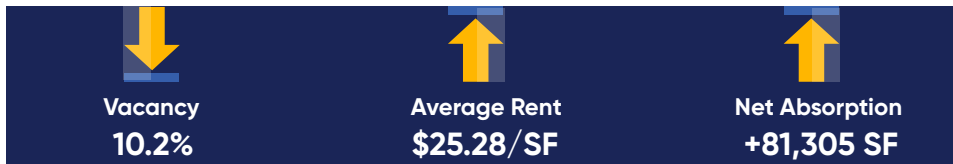


# Market Report

With so many macro issues affecting our economy, no one knows for certain which way the economy is heading. Rising interest rates and inflation, coupled with the war in Ukraine, is casting tension in the markets. Real estate, long considered a safe haven for investors, remains a magnet for fresh capital especially multifamily and industrial sectors. And why not, rents continue to escalate at a record pace.

In the office market, the Omicron scare has subsided, and we are seeing renewed interest with office users returning to the workplace. The numbers indicate this demand is tempered at a positive net absorption of 81,000 SF in the first quarter. Orlando's sublease inventory of 1.2% vacant is at the national average, yet still above pre-pandemic levels. We are forecasting positive demand to continue for the next several quarters, but at low levels. New construction starts are tempered as well with only 6 buildings totaling 394,000 SF currently under construction, most of which are build-to-suits.

Industrial leasing continues to be active with a positive net absorption of 270,000 SF down from the average of 649,000 SF per quarter over the last 2 years. With 700,000 SF of new deliveries, vacancies climbed for the first time since the second quarter of 2020. With 2,367,000 SF under construction, industrial rents should stabilize in the high \$7 to low \$8 psf level.



Class A &amp; B Office

## Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$31.21	CBD   Class A 13.9%	▼ 3.1%
\$24.84	CBD   Class B 8.9%	▼ 1.1%
\$29.36	Total CBD 12.5%	▼ 1.3%
\$28.10	Submarket   Class A 10.9%	▲ .4%
\$22.91	Submarket   Class B 9.0%	▼ .5%
\$24.70	Total Submarket 9.7%	▲ .7%
\$11.78	Industrial   Flex 5.4%	▼ .8%
\$8.10	Industrial   Warehouse 3.6%	▼ 1.0%
\$8.67	Total Industrial 3.9%	▼ 1.0%

## Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 Astronics Test Systems	68,703	East Orlando	Office	Manufacturer
2 Web Benefits Design	22,259	Tourist Corridor	Office	Professional Services
3 DiSTI	21,152	East Orlando	Office	Professional Services
4 Dnata	16,050	SE Orange County	Office	Professional Services
5 The Multifamily Mindset	14,627	West Colonial	Office	Finance
6 Cole Engineering	11,796	East Orlando	Office	Professional Services
7 Seacoast Bank	11,165	Winter Park	Office	Finance
8 J.B. Hunt	196,313	SE Orange County	Industrial	Transportation
9 Frito-Lay	130,000	NW Orange County	Industrial	Manufacturer
10 Chadwell Supply	74,205	NW Orange County	Industrial	Wholesaler
11 Genuine Cable Group	54,449	SE Orange County	Industrial	Wholesaler
12 1st Class Moving & Storage	45,864	SE Orange County	Industrial	Services

## Market Trends



There are indications that tenant confidence is beginning to re-emerge. Several large long-term renewals have occurred and out of town relocations from Disney and Checkr, Inc. are a shot in the arm for the office market.



Supply chain issues and a tight workforce, continue to wreak havoc on construction timetables and costs. However, we are beginning to see construction pricing stabilize albeit at historic highs.



Industrial leasing remains strong with rents breaching the \$8.00 PSF mark, a 28% increase over where they were just 2 years earlier

## Occupier's Perspective



Office tenants continue to evaluate future space needs in an increasingly hybrid workplace environment. Many are still looking to downsize their physical footprints as they work to right-size.



Employment is now stronger than before the pandemic. Orlando is currently at a 2.9% unemployment rate, finding qualified talent is competitive. Orlando's population growth



Sublease space is still abundant at 1.2% of the total inventory and a good option to consider for those in a position to relocate in the next 12 months.