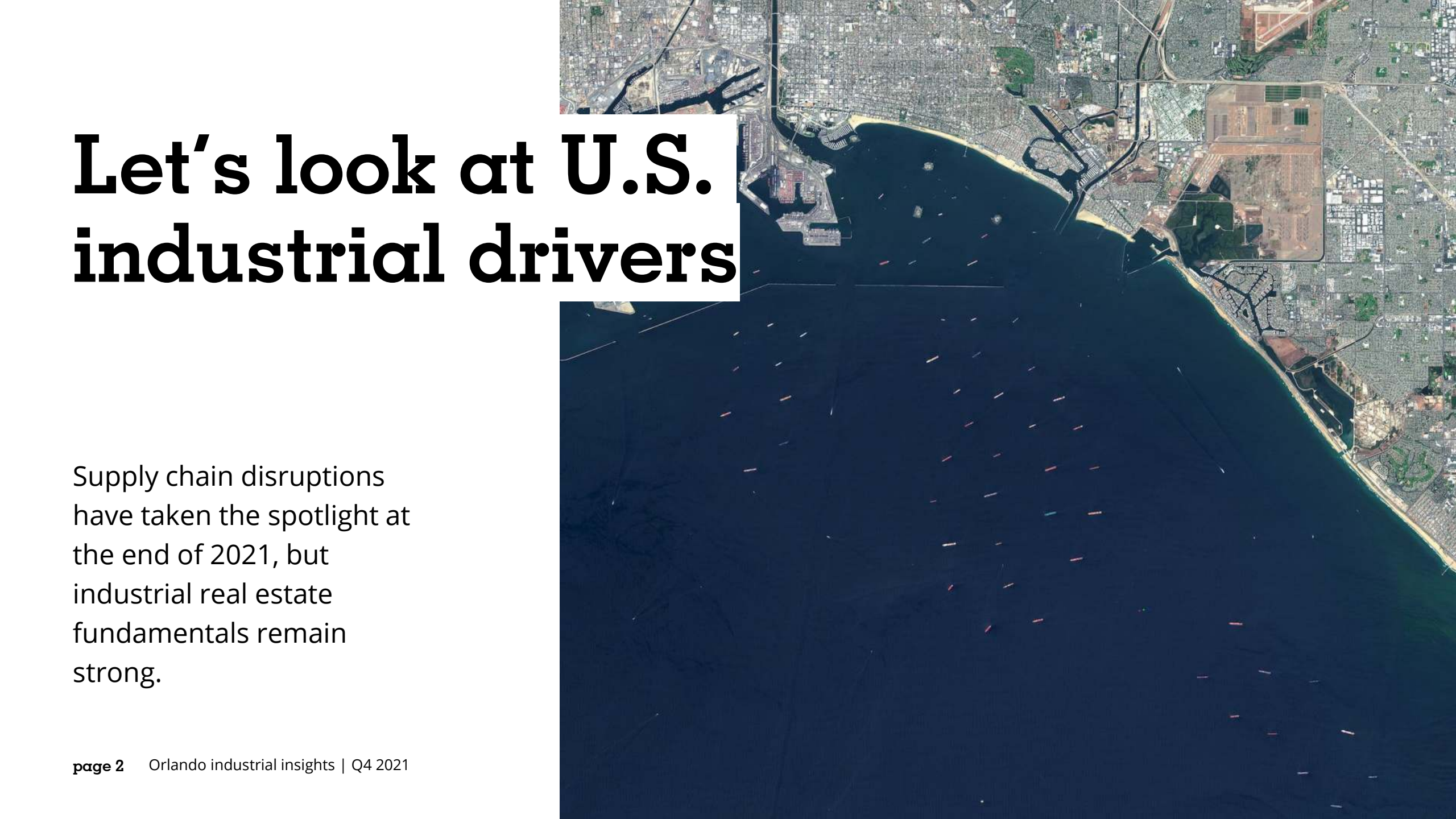




Orlando industrial market insights

Q4 2021

**AVISON
YOUNG**

An aerial photograph of a coastal city, likely San Francisco, showing a dense urban grid, a large bay, and a prominent bridge. The water in the foreground is dark blue with many small, colorful buoys.

Let's look at U.S. industrial drivers

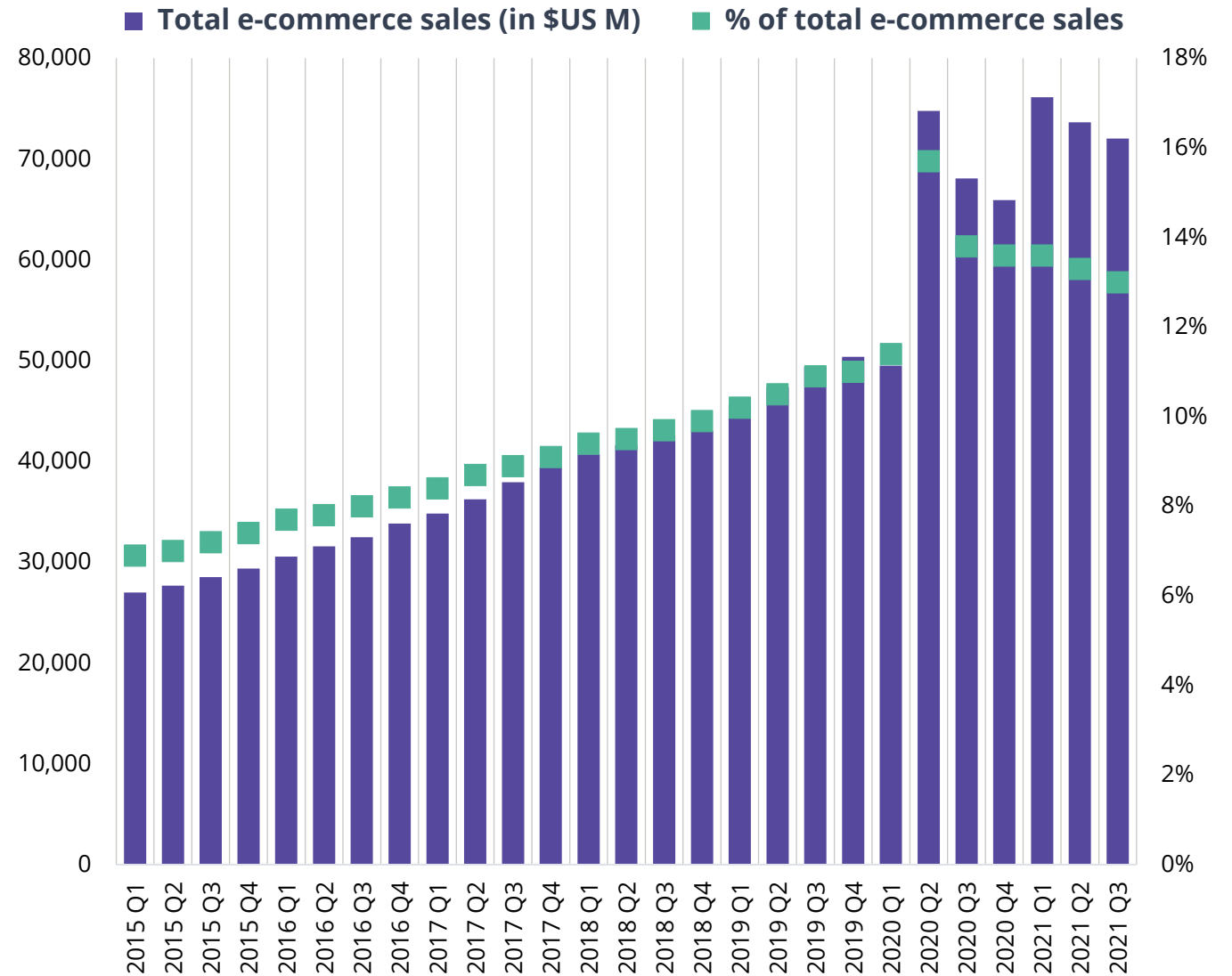
Supply chain disruptions have taken the spotlight at the end of 2021, but industrial real estate fundamentals remain strong.

U.S. total retail and e-commerce sales

13.0%

e-commerce share of overall retail sales in Q3 2021.

Online sales as a percentage of total retail activity have continued to normalize over the course of the year, but remain significantly elevated over 2019 levels. This underscores a resetting of consumer buying habits as e-commerce spending remains sustainable and supports continued demand for industrial space in most U.S. markets.



