

» **Sales & Leasing Activity Show Strong Signs of Recovery****Q2-21 ORLANDO RETAIL MARKET OVERVIEW**

Challenged through much of 2020, Orlando's retail market is showing significant signs of recovery. Orlando, a popular tourism location due to theme parks and tourist attractions, has made positive strides toward pre-pandemic numbers supported by market indicators such as average rent, vacancy rates, lease volume and sales volume. Growth in the market indices was supported by positive net migration and foot traffic recovery in all four Orlando counties. The retail market recovery has been led by visits to home improvement as well as medical and health facilities. We expect these retail segments to continue to lead the charge for the foreseeable future as the Orlando retail market continues to surpass historical measures.

Medical, banks and quick service restaurants are the most active sectors for single-tenant development in Central Florida, while service and other food related concepts are filling inline retail space."

- Mike Battey, Director, Retail

INVESTMENT ACTIVITY

Retail sales volume amassed approximately \$290M in total transaction volume, across all retail asset types. Compared to Q1-21, retail sales volume increased by 29.46% quarter over quarter. Relative to Q2-20, retail sales volume increased 237%, indicating a significant recovery since the beginning of the pandemic. Neighborhood centers contributed the most to total sales volume amassing just over \$70M dollars.

\$23.63
Average Rent

4.6%
Vacancy Rate

845,792 SF
Leased Volume

\$291,680,552
Sales Volume



Source: CoStar

RETAIL PERFORMANCE

Net absorption remained positive over Q2-21, generating 188,798 SF. Leasing SF totaled 845,792 SF, marking a significant year over year increase. Deliveries over Q2-21, while less than the previous quarter, still amounted to 175,000 SF of new retail space.

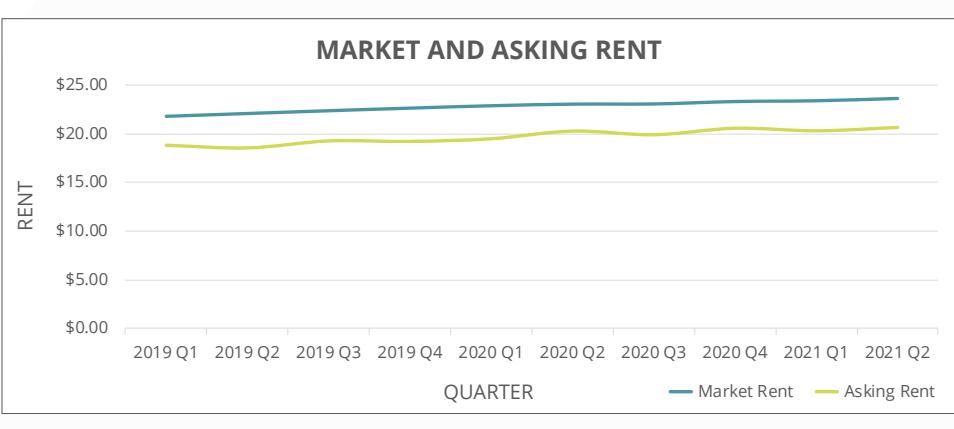
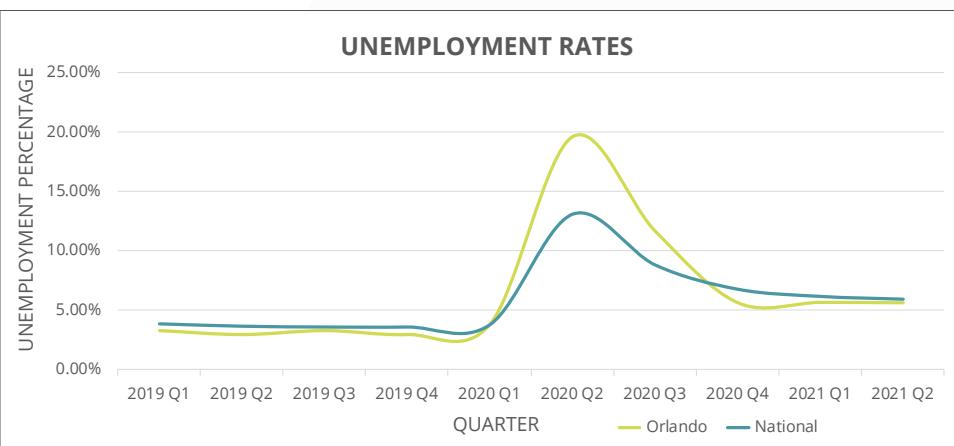
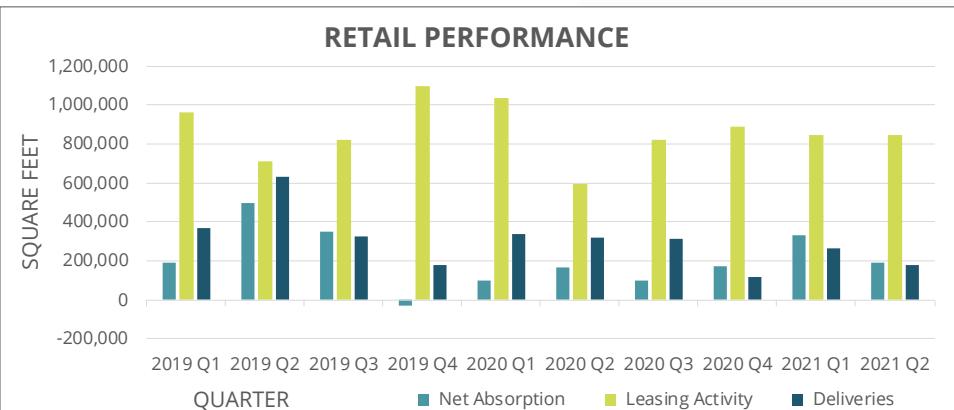
The Orlando market is on the verge of a shift in retail rental rates. With construction costs and land prices approximately double what they were five years ago, along with major delays in construction timelines, developers and landlords are increasing rents at a higher rate to make up for significantly inflated costs. While the increases will start with new construction, they will eventually trickle down throughout the market."

