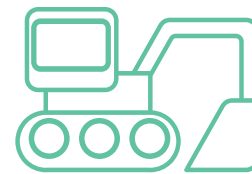


# Orlando

## Same Song, Second Verse: Industrial Market Fundamentals Remain Solid and Development Activity Continues to Accelerate

Heading into 2020, commercial real estate in Orlando is going to be affected by a combination of headwinds and tailwinds, however the industrial sector is expected to continue its stellar performance. Interest rates have moderated after the yield curve inversion during the third quarter and the pace of job growth in Orlando continues to outpace the rest of Florida. The trade war with China no longer dominates the headlines but the looming presidential election and escalating tensions in the Middle East may create some degree of volatility as the year progresses. The U.S. economy is entering its 11th year of expansion and 2020 is anticipated to be another strong year for commercial real estate as a whole, despite current geopolitical tensions. Investment activity is anticipated to remain strong as industrial remains a preferred asset class for investors due to strong demand, rental rate appreciation, and the ripple effects of an ever-expanding e-commerce sector.

Net absorption ended 2019 in positive territory after being in the red for a couple of quarters due to the impact of a 1 million sf industrial building landing back on the market after being vacated by Winn-Dixie. While overall rents (including manufacturing and flex space) are down 2.5% year-over-year, bulk distribution rents have increased by 6.5% and warehouse/distribution rents are up 5.1%. Industrial development continues at a brisk pace, particularly in the Airport/Southeast and Northwest submarkets and several additional new projects are being planned.



The feverish pace of industrial development refuses to abate with 3.4 million sf delivered during 2019 and another 4.1 million sf underway

### Industrial Market Snapshot

- Industrial investment activity was fairly tempered over the past year, with total industrial investment sales volume nearing \$334 million over the trailing 12-month period ending December 2019. There were no significant single-property or portfolio transactions during the fourth quarter, and the largest sale was the acquisition of 770 Gills in the Airport/Southeast submarket by First Industrial Realty Trust for \$6.3 million, or \$117 per sf.
- Once again, there is more new industrial space actively under construction than has been delivered so far this year, with key developers including McDonald Development Company, Seefried Properties, Prologis, Dalfen America, EastGroup, Foundry, Tavistock in partnership with McCraney Property Co., and Blue Scope Properties.
- Amazon was very active in the Orlando area during 2019, and there are signs that they will continue to expand their presence during 2020. Seefried Properties is currently underway on a 115,280-sf last-mile logistics and distribution warehouse for the company in central Orlando on South Orange Blossom Trail, in addition to preparing to break ground on another 1.4 million-sf warehouse just north of Orlando in Volusia County. Seefried is also planning 280,000 sf of industrial space on a 19.5-acre site just north of Lake Nona according to plans filed with the St. John's River Water Management District, although there are no reports to date that imply Amazon intends to occupy the space.
- Foundry Commercial is seeking permits to expand its Princeton Oaks industrial development in the Silver Star area, with three additional buildings planned for a total of 267,904 sf of warehouse/distribution space. This next phase of the 120-acre project could begin during the second quarter of 2020. The development is in close proximity to the Packing District, a historical area which is being repurposed as part of a \$480 million redevelopment project. Some of the industrial space there will be razed, and those displaced tenants will likely seek new space nearby.
- Another massive project is being planned on a 243-acre site in the Airport/Southeast area where Dalfen Industrial ("Dalfen") intends to develop a 2.8-million sf speculative industrial project. Situated inside the city limits of Orlando, the class A development will be able to accommodate larger users between 100,000 sf and 1.5 million sf, allowing it to compete with other large bulk facilities along the I-4 corridor in Davenport and Lakeland. The site is expected to attract the interest of e-commerce fulfillment users due to its proximity to Orlando's population of over 2.6 million.

**116.4 MSF**

Total industrial inventory in the Orlando market

**195,373 SF**

Direct Y-T-D net absorption as of 4Q-2019

**7.82%**

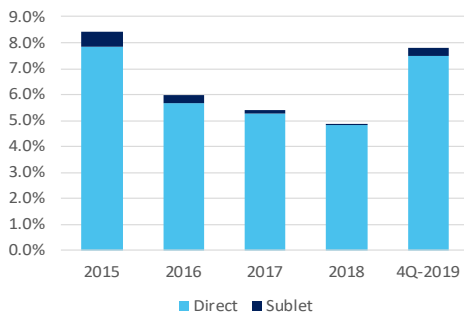
Overall Vacancy

**\$6.06/SF/NNN**

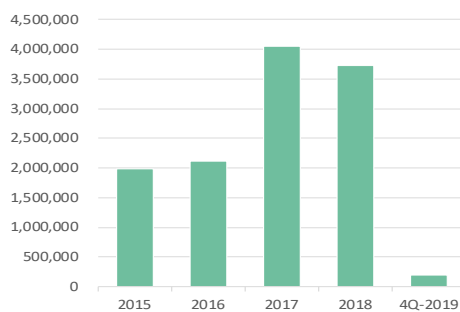
Average rental rate for industrial space (excluding flex)

