

ORLANDO OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Orlando Employment	1.26M	1.31M	▲
Orlando Unemployment	3.5%	2.7%	■
U.S. Unemployment	4.1%	3.7%	▼

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

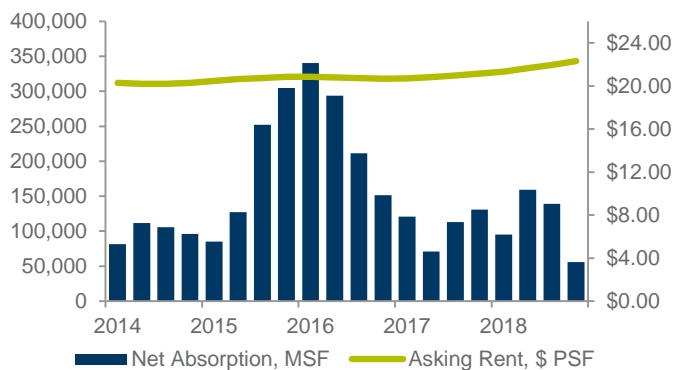
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	9.3%	8.9%	▼
YTD Net Absorption (sf)	900k	223k	▼
Under Construction (sf)	449k	369k	▲
Average Asking Rent*	\$21.44	\$22.85	▲

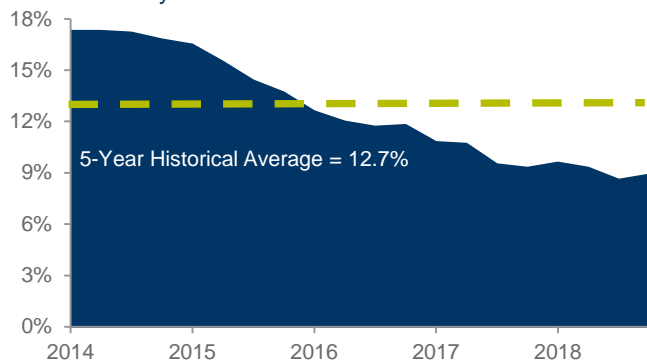
\*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Orlando metro region posted solid job growth throughout the year, leading all metro areas in the state in job creation with a rate of 4.1%, for 37,050 new jobs. Employment gains in tourism by business service firms represented 54.7% of all new jobs created. The unemployment rate was 2.7%, down -80 basis points (bps) year-over-year (YOY). Economic fundamentals remained solid as population increases and employment opportunities combined were drivers as companies relocated and expanded, pushing office vacancy to historical lows in core submarkets. New construction geared towards the tourist industry impacted many facets of commercial real estate in Central Florida.

Market Overview

The Orlando office market ended the year with a slight increase in overall vacancy to 8.9%, after three consecutive quarters of decline. There were only 3.3 million square feet (msf) of availabilities in the market with limited large blocks. Class A overall vacancy rose to 7.3%, a gain of +70 bps YOY. The bulk of new leases signed occurred in the Tourist Corridor as well as Millenia/Metrowest which had a greater stock of new assets added to their inventory.

Millenia/Metrowest vacancy dropped 130 bps to 5.5% YOY, resulting in the region's tightest submarket. Despite the upward tick in vacancy in the market, tenant demand for office space remained healthy resulting in 2.4 msf of space leased during the year. Organic growth and internal market movement by tenants were significant portions of the quarter's leasing activity.

Landlords negotiated higher rental rates on newly available space as the market tightened. Overall rents were up +6.6% in the last 12-months to \$22.85 per square foot (psf). Asking rental rates for Class A were up +5.5% YOY, and an increase of 6.2% over the yearend 2008 before the recession. Tenant demand for Class A space in the CBD caused a sharp rise in rental rates over the year, up +8.1% on approximately 380,000 sf of availabilities currently on the market, pushing vacancy to 7.5%.

New office construction was constrained even as the vacancy rate declined during the year. It continued to lag as developers focused attention on multifamily and hotel opportunities. Several projects under construction or in the permit phase were in the Downtown CBD. One project with 217,000 sf of office space was under construction and scheduled to deliver in 2019, 95.0% preleased. Some developers remained confident that tenants will prelease new, efficient trophy buildings as they get built. Building owners in existing properties undertook remodeling and renovating strategies to attract and retain tenants.

