MARKETBEAT

Orlando

Office Q2 2018

CUSHMAN & WAKEFIELD

ORLANDO OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Orlando Employment	1.25M	1.29M	▲
Orlando Unemployment	3.7%	3.1%	▬
U.S. Unemployment	4.3%	3.8%	▼

*Numbers above are monthly figures, Feb 2018, FL Dept. Economic OPP

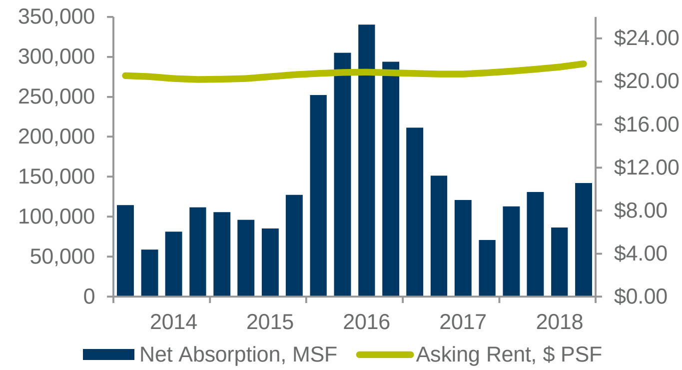
Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	10.7%	9.3%	▼
YTD Net Absorption (sf)	340k	133k	▲
Under Construction (sf)	251k	715k	▲
Average Asking Rent*	$21.11	$22.36	▲

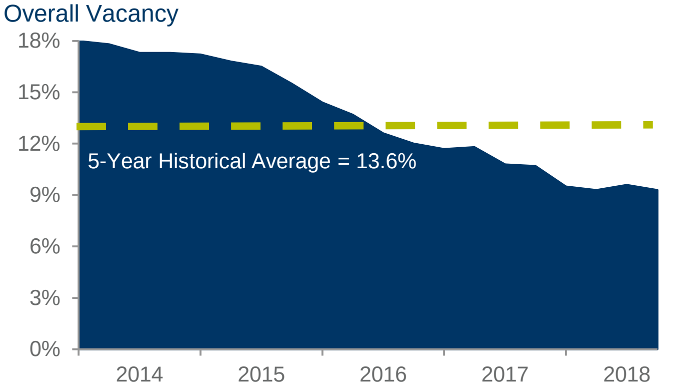
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Orlando metro region continued to lead in job creation, with over 44,000 new jobs year-over-year for a growth rate of 3.5%. Tourism and expansion by business service firms fueled solid gains in the economy. The unemployment rate fell to 3.1% in May, down -60 basis points (bps) over the last 12 months. Professional and business services accounted for a quarter of all new jobs created in the past year. The +11,000 jobs in that sector were followed closely by those in leisure & hospitality at +10,800 jobs.

Market Overview

The overall vacancy rate for office in the Orlando metro fell over the past twelve months by -140 bps to 9.3%, the lowest vacancy rate since the first quarter of 2007. In the span of five years the vacancy rate has fallen by 8.6 percentage points which represents 3.2 million square feet (msf) of vacant space absorbed by tenants. For Class A space, the vacancy rate fell by 100 bps year-over-year which leaves only 1.5 msf of Class A space available in all of the market.

Full service overall asking rents were up 5.9% in the last 12 months to $22.36 per square foot (psf). Rents have now reached cycle highs and were at their highest point since the first quarter of 2009. Class A overall rents topped $26.00 psf for the first time ever. Gains in Class A assets filtered down to increases in rents in Class B submarkets. Lake Mary and the Tourist submarkets continued to outperform the overall market in terms of rental increases with Class B assets shooting up the most year-over-year, at 16.5% and 22.4%, respectively.

The bulk of leasing activity was in Class A assets which represented approximately 60% of all leases signed. Historically considered the lower cost alternative submarket in the region, Maitland remained the most active even as the differential between asking rates compressed from more established submarkets. Tenants that used to pay a discount to Lake Mary or for Class B space in the CBD saw a large portion of those cost savings disappear.

