



Orlando industrial market report

Q1 2023

**AVISON
YOUNG**

Orlando industrial market trends

-43.1%

Inventory shortages created a slowdown in leasing activity

The first quarter resulted in 1.4 million square feet (msf) of industrial space leased, which was down 43% year-over-year. This was primarily due to inventory shortages within the +250,000 square foot segment of the market. Although the market experienced a decrease in leasing volume, a few larger deals were still inked in the first quarter with Performance Food Group taking 291,875 square feet (sf) at Horizon West Logistics Park – Building 10. Leasing activity is expected to increase throughout the remainder of 2023 as more inventory delivers.

7.8 msf

Record number of industrial deliveries for 2023

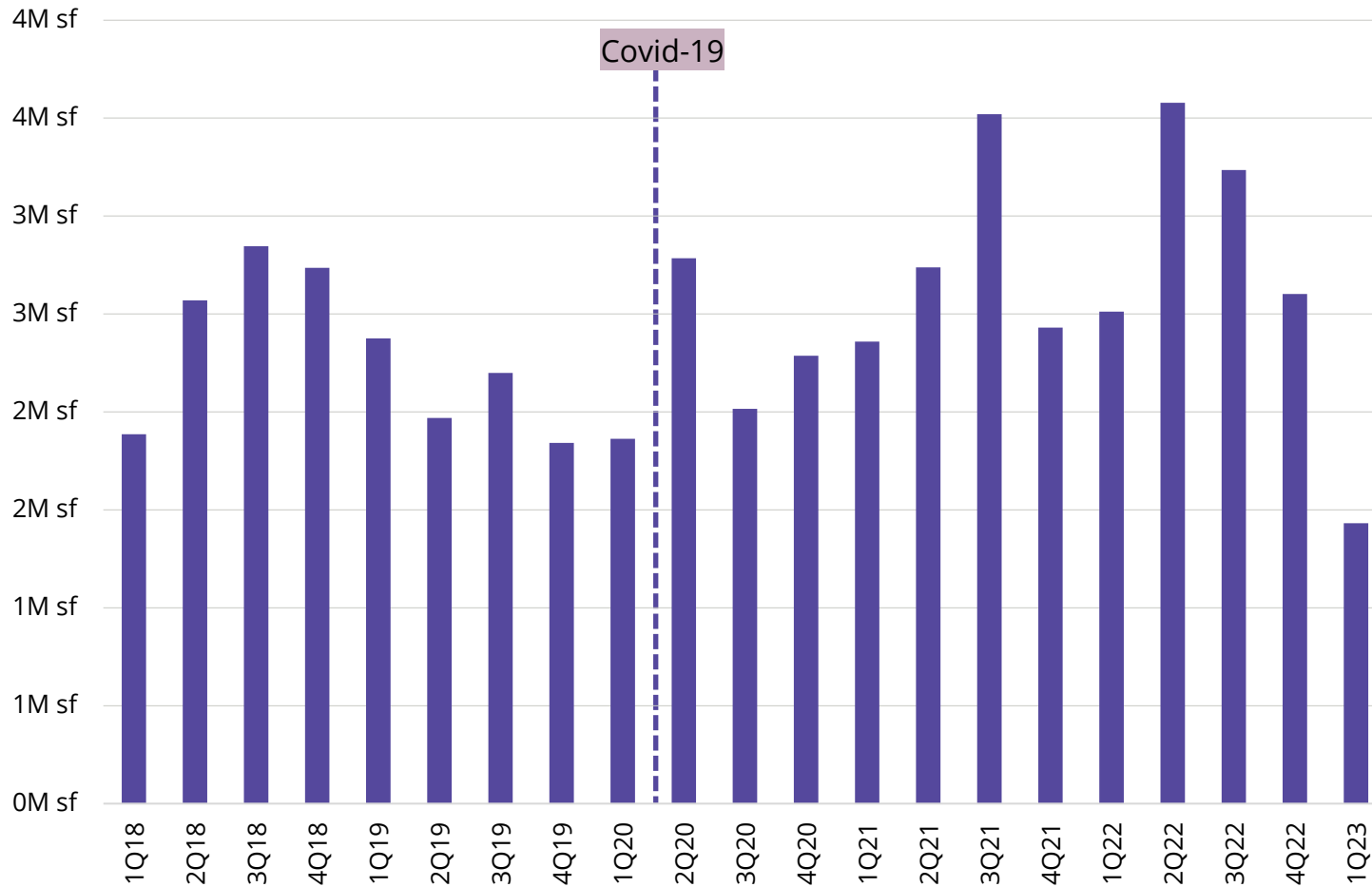
Development activity continues to boom amid supply shortages. This year is expected to see a record number of industrial deliveries totaling around 7.8 msf. Significant construction activity is ongoing within the Northwest and Airport-Southeast submarkets, amounting to 4.8 msf and 1.6 msf under construction, respectively. The largest developments underway are the Apopka 429 buildings, which represent the three largest projects, totaling over 2.5 msf combined. These scheduled deliveries will help ease short-term supply shortages across the market.

