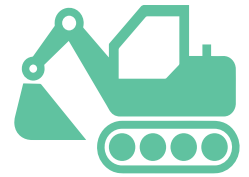


# Orlando

## Industrial Market Fundamentals Remain Solid Although Steady Development Activity Creating Some Healthy Concern

While there are certainly headwinds on the horizon as the U.S. economy enters the later stages of its current expansion, the *2020 Emerging Trends in Real Estate* report produced by Urban Land Institute and PricewaterhouseCoopers concluded that the economy is more likely in for a soft landing than a sudden crash like the one that occurred during The Great Recession. The report finds that consumer confidence is “palpable” and there is little to no over-leveraging within the financial markets. Investors continue to search for yield, and although many markets are at risk of overbuilding the industrial market remains well positioned with plenty of runway ahead. At some point the U.S. economy will likely be affected by the impact of trade wars and the uncertainty of an upcoming election year, however the degree to which it will affect Central Florida is naturally yet to be determined. Leasing and sales activity will likely not dramatically drop off, but rather decelerate enough that occupiers and institutional investors will be more cautious – at least until the political landscape becomes clearer and less contentious. Research compiled by Oxford Economics forecasts that year-over-year GDP growth will cool to 2% by the end of 2019 and will average 1.6% in 2020 as the US-China trade war continues to erode the U.S. economy. The Federal Reserve took action in September to help mitigate the effect of global headwinds on the U.S. economy by reducing its policy rate by 25 basis points to a target range of 1.75% to 2%, the second interest rate cut by the central bank in two months.



Development shows no sign of slowing down as over 2.9 million sf of industrial space has delivered so far in 2019 with another 3.2 million sf underway

### Industrial Market Snapshot

- Industrial investment activity has been somewhat tempered over the past year, with total industrial investment sales volume nearing \$420 million over the trailing 12-month period ending September 2019. Outside of the massive Blackstone deal covered on page 4 of this report, the largest investment sale during the third quarter was Kohlberg Kravis Roberts & Co. L.P.'s ('Kohlberg') acquisition of the four-building Winter Garden Commerce Center for \$21.6 million, or \$153 per sf. Kohlberg also acquired the three-building Presidents Plaza in Orlando Central Park. No significant bulk distribution facilities traded hands during the third quarter.
- Amazon continues to dominate the headlines as it pursues new locations along Central Florida's pivotal I-4 Corridor. The company, which is the largest industrial user along the Interstate 4 corridor from Tampa through the Orlando metro area, is rumored to be interested in a new 450,000-sf bulk distribution building recently built by Majestic Realty in Davenport. Amazon is also eyeing an 85-acre site just north of Orlando in Volusia County for a 1.4 million-sf warehouse.
- There is more new industrial space actively under construction than has been delivered so far this year, with key developers including McDonald Development Company, Prologis, Dalfen America, EastGroup, Foundry, Tavistock in partnership with McCraney Property Co., and Blue Scope Properties.
- Leasing activity was brisk during the third quarter, however no large bulk distribution deals took place, although several are rumored to be in negotiations. Not surprisingly, the majority of key activity once again occurred in the dominant Airport/Southeast submarket, where vacancy has risen to just under 10% as 1.5 million sf has delivered since the first of the year and remains only 21% pre-leased. The airport area currently has 46% of all new industrial development underway, with the Northwest submarket, Orlando Central Park and Silver Star submarkets accounting for the vast majority of the balance of new construction.
- Rental rates remain fairly stable, even rising incrementally in some areas, and the new development underway has not yet caused measurable rental rate stagnation in older, less efficient buildings being marketed, especially those proximate to the urban core. The average rental rate for industrial space in Orlando has declined by \$0.15 per sf over the trailing 12 months ending September 2019, a rate of decline that is actually quite impressive given that the ramp-up in new development has increased available space by 36% over the last year.

**116.0 MSF**

Total industrial inventory in the Orlando market

**(302,787) SF**

Direct Y-T-D net absorption as of 3Q-2019

**7.85%**

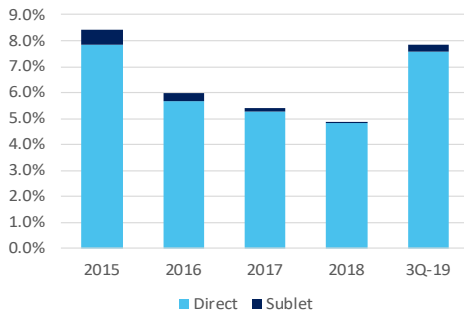
Overall Vacancy

**\$6.61/SF/NNN**

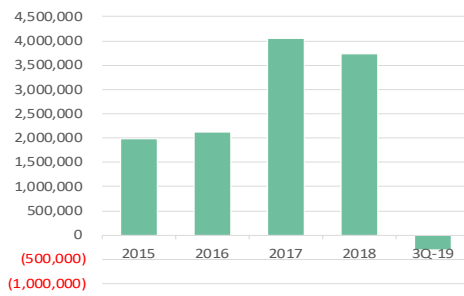
Average rental rate for industrial space

