



Central Florida Office Market Report

Vacancy Rates Inch Upwards While Absorption Stabilizes

Although absorption receded back into negative territory this quarter, at -10,722 square feet, it remains well above the significant losses recorded in the second and third quarters of 2022. The consecutive quarters of large negative absorption were aberrations for the largely stable Central Florida office market.

Vacancy rates closed the first quarter of 2023 at 13.1%, up from 12.9% last quarter and 10.1% one year ago. The increase was driven by the Orlando market, which recorded an increase of 50 basis points quarter over quarter, while the Tampa/St. Petersburg market recorded a decline in vacancy rates of 20 basis points. Both markets remain well above levels from the first quarter of 2022.

Asking rents were recorded at \$26.62/SF, a cyclical high. This improvement marked an increase of \$0.26/SF quarter over quarter. Tampa/St. Petersburg maintains the higher rent of the two major markets at \$27.64/SF, with Orlando recording asking rents of \$25.15/SF.

Construction activity remains robust across Central Florida, with 1.4 million square feet of space currently under construction. The pipeline has tripled year over year, even with 176,011 square feet of deliveries in the first quarter of 2023.

Leasing Demand

Leasing activity in the Central Florida region decreased by 955,610 square feet quarter over quarter, from 2.5 million square feet to 1.5 million square feet. The number of transactions was stable, however, with just six fewer deals signed this quarter as compared to last quarter. The average deal size declined by 40.0%, from 5,500 square feet to 3,300 square feet.

Morgan Stanley signed the largest deal in Central Florida this quarter, a sublease at MetWest Three, for 53,272 square feet.

Investment Sales

Sale volumes totaled \$256.0 million in the first two months of the first quarter of 2023. Seventeen sales were finalized through February, spanning 1.3 million square feet. Region-wide, price per square foot totaled \$214/SF. The largest sale transaction of the first quarter of 2023 was \$40.0 million at Bridgeport Center in Tampa.

Current Conditions

The Central Florida market recorded negative absorption, closing the first quarter of 2023 at -10,722 square feet, a slight decline from 16,544 square feet of positive absorption in the fourth quarter of 2022.

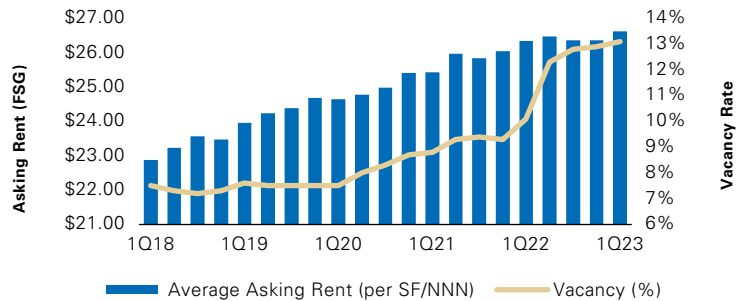
The Orlando vacancy rates increased by 20 basis points quarter over quarter, to 13.1%.

Leasing demand decreased again, closing at 1.5 million square feet, the lowest total in 11 quarters. Investment sales closed at \$256 million through February.

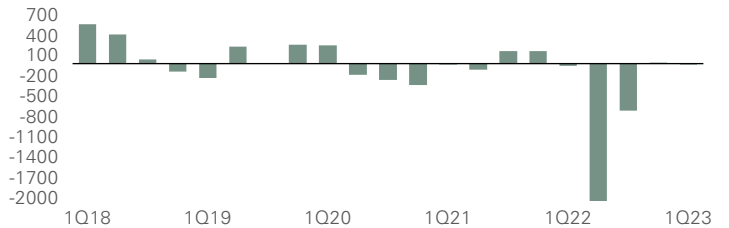
Even with the delivery of 176,011 square feet this quarter, the amount of space under construction has approximately tripled over the course of the past year.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, 100,000)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	124.3M	124.2M	123.9M	↔
Vacancy Rate	13.1%	12.9%	10.1%	↔
Quarterly Net Absorption (SF)	-10,722	16,544	-35,808	↔
Average Asking Rent/SF	\$26.62	\$26.36	\$26.34	↑
Under Construction (SF)	1.4M	1.2M	482,315	↔
Deliveries	176,011	96,900	0	↔

Economic Indicators

Employment in Central Florida approached nearly 3.0 million jobs, up 4.7% year over year. The Central Florida unemployment rate fell to 2.5%, down 20 basis points from the fourth quarter of 2022. It also outpaces the national average by 110 basis points.

