



One of the most important trends to watch is the rise in sublease space. Right now, there is a great deal of office space that is leased but not occupied as the WFH trend continues. As the pandemic drags on, companies are going to have to make a decision soon about whether to keep their current space, anticipating a return to the office next year or decide to downsize either through a sublease or outright return of space to the Landlord.

After reaching record lows around 6.5% just over a year ago, office vacancies in Orlando have loosened by about 150 basis points. The rise is due to weakened demand and an uptick in speculative development which had been mostly absent from the metro in prior years. Vacancies remain about 250 basis points lower than the national rate but could rise more steeply in the coming quarters as the metro, which is based heavily in tourism and related industries, contends with the economic impact of the coronavirus pandemic.

The low vacancies in the metro have allowed for overall strong rent growth in recent years. Annual gains exceeded 3% for more than 6 years through 2019 and while growth has slowed over the past three years, it remains more than twice the national rate.

The early 2020 completion of SunTrust Plaza at Church Street Station brought the first large block office availability of new space to Orlando for some time. Other large recent completions, like KPMG's nearly 800,000-SF training and development campus, have been built-to-suit. SunTrust (Truist) did take more than 92,000 SF of the 220,000 SF of office space in the new tower, but high demand for new space has been reflected in the quick leasing of the remaining space.

Office investment had been slowing over the past two years before falling away in Q2-20 due to the coronavirus pandemic. Though it has decreased year-over-year in each of the past two years, annual sales volume was high in the metro, exceeding \$800 million a year for the past six years. But the roughly \$50 million to trade in 2Q-20 was the lowest quarterly office sales volume in the market in more than nine years.

