

The retail sector has largely rebounded, posting an overall decline in vacancy, rising asking rents and healthy levels of net absorption. Consumer spending has remained strong even with inflationary headwinds, and the tourism industry is back to pre-pandemic levels. Strong household formation and population growth is encouraging new development.

Total retail vacancy in Orlando is very near its lowest point in the trailing 10-year period at 3.7% and is projected to level out in the 3.5% to 4% range through the end of 2023. Grocery-anchored shopping centers have been strong performers and several new-to-market restaurants and retailers have announced new store locations that will open in the coming year.

Strong overall economic fundamentals in Orlando have supported growth in retail rents over the last year. Asking retail rents are up 5.4% over the trailing 12-month period, well above the increase in the National Index of 4.2% over the same time frame. The current average asking rent in Orlando is \$26.16/SF, ahead of the National Index rate of \$23.53/SF.

Retail construction activity has remained relatively restrained in Orlando over the last year, despite steady population growth. There is a total of 1.9 million SF under construction in addition to 925,000 SF that delivered within the last year, and recent supply additions have been largely offset by the 1.6 million SF of net absorption that took place over the past 12-months. New retail projects under construction comprise an expansion of only 1.3% of the market's total inventory, showing continuing developer discipline.

Retail investment volume over the last year has been steady, driven by continued investor confidence in the Central Florida market. There have been 650 retail sales in Orlando totaling \$1.8 billion in total transaction volume over the trailing 12-month period, and year-to-date investment activity during 2022 has already nearly matched the previous year's performance, which set a historical record for sales volume. One of the most significant recent sales took place in July 2022 when Orion Real Estate Group acquired the two-property Millenia Plaza power center totaling roughly 410,000 SF in the Orlando Central Park submarket for \$74.1 million, or approximately \$180/SF. The center is anchored by multiple national big box retailers.

Despite all the positive numbers, there is evidence that a slowdown is approaching. The slowing housing market has impacted home goods stores – sales declined 1.6% YoY and electronics and appliance store sales also fell by 5.7%, according to the Commerce Department. Some of the decline may be due to change in consumer spending patterns – since pandemic restrictions have largely disappeared, consumers have switched their discretionary spending to services such as traveling and dining out. As inflation picks up, these are easy areas to cut back, without switching back to previous spending habits.

Another continuing economic pressure is the steady, steep rental increases. Florida is home to three of the top five US markets for rent growth and Orlando has the dubious distinction of being 2nd in the nation. While rental increases have slowed from 18.4% to 10% during the 3rd quarter, this is still a heavy burden in an area with a median income well below the national average.

A less obvious anchor on retail leasing is the increase in construction costs. Although most obviously a problem for new development, it also impacts leasing of second-generation space. Tenant improvements costs are climbing and can make a deal unworkable as tenants want a lower lease rate to compensate for higher TI costs and landlords won't/can't budge.

In the end, the Orlando retail market will survive this potential downturn, as it has all previous ones. There will be winners and losers as more nimble retailers survive and flourish and the less prepared will not.

