Market Overview

Orlando Office

1Q26

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Market Observations

Economy

- During the first quarter of 2026, the unemployment rate in the Orlando market rose by 88 basis points year over year to 4.2% and remains below the current national average of 4.4%.
- In December 2025, year-over-year job growth was 0.3%, slightly outperforming the 0.1% national average. However, annual job growth declined by 196 basis points year over year.
- Five of the ten major employment sectors posted job gains over the past year, led by the education and health industry, which recorded a robust 5.3% increase.
- Office-using jobs decreased 0.5% year over year to 410,760 employees in December 2025, falling 0.9% from the peak recorded in May 2025.

Leasing Market Fundamentals

- The Orlando office market recorded 227,078 SF of positive absorption, the highest quarterly total since the second quarter of 2018. Coupled with minimal new deliveries, the vacancy rate declined by 20 basis points quarter over quarter to 13.6%.
- The pipeline was relatively flat at 106,984 SF until the first quarter of 2026, when it halved to 56,000 SF or just 0.1% of total market inventory. This marks a 64.7% decline since the recent high recorded during the first quarter of 2024.
- In the first quarter of 2026, asking rents in the market increased 5.6% year over year to an all-time high of $27.61/SF. Class A rents rose by 7.4% year over year to a new peak of $29.68/SF and Class B rents rose by 6.1% over the same period, climbing to $26.59/SF.
- Total leasing activity declined by 8.1% in the first quarter of 2026, totaling 831,020 SF. The average lease size was 3,976 SF, up 28 SF quarter over quarter.

Major Transactions

- The U.S. General Services Administration (GSA), the real estate arm of the federal government, executed the largest lease of the quarter, taking 32,629 SF at Hollister in the Winter Park/Baldwin Park/Lee Road submarket. The transaction was one of two government leases among the quarter's top deals, with public sector tenants securing the two largest transactions in the Orlando market during the first quarter of 2026.
- Three of the deals were executed in the Maitland/Maitland Center submarket, further reinforcing its role as a consistent hub for leasing activity.
- Despite four of the top deals being executed in Class B space, Class A leasing activity significantly outperformed Class B, accounting for 37.5% of total volume compared to 15.9%. This reflects continued tenant preference for high-quality space, while also highlighting that select Class B assets remain competitive.

Outlook

- The Orlando office market is expected to see only modest growth during 2026, as continued economic uncertainty constrains investment activity and new development.
- Top-tier office space in Orlando's premier submarkets are likely to continue to attract tenants as the ongoing flight to quality trend continues, leading to increased asking rents and occupancy rates. Even as the broader office market shows modest demand, high-quality, amenity-rich buildings should continue to see increased demand.
- The outlook for the Orlando office market remains cautiously optimistic. Demand has rebounded despite limited growth in office-using employment, and Orlando's diverse labor force—which supports a broad mix of business sectors—should sustain continued demand for office space, even if activity remains muted relative to historical levels.

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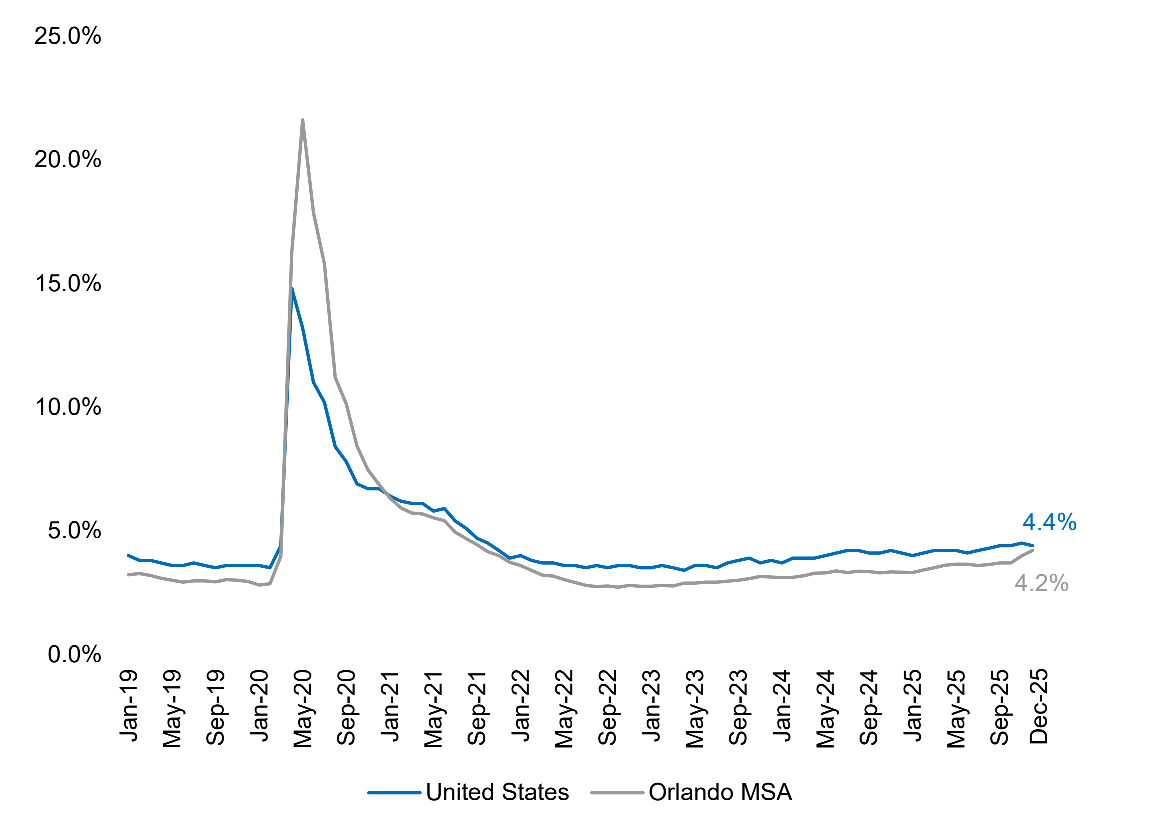
Economy

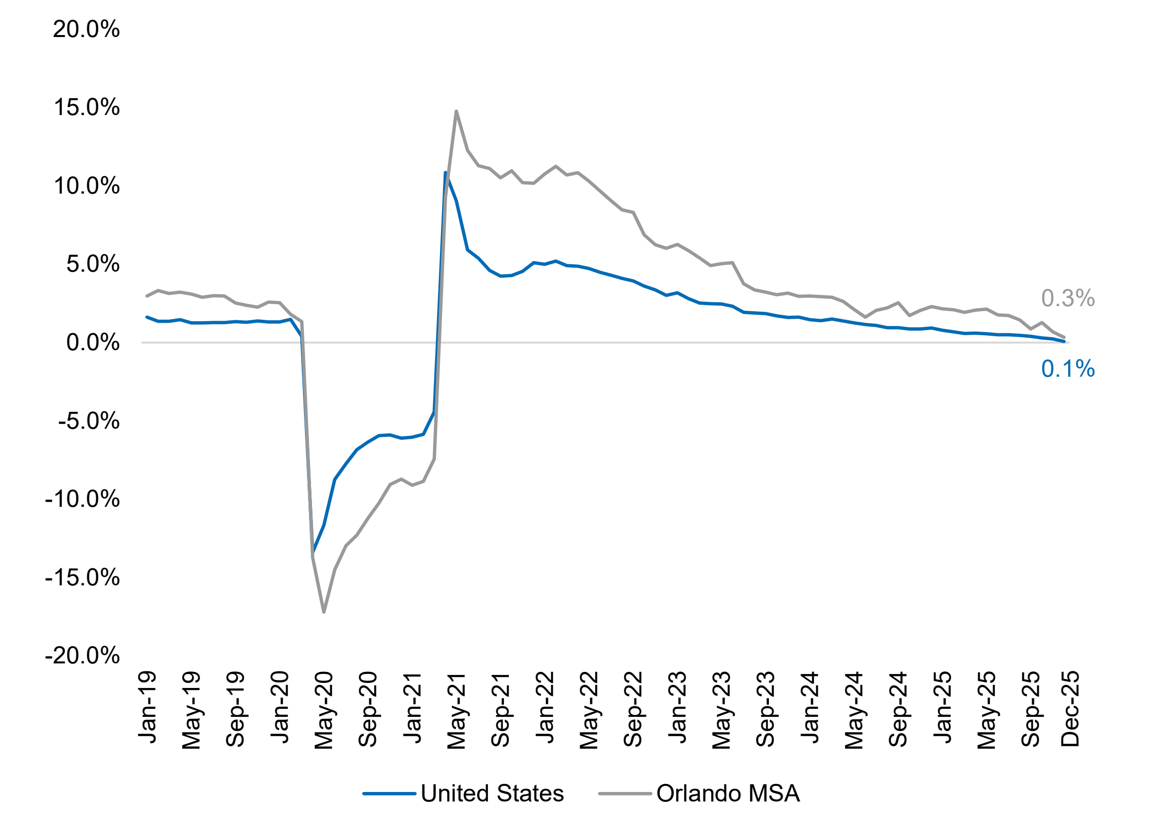
Employment Trends Continue to Outperform the National Average

