

Industrial Q4 2023

	YoY Chg	12-Mo. Forecast
3.8% Vacancy Rate	▲	▲
3.8M Net Absorption, SF, YTD	▼	▲
\$11.19 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
1.4M Orlando Employment	▲	▲
3.0% Orlando Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

Orlando had an unemployment rate of 3.0% in Q4 2023, 30 basis points (bps) higher than the rate from one year ago but still well below the national average of 3.7%. Job growth held steady in Orlando despite the current economic slowdown as nonagricultural employment increased by 27,000 jobs, or 1.9% year-over-year (YOY). Industrial-using employment increased by 9,100 new positions over the last twelve months. The trade, transportation and utilities sector added 7,000 jobs, while manufacturing and construction were up 1,300 and 900 jobs respectively.

SUPPLY

Overall industrial vacancy ended Q4 at 3.8%, an increase of 120 bps YOY but down 110 bps from the previous quarter's spike. The annual uptick was attributed to a surge of newly built space available on the market throughout 2023, while the quarterly decrease was largely driven by the absorption of a portion of this new product before year-end. The largest new vacancy in existing product was the 57,100-square-foot (sf) move out at Airport Distribution Center North - Building A, vacated by Kuehne & Nagel International. The Orlando market gained 5.3 million square feet (msf) of new product for the year, with 42.9% of that space still on the market for lease. Orlando's pipeline remained strong, with 4.7 msf of new industrial facilities under construction, fully released at the close of the year. With 3.3 msf of under construction space estimated to deliver in the first quarter of 2024, vacancy is likely to edge higher if preleasing does not pick up, with a potential 280-bps increase to vacancy if the entirety of said product is delivered fully vacant.

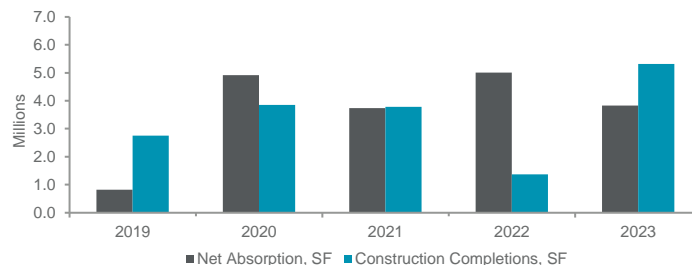
DEMAND

New leasing totaled 1.1 msf for Q4, bringing the year-to-date (YTD) total to 5.5 msf. W/D product comprised the majority of leasing activity, making up 87.6% of new deal volume, as tenants targeted Orlando's central logistics location to service the entire state. Q4 absorption totaled 1.4 msf, the largest quarterly volume since Q1 2022, bringing the YTD total to 3.8 msf. Two of the largest moves of the quarter were by Sealy Mattress Manufacturing Co into 540,400 sf at McCoy Logistics Center – Building 300 and Performance Food Group occupying 291,900 sf at Horizon West – Building 10. Absorption and lease deals have become more heavily correlated with new supply delivering from the construction pipeline and appeared to be normalizing after the robust activity recorded over the past several years.

MARKET PRICING

Overall asking rental rate averages for industrial space climbed 18.3% YOY, ending Q4 at \$11.19 per square foot (psf). The delivery of new, premium space in a tight market contributed to the significant growth. As vacancy is projected to normalize amongst newly introduced supply, rents are expected to continue to increase at a steady, healthy pace.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS BY SUBMARKET

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
33rd Street/LB McLeod	5,032,275	244,812	4.9%	93,093	211,496	0	0	N/A	\$15.29	\$9.93
Airport/Lake Nona	22,565,882	646,288	2.9%	911,301	947,518	1,495,413	991,696	N/A	\$15.67	\$10.23
Altamonte/Longwood/Casselberry	3,989,706	68,587	1.7%	56,386	211,036	0	0	\$13.01	\$14.04	\$12.17
CBD/Winter Park/Maitland	2,900,612	44,234	1.5%	3,200	49,096	0	0	N/A	\$7.50	N/A
East Orange/University/Forsyth	4,098,874	61,072	1.5%	-16,974	123,348	0	0	N/A	\$18.33	\$16.25
Lake Mary/Sanford	8,390,464	295,480	3.5%	51,919	321,696	0	139,906	\$14.00	\$13.92	\$9.35
Michigan/South Orange Ave	2,275,638	36,591	1.6%	-20,691	26,000	0	0	N/A	N/A	\$12.00
Orlando Central Park/SouthPark	22,003,759	407,604	1.9%	443,877	685,877	0	0	\$25.00	\$15.44	\$10.17
Osceola/Kissimmee	5,793,748	215,753	3.7%	716,909	921,775	481,944	800,605	N/A	N/A	\$8.95
Regency/Turnpike/Beeline	17,926,557	267,394	1.5%	1,059,349	1,070,140	0	1,025,651	\$16.56	\$13.25	\$8.28
Silver Star/Apopka	18,999,588	1,985,468	10.5%	675,636	853,719	2,616,027	2,355,760	\$10.70	\$13.03	\$10.06
West Orange/Winter Garden	3,381,023	127,701	3.8%	-127,701	95,659	133,314	0	N/A	N/A	\$9.58
Winter Springs/Oviedo	651,062	32,980	5.1%	-12,390	19,655	0	0	N/A	\$9.27	N/A
Orlando TOTALS	118,009,188	4,433,964	3.8%	3,833,914	5,537,015	4,726,698	5,313,618	\$13.48	\$14.30	\$9.56

