

# CIP – August 2018



**MAXWELL • HENDRY • SIMMONS**  
real estate appraisers & consultants

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# Market Research



**MAXWELL HENDRY-SIMMONS**  
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May 2015  
MHSappraisal.com

## MARKET SNAPSHOT



Sometimes looking back is instructive. Sometimes it's just nostalgia. And sometimes it can really answer a question in need of some perspective.

The residential market has certainly had a bull run over the past few years. No doubt about that. But recently, there've been concerns raised about the possible formation of another bubble in Lee County residential real estate. After all, if markets run in ten year cycles, we would be right on cue. Double-digit year-over-year price increases are unsustainable and given the trauma we experienced during the 2006-2009 market collapse, a little paranoia would be understandable.

However...a look back over the past 15 years should erase any anxiety that our market is in bubble territory. While markets ebb and flow, a bubble is a rapid irrational expansion followed by price contraction. Look at the chart above, we don't need Milton Friedman to explain 2005. The chart should also serve to illustrate that although we're in a bull market, we're not in irrational territory.

The old axiom that 'houses don't appreciate, only land' also demonstrates this dynamic. Lot prices in Cape Coral and Lehigh Acres exploded disproportionately during the 2004-2005 run (Cape Coral increased 541% and Lehigh increased 969% over 27 months each). Want to

know when a bubble forms? Watch lot prices. They tell the story with more precision.

Finally, a word on home affordability. The most recent median home price of \$192,100 is well within reach of the median household income of Lee County (\$48,500 or \$4,042 monthly). The median priced home would yield a mortgage payment (PITI included) of roughly \$958 with a 20% down payment (\$1,185 with 5% down). With these mortgage payments and the given GSE guidelines for debt/income ratios (allow for max debt payments to be 45% of gross monthly income), there's plenty of remaining room for the average households additional debt payments. In November of 2005 when the median home price reached \$285,000 and household income was at \$46,000 (\$3,833/monthly), the median mortgage payment would have been \$1,748. That payment on its own exceeded the 45% max limit.



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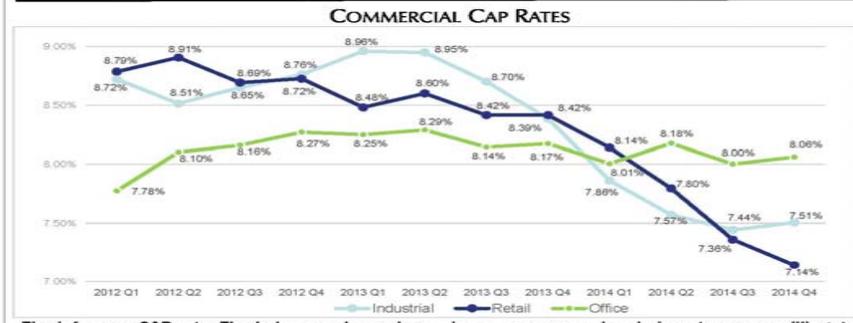
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**MAXWELL HENDRY-SIMMONS**  
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## MARKET SNAPSHOT



The infamous CAP rate. The holy grail. When dealing with commercial real estate, most investors, purchasers and analysts refer to and quote cap rates when pricing properties. Even a slight movement of ¼ or ½ point will raise or lower the value thousands (maybe even millions) of dollars. This month we examined what has happened to cap rates over the past 2 years. Most now recognize that for the last couple of years

we have been in a recovery mode. Generally speaking, cap rates were higher during those very ugly years of 2007-2011. The attached chart shows what has happened during our "recovery period" from 2012 to present for office, retail and industrial. Not surprisingly, we see a bending down or lowering of the cap rates—the only exception being the office sector which has been mostly flat. As the market perceives better days

ahead, investors are willing to take a bit more risk. Hence, we have seen a slow but steady movement upward in property values and downward in cap rates. We see this trend continuing for 2015, but at a modest rate. If demand for property increases relative to the income being generated through leases (or the ability to adjust quickly), cap rates will drop.