## Statistical Snapshot

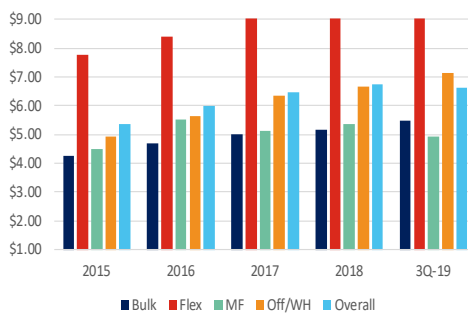
## Vacancy Rate



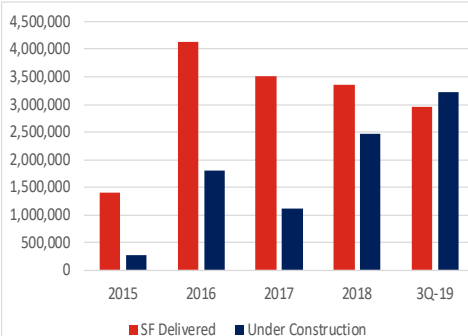
## YTD Net Absorption (SF)



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



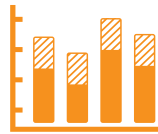
## Construction Pipeline



## Orlando Industrial Market At A Glance

## Demographics &amp; Economy

The U.S. GDP growth rate is expected to remain between the ideal 2% to 3% range in 2019 and unemployment is forecast to continue at the natural rate.



**213,000**  
private sector jobs added to the state of Florida in the first eight months of 2019

**3.3%**  
**AUG-2018**  
change in Orlando's unemployment rate



**3.2%**  
**AUG-2019**

**22 million**

State demographers are projecting that Florida's population will surpass 22 million by 2022



## Development

**3.2 million**  
square feet currently under construction



**13%**  
**OF ALL INDUSTRIAL SPACE IN ORLANDO**  
has been delivered in the last 5 years



Amazon is reportedly interested in leasing the newly delivered 450,000-sf Magestic I-4 Logistics Center in Davenport



**473,372 sf**  
Average size of all new bulk distribution space underway in Orlando

## Market Influencers



**\$420 million**  
in total industrial sales volume during the T-12 months ending 3Q19

**7.8%**

average rental rate increase for W/D space over the trailing 12-months ending 3Q-2019



**53%**  
of all industrial investment activity so far during 2019 has been to private investors



The I-4 Corridor continues to be highly sought after for logistics companies as delivery speed is of paramount importance

