

Orlando's office market has improved across the board in the past three quarters as positive demand and annual rent growth return to the market. Leasing volume improved to its highest levels of the pandemic era. Despite an improving outlook, leasing activity has still not fully recovered to pre-pandemic levels and the amount of sublet space on the market is the highest on record.

Despite these recent improvements, there is still plenty of uncertainty in the office market. Firms continue to re-evaluate future space needs, considering health protocols necessitated by the pandemic and a successful large-scale work-from-home experiment. To gain clarity on these fronts, even many financially stable office occupiers are either delaying space decisions or opting for short-term renewal leases.

Market conditions are still tight by Orlando's historical standards and vacancies are below the national average vacancy rate of 12.3%. Annual rent growth is continuing to improve, as rates increased to 1.5% year-over-year in the third quarter. Despite recent improvements, annual growth rates are still down. However, Orlando was one of the few markets to sustain positive rent growth, avoiding even temporary office rent contraction and is still outperforming the national average annual rent growth rate, which has fallen to -0.2% year-over-year.

None of the region's submarkets are experiencing rent loss although suburban office markets such as Winter Park are performing better than more urban areas like Downtown Orlando. Submarkets adjacent to the hard-hit tourism industry are also lagging.

Construction starts over the past year have declined and the pipeline has become increasingly more manageable and is near a six-year low. Current build levels are also only about one-third of the relative amount underway in the National Index.

In addition to new construction, the metro is also seeing adaptive reuse and renovation projects, such as Michigan-based West Second Street Associates' redevelopment of the old AT&T office building at 500 North Orange Avenue. Nearby, FCP and Third & Urban joined forces to renovate 150 N Orange Avenue into 141,000 SF of large format, creative office space across four stories.

Office sales volume in Orlando is higher but remains down from pre-pandemic levels. It had been more than a year since an office property had sold for more than \$20 million in the market when Tupperware's headquarters sold for \$43 million in April. Then in October, Orlando saw its first office sale over \$50 million since 2019. A joint venture between Saudi Arabia-based Arbah Capital and Hampshire Stateside acquired one of the buildings at Siemens Energy US Headquarters Campus at Quadrangle Business Park in the University submarket. Real Capital Solutions sold the 226,000-SF building for \$54 million, or about \$238/SF.