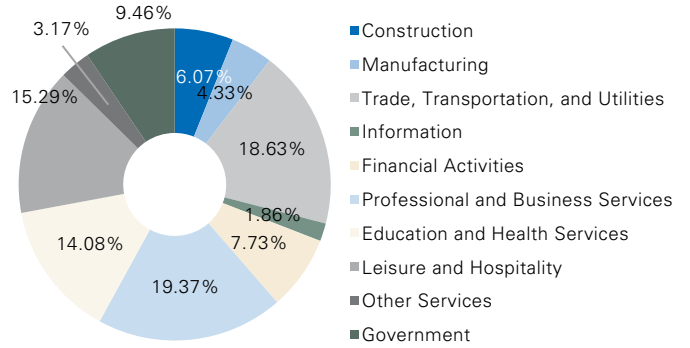
Both Tampa and Orlando each added approximately 6,000 jobs over the past month. Despite the modest increases, the pace of job growth has slowed as the Fed has continued to raise interest rates over the course of the past year.

As per industry-specific job growth, leisure and hospitality jumped by 10.2% over the past year. This was followed by education and health services with 6.7% and professional and business services at 5.1%.

Central Florida inflation has continued to outpace the national average, closing January at 8.9%, while the US overall recorded 6.4% inflation. Both figures are down from their highs in the second quarter of 2022. The Fed has continued to raise interest to tame the rising inflation, which has slowed but not yet fully stabilized to desired levels.

Employment By Industry

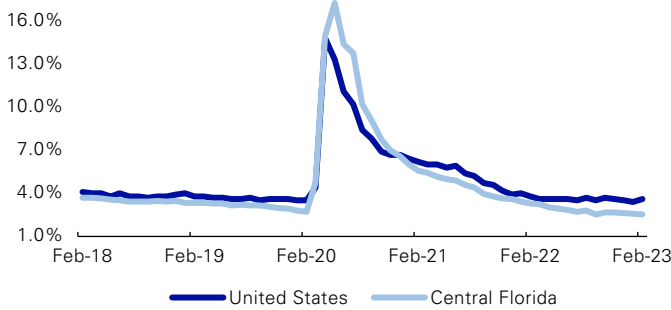
Central Florida (Orlando & Tampa MSA), February 2023 | Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

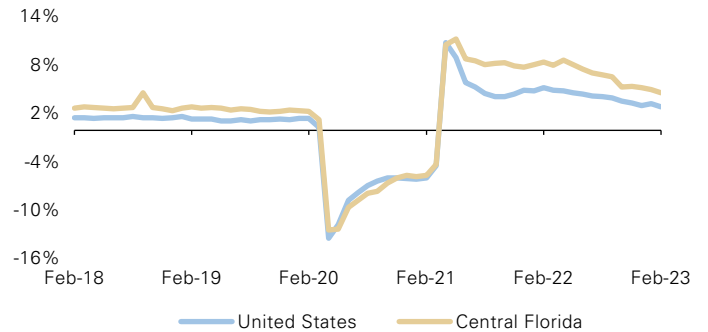
Central Florida (Orlando & Tampa MSA), Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

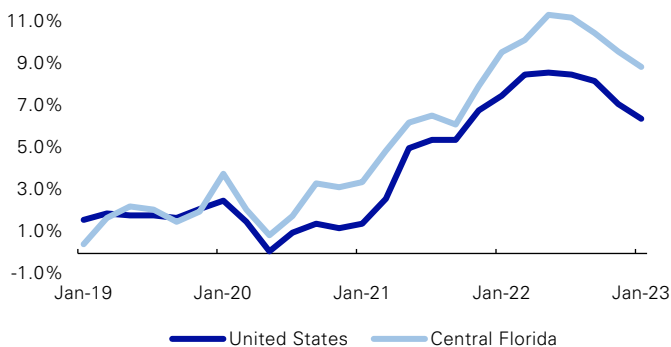
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

