

3Q23

Orlando Industrial Market Overview



NEWMARK

Market Observations

Economy

- The market's unemployment rate ticked up by 5 basis points year over year to 2.6% but remained well below the five-year average of 4.8%.
- Although job growth pace has slowed compared with recent highs to 3.6% year over year, employment growth continues to outpace pre-pandemic levels, with 2019 growth averaging only 2.9%.
- All sectors, except information and construction, reported employment growth, with leisure/hospitality leading job gains at 7.7% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, with trade/transportation/utilities jobs and manufacturing jobs growing by 3.0% and 2.7% year over year, respectively.

Major Transactions

- The Expo Group signed the largest deal of the quarter, renewing 154,200 SF at 2502 Lake Orange.
- Evolution Electric Vehicles, which has doubled in size in recent years, had the quarter's largest new lease of 142,560 SF at Building 200 at McCoy Field Logistics Center (88 W. Taft Vineland Rd), as well as leasing 71,040 SF in Building 100.
- Most of the largest leases signed were new leases, indicating there is still healthy appetite for space in the market.

Leasing Market Fundamentals

- The market reported 838,760 SF of positive absorption in the third quarter of 2023, bringing year-to-date totals to 3.7 MSF.
- Overall rental rates grew 12.6% year over year to \$9.66/SF, with asking rents reaching a historical high.
- Construction pipeline remains strong with 519,887 SF of deliveries as of the end of the third quarter of 2023, with another 8.9 MSF under construction.
- Following yearly supply outpacing demand for the first time since the pandemic, as of the end of the third quarter of 2023, vacancy increased by 50 basis points year over year to 4.4%.

Outlook

- The Orlando industrial market will likely see an influx of supply on the market in the near term, due to 5.0% of the current market's inventory being under construction. As a result, new deliveries will likely outpace demand in the near term.
- Vacancy rates are expected to increase in the near term as supply is expected to outpace occupancies, before flattening again once the new supply is absorbed.
- Asking rents will likely continue to increase, due to elevated inflation and a large pipeline of quality new product commanding higher pricing coming online.

1. Economy
2. Leasing Market Fundamentals

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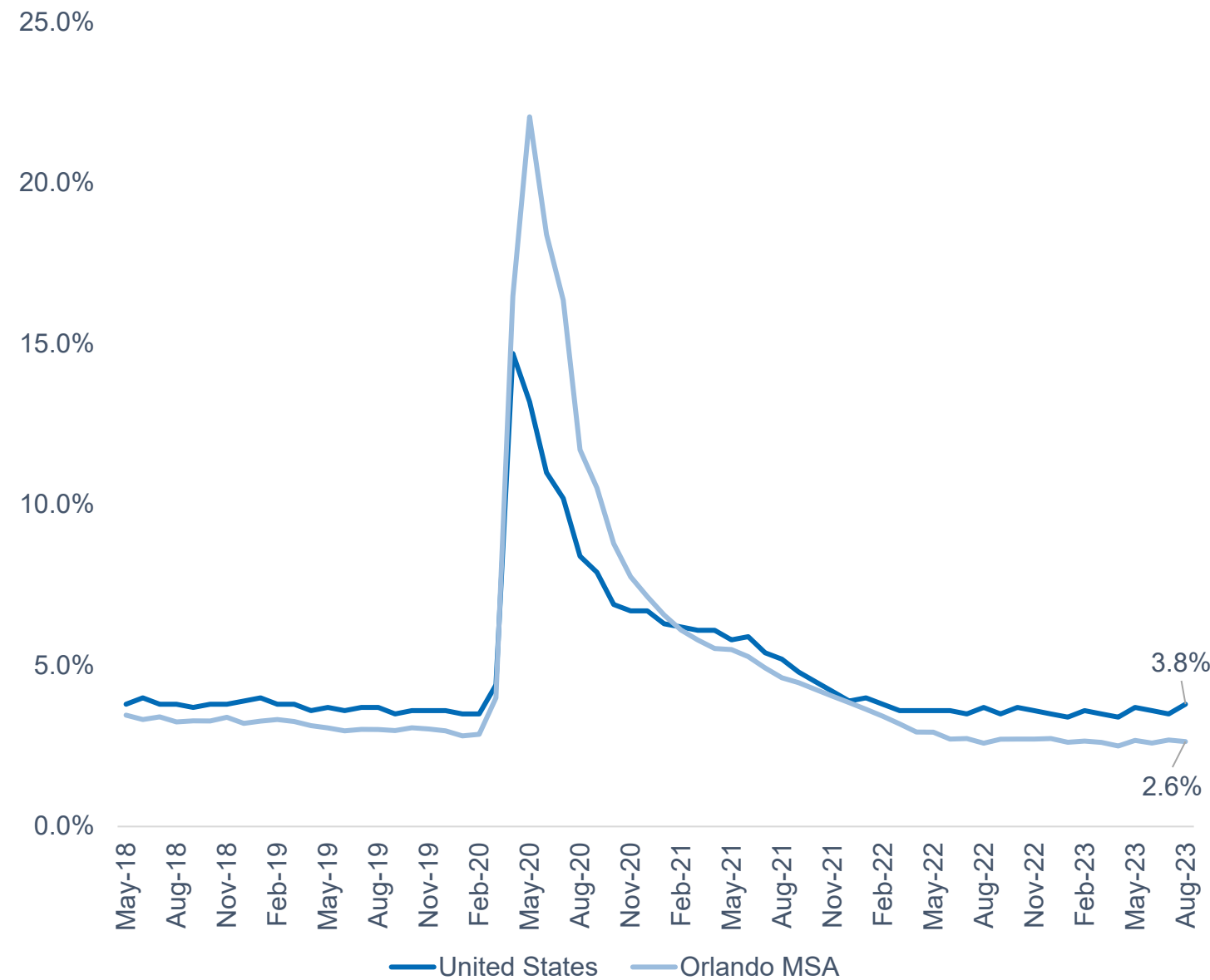
Economy



