

Retail demand in Orlando has been steady in the past year, largely fueled by the metro's fast-expanding population and the region's resilient economy, both of which continue to drive strong consumer spending. The market's robust tourism sector also provides steady instore foot traffic in prime hospitality areas, and even as the nation's retail sector continues to contend with multiple headwinds, including operational costs and shrinkage, the Orlando metropolitan area is faring well.

Total retail vacancy in Orlando is at its lowest point in the trailing 10-year period at 3.2% and is projected to remain in the low 3% range in the near term, leaving little opportunity for tenants looking to expand. In fact, the most significant headwind to demand in Orlando right now is the lack of quality space available to accommodate the retailers that are looking to expand in the market. Larger-box vacancies in key corridors are becoming harder to find. In fact, there's less available space on the market today than at any previous point on record, and with the population projected to have grown at pace of 1.6% during 2023, vacancy will remain very compressed.

Given the lack of speculative construction, vacancy has declined by -0.3% in the last year and is now 3.2% across all properties in the market. There is only 1.3 million SF under construction in Orlando right now following a year that saw a modest 1.9 million SF of new retail space completed, and much of the new space underway has already been leased.

The pace of rent growth has also been brisk, rising by 6.8% in the last year. Strip centers and general retail properties have pushed rents the most, with the annual pace of rent growth sitting at 7.9% for both categories as of the fourth quarter of 2023. Rising operating costs are fueling part of the rise in rents, and the pace of that growth is disproportionately impacting smaller tenants as they shoulder more of the burden of rising common area maintenance costs as many anchor tenants have stops built into their leases. Looking forward, it's likely that the pace of growth may have already hit its peak, with rent growth forecast to begin moderating during Q3-24 before ending the year with an annualized rate of growth around 6%.

Trailing 12-month sales volume totals \$964 million, which falls approximately 12% behind the 10-year average. A closer look at deal activity during 2023 shows that sales were bifurcated between smaller deals below \$5 million and those \$10 million and greater. Roughly 420 retail properties traded in 2023, and approximately 70% of them were under \$5 million. Conversely, there were only 15 property trades above \$10 million.

A strong pace of rent growth that remains at or near its peak along with steady demand from concepts seeking to enter the Orlando market continues to fuel investment interest in Central Florida. Orlando's retail sector is supported by its outsized buying power growth and tourism spending, and a decline in sales is due more to elevated interest rates and the rising cost of insurance more than any weakening in retail demand itself.

Heading into 2024, Orlando's retail sector is experiencing strong rates of retail demand and rent growth that are being driven by one of the highest rates of population growth in the nation and steady consumer spending. While larger blocks of quality space in key corridors are in painfully short supply, new to market concepts continue to target the area and will seek opportunities for expansion into Central Florida. The possibility of interest rate cuts in the coming months will help to spur further investor interest, however rising operating costs will make some deals harder to pencil once the acceleration in rent growth fades to levels more in line with the US average.

Source: CoStar Property

ORLANDO MSA Retail Market



Total Retail Space
157,608,384 SF



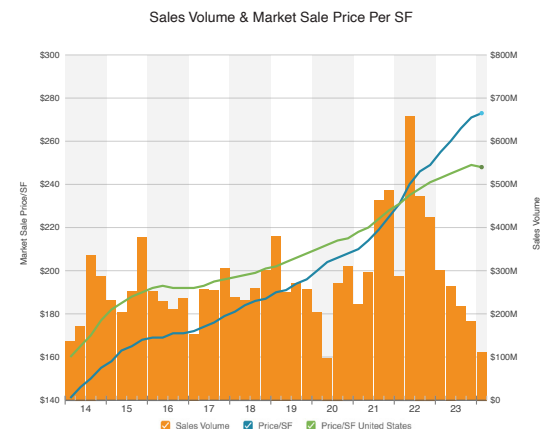
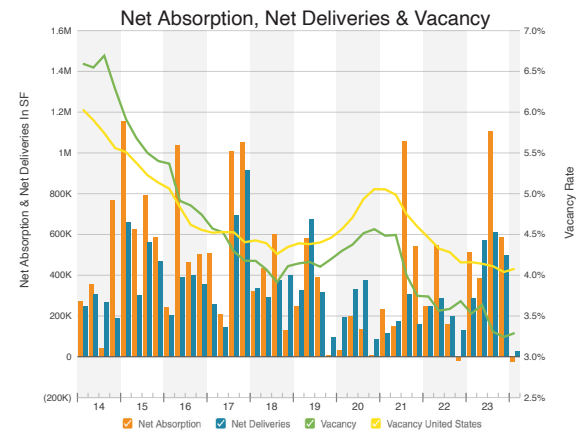
Under Construction
1,300,602 SF



