



Central Florida Office Market Report

Region Feels Slight Sting From COVID-19 Impacts

Supply outpaced demand for the third consecutive quarter, as impacts from the pandemic continued to be felt through the region, resulting in more than 285,000 square feet of negative net absorption during the fourth quarter of 2020. Year-to-date, approximately 470,000 square feet of supply was returned to the market, causing an increase in vacancy by 110 basis points to 8.5% from one year ago. Both Tampa and Orlando's office sectors saw similar performances for the year, with the moderate corrections seen during the second half of 2020. The majority of space given back was from the Class B segment, which saw more than 435,000 square feet of returned supply, while higher-end Class A space saw 62,000 square feet of positive net absorption for the year. Eight buildings were completed throughout Central Florida, totaling approximately 970,000 square feet, while six buildings totaling 921,000 square feet remained under construction, with the majority set for completion in 2021. The region's disciplined approach to new office projects helped limit the increase in vacancy, as developers will likely remain cautious in breaking ground over the next year. Despite the shift in market fundamentals, landlords have yet to decrease asking rents, with the overall average asking rate increased by 3.2% to \$25.33/SF from this time last year.

Leasing and Demand

Leasing activity slowed by almost half from the previous quarter after 314 transactions totaling 945,543 square feet were recorded in fourth-quarter 2020. Year-to-date activity totaled 5.8 million square feet, down from the 7.7 million square feet leased from the close one year ago. Demand for Class A space continued to lead the region, with 2.8 million square feet of lease deals signed, while the Class B segment trailed closely, with almost 2.6 million square feet signed for in 2020. Lower-tier, Class C space continued with lackluster activity with 405,000 square feet of transaction activity. Insurance companies held onto the top spot in midsize to larger lease deals for the second consecutive year to close out the year with approximately 500,000 square feet of transactions, and the medical sector remained in the number-two spot with 326,000 square feet. The government rounded out the top three with over 324,000 square feet of lease deals. Healthy activity also occurred within the medical, professional and business services and hospitality segments, which leased more than 200,000 square feet each.

Investment Sales

Sale transactions ticked upward for the second consecutive quarter, with 11 office buildings, totaling 877,340 square feet, trading hands during fourth-quarter 2020, worth a combined \$137.5 million. Year-to-date sales included 43 properties, totaling approximately 2.8 million square feet, valued at \$430.5 million. This was a noticeable decrease from the 5.0 million square feet that sold for a total of \$988.3 million at the close of 2019. The price per square foot decreased from \$198/SF from one year ago to \$155/SF can be attributed to lower-tier office sales making up most sales.

NEWMARK

Current Conditions

Central Florida's office market saw another quarter of modest corrections, as market fundamentals should remain healthy enough to get through the impacts being seen as a result from the COVID-19 shutdown.

Landlords continued to hold asking rates level, as increased Class A availability from recent space additions pushed asking rent averages upward.

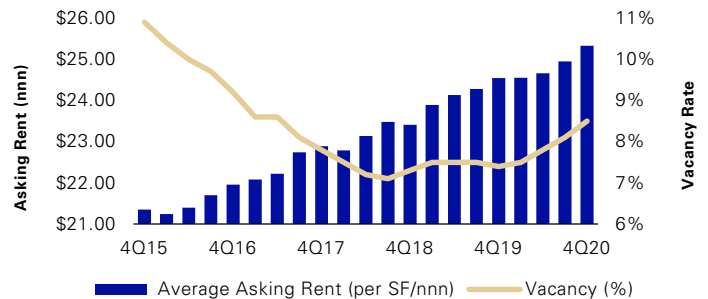
Leasing and sales activity have seen significant declines from the previous year, as the pandemic, coupled with an election year, has companies and buyers taking a wait-and-see approach.

Construction activity remained disciplined with no new buildings breaking ground, as buildings underway dropped below the 1-million-square-foot mark.