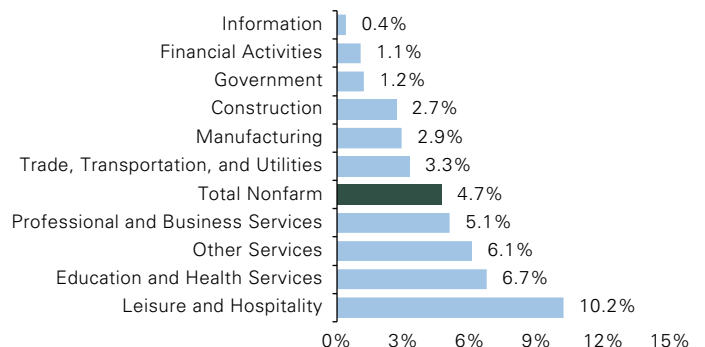
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

Central Florida (Orlando & Tampa MSA), February 2023, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted



Tampa/St. Petersburg Office Market

The Tampa Bay/St. Petersburg office market posted 141,079 square feet of positive absorption in the first quarter of 2023, marking the second consecutive quarter of positive absorption. This follows a year in which overall absorption totaled negative 1.97 million square feet.

Total inventory increased by 38,000 square feet to 61.8 million square feet following the delivery of one new office asset this quarter. Following the completion of this asset, 488,929 square feet remains under construction.

The Tampa vacancy rate decreased for the second consecutive quarter, dropping from 15.0% to 14.8% in the first quarter of 2023. It remains 300 basis points above where it closed this time last year. The sublease vacancy rate declined by 20 basis points quarter over quarter to 2.5%.

Overall asking rents in the Tampa/St. Petersburg market increased by \$0.34/SF from last quarter to \$27.64/SF. Class A buildings averaged \$31.96/SF, followed by Class B and Class C buildings with averages of \$25.61/SF and \$17.39/SF, respectively. Sublease asking rents averaged \$30.49/SF.

Leasing and Demand

Leasing activity in the Tampa/St. Petersburg office market was down 41.4% from the fourth quarter of 2022. Velocity this quarter totaled 881,134 square feet across 235 transactions. This marked the lowest quarterly activity since the second quarter of 2020.

Morgan Stanley signed the largest deal of the quarter, a sublease at MetWest Three, in Westshore submarket for 53,272 square feet. The largest direct deal was signed by Bradley for 37,033 square feet at Thousand & One in Tampa CBD.

Investment Sales

Tampa/St. Petersburg recorded \$177.9 million worth of investment sales through February. Ten assets spanning 847,329 square feet traded in the first two months of 2023. The average price per square foot of these transactions was \$214/SF.

The largest sale transaction of the first quarter of 2023 was at Bridgeport Center for \$40.0 million, or \$222/SF, in the Westshore submarket.

Current Conditions

Tampa/St. Petersburg posted positive absorption for the second straight quarter, closing at 141,079 square feet.

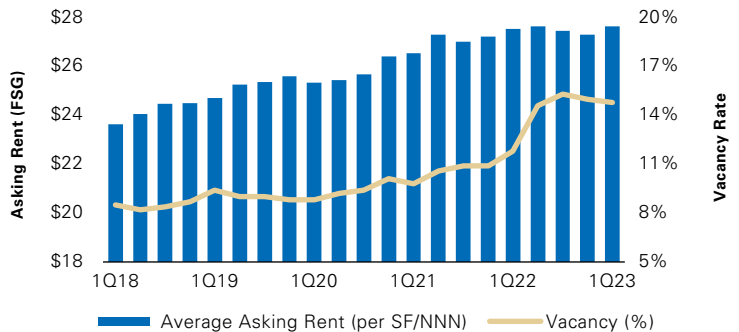
One 38,000-square-foot asset delivered in the first quarter, leaving just under half a million square feet of space under construction.