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### WORTHY OF NOTE:

- Stronger retail demand appears to be driving CAP rates down
- Office market remains flat, due in part to lagging vacancies

For more information, contact us at: [info@MHSappraisal.com](mailto:info@MHSappraisal.com)

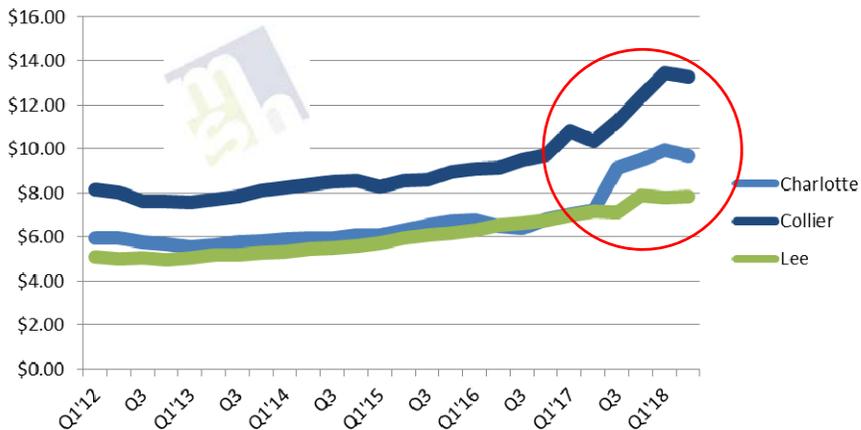




### Industrial/Flex Vacancy



### Industrial/Flex Rents



# INDUSTRIAL

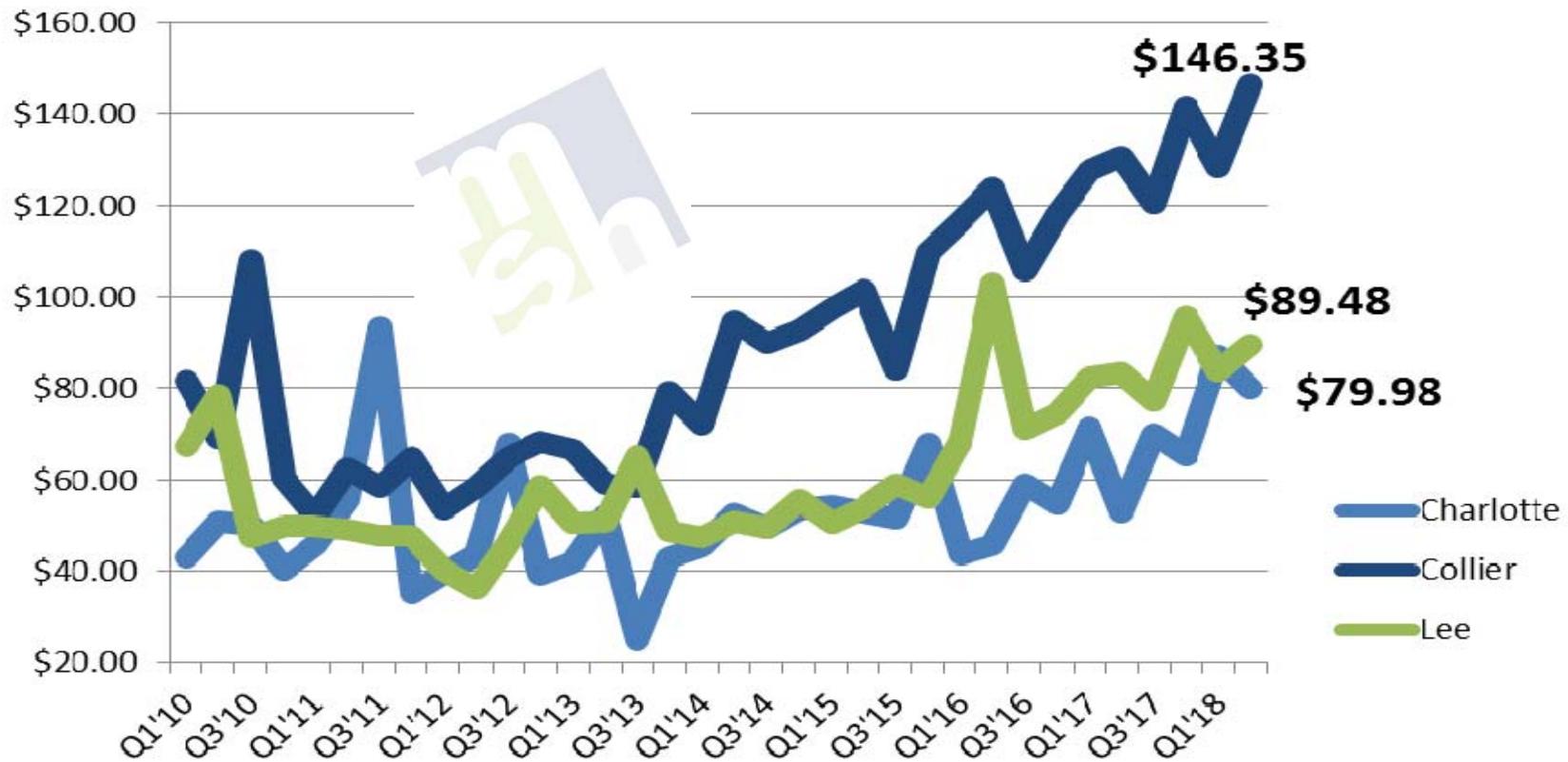


**CHARLOTTE** 0.5% Vacancy \$7.02 psf

**COLLIER** 1.1% Vacancy \$10.79 psf

**LEE** 2.6% Vacancy \$6.99 psf

## Industrial/Flex Average Price PSF



## Warehouse – Under Construction

Premier Airport	Meridian
106,836	200,961
approx. 10%	approx. 17%
9,180 sf + units	24,000-35,000 sf units
\$7.65 + \$6 TI	\$7.50 + no TI

Eastgroup	New Castle
80,000	40,000