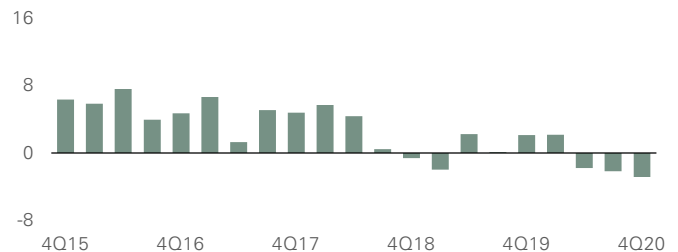
The region should get a better of understanding the full impacts to the office sector toward the second half of 2021.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	126.1M	125.8M	125.4M	↑
Vacancy Rate	8.5%	8.1%	7.4%	↑
Quarterly Net Absorption (SF)	(285,413)	(219,402)	210,300	↑
Average Asking Rent/SF	\$25.33	24.95	\$24.54	↓
Under Construction (SF)	920,993	1.2M	1.8M	↓
Deliveries	420,267	0	250,000	↑

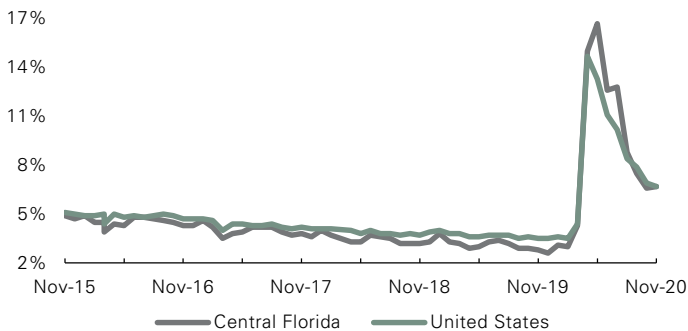
Economic Conditions

Central Florida's unemployment dropped to 6.7%, after peaking during second-quarter 2020 at 16.7% during the height of the national shutdown from the Covid-19 pandemic. 181,400 jobs remained lost throughout the region from one year ago but a strong recovery from the highest recorded unemployment rate the region posted dating back to 1990 and 500 basis points below the 11.7% peak rate recorded from the financial crisis in 2010. The Orlando region continued to feel the strongest impacts with the highest unemployment in Central Florida at 7.7%. This is a 310 basis point increase from the 10.8% rate recorded at the close of the previous quarter. Tampa's rate of 5.7% was an increase of 290 basis points from 2.8% recorded one year ago.

Central Florida's strong ties to tourism and theme park visits during Florida's strong travel season continued to be impacted as the leisure and hospitality industry saw more than 112,000 jobs lost from one year ago. Orlando's tourism industry made up the majority with over 84,700 of these losses. All other sectors trailed far behind with the professional and business services segment coming in second, totaling over 16,400 losses from this time last year. The education and health sector moved into the third spot with 14,600 less jobs from one year ago. No sectors have recorded year-over-year net gains as of yet with manufacturing seeing the least with 700 jobs lost.

Unemployment Rate

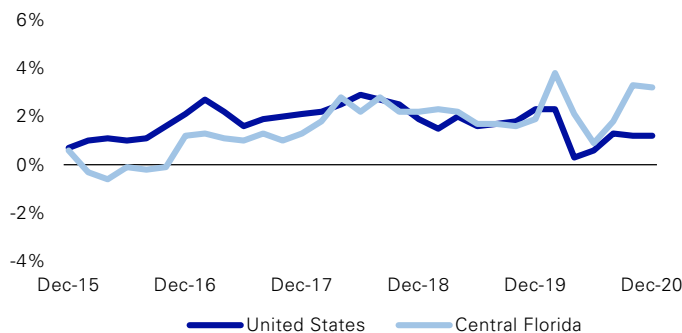
Central Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

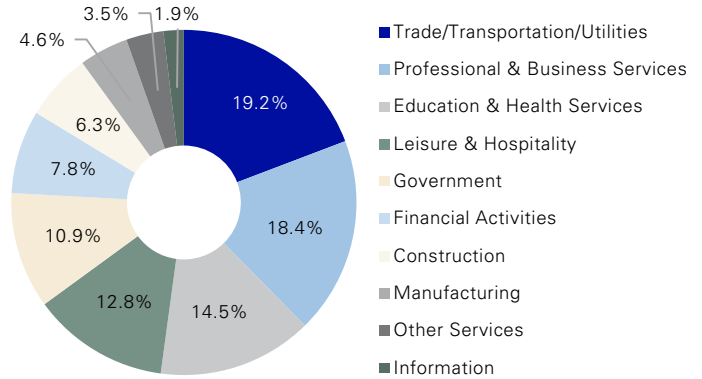
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment By Industry

