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SWFL OFFICE MARKET: REBOUND SIGNALS AND INVESTOR CONFIDENCE

The office real estate market is showing renewed strength, with signs of a sustained rebound as leasing activity accelerates and investors take notice. Despite economic uncertainty, recent data suggests that office assets are regaining traction, particularly in markets benefiting from population and corporate migration trends.

LEASING ACTIVITY REACHES A SIX-YEAR HIGH

JLL's latest earnings report confirms that global office leasing has surged to its highest level since 2019, contributing to a 40% increase in the firm's quarterly profit. Large-scale transactions and steady tenant demand helped drive an 11% rise in overall leasing revenue. JLL's leadership remains optimistic about continued transaction growth, citing the return-to-office momentum and constrained new development pipelines as factors supporting rental rate increases.

INVESTOR SENTIMENT SHIFTS TOWARD OFFICE ASSETS

While some investors remain cautious, others are seeing opportunity. At a recent CCIM event, Mark Peterson, Director of Investment Strategy and Education at BlackRock, pointed to office properties as a sector of interest for acquisitions. This sentiment reflects a growing recognition that office values may have bottomed out, presenting a chance for well-capitalized investors to acquire assets at a discount before fundamentals fully recover.

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FLORIDA: A MAGNET FOR CORPORATE RELOCATION

Florida continues to outpace the rest of the country in corporate relocations, attracting more companies than any other state for the second consecutive year. The state's business-friendly policies and lack of income tax have fueled net employer migration, with 623 firms moving to Florida in 2023—more than triple the number of Texas, the next closest competitor. This trend has directly influenced office leasing activity, particularly in markets like Orlando, where expanding companies are driving demand for high-quality office space.

SOUTHWEST FLORIDA'S OFFICE MARKET: STRONG DEMAND AND RISING RENTS IN 2025

As the national office market continues to navigate shifts in remote work and hybrid models, Southwest Florida stands out as a resilient and growing sector. The region's office rental market remains strong, with low vacancy rates, increasing rental prices, and steady tenant demand, making it an attractive location for businesses and investors alike.

LIMITED OFFICE AVAILABILITY IN SOUTHWEST FLORIDA

The Southwest Florida markets of Fort Myers and Naples collectively have 33 million square feet of office inventory. Of that, only 1.6 million square feet are vacant, resulting in a 4.8% vacancy rate—one of the lowest in Florida. This marks more than two years since the region's vacancy rate has remained below 6%, compared to the 2015-2019 average of 7%.

Market participants report limited options for move-in-ready office space. Rising construction costs and prolonged permitting timelines have further constrained new supply, making it increasingly difficult for businesses to find suitable locations. Approximately 320,000 square feet of space remain vacant in the region's four- and five-star buildings, though a significant portion of that includes a large sublease by Gartner, which has listed 130,000 square feet in Fort Myers.

While smaller spaces lease quickly—typically spending only five months on the market—larger office spaces over 7,500 square feet have a median listing period of approximately 15 months. With less than 65,000 square feet of office space currently under construction, and 45,000 square feet already preleased for medical office use, new supply is unlikely to alleviate the growing demand.

STEADY GROWTH IN RENTAL RATES

Southwest Florida's office market has maintained stability, with an average rental rate of $23.35 per square foot (PSF), while the high-demand Naples submarket commands $35.00 PSF, reflecting a 4% year-over-year increase. Despite rising operational costs and economic uncertainties, office space in prime locations remains highly sought after, particularly in professional services, healthcare, and finance sectors.

Vacancy rates continue to decline, sitting at 4.5% as of late 2024, significantly lower than the national average. The Naples submarket has seen particularly strong absorption, with businesses eager to secure premium locations in a market with limited available space.

MARKET DRIVERS: ECONOMIC GROWTH & BUSINESS EXPANSION

A key factor driving the strength of Southwest Florida's office sector is the region's robust economic growth. With an 8.6% increase in office-using employment over the past three years, industries such as healthcare, legal services, and corporate headquarters have expanded their footprint in the area.

Additionally, Southwest Florida's growing population—driven by an influx of new residents and businesses relocating from higher-cost urban markets—has sustained demand for office space. Cities like Naples, Fort Myers, and Sarasota continue to attract professionals and entrepreneurs, supporting a strong leasing environment.

LOOKING AHEAD: WHAT TO EXPECT IN 2025

As we move into 2025, rental rates are expected to continue their upward trajectory, particularly in high-demand areas. The tight supply of office space, combined with increasing operational costs and sustained business expansion, will likely push rents higher by mid-year.

Several factors will influence the market:

- Limited new office space development will keep vacancies low, strengthening landlords' negotiating power.
- Steady business migration and expansion will continue fueling demand in prime locations.
- Higher operating costs, including insurance and property taxes, may contribute to increased rental rates.

OPPORTUNITIES FOR INVESTORS, TENANTS, AND DEVELOPERS

For investors, Southwest Florida's office market remains a strong bet, with low vacancy rates and rising rents ensuring stable returns. The scarcity of premium office spaces presents opportunities for new developments and value-add acquisitions.

Tenants should anticipate higher lease rates and increased competition for prime spaces. Businesses looking to secure office space in the coming months should act early and consider longer-term lease agreements to lock in favorable rates before further increases

Meanwhile, developers have an opportunity to capitalize on supply constraints by introducing modern, flexible office spaces that cater to evolving workplace needs. With demand holding steady, strategic new office developments could thrive in Southwest Florida's high-growth corridors.

A MARKET ON THE CUSP OF RECOVERY

The combination of increasing leasing velocity, a more stable interest rate environment, and strategic capital deployment suggests that the office sector is poised for further recovery. While economic and geopolitical uncertainties remain, the fundamentals supporting office demand—corporate relocations, return-to-work policies, and limited new construction—create a favorable setup for investors looking to capitalize on a market inflection point.

For investors and owners, the message is clear: Office real estate is not only rebounding but presenting opportunities that may not last for long. Those who move decisively could be well-positioned for long-term gains as the sector regains its footing.

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