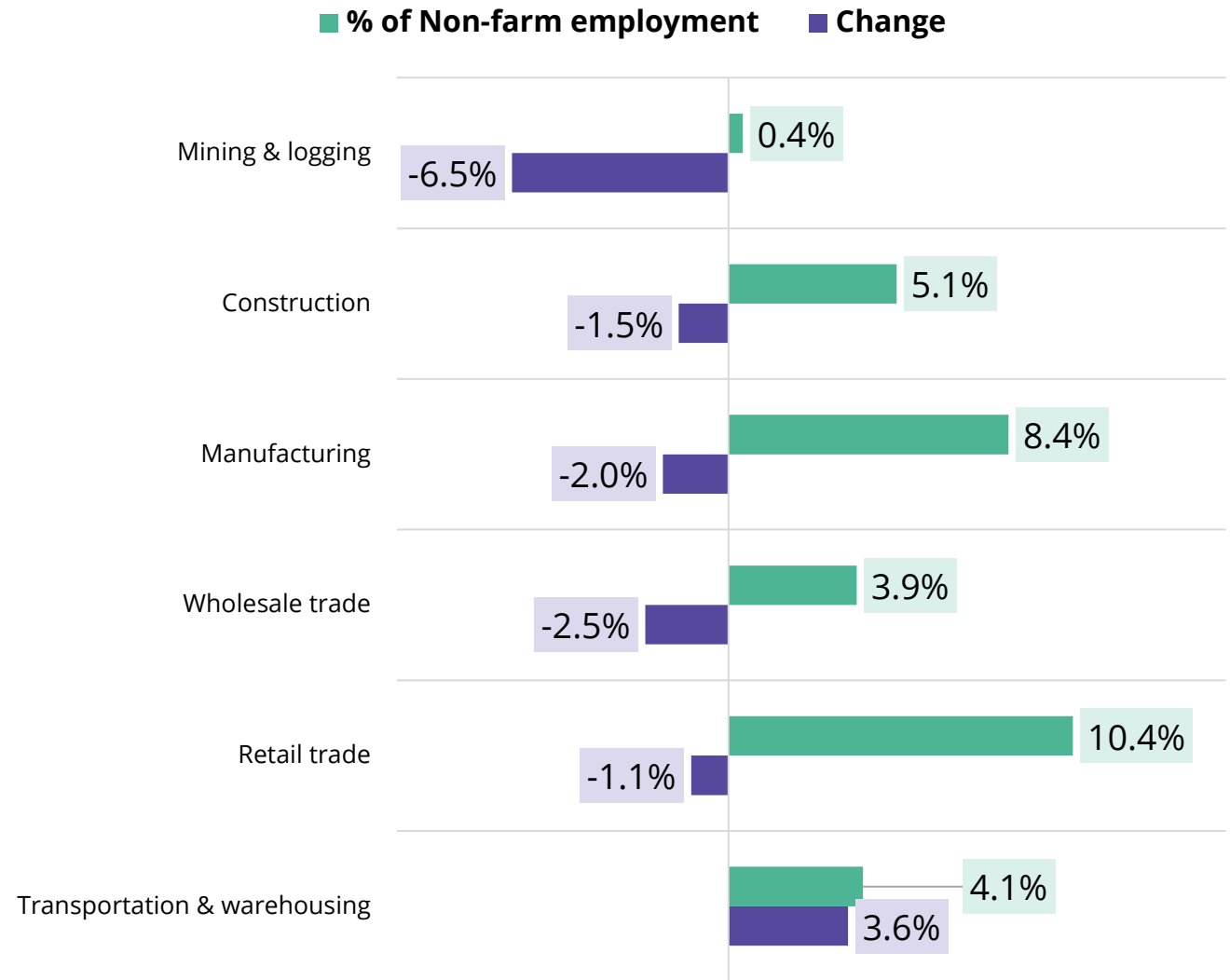
Source: Federal Reserve Bank of St. Louis as of December 15, 2021

Industrial sector job gains and losses

3.6%

change in transportation and
warehousing employment,
February 2020 to November 2021.

The transportation & warehousing employment sector has been resilient throughout the pandemic and performed ahead of other sectors in the latter part of this year. Manufacturing, construction and wholesale trade comprise similar proportions of total U.S. employment, but jobs have continued to contract since February 2020.



Note: Seasonally adjusted data
Source: Bureau of Labor Statistics

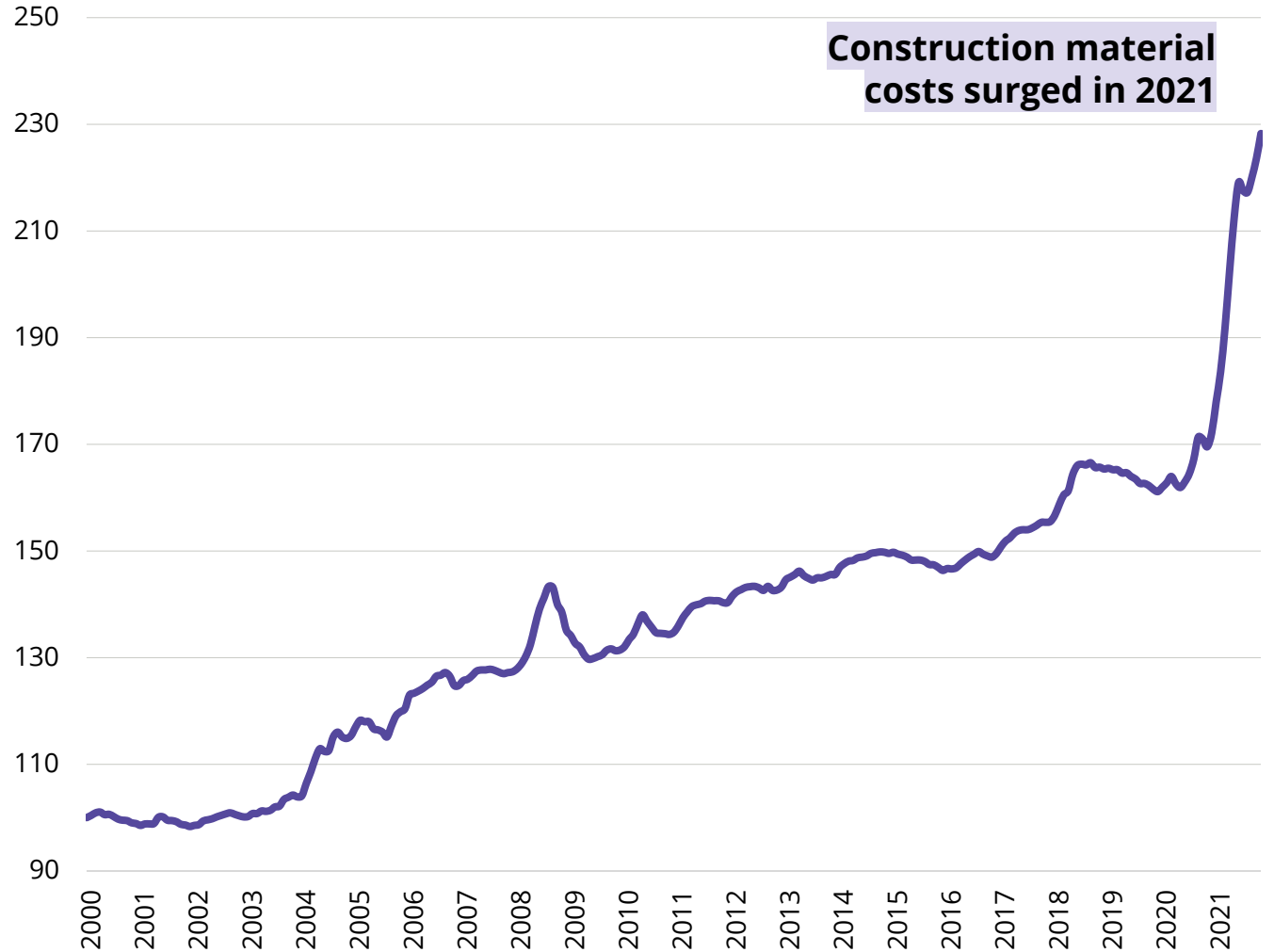
Cost of construction materials

+32.6%

increase in Construction Material Index cost from year-end 2020 to November 2021.

Construction material costs have continued to surge throughout 2021, pressuring industrial new construction pro forma rents. While the third quarter offered some reprieve in pricing, scarcity and supply chain disruptions have injected additional uncertainties.

Construction materials
(index = 2000)



