Vacancy reaches 9.4% in the first quarter

▲ 9.4% Vacancy Rate

▲ 680,832 SF Net Absorption

▲ 3,438,384 SF Under Construction

▼ 679,686 SF Deliveries

▲ $8.92 Triple Net / Lease Rate

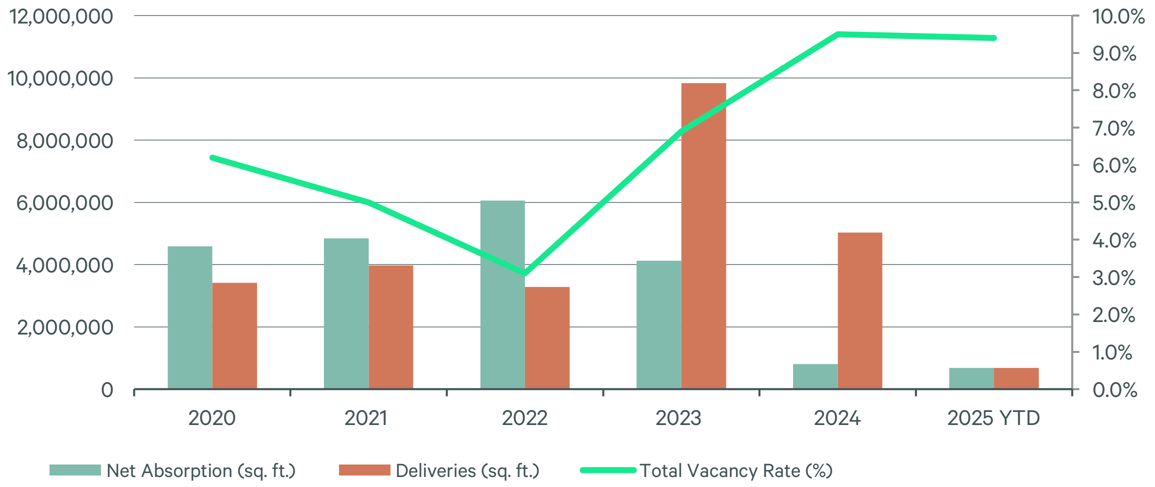
Note: Arrows indicate change from previous year.

OVERVIEW

- Total industrial vacancy rose to 9.4%, a year over year increase of 120 basis points, but a slight drop since last quarter.
- Approximately 3.4 million sq. ft. between 21 industrial projects are under construction with 24% of that square footage pre-leased.
- Average asking rates are seeing gradual increases; up a modest 2.1% year over year to $8.92 per sq. ft.

Orlando industrial vacancy began 2025 at 9.4%, a 2.1% increase year over year. This elevated vacancy is the result of the record high construction in the market over the last two years – adding 15.5 million square feet to overall inventory. Much of the vacancy is in bulk buildings over 500,000 square feet, as that size range has a vacancy rate of 26.4%. The current market seems to be regulating as the newly delivered buildings square footage nearly equals the current quarters positive net absorption. This may seem like a shock after the construction boom of 2023-2024, but it is a return to a regulated industrial market. Orlando should witness a continued backfill of the first-generation space that was built over the last few years.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

The market witnessed 680,800 square feet of positive absorption in the first quarter, a strong start to 2025. The deal of the quarter was 283,170 sq. ft. signed at Orlando-Apopka Commerce Center with occupancy expected to take place in the third quarter of this year. In Crossroads Business Park, another tenant signed 216,478 square feet and moved in this quarter. Both deals are positive signs that larger tenants are in the market again across Orlando.

The largest sale of the quarter was Starwood's sale of the 824,129 square foot portfolio at American Industrial Center. Investcorp International purchased the 25 buildings for $125 million in February.

