

# MARKET REPORT

INDUSTRIAL  
Orlando Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

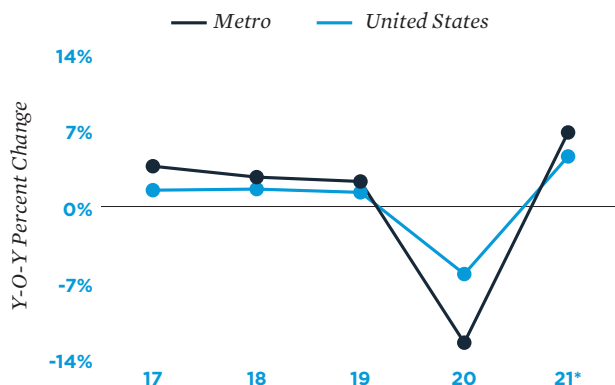
2Q/21

## Orlando's Expansion Fuels Demand for Modern Facilities, Extending Streak of Positive Absorption

**Population gains aid industrial fundamentals.** Prior to the pandemic, Orlando ranked among the nation's top markets for in-migration and job creation. These increases and a rise in e-commerce spending allowed the metro's industrial sector to be relatively insulated from the impacts of the health crisis, with the segment recording positive net absorption during each quarter in 2020 and the first quarter of this year. That trend should continue as a strong rate of employment growth draws more households to the metro in 2021 and bolsters consumer spending. These factors and a record year for multifamily deliveries should stoke demand for storage and last-mile distribution space in and adjacent to expanding submarkets.

**Corporate leasing warrants speculative development.** Orlando has recorded a collection of 100,000-square-foot-plus commitments since last April that have supported positive absorption throughout the health crisis. While Amazon backfilling a former Winn-Dixie facility highlights this list, more than half of the large-scale executions have involved recently built space, primarily in Southeast and Southwest Orange County. FedEx, Frito-Lay, Humana Pharmacy, Sprouts and Pitney Bowes comprise a portion of the companies that have committed to modern facilities. Strong demand for new development bodes well for the 1.2 million square feet of speculative construction that was ongoing as of June. If these properties secure tenants in the near term, their performance has the potential to encourage similar project starts as 5.7 million square feet is currently proposed in the metro.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Industrial 2021 Outlook



**80,000  
JOBS**

*will be created*

### EMPLOYMENT:

Even though the employment base grows by 6.8 percent in 2021, one of the highest rates in the nation, it will take the metro beyond this year to make up the 167,200 positions lost in 2020. Still, local unemployment will remain below the national rate.



**3,500,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Supply additions increase the metro's inventory by 2.5 percent in 2021 as delivery volume exceeds the prior five-year average by 1.0 million square feet. As of June, roughly half the space slated for completion this year was without a lease commitment.



**20  
BASIS POINT**

*increase in vacancy*

### VACANCY:

For a second consecutive year net absorption surpasses the 3.0 million-square-foot mark. Nevertheless, new supply slightly outpaces demand, lifting vacancy to 5.6 percent. Over the course of 2020, availability compressed 80 basis points.



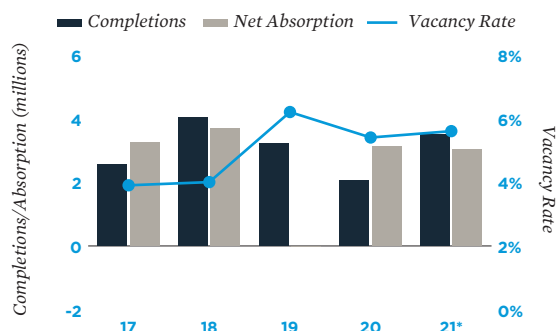
**6.9%  
INCREASE**

*in asking rent*

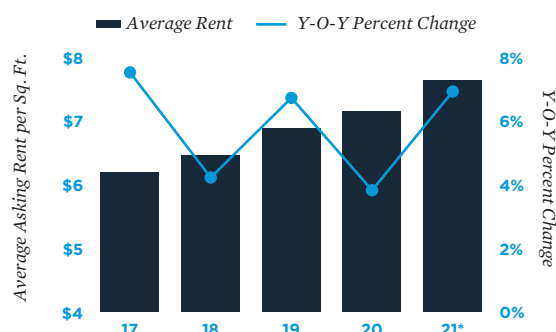
### RENT:

Consistent absorption and a rise in deliveries will fuel rent growth in 2021, lifting the metro's average asking rate to a new high of \$7.63 per square foot. This year's increase will mark an improvement over 2020, when a 3.8 percent gain was noted.

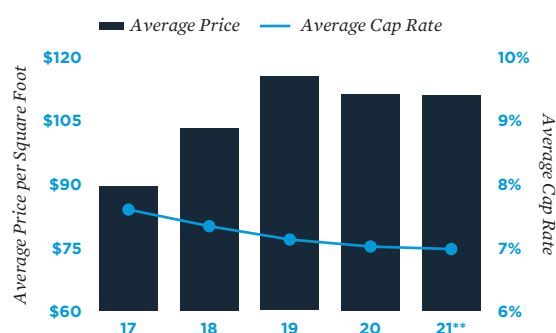
## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast; \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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## 1Q21 — 12-Month Period



### CONSTRUCTION

**2,087,000** square feet completed

- Inventory grew by 1.5 percent over the past 12 months ended in March, supported by the completion of 1.4 million square feet during the first quarter of 2021. In the prior year, 3.9 million square feet was delivered.
- Entering June, construction was underway on more than 1.4 million square feet with finalization dates extending into 2022.



### VACANCY

**130** basis point decrease in vacancy Y-O-Y

- More than 3.7 million square feet was absorbed over the past four quarters, lowering vacancy to 5.4 percent. During the prior 12-month stretch, availability rose 250 basis points.
- Submarkets with inventories over 20 million square feet all recorded vacancy compression of at least 90 basis points over the last year.



### RENT

**4.9%** increase in the average asking rent Y-O-Y

- Positive absorption in each of the last four quarters pushed the metro's mean asking rent up to a new high of \$7.28 per square foot in March.
- Below-average vacancy in Southwest Orange County and the absorption of newer space in Southeast Orange County allowed both submarkets' mean asking rents to rise by double digits during the past year.

## Investment Highlights

- After a busy fourth quarter of 2020, sales activity retreated during the first three months of 2021, contributing to transactions falling 13 percent over the past year ending in March. Class B/C warehouses priced below \$10 million accounted for the bulk of trades over the span.
- Orlando was the only major Florida market to note a decline in average pricing during the trailing 12 months ending in the first quarter. The 3 percent drop lowered the metro's mean price to \$111 per square foot. The average cap rate also declined, falling 10 basis points to 7 percent.
- Trades involving warehouses outside the city of Orlando have accounted for half of the transactions closed since last April. Home to the lowest vacancy among major submarkets, Seminole County has recorded the most activity, with investors acquiring properties in Sanford and Longwood near major transportation routes and the Orlando Sanford Airport. At the low end, buyers are accepting mid-6 percent returns.
- Warehouses near Orlando International Airport and Florida's Turnpike are attracting investors that anticipate an increase in demand for last-mile facilities while population growth persists.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Note: Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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