

Orlando

The e-commerce revolution (partly due to COVID-19) is fueling strong growth within Orlando's industrial sector

Orlando's economy, which is supported in good measure by the leisure and hospitality sector, continues to recover from the damage inflicted by COVID-19 beginning this past spring, although the overall picture is not as bleak as previously feared. While unemployment rose as high as 21.1% in May of this year, it had fallen to 11.0% as of August, according to the Bureau of Labor Statistics. Early projections call for the rate to decline further in September, although tourism and hospitality industry layoffs will likely continue in the near term.

Leasing velocity was healthy during the third quarter, with several key transactions in excess of 50,000 sf, the greatest of which was UFI's lease of a 292,000-sf bulk distribution facility at 10601 Southport Drive. New development announcements during the third quarter include Foundry's plans for another phase at Princeton Oaks Commerce Park in the Silver Star area and Dalfen Industrial's intent to expand its planned Vista Commerce Park near Orlando International Airport to 3.4 million sf.

E-commerce continues to dominate industrial activity

The current pandemic has acted as an accelerant in many ways, expanding the growth of e-commerce in many markets significantly during 2020. The competition to build the most efficient supply chain is fierce, and e-commerce giants like Amazon are driving strong industrial absorption when other sectors have been contracting. When all

is said and done, outside of its impact on health and wellness, perhaps the biggest impact of COVID-19 will be its effect on global supply chains. 'Just in time' is being replaced by 'just in case', which has real implications for the storage and distribution of retail and household goods. In short, the demand for e-commerce is not expected to slow and last mile delivery is more important than ever.

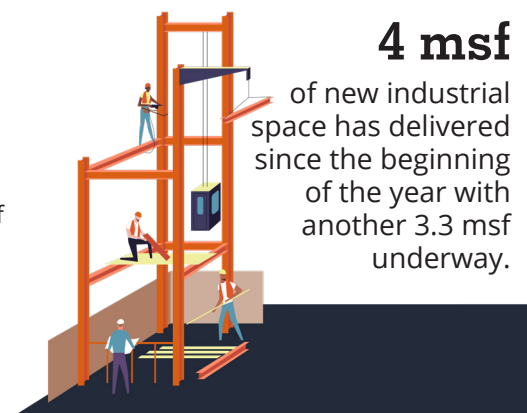
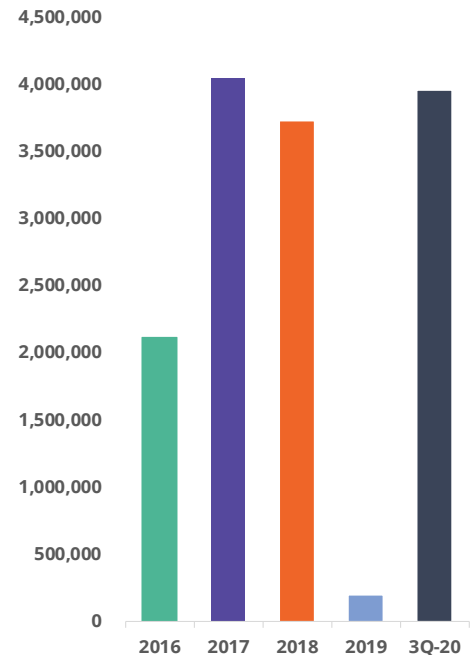
Investment activity picking up

Total investment volume for the trailing 12-month period ending September 2020 was -19.3% at \$625.2 million due in large part to lackluster investment activity during the second quarter, however the debt market is opening back up and interest in both industrial and multifamily investment is crowding out potential debt and equity investment in other sectors. The largest investment transaction during the third quarter was TA Realty's sale of Airport Commerce Center to Tampa-based Richland Investments for \$43 million, or \$131 per sf.

What's to come in 2021

Some of the fear that personified the beginning of the current pandemic is fading and is being replaced by a sense of optimism that this will in fact be a short, V-shaped recovery with a quicker return to strong fundamentals. As of the end of the third quarter, there are no significant headwinds that are expected to assail the industrial market heading into the new year, with continued strong demand expected through the end of the year.

