Orlando continues into second quarter with slightly positive absorption

▲ 16.6%
Vacancy Rate

▲ 30,672
SF Net Absorption

▲ 29,500
SF Under Construction

▶ 0
SF Deliveries

▲ $28.11
Full-Service / Lease Rate

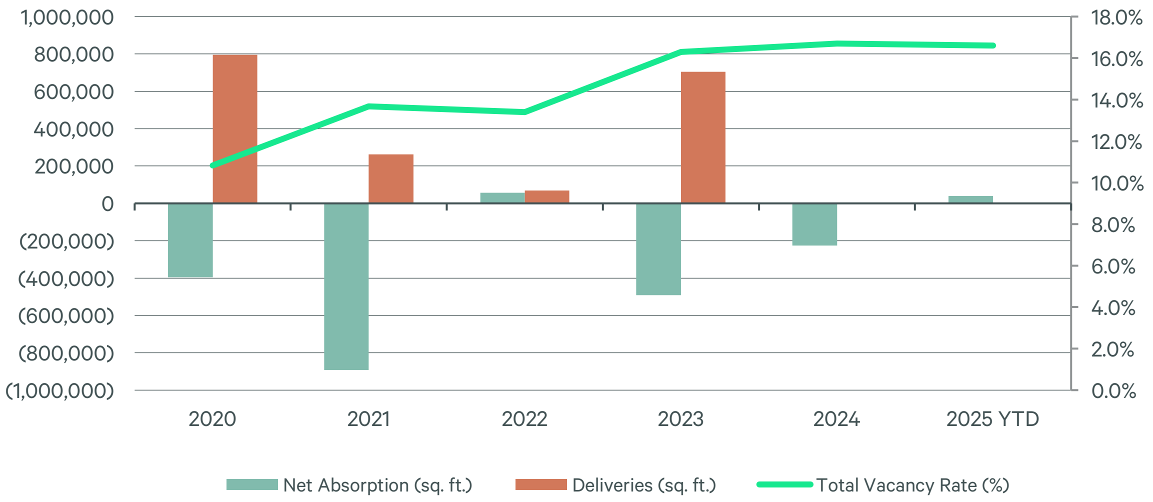
Note: Arrows indicate change from previous year.

OVERVIEW

- Year to date absorption kicked off at positive 40,357 sq. ft., prompting the 10 bps decrease in vacancy quarter over quarter.
- The current construction pipeline is limited with Downtown Orlando's Westcourt project most likely to move forward over the next two years.
- Average direct asking rents across Orlando sit at $28.11 per sq. ft., up 3.8% year over year.

The Orlando office market continues its steady positive momentum. Year to date absorption hit 40,357 sq. ft. as the leases signed in the end of 2024 take occupancy. The largest move in of the quarter was Ke'Aki Technologies taking occupancy of 59,116 sq. ft. at Discovery Point in the University/Research Park submarket. The slightly positive energy allowed another quarter of seeing market vacancy drop of 10 bps to 16.6%. The market is seeing signs of construction moving forward with several projects of various sizing getting key approvals and setting groundbreaking dates according to the Orlando Business Journal. All key indicators in the Orlando office market are moving forward on a stable and positive path.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

There is still significant interest in the Orlando market as 3.6 million sq. ft. of tenants are looking across the market to find office space. The largest deal signed this quarter was a temporary 75,321 sq. ft. renewal signed by Mitsubishi at 400 TownPark in the Lake Mary/Heathrow submarket. The largest new deal signed was Abbott Laboratories taking 66,330 sq. ft. at 1101 Greenwood Blvd also in the Lake Mary/Heathrow submarket.

The most significant office sale closed in the second quarter was Demetree Global buying Baldwin Park Building III. Owens Realty Services sold the 44,500 sq. ft. property in East Orlando for $11.3 million, or $254 per sq. ft.

