

# Orlando

## Nation-leading employment growth, steady leasing and sustained economic fundamentals continue to bolster Orlando's office market

According to the Florida Department of Economic Opportunity, the Orlando area has accounted for the highest job creation in the state for four straight years, adding 36,700 new private-sector jobs in the trailing 12-month period ending November 2019. While tourism fuels part of Orlando's economic engine, the metro area's employment growth has also included a rise in fintech jobs, data analytics and software development. Major announcements during the fourth quarter of 2019 included Universal Orlando's plans to build a new creative team world headquarters for its new Epic Universe theme park; Electronic Arts, Inc.'s future relocation to Creative Village in downtown Orlando (discussed in greater detail below); Tavistock's sale of 5.2 acres in Lake Nona's 650-acre Medical City to biopharmaceutical company Amicus Therapeutics, Inc. for office and lab space; and Marriott Vacation Worldwide's possible consolidation into a single campus. Continued growth within the professional business services sector in Orlando will remain solid in 2020, and is expected to grow at a faster rate than in other Florida metros through 2023. The availability of affordable housing will remain an issue even as the construction sector is expected to remain solid.

Leasing activity was steady during the fourth quarter with a small number of deals eclipsing 10,000 sf. Net absorption at the end of 2019 was just over 560,000 sf, due in part to the delivery of a largely preleased office tower in the urban core, although a lack of available space hindered overall activity. Asking rental rates rose 3.1% over the trailing 12-month period ending December 2019 to a current \$23.67 per sf, with class A rates rising 4.9% to \$28.03 per sf. All in all, Orlando's office market is well positioned heading into 2020.



Healthy leasing and the delivery of SunTrust Plaza at Church Street Station in the urban core pushed absorption to 562,484 sf by the year's end.

### Office Market Snapshot

- New-York based KPMG LLP completed construction during the fourth quarter on its massive \$450 million, 780,000-sf corporate campus known as KPMG Lakehouse in Lake Nona - the largest capital investment ever for the auditing giant. The company plans to open its doors in January and is rumored to be looking for additional office space in the immediate area.
- Leasing activity during the fourth quarter was steady, even as fewer large office deals took place. The most notable transaction was the announcement that Bluegreen Vacations Corp. had signed a 45,000-sf lease to anchor a new 125,000-sf class A office building to be built by Tavistock Development in the 200-acre Infinity Park business park. The building is slated to break ground in early 2020.
- Dallas-based Lincoln Property Company ("Lincoln") has completed construction on SunTrust Plaza at Church Street Station in downtown Orlando. The highly anticipated trophy class A mixed-use tower delivered in November. SunTrust Bank has opened for business on the ground floor and will be occupying its office space on floors 15-17 in mid-January, and a 220-key Marriott-branded hotel will be opening on floors 18-28 in early summer. Due in large part to strong interest in this tower, Lincoln will be developing a sister mixed-use tower on an adjacent site, which is planned to break ground by mid-year 2020 with a delivery date scheduled for the end of 2022. Known as T2 at Church Street Station, it will be comprised of a 32-story tower with 210,000 sf of office space and a 228-key hotel. One noteworthy difference is that the top two floors are planned for higher-end apartments.
- EA Tiburon, Inc., part of Electronic Arts, Inc. ("EA"), has announced plans to relocate its 700 employees from Summit Park in Maitland to the \$1.5 billion Creative Village development in downtown Orlando. The Orlando City Council approved a \$9 million incentive package and construction on EA's new building will start in spring 2020 with delivery by year-end 2021. As a result, the company will become one of downtown's largest office users and is expected to be the catalyst for a growing tech cluster within the urban core.
- Plans for the Orlando Magic's future downtown sports/entertainment mixed-use district swelled significantly during the fourth quarter as the project grew from 200,000 sf to more than 420,000 sf of office space and from 250 hotel rooms to 300. Additional elements include a 310-unit residential tower, 80,000 sf of event space, over 100,000 sf of retail space and an open-air plaza. The expected capital investment is now north of \$500 million and the development is expected to deliver by 2022.

