

Orlando's industrial market has experienced rapid growth over the last several years led by a significant uptick in e-commerce demand, population growth and its critical position along the pivotal I-4 corridor. The vacancy rate has declined by 2.5% over the past year to 5.1%, well below the National Index rate of 6.8%, and asking rents continue to move upward. Demand for industrial space has escalated since the early days of the pandemic and continued growth in the logistics, transportation and construction sectors is expected to drive much of the leasing activity well into 2022. The current vacancy rate may compress further in the near term as the available supply of efficient distribution space struggles to keep pace with demand.

Robust demand for high-quality industrial space has resulted in 6.7 million SF of net absorption over the trailing 12-month period, and 6.3 million SF of that was considered logistics space. Another 2.9 million SF currently underway will provide additional leasing opportunity as nearly all new construction is composed of logistics space. There have been nearly 20 lease deals signed over the last year exceeding 100,000 SF.

Industrial asking rents have accelerated over the last year, and Orlando's year-over-year rent growth of 10.6% is outpacing the National Index of 8.3%. This isn't a surprise, as industrial employment in the metro has grown by over 20% over the past five years. Asking rents in Orlando have been increasing at an unsustainable pace over the long term. The metro has averaged 7.2% annual rent growth over the past five years, which is ahead of the national rate of 5.9% annually.

Roughly 3.9 million SF of new space has delivered over the past year with another 2.9 million SF underway. Despite the elevated construction activity, net absorption has outpaced net delivered space over the last year. Roughly 80% of all space under construction remains available for lease, but if recent trends hold, this new supply should not have much of an impact on fundamentals.

A growing number of investors are seeking opportunities for properties that can accommodate e-commerce operations, particularly those located in key transportation corridors. Pricing for Orlando industrial assets has remained elevated for several years, with robust price appreciation occurring since the onset of the pandemic. Investor preferences have been leaning toward newer, more functionally efficient buildings with larger truck courts and clear heights above 30 feet for high-cube vertical storage.

There have been 410 industrial sales over the trailing 12-month period totaling \$1.1 billion in transaction volume. Prices are projected to continue to rise through 2025 due to strong sector fundamentals. Logistics properties drove most of the sales volume over the last year, accounting for over \$727 million or roughly 75% of the total industrial investment volume in Orlando. High quality and well-positioned industrial properties no longer require a tenant with solid credit in place to secure investment interest.

The largest single building transaction over the past year, in November 2021, was the sale of the fully leased Coca-Cola building in Mid Florida Logistics Park. The 290,000-SF cold-storage facility was built in 2020 and sold for \$71.4 million, or \$246/SF, to Realty Income Corp.

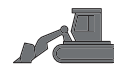
Headwinds remain related to labor shortages, escalating pricing for construction materials and the ever-present threat of supply-chain disruption; however, the outlook for Orlando's industrial market remains strong in 2022.

Source: CoStar Property

## ORLANDO MSA Industrial Market



Total Industrial Space  
185,220,772 SF



Under Construction  
2,955,709 SF



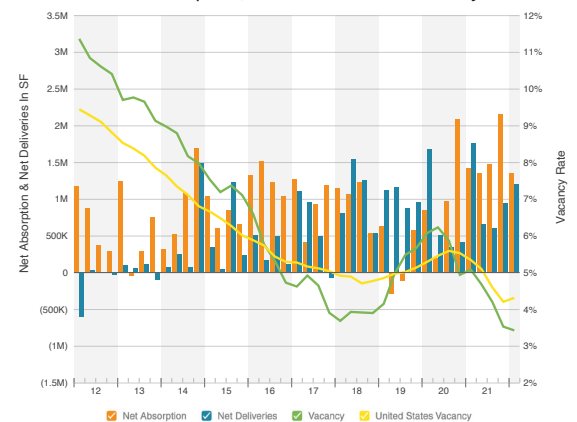
14 Industrial Centers  
500,000 SF +

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

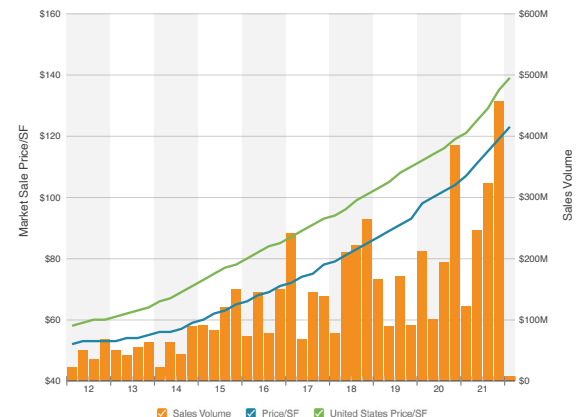
## Quarterly Trends



### Net Absorption, Net Deliveries & Vacancy



### Sales Volume & Market Sale Price Per SF



## 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	668	11,797,063	361,356	3.0%	949,193	754,940	207,537	\$8.17
NE Orange County	153	1,844,928	66,286	3.6%	(44,565)	(107,577)	0	\$13.84
NW Orange County	1,601	40,814,599	2,119,110	5.1%	1,156,344	552,090	1,113,425	\$9.75
Osceola County	340	8,064,229	468,837	5.8%	153,970	415,332	0	\$10.55
SE Orange County	1,567	58,744,810	3,017,272	5.0%	2,408,469	832,349	1,127,792	\$10.17
Seminole County	1,554	29,463,243	1,133,587	3.8%	520,416	359,676	41,930	\$10.56
SW Orange County	715	34,512,700	2,402,646	6.9%	1,245,912	1,167,989	465,025	\$10.22
<b>Totals</b>	<b>6,597</b>	<b>185,220,772</b>	<b>9,569,094</b>	<b>5.1%</b>	<b>6,389,739</b>	<b>3,974,799</b>	<b>2,955,709</b>	<b>\$10.07</b>

## 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	1,461	31,017,958	1,027,979	3.3%	240,181	43,600	150,960	\$10.29
Polk County	1,732	78,056,902	6,978,130	8.7%	4,051,876	4,565,088	2,403,034	\$6.81
Volusia County	1,659	25,843,045	2,820,537	10.2%	1,009,254	92,700	1,786,580	\$8.81

## 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	465,617	17,566,001,871	1,227,532,302	6.8%	504,977,696	288,231,161	512,206,144	\$9.79

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 4q	\$22.4 B	3.5%	5.1%	\$10.07	10.8%	185.2 M	3.0 M	1.6%	6.4 M	\$173	\$456 M
2021 3q	\$21.7 B	4.2%	5.8%	\$9.78	9.1%	184.3 M	3.3 M	1.8%	6.3 M	\$127	\$322 M
2021 2q	\$21.0 B	4.7%	6.7%	\$9.48	7.0%	183.7 M	3.1 M	1.7%	5.8 M	\$112	\$246 M
2021 1q	\$20.2 B	5.1%	7.2%	\$9.27	6.1%	183.0 M	3.4 M	1.9%	4.7 M	\$92	\$122 M

Source: CoStar Property®

