

Orlando's office market weakened further in the first quarter, with rising vacancies and total available space. Additionally, sublet space is at a record high for the market.

Office demand has increasingly softened since the pandemic began, with each of the past four quarters posting negative net absorption. Prior to this stretch, Orlando had not even seen three consecutive quarters of negative office absorption in more than 20 years. Supply has compounded the issues as Orlando had roughly 1.2 million SF delivered over the past twelve months and 2020 easily added the most annual square footage to its office inventory in more than a decade.

With these two trends occurring simultaneously, the market's average vacancy rate has surged to a five-year high. However, the market is still tight by Orlando's historical standards and is well below the national average vacancy rate of 12.1%. While supply remains heightened with roughly 740,000 SF underway, the pipeline is manageable compared to office demand levels over the past five years and starts have declined since Q1-20.

There are additional warning signs that further weakening is on the horizon. Available sublet inventory has increased to 1.6 million SF available, the highest level ever recorded. Adjusting for inventory additions during the past 20 years, this amount of sublet space accounts for 1.6% of existing inventory, also the highest relative total on record. While the total available space is still well below levels seen during the past recession, roughly 3 million SF of available space has been added since Q1-20.

While office leasing has improved recently, Orlando is still trailing pre-pandemic levels. Most of the first quarter improvement took place in small to moderate sized deals. Only seven leases were signed exceeding 10,000 SF, including the Orlando Magic taking down nearly 24,000 SF of sublet space at CNL Center in Downtown Orlando.

The pandemic has cast doubt on whether pre-March 2020 leasing trends will persist or hold relevance in a post-pandemic office environment where there will likely be some shift towards a larger WFH component of office-using employment. The results are still inconclusive in Orlando with many office users postponing long-term commitments until some form of virus containment clarity is achieved.

Asking office rents have certainly felt the pandemic impact, falling nearly 200 basis points since the start of 2020. Annual rent growth cooled further in the first quarter, a trend since mid-2019 that correlates with the sluggish office demand during this timeframe.

The most affected area has been the investment market. Sales volume trailed off during Q1-21, a marked downshift from the improved Q4-20. Just over \$50 million traded, the lowest quarterly sales volume in a decade. There have been no trades over \$20 million since March 2020 and even the improved activity remains well below pre-pandemic levels.

