

	YoY Chg	12-Mo. Forecast
<b>7.1%</b> Vacancy Rate	▲	▲
<b>1.4 M</b> Net Absorption, SF, YTD	▼	▲
<b>\$6.62</b> Asking Rent, PSF	▼	▬

*Overall, Net Asking Rent*

**ECONOMIC INDICATORS Q4 2019**

	YoY Chg	12-Mo. Forecast
<b>1.3M</b> Orlando Employment	▼	▲
<b>2.6%</b> Orlando Unemployment Rate	▼	▬
<b>3.6%</b> U.S. Unemployment Rate	▲	▼

Source: BLS. Numbers above are monthly figures, FL Dept. Economic OPP.

**ECONOMY: Historic Low Unemployment leads to Strong Job Gains**

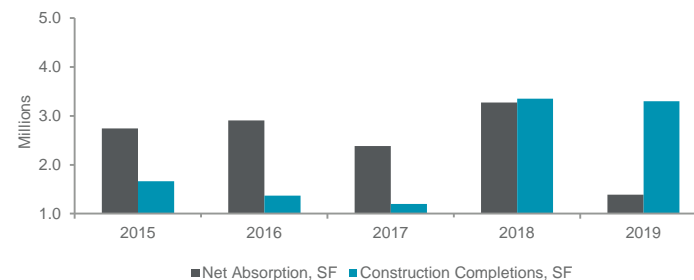
The economy in the Orlando region ended 2019 on a high note, adding 36,700 new jobs over the year for an annual growth rate of 2.8%, almost double the national average. The unemployment rate was 2.6% in November, down 40 basis points (bps) from last year. New jobs in construction were up by 5.8% year-over-year (YOY), or 4,900 positions, on heightened levels of infrastructure development, commercial construction and for housing.

**SUPPLY: Completions Surpassed 3.0 MSF**

2019 marked the second year in a row where industrial completions surpassed 3.0 million square feet (msf). Since the beginning of the recovery in 2009, 14.0 msf of new inventory was added in Central Florida. Warehouse/distribution space accounted for 95% of the space added. The pace for new construction accelerated in the last five years, with 10.6 msf built. At the close of 2019, 4.5 msf was under construction the bulk in the industrial-heavy submarkets of Silver Star/Apopka, Orlando Central Park and Airport/Lake Nona. Some of the largest big box developments clustered on the east side of Orlando by the international airport, an area with vacant land options and excellent access to the region's highway system. 2019 saw an influx of interest from users with smaller sized requirements for infill locations to better connect with end customers.

Overall vacancy in the region increased by 230 bps to 7.1% on the higher pace of construction completions. Over 66% of the space in new construction delivered vacant which impacted the vacancy rates in several large submarkets. The largest percent gain in overall vacancy was in Silver Star/Apopka, with a gain of 650 bps to 9.0%. In Airport/Lake Nona, the submarket with the largest amount of new construction in 2019, vacancy jumped 630 bps to 14.4%, the highest submarket average in Orlando. Sublease space offerings have not picked up significantly this late in the cycle.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & ASKING RENT**



### PRICING: Warehouse/Distribution Rents at Historic Highs

Overall industrial rents finished down 5.7% to \$6.62 per square foot (psf) triple net on declines in asking rent in office services and manufacturing space. Asking rents for warehouse/distribution space were up 1.7% YOY to \$5.93 psf triple net, a historic high-water mark for warehouse rents in the region. The largest rental gains were in submarkets with significant new construction, including Silver Star/Apopka and Airport/Lake Nona, or those which had infill possibilities close to consumers like Lake Mary/Sanford and CBD/Winter Park/Maitland. A submarket with predominantly older building stock under 50,000 square feet (sf), 33<sup>rd</sup> Street/LB McLeod, had the highest YOY rental gain, up 24.7% to \$6.25 psf, the highest asking rate since the second quarter of 2008. Tenant demand for shallow bay space between 15,000 and 50,000 sf was high throughout 2019.

### DEMAND: 9<sup>TH</sup> Year With Annual Overall Absorption over 1.0 MSF

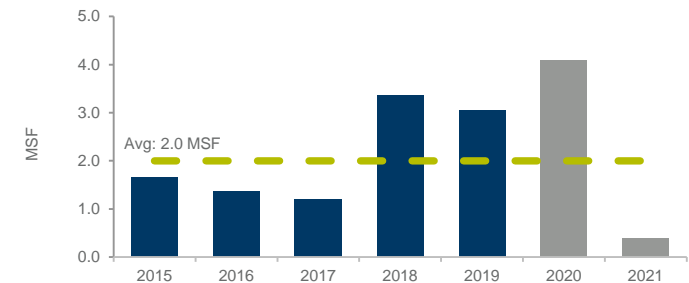
In the last five years, over 24.0 msf of space was leased in the Orlando region. 2019 marked the highest annual amount of leasing activity since 2005. The 5.3 msf leased was 3.3% higher than 2018 numbers with gains focused in half of the area's submarkets. Due to strategic location at the nexus of three major highways, the Orlando Central Park submarket captured 24.0% of all leasing activity last year. Tenants taking large blocks of space included construction-related firms, wholesale distributors and specialty engineering firms. Silver Star/Apopka had 750,000 sf of leasing activity, up 112.7% YOY. It included one large lease by Coca-Cola for 289,000 sf with most other leases signed by tenants for small sized spaces in multitenant buildings.