## MARKETBEAT

# Orlando

Office Q4 2018



Investor's year-to-date sales volume decreased 44.3% from same period last year as fewer portfolio sales were completed across the market. This decline was not considered a real pullback but a pause based on the limited number of assets for sale. Investment sales volume during the quarter was 334,532 sf of space. Potential buyers continued to watch the market to see what comes up for trade and what affect changes to international trade agreements will have on the market. Strong office fundamentals attracted both corporate users and investment management firms.

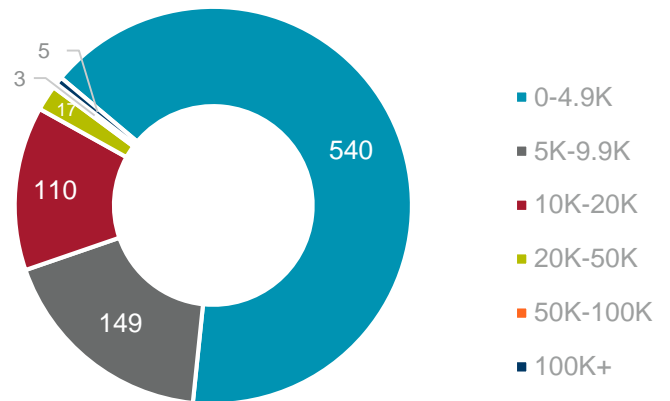
**Currently, 217,000+ sf of office space is under construction in the CBD submarket of which 95.0%, has been preleased.**

Orlando metro region's diversified employment base coupled with robust job growth and more new construction will continue to push the office sector to a premium. A new community development program has been established by Congress in the Tax Cuts and Jobs Act of 2017. The Opportunity Zone program encourages long-term investments in low-income urban and rural communities that remained stagnant in growth during the economic recovery period. This program along with competitive market fundamentals, will continue to create a positive landscape that will promote rent growth into the next year. Cushman & Wakefield anticipates solid performance in key metrics even as new space comes online in 2019.

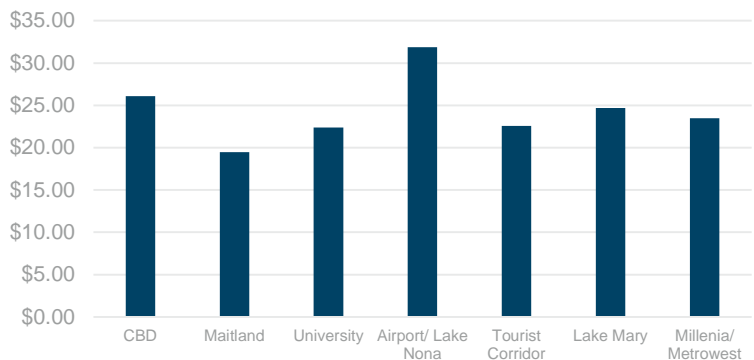
### Market Highlights

- Strong rent growth, pushed overall market asking rental rates above pre-recession levels.
- Over 7.8 msf of office space was leased within a three-year period.
- The region remained a landlords market, as market fundamentals continued to gain traction.

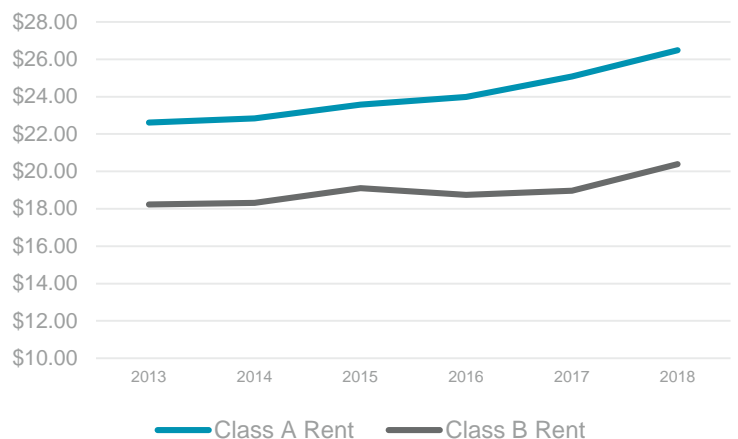
Availability by Size Segment  
OVERALL VACANCIES IN ONE SUITE



