

INVESTMENT OUTLOOK

Industrial
Orlando Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

MIDYEAR 2025

Growth Narrative Remains Intact in Orlando Despite Still-Strained Fundamentals

Strong demographic tailwinds tempered by near-term market imbalances. Orlando's population is expected to maintain its top-two growth ranking among major U.S. markets for a fourth consecutive year in 2025, supporting long-term expansion in logistics- and distribution-related demand. That said, industrial properties have been contending with rising vacancy since 2022. Much of this pressure is stemming from heightened new supply, as total inventory has grown nearly 9 percent in that time frame. Last year's decline in net absorption, driven by slow lease-up of large-scale facilities, also played a role. Looking forward, a tapering construction pipeline in 2025 may relieve some of the pressure on the metro's fundamentals, though preliminary leasing activity in the second quarter is still showing signs of weakness. Aside from Ryder Logistics' 1.2 million-square-foot distribution facility lease starting in November, demand continues to center on small-bay tenants, particularly in submarkets surrounding Orlando International Airport.

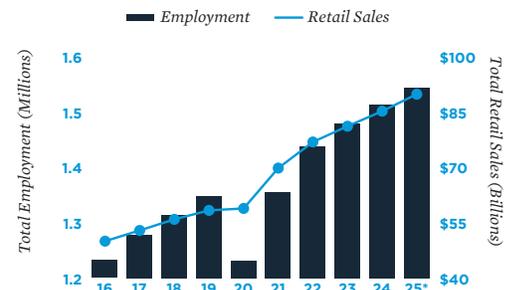
Institutional investment gains ground amid price discovery hurdles. During the trailing 12-month interval ended in March, transaction velocity grew by about 70 percent. Despite higher vacancy among larger facilities, trades involving properties over \$20 million increased substantially as institutional investment picked up. Meanwhile, private investors seeking sub-\$10 million commitments kept targeting areas such as Northwest Orange County along U.S. 441 and corridors west of Orlando International Airport. Strong infrastructure here may continue to draw investor attention, although recent robust pockets bears consideration for near-term vacancy. Nevertheless, with per-square-foot pricing slightly down last year and with no rate cuts from the Federal Reserve in immediate sight, buyers metrowide are likely to remain cautiously opportunistic.

2025 MARKET FORECAST

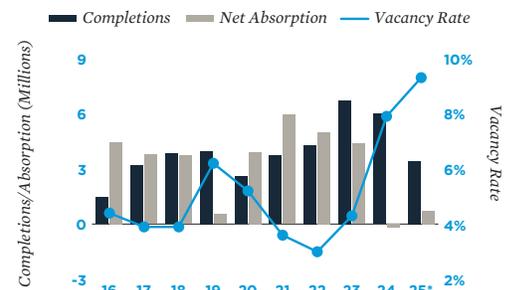
- +1.8%**  **EMPLOYMENT:** In tandem with a rapidly growing population, Orlando's employment base is set to add 28,000 jobs in 2025, tying for the second-fastest expansion among major metros.
- 3.4 million sq. ft.**  **CONSTRUCTION:** This year's delivery slate is set to stay at roughly half of the trailing two-year average, with concentrations near OIA and in Northwest Orange County along State Route 429.
- +140 bps**  **VACANCY:** Landing at 9.3 percent, the metro is expecting a more moderate vacancy rise in 2025, following its largest annual hike since 2009. Still, the increase will double the national change.
- +7.1%**  **RENT:** Despite rising vacancy, the average asking rent in the metro has continued trending upward. This year's increase, while the slowest since 2020, will help push the metric to \$13.72 by year-end.

INVESTMENT: Osceola County's sales volume rose sharply last year. Limited development and submarket-leading net absorption is likely to sustain investors' interest in available listings.

Economic Trends



Supply and Demand



Rent Trends



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

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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 December 2023. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.