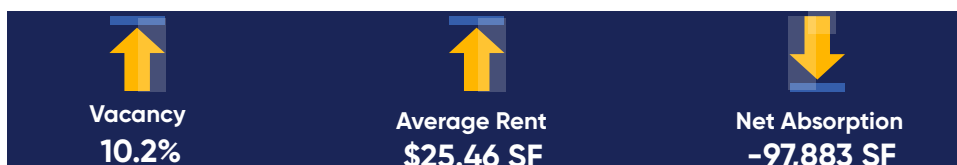


Market Report

With a recession looming and the hybrid work from home workforce disrupting occupancy, the office market has been at a standstill. Vacancies are slowly creeping up as leases expire with some not renewing and others downsizing. While we have had some corporate relocations, they are nothing like those in the Miami, West Palm Beach and Tampa MSAs. Overall, our vacancy rates are roughly 4 percentage points below the national average with rental rates rising 2.8% year over year.

Activity is up marginally from last year as most companies now have a game plan moving forward on whether to fully go back to the office or implement a work from home strategy. With the Fed pumping the brakes on the economy by raising interest rates, it is unlikely we will see high absorption for the remainder of the year and much of 2023. Fortunately for Orlando and the Sunshine State, population growth is high, and tourism remains elevated, so any recessionary effects will be diminished in our local economy.

The industrial market continues its torrid pace with continued development—both speculative and build to suits. Rents are at historic highs and absorption remains positive. No signs of slowing down, but it remains to be seen if the nearly 4M square feet of new deliveries will be absorbed at the current pace.



Class A & B Office

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$31.35	CBD Class A 9.7%	▼ 5.4%
\$25.87	CBD Class B 11.4%	▲ 2.7%
\$29.72	Total CBD 10.1%	▼ 2.0%
\$27.52	Submarket Class A 11.9%	▲ 2.1%
\$23.32	Submarket Class B 9.2%	■ 0.0%
\$24.83	Total Submarket 10.2%	▲ 2.0%
\$12.35	Industrial Flex 5.4%	▼ .8%
\$8.63	Industrial Warehouse 3.5%	▼ .1%
\$9.23	Total Industrial 3.8%	▼ .21%

Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 ScionHealth	85,578	Winter Park	Office	Healthcare
2 Cole Engineering Svcs	57,735	Research Park	Office	Professional Services
3 ThreatLocker	42,746	Maitland	Office	Professional Services
4 Florida Cancer Centers	39,000	Winter Park	Office	Healthcare
5 HNTB	32,096	Lake Mary	Office	Professional Services
6 Veytec	16,350	NW Orange County	Office	Professional Services
7 Medline	546,819	NW Orange County	Industrial	Healthcare
8 McKesson Surgical	435,969	SE Orange County	Industrial	Wholesaler
9 Mohawk	396,740	Polk County	Industrial	Manufacturer
10 Mavis Discount Tires	295,460	Kissimmee	Industrial	Retail
11 Empire	188,400	SE Orange County	Industrial	Transportation/Warehouse
12 United Facilities	133,000	SE Orange County	Industrial	Transportation/Warehouse



Market Trends



Employment remains tight in Central Florida with the unemployment rate at 2.5%, however one economist is predicting this to soften to 5.1% by the end of 2023 and 6.1% by 2024.

An unprecedented 42 large blocks of space are now on the market of 50,000 SF or more. Activity has centered on smaller spaces of under 10,000 SF.

Six industrial buildings of 628,000 SF were completed this past quarter. And with over 3.3M square feet under construction (3.1% of the total market), we could see a leveling of rental rates which are at historic highs. Rents are up 42.4% over the last 3 years.

Occupier's Perspective



Activity is more elevated for class A space than B or C space. Companies are seeing the real estate as an asset in attracting and retaining talent.



Sublease space is still abundant at 2.3% of the total inventory and a good option to consider for those in a position to relocate in the next 12 months.



During unpredictable times such as now, landlords are offering higher concession packages for credit companies willing to commit to longer term leases.