

A brisk pace of in-migration from other US markets is driving increasing retail demand in Orlando. The changing demographic base is also fueling stronger fundamentals as many of those moving are coming from areas with higher incomes and greater spending power. However, the market is contending with a lack of available space that will hinder leasing activity in the future.

Retail demand in Orlando has been steady in the past year. The nation's retail sector continues to contend with multiple headwinds, including operational costs and shrinkage, but overall, the Orlando metropolitan area is doing well. With inflation slowing and Orlando's employment market tight, local buying power continues to rise, fueling the need for retail space.

Retail vacancy in Orlando is at 3.2% and is projected to remain in the low 3% range through the end of 2023. Larger-box vacancies in key corridors are becoming harder to find and with the population growing at a projected pace of 1.6% during 2023, vacancy will only get tighter.

Orlando's fast-growing population has also fueled an uptick in interest from out-of-state retail and restaurant concepts seeking expansion opportunities or an entry into the market. One of the reasons many retailers target Florida is due to the tourist feedback they receive, with visitors shopping and dining and taking those impressions home with them. WalletHub also recently named Orlando the best foodie city in America.

Construction starts been underwhelming and steady population growth has created significant additional demand. The market's retail inventory has grown by more than 10% since 2010, and by nearly 40% since 2000. There is a total of 1.6 million SF under construction in addition to 1.4 million SF that delivered within the last year. However, the new retail projects under construction comprise an expansion of only 1.0% of the total market's inventory. Despite tight fundamentals, rising interest rates continue to challenge the economics of new projects.

The last year has seen a quick rise in retail rents. Asking rents are up 7.5% over the trailing 12-month period, more than double the increase in the National Index of 3.3% over the same time frame. The current average asking rent in Orlando is \$28.60/SF, with the fastest pace of rent growth through Q3-23 taking place in strip centers and neighborhood centers.

Rent growth in Orlando has been so healthy that the market ranked sixth in the nation for year over year growth as of Q3-23, and the market is expected to remain in the top 10 US markets through 2027. While demand for space has been fueling rent growth, rising costs for insurance, space buildouts, and common area maintenance are also to blame.

Retail investment volume in Orlando over the last year has been steady. Retail sales in Orlando totaled \$1.1 billion over the trailing 12-month period, but total volume is down more than 50% over 2022, before the Fed initiated its recent rate hiking cycle.

Investor interest in Orlando is expected to remain solid given its strong long-term prospects for both retail demand and property appreciation. However, average property pricing is anticipated to decline in the next year as fewer potential buyers plan to be active. Nearly 80% of all retail sales over the past year were by private buyers, with very little activity attributable to REIT/public and private equity buyers.

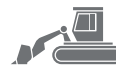
Looking ahead, more than \$700 million in retail loans are scheduled to mature in 2024 and will be doing so at a time when lending standards will be further tightening across all lender types. Even as interest rates are not likely to decline in the next several months and high costs increasingly impact balance sheets, it is likely that retail sales volume will remain slow but steady in the near term.

