

Market Report

Q1 2021 began with more optimism than the previous three quarters and continued to improve with an impressive March Jobs Report, proving that economic recovery is well underway. Timing the Return-to-Office is now a center-point of discussion for many companies as they try to balance work productivity with employee sentiment. Microsoft made headlines last month as it announced plans to partially reopen its global headquarters outside of Seattle after a self-conducted survey revealed that 40% of the 31,000 employee respondents felt overtaxed and unhappy with the previous remote work mandate. Certain industries are leading the pack with return-to-office, such as Tech, Law Firms and other industries where employee collaboration is critical. However, the past year is not without its affects on the local Market. According to CoStar, Orlando has now seen seven of the past nine quarters finish with negative net absorption. Adding more strain to office landlords is the rapid increase in available sublease space, currently at 1.5 M SF (4.5% of all inventory), the highest level ever recorded in Orlando. While this does not bode well for landlords, it does lead to opportunities for credit-worthy tenants to negotiate better than average lease terms.

Market Trends



↑ This was Central Florida's 4th consecutive quarter of negative absorption, pushing vacancy levels (8.7%) upwards, but still well below the national average of 12.6%.

↑ The industrial market remains heated. 1.7M square feet was delivered in Q1 2021 while there was a positive net absorption of 1.5M square feet

↑ With the vaccine rollout, Orlando's hospitality sector is rebounding boosting job gains. New home starts maintain their torrid pace as Florida continues to attract relocations from Covid-weary northern states.



Class A & B Office

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$28.86	CBD Class A 17.0%	▲ 2.8%
\$22.69	CBD Class B 10.0%	▼ 6.7%
\$27.26	Total CBD 13.8%	▲ 0.2%
\$28.10	Submarket Class A 7.8%	▲ 0.6%
\$21.10	Submarket Class B 10.0%	▲ 0.5%
\$22.53	Total Submarket 9.0%	▲ 0.5%
\$11.85	Industrial Flex 6.9%	▼ 0.2%
\$7.11	Industrial Warehouse 4.5%	▼ 0.5%
\$7.98	Total Industrial 4.9%	▼ 0.2%

Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 Orlando Magic	23,711	CBD	Office	Arts, Entertainment
2 Spring Venture Group	21,694	Tourist Corridor	Office	Finance
3 Rasmussen College	18,829	Tourist	Office	Education
4 SightPlan	10,000	CBD	Office	Administrative & Support Services
5 Way Sun	9,800	Maitland	Office	Video Games
6 Vivant	8,820	East Orlando	Office	Scientific & Technical
7 FedEx	433,404	SW Orange	Industrial	Transportation
8 Intersteel	187,461	Lake County	Industrial	Manufacturing
9 Ace Relocation Systems	125,000	Orlando	Industrial	Transportation
10 Cathedral Corp.	79,795	Apopka	Industrial	Manufacturing

Occupier's Perspective

💰 While activity has picked up, the heavy focus has been on subleases. Landlords marketing direct space have not come off their face rates but are feeling the pressure of downsizing companies as leases expire.

🏗️ Construction pricing has skyrocketed making relocations costly. Best to plan far in the future when evaluating a relocation or renovation of interiors.

✅ It is important to reevaluate your company's headcount to decide how many should work from home vs. those that need to be at the office. One bright spot of the pandemic is that many companies have not seen a marked drop off in productivity for certain functions and can do with less square footage.