approx. 60%	61.25%
13,500 sf + units	15,500-24,500
\$7.50-\$7.75 + \$6-7 TI	\$8.25 w/ office

Flex – Under Construction

Gulf Coast Ind.	Southlinks
44,800	157,115
100% leased	27% leased
4,480-9,500 sf units	2,800-4,000 sf units
\$9.50-\$9.75	\$9.00(grey)/\$13.50-\$15.00(built out)

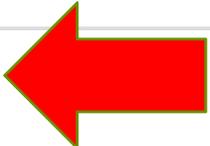
**UNDER CONSTRUCTION & ABSORPTION**

	<b>WAREHOUSE/FLEX</b>
Listed Projects	629,712
Owner Occupied Projects	154,050
<b>TOTAL</b>	<b>783,762</b>
<b>PRE-LEASED</b>	<b>304,215</b>
<b>TOTAL AVAILABLE</b>	<b>479,547</b>

<b>ABSORPTION</b>	<b>WAREHOUSE &amp; FLEX</b>
2017	360,597
2016	1,068,266
2015	701,660





2018 Lee County Leases		
TOTAL LEASES	225	
SF LEASED	912,202	
AVG SF LEASED	4,054	
<b>SPACE LEASED &lt;10k</b>	<b>631,617</b>	<b>69.24%</b>
<b>SPACE LEASED &gt;10k</b>	<b>280,585</b>	<b>30.76%</b>