The overall asking rent in the Tampa/St. Petersburg market increased to \$27.64/SF in the first quarter, a slight jump of \$0.34/SF from the prior quarter.

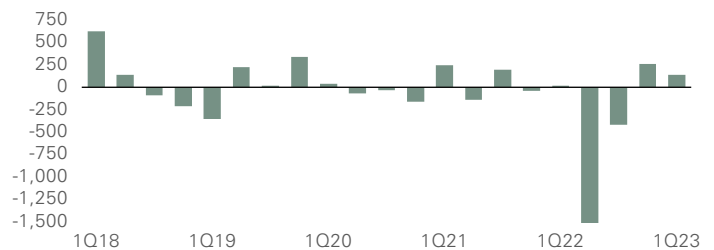
Leasing activity in the first quarter closed at 881,134 square feet, down significantly from the fourth quarter of last year. There were ten investment sales transactions in Tampa through February, for a total of \$177.9 million.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, 100,000)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	61.8M	61.7M	61.5M	↔
Vacancy Rate	14.8%	15.0%	11.8%	↔
Quarterly Net Absorption (SF)	141,079	261,343	14,222	↓
Average Asking Rent/SF	\$27.64	\$27.30	\$27.54	↑
Under Construction (SF)	488,929	98,000	135,000	↔
Deliveries	38,000	96,900	0	↔

Tampa / Saint Petersburg Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Average Asking Rent (Price/SF)
Clearwater CBD	1,127,011	-	19.3 %	18,593	18,593	\$21.13	\$20.91	\$17.26
St. Petersburg CBD	2,499,492	-	3.9 %	-5,850	-5,850	\$37.46	\$27.16	\$35.23
Tampa CBD	7,266,419	-	10.0 %	11,024	11,024	\$37.28	\$31.10	\$35.78
CBD Total	10,892,922	-	9.6 %	23,767	23,767	\$36.97	\$29.16	\$31.77
Bayside	2,030,340	-	14.8 %	23,295	23,295	\$25.37	\$23.37	\$24.55
East Tampa	8,593,425	-	25.9 %	-15,160	-15,160	\$26.58	\$24.69	\$25.54
Gateway	4,283,602	-	24.4 %	-45,959	-45,959	\$26.59	\$22.68	\$24.20
Manatee/Bradenton	2,079,478	-	4.3 %	-30,191	-30,191	-	\$31.35	\$29.82
North Pinellas	3,393,889	-	14.1 %	3,604	3,604	\$23.04	\$22.63	\$22.20
NW Hillsborough	4,610,145	-	21.7 %	-42,563	-42,563	\$29.95	\$24.28	\$24.32
Pasco County	932,241	60,000	15.5 %	84,239	84,239	\$31.09	\$19.45	\$21.37
Polk County	3,324,084	-	9.6 %	-8,545	-8,545	\$25.50	\$24.60	\$20.64
S Pinellas	757,778	-	8.0 %	10,394	10,394	-	\$18.28	\$14.57
S Tampa	1,023,783	-	3.5 %	-11,482	-11,482	\$38.50	\$30.34	\$31.42
Sarasota	5,313,597	-	4.6 %	-5,444	-5,444	\$34.94	\$29.80	\$30.58
SE Hillsborough	163,462	-	0.8 %	-1,353	-1,353	-	-	\$27.00
Westshore	14,373,438	428,929	15.0 %	156,477	156,477	\$36.83	\$27.66	\$33.03
Suburban Total	50,879,262	488,929	15.9 %	117,312	117,312	\$30.90	\$25.44	\$27.07
Totals	61,772,184	488,929	14.8 %	141,079	141,079	\$31.96	\$25.61	\$27.64

