

Orlando Insight is a publication of the Orlando Economic Forum, an initiative of the Orlando Economic Development Commission (EDC). Comprised of local industry leaders, the Forum meets quarterly to discuss both current economic conditions and issues of regional significance in the four-county Orlando Metropolitan Statistical Area (MSA). *Orlando Insight* reflects those discussions and draws from the most recent data available at time of preparation.

2017: Orlando Expects

Orlando's economic prosperity gained significant momentum in 2016.

Economic development successes came early and often. Early in the year, newcomer Deloitte, after hiring 1,000 new workers in record time, began drawing up plans to add an additional 850 jobs. In July, global HR provider ADP announced the opening of a new office in Maitland, creating up to 1,600 jobs. By December, all eyes had shifted to Lake Nona as the USTA prepared to open its new National Campus, and then KPMG announced plans to build a \$430 million global training facility.

The slow trickle of year-end data brought the exclamation point many sought. Unemployment closed 2016 at its lowest level in a decade; Orlando International Airport (MCO) posted its highest annual passenger total on record for the second consecutive year; and in employment terms, the region ended 2016 exactly as it began – as the fastest-growing large region in the country.

A sense prevails, however, that Orlando's best is yet to come – that for all its recent success, the region enters 2017 finally ready to transition from its status as an emerging region of the future to a world-class region of the present.

Improving The Product

For several years, Orlando has been quietly laying the foundation for future quality and balanced growth. That foundation can be seen all around us – crews are at work on a \$2.3 billion 1-4 Ultimate Project overhauling 21 miles of the region's key transportation corridor, MCO's \$1.1 billion expansion will bring the north terminal's capacity to 45 million annual passengers, and Orlando Sanford International Airport will soon kick off a \$43 million expansion project to add new gates, baggage carousels and security lanes. It is an investment in infrastructure that when complete will enhance Orlando's competitive offering to the world for generations to come.

Yet even long-range planning benefits from short-term victories and 2017 will bear the first fruits of this multi-year investment strategy. In March, Orlando City Soccer Club will open the doors to its new \$155 million soccer stadium, adding another element to downtown's emerging live-work-play environment. Just a few weeks later, BRIDG at NeoCity, the world's first industry-led consortium for smart sensors, will open in Osceola County, embedding the region firmly at the center of tomorrow's economy. Both developments will only add to the narrative that Orlando is a community on the move.



— **Sean Snaith, Ph.D**
Chair, Orlando Economic Forum
Director, Institute for Economic
Competitiveness
University of Central Florida

“Orlando finished 2016 with significant momentum that will continue to drive an economy that continues to lead in job creation. Billions of dollars of new and ongoing large scale public and private investment projects provide fuel to the region's economic engine that should keep it humming through 2017.”

The Perfect Storm

At the same time, community leaders believe Orlando's promise in 2017 owes just as much to a collision of existing local expertise with emerging global trends as it does to the realization of plans many years in the making.

Arguably the best example of this alignment is the region's simulation and training industry, which in 2017 looks set to receive a welcome boost in the form of enhanced military spending. In an increasingly uncertain world where readiness is key, simulation will prove a cost-effective means.

Other long-held regional advantages also stand to gain in prominence in 2017. Lake County's traditional manufacturing and warehouse strengths will take on greater significance in a world that increasingly prioritizes distance to consumer. A period of uncharted innovation in healthcare will further position Orlando and Lake Nona to develop an unrivaled sports innovation and human performance cluster. Mounting political pressure to achieve cost savings domestically, without sacrificing quality, will allow Seminole County's office corridor to further merchandise its remarkable recent success.



— **Thomas Baptiste**
Lt. Gen., USAF (Ret.)
President & CEO
National Center for Simulation

"The President was consistent during his campaign that America must rebuild its military. All four services are plagued with aging equipment and serious readiness challenges and face an increasingly complex and uncertain world. I think this translates to an increase in defense spending and potential repeal of sequestration, which will trickle down to the simulation and training accounts, resulting in increased budget authority for the Team Orlando acquisition commands."

The Price of Success

This is not to say Orlando's march to world-class status will not encounter headwinds along the way.

