

The coronavirus pandemic is expected to cause significant economic disruption in Orlando. The trajectory of Orlando's economy and its industrial market will depend on how widely the virus spreads, and how long containment policies like physical distancing need to be maintained. We will be updating our analysis as more information becomes available. Prior to the coronavirus, Orlando had very strong economic momentum, and the current report largely reflects the environment before the pandemic.

An uptick in development has put upward pressure on Orlando's industrial vacancies 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 2Q19.

The tight vacancies over the past decade 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, more than 12 million SF of industrial space has been added to the market and the bulk of deliveries are still upcoming. There is more than 4 million SF under construction and 2020 and 2021 are slated to see decade-high supply additions.

This increase in construction is in response to the strong occupier demand and recent strong rent growth. Annual growth neared 8% at its recent high in 2Q19 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 around 5%, still 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 330,000 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.

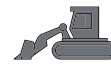
Despite the climbing vacancies, investment activity remains significantly elevated in Orlando. Annual volume hit \$1 billion for the first time in 3Q19 and has only slowed slightly to about \$850 million in the past 12 months. Pricing has continued to grow in the past year as well but cap rates have been flat for more than two years now.

Source: CoStar Property®

## ORLANDO MSA Industrial Market



Total Industrial Space  
177,066,526 SF



Under Construction  
4,226,550 SF



13 Distribution Centers  
500,000 SF +

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

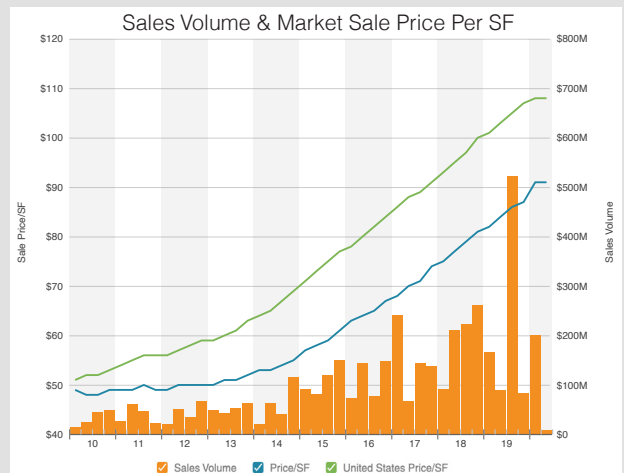
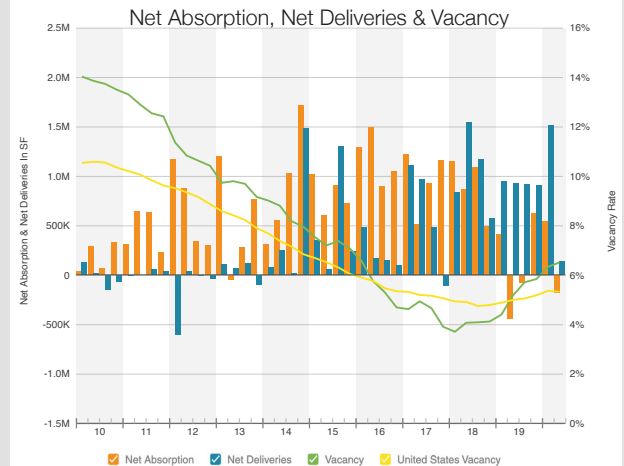
## Trends for 1Q20

NET ABSORPTION

VACANCY RATE

CONSTRUCTION

ASKING RATES



## Total Industrial Submarket Statistics

First 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	635	10,676,824	182,898	1.9%	203,143	153,826	383,750	\$6.99
NE Orange County	167	1,894,884	85,474	4.5%	3,693	0	0	\$11.82
NW Orange County	1,557	38,894,600	2,819,704	7.9%	(427,724)	1,167,390	989,018	\$8.34
Osceola County	314	7,671,301	123,780	2.1%	242,792	185,150	37,700	\$9.29
SE Orange County	1,517	57,219,440	4,221,632	7.6%	607,467	2,129,199	2,371,956	\$8.73
Seminole County	1,534	28,547,312	1,311,773	4.9%	233,059	92,271	419,126	\$9.20
SW Orange County	700	32,162,165	1,545,714	6.0%	(170,823)	559,593	25,000	\$8.81
<b>Totals</b>	<b>6,424</b>	<b>177,066,526</b>	<b>10,290,975</b>	<b>6.3%</b>	<b>691,607</b>	<b>4,287,429</b>	<b>4,226,550</b>	<b>\$8.68</b>

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	1,421	29,259,899	1,468,680	5.2%	(44,910)	22,500	569,111	\$9.00
Polk County	1,627	69,466,514	3,069,457	5.4%	2,335,480	2,639,000	2,648,908	\$5.82
Volusia County	1,509	22,043,745	1,253,602	5.7%	(193,142)	1,860	1,965,500	\$7.54

## 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 1q	\$17.4 B	6.3%	9.1%	\$8.68	5.3%	177.1 M	4.2 M	2.4%	692 K	\$88	\$196 M
2019 4q	\$16.6 B	5.8%	7.9%	\$8.59	6.2%	175.4 M	4.9 M	2.8%	436 K	\$78	\$83 M
2019 3q	\$16.3 B	5.7%	7.9%	\$8.45	6.5%	174.6 M	4.5 M	2.6%	390 K	\$96	\$523 M
2019 2q	\$15.9 B	5.2%	7.4%	\$8.35	7.8%	173.7 M	4.1 M	2.4%	1.6 M	\$83	\$89 M



Source: CoStar Property®