8 Shopping Centers
1,000,000 SF+

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

Quarterly Trends



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	699	10,297,017	472,589	4.6%	(31,526)	3,500	0	\$24.58
Altamonte/Douglas	415	5,568,479	299,436	6.1%	(66,109)	10,615	67,541	\$29.82
Apopka	244	3,416,098	52,785	2.4%	15,665	55,942	9,336	\$25.08
Casselberry	479	7,553,450	394,451	5.6%	(32,976)	2,065	15,915	\$25.95
Downtown Orlando	261	1,921,847	212,321	11.0%	38,962	107,200	0	\$30.93
East Seminole Outlying	223	2,396,774	45,230	1.9%	18,425	6,200	83,829	\$29.72
Kissimmee	550	9,286,095	280,677	3.2%	57,605	23,238	0	\$25.99
Lake County	1,748	21,265,148	465,928	2.4%	599,453	538,189	191,934	\$24.03
Lake Mary	235	3,487,174	145,011	4.3%	28,787	31,708	0	\$33.33
Lee Road	142	1,481,884	10,239	2.6%	30,549	0	0	\$21.66
Longwood	195	1,939,945	68,601	3.5%	(31,647)	0	0	\$20.92
Maitland	64	991,181	73,227	7.4%	29,810	(3,354)	0	\$29.26
Maitland Center	195	3,224,853	108,203	3.5%	45,301	71,711	0	\$25.44
Metro West	299	2,847,002	22,836	0.9%	73,507	46,574	9,040	\$28.80
NW Orange Outlying	132	1,434,856	17,342	1.2%	9,913	8,500	28,030	\$26.82
Orlando Airport	105	1,565,770	52,396	3.3%	(41,980)	0	0	\$33.23
Orlando Central Park	467	9,982,204	432,334	5.3%	139,598	3,848	0	\$34.54
Osceola Outlying	592	8,429,582	106,662	1.3%	264,085	233,294	551,784	\$30.90
Sanford	459	5,766,618	128,773	4.0%	230,698	6,800	13,826	\$28.96
SE Orange Outlying	516	7,183,351	41,953	0.7%	150,317	157,299	82,947	\$32.07
South Orange	307	2,423,273	41,132	1.8%	35,494	7,002	0	\$25.13
St. Cloud	219	2,214,794	27,765	1.3%	45,130	47,741	6,000	\$25.15
SW Orange Outlying	236	4,717,744	71,784	1.5%	276,010	308,292	4,000	\$40.52
Tourist Corridor	641	14,481,871	320,392	2.5%	262,285	164,219	22,920	\$37.00
University	61	654,368	29,547	5.2%	93,426	0	0	\$36.87
University Research	59	774,717	35,223	4.5%	692	2,520	0	\$32.33
W Seminole Outlying	89	1,356,366	14,871	3.0%	(4,351)	0	0	\$21.73
West Colonial	929	12,464,485	365,608	3.1%	430,190	142,977	213,500	\$24.50
West University	260	4,870,125	39,582	2.1%	52,172	600	0	\$30.94
Winter Park	422	3,611,313	123,013	3.5%	(38,118)	0	0	\$38.43
Totals	11,243	157,608,384	4,499,911	3.2%	2,681,367	1,976,680	1,300,602	\$29.03

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	3,091	35,640,876	1,456,051	4.4%	(110,312)	(30,742)	357,687	\$18.39
Polk County	2,996	33,077,228	1,125,631	3.6%	92,062	448,199	140,851	\$18.63
Volusia County	4,039	41,095,020	1,145,369	3.4%	327,899	22,637	245,091	\$18.95

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	1,079,902	12,030,198,327	402,373,605	4.0%	54,359,412	41,766,987	54,791,500	\$24.75

