

The Orlando office market has felt the impact of the coronavirus pandemic, but the local office sector has held up relatively well compared to most metros across the country. Net absorption of office space in Orlando has been solid, with 660,000 SF of space absorbed over the trailing 12-month period, the second highest rate in Florida behind Miami.

Vacancy has remained largely flat over the last year, with the Q2-22 rate at 7.8% versus the Q2-21 rate of 8.4%. New supply has compounded the issues as Orlando has seen roughly 309,000 SF delivered over the past 12 months with another 1.8 million SF currently under construction. Orlando's vacancies are still below the national average vacancy rate of 12.3%.

Orlando's market rents are up 2.8% over the trailing 12-month period to a current \$26.53/SF on a full-service basis. The metro has been significantly outpacing overall US rent growth, which is anemic at 1.2%. Sublet space does remain plentiful, however, 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, the highest rate within Florida's primary office markets. 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. Net absorption of space is projected to decline as office demand tapers once companies establish their long-term hybrid work strategies.

Significant deals are getting done following an initial pandemic lull. Kimley-Horn leased 61,000 SF of office space during Q2-22. The deal represents the largest new office lease in the urban core since 2019. In the University Research submarket, Astronics Test Systems signed a lease in Q1-22 for 68,000 SF in the Ingenuity One building. The company will be relocating its headquarters from California.

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 1.8 million SF underway, much of which is composed of medical office space in pockets of strong population growth.

There are several significant projects under construction. The Lake Nona Headquarters Office Building B, a 279,000 SF building, is due for completion in Q4-22 and remains fully available for lease. In the University area, Equity Partners is seeking to break ground on a new 68,000 SF spec office building at 12700 Ingenuity Drive. Unicorp National Developments is underway on a 299,520 SF Class A office building at O-Town West that has been largely pre-leased by Marriott Vacations Worldwide, which is expected to deliver in summer 2023. In addition, Lincoln Property Company has confirmed plans to begin work in late 2022 on The Edge, a prominent new trophy office tower that will be situated adjacent to the recently delivered Truist Tower in the urban core.

Sales volume is at pandemic-era highs in Orlando, with trailing 12-month sales volume outpacing the national average. Annual sales volume eclipsed \$1.4 billion in 2021, with \$1 billion closing in Q4-21 alone. Deal volume over the trailing 12-month period totals \$1.5 billion with over 600 properties changing hands as both institutional and private investors continue to chase yield in Orlando.

Cap rates have shown some compression over the course of 2021 and now average 7.5%, still above their historical low of roughly 7%, recorded just prior to the Great Recession. Strengthening investment activity during 2021 bodes well for continued office investment in the second half of 2022, particularly in suburban areas where greater physical flexibility is available.

Key economic indicators show strength even as the market contends with rising housing costs coupled with a median income well below the national average that have created a significant affordability gap for many. Office-using employment has grown with the professional and business services sector up 7.6% year over year. However, growing inflation and high gas prices could stifle the return-to-office trend, as workers push back against the increased costs.