Source: CoStar Property

ORLANDO MSA Office Market



Total Office Space
100,560,501 SF



Under Construction
775,139 SF



International Companies
150+

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

Quarterly Trends



NET ABSORPTION



VACANCY RATE

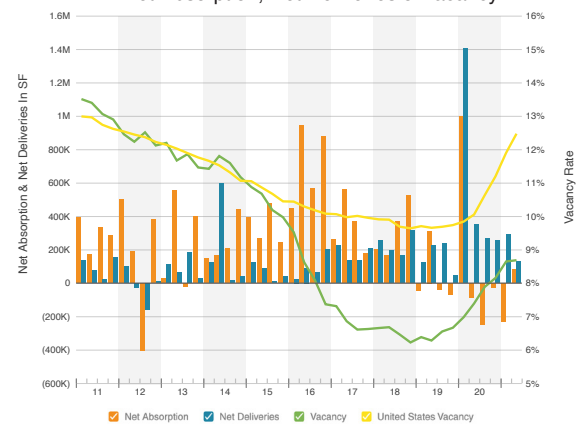


CONSTRUCTION

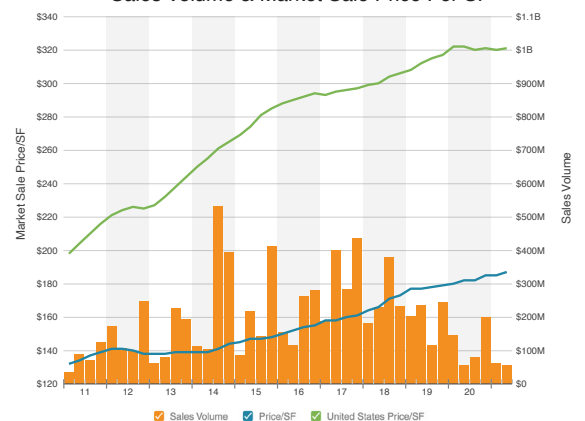


ASKING RATES

Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



Total Office Market Statistics

First Quarter 2021

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 Available SF	Vac %				
436 Corridor	622	5,128,118	453,422	8.7%	(38,276)	12,000	57,400	\$22.84
Altamonte/Douglas	468	4,806,574	694,262	14.4%	(38,530)	25,786	0	\$20.14
Apopka	119	787,034	106,248	13.5%	(17,915)	0	0	\$24.19
Casselberry	266	2,057,545	159,231	7.7%	61,994	9,812	7,000	\$21.55
Downtown Orlando	496	12,541,814	2,165,789	17.0%	(212,932)	(6,954)	175,000	\$27.40
East Seminole Outlying	89	546,068	66,105	11.9%	(18,472)	0	10,462	\$24.14
Kissimmee	343	2,697,021	251,949	9.3%	53,580	16,673	5,000	\$22.68
Lake County	1,044	5,698,322	428,977	7.5%	30,755	38,426	5,390	\$22.33
Lake Mary	293	7,938,542	1,329,067	16.7%	(116,832)	196,534	42,000	\$24.51
Lee Road	136	1,283,723	152,968	11.9%	37,043	0	0	\$20.19
Longwood	197	1,457,144	253,973	17.4%	(2,990)	0	0	\$19.47
Maitland	98	1,006,845	52,252	5.2%	313	0	0	\$20.33
Maitland Center	175	7,678,735	1,420,340	18.5%	(195,002)	0	0	\$23.54
Metro West	157	2,126,720	178,384	8.4%	(47,028)	40,732	0	\$24.13
NW Orange Outlying	47	541,533	48,454	8.9%	1,967	0	5,000	\$25.69
Orlando Airport	44	1,249,481	234,204	18.7%	(100,049)	0	0	\$25.44
Orlando Central Park	192	4,141,089	714,875	17.3%	(140,512)	0	0	\$21.66
Osceola Outlying	138	2,639,204	364,913	13.6%	(66,652)	36,657	35,500	\$29.77
Sanford	256	1,481,651	130,610	8.8%	(726)	0	0	\$17.36
SE Orange Outlying	174	4,288,948	287,449	6.7%	278,292	369,303	0	\$33.11
South Orange	393	2,656,191	91,126	3.4%	35,012	50,815	0	\$27.40
St. Cloud	114	560,908	20,563	3.7%	44,402	42,000	0	\$24.38
SW Orange Outlying	82	1,376,595	88,007	6.1%	98,324	68,600	69,700	\$32.22
Tourist Corridor	234	9,784,430	921,998	9.4%	(221,925)	42,900	0	\$27.10
University	49	2,132,285	339,482	15.9%	9,574	42,286	0	\$26.84
University Research	49	3,085,892	334,222	10.8%	(39,296)	25,209	0	\$25.79
W Seminole Outlying	55	370,644	30,417	8.2%	2,997	0	0	\$19.03
West Colonial	592	3,780,041	462,055	12.1%	41,351	144,605	45,687	\$23.89
West University	63	1,041,750	119,952	11.5%	(5,267)	20,640	0	\$26.40
Winter Park	583	5,675,654	252,434	4.2%	(28,765)	(10,596)	317,000	\$28.81
Totals	7,568	100,560,501	12,153,728	12.0%	(595,565)	1,165,428	775,139	\$25.15
CBD	496	12,541,814	2,165,789	17.0%	(212,932)	(6,954)	175,000	\$27.40
Suburban	5,543	65,275,424	6,916,442	10.5%	(53,742)	1,067,281	542,739	\$25.23
Urban	1,529	22,743,263	3,071,497	13.5%	(328,891)	105,101	57,400	\$23.66
Totals	7,568	100,560,501	12,153,728	12.0%	(595,565)	1,165,428	775,139	\$25.15

Brevard, Polk & Volusia Counties (Adjacent)								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total GLA	Total Available SF	Vac %				
Brevard County	1,783	16,379,331	1,398,878	8.5%	139,389	35,548	56,650	\$19.31
Polk County	1,657	14,126,104	1,219,850	8.5%	84,733	66,504	152,000	\$18.98
Volusia County	1,980	14,163,294	837,688	5.9%	133,215	221,298	39,940	\$19.91

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
2021 1q	\$18.6 B	8.6%	12.0%	\$25.15	0.6%	100.6 M	0.8 M	0.8%	(595,565)	\$170	\$60.7 M
2020 4q	\$18.6 B	8.2%	10.9%	\$25.17	1.4%	100.3 M	0.7 M	0.7%	632,580	\$179	\$197.8 M
2020 3q	\$18.2 B	7.9%	10.5%	\$25.11	1.9%	100.0 M	0.8 M	0.8%	592,353	\$150	\$79.5 M
2020 2q	\$18.1 B	7.4%	10.0%	\$25.20	2.6%	99.7 M	1.0 M	1.0%	802,821	\$197	\$55.1 M