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Market Trends

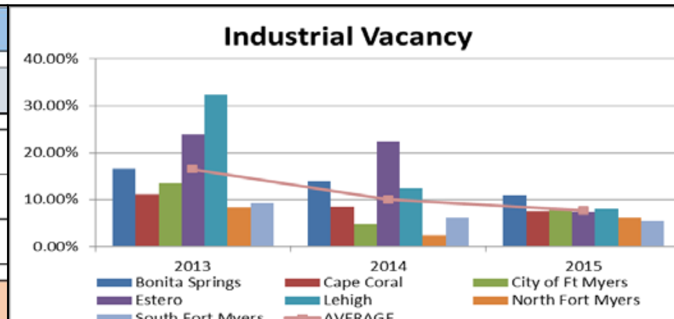
Last month, one of our partners, Gerald Hendry, MAI, CCIM, was a panelist at the 2016 Southwest Florida Commercial Real Estate Outlook Conference. As part of the presentation, we gathered some interesting market data which we are sharing in this months Market Snapshot.

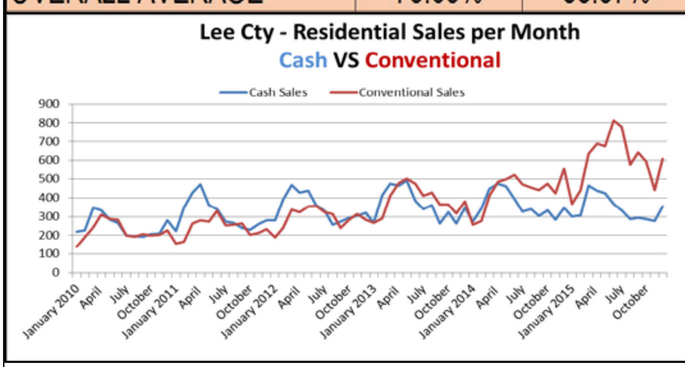
% of Sale Price to Asking Price - The commercial market is finally moving in a positive direction after lagging the residential market which began its climb in 2011. In the commercial sector, the Lee County Market was oversupplied in all areas (industrial, office, retail). The below chart shows the sale price as a percentage of asking price in 2010 versus 2015. As can rightfully be interpreted, this is a strong indication of more of a sellers market as opposed to the buyers market we were faced with in 2010.

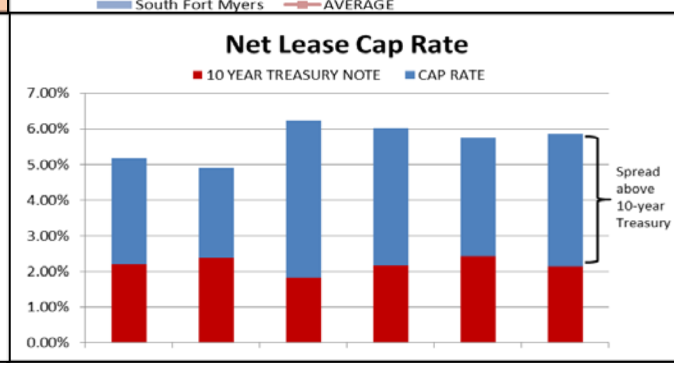
Industrial Vacancy - One of the strongest components of the Lee County commercial market is the industrial sector. There remain very few, high quality, Class A distribution facilities of 10,000 square feet to 25,000 square feet which are available for lease. Rental rates for these units in good locations have increase to approximately $7.00 per square foot. Although the rental rates on the books are not quite high enough to support new development, look for this to change in 2016. Low vacancy and increasing rental rates indicate a potential undersupply of industrial units in Lee County as a whole. Watch for new construction to hit the industrial market this year as developers and investors will chase this hot sector.

% of SALE PRICE TO ASKING PRICE

	2010	2015
Industrial	74.81%	87.15%
Office	74.86%	87.58%
Retail	77.28%	90.39%
OVERALL AVERAGE	75.65%	88.37%







Cash VS Conventional - What is driving these trends in the commercial market?...a healthy residential market. Although our residential trends are slowing, we are still in a steady growth mode. The market has moved out of the Great Recession at a cautious and healthy pace, with permit levels at about 1/5th of the level of 2004-2005 indicating no immediate fear of overbuilding. Look for steady, yet cautious new residential construction and increased incentives from builders as they attempt to continue to maintain/increase pricing. The overall makeup of buyers is moving from a heavy investor market to a traditional, end user market which is a healthy sign. This is evidenced by a decrease in cash buyers.

Net Lease Cap Rate - Also discussed was the net lease investment craze in the retail and medical office sectors. With extremely low returns in alternative investments, such as the 10 year treasury note, and fear in the global markets, now is a great time to sell a property with a long term lease to a national retailer or to a medical practice. A steady cash flow from a credit tenant is as hot as it will ever be. These investments typically trade on a spread above a safe investment (10 year treasury) which is extremely low even in a potential rising interest rate environment.

For more information, contact us at: *info@MHSappraisal.com*