

# Orlando



## Market Facts

**106.9 MSF**

Total inventory in the Orlando industrial market

**934,778 SF**

Direct net absorption for YTD-2017

**6.38%**

Overall Vacancy

**\$6.28 PSF**

Average rental rate for industrial space in Orlando on a triple-net basis

## Demand for Industrial Space in Orlando Continues to Outstrip Supply, but the Gap is Slowly Narrowing

Orlando's economic engine remains strong as demonstrated by the sustained performance of the unemployment rate, which remained steady at 4.3% as of February 2017 – a nominal 10-bps decrease from the previous year. Economic fundamentals remain solid, job growth continues to impress with over 55,000 new jobs added in the trailing 12-month period, healthy leasing activity is occurring, and the speculative construction pipeline is beginning to deliver the much-needed distribution product demanded by e-commerce, transportation, and construction tenants, with the bulk of new industrial space coming on line in the Airport/Southeast submarket.

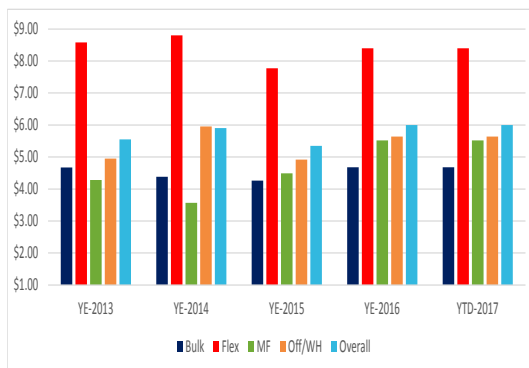
At the close of the first quarter, industrial fundamentals in Orlando remained sound with strong net absorption of 934,778 sf, a sustainable rent growth

trend, and increasing investment activity. The overall vacancy rate has increased only slightly by 39 basis points since the end of 2016 to a current 6.4%, which is notable given the amount of new construction delivered during the first quarter. Landlords continue to incrementally increase rental rates, even as they recapture spaces that temporarily lower their occupancy rates, demonstrating a clear sign of confidence in the overall market. Older, less efficient industrial properties not suitable as distribution centers are also experiencing renewed vigor as they are increasingly attractive options for e-commerce companies looking for 'last mile' conduits critical for ensuring same-day deliveries.

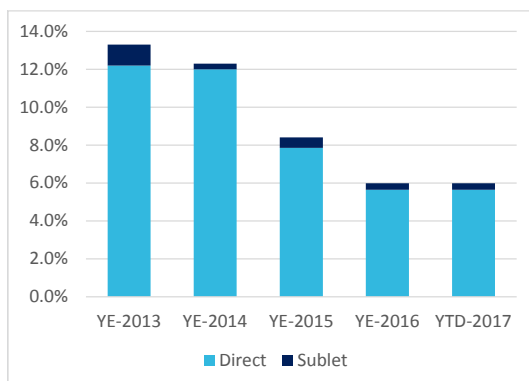
Over half of all net absorption during the first quarter took place within bulk distribution product, and much of that absorption was attributable to

Since functionality for e-commerce businesses is somewhat secondary to proximity, infill re-development of existing industrial and class C office product in pivotal locations could likely become an increasing trend over the next few years.

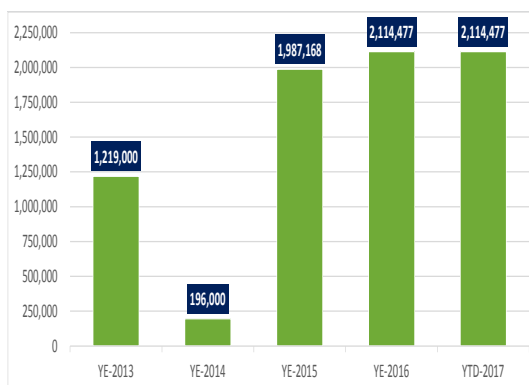
### Average Asking Rent Rate (\$/SF/NNN)



### Vacancy Rate



### Net Absorption (SF)



pre-leasing activity in recently delivered build-to-suit and speculative development. With another 1.8 million sf currently under construction and due to deliver later in 2017, the market is beginning to edge closer to a point where the new supply will begin to sate the market's strong demand for industrial space. The tightest submarkets relative to overall size are the Silver Star, Orlando Central Park and Southwest areas. The Airport/Southeast submarket continues its dominance with strong net absorption, a rental rate up \$0.07 psf since year-end, and a vacancy rate hovering well below 10 percent.

Leasing activity was brisk during the first quarter with several key deals closing in excess of 50,000 sf, the most notable of which was GEODIS Logistics' lease of 141,000 sf at 1401 Tradeport Drive in the Airport/Southwest submarket, and Amazon's expansion into 96,000 sf at CrownPointe II in the Southwest submarket. McLane and Disney also signed significant new leases in the Davenport area, together accounting for another 180,000 sf of activity.

