

ORLANDO OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Orlando Employment	1.26M	1.30M	▲
Orlando Unemployment	3.7%	3.3%	▼
U.S. Unemployment	4.4%	3.9%	▼

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

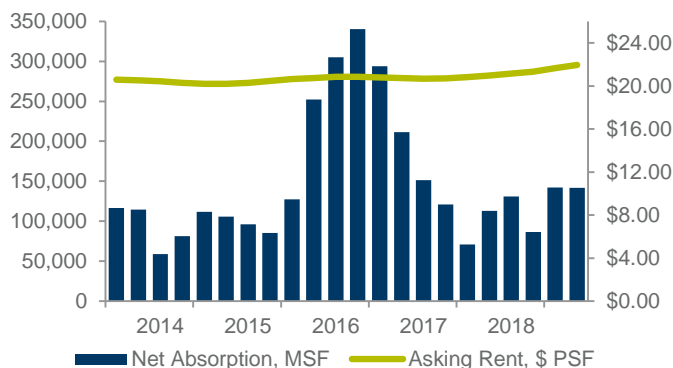
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	9.5%	8.6%	▼
YTD Net Absorption (sf)	734k	268k	▼
Under Construction (sf)	516k	471k	▼
Average Asking Rent*	\$21.21	\$22.46	▲

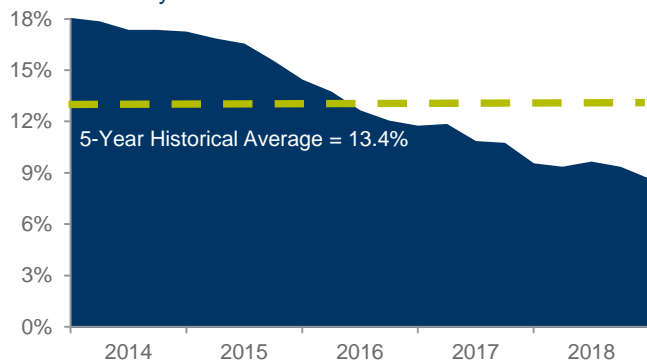
\*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Orlando metro region continued to lead in job creation, with 51,700 new jobs year-over-year for a growth rate of 4.1%. Tourism and expansion by business service firms led employment gains and represented 43.1% of all jobs created. The unemployment rate was 3.4% in August, down -60 basis points (bps) over 12 months.

Market Overview

The office market's overall vacancy rate fell by -90 bps in four quarters to -8.6%, the lowest rate since 1998. Both Class A and Class B assets saw occupancy gains as tenants locked in space on shrinking availabilities. In the last 18-months, 1.3 million square feet (msf) of vacant space was absorbed by tenants. In Class A, only 1.4 msf of vacant space remained available. The largest vacant block available in the market was only 60,000 square feet (sf).

Overall asking rents were up +5.9% in the last 12 months to \$22.46 per square foot (psf). Market wide Class A overall rents were up 6.3% year-over-year driven mostly by exception gains in the suburban markets. Class A rents in the CBD rose slightly by 4.0% on approximately 350,000 sf of availabilities currently on the market. Landlords were increasingly confident in sustained tenant demand and pushed asking rates in top tier buildings by \$0.50 or \$1.00 psf quarter-over-quarter.

After three successive quarters of leasing activity greater than 700,000 sf, this quarter had less transactions as the market continued to tighten. Year-to-date the market surpassed 2.0 msf in leasing but it will be challenged to surpass the 2.6 msf of activity reached in 2017 due to the lower amount of available space in the market currently. In the first nine months of the year, leasing activity has predominantly been focused on Class A assets which represented 58.1% of all market activity.

New construction has limited availabilities for tenants looking to expand or grow in the market. Buildings scheduled to deliver in the next two years were 78.0% leased and the expectation in the market from brokers is that most blocks available now will be taken before completion. The tightness of the market, positive near term economic outlook and growth in rental rates pushed several developers to propose new projects. It also renewed interest in the Majesty Building along I-4. While crews worked to finish the 18-story structure that started construction in 2001, it remained a question whether traditional office users will want to locate there.

