

YoY Chg 12-Mo. Forecast

9.5%
Vacancy Rate



-6,160
YTD Net Absorption, SF



\$23.80
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

1.3M
Orlando Employment



2.6%
Orlando Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS. Numbers above are monthly figures, FL Dept. Economic OPP.

ECONOMY: Job Gains Lead to Historic Low Unemployment

The economy in the Orlando region ended 2019 on a high note, adding 36,700 new jobs over the year for an annual growth rate of 2.8%, almost double the national average. The unemployment rate was 2.6% in November, down 40 basis points (bps) in 12-months. Approximately one-third of all jobs created, or 12,100, were in Professional & Business Services which helped solidify office market fundamentals throughout last year and into the start of 2020.

SUPPLY: Vacancy Remains Under 10% as Construction Picks Up

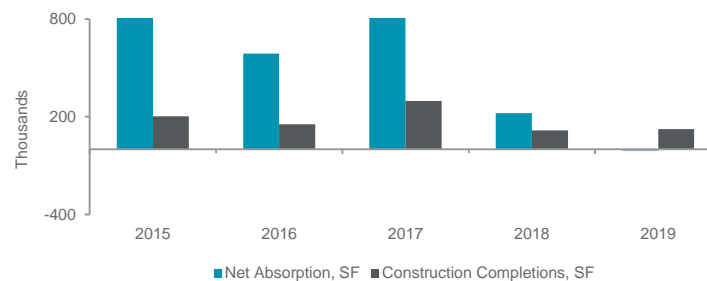
Tenant demand for space kept the overall vacancy rate for the office sector below 10% for the last ten quarters. While vacancy rose year-over-year (YOY) by 60 bps to 9.5%, the bulk of new availabilities came from two submarkets, the CBD and Altamonte Springs. In the CBD, increases in vacancy were due to several factors including tenants shifting operations from one building to another, some downsizing and tenant move-outs. Altamonte Springs had available space added to a submarket with a low amount of inventory.

Office construction jumped in 2019 compared to any other year this economic cycle. The confidence produced by the introduction of new inventory in the CBD and in larger suburban submarkets helped elevate asking rents and provided tenants with more space options. The 382,000 square feet (sf) under construction at the close of 2019 was the highest amount since yearend 2008 however, it represents less than half the 846,000 sf under construction during that time.

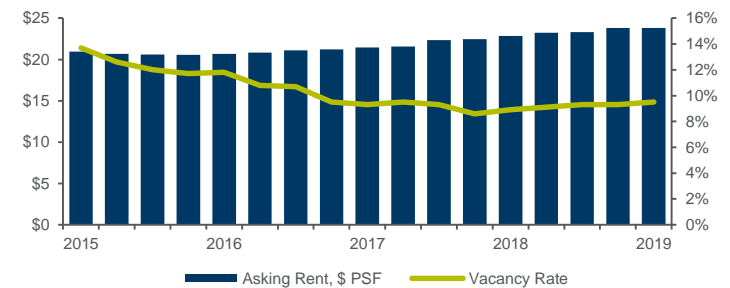
PRICING: Office Rents Reach Historic Highs

Overall asking rental rates for office space increased by 4.2% YOY to end 2019 at \$23.80 per square foot (psf) full service, the highest yearend figure recorded. Average rents in both the CBD and Non-CBD markets were at historic highs at the end of the year. The CBD led major submarkets in gains, up 8.3% in 12-months while the largest suburban office submarkets displayed rental improvement. Rent surged in Altamonte Springs and Maitland in 2019 as new availabilities were added and priced higher than current averages. The two largest submarkets south of Downtown, Tourist Corridor and Millenia/Metrowest, both had significant rental advances, up 6.1% and 2.5%, respectively.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



For Class A available space, rent growth stabilized in 2019 from yearend 2018 figures on sustained tenant demand throughout the region. In the CBD, several buildings quoted rents for space on high floors or with above average buildouts at \$32.00 per square foot (psf) full service. Several development projects are quoting rates in the high \$30's, a level unimaginable only three years ago. In addition, Class B asking rents in the CBD rose by a whopping 17.2% as several buildings added vacant space in 2019 with rents approaching Class A levels.

Demand: Bright Spots in Leasing Activity in Suburban Submarkets

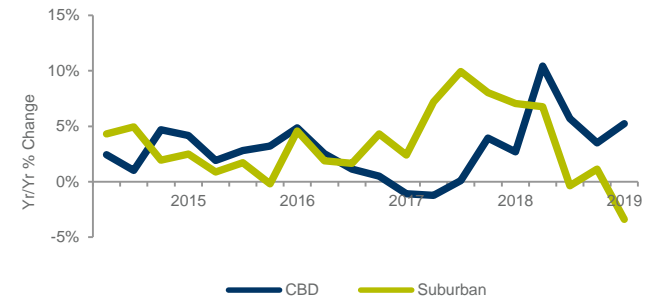
Leasing activity for the year was down slightly by 3.3% from yearend 2018 numbers. The largest decrease in leasing came from the Maitland, Airport/Lake Nona, and Millenia/Metrowest submarkets. Conversely, Lake Mary in the north had its strongest level of leasing in three years with tenants from the business services and accounting sectors taking space. In the Tourist Corridor south by the theme parks, Lockheed Martin expanded its presence on top of new leases signed by tourist and hospitality-related tenants.

