

Orlando's office market was resilient in the latter half of 2023 despite building headwinds to demand; however, space givebacks and a declining trend in average lease size resulted in significant negative absorption during the first quarter of 2024. Flat-to-negative demand is expected to persist during 2024.

Per-worker demand for office space remains in flux, and many companies are beginning to make longer-term leasing decisions based on today's headcount rather than factoring in room to grow. This has pushed year-over-year leasing activity down by approximately 20%. The Maitland Center area, with its concentration of occupiers that have embraced flexible workplace attendance policies, has been disproportionately affected, even as other parts of town, such as Lake Mary, have shown marked improvement in the last 12 months.

New supply has had little impact on overall fundamentals in the last year. Even as Orlando has seen roughly 1.0 million SF delivered over the past 12 months, which is about 20% more than the 10-year average, much of the new space is comprised of office/medical space or has been otherwise pre-leased.

Sublet space remains elevated, with Orlando second only to the Tampa area for the total amount of available sublease space in the state of Florida. However, it is beginning to decline, following several deals in the last year. As of the current quarter, sublease space totals 2.0 million SF and comprises 1.9% of total inventory. Much of it, however, is comprised of larger blocks of space that will take longer to move and is, therefore, not relevant to many players in the market.

The vacancy rate has remained flat over the last year at 9.1%, well below the national vacancy rate of 13.7%. It is forecast to rise to the upper 9% range by the end of the year, though it could go higher if a recession materializes in the months ahead. This now appears less likely than it once did, but an environment of weak demand should nevertheless lead to more negative absorption for the next several quarters.

Rent growth remains a bright spot for Orlando relative to many other US office markets. Orlando has outperformed the national average since the pandemic began, although its rents are currently growing at the slowest pace among Florida's top six office markets. The pace of rent growth has been decelerating since peaking at close to 7% in mid-2022, which is very close to when CPI peaked. It is now down to 2.4% on an annual basis, in line with the Tampa market and more than 250 basis points behind Miami, the state leader for office rent growth. Given the softness in demand, it is expected to moderate to an annual pace closer to 2% by the end of 2024.

Source: CoStar Property

## ORLANDO MSA Office Market



**Total Office Space**  
105,842,188 SF



**Under Construction**  
990,555 SF



**International Companies**  
150+

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

## Quarterly Trends



NET ABSORPTION



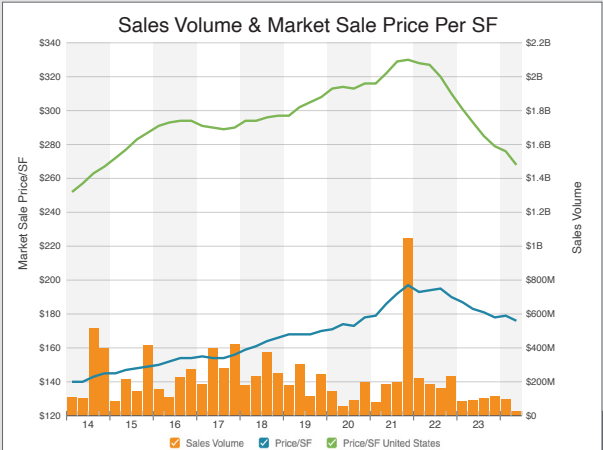
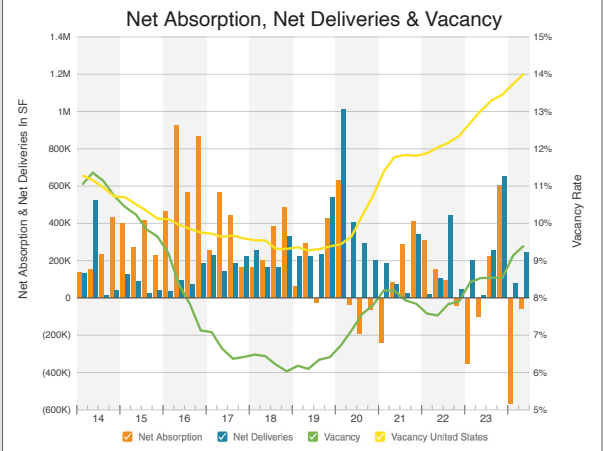
VACANCY RATE