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	40,720,637	\$5.49	4,920,204	247,726	87.92%	12.08%	0.61%	12.69%	1,420,116	(624,077)
Flex	14,121,985	\$11.22	931,768	15,441	93.40%	6.60%	0.11%	6.71%	0	32,635
Manufacturing	6,565,835	\$4.93	128,697	0	98.04%	1.96%	0.00%	1.96%	0	(28,499)
Warehouse / Distribution	54,625,382	\$7.13	2,805,086	60,521	94.86%	5.14%	0.11%	5.25%	1,803,453	317,154
<b>Market Total</b>	<b>116,033,839</b>	<b>\$6.61</b>	<b>8,785,755</b>	<b>323,688</b>	<b>92.43%</b>	<b>7.57%</b>	<b>0.28%</b>	<b>7.85%</b>	<b>3,223,569</b>	<b>(302,787)</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	1,475,531	\$7.11	438,598	0	70.28%	29.72%	0.00%	29.72%	1,036,500	113,620
Flex	500,738	\$6.95	9,750	0	98.05%	1.95%	0.00%	1.95%	0	13,989
Manufacturing	1,126,395	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	4,154,533	\$7.15	351,339	0	91.54%	8.46%	0.00%	8.46%	0	76,417
<b>Northwest Total</b>	<b>7,257,197</b>	<b>\$7.13</b>	<b>799,687</b>	<b>0</b>	<b>88.98%</b>	<b>11.02%</b>	<b>0.00%</b>	<b>11.02%</b>	<b>1,036,500</b>	<b>204,026</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	3,295,417	\$5.75	1,079,766	0	67.23%	32.77%	0.00%	32.77%	0	(1,036,966)
Flex	1,286,291	\$8.27	82,248	0	93.61%	6.39%	0.00%	6.39%	0	(2,205)
Manufacturing	1,167,132	\$5.10	11,322	0	99.03%	0.97%	0.00%	0.97%	0	(22)
Warehouse / Distribution	8,513,858	\$7.57	404,089	10,000	95.25%	4.75%	0.12%	4.86%	221,216	94,237
<b>Silver Star Total</b>	<b>14,262,698</b>	<b>\$6.34</b>	<b>1,577,425</b>	<b>10,000</b>	<b>88.94%</b>	<b>11.06%</b>	<b>0.07%</b>	<b>11.13%</b>	<b>221,216</b>	<b>(944,956)</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	\$4.95	227,552	0	81.80%	18.20%	0.00%	18.20%	0	91,343
Flex	1,919,303	\$10.42	161,486	0	91.59%	8.41%	0.00%	8.41%	0	4,787
Manufacturing	1,673,031	\$4.91	117,375	0	92.98%	7.02%	0.00%	7.02%	0	(47,877)
Warehouse / Distribution	5,814,446	\$6.82	469,627	0	91.92%	8.08%	0.00%	7.65%	0	(153,416)
<b>Longwood/Lake Mary/Sanford Total</b>	<b>10,657,230</b>	<b>\$6.75</b>	<b>976,040</b>	<b>0</b>	<b>90.84%</b>	<b>9.16%</b>	<b>0.00%</b>	<b>8.92%</b>	<b>0</b>	<b>(105,163)</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	\$9.75	82,071	0	93.37%	6.63%	0.00%	6.63%	0	19,643
Manufacturing	306,586	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	19,400
Warehouse / Distribution	1,070,988	\$8.34	12,250	0	98.86%	1.14%	0.00%	1.14%	0	14,735
<b>North Central Total</b>	<b>2,616,170</b>	<b>\$9.57</b>	<b>94,321</b>	<b>0</b>	<b>96.39%</b>	<b>3.61%</b>	<b>0.00%</b>	<b>3.61%</b>	<b>0</b>	<b>53,778</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	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Manufacturing	510,500	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,276,919	\$8.42	166,792	0	94.91%	5.09%	0.00%	5.09%	30,000	(18,863)
<b>Central Orlando Total</b>	<b>4,633,331</b>	<b>\$8.42</b>	<b>166,792</b>	<b>0</b>	<b>96.40%</b>	<b>3.60%</b>	<b>0.00%</b>	<b>3.60%</b>	<b>30,000</b>	<b>(18,863)</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	485,875	\$8.10	1,650	0	99.66%	0.34%	0.00%	0.34%	0	12,298
Manufacturing	1,418,404	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,617,018	\$8.19	45,547	0	97.18%	2.82%	0.00%	2.82%	0	65,283
<b>Osceola County Total</b>	<b>4,874,996</b>	<b>\$8.18</b>	<b>47,197</b>	<b>0</b>	<b>99.03%</b>	<b>0.57%</b>	<b>0.00%</b>	<b>0.97%</b>	<b>0</b>	<b>77,581</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	\$10.05	11,457	0	98.13%	1.87%	0.00%	1.87%	0	4,536
Warehouse / Distribution	3,579,490	\$6.32	194,937	9,816	94.55%	5.45%	0.27%	5.72%	0	(156,834)
<b>33rd Street Total</b>	<b>4,406,164</b>	<b>\$6.53</b>	<b>206,394</b>	<b>9,816</b>	<b>95.32%</b>	<b>4.68%</b>	<b>0.22%</b>	<b>4.91%</b>	<b>0</b>	<b>(152,298)</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	1,452,282	\$10.09	149,696	0	89.69%	10.31%	0.00%	10.31%	0	(78,276)
Manufacturing	363,787	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,847,129	\$6.33	65,875	0	96.43%	3.57%	0.00%	3.57%	0	(1,575)
<b>University/East Side Total</b>	<b>4,013,352</b>	<b>\$8.94</b>	<b>215,571</b>	<b>0</b>	<b>94.63%</b>	<b>5.37%</b>	<b>0.00%</b>	<b>5.37%</b>	<b>0</b>	<b>(79,851)</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	8,834,960	\$5.41	353,163	47,160	96.00%	4.00%	0.53%	4.53%	0	97,216
Flex	2,627,752	\$12.01	83,269	12,419	96.83%	3.17%	0.47%	3.64%	0	(4,296)
Warehouse / Distribution	4,037,394	\$8.70	21,365	0	99.47%	0.53%	0.00%	0.53%	429,424	(17,653)
<b>Orlando Central Park Total</b>	<b>15,500,106</b>	<b>\$6.76</b>	<b>457,797</b>	<b>59,579</b>	<b>97.05%</b>	<b>2.95%</b>	<b>0.38%</b>	<b>3.34%</b>	<b>429,424</b>	<b>75,267</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	15,627,230	\$5.11	1,944,056	108,566	87.56%	12.44%	0.69%	13.13%	383,616	0
Flex	2,366,370	\$12.88	293,039	3,022	97.62%	12.38%	0.13%	12.51%	0	46,725
Warehouse / Distribution	16,687,145	\$7.00	939,923	3,784	94.37%	5.63%	0.02%	5.66%	1,122,813	352,667
<b>Airport/Southeast Total</b>	<b>34,680,745</b>	<b>\$6.38</b>	<b>3,177,018</b>	<b>115,372</b>	<b>90.84%</b>	<b>9.16%</b>	<b>0.33%</b>	<b>9.49%</b>	<b>1,506,429</b>	<b>399,392</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	\$7.45	14,400	0	99.18%	0.82%	0.00%	0.82%	0	35,600
Flex	1,102,135	\$14.18	57,102	0	94.82%	5.18%	0.00%	5.18%	0	15,434
Warehouse / Distribution	3,621,380	\$7.18	114,842	36,921	96.83%	3.17%	1.02%	4.19%	0	62,156
<b>Southwest Total</b>	<b>6,487,167</b>	<b>\$9.34</b>	<b>186,344</b>	<b>36,921</b>	<b>97.13%</b>	<b>2.87%</b>	<b>0.57%</b>	<b>3.44%</b>	<b>0</b>	<b>113,190</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	6,239,601	\$5.34	862,669	92,000	93.39%	6.61%	1.47%	8.09%	0	75,110
Warehouse / Distribution	405,082	\$5.95	18,500	0	95.43%	4.57%	0.00%	4.57%	0	0
<b>Davenport Total</b>	<b>6,644,683</b>	<b>\$5.35</b>	<b>881,169</b>	<b>92,000</b>	<b>93.51%</b>	<b>6.49%</b>	<b>1.38%</b>	<b>7.87%</b>	<b>0</b>	<b>75,110</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 and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but not guaranteed.