The Orlando market has generally outperformed the national average in both employment growth and unemployment rates since mid-2021. In the face of national economic headwinds that have negatively impacted the job market, the Orlando metro continues to demonstrate resilience and post below-average unemployment rates and above-average job growth. Over the past year, the unemployment rate in the Orlando metro increased by 88 basis points to 4.2% in December 2025 but remains below the current national average of 4.4%. Additionally, as of the end of 2025, annual employment growth in Orlando was 0.3%, representing a 196-basis-point decline year over year, yet remaining 26 basis points above the national rate of 0.1%.

Unemployment Rate*, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



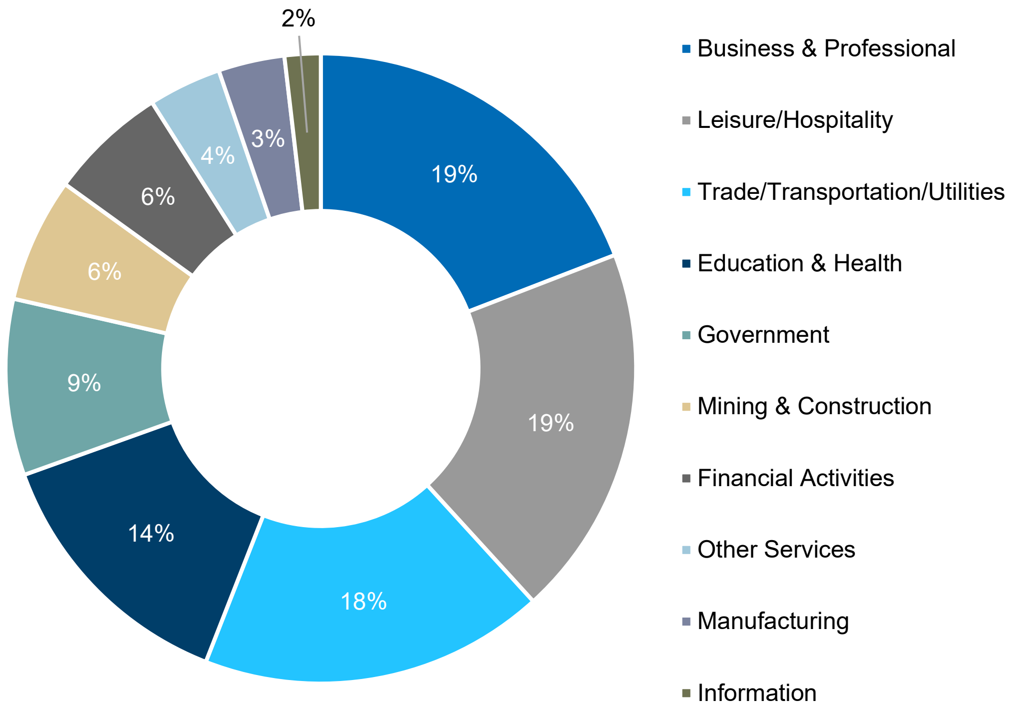
Source: U.S. Bureau of Labor Statistics, Orlando MSA

*October 2025 government shutdown missing data addressed with duplicating September 2025's data

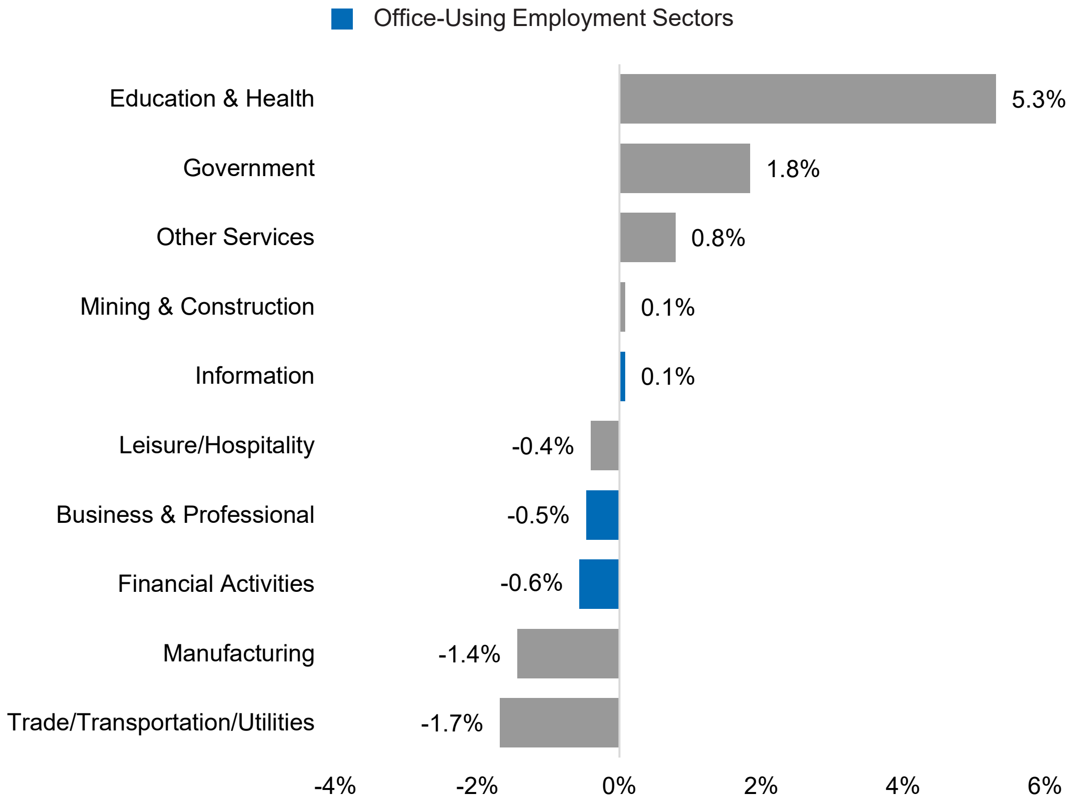
Office Employment Report Mixed Growth

Known for its tourism sector, the Orlando market's top two employment industries account for 38.2% of the total market share. The business and professional services sector led with 19.1% of total employment, followed closely by leisure and hospitality also at 19.1%. Five of the ten major employment sectors posted job gains over the past 12 months, led by the education and health industry, which recorded a 5.3% increase. Over the past year, office-using sectors posted mixed results: information employment increased 0.1% while business and professional and financial services employment declined by 0.5% and 0.6%, respectively.

