

Orlando's office market continues to show improvement with market rents up 2.7% over the trailing 12-month period, an uptick in the amount of office inventory under construction and an increase in sales volume. 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.

Office demand has softened since the beginning of 2020, but office tenants continue to evaluate space needs in an increasingly hybrid workplace. There has been a steady uptick in leasing interest being reported as many are still looking to right-size their physical footprints. An increasing number of office occupiers are getting more comfortable with returning to the office, and there should be a corresponding uptick in space demand in 2022.

Lease renewal activity was solid throughout 2021 with large tenants, including Morgan & Morgan and Advanced Micro Devices, recommitting to their space, and several significant new direct deals north of 20,000 SF were signed. Tetra Tech, Spring Venture Group, Dignitas Technologies, Rasmussen College and Sonesta International Hotels Corp. are among many tenants exhibiting renewed confidence.

Orlando's office market benefits from a steady stream of corporate relocations and expansions and several significant deals were announced in 2021. The Walt Disney Company is relocating one of its California-based divisions to the Lake Nona area. Tech company Checkr, Inc. announced plans for a third HQ in Orlando and Deloitte struck a deal with the Seminole County Commission to expand locally. This trend of corporate expansion and relocation is likely to continue in 2022, and these new office users should help boost Orlando office market fundamentals for several years.

The amount of sublease space, as a share of inventory, has increased since the onset of the pandemic, currently accounting for 2.2 million SF and 2.1% of total inventory. With more sublet space on the market, tenants are increasingly gravitating to these availabilities. Roughly a dozen sublease deals were signed in 2021 for spaces of 10,000 SF and above.

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 roughly 950,000 SF underway, much of which is medical office space in pockets of strong population growth. Market conditions are still tight by Orlando's historical standards, and vacancies are below the national average vacancy rate of 15.6%.

The pandemic essentially pushed the pause button for many sales transactions in 2020; however, investors are feeling more confident in Orlando's office market once again. Annual sales volume eclipsed \$1 billion in 2021 with more than 6 million SF of office assets changing hands as both institutional and private investors continue to chase yield in Orlando.

This increase in sales volume was driven by a record-breaking 21Q4, which accounted for more than \$500 million in volume. In fact, the fourth-quarter total eclipsed total volume for the first three quarters of the year by a considerable margin. Part of this was driven by AEW Capital Management's disposition of a 10-building, 1.3 million-SF office portfolio in SouthPark Center to PPF Real Estate. The office park sold for \$315 million in early December 2021 in what was easily the largest office portfolio transaction of the year. Strengthening investment activity during 2021 bodes well for office investment moving into 2022, particularly in suburban areas where greater physical flexibility is available.