Overall absorption for 2019 was 1.4 msf, down 1.9 msf from 2018 levels and significantly below the five-year annual average of 2.5 msf. Approximately 90% of all absorption year-to-date (YTD) was in warehouse/distribution space. The largest move-out for the year was Winn-Dixie which vacated 1.0 msf of space in the second quarter in the Silver Star/Apopka submarket. The largest move-out in the fourth quarter was Quality One Wireless in Airport/Lake Nona. Both spaces remained vacant at the end of 2019.

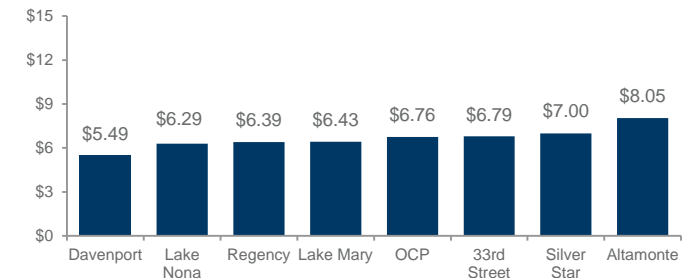
### Outlook: Solid Industrial Market Fundamentals for 2020

- The Orlando should strengthen in 2020 based on leasing activity in the second half of 2019 which finished the year with the highest annual amount of leasing this economic cycle.
- Demographic fundamentals will continue to support new construction in warehouse/distribution space and be a main driver for growth in the Orlando region,
- Short-term increases in vacancy in the first half of 2020 from new construction should be offset in the back half of the year by continued strong leasing industrial market in activity. The expectation for rental rates to rise further in the new year on space from new inventory added.

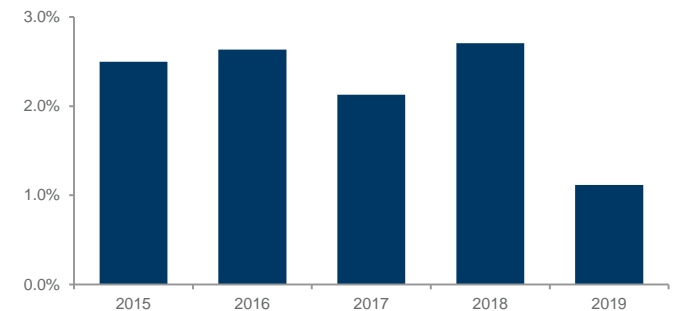
### NEW SUPPLY



### RENT BY SUBMARKET



### INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



# MARKETBEAT ORLANDO

## Industrial Q4 2019



### MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
CBD/Winter Park/Maitland	3,935,659	227,824	5.8%	-77,515	-137,390	100,000	0	N/A	\$7.50	\$8.14
Silver Star/Apopka	18,130,877	1,628,404	9.0%	-23,691	-817,006	840,216	282,912	\$5.75	\$8.08	\$6.91
Altamonte/Longwood	5,360,330	391,518	7.3%	12,071	-170,355	0	0	\$7.25	\$8.90	\$6.91
Lake Mary/Sanford	8,725,154	683,083	7.8%	145,995	196,825	378,100	0	\$4.80	\$7.52	\$5.98
E.Orange/University/Forsyth	4,514,390	152,417	3.4%	-1,629	-10,724	0	0	\$10.00	\$13.79	\$10.30
NE/Winter Springs/Oviedo	1,070,987	28,242	2.6%	-10,000	41,398	0	0	\$7.80	\$7.20	\$7.50
Michigan/So. Orange Ave.	2,773,678	41,495	1.5%	-26,361	23,802	0	0	N/A	N/A	\$6.28
Airport/Lake Nona	19,619,715	2,834,538	14.4%	5,485	303,731	1,274,088	1,522,747	N/A	\$12.37	\$5.45
33rd Street/LB McLeod	5,016,789	209,086	4.2%	4,066	-61,442	0	14,866	N/A	\$9.30	\$6.25
Regency/Turnpike	18,612,757	385,173	2.1%	-13,458	442,207	430,080	0	\$14.95	N/A	\$5.96
Orlando Central Park	21,110,435	1,021,912	4.8%	-39,545	847,455	991,231	747,668	N/A	\$10.89	\$6.00
Osceola/Kissimmee	5,211,379	20,157	0.4%	20,000	79,462	0	0	\$12.00	N/A	\$7.26
West Orange/Winter Garden	3,424,844	362,667	10.6%	-1,875	80,890	467,594	282,766	N/A	N/A	\$6.72
Davenport	6,685,599	800,754	12.0%	155,025	567,601	0	450,000	N/A	N/A	\$5.49
<b>ORLANDO TOTALS</b>	<b>124,192,593</b>	<b>8,787,270</b>	<b>7.1%</b>	<b>148,568</b>	<b>1,386,454</b>	<b>4,481,309</b>	<b>3,300,959</b>	<b>\$7.15</b>	<b>\$9.90</b>	<b>\$5.93</b>