It was a banner year for investment sales in the region. The 4.2 msf in 2019 in investor sales was 77% higher than in 2018 and slightly higher than the 5-year average. Class A properties led the market with assets in top tier office submarkets including the CBD, Tourist Corridor and Millenia/Metrowest make up the bulk of trades. As the market tightened, several office ownership entities continued to invest in improvements in older assets to attract tenants. These rehabilitation and stabilization programs to increase occupancy allowed owners to raise asking rents and thereby made properties more attractive to investors.

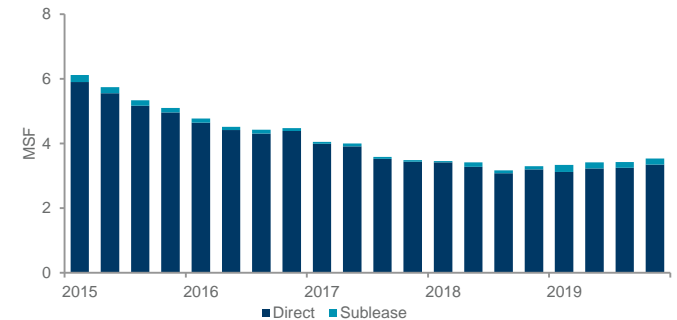
Outlook: Expectations High for Strong Office Fundamentals in 2020

- The office market in Orlando was poised to start 2020 in a solid position with vacancy under 10%, strong rental gains in many key submarkets as well as robust tenant demand for new and existing product.
- New projects were expected to break ground in the first half of 2020 which will have the potential to add even more space options for tenants in an already tight office market.
- As the office sector improves further, the expectation was that investment sales will maintain in their level of activity for the next 12-months.

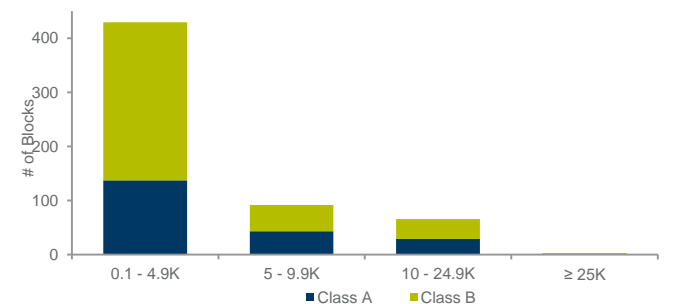
CLASS A ASKING RENT



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



BLOCKS OF CONTIGUOUS SPACE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	7,185,467	21,847	783,925	11.2%	-99,342	-190,586	626,120	217,000	\$28.27	\$28.55
Maitland	5,616,900	49,320	474,421	9.3%	42,961	-75,636	223,582	0	\$21.17	\$22.06
Altamonte	1,537,256	0	257,670	16.8%	4,833	-110,671	56,012	0	\$17.67	\$21.74
Longwood	677,469	0	152,037	22.4%	-6,467	-47,556	21,101	0	\$19.40	N/A
Lee Road	896,897	0	85,262	9.5%	-12,418	-15,393	34,602	0	\$21.57	N/A
University	4,063,020	24,877	360,836	9.5%	-64,251	-7,076	244,573	0	\$23.34	\$26.68
436 Corridor	1,890,613	7,575	111,724	6.3%	6,396	59,489	158,479	0	\$18.52	N/A
Winter Park	1,380,311	0	75,565	5.5%	9,327	9,063	60,201	26,716	\$26.85	\$33.16
Airport/Lake Nona	1,217,382	2,444	105,733	8.9%	13,621	128,833	55,190	28,500	\$31.69	\$31.69
Tourist Corridor	5,948,480	10,661	464,122	8.0%	-101,482	207,537	441,518	0	\$23.93	\$25.95
Lake Mary	4,552,838	48,331	403,488	9.9%	-21,838	-21,410	271,547	109,600	\$24.21	\$25.43
Millenia/Metrowest	2,034,259	16,285	71,967	4.3%	48,618	57,246	150,588	0	\$24.07	\$26.90
Non CBD	29,815,425	159,493	2,562,825	9.1%	-80,700	184,726	1,717,393	164,816	\$22.40	\$25.40
ORLANDO TOTALS	37,000,892	181,340	3,346,750	9.5%	-180,042	-6,160	2,343,513	381,816	\$23.80	\$26.27

