

# CENTRAL FLORIDA OFFICE MARKET REPORT

## 1Q 2018

## 1Q 2018 OFFICE MARKET

### DON'T STOP BELIEVIN'

As the famous rock group from the '80's and '90's used to sing, "Don't stop believin' - Hold on to the feelin'." Orlando's office market continues to, pardon the pun here, rock & roll.

The First Quarter of 2018 has flown by and, by all accounts, the hot market here in Orlando that we saw through 2017 has continued. Certain submarkets have felt a bit of a slowdown. But, overall, Orlando's office market is still in a very healthy position. Key contributors to the hot office market are in place, namely low unemployment as Orlando's unemployment rate of 3.5% bests the state of Florida's rate of 3.9% and that of the nation, which is at 4.1% (per the Department of Numbers website as of February 2018).

It was announced during the first quarter of 2018 that Orlando saw a record number of visitors in 2017 with over 68 million having visited our area during the past year. This beats the previous record of 66 million from 2015. Orlando International Airport also continues to shuffle millions through our region's airport hub. The total passenger flow through OIA for 2017 was 44,611,265 people. This was a 6.4% increase over 2016, with both domestic and international passengers having seen a strong uptick in numbers.

Overall vacancy within Orlando for the first quarter of 2018 sits at 6.9%. While this number is a very, very healthy one, there is a curious trend growing that is worth noting. Sublease space in Orlando grew in the first quarter from the end of 2017. Close to 31,000 square feet of sublease space was added to the sublease inventory this past quarter, with over 230,000 square feet of sublease space now available in Orlando. The question that needs to be reviewed is "why?" Are companies growing? Are companies shrinking? Our Central Florida office team is witness to groups that lie on both sides of the spectrum. Regardless, it is worth keeping an eye on as direct lease rates continue to climb, sublease alternatives will be attractive for occupants to consider.

Investors are still hungry for opportunities here in Orlando, with groups such as The Orlando Collection Offices LLC (South Florida based) and Piedmont Realty (REIT out of Atlanta) having purchased assets here in Orlando during the first quarter (3 office buildings in Maitland & Casselberry, total, and the HD Supply building in Downtown Orlando, respectively). Activity for investors with properties that are well-located and show a solid tenant base having multiple suitors to purchase those assets. The term, "Value-Add," doesn't necessarily exist any longer, with investors now having to consider paying sticker-price for an asset to simply get a foothold in the market. This new strategy by investors allows them to be in the market and work to take advantage of rising rents and work to jump on other opportunities faster.

As we progress through 2018, will the office market here in Orlando "Keep On Believin'," or will we start to see a pull-back from the market? Will Orlando continue to be an attractive market for users and investors? Will the office market be able to "Hold on to the Feelin'?"