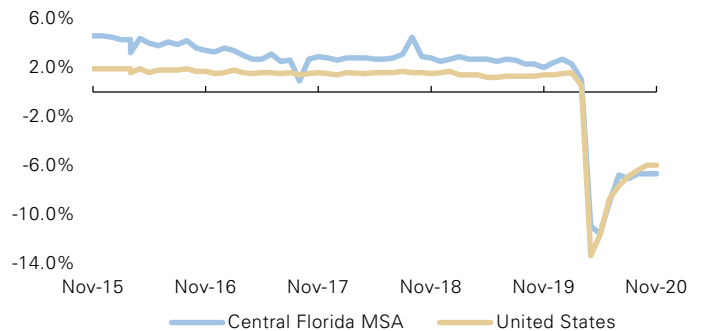
Central Florida MSA, Nov 2020 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

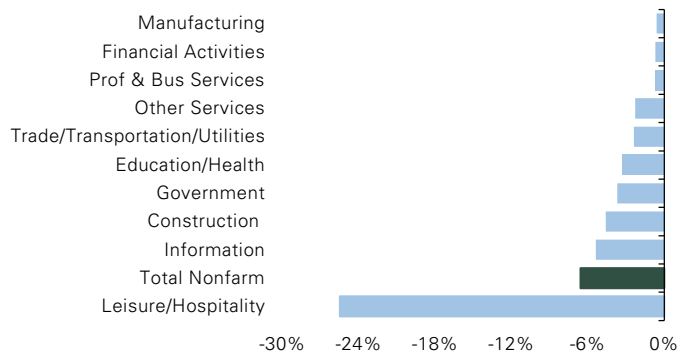
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

Central Florida, Nov 2020, MSA, 12-Month % Change



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



Tampa / Saint Petersburg Office Market

The office market saw another modest quarterly correction, with supply outpacing demand by 133,852 square feet in fourth-quarter 2020. This was the largest amount of space returned to the market since effects from the pandemic began to shift market fundamentals in the second quarter of this year. Overall, Tampa saw 211,905 square feet of negative net absorption in 2020 as overall vacancy rose 100 basis points to 9.9% from one year ago. The occupation of high-end Class A space lost momentum but still led the market as moderate demand growth occurred in the fourth quarter, keeping net absorption in the black, with 21,331 square feet of absorbed space in 2020. The Class B segment wasn't as fortunate, with 170,383 square feet of returned supply for the year, followed by lower-tier, Class C, with 62,853 square feet of negative net absorption during 2020. This year's slowdown did not keep rents from increasing, as the quoted average rate increased by \$0.97/SF to \$26.46/SF from one year ago, pushing past the \$26.00/SF mark for the first time ever. The average rate for premier office space increased by \$0.85/SF to \$31.32/SF, as four Class A buildings, totaling approximately 500,000 square feet, were added to the market, and the increased availability pushed the average rate upward. The Class B average followed suit, increasing by \$0.81/SF to \$23.64/SF as landlords held off on decreasing asking rates and increased supply in higher-end second-tier buildings, aiding the year-over-year increase. Five buildings, totaling approximately 900,000 square feet, were under construction, making up the majority of the region's office space being developed. Modest pre-leasing should limit significant effects to the market.

Leasing and Demand

Leasing activity dipped in fourth-quarter 2020, as 160 transactions totaling over 527,000 square feet closed. Over 3.3 million square feet of leasing activity occurred for all of 2020, a sharp drop from the 4.6 million square feet leased in 2019. Class A space held the lead in annual activity, with 290 deals totaling approximately 1.8 million square feet, while Class B trailed closely, with 516 deals for 1.4 million square feet recorded at the close of the year. Class C still lagged with 68 deals, combining for a meager 202,000 square feet of activity at the end of 2020. Insurance companies moved into the top spot of mid- to large-sized deals, with 306,000 square feet leased during the year, as the retail industry dropped into second place, with 245,000 square feet. The government sector moved into third place, with 202,000 square feet of leasing.