Tampa/Saint Petersburg Lease/User Transactions				
Tenant	Submarket	Building	Type	Square Feet
Morgan Stanley	Westshore	MetWest Three	Sublease	53,272
Elite Insurance Partners	NW Hillsborough	Renaissance Center V	Sublease	46,675
Bradley	Tampa CBD	Thousand & One	Direct	37,033

Tampa/Saint Petersburg Select Sale Transactions				
Buyer/Seller	Submarket	Building	Sale Price	Price/SF
Torose Equities / B&L Investments	East Tampa	6302 Corporate Center	\$31.0M	\$90
Merin Hunter Codman RE & Siguler Guff / America's Cap Partners & Silverpeak	Westshore	Bridgeport Center	\$40.0M	\$222
Convergent Cap Partners / Mercury Insurance Group	Gateway	Tides at Feather Sound	\$19.6M	\$121



Orlando Office Market

The Orlando vacancy rate continued to increase, rising 50 basis points quarter over quarter to 11.3%. Over the past year, the sublease vacancy rate has nearly doubled, increasing from just 0.6% to 1.1%, with more than 2.2 million square feet available for sublease at the close of the first quarter of 2023. The Orlando office market continued to post negative absorption, which was recorded at negative 151,801 square feet. Although this marks the fifth straight quarter of negative absorption, the overall figure has improved for three consecutive quarters.

Overall average asking rents were relatively stable, increasing by just \$0.11/SF quarter over quarter, to \$25.15/SF. Over the past year, Class B asking rents have increased by \$1.33/SF, the most of any building class. Downtown Orlando Class A buildings continue to ask for a premium of \$4.00/SF, relative to Suburban product, with rents of \$26.01/SF.

A 138,000-square-foot office asset delivered in Orlando, the first new product to open in more than a year. An additional four projects, spanning 926,057 square feet, remain under development across the market.

Leasing and Demand

Although the number of transactions executed increased quarter over quarter, leasing activity in the first quarter of 2023 decreased by roughly 374,000 square feet, closing the quarter at 595,375 square feet. Sublease activity composed just 4.7% of overall activity.

The largest lease of the quarter was signed by Charter Spectrum Communications at Maitland Promenade I for 48,066 square feet.

Investment Sales

Orlando's investment sales activity totaled roughly \$78.1 million through February, with seven assets, totaling 417,566 square feet, changing hands. The largest sales transaction of the first quarter of 2023 occurred at 6039 S. Rio Grande Avenue in South

Orlando/Central Park for \$7.0 million. The other notable deal in the submarket was the sale of 6900 S. Orange Blossom Trail for \$2.8 million.

Current Conditions

The Orlando office market posted negative absorption for the fifth consecutive quarter, closing at negative 151,801 square feet.

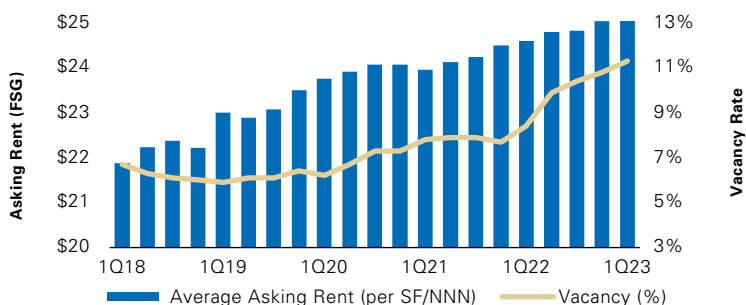
The Orlando vacancy rate increased for the fifth straight quarter to 11.3%, up 50 basis points from 10.8% last quarter and 8.4% last year.

Orlando average asking rents saw minimal change, closing the quarter at \$25.15/SF, up \$0.11/SF from the fourth quarter. Class A office rents averaged \$27.02/SF.

