

Orlando's office market continues to strengthen with market rents up 2.8% over the trailing 12-month period. Rent growth in Orlando has outperformed the National Index since the pandemic began and has remained on an upward trajectory over the last two years. A significant pick up in leasing activity over the last year indicates that tenant confidence continues to improve. While office occupiers at the beginning of 2021 were hesitant to sign deals longer than one-year renewals, new leases in the three to five year range are becoming more common. However, those shorter-term leases that were signed between 2020 and 2021 will be rolling over between now and the end of 2024, which will create a headwind for absorption.

Vacancy has remained flat over the last year at 8.1%, remaining well below the National Index vacancy rate of 12.5%, and significantly lower than the historical high of 14.4% following the last economic downturn. While vacancy rate had been incrementally falling for several successive quarters, it began to rise during 22Q3 and is expected to continue on an upward trajectory through the end of 2024 as office occupancies are expected to fall due to increasing hybrid and remote workforce trends. New leases signed over the last six months far exceed the number of renewals.

New supply has compounded the issues as Orlando has seen roughly 745,000 SF deliver over the past 12 months with another 1.4 million SF currently under construction. However, demand in Orlando has been solid, with 740,000 SF of space absorbed over the trailing 12-month period. A trend of corporate expansion and relocation is likely to continue in 2023 and these new office users should help boost Orlando office market fundamentals in the coming years.

Sublet space remains plentiful, currently accounting for 2.4 million SF and comprising 2.3% of total inventory, but the bulk of it is comprised of larger blocks of space that will likely take longer to lease and is not a reflection of the health of the market.

According to Google mobility data, workplace occupancy is down by as much as 38% in Orlando. Many occupiers continue to evaluate their true space needs moving forward, and hybrid work trends are expected to force a drag on overall vacancy in the year ahead. CoStar's vacancy forecast has the market around 8.7% by the end of 2023. The moderate downside forecast, which is linked to more widespread work from home trends that will ultimately weigh on demand formation, has Orlando closer to 9.3% by the end of 2023. Net absorption of space is projected to decline during that time as office demand tapers once companies establish their long-term hybrid work strategies.

Despite an increase in face asking rents, the market still faces uncertainty and owner/landlords continue to show a willingness to offer aggressive 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. Concessions will play more of a role in space negotiation than in previous years, and landlords will likely demand longer lease terms before opening serious discussions regarding tenant improvements and free rent. Asking rents are expected to hold steady and concessions will remain limited apart from larger deals (20,000 SF and up).

Office development activity has continued throughout the pandemic, although speculative development is occurring at a slower pace than in previous years. There is roughly 1.4 million SF underway, much of which is composed of medical office space in pockets of strong population growth throughout the market. However, Lincoln Property Company has confirmed plans to begin work by the end of 2022 on The Edge, a prominent new Downtown Orlando office tower that will have 200,000-SF of office space, in addition to 240 multifamily units and a private club level.

Investors are feeling more confident in Orlando's office market fundamentals and are deploying capital once again. Office sales volume has been brisk over the last couple of years, and total investment activity for 2022 has already exceeded the volume recorded during 2020 with a full quarter left to go. Annual sales volume for the trailing 12-month period is \$1.3 billion, and both institutional and private investors continue to chase yield in Orlando.