Investment Sales

Tampa's office investment ticked upward from the previous quarter with five transactions, totaling more than 543,000 square feet. Annual sales totaled more than 1.7 million square feet, valued at \$267.7 million. This was a decrease from the 2.7 million square feet that sold for \$557.0 million at the close of 2019. The sale of higher-end trophy properties also dipped in volume from one year ago, with four transactions, totaling 708,221 million square feet. The average of Class A investment sales fell from \$253/SF to \$206/SF at the close of 2020. This, coupled with the increase of lower-tier office building sales, caused the overall average price per square foot to decrease to \$155/SF to \$216/SF from one year ago.

Current Conditions

Market fundamentals saw continued corrections as a result from the pandemic, as vacancy rates rose to the highest level since second-quarter 2017.

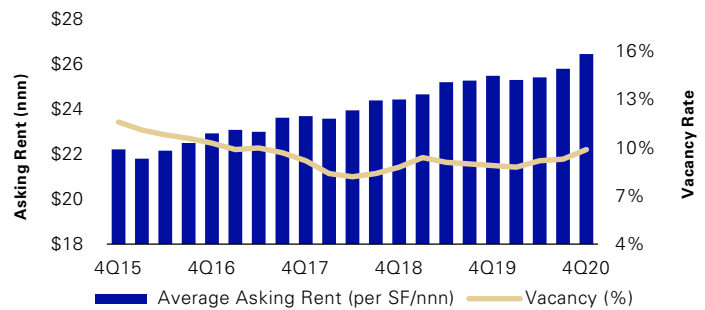
Two construction completions took place, adding 320,000 square feet of new Class A inventory to the market.

The overall average asking rate increased 160 basis points from the previous quarter.

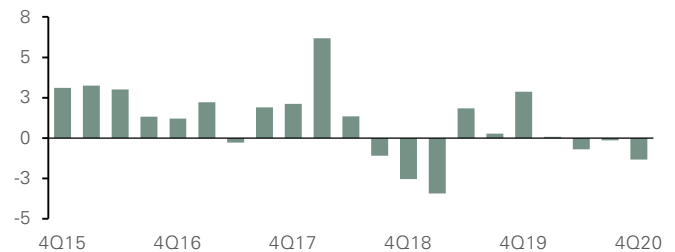
Leasing and sales activity remained significantly down from the same time period one year ago, as transactions have subsided and the decrease in high-end property sales considerably impacted the average price per square foot.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	61.4M	61.1M	60.9M	↑
Vacancy Rate	9.9%	9.3%	8.9%	↑
Quarterly Net Absorption (SF)	(133,582)	(14,879)	286,899	↑
Average Asking Rent/SF	\$26.46	\$25.80	\$25.49	↓
Under Construction (SF)	899,993	1.2M	1.4M	↓
Deliveries	300,000	0	250,000	↑

