

Market Report



Q2 2021 office market showed signs of improvement in the 2nd quarter after months of struggling due to the pandemic. Orlando's office market appears to be rebounding after stalling out as companies worked from home and reexamined their physical work environment needs. There were also several positive indicators for the local market. Rents rose marginally year-over-year, net absorption was near zero, and sublease delivery has slowed down. Several large users have announced long term leases indicating a confidence to return to work.

Orlando is being considered for relocations from other markets hardest hit by the pandemic. Partly because of the way Ron DeSantis has reopened the economy and partly because of a climate of favorable wages and taxes. Disney's recent announcement of relocating 2,000 employees from California to Orlando being most notable.



Class A & B Office

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$28.83	CBD Class A 16.9%	▲ 0.1%
\$24.25	CBD Class B 9.0%	▼ 1.8%
\$27..99	Total CBD 15.2%	▼ 0.3%
\$27.50	Submarket Class A 8.5%	▲ 0.5%
\$21.84	Submarket Class B 9.4%	— 0.0%
\$22.23	Total Submarket 9.1%	▲ 0.2%
\$12.24	Industrial Flex 8.7%	▼ 0.1%
\$7.13	Industrial Warehouse 4.7%	▼ 0.6%
\$8.04	Total Industrial 5.4%	▼ 0.5%

Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 Vacation Club	100,923	Tourist Corridor	Office	Time Share
2 Costco	70,642	Tourist Corridor	Office	Retail
3 TogetherHealth	46,341	Lake Mary	Office	Healthcare
4 AssuredPartners	44,000	CBD	Office	Insurance
5 Guidewell	35,111	Lake Mary	Office	Healthcare
6 Kemper	32,936	Lake Mary	Office	Insurance
7 TetraTech	26,012	OCP	Office	Engineering
8 Tidal Basin	18,543	Lake Mary	Office	Gov't Contractor
9 LKQ Corp	201,291	West Orange County	Industrial	Automotive Parts
10 USPS	130,400	SE Orange County	Industrial	Government
11 Frito Lay	128,341	SW Orange County	Industrial	Manufacturing

Market Trends



Activity in the office market was brisk in the 2nd quarter. Net absorption was close to zero marking the for the first time since Q1 2020 where demand kept up with supply.

Since January 2020, developers of industrial product have built 2.1M square feet while net absorption has outpaced supply at more than 3.4M square feet. Rents will continue to climb especially in logistically central locations.

Industrial leasing is robust. Since the beginning of 2021, net absorption has averaged 570,000 sf each quarter and rents have increased more than 2.5% each quarter, or 13.3% since January of 2020.

Occupier's Perspective

Much of this year's leasing activity has centered on below market subleases. Some of the "choice" sublease space has been re-let clearing the way for landlords to compete for new leases. Available sublease space is near all-time highs, but the supply of new subleases space is decelerating.

We believe much of the recent activity in the office market was pent up demand from the pandemic and expect future demand to normalize for the remainder of the year.

While not all businesses are back in the office, most have formalized a strategy that entails a portion of their workforce working from home.