The majority of key activity once again occurred in the dominant Airport/Southeast submarket, where vacancy has risen to just under 10% as 1.5 million sf has delivered since the first of the year and remains only 21% pre-leased.

### Leading Indicators (Y-O-Y 3Q-2018 to 3Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	Under Construction	Total Employment
 7.85%	 (302,787) SF	 \$6.61/SF	 3,223,569 SF	 1.35 MM

### Significant Third Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Submarket
One Fat Frog, Inc.	Bent Oak Industrial #100	193,968	Sublease	Airport/Southeast
Confidential Tenant	Prologis Beltway Commerce Center	105,500	New	Airport/Southeast
Home Run Hospitality	Four Corners Business Park 300	75,110	New	Davenport
Mygrant Glass	Crews Commerce Center 100	53,191	New	Airport/Southeast
McKesson	Exchange Distribution Center I	38,724	New	Orlando Central Park
Buckeye Diamond Logistics	Bent Oak Industrial #100	36,000	Sublease	Airport/Southeast
McCollister's Transportation Systems, Inc.	Lee Vista Business Center 'G'	27,842	New	Airport/Southeast
Pro Custom Solar, LLC	6210 Hoffner Ave	23,992	New	Airport/Southeast
1-800 Radiator	3122 Shader Rd 'B'	20,162	New	Silver Star

### Significant Third Quarter 2019 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Global Logistic Properties Portfolio (22 properties in Orlando)	Covered in greater detail below			Blackstone Real Estate Income Trust	Multiple
Winter Garden Commerce Center	140,933	\$21,600,000	\$153	Kohlberg Kravis Roberts & Co. L.P.	Northwest
Presidents Plaza	108,432	\$13,150,000	\$121	Kohlberg Kravis Roberts & Co. L.P.	Orlando Central Park
Lake Point Business Park	134,389	\$17,625,000	\$131	TerraCap Management, LLC	Airport/Southeast

### Blackstone Acquires Massive \$5.3 Billion Industrial Portfolio from GLP and is Moving Forward on Another Record Deal with Colony Industrial

Blackstone Real Estate Income Trust, Inc., a New York-based REIT, made history in late September when it completed the \$5.3 billion purchase of Global Logistics Properties' 64 million-sf portfolio of urban, infill logistics assets, the largest private real estate transaction on record. Part of a larger, \$18.7 billion portfolio coming from three of GLP's U.S. funds, the 118-property portfolio is spread throughout the United States. Twenty-two are situated in the 33rd Street, Orlando Central Park, Airport/Southeast and Southwest submarkets of Orlando, where a dominant market share of industrial deals and development activity takes place. Also during the third quarter, Blackstone entered into a definitive agreement to acquire Colony Industrial, the industrial arm of Colony Capital, for \$5.9 billion. That last-mile industrial portfolio, with a significant concentration in Florida, consists of 60 million sf situated in 465 industrial buildings in 26 U.S. markets.

**Blackstone**



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