

MARKETBEAT ORLANDO

Office Q3 2020



CUSHMAN &
WAKEFIELD

YoY
Chg

11.6%

Vacancy Rate



-212k

YTD Net Absorption, SF



\$24.60

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY
Chg

1.2M

Orlando
Employment



10.9%

Orlando
Unemployment Rate



8.8%

U.S.
Unemployment Rate



Source: BLS. Numbers above are monthly figures, FL
Dept. Economic OPP.

ECONOMY

Orlando, part of the Central Florida region, had the highest unemployment rate for a major market in Florida in August 2020, at 10.9%, 440 basis points (bps) lower than the previous month but 770 bps higher than the region's rate from one year ago. Nonagricultural employment fell by 120,200 jobs, or 9.0%, year-over-year (YOY) to 1.2 million. The only major employment sector to gain jobs YOY was in Transportation, Warehousing & Utilities, adding 1,400 new positions. Every other sector forfeited jobs in the last 12 months with almost 75% of all losses continuing to come from the Leisure & Hospitality sector, with 88,600 jobs gone, followed by Professional & Business Services which had payroll declines of 10,200 positions. With office-using employment down in Orlando and a sizeable portion of the labor force still working from home, many tenants as well as owners were reassessing options and strategic plans over the summer.

SUPPLY

Overall vacancy ended the third quarter at 11.6%, an increase of 230 bps over this time last year. Class A vacancy rose by 360 bps year-over-year (YOY) to 11.4% and Class B vacancy climbed by 70 bps to 12.0%. Suburban submarkets and the Central Business District (CBD) were impacted relatively equally, rising 210 bps and 280 bps, respectively. Building owners across Orlando started to market several large blocks of space for future availability as well as several blocks of sublease space with expiration dates over the next 24 months. New additions to inventory year-to-date (YTD) totaled 455,000 square feet (sf) and were 60% preleased on delivery. Another 182,800 sf was under construction at the close of the third quarter, predominantly in the CBD.

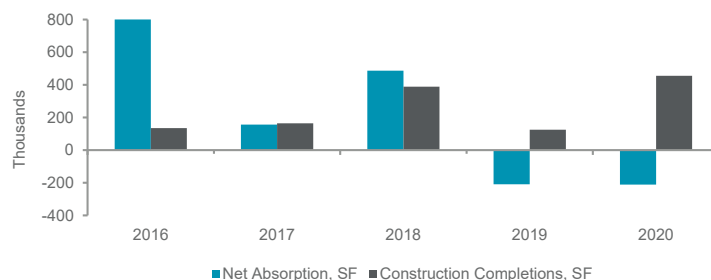
DEMAND

New leasing demand picked up in the third quarter with approximately 544,000 sf of activity, bringing the YTD total to nearly 1.5 million sf leased. Most new lease deals were in Class A buildings, 822,000 sf compared to only 645,000 sf in Class B assets. Suburban submarkets outperformed the CBD in terms of new leasing activity with 90% of all activity in Orlando occurring outside of the CBD. The Tourist Corridor submarket had the largest share of leasing activity in the region at 364,000 sf, up 11% YOY.

