Vacancy reaches 9.3% to end the year but nuances remain

▲ 9.3%
Vacancy Rate

▼ 191,595
SF Net Absorption

▼ 3,659,894
SF Under Construction

▼ 715,624
SF Deliveries

▲ $8.82
Triple Net / Lease Rate

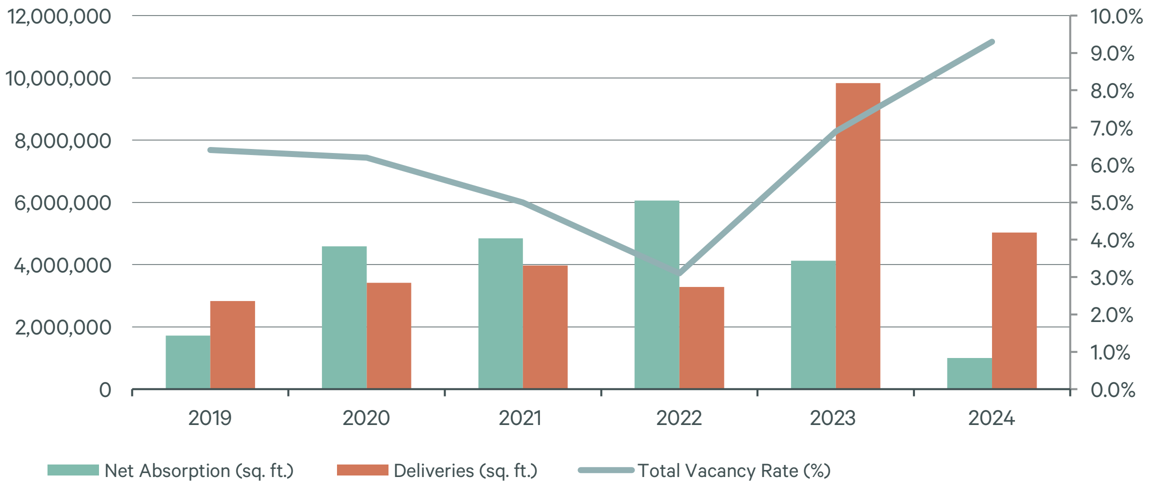
Note: Arrows indicate change from previous year.

OVERVIEW

- Total industrial vacancy rose to 9.3%, a year over year increase of 240 basis points and a 9 year high.
- Approximately 3.7 million sq. ft. between 26 industrial projects are under construction with 23% of that square footage pre-leased.
- Average asking rates are seeing gradual increases; up a modest 2.6% year over year to $8.82 per sq. ft.

Orlando industrial vacancy finished 2024 at 9.3%, a 2.4% increase year over year. This elevated vacancy is the result of record new construction in Orlando since 2020 – adding 25 million square feet or 20% to overall inventory. Much of the unleased space is in bulk buildings, as vacancy for assets under 250,000 square feet is just 7.0%. Now, the current pipeline of projects under construction represents a 20% decrease from this time last year. Optimism across Orlando is found in the increased number of large tenants touring the market, with expectations of them taking space in the larger than normal supply built in the last few years. Many of these companies were on pause until after the election cycle to have a deeper understanding on what to expect in the ways of economics and hope to move forward with decisions as 2025 begins.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

The market ended the year at just over one million sq. ft. of positive absorption with positive 191,600 sq. ft. happening in the final quarter. The largest move in the fourth quarter was Aerospace One moving into 220,900 sq. ft. at Venture Park Beachline in Southeast Orange County while ICP at Beachline had Victory Tailgate move out of 143,000 sq. ft. causing the largest negative hit to absorption. The year ended with numerous moves and more leases signed that will continue to impact the market into 2025.

The largest sale of the quarter was Foundry and PGIM's sale of the 523,110 sq. ft. portfolio at Princeton Oaks Industrial Park. LaSalle Investment management purchased the five buildings for $103 million in December.