3.2%

Increased demand pushed vacancy rates to historic lows

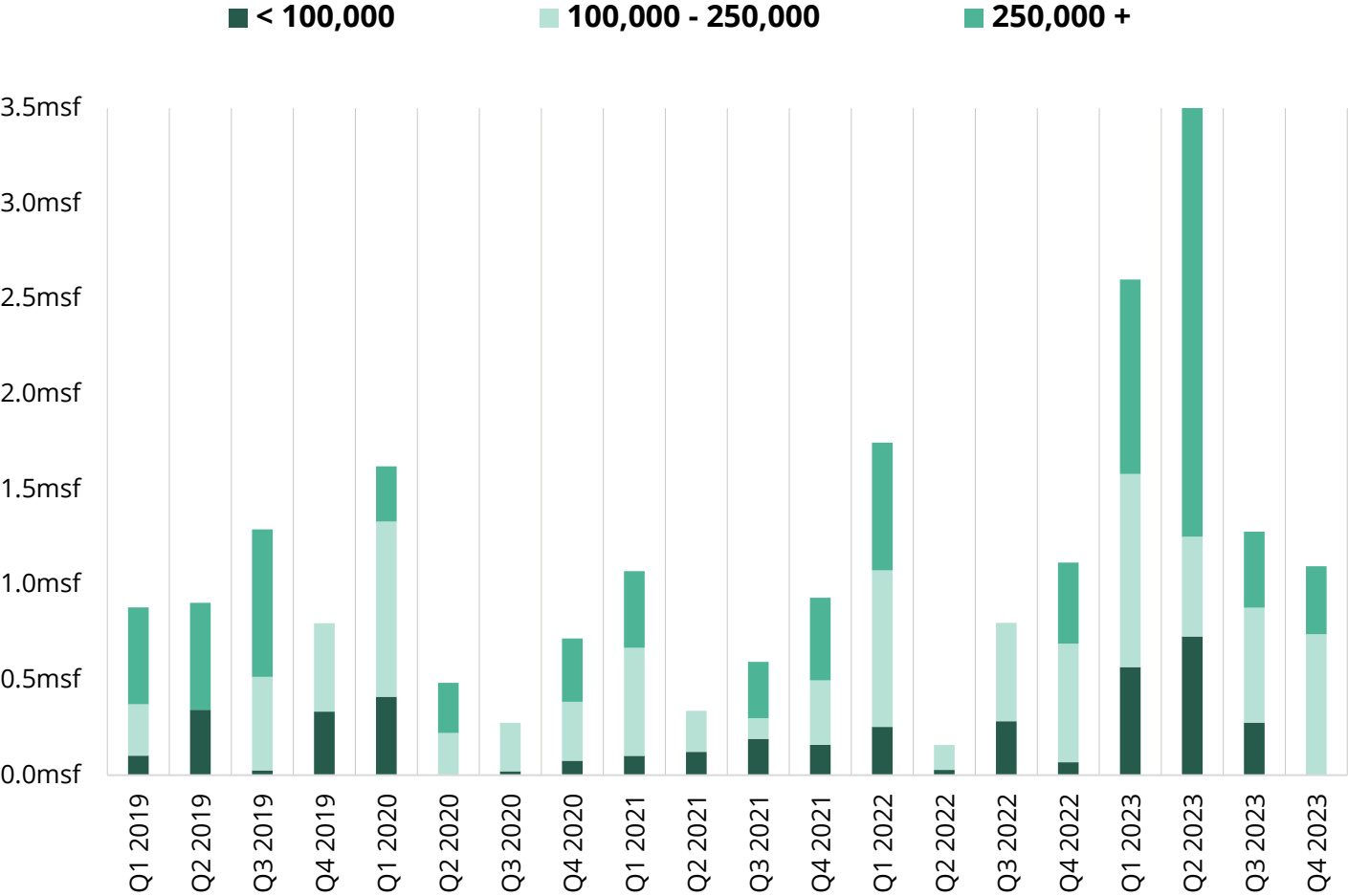
The Orlando industrial market continues to experience historically low vacancy rate amid strong demand and scarce supply. One of the strongest submarkets is the Northwest, which has a vacancy rate of 1.6%, despite a large inventory of 12.5 msf and an additional 4.8 msf under construction. During the pandemic, vacancy rates began to decline faster than developers could keep up with supply. However, the large warehouses over 250,000 sf experienced this significant contraction with a current vacancy rate of 0.3%. As expected, this has applied aggressive upward pressure on rental rates within these respective submarkets until inventory is replenished.

