



AVISON
YOUNG

Orlando market fundamentals

FLORIDA INDUSTRIAL MARKET REPORT
Q3 2021

Key industrial takeaways



Economic conditions

- The unemployment rate in Orlando as of August 2021 was **5.0%**, down an impressive 1760 basis points from the height of pandemic unemployment in May 2020. The biggest gain in industrial jobs has been within the transportation, trade and utilities sector, which is up 5.0% year-to-date.
- The steady rise in e-commerce activity combined with labor shortages and pandemic-induced disruptions to the global supply chain are creating backlogs at several key U.S. ports. As a result, Florida's governor and the state's port leaders are making an active pitch to companies to send their cargo to Florida.



Recovery rate

- As of August 2021, the state of Florida had recovered 974,000 jobs, equivalent to **77%** of all job losses incurred due to the pandemic.
- The Biden administration's intention to begin allowing foreign nationals to travel from Europe, China, Brazil, and India as of this November will help propel the Orlando economy as the influx of travelers will serve to boost the still-recovering tourism and hospitality sector.



Industrial demand

- Leasing activity is at **81.6%** of all volume recorded in 2020 and is expected to grow through the end of the year.
- Three separate leases for distribution space in Orlando resulted in nearly 800,000 sf of leasing activity during Q3, with FedEx, LKQ Corp. and Imperial Dade signing large deals in the Northwest Orlando and Orlando Central Park submarkets. Earlier in 2021, FedEx signed a massive 433,434-sf lease in Building 800 in Orlando Central Park's Infinity Park, which is due for delivery during Q4. That deal remains the largest transaction year-to-date.

Key industrial takeaways



Industrial supply

- As of the end of Q3 2021, there were 24 industrial buildings under construction across Orlando, accounting for **3.5 million sf**.
- Exeter Property Group is working to obtain city planning commission approval for its proposed four-building **1.2 million-sf** industrial development situated on a 91-acre site in Northwest Orlando. The project, named Orlando-Apopka Commerce Center, is one of the largest industrial projects planned in Central Florida. The first phase will consist of two distribution buildings totaling 829,400 sf.



Pricing trends

- Base rents have increased by **11.0%** since the start of the pandemic and have continued a steady upward trajectory since 2012.
- Strong leasing and development activity in key areas, primarily within the Airport/Southeast, Orlando Central Park and Northwest Orlando submarkets, is keeping upward pressure on rents and ensuring landlords remain firmly in the driver's seat while industrial market fundamentals remain solid.



Capital markets

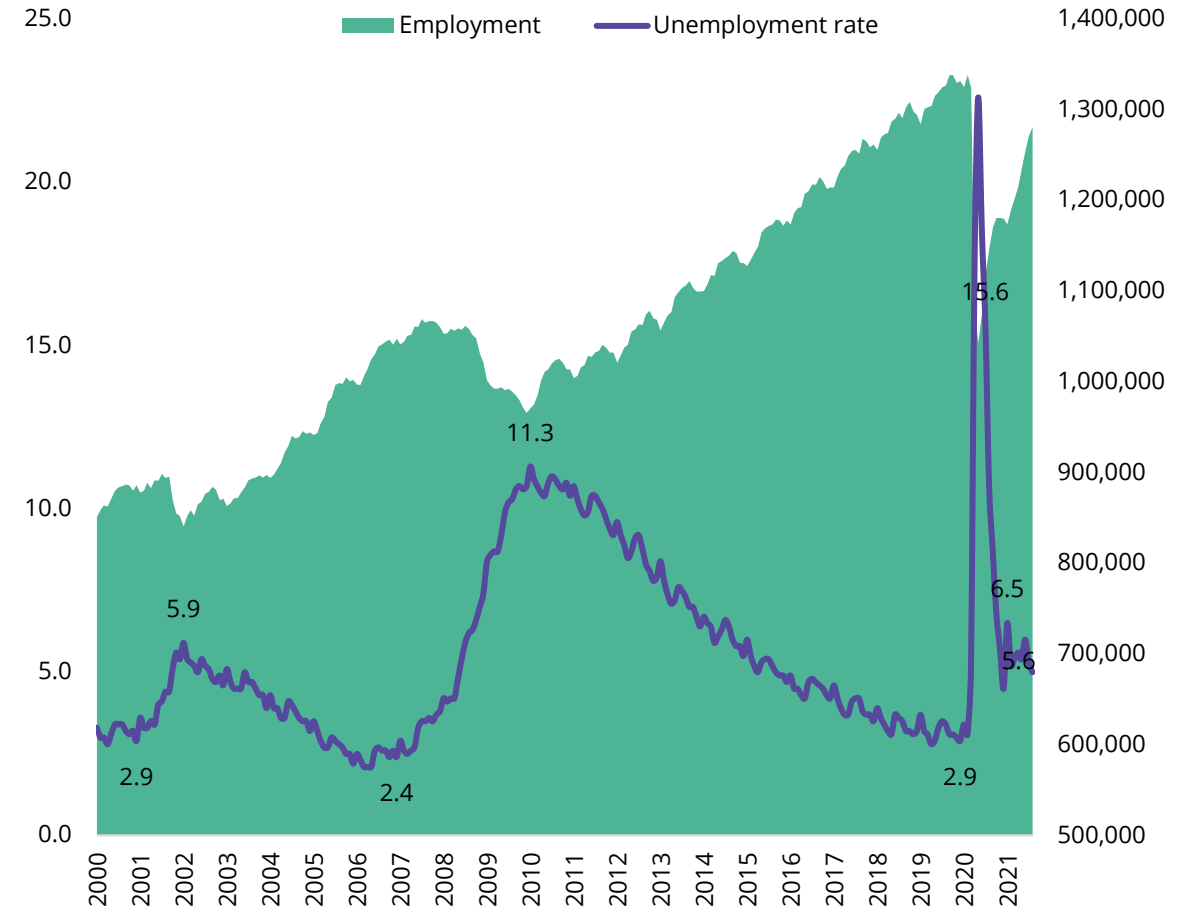
- Industrial investment activity has been heated in Orlando, with a total transaction volume of **\$0.6B** for the year-to-date.
- During Q3 2021, New York-based KKR & Co Inc. purchased two newly delivered and 100% vacant distribution buildings in Orlando Central Park's OCP Logistics Center for **\$51.6 million**, or approximately \$127 per sf. The deal is indicative of just how heated the Orlando industrial investment market has become.

