

While the coronavirus pandemic is significantly disrupting Orlando's economy, the industrial sector may be the best poised to withstand these effects. Orlando's central location has benefited the industrial market over the past decade and will likely continue to do so as online shopping continues to grow. Evidence of this can be found in Amazon's recent deal to backfill the more than 1.1 million SF left vacant by Winn-Dixie.

Booming population and job growth in Orlando has supported high demand for industrial units and vacancy has stayed below the long-term average for more than five years. Vacancy remains tight despite an increase in development and Winn-Dixie vacating more than 1 million SF in Q219. The rate could compress by as much as 60 basis points alone with Amazon's upcoming occupation of that space.

Tight vacancies in the market in the past decade have been aided by a generally muted pipeline but construction has recently picked up. Since 2017, more than 12.5 million SF of industrial space has been built in Orlando and there is still more than 4.5 million SF underway with 2020 slated to see a 13-year high level of deliveries.

This increase in construction follows strong occupier demand as well as strong recent rent growth. Annual gains were about 200 basis points stronger than the national average at their recent high of about 8%. Supply-side pressure has led to a steeper slowdown than the national rate of growth, but annual gains near 5% are still ahead of the national average.

The majority of recent and current construction has been concentrated in logistics and distribution centers. Among the recent deliveries was Amazon's new 855,000 SF multi-level fulfillment center near the intersection of Boggy Creek Road and Jeff Fuqua Boulevard. Although most recent activity has been in the SE Orange County Submarket, development is elevated in nearly all areas of Orlando. NW Orange County has seen a boost with construction of Goya's new 657,000 SF distribution center and Coca-Cola's nearly 300,000 SF facility. The Lake County Submarket also had a major groundbreaking in late 2019 when Kroger began work on a 375,000 SF e-commerce warehouse.

Despite the climbing vacancies, investment activity remains elevated and sales volume reached a new high in 2019. A strong 1Q20 has kept annual volume well above the long-term average and while sales activity overall has slowed in recent months due to the coronavirus pandemic, industrial sales are still happening in Orlando. Pricing has continued to grow in the past year as well but cap rates have been flat for more than two years now.

Source: CoStar Property®

ORLANDO MSA Industrial Market



Total Industrial Space
179,356,866 SF



Under Construction
3,844,563 SF



14 Distribution Centers
500,000 SF +

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

Quarterly Trends



NET ABSORPTION



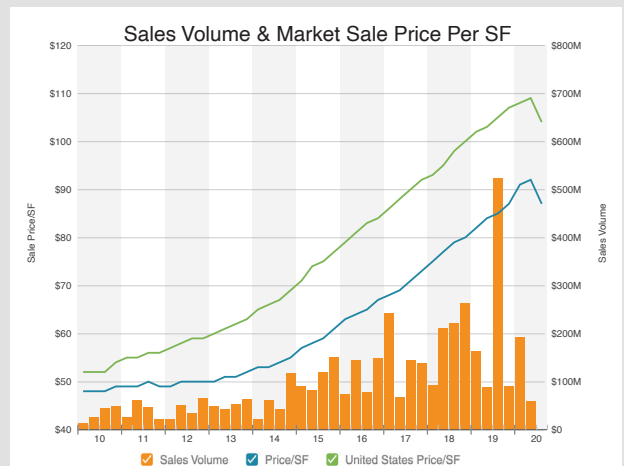
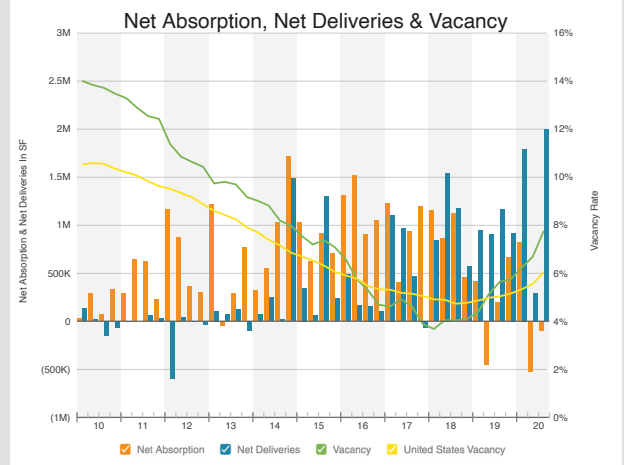
VACANCY RATE



CONSTRUCTION



ASKING RATES



Total Industrial Submarket Statistics

Second Quarter 2020

Orlando MSA (Lake, Orange, Osceola & Seminole Counties)								
Market	Existing Inventory		Vacancy		YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Lake County	636	10,693,949	215,696	2.0%	122,542	137,916	375,000	\$7.20
NE Orange County	165	1,914,393	127,255	6.6%	(28,748)	0	0	\$12.09
NW Orange County	1,569	39,459,361	2,215,918	8.9%	21,119	1,083,042	1,084,302	\$8.58
Osceola County	319	7,600,867	178,177	2.7%	(1,783)	96,296	46,066	\$9.59
SE Orange County	1,540	57,969,615	4,102,855	8.5%	595,370	2,060,991	1,880,432	\$9.04
Seminole County	1,537	28,504,651	1,164,727	4.5%	108,604	117,097	412,300	\$9.33
SW Orange County	712	33,214,030	1,415,532	5.0%	330,822	671,139	30,263	\$9.08
Totals	6,478	179,356,866	9,420,160	6.7%	1,147,926	4,166,481	3,844,563	\$8.94

Brevard, Polk & Volusia Counties (Adjacent)								
Market	Existing Inventory		Vacancy		YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Brevard County	1,424	29,463,514	1,522,237	5.3%	(101,466)	22,500	597,611	\$9.11
Polk County	1,637	70,438,526	3,727,366	5.6%	2,682,790	2,848,108	2,646,565	\$5.90
Volusia County	1,623	24,294,930	1,634,906	6.9%	(82,023)	214,900	1,479,500	\$7.92

Total Orlando MSA Industrial Market Statistics by Quarter

Period	Asset Value	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr % of Inventory	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2020 2q	\$16.4 B	6.7%	8.5%	\$8.94	6.3%	179.4 M	3.8 M	2.1%	1.1 M	\$89	\$63 M
2020 1q	\$16.2 B	6.2%	8.8%	\$8.82	6.4%	179.0 M	4.2 M	2.3%	1.2 M	\$85	\$193 M
2019 4q	\$15.3 B	5.7%	7.7%	\$8.68	6.7%	177.2 M	5.0 M	2.8%	830 K	\$78	\$90 M
2019 3q	\$15.0 B	5.6%	7.8%	\$8.52	6.9%	176.2 M	4.6 M	2.6%	623 K	\$96	\$523 M



Source: CoStar Property®