Tampa / Saint Petersburg 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)
Clearwater CBD	1,048,562	0	4.6 %	-10,915	-6,869	\$19.38	\$19.55	\$19.45
St. Petersburg CBD	2,499,492	0	5.7 %	4,711	-28,914	\$32.20	\$26.32	\$29.36
Tampa CBD	6,882,419	405,000	7.2 %	-11,484	-58,554	\$33.77	\$28.23	\$31.75
CBD Total	10,430,473	405,000	6.6 %	-17,688	-94,337	\$32.53	\$26.76	\$30.32
Bayside	2,027,544	0	16.3 %	-5,104	-49,985	\$24.71	\$22.38	\$23.76
East Tampa	8,628,187	0	14.1 %	-57,824	46,478	\$27.91	\$22.76	\$25.35
Gateway	4,180,743	0	10.5 %	-34,803	-41,777	\$26.27	\$23.17	\$24.18
Manatee/Bradenton	2,182,325	0	3.3 %	-7,855	-1,887	N / A	\$21.78	\$19.76
North Pinellas	3,586,811	0	13.1 %	-25,512	-31,229	\$21.67	\$18.85	\$19.12
NW Hillsborough	4,507,171	0	9.3 %	-48,803	1,123	\$28.60	\$23.08	\$23.46
Pasco County	1,100,939	0	21.3 %	-12,278	-15,476	\$28.66	\$14.54	\$19.40
Polk County	3,395,797	0	3.0 %	5,465	18,947	\$17.75	\$20.18	\$18.36
S Pinellas	708,016	0	10.7 %	-2,941	-25,200	N / A	\$20.12	\$15.94
S Tampa	1,018,035	0	3.1 %	-10,589	-20,043	N / A	\$24.36	\$24.36
Sarasota	5,592,480	27,000	6.6 %	-38,242	-83,243	\$32.92	\$26.91	\$25.82
SE Hillsborough	193,462	0	16.3 %	3,368	-28,190	N / A	N / A	N / A
Westshore	13,858,350	467,993	11.7 %	119,224	112,914	\$36.50	\$27.44	\$32.11
Suburban Total	50,979,860	494,993	10.6 %	-115,894	-117,568	\$31.02	\$23.41	\$25.89
Totals	61,410,333	899,993	9.9 %	-133,582	-211,905	\$31.32	\$23.64	\$26.46

Tampa / Saint Petersburg Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
TriNet Group, Inc.	Lakewood Ranch-9000 Town Ctr Pkwy	Manatee/Bradenton	Renewal	75,205
Empath Health	Meridian- 589-5415 Beaumont Ctr Blvd	NW Hillsborough	Direct	26,966
Old Republic Tile Insurance Company	Towers @ Westshore I-1410 N Westshore Blvd	Westshore	Renewal	21,348

Tampa / Saint Petersburg Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Tampa Commons-1 N Dale Mabry Hwy	Westshore	\$56,500,000	\$222	254,808
Melitta-13925 N 58 th St	North Pinellas	\$10,000,000	\$95	104,840
Citizen Bank & Trust Plaza-402 Kentucky Ave	Polk County	\$9,800,000	\$141	69,447



Orlando Office Market

The Orlando office market experienced its third consecutive quarter of supply outpacing demand and fared slightly better, with slightly less supply given back than the previous quarter. Over 257,000 square feet of negative net absorption occurred during 2020, increasing vacancy by 100 basis points from one year ago to 7.1%. Notably, Orlando's office segment upheld the lowest vacancy in the state and throughout all other major markets in the nation, despite the slight correction. Although demand was down significantly, Class A space held onto the lead for demand for the sixth consecutive year with a modest 41,501 square feet of positive net absorption, while the Class B sector felt the brunt of the impacts from the pandemic, with over 265,000 square feet of supply returned to the market in 2020. The lower-tier, Class C segment also struggled, with 33,179 square feet of negative net absorption during the year. Four buildings, totaling 478,000 square feet, were completed during the year but had little impact on the market, as strong pre-leasing limited any significant changes to vacancy. Disciplined construction activity will continue to aid tight market conditions, as two smaller office buildings, for a combined total of approximately 67,000 square feet, were underway at the close of 2020.

The quoted average rate saw little change from the previous quarter but still increased by \$0.50/SF from \$23.34/SF one year ago. Landlords continued to hold asking rates level, as the average for Class A space increased by \$0.60/SF from one year ago, to \$26.92/SF. The Class B average rate increased slightly to \$21.82/SF from \$21.75/SF, while Class C average rates also saw a similar tick upward, to \$18.17/SF from \$18.04/SF one year ago. Asking rates should hold steady through the first half of 2021, as owners wait and see whether strong market fundamentals hold out.