Employment and unemployment rate

5.0%

Orlando unemployment rate as of August 2021

Historically tightened labor market conditions were halted by the pandemic with over 295,000 job losses between February and May 2020. However, reopening efforts have enabled the economy to add over 238,000 jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Industrial job gains and losses

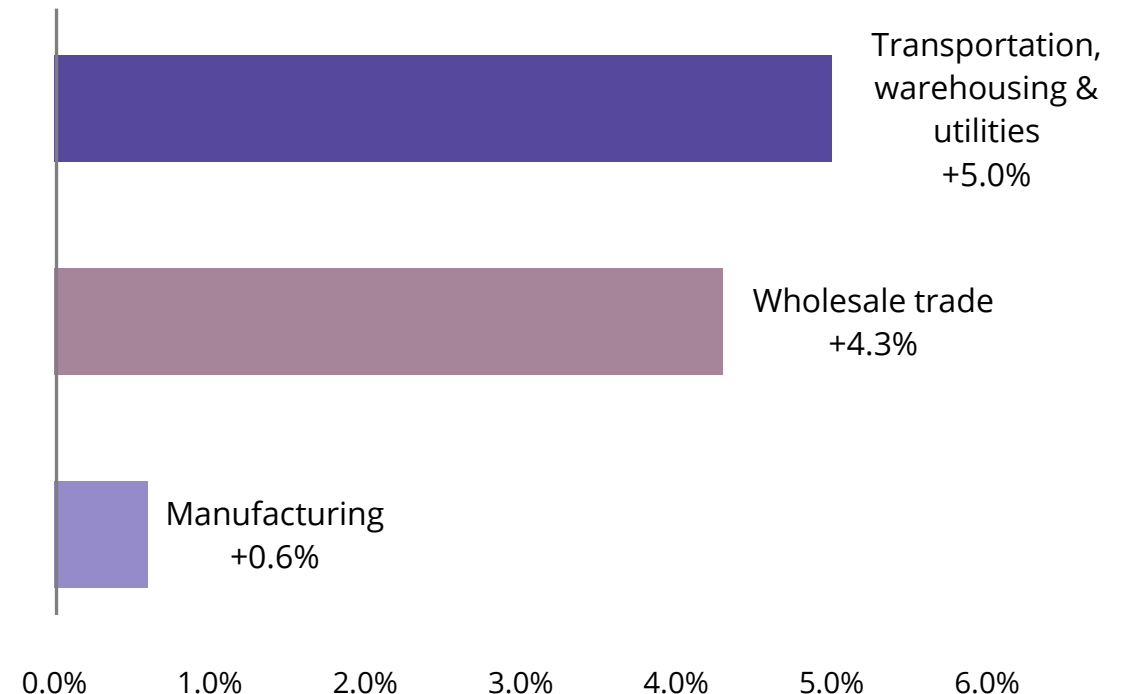
+3.2%

Change in industrial employment from July 2020 to July 2021

The Orlando metro area has experienced job additions totaling 3.2% in the last year, especially in the critical areas of transportation and logistics. These job gains have remained steady this year, with the transportation, warehousing and utilities sector up 5.0% year-to-date.

Total change in Orlando MSA* job gains/(losses)