## 37.5 MSF

Total office inventory in the Orlando office market

## 562,484 SF

Direct Y-T-D net absorption as of 4Q-2019

## 7.92%

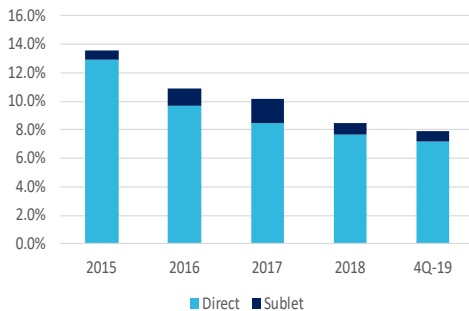
Overall Vacancy

## \$28.03/SF/FS

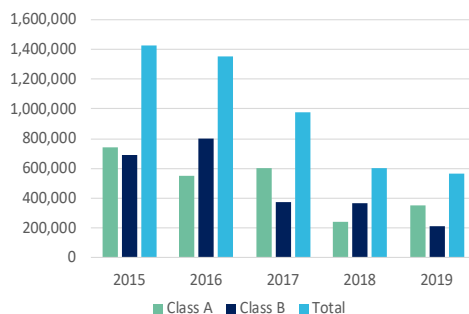
Average rental rate for class A space

## Statistical Snapshot

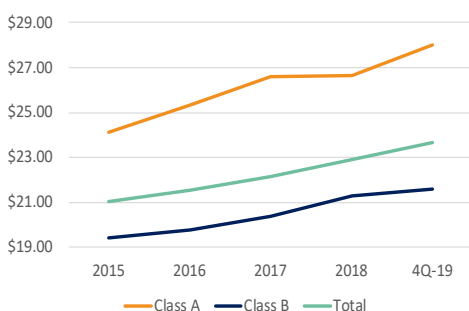
## Vacancy Rate



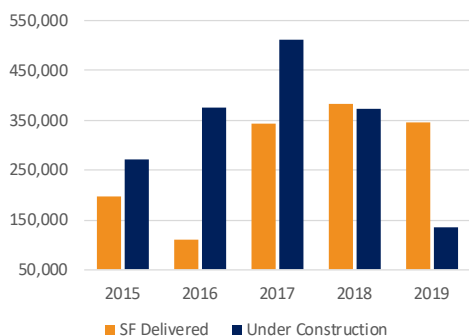
## YTD Net Absorption (SF)



## Average Asking Rent Rate (\$/SF/FS)



## Construction Pipeline



## Orlando Office Market At A Glance

## Demographics &amp; Economy



**1,500**  
New residents are expected to move to the Orlando area every week through 2030

The Orlando MSA led the nation in nonfarm employment growth for the 12 months ending June 2019 (+3.8%), followed by the Phoenix and Dallas metro areas.



Jobs in the professional and business services sector have increased by 18,300 over the trailing 12 mos ending October 2019 in Orlando

**3.0%** **NOV-2018** **2.5%** **NOV-2019**  
change in Orlando's unemployment rate

## Development



The highly anticipated SunTrust Plaza at Church Street Station delivered in the fourth quarter and represents the urban core's first new trophy class construction in 11 years.



**136K**  
square feet of office space currently under construction

## Phase II

Lincoln Property Company plans to break ground during the second quarter of 2020 on a second mixed-use tower to be completed by year-end 2022 totaling 500,000 sf.



Virgin Trains USA is underway on its Orlando-to-Miami route and is working to secure the right of way for its planned \$1.7 billion expansion with Tampa.

## \$2.3 billion

The amount of proposed apartment development in Orlando, which is being fueled by the 1,500 new residents moving to Central Florida every week.



## \$270 million

The 889-unit X Orlando mixed-use project is expected to break ground downtown in February, which could include 120,000 sf of commercial space.



## Market Influencers



**\$647 million**

in total office sales volume during the trailing-12 mos ending 4Q19



**3.1%**  
average rental rate increase over the trailing 12-mos ending 4Q-2019

## ORLANDO MSA TOTAL

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Avg Rent Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	17,374,497	872,088	172,657	\$28.03	94.98%	5.02%	0.99%	6.01%	136,316	354,314
Class B	20,174,011	1,819,693	108,103	\$21.59	90.98%	9.02%	0.54%	9.56%	0	208,170
<b>Total</b>	<b>37,548,508</b>	<b>2,691,781</b>	<b>280,760</b>	<b>\$23.67</b>	<b>92.83%</b>	<b>7.17%</b>	<b>0.75%</b>	<b>7.92%</b>	<b>136,316</b>	<b>562,484</b>