Historical 5-Year Net Absorption Trend



117.7 MSF

Total industrial inventory in the Orlando market

3,961,887 SF

Direct Y-T-D net absorption as of 3Q-2020

5.77%

Overall Vacancy

\$6.21/SF/NNN






Average rental rate industrial space (excluding flex)

Market by the numbers

Orlando MSA										
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	41,200,178	\$5.40	2,103,504	363,043	94.89%	5.11%	0.88%	5.99%	716,229	2,741,651
Flex	14,056,759	\$11.32	971,252	9,642	93.09%	6.91%	0.07%	6.98%	0	(124,494)
Manufacturing	6,321,623	\$6.51	26,327	0	99.58%	0.42%	0.00%	0.42%	0	94,195
Warehouse / Distribution	56,175,356	\$6.73	3,265,597	49,950	94.19%	5.81%	0.09%	5.90%	2,593,444	1,250,535
Market Total	117,753,916	\$6.99	6,366,680	422,635	94.59%	5.41%	0.36%	5.77%	3,309,673	3,961,887
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	1,855,531	\$5.50	402,582	0	78.30%	21.70%	0.00%	21.70%	332,613	416,016
Flex	500,738	\$13.45	24,537	0	95.10%	4.90%	0.00%	4.90%	0	(15,262)
Manufacturing	1,126,395	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	4,219,545	\$6.14	207,766	3,745	95.08%	4.92%	0.09%	5.01%	0	126,855
Northwest Total	7,702,209	\$6.02	634,885	3,745	91.76%	8.24%	0.05%	8.29%	332,613	527,609
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	3,132,217	\$5.75	42,800	0	98.63%	1.37%	0.00%	1.37%	0	1,036,966
Flex	1,226,291	\$8.29	86,400	0	92.95%	7.05%	0.00%	7.05%	0	(9,929)
Manufacturing	1,167,132	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	11,322
Warehouse / Distribution	8,649,513	\$7.20	576,822	2,000	93.33%	6.67%	0.02%	6.69%	0	183,437
Silver Star Total	14,175,153	\$7.24	706,022	2,000	95.02%	4.98%	0.01%	4.99%	0	1,221,796
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	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	83,207
Flex	1,959,306	\$8.89	122,311	1,192	93.76%	6.24%	0.06%	6.30%	0	14,698
Manufacturing	1,673,031	\$6.06	20,327	0	98.79%	1.21%	0.00%	1.21%	0	88,873
Warehouse / Distribution	5,823,185	\$7.25	358,660	0	93.84%	6.16%	0.00%	6.04%	264,950	126,068
Longwood/Lake Mary/Sanford Total	10,705,972	\$7.60	501,298	1,192	95.32%	4.68%	0.01%	4.63%	264,950	312,846
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	\$7.89	109,625	0	91.15%	8.85%	0.00%	8.85%	0	(19,199)
Manufacturing	266,586	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,040,988	\$4.44	47,750	0	95.41%	4.59%	0.00%	4.59%	0	(28,700)
North Central Total	2,546,170	\$6.84	157,375	0	93.82%	6.18%	0.00%	6.18%	0	(47,899)
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	\$23.00	4,075	0	99.23%	0.77%	0.00%	0.77%	0	(4,075)
Manufacturing	375,472	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	3,211,715	\$5.91	216,798	0	93.25%	6.75%	0.00%	6.75%	100,000	(35,708)
Central Orlando Total	4,433,099	\$6.22	220,873	0	95.02%	4.98%	0.00%	4.98%	100,000	(39,783)
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	\$13.25	14,710	0	97.25%	2.75%	0.00%	2.75%	0	(4,000)
Manufacturing	1,349,220	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,617,018	\$9.50	68,023	0	95.79%	4.21%	0.00%	4.21%	0	(26,550)
Osceola County Total	4,805,812	\$10.17	82,733	0	98.31%	1.69%	0.00%	1.69%	0	(30,550)
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	613,694	\$10.28	27,703	0	95.49%	4.51%	0.00%	4.51%	0	(16,366)
Warehouse / Distribution	3,499,293	\$6.54	208,420	0	94.04%	5.96%	0.00%	5.96%	0	(10,595)
33rd Street Total	4,325,987	\$6.98	236,123	0	94.54%	5.46%	0.00%	5.46%	0	(26,961)
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	1,427,257	\$10.88	82,815	0	94.20%	5.80%	0.00%	5.80%	0	52,141
Manufacturing	363,787	\$8.00	6,000	0	98.35%	1.65%	0.00%	1.65%	0	(6,000)
Warehouse / Distribution	1,806,916	\$7.90	21,640	0	98.80%	1.20%	0.00%	1.20%	0	35,485
University/East Side Total	3,948,114	\$10.14	110,455	0	97.20%	2.80%	0.00%	2.80%	0	81,626
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	\$5.70	178,597	271,043	97.98%	2.02%	3.07%	5.09%	0	199,596
Flex	2,627,752	\$11.80	149,238	3,650	94.32%	5.68%	0.14%	5.82%	0	(71,674)
Warehouse / Distribution	4,466,818	\$3.84	158,534	0	96.45%	3.55%	0.00%	3.55%	743,398	326,862
Orlando Central Park Total	15,929,530	\$6.96	486,369	274,693	96.95%	3.05%	1.72%	4.78%	743,398	454,784
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	15,889,971	\$5.36	1,247,679	0	92.15%	7.85%	0.00%	7.85%	383,616	873,108
Flex	2,346,146	\$13.36	301,453	4,800	87.15%	12.85%	0.20%	13.05%	0	(53,470)
Warehouse / Distribution	17,899,126	\$6.89	1,366,912	7,284	92.36%	7.64%	0.04%	7.68%	1,485,096	481,501
Airport/Southeast Total	36,135,243	\$6.91	2,916,044	12,084	91.93%	8.07%	0.03%	8.10%	1,868,712	1,301,139
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	\$5.75	14,400	0	99.18%	0.82%	0.00%	0.82%	0	0
Flex	1,102,135	\$15.13	48,385	0	95.61%	4.39%	0.00%	4.39%	0	2,642
Warehouse / Distribution	3,536,157	\$8.83	15,800	36,921	99.55%	0.45%	1.04%	1.49%	0	90,352
Southwest Total	6,401,944	\$12.15	78,585	36,921	98.77%	1.23%	0.58%	1.80%	0	92,994
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	\$5.12	217,446	92,000	96.52%	3.48%	1.47%	4.96%	0	132,758
Warehouse / Distribution	405,082	\$6.75	18,472	0	95.44%	4.56%	0.00%	4.56%	0	(18,472)
Davenport Total	6,644,683	\$5.25	235,918	92,000	96.45%	3.55%	1.38%	4.94%	0	114,286

