

Robust demand for high-quality industrial space has resulted in 5.4 million SF of net absorption over the trailing 12-month period with the majority considered logistics space. The 10.2 million SF of new space currently underway will provide additional leasing opportunity as nearly all new inventory under construction is composed of logistics space.

The current vacancy rate of 3.0% will remain tight 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.

The vacancy rate is very near its lowest point in the previous 10-year period as well as being below the National Index average of 4.2%, and asking rents continue to move upward. Leasing activity is well above the final pre-pandemic year of 2019 by roughly 35%. There have been more than 20 lease deals signed over the last year exceeding 100,000 SF. However, total leasing volume by the end of 2022 dropped slightly by about 5% over one year.

Industrial asking rents have accelerated over the last year, and Orlando's year-over-year rent growth of 14.1% is well ahead of the pace of the National Index of 10.1% over the same period.

Rent growth was occurring in the 6% to 7% range for the period from 2018 to 2020, and began to increase at a faster rate in early 2021 due to a significant uptick in demand. Looking ahead, annualized growth in asking rents is projected to decline to the 9% range year-over-year 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.

There has been a surge in industrial construction activity in Orlando as developers look to capitalize on the strong demand which has resulted in a rise in inventory of 19.9 million SF in the last five years, with 4.5 million SF delivered over the past 12 months and 10.2 million SF currently under construction.

Despite the elevated construction activity, net absorption has so far outpaced net delivered space over the last year, but the margin between the two has begun to shrink. However, ongoing labor shortages and the escalating prices of materials remain a concern as they have grown more acute over the last year and are leading to construction delays on major projects.

Investment sales volume has been strong over the past year with \$1.9 billion in total volume. Not surprisingly, logistics properties comprised nearly 75% of all industrial sales over the last year. The pace of investment activity is expected to slow in early 2023 due to the impact of the Federal Reserve's continued moves to raise interest rates to combat rising inflation. With debt becoming increasingly expensive, some buyers will adopt a wait and see attitude for the first half of the year, which will slow the investment sales pipeline.

A number of investors are still seeking opportunities for properties that can accommodate ecommerce operations, particularly those located in key transportation corridors. Investor preferences have been leaning toward newer, more functionally efficient buildings. Looking ahead, prices are projected to continue to rise through 2025 due to strong sector fundamentals.

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

Key economic indicators show strength even as the market contends with elevated housing costs coupled with a median income well below the national average that have created a significant affordability gap for many.

Source: CoStar Property

ORLANDO MSA Industrial Market



Total Industrial Space
191,015,116 SF



Under Construction
10,197,582 SF



16 Industrial Centers
500,000 SF +

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

Quarterly Trends

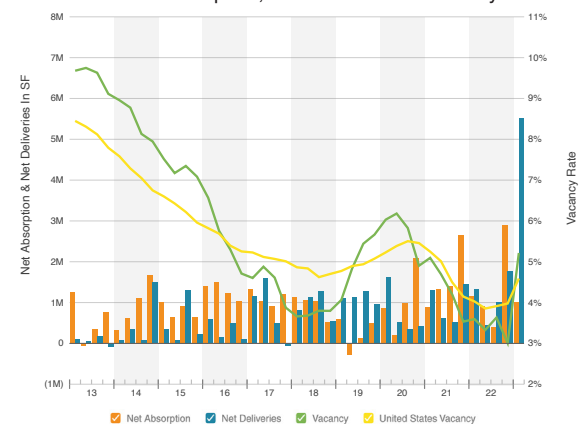
NET ABSORPTION

VACANCY RATE

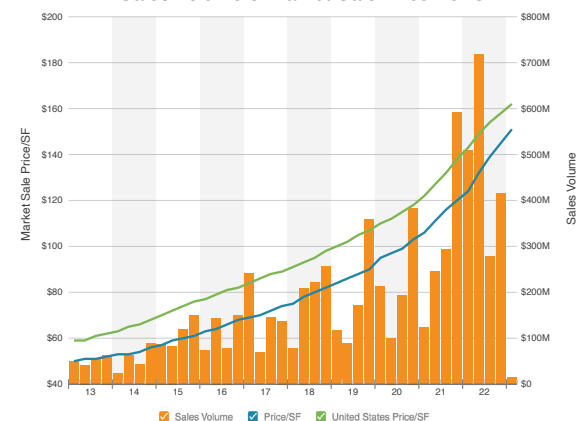
CONSTRUCTION

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	684	12,540,295	472,858	6.3%	(38,565)	647,576	1,967,542	\$9.51
NE Orange County	152	1,772,432	25,901	1.5%	23,659	0	0	\$15.92
NW Orange County	1,638	42,341,500	923,543	2.6%	1,524,860	1,184,591	4,603,230	\$11.57
Osceola County	357	8,564,564	216,454	2.7%	266,318	96,260	1,095,570	\$12.14
SE Orange County	1,583	61,233,228	1,238,047	2.4%	2,737,237	1,742,711	1,828,517	\$11.77
Seminole County	1,566	29,496,811	618,487	2.5%	575,488	387,086	490,083	\$12.37
SW Orange County	724	35,066,286	1,110,801	4.0%	277,703	465,010	212,640	\$11.87
Totals	6,704	191,015,116	4,606,091	3.0%	5,366,700	4,523,234	10,197,582	\$11.72

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	1,495	31,432,087	679,734	2.4%	498,608	196,066	467,049	\$11.70
Polk County	1,760	79,574,290	2,491,353	4.0%	1,951,189	804,403	4,327,662	\$7.81
Volusia County	1,677	26,176,138	509,682	2.5%	316,965	48,000	3,058,779	\$10.04

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	471,504	18,095,731,150	565,487,385	4.0%	403,115,104	384,148,412	686,232,000	\$11.11

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 4q	\$29.2 B	3.0%	7.6%	\$11.72	14.9%	191.0 M	10.2 M	5.3%	5.4 M	\$148	\$414.1 M
2022 3q	\$27.9 B	3.6%	7.4%	\$11.31	14.3%	189.2 M	10.3 M	5.4%	5.1 M	\$137	\$277.8 M
2022 2q	\$26.7 B	3.3%	6.9%	\$10.88	13.2%	188.2 M	8.7 M	4.6%	6.2 M	\$144	\$717.9 M
2022 1q	\$25.0 B	3.6%	5.4%	\$10.51	11.9%	187.8 M	5.0 M	2.6%	6.6 M	\$130	\$509.2 M

Source: CoStar Property®