## CBD

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	4,309,654	337,394	64,453	\$29.36	92.17%	7.83%	1.50%	9.32%	0	130,668
Class B	3,036,412	311,809	18,876	\$25.99	89.73%	10.27%	0.62%	10.89%	0	(37,258)
<b>Total</b>	<b>7,346,066</b>	<b>649,203</b>	<b>83,329</b>	<b>\$27.74</b>	<b>91.16%</b>	<b>8.84%</b>	<b>1.13%</b>	<b>9.97%</b>	<b>0</b>	<b>93,410</b>

## Non-CBD / Suburban

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	13,064,843	534,694	108,204	\$27.18	95.91%	4.09%	0.83%	4.92%	136,316	223,646
Class B	17,137,599	1,507,884	89,227	\$20.68	91.20%	8.80%	0.52%	9.32%	0	245,428
<b>Total</b>	<b>30,202,442</b>	<b>2,042,578</b>	<b>197,431</b>	<b>\$22.38</b>	<b>93.24%</b>	<b>6.76%</b>	<b>0.65%</b>	<b>7.42%</b>	<b>136,316</b>	<b>469,074</b>

## 436 Corridor

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	339,475	18,137	0	\$27.08	94.66%	5.34%	0.00%	5.34%	0	(1,368)
Class B	1,000,992	40,414	6,682	\$18.93	95.96%	4.04%	0.67%	4.70%	0	53,293
<b>Total</b>	<b>1,340,467</b>	<b>58,551</b>	<b>6,682</b>	<b>\$21.46</b>	<b>95.63%</b>	<b>4.37%</b>	<b>0.50%</b>	<b>4.87%</b>	<b>0</b>	<b>51,925</b>

## Altamonte / Longwood

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	2,458,157	414,444	4,171	\$18.47	83.14%	16.86%	0.17%	17.03%	0	(86,811)
<b>Total</b>	<b>2,458,157</b>	<b>414,444</b>	<b>4,171</b>	<b>\$18.47</b>	<b>83.14%</b>	<b>16.86%</b>	<b>0.17%</b>	<b>17.03%</b>	<b>0</b>	<b>(86,811)</b>

## Downtown Orlando

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	4,309,654	337,394	64,453	\$29.36	92.17%	7.83%	1.50%	9.32%	0	130,668
Class B	3,036,412	311,809	18,876	\$25.99	89.73%	10.27%	0.62%	10.89%	0	(37,258)
<b>Total</b>	<b>7,346,066</b>	<b>649,203</b>	<b>83,329</b>	<b>\$27.74</b>	<b>91.16%</b>	<b>8.84%</b>	<b>1.13%</b>	<b>9.97%</b>	<b>0</b>	<b>93,410</b>

## Lake Mary / Heathrow

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	3,889,831	171,055	67,034	\$26.17	95.60%	4.40%	1.72%	6.12%	109,600	49,433
Class B	1,730,864	127,581	14,222	\$18.63	92.63%	7.37%	0.82%	8.19%	0	92,742
<b>Total</b>	<b>5,620,695</b>	<b>298,636</b>	<b>81,256</b>	<b>\$22.95</b>	<b>94.69%</b>	<b>5.31%</b>	<b>1.45%</b>	<b>6.76%</b>	<b>109,600</b>	<b>142,175</b>

## Maitland

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	2,036,647	98,855	3,595	\$25.59	95.15%	4.85%	0.18%	5.03%	0	(56,765)
Class B	3,973,999	343,069	51,934	\$21.04	91.37%	8.63%	1.31%	9.94%	0	51,307
<b>Total</b>	<b>6,010,646</b>	<b>441,924</b>	<b>55,529</b>	<b>\$22.06</b>	<b>92.65%</b>	<b>7.35%</b>	<b>0.92%</b>	<b>8.28%</b>	<b>0</b>	<b>(5,458)</b>

## Southeast Orlando

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	998,205	106,175	2,444	\$29.59	89.36%	10.64%	0.24%	10.88%	0	58,091
Class B	425,439	4,104	0	\$22.66	99.04%	0.96%	0.00%	0.96%	0	10,344
<b>Total</b>	<b>1,423,644</b>	<b>110,279</b>	<b>2,444</b>	<b>\$29.34</b>	<b>92.25%</b>	<b>7.75%</b>	<b>0.17%</b>	<b>7.92%</b>	<b>0</b>	<b>68,435</b>