The local office market, for example, has been slow to replenish the large blocks of space that facilitated some of the recent past's major economic development wins. Competition for labor has naturally intensified. Sustained interest rate hikes may yet bring affordability issues to a local housing market that continues to post double-digit price gains.

Yet these are challenges other regions would love to have. They are growing pains symbolic of just how far Orlando has come, and of how far we may yet go.

A Sharpened Focus

With almost perfect timing, 2017 will also usher in a new era for economic development in Orlando. In late January, after several years of discussions, leaders of the Orlando Economic Development Commission and the Central Florida Partnership finalized a merger of the two organizations that promises to forever redefine how Orlando plans for its economic future. The new organization's top priorities include creating high-wage jobs, expanding Central Florida's global reach and competitiveness, supporting and enhancing educational/skills preparedness in the labor pool, strengthening advocacy for improved infrastructure and community resources, and creating an enviable quality of life that is broad-based and sustainable. The new organization, whose name will announced soon, will serve as a catalyst for forward-thinking and diverse regional growth.

"The missions of our organizations go hand-in-hand. By working together we're able to maintain a strong business climate by addressing community issues like workforce development, infrastructure, transportation, and housing. Site selection consultants and c-suite executives base their location and expansion decisions on the same factors that matter to us as a community. This new combined economic development/chamber organization can better address those issues and ultimately make our region more attractive to businesses looking to grow."



— **Crystal Sircy**
Executive Vice President
Orlando Economic
Development Commission