Employment by Industry, December 2025



Employment Growth by Industry, 12-Month % Change, December 2025

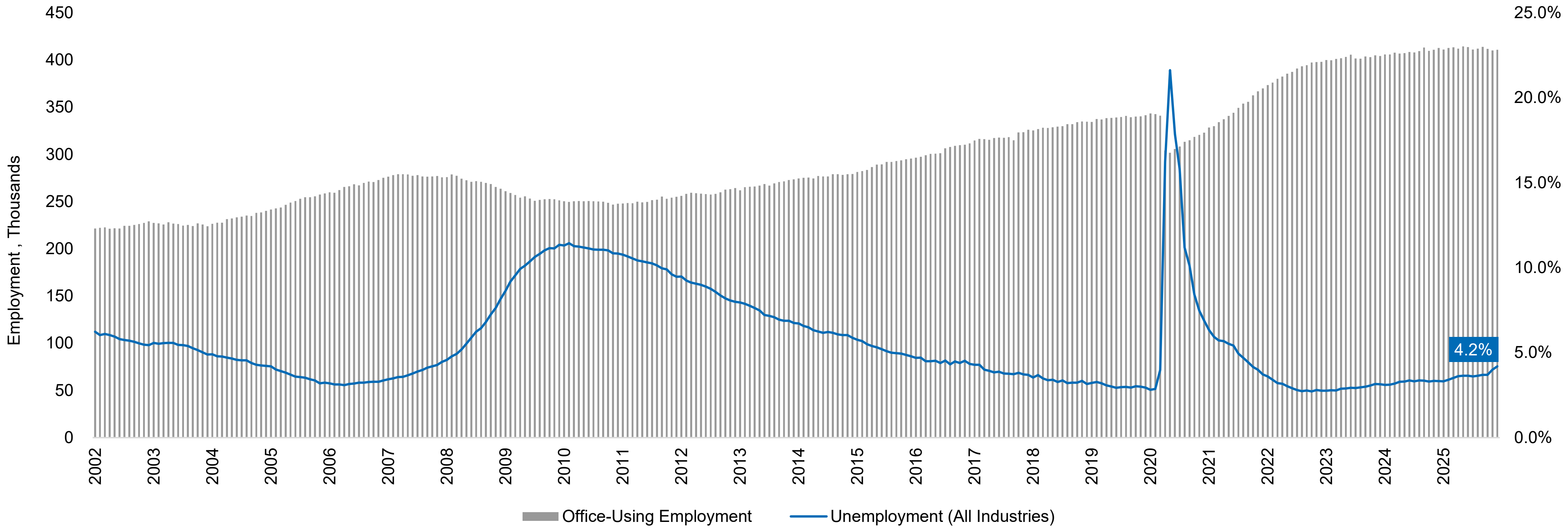


Source: U.S. Bureau of Labor Statistics, Orlando MSA

Office-Using Employment Remains Below All-Time High

Office-using employment in the Orlando market totaled 410,760 employees at the end of December 2025, down 0.5% year over year and 0.9% below the May 2025 peak of 414,289 jobs. Currently, the unemployment rate is at 4.2%, below the five-year average of 4.9% from 2020 to 2024. The office-using financial activities and business and professional sectors reported negative annual growth, while the information sector posted minimal gains. The lagging financial activities and business and professional services sectors remain key contributing factors to Orlando's increasing unemployment rate and declines in office-using employment numbers.

Office-Using Employment* and Unemployment** Across All Industries



Source: U.S. Bureau of Labor Statistics, Orlando MSA

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

**October 2025 government shutdown missing data addressed with duplicating September 2025's data

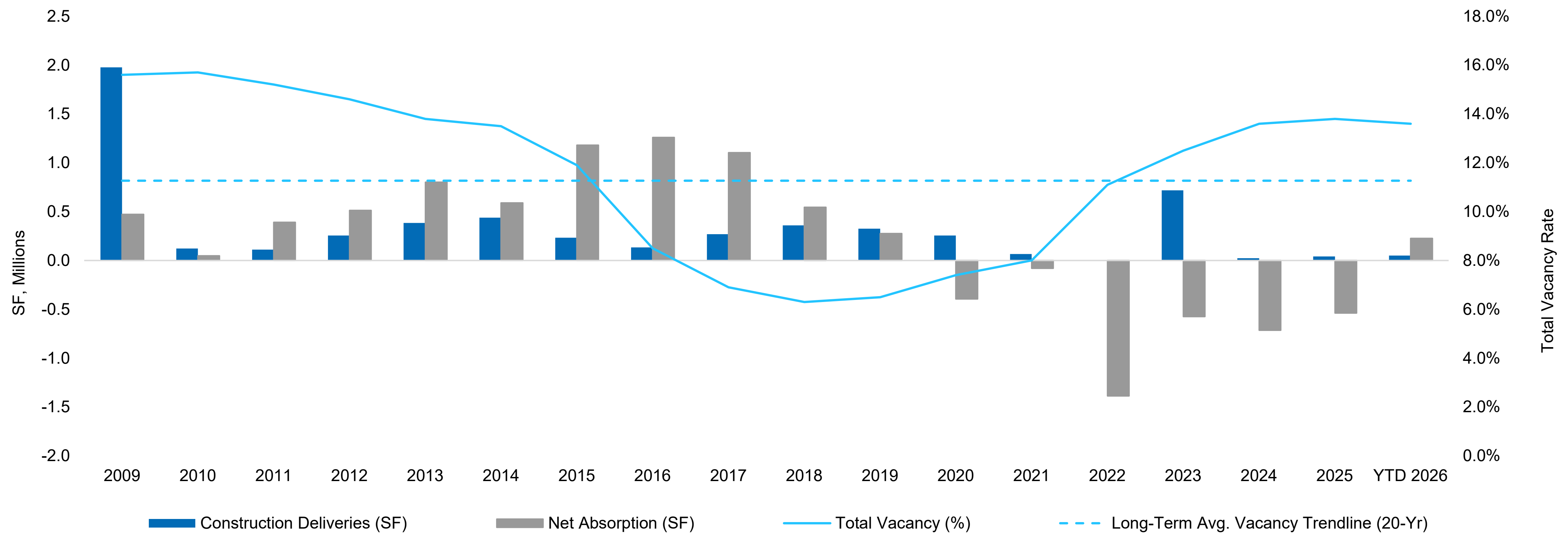
02

Leasing Market Fundamentals

Limited New Supply and Strong Demand Drive Vacancy Lower

The Orlando office market recorded 227,078 SF of occupancies in the first quarter of 2026, the highest quarterly net absorption since the second quarter of 2018. Meanwhile, deliveries remained minimal, with only 50,984 SF delivered across two projects coming online. The combination of limited new supply and strong move-ins pushed the vacancy rate down 20 basis points quarter over quarter to 13.6%. While vacancy remains elevated and above the 20-year historical average of 11.3%, it is still below peak levels recorded from 2009 through 2013. Stronger office demand in the Orlando market is likely to gradually push vacancy downward in the near term.

