

As a result of the significant uptick in e-commerce, population growth and its critical position along the I-4 corridor, Orlando's industrial market has experienced rapid growth over the last several years. The vacancy rate has declined to 5.9%, well below the National Index rate of 6.6%, and asking rents continue to move upward. 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.

The pandemic has amplified certain consumer behaviors, including preferences toward online shopping, and the e-commerce sector continues to expand in response. Robust demand for high-quality industrial space has resulted in 6.6 million SF of net absorption over the trailing 12-month period, and 6.1 million SF was considered logistics space. Another 5.6 million SF currently underway will provide additional leasing opportunity as nearly all new inventory under construction is composed of logistics space. The pace of new development is not expected to completely satisfy the need for additional supply. Ongoing labor shortages and the escalating prices of materials remain a concern as they have grown more acute over the last year and could lead to construction delays on major projects.

Industrial asking rents have accelerated over the last year, and Orlando's year-over-year rent growth of 11.8% is outpacing the National Index of 10.6%. Asking rents in Orlando have been increasing at an unsustainable pace over the long term, even given the significant leasing demand that the market has experienced over the last year. The metro has averaged 7.5% annual rent growth over the past five years, which is ahead of the National Index rate of 6.4%.

The acceleration in rents seen over the last few years will not continue at its current pace. Annualized growth in asking rents is projected to decelerate to 6.9% by the end of 2022 before ticking downward to 5.8% annually by the end of 2023. In the meantime, a very tight vacancy rate and tenant demand occurring at a faster pace than developers can build new product will ensure that rent growth remains solid during 2022.

Investment sales volume has been strong over the past year, with 450 properties trading for \$1.6 billion in total volume. Not surprisingly, logistics properties comprised nearly 75% of all industrial sales over the last year. Looking ahead, prices are projected to continue to rise through 2025 due to strong sector fundamentals.

Pricing for Orlando industrial assets has remained elevated for several years, with robust price appreciation occurring since the onset of the pandemic. A growing number of investors are seeking opportunities for properties that can accommodate e-commerce operations, particularly those located in key transportation corridors. 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. High quality and well-positioned industrial properties in primary submarkets no longer require a tenant with solid credit in place to secure investment interest.

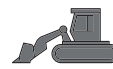
Overall employment has begun to accelerate and nearly 4,200 new jobs were recently announced via either local or new-to-market expansion, which is a similar pace to Orlando's pre-pandemic performance. Residential housing demand continues to climb across the Orlando area, driven largely by strong net in-migration. Home prices and multifamily rents have appreciated at a record pace since the start of the pandemic. However, the median income remains well below the national average and rising inflation could have noticeable effects.

Source: CoStar Property

ORLANDO MSA Industrial Market



Total Industrial Space
187,581,444 SF



Under Construction
5,602,148 SF



16 Industrial Centers
500,000 SF +

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

Quarterly Trends



NET ABSORPTION



VACANCY RATE

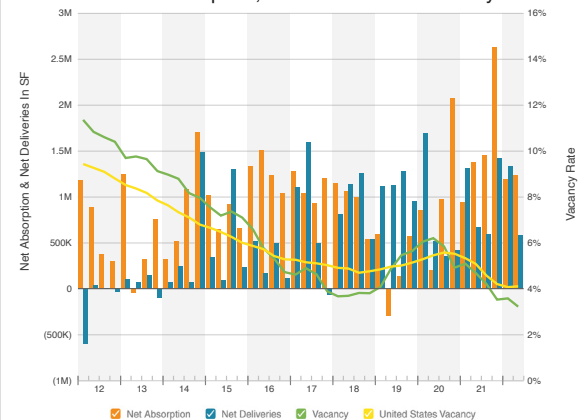


CONSTRUCTION

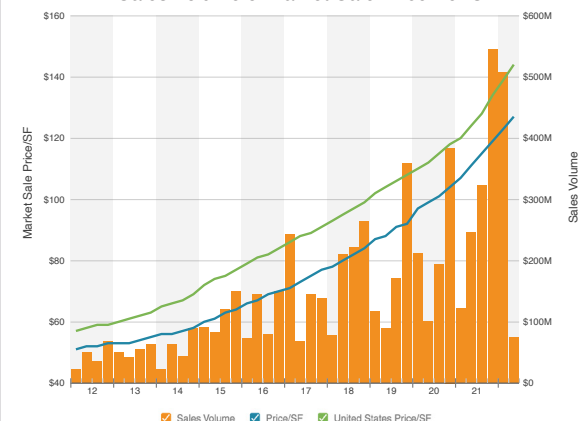


ASKING RATES

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	670	11,689,940	887,451	7.2%	656,555	407,252	597,086	\$8.46
NE Orange County	153	1,844,928	53,394	2.9%	54,904	(107,577)	0	\$14.29
NW Orange County	1,616	41,672,615	3,009,442	6.9%	1,590,287	931,762	1,814,879	\$10.17
Osceola County	347	8,262,592	790,255	8.7%	375,521	512,232	783,164	\$10.97
SE Orange County	1,570	59,726,221	3,596,999	5.8%	2,311,260	629,922	1,864,266	\$10.50
Seminole County	1,556	29,444,379	990,630	3.3%	398,650	157,500	289,728	\$11.05
SW Orange County	719	34,940,769	2,074,602	5.9%	1,263,940	1,492,614	253,025	\$10.54
Totals	6,631	187,581,444	11,402,773	5.9%	6,651,117	4,023,705	5,602,148	\$10.45

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	1,465	31,029,933	907,862	2.9%	401,828	0	719,525	\$10.69
Polk County	1,735	78,452,586	5,281,635	6.6%	2,646,656	3,716,247	1,751,618	\$7.08
Volusia County	1,670	25,960,185	2,669,520	9.6%	847,428	83,700	1,789,580	\$9.24

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	466,993	17,686,432,351	1,211,170,833	6.6%	522,115,616	314,526,149	589,415,232	\$10.19

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
2022 1q	\$23.0 B	3.6%	5.9%	\$10.45	12.3%	187.6 M	5.6 M	3.0%	6.7 M	\$184	\$507.4 M
2021 4q	\$22.3 B	3.5%	5.4%	\$10.12	11.2%	186.2 M	3.7 M	2.0%	6.4 M	\$171	\$545.5 M
2021 3q	\$21.6 B	4.2%	5.7%	\$9.82	9.5%	184.8 M	4.0 M	2.2%	5.8 M	\$127	\$322.1 M
2021 2q	\$20.8 B	4.7%	6.7%	\$9.52	7.5%	184.2 M	3.6 M	1.9%	5.4 M	\$111	\$245.7 M

Source: CoStar Property®

