Orlando - Q4 2020

Market Report

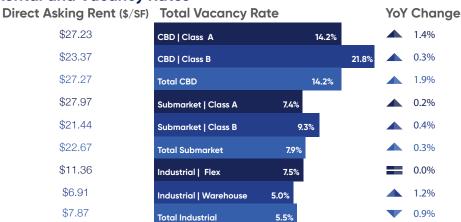
As Florida fully reopened at the end of September, outlook for local businesses has slowly brightened. According to Orlando's Downtown Development Board, the fourth quarter saw an increase in visitor traffic downtown (as determined by an increase in cars parking in downtown garages). A local poll by the Orlando Business Journal also shows there is a gaining optimism that conditions will continue to improve this year; 62.3% of readers thought the economy would improve in 2021. However, the full effect of the pandemic and ensuing shutdowns are still being felt by landlords as indicated by Q4 being Orlando's third consecutive quarter of negative net absorption. Office space available for sublease in Orlando reached the highest it has been in over 20 years at about 1.2 million SF. This, combined with recent office deliveries (1.7M SF – CoStar), portend a softening office market trend. If a credit-worthy occupier is willing to commit to a significant term, now is an opportune time for them to achieve better deal terms such as more concessions and lower rates.

According to CoStar, the industrial average vacancy rate has actually compressed since the pandemic began making it the only sector of commercial real estate to glide through 2020 relatively unscathed. For many years, Central Florida's population and job growth has been one of the nation's highest, driving demand for fulfillment, distribution, and storage spaces. While rent growth did slow in this sector due to the pandemic, it is still outperforming the national average.



Class A & B Office

Rental and Vacancy Rates



Recent Transactions

Tenant		Size	Submarket	Туре	Sector
1	Interplan	28,540	Altamonte Springs	Office	Professional Services
2	High Key	25,209	Research Park	Office	Ecommerce
3	Arizona College School of Nursing	23,000	Orlando	Office	Education
4	Henderson Agency	22,368	Orlando	Office	Finance & Insurance
5	Department of Veteran Affairs	20,736	Orlando	Office	Government
6	CoPilot Provider Support Services Inc.	20,038	Maitland	Office	Professional Services
7	LGSTX	185,000	Orlando	Industrial	Transportation
8	Humana Pharmacy	162,656	Orlando	Industrial	Healthcare
9	Sprouts	133,400	Orlando	Industrial	Grocer
10	Rhino Tire USA LLC	120,000	Orlando	Industrial	Wholesaler



Market Trends





While the Orlando office vacancy rate is at a five-year high of 8.8%, it is still far below the national average vacancy rate of 11.2%



Orlando's overexposure to the hardest hit industries of the pandemic (i.e., Leisure, Hospitality, Retail and Tourism) has made employment recovery sluggish.



A lack of speculative development over the past decade has aided Orlando's market fundamentals in remaining relatively strong during this year; demand has gone down but there was not an over-supply to begin with.

Occupier's Perspective



A healthy amount of sublease space is in direct competition with area landlords and we are finally seeing those landlords make meaningful concessions to backfill second generation space.



It is important to reevaluate your company's headcount to decide how many should work from home vs. those that need to be at the office. One bright spot of the pandemic is that many companies have not seen a marked drop off in productivity for certain functions and can do with less square footage.



If you are an occupier of industrial space, your options are much more limited than office or retail. If the building and site works for your company's requirements, decisions should be made quickly to secure it.