Year to date absorption surpasses 106,000 square feet

▼ 15.8%	▼ 11,495	▶ 0	▼ 0	▲ $27.69
Vacancy Rate	SF Net Absorption	SF Under Construction	SF Deliveries	Full-Service / Lease Rate

Note: Arrows indicate change from previous year.

OVERVIEW

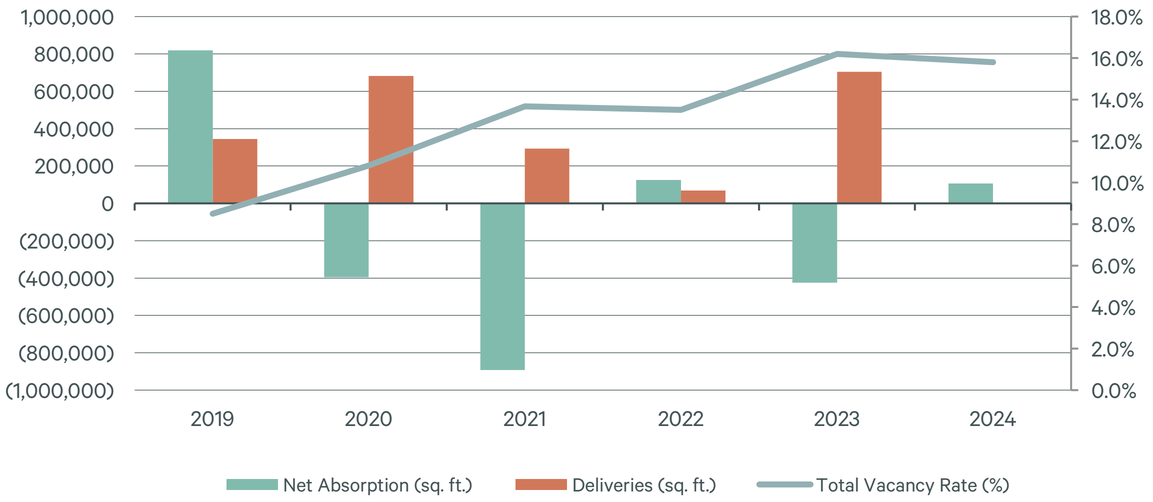
– Year to date absorption increased to positive 106,837 sq. ft., prompting the 40 bps decrease in vacancy year over year.

– The current construction pipeline is empty with only a handful of proposed projects in discussion and no clear timeline as to when they will move forward.

– Average direct asking rents across Orlando sit at $27.69 per sq. ft., up 3.2% year over year.

The Orlando office market finished on a positive note at the end of 2024. Year to date absorption ended at positive 106,837 sq. ft. due to strong leasing continuing throughout the quarter. One key deal signed this quarter was Emovis taking 30,968 sq. ft. at Berkshire at MetroCenter in the Southwest Orlando submarket. The slow but steady positive momentum in the market has allowed market vacancy to drop 40 bps year over year to 15.8%. The lack of new construction is pushing landlords to be creative with their currently available space and amenities to make it enticing for companies to continue the return to office. Since 2020, companies have continued to explore the balance between work from home and in-office work.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

The main theme of 2024 is that leasing activity carried the Orlando office market throughout the year. Outside of the Emovis deal, iBoss was another large deal signed this quarter as they took 21,029 sq. ft. at Challenger Tech Center II in the University/Research Park submarket. Downtown also had a significant deal with NeJame Law signing 15,085 sq. ft. on the 13th floor of 111 N Orange Ave.

A significant office sale also closed at the end of 2024 with Charles Schwab buying six buildings, including the Maitland Summit office park. The $122 million Charles Schwab spent was between two deals, with five buildings bought from the Klein family and one purchased from El Rancho Partners.

VACANCY

Since the end of 2023, the vacancy rate has fallen 40 basis points to 15.8%. Owners are hopeful that the office market will continue this path of filling vacant space in the market. Currently nearly 600,000 sq. ft. of signed leases are expected to take occupancy over the next 24 months.