Source: CoStar Property

ORLANDO MSA Retail Market



Total Retail Space
156,202,236 SF



Under Construction
1,564,253 SF



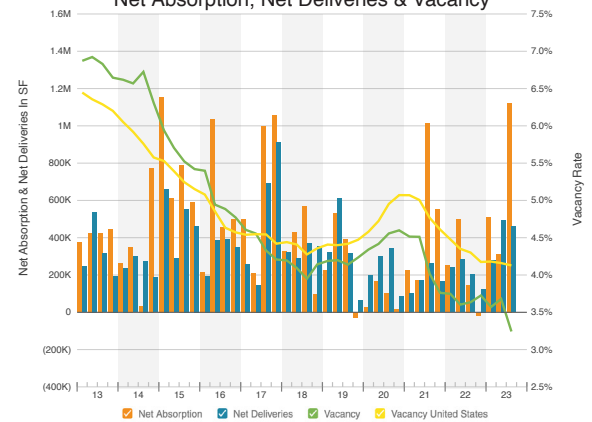
8 Shopping Centers
1,000,000 SF+

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

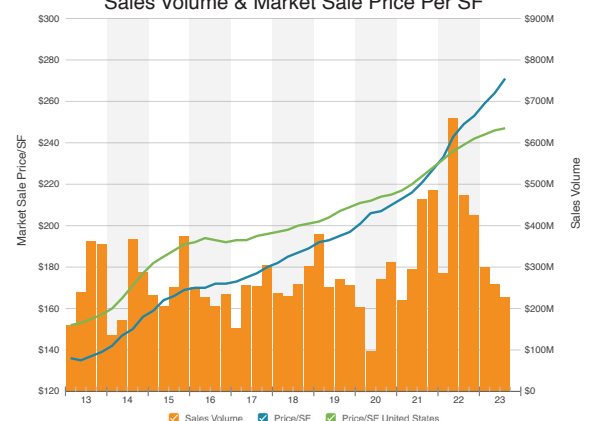
Quarterly Trends



Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



Orlando MSA (Lake, Orange, Osceola & Seminole Counties)								
Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total GLA	Available SF	Vac %				
436 Corridor	697	10,357,853	440,854	4.3%	23,612	3,500	0	\$24.44
Altamonte/Douglas	415	5,569,616	287,481	5.2%	35,078	63,615	67,541	\$29.48
Apopka	242	3,350,551	59,843	2.6%	(41,935)	0	55,942	\$24.71
Casselberry	479	7,537,452	327,314	4.4%	74,155	1,058	32,915	\$25.60
Downtown Orlando	258	1,782,620	167,302	9.4%	(73,359)	0	0	\$30.39
East Seminole Outlying	222	2,350,333	52,240	2.4%	11,054	6,200	83,829	\$29.05
Kissimmee	545	9,255,095	183,701	2.4%	86,103	15,835	7,150	\$25.55
Lake County	1,730	20,791,350	436,353	2.3%	300,715	151,306	294,327	\$23.55
Lake Mary	235	3,500,020	144,383	4.2%	(6,166)	29,377	2,331	\$32.92
Lee Road	143	1,503,396	8,289	4.2%	3,839	0	0	\$21.26
Longwood	196	1,941,035	66,701	3.4%	(27,575)	0	0	\$20.41
Maitland	64	993,446	77,206	8.3%	23,415	0	0	\$28.97
Maitland Center	194	3,216,145	101,367	3.6%	24,865	65,000	0	\$25.17
Metro West	299	2,847,002	44,809	1.8%	48,974	46,574	9,040	\$28.39
NW Orange Outlying	130	1,427,050	12,860	0.9%	9,141	8,500	9,500	\$26.05
Orlando Airport	104	1,539,894	23,926	1.6%	(6,204)	0	0	\$32.60
Orlando Central Park	468	9,990,956	432,929	5.6%	33,312	3,848	0	\$34.15
Osceola Outlying	581	8,332,375	68,147	0.9%	227,622	154,985	553,921	\$30.33
Sanford	457	5,549,361	129,475	4.2%	229,685	4,000	13,826	\$28.25
SE Orange Outlying	514	7,149,823	46,597	1.1%	150,156	170,012	105,589	\$31.38
South Orange	306	2,406,240	51,719	2.3%	22,265	0	7,002	\$24.68
St. Cloud	219	2,221,226	27,765	1.4%	53,665	60,913	9,000	\$24.71
SW Orange Outlying	228	4,559,216	49,897	1.3%	304,135	338,147	34,420	\$39.93
Tourist Corridor	641	14,451,041	461,594	3.8%	(19,182)	119,972	22,920	\$36.76
University	61	653,126	37,325	8.2%	65,588	0	0	\$36.32
University Research	57	768,697	33,873	4.4%	(3,471)	2,200	0	\$31.92
W Seminole Outlying	89	1,356,222	34,406	2.5%	(666)	0	0	\$21.33
West Colonial	924	12,339,613	347,975	3.5%	343,433	98,977	255,000	\$24.15
West University	260	4,860,490	59,081	2.1%	45,726	17,100	0	\$30.54
Winter Park	422	3,600,992	111,097	3.6%	(8,009)	0	0	\$37.78
Totals	11,180	156,202,236	4,326,509	3.2%	1,929,971	1,361,119	1,564,253	\$28.60

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	3,050	35,421,904	1,487,982	4.4%	364,788	263,004	437,812	\$17.85
Polk County	2,950	32,753,841	930,330	3.1%	245,223	374,100	185,119	\$18.17
Volusia County	4,019	40,881,504	1,305,640	4.0%	193,493	138,456	107,071	\$18.40

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	1,075,759	11,987,713,241	409,709,327	4.1%	57,601,904	38,304,303	59,879,460	\$24.49