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.

Leading Indicators (Y-O-Y Q3-2019 to Q3-2020)

Market Inventory  117,753,916 SF	Vacancy Rate  5.77%	Net Absorption  3,961,887 SF	Construction Pipeline  3,309,673 SF	Average Asking Rate  \$6.99/SF NNN
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Significant Third Quarter 2020 Lease Transactions - Sorted by SF

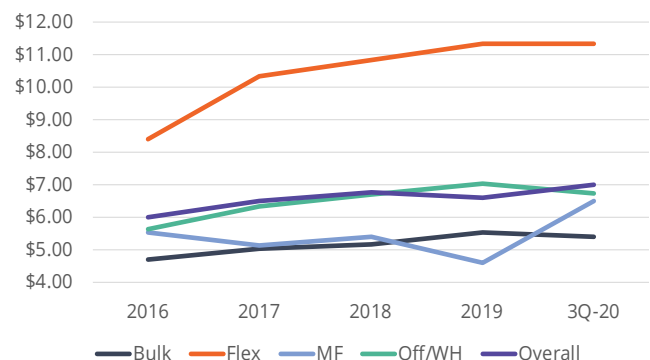
Tenant	Property	Type	SF	Submarket
UFI	10601 Southport Dr	292,000	New	Airport/Southeast
Pitney Bowes	2622 Consulate Dr	116,252	New	Orlando Central
Victory Tailgate	501 Gills Dr	52,800	Sublease	Airport/Southeast
Tropical Food	Crews Commerce Center	45,864	New	Airport/Southeast
UDT	2612 Consulate Dr	35,161	New	Orlando Central
Quality Furniture	Crews Commerce Center	32,050	New	Airport/Southeast
Custom Wholesale Floors	2729 Hansrob Rd	26,344	New	Silver Star
Richelieu Hardware	Princeton Oaks Commerce	23,502	New	Silver Star
Hydradyne	3450 Vineland Rd	22,992	New	Southwest
Urso Interior Trim Design	2430-2440 Smith St	22,100	New	Osceola County