Historical Construction Deliveries, Net Absorption, and Vacancy

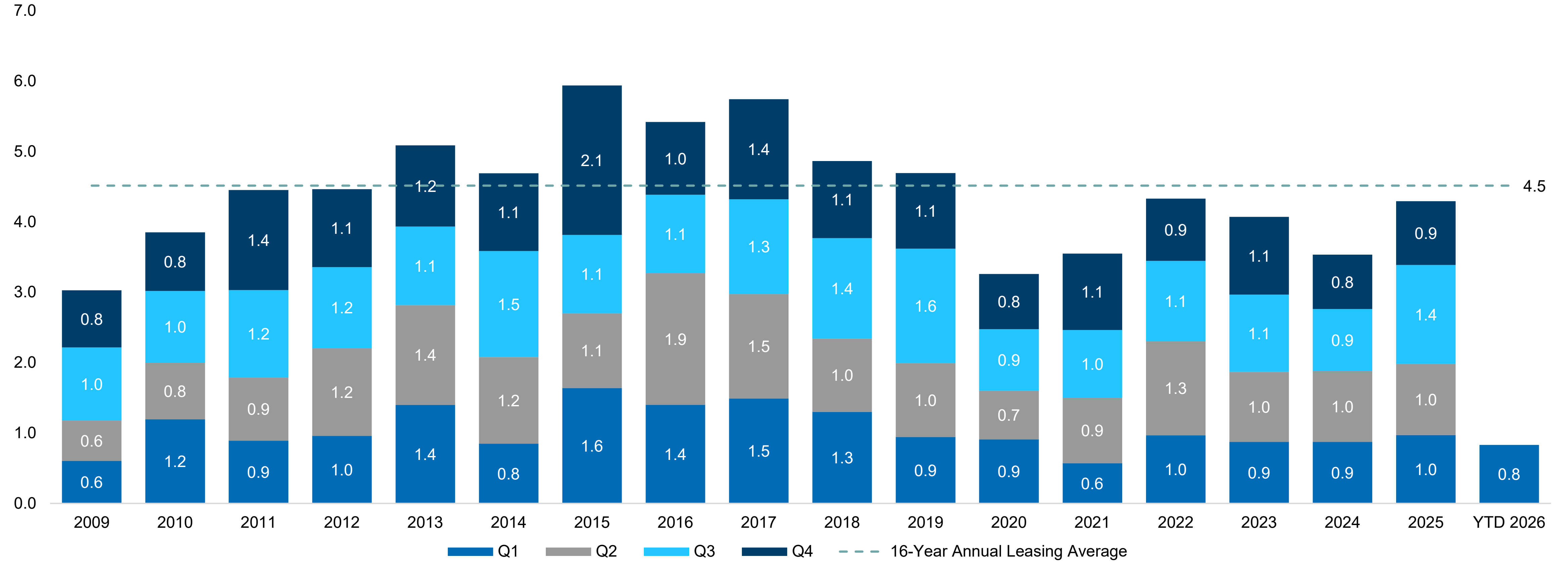


Source: Newmark Research, CoStar

Leasing Activity Declines as Deal Size Trends Higher

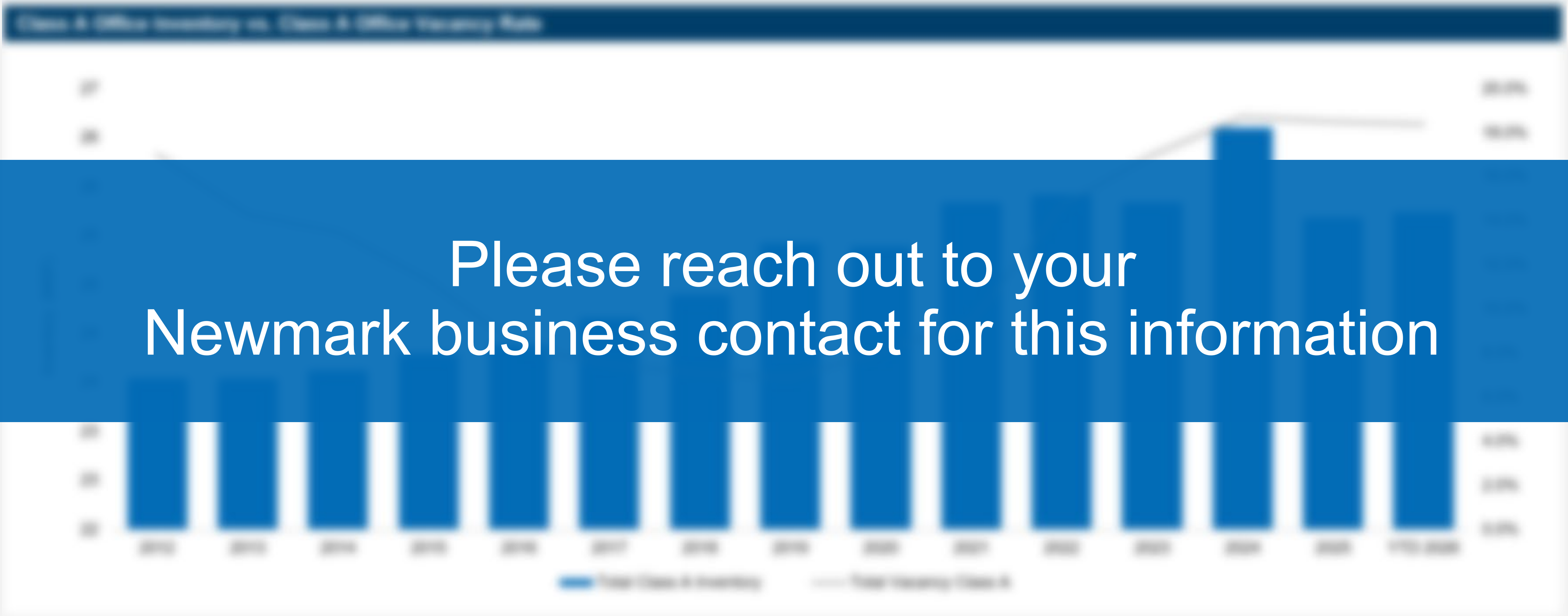
Leasing activity in the Orlando market declined for the second consecutive quarter in the first quarter of 2026, falling 8.1% quarter over quarter to 831,020 SF. The total represents the lowest first-quarter volume since 2021 and came in slightly below the 16-year first-quarter average of 1.0 MSF. Despite the slower start to the year, tenant demand has remained relatively steady, as evidenced by a modest increase in average deal size, which rose by 28 SF to 3,976 SF per deal. This suggests that while overall leasing volume has softened, tenants in the market are still committing to space and, in some cases, opting for slightly larger footprints. Looking ahead, leasing activity may remain measured in the near term, but stable tenant demand and improving deal size point to a more gradual recovery as market conditions stabilize.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Steady Demand Drives Class A Vacancy Lower Despite New Supply



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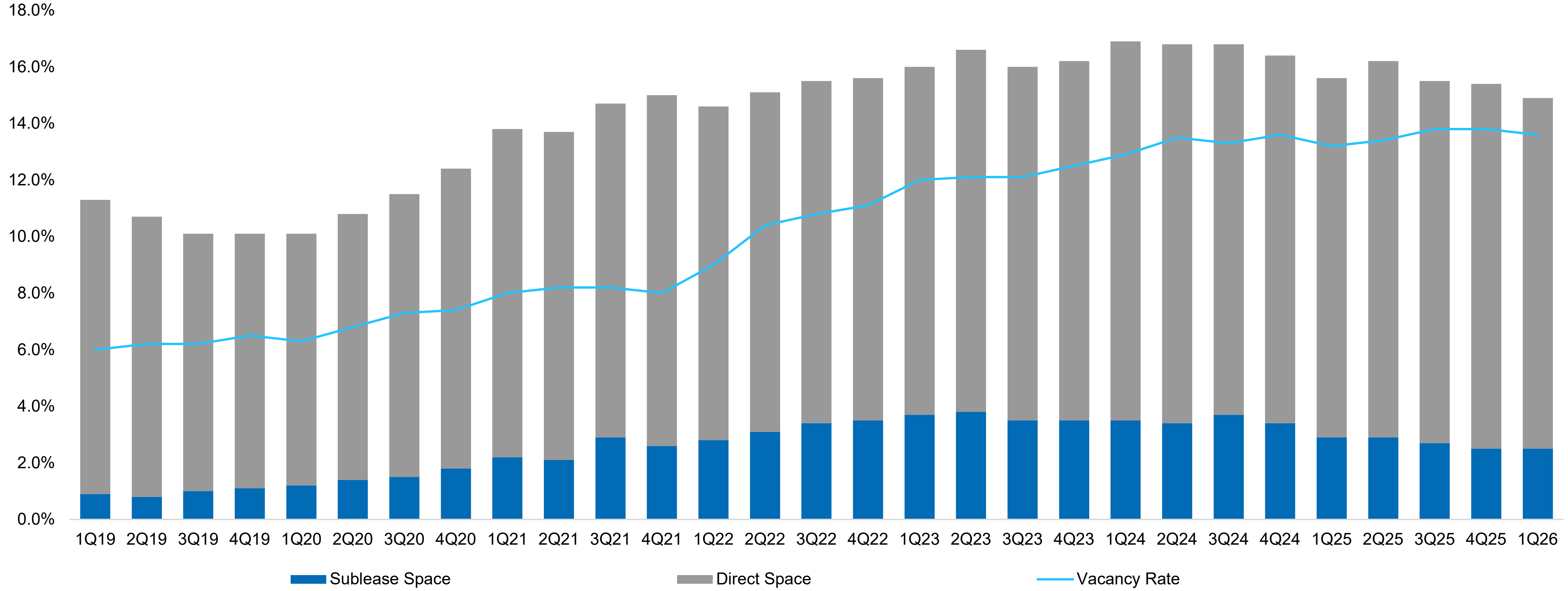
Source: Newmark Research, CoStar

