

SWFL Industrial and Flex Market Hits a Critical Inflection Point

September 2025 | Lee & Collier Counties

MARKET SUMMARY

In commercial real estate, absorption is the balance of move-ins minus move-outs over a given period - a critical measure of market health. Positive absorption indicates demand growth, while negative absorption reveals tenant contraction. According to CoStar data, the Southwest Florida industrial and flex market has shifted sharply over the past 12 months. Lee County posted 592,000 SF of net absorption, down 61.5% year-over-year, while Collier County recorded negative 334,000 SF of net absorption, a dramatic 1,322% reversal from the prior year, approaching all-time lows not seen since the great financial crisis in 2009.

Together, these figures mark one of the most pronounced shifts in recent history, signaling that tenant demand is cooling as oversupply pressures mount.

At the same time, vacancy rates are rising, with Lee climbing to 8.3% and Collier to 4.0%. Both counties are grappling with the aftereffects of record deliveries, rising operating costs, and cautious tenant expansion. Rents continue to inch higher - now averaging \$13.54/SF in Lee and \$17.86/SF in Collier - but the pace of growth has slowed. Sale prices also remain firm, with Lee at \$147/SF (+8.9% YoY) and Collier at \$189/SF (+6.2% YoY), suggesting that many landlords and sellers may not yet be fully aware of the growing disconnect between recent transaction pricing and weakening underlying fundamentals.

KEY MARKET INDICATORS (12-MONTH LOOKBACK)

Source: CoStar, September 2025

	Lee County	Collier County	YoY Change
12-Mo Net Absorption	+592K SF	(334K) SF	▼61.5% Lee / ▼1,322% Collier
Vacancy Rate	8.30%	4.00%	▲ +270 bps / ▲ +240 bps
Under Construction	1.2M SF	22K SF	▼14.5% / ▲6.2%
Market Asking Rent	\$13.54/SF	\$17.86/SF	▲ +2.9% / ▲ +3.1%
Market Sale Price	\$147/SF	\$189/SF	▲ +8.9% / ▲ +6.2%

WHAT IT MEANS FOR OWNERS & INVESTORS

The Southwest Florida industrial and flex market has reached a critical inflection point. After years of expansion, move-outs are now outpacing move-ins in Collier County, while Lee County's absorption, though still positive, has slowed significantly.

- **For Landlords:** Pricing Power Is Softening. Expect tougher competition for tenants, greater reliance on concessions, and increased focus on retention.
- **For Investors:** Discipline is key. Market performance is diverging by submarket and asset class - underwriting must reflect tenant risk and absorption headwinds.
- **For the Region:** Long-term demand drivers such as population and business growth remain intact; however, the short-term landscape is volatile.

"The region faces a critical inflection point: landlords must get more competitive on pricing and concessions, while investors should prepare for a market where underwriting discipline will separate winners from underperformers."

ANALYST'S OUTLOOK

Vacancy is projected to rise another 100-200 bps over the next 12 months if absorption remains weak, especially as Lee works through more than 1 million SF still under construction. Rent growth is expected to flatten, with certain submarkets facing potential softening. Investor interest remains, but capital is increasingly selective: local and private buyers are expected to drive deal flow, while institutional groups remain cautious.

FPC's analysis indicates that disciplined underwriting, tenant quality, and proactive leasing strategies will separate outperformers in the months ahead.

