

# Orlando

## Net absorption of industrial space in Orlando during 2020 outpaced the previous 5-year high by 26%

The industrial sector prospered in Orlando during 2020 due in large part to the continued steady flow of goods through its distribution corridors, even as the COVID-19 pandemic tested every link in the global supply chain. Robust leasing, strong net absorption and the steady delivery of new industrial space endured throughout 2020 and is expected to continue into 2021.

During the trailing 12-month period ending with December 2020, the overall vacancy rate declined notably by 285 basis points, with the largest drop in vacancy reported in the Airport/Southeast and Longwood/Lake Mary/Sanford submarkets, down 43.7% and 44.7% respectively. Leasing velocity was brisk during the fourth quarter, with six key transactions in excess of 100,000 sf. Significant deals were signed by companies within the areas of healthcare, distribution and logistics with the largest deals occurring in the primary Airport/Southeast, Silver Star, Davenport and Orlando Central Park submarkets.

### Cold storage space in heavy demand

Demand for cold storage space had already been on the rise in Florida but was quickly accelerated during the pandemic alongside a sharp increase in online grocery deliveries, as evidenced earlier this year when Amazon leased a former Winn-Dixie refrigerated/cold storage facility in the Silver Star area in excess of 1 million sf. This past year's logistics challenges also highlighted weaknesses in

the food supply chain, creating demand-side pressure for additional temperature-controlled warehouse facilities, which cost significantly more to construct than dry storage buildings. As consumer behavior was somewhat altered over the past year, particularly in regard to shopping for food goods online, the eventual construction of new refrigerated facilities is expected.

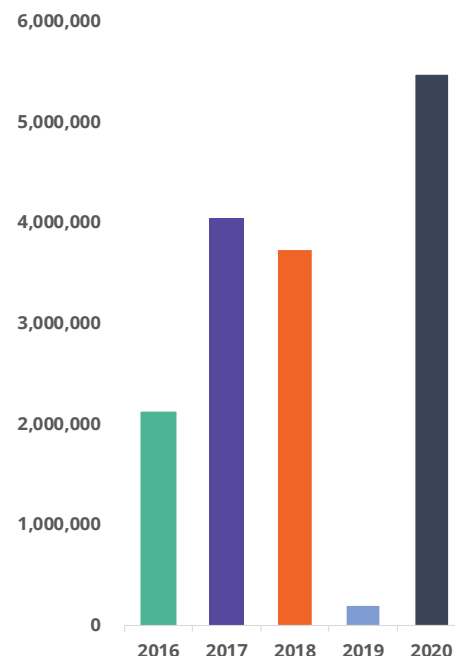
### Investment activity picking up

Total investment volume for the trailing 12-month period ending December 2020 was -34.3% at \$618.5 million due in large part to lackluster investment activity during the second quarter, however there were several notable sales during the fourth quarter. The largest transaction during that time was Realty Income Corporation's purchase of the recently completed Coca-Cola building in Mid-Florida Logistics Park. The 289,839-sf property sold for \$71.4 million, an impressive \$247 per sf. Dalfen Industrial and TA Realty were also active investors during the fourth quarter.

### Industrial sector changes to expect in 2021

Manufacturers and developers have learned the importance of supply chain diversification to limit the impact of disruption. Moving forward, there will be a stronger shift in nearshoring, and a transition of 'just-in-time' to 'just-in-case'. Transportation and logistics companies will also be seeking better ways to drive optimization and efficiency within the supply chain.