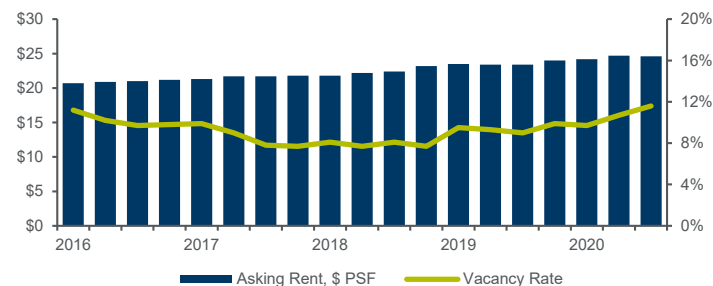
PRICING

Overall asking rents increased 3.3% YOY to \$24.59 per square foot (psf) full service. Class A assets rose to \$27.27 psf overall with gains in both the CBD and suburban submarkets driving rental rates to \$29.62 and \$26.38 psf, respectively. Class A assets in the Millenia/MetroWest submarket recorded the largest YOY increase, up 10.2% to \$28.26 psf. In contrast, Class A product in Airport/Lake Nona recorded a 10.6% YOY decrease in asking rents, dropping to \$28.86.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | SUBLEASE VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|------------------------------|-------------------|----------------------|--------------------|----------------------|------------------------------------|-----------------------------|---------------------------|------------------|--|------------------------------------|
| CBD | 7,113,842 | 117,053 | 856,965 | 13.7% | -107,270 | 138,617 | 306,218 | 114,800 | \$28.58 | \$29.62 |
| 436 Corridor | 1,915,068 | 17,814 | 123,000 | 7.4% | 3,847 | -15,749 | 64,015 | 0 | \$20.65 | \$31.00 |
| Airport/Lake Nona | 1,188,582 | 12,778 | 97,921 | 9.3% | -2,512 | 2,635 | 72,939 | 38,000 | \$28.56 | \$28.56 |
| Altamonte Springs | 1,167,099 | 11,355 | 266,131 | 23.8% | -4,602 | -47,259 | 40,527 | 0 | \$18.38 | \$21.78 |
| Lake Mary/Heathrow | 4,394,213 | 89,840 | 471,735 | 12.8% | 13,442 | -49,342 | 121,326 | 0 | \$27.43 | \$27.94 |
| Lee Road Corridor | 777,980 | 0 | 59,457 | 7.6% | -2,036 | -16,949 | 28,915 | 0 | \$20.74 | N/A |
| Longwood | 677,469 | 0 | 173,340 | 25.6% | 768 | -16,289 | 30,695 | 0 | \$19.48 | N/A |
| Maitland | 5,627,507 | 62,469 | 547,366 | 10.8% | -7,316 | -125,762 | 202,201 | 0 | \$22.16 | \$23.15 |
| Millenia/Metrowest | 1,881,473 | 3,790 | 186,898 | 10.1% | -21,879 | -66,913 | 52,220 | 0 | \$26.58 | \$28.26 |
| Tourist Corridor/Celebration | 5,872,615 | 0 | 474,839 | 8.1% | -48,522 | 79,429 | 363,914 | 30,000 | \$23.07 | \$26.86 |
| University/Research Park | 4,049,132 | 20,847 | 482,195 | 12.4% | -20,150 | -80,367 | 142,847 | 0 | \$24.47 | \$26.93 |
| Winter Park | 1,309,762 | 17,952 | 88,691 | 8.1% | -20,961 | -14,027 | 64,532 | 0 | \$27.93 | \$34.78 |
| NON-CBD TOTALS | 28,860,900 | 236,845 | 2,971,573 | 11.1% | -109,921 | -350,593 | 1,184,131 | 68,000 | \$23.52 | \$26.38 |
| ORLANDO TOTALS | 35,974,742 | 353,898 | 3,828,538 | 11.6% | -217,191 | -211,976 | 1,490,349 | 182,800 | \$24.59 | \$27.27 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2020

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|-----------------------------|------------------|-----------------------|---------|----------|
| 500 N Orange Avenue | CBD | GSA – Social Security | 114,800 | Direct |
| 8415 South Park Circle | Tourist Corridor | Diamond Resorts | 93,384 | Renewal* |
| 1901 Summit Tower Boulevard | Maitland | Staples | 60,000 | Renewal* |

