

Demand for retail space continued rising at a brisk pace across Orlando in the first quarter. Retail demand has been so strong that it has only fallen into negative territory for only one quarter in the past decade at the end of 2022, and even then, it was very modest.

Steady retail demand has been fueled by the region's fast-expanding population and growing economy, both of which continue to drive strong consumer spending.

Two categories have driven the bulk of absorption over the last 12 months. Neighborhood shopping centers, whose foot traffic is often driven by grocery anchors, comprised more than 30% of trailing 12-month absorption, outpaced only by freestanding retail buildings, which accounted for more than half of all demand. Additional demand gains were led by fitness and sporting goods retailers, accounting for eight of the top 25 most significant leasing transactions in the last year.

Given steady demand gains, available space has compressed to a near-record low of 3.2%.

Availabilities are generally narrowest in smaller freestanding properties under 5,000 square feet and in neighborhood centers between 50,000 SF and 75,000 SF.

The dearth of speculative construction is also contributing to the lack of availability in the market. A mere 1.9 million SF of new retail space has been completed in the last year, and much of the new space underway has already been leased.

The pace of rent growth remains brisk although it has been moderating after reaching a record high of 7.7% during Q3-23. Having already hit its peak for this cycle, the pace of annual growth is now down to 6.4% but is still more than 150 basis points ahead of the 10-year historical average, a testament to Orlando's outsized buying power growth.

Looking forward, the lack of quality space available for lease is going to limit opportunities to push rent growth further in the near term unless new projects enter the construction pipeline. For that reason, the pace of rent growth is expected to decelerate over the course of 2024, reaching closer to the mid-5% range by the end of the year. In the meantime, strip centers and freestanding retail properties have pushed rents the most, with the annual pace of growth for both above 7% as of the first quarter of 2024.

The next 12 months will see nearly \$750 million in CMBS loans maturing, and the total number of loans maturing in that period will outpace those for the next three years collectively.

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, approximately 70% of which were under \$5 million. Conversely, there were only 15 property trades above \$10 million during the year.

Source: CoStar Property

ORLANDO MSA Retail Market



Total Retail Space
156,752,675 SF



Under Construction
1,363,637 SF



8 Shopping Centers
1,000,000 SF+

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

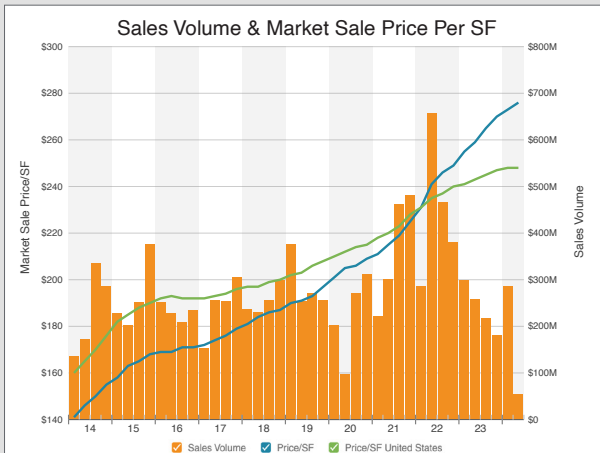
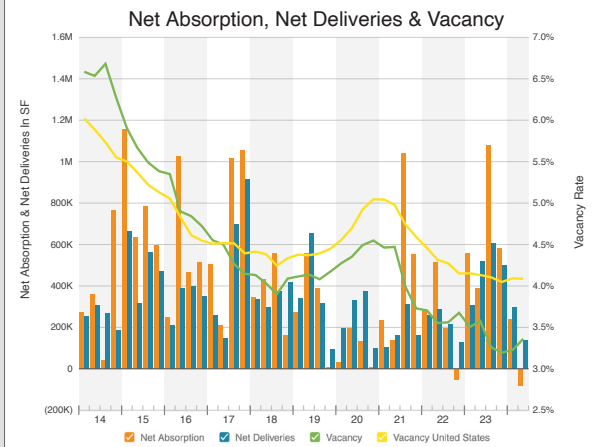
Quarterly Trends