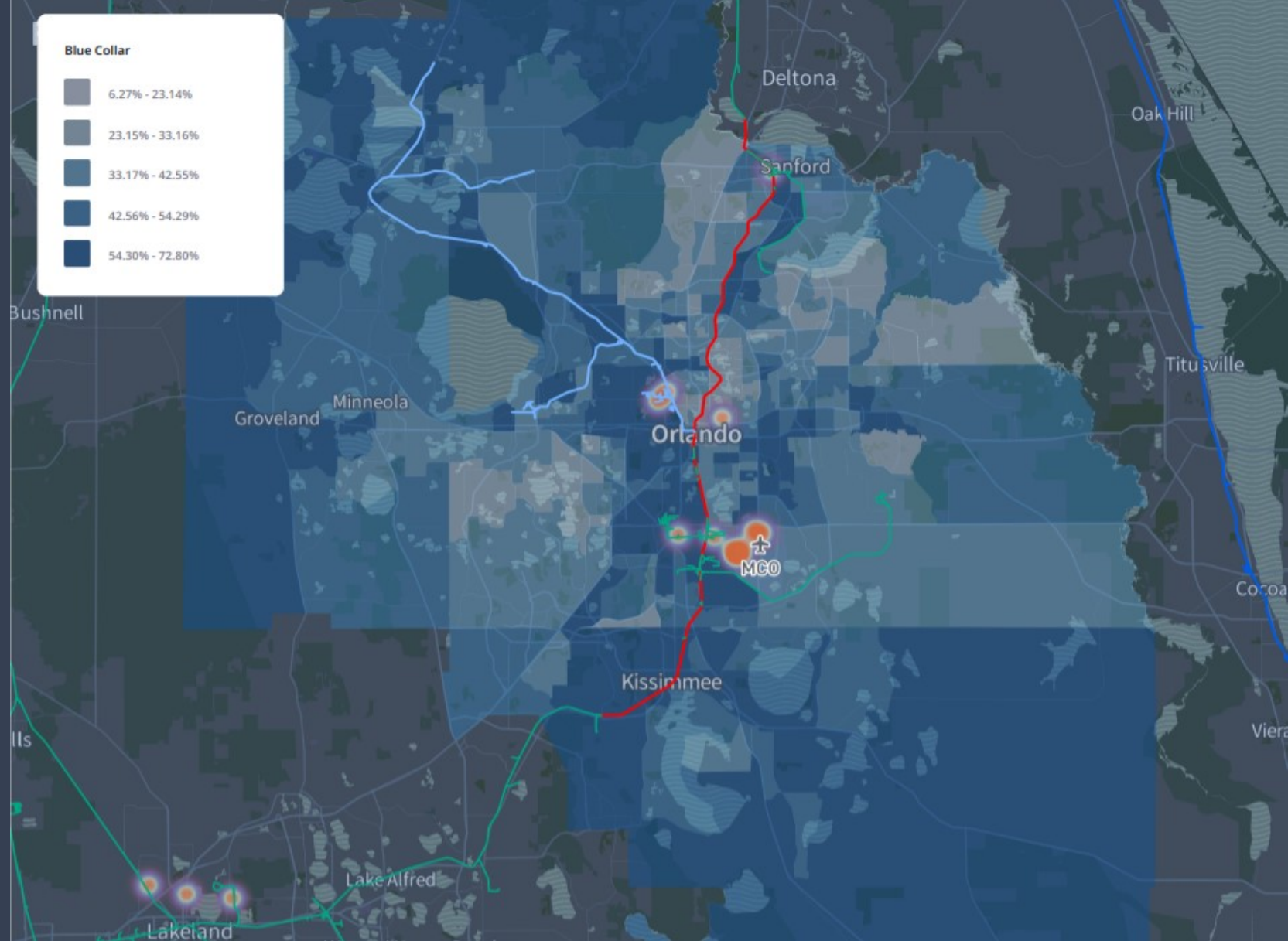
July 2020 to July 2021



Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Freight rail & intermodal facilities

Source: AVANT by Avison Young, ESRI
Intermodal facilities are clustered around seaport submarkets and major throughout corridors, with Class I rail lines providing connectivity throughout the country