Source: CoStar Property

ORLANDO MSA Office Market



Total Office Space
102,817,238 SF



Under Construction
1,368,459 SF



International Companies
150+

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

Quarterly Trends



NET ABSORPTION



VACANCY RATE

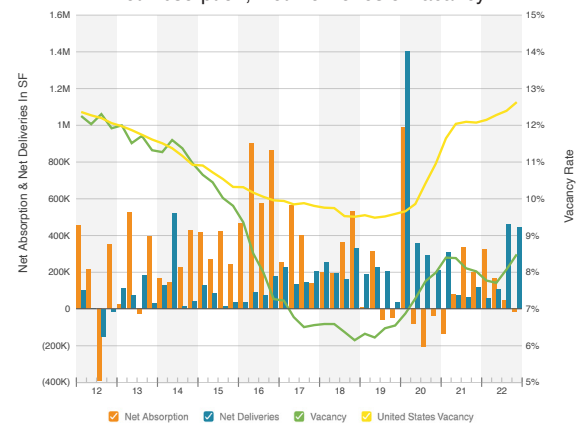


CONSTRUCTION

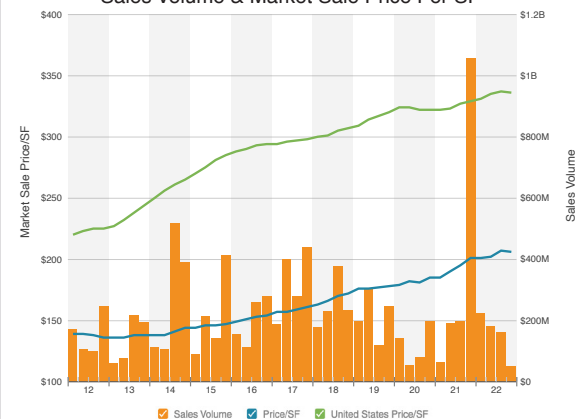


ASKING RATES

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	628	4,992,299	155,606	4.3%	66,075	20,000	0	\$25.47
Altamonte/Douglas	460	4,691,612	498,772	11.4%	(32,244)	0	0	\$22.46
Apopka	122	797,567	26,636	3.3%	44,693	0	0	\$25.77
Casselberry	276	2,109,079	126,995	8.1%	(3,244)	30,889	0	\$22.46
Downtown Orlando	495	13,185,455	1,128,594	9.4%	356,872	168,247	0	\$29.01
East Seminole Outlying	94	568,126	19,077	3.4%	25,364	8,800	0	\$26.14
Kissimmee	364	2,753,662	75,382	2.8%	16,202	28,540	22,500	\$26.75
Lake County	1,081	5,855,720	272,585	4.7%	14,340	1,406	6,000	\$25.77
Lake Mary	295	8,600,912	874,834	11.1%	(209,265)	(19,166)	218,629	\$26.61
Lee Road	139	1,310,337	86,725	7.0%	13,085	0	0	\$23.11
Longwood	195	1,434,225	125,217	8.7%	(1,544)	0	0	\$20.92
Maitland	97	986,074	56,536	5.7%	(18,017)	0	0	\$22.36
Maitland Center	176	7,944,538	1,115,441	15.2%	(220,387)	0	0	\$24.51
Metro West	158	2,176,954	89,426	4.4%	2,786	0	0	\$26.14
NW Orange Outlying	49	550,210	28,022	5.1%	16,503	0	26,000	\$25.52
Orlando Airport	44	1,233,954	57,196	4.7%	69,900	0	0	\$26.85
Orlando Central Park	188	4,079,773	482,939	12.0%	114,558	0	0	\$22.41
Osceola Outlying	145	2,874,897	114,775	4.0%	70,058	15,897	6,660	\$32.19
Sanford	256	1,497,626	78,170	5.2%	(10,998)	0	0	\$20.02
SE Orange Outlying	169	4,269,407	204,950	5.5%	106,295	102,343	448,562	\$35.46
South Orange	392	2,587,622	70,230	2.8%	(5,114)	(58,610)	54,000	\$29.54
St. Cloud	119	574,843	7,160	1.5%	(1,376)	0	0	\$27.67
SW Orange Outlying	89	1,387,308	88,613	7.0%	3,624	73,704	9,219	\$35.38
Tourist Corridor	238	9,890,283	718,584	8.3%	(96,218)	0	349,520	\$28.16
University	49	2,131,688	299,638	16.2%	(67,936)	0	0	\$28.04
University Research	49	3,087,659	225,503	7.3%	59,356	0	68,703	\$26.56
W Seminole Outlying	55	370,945	10,964	3.0%	7,672	0	0	\$22.40
West Colonial	597	3,842,139	309,640	8.5%	79,998	50,750	0	\$27.16
West University	64	1,071,580	116,323	10.9%	(6,575)	0	0	\$28.41
Winter Park	586	5,960,744	156,167	2.8%	344,860	322,968	158,666	\$32.01
Totals	7,669	102,817,238	7,620,700	8.1%	739,323	745,768	1,368,459	\$27.22

CBD	495	13,185,455	1,128,594	9.4%	356,872	168,247	0	\$29.01
Suburban	5,644	66,909,789	4,311,716	7.0%	513,272	616,131	1,314,459	\$27.55
Urban	1,530	22,721,994	2,180,390	10.5%	(130,821)	(38,610)	54,000	\$25.16

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	1,809	16,618,981	1,020,340	6.5%	73,074	0	50,000	\$20.78
Polk County	1,697	14,630,066	685,307	4.7%	88,673	166,430	3,500	\$20.48
Volusia County	1,994	14,292,049	698,325	5.0%	81,693	72,390	14,397	\$20.92

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	345,584	8,315,099,807	933,023,652	12.4%	10,774,797	40,446,659	143,524,960	\$35.13

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
2022 3q	\$21.6 B	8.1%	11.9%	\$27.22	3.2%	102.8 M	1.4 M	1.3%	739,323	\$188	\$157.3 M
2022 2q	\$21.2 B	7.7%	11.3%	\$27.10	4.5%	102.4 M	1.8 M	1.7%	1,023,627	\$159	\$180.1 M
2022 1q	\$21.0 B	7.8%	11.3%	\$26.90	5.4%	102.2 M	1.5 M	1.5%	936,996	\$189	\$224.9 M
2021 4q	\$21.0 B	8.0%	11.6%	\$26.71	5.1%	102.2 M	1.1 M	1.0%	479,403	\$229	\$1,055.3 M