NET ABSORPTION

VACANCY RATE

CONSTRUCTION

ASKING RATES



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 | 696 | 10,314,375 | 535,706 | 5.2% | (111,699) | 0 | 0 | \$24.50 |
| Altamonte/Douglas | 418 | 5,664,493 | 299,221 | 5.9% | 39,048 | 84,291 | 0 | \$29.57 |
| Apopka | 247 | 3,467,421 | 52,050 | 1.5% | 86,607 | 57,942 | 9,336 | \$25.32 |
| Casselberry | 481 | 7,585,724 | 283,184 | 3.9% | 157,372 | 45,098 | 17,000 | \$25.78 |
| Downtown Orlando | 260 | 1,807,511 | 210,962 | 11.7% | (54,838) | 7,200 | 0 | \$30.59 |
| East Seminole Outlying | 224 | 2,481,015 | 61,673 | 2.6% | 71,574 | 75,000 | 8,829 | \$29.79 |
| Kissimmee | 552 | 9,278,589 | 263,708 | 2.9% | 4,953 | 15,738 | 61,700 | \$26.09 |
| Lake County | 1,764 | 21,440,733 | 513,572 | 2.6% | 529,540 | 533,320 | 459,215 | \$24.11 |
| Lake Mary | 234 | 3,463,477 | 133,956 | 4.1% | 40,102 | 29,208 | 0 | \$33.35 |
| Lee Road | 143 | 1,486,127 | 44,290 | 4.9% | (16,515) | 0 | 0 | \$21.90 |
| Longwood | 195 | 1,937,282 | 53,101 | 2.7% | 4,126 | 0 | 0 | \$20.87 |
| Maitland | 66 | 1,018,368 | 81,955 | 8.0% | 24,436 | (3,354) | 0 | \$29.20 |
| Maitland Center | 194 | 2,862,040 | 74,761 | 2.6% | 69,230 | 71,711 | 0 | \$24.03 |
| Metro West | 300 | 2,846,020 | 39,182 | 1.4% | 21,836 | 0 | 0 | \$29.18 |
| NW Orange Outlying | 132 | 1,434,976 | 15,670 | 1.1% | 17,797 | 12,625 | 132,620 | \$27.79 |
| Orlando Airport | 105 | 1,540,573 | 37,280 | 2.8% | (20,464) | 0 | 0 | \$33.40 |
| Orlando Central Park | 465 | 9,693,487 | 455,631 | 5.6% | 97,634 | 3,848 | 16,850 | \$33.38 |
| Osceola Outlying | 604 | 8,550,675 | 159,246 | 2.0% | 213,377 | 257,165 | 316,133 | \$30.86 |
| Sanford | 460 | 5,766,535 | 137,430 | 4.1% | (18,502) | 6,800 | 0 | \$29.18 |
| SE Orange Outlying | 519 | 7,247,534 | 79,671 | 1.1% | 160,059 | 151,178 | 77,000 | \$32.02 |
| South Orange | 308 | 2,432,365 | 34,083 | 1.5% | 38,377 | 9,242 | 20,000 | \$25.13 |
| St. Cloud | 220 | 2,219,167 | 16,149 | 0.9% | 21,142 | 21,881 | 3,000 | \$25.30 |
| SW Orange Outlying | 238 | 4,723,369 | 63,941 | 1.4% | 230,400 | 244,384 | 3,757 | \$40.37 |
| Tourist Corridor | 640 | 13,863,971 | 351,435 | 2.7% | 278,511 | 143,120 | 21,492 | \$36.62 |
| University | 61 | 667,234 | 25,954 | 3.9% | 38,536 | 0 | 0 | \$37.23 |
| University Research | 59 | 776,686 | 34,323 | 4.4% | 1,592 | 2,520 | 0 | \$32.45 |
| W Seminole Outlying | 89 | 1,357,631 | 14,621 | 2.6% | (22,118) | 0 | 0 | \$21.74 |
| West Colonial | 932 | 12,411,439 | 352,939 | 3.0% | 311,858 | 140,077 | 216,705 | \$24.38 |
| West University | 259 | 4,871,630 | 43,577 | 1.7% | 86,607 | 0 | 0 | \$31.09 |
| Winter Park | 422 | 3,542,228 | 121,517 | 3.5% | (41,981) | 0 | 0 | \$38.34 |
| Totals | 11,287 | 156,752,675 | 4,590,788 | 3.2% | 2,258,597 | 1,908,994 | 1,363,637 | \$28.86 |

