

## 10<sup>th</sup> Annual CCIM SWFL Outlook Conference

From left: Jerry Anderson, Mark Alexander, Bruce Grady (former Mayor of Fort Myers, FL)



Mark Alexander, CCIM was invited to speak on the SWFL office market at this event held on January 28<sup>th</sup>, 2010 at the Three Oaks Conference Center in Estero, FL. This was familiar territory as Mark had been their scheduled office market speaker for their 1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> Annual CCIM Conferences held in the past. The reason you can buy or rent such great deals today in SWFL is because the office vacancy is so high. The average office vacancy for SWFL right now is 17% but averages can be misleading. You really need to dig down to the actual class of space and its particular location to check the vacancy for that area. For example, Class A office space in Charlotte County has a vacancy of 53% while Class A office in Lee County has a 19% vacancy factor and Collier County has a 26% vacancy. I should point out that an ideal balanced market is where owners and tenants do not have leverage over each other. This balanced market only occurs when office vacancy factors reach the 8% to 10% range. An “Owner’s Market” exists when you have vacancy factors between 0% and 7%. A “Tenant’s Market” exists when you have vacancy factors of 11% or higher. We are solidly in a “Tenant’s Market” right now at 17% vacancy...and office vacancy is due to go higher by the end of 2010. When we stop losing jobs in SWFL, we will stop losing demand for office space. Demand for office space is measured by calculating annual absorption. The SW Florida office market had negative absorption of 540,000 square feet in 2009. This means that tenants who occupied 540,000 sf of space in 2008, moved out and left their space vacant in 2009. If the average tenant size in SWFL had 2,000sf, then this is the equivalent of 272 tenants in SWFL giving up their office space for vacant in 2009.

Many people seem to think this is the worse office market we have ever seen...but it is not. SWFL had a higher vacancy (21%) in 1991 which was caused mainly by

overbuilding back then. Today's office market (at 17% vacancy) feels worse emotionally because we have lost so many jobs in addition to healthy overbuilding of our office market. Since 2005 we have built 4.8 million SF of new office space in SWFL during a time span when our demand for office space was diminishing. Fortunately there are only 230,000 SF of new office deliveries scheduled for 2010. Most economists predict positive job growth by 2011 so that is when positive office absorption should resume. Until then, it is a great time to buy at the bottom of the market. It took 14 years from our worst office market (1991) to our best office market (2005). If history were to repeat, SWFL would see its next peak in 2014. For a free breakdown of each part of the SWFL office market, please email your request to Mark at [marka@svn.com](mailto:marka@svn.com).