

Orlando Metro 4Q19 Industrial Report

An uptick in development has put upward pressure on Orlando's industrial market in recent quarters. Booming population and job growth has meant demand for industrial units has been strong in the market in recent years keeping vacancy below the long-term average since late 2014. Much of the recent increase in vacancy can be attributed to Winn-Dixie vacating more than 1 million SF in 19Q2.

The tight vacancies this cycle have been aided by a generally muted pipeline but construction has recently picked up making continued loosening of vacancies increasingly likely in the future. Since 2017, nearly 10 million SF of industrial space has been added to the market and the bulk of deliveries are still upcoming. There is more than 6 million SF under construction and 2020 is slated to see cycle-high supply additions.

This increase in construction is in response to the strong occupier demand recent strong rent growth. Annual growth neared 9% at its recent high in 19Q2 and was at the time some of the strongest growth in the country. However, supply-side pressure has pulled growth down greatly in the past two quarters and it is now only slightly stronger than the national average.

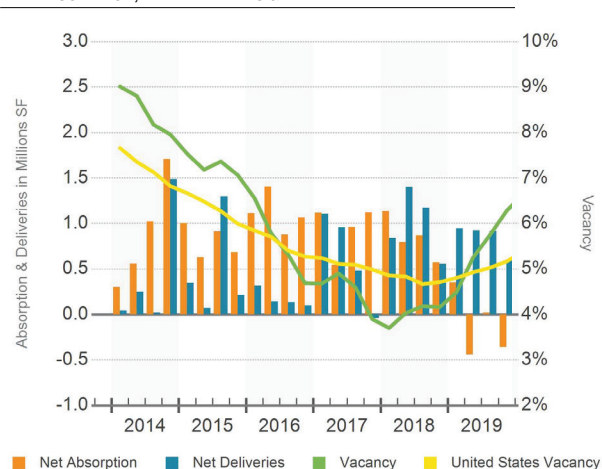
The majority of recent and current construction has been concentrated in logistics and distribution centers. Among the recent deliveries was Amazon's new 855,000-SF multi-level fulfillment center near the intersection of Boggy Creek Road and Jeff Fuqua Boulevard. Although most recent activity has been 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 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 ecommerce warehouse.

With vacancy on an upward trend, investment activity has slowed in 2019. This comes after the market posted record volumes back-to-back in the past two years. Activity was so strong in 2018, volume over \$1 billion nearly doubled the record set the year prior. Pricing began to cool slightly in 2019 and cap rates have been flat for the past two years.

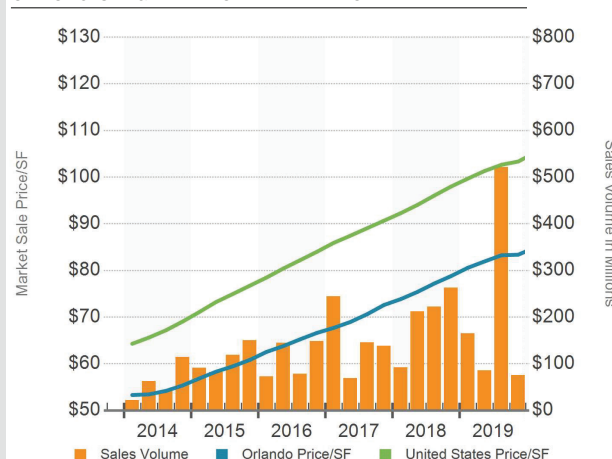
Source: CoStar Property®



NET ABSORPTION, NET DELIVERIES & VACANCY



SALES VOLUME & MARKET SALE PRICE PER SF



Trends for 4Q19



1800 Pembroke Drive Suite 350
Orlando Florida USA 32810-6928
+1 407 875 9989

www.nairealvest.com

Orlando Metro 4Q19 - Industrial Market Overview

Total Industrial Submarket Statistics

Year End 2019

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	630	10,622,603	779,291	5.2%	(145,191)	153,826	1,174,200	\$6.77
NE Orange County	165	1,895,235	42,283	3.1%	43,095	0	0	\$11.53
NW Orange County	1,523	37,517,202	4,104,716	8.5%	(1,210,136)	711,290	1,812,998	\$8.07
Osceola County	312	7,512,701	324,267	2.0%	53,868	30,000	195,150	\$9.08
SE Orange County	1,446	55,245,864	6,410,801	7.2%	749,998	2,129,490	2,049,065	\$8.51
Seminole County	1,534	28,665,072	2,168,305	5.7%	73,087	91,780	429,976	\$8.91
SW Orange County	666	31,456,637	2,117,768	4.3%	(11,697)	269,866	554,447	\$8.58
Totals	6,276	172,915,314	15,947,431	6.3%	(446,976)	3,386,252	6,215,836	\$8.43

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	1,414	29,119,407	1,695,596	5.2%	(210,705)	32,337	591,611	\$8.78
Polk County	1,616	68,994,783	5,123,734	5.9%	2,237,477	2,684,473	1,214,898	\$5.66
Volusia County	1,611	24,059,983	1,894,397	5.2%	(57,893)	33,860	392,000	\$7.47

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
2019 4q	\$14.6 B	6.3%	8.9%	\$8.43	4.6%	172.9 M	6.2 M	3.59%	(447) K	\$74	\$88 M
2019 3q	\$14.4 B	5.8%	8.8%	\$8.43	6.7%	172.3 M	5.9 M	3.41%	504 K	\$97	\$518 M
2019 2q	\$14.1 B	5.3%	8.4%	\$8.34	8.2%	171.4 M	3.9 M	2.29%	1.3 M	\$83	\$89 M
2019 1q	\$13.8 B	4.5%	7.1%	\$8.23	8.1%	170.5 M	3.7 M	2.15%	2.5 M	\$53	\$165 M