Source: CoStar Property

## ORLANDO MSA Office Market



Total Office Space  
101,290,644 SF



Under Construction  
596,330 SF



International Companies  
150+

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

## Quarterly Trends



NET ABSORPTION



VACANCY RATE

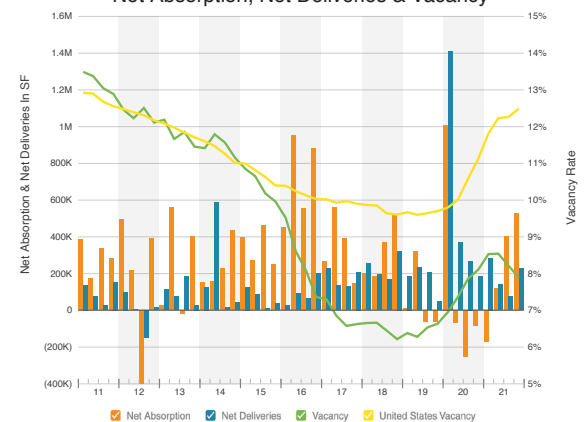


CONSTRUCTION

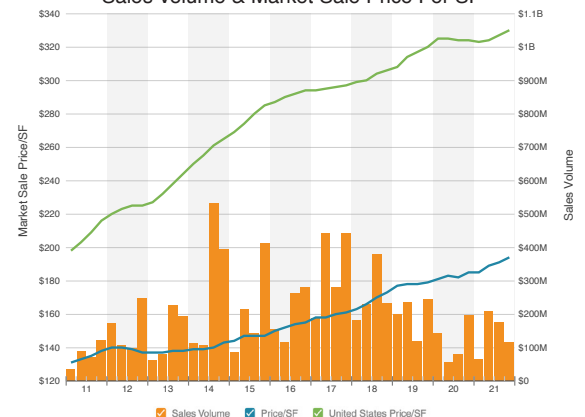


ASKING RATES

### Net Absorption, Net Deliveries & Vacancy



### Sales Volume & Market Sale Price Per SF



### Total Office Market Statistics

Third 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	629	5,088,742	372,849	7.3%	73,946	59,952	0	\$23.82
Altamonte/Douglas	468	4,807,605	560,791	11.7%	108,711	0	0	\$20.47
Apopka	119	784,296	74,654	9.5%	(2,431)	0	0	\$23.88
Casselberry	271	2,070,922	200,204	9.7%	43,265	27,812	0	\$21.69
Downtown Orlando	493	12,721,963	2,086,213	16.2%	18,993	0	175,000	\$27.56
East Seminole Outlying	90	548,207	39,641	7.1%	18,509	0	10,462	\$24.85
Kissimmee	351	2,769,079	171,411	6.1%	99,268	14,673	35,520	\$23.78
Lake County	1,050	5,715,724	328,082	5.7%	27,863	(10,582)	5,390	\$22.78
Lake Mary	295	8,023,738	1,274,027	15.9%	21,431	63,108	0	\$24.24
Lee Road	136	1,282,995	152,022	11.8%	(3,692)	0	0	\$21.00
Longwood	197	1,448,039	221,326	15.3%	48,791	0	0	\$19.89
Maitland	98	1,006,845	36,941	3.7%	12,305	0	0	\$21.06
Maitland Center	175	7,881,876	1,444,449	18.3%	(253,461)	0	0	\$23.56
Metro West	157	2,127,462	130,542	6.1%	13,782	0	0	\$24.44
NW Orange Outlying	49	550,208	96,440	15.9%	4,219	0	57,000	\$26.43
Orlando Airport	44	1,238,195	136,354	11.0%	(54,618)	0	0	\$25.67
Orlando Central Park	192	4,184,899	746,185	17.8%	(112,912)	0	0	\$21.52
Osceola Outlying	142	2,800,104	196,697	7.0%	54,771	60,757	0	\$30.67
Sanford	257	1,509,550	101,531	6.7%	39,161	5,952	0	\$18.12
SE Orange Outlying	173	4,233,433	354,332	8.0%	234,904	173,513	210,958	\$34.18
South Orange	394	2,654,978	82,869	3.1%	54,943	50,815	0	\$27.86
St. Cloud	116	563,283	21,302	3.8%	48,938	42,000	0	\$24.34
SW Orange Outlying	84	1,371,558	77,737	5.3%	21,180	23,300	85,000	\$34.53
Tourist Corridor	234	9,792,132	1,000,966	10.2%	(332,769)	43,672	0	\$26.80
University	49	2,130,668	699,626	32.8%	(59,205)	42,286	0	\$26.81
University Research	49	3,070,528	329,491	10.7%	82,091	25,209	0	\$25.51
W Seminole Outlying	55	370,945	16,636	4.5%	(719)	0	0	\$20.19
West Colonial	594	3,787,682	434,140	11.5%	2,627	45,687	0	\$24.88
West University	63	1,042,093	127,031	12.2%	4,510	4,640	0	\$26.50
Winter Park	585	5,712,895	286,295	5.0%	53,406	6,500	17,000	\$29.57
<b>Totals</b>	<b>7,609</b>	<b>101,290,644</b>	<b>11,800,784</b>	<b>11.6%</b>	<b>267,807</b>	<b>679,294</b>	<b>596,330</b>	<b>\$25.48</b>
CBD	493	12,721,963	2,086,213	16.2%	18,993	0	175,000	\$27.56
Suburban	5,579	65,620,673	6,331,652	9.6%	533,198	526,241	421,330	\$25.62
Urban	1,537	22,948,008	3,382,919	14.7%	(284,384)	153,053	0	\$23.93

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	1,791	16,445,094	1,380,439	8.4%	71,697	61,730	18,800	\$19.71
Polk County	1,665	14,178,169	1,342,592	9.3%	211,933	51,540	223,500	\$19.92
Volusia County	1,986	14,306,331	828,381	5.8%	227,921	242,563	39,940	\$19.43

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	343,322	8,210,112,366	1,321,495,078	15.8%	(86,377,536)	57,233,866	139,251,568	\$34.24

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 3q	\$19.3 B	8.2%	11.6%	\$25.48	1.3%	101.3 M	596,330	0.6%	267,807	\$202	\$174.7 M
2021 2q	\$19.0 B	8.5%	11.4%	\$25.44	0.2%	101.2 M	499,222	0.5%	(370,669)	\$144	\$209.4 M
2021 1q	\$18.7 B	8.5%	11.9%	\$25.10	(0.2%)	101.1 M	492,891	0.5%	(576,982)	\$179	\$63.6 M
2020 4q	\$18.6 B	8.1%	10.9%	\$25.13	0.4%	100.8 M	725,425	0.7%	625,446	\$184	\$196.4 M