## 1Q 2018 Office Market Statistics

**59,131,797**

TOTAL SF

**7.6%**

VACANCY

**-100,986**

SF ABSORPTION

**1,216,216**

SF UNDER  
CONSTRUCTION

**\$19.27**

AVG. ASKING  
BASE RENT/SF

**0**

SF DELIVERED

**\$83,861,416**

BUILDING SALES  
VOLUME

**\$143.59**

AVG. SALE PRICE/SF

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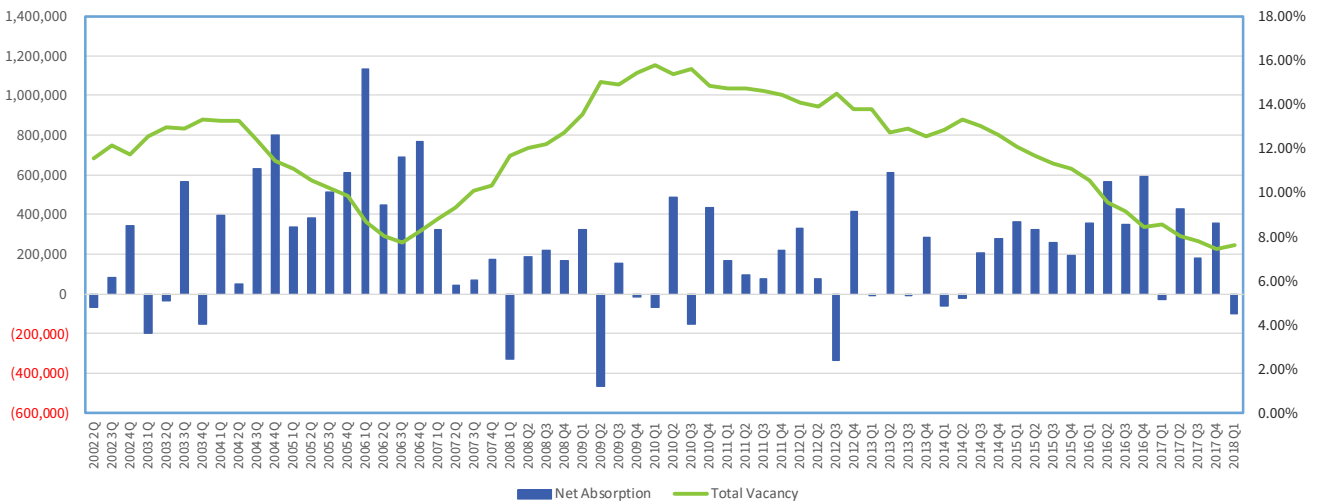
# 1Q 2018 Central Florida Office Market Stats

	# of Bldgs	Total SF	Total Vacancy	Avg Asking Base Rent	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
2018 Q1	1,161	59,131,797	7.6%	\$19.27	(100,986)	871,977	11	1,216,216	0	0
2017 Q4	1,159	59,085,752	7.4%	\$19.43	359,124	842,815	11	1,224,500	0	0
2017 Q3	1,157	58,935,252	7.8%	\$18.72	183,535	1,178,603	8	561,500	0	0
2017 Q2	1,155	58,890,252	8.0%	\$19.01	430,304	1,343,715	7	372,500	0	0
2017 Q1	1,151	58,771,032	8.6%	\$18.53	(29,162)	1,476,732	10	401,720	0	0
2016 Q4	1,150	58,726,232	8.5%	\$18.44	593,926	1,865,180	7	313,020	0	0
2016 Q3	1,148	58,529,232	9.2%	\$18.53	348,647	1,463,050	8	495,020	0	0
2016 Q2	1,145	58,408,232	9.6%	\$18.08	563,321	1,376,520	10	582,020	0	0
2016 Q1	1,145	58,408,232	10.5%	\$18.23	359,286	1,136,965	7	512,000	0	0
2015 Q4	1,142	58,338,232	11.1%	\$17.92	191,796	1,140,038	5	369,000	0	0
2015 Q3	1,141	58,316,810	11.3%	\$17.64	262,117	1,229,417	6	285,422	0	0
2015 Q2	1,140	58,231,810	11.7%	\$17.60	323,766	1,176,080	5	206,422	0	0
2015 Q1	1,138	58,122,566	12.1%	\$17.54	362,359	831,235	3	194,244	0	0
2014 Q4	1,136	58,097,166	12.6%	\$17.55	281,175	411,405	5	219,644	0	0

# 1Q 2018 Central Florida Office Submarket Breakdown

	# of Bldgs	Total SF	Total Vacancy	Rental Rate	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
Downtown	119	9,288,127	9.9%	\$26.35	62,953	87,797	1	484,500	0	0
Maitland Ctr	107	7,232,956	9.9%	\$19.04	(22,042)	84,383	0	0	0	0
SE Orlando	196	8,763,461	5.7%	\$20.60	(24,408)	38,699	1	155,000	0	0
SW Orlando	184	10,364,669	5.9%	\$24.24	20,925	97,038	5	306,000	1	15,000
University / East	85	5,697,547	6.7%	\$21.51	15,134	59,113	1	39,000	1	30,000
NW Orlando	96	3,614,790	9.3%	\$17.38	(14,220)	(38,022)	0	0	0	0
Winter Park	138	3,980,305	2.9%	\$24.71	(11,709)	(22,162)	1	26,716	0	0
Lake Mary / Heathrow	126	7,649,693	9.3%	\$21.59	(104,279)	(17,626)	1	115,000	0	0
Lee Road	30	903,515	10.0%	\$17.74	6,615	6,615	1	90,000	0	0
Kissimmee / St. Cloud	80	1,636,734	7.0%	\$21.09	(29,955)	(19,218)	0	0	0	0