### Historical 5-Year Net Absorption Trend



## 2.8 msf

of new industrial space is underway with several new projects announced as of year-end



## 118.1 MSF

Total industrial inventory in the Orlando market

## 5,472,747 SF

Direct Y-T-D net absorption as of 4Q-2020

## 5.17%

Overall Vacancy

## \$6.55/SF/NNN






Average rental rate industrial space (excluding flex)

## Market by the numbers

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	41,451,502	\$5.43	1,910,792	368,355	95.39%	4.61%	0.89%	5.50%	678,403	3,634,767
Flex	14,056,759	\$12.97	945,481	45,558	93.27%	6.73%	0.32%	7.05%	0	(98,723)
Manufacturing	6,321,623	\$9.05	31,656	0	99.50%	0.50%	0.00%	0.50%	0	88,866
Warehouse / Distribution	56,276,448	\$7.32	2,693,279	113,125	95.21%	4.79%	0.20%	4.99%	2,178,723	1,847,837
<b>Market Total</b>	<b>118,106,332</b>	<b>\$7.64</b>	<b>5,581,208</b>	<b>527,038</b>	<b>95.27%</b>	<b>4.73%</b>	<b>0.45%</b>	<b>5.17%</b>	<b>2,857,126</b>	<b>5,472,747</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	2,105,935	\$5.50	402,582	0	80.88%	19.12%	0.00%	19.12%	0	666,420
Flex	500,738	\$12.30	32,623	3,000	93.49%	6.51%	0.60%	7.11%	0	(23,348)
Manufacturing	1,126,395	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	4,219,545	\$6.07	272,120	3,745	93.55%	6.45%	0.09%	6.54%	0	62,501
<b>Northwest Total</b>	<b>7,952,613</b>	<b>\$6.03</b>	<b>707,325</b>	<b>6,745</b>	<b>91.11%</b>	<b>8.89%</b>	<b>0.08%</b>	<b>8.98%</b>	<b>0</b>	<b>705,573</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	3,132,217	\$5.75	42,800	20,951	98.63%	1.37%	0.67%	2.04%	0	1,036,966
Flex	1,226,291	\$8.18	86,973	0	92.91%	7.09%	0.00%	7.09%	0	(10,502)
Manufacturing	1,167,132	\$8.00	5,600	0	99.52%	0.48%	0.00%	0.48%	0	5,722
Warehouse / Distribution	8,702,013	\$7.34	513,383	22,700	94.10%	5.90%	0.26%	6.16%	0	246,876
<b>Silver Star Total</b>	<b>14,227,653</b>	<b>\$7.35</b>	<b>648,756</b>	<b>43,651</b>	<b>95.44%</b>	<b>4.56%</b>	<b>0.31%</b>	<b>4.87%</b>	<b>0</b>	<b>1,279,062</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	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	83,207
Flex	1,959,306	\$10.54	121,029	1,192	93.82%	6.18%	0.06%	6.24%	0	15,980
Manufacturing	1,673,031	\$10.60	11,956	0	99.29%	0.71%	0.00%	0.71%	0	97,244
Warehouse / Distribution	5,898,385	\$7.25	343,160	0	94.18%	5.82%	0.00%	5.82%	202,250	216,768
<b>Longwood/Lake Mary/Sanford Total</b>	<b>10,781,172</b>	<b>\$8.17</b>	<b>476,145</b>	<b>1,192</b>	<b>95.58%</b>	<b>4.42%</b>	<b>0.01%</b>	<b>4.43%</b>	<b>202,250</b>	<b>413,199</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	\$10.58	81,964	0	93.38%	6.62%	0.00%	6.62%	0	8,462
Manufacturing	266,586	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	0
Warehouse / Distribution	1,040,988	\$9.16	15,400	0	98.52%	1.48%	0.00%	1.48%	0	3,650
<b>North Central Total</b>	<b>2,546,170</b>	<b>\$10.35</b>	<b>97,364</b>	<b>0</b>	<b>96.18%</b>	<b>3.82%</b>	<b>0.00%</b>	<b>3.82%</b>	<b>0</b>	<b>12,112</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	\$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	3,326,995	\$7.49	162,164	0	95.13%	4.87%	0.00%	4.87%	0	18,926