Full Service Asking Rents by Submarket



CLASS A & B Asking Rent Trend



# MARKETBEAT

## Orlando Office Q4 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	17,338	511,777	7.2%	-47,572	30,769	631,948	217,000	\$26.09	\$27.13
Maitland	5,677,036	14,545	466,987	8.5%	-18,194	-42,644	389,216	0	\$19.48	\$20.76
Altamonte	1,532,942	0	140,317	9.2%	17,534	92,498	119,880	0	\$15.80	\$20.50
Longwood	677,469	0	109,000	16.1%	-2,578	55,422	58,211	0	\$19.54	\$0.00
Lee Road	928,623	0	75,488	8.1%	1,224	-902	54,616	0	\$21.02	\$0.00
University/Research Park	3,700,921	16,145	354,102	10.0%	-100,090	-70,247	221,283	0	\$22.39	\$25.13
436 Corridor	1,890,613	0	232,029	12.3%	-3,125	-51,162	105,237	0	\$18.29	\$0.00
Winter Park	1,380,311	22,785	83,183	7.7%	-14,561	-63,258	83,695	26,716	\$25.73	\$26.64
Airport/Lake Nona	1,217,382	2,444	186,209	15.5%	104,695	46,061	88,156	0	\$31.86	\$32.59
Tourist Corridor	5,776,724	20,384	436,941	7.9%	-102,048	88,936	329,814	125,028	\$22.56	\$25.73
Lake Mary/Heathrow	4,593,443	9,260	475,503	10.6%	4,019	122,147	125,638	0	\$24.69	\$26.54
Millenia/Metrowest	2,140,759	0	118,682	5.5%	-7,514	15,221	214,603	0	\$23.48	\$25.01
<b>Suburban</b>	<b>29,516,223</b>	<b>85,563</b>	<b>2,678,441</b>	<b>9.4%</b>	<b>-120,638</b>	<b>197,640</b>	<b>1,790,349</b>	<b>151,744</b>	<b>\$22.29</b>	<b>\$26.29</b>
<b>ORLANDO TOTALS</b>	<b>36,818,039</b>	<b>102,901</b>	<b>3,190,218</b>	<b>8.9%</b>	<b>-168,210</b>	<b>222,841</b>	<b>2,422,297</b>	<b>368,744</b>	<b>\$22.85</b>	<b>\$26.48</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	20,234,561	77,829	1,397,404	7.3%	-64,636	291,609	1,405,802	368,744	386,700	\$26.63
Class B	14,168,461	25,072	1,539,025	11.0%	-47,571	18,200	931,054	0	0	\$20.39
Class C	2,415,017	0	253,789	10.5%	-56,003	-86,968	85,441	0	0	\$18.71

### Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1040 Wymore Road	90,000	Host Dime	New Lease	Maitland
225 S Garland Ave	90,000	SunTrust Bank	New Lease	CBD
680 Century Point	30,000	United Bio Source Corporation	New Lease	Millenia/Metrowest
631 West Morse Boulevard	28,000	Holiday Retirement Communities	New Lease	Winter Park

\*Renewal – Not included in Leasing Activity Statistics.