Absorption vs. Vacancy  
Previous 15 Years



## 1Q 2018 Office Notable Lease Transactions

Property Address	City	Submarket	Tenant	Landlord	Lease Size
100 E Pine St*	Orlando	Downtown	Protean Design Group	Denholtz East Pine Owner, LLC	13,138
8517 South Park Circle	Orlando	Tourist Corridor	Crown Castle	AEW Capital Management	17,135
2600 Maitland Center Pkwy	Maitland	Maitland	Industrial Container Services	Emerson International	16,651
2603 Discovery Dr	Orlando	University Research	Luminar Technologies	Taurus Southern Investments	42,363
390 N Orange Ave	Orlando	Downtown	Beusse Wolter SanksMora 7 Maire, PPLC	Southwest Value Partners	15,038

## 1Q 2018 Office Notable Sale Transactions

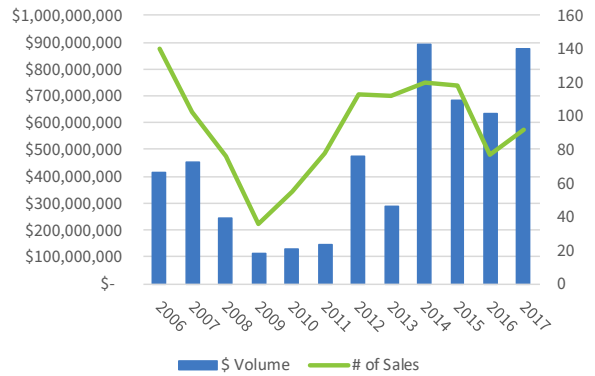
Property Address	City	Submarket	Buyer	Seller	Sale Price	Sale Date	Bldg Size	Price Per SF
445 W Colonial Dr*	Orlando	West Colonial	West Colonial Drive Investment Properties	Micahel Broussard	\$905,000	1/18/2018	4,853	\$186.48
4804 Edgewater Dr*	Orlando	West Colonial	Ted Kaplan	Thakoor Dean Revocable Trust	\$550,000	2/2/2018	4,110	\$133.82
2699 Lee Rd	Winter Park	Lee Road	Owens Realty Capital	Sugarokr Lee Road LLC	\$10,500,000	2/14/2018	89,316	\$117.56
501 W Church St	Orlando	Downtown	Piedmont 501 W Church Street LLC	Pavilion Orlando LLC	\$28,000,000	2/22/2018	190,626	\$146.88
2600 Technology Dr	Orlando	West Colonial	Building Hope Technology Drive	Aetna Life Ins Co	\$5,600,000	1/3/2018	61,564	\$90.96

