Research &
Forecast Report

ORLANDO | RETAIL
Third Quarter 2020

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Noticeable Demand Returning

Executive Summary

After three consecutive quarters of negative absorption, the Central Florida retail market bounced back. The start of the third quarter of 2020 nearly paralleled the activity experienced during the second quarter, with retailers remaining hesitant to reopen, minimal tours or sales occurring and consumers weary of the unknown climate created by the pandemic. As COVID 19 related government restrictions began to ease, a noticeable acceleration of activity, by tenants and investors, shined through as the quarter progressed.

Tenant activity has returned, with many retailers, specifically those with a regional or local footprint, beginning to tour the market again. National retailers, still facing the implications of COVID 19 in other markets across the country, remain more hesitant, showing minimal interest to pick back up where they left off before the pandemic began. Despite overall signed leases and investment transactions remaining low, the second half of the quarter activity is showing cautious optimism as the year nears conclusion and 2021 inches closer.

The third quarter also gave light to a recovering local economy for Central Florida. While the state of Florida unemployment rate dropped from 10.5% to 7.7% in unemployment, the Central Florida market recovered far greater, from 16.1% to 11% at the end of the third quarter. This recovery, coupled with the recent removal of COVID 19 related restrictions, gives great optimism for the future of Central Florida's economy.

Market Highlights

- Many tenants and investors remain bullish on the Central Florida retail market, driven by the expectation of high-population growth and a strong belief tourism will bounce back in 2021.
- A disconnect remains between landlords and tenants, as many tenants are seeking a "Covid19-discount", yet landlords are seen offering very little. This is also being seen between sellers and buyers.
- Discount/bargain retailers, hair salons, fitness centers, restaurants, fast food and grocery were the primary drivers of activity that occurred during the quarter.

Summary Statistics

Q3 2020 Retail Market	Orlando FL
Vacancy Rate	6.1%
Change from Q2 2019 (Percent)	+0.8%
Absorption (Square Feet)	40,628
New Completions (Square Feet)	0
Under Construction (Square Feet)	346,854

Asking Rents (NNN)
Per Square Foot Per Year

Current Quarter	$18.81
One Year Ago	$17.90
Two Years Ago	$16.74

Market Indicators

Relative to Prior Year	Q3 2020	Q4 2020*
VACANCY	↑	↑
NET ABSORPTION	+	−
CONSTRUCTION	↔	↓
RENTAL RATE	↔	↔

Note: Construction is the change in Under Construction.
*Projected.

Leasing & Absorption Activity

The Central Florida retail market in the third quarter saw little fluctuation statistically compared to the second quarter. Total net absorption was positive, at 40,628 square feet, outperforming the previous quarter of negative 185,845 square feet. No new construction was completed and delivered during the quarter for the first time in recent memory. Overall vacancy, driven by the positive absorption, shifted from 6.2% to 6.1% this quarter. The real indicator of market recovery efforts in the third quarter was in the leasing activity. Overall, total square feet leased increased by 41% and total deal volume increased 63% in the third quarter from the previous quarter.

Looking towards the fourth quarter of 2020, Orlando and the overall Central Florida market is expected to continue its recovery from the pandemic driven challenges facing the market. Many tenants are still bullish on the Central Florida retail market due to its perceived insulation of many negative economic pressures. Tenant testament is very strong as the continued population growth and the belief in tourism bouncing back, once a vaccine is readily available, is still the ongoing narrative.

Lease Rates

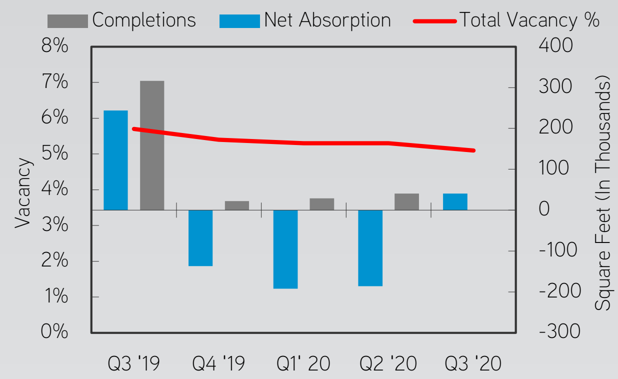
Landlords have remained firm throughout the third quarter of 2020 as overall disconnect between landlords and tenants remains. At the onset of the pandemic, many landlords provided relief to tenants in the form of rent deferment or abatement, but as the year progressed landlords have remained stern on their position that the market will bounce back. Concessions and rent discounts have been scarce throughout the Central Florida retail market as tenants expect to see discounts due to the pandemic.

Average direct rents for new leases remained in line with the previous two quarters of 2020, with the current average direct rate at $18.78 per square foot NNN, up from $17.90 per square foot during the third quarter of 2019.

Investment Activity

Throughout the third quarter, investment appetite noticeably began to grow as more buyers have realized that the "COVID 19 discounts" are not there. Over the final 30 days of the quarter, a pickup in sellers looking to dispose of their asset before year end has been seen. This, coupled with the needs of many buyers to deploy capital before year end, should lead to an uptick in investment activity for the fourth quarter. However, lenders have remained cautious as seen by the lowering of overall loan-to-value (LTV) terms being presented to the retail market.