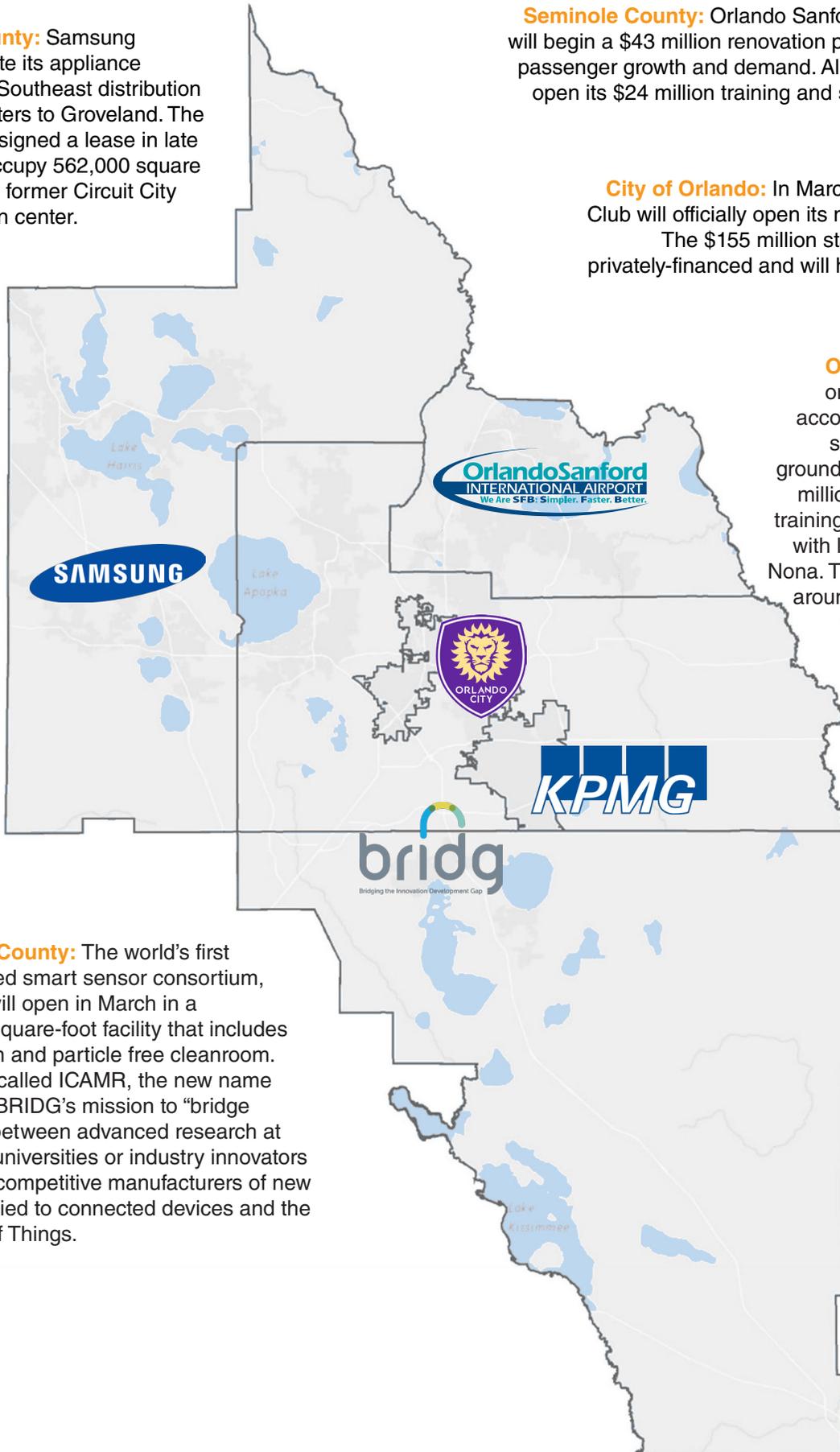
Around the Region - Coming in 2017

Lake County: Samsung will relocate its appliance division's Southeast distribution headquarters to Groveland. The company signed a lease in late 2016 to occupy 562,000 square feet of the former Circuit City distribution center.

Seminole County: Orlando Sanford International Airport will begin a \$43 million renovation project to accommodate passenger growth and demand. Allegiant Airlines will also open its \$24 million training and simulation center at the airport in Spring 2017.

City of Orlando: In March, Orlando City Soccer Club will officially open its new downtown stadium. The \$155 million stadium was 100 percent privately-financed and will have a seating capacity of 25,500.

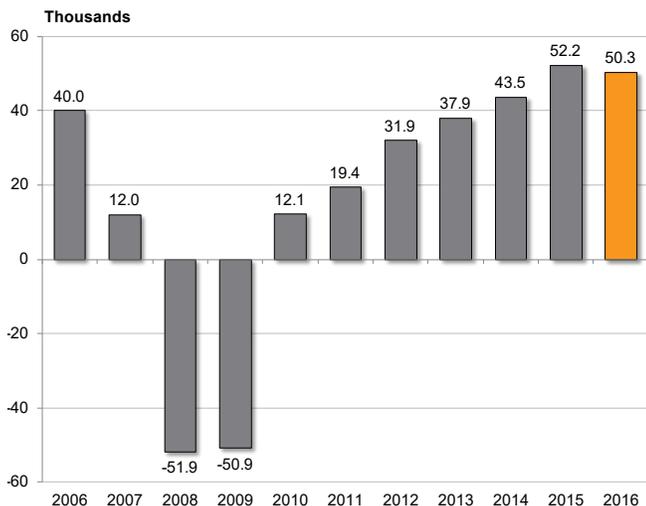
Orange County: KPMG, one of the world's largest accounting and professional services firms, will break ground in 2017 on a new \$430 million, 800,000-square-foot training and conference center with lodging facilities in Lake Nona. The firm expects to send around 50,000 professionals to the facility each year.



Osceola County: The world's first industry-led smart sensor consortium, BRIDG, will open in March in a 109,000-square-foot facility that includes a vibration and particle free cleanroom. Formerly called ICAMR, the new name captures BRIDG's mission to "bridge the gap" between advanced research at Florida's universities or industry innovators and cost-competitive manufacturers of new products tied to connected devices and the Internet of Things.

Labor Market

Net Job Gain, Orlando MSA
Not Seasonally Adjusted



Source: Florida Department of Economic Opportunity

- Orlando's net job creation of 50,300 in 2016, while marginally less than in 2015, brought total net gains since early 2010 to almost 265,000. More than one in five jobs in the region today did not exist in 2010.