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 4q	\$40.8 B	3.6%	\$27.43	7.4%	155.9 M	2.4 M	1.5%	1.2 M	\$298	\$300.4 M
2023 3q	\$41.6 B	3.7%	\$27.86	7.3%	156.5 M	2.0 M	1.3%	1.0 M	\$274	\$264.8 M
2023 2q	\$42.6 B	3.2%	\$28.58	7.9%	157.0 M	1.7 M	1.1%	2.1 M	\$303	\$217.8 M
2023 1q	\$43.3 B	3.2%	\$29.03	7.8%	157.6 M	1.3 M	0.8%	2.7 M	\$339	\$181.9 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 4q	8,601	72,977,197	1,273,569	1.9%	1,552,775	1,424,233	645,413	\$27.69
	2023 3q	8,581	72,421,493	1,191,925	2.0%	1,108,986	964,730	1,002,770	\$27.22
	2023 2q	8,559	72,032,780	1,273,587	2.1%	673,906	676,601	1,179,911	\$26.51
	2023 1q	8,539	71,788,871	1,259,250	2.0%	831,847	660,400	1,296,733	\$26.10
Mall Market	2023 4q	184	13,888,208	619,223	5.0%	171,020	126,069	222,920	\$39.04
	2023 3q	184	13,888,208	605,806	5.4%	77,589	126,069	222,920	\$38.66
	2023 1q	182	13,876,408	827,892	6.6%	(148,601)	137,669	234,720	\$37.73
	2023 1q	173	13,774,901	665,044	5.4%	(47,836)	79,528	336,227	\$37.17
Shopping Centers	2023 4q	1,367	47,149,115	1,973,307	4.7%	849,913	333,758	111,581	\$27.62
	2023 3q	1,366	47,146,115	1,855,580	4.4%	896,890	366,697	114,581	\$27.18
	2023 2q	1,355	47,011,425	2,272,421	5.6%	367,569	301,632	245,191	\$26.51
	2023 1q	1,348	46,815,357	2,262,780	5.5%	214,763	109,564	441,259	\$26.08
Total Retail	2023 3q	11,243	157,608,384	4,499,911	3.2%	2,681,367	1,976,680	1,300,602	\$29.03
	2023 2q	11,219	157,022,560	4,339,351	3.2%	2,067,361	1,522,996	1,657,549	\$28.58
	2023 1q	11,182	156,467,307	5,007,097	3.7%	1,025,549	1,166,803	1,997,150	\$27.86
	2023 1q	11,145	155,920,773	4,864,902	3.6%	1,160,589	903,056	2,387,897	\$27.43

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	2,557	20,081,941	493,320	2.6%	55,729	115,865	357,687	\$18.16
	Polk	2,551	18,600,167	212,704	1.2%	371,787	406,199	106,851	\$17.64
	Volusia	3,421	23,665,921	478,317	2.7%	171,151	34,985	229,091	\$18.49
Mall Market	Brevard	36	2,439,489	201,834	8.8%	(5,507)	0	0	\$22.02
	Polk	42	2,363,281	455,084	21.3%	(275,192)	10,700	0	\$25.24
	Volusia	19	1,374,763	24,797	3.2%	0	0	0	\$21.25
Shopping Centers	Brevard	214	9,053,384	661,409	8.1%	(183,373)	(146,607)	0	\$18.20
	Polk	231	9,111,427	300,759	3.5%	(17,376)	10,500	5,000	\$17.72
	Volusia	319	11,842,319	447,899	4.3%	99,199	(12,348)	0	\$19.35
Total Retail	Brevard	3,091	35,640,876	1,456,051	4.4%	(110,312)	(30,742)	357,687	\$18.39
	Polk	2,996	33,077,228	1,125,631	3.6%	92,062	448,199	140,851	\$18.63
	Volusia	4,039	41,095,020	1,145,369	3.4%	327,899	22,637	245,091	\$18.95

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		886,945	6,527,385,050	148,531,968	2.5%	30,754,136	34,388,270	38,399,456	\$23.87
Mall Market		10,319	910,033,954	37,767,745	8.5%	2,728,913	(437,859)	2,124,581	\$33.59
Shopping Centers		97,982	2,981,621,437	152,958,064	5.8%	14,259,096	4,060,582	7,967,922	\$23.85
Total Retail		1,079,902	12,030,198,327	402,373,605	4.0%	54,359,412	41,766,987	54,791,500	\$24.75