

Orlando's industrial market continues to navigate a period of accelerated new construction coinciding with a moderation in leasing. Industrial net absorption has been decelerating in Orlando for three straight years after reaching a record high of 6.4 million SF in 2021. The number of tenants seeking spaces larger than 250,000 SF has dwindled for the past couple of years.

Tenants continue to show a strong preference for spaces between 25,000 SF and 100,000 SF, and current leasing levels back up that assertion. There have been more than 60 deals in this size range in the last year alone for a total of 2.7 million SF in leasing activity, or roughly 25% of all lease deals closed in the last year. Market participants have shared that the only obstacle to deal activity is how tight the market is for quality spaces in this range.

Meanwhile, with developers focused on building larger and larger big box distribution centers in recent years, the vacancy rate for properties 250,000 SF or larger has risen from a record low of less than 1% in mid-2022 to 10% as of the first quarter of 2024 and is expected to rise further as two unleased projects in this size bracket are on track to complete before September. This contrasts with the marketwide vacancy rate of 5.4%, which is tighter than the US average, and Orlando's even lower vacancy rate of 3.6% for properties smaller than 100,000 SF.

The gap between supply and demand in Orlando will likely persist throughout 2024, making it the second consecutive year when new construction deliveries will significantly outpace industrial demand. There is still 4.6 million SF under construction across Orlando following on the heels of 8.6 million SF that has delivered in the past year. However, a marked downtick in new construction has been evident for four successive quarters, and with the average distribution building taking between 14 to 16 months to construct, supply and demand are expected to be in a better state of equilibrium by the end of 2025.

More temperate levels of demand and a high level of new supply additions have had a moderating influence on rent growth, which has slowed to 9.3% as of the second quarter of 2024. That is down from a record high of 15.8% reached during Q1-23, and the pace of annual growth is expected to drop further to the low 7% range by the end of 2024 as the market's vacancy rate remains tighter than the national rate but is near the highest levels recorded in the past 8 years.

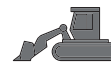
Pricing for Orlando industrial assets has remained elevated for several years, but the investment environment changed markedly during 2023. Total sales volume has declined significantly in the past year by roughly 50%, and the number of transactions is down about 25% in the same period. The combined impact of still-elevated interest rates, a weaker pace of demand, and a disconnect regarding the value of properties in the current climate are largely to blame.

Source: CoStar Property

ORLANDO MSA Industrial Market



Total Industrial Space
203,286,015 SF



Under Construction
4,693,387 SF



20 Industrial Centers
500,000 SF +

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

Quarterly Trends



NET ABSORPTION



VACANCY RATE

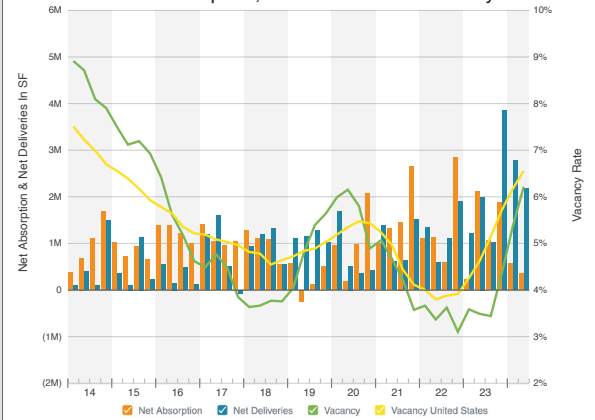


CONSTRUCTION

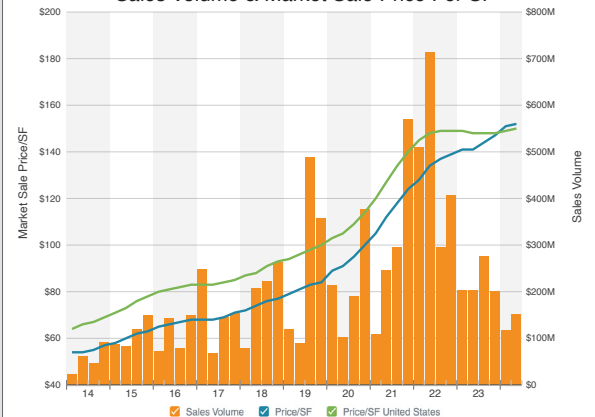


ASKING RATES

Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



Orlando MSA (Lake, Orange, Osceola & Seminole Counties)

Market	Existing Inventory		Vacancy		12 Month Net	12 Month	Under	Quoted
	# Blds	Total RBA	Available SF	Vac %	Absorption SF	Delivered SF	Const SF	Rates
Lake County	728	14,127,272	924,278	6.6%	735,880	1,098,661	1,697,961	\$11.57
NE Orange County	150	1,760,066	3,179	0.2%	18,875	0	0	\$18.57
NW Orange County	1,669	47,573,716	4,438,001	10.0%	1,321,437	4,656,200	572,054	\$13.50
Osceola County	380	10,057,650	228,032	5.5%	775,883	791,559	579,548	\$14.66
SE Orange County	1,620	63,666,241	1,790,689	3.4%	1,333,682	1,899,044	1,648,694	\$14.29
Seminole County	1,591	30,678,215	1,106,495	4.2%	248,587	216,626	195,130	\$14.57
SW Orange County	732	35,422,855	1,297,136	3.8%	155,809	29,860	0	\$14.32
Totals	6,870	203,286,015	9,787,810	5.4%	4,590,153	8,691,950	4,693,387	\$14.00

Brevard, Polk & Volusia Counties (Adjacent)

Market	Existing Inventory		Vacancy		12 Month Net	12 Month	Under	Quoted
	# Blds	Total RBA	Available SF	Vac %	Absorption SF	Delivered SF	Const SF	Rates
Brevard County	1,553	32,299,602	845,209	2.8%	(140,459)	50,500	194,100	\$12.85
Polk County	1,834	87,033,980	6,564,957	8.8%	(463,373)	2,667,199	731,973	\$8.78
Volusia County	1,718	28,231,941	561,986	2.1%	1,535,070	638,423	3,054,295	\$11.14

United States

Market	Existing Inventory		Vacancy		12 Month Net	12 Month	Under	Quoted
	# Blds	Total RBA	Available SF	Vac %	Absorption SF	Delivered SF	Const SF	Rates
Entire US	482,169	18,939,493,134	1,011,935,743	6.2%	134,105,344	513,190,340	394,470,432	\$11.99

Period	Asset Value	Vacancy Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr %	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2024 1q	\$31.5 B	5.4%	\$14.00	13.1%	203.3 M	4.7 M	2.3%	4.6 M	\$139.9	\$99.7 M
2023 4q	\$30.7 B	4.4%	\$13.63	14.1%	200.5 M	7.4 M	3.7%	4.2 M	\$151.8	\$200.1 M
2023 3q	\$29.9 B	3.5%	\$13.18	14.4%	197.6 M	9.8 M	5.0%	6.2 M	\$118.6	\$283.0 M
2023 2q	\$29.3 B	3.5%	\$12.78	15.2%	196.6 M	10.1 M	5.1%	5.8 M	\$149.8	\$203.3 M

Source: CoStar Property®