Note: Data not seasonally adjusted
Source: Bureau of Labor Statistics

Fuel costs and freight trucking driver wages

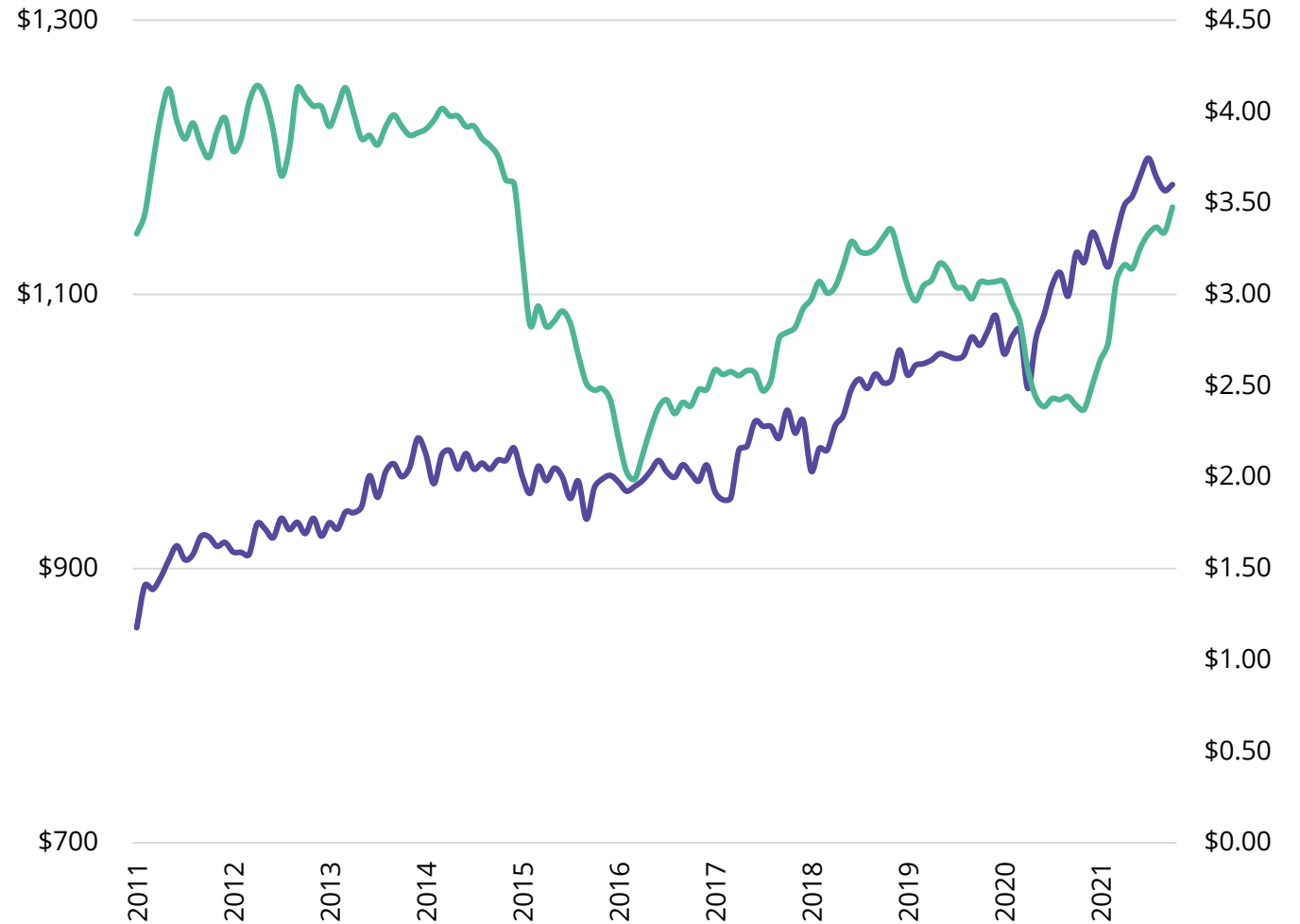
+45.2%

uptick in diesel fuel prices since October 2020.

Rising diesel fuel prices and wage rates, for both short- and long-haul trucking, are exacerbating pressures on shipping costs for companies that may have also faced international supply chain disruptions and continued constraints from driver shortages.

General freight trucking weekly wages

On-highway diesel prices (\$ per gallon)



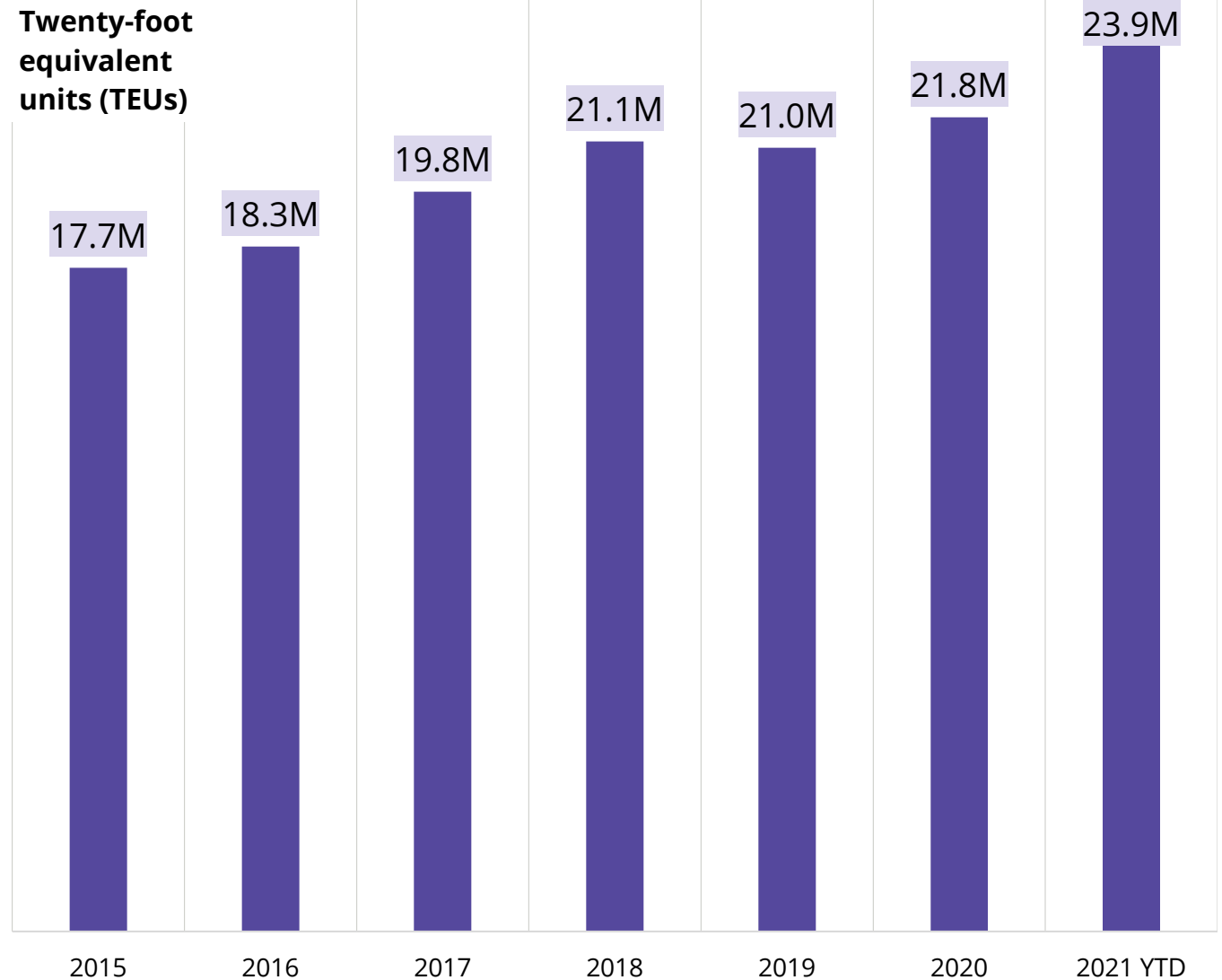
Source: Bureau of Labor Statistics, U.S. Energy Information Administration; AVANT by Avison Young

Loaded import container volumes

+9.9%

year-over-year increase in cargo volumes, despite supply chain disruptions and port congestion.

Through November, loaded imports at major U.S. seaports are up significantly over the same period last year. Despite heavy reporting in mainstream news and solutions still being conceptualized, throughput activity is being processed and moving into domestic supply chains.



Note: Includes Los Angeles, Long Beach, New York / New Jersey, Savannah, Virginia, Houston, Charleston, Oakland, Seattle / Tacoma, Miami, Baltimore, Jacksonville ports; Source: individual port authority websites

Let's look at the industrial market fundamentals in Orlando



Key industrial takeaways



Economic conditions

- Orlando’s economy made a substantial recovery at the end of 2021, with the overall **unemployment rate plummeting from a high of 22.6% in April 2020 to 3.9% in November 2021.**
- Between February 2020 and November 2021, industrial sector jobs in Orlando increased slightly by 0.1%. The strongest job gain was within the **transportation, warehousing and utilities sector, which grew by 4.7%**, while manufacturing jobs decreased by 4.0%.



Recovery rate

- Florida’s “open for business” attitude has resulted in strong GDP growth during 2021. According to third quarter data released by the Bureau of Economic Analysis, Florida’s **GDP grew by 3.7% annually, placing the state well above the U.S. average growth of 2.3%** and among the top 10 states in the country with the strongest GDP growth.



Industrial demand

- Industrial leasing activity picked up significantly during 2021 with total **leasing volume reaching 10.3 million square feet, up 17.3% year-over-year** and nearing close to the record high set in 2017.
- Industrial **net absorption rose to 5.1 msf during 2021**—the highest level since 2016. Positive net absorption has been fueled by robust leasing activity at newly delivered industrial assets over the last two years.

Key industrial takeaways

Industrial supply

- Orlando's overall vacancy continued on a downward trend at the end of 2021 as demand outpaced supply. **Orlando's industrial vacancy declined to 4.1% at year-end 2021**, down from 5.7% at the end of 2020.
- Nearly **3.0 msf of industrial space delivered in Orlando during 2021**, however demand for newly delivered, high-quality logistics space has been strong. Out of the 5.6 msf of industrial space that has delivered over the last two years, only 19.9% remains available.

Pricing trends

- Orlando's overall direct average asking rate has accelerated at a rapid pace over the last several years, amid robust tenant demand and an influx of new industrial product to the market. During 2021, the overall **industrial rate rose by 11.9% year-over-year to \$8.24 per sf.**

Capital markets

- Industrial investment sale activity was on a steady climb in Orlando during 2021, with **industrial investment volume totaling \$1.0 billion, up by 58.8% year-over-year** and surpassing the previous high set in 2019.
- There were several large industrial trades that occurred along the I-4 corridor, contributing to a **33.6% increase in industrial asset pricing year-over-year**. Investors remain bullish on high-quality, well-located industrial assets.