*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

MARKET STATISTICS BY PRODUCT TYPE

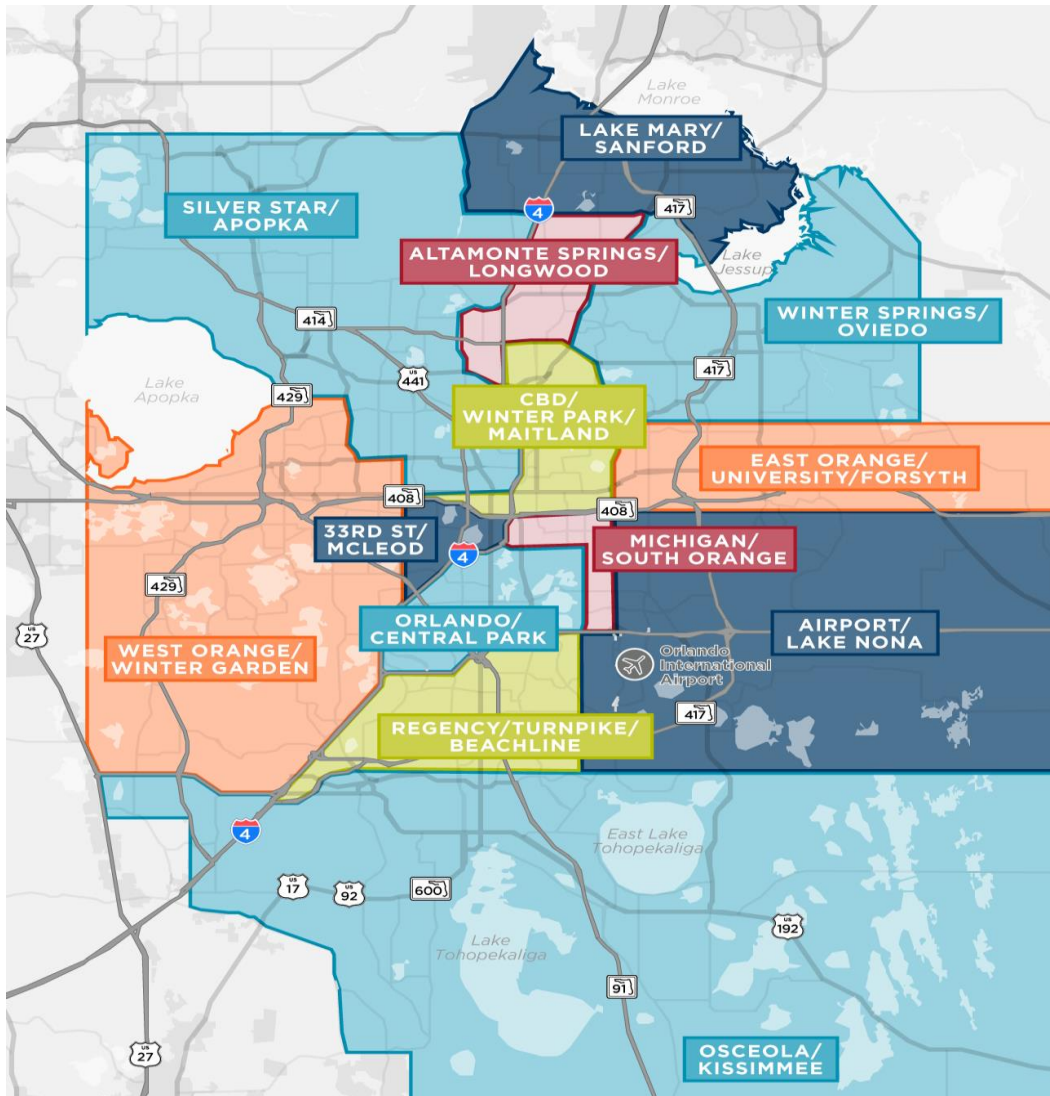
PRODUCT TYPE	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Manufacturing	13,181,906	52,622	0.4%	2,828	-36,322	63,066	0	0	\$13.48
Office Service	12,236,975	669,888	5.5%	6,486	20,899	623,890	0	0	\$14.30
Warehouse/Distribution	92,590,307	3,711,454	4.0%	1,403,885	3,849,337	4,850,059	4,726,698	5,313,618	\$9.56
Orlando TOTALS	118,009,188	4,433,964	3.8%	1,413,199	3,833,914	5,537,015	4,726,698	5,313,618	\$11.19

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
8201 Chancellor Drive	Orlando Central Park/SouthPark	CVS	713,585	Renewal
5010-5030 Industrial Lane - Building 100 & 200	Osceola/Kissimmee	McLane/Suneast, Inc.	280,800	New
10963 Florida Crown Drive	Airport/Lake Nona	Milestone Cabinetry	103,182	New

*Renewals are not included in Leasing Activity

INDUSTRIAL SUBMARKETS



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