

FIGURES | ORLANDO INDUSTRIAL | Q3 2023

An active construction pipeline delivers additional big box opportunities



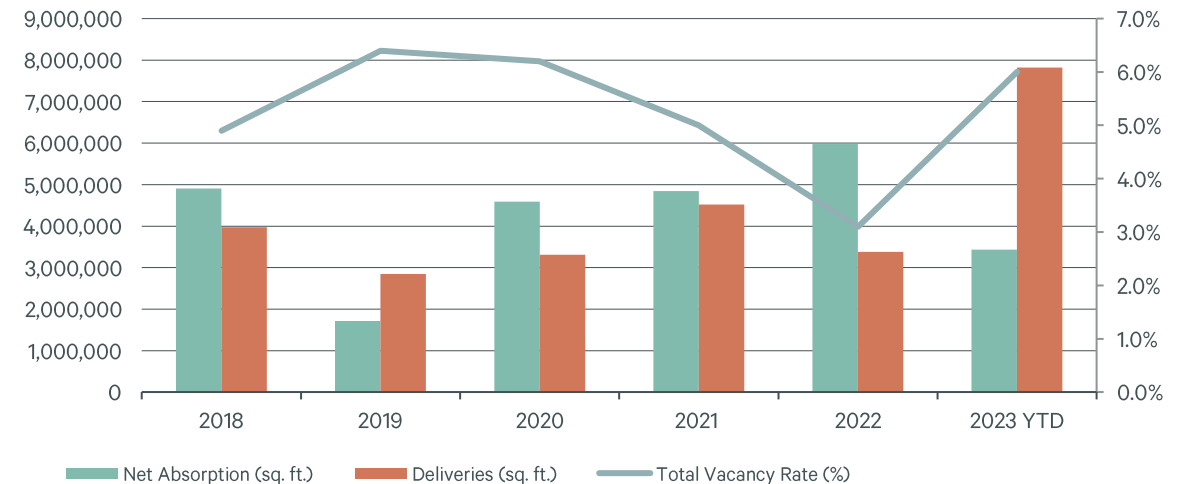
Note: Arrows indicate change from previous year.

OVERVIEW

- Total industrial vacancy rose to 6.0%, up 150 basis points quarter over quarter and 270 basis points year over year as 3 million square feet of available space delivered in the last 90 days.
- Over 5.9 million sq. ft. between 42 industrial buildings are under construction with over 55% of that square footage being built in Northwest Orange and Lake County submarkets.
- According to RCA the sale of investment-grade properties through third quarter of 2023 totaled approximately \$421.8 million across 3.8 million sq. ft (\$111.33 per sq. ft.) compared to \$1.3 billion across 10.3 million sq. ft. (\$127.04 per sq. ft.) during the same period in 2022.

The Orlando industrial market ended the quarter with strong fundamentals. With strong demand and robust population growth, developers and tenants have leveraged the strength of the local economy. Approximately 5.4 million sq. ft. of speculative projects are under construction as developers have been aggressive in attempting to keep pace with tenant demand. The industrial vacancy rate rose to 6.0% due to over 7.8 million sq. ft. of completions during the first nine months of 2023 with 5.1 million sq. ft. available. These opportunities will allow out of market tenants options to lease immediately rather than looking at build-to-suit options. The newly completed buildings can accommodate users up to 1.2 million sq. ft.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Orlando recorded over 3.1 million sq. ft. of positive net absorption during the first nine months of 2023. Major occupiers of space in the 3rd quarter included Sealy Mattress (540,399 sq. ft.), Empire Automotive (188,400 sq. ft.), Industrial Lighting Products (169,413 sq. ft.) and Evolution Electric Cars (142,560 sq. ft.). No new leases over 300,000 sq. ft. have been signed so far in 2023, which is reflecting tenant demand that has shifted towards smaller bay product. Despite this, 2023 absorption is still on track to outperform the 5-year annual average of 4.2 million sq. ft.

VACANCY

Due to almost 4.0 million sq. ft. of construction completions and 3.0 million sq. ft. of vacant space, the vacancy rate for Q3 2023 rose 270 basis points year-over-year to 6.0%. Northwest Orange County accounted for 2.8 million sq. ft. of the completions, resulting in a 3-fold increase in that submarket’s vacancy rate to 12.7%. This was largely the impact of the speculative delivery of the Apopka 429 project totaling 2.5 million square feet. This marks the first year since 2019 that new deliveries have outpaced absorption, providing new opportunities for tenants looking to grow within or enter the Orlando market.