VACANCY

Quarter over quarter the vacancy rate has fallen 10 basis points to 16.6%. Currently over 652,000 sq. ft. of signed leases are expected to take occupancy over the next 24 months which will help to lower vacancy. The largest expected move in is Travel & Leisure taking occupancy of 182,500 sq. ft. in that time frame at 501 W Church St.

The submarket with the lowest vacancy is South Orlando at 6.1%, 130 bps lower than this time last year. This has allowed the submarket to be one of the tightest areas of Orlando and its rates to be the highest in the suburban markets.

PRICING

Orlando overall pricing continues to modestly grow with an annual jump of 3.8% to $28.11 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. As mentioned, South Orlando rates are the highest suburban rates in the market– now averaging $31.40 per sq. ft.

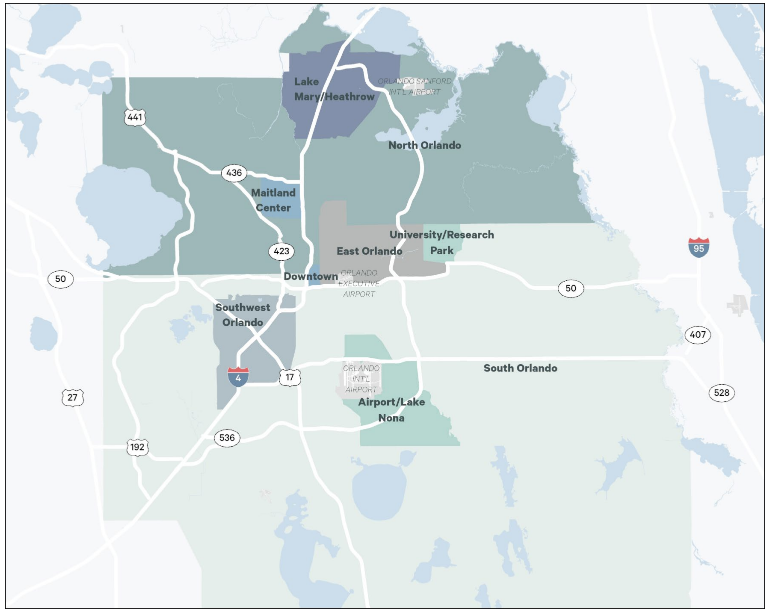
FIGURE 2: Statistical Snapshot Q2 2025

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 2025 Net Absorption (Sq. Ft.)	2025 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate ($/SF/FSG/G/MG)
Airport/Lake Nona	1,454,974	29.1	32.7	(31,397)	(32,206)	0	29.50
Downtown/CBD	8,332,784	14.8	16.3	(58,291)	(53,983)	0	33.13
East Orlando	2,055,787	8.8	8.9	(24,961)	(31,305)	29,500	24.60
Lake Mary/Heathrow	5,920,807	14.9	17.7	(3,767)	39,202	0	26.65
Maitland Center	4,865,934	16.3	18.8	23,995	17,242	0	23.98
North Orlando	2,972,999	18.0	19.4	(15,598)	(39,512)	0	21.77
South Orlando	2,850,429	5.4	6.1	24,501	5,810	0	31.40
Southwest Orlando	6,424,380	10.8	15.9	45,860	57,470	0	30.43
University/Research Park	4,324,358	15.2	17.8	70,330	77,639	0	28.34
Suburban Total	30,869,668	14.0	16.7	88,963	94,340	29,500	26.69
Orlando Total	39,202,452	14.2	16.6	30,672	40,357	29,500	28.11

FIGURE 3: Notable Leases Q2 2025

Submarket	Property	Tenant	Transaction (SF)
Lake Mary/Heathrow	400 TownPark	Mitsubishi	75,321
Lake Mary/Heathrow	1101 Greenwood Blvd	Abbott Laboratories	66,330
Downtown/CBD	The Exchange on Orange	Iron Galaxy	27,830
Downtown/CBD	Fulcrum	Temenos	23,200

Market Area Overview



ECONOMIC OUTLOOK

Policy announcements and the news cycle—not economic fundamentals— are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a more steady economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

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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