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 | 3,113 | 35,625,628 | 1,519,614 | 4.5% | (173,239) | (144,401) | 386,639 | \$18.66 |
| Polk County | 3,003 | 33,272,030 | 1,300,262 | 4.1% | (309,106) | 187,713 | 140,791 | \$18.86 |
| Volusia County | 4,044 | 41,446,734 | 1,084,705 | 3.4% | 488,584 | 305,417 | 187,161 | \$19.15 |

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 |
|---------|-------------|--------------|----------------|--------------------|--------------|-----------------|----------------|----------------------------|-----------------|--------------|
| 2024 1q | \$43.2 B | 3.2% | \$28.86 | 6.8% | 156.8 M | 1.4 M | 0.9% | 2.3 M | \$248 | \$281.6 M |
| 2023 4q | \$42.6 B | 3.2% | \$28.50 | 7.3% | 156.5 M | 1.1 M | 0.7% | 2.7 M | \$336 | \$182.1 M |
| 2023 3q | \$41.9 B | 3.3% | \$28.08 | 7.4% | 156.0 M | 1.5 M | 1.0% | 2.0 M | \$303 | \$217.8 M |
| 2023 2q | \$41.0 B | 3.6% | \$27.46 | 7.1% | 155.4 M | 1.9 M | 1.2% | 1.1 M | \$274 | \$263.7 M |

| Orlando MSA (Lake, Orange, Osceola & Seminole Counties) | | | | | | | | | |
|---|---------|--------------------|-------------|-----------|-------|---------------|--------------|-----------|---------|
| | Period | Existing Inventory | | Vacancy | | 12 Month Net | 12 Month | Under | Quoted |
| | | # Blds | Total GLA | Avail SF | Vac % | Absorption SF | Delivered SF | Const SF | Rates |
| General Retail | 2024 1q | 8,642 | 71,860,057 | 1,344,859 | 2.0% | 1,081,917 | 1,242,022 | 839,492 | \$27.52 |
| | 2023 4q | 8,630 | 71,732,696 | 1,203,653 | 1.7% | 1,411,443 | 1,367,993 | 440,739 | \$27.18 |
| | 2023 3q | 8,610 | 71,268,292 | 1,106,965 | 1.7% | 1,054,724 | 999,790 | 883,054 | \$26.75 |
| | 2023 2q | 8,586 | 70,868,584 | 1,173,527 | 1.8% | 700,937 | 699,939 | 1,083,307 | \$26.14 |
| Mall Market | 2024 1q | 187 | 14,102,476 | 492,133 | 4.6% | 315,358 | 121,970 | 214,257 | \$37.56 |
| | 2023 4q | 186 | 14,093,813 | 619,223 | 5.7% | 289,149 | 126,069 | 222,920 | \$37.20 |
| | 2023 3q | 186 | 14,093,813 | 605,806 | 6.1% | 177,096 | 126,069 | 222,920 | \$36.88 |
| | 2023 2q | 184 | 14,082,013 | 827,892 | 7.2% | (96,125) | 137,669 | 234,720 | \$36.12 |
| Shopping Centers | 2024 1q | 1,369 | 47,217,620 | 2,132,967 | 4.9% | 697,427 | 462,921 | 38,025 | \$27.69 |
| | 2023 4q | 1,366 | 47,143,283 | 2,018,027 | 4.8% | 832,419 | 392,084 | 109,377 | \$27.30 |
| | 2023 3q | 1,364 | 47,134,583 | 1,951,600 | 4.6% | 808,425 | 419,384 | 118,077 | \$26.89 |
| | 2023 2q | 1,352 | 46,950,767 | 2,220,570 | 5.5% | 382,999 | 307,443 | 297,813 | \$26.29 |
| Total Retail | 2024 1q | 11,287 | 156,752,675 | 4,590,788 | 3.2% | 2,258,597 | 1,908,994 | 1,363,637 | \$28.86 |
| | 2023 4q | 11,268 | 156,512,453 | 4,457,715 | 3.2% | 2,657,670 | 1,974,046 | 1,074,760 | \$28.50 |
| | 2023 3q | 11,243 | 156,012,229 | 4,350,411 | 3.3% | 2,019,387 | 1,602,900 | 1,522,365 | \$28.08 |
| | 2023 2q | 11,203 | 155,396,855 | 4,855,186 | 3.6% | 1,112,643 | 1,188,109 | 1,934,204 | \$27.46 |