<b>Central Orlando Total</b>	<b>4,548,379</b>	<b>\$7.87</b>	<b>166,239</b>	<b>0</b>	<b>96.35%</b>	<b>3.65%</b>	<b>0.00%</b>	<b>3.65%</b>	<b>0</b>	<b>14,851</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	\$8.54	10,120	0	97.92%	2.08%	0.00%	2.08%	0	590
Manufacturing	1,349,220	\$8.25	8,100	0	99.40%	0.60%	0.00%	0.60%	0	(8,100)
Warehouse / Distribution	1,617,018	\$8.09	43,023	0	97.34%	2.66%	0.00%	2.66%	0	(1,550)
<b>Osceola County Total</b>	<b>4,805,812</b>	<b>\$8.19</b>	<b>61,243</b>	<b>0</b>	<b>98.73%</b>	<b>1.27%</b>	<b>0.00%</b>	<b>1.27%</b>	<b>0</b>	<b>(9,060)</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	613,694	\$10.38	30,111	0	95.09%	4.91%	0.00%	4.91%	0	(18,774)
Warehouse / Distribution	3,499,293	\$7.28	143,601	0	95.90%	4.10%	0.00%	4.10%	0	54,224
<b>33rd Street Total</b>	<b>4,325,987</b>	<b>\$7.82</b>	<b>173,712</b>	<b>0</b>	<b>95.98%</b>	<b>4.02%</b>	<b>0.00%</b>	<b>4.02%</b>	<b>0</b>	<b>35,450</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	1,427,257	\$22.52	89,914	0	93.70%	6.30%	0.00%	6.30%	0	45,042
Manufacturing	363,787	\$8.00	6,000	0	98.35%	1.65%	0.00%	1.65%	0	(6,000)
Warehouse / Distribution	1,806,916	\$8.68	15,080	0	99.17%	0.83%	0.00%	0.83%	0	42,045
<b>University/East Side Total</b>	<b>3,948,114</b>	<b>\$19.86</b>	<b>110,994</b>	<b>0</b>	<b>97.19%</b>	<b>2.81%</b>	<b>0.00%</b>	<b>2.81%</b>	<b>0</b>	<b>81,087</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	8,835,880	\$5.85	272,991	255,404	96.91%	3.09%	2.89%	5.98%	294,787	105,202
Flex	2,627,752	\$12.03	137,489	41,366	94.77%	5.23%	1.57%	6.81%	0	(59,925)
Warehouse / Distribution	4,466,818	\$7.03	129,494	0	97.10%	2.90%	0.00%	2.90%	349,717	355,902
<b>Orlando Central Park Total</b>	<b>15,930,450</b>	<b>\$7.71</b>	<b>539,974</b>	<b>296,770</b>	<b>96.61%</b>	<b>3.39%</b>	<b>1.86%</b>	<b>5.25%</b>	<b>644,504</b>	<b>401,179</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	15,889,971	\$5.29	1,126,058	0	92.91%	7.09%	0.00%	7.09%	383,616	994,729
Flex	2,346,146	\$13.58	304,773	0	87.01%	12.99%	0.00%	12.99%	0	(56,790)
Warehouse / Distribution	17,757,238	\$7.58	1,027,982	49,759	94.21%	5.79%	0.28%	6.07%	1,626,756	751,743
<b>Airport/Southeast Total</b>	<b>35,993,355</b>	<b>\$7.27</b>	<b>2,458,813</b>	<b>49,759</b>	<b>93.17%</b>	<b>6.83%</b>	<b>0.14%</b>	<b>6.97%</b>	<b>2010372</b>	<b>1,689,682</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	\$0.00	0	0	100.00%	0.00%	0.00%	0.00%	0	14,400
Flex	1,102,135	\$14.95	46,410	0	95.79%	4.21%	0.00%	4.21%	0	4,617
Warehouse / Distribution	3,536,157	\$9.74	9,400	36,921	99.73%	0.27%	1.04%	1.31%	0	96,752
<b>Southwest Total</b>	<b>6,401,944</b>	<b>\$14.08</b>	<b>55,810</b>	<b>36,921</b>	<b>99.13%</b>	<b>0.87%</b>	<b>0.58%</b>	<b>1.45%</b>	<b>0</b>	<b>115,769</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	\$5.50	66,361	92,000	98.94%	1.06%	1.47%	2.54%	0	733,843
Warehouse / Distribution	405,082	\$6.75	18,472	0	95.44%	4.56%	0.00%	4.56%	0	0
<b>Davenport Total</b>	<b>6,644,683</b>	<b>\$5.77</b>	<b>84,833</b>	<b>92,000</b>	<b>98.72%</b>	<b>1.28%</b>	<b>1.38%</b>	<b>2.66%</b>	<b>0</b>	<b>733,843</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.