- Terrence Hart, Senior Director, Healthcare & Retail

MARKET INDICES

Unemployment rates remained slightly below national levels. Orlando unemployment averaged 5.6% over Q2, while the national unemployment averaged 5.93%.

Market and asking rents remained relatively stable with minor increases. Asking rent for Q2 was \$20.63, which was a 1.82% increase quarter over quarter. Market rent averaged \$23.63, marking a 2.47% increase compared to Q2-20. While rents have increased steadily in recent years, factors such as increased construction costs may lead to larger increases in the future.

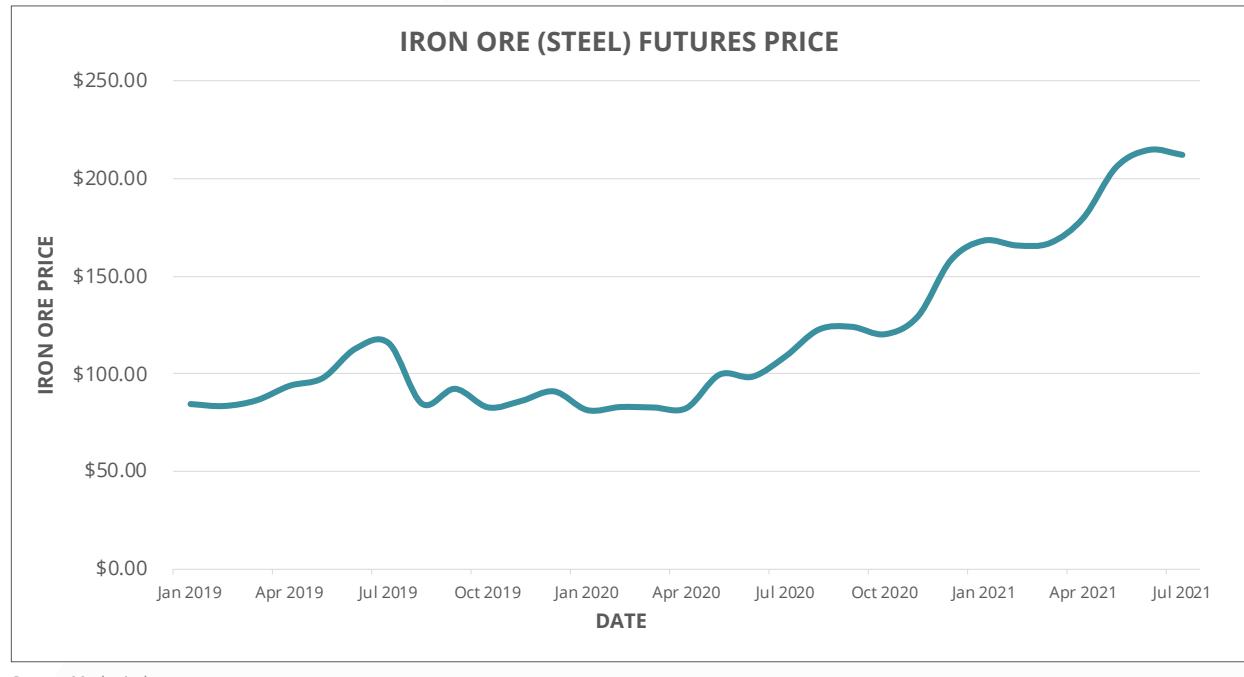


CONSTRUCTION

