

The Orlando office market has held up relatively well compared to many metros across the country. Orlando's office market remains relatively resilient despite demand markedly declining over the last year. Office demand remains softer than it was pre-pandemic and while leasing activity is taking place, deal volume and average lease size have been slowly trending downward in recent quarters. Many tenants are opting to sign smaller leases and planning for today's employee head count, rather than including room to grow. Leasing activity is likely to slow through the end of 2024 as office occupancies are expected to decline further due to structural shifts impacting workplaces as well as the larger economy going through a period of uncertainty.

Vacancy has remained relatively flat over the last year and is currently at 8.6%, well below the national vacancy rate of 13.1%. New supply has compounded the issue as Orlando has seen roughly 709,000 SF deliver over the past 12 months with another 1.3 million SF currently under construction. Vacancy does remain well below the historical high of 14.4% following the last economic downturn. However, the impact on office demand is becoming increasingly obvious as net absorption over the past 12 months stands at -372,368 SF.

Sublet space remains on the heavy side, with Orlando second only to the Tampa area for the total amount of available sublease space in the state of Florida. Most of it is comprised of larger blocks of space that will take longer to move and is not a reflection of the conditions facing the majority of the market.

Rent growth continues to show improvement with market rents up over the trailing 12-month period to a current \$27.82/SF on a full-service basis. However, the pace of rent growth in Orlando is currently the slowest of Florida's six primary office markets and it is expected to decelerate to below 1% by the end of 2023.

Owner/landlords are showing a willingness to offer concessions and TI packages to close large lease deals. There will be notable pressure on office asking rents over the near term as office occupiers contemplate their future space needs, which could force a deceleration in rent growth rather than a decline in actual rents.

Office development activity has taken place throughout the pandemic, although speculative development is occurring at a slower pace than in previous years. There is currently 1.3 million SF of new office underway, much of which is composed of medical office space in pockets of strong population growth throughout the region. Speculative construction has tapered over the preceding two-year period and there is little spec supply underway.

The sales volume so far this year has been low, with quarterly sales volume during Q2-23 accounting for \$86.4 million, barely higher than Q1-23's total of \$86 million. Looking ahead, many potential buyers are expected to remain on the sidelines throughout 2023 as the Fed remains committed to rising interest rates to tame inflation. As a result, investment volume this year is expected to be muted. Given the potential headwind of remote work negatively impacting office occupancies, it is unlikely that many key assets will trade in the near term.

While there will likely be an uptick in distressed office assets in many US markets in 2023, Orlando has strong owners - particularly in the urban core and therefore fewer such deals are expected here.

