

FIGURES | ORLANDO INDUSTRIAL | Q1 2024

Completion of bulk product plays big role in Orlando market



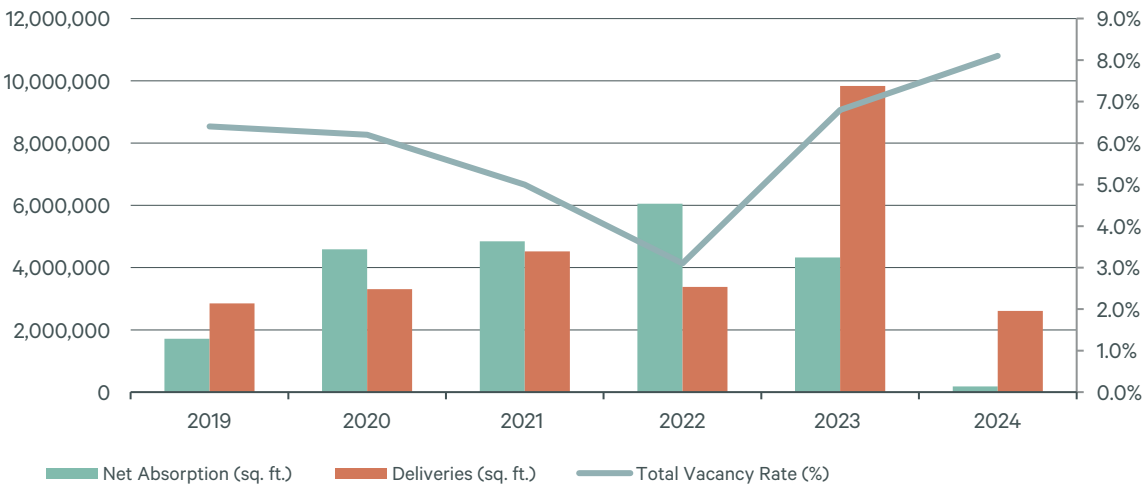
Note: Arrows indicate change from previous year.

OVERVIEW

- Total industrial vacancy rose to 8.1%, a year over year increase of 460 basis points.
- Approximately 2.4 million sq. ft. between 17 industrial projects are under construction with over 73% of that square footage being built in Southeast Orange County.
- Average asking rates are seeing gradual increases; up a modest 1.7% quarter over quarter to \$8.76 per sq. ft.

The Orlando industrial market started the year with 2.6 million sq. ft. delivered, pushing the vacancy rate up to 8.1%. This higher vacancy is not cause for stress yet, as the market is seeing an increase in large tenants looking to increase their footprint in Central Florida. As we move further into 2024 large spaces that have already been signed will take occupancy, thereby lowering vacancy rates. The largest being Duke Energy moving into their 977,441 sq. ft. space at Turnpike Logistics Center, which makes up 7.9% of the current vacant space. Despite an increase in vacancy, absorption remained positive with large move-ins such as McLane taking 280,800 sq. ft. at Osceola Logistics Center. The Orlando industrial market is expected to remain active as we continue through 2024.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Orlando recorded 185,870 sq. ft. of positive absorption in the first quarter of 2024 because of multiple large Osceola County move-ins. Over 1.8 million sq. ft. of industrial space was leased in the first quarter with the largest deal of the quarter being a 328,024 sq. ft. renewal at Beltway Commerce Center Building 400. CBRE represented both sides of the deal. The largest new deal of the quarter was signed in South East Orange County at MCO Logistics @ AIPO when a tenant took 167,242 sq. ft. A majority of the leases signed this quarter were small to mid-sized tenants, but over the last 90 days the market as seen a jump in interest in large blocks of space.