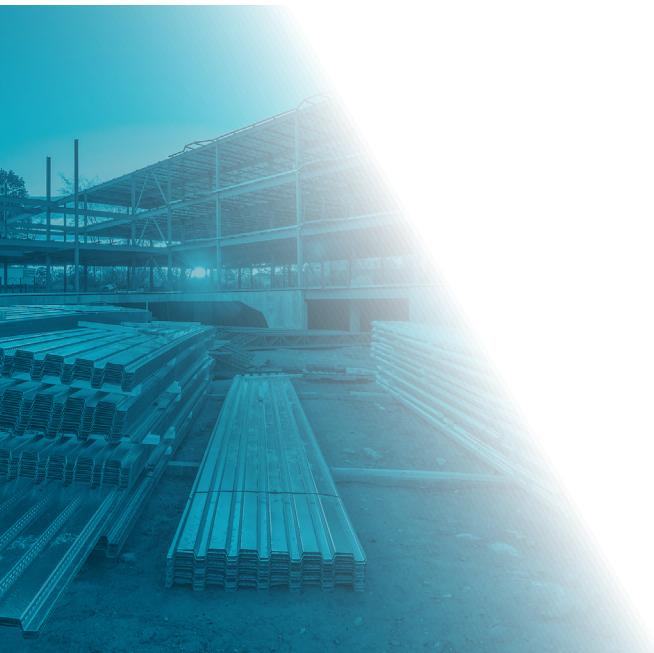
Prices of lumber and steel are all trading relatively high compared to pre-Covid levels. Lumber prices experienced the highest increase due to what experts thought was going to be a slump in ongoing construction. Sawmills shut down and the demand for lumber significantly increased while the supply lagged. Although lumber prices have decreased since their spike, lumber is still trading relatively higher than before the pandemic. Steel has also significantly increased trending upward in price.



Source: nasdaq.com

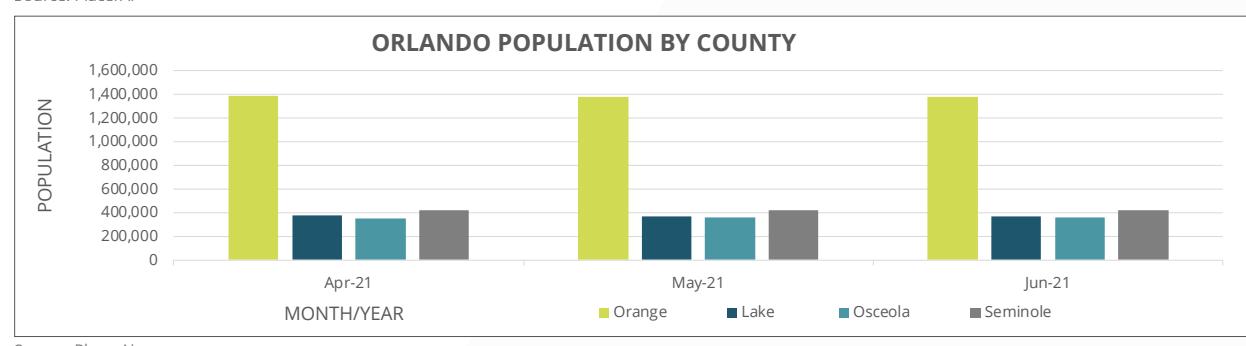
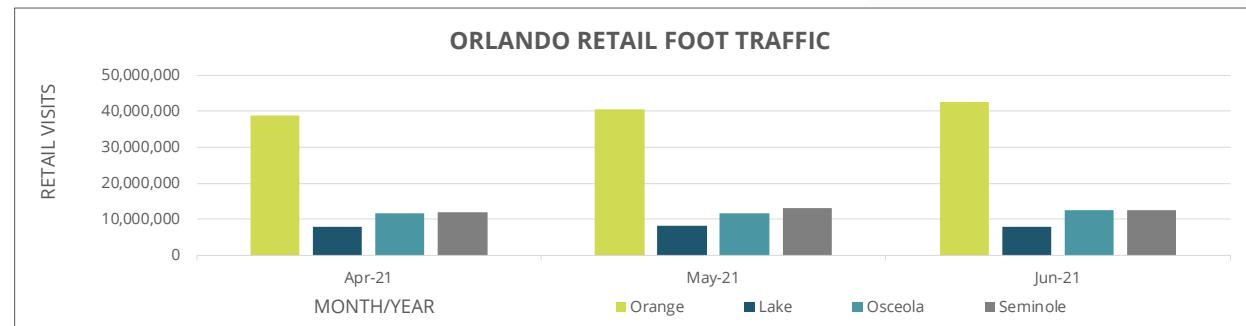


