

# Market Report



As Florida fully reopened at the end of September, outlook for local businesses has slowly brightened. According to Orlando's Downtown Development Board, the fourth quarter saw an increase in visitor traffic downtown (as determined by an increase in cars parking in downtown garages). A local poll by the Orlando Business Journal also shows there is a gaining optimism that conditions will continue to improve this year; 62.3% of readers thought the economy would improve in 2021. However, the full effect of the pandemic and ensuing shutdowns are still being felt by landlords as indicated by Q4 being Orlando's third consecutive quarter of negative net absorption. Office space available for sublease in Orlando reached the highest it has been in over 20 years at about 1.2 million SF. This, combined with recent office deliveries (1.7M SF – CoStar), portend a softening office market trend. If a credit-worthy occupier is willing to commit to a significant term, now is an opportune time for them to achieve better deal terms such as more concessions and lower rates.

According to CoStar, the industrial average vacancy rate has actually compressed since the pandemic began making it the only sector of commercial real estate to glide through 2020 relatively unscathed. For many years, Central Florida's population and job growth has been one of the nation's highest, driving demand for fulfillment, distribution, and storage spaces. While rent growth did slow in this sector due to the pandemic, it is still outperforming the national average.



Class A &amp; B Office

## Rental and Vacancy Rates

| Direct Asking Rent (\$/SF) | Total Vacancy Rate          | YoY Change |
|----------------------------|-----------------------------|------------|
| \$27.23                    | CBD   Class A 14.2%         | ▲ 1.4%     |
| \$23.37                    | CBD   Class B 21.8%         | ▲ 0.3%     |
| \$27.27                    | Total CBD 14.2%             | ▲ 1.9%     |
| \$27.97                    | Submarket   Class A 7.4%    | ▲ 0.2%     |
| \$21.44                    | Submarket   Class B 9.3%    | ▲ 0.4%     |
| \$22.67                    | Total Submarket 7.9%        | ▲ 0.3%     |
| \$11.36                    | Industrial   Flex 7.5%      | ▬ 0.0%     |
| \$6.91                     | Industrial   Warehouse 5.0% | ▲ 1.2%     |
| \$7.87                     | Total Industrial 5.5%       | ▼ 0.9%     |

## Recent Transactions

| Tenant                                   | Size    | Submarket         | Type       | Sector                |
|--|---------|-------------------|------------|-----------------------|
| 1 Interplan                              | 28,540  | Altamonte Springs | Office     | Professional Services |
| 2 High Key                               | 25,209  | Research Park     | Office     | Ecommerce             |
| 3 Arizona College School of Nursing      | 23,000  | Orlando           | Office     | Education             |
| 4 Henderson Agency                       | 22,368  | Orlando           | Office     | Finance & Insurance   |
| 5 Department of Veteran Affairs          | 20,736  | Orlando           | Office     | Government            |
| 6 CoPilot Provider Support Services Inc. | 20,038  | Maitland          | Office     | Professional Services |
| 7 LGSTX                                  | 185,000 | Orlando           | Industrial | Transportation        |
| 8 Humana Pharmacy                        | 162,656 | Orlando           | Industrial | Healthcare            |
| 9 Sprouts                                | 133,400 | Orlando           | Industrial | Grocer                |
| 10 Rhino Tire USA LLC                    | 120,000 | Orlando           | Industrial | Wholesaler            |

## Market Trends



- ↑ While the Orlando office vacancy rate is at a five-year high of 8.8%, it is still far below the national average vacancy rate of 11.2%
- ↓ Orlando's overexposure to the hardest hit industries of the pandemic (i.e., Leisure, Hospitality, Retail and Tourism) has made employment recovery sluggish.
- ↑ A lack of speculative development over the past decade has aided Orlando's market fundamentals in remaining relatively strong during this year; demand has gone down but there was not an over-supply to begin with.

## Occupier's Perspective

💰 A healthy amount of sublease space is in direct competition with area landlords and we are finally seeing those landlords make meaningful concessions to backfill second generation space.

🏢 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.

✅ If you are an occupier of industrial space, your options are much more limited than office or retail. If the building and site works for your company's requirements, decisions should be made quickly to secure it.