

# MARKETBEAT ORLANDO

Office Q3 2022



CUSHMAN &  
WAKEFIELD

YoY  
Chg

12-Mo.  
Forecast

**13.8%**

Vacancy Rate



**-98.7K**

YTD Net Absorption, SF



**\$25.78**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2022

YoY  
Chg

12-Mo.  
Forecast

**1.4M**

Orlando  
Employment



**3.0%**

Orlando  
Unemployment Rate



**3.5%**

U.S.  
Unemployment Rate



Source: BLS, 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 3.0% in August 2022, 190 basis points (bps) lower than the region's rate one year ago. Job growth continued through Orlando despite the current economic slowdown, as nonagricultural employment grew by 70,800 jobs, or 5.4% year-over-year (YOY). The region had the highest annual job growth in Leisure and Hospitality out of Florida's major markets, with 35,300 jobs added. Office-using employment gained 12,000 new jobs over the past twelve months.

## DEMAND

Despite uncertainty when it comes to companies and their consideration on the work-from-home and hybrid implementation plans, office leasing demand was steady during the third quarter of 2022, closing out with more than 416,000 square feet (sf) bringing the year-to-date (YTD) total to 1.6 million square feet (msf). Office market fundamentals continued in the right direction with consistent improvements as the flight to quality for Class A inventory accounted for 63% of leasing activity. Tenant demand for newer buildings with more amenities remained healthy with suburban submarkets outperforming the Central Business District (CBD) by a ratio of more than four to one in terms of new leasing activity. Over 77% of leasing activity in Orlando occurred outside of the urban core.

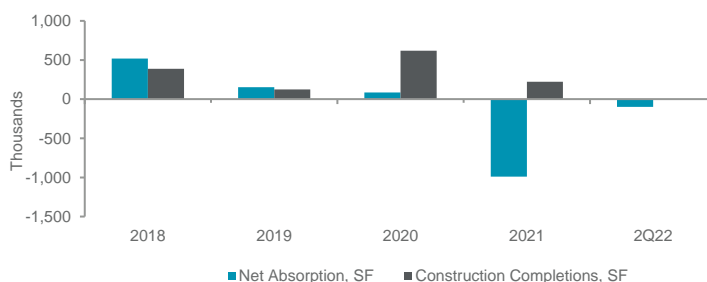
## SUPPLY

Overall vacancy increased 100 bps YOY to 13.8%, up 10 bps from the previous quarter. The Maitland submarket contributed over 28% of the total suburban vacancy and can be attributed most heavily by a renewal downsize of FedEx from 131,000 sf to 70,450 sf at Tower Place at The Summit. The Airport/Lake Nona submarket had the largest vacancy improvement, impacted most heavily by the occupation of KPMG into 74,700 sf at 6820 Marwick Ln. Vacancy dropped 300 bps YOY in the submarket. The tightest office submarkets remain smaller suburban ones, including Winter Park at 4.5%, and Millenia/Metrowest at 8.4%.

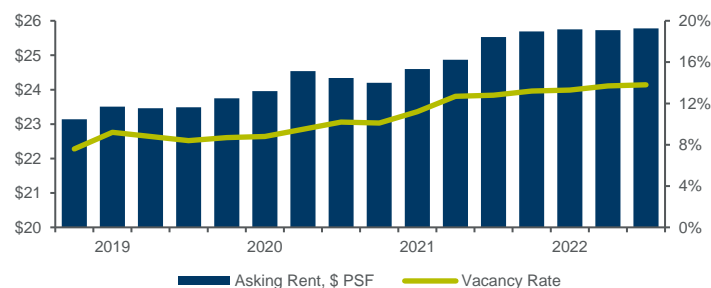
## PRICING

The overall average rent for office space continued to rise but appeared to be slowing. The flight to quality allowed lower tier and sublet space to have more impact on overall rates, flattening rent growth. Asking rates rose 1.0% YOY to \$25.78 per square foot (psf) full service. Rents in Class A assets closed out the third quarter at \$28.37 psf overall, up 0.4% YOY. To offset higher rates in the market, rent concessions have increased and are expected to continue as landlords hold out on dropping asking rents.

## 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)*
<b>CBD</b>	7,186,853	890,891	133,957	14.3%	-1,239	77,337	254,676	0	\$29.17	\$30.00
436 Corridor/Casselberry/408	1,752,607	155,624	0	8.9%	-33,671	-37,080	69,131	0	\$20.09	\$31.00
Airport/Lake Nona	1,259,127	109,020	3,677	9.0%	52,560	35,029	135,171	342,807	\$30.78	\$30.78
Altamonte Springs	907,343	149,090	23,056	19.0%	1,205	26,285	76,804	0	\$18.48	\$22.35
Lake Mary/Heathrow	4,525,271	526,253	144,808	14.8%	-11,042	-114,030	147,222	0	\$26.61	\$26.84
Lee Road Corridor	687,000	92,185	1,875	13.7%	-17,170	-2,057	43,613	0	\$21.26	N/A
Longwood	637,469	155,646	0	24.4%	12,603	40,840	39,462	0	\$19.50	N/A
Maitland	5,584,209	1,003,951	100,398	19.8%	-88,896	-143,470	180,652	0	\$24.66	\$27.63
Millenia/Metrowest/Windermere	1,926,979	158,311	2,942	8.4%	-32,066	-17,764	111,620	0	\$29.03	\$29.92
Tourist Corridor/Celebration	6,172,742	707,402	161,720	14.1%	45,828	-46,843	298,969	300,000	\$26.18	\$29.76
University/Research Park	4,043,166	336,979	22,611	8.9%	41,252	75,035	198,572	68,703	\$25.27	\$27.07
Winter Park	1,205,088	51,971	1,731	4.5%	-217	8,029	40,365	0	\$31.45	\$30.44
<b>NON-CBD TOTALS</b>	28,701,001	3,446,432	462,818	13.6%	-29,614	-176,026	1,341,581	711,510	\$25.04	\$27.89
<b>Orlando TOTALS</b>	35,887,854	4,337,323	596,775	13.8%	-30,853	-98,689	1,596,257	711,510	\$25.78	\$28.37