Orlando industrial leasing activity



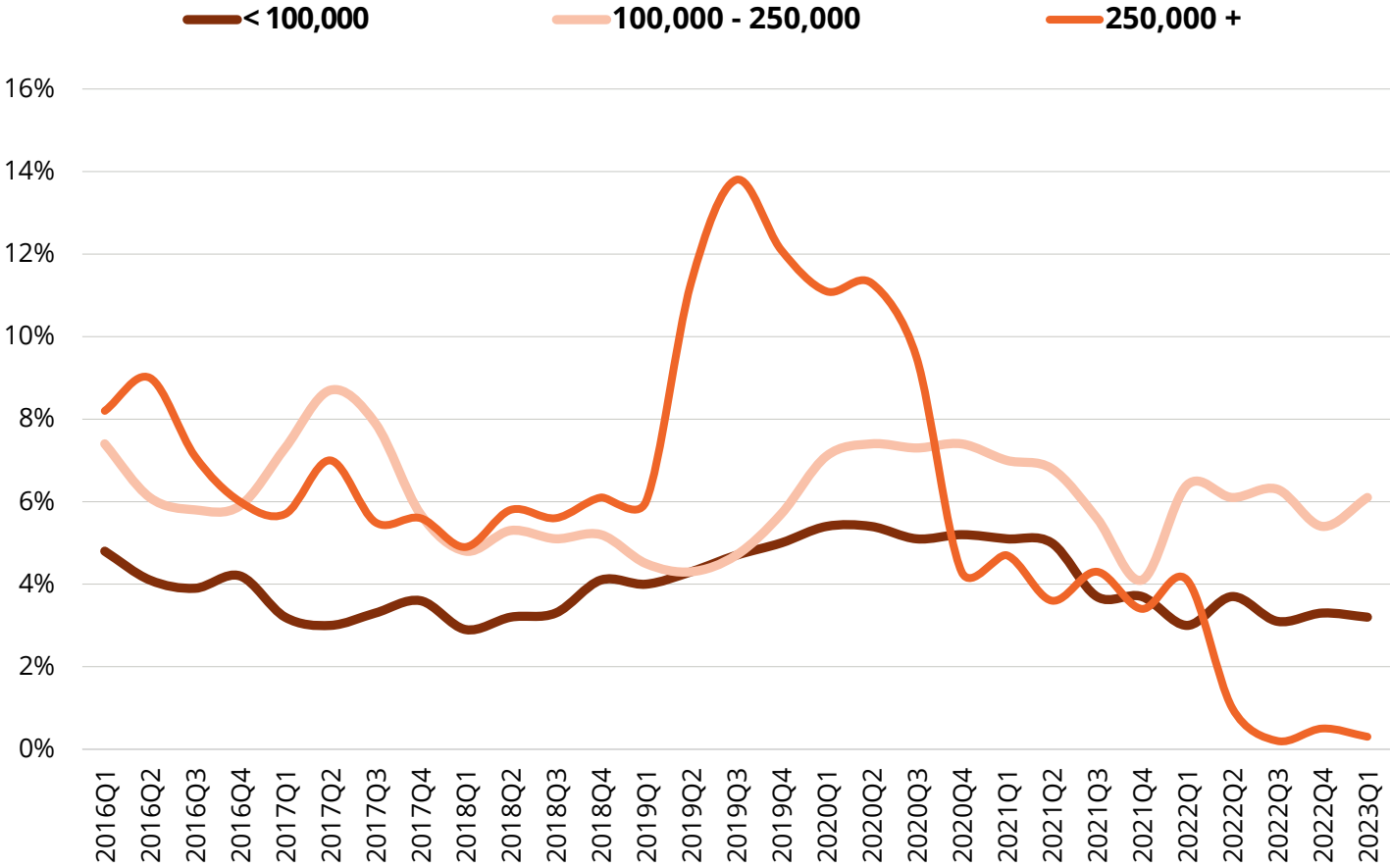
Leasing demand has softened by 43% year-over-year due to availability shortages with vacancy rates at historic lows.