Employment and unemployment rate

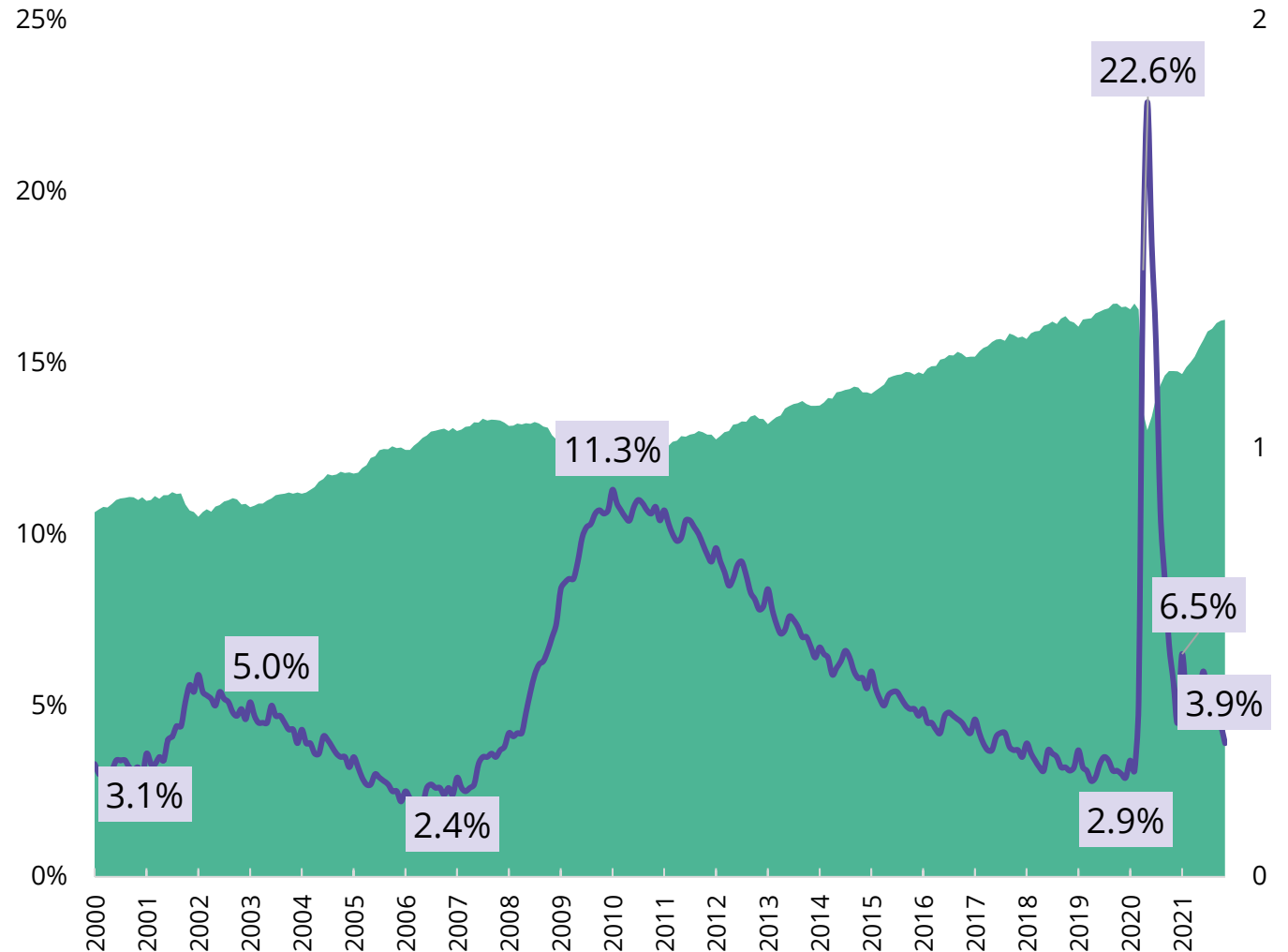
3.9%

Orlando unemployment rate as of November 2021, reaching almost pre-pandemic levels.

Orlando's economy made a strong recovery at the end of the year, with the overall unemployment rate plummeting from a high of 22.6% to 3.9% as of November 2021. The leisure and hospitality sector made one of the strongest recoveries in Q4, with jobs up 15.8% year-over-year as of November 2021.

Unemployment %

Employment (millions)



Source: Bureau of Labor Statistics

Employment and unemployment rate

+0.1%

change in Orlando industrial employment sectors since February 2020.

Orlando experienced a slight increase of 0.1% in industrial sector jobs since February 2020. Transportation, warehousing and utilities jobs saw the strongest growth of 4.7% while manufacturing jobs contracted by 4.0% since the onset of the pandemic.

Total change in Orlando MSA job gains and losses

February 2020 to November 2021



Last-mile distribution facility visitor volumes

-39.6%

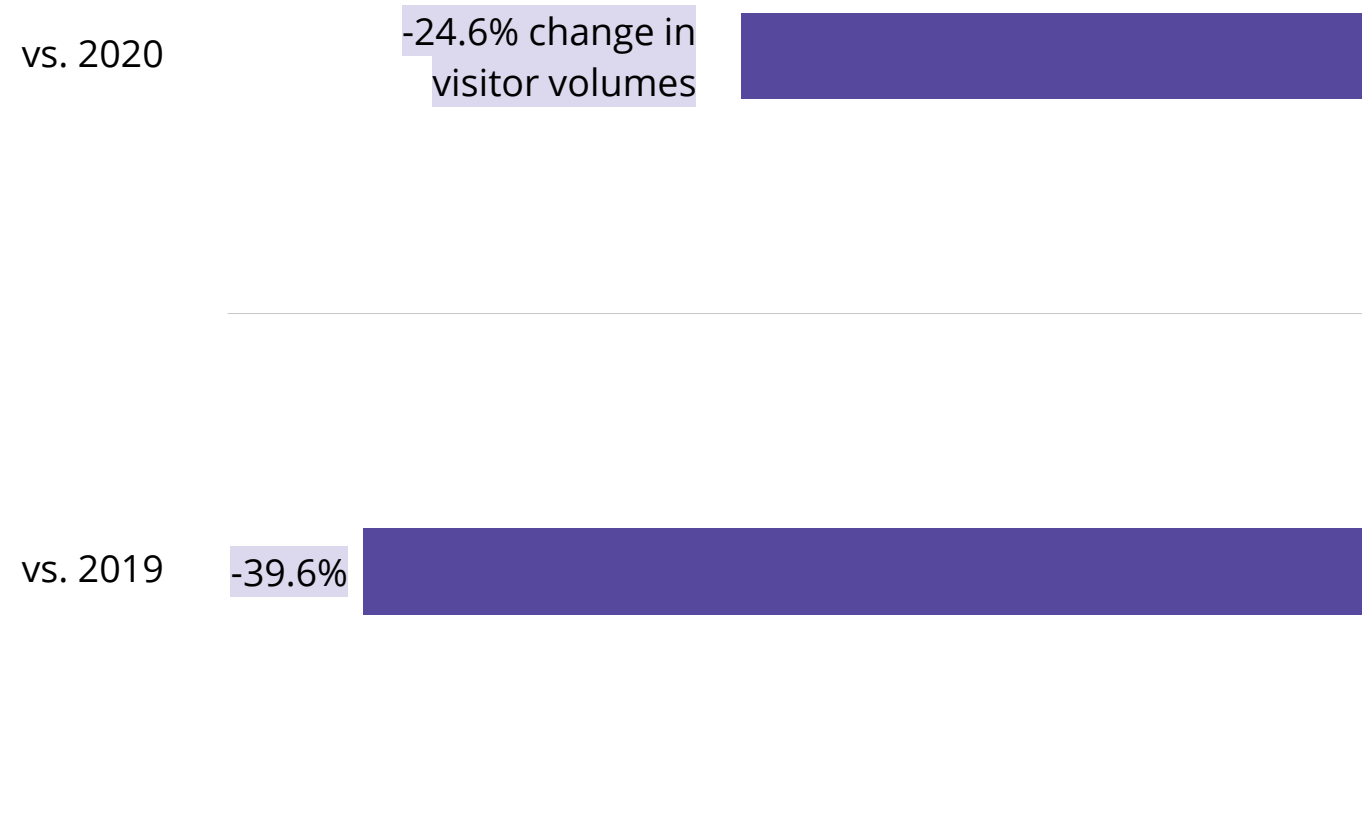
change in visitor volumes since 2019.

Supply chain disruptions, including labor shortages and congestion at major ports, have caused visitor volumes at e-commerce distribution facilities to decline in most North American markets.