Decline in Availability Push Vacancy Lower

Sublease availability in the first quarter of 2026 remained unchanged quarter over quarter at 2.5%, staying below the recent peak of 3.7% recorded during the third quarter of 2024. Meanwhile, direct availability decreased by 50 basis points quarter over quarter to 12.4%, resulting in a 46-basis-point decline in total availability to 14.9%. This decrease in space being marketed for lease likely contributed to the overall decline in the market's vacancy rate, dipping by 20 basis points to 13.6% as of the end of the first quarter of 2026.

Available Space as Percent of Overall Market

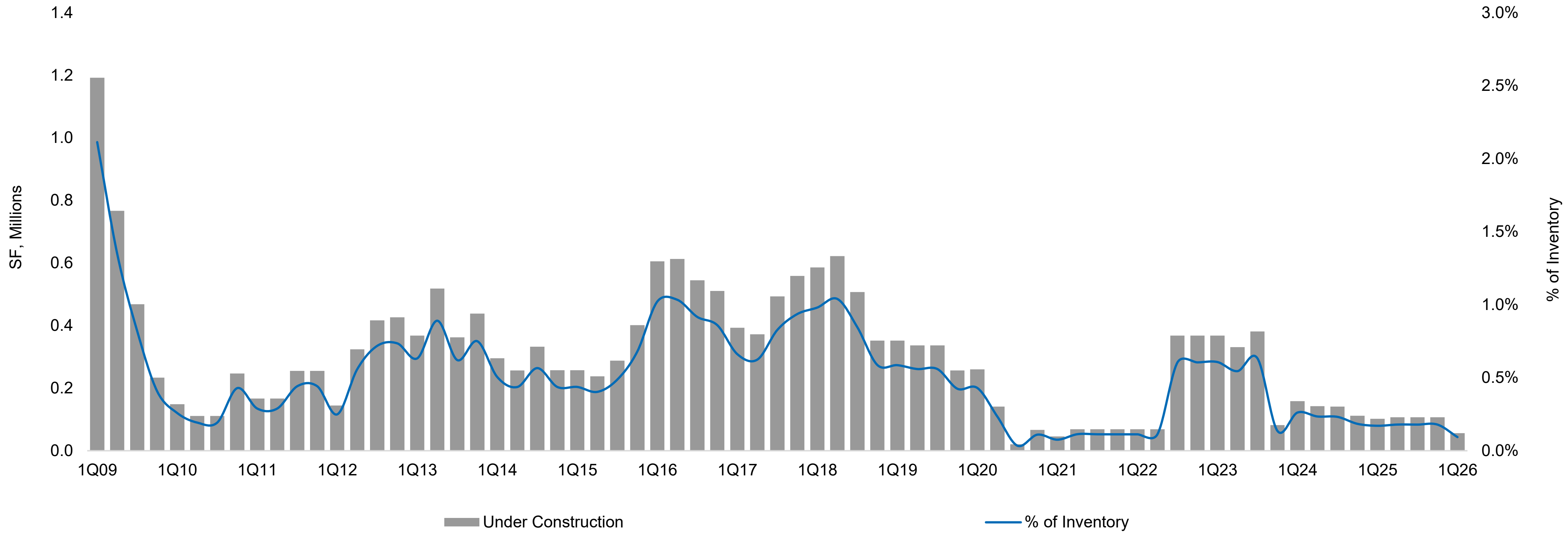


Source: Newmark Research, CoStar

Construction Pipeline Halves

After relatively low construction volume since the third quarter of 2020, the construction pipeline rebounded in late 2022 to 368,223 SF of projects. The pipeline then emptied out again during the fourth quarter of 2023 and was relatively flat at 106,984 SF until the first quarter of 2026, when it halved to 56,000 SF or just 0.1% of total market inventory. This marks a 64.7% decline since the recent high recorded during the first quarter of 2024. Given the relatively soft demand for office space and tightened fiscal policy in recent quarters, construction activity in the near term, with few new projects expected to break ground.