Construction pipeline by size ranges



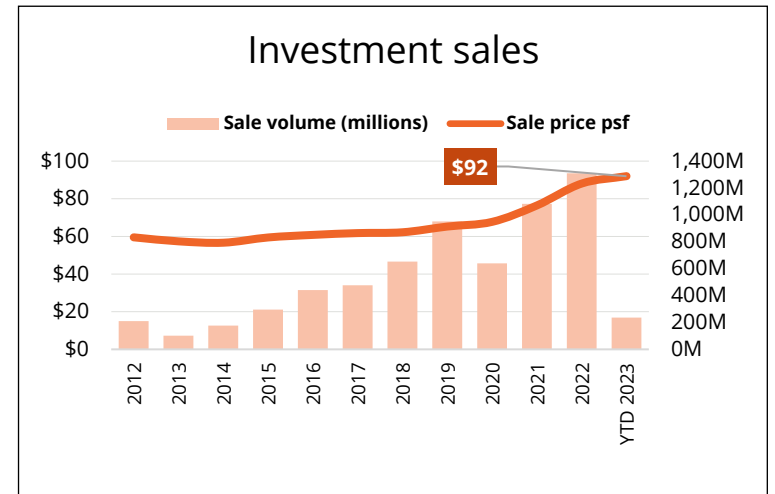
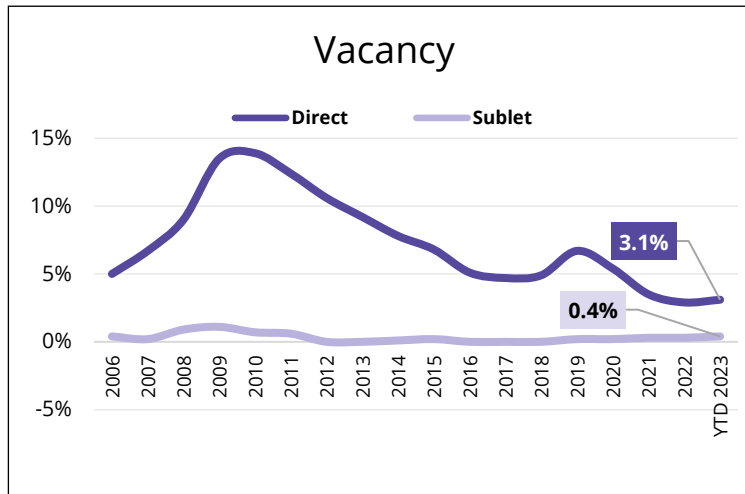
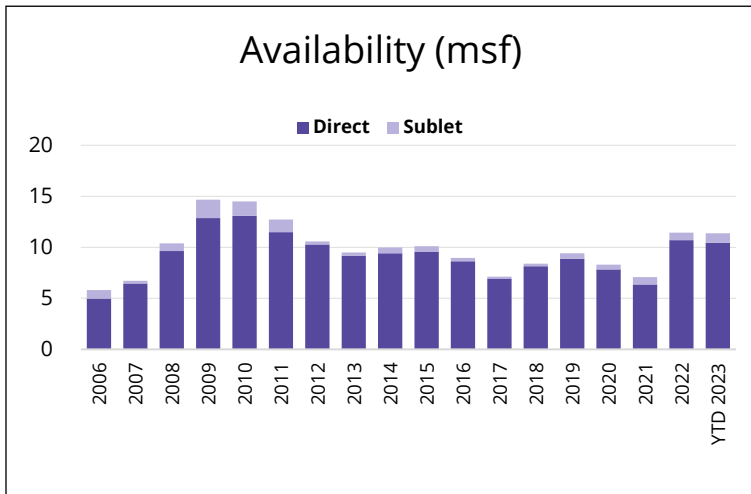
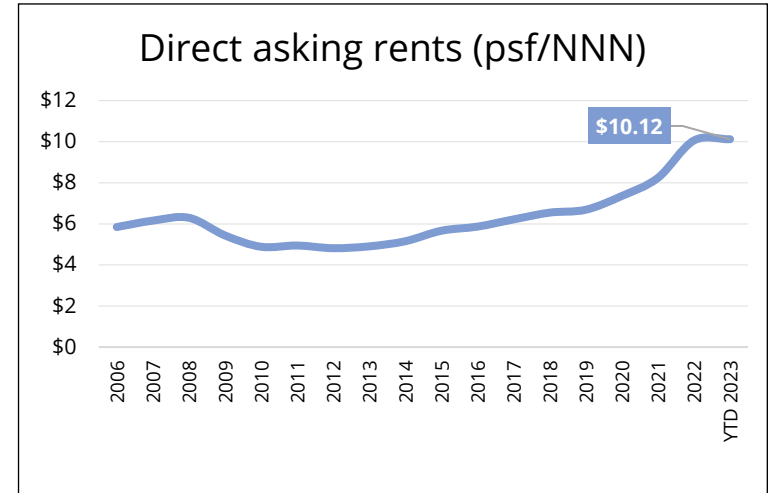