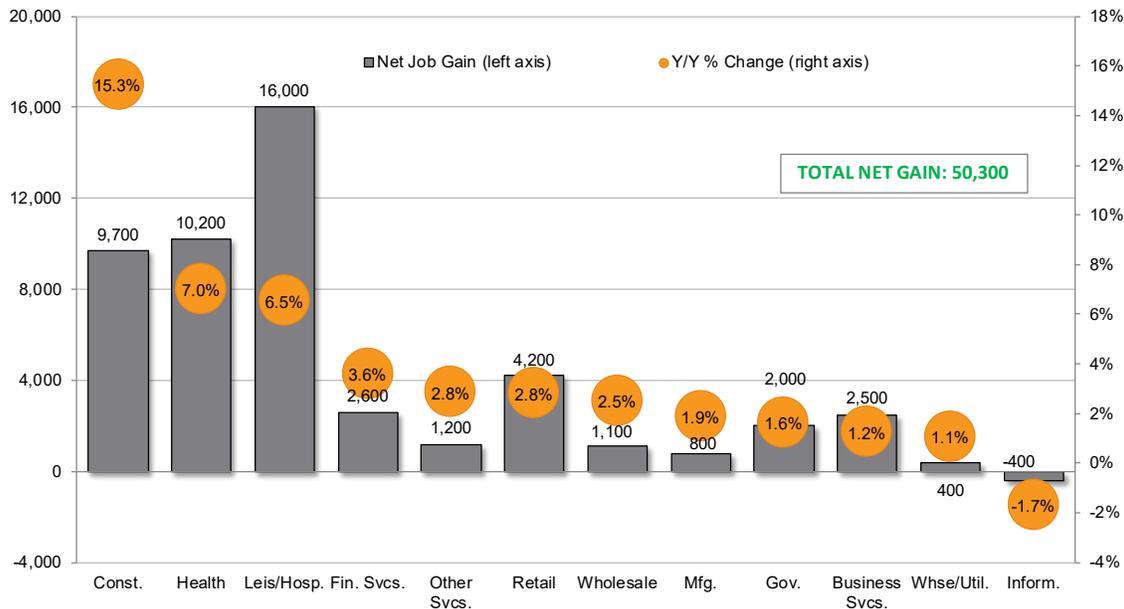
% Change in Payroll Employment, MSAs > 1 Million Jobs
December 2015 - December 2016, Not Seasonally Adjusted

Rank	MSA	% Change
1	ORLANDO, FL	4.22%
2	San Jose, CA	3.37%
3	Seattle, WA	3.36%
4	Dallas, TX	3.26%
5	Denver, CO	3.16%
6	Riverside, CA	2.94%
7	Atlanta, GA	2.68%
8	St. Louis, MO	2.47%
9	Miami, FL	2.36%
10	Tampa, FL	2.21%

Source: U.S. Department of Labor, Bureau of Labor Statistics

- Year-over-year employment growth closed 2016 at 4.2 percent. For the second consecutive year, Orlando was the fastest-growing large region in the country.

Job Gains by Industry, Orlando MSA
December 2015 - December 2016, Not Seasonally Adjusted



Source: U.S. Department of Labor, Bureau of Labor Statistics

- Although job growth has been uneven across sectors – tourism and healthcare together accounted for more than half of all net new jobs in 2016 – all key industries except information added jobs during the year.

Labor Force 1,276,618	Unemployment Rate 4.2%	Initial UI Claims 2,571	New Job Postings 23,028	Total Payroll Employment 1,240,900
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Arrows indicate change from previous year. Data for December 2016 unless otherwise specified.

Commercial Real Estate

Industrial Market, Orlando MSA
Significant Lease Transactions, 2016

Tenant	Type	Submarket	SF
United Facilities	New	Regency/Turnpike	360,260
Quality Custom Distribution	New	Silver Star/Apopka	260,058
Whirlpool	New	Orlando Central Park	212,245
ElectroLux	Renewal	Airport/Lake Nona	191,000

Source: Cushman & Wakefield

- Industrial leasing activity exceeded 5.1 million square feet for the second consecutive year on limited space options. Overall absorption closed 2016 at 3.2 million square feet, a level not seen since 2004.