Office Under Construction and % of Inventory

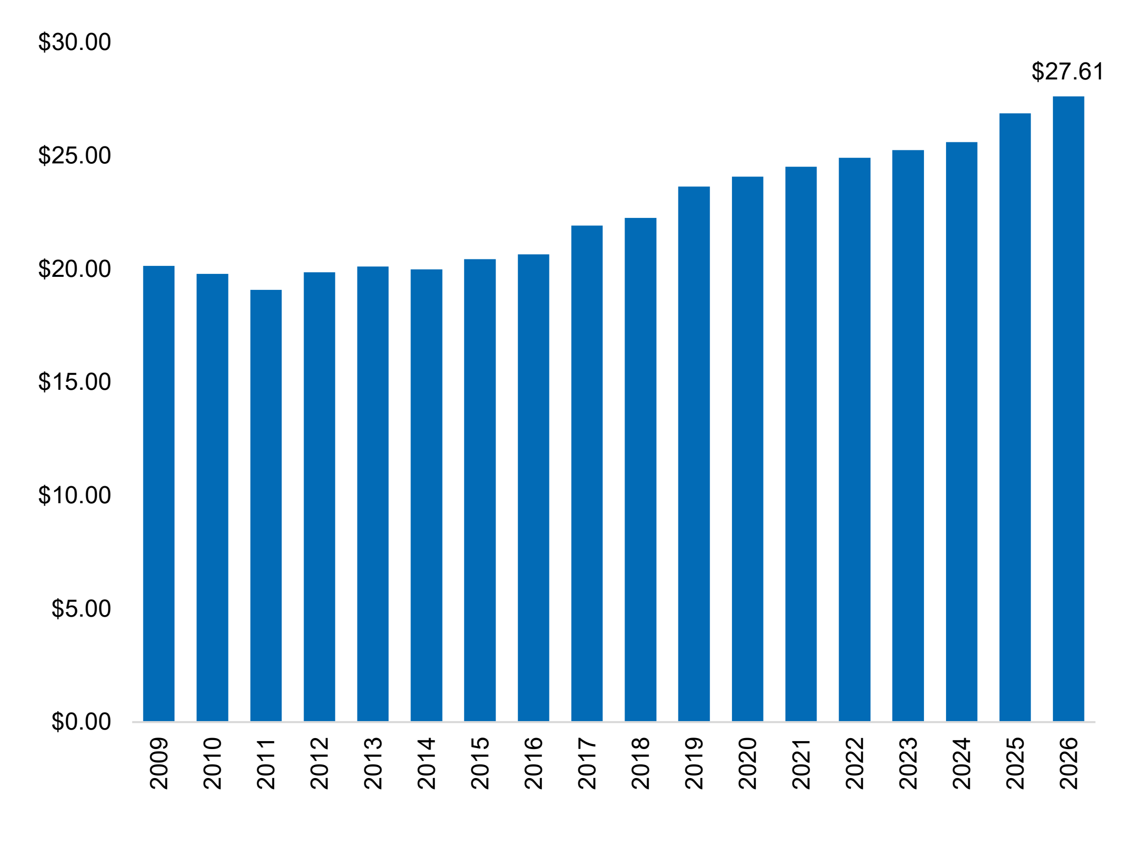


Source: Newmark Research, CoStar

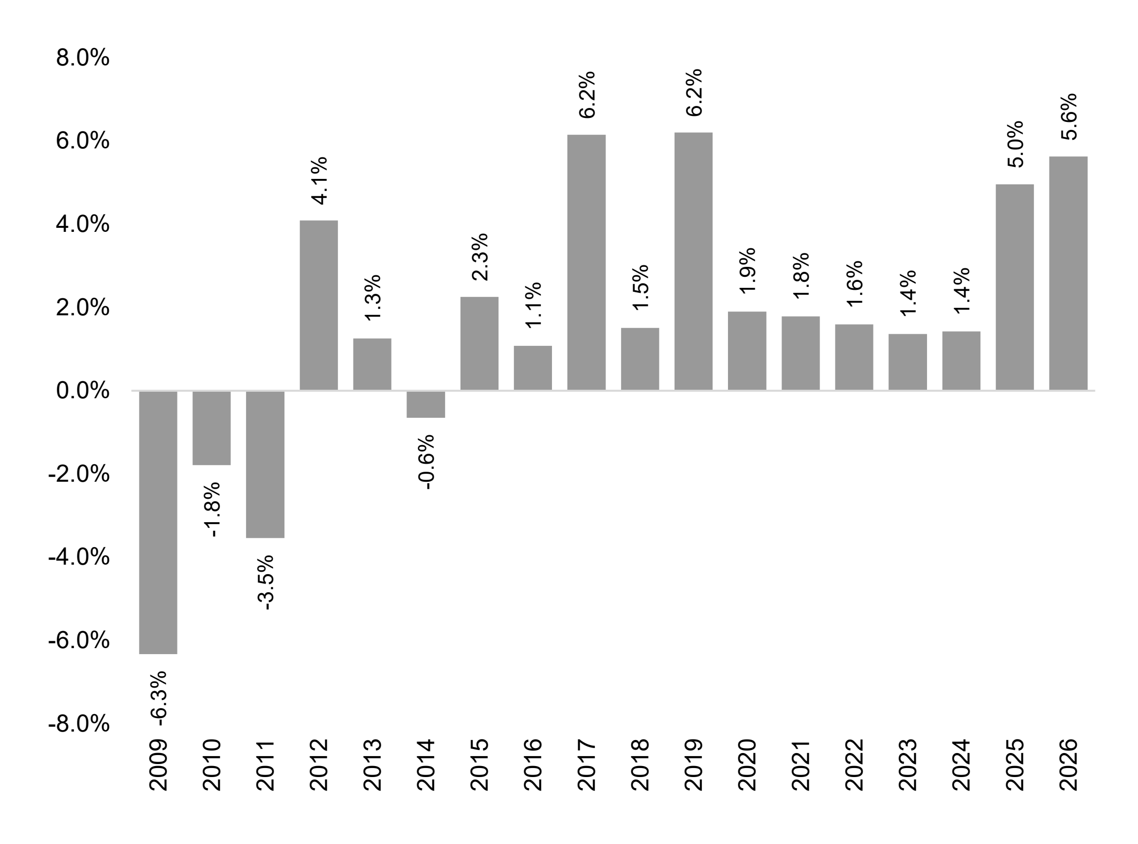
Asking Rents Reach Record High

In the first quarter of 2026, asking rents in the Orlando office market reported 5.6% growth year over year to an all-time high of $27.61/SF. Rent growth was relatively stable from 2020 through 2024, ranging from 1.4% to 1.9% during the period, but began to accelerate during 2025. This continued rent growth has been the result of a wave of higher-quality deliveries since 2023. Looking ahead, Orlando should maintain elevated asking rents, with positive—though moderating—rent growth in the near term as landlords look to recover elevated building costs from recent deliveries and operating expenses.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

