

Market Overview

Solid Gains in All Market Segments

The Orlando area office market improved throughout 2015. Steady leasing activity in key submarkets contributed to a drop in overall vacancy rate and improving average lease rates. The industrial market finished a solid year with positive absorption, decreasing vacancy and increased average lease rate. The retail segment also posted positive net absorption, decreased vacancy rate and steady lease rates.

The Orlando office market gained strength with net absorption of 1.4 million square feet for the year. Downtown, the Tourist Corridor and Lake Mary submarkets each reported strong leasing activity. In contrast, above average vacancy rates persist in Maitland Center and the north suburban submarkets. New construction remains low with 208,500 square feet under construction at year-end. Office building sales through the first nine months of 2015 were down compared to 2014, with a lower average sales price. Cap rates were stable, averaging 7.16% compared to the same period in 2014 when they averaged 7.14%.

Net absorption of warehouse space totaled 2.29 million square feet in 2015. With an inventory of 133.5 million square feet and 9.5 million vacant square feet, the warehouse market finished the year with a 7.1% vacancy rate.

The flex market reported net absorption of 10,000 square feet for the year. The inventory of flex space stood at 23.3 million square feet, with 2.7 million vacant square feet for an overall vacancy rate of 11.6%. Flex vacancy rates remained highest in Lake and Seminole Counties. New industrial construction is concentrated in South Orange County with 732,500 square feet under construction at year-end. Industrial building sales were up in 2015 compared to 2014, with an increase in the number of transactions and average sales price. Cap rates have moved higher in 2015, averaging 10.93% compared to the first nine months of 2014 when they averaged 8.91%.

The retail market turned in steady performance throughout 2015. Annual net absorption for all classes of retail space totaled 2.2 million square feet. The retail sector finished the year with an overall vacancy rate of 5.7%. Over 1.2 million square feet of retail space was delivered in 2015. New retail construction has been strongest in the southern half of the metro area. Retail building sale transactions increased, with a small decline in average sales price. Cap rates were higher in 2015, averaging 8.13% compared to the same period in 2014 when they averaged 7.96%.

	INVENTORY (SF)	VACANCY	UNDER CONSTRUCTION	QUOTED RATES
Office 2015	87,837,000	10.7%	208,500	\$19.10
Office 2014	86,750,675	12.1%	207,535	\$18.65
Industrial 2015	156,903,000	7.8%	765,400	\$6.00
Industrial 2014	153,478,100	8.6%	1,930,200	\$5.57
Retail 2015	131,674,830	5.7%	557,950	\$14.60
Retail 2014	128,113,840	6.6%	706,060	\$14.15

Source: CoStar Property & NAI Realvest