

Orlando's office market improved across the board in the second quarter as positive net absorption returned to the market after four consecutive quarters of negative office demand. This second-quarter rebound merely halted the recent rising vacancy trend, with vacancies holding generally flat at a five-year high. Office demand has been soft since the pandemic began, with each of the first four quarters of the crisis posting negative net absorption totals. Prior to this stretch, Orlando had not seen three consecutive quarters of negative office absorption in more than 20 years.

Asking rent growth rates bounced back in the second quarter after falling to just 0.6% in early 2021, the lowest level in nearly seven years.

Office leasing volume exceeded one million square feet in the second quarter - the first quarter to do so since prior to the pandemic. Large leases, such as AssuredPartners taking down 44,000 SF at CNL Center I, drove the rebound with more than 15 deals exceeding 10,000 square feet and the majority of move-ins projected for the third quarter.

There was also an increase in sublet leases, including TogetherHealth taking down over 46,000 SF at Primera Towers and Tidal Basin agreeing to over 18,500 SF at Rinehart Ridge in Lake Mary.

While those sublet deals helped to temporarily plateau available sublet space on the market in the second quarter, Siemens listed over 450,000 SF for sublease in early July. This increased the total to 2.0 million SF, the highest level ever recorded for Orlando. Direct available space has shown signs of improvement, dropping by over 500,000 SF in the second quarter.

Office deliveries remain heightened as nearly 200,000 SF was completed in the second quarter. However, supply pressures should lessen going forward. Construction starts over the past year have declined and the pipeline has become increasingly more manageable with only 460,000 SF underway.

Sales volume drastically picked up in Q2-21, fueled by the two largest trades of the pandemic era. In April, Tupperware's headquarters sold for \$43 million, and one month later a Banyan Street Capital-led joint venture acquired 20 North Orange Avenue for \$63 million. Prior to these two sales, there had been no trades over \$20 million since March 2020. Average pricing has continued to climb but the market cap rate has remained relatively flat for the past four years.

The rebound eased concerns after a drastic downshift during the first quarter, a marked reversal from the Q4-20 surge when volume had roughly equaled the prior two quarters' combined sales volume before the end of November. Just over \$50 million traded in Q1-21, the lowest quarterly amount in a decade.