PRICING

Direct weighted-average asking rents were \$8.91 per sq. ft. at the close of third quarter 2023. While this is a far cry from the double digit averages we saw over the first two quarters, this decrease was completely driven by the vacant delivery of Apopka 429, with asking rents under \$7.00 per sq. ft. These new cross dock facilities represent 3 out of 4 buildings with more than 300,000 square feet available across the entire market, and as they are leased will have less of an impact on overall rent averages. In fact, excluding these new additions, average rates rise back to \$10.69 per sq. ft.

FIGURE 2: Statistical Snapshot Q3 2023

Submarket	Total Inventory (Sq. Ft.)	Total Vacancy (%)	Q3 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
Lake	11,113,308	12.0	17,318	235,890	1,713,494	8.77
NE Orange	5,172,424	0.4	5,571	121,710	260,254	16.64
NW Orange	29,921,183	12.7	101,662	650,897	1,583,774	7.45
Osceola	6,974,372	3.0	122,812	623,598	839,389	10.46
Seminole	18,367,111	6.5	180,217	35,395	163,700	11.03
SE Orange	45,589,909	2.9	1,098,485	1,356,834	1,424,858	10.71
SW Orange	28,744,409	3.1	65,243	409,590	0	12.95
Orlando Total	145,882,716	6.0	1,591,308	3,433,914	5,985,469	8.91

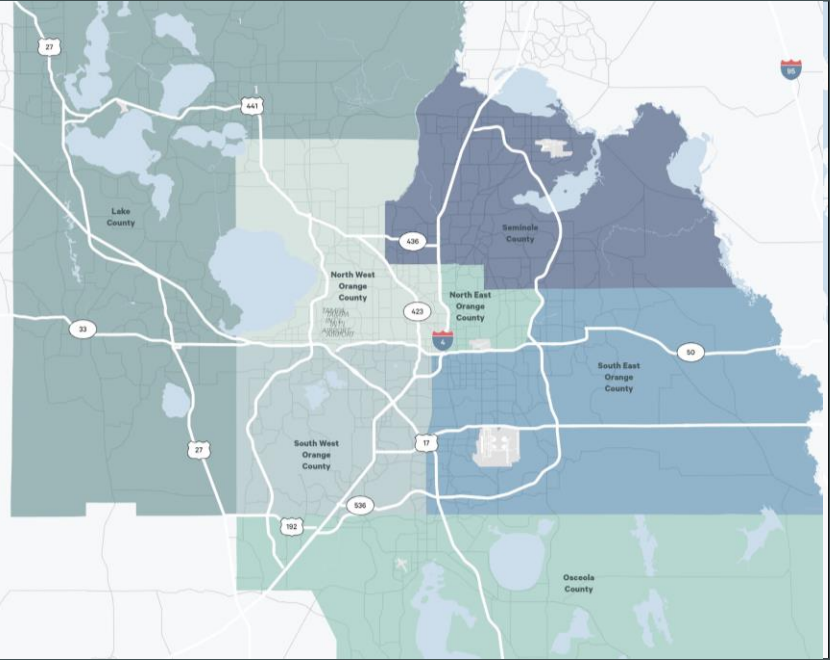
FIGURE 3: Notable Leases Q3 2023

Submarket	Property	Transaction (SF)
SE Orange County	McCoy Logistics Center Bldg 200	142,560
NE Orange County	University Crossing at Winter Park Bldg 3	123,381
SE Orange County	ICP at Beachline Bldg II	119,200

FIGURE 4: Notable Sales Q3 2023

Submarket	Property	Sale Price (\$)	Transaction (SF)
NW Orange	Northwest Distribution Center (4 buildings)	90,550,000	668,800
SE Orange	10701 Central Port Dr	44,500,000	614,096
Osceola	2050 Avenue A	13,806,500	121,488

Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy has defied expectations for a slowdown and has even exhibited some signs of acceleration despite sharp tightening of credit conditions and ongoing write-downs in the banking sector. This resilience due to a number of factors: 1) the Chips and IRA Acts have stimulated the construction sector; 2) the Fed. and the FDIC have provided prompt and effective support for the banks, and: 3) consumers are in good shape from a balance sheet and income perspective.

Nevertheless, headwinds are intensifying: such as higher oil prices, resumption of student loan payments, and a weakening global economy. These headwinds, not serious in themselves, will hit home at a time when the squeeze from elevated interest rates is at its maximum. The upshot for real estate is that the Fed is likely finished with its tightening cycle, allowing a clearer path for real estate capital markets to unfold. Although we expect economic growth to deteriorate it is likely that valuations will stabilize during 1H 2024.

Survey Criteria: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Orange, Osceola and Seminole counties (excluding self-storage and industrial-condos).

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