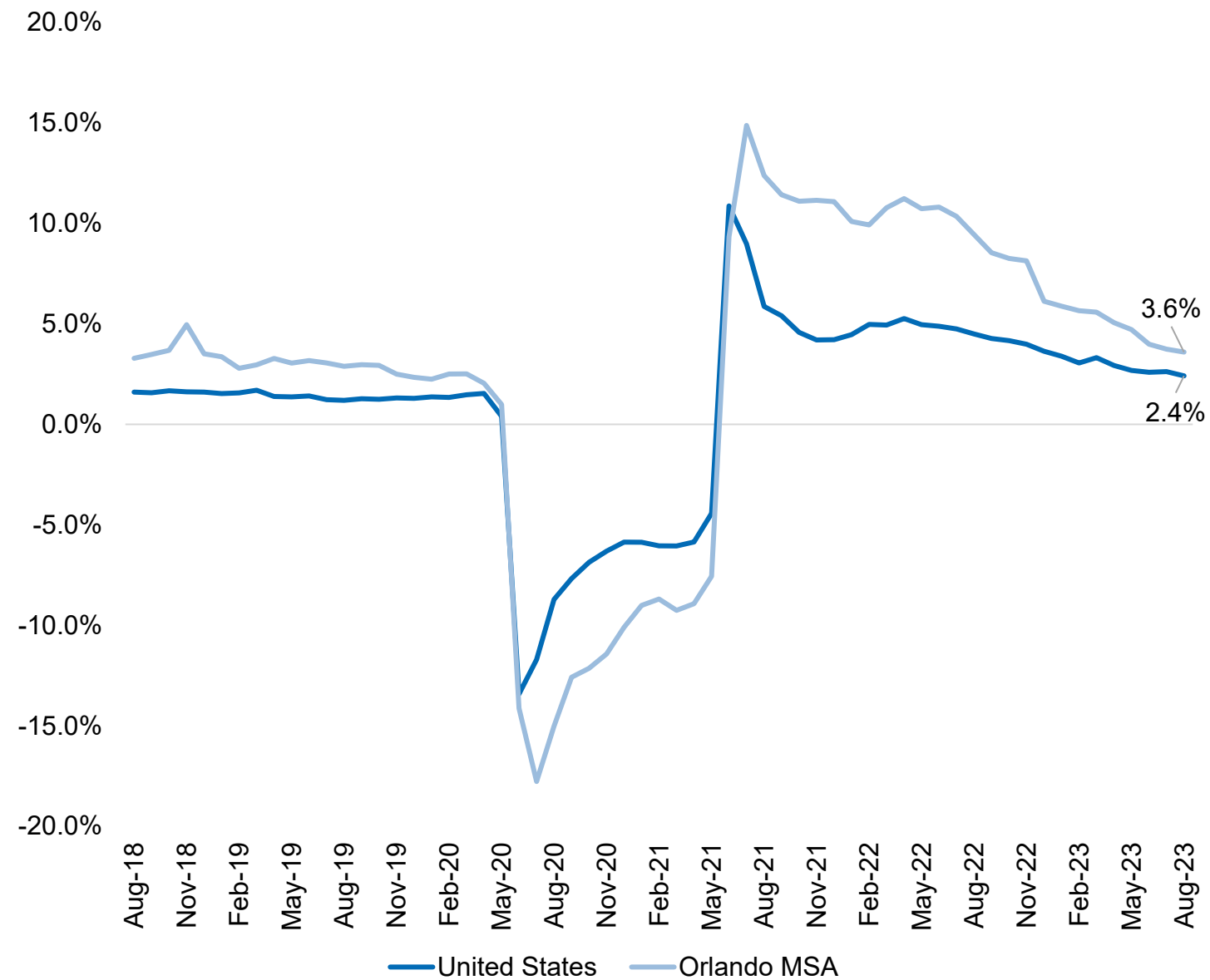
Metro Employment Trends Signal a Slowing Economy