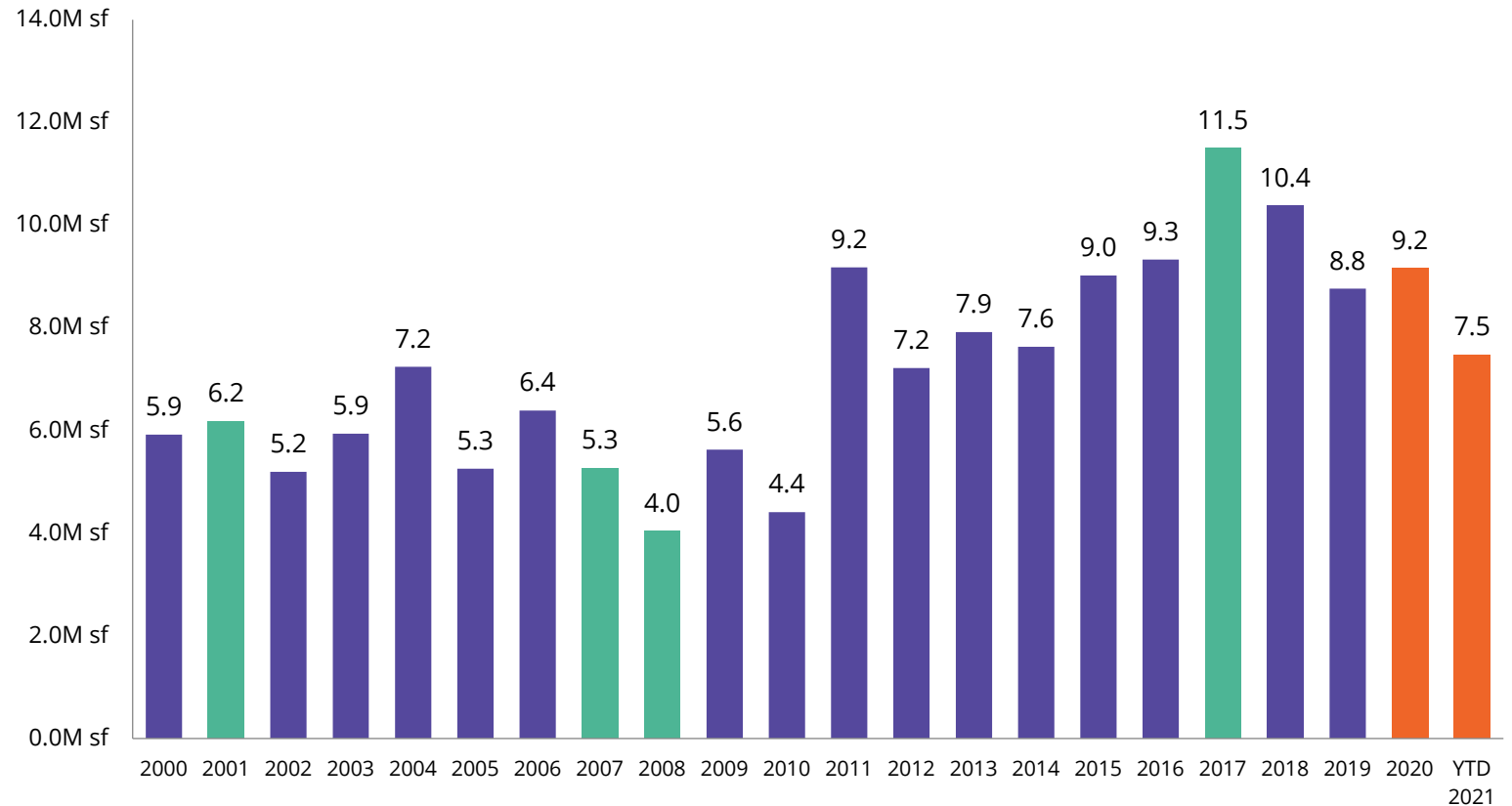


Industrial leasing activity

81.6%

Year-to-date 2021 leasing activity compared to YE-2020

Leasing activity has been strong through Q3 2021, following on the heels of 10 straight years of strong leasing that collectively averaged over 9 million sf per year.



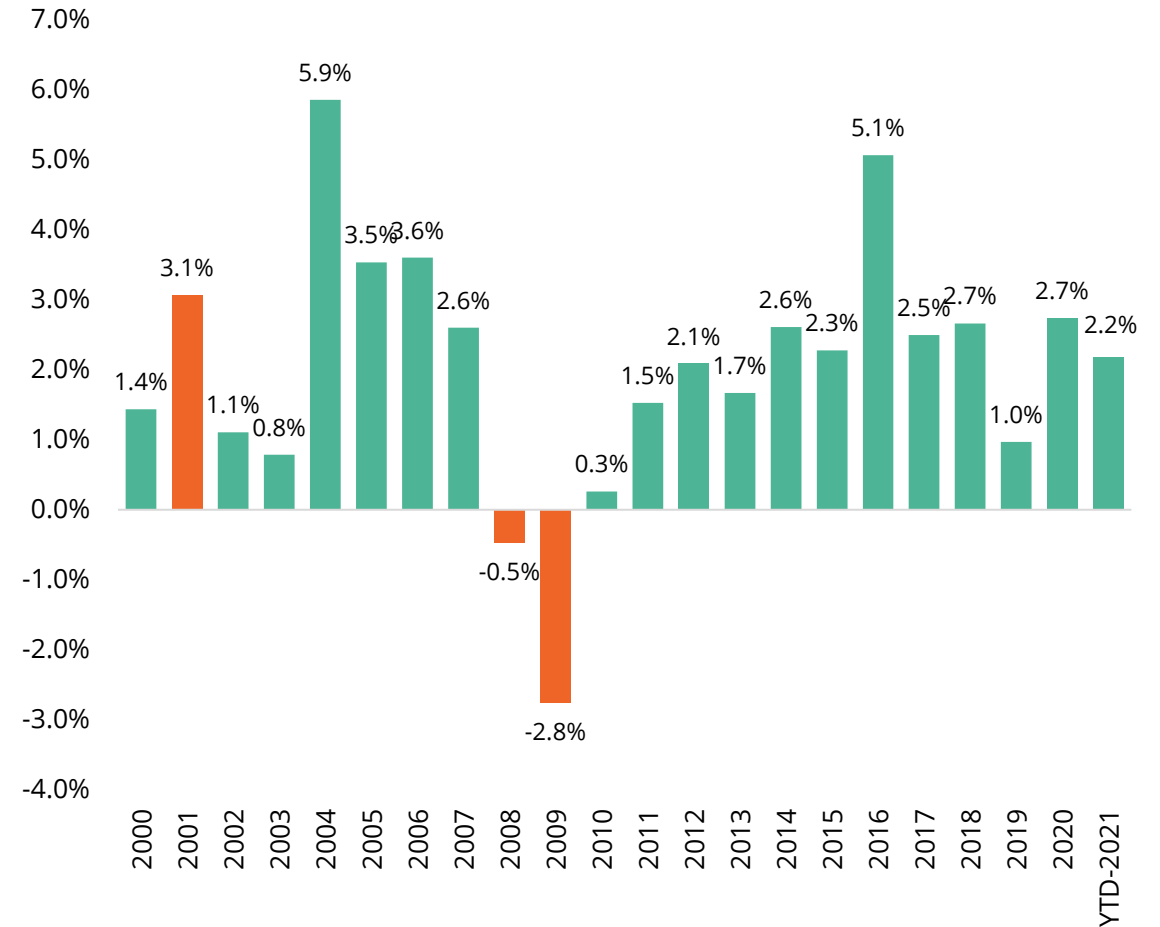
Note: Green represents recession years.
Source: CoStar

Industrial net absorption

2.2%

Net absorption as a percentage of inventory, through Q3 2021

Absorption through the third quarter remains healthy and has already eclipsed the total net absorption recorded in 2019. Totaling 3.1 million sf for the year-to-date net absorption has been strong and remains on track to likely surpass 2020's year-end net absorption.