Source: CoStar Property

ORLANDO MSA Office Market



Total Office Space
103,984,146 SF



Under Construction
1,313,668 SF



International Companies
150+

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

Quarterly Trends

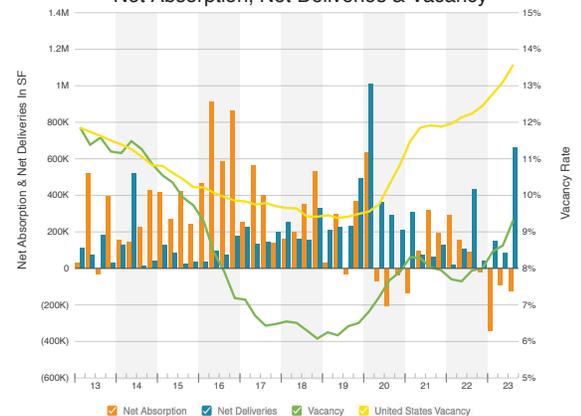
NET ABSORPTION

VACANCY RATE

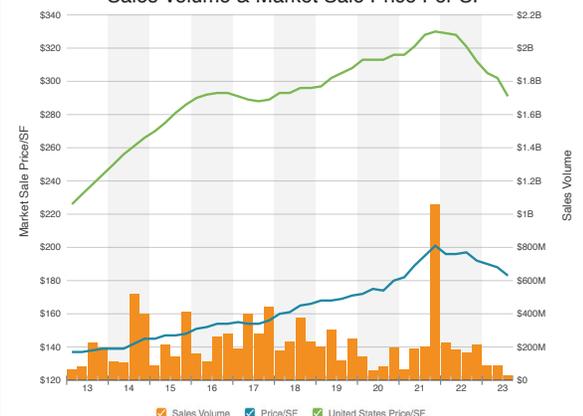
CONSTRUCTION

ASKING RATES

Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



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	630	4,995,704	185,179	5.0%	(61,729)	0	0	\$25.79
Altamonte/Douglas	459	4,704,922	446,865	10.4%	(13,107)	0	0	\$22.63
Apopka	122	796,764	9,352	1.4%	43,826	0	24,990	\$27.32
Casselberry	277	2,072,914	105,029	6.7%	45,095	8,650	20,838	\$23.53
Downtown Orlando	497	13,267,217	1,188,791	9.9%	30,442	0	0	\$29.76
East Seminole Outlying	94	568,395	13,611	2.6%	6,229	0	0	\$23.23
Kissimmee	379	3,142,785	120,653	3.9%	2,319	53,000	40,922	\$26.87
Lake County	1,104	6,004,504	284,598	5.0%	(37,318)	14,770	16,000	\$26.17
Lake Mary	297	8,671,142	1,134,278	14.1%	(316,434)	0	218,629	\$26.76
Lee Road	140	1,313,167	106,946	8.2%	(18,417)	0	0	\$23.05
Longwood	196	1,436,251	197,092	13.7%	(83,869)	0	0	\$21.56
Maitland	98	991,110	36,022	4.6%	(10,813)	0	0	\$24.00
Maitland Center	174	7,936,146	978,537	14.4%	(64,435)	(31,340)	0	\$24.68
Metro West	158	2,171,433	196,556	9.1%	(121,556)	0	0	\$27.37
NW Orange Outlying	50	552,443	11,027	2.0%	7,152	0	26,000	\$22.47
Orlando Airport	44	1,245,715	61,177	5.4%	(10,648)	0	0	\$28.07
Orlando Central Park	188	4,029,874	575,511	14.4%	(18,351)	0	0	\$23.40
Osceola Outlying	144	2,890,728	108,169	3.9%	2,368	0	17,300	\$32.31
Sanford	257	1,506,434	60,365	4.4%	7,744	0	0	\$19.80
SE Orange Outlying	172	4,457,908	302,861	6.9%	155,306	231,143	319,352	\$35.89
South Orange	394	2,556,539	93,783	4.1%	(44,590)	0	54,000	\$31.41
St. Cloud	119	574,350	5,166	0.9%	4,399	0	0	\$28.11
SW Orange Outlying	91	1,431,767	86,806	6.1%	21,632	39,219	37,992	\$36.06
Tourist Corridor	242	9,945,952	686,283	7.6%	59,812	7,800	303,020	\$29.12
University	49	2,133,086	328,238	15.7%	10,477	0	0	\$28.44
University Research	50	3,177,876	298,289	10.0%	13,636	68,703	57,735	\$27.11
W Seminole Outlying	55	370,945	5,568	1.5%	6,196	0	0	\$20.63
West Colonial	603	3,903,363	297,834	8.0%	(173,214)	24,000	12,800	\$28.60
West University	65	1,044,667	73,768	7.1%	12,624	0	0	\$28.93
Winter Park	585	6,090,045	271,148	4.7%	172,856	293,142	164,090	\$33.15
Totals	7,733	103,984,146	8,269,502	8.6%	(372,368)	709,087	1,313,668	\$27.82

CBD	497	13,267,217	1,188,791	9.9%	30,442	0	0	\$29.76
Suburban	5,703	68,074,470	4,883,441	7.6%	(213,369)	740,427	1,259,668	\$28.11
Urban	1,533	22,642,459	2,197,270	10.9%	(189,441)	(31,340)	54,000	\$25.79

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	1,823	17,158,800	1,003,562	6.3%	(26,736)	37,259	200,520	\$21.54
Polk County	1,725	14,494,229	719,074	5.1%	31,726	(28,818)	122,898	\$21.12
Volusia County	2,014	14,481,230	565,357	4.1%	145,257	20,080	14,392	\$22.06

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	348,232	8,403,302,960	995,528,172	13.1%	(38,431,480)	46,962,631	122,602,040	\$35.11

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
2023 2q	\$19.8 B	8.6%	\$27.82	2.8%	104.0 M	1.3 M	1.3%	(372,368)	\$202	\$86.4 M
2023 1q	\$20.0 B	8.5%	\$27.74	4.1%	103.9 M	1.3 M	1.2%	(120,310)	\$228	\$86.0 M
2022 4q	\$20.2 B	8.0%	\$27.59	4.6%	103.7 M	1.3 M	1.3%	520,924	\$213	\$211.7 M
2022 3q	\$20.7 B	7.9%	\$27.44	5.7%	103.7 M	1.3 M	1.2%	734,641	\$177	\$162.5 M