## Southwest Orlando

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	4,172,484	68,181	30,007	\$27.22	98.66%	1.34%	0.57%	1.90%	0	188,888
Class B	3,064,894	225,659	3,241	\$22.19	92.64%	7.36%	0.11%	7.47%	0	55,225
<b>Total</b>	<b>7,237,378</b>	<b>293,840</b>	<b>33,248</b>	<b>\$23.36</b>	<b>96.11%</b>	<b>3.89%</b>	<b>0.37%</b>	<b>4.26%</b>	<b>0</b>	<b>244,113</b>

## University / Research

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	1,329,406	58,772	5,124	\$27.08	95.58%	4.42%	0.39%	4.81%	0	(1,114)
Class B	3,245,451	251,128	8,977	\$22.26	92.26%	7.74%	0.28%	8.01%	0	87,027
<b>Total</b>	<b>4,574,857</b>	<b>309,900</b>	<b>14,101</b>	<b>\$23.18</b>	<b>93.23%</b>	<b>6.77%</b>	<b>0.31%</b>	<b>7.08%</b>	<b>0</b>	<b>85,913</b>

## Winter Park / Lee Road

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	298,795	13,519	0	\$33.08	95.48%	4.52%	0.00%	4.52%	26,716	(13,519)
Class B	1,237,803	101,485	0	\$24.41	91.80%	8.20%	0.00%	8.20%	0	(17,699)
<b>Total</b>	<b>1,536,598</b>	<b>115,004</b>	<b>0</b>	<b>\$25.43</b>	<b>92.52%</b>	<b>7.48%</b>	<b>0.00%</b>	<b>7.48%</b>	<b>26,716</b>	<b>(31,218)</b>

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in the Orlando MSA that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

According to the Orlando Economic Partnership, the 7-county Central Florida area (including Polk, Volusia and Brevard counties) has been growing by about 1,000 people a week for the past six decades. One in nine residents is new to the area since 2010.

### Leading Indicators (Y-O-Y 4Q-2018 to 4Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
				
7.92%	562,484 SF	\$23.67	136,316 SF	1.35 MM

### Significant Fourth Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	SF Leased	Type	Submarket
Bluegreen Vacations	Infinity Park	45,000	New	Southwest
ManTech	Discovery TechCenter II	24,507	New	University/Research
JHT, Inc.	University Tech   12501	15,622	New	University/Research
City National Bank of Florida	390 N Orange Ave	13,500	New	Downtown Orlando
Confidential Tenant	Capital Plaza II	9,936	Renewal	Downtown Orlando
Confidential Tenant	Seaside Plaza	9,864	New	Downtown Orlando
Equity Prime Mortgage	Gateway Center	5,514	New	Downtown Orlando