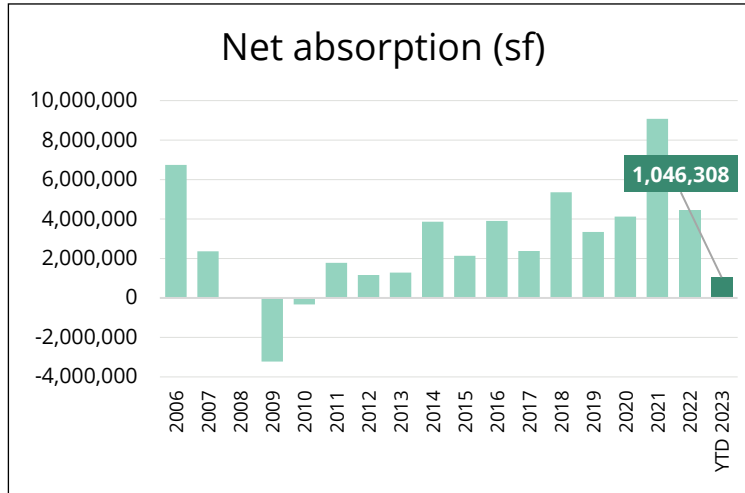
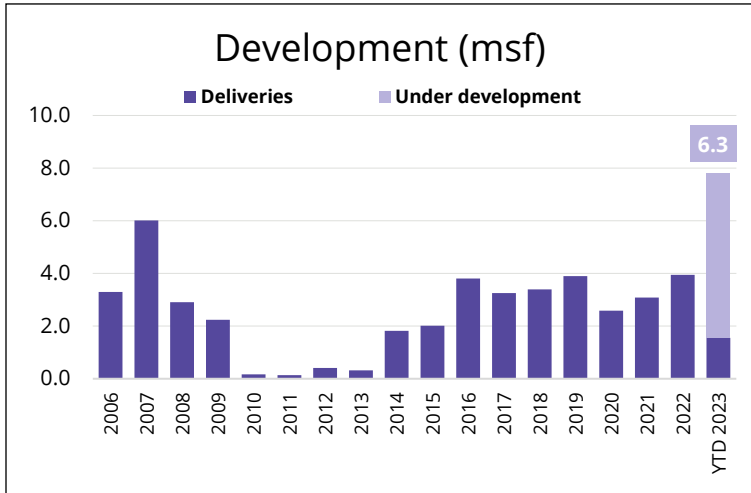
Large bomber warehouses are on the horizon with 3 msf of inventory over 250,000 sf expected to deliver in the next two quarters.