*Renewals are not included in leasing activity

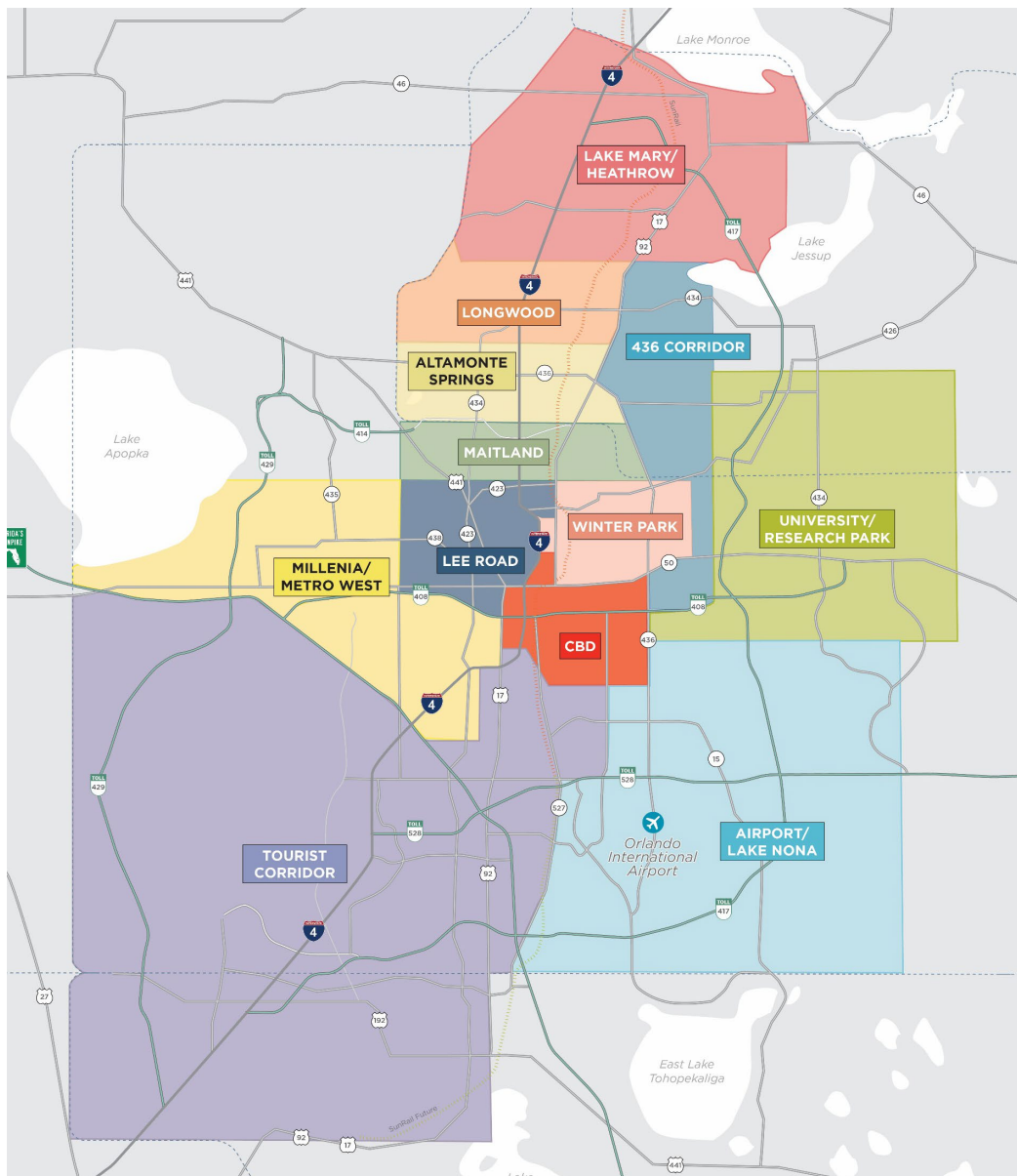
KEY SALES TRANSACTIONS Q3 2020

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|----------------------|-------------|---|--------|--------------------|
| 1925 Prospect Avenue | Winter Park | Cuhaci & Peterson Architects/Carroll Bradford | 20,640 | \$5,900,000/\$4286 |

KEY CONSTRUCTION COMPLETIONS YTD 2020

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER / DEVELOPER |
|-------------------------------|-----------|--------------|---------|--------------------------|
| Truist Plaza at Church Street | CBD | Truist | 214,800 | Lincoln Property Company |

OFFICE SUBMARKETS



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