\*Cite Partners Transactions

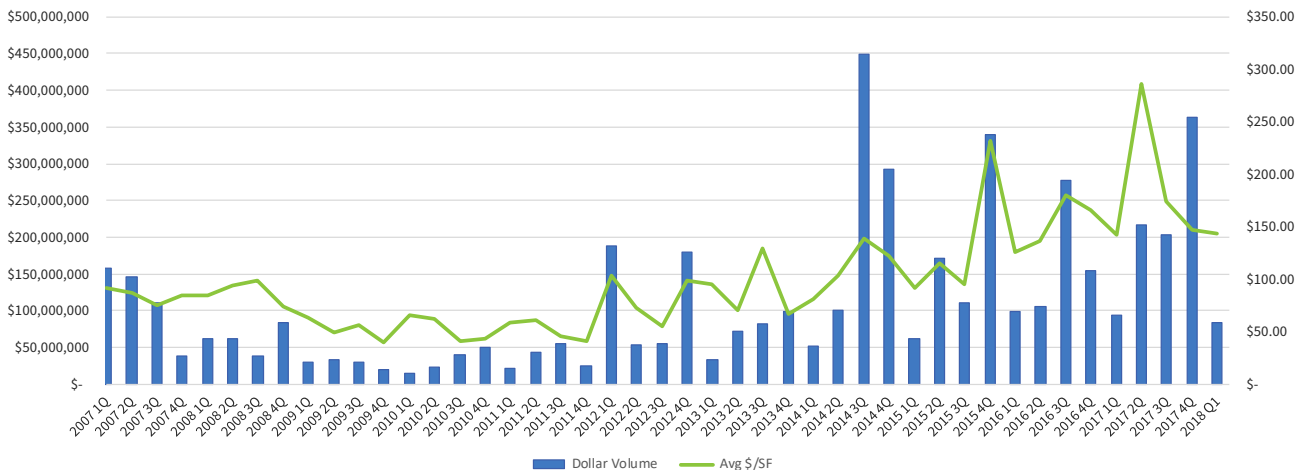
## 1Q 2018 Office Building Sale Stats

	# of Sales	YTD # of Sales	\$ Volume	YTD Volume	Square Feet	Avg \$ / SF
2018 Q1	12	12	\$83,861,416	\$83,861,416	584,052	\$143.59
2017 4Q	42	92	\$363,337,467	\$877,103,487	2,462,962	\$147.52
2017 3Q	22	50	\$203,765,520	\$513,766,020	1,169,919	\$174.17
2017 2Q	8	28	\$216,439,000	\$310,000,500	755,448	\$286.50
2017 1Q	20	20	\$93,561,500	\$93,561,500	659,482	\$141.87
2016 4Q	12	77	\$155,137,000	\$636,998,900	934,926	\$165.94
2016 3Q	14	65	\$278,094,700	\$481,861,900	1,546,786	\$179.79
2016 2Q	29	51	\$105,423,900	\$203,767,200	775,135	\$136.01
2016 1Q	22	22	\$98,343,300	\$98,343,300	784,720	\$125.32
2015 4Q	17	118	\$340,209,000	\$684,931,400	1,469,282	\$231.55
2015 3Q	38	101	\$111,131,900	\$344,722,400	1,165,295	\$95.37
2015 2Q	38	63	\$171,509,500	\$233,590,500	1,484,502	\$115.53
2015 1Q	25	25	\$62,081,000	\$62,081,000	678,312	\$91.52
2014 4Q	36	120	\$292,192,200	\$894,560,441	2,383,192	\$122.61

### BUILDING SALES \$ Volume vs. # of Sales



### Building Sales Dollar Volume vs. Avg Price / SF Previous 10 Years



## QUARTERLY TRENDS



### Flexible Office

Flexible office means a couple of different things in today's market. Companies are downsizing a bit and giving their employees an option to work remotely some or all the time. For the times they are in the office, the layout needs to be able to accommodate extra people with common work/huddle areas. Flexibility also comes in the form of a great location being essential, a bright, trendy, environmentally friendly space that is walkable from both housing and nearby amenities. These flexible concepts keep employees productive, energetic, and happy!



### Going Green

Bouncing off from flexibility in the office, groups are being more environmentally friendly with their workspace. With recent and ongoing technological advancements, groups are moving to be paperless within the office. In turn, groups are needed less space for storage allowing them to have the open office concept. With this, big window, high ceiling office spaces are continuing to take over the office market. We are also seeing more owner/user buildings adding solar panels to their newly purchased office buildings. Bye file cabinets!