Outlook

The economy in the Orlando metro continues to support growth in the office sector. Expansions by firms throughout the region pushed office market fundamentals to their best performance since the previous cycle high with significant room to grow. The lack of space currently in the market and the long lead times it takes for new office construction means that Orlando will remain a landlord's market for the foreseeable future. Cushman & Wakefield anticipates tenant demand to remain high for office product which will keep vacancy tight and push rental rates higher.

# MARKETBEAT

## Orlando Office Q3 2018



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	9,894	481,755	6.7%	30,543	70,373	522,729	217,000	\$26.45	\$27.50
Maitland	5,677,036	50,799	475,242	9.3%	4,861	(62,153)	362,358	0	\$19.39	\$20.45
Altamonte	1,532,942	0	173,906	11.3%	3,585	58,909	116,885	0	\$15.31	\$20.50
Longwood	677,469	0	107,064	15.8%	23,761	57,358	53,319	0	\$19.64	\$0.00
Lee Road	928,623	0	76,712	8.3%	(4,360)	(2,126)	49,031	0	\$20.80	\$0.00
University/Research Park	3,700,921	1,145	285,209	7.7%	9,691	27,815	195,102	0	\$21.15	\$25.01
436 Corridor	1,890,613	0	249,934	13.2%	(9,472)	(49,067)	79,265	0	\$16.53	\$0.00
Winter Park	1,380,311	1,808	92,600	6.8%	(11,330)	(51,698)	76,904	26,716	\$25.70	\$28.05
Airport/Lake Nona	1,062,382	2,444	135,904	13.0%	(2,826)	(58,634)	57,132	102,000	\$29.27	\$30.18
Tourist Corridor	5,776,724	12,372	408,332	7.3%	48,917	136,373	256,147	125,028	\$23.30	\$26.02
Lake Mary/Heathrow	4,593,443	9,260	479,522	10.6%	(4,207)	118,128	117,234	0	\$24.52	\$26.34
Millenia/Metrowest	2,140,759	0	111,168	5.2%	30,996	22,735	208,853	0	\$23.27	\$24.56
<b>Suburban</b>	<b>29,361,223</b>	<b>77,828</b>	<b>2,595,593</b>	<b>9.1%</b>	<b>89,616</b>	<b>197,640</b>	<b>1,572,230</b>	<b>253,744</b>	<b>\$21.74</b>	<b>\$25.43</b>
<b>ORLANDO TOTALS</b>	<b>36,663,039</b>	<b>87,722</b>	<b>3,077,348</b>	<b>8.6%</b>	<b>120,159</b>	<b>268,013</b>	<b>2,094,959</b>	<b>470,744</b>	<b>\$22.46</b>	<b>\$25.93</b>

\*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	20,079,561	24,976	1,335,741	6.8%	127,106	264,079	1,218,716	470,744	0	\$25.94
Class B	14,168,461	62,746	1,517,551	11.2%	(7,236)	41,169	792,735	0	0	\$20.32
Class C	2,415,017	0	224,056	9.3%	289	(37,235)	83,508	0	0	\$17.11

### Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6100 Old Park Lane	63,000	NBC Universal	New Lease	Millenia/Metrowest
680 Century Point	30,000	United BioSource Corporation	New Lease	Lake Mary/Heathrow
5337 Millenia Lakes Boulevard	16,917	Barton Marlow Company	Renewal*	Millenia/Metrowest
1031 West Morse Boulevard	8,968	Timber Holdings	New Lease	Winter Park

\*Renewal – Not included in Leasing Activity Statistics.

### Key Sales Q3 2018

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
Westwood Corporate Center Portfolio	343,331	Innovatus Capital Partners	\$57,900,000/\$169	Tourist Corridor
4400 Alafaya Trail	257,000	Stockbridge Capital Group	\$61,500,000/\$239	University/Research Park
6400 Sanger Road	178,000	University of Central Florida	\$50,000,000/\$281	Airport/Lake Nona

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