

MARKETBEAT ORLANDO

Office Q4 2022



CUSHMAN &
WAKEFIELD

YoY
Chg

12-Mo.
Forecast

13.7%

Vacancy Rate



-38K

YTD Net Absorption, SF



\$26.12

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

YoY
Chg

12-Mo.
Forecast

1.5M

Orlando
Employment



2.8%

Orlando
Unemployment Rate



3.7%

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 2.8% in November 2022, 80 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 61,200 jobs, or 4.6% year-over-year (YOY). The region had the highest annual job growth in Leisure and Hospitality out of Florida's major markets, with 30,300 jobs added. Office-using employment gained 9,500 new jobs over the past twelve months.

DEMAND

Overall vacancy increased 50 bps YOY to 13.7%, up 10 bps from the previous quarter. The Lake Nona/Airport submarket had the largest jump in vacancy during the fourth quarter, largely attributed to the delivery of 13495 Veterans Way, a 63,900-sf office building. The building was 57% preleased between three tenants, with Dnata USA occupying 16,000 sf on the fifth floor. The Longwood and Altamonte Springs submarkets saw the greatest vacancy improvements during 2022 with a 780-bps and 520-bps decrease respectively, with multiple small moves in for each in 4Q. The tightest office submarkets remained smaller suburban office corridors, including Winter Park at 3.7%, and Millenia/Metrowest at 8.1%.

SUPPLY

Overall vacancy increased 50 bps YOY to 13.7%, up 10 bps from the previous quarter. The Lake Nona/Airport submarket had the largest jump in vacancy during the fourth quarter, largely attributed to the delivery of 13495 Veterans Way, a 63,900-sf office building. The building was 57% preleased between three tenants, with Dnata USA occupying 16,000 sf on the fifth floor. The Longwood and Altamonte Springs submarkets saw the greatest vacancy improvements during 2022 with a 780-bps and 520-bps decrease respectively, with multiple small moves in for each in 4Q. The tightest office submarkets remained smaller suburban office corridors, including Winter Park at 3.7%, and Millenia/Metrowest at 8.1%.

PRICING

Asking rates rose 1.7% YOY to \$26.12 per square foot (psf) full service. Rents in Class A assets closed out the year at \$28.60 psf overall, up 0.9% YOY. The overall average rent for office space continued to rise amongst conflicting factors but appear to be slowing. Rapid increases in operating expenses contributed heavily to growing rates, outweighing the flight to quality's flattening of overall asking rents and uncertainty around work from home/hybrid work models. Rent concession increases continued as landlords hold for dropping asking rents, which are expected to level out going into 2023.

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	7,186,853	885,169	135,071	14.2%	-5,950	80,384	370,970	0	\$29.40	\$30.25
436 Corridor/Casselberry/408	1,752,607	145,033	0	8.3%	10,591	-26,489	94,250	0	\$20.19	\$31.00
Airport/Lake Nona	1,323,017	146,054	3,677	11.3%	26,856	61,885	144,533	278,917	\$31.37	\$31.37
Altamonte Springs	907,343	127,912	23,056	16.6%	11,740	47,463	84,097	0	\$19.23	\$22.56
Lake Mary/Heathrow	4,525,271	512,676	137,951	14.4%	16,978	-93,596	256,142	0	\$26.47	\$26.69
Lee Road Corridor	687,000	81,285	1,875	12.1%	6,791	8,843	55,310	0	\$21.70	N/A
Longwood	637,469	146,993	0	23.1%	8,653	49,493	51,366	0	\$19.56	N/A
Maitland	5,584,209	971,607	104,635	19.3%	18,549	-123,588	323,339	0	\$24.54	\$27.43
Millenia/Metrowest/Windermere	1,926,979	156,785	0	8.1%	4,468	-13,296	129,346	0	\$29.48	\$30.05
Tourist Corridor/Celebration	6,172,742	688,998	204,593	14.5%	-27,975	-71,312	414,844	300,000	\$27.59	\$30.39
University/Research Park	4,043,166	388,258	21,410	10.1%	-44,009	24,957	223,420	68,703	\$25.56	\$27.57
Winter Park	1,205,088	43,090	1,731	3.7%	2,658	16,910	50,471	0	\$31.14	\$30.44
NON-CBD TOTALS	28,764,891	3,408,691	498,928	13.6%	35,300	-118,730	1,827,118	647,620	\$25.44	\$28.14
Orlando TOTALS	35,951,744	4,293,860	633,999	13.7%	29,350	-38,346	2,198,088	647,620	\$26.12	\$28.60

*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	21,353,783	2,586,052	573,404	14.8%	2,504	-140,031	1,424,110	647,620	\$28.46	\$28.60
CLASS B	14,597,961	1,707,808	60,595	12.1%	26,846	101,685	773,978	0	\$22.31	\$22.24
Orlando TOTALS	35,951,744	4,293,860	633,999	13.7%	29,350	-38,346	2,198,088	647,620	\$25.90	\$26.12