## Statistical Snapshot

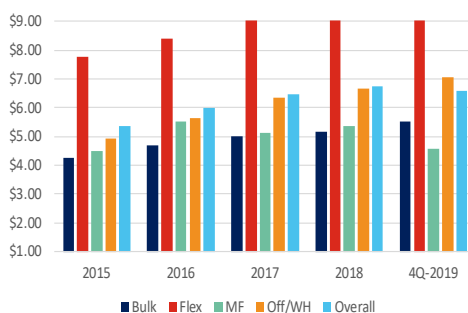
## Vacancy Rate



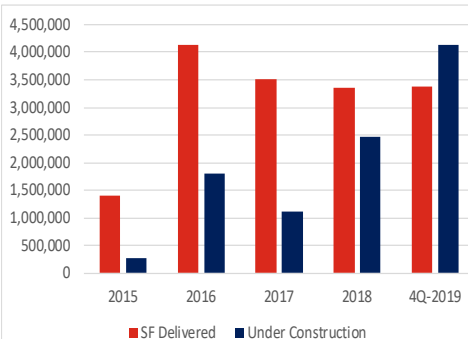
## YTD Net Absorption (SF)



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

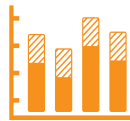


## Construction Pipeline



## 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.

The Orlando MSA led the nation in nonfarm employment growth for the 12 months ending June 2019 (+3.8%), followed by the Phoenix and Dallas metro areas.



**3.0%**  
NOV-2018  
**2.5%**  
NOV-2019  
change in Orlando's unemployment rate



**22 million**

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



## Development

**4.1 million**  
square feet currently under construction



**3 million sf**  
The size of a new 243-acre bulk distribution project Dalfen Industrial plans to build in southeast Orlando



**14%**  
OF ALL INDUSTRIAL SPACE IN ORLANDO

has been delivered in the last 5 years



Seefried Properties is underway on a 115,180-sf last-mile logistics and distribution warehouse for Amazon in Central Orlando

## Market Influencers



**\$334 million**  
in total industrial sales volume during the T-12 months ending 4Q19

**5.1%**

average rental rate increase for W/D space over the trailing 12-months ending 4Q-2019