**76% of space UNDER CONSTRUCTION > 10,000 sf**

## LOWEST COLLIER WAREHOUSE SALE



1732 Elsa Street, Naples

\$250,000

**\$85.01 psf**

2,941sq.ft. building

0.39 acres land

**AVG'18 LEE COUNTY WAREHOUSE**  
**\$87.41 psf**

**HIGHEST LEE COUNTY WAREHOUSE**



**\$143.30 psf**

**Highest Lee  
County**

**AVG'18 COLLIER WAREHOUSE**

**\$146 psf**

**AVG'18 LEE COUNTY OFFICE**

**\$127 psf**

## Collier – Flex



4730 Enterprise Avenue, Unit 307  
\$209.36 psf



5465 Jaeger Road  
\$192 psf



LEE COUNTY SALES

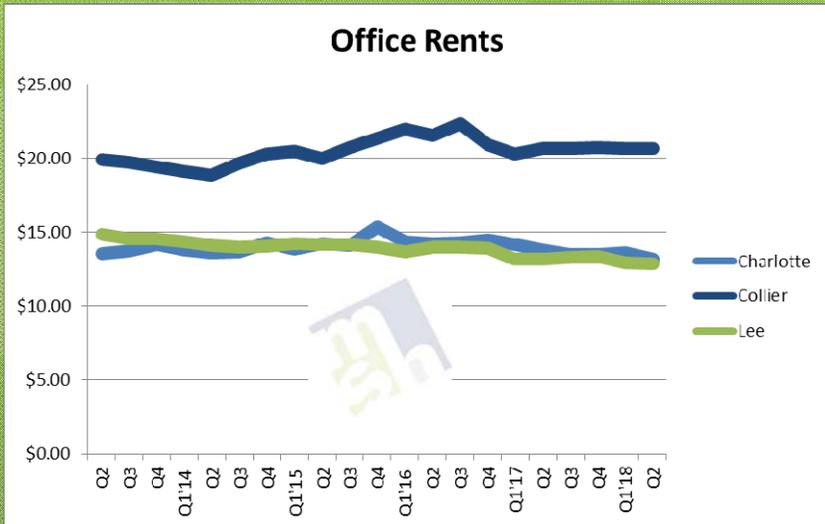
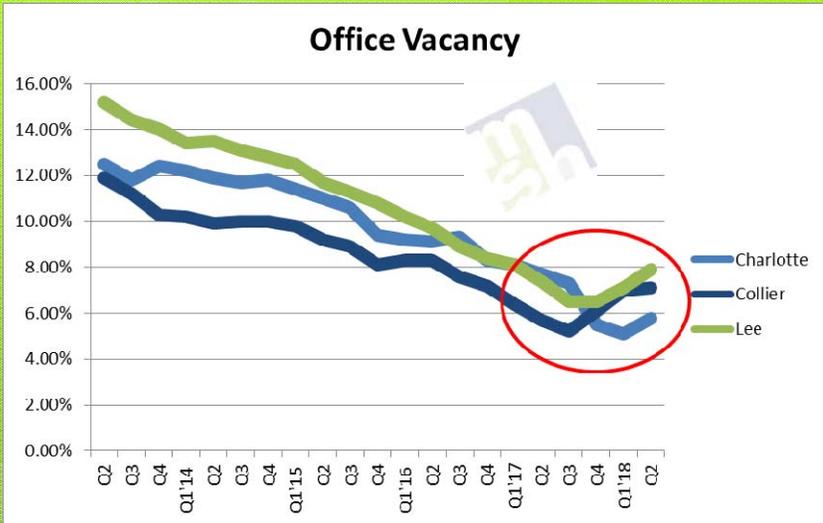


5840 Halifax Avenue  
\$119.47 psf



7863 Drew Circle, Unit 2  
\$133 psf





<b>CHARLOTTE</b>	<b>5.8%</b>	<b>\$13.16/sf</b>
<b>COLLIER</b>	<b>7.1%</b>	<b>\$20.68/sf</b>
<b>LEE</b>	<b>7.9%</b>	<b>\$12.88/sf</b>