[View vitality index](#)

2021 Cyber Monday facility visitor volumes in Orlando

% change when compared to previous year



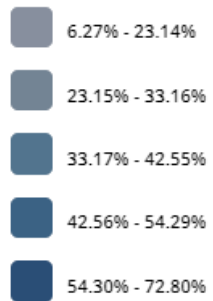
Note: Not seasonally adjusted Metropolitan Statistical Area data
Source: Bureau of Labor Statistics

Freight rail and intermodal facilities

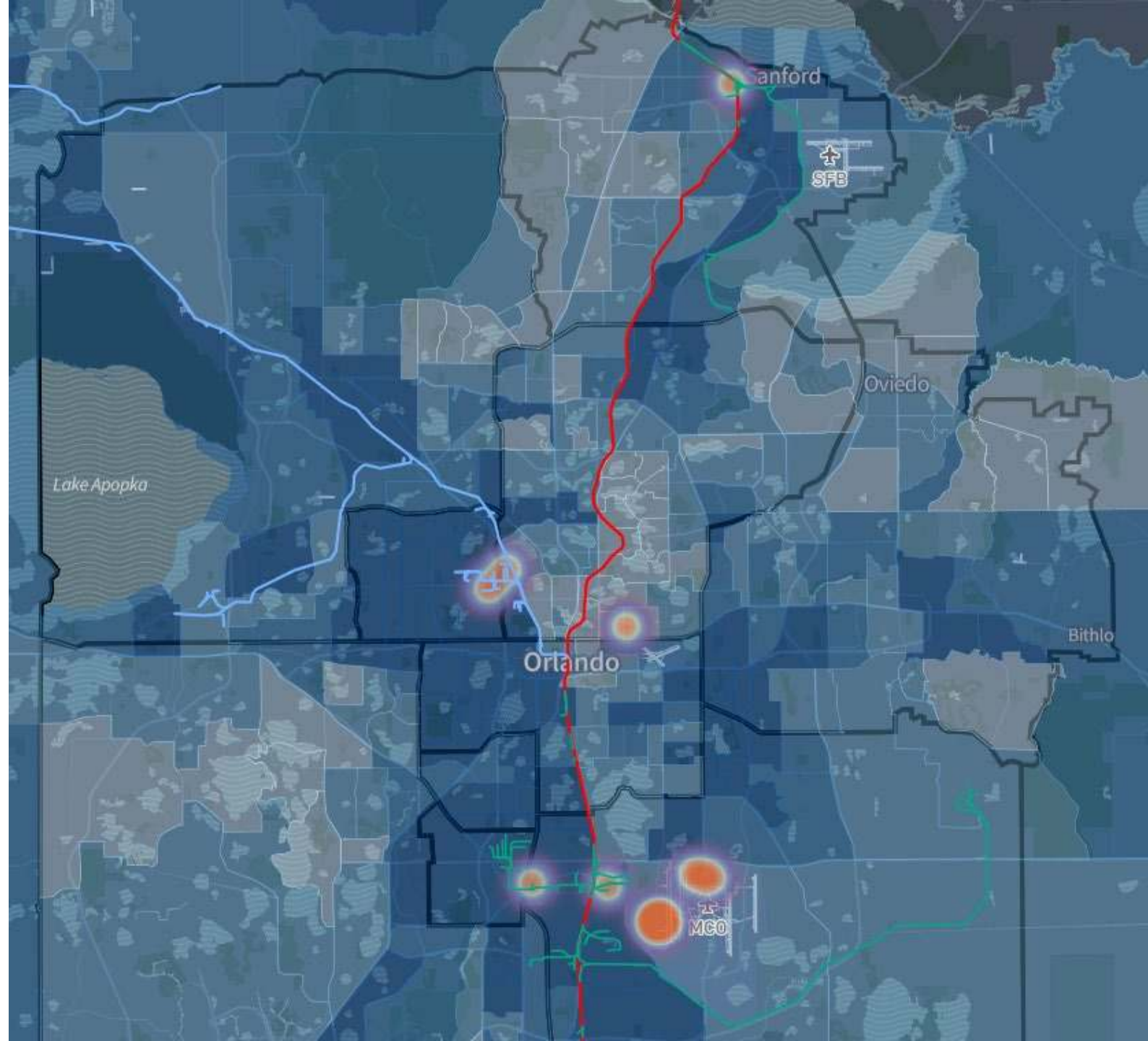
Heatmap of U.S. Intermodal Freight Facilities



Blue Collar



South and Central Florida Freight Lines



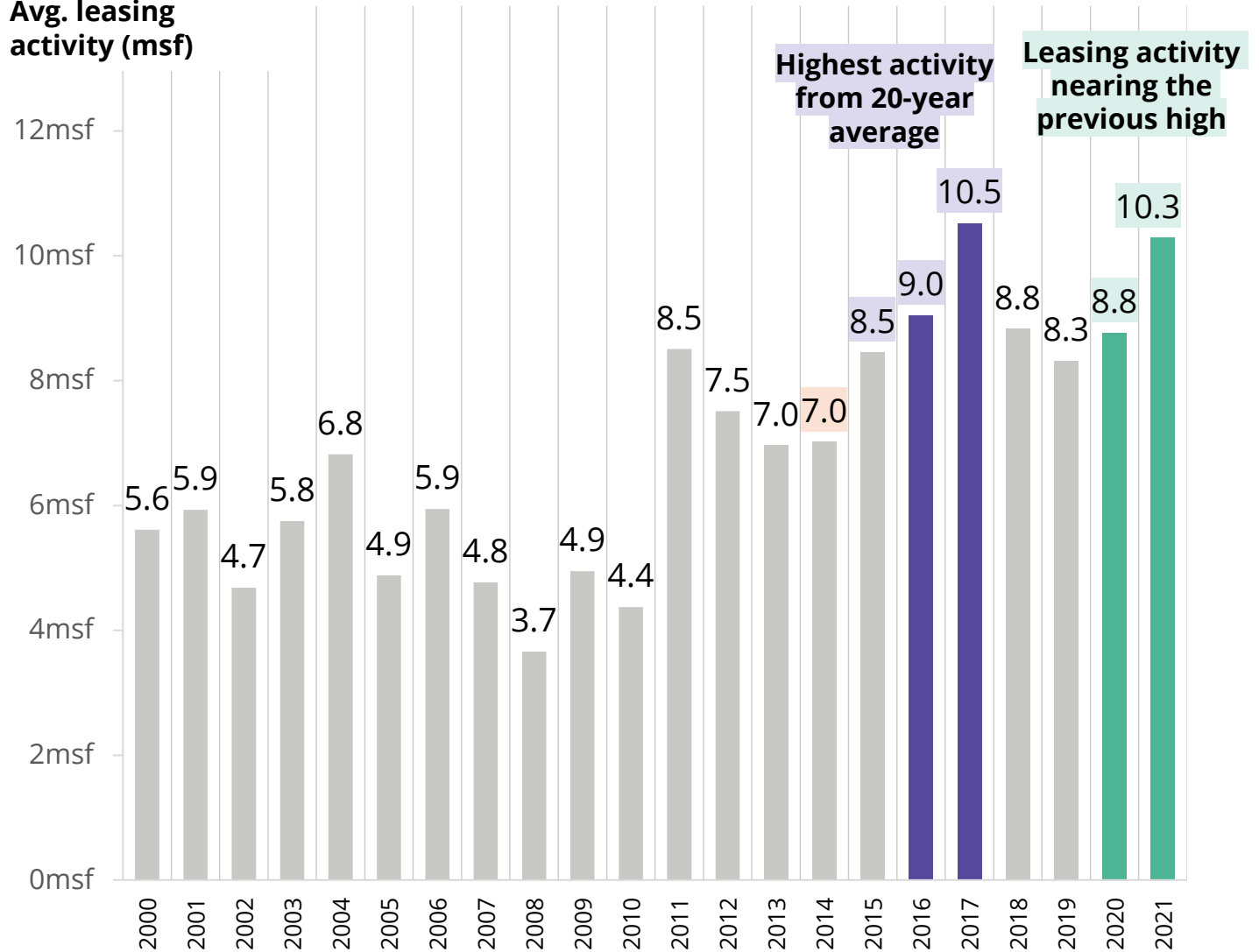
Industrial leasing activity

+ 17.3%

increase in industrial leasing activity from 2020 to 2021.

Industrial leasing activity picked up significantly during 2021 with total leasing volume reaching 10.3 msf, nearing close to the record high set in 2017. Leasing activity was particularly strong within the Airport/Southeast Orlando and Orlando Central Park submarkets, where there has been a large concentration of new construction deliveries over the last two years.

