

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.

In the years leading up to the health crisis, booming population and job growth supported high demand for industrial units and vacancy stayed below the long-term average for more than five years. The average vacancy rate remained tight from a historical level even while weathering a 1 million square foot hit in 2019 when Winn-Dixie vacated their distribution center. This net loss will be reversed in the near future as Amazon has agreed to backfill the space.

A generally muted pipeline over recent years has also aided the tight market conditions but that has begun to change. Industrial starts have picked up over the past year and with 4.5 million square feet expected to deliver in 2020, the market will likely see the highest level of deliveries in the past 15 years.

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 around 5% are still well 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.

After two straight years of record industrial sales volume, 2020 has fallen drastically due to the ongoing pandemic. The year started off strong with the first quarter posting the highest first quarter volume in the past five years. However, as bid-ask spreads widened after March, investment totals fell sharply in the second quarter. The third quarter has seen an uptick in deals, providing optimism for a strong close to the year.

Source: CoStar Property

## ORLANDO MSA Industrial Market



Total Industrial Space  
179,734,237 SF



Under Construction  
3,872,773 SF



14 Distribution Centers  
500,000 SF +

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

## Quarterly Trends



NET ABSORPTION



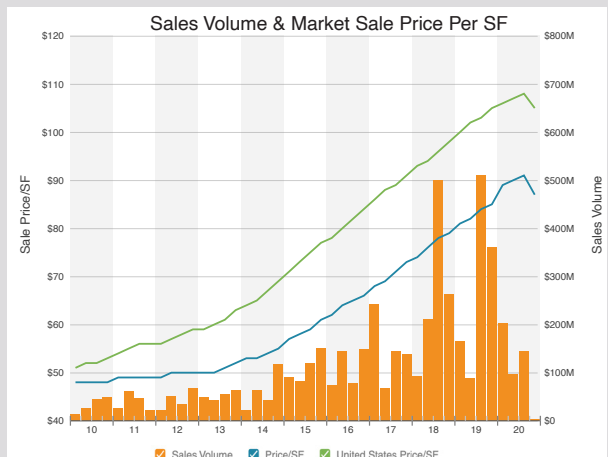
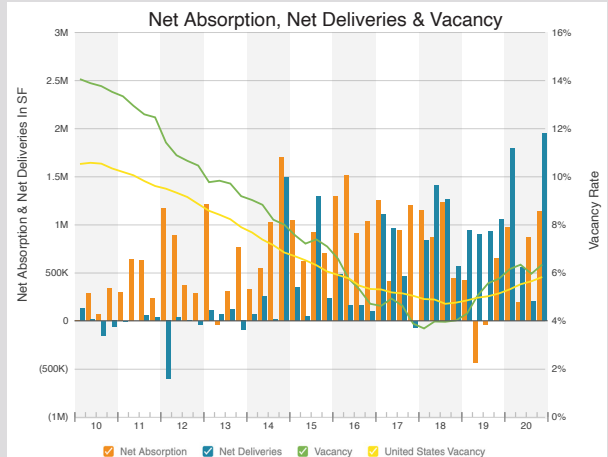
VACANCY RATE



CONSTRUCTION



ASKING RATES



## Total Industrial Submarket Statistics

Third Quarter 2020

| Orlando MSA (Lake, Orange, Osceola & Seminole Counties) |                    |                    |                  |             |                    |                  |                  |               |
|---|--------------------|--------------------|------------------|-------------|--------------------|------------------|------------------|---------------|
| Market  | Existing Inventory |                    | Vacancy          |             | YTD Net Absorption | YTD Deliveries   | Under Const SF   | Quoted Rates  |
|   | # Blds             | Total RBA          | Total SF         | Vac %       |                    |                  |                  |               |
| Lake County   | 641                | 10,866,412         | 209,582          | 2.2%        | 205,199            | 138,156          | 375,000          | \$7.18        |
| NE Orange County  | 164                | 1,889,368          | 114,340          | 6.1%        | (69,501)           | 0                |                  | \$12.09       |
| NW Orange County  | 1,577              | 39,492,966         | 1,661,297        | 7.5%        | 591,044            | 818,928          | 760,415          | \$8.58        |
| Osceola County  | 321                | 7,597,053          | 142,442          | 3.0%        | 12,857             | 127,496          | 53,466           | \$9.51        |
| SE Orange County  | 1,543              | 57,977,473         | 3,628,761        | 7.2%        | 1,259,274          | 1,629,727        | 2,058,798        | \$9.03        |
| Seminole County   | 1,543              | 28,662,481         | 1,110,272        | 4.2%        | 513,455            | 198,697          | 285,400          | \$9.37        |
| SW Orange County  | 713                | 33,248,484         | 1,485,698        | 5.3%        | 173,955            | 686,036          | 339,694          | \$9.11        |
| <b>Totals</b>   | <b>6,502</b>       | <b>179,734,237</b> | <b>8,352,392</b> | <b>6.0%</b> | <b>2,686,283</b>   | <b>3,599,040</b> | <b>3,872,773</b> | <b>\$8.94</b> |

| Brevard, Polk & Volusia Counties (Adjacent) |                    |            |           |       |                    |                |                |              |
|---|--------------------|------------|-----------|-------|--------------------|----------------|----------------|--------------|
| Market                                      | Existing Inventory |            | Vacancy   |       | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|   | # Blds             | Total RBA  | Total SF  | Vac % |                    |                |                |              |
| Brevard County                              | 1,433              | 30,591,096 | 1,416,049 | 4.7%  | 49,778             | 33,900         | 52,500         | \$9.23       |
| Polk County                                 | 1,653              | 71,575,613 | 3,905,419 | 6.3%  | 2,241,669          | 2,159,722      | 3,258,088      | \$6.02       |
| Volusia County                              | 1,626              | 24,089,793 | 1,627,367 | 7.0%  | (333,109)          | 215,100        | 1,435,500      | \$7.93       |

| 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 |
|---------|-------------|--------------|-------------------|----------------|--------------------|--------------|-----------------|----------------|----------------------------|-----------------|--------------|
| 2020 3q | \$16.3 B    | 6.0%         | 8.2%              | \$8.94         | 5.4%               | 179.7 M      | 3.9 M           | 2.2%           | 2.7 M                      | \$105           | \$150 M      |
| 2020 2q | \$16.1 B    | 6.3%         | 8.1%              | \$8.87         | 6.1%               | 179.5 M      | 3.8 M           | 2.1%           | 1.8 M                      | \$80            | \$96 M       |
| 2020 1q | \$15.9 B    | 6.2%         | 8.7%              | \$8.77         | 6.3%               | 178.9 M      | 4.1 M           | 2.3%           | 1.2 M                      | \$86            | \$203 M      |
| 2019 4q | \$15.1 B    | 5.8%         | 7.7%              | \$8.64         | 6.7%               | 177.1 M      | 4.9 M           | 2.8%           | 0.6 M                      | \$83            | \$360 M      |



Source: CoStar Property®