Office Market, Orlando MSA
Significant Lease Transactions, 2016

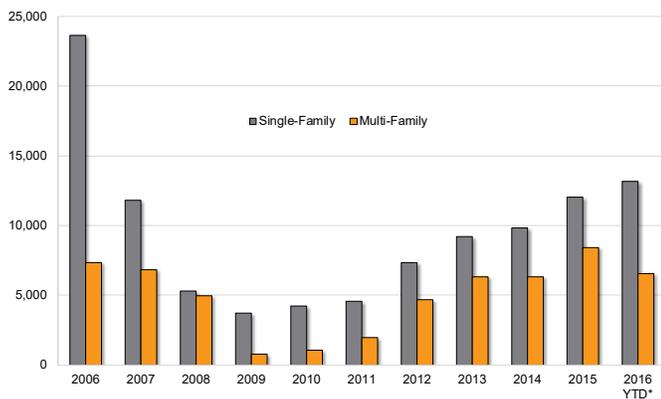
Tenant	Type	Submarket	SF
Automatic Data Processing	New	Maitland	222,000
Centene Management	New	Maitland	78,611
Asurion	New	Millenia/Metrowest	50,000
Blue Cross & Blue Shield of Florida	New	Lake Mary/Heathrow	45,964

Source: Cushman & Wakefield

- Demand for office space remained strong through 2016, aided by a number of large deals that took out most remaining large blocks of space. Vacancy ended the year at 11.8%, its lowest level since year-end 2007.

Residential Real Estate

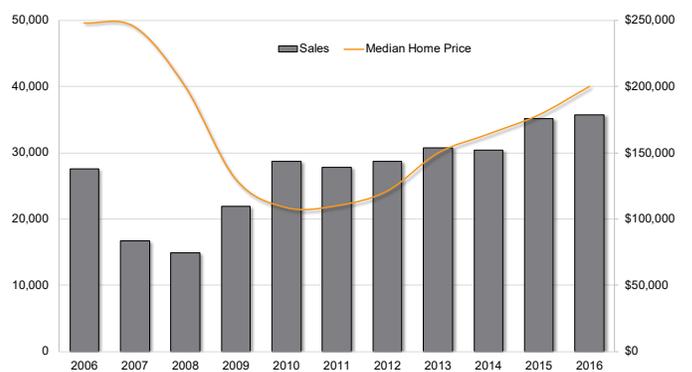
Housing Permits, Orlando MSA



*through November
Source: U.S. Census Bureau

- Residential construction continues to prove disciplined in its recovery. Approximately 14,000 single-family homes are expected to be permitted in 2016, far below the region's peak of 27,000 in 2004. Multi-family activity is expected to finish the year closer to historic averages at 7,000 units.

Home Sales vs. Median Sales Price, Orlando MSA



Source: Orlando Regional Realtor Association

- Almost 36,000 homes were sold in the region in 2016, a 2 percent increase from 2015. Despite consecutive years of double-digit price growth, 2016's median sales price of \$207,900 remains some 20 percent lower than the market's peak of \$248,000 in 2006.

Office Vacancy
11.8%
(Q3 2016)

Office Asking Rate
\$20.68
(Q4 2016)

Industrial Vacancy
4.6%
(Q4 2016)

Industrial Asking Rate
\$6.48
(Q4 2016)

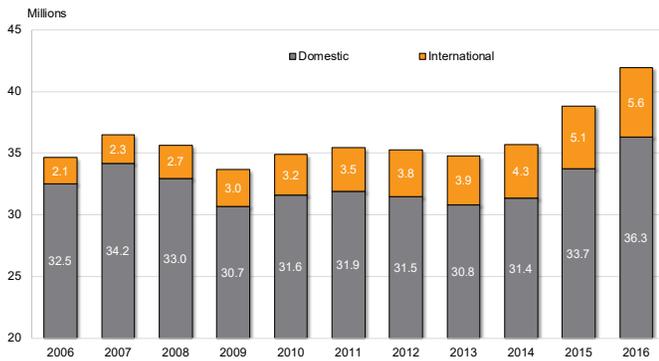
Existing Home Sales
2,948

Median Home Price
\$207,900

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Transportation

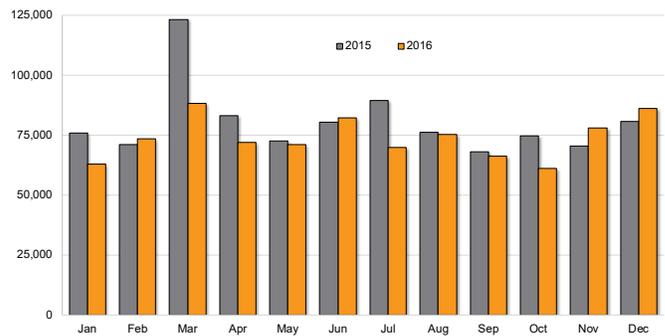
Total Passengers, Orlando International Airport



Source: Greater Orlando Aviation Authority

- For the second consecutive year, total passengers through Orlando International Airport posted its highest annual total on record at 41.9 million. In 2017, the airport will continue an aggressive expansion plan that will ultimately add 120 new gates.