VACANCY

This quarters increase in vacancy was due to a couple of construction completions that delivered with no tenants signed. This, combined with the bulk product built but yet to be leased, had brought vacancy up from the record low 3.1% that we witnessed towards the end of 2022. Lake and Northwest Orange have the highest vacancy rates with a majority of the empty 250,000+ sq. ft. spaces being located there. The Southwest Orange County submarket has remained the tightest part of the market with a 4.3% vacancy rate as tenants push to be towards the airport.

PRICING

Rates across Orlando have fluctuated over the past year as bulk spaces with typically lower rates have become available and high-quality space comes online to then be quickly leased. 2024 ended at $8.82 per sq. ft., a 2.6% rise year over year.

FIGURE 2: Statistical Snapshot Q4 2024

Submarket	Total Inventory (Sq. Ft.)	Total Vacancy (%)	Q4 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	0	929,239	0	6.77
NE Orange	5,430,626	6.5	45,821	45,821	0	12.00
NW Orange	31,495,692	18.5	(85,275)	174,322	888,012	8.10
Osceola	8,034,242	5.6	58,330	269,753	85,285	11.22
Seminole	17,561,541	6.8	(9,175)	4,403	35,000	12.27
SE Orange	46,992,018	6.2	232,168	(66,476)	2,562,292	10.36
SW Orange	28,310,304	4.3	(50,274)	(351,894)	89,305	13.59
Orlando Total	150,661,225	9.3	191,595	1,005,168	3,659,894	8.82

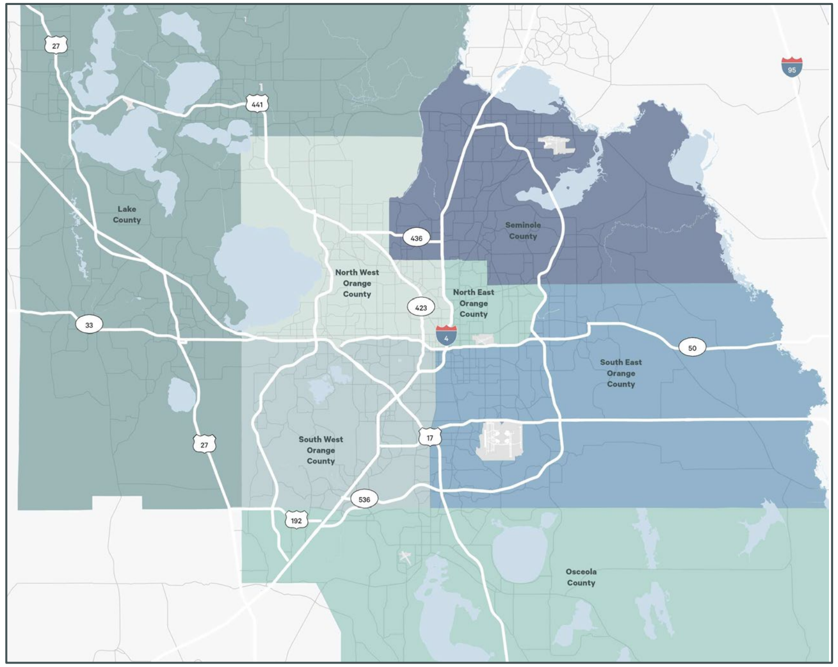
FIGURE 3: Notable Leases Q4 2024

Submarket	Property	Transaction (SF)
Seminole	Innovation Center at Lake Mary	202,068
SE Orange	Crossroads Business Park	153,821
SE Orange	La Quinta Distribution Center	91,934

FIGURE 4: Notable Sales Q4 2024

Submarket	Property	Sale Price ($)	Transaction (SF)
NW Orange	Princeton Oaks	$103,000,000	523,110
Seminole	North Park Commerce Center	63,973,000	117,600
Lake	Clermont Business Center	22,000,000	107,806

Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

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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