

Orlando Metro 4Q19 Office Report

A booming economy and robust job growth, particularly in professional and business services, continues to propel Orlando's office market. Despite mild loosening in recent months, 2019 demand has still largely outstripped supply, and vacancies are only about 50 basis points above the all-time low established early in 2019.

The vacancy compression has allowed strong overall rent growth. While the annual rent gains have cooled steadily over the past two years, landlords and owners are still pushing rates in 2019 at nearly twice the long-term trend.

The metro's population has grown significantly in recent years and recently surpassed 2.5 million residents. This has led to a flurry of medical office and healthcare construction. In contrast to many areas of the U.S. that are closing hospitals or searching for adaptive reuse, Central Florida's medical growth has continued to fuel medical tenant activity and job growth throughout the entire metro.

Orlando has also made strides as a burgeoning tech market and is one of the nation's top STEM job growth metros. Thus far, the primary barrier for tech firms has been lack of space as compared to most major tech markets. Orlando's cost savings have been somewhat offset by the need for tech firms to explore building their own space. Co-working space is also on the rise, as reflected by WeWork's leasing of 70,000 SF in 200 South Orange Ave and BizCenter USA taking roughly 4,400 SF in Metro West.

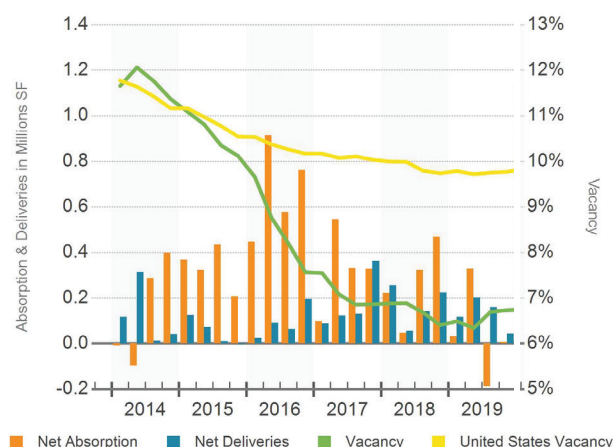
The lack of space affects all demand sectors but is especially a factor for potential corporate relocations and expansions. There are only a handful of properties that can offer large blocks of space, most built before 2000. However, the metro is showing some signs of a revival, with projects such as SunTrust Plaza at Church Street Station which delivered in early 2020. The 26-story tower features 220,000 SF of 5 Star office space and is the first to be built in Downtown Orlando in over a decade. The building delivered close to fully leased, including 92,000 SF allotted to SunTrust.

Investment activity has slowed in the past year and annual volume in 2019 was the lowest in six years. Still, at more than \$800 million, annual volume was almost 30% higher than the market's long-term average. Pricing and cap rates have also flattened over the past four quarters.