Total Boardings, SunRail

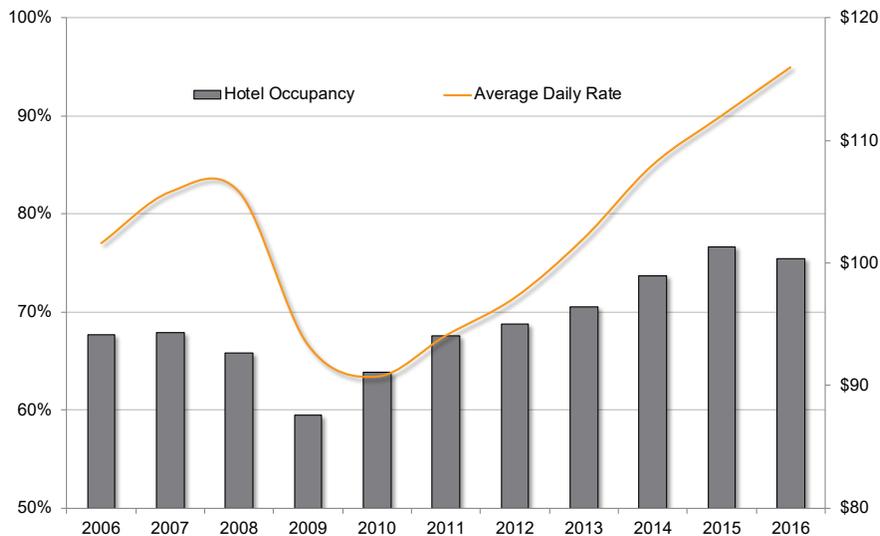


Source: Florida Department of Transportation

- SunRail recorded almost 900,000 boardings in 2016, its second full calendar year of operation. Ridership declined 8 percent from 2015, largely because of a March drop-off after fares were waived in 2015 for both Orlando City's Opening Day and the Winter Park Art Festival.

Visitor Industry

Hotel Occupancy vs. Average Daily Rate, MSA



Source: Visit Orlando

- Orlando-area hotels closed 2016 by reporting continued year-over-year growth in average daily rate (ADR) but a relative softening in occupancy. ADR rose \$3.95 to \$116.00 while occupancy fell 1.2 percentage points from 76.7 percent to 75.5 percent.

Orlando International Passengers
3,680,050

Orlando Sanford International Passengers
240,438

Hotel Occupancy
71.8%

Average Daily Rate
\$119.78

Taxable Sales
\$5 billion
(October 2016)