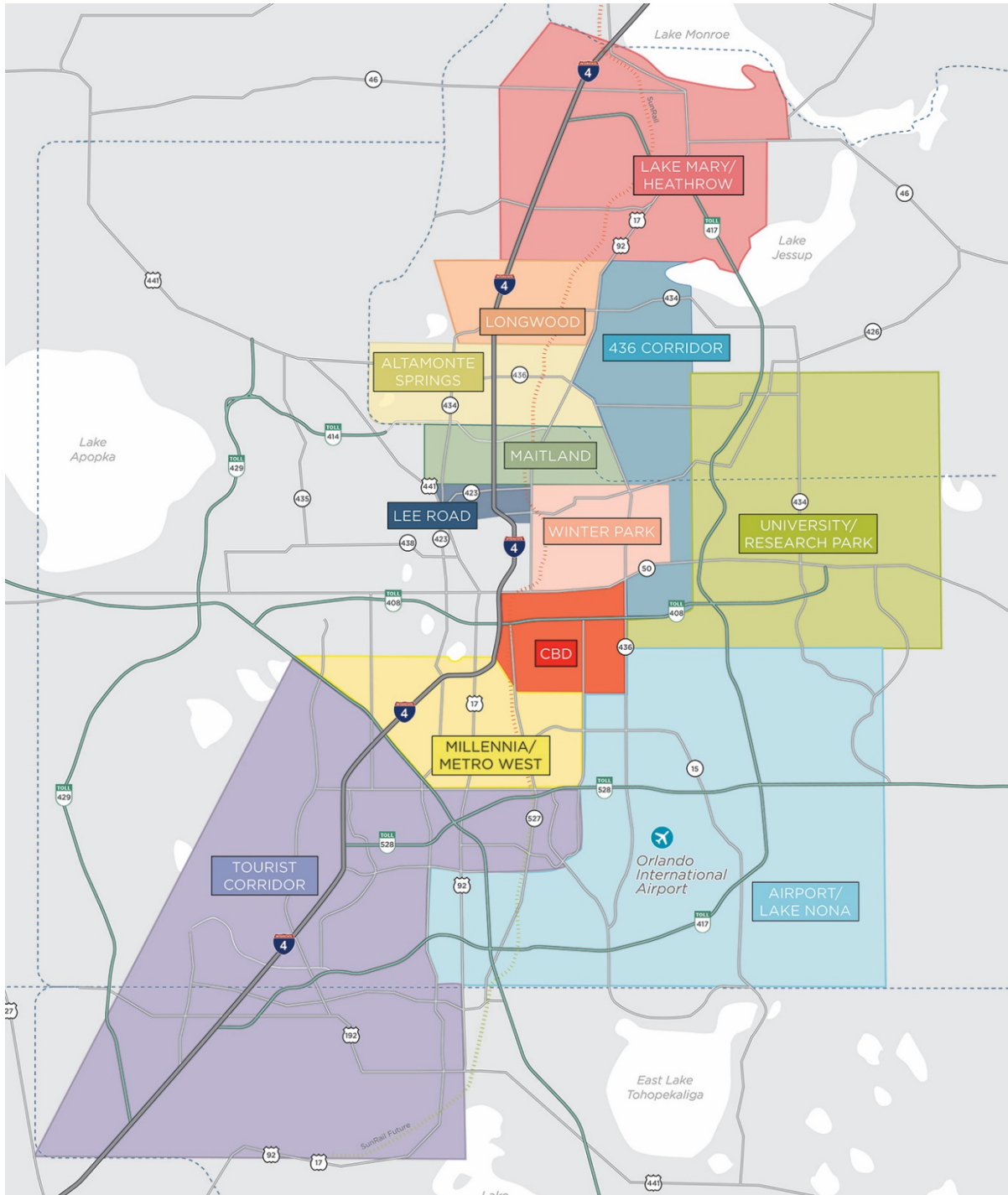
### Key Sales Transactions 2018

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
Maitland Portfolio (3 Buildings)	283,507	Realty Capital Commercial Real Estate	\$23,600,000/\$84	Maitland
4400 Alafaya Trail	257,000	Stockbridge Capital Group	\$61,500,000/\$239	University/Research Park
501 W Church Street	195,000	Piedmont Office Realty Trust, Inc.	\$28,000,000/\$144	CBD

# MARKETBEAT

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Cushman & Wakefield of Florida, LLC  
20 N Orange. Ste. 300  
Orlando, FL 32801

For more information, contact:  
Valerie Tatum  
Senior Analyst  
Tel: +1 954 377 0492  
[valerie.tatum@cushwake.com](mailto:valerie.tatum@cushwake.com)

Chris Owen  
Director, Florida Research  
Tel: +1 407 541 4417  
[chris.owen@cushwake.com](mailto:chris.owen@cushwake.com)

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