

Orlando's industrial market has experienced rapid growth over the last several years, prompted by a significant uptick in e-commerce demand, population growth and its critical position along the pivotal I-4 corridor.

Continued growth in the logistics, transportation and construction sectors is expected to drive much of the leasing activity in Orlando through the end of 2022. The current vacancy rate of 3.6% may compress further in the near term as the available supply of efficient distribution space struggles to keep pace with demand, although new space underway will provide additional opportunity in the near term. Leasing activity is well above pre-pandemic levels and there have been approximately 20 lease deals signed over the last year exceeding 100,000 SF.

Robust demand for high-quality industrial space has resulted in 5.1 million SF of net absorption over the trailing 12-month period, and 5.0 million SF of that was considered logistics space. Another 10.6 million SF currently underway will provide additional leasing opportunity as nearly all new inventory under construction is composed of logistics space. With strong and sustained demand, this new inventory will not linger on the market as available for long.

Industrial asking rents have accelerated over the last year, and Orlando's year-over-year rent growth of 14.2% has pulled ahead of the National Index of 11.1% over the same period. 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 few years.

Looking back at the final quarter in the pre-pandemic period, rents grew by 6.9% year over year at the close of 2019, so a correction in rents will eventually return the market to a state of equilibrium over the long term. Annualized growth in asking rents is projected to decelerate to around 7% by the end of 2022 before ticking downward to between 5% and 6% annually by the end of 2023. In the meantime, the combination of 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.

There has been a surge in industrial construction activity in Orlando as developers have looked to capitalize on strong demand from e-commerce firms. That activity has resulted in a rise in inventory of 18.2 million SF in the last five years, with 4.1 million SF delivered over the past 12 months and another 10.6 million SF currently underway. Even with that growth, the pace of new development is not expected to completely satisfy the need for additional supply. Strong consumer demand for goods is expected to persist in 2022 and will likely result in an increase in the number of wholesalers and retailers outsourcing their distribution to third-party logistics providers in order to keep the supply chain moving.

There have been 430 industrial sales over the trailing 12-month period totaling \$2.1 billion in transaction volume and comprising roughly 1.5% of the National Index's \$140 billion in total volume. Average cap rates continue to align with the National Index, and sales volume is up compared to the five-year annual average. Looking ahead, 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 \$1.6 billion, or roughly 75% of the total industrial investment volume in Orlando.

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.

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 heading into 2023.

Source: CoStar Property

## ORLANDO MSA Industrial Market



Total Industrial Space  
188,979,729 SF



Under Construction  
10,630,539 SF



16 Industrial Centers  
500,000 SF +

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

## Quarterly Trends



NET ABSORPTION



VACANCY RATE

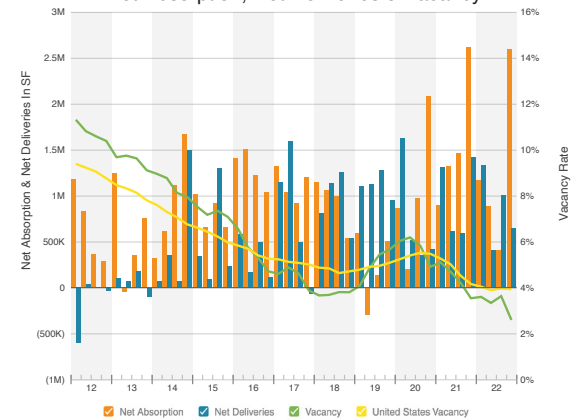


CONSTRUCTION

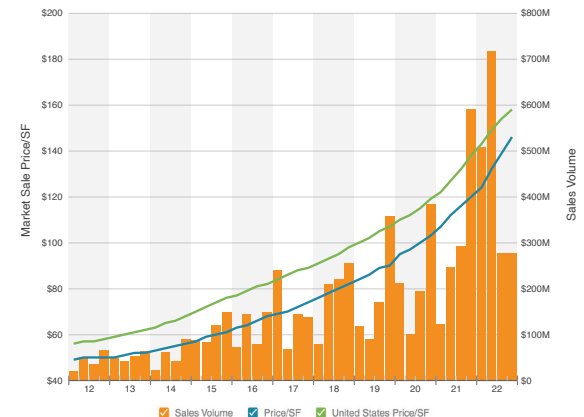


ASKING RATES

### Net Absorption, Net Deliveries & Vacancy



### Sales Volume & Market Sale Price Per SF



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

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Bids	Total RBA	Available SF	Vac %				
Lake County	678	12,278,008	741,111	7.3%	(6,925)	508,571	1,137,695	\$8.96
NE Orange County	152	1,771,280	25,901	1.5%	18,188	0	0	\$15.35
NW Orange County	1,626	41,920,947	921,530	3.8%	1,299,800	938,549	5,201,839	\$11.17
Osceola County	353	8,524,092	215,715	3.4%	252,906	454,704	748,620	\$11.60
SE Orange County	1,576	60,316,426	857,750	2.8%	2,634,255	1,199,868	2,507,086	\$11.38
Seminole County	1,560	29,124,643	763,866	2.8%	72,394	54,510	822,659	\$11.90
SW Orange County	724	35,044,333	976,169	4.4%	819,816	1,017,942	212,640	\$11.47
<b>Totals</b>	<b>6,669</b>	<b>188,979,729</b>	<b>4,502,042</b>	<b>3.6%</b>	<b>5,090,434</b>	<b>4,174,144</b>	<b>10,630,539</b>	<b>\$11.31</b>

## Brevard, Polk & Volusia Counties (Adjacent)

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Bids	Total RBA	Available SF	Vac %				
Brevard County	1,486	31,356,000	881,688	2.9%	391,186	181,168	688,357	\$11.46
Polk County	1,747	78,491,759	2,402,694	4.3%	1,952,014	1,176,344	4,613,662	\$7.59
Volusia County	1,671	26,218,570	459,776	1.9%	534,895	18,000	3,061,780	\$9.81

## United States

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Bids	Total RBA	Available SF	Vac %				
Entire US	469,932	17,941,463,485	533,654,902	4.0%	435,388,384	348,982,889	713,120,704	\$10.86

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 3q	\$27.2 B	3.6%	7.5%	\$11.31	14.7%	189.0 M	10.6 M	5.6%	5.1 M	\$133	\$256.6 M
2022 2q	\$26.0 B	3.3%	7.3%	\$10.85	13.4%	188.0 M	9.5 M	5.0%	6.2 M	\$144	\$716.5 M
2022 1q	\$24.4 B	3.6%	5.9%	\$10.46	12.0%	187.6 M	5.7 M	3.1%	6.6 M	\$130	\$509.0 M
2021 4q	\$23.7 B	3.5%	5.2%	\$10.15	11.0%	186.2 M	3.7 M	2.0%	6.3 M	\$166	\$588.6 M

Source: CoStar Property®