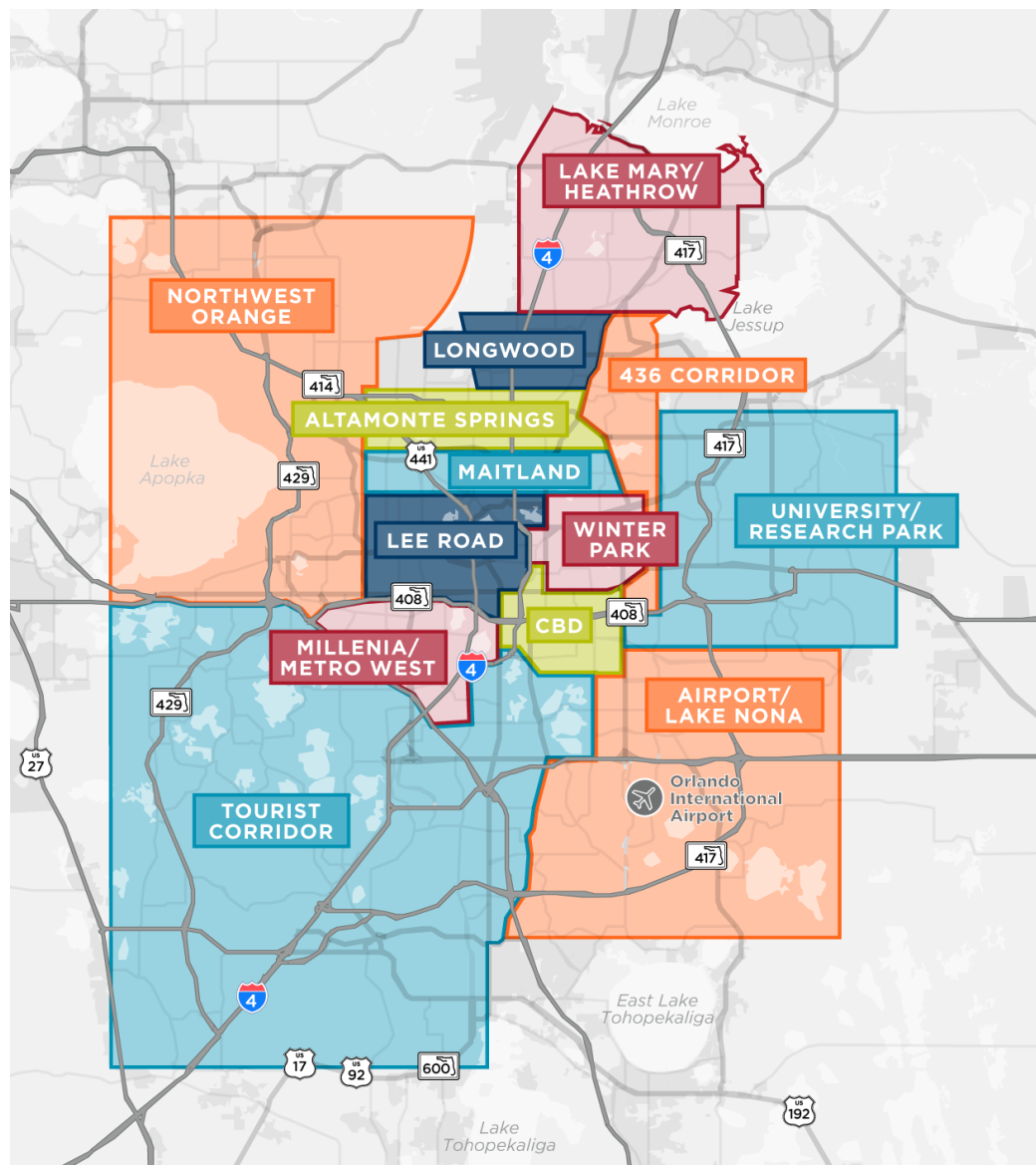
KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
701 International Parkway	Lake Mary/Heathrow	FEMA	61,000	New
930 Woodcock Road	436 Corridor/Casselberry/408	Cuhaci & Peterson Architects Engineers Planners Inc	23,869	Renewal
8517 Southpark Circle - Bldg. C	Tourist Corridor/Celebration	Centene Corporation	19,000	New

*Renewals are not included in leasing activity



OFFICE SUBMARKETS

**Cameron Sousa**

Research Analyst

Tel: +1 407 241 3088

Cameron.sousa@cushwake.com**Eric Messer**

Senior Research Manager

Tel: +1 954 377 0519

eric.messer@cushwake.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

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*Northwest Orange submarket currently has no inventory.