

Orlando's industrial market has been expanding at a rapid pace, with growth driven by in-migration to the market. Estimates from Oxford Economics call for the projected pace of population growth to remain triple that of the US at large through 2027.

Demand for industrial space was relatively weak in the latter half of 2023 following a robust Q2-23 that saw more than 2 million SF of absorption. Orlando's 4.7% vacancy rate as of Q4-23 remains tighter than the US average. However, as new supply additions have begun to come in well ahead of absorption, vacancy is rising quickly. With 8.2 million SF still under construction, vacancy looks set to rise further through 2024. The pullback in new construction starts signals that by early 2025, vacancy will tighten again.

There is strong tenant appetite for buildings between 20,000 SF and 50,000 SF. Many developers are increasingly pivoting back to planning buildings between 100,000 SF and 200,000 SF in size, which historically has been where the bulk of leasing interest in Central Florida lies.

There has been a downward trend in both the total number of deals being completed and the average lease size. For 2023, the number of total deals was down nearly 10%, leasing volume was down by 25% and the average lease size declined by nearly 20%.

Industrial rent growth has begun to moderate after peaking at an annual pace of more than 16% during Q2-23, and a continued deceleration is expected through the end of 2024. The pace of growth is now 12.7% (the fastest pace in the nation), well ahead of the wider US average of 5.6% and is expected to land in the mid-7% range by the end of 2024 as oncoming new supply continues to push up the vacancy rate.

Trends are beginning to become clearer when it comes to asking rents for spaces based on their size. For example, multiple deals were done for tenants between 40,000 SF and 100,000 SF between \$9.00/SF and \$10.00/SF, while smaller spaces in the 20,000 SF to 40,000 SF range are leasing at a higher rent between \$10.00/SF and \$12.00/SF.

Concessions are on the rise, although there are fewer offered in smaller blocks of space where leasing interest has been strongest. Escalations have also moved upward to 4% on average, with some smaller deals as high as 5%.

Investment sales volume has been strong over the past year, with \$891 million in total sales volume. Interest rate increases have pulled down transaction activity, but thanks to Orlando's strong rent growth, property sales volume is still well above the pre-pandemic three-year average. A growing number of investors are having challenges getting deals to pencil out as rising cap rates are forcing a downtick in the value of properties. Even with values down more than 10% in the last year, industrial remains a sought-after asset class in Orlando and the pool of buyers remains deep with private investors dominating deal activity in the last year.

Looking at the past year's deals, a few trends have emerged. The average price has declined by 20% in the past year to \$4.3 million. Private investors have also comprised a growing share of both the buy and sell side of a transaction over the last year, and private equity sellers were far less active during 2023. REIT buyers, on the other hand, were notably absent during 2023.

Source: CoStar Property

ORLANDO MSA Industrial Market



Total Industrial Space
199,479,251 SF



Under Construction
8,232,631 SF



20 Industrial Centers
500,000 SF +

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

Quarterly Trends



NET ABSORPTION



VACANCY RATE

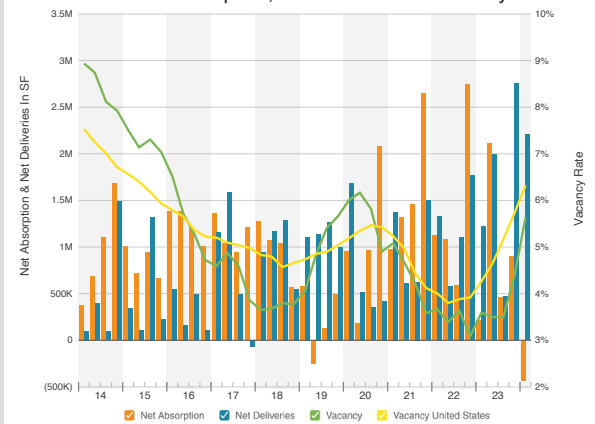


CONSTRUCTION

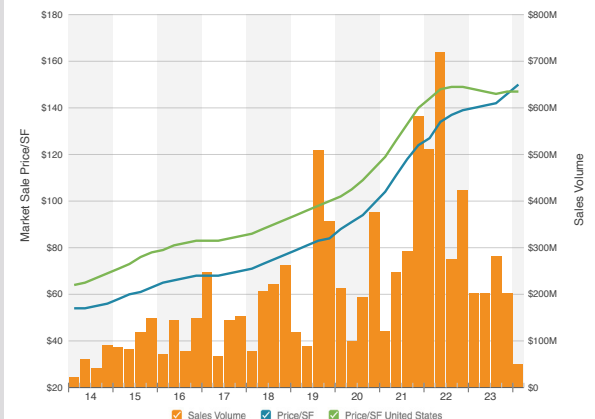


ASKING RATES

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 Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Bids	Total RBA	Available SF	Vac %				
Lake County	710	12,966,938	445,833	3.8%	326,936	30,163	2,766,459	\$11.42
NE Orange County	150	1,760,066	4,327	0.9%	9,848	0	0	\$18.22
NW Orange County	1,658	45,998,618	3,845,805	8.6%	549,516	3,444,297	1,756,436	\$13.23
Osceola County	376	9,934,799	252,354	5.5%	704,222	1,022,489	694,112	\$14.49
SE Orange County	1,614	62,553,238	1,499,163	3.1%	430,337	893,648	2,851,924	\$14.02
Seminole County	1,589	30,561,468	1,152,214	4.4%	47,671	431,803	163,700	\$14.44
SW Orange County	731	35,704,124	838,169	2.9%	735,292	297,840	0	\$13.93
Totals	6,828	199,479,251	8,037,865	4.7%	2,803,822	6,120,240	8,232,631	\$13.75

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	1,533	31,869,308	835,509	2.8%	(32,115)	108,755	217,186	\$12.83
Polk County	1,816	85,611,934	6,695,993	8.8%	(156,652)	3,737,894	774,240	\$8.62
Volusia County	1,705	27,423,879	472,101	1.9%	1,153,192	1,044,792	3,480,385	\$10.86

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	480,223	18,793,304,988	925,946,945	5.7%	167,876,496	523,439,524	448,658,848	\$11.85

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
2023 4q	\$30.3 B	4.7%	\$13.75	14.3%	199.5 M	8.2 M	4.1%	2.8 M	\$152	\$200.9 M
2023 3q	\$29.5 B	3.8%	\$13.30	14.7%	196.9 M	10.4 M	5.3%	4.8 M	\$121	\$282.7 M
2023 2q	\$29.2 B	3.5%	\$12.89	15.5%	196.6 M	9.9 M	5.1%	5.7 M	\$148	\$203.3 M
2023 1q	\$29.2 B	3.6%	\$12.48	16.1%	194.6 M	9.2 M	4.7%	4.6 M	\$136	\$203.8 M

Source: CoStar Property®

