# MARKET REPORT

Marcus & Millichap

## RETAIL

*Orlando Metro Area*

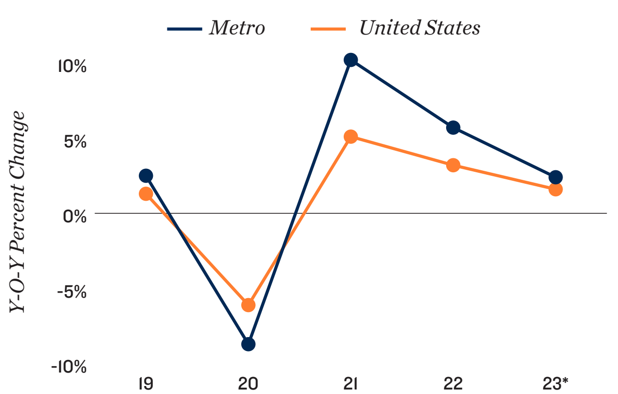
2Q/23

## Osceola County Among Nation's Tightest Retail Corridors, Backstopping Market Fundamentals

**Vacancy meager in southern suburbs, despite sizable new supply.** Available space in Orlando was at historic lows over the past year, supported by mild construction. Half of the square footage added during this period was in the South Outlier submarket, an area encompassing the southernmost portion of Orange County and the majority of Osceola County. In the latter, the number of households is expected to grow by over 14 percent through the next four years. Strong residential demand has stirred tenants' needs for nearby retail spaces recently, evidenced by local vacancy falling to 1.1 percent in March. Conditions here remain the tightest among major U.S. submarkets with at least 10 million square feet of inventory, indicating that the local 750,000-square-foot pipeline projected for 2023 is warranted. With nearly 90 percent of this volume accounted for as of May, the vacancy rate could remain nationally tight near-term.

**Local metrics vary based on pre-leasing.** Almost all of the 182,000 square feet being delivered in St. Cloud this year was accounted for as of May. Near-term, vacancy here may remain close to March's 0.8 percent figure. In comparison, Lake County and West Colonial, two of the metro's four largest submarkets, had a total of 112,000 square feet of 2023 deliveries unaccounted for. Despite this softer demand for new space, vacancy rates here were near two-decade lows in March. Tight conditions could direct some retailers to existing spaces, capping vacancy rises in the coming months.

### Employment Trends




* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2023 Outlook

**34,000** JOBS *will be created*

### EMPLOYMENT:

Retail tenants have buoyed recent job growth. The retail trade and leisure and hospitality sectors comprised 77 percent of the 18,000 roles added in the first four months. By year-end, the total job tally will rise by 2.4 percent.

**1,800,000** SQ. FT. *will be completed*

### CONSTRUCTION:

Inventory grows by a five-year high of 1.5 percent in 2023. Alongside the South Outlier submarket, St. Cloud, Lake County, Tourist Corridor and West Colonial will each receive more than 100,000 square feet this year.

**50** BASIS POINT *increase in vacancy*

### VACANCY:

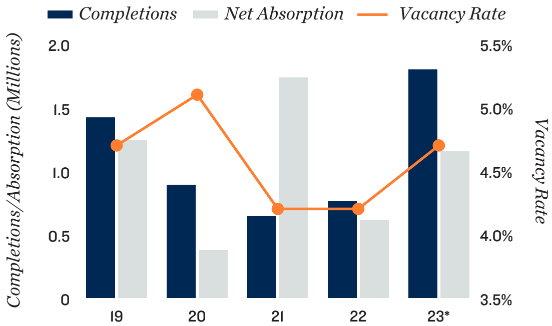
Altamonte-Douglas, Tourist Corridor and Apopka each registered vacancy increases over 60 basis points in the first quarter. Continued rises in local rates will contribute to lifting Orlando vacancy to 4.7 percent in 2023.

**2.7%** INCREASE *in asking rent*

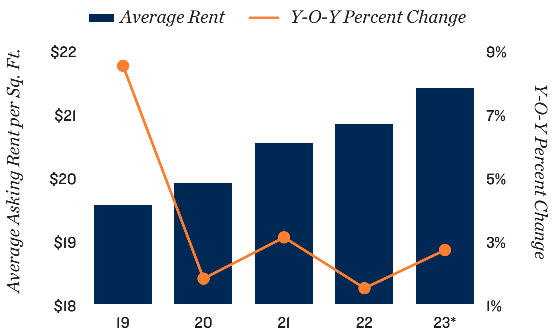
### RENT:

Net absorption of over 1 million square feet lifts the mean asking rate to $21.40 per square foot this year. Meager vacancy in the South Outlier submarket should continue to stoke rent growth here near-term.

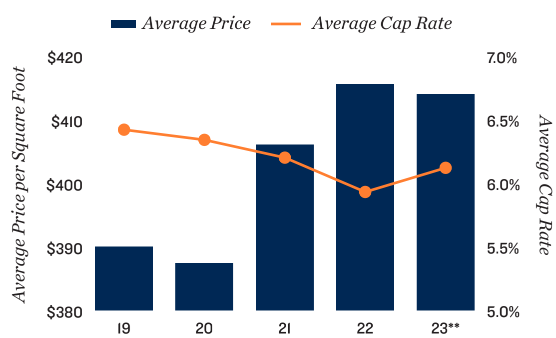
### Supply and Demand




### Rent Trends




### Sales Trends




** Forecast ** Through 1Q*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

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## 1Q 2023 - 12-Month Period

### CONSTRUCTION

**684,000 sq. ft. completed**

- Inventory grew by just 0.6 percent over the 12 months ended in March, less than half of the long-term pace. Supply additions remained below 95,000 square feet in each area of the metro, besides the South Outlier submarket.
- Multi-tenant stock growth, at 0.7 percent annually in March, outpaced the 0.5 percent clip registered in the single-tenant segment.

### VACANCY

**10 basis point decrease in vacancy Y-O-Y**

- Both of the metro's two largest submarkets, South Outlier and Lake County, observed respective vacancy declines of 20 and 60 basis points over the past year, helping pull the marketwide rate down to 4.1 percent in March.
- Single- and multi-tenant vacancy were both 20 basis points above their record lows, at 3.6 and 5.1 percent, respectively, in the first quarter.

### RENT

**4.5% increase in the average asking rent Y-O-Y**

- Rent growth in the Tourist Corridor, West Colonial and South Outlier submarkets helped lift the average asking rent to $20.88 per square foot.
- Multi-tenant asking rents fell by 1.9 percent to $18.88 per square foot on average entering April. In contrast, the single-tenant segment registered a 7.1 percent advance over the same span to $23.15 per square foot.

## Investment Highlights

- While trading velocity has wavered after recent interest rate increases, the number of trades completed over the first three months of 2023 equated to the long-term quarterly mean. Similar to each of the past five years, most recent deals have been for single-tenant assets in Lake County, with properties along U.S. Highway 441 in the highest demand due to their proximity to regular vehicle traffic. Relatively low costs are also drawing in buyers. In this submarket, median per-square-foot pricing for single-tenant retail assets has been at $310 this year, well below the segment's market average of $494 per square foot.
- Preliminary data indicates that over the first five months, more deals have been made for drug stores than in the entirety of 2018 and 2019. The age 65-plus population grew by 5.8 percent over the year ended in March, outpacing all major metros and boosting demand for pharmaceutical services.
- Multi-tenant trading activity has been concentrated in Lake Mary as of late. Newer, multi-tenant builds are sought after here by investors, as the segment represents just 13.7 percent of total submarket retail inventory.

*Price: $250*