### The Fed's Most Recent Move

For the second time in less than a year, the Federal Reserve raised the benchmark interest rate by a quarter point, a move that indicates its confidence that the national economy continues to improve. Officials project two more potential hikes over the course of 2017, although any move would be predicated on how the economy is performing. In the meantime, the U.S. stock market has been surging due to reforms expected to come out of Washington, D.C., although relatively flat spending has not

resulted in a corresponding spike in economic growth to date.

### Looking Ahead

E-commerce fulfillment is undoubtedly the biggest dynamic driving nationwide industrial demand, and Central Florida's industrial market offers considerable logistical advantages as it provides a tremendous transportation network to expedite the delivery of goods to a captive Southeastern population. E-commerce, distribution, and construction material tenants seeking higher clear heights, deep truck courts and trailer parking will continue to find opportunities in new development rising around Orlando International Airport, and along the Interstate 4 corridor.

With economic growth remaining strong, increases in manufacturing employment, and declining brick and mortar storefronts creating demand for alternative warehousing of retail goods, 2017 should be another strong year for the industrial market. Avison Young anticipates that the speculative construction underway will help to alleviate some of the existing pent-up demand for space, and the new space scheduled for delivery will create another small and temporary uptick in the overall vacancy rate. Rental rates will continue to show incremental gains, particularly for newly developed space and well located properties, and distribution, e-commerce, and 3PL firms will continue to aggressively canvass for opportunities in the Airport/Southeast submarket and in the burgeoning Davenport area.

Investors will also continue to seek opportunities for properties offering high quality construction with credit tenants that have limited short-term rollover in compelling locations proximate to transportation corridors.

ORLANDO MSA TOTAL

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	37,002,616	\$4.81	2,436,496	294,560	93.42%	6.58%	0.80%	7.38%	740,483	491,007
Flex	13,784,678	\$10.15	1,302,172	12,319	90.55%	9.45%	0.09%	9.54%	0	152,923
Manufacturing	6,636,650	\$5.10	338,402	0	94.90%	5.10%	0.00%	5.10%	0	85,600
Warehouse / Distribution	49,456,502	\$5.85	2,406,925	31,300	95.13%	4.87%	0.06%	4.93%	1,055,712	205,248
<b>Market Total</b>	<b>106,880,446</b>	<b>\$6.28</b>	<b>6,483,995</b>	<b>338,179</b>	<b>93.93%</b>	<b>6.07%</b>	<b>0.32%</b>	<b>6.38%</b>	<b>1,796,195</b>	<b>934,778</b>

Northwest

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	892,511	\$5.45	149,156	0	83.29%	16.71%	0.00%	16.71%	0	0
Flex	384,704	\$9.79	5,382	0	98.60%	1.40%	0.00%	1.40%	0	(2,442)
Manufacturing	1,126,395	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,187,219	\$6.01	136,332	0	95.72%	4.28%	0.00%	4.28%	0	750
<b>Northwest Total</b>	<b>5,590,829</b>	<b>\$5.79</b>	<b>290,870</b>	<b>0</b>	<b>94.80%</b>	<b>5.20%</b>	<b>0.00%</b>	<b>5.20%</b>	<b>0</b>	<b>(1,692)</b>

Silver Star

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	3,365,354	\$4.40	146,400	58,800	95.65%	4.35%	1.75%	6.10%	0	0
Flex	1,317,456	\$7.53	136,068	0	89.67%	10.33%	0.00%	10.33%	0	4,248
Manufacturing	1,315,710	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	7,857,174	\$7.67	140,086	2,000	98.22%	1.78%	0.03%	1.81%	23,200	19,209
<b>Silver Star Total</b>	<b>13,855,694</b>	<b>\$6.49</b>	<b>422,554</b>	<b>60,800</b>	<b>96.95%</b>	<b>3.05%</b>	<b>0.44%</b>	<b>3.49%</b>	<b>23,200</b>	<b>23,457</b>

Longwood/Lake Mary/Sanford

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	1,250,450	\$4.60	438,649	0	64.92%	35.08%	0.00%	35.08%	0	25,001
Flex	1,919,303	\$9.79	271,189	0	85.87%	14.13%	0.00%	14.13%	0	(852)
Manufacturing	1,522,876	\$5.20	302,002	0	80.17%	19.83%	0.00%	19.83%	0	5,000
Warehouse / Distribution	5,526,819	\$6.21	252,823	0	95.43%	4.57%	0.00%	4.57%	0	4,705
<b>Longwood/Lake Mary/Sanford Total</b>	<b>10,219,448</b>	<b>\$6.18</b>	<b>1,264,663</b>	<b>0</b>	<b>87.62%</b>	<b>12.38%</b>	<b>0.00%</b>	<b>12.38%</b>	<b>0</b>	<b>33,854</b>

