

While the coronavirus pandemic is significantly disrupting Orlando's economy, the industrial sector appears relatively insulated and has seen minimal impact since March 2020. In fact, the market's average vacancy rate has compressed by nearly 100 basis points since the pandemic began.

However, much of this compression was tied to a single property. Over the past year, the average vacancy rate in Orlando appeared heightened and was above the national average of 5.6%. This was heavily skewed upward by roughly 1.1 million SF after Winn-Dixie vacated their distribution center. This net absorption loss was then reversed when Amazon moved into the vacated space in the fourth quarter of 2020.

Orlando has seen few signs of slowing across nearly all indicators and maintained momentum during the final months of 2020. Leasing activity in the second half of the year was in-line with prior five year averages. Directly available industrial space on the market has decreased over the past two quarters with only a mild uptick in sublet space. The total amount of available space on the market in the fourth quarter is less than half of that seen during peak levels in the prior recession.

Industrial supply could be one area of concern as the market has seen over 3 million SF in deliveries over the past 12 months and has more than that underway. The heightened pipeline has also seen an uptick in speculative starts over the past year. However, once the supply wave completes, the near term outlook is mild. Industrial starts declined toward the end of 2020 though the proposed pipeline is still full of potential groundbreakings.

One area that has seen some pandemic impact is asking rents. Annual rent growth downshifted after Q120 and has fallen roughly 150 basis points. Despite the compression, Orlando is still outperforming the national index and is well above its 20-year average.

Investment activity rebounded during the second half of 2020 with roughly twice the sales volume over the first half. Activity continues to accelerate after the pandemic spurred a dismal second quarter including large deals in the fourth quarter such as the sale of the recently built Coca-Cola building in Apopka for \$71.5 million. Despite the rebound, activity is still somewhat depressed compared to pre-pandemic levels. The improved volume in the third and fourth quarter was still only about half of the average volume over the prior two years.

Source: CoStar Property

ORLANDO MSA Industrial Market



Total Industrial Space
180,317,231 SF



Under Construction
3,954,493 SF



14 Distribution Centers
500,000 SF +

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

Quarterly Trends



NET ABSORPTION



VACANCY RATE

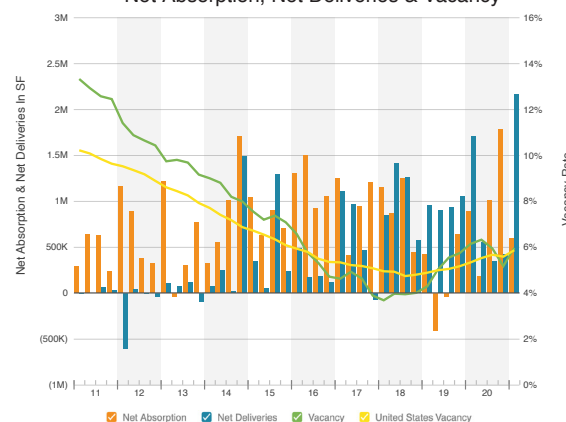


CONSTRUCTION

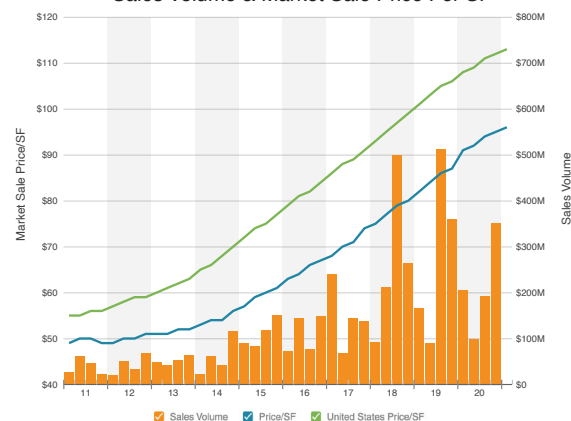


ASKING RATES

Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



Total Industrial Submarket Statistics

Fourth 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 Available SF	Vac %				
Lake County	643	10,793,962	670,886	6.0%	35,824	8,750	375,000	\$7.33
NE Orange County	164	1,889,368	106,850	5.7%	(57,579)	0	0	\$12.27
NW Orange County	1,579	39,880,949	2,628,972	6.5%	1,759,164	966,368	513,947	\$8.79
Osceola County	323	7,544,537	274,975	3.6%	134,910	127,496	61,100	\$9.64
SE Orange County	1,548	58,173,958	5,586,033	9.3%	1,091,012	1,170,782	2,058,798	\$9.25
Seminole County	1,544	28,688,015	2,157,542	7.5%	710,259	266,847	202,250	\$9.58
SW Orange County	715	33,346,442	2,555,912	7.5%	185,324	474,210	743,398	\$9.25
Totals	6,516	180,317,231	13,981,170	7.6%	3,858,914	3,014,453	3,954,493	\$9.13

Brevard, Polk & Volusia Counties (Adjacent)

Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Total Available SF	Vac %				
Brevard County	1,438	30,510,491	1,554,337	5.1%	309,218	37,108	52,500	\$9.32
Polk County	1,665	72,479,321	6,035,331	8.0%	1,730,940	2,218,918	2,930,978	\$6.07
Volusia County	1,634	25,675,928	2,431,872	9.4%	873,231	1,579,000	70,172	\$7.97

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 4q	\$17.2 B	5.2%	7.6%	\$9.13	5.4%	180.3 M	4.0 M	2.2%	3.9 M	\$104	\$344 M
2020 3q	\$16.9 B	5.9%	8.2%	\$9.02	6.0%	179.9 M	4.3 M	2.4%	2.7 M	\$92	\$192 M
2020 2q	\$16.6 B	6.3%	8.0%	\$8.92	6.5%	179.6 M	3.9 M	2.2%	1.7 M	\$80	\$100 M
2020 1q	\$16.3 B	6.1%	8.6%	\$8.81	6.6%	178.9 M	4.3 M	2.4%	1.1 M	\$86	\$205 M



Source: CoStar Property®