

The Orlando industrial market is doing very well. The pandemic has amplified certain consumer behaviors, such as a preference for online shopping, and the e-commerce sector continues to expand in response. Robust demand for high-quality industrial space has resulted in 6.1 million SF of net absorption over the trailing 12-month period, and the majority of that was considered logistics space. Another 10.1 million SF currently underway will provide additional leasing opportunity as nearly all new inventory under construction is composed of logistics space. The current vacancy rate of 2.0% may compress further in the near term as the available supply of efficient distribution space struggles to keep pace with demand.

Industrial asking rents have accelerated over the last year, and Orlando's year-over-year rent growth of 12.6% is in line with the pace of the National Index of 11.9% over the same period. This should come as no surprise, given that industrial employment in the metro has grown by over 20% over the past five years. 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, although the acceleration in rents seen over the last couple of years will not continue at its current pace – rates are 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.

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 17.0 million SF in the last five years, with 3.8 million SF delivered over the past 12 months and another 10.1 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.

The metro has a somewhat lower barrier to development than in other high-growth Florida markets like South Florida, particularly the Miami area. Additionally, Orlando's supply of land, particularly in peripheral areas with access to major transportation arteries, offers ample opportunity for future growth.

Investment sales volume has been strong over the past year with 440 properties accounting for \$1.9 billion in total volume. Not surprisingly, logistics properties comprised nearly 75% of all industrial sales over the last year.

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.

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 \$1.4 billion, or roughly 75% of the total industrial investment volume in Orlando.

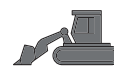
There are possible headwinds ahead, however – rising inflation and the increasing cost of housing, coupled with a median income well below the national average, are putting pressure on household budgets. Rent in the second quarter grew by 18.7% year-over-year, the highest percentage growth in the nation per CoStar. According to the Orlando Sentinel "Since the start of the pandemic two years ago, the average metro Orlando renter has seen an increase of \$380 per month, the seventh highest increase in real dollars in the U.S., CoStar numbers show." Labor shortages, escalating pricing for construction materials and the ever-present threat of supply-chain disruption will be on-going issues for quite some time; however, the outlook for Orlando's industrial market remains strong in 2022.

.Source: CoStar Property

ORLANDO MSA Industrial Market



Total Industrial Space
188,109,707 SF



Under Construction
10,078,941 SF



16 Industrial Centers
500,000 SF +

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

Quarterly Trends



NET ABSORPTION



VACANCY RATE

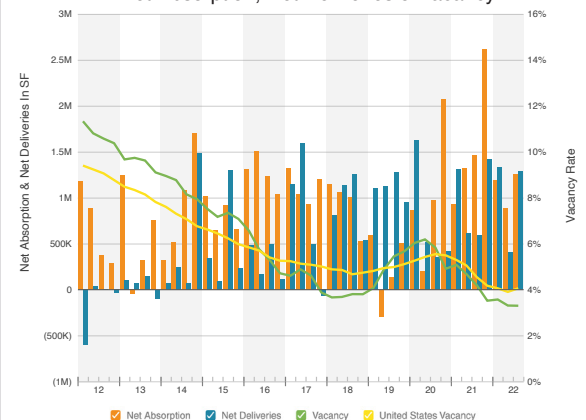


CONSTRUCTION

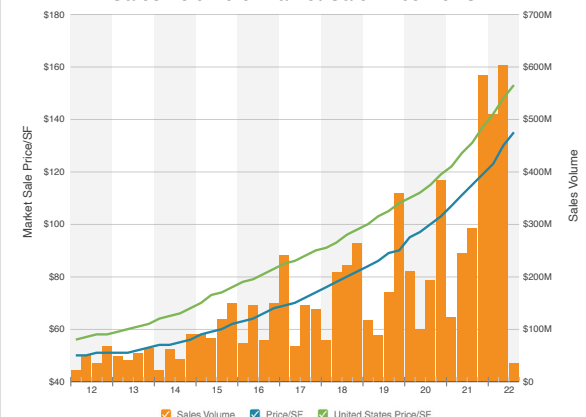


ASKING RATES

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
	# Blds	Total RBA	Available SF	Vac %				
Lake County	675	11,861,720	70,877	0.6%	453,148	68,532	560,806	\$8.65
NE Orange County	153	1,844,051	20,701	1.1%	18,806	0	0	\$14.75
NW Orange County	1,624	41,787,307	798,001	1.9%	1,411,557	925,249	4,991,826	\$10.63
Osceola County	350	8,467,167	198,112	2.3%	367,501	506,314	758,620	\$11.09
SE Orange County	1,573	59,897,256	789,707	1.3%	2,197,577	659,836	2,922,026	\$10.85
Seminole County	1,560	29,134,707	747,592	2.6%	403,004	177,030	477,683	\$11.35
SW Orange County	722	35,117,499	1,055,605	3.0%	1,312,975	1,421,646	367,980	\$10.90
Totals	6,657	188,109,707	3,680,595	2.0%	6,164,568	3,758,607	10,078,941	\$10.79

Brevard, Polk & Volusia Counties (Adjacent)

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total RBA	Available SF	Vac %				
Brevard County	1,476	31,418,329	770,478	2.5%	455,060	148,360	571,165	\$11.09
Polk County	1,742	78,293,058	3,426,597	4.4%	1,581,487	1,656,694	2,552,063	\$7.36
Volusia County	1,671	26,032,677	527,828	2.0%	655,256	54,000	3,363,875	\$9.52

United States

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total RBA	Available SF	Vac %				
Entire US	468,454	17,797,310,395	517,339,697	2.9%	502,762,912	312,059,171	648,809,856	\$10.58

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 2q	\$25.6 B	3.3%	7.8%	\$10.79	12.5%	188.1 M	10.1 M	5.4%	6.2 M	\$146	\$605.1 M
2022 1q	\$24.3 B	3.6%	5.9%	\$10.45	11.4%	187.7 M	5.6 M	3.0%	6.6 M	\$130	\$509.0 M
2021 4q	\$23.6 B	3.5%	5.4%	\$10.16	10.5%	186.4 M	3.7 M	2.0%	6.3 M	\$167	\$583.5 M
2021 3q	\$22.8 B	4.2%	5.7%	\$9.88	9.2%	184.9 M	3.9 M	2.1%	5.8 M	\$131	\$317.9 M

Source: CoStar Property®