## Leading Indicators (Y-O-Y Q4-2019 to Q4-2020)

<b>Market Inventory</b>  118,106,332 SF	<b>Vacancy Rate</b>  5.17%	<b>Net Absorption</b>  5,472,747 SF	<b>Construction Pipeline</b>  2,857,126 SF	<b>Average Asking Rate</b>  \$7.64/SF NNN
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## Significant Fourth Quarter 2020 Lease Transactions - Sorted by SF

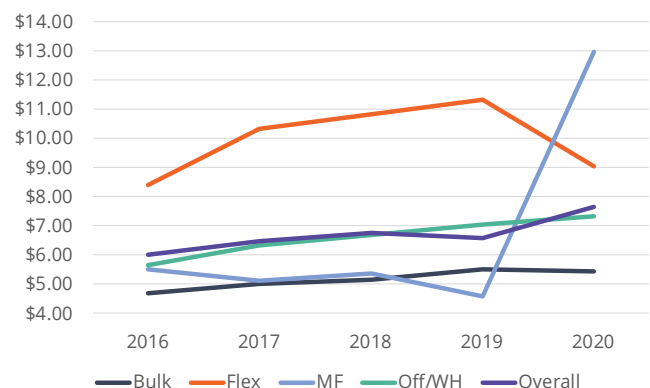
Tenant	Property	Type	SF	Submarket
Humana Pharmacy	Prologis Park at AIPO	New	162,656	Airport/Southeast
Rhino Tire USA	11423 Satellite Dr	New	120,000	Airport/Southeast
Christy Distribution	Center of Commerce Bldg. 100	New	113,115	Silver Star
Pathmark Transport	Four Corners Business Park	New	105,577	Davenport
Sherwin-Williams	Four Corners Business Park	New	105,065	Davenport
Skyline Cabinetry	2001 Directors Row	New	102,430	Orlando Central
Zenith Freight Lines	Prologis Park at AIPO	New	36,068	Airport/Southeast
Asurion	McLeod Business Park West	New	33,600	33rd Street

