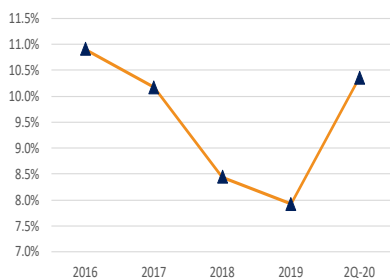


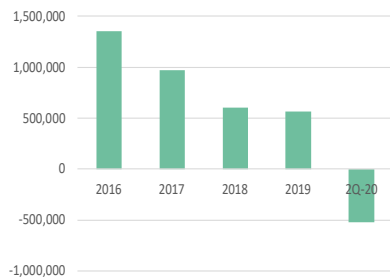
Orlando

After several years of record-setting economic growth, Florida's real estate markets abruptly paused in mid-March due to the spread of the novel coronavirus (COVID-19). While the full impact is yet to be felt, second quarter statistics provide an indication of the Orlando market's health. Third quarter activity is expected to provide greater clarity.

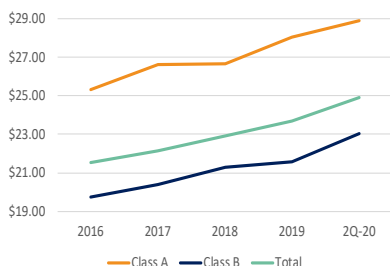
Vacancy Rate



YTD Net Absorption (SF)



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



Office Fundamentals Stronger than they Appear at Mid-Year with Healthy Pent-Up Activity on the Sidelines

- Overall vacancy has risen by 168 basis points over the trailing 12-month period ending with June, largely due to space rollover that had been anticipated for some time and a steady stream of sublease space that is beginning to hit the market.
- The negative net absorption recorded during the second quarter is mostly due to several large contiguous blocks in a handful of buildings becoming available, most notably in the University/Research and Southwest submarkets.
- Office rents have not yet begun to experience a measurable decline, and in fact are up 6.4% over the same time last year. Landlords at large are generally being patient and are not lowering their rents or offering concessions when negotiating new deals. Asking rents at this point will likely remain flat until either the broader economy kickstarts again or the new sublease space coming to market compels landlords to be more competitive.
- Orlando-based Tavistock Development Co. LLC is shelving plans to build a 125,000-sf office building in its 200-acre Infinity Park development. The building would have housed operations for Bluegreen Vacations Corp., which inked a lease for 45,000 sf late last year.
- The University/Research Park submarket in Orlando continues to see steady activity due in large part to the defense and technology presence in the area. In the overall market, some lease deals that were put on hold are starting to resurface and tenants that have been waiting patiently on the sidelines while market conditions were more clearly revealed are now coming back to the negotiating table.

Trends to Watch



CBD vs. Suburbs

A larger shift of tenants relocating from the CBD to suburban office markets due to lower density, smaller buildings, lower rental rates, and more parking is increasingly possible.



Changing Footprints

Space utilization requirements continue to change and will be further refined as we move through the current pandemic.



The New Space Race

The U.S. Air Force plans to pick a home for the hub of the next U.S. military branch in early 2021, which will be a catalyst for multiple industries. The Orlando area is fighting to be chosen as the home of the U.S. Space Force.

37.7 MSF

Total office inventory in the Orlando office market

(518,778) SF

Direct Y-T-D net absorption as of 2Q-2020

10.35%

Overall Vacancy

\$28.88/SF/FS

Average rental rate for class A space

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	17,502,203	1,111,625	209,823	\$28.88	93.65%	6.35%	1.20%	7.55%	225,000	(178,069)
Class B	20,196,869	2,344,299	236,984	\$23.04	88.39%	11.61%	1.17%	12.78%	43,500	(340,709)
Total	37,699,072	3,455,924	446,807	\$24.92	90.83%	9.17%	1.19%	10.35%	268,500	(518,778)

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	4,301,044	283,835	70,582	\$30.55	93.40%	6.60%	1.64%	8.24%	0	(38,467)
Class B	3,164,708	582,527	39,977	\$28.09	81.59%	18.41%	1.26%	19.67%	0	(45,495)
Total	7,465,752	866,362	110,559	\$28.89	88.40%	11.60%	1.48%	13.09%	0	(83,962)

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	13,201,159	827,790	139,241	\$28.31	93.73%	6.27%	1.05%	7.33%	225,000	(139,602)
Class B	17,032,161	1,761,772	197,007	\$21.37	89.66%	10.34%	1.16%	11.50%	43,500	(295,214)
Total	30,233,320	2,589,562	336,248	\$23.59	91.43%	8.57%	1.11%	9.68%	268,500	(434,816)

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	9,514	0	\$28.00	97.20%	2.80%	0.00%	2.80%	0	8,623
Class B	1,000,992	62,495	11,768	\$21.16	93.76%	6.24%	1.18%	7.42%	0	(22,081)
Total	1,340,467	72,009	11,768	\$22.06	94.63%	5.37%	0.88%	6.25%	0	(13,458)

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	455,508	11,355	\$18.74	81.47%	18.53%	0.46%	18.99%	0	(41,064)
Total	2,458,157	455,508	11,355	\$18.74	81.47%	18.53%	0.46%	18.99%	0	(41,064)