There are currently seven office projects under construction with most delivering by the end of the year. The largest was Tremont Realty Capital's 217,000-square-foot Church Street Plaza due in 2019. Preleasing has been extremely active which allowed the developer to raise the asking rent on the remaining 16.1% available to $40.00 psf triple net. This was a high-water mark for rent in Orlando, ever.

Outlook

The Orlando metro economy continues to go from strength to strength. The 72 million tourists to the region in 2017 helped generate solid economic expansion in the business sector. The tight labor market benefitted from a strong net migration of new residents. Office market fundamentals improved with sustained tenant demand for more space options leading to a high confidence in the region's overall economic trajectory. Cushman & Wakefield forecasts tenants desire to be in the market will feed further growth in Class A asking rates to the high $20.00 psf range and potentially kick off additional new construction projects.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	7,301,816	36,478	596,370	8.7%	28,431	42,607	343,106	217,000	$25.89	$26.68
Maitland	5,677,036	25,918	468,829	8.7%	28,326	-18,112	316,808	90,000	$19.51	$20.62
Altamonte	1,532,942	0	258,246	16.8%	20,937	-15,585	45,819	125,000	$15.64	$20.87
Longwood	677,469	0	123,592	18.2%	14,645	35,695	42,367	0	$19.19	$0.00
Lee Road	928,623	0	74,252	8.0%	17,013	2,234	40,083	0	$20.42	$0.00
University/Research Park	3,670,921	1,122	251,760	6.9%	-6,825	18,124	168,286	30,000	$21.18	$24.32
436 Corridor	1,890,613	0	232,529	12.3%	-13,984	-35,335	41,419	0	$18.06	$0.00
Winter Park	1,380,311	1,808	94,389	7.0%	-22,411	-38,651	41,696	26,716	$25.22	$27.00
Airport/Lake Nona	994,250	0	134,334	13.5%	0	-53,738	5,059	102,000	$28.98	$29.60
Tourist Corridor	5,776,724	3,252	396,202	6.9%	176,658	155,109	196,585	125,028	$25.10	$29.29
Lake Mary/Heathrow	4,593,443	2,700	482,368	10.6%	76,736	121,842	92,802	0	$23.85	$25.21
Millenia/Metrowest	2,140,759	63,000	165,668	10.7%	-48,874	-81,196	101,209	0	$23.27	$24.56
Suburban	**29,263,091**	**97,800**	**2,682,169**	**9.5%**	**242,221**	**90,387**	**1,092,133**	**498,744**	**$21.63**	**$25.82**
ORLANDO TOTALS	**36,564,907**	**134,278**	**3,278,539**	**9.3%**	**270,652**	**132,994**	**1,435,239**	**715,744**	**$22.36**	**$26.06**

*Rental rates reflect gross asking $psf/year
**Does not include renewals

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT AVERAGE ASKING RENT*
Class A	20,011,429	97,644	1,370,110	7.3%	185,495	169,628	839,969	685,744	0	$26.06
Class B	14,138,461	36,634	1,586,121	11.5%	62,097	-4,470	559,373	30,000	0	$19.92
Class C	2,415,017	0	322,308	13.3%	23,060	-32,164	35,897	0	0	$17.58

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
225 South Garland Avenue	90,000	Suntrust Bank	New	CBD
315 East Robinson Street	23,861	Zimmerman Kiser & Sutcliffe	New	CBD
2301 Maitland Center	14,000	Burns & McDonnell	New	Maitland
5960 Hazeltine National Drive	12,095	Amadeus Airport Technology Solutions	Renewal*	Airport/Lake Nona

*Renewal – Not included in Leasing Activity Statistics.

Key Sales Q2 2018

PROPERTY	SF	BUYER	PRICE / $PSF	SUBMARKET
101 Southhall Lane	159,840	Susquehanna Holdings	$27,900,000 / $174	Maitland
2450 Maitland Center Parkway	43,575	SugarOak Holdings	$4,200,000 / $96	Maitland
6000 South Ro Grande	22,2290	Emilano Abramson	$3,250,000 / $145	Tourist Corridor

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