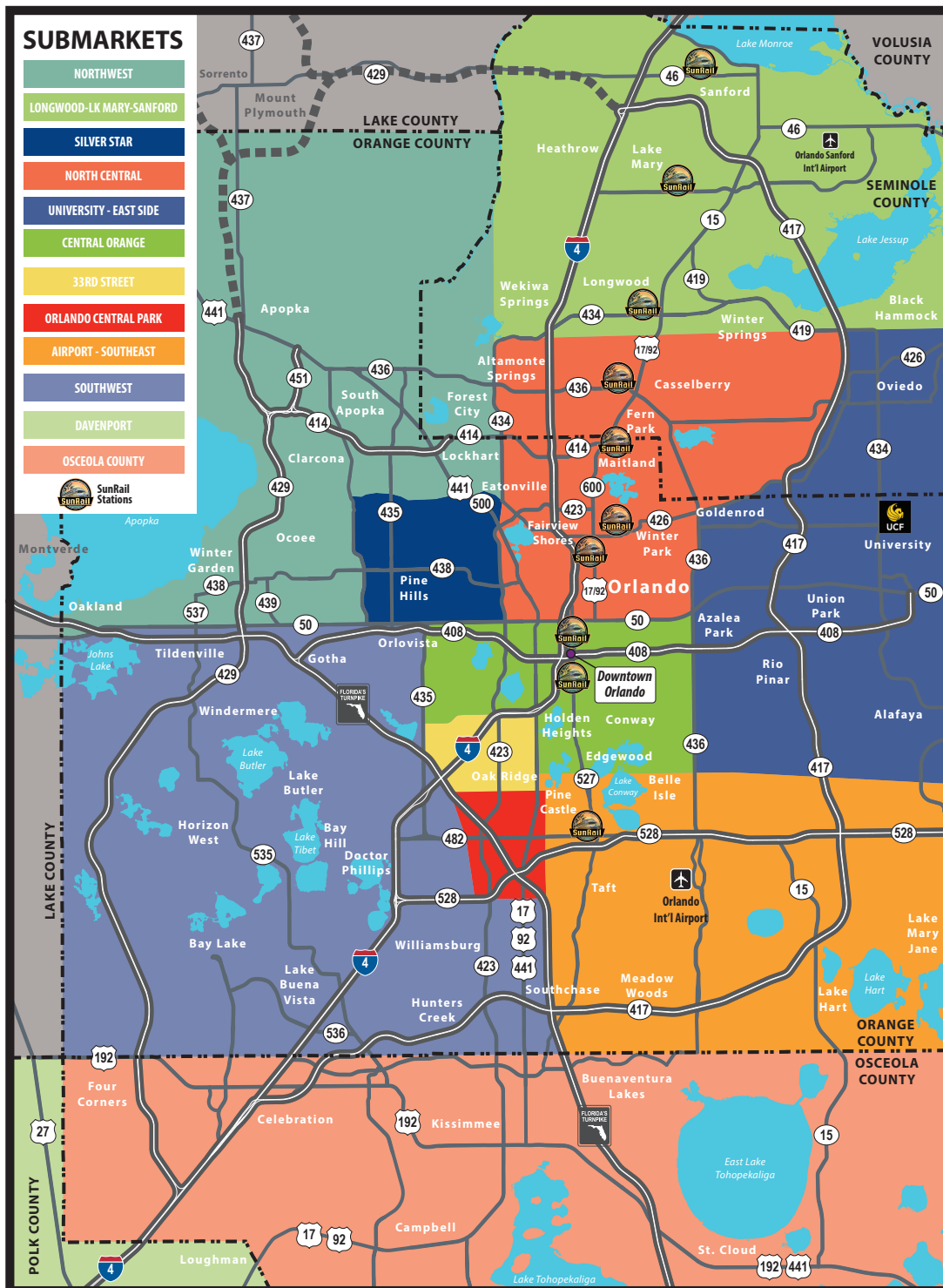
## Significant Fourth Quarter 2020 Sales Transactions - Sorted by Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Mid-Florida Logistics Park (Coca-Cola)	289,839	\$71,450,000	\$247	Realty Income Corporation	Northwest
7500 Amsterdam Dr	316,071	\$21,500,000	\$68	Correct Craft, Inc.	Airport/Southeast
Sanford Logistics Center	113,150	\$14,100,000	\$125	Dalfen Industrial	Longwood/Lake Mary/Sanford
10425 S Orange Ave	130,400	\$11,500,000	\$88	TA Realty	Airport/Southeast

## Industrial asking rents record strong year-over-year gains

There was an uptick in asking rents over the trailing 12-month period of 13.9%, led by strong rent growth in flex and manufacturing buildings. Rents also grew notably by 8.5% since the close of the third quarter, fueled by strong leasing and fast-paced net absorption gains during 2020.





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