### Significant Fourth Quarter 2019 Sales Transactions - Sorted by Sale Price

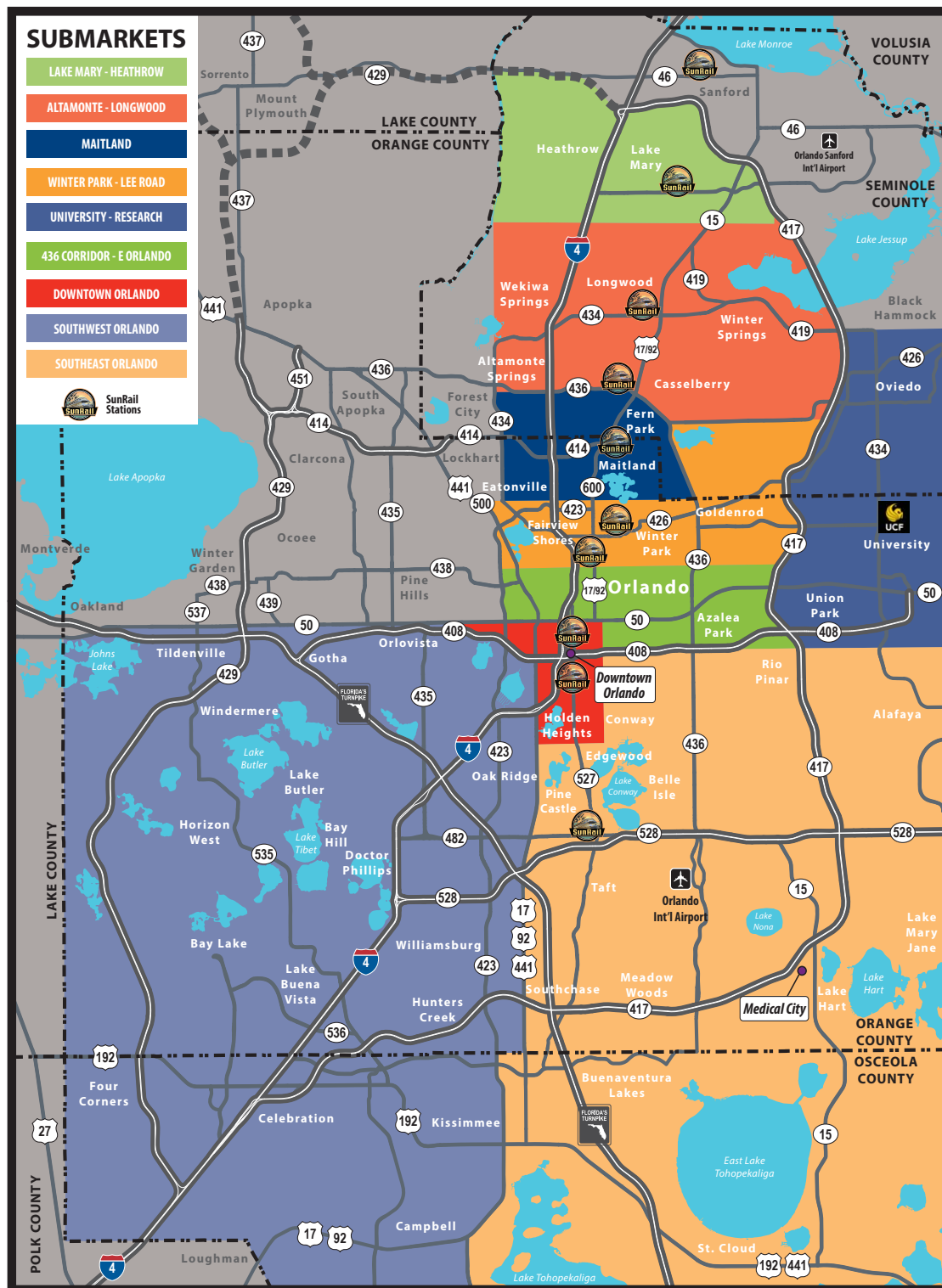
Property	SF	Sale Price	Price/SF	Buyer	Submarket
111 N Orange Ave	246,511	\$67,750,000	\$275	Black Salmon Capital LLC	Downtown Orlando
11950 Corporate Blvd	226,548	\$47,900,000	\$211	Stockbridge Capital Group LLC	University/Research
Maitland Concourse	133,592	\$22,000,000	\$165	Warmack Investments	Maitland
La Palma of Park Place	35,601	\$12,000,000	\$337	Rumasa Corp	Southwest
3050 Technology Pky	32,040	\$7,550,000	\$236	Zaragon Holdings, Inc.	University/Research
Lake Destiny Executive Center I	57,359	\$7,000,000	\$122	RealOp Investments, LLC	Maitland

### South Florida Firm Enters the Orlando Market in a Big Way with Major Acquisition

Significant investment sales activity in downtown Orlando over the last several years has resulted in a dearth of opportunities for investors to acquire high-quality and prominently situated assets within the urban core. While downtown trophy office building sales are rare, another prominent class A office tower traded hands during the fourth quarter when Miami-based Black Salmon Capital LLC ("Black Salmon"), in partnership with Tower Realty Partners, acquired 111 North Orange Ave in December for \$67.8 million, or roughly \$275 per sf. The building was 95% occupied as of the writing of this report.

As an institutional investor with capital looking for sound investment opportunities, Black Salmon was initially attracted to Orlando due to the area's strong job growth, office market stability, and rising rental rates. The company has indicated interest in acquiring additional assets in the Orlando and Tampa markets. Avison Young handled the leasing for the tower prior to the sale and has been retained by the new owner.





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