

FIGURES | ORLANDO INDUSTRIAL | Q3 2024

# Orlando vacancy continues to climb to 8.9%



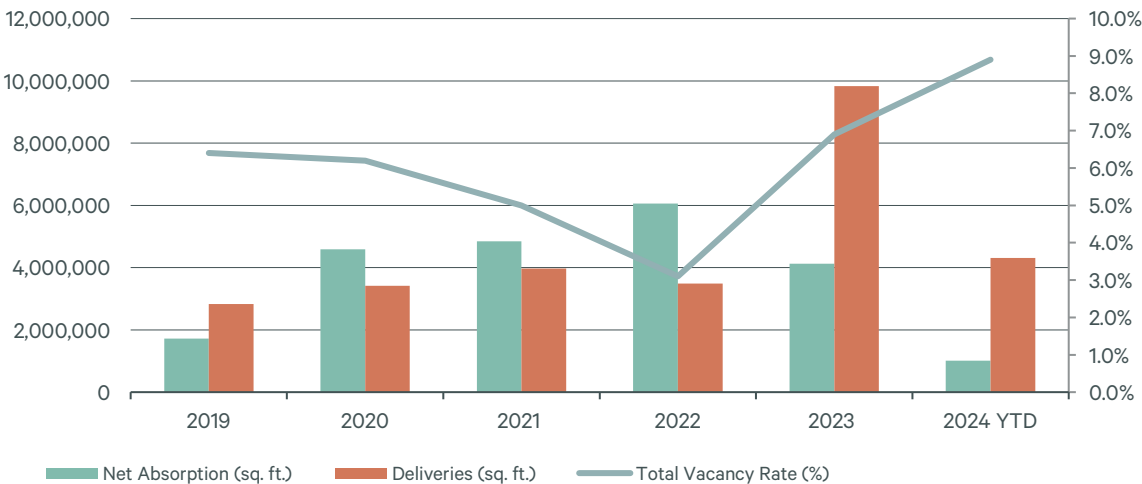
Note: Arrows indicate change from previous year.

## OVERVIEW

- Total industrial vacancy rose to 8.9%, a year over year increase of 280 basis points.
- Approximately 4.2 million sq. ft. between 25 industrial projects are under construction with 23% of that square footage pre-leased.
- Average asking rates are seeing gradual increases; up a modest 0.1% year over year to \$8.70 per sq. ft.

Headline industrial vacancy has continued to trickle up and currently sits at 8.9%. Owners are starting to see more vacancy upticks in the traditional, 200,000 sq. ft. industrial deep-bay product. This goes along with an increase in companies signing shorter term contracts with 3PL providers while times remain uncertain. The market is also seeing a slowdown in new development with the current pipeline of projects under construction representing a 30% decrease from this time last year. Ultimately, the players in the Orlando industrial market are expecting to see additional leasing of the large supply of space that has been built over the last few years as an increased number of large tenants have been touring the market.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

The market saw 55,594 sq. ft. of positive absorption in a third quarter with a notable amount of movement. The largest move out was Walgreens vacating 202,598 sq. ft. from 7475 Chancellor Drive. While McCoy Commerce Center Building 1 saw a total of 262, 462 sq. ft. of positive absorption with Grimco and Cort both taking occupancy. The market will continue to see movement in the final quarter of the year with Aerospace One taking 220,853 sq. ft. at Venture Park Beachline and ATR Commercial Flooring taking 150,600 sq. ft. at 350 Gills Drive.

The largest sale of the quarter was IP Capital Partner’s purchase of the 149,570 sq. ft. facility at 2292 W Sand Lake Road for \$40.8M. Banner Property Group and Apollo Global Management sold the fully occupied cold storage facility on 8.9 acres for \$272.78 per sq. ft.