The lack of new office developments due to current construction costs and elevated interest rates eliminates pressure on vacancy through new deliveries. This, paired with active tenants in the market could create a positive environment heading into 2025.

PRICING

Orlando overall pricing continues to modestly grow with an annual jump of 3.2% to $27.69 per sq. ft. While landlords are getting creative with spaces and companies are pushing a return to in-office attendance, the market should continue to see rates push upward. South Orlando rates are the fast growing in the market as they are up 16.3% since last year – now averaging $31.03 per sq. ft.

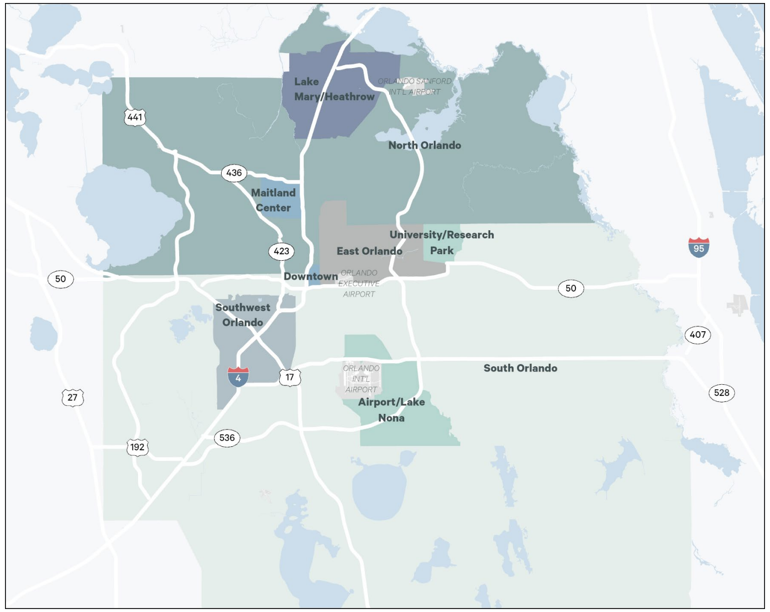
FIGURE 2: Statistical Snapshot Q4 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate ($/SF/FSG/G/MG)
Airport/Lake Nona	1,454,974	26.7	30.4	7,711	(14,284)	0	29.50
Downtown/CBD	8,490,914	13.6	14.9	24,563	(266,426)	0	32.99
East Orlando	2,088,921	8.0	8.0	1,924	47,187	0	23.77
Lake Mary/Heathrow	5,940,007	14.4	17.6	(16,726)	100,510	0	27.18
Maitland Center	5,514,146	15.1	16.0	(24,965)	145,209	0	25.42
North Orlando	2,995,043	17.4	18.9	(34,412)	(24,948)	0	21.17
South Orlando	2,897,525	5.0	5.5	11,765	63,543	0	31.03
Southwest Orlando	6,461,208	13.1	16.7	16,023	120,004	0	28.40
University/Research Park	4,324,358	10.2	17.1	25,612	(63,958)	0	28.59
Suburban Total	31,676,182	13.3	16.1	(13,068)	373,263	0	26.45
Orlando Total	40,167,096	13.3	15.8	11,495	106,837	0	27.69

FIGURE 3: Notable Leases Q4 2024

Submarket	Property	Tenant	Transaction (SF)
Southwest Orlando	Berkshire at MetroCenter	Emovis	30,968
University/Research Park	Challenger Tech Center II	iBoss	21,029
Downtown/CBD	111 N Orange Ave	NeJame Law	15,085
Lake Mary/Heathrow	1000 Heathrow	Arctera US	14,500

Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

Survey Criteria: Includes all competitive Class A and Class B office buildings 10,000 sq. ft. and greater in size in Orlando. Excludes: government and medical buildings..

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