**(82.7%)**  
Industrial portfolio volume during 2019 was down considerably over 2018



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	\$5.52	4,864,414	247,726	88.05%	11.95%	0.61%	12.55%	1,680,936	(568,287)
Flex	14,121,985	\$11.33	857,795	11,836	93.93%	6.07%	0.08%	6.16%	0	106,608
Manufacturing	6,565,835	\$4.58	120,522	0	98.16%	1.84%	0.00%	1.84%	0	(20,324)
Warehouse / Distribution	55,041,551	\$7.04	2,859,191	144,670	94.81%	5.19%	0.26%	5.46%	2,450,449	677,376
<b>Market Total</b>	<b>116,450,008</b>	<b>\$6.58</b>	<b>8,701,922</b>	<b>404,232</b>	<b>92.53%</b>	<b>7.47%</b>	<b>0.35%</b>	<b>7.82%</b>	<b>4,131,385</b>	<b>195,373</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	\$11.00	9,275	0	98.15%	1.85%	0.00%	1.85%	0	14,464
Manufacturing	1,126,395	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	4,219,545	\$6.85	334,621	13,108	92.07%	7.93%	0.31%	8.24%	0	158,147
<b>Northwest Total</b>	<b>7,322,209</b>	<b>\$7.04</b>	<b>782,494</b>	<b>13,108</b>	<b>89.31%</b>	<b>10.69%</b>	<b>0.18%</b>	<b>10.87%</b>	<b>1,036,500</b>	<b>286,231</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	\$8.25	87,508	0	93.20%	6.80%	0.00%	6.80%	0	(7,465)
Manufacturing	1,167,132	\$5.10	11,322	0	99.03%	0.97%	0.00%	0.97%	0	(22)
Warehouse / Distribution	8,513,858	\$7.47	426,343	10,000	94.99%	5.01%	0.12%	5.13%	363,916	71,983
<b>Silver Star Total</b>	<b>14,262,698</b>	<b>\$6.34</b>	<b>1,604,939</b>	<b>10,000</b>	<b>88.75%</b>	<b>11.25%</b>	<b>0.07%</b>	<b>11.32%</b>	<b>363,916</b>	<b>(972,470)</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	83,207	0	93.35%	6.65%	0.00%	6.65%	0	235,688
Flex	1,919,303	\$10.38	137,009	0	92.86%	7.14%	0.00%	7.14%	0	29,264
Manufacturing	1,673,031	\$4.53	109,200	0	93.47%	6.53%	0.00%	6.53%	0	(39,702)
Warehouse / Distribution	5,816,288	\$6.87	371,578	0	93.61%	6.39%	0.00%	6.09%	378,100	(55,367)
<b>Longwood/Lake Mary/Sanford Total</b>	<b>10,659,072</b>	<b>\$6.96</b>	<b>700,994</b>	<b>0</b>	<b>93.42%</b>	<b>6.58%</b>	<b>0.00%</b>	<b>6.41%</b>	<b>378,100</b>	<b>169,883</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	\$10.55	90,426	0	92.70%	7.30%	0.00%	7.30%	0	11,288
Manufacturing	306,586	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	19,400
Warehouse / Distribution	1,070,988	\$8.04	19,050	0	98.22%	1.78%	0.00%	1.78%	0	7,935
<b>North Central Total</b>	<b>2,616,170</b>	<b>\$10.11</b>	<b>109,476</b>	<b>0</b>	<b>95.82%</b>	<b>4.18%</b>	<b>0.00%</b>	<b>4.18%</b>	<b>0</b>	<b>38,623</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	\$7.74	190,105	0	94.20%	5.80%	0.00%	5.80%	130,000	(42,176)
<b>Central Orlando Total</b>	<b>4,633,331</b>	<b>\$7.74</b>	<b>190,105</b>	<b>0</b>	<b>95.90%</b>	<b>4.10%</b>	<b>0.00%</b>	<b>4.10%</b>	<b>130,000</b>	<b>(42,176)</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	\$11.31	10,710	0	97.80%	2.20%	0.00%	2.20%	0	3,238
Manufacturing	1,418,404	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,617,018	\$10.31	41,473	0	97.44%	2.56%	0.00%	2.56%	0	69,357
<b>Osceola County Total</b>	<b>4,874,996</b>	<b>\$10.51</b>	<b>52,183</b>	<b>0</b>	<b>98.93%</b>	<b>1.07%</b>	<b>0.00%</b>	<b>1.07%</b>	<b>0</b>	<b>72,595</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	\$10.06	11,337	0	98.15%	1.85%	0.00%	1.85%	0	4,656
Warehouse / Distribution	3,579,490	\$6.58	197,825	24,096	94.47%	5.53%	0.67%	6.20%	0	(159,722)
<b>33rd Street Total</b>	<b>4,406,164</b>	<b>\$6.77</b>	<b>209,162</b>	<b>24,096</b>	<b>95.25%</b>	<b>4.75%</b>	<b>0.55%</b>	<b>5.29%</b>	<b>0</b>	<b>(145,066)</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	\$10.31	134,956	0	90.71%	9.29%	0.00%	9.29%	0	(63,536)
Manufacturing	363,787	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,847,129	\$5.72	57,125	0	96.91%	3.09%	0.00%	3.09%	0	7,175
<b>University/East Side Total</b>	<b>4,013,352</b>	<b>\$8.94</b>	<b>192,081</b>	<b>0</b>	<b>95.21%</b>	<b>4.79%</b>	<b>0.00%</b>	<b>4.79%</b>	<b>0</b>	<b>(56,361)</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	\$5.42	378,193	47,160	95.72%	4.28%	0.53%	4.81%	0	72,186
Flex	2,627,752	\$11.90	77,564	0	97.05%	2.95%	0.00%	2.95%	0	1,409
Warehouse / Distribution	4,037,394	\$6.23	55,972	25,550	98.61%	1.39%	0.63%	2.02%	429,424	(52,260)
<b>Orlando Central Park Total</b>	<b>15,500,106</b>	<b>\$6.49</b>	<b>511,729</b>	<b>72,710</b>	<b>96.70%</b>	<b>3.30%</b>	<b>0.47%</b>	<b>3.77%</b>	<b>429,424</b>	<b>21,335</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	\$5.16	2,070,046	108,566	86.75%	13.25%	0.69%	13.94%	644,436	(125,990)
Flex	2,366,370	\$13.23	247,983	3,022	89.52%	10.48%	0.13%	10.61%	0	91,781
Warehouse / Distribution	17,036,460	\$6.92	1,058,947	21,537	93.78%	6.22%	0.13%	6.34%	1,149,009	582,958
<b>Airport/Southeast Total</b>	<b>35,030,060</b>	<b>\$6.30</b>	<b>3,376,976</b>	<b>133,125</b>	<b>90.36%</b>	<b>9.64%</b>	<b>0.38%</b>	<b>10.02%</b>	<b>1,793,445</b>	<b>548,749</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	\$13.41	51,027	8,814	95.37%	4.63%	0.80%	5.43%	0	21,509
Warehouse / Distribution	3,621,380	\$7.07	106,152	50,379	97.07%	2.93%	1.39%	4.32%	0	70,846
<b>Southwest Total</b>	<b>6,487,167</b>	<b>\$8.99</b>	<b>171,579</b>	<b>59,193</b>	<b>97.36%</b>	<b>2.64%</b>	<b>0.91%</b>	<b>3.56%</b>	<b>0</b>	<b>127,955</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	\$5.37	800,204	92,000	94.39%	5.61%	1.47%	7.09%	0	137,575
Warehouse / Distribution	405,082	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	18,500
<b>Davenport Total</b>	<b>6,644,683</b>	<b>\$5.37</b>	<b>800,204</b>	<b>92,000</b>	<b>94.73%</b>	<b>5.27%</b>	<b>1.38%</b>	<b>6.66%</b>	<b>0</b>	<b>156,075</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.

