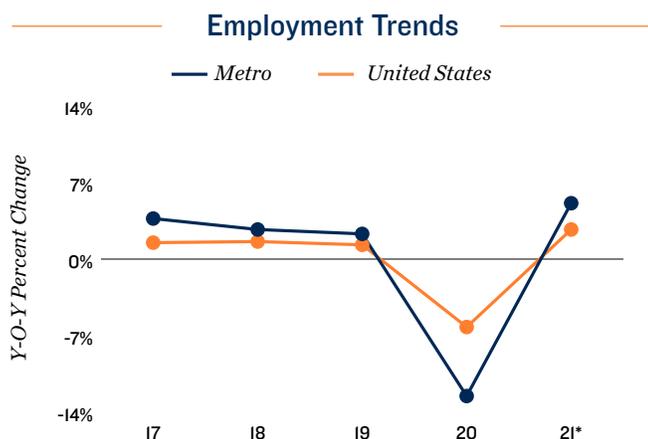


Population Gains and Rebounding Tourism Provide Optimism for Orlando's Retail Sector

Growth trends support rapid improvement in retail demand. Shut-downs across the nation due to the health crisis limited air travel and placed restrictions on capacity at the region's many tourism venues during 2020, heavily impacting the retail sector. As vaccinations become widespread and more people are able to travel safely, pent-up demand should bring tourists back to Orlando's many destinations. In addition, the metro's favorable weather, quality of life and employment opportunities are luring new residents. Following the addition of roughly 36,100 people last year, more than 40,500 new residents are forecast in 2021. A population gain three times the national rate is expected to bolster retail sales in the metro by more than 6 percent this year.

Retail construction slows. Housing developments to accommodate the influx of new residents have generated demand for retail farther from the metro core as developers follow rooftops. During 2020, Southern Orange County received the greatest portion of new inventory, while the year's largest project at 81,000 square feet was Lady Lake Commons in Lake County. In 2021, deliveries will fall to the lowest level since 2012 as construction activity shifts to the Tourist Corridor in southwest Orlando, where O-Town West is underway. Almost 125,000 square feet of retail space is planned for delivery this year in The Village and The Crossings sections of the mixed-use master planned development off I-4. The project also contains multifamily units, office space and a hotel.



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook


60,000 JOBS
will be created

EMPLOYMENT:

After a loss of 167,200 jobs last year, hiring rebounds as widespread inoculations allow more businesses to fully reopen and tourism numbers climb. During 2021, an employment gain of 5.1 percent is expected.


788,000 SQ. FT.
will be completed

CONSTRUCTION:

After 846,000 square feet was completed in 2020, deliveries fall to the lowest level in nine years, expanding inventory by less than 1 percent. The Tourist Corridor submarket is expected to receive the largest portion of this year's new space.


30 BASIS POINT
increase in vacancy

VACANCY:

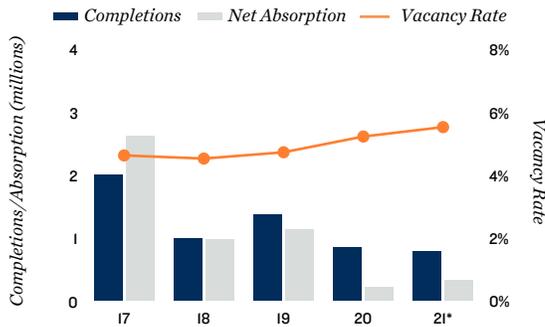
Even though deliveries decline during 2021, additional store closures will weigh on net absorption. As a result, the vacancy rate rises for the third consecutive year to 5.5 percent. A wide variation in vacancy is expected to continue in the metro's submarkets.


0.2% INCREASE
in asking rent

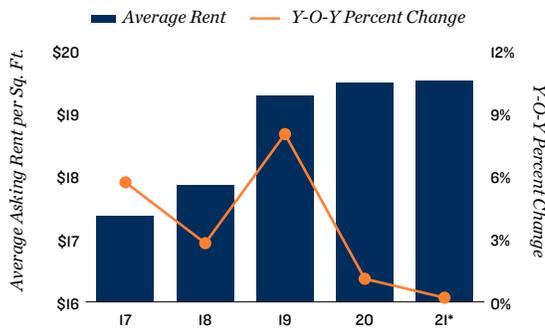
RENT:

Rising vacancy will slow the increase in rent to well below the previous five-year average of 4.4 percent. This year, the rate will inch up nominally to \$19.52 per square foot, the ninth straight year of rent improvement.

Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Orlando Office:

Justin West Vice President, Regional Manager

300 South Orange Avenue, Suite 700

Orlando, FL 32801

Tel: (407) 557-3800 | justin.west@marcusmillichap.com

Prepared and edited by:

Nancy Olmsted

Senior Market Analyst | Research Services

For information on national retail trends, contact:

John Chang

Senior Vice President, National Director | Research Services

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

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The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Note: Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics
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2020



CONSTRUCTION

846,000 square feet completed

- Deliveries retreated from the nearly 1.4 million square feet finalized in 2019. Multi-tenant projects accounted for the bulk of the new space.
- Completions were scattered across the metro with more than half of the submarkets receiving new inventory. Only Lake County and the south part of Orange County received more than 100,000 square feet.



VACANCY

50 basis point increase in vacancy Y-O-Y

- An 80-basis-point jump in the multi-tenant rate led to overall vacancy rising to 5.2 percent, the second consecutive year of rate increases.
- A vacancy improvement of more than 200 basis points was registered in the Orlando Central Park and West University neighborhoods, contracting availability to 5.0 and 3.5 percent, respectively.



RENT

1.1% increase in the average asking rent Y-O-Y

- The average asking rent set a new year-end high at \$19.49 per square foot. A gain of 1.1 percent, however, was well below the prior year's 8.0 percent leap.
- Quality space in good locations becoming available resulted in multi-tenant rent jumping 4.4 percent to \$19.28 per square foot.

Investment Highlights

- After a sizable reduction in trading volume during the second quarter, sales activity resumed in the later half of 2020, including some portfolio trades. As a result, by year end the number of transactions had reached a 21-year high, although dollar volume was the lowest in nine years.
- The availability of single-tenant, net lease properties drew many out-of-state buyers to the metro. Older assets trading in 2020 contributed to single-tenant buildings changing hands at an average of \$429 per square foot, down 2 percent year over year. Multi-tenant buildings sold at a mean of \$279 per square foot, contracting almost 3 percent during the year.
- More uncertainty in the retail sector resulted in the average cap rate in both single-tenant and multi-tenant segments rising 10 basis points year over year, ending 2020 at 6.1 percent and 7.2 percent, respectively.
- Drugstores throughout the metro drew the attention of out-of-state buyers. The price per square foot varied widely depending on location and condition, with most transacting in the \$250 to \$500 per square foot range. Cap rates were typically in the 5 to 6 percent span.