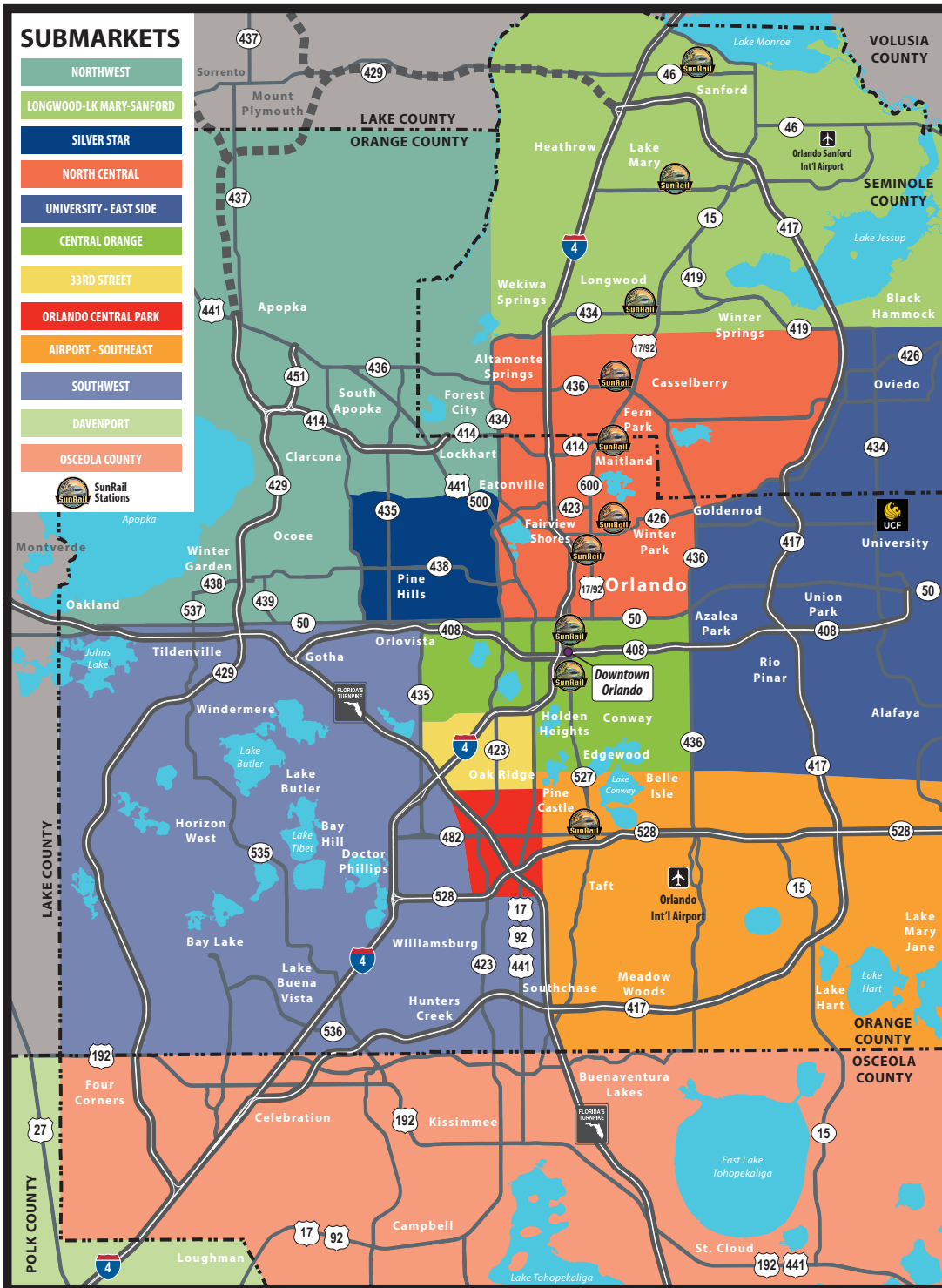
Significant Third Quarter 2020 Sales Transactions - Sorted by SF

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Airport Commerce Center	328,987	\$43,000,000	\$131	Richland Investments	Airport/Southeast
2452 Lake Emma Rd	565,927	\$30,000,000	\$53	ATCAP Partners	Longwood/Lake Mary/Sanford
Ganesh Industrial Park	197,836	\$22,150,000	\$112	Individual Investor	University/East Side
2110 S Division Ave	87,000	\$16,250,000	\$187	Cumberland International	Central Orlando
851 E Maple St	208,418	\$6,500,000	\$31	Ultimate Realty	Northwest

Industrial asking rents holding steady

There was a very minimal decline in asking rents over the preceding quarter of 0.4%, however rents in several well positioned and newly delivered properties reported increases. The market's average asking rent will likely improve by the end of the year as several properties are scheduled to deliver during the fourth quarter and leasing activity remains strong.





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