Net absorption ended the year in positive territory but would have been significantly higher were it not for a single 1+ million sf warehouse that hit the market earlier in the year that was vacated by Winn-Dixie.

### Leading Indicators (Y-O-Y 4Q-2018 to 4Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (NNN)	Under Construction	Total Employment
7.82%	195,373 SF	\$6.58/SF	4,131,385 SF	1.35 MM

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

Tenant	Property	Type	SF	Submarket
The Coca Cola Company	General Electric Dr	380,000	New	Northwest
Alliance Building Material Supply	2452 Lake Emma Dr	149,016	New	Longwood/Lake Mary/Sanford
Confidential Tenant	8643 Transport Dr	70,830	New	Airport/Southeast
RumbleOn	631 E Crown Point Rd	65,012	New	Northwest
SRS	7600 S Orange Ave	33,000	New	Airport/Southeast
Temperatursure LLC	7414 Kingspointe Pky	22,000	New	Southwest
Best Electric, Air Conditioning & Plumbing, LLC	6802 Stapoint Dr	21,830	New	University/East Side
Audio Visual Innovations*	North Lake Business Center	16,824	Renewal	North Central
TSC Construction	West Park X	13,132	New	33rd Street

\* Avison Young handled this transaction

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

Property	SF	Sale Price	Price/SF	Buyer	Submarket
770 Gills Dr	54,000	\$6,300,000	\$117	First Industrial Realty Trust	Airport/Southeast
125 Technology Pky	36,401	\$5,150,000	\$141	125 Technology Park LLC	Longwood/Lake Mary/Sanford
2441 Viscount Row	58,054	\$4,500,000	\$78	The Awning Factory	Orlando Central Park
30 Skyline Dr	39,300	\$3,825,000	\$97	JST Real Estate LLC	Longwood/Lake Mary/Sanford
7460 Chancellor Dr	50,000	\$3,900,000	\$78	Legacy Chancellor LLC	Orlando Central Park

### Prologis is Acquiring Liberty Property Trust in Massive \$12.6 Billion Deal

2019 was a year of major entity-level acquisitions, most recently New York-based Blackstone Real Estate Income Trust, Inc.'s \$5.3 billion purchase of Global Logistics Properties' 64 million-sf portfolio, so it is fitting that the final quarter of the year brought another massive transaction. Prologis, Inc. announced in October that it was under contract to acquire Liberty Property Trust in an all-cash transaction valued at \$12.6 billion. Upon deal closing, Prologis will add 107 million sf of quality logistics inventory to its 797 million sf portfolio of office, warehouse and logistics assets, expanding its footprint in 87 markets across the country. At the time of the announcement, Liberty had 5.1 million sf under construction with approximately 1,700 additional acres that could be developed as industrial product in the future, in addition to having a substantial presence in the South Florida, Tampa, Orlando and Jacksonville markets. Prologis plans to divest itself of Liberty's 4.9 million sf of existing office assets following the deal's closing, in keeping with Liberty's earlier plan to do so in order to focus on the industrial sector.





**Lisa McNatt**  
Director of Research  
813.444.0606  
lisa.mcnatt@avisonyoung.com

## Orlando Industrial Leader

Lisa Bailey, SIOR  
Principal  
407.440.6645  
lisa.bailey@avisonyoung.com