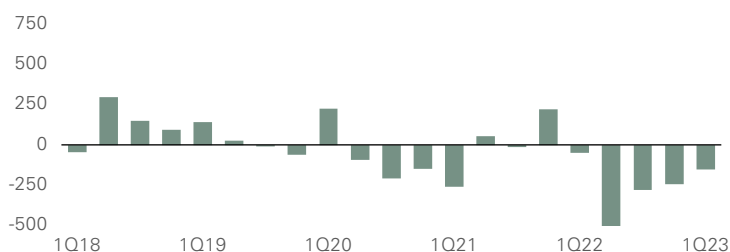
Leasing activity declined quarter over quarter by 374,000 square feet, closing at 595,375 square feet. Investment sales volume totaled roughly \$78 million through February.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, 100,000)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	62.5M	62.5M	62.5M	↔
Vacancy Rate	11.3%	10.8%	8.4%	↑
Quarterly Net Absorption (SF)	-151,801	-244,799	-50,030	↔
Average Asking Rent/SF	\$25.15	\$25.04	\$24.59	↑
Under Construction (SF)	926,057	1.1M	347,315	↔
Deliveries	138,011	0	0	↔

RESEARCH Q1 2023

Orlando Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Average Asking Rent (Price/SF)
Downtown Orlando	8,458,725	-	13.6 %	-29,122	-29,122	\$30.01	\$25.17	\$28.80
436 Corridor/Casselberry	1,733,989	-	16.5 %	3,196	3,196	-	\$20.21	\$19.62
Altamonte Springs/Longwood	3,127,373	-	13.2 %	-15,379	-15,379	\$23.00	\$21.12	\$21.18
Brevard County	5,783,805	68,703	8.0 %	2,907	2,907	\$26.01	\$23.76	\$22.13
Celebration/Kissimmee	2,344,663	-	2.2 %	-12,700	-12,700	\$27.50	\$30.65	\$29.68
Dr. Phillips/Tourist Corridor	6,922,163	299,520	8.5 %	45,263	45,263	\$25.31	\$24.97	\$25.17
Lake County/Clermont	553,895	-	3.4 %	-572	-572	\$28.50	\$14.00	\$15.32
Lake Mary	6,842,761	-	16.6 %	-72,780	-72,780	\$26.28	\$25.09	\$25.97
Maitland/Maitland Center	6,356,611	-	16.8 %	-51,413	-51,413	\$24.64	\$22.18	\$23.54
MetroWest/Millennia	2,219,531	-	7.1 %	-28,201	-28,201	\$27.26	\$30.28	\$27.34
NW Orlando	382,544	-	2.1 %	2,149	2,149	\$18.75	\$29.00	\$20.75
Orlando Airport/Lake Nona	1,896,325	557,834	8.2 %	2,380	2,380	\$32.19	-	\$31.74
South Orlando/Central Park	3,263,236	-	14.5 %	23,867	23,867	\$24.33	\$19.53	\$20.31
University/University Research	6,492,730	-	11.1 %	16,895	16,895	\$25.74	\$30.93	\$27.46
West Colonial	1,536,797	-	5.1 %	1,874	1,874	-	\$38.00	\$22.50
Winter Park/Baldwin Park/Lee Road	4,156,987	-	7.2 %	-39,781	-39,781	\$28.40	\$24.14	\$25.39
Winter Springs/Oviedo	455,054	-	2.1 %	-384	-384	\$21.25	\$21.71	\$21.61
Suburban Total	54,068,464	926,057	11.0 %	-122,679	-122,679	\$26.01	\$23.33	\$24.40
Totals	62,527,189	926,057	11.3 %	-151,801	-151,801	\$27.02	\$23.45	\$25.15

Orlando Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
Charter Spectrum Communications	Maitland/Maitland Center	Maitland Promenade I	Direct	48,066
Mass Virtual	Orlando Airport/Lake Nona	Citadel II	Direct	24,370
Consumer Product Services	Maitland/Maitland Center	850 Trafalgar	Direct	21,000

Orlando Select Sale Transactions

Buyer/Seller	Submarket	Building	Sale Price	Price/SF
Hanover Capital Partners / Orlando Rio Grande	South Orlando/Central Park	6039 S Rio Grande	\$7.0M	\$93
Grupo Tavares De Melo / Bosshardt Realty Services	South Orlando/Central Park	6900 S Orange Blossom	\$2.8M	\$98