\*Rental rates reflect full service asking

CLASS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CONSTRUCTION (SF)	DIRECT AVG ASKING RENT	OVERALL AVG ASKING RENT
CLASS A	21,289,893	2,555,214	499,503	14.4%	35,827	-90,482	960,065	711,510	\$28.32	\$28.37
CLASS B	14,597,961	1,782,109	97,272	12.9%	-66,680	-13,331	636,192	0	\$22.04	\$21.97
<b>Orlando TOTALS</b>	35,887,854	4,337,323	596,775	13.8%	-30,853	-103,813	1,596,257	711,510	\$25.66	\$25.78

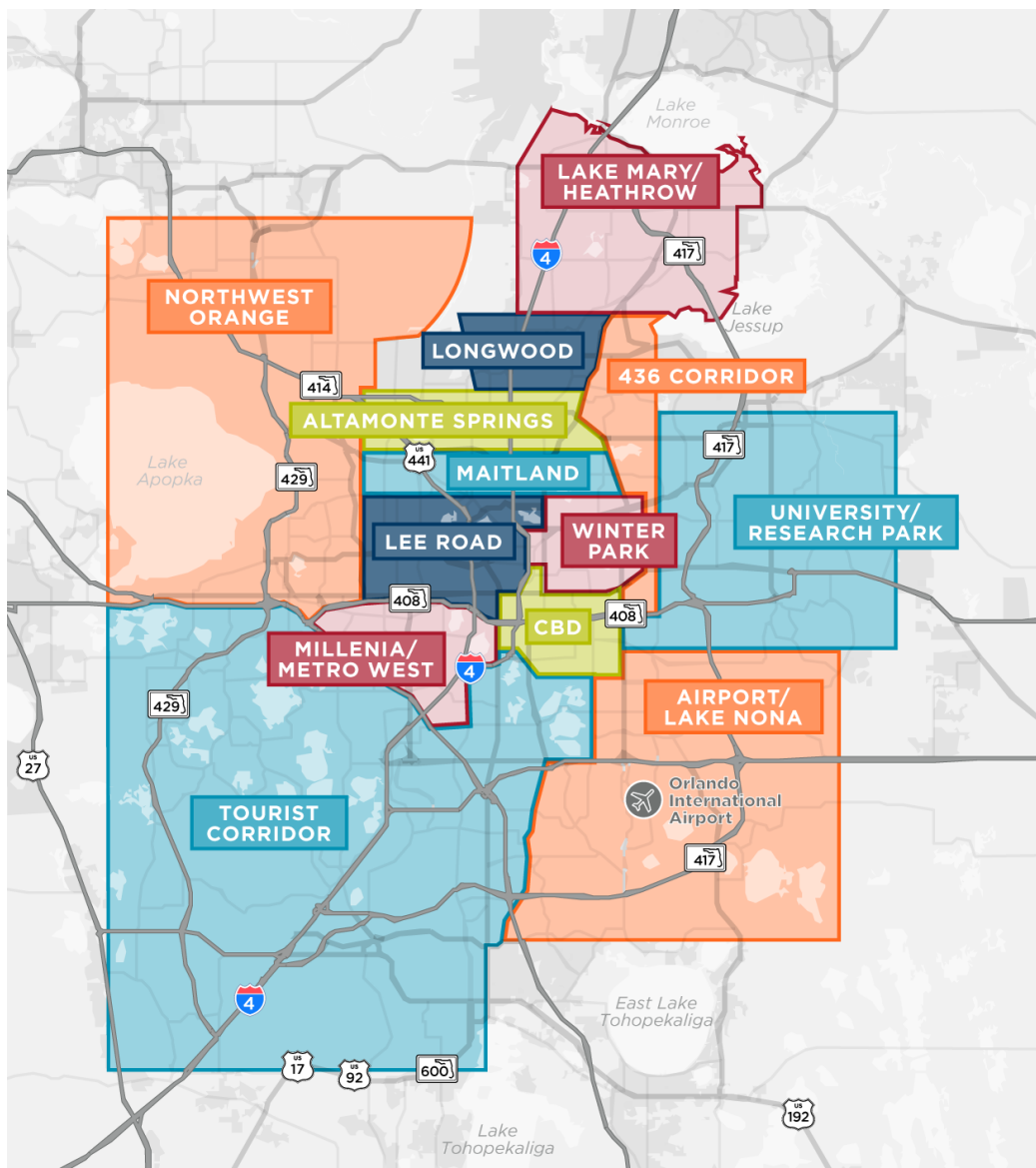
## KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1900 Summit Tower Boulevard	Maitland	FedEx	70,450	Renewal
200 Colonial Center Parkway	Lake Mary/Heathrow	HNTB	32,096	New
220 E Central Parkway	Altamonte Springs	Undisclosed	20,321	New

\*Renewals are not included in leasing activity



## OFFICE SUBMARKETS

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\*Northwest Orange submarket currently has no inventory.