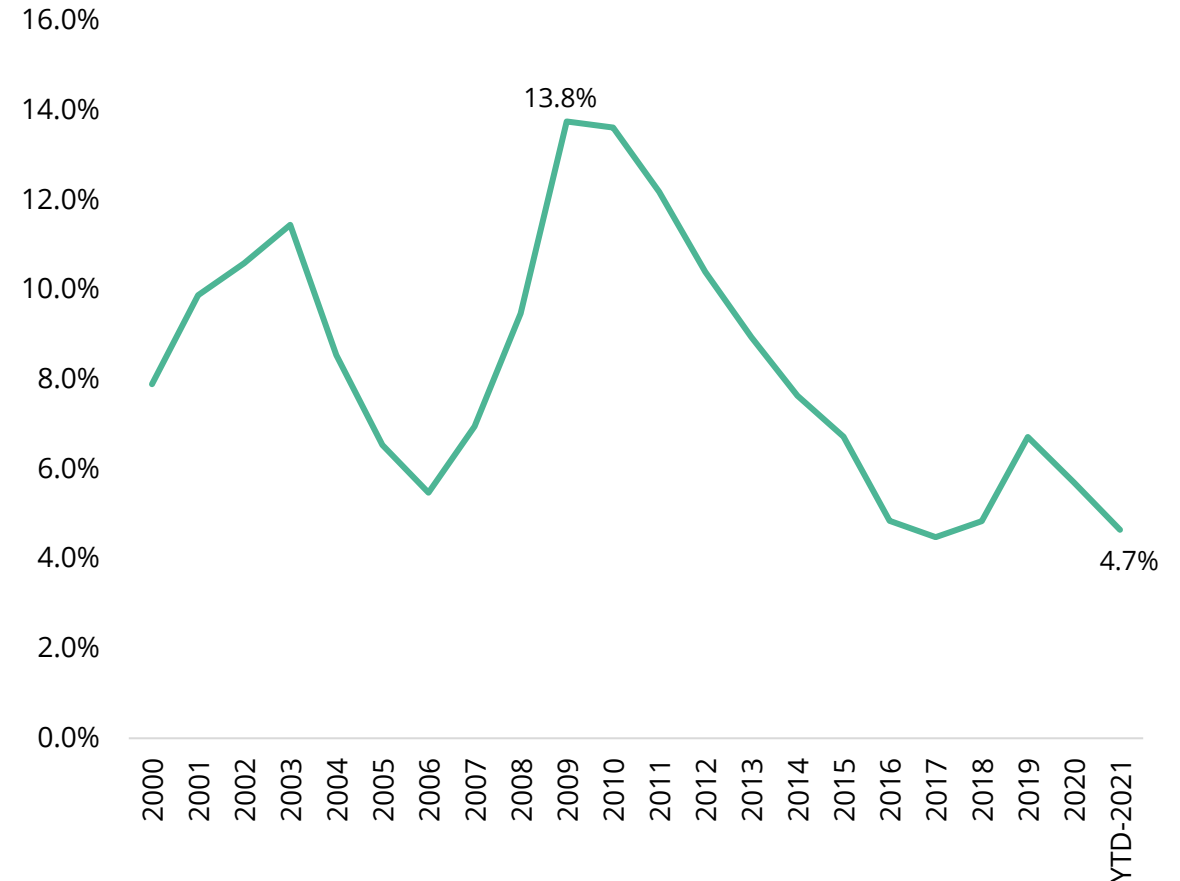
Note: Absorption is measured as the year-over-year change in occupied square feet. Orange represents recession years.
Source: CoStar

Industrial vacancy rate

4.7%

Vacancy experiences further decline in Q3 2021

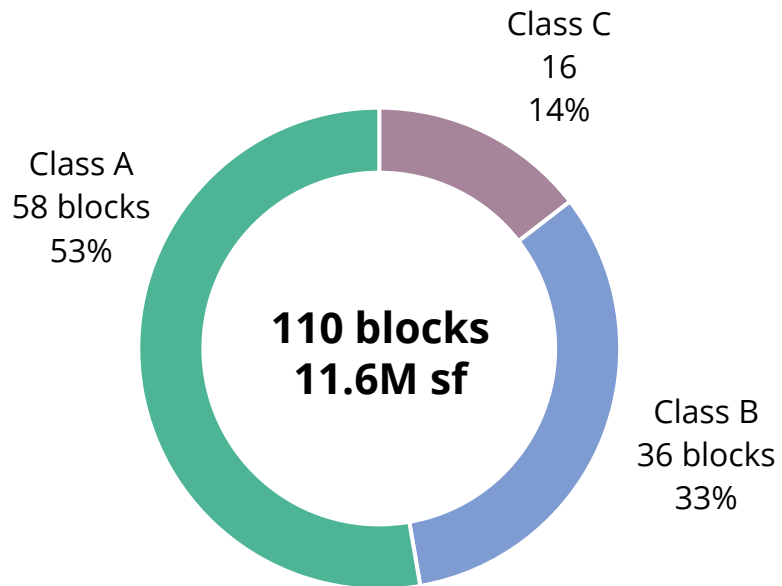
The Q3 2021 total vacancy rate of 4.7% reflects the lowest rate recorded since 2017, and the second lowest in the previous 20-year period. Average asking rents have increased 12.4% over that same time period, underscoring how feverish industrial demand in Orlando has been throughout the pandemic.