Avg. leasing activity (msf)



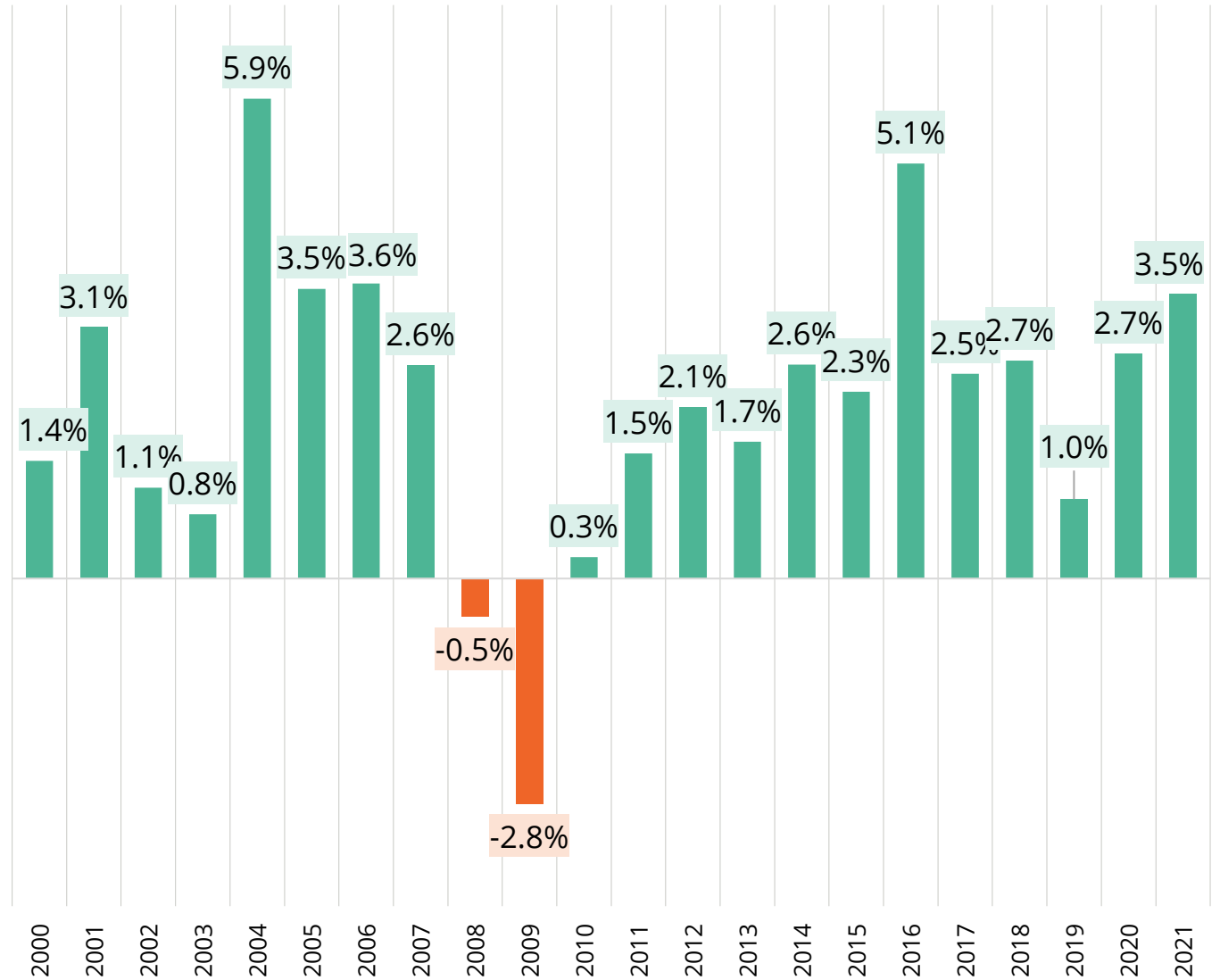
Source: CoStar

Industrial net absorption

+3.5%

net absorption as a percentage of inventory during 2021.

Orlando's industrial market saw strong positive absorption in 2021 with 5.1 msf absorbed in the market, making it the strongest year for net absorption since 2016. Demand for newly delivered industrial space boosted net absorption figures throughout 2021. Out of the 5.6 msf of industrial product delivered during the last two years, only 19.9% remains available.



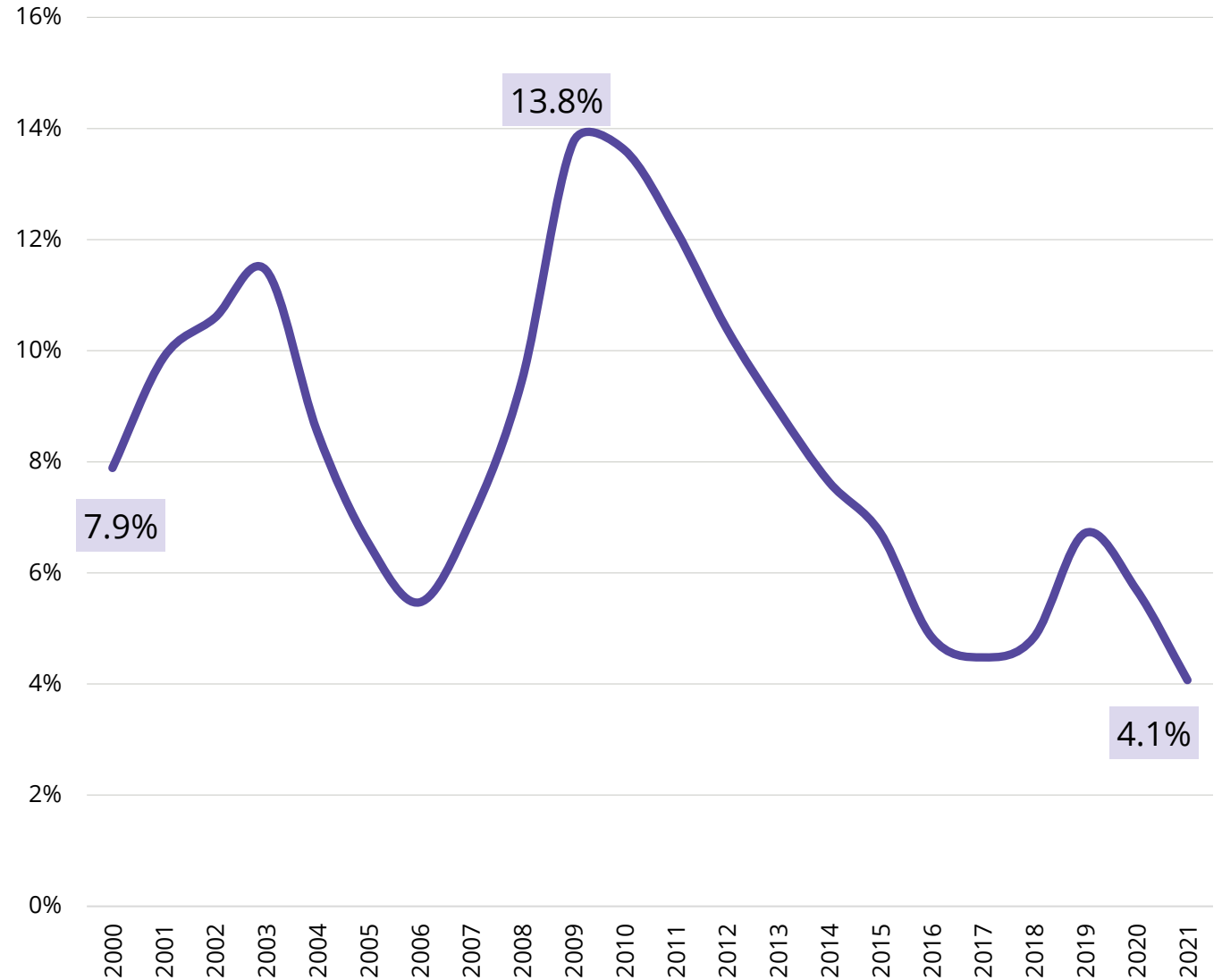
Source: CoStar

Industrial vacancy rate

4.1%

Orlando industrial vacancy rate as of year-end 2021.

Orlando's overall vacancy continued its downward trend at the end of 2021, despite almost 3.0 msf of industrial space being delivered to the market. Orlando's overall vacancy declined to 4.1% from 5.7% at year-end 2020.