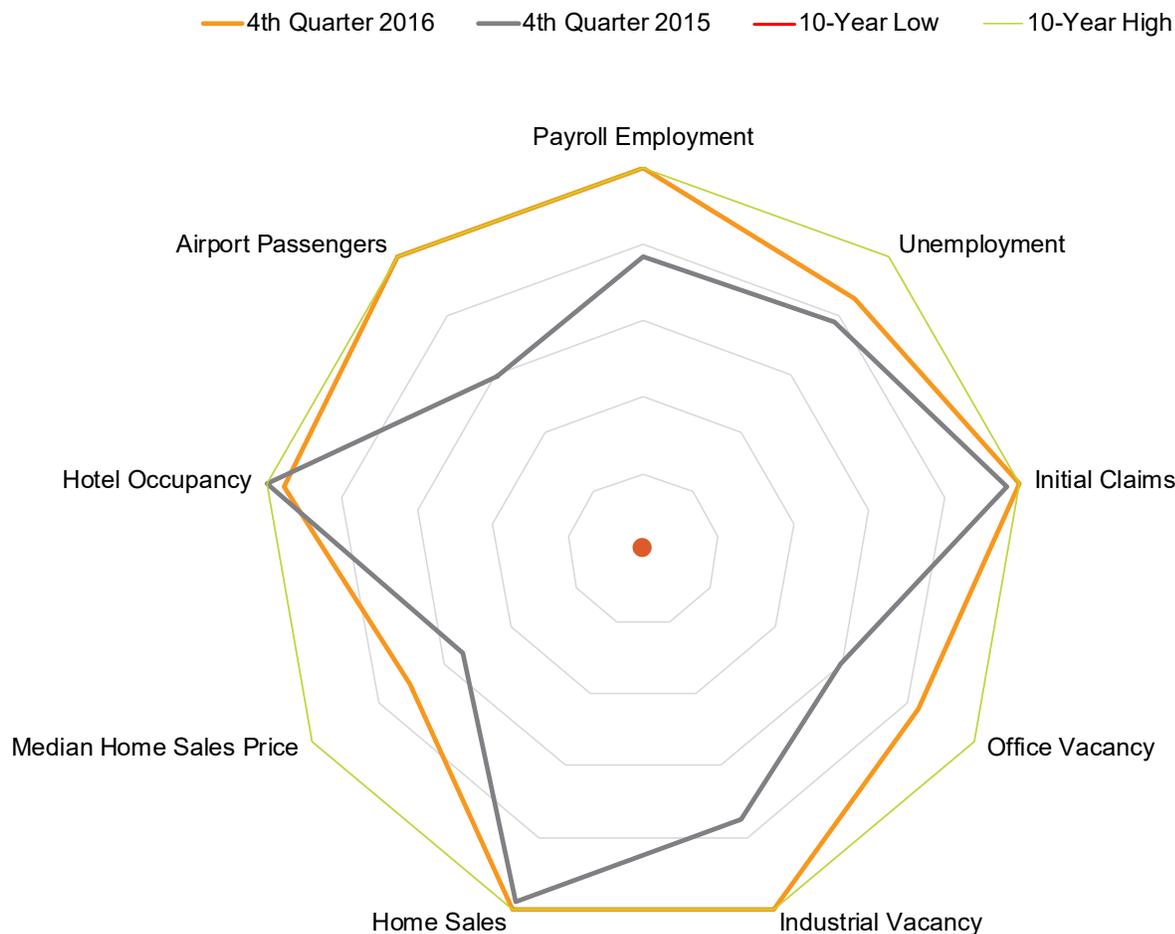
Index of Retail Activity
188
(October 2016)

Arrows indicate change from previous year. Data for December 2016 unless otherwise specified.

Orlando Spider Chart

The Orlando Spider Chart is designed to allow monitoring of the Orlando economy by comparing current conditions to those over a rolling 10-year period. For each indicator shown, the center of the chart represents its worst same-quarter level over the last 10 years and the outside line represents its best. An indicator’s proximity to the outside measures its current health relative to 10-year lows and highs.

There are four indicators that move inversely to economic health (unemployment, initial unemployment insurance claims, office vacancy rate, and industrial vacancy rate). For all four, the indicator is inverted so that a decline is represented by outward movements on the chart.



Commentary: The Orlando economy remains on a markedly positive trajectory entering 2017. Eight of nine indicators improved between the fourth quarter of 2015 and the fourth quarter of 2016, with only hotel occupancy softening slightly from its 10-year high in 2015.

Five indicators sit at their highest same-quarter levels in a decade. All of them - total payroll employment, new claims for unemployment benefits, home sales, total passengers through Orlando International Airport, and industrial vacancy – extended gains already present in the third quarter.

The remaining three indicators – total unemployment, office vacancy, and median sales price – are on track to hit 10-year highs in either 2017 or 2018, as the worst of the recession disappears from the reference period. Despite continued gains, median home sales price remains furthest from its 10-year high.

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ABOUT THE EDC

The Orlando Economic Development Commission (EDC) is a not-for-profit, public-private partnership on a mission to aggressively attract, retain and grow jobs for the Orlando region while advocating, championing, and educating in support of efforts to improve its national and global competitive position. The EDC serves Orange, Seminole, Lake and Osceola counties and the City of Orlando.

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