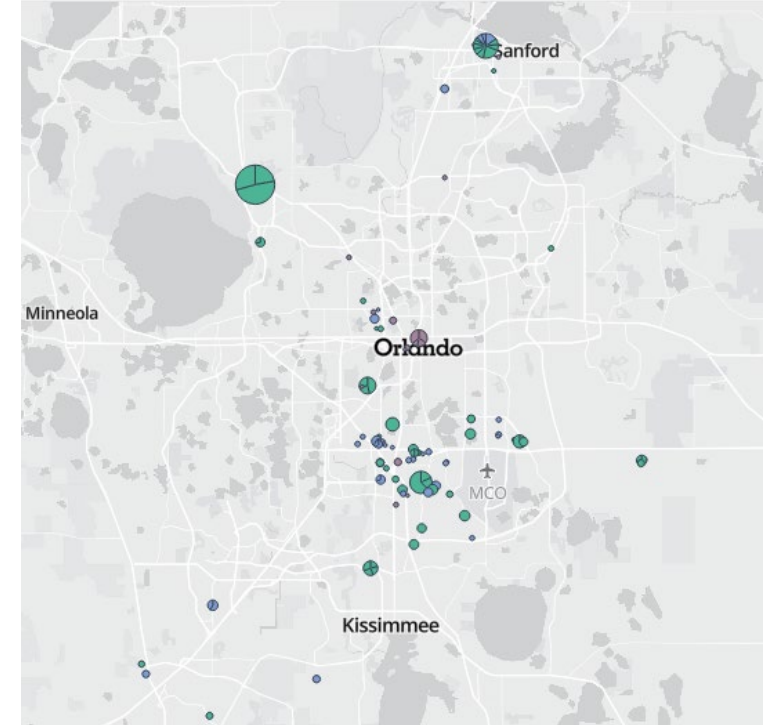
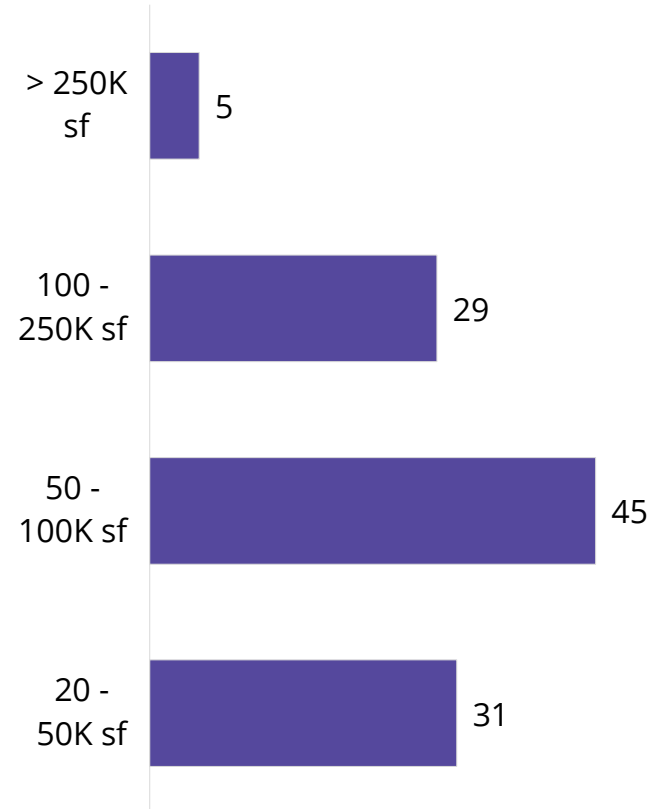
Source: CoStar