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Creative Village	CBD	Electronic Art/EA Sports	176,000	Direct
9205 SouthPark Center Loop	Tourist Corridor	Lockheed Martin	136,404	Direct
8517 SouthPark Circle	Tourist Corridor	Entertainment Benefits Group	75,320	Direct

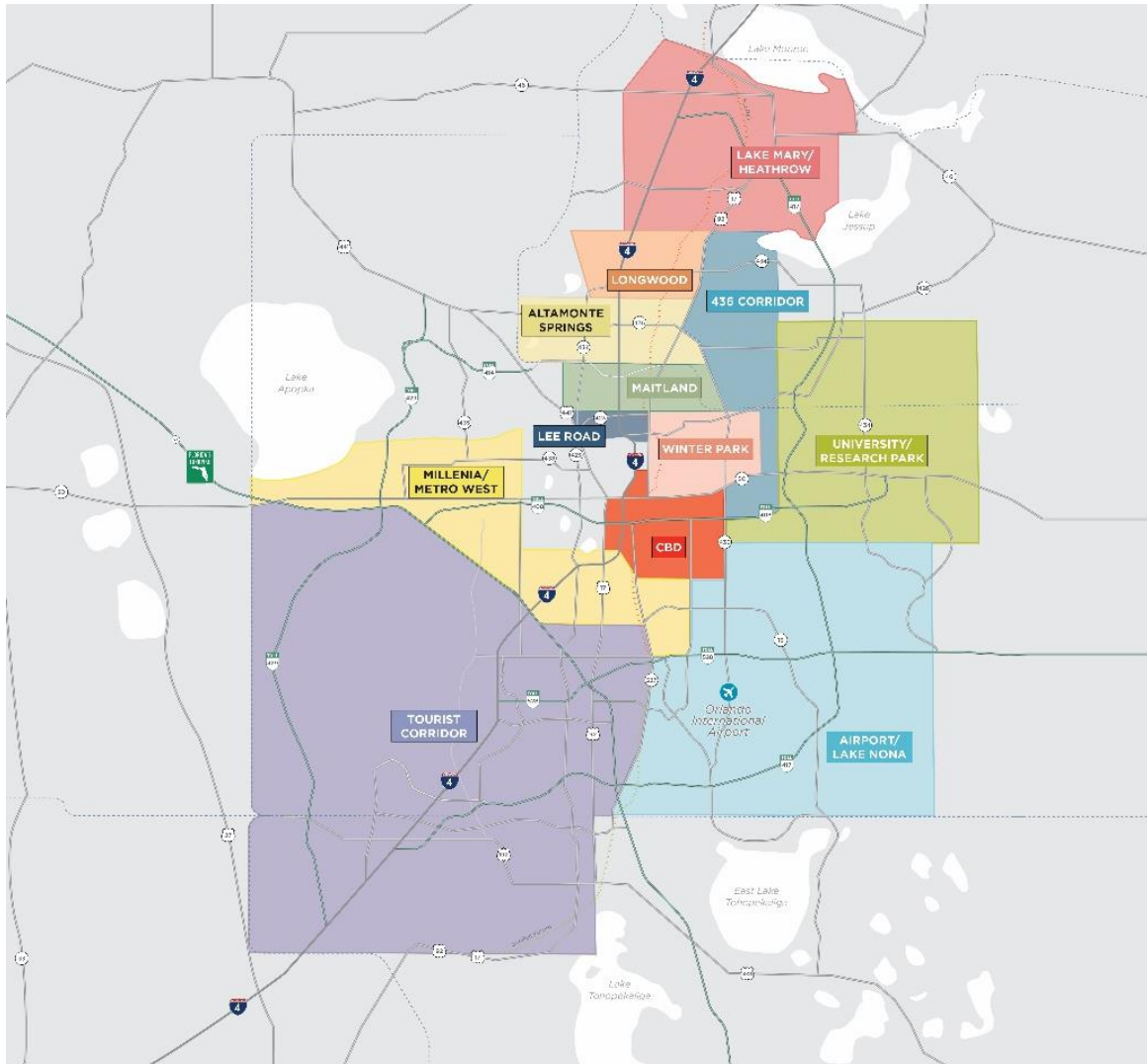
KEY SALES TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3452 Lake Lynda Drive (5 Property Portfolio)	University	Crocker Partners / IP Capital Partners	388,863	\$67.4M/\$174
111 N Orange Avenue	CBD	DRA Advisors / Black Salmon Capital	245,188	\$67.8M/\$275
11842 Corporate Boulevard	University	Siemens Corp / Real Capital Solutions	226,548	\$53.7M/\$237

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
9271 S John Young Parkway	Tourist Corridor	Orange Lake Resorts	125,028	Lake Nona Land Company

OFFICE SUBMARKETS

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