

HVS Market Pulse: Greater Fort Myers, FL

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The greater Fort Myers market thrives on tourism given its resorts and beaches, as well as its other opportunities for leisure-related activities, such as fishing, golfing, and shopping, to name a few; moreover, the city hosts Spring Training for Major League Baseball's Boston Red Sox and Minnesota Twins clubs, attracting fans to the area. Aside from tourism, the economic base is diverse in this market, including employers in the fields of healthcare, government, education, retail, and computer science. Fort Myers is also home to numerous colleges and universities, including Edison State College, Florida Gulf Coast University, and Nova Southeastern University, among others.

Recent growth in tourism and commercial development over the last several years has sparked local hotel developers' interests in various locations, from Downtown Fort Myers all the way to Estero. There are several hotels in various phases of development near Southwest Florida International Airport (RSW). The airport is known as the Gateway to Fort Myers and Florida's Gulf Coast and is serviced by many major commercial airlines, as well as several charters. In March 2018, the Port Authority Board authorized contracts for design and construction consultants in order to renovate the RSW terminal; the project is anticipated to cost \$160,000,000 and is targeted to be complete by 2022. The renovation is expected to alleviate long security lines by consolidating three security screenings areas into one. Additional concessions for restaurants and shops are expected beyond the consolidated TSA checkpoint. However, given the seasonality of Fort Myers, the expansion will add only one gate. Aviation officials noted "Southwest Florida International is one of the most seasonal airports in the country. On average, its peak season, March, has 125% more passengers than its slowest month, September."^[1]

Additionally, there are several hotels in the pipeline for Estero. Estero is another submarket that has experienced significant commercial development since 2016, at which time Hertz Corporation finalized the construction of its new, \$50-million worldwide headquarters and relocation of 625 employees to Lee County. More recently, in December 2018, Lee Health's Coconut Point medical campus opened in Estero.

Summary

The greater Fort Myers market thrives on tourism.

1 Comments

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	Occupancy	ADR	New Rooms Planned	2019 Focus
Airport/Gulf Coast Town Center	High 70s	High \$110s	200+ rooms	ADR Growth
Central	Low 70s Occupancy growth near inflationary levels and ADR up modestly	Low \$110s	350+	ADR Growth
Top Employers	Lee Health Lee County Public Schools Publix Super Markets		11,800 Employees 11,000 5,100	
Unemployment	Declining, now at 3.2%			
Demand Generators	<ul style="list-style-type: none"> Lee Memorial Health System Hertz Fort Myers Beach Boston Red Sox and the Minnesota Twins Everglades National Park 			
Airport	Passenger activity up 5.6% through November 2018; \$160,000,000 renovation			

The 243-room, Luminary Hotel, an Autograph Collection affiliate, is slated to open along the Caloosahatchee River in Downtown Fort Myers in early 2020. The \$92-million project, which is expected to draw large groups to the region, is currently under construction on a site located next to the Harborside Convention Center. The sharp increase in anticipated new supply reflects developers' optimism of this market given its historically strong tourism levels and thriving local economy.

Post-recession, the lodging industry in the greater Fort Myers market has experienced strong RevPAR growth, primarily attributed to increases in occupancy. Despite a significant increase of new supply in 2008 and 2009, when eleven hotels representing 1,397 additional room nights were added to the inventory, market-wide occupancy levels have increased since 2010. More recently, the market's performance has been tied more to weather and environmental factors.

On September 4, 2017, Florida Governor Rick Scott declared a state of emergency, as Hurricane Irma, originally a Category 5 storm, approached the Florida Keys. A record 6.5 million statewide Floridians evacuated, making it the largest evacuation in the state's history.^[2] Fort Myers benefitted from displaced residents in southern Florida and FEMA workers through the first quarter of 2018.

Recently, visitation to the greater Fort Myers area has been negatively affected since July 2018 given the Red Tide, with a total impact of \$48,834,887 in lost revenue on over 150 local businesses in Fort Myers Beach from July through October.^[3] The full impact will be unknown for some time, as visitors booked trips to the region months in advance prior to the announcement of the Red Tide. As group bookings for 2019 slowed this past summer due to the related concern of the phenomenon, the impact is expected to be felt throughout 2019.

Overall, the outlook for the Fort Myers market is cautiously optimistic given the prior year's performance that was hindered by the Red Tide. The entrance of higher-rated new supply, such as the Luminary Hotel, could attract new groups and segments to the market; however, the influx of new supply throughout the market will likely hinder ADR growth, as local hoteliers are anticipated to focus on maintaining base occupancy levels while the new supply is absorbed.

^[1] December 20, 2018, Ruane "RSW airport expansion to consolidate TSA screening, offer more concessions post-security. Naples Daily News, <https://www.naplesnews.com/story/travel/2018/12/20/rsw-airport-expansion-consolidate-tsa-screening-grow-concessions/2374145002/>

^[2] Select Committee on Hurricane Response and Preparedness Final Report (Report). Florida House of Representatives. January 16, 2018. pp. 1-5.

^[3] November 22, 2018, Chelle. "IN THE WAKE OF RED TIDE | Naples Florida Weekly." Naples Florida Weekly, naples.floridaweekly.com/articles/in-the-wake-of-red-tide/.

About Brad Hoban



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