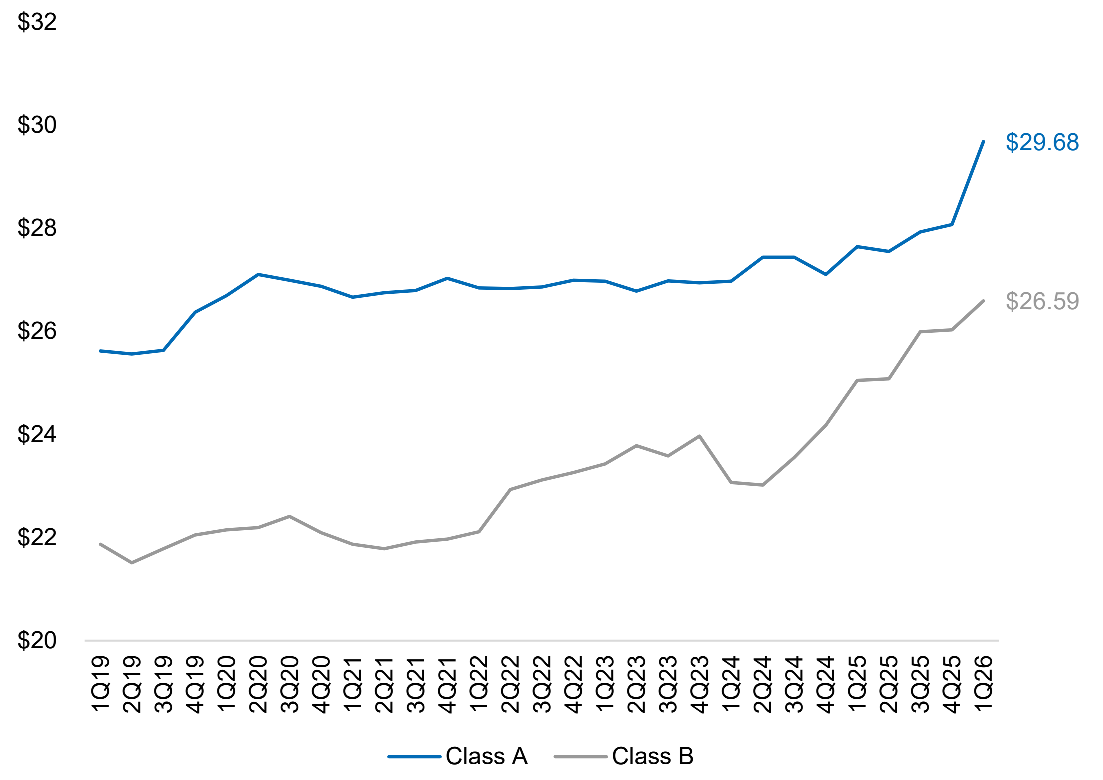


Source: Newmark Research, CoStar

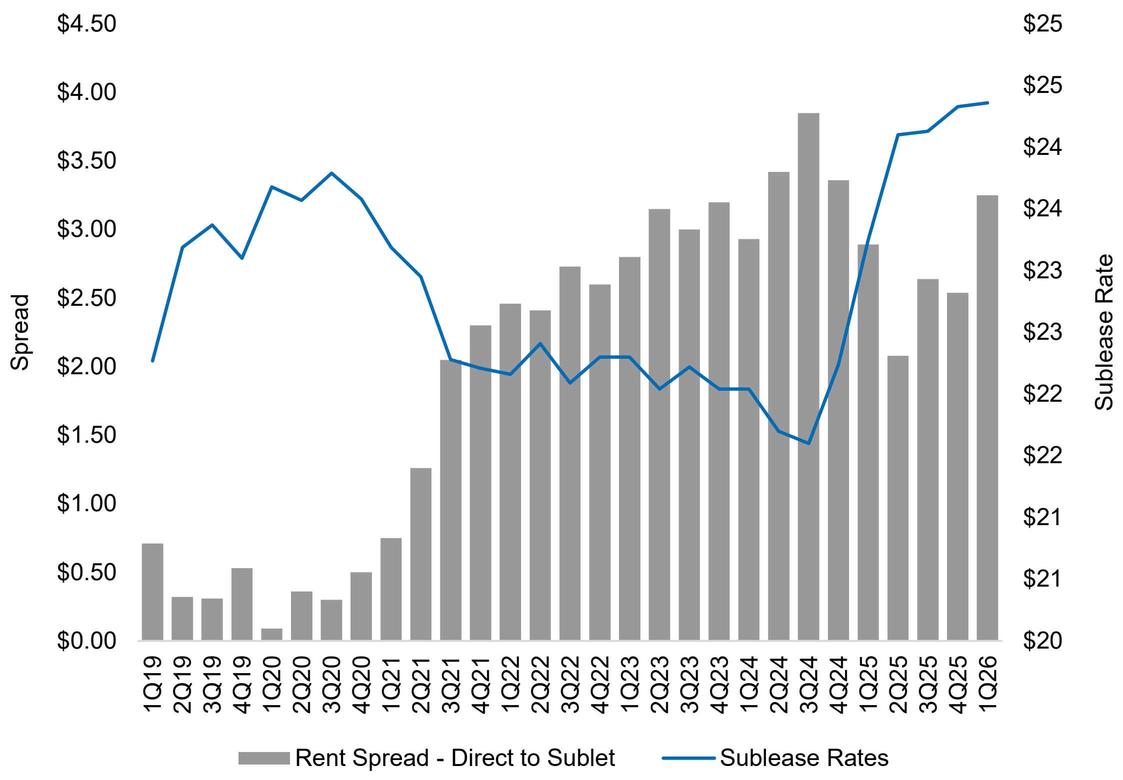
Gap Between Class A and Class B Rents Widens

At the close of first quarter of 2026, Class A rents have risen by 7.4% year over year to a new peak of $29.68/SF. Meanwhile, Class B rents rose by 6.1% over the same period, climbing to $26.59/SF. The rent spread between the two classes was $3.09/SF, reflecting a 51.5% increase quarter over quarter. Although the spread between Class A and Class B office space increased during the first quarter of 2026, it has narrowed by 28.5% since year-end 2019. Meanwhile, sublease asking rents averaged $24.36/SF in the first quarter of 2026, up 4.8% year over year, and remain $3.25/SF below direct rates.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Class B Deals Dominate Top Transactions Despite Class A Leasing Strength

Four of the five highlighted deals in the Orlando market during the first quarter of 2026 were executed in Class B properties, a trend that contrasts with broader leasing activity, where Class A accounted for 37.5% of total volume compared to 15.9% for Class B. This divergence suggests that select Class B assets remain competitive, as tenants continue to prioritize cost efficiency and, in some cases, renew in place. In addition, three of the five transactions were concentrated in the Maitland/Maitland Center submarket, accounting for 60.0% of the quarter's top deals, reflecting steady leasing activity in a well-established office cluster.

Notable 1Q26 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
U.S. General Services Administration	Hollister	Winter Park/Baldwin Park/Lee Rd	Direct New	32,629
The U.S. General Services Administration (GSA), which serves as the real estate arm of the federal government, signs leases on behalf of various federal agencies rather than occupying space directly. As a result, the end user for quarter's largest transaction has not yet been disclosed. The incoming tenant is expected to occupy the entire building.				
Florida Commerce	Windsor at MetroCenter	MetroWest/Millennia	Direct New	29,356
The Florida Department of Commerce, a state agency focused on economic development and business recruitment, executed a lease at MetroCenter, likely reflecting a relocation or consolidation of an existing regional office within the Orlando market. The agency is expected to occupy approximately one-third of the 87,832-SF building in the coming quarters, reinforcing continued government demand for space in the market.				
Cortiva Institute	Maitland Forum	Maitland/Maitland Center	Renewal	24,459
Cortiva Institute, a national career training provider offering massage therapy certification and health and wellness programs, recently renewed its space at Maitland Forum. The location is one of two campuses in Florida, alongside another in the nearby Tampa Bay market. The campus has a long-standing presence at the property, previously operating as Florida College of Natural Health before transitioning to the Cortiva Institute brand around 2017.				
Brown & Brown Insurance	Maitland Green II	Maitland/Maitland Center	Renewal	22,236
Brown & Brown Insurance, a global insurance brokerage and risk management firm, executed a renewal at the 84,000-SF Maitland Green II, where it has maintained a presence since at least 2015. The renewal reinforces the company's long-standing presence in the Maitland/Maitland Center submarket and highlights continued stability among established financial services tenants in the area.				
Freeman Mathis & Gary, LLP	Maitland Center	Maitland/Maitland Center	Direct New	22,102
Freeman Mathis & Gary, a national law firm focused on insurance defense and complex litigation, will relocate later this year from 901 N Lake Destiny Drive, less than a mile from its new office. The move represents an expansion of the firm's footprint and a clear flight to quality, as it transitions from a Class B building into a larger Class A space while maintaining its presence within the submarket.				

Source: Newmark Research, CoStar

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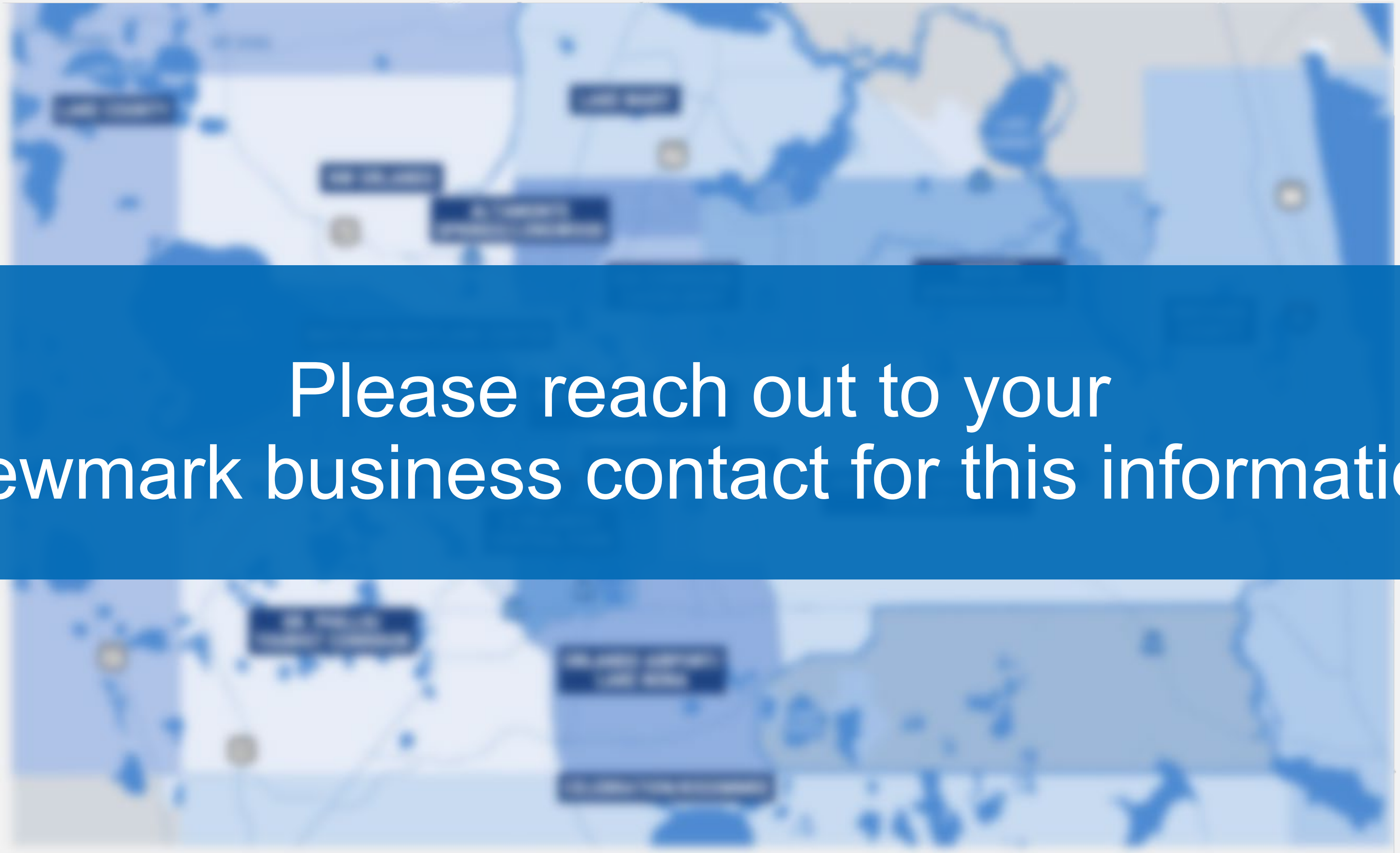
Market Statistics & Map