VACANCY

This quarters vacancy saw a slight drop from the end of 2024 as the market begins to regulate. The vacancy rate, at 9.4%, is still 120 basis points higher than this time last year. Orlando expects to see the vacancy rate continue to tick down slowly as 9.6 million square feet of tenants in the market continue to find their spaces. Southwest Orange county continues to be the hardest place to find space with an extremely tight submarket at 4.8% vacancy and no current buildings under construction.

PRICING

Rates across Orlando have steadily climbed to $8.92 per square foot, a 2.1% year over year. Seminole County has the highest average rate in Orlando at $13.10 per square foot, mainly due to lower vacancy in the submarket and a higher amount of quality flex product than other areas of Orlando.

FIGURE 2: Statistical Snapshot Q1 2025

Submarket	Total Inventory (Sq. Ft.)	Total Vacancy (%)	Q1 2025 Net Absorption (Sq. Ft.)	2025 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate ($/SF/NNN)
Lake	12,836,802	15.3	19,770	19,770	0	6.73
NE Orange	5,430,626	6.8	(15,600)	(15,600)	0	12.00
NW Orange	31,748,174	19.0	106,811	106,811	869,075	8.08
Osceola	8,109,128	7.6	73,177	73,177	220,000	10.64
Seminole	17,561,541	6.6	44,197	44,197	10,000	13.10
SE Orange	47,215,031	5.9	433,930	433,930	2,339,279	10.54
SW Orange	28,399,609	4.8	18,547	18,547	0	11.91
Orlando Total	151,300,911	9.4	680,832	680,832	3,438,354	8.92

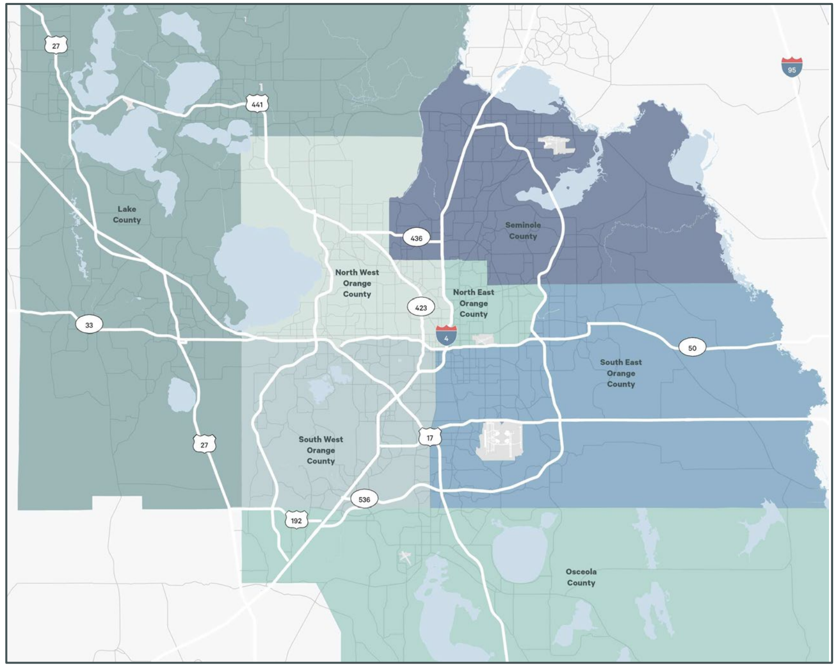
FIGURE 3: Notable Leases Q1 2025

Submarket	Property	Transaction (SF)
NW Orange	Orlando-Apopka Commerce Center – Building 2	283,170
SE Orange	Crossroads Business Park – Building 5	216,478
SE Orange	Prologis Park at AIPO	137,230

FIGURE 4: Notable Sales Q1 2025

Submarket	Property	Sale Price ($)	Transaction (SF)
Seminole	American Industrial Center	$125,000,000	824,129
SW Orange	Chancellor Square	$20,000,000	142,069
Osceola	800-850 E Donegan Ave	$7,100,000	50,744

Market Area Overview



ECONOMIC OUTLOOK

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

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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