Leasing and Demand

Leasing activity decreased after a slight rebound performance in the third quarter, as 154 transactions, totaling 418,000 square feet, closed in fourth-quarter 2020. The 2.5 million square feet leased during 2020 just fell short from the 3.0 million square feet of deal activity seen one year ago. Notably, demand for high-end space ticked downward, as Class B space regained the lead for second, with 1.2 million square feet of transaction activity, followed closely by Class A, with just over 1 million square feet. Surprisingly, the hospitality industry took the number-one spot from one deal by Marriot Vacations totaling 225,000 square feet, while insurance companies held onto second, with 188,000 square feet. The medical sector moved into third place, with 157,000 square feet, knocking out the government's 122,000 square feet.

Investment Sales

Six smaller investment sales, totaling a meager 333,663 square feet, remained consistent with the previous quarterly lackluster performances, bringing total sales to almost just over 1.0 million square feet, valued at \$162.8 million. This was a sharp decrease from the 2.4 million square feet that had sold by this time last year. Class B office buildings also led in Orlando, totaling approximately 719,000 square feet of the total sales, and contributed to the average sales price practically remaining unchanged from \$152/SF one year ago, to \$153/SF, as owners hold onto high-end Class A properties.

Current Conditions

Orlando's office sector saw overall vacancy increase slightly from the previous quarter and still holds the lowest vacancy rate throughout the nation.

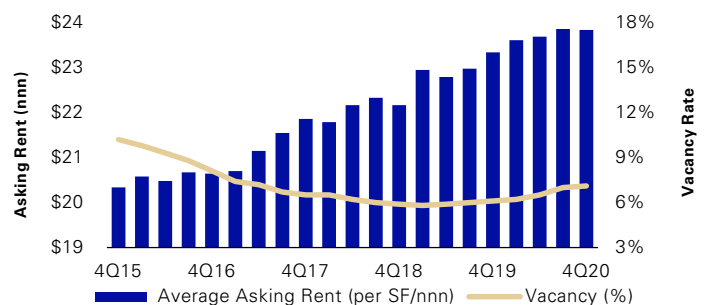
Disciplined construction continued to aid market fundamentals, with only one small office building under construction and no plans for any significant new projects to break ground soon.

Class A office spaces continued to dominate as the only higher-end office segment in Florida's markets to see positive absorption in 2020.

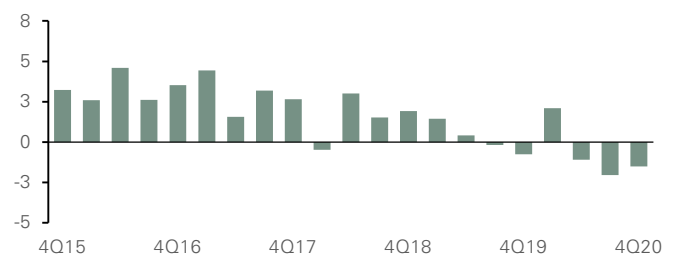
The average asking rate practically remained unchanged, as landlords hold rents level despite slow growth in 2020. This, coupled with increased available Class A space, gives the illusion that rents are increasing from one year ago.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	64.7M	64.7M	64.5M	↑
Vacancy Rate	7.1%	7.0%	6.1%	↑
Quarterly Net Absorption (SF)	(151,831)	(204,523)	90,412	↑
Average Asking Rent/SF	\$23.84	\$23.86	\$23.34	↔
Under Construction (SF)	66,687	21,000	477,867	↔
Deliveries	120,267	0	0	↓