Source: Marketindex.com



NET MIGRATION/POPULATION

Quarter over quarter, total foot traffic increased in Q2-21, posting its greatest increase in June with a retail foot traffic level of 12,160,000 visits. Retail visits that carried the most foot traffic related to home improvement, medical and health, and office supplies. Lagging sectors include visits related to electronics and leisure. Orlando, being a vast tourist destination, has recovered well over time. Tourism foot traffic increased quarter over quarter and has now surpassed pre-Covid levels. Tourism has been led mostly by national tourists over local visitors. All four counties making up the Orlando MSA have experienced gradual increases in retail visits. Orange County, specifically, experiences more retail visits per month and serves as a catalyst for retail centers in Orlando.



| LAKE COUNTY RETAIL TYPE | INVENTORY BLDGS | INVENTORY SF | VACANT PERCENT % TOTAL | VACANT AVAILABLE % SUBLET | NET ABSORPTION SF TOTAL | LEASING ACTIVITY SF TOTAL | DELIVERIES SF | UNDER CONSTRUCTION SF | NNN RENT OVERALL |
|----------------------------|-----------------|--------------|------------------------|---------------------------|-------------------------|---------------------------|---------------|-----------------------|------------------|
| Community Center | 54 | 2,181,923 | 5.0% | 0.2% | (55,455) | 1,200 | 0 | 0 | \$19.62 |
| Lifestyle Center | 19 | 666,085 | 2.3% | 0.0% | (1,762) | 1,212 | 0 | 0 | \$25.00 |
| Neighborhood Center | 81 | 3,029,686 | 8.8% | 0.0% | 2,555 | 20,534 | 0 | 59,587 | \$15.73 |
| Power Center | 20 | 773,932 | 1.4% | 0.0% | (4,800) | - | 0 | 0 | \$32.00 |
| Regional Mall | 2 | 636,158 | 33.6% | 0.0% | - | - | 0 | 0 | - |
| Strip Center | 83 | 833,084 | 5.3% | 0.0% | 6,166 | 7,138 | 0 | 0 | \$16.99 |
| OSCEOLA COUNTY RETAIL TYPE | INVENTORY BLDGS | INVENTORY SF | VACANT PERCENT % TOTAL | VACANT AVAILABLE % SUBLET | NET ABSORPTION SF TOTAL | LEASING ACTIVITY SF TOTAL | DELIVERIES SF | UNDER CONSTRUCTION SF | NNN RENT OVERALL |
| Community Center | 75 | 2,607,991 | 3.1% | 0.0% | (27,970) | 69,775 | 0 | 0 | \$24.98 |
| Lifestyle Center | 37 | 1,303,552 | 2.2% | 0.0% | (2,336) | - | 0 | 0 | - |
| Neighborhood Center | 110 | 3,570,334 | 5.0% | 0.0% | (39,075) | 32,921 | 0 | 0 | \$13.26 |
| Outlet Center | 2 | 480,355 | 11.6% | 0.0% | 3,905 | 2,568 | 0 | 0 | \$20.00 |
| Power Center | 13 | 860,691 | 6.4% | 0.0% | 7,035 | 9,072 | 0 | 0 | - |
| Strip Center | 100 | 1,361,379 | 1.8% | 0.0% | 2,200 | 23,232 | 0 | 0 | \$19.20 |