Orlando Office Submarket Map



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Source: Newmark Research

Orlando Office Submarket Overview—All Classes

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Source: Newmark Research

Orlando Office Submarket Overview—Class A

Submarket Statistics – Class A

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Source: Newmark Research

Orlando Office Submarket Overview—Class B

Submarket Statistics – Class B

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Source: Newmark Research

1Q26 Central Florida Office Market Overview

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Source: Newmark Research; CoStar

04

Supplemental Analysis

Orlando Office Market

Strengths

Weaknesses

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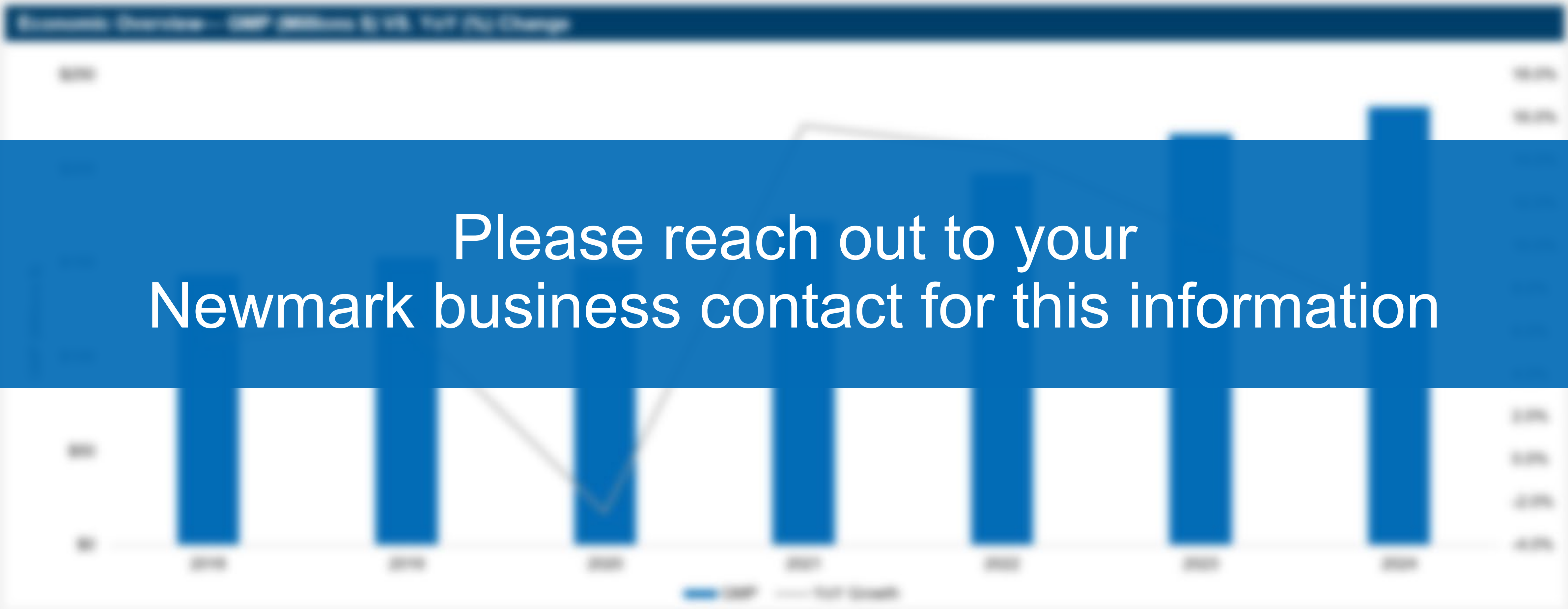
Orlando Gross Metropolitan Product



Source: Moody's Analytics

Higher Loan Volume Due in 2029

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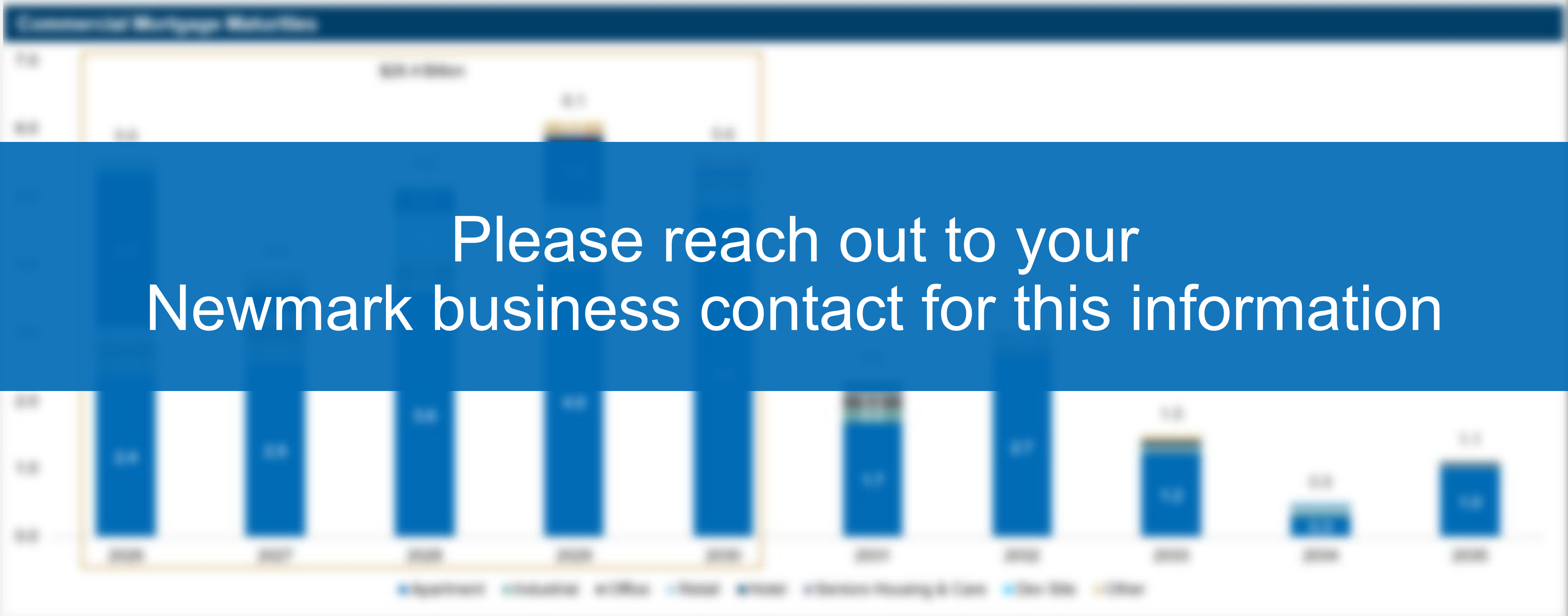
Source: RCA, Newmark Research

Multifamily Maturities Particularly Elevated Through 2030, Office Not So Much



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Source: RCA, Newmark Research

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