Source: CoStar

Industrial development pipeline

52 properties

proposed, under construction

5.8%

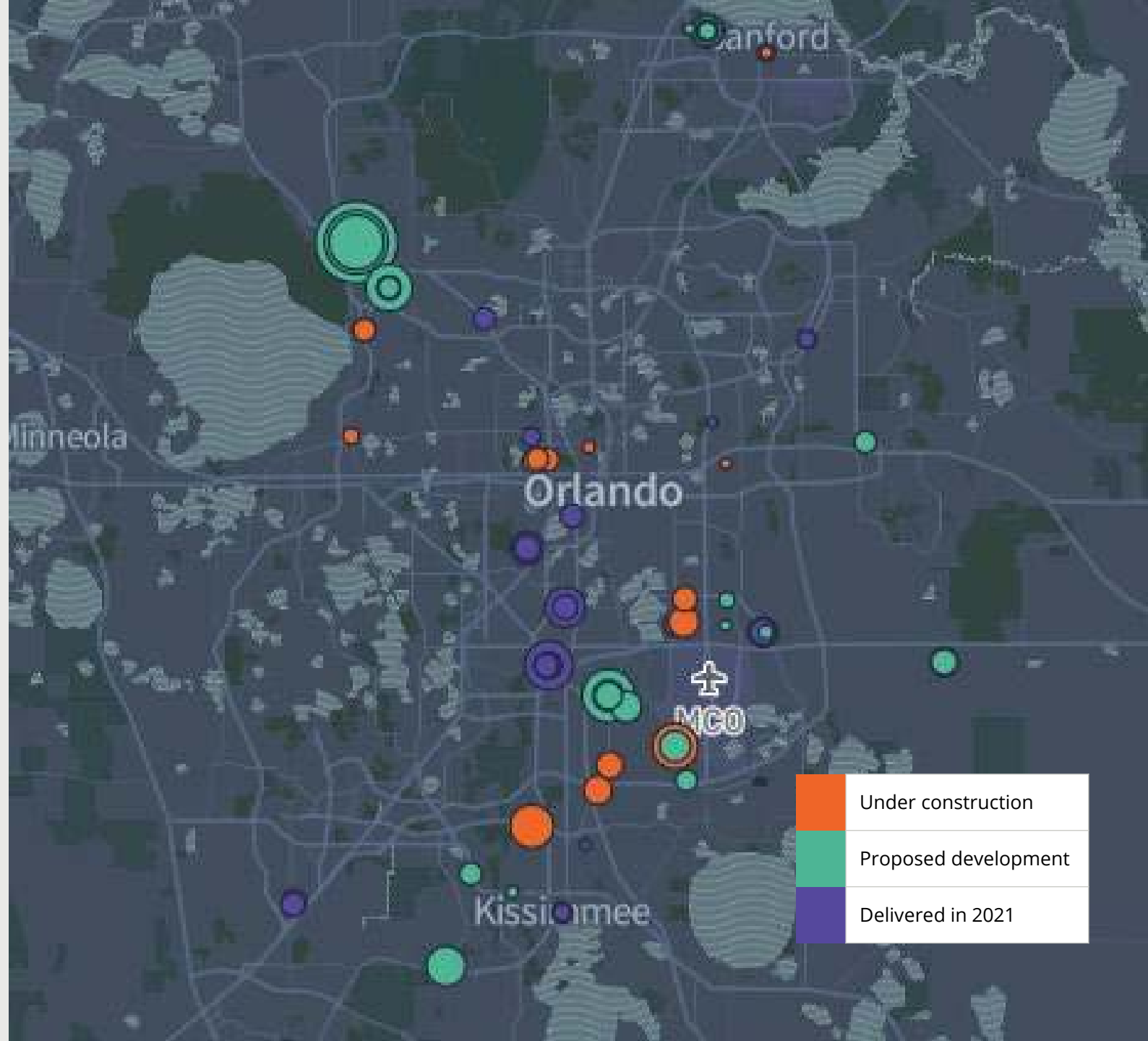
share of inventory

2.0 msf

under construction in Orlando

3.0 msf

delivered in Orlando during 2021

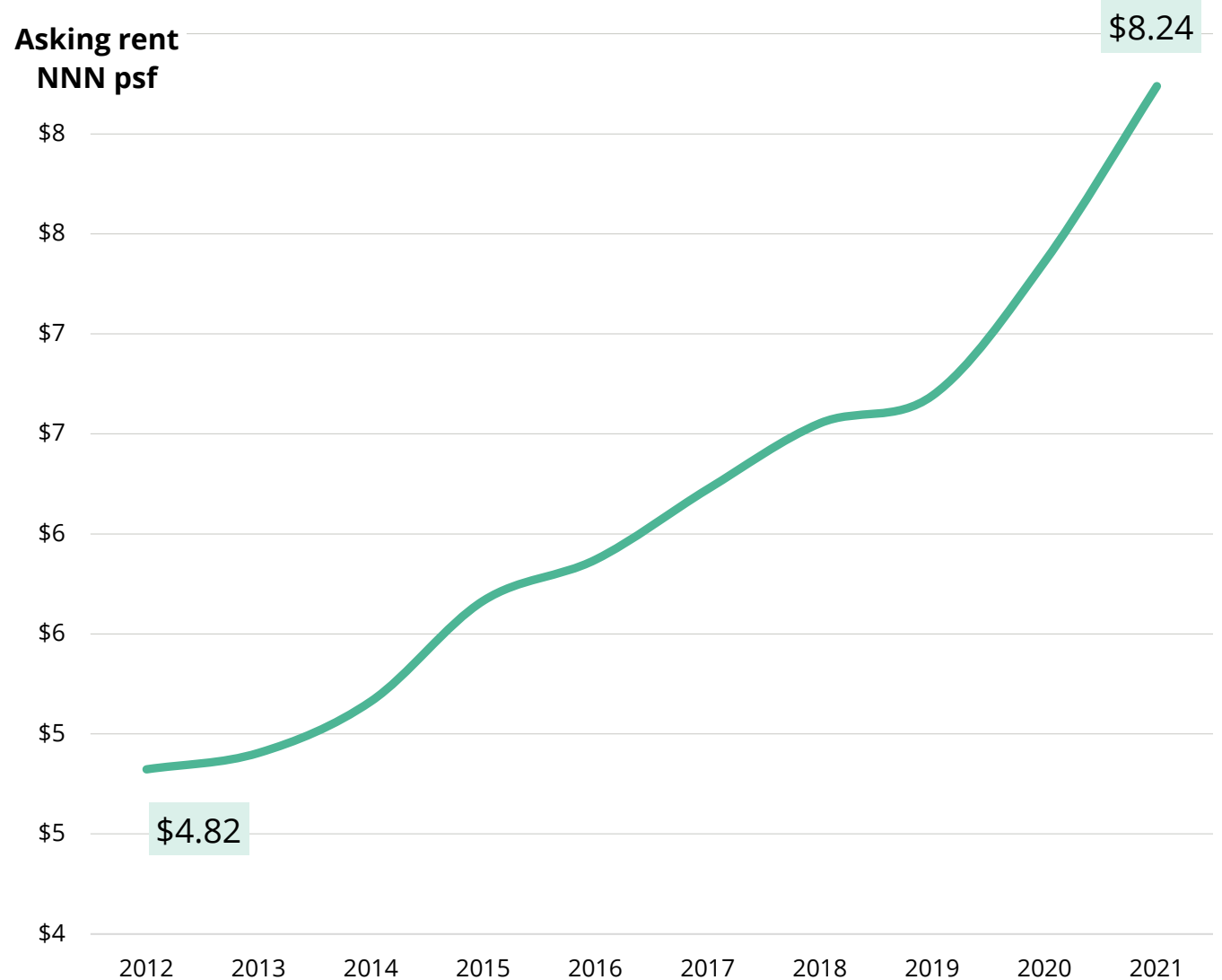


Overall industrial asking rental rates

+ 11.9%

year-over-year increase in asking rents for industrial assets.

Orlando's overall direct average asking rate has been accelerating at a rapid pace over the last several years due to robust demand and an influx of new industrial product. Orlando's overall industrial asking rate increased by 11.9% since the end of 2020.

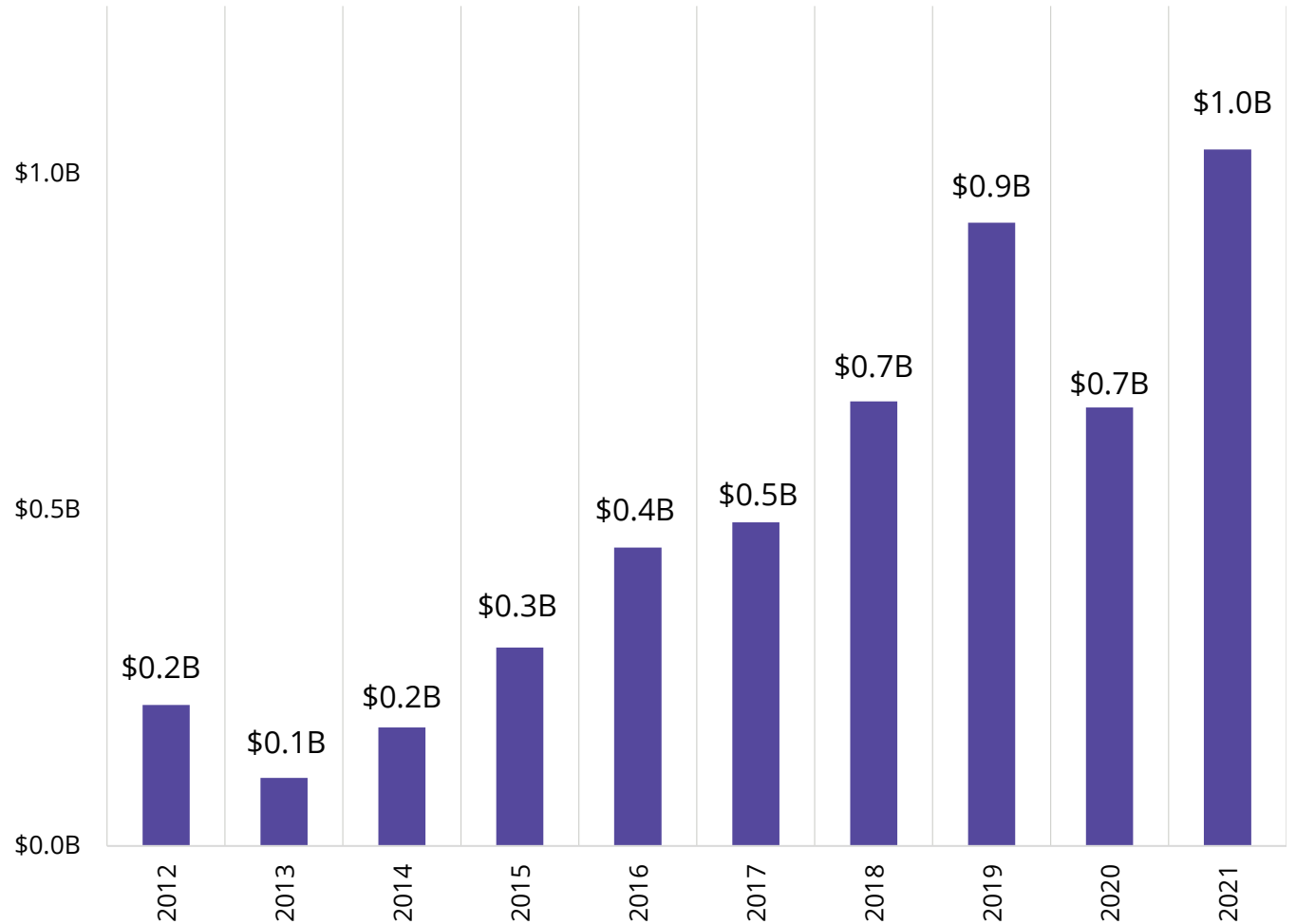


Industrial investment dollar volume

\$1.0B

Orlando industrial dollar volume during 2021.