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	4,301,044	283,835	70,582	\$30.55	93.40%	6.60%	1.64%	8.24%	0	(38,467)
Class B	3,164,708	582,527	39,977	\$28.09	81.59%	18.41%	1.26%	19.67%	0	(45,495)
Total	7,465,752	866,362	110,559	\$28.89	88.40%	11.60%	1.48%	13.09%	0	(83,962)

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	3,999,431	341,188	91,375	\$28.38	91.47%	8.53%	2.28%	10.82%	0	(60,533)
Class B	1,730,864	136,600	53,714	\$18.88	92.11%	7.89%	3.10%	11.00%	0	(9,019)
Total	5,730,295	477,788	145,089	\$25.66	91.66%	8.34%	2.53%	10.87%	0	(69,552)

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	125,288	3,595	\$26.29	93.85%	6.15%	0.18%	6.33%	0	(26,433)
Class B	3,907,004	371,475	54,769	\$21.31	90.49%	9.51%	1.40%	10.91%	0	(24,172)
Total	5,943,651	496,763	58,364	\$22.57	91.64%	8.36%	0.98%	9.34%	0	(50,605)

Airport/Lake Nona

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	74,741	0	\$28.76	92.51%	7.49%	0.00%	7.49%	0	31,434
Class B	455,640	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	4,104
Total	1,453,845	74,741	0	\$28.76	94.86%	5.14%	0.00%	5.14%	0	35,538

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	129,567	28,280	\$26.47	96.18%	3.82%	0.68%	4.50%	225,000	(44,208)
Class B	2,996,250	260,900	10,818	\$22.95	91.29%	8.71%	0.36%	9.07%	0	(80,801)
Total	7,168,734	390,467	39,098	\$24.12	94.13%	5.87%	0.55%	6.41%	225,000	(125,009)

University / Research

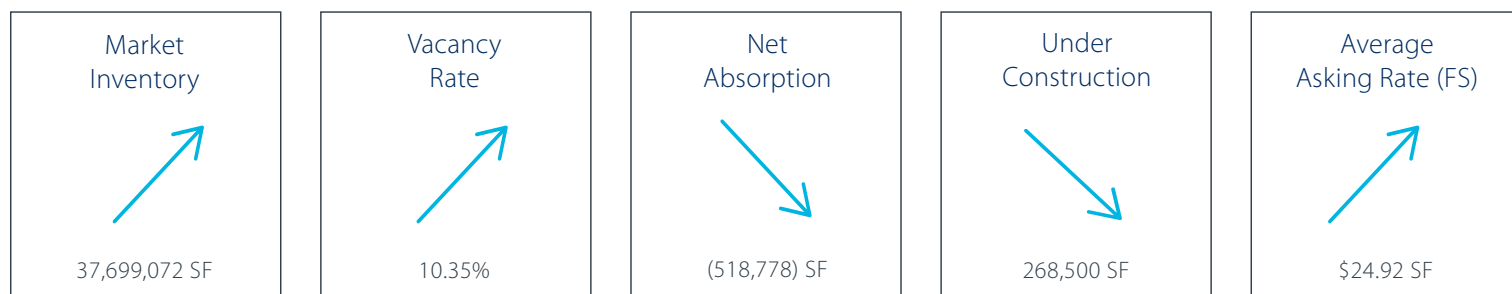
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Lease Rate	% Occupied	% Vacant	% Sublet Vacant	% Total Vacancy	Under Construction	Net Absorption
Class A	1,329,406	111,419	15,991	\$27.01	91.62%	8.38%	1.20%	9.58%	0	(52,647)
Class B	3,245,451	361,936	54,583	\$23.79	88.85%	11.15%	1.68%	12.83%	43,500	(110,808)
Total	4,574,857	473,355	70,574	\$24.55	89.65%	10.35%	1.54%	11.89%	43,500	(163,455)

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	325,511	36,073	0	\$44.44	88.92%	11.08%	0.00%	11.08%	0	4,162
Class B	1,237,803	112,858	0	\$23.90	90.88%	9.12%	0.00%	9.12%	0	(11,373)
Total	1,563,314	148,931	0	\$28.88	90.47%	9.53%	0.00%	9.53%	0	(7,211)

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.

Leading Indicators (Y-O-Y 2Q-2019 to 2Q-2020)



Significant Second Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
Confidential	Lake Nona Corporate Campus	New	38,029	Airport/Lake Nona
GCR, Inc.	400 Heathrow	New	37,346	Lake Mary/Heathrow
ClosetMaid	Lake Nona Town Center II	New	27,277	Airport/Lake Nona
Northwestern Mutual Life Insurance	Gateway Center	Renewal	26,027	Downtown Orlando
US Health Advisors Inc	7700 Southland Blvd	Renewal/Expansion	24,767	Southwest
Halcyon Underwriters	555 Winderley	New	11,388	Maitland
Sunshine State Law Firm	631 S Orlando Ave	New	7,500	Winter Park/Lee Rd
Alion*	Challenger Tech Center	New	6,873	University/Research
401K Generation*	Premier Point South	New	5,117	Altamonte/Longwood

*Avison Young handled this transaction

Significant Second Quarter 2020 Sales Transactions - Sorted by SF

There were no significant office investment sales transactions during the second quarter.





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