North Central

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Flex	1,238,596	\$8.56	90,936	1,000	92.66%	7.34%	0.08%	7.42%	0	36,712
Manufacturing	306,586	\$4.10	19,400	0	93.67%	6.33%	0.00%	6.33%	0	(19,400)
Warehouse / Distribution	1,070,988	\$4.58	50,655	0	95.27%	4.73%	0.00%	4.73%	0	600
<b>North Central Total</b>	<b>2,616,170</b>	<b>\$6.77</b>	<b>160,991</b>	<b>1,000</b>	<b>93.85%</b>	<b>6.15%</b>	<b>0.04%</b>	<b>6.19%</b>	<b>0</b>	<b>17,912</b>

Central Orlando

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	316,943	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	528,969	\$12.00	46,225	0	91.26%	8.74%	0.00%	8.74%	0	0
Manufacturing	510,500	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,339,767	\$7.92	30,202	15,000	99.10%	0.90%	0.45%	1.35%	0	(1,475)
<b>Central Orlando Total</b>	<b>4,696,179</b>	<b>\$10.39</b>	<b>76,427</b>	<b>15,000</b>	<b>98.37%</b>	<b>1.63%</b>	<b>0.32%</b>	<b>1.95%</b>	<b>0</b>	<b>(1,475)</b>

Osceola County

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	1,353,699	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	465,435	\$12.00	5,130	0	98.90%	1.10%	0.00%	1.10%	0	5,820
Manufacturing	1,490,796	\$4.50	17,000	0	98.86%	1.14%	0.00%	1.14%	0	100,000
Warehouse / Distribution	1,595,702	\$3.81	117,420	0	92.64%	7.36%	0.00%	7.36%	20,440	21,369
<b>Osceola County Total</b>	<b>4,905,632</b>	<b>\$4.19</b>	<b>139,550</b>	<b>0</b>	<b>97.16%</b>	<b>2.84%</b>	<b>0.00%</b>	<b>2.84%</b>	<b>20,440</b>	<b>127,189</b>

33rd Street

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	213,000	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	613,674	\$9.64	73,197	0	88.07%	11.93%	0.00%	11.93%	0	13,450
Warehouse / Distribution	3,579,490	\$5.48	200,033	14,300	94.41%	5.59%	0.40%	5.99%	0	(556)
<b>33rd Street Total</b>	<b>4,406,164</b>	<b>\$6.59</b>	<b>273,230</b>	<b>14,300</b>	<b>93.80%</b>	<b>6.20%</b>	<b>0.32%</b>	<b>6.53%</b>	<b>0</b>	<b>12,894</b>

University/East Side

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	350,154	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	1,498,467	\$12.96	153,687	0	89.74%	10.26%	0.00%	10.26%	0	27,183
Manufacturing	363,787	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,847,129	\$6.46	39,402	0	97.87%	2.13%	0.00%	2.13%	0	(8,240)
<b>University/East Side Total</b>	<b>4,059,537</b>	<b>\$11.63</b>	<b>193,089</b>	<b>0</b>	<b>95.24%</b>	<b>4.76%</b>	<b>0.00%</b>	<b>4.76%</b>	<b>0</b>	<b>18,943</b>

Orlando Central Park

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	8,833,851	\$5.06	134,662	0	98.48%	1.52%	0.00%	1.52%	0	76,962
Flex	2,528,873	\$8.55	177,684	6,519	92.97%	7.03%	0.26%	7.28%	0	72,019
Warehouse / Distribution	3,987,946	\$4.85	124,000	0	96.89%	3.11%	0.00%	3.11%	0	28,548
<b>Orlando Central Park Total</b>	<b>15,350,670</b>	<b>\$6.42</b>	<b>436,346</b>	<b>6,519</b>	<b>97.16%</b>	<b>2.84%</b>	<b>0.04%</b>	<b>2.88%</b>	<b>0</b>	<b>177,529</b>

Airport/Southeast

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	13,161,817	\$4.67	817,394	235,760	93.79%	6.21%	1.79%	8.00%	451,823	269,906
Flex	2,187,066	\$11.17	275,736	4,800	87.39%	12.61%	0.22%	12.83%	0	(7,838)
Warehouse / Distribution	13,645,482	\$5.90	1,209,157	0	91.14%	8.86%	0.00%	8.86%	1,012,072	131,806
<b>Airport/Southeast Total</b>	<b>28,994,365</b>	<b>\$6.09</b>	<b>2,302,287</b>	<b>240,560</b>	<b>92.06%</b>	<b>7.94%</b>	<b>0.83%</b>	<b>8.77%</b>	<b>1,463,895</b>	<b>393,874</b>