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 3q	\$42.8 B	3.2%	\$28.60	8.0%	156.2 M	1.6 M	1.0%	1.9 M	\$271	\$228.1 M
2023 2q	\$41.7 B	3.7%	\$27.82	7.2%	155.7 M	1.9 M	1.2%	1.0 M	\$271	\$258.8 M
2023 1q	\$41.0 B	3.6%	\$27.45	7.5%	155.2 M	2.3 M	1.5%	1.1 M	\$299	\$300.4 M
2022 4q	\$40.0 B	3.7%	\$26.96	7.8%	155.0 M	2.1 M	1.4%	0.9 M	\$214	\$425.7 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	2023 3q	8,547	71,834,387	1,179,643	2.0%	1,040,941	886,098	924,907	\$27.21
	2023 2q	8,527	71,458,199	1,265,805	2.1%	620,463	612,994	1,198,500	\$26.45
	2023 1q	8,511	71,265,957	1,258,738	2.0%	818,653	648,460	1,307,194	\$26.08
	2022 4q	8,488	71,037,550	1,371,141	2.2%	581,559	630,580	1,094,121	\$25.63
Mall Market	2023 3q	184	13,888,208	605,806	5.4%	77,589	126,069	222,920	\$38.71
	2023 2q	182	13,876,408	827,892	6.6%	(148,601)	137,669	234,720	\$37.70
	2023 1q	173	13,774,901	665,044	5.4%	(47,836)	79,528	336,227	\$37.22
	2022 4q	170	13,762,139	673,526	5.4%	65,931	81,339	348,989	\$36.56
Shopping Centers	2023 3q	1,366	47,015,871	1,855,020	4.5%	827,522	283,429	110,501	\$27.20
	2023 2q	1,357	46,964,449	2,288,161	5.6%	349,909	301,632	161,923	\$26.48
	2023 1q	1,350	46,768,381	2,276,120	5.5%	199,503	109,564	357,991	\$26.12
	2022 4q	1,350	46,768,381	2,506,828	5.9%	(53,196)	115,964	338,991	\$25.64
Total Retail	2023 3q	11,180	156,202,236	4,326,509	3.2%	1,929,971	1,361,119	1,564,253	\$28.60
	2023 2q	11,147	155,742,776	5,015,055	3.7%	956,668	1,105,418	1,921,118	\$27.82
	2023 1q	11,114	155,247,909	4,877,730	3.6%	1,133,857	893,338	2,318,437	\$27.45
	2022 4q	11,086	154,966,317	5,164,805	3.7%	876,594	853,030	2,119,720	\$26.96

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	2,537	19,918,886	516,802	2.6%	257,631	222,231	355,331	\$17.90
	Polk	2,537	18,550,718	192,599	1.1%	389,691	406,436	144,694	\$17.45
	Volusia	3,403	23,557,275	454,729	2.7%	144,171	26,627	91,071	\$18.15
Mall Market	Brevard	36	2,439,489	201,834	8.8%	(9,202)	0	0	\$21.74
	Polk	41	2,354,420	198,568	11.1%	(57,736)	2,500	8,200	\$24.90
	Volusia	19	1,374,763	24,797	3.2%	0	0	0	\$21.14
Shopping Centers	Brevard	214	9,045,371	722,787	8.8%	(288,229)	(146,607)	0	\$17.91
	Polk	231	9,105,919	385,903	4.3%	(96,469)	10,500	5,000	\$17.43
	Volusia	323	11,885,164	479,386	4.9%	67,802	0	0	\$19.10
Total Retail	Brevard	3,071	35,474,483	1,535,346	4.6%	(41,259)	75,624	355,331	\$18.12
	Polk	2,978	32,992,610	919,612	3.0%	236,385	419,436	157,894	\$18.39
	Volusia	4,026	41,050,533	1,152,023	3.6%	217,172	26,627	107,071	\$18.64

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		883,148	6,485,564,374	147,365,461	2.5%	34,850,988	32,082,066	42,314,160	\$23.64
Mall Market		10,272	909,907,647	41,601,803	9.0%	(2,655,927)	(2,070,593)	3,168,380	\$32.97
Shopping Centers		97,888	2,981,677,759	156,293,514	5.9%	17,671,246	4,208,473	8,119,166	\$23.61
Total Retail		1,075,759	11,987,713,241	409,709,327	4.1%	57,601,904	38,304,303	59,879,460	\$24.49