

## **Crazy Commercial Real Estate Market Endures**

By Mark Alexander, CCIM

Many years from now our kids may read stories about the “Great Recession” of 2009 to 2010 (and counting). With luck, they will only recall the ice cream being good and the beach being hot. But the rest of us here in SW Florida won't soon forget the things we see happening every day now...especially in the crazy commercial real estate market. It is an amazing time to witness history being written. Many of us wish it just wasn't so painful while others are happily securing their “Best Deals of a Lifetime”.

For example, a local SW Florida Bank just foreclosed on their \$6.2 million mortgage for a brand new, never occupied Class A Industrial building (60,000 sf) on Alico Road in Ft. Myers that cost \$7 million to build just two years ago...and it is now being offered for Sale at \$2.7 million....and that is an Asking Price! I'm just getting started here.

### **Heard On The Street**

An office building in World Plaza recently sold at \$95 psf. An office lease was just signed in World Plaza at \$7 psf Gross. A 1.6 acre land site on Del Prado Boulevard just sold at \$4 psf. Two land sales occurred on US 41 between Colonial Boulevard and Corkscrew Road ranging from \$2 psf to \$5 psf. A lease on Colonial Boulevard was just signed at \$11 psf Gross. A Gladiolus Road retail lease was just signed at \$10 psf Net. A number of industrial leases at high quality spaces getting signed at \$3.50 psf Net. A big medical group in Naples just renewed their lease on Goodlette Road for \$20 psf Net. And some industrial owners are accepting deeply discounted rents for new tenants on month-to-month leases with the understanding that if they secure better deals from the market in the future, the month-to-month tenants will have to move out. You can hear market talk like this by attending our monthly CCIM marketing meetings at Rene's Restaurant on Winkler Road. Contact our President Andrew Falde, CCIM at (239) 839-1464 for details on our next meeting.

### **Industrial**

Our SW Florida industrial buildings regularly traded between \$100 and \$150 per square foot between 2005 and 2007. More recently, 18 industrial buildings sold over the past nine months (from October

2009 to June 2010) in Lee County for an average sales price of \$45 per square foot. But even that number can be misleading. Since the vast majority of SWFL companies occupy industrial spaces between 4,000 sf and 10,000 sf, the many smaller building sales (with more demand) have been trading between \$45 and \$55 PSF while the fewer bigger buildings with less demand have been trading as low as \$25 to \$30 PSF.

### **SBA Financing Can Help**

With these wonderfully low prices, one expects to witness a lot more industrial sale closings than we are actually seeing. But small to middle sized firms across the country (which describes over 80% of our tertiary market in SW Florida) have no good access to credit right now. Some banks in Florida that previously did not have deliberate programs targeting SBA financing have now started new initiatives to secure SBA loans. Since stricter lending policies make many local firms not quite eligible for financing in today's difficult economy, adding this federal guarantee via the SBA program can often be the deciding factor to green light new financing for some owner/occupant purchases of commercial buildings.

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