

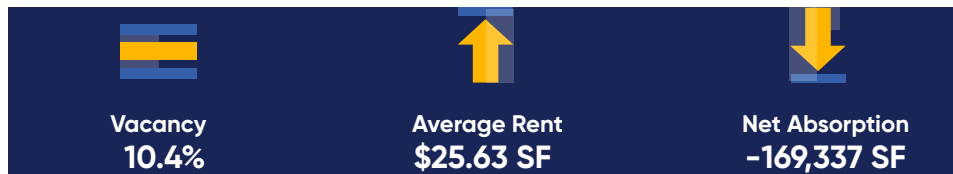
Market Report

Orlando's office market has been moving sideways. Most companies have adopted some form of work from home model and as leases rollover, many of those companies are terminating or downsizing. The few corporate relocations to Orlando have minimized the negative absorption we've seen over the last 12 months. Rental rates have held steady, but higher concession packages are more prevalent.

There are few speculative office projects in the works mostly because of the diminished demand and partly because of eroding capital markets due to rising interest rates. Central Florida's vacancy rate of 10.4% is well below the national norm of 13.5% which is a sign of the health of the local economy. Fortunately for Orlando and the Sunshine State, population growth is high, and tourism remains elevated, so any recessionary effects have been diminished.

Overall, there has been a flight to quality with class A being in higher demand. Companies are competing for labor in a tight market using building amenities to attract the best talent as they give back larger blocks in older, less functional buildings. This trend will continue throughout 2023.

The industrial market had another blowout quarter with 1.15M square feet of net absorption. Rents are at a historic high, a 13% increase YOY. 3.1M square feet is under construction and while activity has somewhat slowed, there is no sign that the market will correct this year.



Class A & B Office

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$32.52	CBD Class A 11.0%	▼ 3.5%
\$26.99	CBD Class B 11.6%	▲ 2.6%
\$30.53	Total CBD 11.2%	▼ .5%
\$28.72	Submarket Class A 12.9%	▲ 2.1%
\$23.71	Submarket Class B 8.8%	▼ .5%
\$25.30	Total Submarket 10.3%	▲ 1.9%
\$12.57	Industrial Flex 4.5%	▼ .9%
\$9.04	Industrial Warehouse 2.9%	▼ .3%
\$9.55	Total Industrial 3.1%	▼ .5%

Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 FEMA	126,570	Lake Mary	Office	Public Administration
2 State Farm Insurance	26,816	Research Park	Office	Finance/Insurance
3 Healthcare Support Staffing	20,371	Maitland	Office	Professional Services
4 Orlando Orthopedic Center	16,190	Casselbury	Office	Healthcare
5 Seminole County Sherriff's Office	15,490	Altmonte/Douglas	Office	Administrative/Support Svcs
6 Sealy Mattress	40,399	SE Orange County	Industrial	Manufacturing
7 Four Seasons Sunrooms	250,205	Lake County	Industrial	Services
8 Jeld-Wen	94,384	Kissimmee	Industrial	Manufacturing
9 Soligent	84,308	SE Orange County	Industrial	Services
10 Break the Floor	71,902	NW Orange County	Industrial	Arts, Entertainment & Rec

Market Trends



↓ Moving into 2023, the continued downsizing of many tenants combined with a general slowing in anticipated demand is going to lead to a lingering, slow recovery.

↑ Most of the available sublease space are in the suburbs coming from corporate tenants experiencing retraction. Central Florida is at an all-time high of 848,000 square feet of available sublease space.

↑ With little infill sites left in Orlando, much of the speculative industrial development is being constructed around the beltway. With demand still elevated, the 3.1M square feet under construction may not be enough to satisfy net absorption for 2023 and rental rates are projected to rise for the calendar year.

Occupier's Perspective

🏢 Much of Orlando's office vacancy is attributed to large blocks surrendered by national companies who have instituted work from home policies. Tenants of over 20,000 SF are scarce, so these blocks have been slow to backfill.

👤 High material and labor costs are headwinds when considering a relocation. While landlords are providing increased TI packages, these are typically not enough to cover the overall project costs.

✅ When considering a renewal, relocation or downsizing, it is important to talk strategy at least 12 months in advance. Designing the right space for a hybrid WFH model, estimating growth, and factoring in long lead times of permitting, construction and supply chain delays for materials, can be mitigated with proper planning.