

Market Report

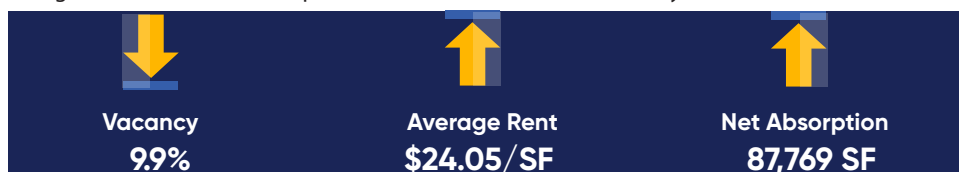


The Central Florida office market has somewhat stabilized over the course of 2021. Companies whose leases expired or could renegotiate midterm, are right sizing their spaces. The last 3 quarters of 2020 saw a significant amount of direct and sublease space come on the market. In 2021, companies have gradually come back to the office, and have been executing long term leases. While sublease space continues hit the market, it is slowing down and landlords are beginning to compete for deals again, albeit at higher concession packages. Finally, several relocations from out of state have buoyed optimism in the office market.

Supply shortages and skyrocketing labor costs are impacting construction pricing. Couple that with understaffed building departments, and timetables for construction are greatly exacerbated. Tenants or owner users, need to plan for long lead times to avoid holdover penalties.

Institutional landlords with an abundance of capital, are chasing investment sales compressing cap rates to all time lows.

Industrial development and leasing are going strong. With Florida's high population growth, elevated consumer spending and a shift toward e-commerce, speculative industrial properties are being leased well before completion. It's a field of dreams mentality.



Class A & B Office

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$29.80	CBD Class A 15.1%	▼ 1.7%
\$23.26	CBD Class B 8.7%	▼ 2.0%
\$28.01	Total CBD 12.1%	▼ 1.4%
\$27.76	Submarket Class A 9.8%	▲ 0.9%
\$22.11	Submarket Class B 9.2%	▼ 0.3%
\$23.31	Total Submarket 8.2%	▼ 0.1%
\$11.65	Industrial Flex 6.2%	▼ 0.6%
\$7.45	Industrial Warehouse 3.6%	▼ 0.4%
\$8.21	Total Industrial 4.0%	▼ 0.5%

Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 Morgan & Morgan	108,486	CBD	Office	Attorney
2 Advanced Micro Devices	44,002	East Orlando	Office	Semiconductors
3 Florida Cancer Specialists	37,500	Winter Park	Office	Healthcare
4 Embrace Families	28,095	Kissimmee	Office	Healthcare
5 Embrace Families	24,922	Maitland	Office	Healthcare
6 Dignitas	18,245	Research Park	Office	Defense contractor
7 Imperial Dade	380,510	South Orlando	Warehouse	Wholesaler
8 PureCycle Technologies	221,469	Winter Garden	Warehouse	Manufacturer
9 FedEx	201,291	Ocoee	Warehouse	Freight
10 Hilldrup	192,344	Southeast Orlando	Warehouse	Moving & Storage
11 Carrier	172,875	Southeast Orlando	Warehouse	Manufacturing
12 Concordance Healthcare	159,000	Southeast Orlando	Warehouse	Wholesaler

Market Trends



Activity in the office market was upbeat with a positive net absorption of 87,769 SF. Headscratcher—Occupancy levels inclusive of sublease availability is 260 basis points lower than pre-pandemic highs, while rates are 5.5% higher over that same period.

There is a disparity in submarkets. Corporate locations such as Lake Mary, are lagging in the recovery over local markets like the CBD where the return to work is more prevalent.

Industrial activity is still at a feverish pitch. 935,833 SF of net absorption in Q3. Vacancy at an all-time low of 3.6%. Rates have climbed to \$7.45 psf, NNN.

Occupier's Perspective

Most employers have adopted a hybrid solution with flexible schedules for their employees. However, not all companies have committed to staying put in their offices, providing uncertainty in future demand for space.

Recent leasing activity on the office market has slowed down and we expect the Q4 numbers to reflect this.

Net absorption in industrial has outpaced new deliveries by 2 to 1 over the last 7 quarters and in several cases, tenants are found in a bidding war for vacant spaces.