

INVESTMENT FORECAST

Office
Orlando Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Strong Property Performance Is Set to Endure as Tourism Sector Advances

Tenant expansion warranted amid resilient consumer spending. Local population gains in each of the last three years exceeded the pre-pandemic norm. With a swiftly growing resident base, the need for essential retailers like grocery stores is on the rise. Taking advantage of this flourishing demand, H Mart will open a location in the West Colonial submarket in 2025. Additionally, Sprouts will open a store in Poinciana, while Target moves into a 150,000-square-foot lease in Lake Nona Central. Consumer demand will also likely be bolstered by a strong tourism sector. Though domestic visitor volume to Orlando fell slightly in 2023, the dip was offset by a boost in international tourism during the same period. A handful of improvements to Orlando's theme parks will likely further draw additional visitors, bringing a swell of traffic to nearby retailers. Universal Orlando Resort will introduce Epic Universe, a new theme park that is expected to attract millions annually when it opens in May. SeaWorld Orlando will also open a new attraction mid-year. This mix of population growth and strengthening tourism should support a sturdy long-term outlook for local retailers.

Outer suburbs holding large portion of sales activity. Outlying submarkets have been popular for retail trades over the last three years, with buyers targeting the large inventory in Lake and Osceola counties. Both areas are expected to report a population gain of at least 9 percent from 2023 to 2028. Buyers may be attracted to multiple submarkets across the metro with vacancy rates below 2 percent. Two such areas are West University and Winter Park, where higher-priced properties may gain additional interest from well-capitalized, stability-seeking investors after both areas reported vacancy compressions in three of the last four years.

2025 MARKET FORECAST

+0.7%



EMPLOYMENT: Job growth will continue to moderate this year as 11,000 roles are added on net. The leisure and hospitality industries are expected to remain among the leading sectors for job gains.

665,000
sq. ft.



CONSTRUCTION: Construction this year will match the 2024 level, increasing inventory by 0.5 percent. Square footage completed will amount to roughly half of the prior 10-year average.

-10 bps



VACANCY: Moderating supply and a minor boost to net absorption this year will inch vacancy down slightly to 3.4 percent. This is only 10 basis points above the historic low set in 2023.

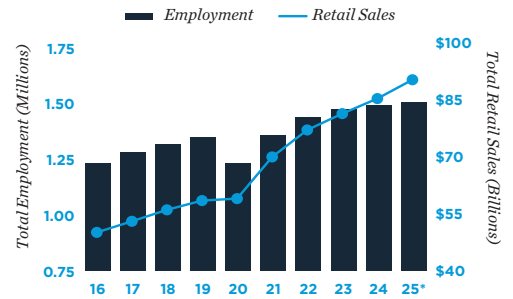
+6.0%



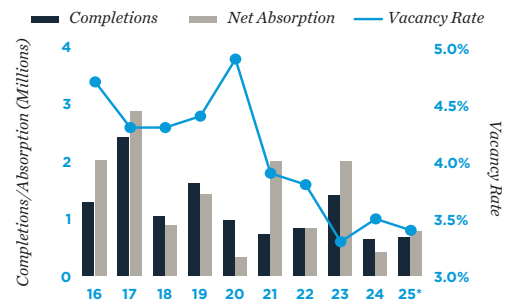
RENT: Gains to the average asking rent in 2025 will lead the nation, with the rate reaching \$25.50 per square foot by year-end. This will be the third consecutive year of growth of at least 6 percent.

INVESTMENT: Institutional investors seeking high-performing, multi-tenant assets may be attracted to the Tourist Corridor. These properties reported a mean asking rent gain of 36.9 percent from 2019 to the end of 2024.

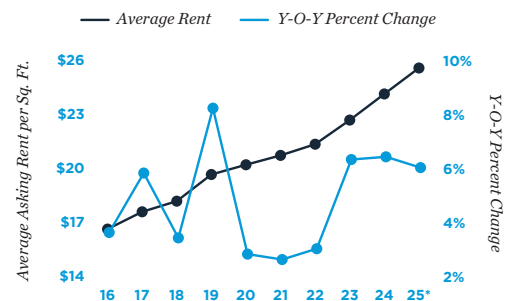
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.