Industrial large-block availabilities

Building class



Space size ranges



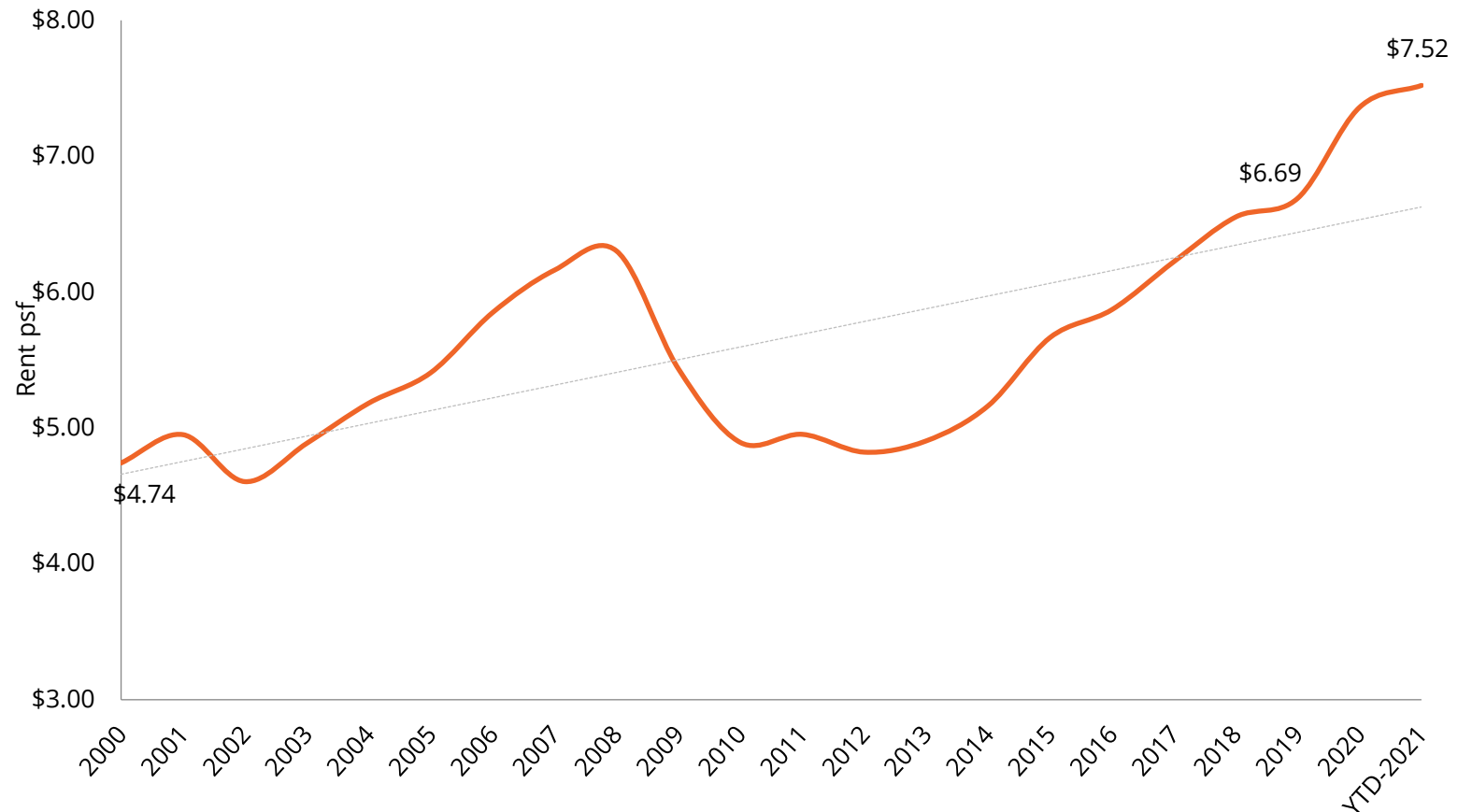
Source: AVANT by Avison Young

Asking rents

+12.4%

Asking rents since the onset of the pandemic

Base rents grew incrementally during the third quarter and have generally trended upward over the last decade, rising steadily since 2012 and increasing by 35.9% over that period.