VACANCY

Due to over 12.4 million sq. ft. of construction completions since the beginning of 2023, including 2.6 million sq. ft. that came online this quarter, the vacancy rate rose 460 basis points year over year to 8.1%. Lake and Northwest Orange County have the highest vacancy rate due to the large amount of empty bulk buildings in the Northwest part of the market. Those submarkets hold all of Orlando’s available and existing spaces over 250,000 sq. ft. The tightest parts of the market are the two South Orange County submarkets with only 3.6% vacant.

PRICING

Rates across Orlando have fluctuated over the past year as high quality, new space is delivered and is quickly leased up. The first quarter of this year began with average NNN rates at \$8.76 per sq. ft., showing a year over year decrease of 16.3%. This decrease is also due to an increase in bulk space delivered which traditionally has lower asking rates.

FIGURE 2: Statistical Snapshot Q1 2024

Submarket	Total Inventory (Sq. Ft.)	Total Vacancy (%)	Q1 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
Lake	12,826,802	23.5	25,160	25,160	0	7.22
NE Orange	5,571,258	5.3	(5,200)	(5,200)	108,000	13.04
NW Orange	31,222,340	15.4	19,492	19,492	367,354	7.56
Osceola	7,787,470	4.8	259,255	259,255	86,850	10.86
Seminole	18,456,396	5.8	75,723	75,723	76,620	11.65
SE Orange	46,021,236	3.8	(14,918)	(14,918)	1,759,842	10.55
SW Orange	28,744,409	3.2	(173,642)	(173,642)	0	12.19
Orlando Total	150,629,911	8.1	185,870	185,870	2,398,666	8.76

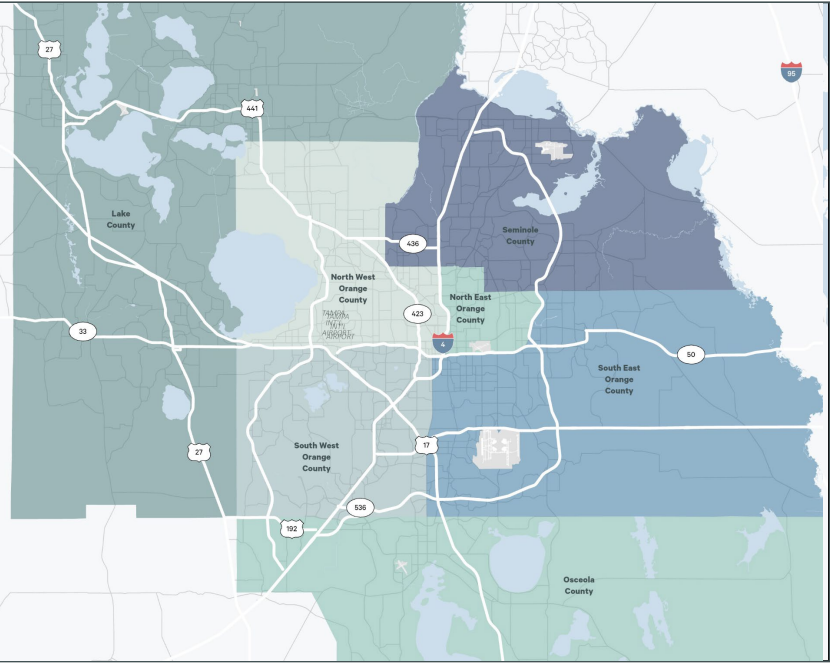
FIGURE 3: Notable Leases Q1 2024

Submarket	Property	Transaction (SF)
SE Orange	Beltway Commerce Center – Building 400	328,024
SE Orange	MCO Logistics @ AIPO	167,242
SE Orange	McCoy Commerce Center	151,791

FIGURE 4: Notable Sales Q1 2024

Submarket	Property	Sale Price (\$)	Transaction (SF)
Seminole	70 Keyes Ct	8,150,000	55,400
Lake County	200 County Road 448	7,100,000	42,515
NW Orange	102 Semoran Commerce Pl	6,500,000	55,390

Market Area Overview



ECONOMIC OUTLOOK

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

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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