Southwest

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	1,763,652	\$5.85	36,700	0	97.92%	2.08%	0.00%	2.08%	0	50,033
Flex	1,102,135	\$11.93	66,938	0	93.93%	6.07%	0.00%	6.07%	0	4,623
Warehouse / Distribution	3,621,380	\$10.12	13,420	0	99.63%	0.37%	0.00%	0.37%	0	8,532
<b>Southwest Total</b>	<b>6,487,167</b>	<b>\$9.81</b>	<b>117,058</b>	<b>0</b>	<b>98.20%</b>	<b>1.80%</b>	<b>0.00%</b>	<b>1.80%</b>	<b>0</b>	<b>63,188</b>

Davenport

Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	Sublet Vacant SF	Occupancy	Direct Vacancy	Sublet Vacancy	Total Vacancy	Under Construction	YTD Absorption
Bulk Distribution	5,501,185	\$4.95	713,535	0	87.03%	12.97%	0.00%	12.97%	288,660	69,105
Warehouse / Distribution	197,406	\$4.95	93,395	0	52.69%	47.31%	0.00%	47.31%	0	0
<b>Davenport Total</b>	<b>5,698,591</b>	<b>\$4.95</b>	<b>806,930</b>	<b>0</b>	<b>85.84%</b>	<b>14.16%</b>	<b>0.00%</b>	<b>14.16%</b>	<b>288,660</b>	<b>69,105</b>

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in the Orlando MSA that are not government owned. All rents are reported on a triple-net basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but not guaranteed.

Investment activity during 2017 is expected to continue at a healthy pace as the growing economy supports business fundamentals including rising rents, occupancies and cash flows.

### Leading Indicators (Y-O-Y 1Q-2016 to 1Q-2017)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	Under Construction	Total Employment
6.38%	934,778 SF	\$6.28	1,796,195 SF	1.21 MM

### Significant First Quarter 2017 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
GEODIS Logistics	1401 Tradeport Dr	New Lease	141,000	Airport/Southeast
Amazon	CrownPointe II	Expansion	96,000	Southwest
McLane	245 Deen Still Rd	New Lease	83,232	Davenport
Disney	Four Corners Business Center 200	New Lease	68,605	Davenport
Luminar Technologies	12601 Research Pkwy	New Lease	46,602	University/East Side
Planet Obstacle	Lake Mary Business Center One	New Lease	44,800	Longwood/LM/Sanford
Interline Distribution	Horizon Commerce Park III	New Lease	28,102	Airport/Southeast
Plus Communications	1051 Sand Pond Rd	Renewal	25,707	Longwood/LM/Sanford
Convention Solutions	Sand Lake Service Center 4	New Lease	14,333	Orlando Central Park
GAM Laser	7100 TPC Drive	New Lease	13,836	Airport/Southeast

### Significant First Quarter 2017 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Beachline Distribution Center I & II	520,704	\$34,753,853	\$67	Colony NorthStar	Airport/Southeast
Crossroads Business Park V & VI	484,630	\$32,346,131	\$67	Colony NorthStar	Airport/Southeast
1401 Tradeport Drive	343,860	\$20,925,285	\$61	MDH Partners	Airport/Southeast
1001 Tradeport Drive	261,964	\$15,696,600	\$60	MDH Partners	Airport/Southeast
6325 N Orange Blossom Trail	148,882	\$12,269,012	\$82	DRA Advisors	Silver Star
2702 Directors Row	182,614	\$11,244,464	\$62	MDH Partners	Orlando Central Park
3800 Enterprise Way	117,600	\$10,400,100	\$88	Cabot Properties	Longwood/LM/Sanford
3600 Vineland Road	112,338	\$8,812,000	\$78	MDH Partners	33rd Street
1500 Tradeport Drive	125,990	\$8,081,879	\$64	MDH Partners	Airport/Southeast
1700 Tradeport Drive	113,138	\$6,626,000	\$59	MDH Partners	Airport/Southeast

### Contact Information

Greg Morrison  
Principal and Managing Director  
135 W Central Blvd, Suite 700  
Orlando, FL 32801  
407.440.6640  
greg.morrison@avisonyoung.com

Lisa Bailey  
Principal  
135 W Central Blvd, Suite 700  
Orlando, FL 32801  
407.440.6645  
lisa.bailey@avisonyoung.com

Lisa McNatt  
Director of Research  
135 W Central Blvd, Suite 700  
Orlando, FL 32801  
813.444.0606  
lisa.mcnatt@avisonyoung.com