Industrial investment activity in Orlando was on a steady climb in 2021, reaching \$1.0 billion in total investment volume for the year. Sales were up 58.8% from year-end 2020 and surpassed the previous high of \$0.9 billion set in 2019.

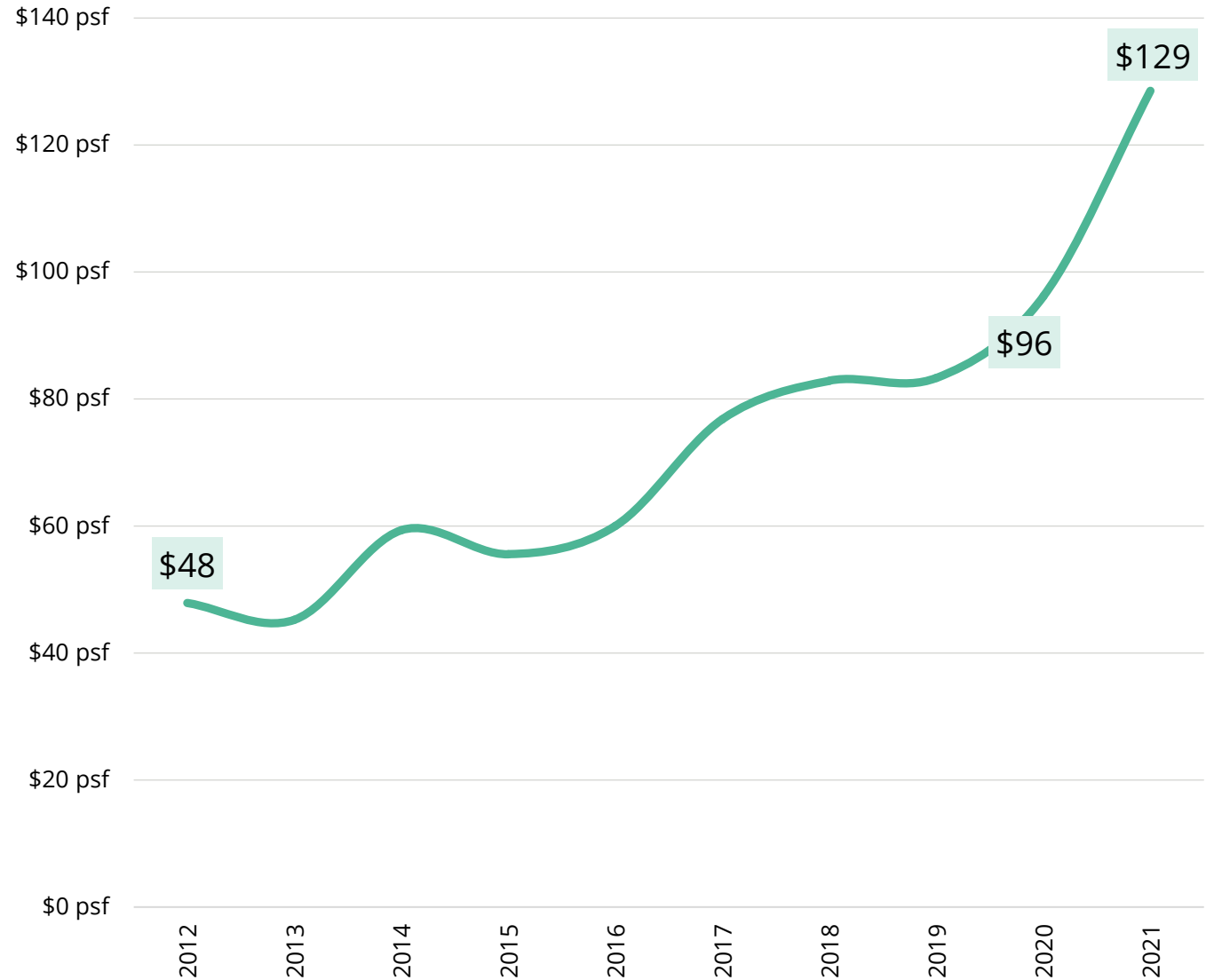


Industrial asset pricing

+33.6%

increase in industrial asset pricing in Orlando from 2020 to 2021.

An influx of investment activity in Orlando boosted industrial asset pricing by 33.6% year-over-year to \$129 per sf. Several large trades took place along the I-4 corridor as investors continue to pay top-dollar for well-located, high-quality assets.



**You have questions.
We have answers.**



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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

- **Industrial inventory:** existing industrial properties that are 50,000+ square feet, including owner-occupied properties and excluding data centers, telecom facilities and government owner-occupied properties
- **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

- **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 space
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as triple-net (NNN)
- **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

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and 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

Vitality Index

- **Visitor volumes:** based on extrapolated, anonymized cell phone pings provided by Orbital Insight at custom, geofenced locations, the Vitality Index tracks visitor volumes at representative areas of interest across cities; for the Retail Vitality Index, 3-10 representative areas of interest were isolated for each retail experience (10-minute dwell times) and last-mile distribution centers (one-minute dwell times) were geofenced to demonstrate online shopping habits

Explore the latest data and insights

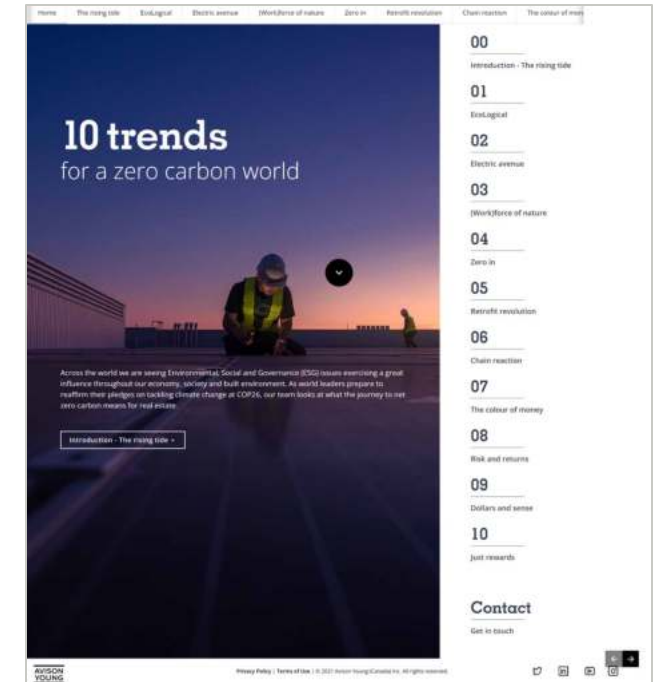
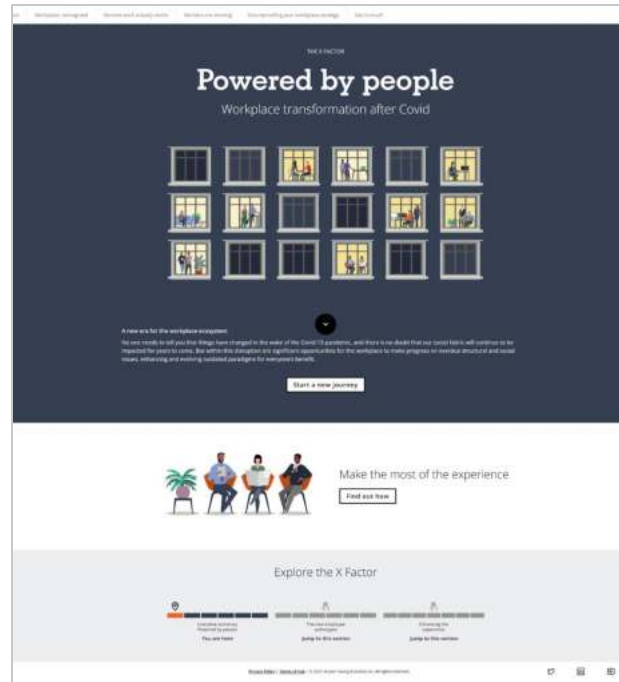
The retail vitality index

Measuring retail activity and how people shop
Our team analyzes how in-person and online shopping habits have evolved across North America using cell phone mobility data.

U.S. employment overview

Tracking trends in real-time
Employment data of U.S. metropolitan statistical areas and industries are analyzed across cycles for a real-time and historical look at economic conditions.

Deep-dive into the thought capital shaping real estate



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