

INVESTMENT FORECAST

Industrial
Orlando

IPA

INSTITUTIONAL
PROPERTY
ADVISORS






2022

Surging Population Underpins Demand, Stimulating Development and Investment Activity in Orlando

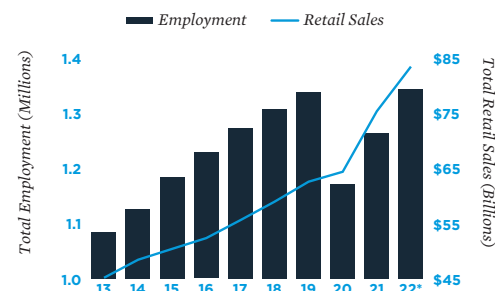
Availability falls to record low. Robust population growth and Orlando's central positioning on the I-4 Corridor, teamed with the ongoing rise of e-commerce, is luring prospective tenants and developers to the market. Industrial firms absorbed nearly 5 million square feet in 2021, compressing metrowide vacancy to 3.4 percent. Recent demand was widespread, with six of the metro's seven submarkets experiencing vacancy compression and double-digit rent growth over the past year. Users' strong appetites for modern space continue to fuel new development in Orlando, with roughly 3.3 million square feet expected to deliver this year. The bulk of completions are concentrated in Northwest and Southeast Orange County, with only 30 percent of the space accounted for entering 2022. Despite the uptick in speculative construction, net absorption is expected to outpace deliveries, resulting in the third consecutive year of annual vacancy compression. Availability will fall to 3 percent by year-end, the lowest rate among all major Florida metros.

Investors target properties near major highway arteries. Orlando's central location and robust rent growth continue to stimulate deal flow in the metro. Competition for available assets is heating up, with the average sale price increasing by nearly 50 percent over the past five years. Smaller warehouses in Northwest Orange County, in close proximity to the SR-429 Corridor, are highly sought after. Assets here generally trade at mid-5 to mid-7 percent cap rates. In Southeast Orange County, investors are targeting properties near the Florida Turnpike east of Orlando International Airport. Entry costs here usually rise above the metro mean of \$132 per square foot, with first-year returns averaging in the low-5 percent range. Seminole County is also recording elevated investment activity, with buyers targeting assets along the I-4 Corridor.

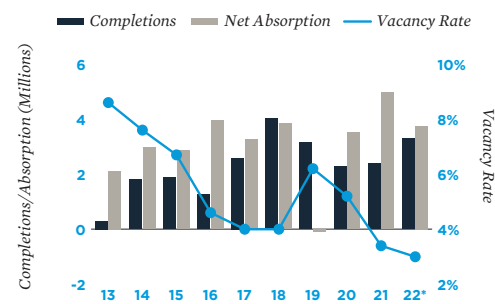
2022 Market Forecast

- Employment**  About 80,000 jobs will be created this year, producing the second-fastest employment growth rate among major U.S. markets.
up 6.3%
- Construction**  Development activity increases this year as developers expand the metro's inventory by 2.3 percent. In 2021, approximately 2.4 million square feet was brought online.
3.3 million sq. ft.
- Vacancy**  Net absorption surpasses supply additions in 2022, reducing vacancy to 3.0 percent — a multidecade low. Last year, the rate compressed by 180 basis points.
down 40 bps
- Rent**  Asking rent will establish a new high, advancing to an average of \$8.90 per square foot in 2022, building on the 14.7 percent spike registered last year.
up 8.4%
- Investment**  A sub-2 percent vacancy rate, coupled with double-digit rent growth and robust leasing activity, will likely draw investors to listings in Lake County, where entry costs often fall below the metro average.

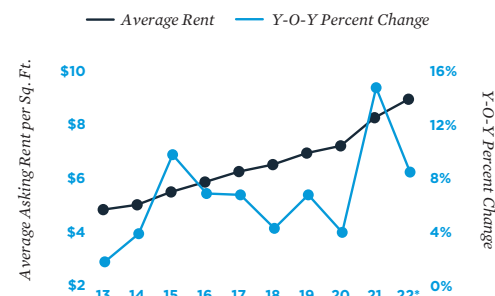
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.