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	8,357,636	0	11.4 %	-8,421	164,910	\$29.51	\$25.66	\$28.36
436 Corridor/Casselberry	1,895,830	0	7.8 %	9,402	9,027	N / A	\$22.42	\$21.01
Altamonte Springs/Longwood	3,319,355	0	12.6 %	12,188	-60,356	\$22.00	\$18.78	\$19.10
Brevard County	6,447,667	0	3.9 %	13,452	1,306	\$23.54	\$20.41	\$19.93
Celebration/Kissimmee	2,636,198	0	2.8 %	1,694	-15,126	\$26.50	\$25.89	\$25.43
Dr. Phillips/Tourist Corridor	7,247,378	0	4.7 %	-120,665	-179,307	\$28.97	\$26.25	\$26.83
Lake County/Clermont	788,272	0	5.9 %	0	-9,325	\$29.00	\$21.13	\$21.09
Lake Mary	6,999,577	0	8.0 %	24,228	33,835	\$26.57	\$20.13	\$23.78
Maitland/Maitland Center	6,450,540	0	9.1 %	17,239	-18,314	\$23.19	\$22.00	\$22.56
MetroWest/Millennia	2,242,831	0	4.8 %	-7,422	-38,127	\$27.78	\$26.82	\$27.03
NW Orlando	382,544	0	6.1 %	-1,500	-16,921	\$18.25	\$22.00	\$21.11
Orlando Airport/Lake Nona	1,850,178	0	11.9 %	26,952	56,460	\$29.83	N / A	\$26.13
South Orlando/Central Park	3,306,424	0	9.0 %	-5,088	-24,700	\$22.55	\$19.34	\$19.16
University/ University Research	6,168,126	21,000	5.6 %	-124,278	-187,369	\$25.53	\$23.71	\$24.79
West Colonial	1,539,012	45,687	0.9 %	6,091	6,541	N / A	\$26.09	\$23.29
Winter Pk/Baldwin Pk/Lee Rd	4,456,471	0	3.9 %	833	16,312	\$28.29	\$22.62	\$23.25
Winter Springs/Oviedo	568,192	0	3.4 %	3,464	3,994	\$33.50	\$23.11	\$27.72
Suburban Total	56,298,595	66,687	6.4 %	-143,410	-422,070	\$25.60	\$21.49	\$22.70
Totals	64,656,231	66,687	7.1 %	-151,831	-257,160	\$26.92	\$21.82	\$23.84

Orlando Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
Bluegreen Vacations Group	700 SouthPark Ctr-8325 S Park Cir	Dr. Phillips/Tourist Corridor	Direct	43,710
Interplan	CenterPointe Two-220 E Ctrl Pkwy	Altamonte Springs/Longwood	Direct	28,540
Henderson Agency	EBG Office Pk-5551 Vanguard St	Dr. Phillips/Tourist Corridor	Direct	22,368

Orlando Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Former SunTrust Ctr-222 S Orange Ave	Downtown Orlando	\$20,000,000	\$156	128,296
Orlando Int'l Bus Ctr-Bld A/E/F Portfolio-5730 S Semoran Blvd	Orlando Airport/ Lake Nona	\$14,480,806	\$132	109,764
CardWorks Servicing Bld-9200 SouthPark Ctr Loop	Dr. Phillips/Tourist Corridor	\$14,250,000	\$231	61,603

For more information:

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

Eric Messer

*Research Services Manager
Florida*
emesser@ngkf.com

nmrk.com

ALABAMA

Birmingham

ARIZONA

Phoenix

ARKANSAS

Fayetteville
Little Rock

CALIFORNIA

El Segundo
Irvine
Los Angeles
Newport Beach
Pasadena
Sacramento
San Francisco
San Jose
San Mateo
Santa Rosa

COLORADO

Denver

CONNECTICUT

Stamford

DELAWARE

Wilmington

**DISTRICT OF
COLUMBIA**

FLORIDA

Boca Raton
Jupiter
Miami
Palm Beach
Tampa

GEORGIA

Atlanta

ILLINOIS

Chicago

INDIANA

Indianapolis

KENTUCKY

Louisville

LOUISIANA

New Orleans

MARYLAND

Baltimore
Salisbury

MASSACHUSETTS

Boston

MICHIGAN

Detroit

MINNESOTA

Minneapolis

MISSOURI

St. Louis

NEVADA

Las Vegas
Reno

NEW JERSEY

Rutherford
East Brunswick
Morristown

NEW YORK

Buffalo/Amherst
New York

NORTH CAROLINA

Charlotte

OHIO

Cincinnati
Cleveland
Columbus

OKLAHOMA

Oklahoma City

OREGON

Portland/Lake
Oswego

PENNSYLVANIA

Allentown
Philadelphia
Pittsburgh

TEXAS

Austin
Dallas
Houston

UTAH

Salt Lake City

VIRGINIA

Tysons Corner

WASHINGTON

Seattle

WISCONSIN

Milwaukee

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.