Source: AVANT by Avison Young

Industrial development pipeline

55 properties

proposed or under
construction

10.2 msf

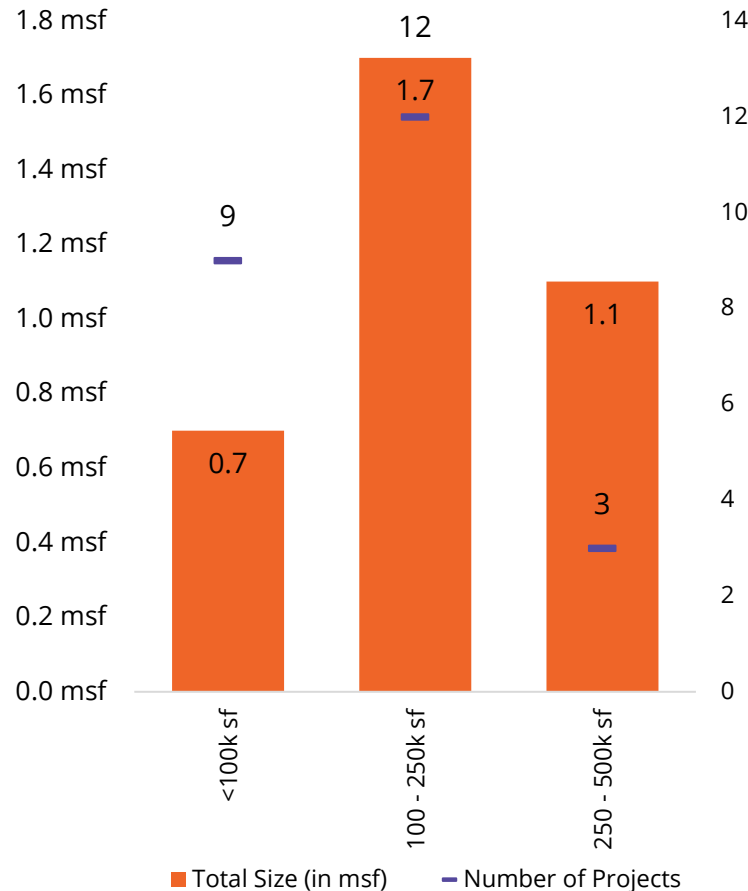
proposed or under
construction

8.2%

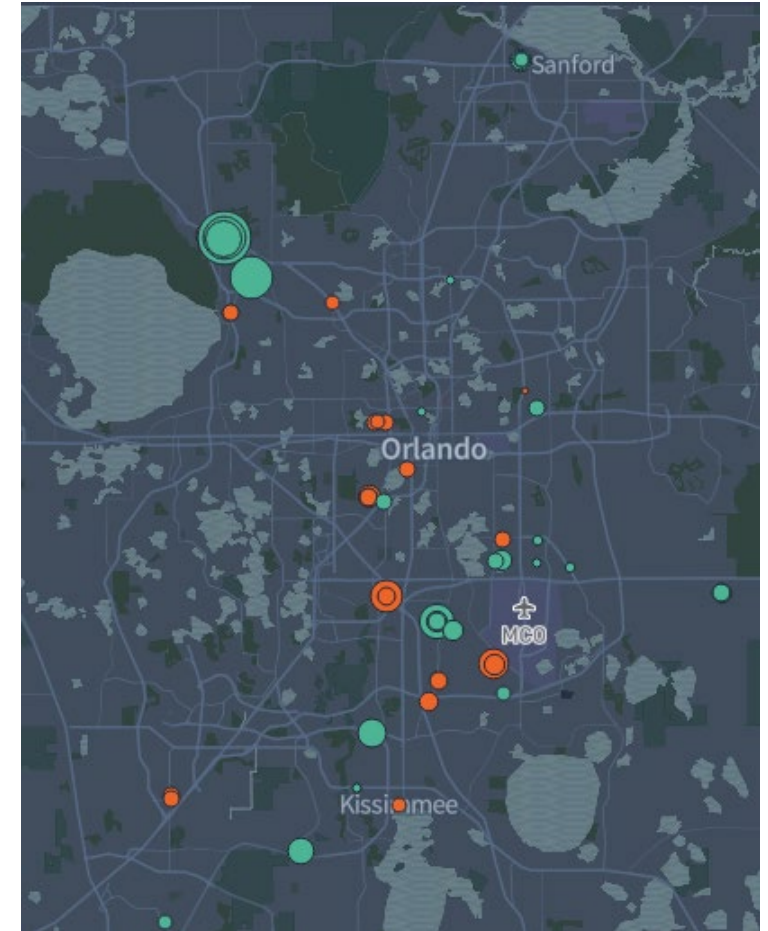
share of industrial
inventory

Airport/Southeast

submarket with the most
development under
construction at 0.9 msf



Source: AVANT by Avison Young



Investment dollar volume

\$0.6B

Industrial dollar volume,
year-to-date 2021

Total industrial sales volume through Q3 2021 has nearly matched all activity recorded during 2020 with what is expected to be an active fourth quarter still ahead. Investors continue to chase deals in the market with particular interest in distribution projects in the Airport/Southeast, Orlando Central Park and Northwest submarkets.



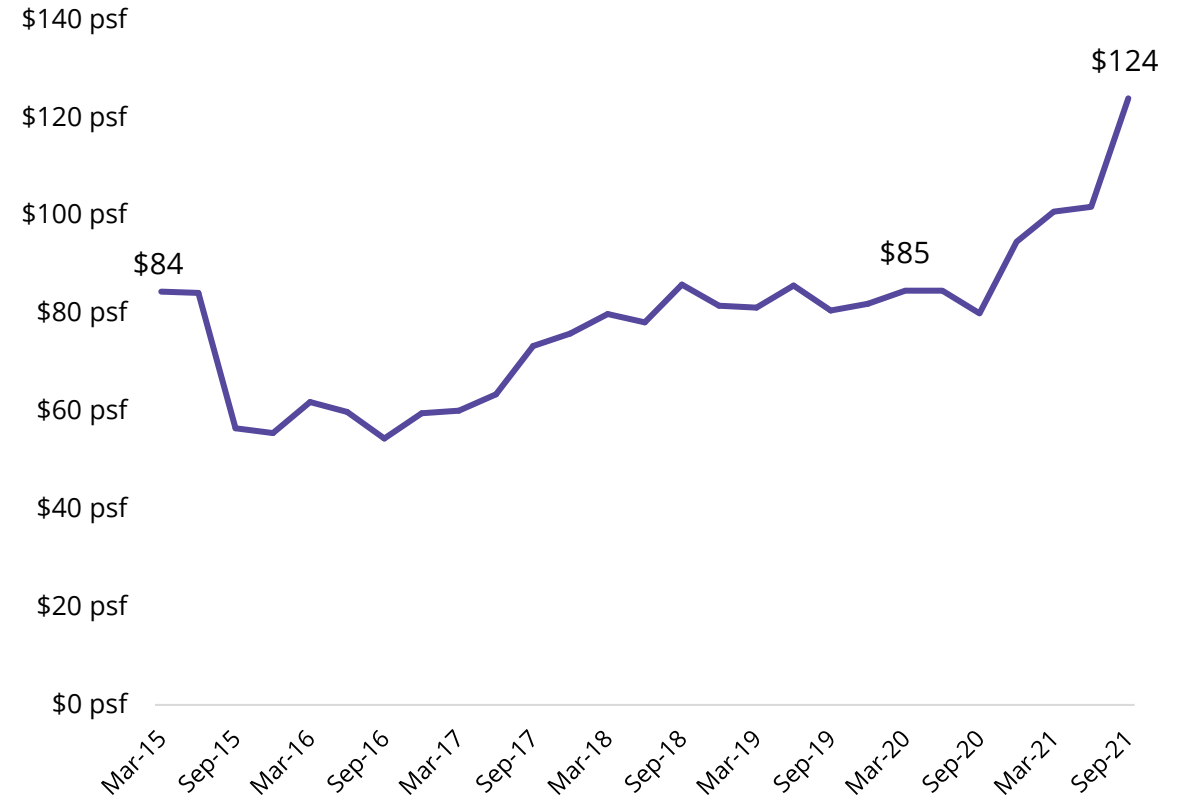
Source: AVANT by Avison Young
RCA

Industrial asset pricing

+46.4%

Orlando industrial pricing,
March 2020 to September 2021

Pricing for Orlando industrial assets has continued to elevate since 2015, particularly since the pandemic, as an influx of investors seek exposure to properties that can accommodate the rise of e-commerce distribution.



Source: AVANT by Avison Young
RCA

Looking forward



Here's what we can expect

- Supply chain disruptions caused by both labor and supply shortages are projected to continue through 2023, although current bottlenecks could begin to ease in 2022. To minimize future disruption many suppliers will need to evolve their practices with **future-forward solutions**, including the adaptation of new technologies and near-shoring.
- Continued growth in the **logistics, transportation and construction** sectors will drive much of the industrial leasing activity in Orlando well into 2022.
- Third party logistics (“3PL”) companies are expanding their e-commerce distribution capabilities at a faster rate than any other major industrial occupier and will continue to comprise an increasing share of **industrial demand** as companies rethink their existing supply chains.
- The U.S. industrial sector is bracing for a record surge in holiday shopping at a time when **supply chain volatility** and labor shortages threaten to temper an otherwise robust outlook.



Get in touch



Greg Morrison

Principal
Managing Director
+1 407 440 6640
greg.morrison@avisonyoung.com



Lisa McNatt

Director
U.S. Insight Team
+1 813 244 5618
lisa.mcnatt@avisonyoung.com



Lisa Bailey

Principal
+1 407 440 6645
lisa.bailey@avisonyoung.com



Evie Linger

Senior Data Analyst
Innovation
+1 954 903 3714
evie.linger@avisonyoung.com



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Let's talk

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