Industrial vacancies by size

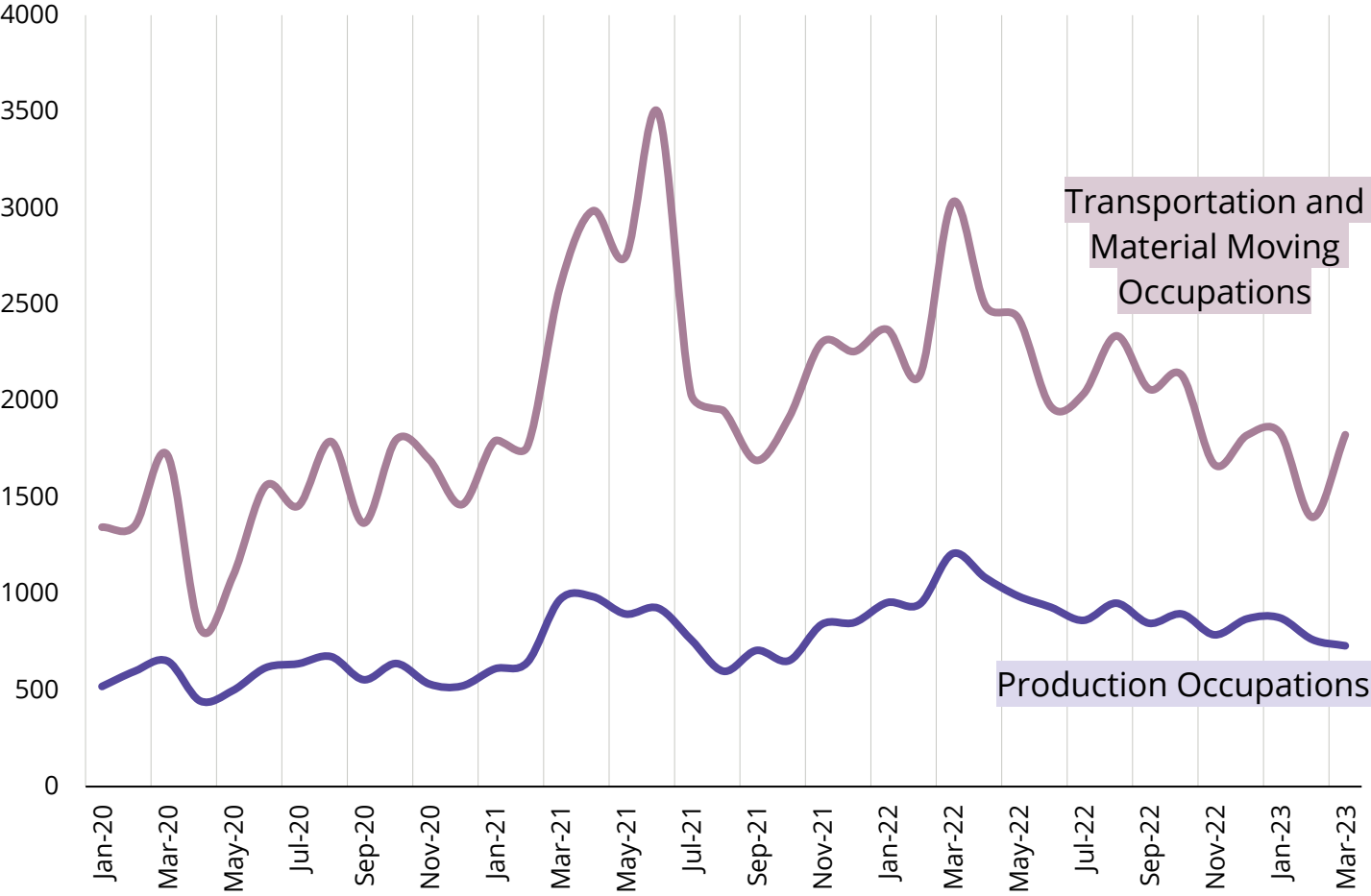


Warehouses over 250,000 sf have reached record low vacancy rates of 0.3% amid inventory shortages within this segment of the market.