Source: CoStar Property

## ORLANDO MSA Retail Market



Total Retail Space  
151,643,766 SF



Under Construction  
1,984,839 SF



8 Shopping Centers  
1,000,000 SF+

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

## Quarterly Trends



NET ABSORPTION



VACANCY RATE

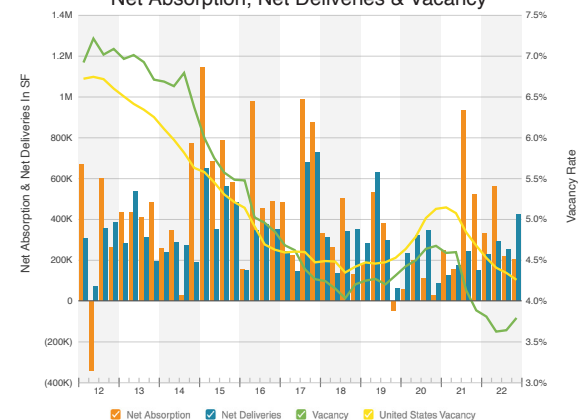


CONSTRUCTION

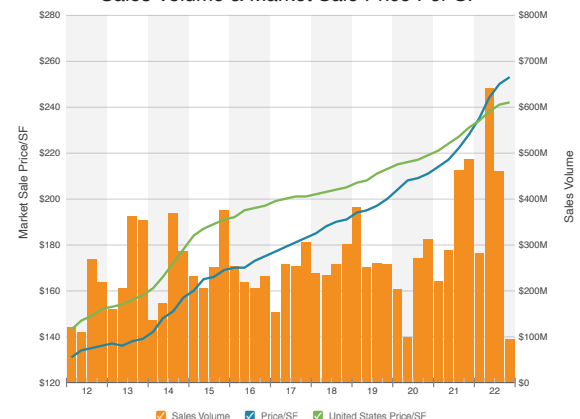


ASKING RATES

### 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 GLA	Available SF	Vac %				
436 Corridor	686	10,111,823	394,648	4.1%	171,201	(18,385)	0	\$22.29
Altamonte/Douglas	407	5,562,777	261,279	4.7%	88,931	107,530	113,045	\$27.23
Apopka	238	3,277,736	47,568	1.5%	78,670	7,000	47,647	\$22.70
Casselberry	471	7,298,825	303,195	5.6%	(125,725)	46,375	36,285	\$24.04
Downtown Orlando	254	1,764,787	92,478	5.7%	12,144	0	7,200	\$26.77
East Seminole Outlying	217	2,316,867	60,115	2.6%	53,122	23,867	99,029	\$26.49
Kissimmee	528	8,777,670	280,098	3.3%	(36,122)	21,300	12,540	\$22.32
Lake County	1,693	20,284,314	614,562	3.1%	368,995	141,407	230,637	\$21.46
Lake Mary	232	3,489,778	120,670	3.5%	13,878	(6,612)	0	\$29.39
Lee Road	143	1,491,218	36,373	4.5%	(26,731)	0	0	\$19.48
Longwood	192	1,900,461	39,126	2.1%	22,956	0	0	\$18.84
Maitland	65	999,267	105,441	11.2%	18,767	4,272	0	\$26.77
Maitland Center	193	2,684,862	65,649	2.4%	3,256	0	88,037	\$21.98
Metro West	298	2,799,254	52,075	1.9%	21,896	0	26,400	\$26.12
NW Orange Outlying	125	1,177,825	13,501	1.1%	140,985	22,546	23,000	\$24.21
Orlando Airport	102	1,519,093	17,722	1.2%	(4,772)	0	0	\$29.94
Orlando Central Park	468	10,018,334	563,226	5.9%	(100,681)	4,000	20,781	\$31.43
Osceola Outlying	562	8,174,928	140,168	1.8%	118,814	39,768	258,970	\$27.74
Sanford	454	5,397,548	338,263	8.3%	(63,364)	2,283	0	\$26.49
SE Orange Outlying	490	6,902,655	53,971	0.8%	103,811	38,287	155,779	\$29.13
South Orange	303	2,402,144	59,389	3.2%	57,761	(4,752)	0	\$22.99
St. Cloud	208	2,119,170	19,717	0.9%	12,817	10,233	135,799	\$22.32
SW Orange Outlying	199	3,980,880	29,251	0.8%	224,125	212,971	222,217	\$36.55
Tourist Corridor	620	13,865,235	333,344	2.6%	408,038	212,648	208,383	\$33.57
University	60	652,786	117,962	18.3%	(4,893)	0	0	\$32.67
University Research	55	643,995	26,978	4.4%	1,909	(6,261)	0	\$29.80
W Seminole Outlying	89	1,348,833	32,540	2.5%	66,384	0	0	\$19.95
West Colonial	915	12,324,482	660,100	5.5%	(112,498)	12,400	265,490	\$22.29
West University	255	4,789,780	105,616	2.7%	50,373	33,487	17,100	\$27.80
Winter Park	413	3,566,439	106,885	3.5%	54,886	20,510	16,500	\$34.86
<b>Totals</b>	<b>10,935</b>	<b>151,643,766</b>	<b>5,091,910</b>	<b>3.7%</b>	<b>1,618,933</b>	<b>924,874</b>	<b>1,984,839</b>	<b>\$26.16</b>

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 GLA	Available SF	Vac %				
Brevard County	3,017	34,957,682	1,431,553	4.3%	257,298	13,363	471,856	\$17.04
Polk County	2,902	32,160,483	756,131	2.6%	439,234	220,642	550,687	\$17.49
Volusia County	3,988	40,388,071	1,488,584	4.4%	80,758	106,472	119,990	\$17.80

United States								
Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total GA	Available SF	Vac %				
Entire US	1,061,774	11,822,615,865	432,102,213	4.3%	80,542,120	21,947,880	61,728,560	\$23.53