Completions, Absorption and Vacancy Rates

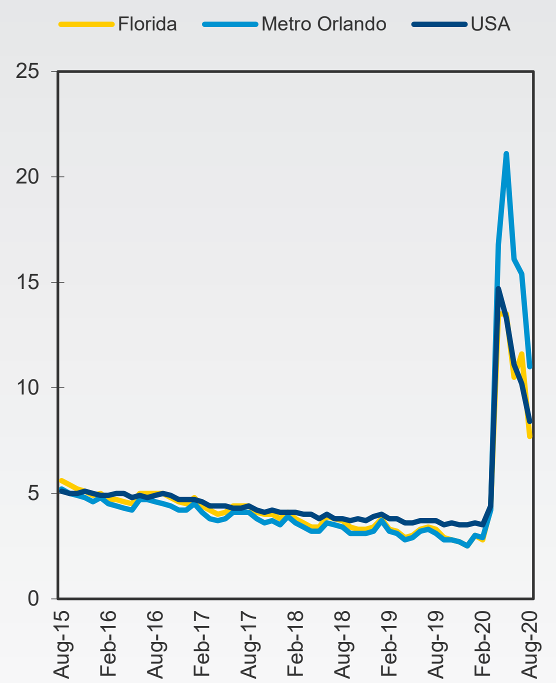


Vacancy Slightly Decreases

Vacancy dropped 0.1% from the previous quarter for a total vacancy rate of 6.1%.

Source: Colliers International, CoStar

Unemployment Trends



The Orlando MSA unemployment rate posted 11% in August 2020. The State of Florida posted 7.7% ahead of the national US average of 8.4%.

Source: US Bureau of Labor Statistics

SUBMARKET BREAKDOWN

Submarket	Bldgs.	Total Inventory SF	Direct Vac. %	Total Vac. %	Net Absorp. Current Qtr. SF	Net Absorp. YTD SF	New Completions SF	Under Construc. SF	Avg. Direct Asking Rate NNN
Downtown									
Q3 '20	67	3,859,207	6.9%	6.9%	-7,890	-4,713	0	15,392	$21.40
Kissimmee / St. Cloud									
Q3 '20	181	9,167,668	7.1%	7.1%	-11,312	-66,356	0	0	$20.55
Altamonte / Longwood									
Q3 '20	87	5,155,904	5.7%	5.7%	7,608	-58,312	0	0	$15.88
Lake Nona / Southeast Orange									
Q3 '20	108	5,509,614	4.6%	4.7%	40,366	-20,208	0	24,000	$21.52
East Orange									
Q3 '20	141	6,613,982	4.4%	4.4%	189,918	202,971	0	0	$20.82
Northwest Orange									
Q3 '20	131	8,136,974	7.6%	7.7%	-27,310	-31,889	0	200,000	$13.22
Sanford / Lake Mary									
Q3 '20	93	5,152,130	6.6%	6.6%	39,561	-32,220	0	0	$14.80
Oviedo / Winter Springs									
Q3 '20	117	6,463,568	9.1%	9.2%	-35,238	-112,050	0	85,462	$15.99
Sand Lake / Tourist									
Q3 '20	223	14,102,912	5.3%	5.5%	-120,622	-175,555	0	0	$23.43
West Orange									
Q3 '20	55	2,725,153	2.7%	2.7%	-14,216	10,618	0	12,000	$20.63
Clermont / Lake County									
Q3 '20	48	2,232,775	2.7%	2.7%	4,830	82	0	0	$19.01
Winter Park / Maitland									
Q3 '20	35	1,560,082	5.8%	6.2%	-44,730	-72,091	0	0	$35.91

ORLANDO FLORIDA OVERALL MARKET

Qtr. & Year	Bldgs.	Total Inventory SF	Direct Vac. %	Total Vac. %	Net Absorp. Current Qtr. SF	Net Absorp. YTD SF	New Completions SF	Under Construc. SF	Avg. Direct Asking Rate NNN
2020 Q3	1,302	71,838,920	6.0%	6.1%	40,628	-337,343	0	336,854	$18.81
2020 Q2	1,302	71,838,920	6.1%	6.2%	-185,845	-377,971	40,876	336,854	$19.34
2020 Q1	1,300	71,798,044	5.8%	5.8%	-192,126	-192,126	29,190	365,730	$18.78
2019 Q4	1,298	71,768,854	5.4%	5.5%	-136,588	512,672	22,000	93,008	$17.94
2019 Q3	1,297	71,746,854	5.2%	5.3%	243,728	649,260	316,307	90,582	$17.90
2019 Q2	1,292	71,430,547	5.1%	5.2%	210,192	405,532	160,790	377,699	$17.45

SALES ACTIVITY

PROPERTY ADDRESS	PROPERTY TYPE	BUYER NAME	SIZE (SF)	SALES PRICE	SUBMARKET
4518-4568 S. Semoran Blvd. | Orlando, FL	Neighborhood Center	Core Semoran Ownder LLC.	23,065±	$17,623,970 ($764.10/SF)	Southeast Orange
1701 W. Oakridge Rd. | Orlando, FL	Neighborhood Center	Juan Carlos Delaney	29,442±	$4,600,000 ($156.24/SF)	South Orlando
1251 W. Columbia Ave. | Orlando, FL	Neighborhood Center	PMAT Acquisition	59,883±	$7,053,354 ($117.79/SF)	Kissimmee

LEASING ACTIVITY

PROPERTY ADDRESS	SPACE TYPE	TENANT NAME	SIZE (SF)	LEASE TYPE	SUBMARKET
7103 W. Colonial Dr. | Orlando, FL	Power Center	Beauty Master	53,916±	Direct	West Colonial
5021-5043 Edgewater Dr. | Orlando, FL	Community Center	America Talent Studios	8,400±	Direct	Eatonville
167-199 E. Mitchell Hammock Rd. | Ocoee, FL	Neighborhood Center	Gators Dockside	6,142±	Direct	Oviedo

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Comprised of
18,000
professionals

Revenue
$3.5B
(US$)

Managing
2.0B
(square feet)

Established in
413 offices
& **68** countries

Transaction value
$129B
(US$)

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