Source: CoStar Property

## ORLANDO MSA Office Market



Total Office Space  
100,906,753 SF



Under Construction  
460,750 SF



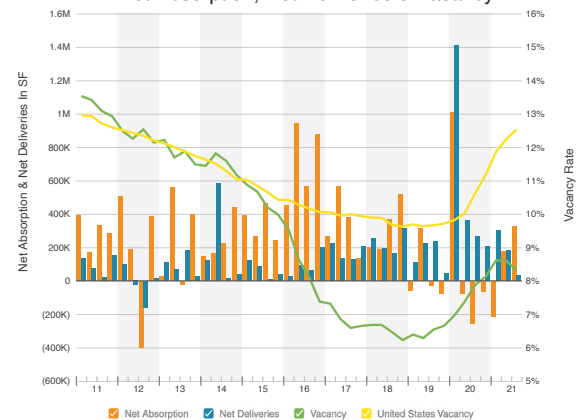
International Companies  
150+

Orlando MSA (Orange, Seminole, Lake & Polk Counties) | Source: CoStar Property

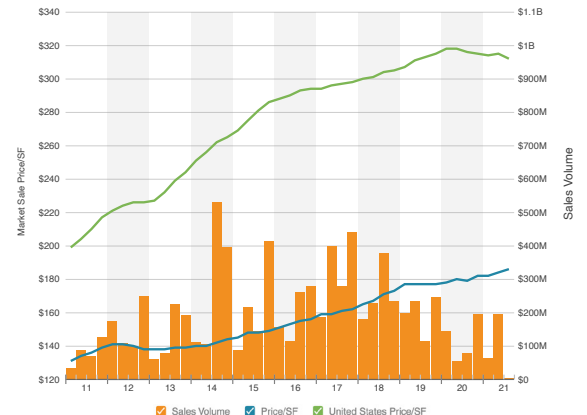
## Quarterly Trends



### Net Absorption, Net Deliveries & Vacancy



### Sales Volume & Market Sale Price Per SF



### Total Office Market Statistics

Second Quarter 2021

Orlando MSA (Lake, Orange, Osceola & Seminole Counties)								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Total Available SF	Vac %				
436 Corridor	624	5,147,638	428,651	8.3%	43,571	37,400	20,000	\$23.27
Altamonte/Douglas	468	4,806,574	598,205	12.4%	31,749	0	0	\$20.30
Apopka	118	778,608	86,771	11.1%	(15,322)	0	0	\$24.45
Casselberry	270	2,069,913	202,361	9.8%	74,908	27,812	0	\$21.77
Downtown Orlando	494	12,604,750	2,154,472	16.9%	(208,895)	0	175,000	\$27.55
East Seminole Outlying	90	548,207	53,617	9.6%	8,196	0	10,462	\$24.03
Kissimmee	347	2,720,617	155,238	5.7%	123,971	19,673	10,500	\$22.96
Lake County	1,047	5,694,384	351,107	6.2%	39,434	38,426	5,390	\$22.18
Lake Mary	293	7,941,722	1,304,265	16.3%	(122,697)	83,826	42,000	\$24.62
Lee Road	136	1,283,723	146,774	11.4%	11,785	0	0	\$20.51
Longwood	197	1,457,301	247,237	17.0%	38,324	0	0	\$19.56
Maitland	98	1,006,845	48,409	4.8%	16,419	0	0	\$20.41
Maitland Center	175	7,714,390	1,457,811	18.9%	(292,514)	0	0	\$23.73
Metro West	157	2,126,920	147,953	7.0%	(16,960)	40,732	0	\$24.16
NW Orange Outlying	48	542,253	97,525	16.3%	(1,487)	0	57,000	\$25.40
Orlando Airport	44	1,249,549	190,961	15.3%	(95,424)	0	0	\$25.50
Orlando Central Park	192	4,155,263	670,407	16.1%	(87,141)	0	0	\$21.60
Osceola Outlying	142	2,797,704	237,305	8.5%	(8,734)	60,757	0	\$30.03
Sanford	256	1,481,959	99,067	6.7%	16,243	0	0	\$18.30
SE Orange Outlying	174	4,256,866	306,633	7.1%	231,871	299,614	68,398	\$33.21
South Orange	393	2,657,477	80,702	3.0%	42,011	50,815	0	\$27.81
St. Cloud	115	562,308	20,942	3.7%	42,158	42,000	0	\$24.48
SW Orange Outlying	83	1,368,258	61,425	4.3%	50,445	53,100	55,000	\$32.21
Tourist Corridor	234	9,787,517	935,115	9.6%	(303,899)	42,900	0	\$26.86
University	49	2,132,287	352,543	16.5%	(103,905)	42,286	0	\$26.91
University Research	49	3,085,892	320,818	10.4%	135,854	25,209	0	\$25.84
W Seminole Outlying	55	370,945	28,597	7.7%	331	0	0	\$19.37
West Colonial	594	3,826,832	471,705	12.3%	3,031	70,948	0	\$24.12
West University	63	1,041,750	125,274	12.0%	(13,766)	20,640	0	\$26.21
Winter Park	585	5,688,301	267,478	4.7%	11,312	2,300	17,000	\$29.87
<b>Totals</b>	<b>7,590</b>	<b>100,906,753</b>	<b>11,649,368</b>	<b>11.5%</b>	<b>(349,131)</b>	<b>958,438</b>	<b>460,750</b>	<b>\$25.31</b>
CBD	494	12,604,750	2,154,472	16.9%	(208,895)	0	175,000	\$27.55
Suburban	5,565	65,488,103	6,456,373	9.8%	241,323	827,937	265,750	\$25.38
Urban	1,531	22,813,900	3,038,523	13.3%	(381,559)	130,501	20,000	\$23.86

Brevard, Polk & Volusia Counties (Adjacent)								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total GLA	Total Available SF	Vac %				
Brevard County	1,783	16,419,004	1,421,675	8.6%	98,968	47,548	28,800	\$19.51
Polk County	1,663	14,113,480	1,292,712	9.0%	206,866	21,504	212,000	\$19.20
Volusia County	1,986	14,304,477	779,644	5.4%	177,053	232,519	39,940	\$19.11

United States								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Total Available SF	Vac %				
Entire US	342,542	8,175,913,303	1,333,790,421	16.0%	(128,044,352)	58,687,324	146,336,048	\$34.17

Period	Asset Value	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr %	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2021 2q	\$18.6 B	8.6%	11.5%	\$25.31	0.7%	100.9 M	460,750	0.5%	(349,131)	\$155	\$195.1 M
2021 1q	\$18.3 B	8.6%	12.0%	\$24.98	0.3%	100.7 M	522,139	0.5%	(601,902)	\$179	\$63.6 M
2020 4q	\$18.3 B	8.1%	10.9%	\$25.01	1.0%	100.4 M	773,719	0.8%	616,579	\$182	\$196.6 M
2020 3q	\$17.9 B	7.9%	10.5%	\$24.99	1.6%	100.2 M	752,854	0.8%	605,386	\$150	\$79.5 M