Source: CoStar

| ORANGE COUNTY RETAIL TYPE | INVENTORY BLDGS | INVENTORY SF | VACANT PERCENT % TOTAL | VACANT AVAILABLE % SUBLET | NET ABSORPTION SF TOTAL | LEASING ACTIVITY SF TOTAL | DELIVERIES SF | UNDER CONSTRUCTION SF | NNN RENT OVERALL |
|-----------------------------|-----------------|--------------|------------------------|---------------------------|-------------------------|---------------------------|---------------|-----------------------|------------------|
| Community Center | 289 | 11,979,403 | 7.9% | 0.0% | (89,456) | 110,814 | 7,000 | 122,373 | \$18.27 |
| Lifestyle Center | 22 | 964,401 | 0.9% | 0.0% | 4,960 | 50,248 | 12,367 | 283,141 | - |
| Neighborhood Center | 459 | 13,023,385 | 5.9% | 0.1% | 29,417 | 84,637 | 5,250 | 0 | \$19.39 |
| Outlet Center | 31 | 2,244,327 | 0.4% | 0.0% | 7,000 | - | 0 | 0 | - |
| Power Center | 150 | 6,599,797 | 5.9% | 0.0% | 6,022 | 11,464 | 0 | 0 | \$21.28 |
| Regional Mall | 10 | 482,902 | 5.2% | 0.0% | - | - | 0 | 0 | \$51.92 |
| Strip Center | 395 | 4,622,892 | 2.8% | 0.1% | 11,082 | 32,150 | 0 | 7,680 | \$25.43 |
| Super Regional Mall | 23 | 5,169,039 | 6.3% | 0.0% | - | 20,949 | 0 | 0 | - |
| Theme/Festival Center | 8 | 579,268 | 3.2% | 0.0% | (13,410) | 13,410 | 0 | 0 | \$35.00 |
| SEMINOLE COUNTY RETAIL TYPE | INVENTORY BLDGS | INVENTORY SF | VACANT PERCENT % TOTAL | VACANT AVAILABLE % SUBLET | NET ABSORPTION SF TOTAL | LEASING ACTIVITY SF TOTAL | DELIVERIES SF | UNDER CONSTRUCTION SF | NNN RENT OVERALL |
| Community Center | 108 | 4,886,218 | 8.2% | 0.1% | 62,864 | 87,427 | 0 | 0 | \$16.23 |
| Lifestyle Center | 23 | 525,582 | 5.7% | 0.0% | 2,465 | 5,570 | 0 | 0 | \$17.42 |
| Neighborhood Center | 143 | 4,932,151 | 5.9% | 0.0% | 63,815 | 49,018 | 22,500 | 11,600 | \$16.08 |
| Outlet Center | 3 | 110,082 | 3.3% | 0.0% | - | - | 0 | 0 | \$14.79 |
| Power Center | 3 | 110,082 | 3.3% | 0.0% | - | - | 0 | 0 | \$14.79 |
| Strip Center | 224 | 2,332,958 | 8.0% | 0.0% | 14,530 | 22,285 | 0 | 0 | \$21.07 |
| Super Regional Mall | 28 | 3,280,288 | 5.0% | 0.0% | (62,692) | 20,429 | 0 | 0 | - |

DEVELOPMENT

There are several major mixed-use development projects underway in Central Florida that reflect the region's explosive growth. Hamlin, a 1,000 acre, mixed-use village in west Orange County's Horizon West community, will comprise over 2 million square feet of commercial space when complete, including a luxury movie theater, boutique hotel, Class A office space, single-family residences, luxury apartments, shopping and dining. Nearby, City Center West Orange will add another 200,000 square feet of luxury retail, hospitality and office space to the market.

O-Town West, a 350-acre master-planned community in the tourism corridor, will comprise of four commercial centers, 850 luxury apartments and a state-of-the-art entertainment center. Also in the tourism corridor, the 450,000-square-foot Vineyard Pointe shopping center has attracted major brands from Target to Five Below, with several dining options, including Shake Shack, coming soon. In Kissimmee, the Square at Osceola Parkway is slated to add 400,000 square feet of retail to the thriving LOOP shopping district.

CONCLUSION

Heavily driven by net migration and tourism, Orlando's retail market experienced healthy growth in Q2. The market experienced a significant uptick in sales volume that was driven by an increase in sales price per square foot, indicating high demand. Leasing activity increased quarter over quarter and net absorption remained positive. Market and asking rents continued to increase and will continue rising into the future. Overall, the retail market will continue to surpass pre-Covid levels as the region grows and evolves to meet the ever-changing demand of consumers.

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