Source: CoStar Property

ORLANDO MSA Office Market



Total Office Space
102,367,539 SF



Under Construction
952,875 SF



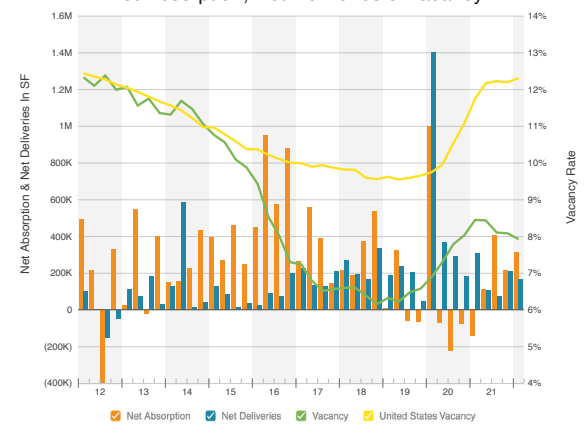
International Companies
150+

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

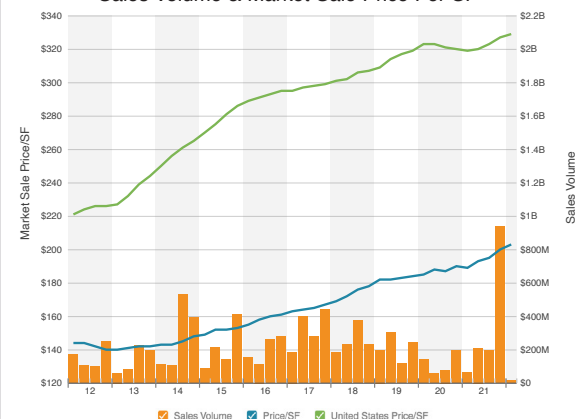
Quarterly Trends



Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



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	5,035,084	428,620	8.5%	15,381	57,400	0	\$23.74
Altamonte/Douglas	468	4,832,512	537,822	11.1%	132,217	0	0	\$20.45
Apopka	121	796,161	70,956	8.9%	16,941	0	0	\$24.80
Casselberry	272	2,073,018	208,804	10.0%	7,637	17,012	10,500	\$21.49
Downtown Orlando	496	13,015,941	1,956,439	15.0%	304,366	175,000	0	\$27.98
East Seminole Outlying	90	548,207	32,751	6.0%	22,554	0	0	\$24.82
Kissimmee	357	2,817,168	155,200	5.4%	143,174	51,340	31,500	\$23.90
Lake County	1,055	5,753,396	273,223	4.7%	40,829	(15,192)	5,000	\$23.22
Lake Mary	295	8,447,802	1,300,101	15.4%	104,505	60,408	0	\$24.84
Lee Road	137	1,284,325	159,687	12.4%	12,576	0	0	\$21.44
Longwood	196	1,444,635	202,353	14.0%	66,326	0	0	\$19.64
Maitland	98	1,008,754	28,392	2.8%	4,537	0	0	\$20.87
Maitland Center	175	7,876,919	1,558,912	19.8%	(315,000)	0	0	\$23.73
Metro West	158	2,164,747	160,108	7.4%	11,411	0	0	\$24.45
NW Orange Outlying	49	550,208	44,525	8.1%	10,026	0	0	\$26.72
Orlando Airport	44	1,233,954	61,266	5.0%	21,572	0	0	\$25.38
Orlando Central Park	191	4,134,994	725,751	17.6%	(119,179)	0	0	\$21.33
Osceola Outlying	144	2,885,022	153,342	5.3%	47,291	11,757	0	\$30.30
Sanford	256	1,507,406	99,873	6.6%	14,211	6,500	0	\$18.42
SE Orange Outlying	175	4,259,648	689,454	14.5%	110,762	90,000	489,875	\$34.08
South Orange	394	2,654,978	59,612	2.2%	84,986	50,815	0	\$27.24
St. Cloud	118	573,136	18,307	3.2%	7,039	0	0	\$25.19
SW Orange Outlying	85	1,383,299	85,623	5.9%	12,480	33,235	75,000	\$34.24
Tourist Corridor	235	9,781,157	1,214,957	12.4%	(136,042)	43,672	0	\$26.87
University	49	2,130,668	728,416	34.2%	(204,328)	42,286	0	\$26.65
University Research	49	3,073,396	342,330	11.1%	42,281	25,209	0	\$25.65
W Seminole Outlying	55	370,945	13,204	3.6%	2,328	0	0	\$20.97
West Colonial	595	3,812,448	413,175	10.8%	4,298	45,687	24,000	\$24.73
West University	63	1,041,358	112,437	10.8%	15,519	0	0	\$26.43
Winter Park	585	5,876,253	243,962	3.9%	109,316	6,500	317,000	\$29.65
Totals	7,634	102,367,539	12,079,602	11.7%	590,014	701,629	952,875	\$25.64

CBD	496	13,015,941	1,956,439	15.0%	304,366	175,000	0	\$27.98
Suburban	5,602	66,510,201	6,593,460	9.8%	819,251	376,128	952,875	\$25.80
Urban	1,536	22,841,397	3,529,703	15.5%	(533,603)	150,501	0	\$23.85

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	1,795	16,483,263	1,281,116	7.8%	51,561	44,348	0	\$19.90
Polk County	1,669	14,200,827	1,447,940	10.0%	81,340	73,900	218,500	\$20.70
Volusia County	1,983	14,275,837	853,596	6.0%	203,747	243,667	50,833	\$19.72

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	343,896	8,242,747,195	1,305,894,136	15.6%	(40,323,212)	59,124,428	143,494,208	\$34.42

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 4q	\$20.7 B	8.1%	11.7%	\$25.64	2.5%	102.4 M	952,875	0.9%	590,014	\$208	\$941.7 M
2021 3q	\$20.2 B	8.1%	11.6%	\$25.53	2.1%	102.2 M	1,131,740	1.1%	296,634	\$182	\$196.1 M
2021 2q	\$19.9 B	8.4%	11.2%	\$25.41	0.6%	102.1 M	470,972	0.5%	(333,730)	\$144	\$209.8 M
2021 1q	\$19.5 B	8.4%	11.8%	\$25.03	0.1%	102.0 M	478,121	0.5%	(516,419)	\$179	\$63.6 M