

MARKETBEAT ORLANDO

Office Q3 2021



CUSHMAN &
WAKEFIELD

14.3%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-1.4M

YTD Net Absorption, SF



\$25.19

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

1.2M

Orlando
Employment

YoY
Chg



12-Mo.
Forecast



5.0%

Orlando
Unemployment Rate



5.2%

U.S.
Unemployment Rate



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

ECONOMY

Orlando, part of the Central Florida region and one of the nation's largest tourism markets, had an unemployment rate of 5.0% in August 2021, 30 basis points (bps) lower than the previous month and 560 bps lower than the region's rate from one year ago. Nonagricultural employment grew by 74,000 jobs, or 6.4% year-over-year (YOY), with the region gaining jobs in the tourism, construction and financial services industries. Office-using employment gained 14,000 new jobs in the last 12 months.

DEMAND

Office leasing demand closed out the third quarter with over 1.5 million square feet year-to-date (YTD), approaching 90% of the level of activity at this point in 2019. Approximately half of all activity was in Class A inventory compared to 641,000 square feet (sf) YTD in Class B buildings. Suburban submarkets outperformed the Central Business District (CBD) by a margin close to 4 to 1 in terms of new leasing activity, with 80% of all activity in Orlando occurring outside of the urban core. In the last 12 months, the CBD had 297,000 sf of leasing, the most activity of any submarket.

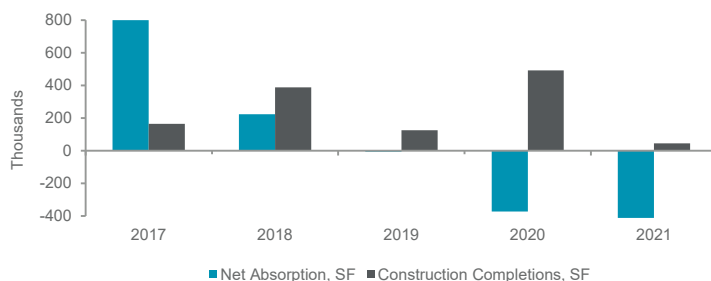
SUPPLY

Overall vacancy did not move from the second quarter level, remaining at 14.3% in the third quarter even with 100,000 sf of new sublease space hitting the market and raising the percentage of sublease compared to overall inventory to 2.2%, lower than the 3.0% level reached after the Great Financial Crisis in 2008. Vacancy in Class A fell by 70 bps to 14.7% quarter-to-quarter indicating a flight to quality by tenants during this period of uncertainty. Direct availabilities in Class B space increased by over 100,000 sf to 13.3%. The vacancy rate in the CBD was only 50 bps higher than suburban submarkets, 14.7%, compared to 14.2%. All submarkets had YOY gains in vacant space except for Millenia/MetroWest which saw vacancy fall by 90 bps in the last 12 months. There was 675,500 sf under construction at the end of the quarter with most space already leased to several large tenants and minimal space to be added as available once delivered.