| Brevard, Polk & Volusia Counties (Adjacent) | | | | | | | | | |
|---|---------|--------------------|------------|-----------|-------|---------------|--------------|----------|---------|
| | County | Existing Inventory | | Vacancy | | 12 Month Net | 12 Month | Under | Quoted |
| | | # Blds | Total GLA | Avail SF | Vac % | Absorption SF | Delivered SF | Const SF | Rates |
| General Retail | Brevard | 2,577 | 19,939,780 | 614,255 | 3.1% | (71,178) | 2,206 | 386,639 | \$18.47 |
| | Polk | 2,559 | 18,717,858 | 222,456 | 1.2% | 142,821 | 141,713 | 133,291 | \$17.93 |
| | Volusia | 3,425 | 23,996,574 | 463,422 | 2.7% | 376,469 | 317,765 | 171,161 | \$18.74 |
| Mall Market | Brevard | 36 | 2,491,575 | 201,834 | 8.7% | 2,306 | | | \$22.29 |
| | Polk | 42 | 2,365,851 | 588,308 | 26.7% | (402,947) | 10,700 | 0 | \$25.65 |
| | Volusia | 19 | 1,381,006 | 23,883 | 3.1% | 914 | 0 | 0 | \$21.35 |
| Shopping Centers | Brevard | 214 | 9,114,050 | 579,189 | 7.1% | (99,329) | (146,607) | 0 | \$18.36 |
| | Polk | 232 | 9,206,526 | 331,383 | 3.7% | (35,247) | 22,800 | 0 | \$17.77 |
| | Volusia | 320 | 11,852,641 | 443,525 | 4.6% | 24,645 | (12,348) | 0 | \$19.47 |
| Total Retail | Brevard | 3,113 | 35,625,628 | 1,519,614 | 4.5% | (173,239) | (144,401) | 386,639 | \$18.66 |
| | Polk | 3,003 | 33,272,030 | 1,300,262 | 4.1% | (309,106) | 187,713 | 140,791 | \$18.86 |
| | Volusia | 4,044 | 41,446,734 | 1,084,705 | 3.4% | 488,584 | 305,417 | 187,161 | \$19.15 |

| Entire US | | | | | | | | |
|------------------|--------------------|----------------|-------------|-------|---------------|--------------|------------|---------|
| | Existing Inventory | | Vacancy | | 12 Month Net | 12 Month | Under | Quoted |
| | # Blds | Total GLA | Avail SF | Vac % | Absorption SF | Delivered SF | Const SF | Rates |
| General Retail | 889,268 | 6,549,989,841 | 152,192,345 | 2.6% | 27,148,924 | 32,889,459 | 36,274,092 | \$24.05 |
| Mall Market | 10,335 | 904,461,283 | 38,726,973 | 8.7% | 1,104,715 | (452,488) | 2,310,147 | \$33.61 |
| Shopping Centers | 97,991 | 2,979,323,829 | 153,085,824 | 5.9% | 12,905,904 | 5,002,010 | 6,760,182 | \$24.02 |
| Total Retail | 1,082,385 | 12,047,384,061 | 407,207,924 | 4.1% | 46,486,080 | 41,228,968 | 51,359,080 | \$24.91 |