Source: CoStar Property

ORLANDO MSA Office Market



Total Office Space
102,224,399 SF



Under Construction
1,783,663 SF



International Companies
150+

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

Quarterly Trends

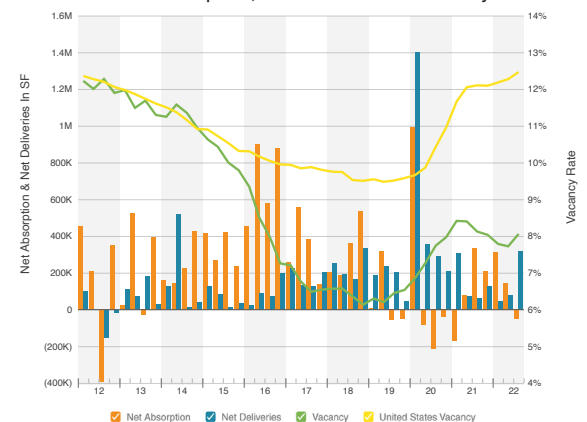
NET ABSORPTION

VACANCY RATE

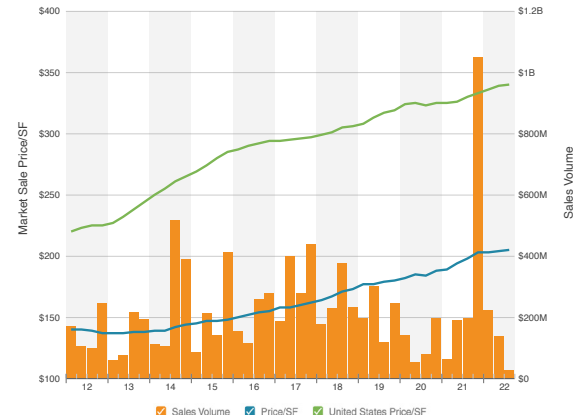
CONSTRUCTION

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	4,973,212	148,205	3.8%	94,585	20,000	0	\$24.90
Altamonte/Douglas	460	4,695,361	461,663	10.2%	64,232	0	0	\$21.65
Apopka	121	796,161	51,470	6.9%	25,756	0	0	\$25.55
Casselberry	275	2,105,750	132,610	8.3%	(2,869)	30,889	0	\$21.53
Downtown Orlando	493	13,178,529	1,223,754	10.2%	377,133	168,247	0	\$28.39
East Seminole Outlying	92	559,972	20,823	3.7%	30,664	8,800	0	\$25.63
Kissimmee	360	2,728,276	53,925	2.0%	44,960	22,540	28,500	\$25.15
Lake County	1,074	5,819,687	232,492	4.1%	32,106	(47,580)	5,000	\$24.73
Lake Mary	296	8,492,790	865,008	10.7%	4,415	22,834	162,629	\$25.75
Lee Road	137	1,282,456	88,598	7.0%	5,065	0	0	\$22.07
Longwood	196	1,444,222	105,951	7.8%	(7,292)	0	0	\$19.75
Maitland	98	1,008,754	31,614	3.4%	(700)	0	0	\$21.35
Maitland Center	177	7,933,645	1,072,367	14.1%	(111,933)	0	0	\$24.15
Metro West	158	2,164,747	75,117	3.5%	66,557	0	0	\$25.05
NW Orange Outlying	49	550,208	18,179	3.3%	26,346	0	26,000	\$28.27
Orlando Airport	44	1,233,954	56,372	4.6%	89,924	0	0	\$26.11
Orlando Central Park	189	4,135,100	541,325	13.9%	(48,600)	0	0	\$21.94
Osceola Outlying	146	2,883,280	110,063	3.9%	103,796	24,280	6,660	\$32.01
Sanford	255	1,485,172	73,832	5.0%	13,834	6,500	0	\$19.02
SE Orange Outlying	169	4,201,523	230,816	5.5%	42,270	33,200	499,525	\$35.07
South Orange	391	2,581,700	60,117	2.3%	(51,742)	(58,610)	0	\$29.05
St. Cloud	119	574,843	10,058	1.7%	(4,484)	0	0	\$27.25
SW Orange Outlying	86	1,354,976	65,648	5.5%	538	40,804	38,876	\$35.62
Tourist Corridor	237	9,868,946	695,738	8.2%	(146,219)	0	349,520	\$27.54
University	49	2,130,668	308,879	16.2%	(34,749)	0	0	\$27.52
University Research	49	3,085,182	231,006	8.5%	(24,668)	25,209	68,703	\$26.18
W Seminole Outlying	55	370,945	10,964	3.2%	6,072	0	0	\$21.46
West Colonial	594	3,811,926	115,922	3.9%	273,388	0	50,750	\$26.28
West University	64	1,071,580	80,114	8.1%	37,282	0	0	\$27.68
Winter Park	587	5,700,834	122,814	2.6%	81,709	12,139	547,500	\$30.76
Totals	7,648	102,224,399	7,295,444	7.8%	987,376	309,252	1,783,663	\$26.53

CBD	493	13,178,529	1,223,754	10.2%	377,133	168,247	0	\$28.39
Suburban	5,623	66,282,791	3,909,183	6.4%	763,382	179,615	1,783,663	\$26.79
Urban	1,532	22,763,079	2,162,507	10.2%	(153,139)	(38,610)	0	\$24.66

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	1,803	16,540,868	994,901	6.4%	105,369	17,487	30,000	\$20.20
Polk County	1,687	14,497,301	716,327	5.4%	60,087	250,748	3,500	\$20.15
Volusia County	1,992	14,252,094	674,883	5.0%	32,399	66,505	25,700	\$20.35

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	344,978	8,295,007,721	924,750,211	12.3%	23,804,248	47,735,463	141,299,152	\$34.87

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 2q	\$21.2 B	7.8%	11.4%	\$26.53	3.1%	102.2 M	1.8 M	1.7%	987,376	\$161	\$129.9 M
2022 1q	\$21.1 B	7.8%	11.3%	\$26.45	4.5%	102.2 M	1.5 M	1.5%	933,104	\$194	\$225.0 M
2021 4q	\$21.1 B	8.1%	11.7%	\$26.31	4.2%	102.1 M	1.0 M	1.0%	460,351	\$239	\$1,109.9 M
2021 3q	\$20.5 B	8.1%	11.6%	\$26.04	3.6%	102.0 M	1.2 M	1.2%	208,884	\$183	\$198.7 M