CONSTRUCTION



ASKING RATES



Orlando MSA (Lake, Orange, Osceola & Seminole Counties)								
Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total RBA	Available SF	Vac %				
436 Corridor	631	5,009,384	156,917	3.9%	74,927			\$26.99
Altamonte/Douglas	460	4,751,070	531,762	11.5%	(56,137)	11,410	4,200	\$23.67
Apopka	121	786,258	14,477	1.8%	8,162	0	29,590	\$29.59
Casselberry	283	2,139,811	135,038	7.9%	28,992	27,343	0	\$24.22
Downtown Orlando	495	13,423,544	1,374,150	10.5%	(60,999)	0	0	\$30.61
East Seminole Outlying	95	605,195	12,488	2.2%	3,325	0	0	\$24.14
Kissimmee	387	3,101,428	109,561	3.8%	11,477	(64,061)	35,422	\$29.07
Lake County	1,132	6,172,108	219,775	3.6%	103,390	12,286	71,927	\$26.83
Lake Mary	298	8,800,961	1,302,299	15.3%	56,212	162,629	56,000	\$26.47
Lee Road	142	1,341,781	179,259	13.4%	(102,040)	0	0	\$24.98
Longwood	197	1,435,668	141,269	9.9%	25,299	0	0	\$22.49
Maitland	97	994,620	54,126	5.8%	(9,474)	0	0	\$24.14
Maitland Center	176	8,012,195	1,223,378	16.8%	(201,826)	0	0	\$25.36
Metro West	158	2,188,500	249,603	12.4%	(112,734)	0	0	\$28.23
NW Orange Outlying	50	552,443	4,897	1.6%	10,117	0	16,000	\$24.19
Orlando Airport	48	1,302,427	73,015	5.8%	(25,577)	0	0	\$28.38
Orlando Central Park	183	3,830,794	410,789	10.8%	80,179	0	0	\$25.27
Osceola Outlying	147	2,982,898	141,489	4.9%	(35,185)	11,660	85,000	\$33.24
Sanford	262	1,501,983	59,501	4.4%	(1,450)	0	0	\$21.26
SE Orange Outlying	175	4,871,653	543,107	11.6%	24,275	278,917	181,490	\$36.38
South Orange	396	2,610,311	90,851	4.0%	17,089	45,000	166,138	\$31.89
St. Cloud	118	576,646	931	0.2%	4,235	0	0	\$28.77
SW Orange Outlying	92	1,437,234	18,890	1.3%	42,602	0	101,975	\$36.13
Tourist Corridor	245	10,486,693	714,147	7.1%	322,018	307,320	0	\$29.70
University	49	2,142,005	408,499	19.8%	(65,834)	0	0	\$28.54
University Research	51	3,237,330	300,504	11.6%	(2,290)	126,438	0	\$27.33
W Seminole Outlying	55	372,329	6,067	1.6%	1,537	0	0	\$22.08
West Colonial	605	3,914,751	307,014	8.0%	10,329	0	102,960	\$29.82
West University	67	1,080,572	91,840	8.7%	(10,342)	0	0	\$29.72
Winter Park	592	6,179,596	257,579	4.3%	18,539	79,097	139,853	\$34.48
<b>Totals</b>	<b>7,807</b>	<b>105,842,188</b>	<b>9,133,222</b>	<b>9.1%</b>	<b>158,816</b>	<b>998,039</b>	<b>990,555</b>	<b>\$28.67</b>

CBD	495	13,423,544	1,374,150	10.5%	(60,999)	0	0	\$30.61
Suburban	5,780	69,819,335	5,414,512	8.2%	324,754	953,039	824,417	\$28.91
Urban	1,532	22,599,309	2,344,560	11.3%	(104,939)	45,000	166,138	\$26.75

Brevard, Polk & Volusia Counties (Adjacent)								
Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total RBA	Available SF	Vac %				
Brevard County	1,841	17,649,261	1,241,108	7.2%	(107,865)	15,375	210,520	\$22.62
Polk County	1,739	14,443,324	516,463	4.3%	69,978	33,144	0	\$21.93
Volusia County	2,025	14,585,215	552,635	3.9%	(21,573)	(71,310)	86,566	\$23.05

United States								
Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total RBA	Available SF	Vac %				
Entire US	350,334	8,460,232,663	1,043,177,519	13.7%	(56,290,896)	36,685,329	100,023,248	\$35.25

Period	Asset Value	Vacancy Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr %	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2024 1q	\$19.1 B	9.1%	\$28.67	2.3%	105.8 M	1.0 M	0.9%	158,816	\$206	\$92.8 M
2023 4q	\$19.0 B	8.5%	\$28.60	3.2%	105.8 M	0.8 M	0.7%	374,776	\$169	\$112.4 M
2023 3q	\$19.3 B	8.5%	\$28.37	3.4%	105.1 M	1.4 M	1.3%	(253,761)	\$205	\$103.5 M
2023 2q	\$19.5 B	8.5%	\$28.17	4.7%	104.9 M	1.4 M	1.3%	(380,766)	\$200	\$91.6 M