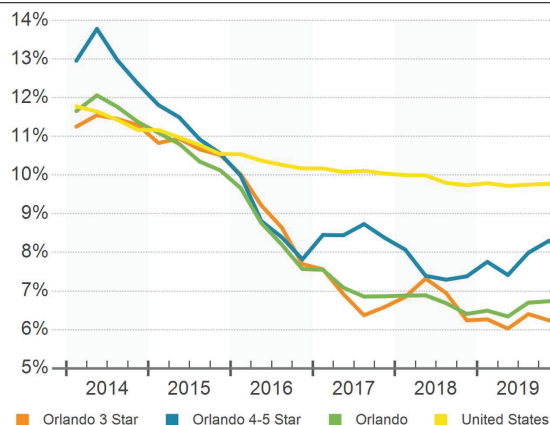
Source: CoStar Property®

OFFICE

NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY RATE



Trends for 4Q19



1800 Pembroke Drive Suite 350
Orlando Florida USA 32810-6928
+1 407 875 9989

www.nairealvest.com

Orlando Metro 4Q19 - Office Market Overview

Total Office Market Statistics

Year End 2019

Orlando MSA (Lake, Orange, Osceola & Seminole Counties)								
Market	Existing Inventory		Vacancy		YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
436 Corridor	597	4,910,485	346,590	4.3%	126,904	35,000	0	\$21.94
Altamonte/Douglas	463	4,699,135	630,610	10.9%	(98,900)	0	27,600	\$19.24
Apopka	117	771,271	81,828	8.5%	(20,019)	0	0	\$27.32
Casselberry	260	2,002,015	198,224	7.6%	8,624	0	10,800	\$20.28
Downtown Orlando	490	11,247,074	1,771,180	10.3%	(259,106)	0	221,000	\$26.61
East Seminole Outlying	89	534,872	43,105	6.2%	14,820	0	0	\$21.05
Kissimmee	323	2,518,569	197,022	6.5%	79,085	116,000	56,000	\$21.95
Lake County	1,016	5,540,624	447,309	6.3%	(37,131)	69,768	10,000	\$20.07
Lake Mary	284	7,692,529	741,975	7.4%	(3,784)	9,272	148,410	\$24.59
Lee Road	127	1,259,595	126,055	7.4%	(9,072)	15,720	0	\$19.14
Longwood	195	1,440,909	200,789	8.3%	1,738	0	0	\$18.37
Maitland	98	1,005,625	43,815	4.6%	680	0	0	\$20.15
Maitland Center	174	7,498,906	934,745	8.7%	(40)	0	0	\$23.02
Metro West	132	1,953,832	78,746	3.3%	26,773	0	0	\$23.21
North Outlier	190	1,447,945	121,391	6.6%	9,500	0	0	\$20.02
NW Orange Outlying	46	542,409	45,852	7.8%	(15,526)	0	0	\$20.71
Orlando Airport	43	1,273,379	77,745	5.1%	(15,004)	0	0	\$24.09
Orlando Central Park	186	4,113,763	479,609	10.6%	(10,084)	0	0	\$20.34
Osceola Outlying	129	2,666,952	241,126	5.0%	7,573	0	72,400	\$27.88
Sanford	258	1,478,258	107,658	5.4%	(34,655)	0	0	\$16.53
SE Orange Outlying	143	2,963,162	302,030	5.6%	54,984	10,507	954,107	\$30.93
South Orange	384	2,585,384	100,191	1.7%	10,473	15,000	24,000	\$26.29
South Outlier	338	6,360,371	590,875	5.2%	152,437	125,501	1,071,307	\$29.56
St Cloud	107	508,375	9,598	0.7%	(1,713)	0	7,000	\$18.81
SW Orange Outlying	66	730,257	47,719	4.0%	89,880	114,994	44,800	\$28.60
Tourist Corridor	219	9,026,669	431,183	2.4%	271,425	125,000	167,900	\$26.18
University	48	2,087,567	253,541	8.1%	(34,659)	0	0	\$25.18
University Research	47	3,043,527	437,756	5.5%	23,260	0	92,290	\$24.41
W Seminole Outlying	55	370,664	32,434	5.2%	10,206	0	0	\$17.51
West Colonial	533	3,467,466	438,235	9.1%	7,687	11,020	80,261	\$23.08
West Outlier	117	771,271	81,828	8.5%	(20,019)	0	0	\$27.32
West University	60	1,019,962	128,638	11.0%	(9,071)	0	4,640	\$24.85
Winter Park	584	5,629,704	244,241	3.2%	(5,907)	0	46,716	\$27.42
Totals	7,273	94,582,939	9,219,549	6.7%	179,441	522,281	1,967,924	\$23.97
CBD	489	11,244,600	1,058,303	10.3%	(259,106)	0	221,000	\$26.61
Suburban	4,997	63,913,295	3,544,328	6.2%	291,166	461,261	1,657,763	\$23.78
Totals	5,486	75,157,895	4,602,631	7.2%	32,060	461,261	1,878,763	\$24.21

Brevard, Polk & Volusia Counties (Adjacent)								
Market	Existing Inventory		Vacancy		YTD Net	YTD	Under	Quoted
	# Blds	Total GLA	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Brevard County	1,753	16,123,939	1,495,838	7.6%	(100,481)	49,722	0	\$18.17
Polk County	1,619	13,643,455	827,421	4.8%	56,661	70,257	23,500	\$17.52
Volusia County	1,962	13,768,270	691,266	4.1%	64,411	8,946	241,913	\$20.11

Period	Asset Value	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr % of Inventory	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2019 4q	\$17.5 B	6.7%	9.5%	\$23.97	1.8%	94.6 M	1.9 M	2.10%	178 K	\$186	\$247 M
2019 3q	\$17.4 B	6.7%	9.4%	\$24.03	2.3%	94.5 M	1.8 M	1.90%	641 K	\$180	\$117 M
2019 2q	\$17.3 B	6.3%	9.7%	\$24.05	5.1%	94.4 M	1.6 M	1.70%	1.1 M	\$152	\$234 M
2019 1q	\$17.1 B	6.5%	9.5%	\$23.95	4.7%	94.2 M	1.5 M	1.70%	868 K	\$167	\$201 M