VACANCY

This quarter had several 100,000+ sq. ft. move outs that continued to push the vacancy up to 8.9%, a 2.8 point increase year over year. This, coupled with the bulk product built but yet to be leased, has brought vacancy up from the record low 3.1% that we witnessed towards the end of 2022. Lake and Northwest Orange County have the highest vacancy rates with a majority of the empty 250,000+ sq. ft. spaces being located there. The tightest part of the market is Southwest Orange County with a 4.0% vacancy rate as tenants are pushing to be near the airport.

PRICING

Rates across Orlando have fluctuated over the past year as high quality, new space is delivered and is quickly leased up. The second quarter of 2024 showed average NNN rates at 8.70 per sq. ft., showing a year over year increase of 0.1%.

FIGURE 2: Statistical Snapshot Q3 2024

Submarket	Total Inventory (Sq. Ft.)	Total Vacancy (%)	Q3 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
Lake	12,836,802	16.4	(70,482)	929,239	0	6.77
NE Orange	5,430,626	7.3	5,200	0	0	13.04
NW Orange	31,183,776	17.3	46,160	245,597	1,092,352	8.00
Osceola	8,034,242	6.3	32,465	211,423	85,285	10.80
Seminole	17,555,111	6.5	(42,016)	66,905	0	12.07
SE Orange	46,561,443	5.8	32,565	(174,296)	2,925,619	10.28
SW Orange	28,437,523	4.0	51,702	(272,511)	89,305	14.23
Orlando Total	150,039,523	8.9	55,594	1,006,357	4,192,561	8.70

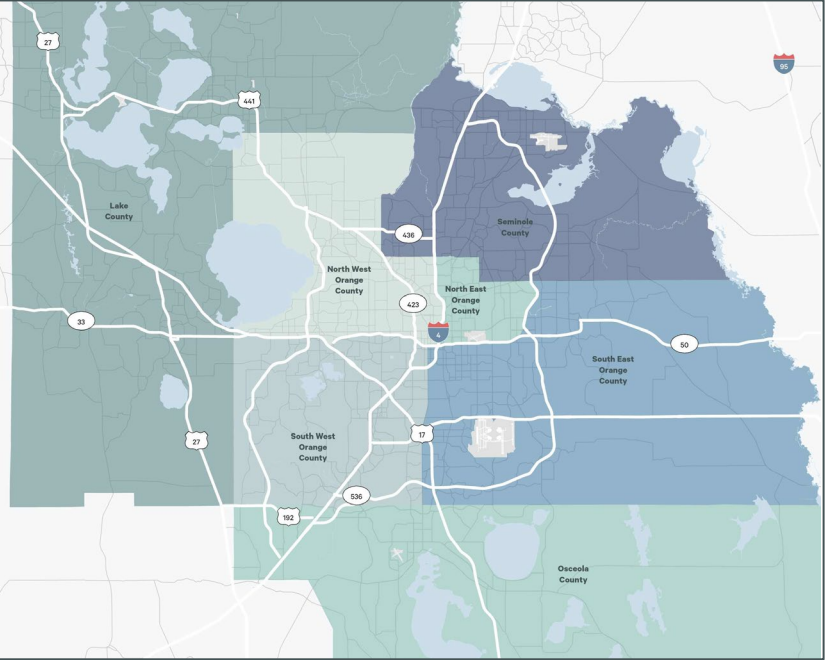
FIGURE 3: Notable Leases Q3 2024

Submarket	Property	Transaction (SF)
SE Orange	Venture Park Beachline	220,853
SW Orange	2351 Investors Row	156,000
Lake	2550 American Way	107,840

FIGURE 4: Notable Sales Q3 2024

Submarket	Property	Sale Price (\$)	Transaction (SF)
SW Orange	2292 W Sand Lake Road	40,800,000	149,570
SE Orange	ICP at Beachline	38,125,000	262,200
Seminole	975 Florida Central Parkway	30,600,000	73,264

Market Area Overview



ECONOMIC OUTLOOK

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some 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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