarter 2018 showing an overall vacancy rate of 0.6% and the highest overall asking rate in the market at \$45.00 psf. Key malls that attracted tenants include outdoor mall concepts such as Gulf Coast Town Center in Fort Myers, Coconut Point Town Center in Estero, and Mercato in Naples.

Overall absorption decreased significantly from second quarter 2017, which showed 497,328 square feet (sf) of positive absorption. Overall net absorption for second quarter 2018 recorded 3,027 sf of negative absorption. There were a total of 122 new retail leases recorded for second quarter with the average deal size of 2,581 sf. One of the largest deals to date was Bealls Outlet and Home Centric leasing 30,000 sf at the Center of Bonita Springs.

Despite elevated construction costs and the growth of eCommerce, retail growth shows no sign of slowing down in the Southwest Florida submarkets. Two-thirds of the submarkets in Southwest Florida show retail development activity for second quarter 2018 with over 427,000 sf under construction. One of the largest projects under construction to date is Daniels Marketplace in the South Fort Myers/San Carlos submarket of Lee County. While still waiting for the much-anticipated opening of Whole Foods and other national brands such as UhMaze Bowls and Mellow Mushroom, the 140,000-sf project has already welcomed Zoë's Kitchen and Panera Bread.

Outlook

As population increases in Southwest Florida, Cushman & Wakefield | Commercial Property Southwest Florida expects to see growing retail demand and rising asking rates. In spite of national big box closures, new retail inventory is being added to the Fort Myers/Naples market with additional new construction expected to deliver in the fourth quarter of 2018.

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Retail Q2 2018



CUSHMAN & WAKEFIELD

**COMMERCIAL PROPERTY
SOUTHWEST FLORIDA**

| SUBMARKET | TOTAL BLDGS | INVENTORY (SF) | OVERALL VACANCY RATE | OVERALL CURRENT NET ABSORPTION (SF) | OVERALL YTD NET ABSORPTION (SF) | UNDER CNSTR (SF) | **OVERALL AVERAGE ASKING RENT (NNN) |
|-----------------------------|--------------|-------------------|----------------------|-------------------------------------|---------------------------------|------------------|-------------------------------------|
| South Fort Myers/San Carlos | 1,012 | 17,128,996 | 4.4% | -66,921 | -81,096 | 210,733 | \$16.61 |
| North Naples | 547 | 10,645,697 | 2.6% | 62,987 | 42,735 | 23,900 | \$25.28 |
| Cape Coral | 791 | 9,132,452 | 5.1% | 6,367 | 6,103 | 3,520 | \$13.06 |
| City of Fort Myers | 787 | 7,786,055 | 3.9% | 23,312 | 19 | 12,780 | \$11.31 |
| East Naples | 382 | 4,221,353 | 3.3% | 19,169 | 18,263 | 12,920 | \$16.24 |
| TOTAL MARKET* | 5,170 | 70,330,419 | 4.7% | -3,027 | -132,514 | 427,468 | \$17.02 |

*This table includes Southwest Florida's top five submarkets by inventory size. The total market line represents the overall market total and not just the total from the submarkets listed in the table.

**Rental rates reflect NNN asking \$psf/yr

| FORT MYERS / NAPLES* | TOTAL BLDGS | INVENTORY (SF) | OVERALL VACANCY RATE | OVERALL CURRENT NET ABSORPTION (SF) | OVERALL YTD NET ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL AVERAGE ASKING RENT (NNN) |
|-------------------------------------|-------------|----------------|----------------------|-------------------------------------|---------------------------------|------------------|-----------------------------------|
| Regional Mall | 86 | 5,993,233 | 0.6% | 0 | -21,600 | 0 | \$45.00 |
| Neighborhood Center | 453 | 14,330,422 | 7.4% | -79,802 | -139,626 | 41,242 | \$14.40 |
| Power Center | 65 | 3,246,519 | 3.4% | 28,806 | 5,435 | 0 | \$20.07 |
| Community Center | 225 | 10,045,450 | 8.3% | -25,696 | 17,601 | 20,575 | \$15.80 |
| Strip Center | 584 | 6,126,727 | 6.7% | -16,975 | -14,552 | 24,000 | \$15.79 |
| Lifestyle Center | 28 | 1,174,400 | 3.4% | 7,513 | -11,707 | 0 | \$31.71 |
| Specialty (Airport, Outlet, Themed) | 23 | 1,135,526 | 17% | -6,813 | -71,817 | 0 | \$20.98 |

*The above chart includes only retail center types.

Key Lease Transactions Q2 18

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|--|--------|-----------------------------|------------------|--------------------------|
| 6111 S. Pointe Blvd., Fort Myers | 31,000 | Lord of Life Ministries | New Lease | S. Fort Myers/San Carlos |
| 3300-3306 Bonita Beach Rd., Bonita Springs | 30,000 | Bealls Outlet, Home Centric | New Lease | Bonita Springs |
| 13230 Tamiami Trl. North, Naples | 9,502 | Outdoor Decor | New Lease | North Naples |
| 4601 Fowler St., Fort Myers | 5,614 | JRA Bicycle Company | New Lease | S. Fort Myers/San Carlos |

Key Sales Transactions Q2 18

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|--|---------|---|----------------------|--------------------------|
| 9372 Ben C Pratt/6 Mile Cypress Pkwy. Fort Myers | 123,206 | Cypress Woods Associates LLC / Cole BJ Fort Myers, LLC | \$26,274,881 / \$206 | S. Fort Myers/San Carlos |
| 2420-2426 Santa Barbara Blvd., Cape Coral (2 Properties) | 75,386 | Brixmor Property Group / Real Sub, LLC | \$16,500,000 / \$219 | Cape Coral |
| 5620-5628 Strand Blvd., Naples | 65,820 | S-B Properties No. 18, LTD. / Schmidt Investments Limited Partnership | \$7,354,806 / \$112 | North Naples |
| 7001, 7011-7051 Cypress Ter., Fort Myers (2 Properties) | 42,339 | NYFL Commercial Holdings LLC / Palmcypress LLC | \$6,925,000 / \$164 | S. Fort Myers/San Carlos |
| 13460 Daniels Commerce Blvd., Fort Myers | 41,873 | Daniels Commerce Holdings, LLC / San Carlos 15, LLC | \$4,790,000 / \$114 | S. Fort Myers/San Carlos |

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