Orlando industrial market indicators

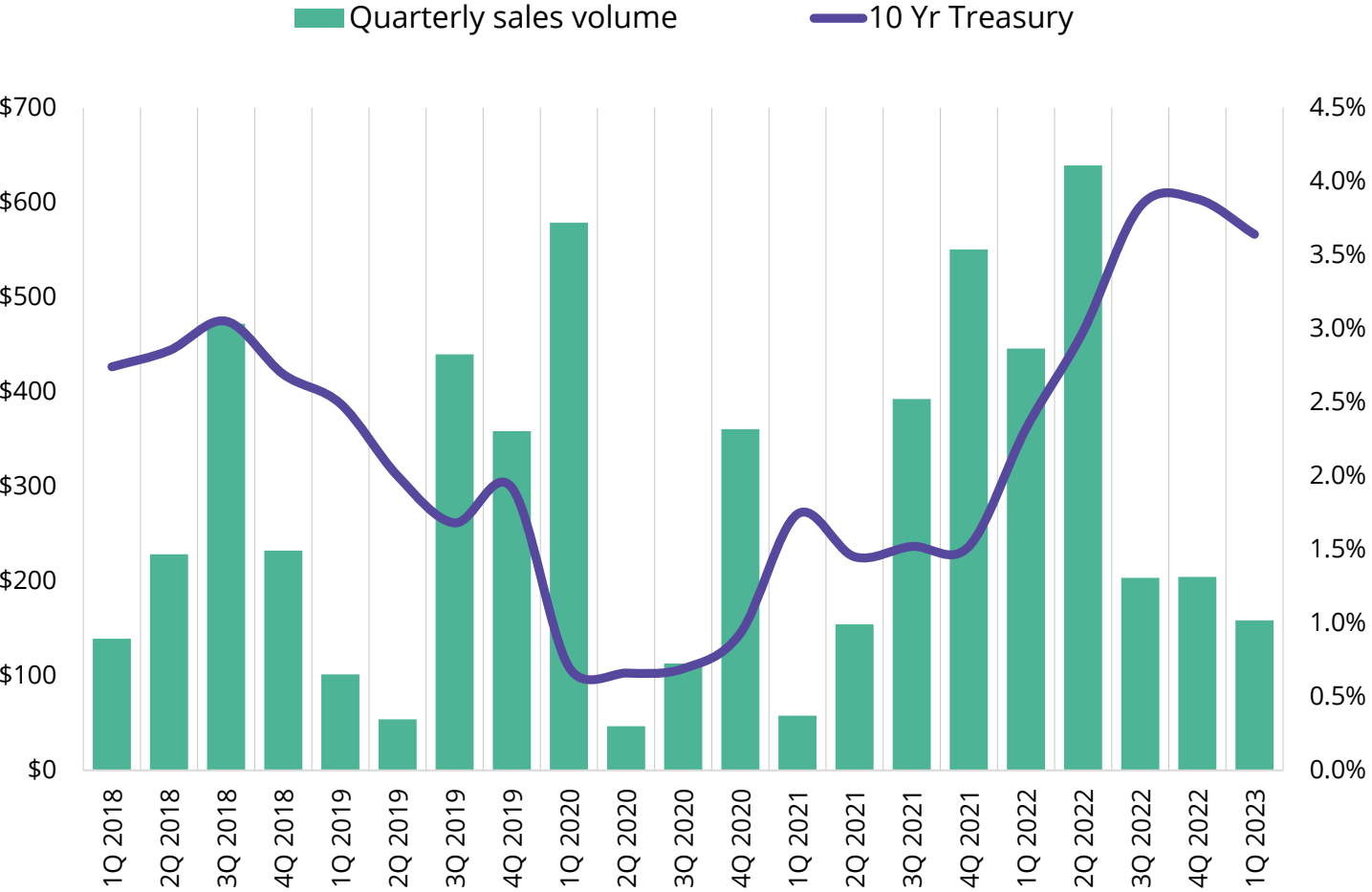


Orlando industrial using job postings



Transportation and material movers job postings remained unchanged year-to-date, while production occupation job postings decreased by 16%.

Investment sales volumes



Investment sales volume dips for three consecutive quarters as economic headwinds begin to impact industrial assets amid financial crisis within banks.

Orlando industrial market activity

Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
Performance Food Group	Horizon West Logistics Park – Bldg. 10	Feb. 2023	291,875	New	Direct	Osceola County
Package Exchange	11700 Landstar Blvd.	March 2023	99,176	New	Direct	Airport-Southeast
JCQ Services	Horizon West Logistics Park – Bldg. 1	Feb. 2023	96,811	New	Direct	Osceola County
Ally Building Solutions	7320 Kingspointe Pkwy. – Crownpointe V	Feb. 2023	87,564	Renewal	Direct	Orlando Central Park
Mattress Warehouse	1301-1319 Flora Blvd.	Jan. 2023	71,337	New	Direct	Osceola County

Recent sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
Bentall Green Oak	I-4 Beltway Logistics Portfolio	Feb. 2023	547,753	\$65,173,994	\$119	Butters Realty
Provender Partners	1700 Avenue B	Jan. 2023	96,000	\$18,000,000	\$188	Performance Food Group
Universal Technical Institute	2202 W. Taft Vineland Rd.	March 2023	73,160	\$11,373,195	\$156	Liberty Property Trust
Metro Office Furniture Rental	2550 Connection Pt.	Jan. 2023	50,600	\$10,800,000	\$214	Southern Development & Construction

Top projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
Apopka 429 – Building 300	4661 Apopka Logistics Pkwy.	June 2023	1,200,000	0%	Blue Steel Development	Northwest
Apopka 429 – Building 400	4600 Apopka Logistics Pkwy.	June 2023	725,040	0%	Blue Steel Development	Northwest
Apopka 429 – Building 200	4701 Apopka Logistics Pkwy.	June 2023	576,160	0%	Blue Steel Development	Northwest

