

While industrial demand downshifted for the second straight quarter in Q2-21, a somewhat diminished supply pipeline allowed the average vacancy rate to compress nearly 50 basis points. Vacancies have fallen 200 basis points over the past year and compressed in Q2-21 to the lowest mark since the beginning of 2019.

The industrial market has shown few signs of slowing as leasing activity has accelerated over each of the past three quarters. Directly available industrial space on the market has decreased by nearly 2 million SF since the pandemic began and sublet space has nearly halved.

Over much of the past decade, Orlando enjoyed one of the nation's highest population and job growth rates and received a significant boost from the largest tourism industry in the country. While industrial growth drivers have taken a hit from the pandemic, the rise in e-commerce spending has proven more than enough to offset. Echoing national trends, firms are in need of expanded storage and/or distribution spaces, ultimately driving demand in submarkets close to high population growth neighborhoods.

Industrial supply could be one area of concern, however, as construction starts increased in the second quarter. After 3.3 million SF in deliveries over the past 12 months, Orlando has another 2.8 million SF underway. The heightened pipeline has also seen an uptick in speculative starts over the past year and nearly 80% of all space underway is available. However, the speculative starts are quickly landing tenants such as the Infinity Park Building 800 signing FedEx to the entirety of its 433,000 SF warehouse in Q1-21. There are also a number of build-to-suit projects expected to break ground in 2021. Including the supply expected to complete over the next year, Orlando's inventory will have added over 16 million SF in a four-year stretch - roughly a 10% increase.

Industrial asking rents showed signs of improvement in Q2-21. While annual growth rates are still down roughly 200 basis points since mid-2020, they remain well above the national average of 5.9% year-over-year. Orlando is still one of the stronger rent growth markets in the nation and given the tight market conditions and slowing supply pipeline, the metropolitan area appears likely to continue to outperform the national index over the near term.

Orlando faces stiff competition for prospective tenants looking to enter the area from nearby Lakeland, which offers a greater amount of available industrial space, particularly in the logistics sector. Much of this space is modern and the asking rents are substantially below Orlando.

Investment activity picked up in the second quarter after a downshift in Q1-21, though volume still trails the five-year average and there have been no sales over \$20 million in 2021. The first half of 2021 barely exceeded the volume during Q4-20. Market cap rates compressed to a record low in Q2-21 and market pricing exceeded \$100 per square foot for the first time in Orlando's history.

Source: CoStar Property

ORLANDO MSA Industrial Market



Total Industrial Space
183,798,859 SF



Under Construction
2,773,559 SF



14 Industrial Centers
500,000 SF +

Orlando MSA (Orange, Seminole, Lake & Polk Counties) | Source: CoStar Property

Quarterly Trends

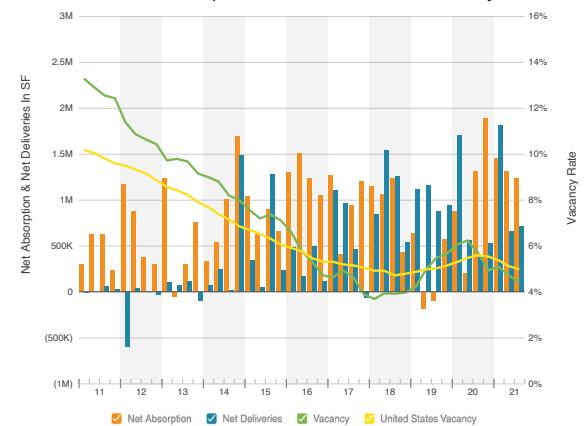
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NET ABSORPTION

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VACANCY RATE

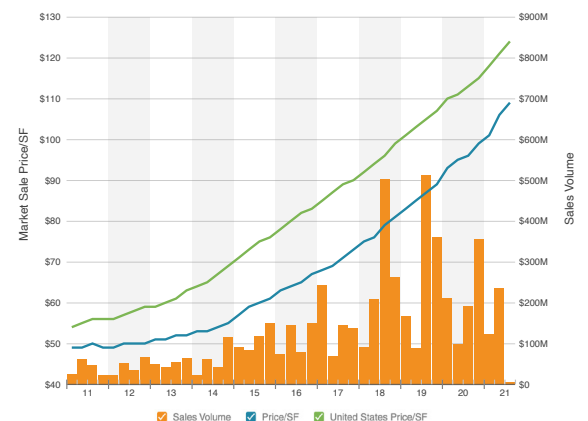
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CONSTRUCTION

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ASKING RATES

Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



Total Industrial Submarket Statistics

Second Quarter 2021

Orlando MSA (Lake, Orange, Osceola & Seminole Counties)								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Total Available SF	Vac %				
Lake County	662	11,698,669	410,104	3.5%	537,752	763,690	0	\$7.65
NE Orange County	153	1,800,888	86,308	4.8%	(37,909)	(107,577)	0	\$12.99
NW Orange County	1,589	40,389,782	2,687,825	6.6%	1,706,005	795,278	547,809	\$9.17
Osceola County	331	7,654,544	681,189	8.5%	143,779	65,300	351,607	\$9.81
SE Orange County	1,567	59,280,215	4,876,719	8.2%	2,466,061	1,129,714	521,297	\$9.54
Seminole County	1,550	29,150,817	1,656,073	5.7%	626,599	482,700	62,772	\$10.00
SW Orange County	719	33,823,944	2,435,721	6.9%	509,788	241,616	1,290,074	\$9.63
Totals	6,571	183,798,859	12,833,939	6.9%	5,952,075	3,370,721	2,773,559	\$9.47

Brevard, Polk & Volusia Counties (Adjacent)								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Total Available SF	Vac %				
Brevard County	1,453	31,002,156	1,213,775	3.9%	530,737	53,308	9,600	\$9.66
Polk County	1,702	75,017,821	4,960,670	6.5%	3,064,756	3,741,548	1,211,095	\$6.31
Volusia County	1,648	25,797,180	1,456,848	5.6%	1,707,863	1,526,700	36,000	\$8.24

United States								
Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Total Available SF	Vac %				
Entire US	462,964	17,346,416,646	1,316,993,040	7.4%	333,475,072	288,665,094	405,503,520	\$9.26

Period	Asset Value	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr %	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2021 2q	\$19.3 B	4.7%	6.9%	\$9.47	7.0%	183.8 M	2.8 M	1.5%	5.95 M	\$113	\$238 M
2021 1q	\$18.5 B	5.1%	7.3%	\$9.26	5.9%	183.1 M	3.2 M	1.7%	4.85 M	\$92	\$122 M
2020 4q	\$17.9 B	4.9%	6.7%	\$9.07	5.4%	181.3 M	3.8 M	2.1%	4.28 M	\$98	\$356 M
2020 3q	\$17.4 B	5.7%	7.2%	\$8.95	5.9%	180.8 M	3.9 M	2.1%	2.97 M	\$92	\$193 M

Source: CoStar Property®