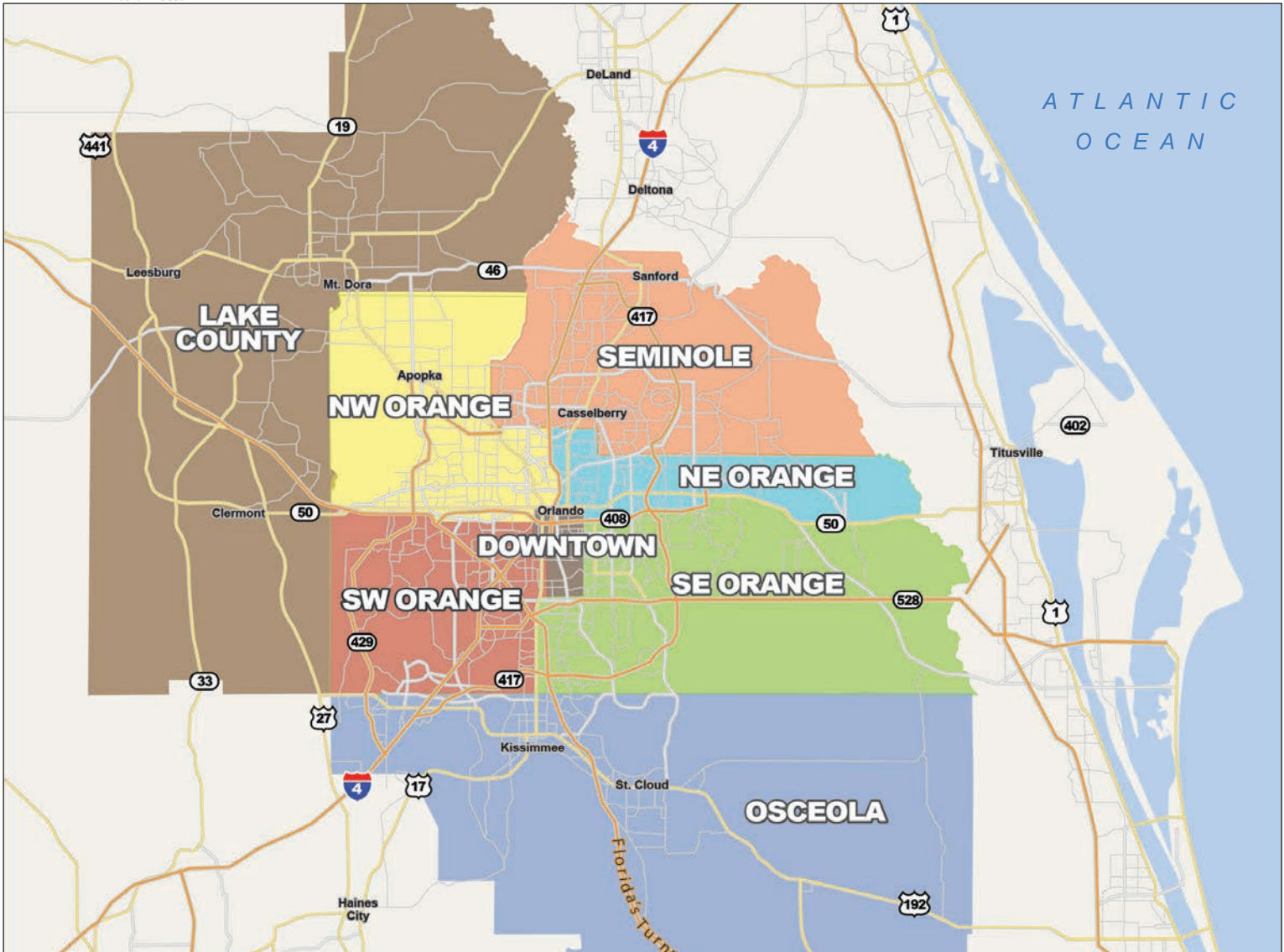
### Limited Space? Not For Long!

In the 1st quarter of 2018, there was a 2% drop in vacancy, taking us down to 7.6%. Luckily for office users as well as brokers, there is quite a bit of proposed office space as well as new buildings underway. Creative Village plans to have 1,200,000 square feet of office/creative space within their project. The Church Street Plaza will contain 200,000 square feet of Class A Office Space as well. Other Central Florida submarkets have offices popping up and after these past 10 years of "office drought," this will be good for the market!



### Sublease Vacancy Increase

2018 has already seen a 31,000 square foot increase in sublease vacancy space. This paired with the new office developments will play a big role in the office market. The economy is booming, allowing companies continued growth as they excel in their fields. With these new vacancies in the market, the Central Florida office market has several "moving pieces" for those willing to play the game!



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