Orlando industrial market stats

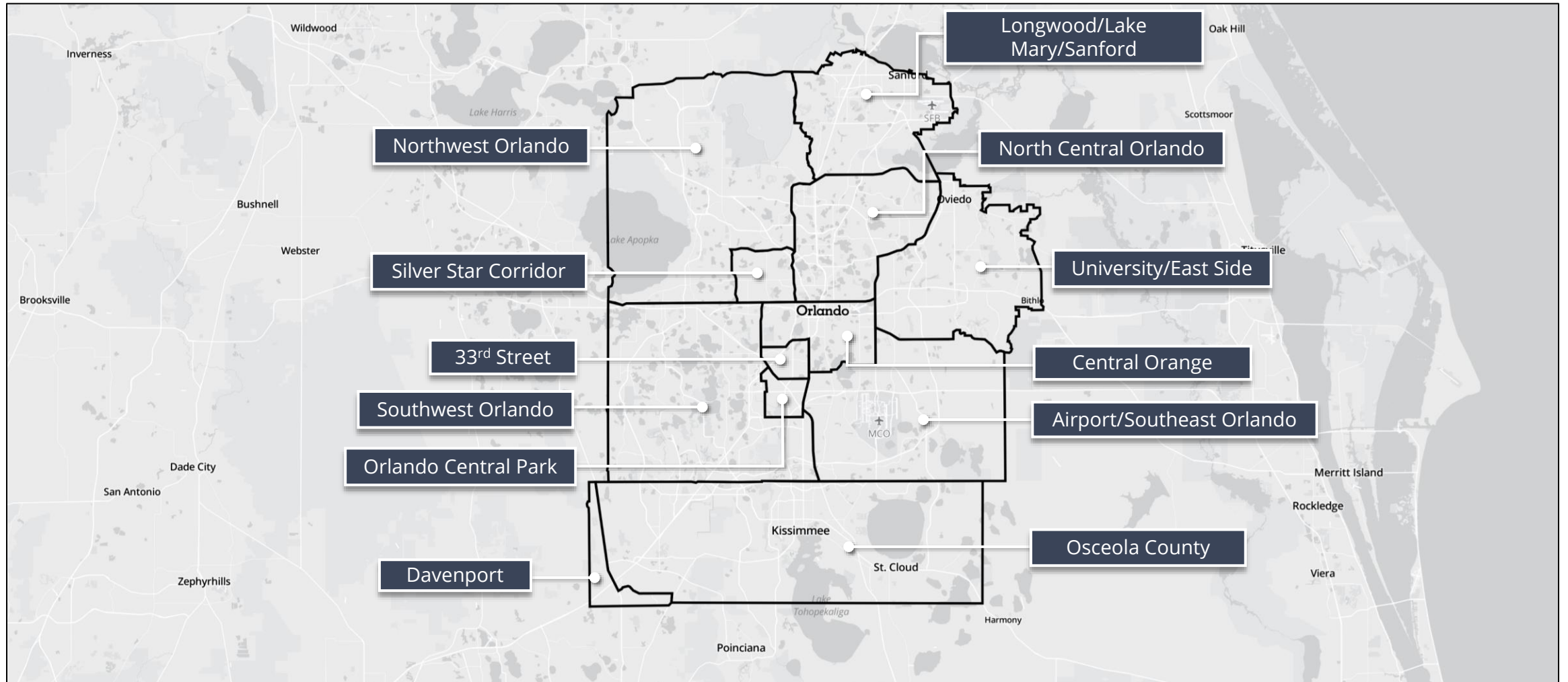
By Submarket	Inventory (sf)	Total %	Vacancy		Net Absorption		SF Under	Average Asking Rent		
			W / D	Flex	1Q23	YTD	Construction	Total	W / D	Flex
33rd Street	1,731,703	1.2%	0.5%	2.3%	14,323	14,323	-	\$14.00	\$14.00	-
Airport-Southeast	38,032,822	3.4%	3.0%	8.5%	79,840	79,840	1,466,733	\$10.64	\$9.22	\$14.58
Davenport	5,933,761	0.0%	0.0%	0.0%	0	0	-	-	-	-
Longwood/Lake Mary/Sanford	12,938,766	6.8%	7.3%	2.8%	122,275	122,275	350,881	\$10.94	\$9.73	\$15.03
Central Orange	12,068,081	3.7%	4.0%	1.8%	6,322	6,322	-	\$7.24	\$7.01	\$14.41
North Central	11,583,906	3.9%	4.0%	3.8%	-48,934	-48,934	-	\$10.46	\$10.33	\$11.44
Northwest	12,546,091	1.6%	1.6%	1.3%	-37,965	-37,965	3,772,400	\$9.94	\$9.96	\$8.47
Orlando Central Park	21,098,736	4.0%	3.8%	4.8%	379,277	379,277	0	\$9.66	\$8.85	\$12.92
Osceola County	6,571,909	6.7%	7.1%	2.3%	400,972	400,972	96,811	\$13.59	\$13.59	-
Silver Star Corridor	10,436,058	3.7%	3.2%	9.6%	98,001	98,001	-	\$9.79	\$9.73	\$10.39
Southwest	10,810,944	1.1%	1.0%	1.6%	6,030	6,030	188,400	\$15.82	\$12.54	\$19.89
University/East Side	5,484,510	3.2%	0.9%	8.0%	26,217	26,217	259,080	\$14.84	\$10.00	\$17.41
Grand Total	149,237,287	3.2%	3.3%	4.8%	1,046,358	1,046,358	6,134,305	\$10.12	\$9.60	\$14.64

Orlando industrial market stats by class

By Product Type	Inventory (sf)	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Available Sublease
Warehouse / Distribution	132,876,955	3.3%	935,470	935,470	6,134,305	868,581
Flex	16,360,332	4.8%	110,838	110,838	0	71,547
Market Total	149,237,287	3.2%	1,046,308	1,046,308	6,134,305	940,128



Orlando submarket map



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

Greg Morrison, CCIM, SIOR

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

Lisa Bailey, SIOR

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

Evie Linger

Florida Regional Lead, Innovation & Insight
+1 954 903 3714
evie.linger@avisonyoung.com

Jason Steele

Senior Insight Analyst
+1 813 314 7808
jason.steele@avisonyoung.com