Source: CoStar Property

ORLANDO MSA Office Market



Total Office Space
97,981,178 SF



Under Construction
822,414 SF



International Companies
150+

Orlando MSA (Orange, Seminole, Lake & Polk Counties) | Source: CoStar Property

Quarterly Trends



NET ABSORPTION



VACANCY RATE

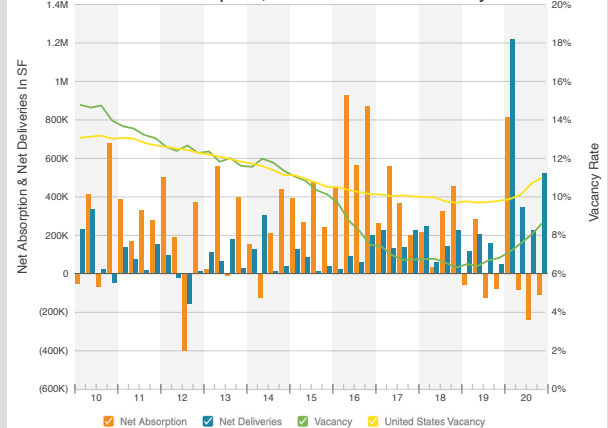


CONSTRUCTION

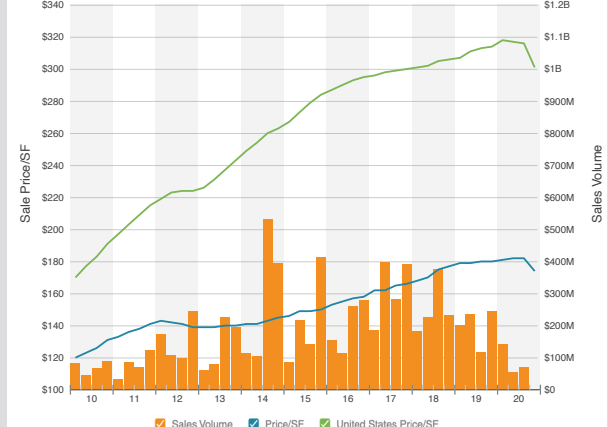


ASKING RATES

Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



Total Office Market Statistics

Third Quarter 2020

Orlando MSA (Lake, Orange, Osceola & Seminole Counties)								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Total SF	Vac %				
436 Corridor	620	5,042,375	195,113	5.6%	(37,297)	12,000	5,000	\$22.29
Altamonte/Douglas	467	4,775,836	581,570	12.8%	(90,836)	25,244	0	\$19.55
Apopka	118	776,110	67,298	8.7%	2,095	0	0	\$23.77
Casselberry	264	2,030,215	119,176	7.9%	15,336	21,800	0	\$20.55
Downtown Orlando	496	11,486,817	1,082,135	11.7%	(94,161)	214,046	0	\$27.07
East Seminole Outlying	89	534,872	52,750	9.9%	(22,103)	0	10,462	\$22.25
Kissimmee	333	2,621,890	166,976	6.6%	(16,880)	7,000	9,500	\$22.37
Lake County	1,035	5,612,872	306,301	5.9%	66,810	72,126	10,000	\$20.43
Lake Mary	287	7,839,676	697,912	9.7%	(40,599)	135,400	126,216	\$24.58
Lee Road	135	1,280,601	92,747	7.9%	(7,475)	0	0	\$20.09
Longwood	195	1,440,825	173,867	12.1%	(28,929)	0	0	\$19.55
Maitland	98	1,006,845	42,658	5.0%	(1,957)	0	0	\$20.57
Maitland Center	175	7,529,643	695,567	9.6%	(6,810)	0	0	\$23.36
Metro West	158	2,137,877	107,751	5.3%	(12,024)	40,732	0	\$23.89
NW Orange Outlying	47	541,533	48,744	9.0%	(15,144)	4,960	0	\$22.59
Orlando Airport	44	1,245,815	74,084	6.2%	(11,613)	0	0	\$25.00
Orlando Central Park	193	4,141,324	479,475	11.8%	(16,283)	0	0	\$21.06
Osceola Outlying	133	2,705,387	165,951	6.1%	18,226	23,400	53,500	\$29.24
Sanford	257	1,468,877	102,156	7.0%	(15,712)	0	0	\$17.14
SE Orange Outlying	395	2,603,949	71,465	3.0%	(18,694)	0	64,501	\$26.36
South Orange	111	516,762	10,858	2.5%	(10,159)	0	62,000	\$21.35
St. Cloud	78	1,343,289	27,569	2.5%	82,622	68,300	83,000	\$32.25
SW Orange Outlying	231	9,396,563	339,028	3.8%	(113,375)	0	42,900	\$26.65
Tourist Corridor	48	2,090,832	162,754	8.4%	(78,221)	0	42,286	\$26.41
University	47	3,058,259	317,660	11.2%	(117,703)	0	25,209	\$25.55
University Research	55	370,644	17,917	4.8%	7,871	0	0	\$18.20
W Seminole Outlying	590	3,763,699	332,903	9.2%	145,748	176,419	45,687	\$22.36
West Colonial	62	1,037,622	107,568	10.6%	18,514	16,000	4,640	\$25.65
West University	583	5,630,389	248,421	4.8%	(52,261)	36,120	0	\$27.91
Winter Park	585	5,672,724	227,078	4.3%	(61,561)	36,120	0	\$27.59
Totals	7,510	97,981,178	7,102,972	8.0%	405,340	1,834,677	822,414	\$24.53
CBD	496	11,486,817	1,082,135	11.7%	(94,161)	214,046		\$27.07
Suburban	5,485	64,079,393	4,373,805	7.4%	658,763	1,608,631	710,627	\$24.54
Urban	1,529	22,414,968	1,647,032	8.0%	(159,262)	12,000	111,787	\$23.22
Totals	7,510	97,981,178	7,102,972	8.0%	405,340	1,834,677	822,414	\$24.53

Brevard, Polk & Volusia Counties (Adjacent)								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total GLA	Total SF	Vac %				
Brevard County	1,767	16,052,003	1,081,314	7.1%	4,520	24,790	92,398	\$18.83
Polk County	1,644	13,980,550	765,326	5.6%	(153,053)	38,282	178,540	\$18.43
Volusia County	1,971	13,833,981	628,390	4.7%	(17,666)	13,211	225,000	\$19.72

Period	Asset Value	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr %	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2020 3q	\$17.8 B	8.0%	10.9%	\$24.53	1.7%	98.0 M	822.4	0.8%	405.3 K	\$146	\$73 M
2020 2q	\$17.8 B	7.6%	10.4%	\$24.57	2.2%	97.8 M	1.0	1.1%	522.1 K	\$197	\$55 M
2020 1q	\$17.7 B	7.1%	10.1%	\$24.50	2.1%	97.4 M	1.3	1.3%	890.2 K	\$170	\$142 M
2019 4q	\$17.3 B	6.8%	9.0%	\$24.33	3.4%	96.2 M	2.1	2.2%	17.7 K	\$183	\$246 M