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

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

### KEY LEASE TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
10260 Ringhaver Drive	Airport/Lake Nona	Amcors	500,000	Renewal*
General Electric Drive	Silver Star/Apopka	Coca-Cola	289,000	Direct

\*Renewals not included in leasing statistics

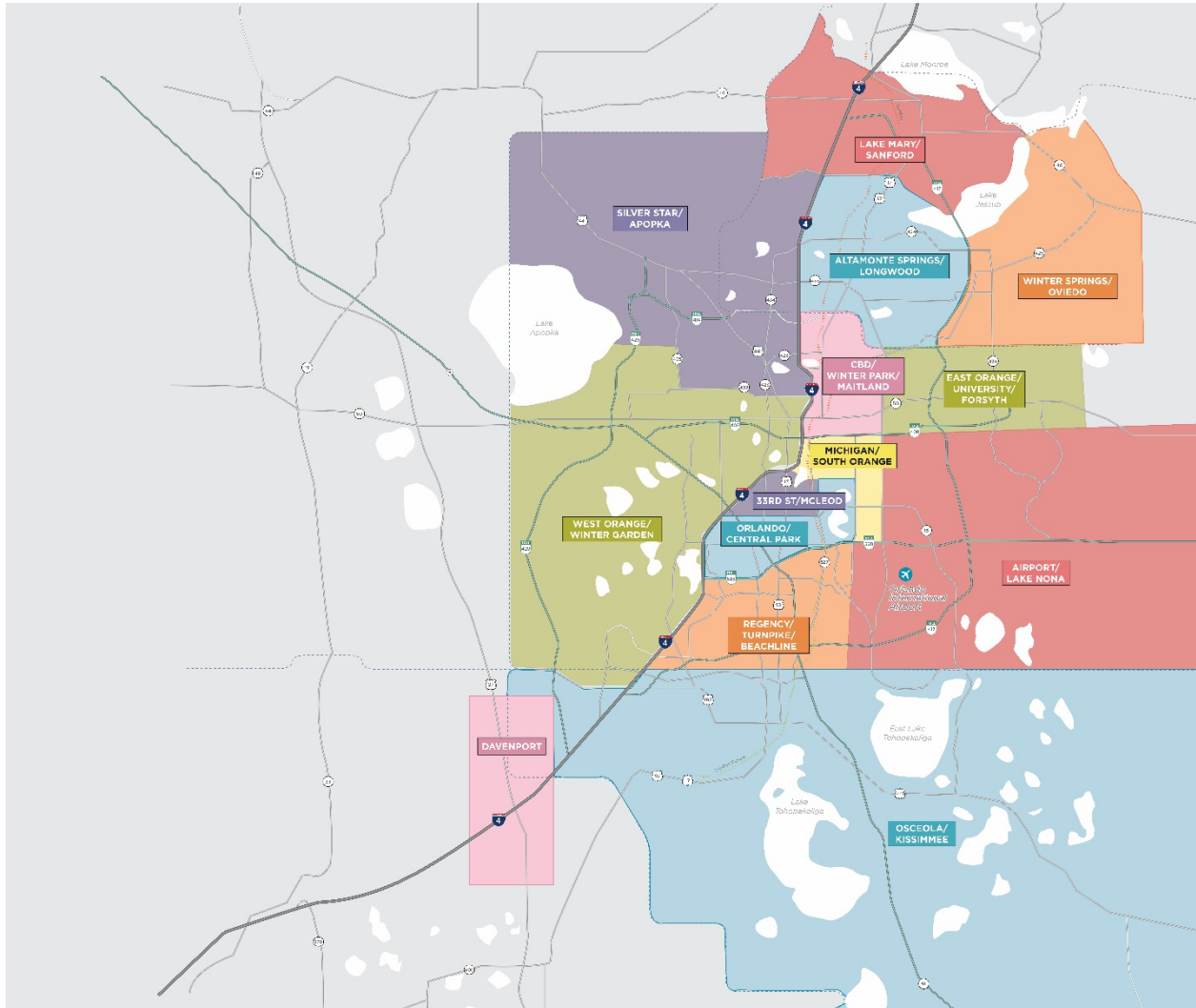
### KEY SALES TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Beltway Commerce Center #200	Airport/Lake Nona	Taurus/Colony Capital	564,000	\$42.3M/\$75.00
Lee Vista Business Center – Bldg G	Airport/Lake Nona	McDonald Development/Colony Capital	159,884	\$15.5M/\$97

### KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Air Commerce Park	Airport/Lake Nona	N/A	561,750	Exeter Property Group
2841 Access Road	Davenport	N/A	450,000	Majestic Realty

INDUSTRIAL SUBMARKETS



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