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	\$38.4 B	3.7%	4.8%	\$26.16	8.1%	151.6 M	2.0 M	1.3%	1.6 M	\$223	\$462.4 M
2022 2q	\$37.5 B	3.6%	4.7%	\$25.68	7.8%	151.4 M	1.6 M	1.1%	2.4 M	\$291	\$641.1 M
2022 1q	\$36.1 B	3.8%	5.0%	\$25.35	7.6%	151.1 M	1.6 M	1.1%	2.0 M	\$249	\$284.0 M
2021 4q	\$35.0 B	3.9%	5.3%	\$24.74	5.9%	150.9 M	1.3 M	0.9%	1.9 M	\$256	\$486.6 M

Orlando MSA (Lake, Orange, Osceola & Seminole Counties)									
	Period	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
		# Blds	Total GLA	Avail SF	Vac %				
General Retail	2022 3q	8,341	67,730,459	1,230,102	1.9%	991,596	725,543	1,159,938	\$24.71
	2022 2q	8,327	67,576,579	1,202,066	1.9%	1,174,927	743,476	935,564	\$24.18
	2022 1q	8,305	67,345,330	1,347,642	2.1%	1,099,049	652,251	980,554	\$23.87
	2021 4q	8,299	67,135,322	1,387,320	2.2%	907,339	496,738	906,377	\$23.29
Mall Market	2022 3q	173	14,069,517	790,670	6.5%	90,266	81,339	345,233	\$36.31
	2022 2q	171	14,046,117	584,483	5.6%	206,858	57,939	349,903	\$35.60
	2022 1q	166	14,002,751	589,741	5.5%	112,266	26,940	372,839	\$35.03
	2021 4q	163	13,988,178	710,308	5.9%	1,060	15,367	283,229	\$34.19
Shopping Centers	2022 3q	1,342	46,499,243	2,399,393	5.6%	136,601	60,125	322,892	\$24.84
	2022 2q	1,337	46,449,518	2,378,441	5.6%	581,884	74,198	253,618	\$24.47
	2022 1q	1,336	46,445,518	2,429,848	5.7%	404,576	97,048	206,171	\$24.21
	2021 4q	1,335	46,439,118	2,385,610	5.5%	695,980	145,040	98,595	\$23.62
Total Retail	2022 3q	10,935	151,643,766	5,091,910	3.7%	1,618,933	924,874	1,984,839	\$26.16
	2022 2q	10,913	151,409,861	4,865,514	3.6%	2,366,481	934,260	1,607,506	\$25.68
	2022 1q	10,883	151,111,113	5,191,032	3.8%	1,957,073	814,753	1,629,618	\$25.35
	2021 4q	10,874	150,870,348	5,367,368	3.9%	1,860,334	697,875	1,338,360	\$24.74

Brevard, Polk & Volusia Counties (Adjacent)									
	County	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
		# Blds	Total GLA	Avail SF	Vac %				
General Retail	Brevard	2,486	19,370,884	508,959	2.8%	23,351	83,011	471,856	\$16.58
	Polk	2,467	17,892,902	187,133	1.1%	228,685	84,134	514,620	\$16.57
	Volusia	3,365	23,036,760	617,616	3.4%	20,969	63,196	87,071	\$17.27
Mall Market	Brevard	36	2,413,148	192,632	8.6%	(71,029)	0	0	\$20.88
	Polk	38	2,303,450	138,214	8.4%	58,988	67,862	36,067	\$23.79
	Volusia	19	1,374,763	24,797	3.2%	(4,078)	0	0	\$21.07
Shopping Centers	Brevard	212	9,091,342	629,594	7.2%	222,069	(69,648)	0	\$16.81
	Polk	232	9,074,580	285,255	3.2%	210,817	68,646	0	\$16.30
	Volusia	323	11,838,632	639,776	6.2%	20,164	43,276	16,919	\$17.88
Total Retail	Brevard	3,017	34,957,682	1,431,553	4.3%	257,298	13,363	471,856	\$16.86
	Polk	2,902	32,160,483	756,131	2.6%	439,234	220,642	550,687	\$17.27
	Volusia	3,988	40,388,071	1,488,584	4.4%	80,758	106,472	119,990	\$17.51

Entire US									
		Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
		# Blds	Total GLA	Avail SF	Vac %				
General Retail		869,880	6,338,003,764	147,971,413	2.6%	35,753,104	17,081,091	43,558,784	\$22.71
Mall Market		10,208	912,415,827	43,631,913	8.7%	194,461	586,089	4,926,975	\$31.84
Shopping Centers		97,651	2,968,056,139	171,544,253	6.5%	29,033,544	1,991,430	8,099,818	\$22.61
Total Retail		1,061,774	11,822,615,865	432,102,213	4.3%	80,542,120	21,947,880	61,728,560	\$23.53