MARKET PRICING

Overall asking rents continued to rise even as the supply of available space increased over the last 12 months. Asking rates climbed 3.1% YOY to an historic high of \$25.19 per square foot (psf) full service on large blocks of sublease space priced at a level comparable to direct space in the same submarket. Rents in Class A assets rose an outstanding 4.4% to \$28.27 psf overall on gains in several suburban submarkets, including Maitland with a 15.7% gain to \$26.78 psf, Tourist Corridor up 9.1% to \$29.30 psf and in Millenia/MetroWest at \$30.53 psf, up by 8.0%. The Orlando CBD saw rent increase by 2.0% to \$29.15 psf YOY with both Class A and B pushing rates up, 1.2% and 2.2%, respectively.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | DIRECT VACANT (SF) | SUBLEASE 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 | 7,104,126 | 889,354 | 156,781 | 14.70% | 15,943 | -179,048 | 291,609 | 290,800 | \$29.15 | \$29.97 |
| 436 Corridor/Casselberry/408 | 1,912,885 | 145,798 | 7,901 | 8.00% | -38,455 | -47,090 | 58,488 | 0 | \$20.56 | \$31.00 |
| Airport/Lake Nona | 1,352,683 | 205,886 | 41,022 | 18.30% | -8,762 | -101,925 | 95,860 | 54,718 | \$30.10 | \$30.10 |
| Altamonte Springs | 1,167,099 | 312,781 | 0 | 26.80% | -4,739 | -64,291 | 54,201 | 0 | \$17.93 | \$21.68 |
| Lake Mary/Heathrow | 4,564,447 | 464,259 | 148,121 | 13.40% | 152 | -108,446 | 179,618 | 0 | \$26.95 | \$27.14 |
| Lee Road Corridor | 779,855 | 80,161 | 2,487 | 10.60% | 2,451 | -16,657 | 39,759 | 0 | \$21.57 | N/A |
| Longwood | 677,469 | 189,400 | 1,530 | 28.20% | -38,924 | -41,792 | 48,698 | 0 | \$19.28 | N/A |
| Maitland | 5,592,339 | 732,916 | 168,976 | 16.10% | -47,401 | -285,228 | 226,017 | 0 | \$24.20 | \$26.78 |
| Millenia/Metrowest/Windermere | 1,926,979 | 168,246 | 8,885 | 9.20% | -9,717 | 22,246 | 64,532 | 0 | \$28.34 | \$30.53 |
| Tourist Corridor/Celebration | 6,315,443 | 648,433 | 188,273 | 13.30% | -48,012 | -333,918 | 168,319 | 330,000 | \$23.79 | \$29.30 |
| University/Research Park | 4,043,166 | 503,933 | 85,722 | 14.60% | -52,889 | -188,736 | 170,675 | 0 | \$24.62 | \$27.65 |
| Winter Park | 1,260,648 | 87,716 | 14,545 | 8.10% | -3,086 | -20,185 | 113,507 | 0 | \$28.75 | \$29.79 |
| NON-CBD TOTALS | 29,593,013 | 3,539,529 | 667,462 | 14.20% | -249,382 | -1,186,022 | 1,219,674 | 384,718 | \$24.16 | \$27.63 |
| Orlando TOTALS | 36,697,139 | 4,428,883 | 824,243 | 14.30% | -233,439 | -1,365,070 | 1,511,283 | 675,518 | \$25.19 | \$28.27 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|------------------------------|--------------------------|------------------------------|--------|---------|
| 20 N Orange Avenue | CBD/Downtown/Uptown | Morgan & Morgan | 92,939 | Renewal |
| 3501 Quadrangle Boulevard | University/Research Park | Advanced Micro Devices (AMD) | 44,000 | Renewal |
| 901 North Lake Destiny Drive | Maitland | Embrace Families Inc. | 24,922 | New |
| 20 N Orange Avenue | CBD/Downtown/Uptown | Morgan & Morgan | 15,547 | New |

*Renewals are not included in leasing activity

KEY SALES TRANSACTIONS Q3 2021

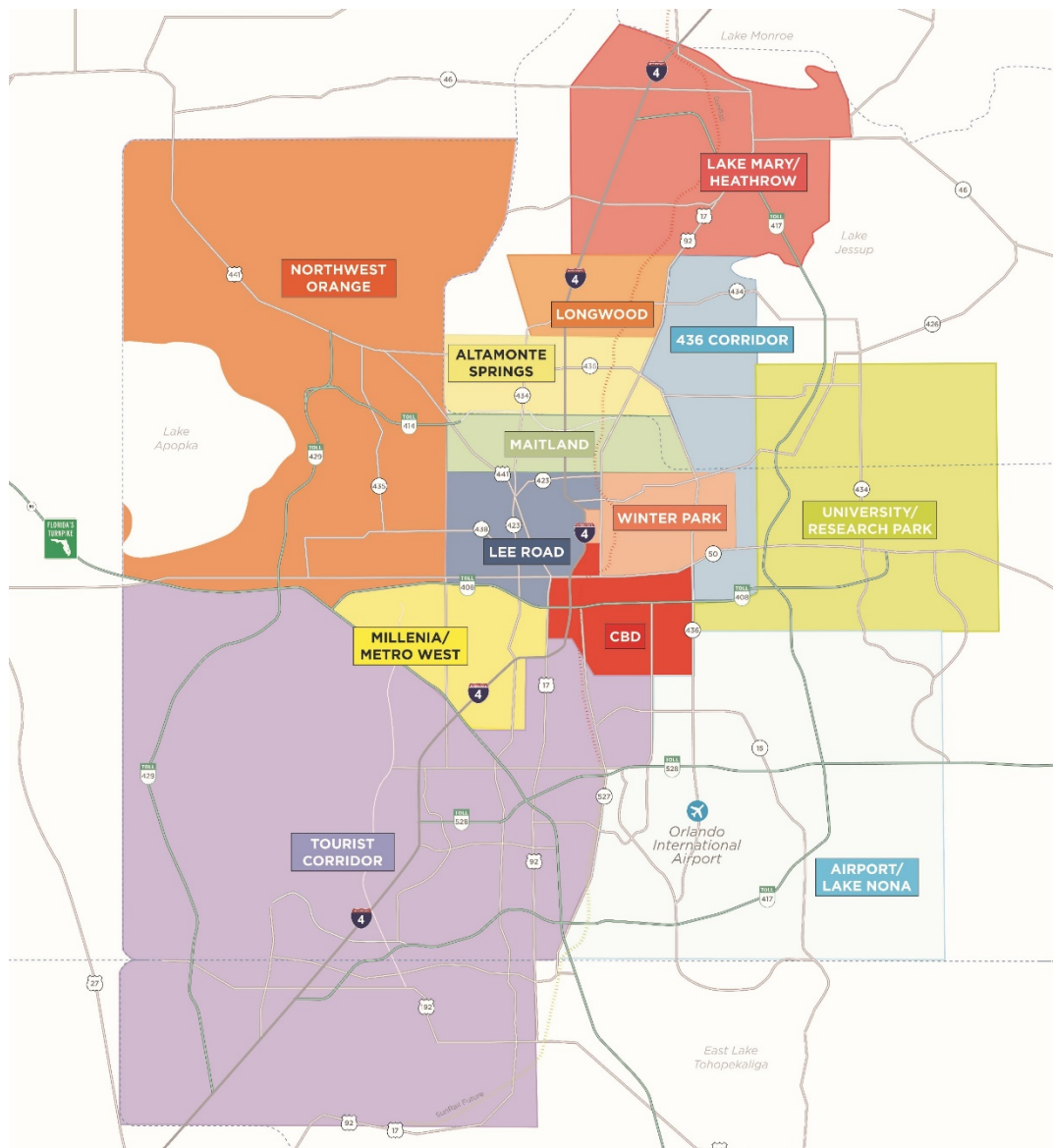
| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|------------------------|---------------------|---|---------|----------------|
| 2420 S Lakemont Avenue | Winter Park | Atlanta Property Group TriGate Capital | 161,508 | N/A N/A |
| 927 Fern Street | Altamonte Springs | MRP Investment Llc 927 Fern Street Holdings Llc | 107,314 | \$4.3M \$40 |
| 801 N Magnolia Avenue | CBD/Downtown/Uptown | Chugin USA 26Health Inc. | 52,748 | \$6.9M \$131 |

KEY CONSTRUCTION COMPLETIONS 2021

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER / DEVELOPER |
|--------------------|-------------------------------|-----------------------|--------|-----------------------------|
| 270 W Plant Street | Millenia/Metrowest/Windermere | City of Winter Garden | 45,687 | City of Winter Garden N/A |



OFFICE SUBMARKETS



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RESEARCH PUBLICATION

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*Northwest Orange submarket currently has no inventory.