The Orlando market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. Although the region's unemployment rate increased by 5 basis points year over year, national economic headwinds have pushed employment year-over-year growth rate to slow by 552 basis points compared with the previous year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

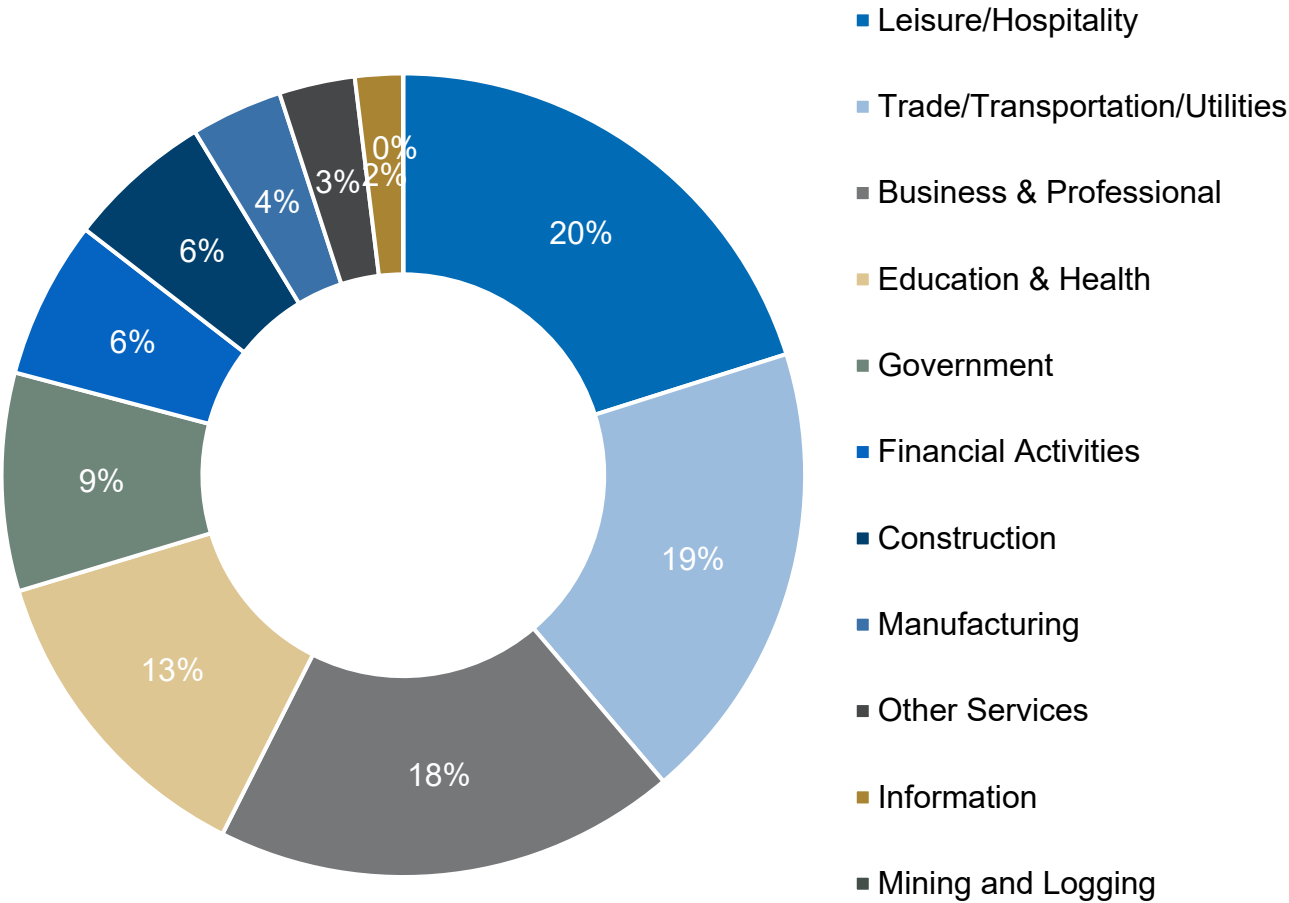


Source: U.S. Bureau of Labor Statistics, Orlando MSA

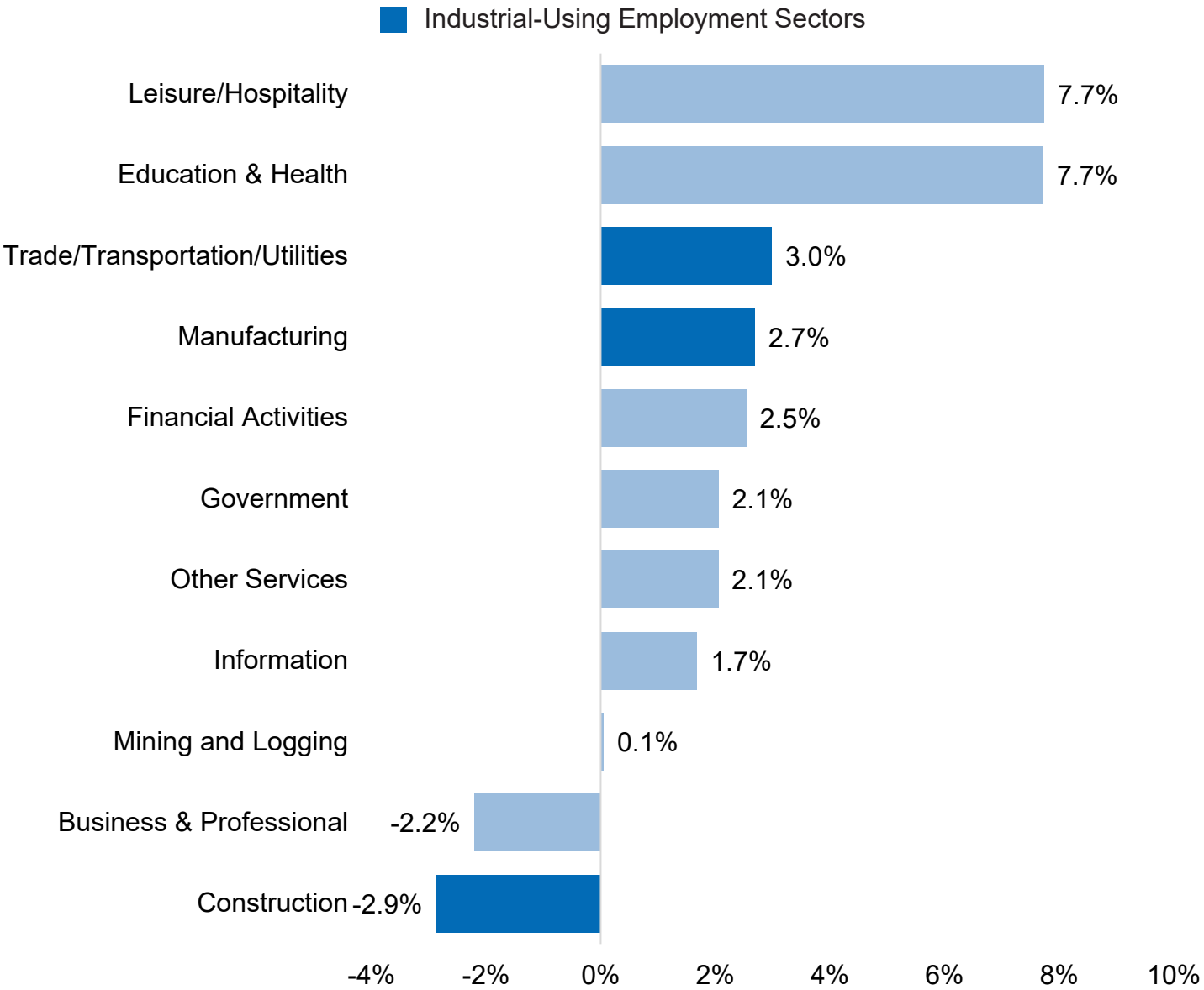
Employment Growth Continues across Most Industrial Sectors

Known for its tourism sector, the Orlando market's top two employment industries account for 38.8% of the market share. The industrial-using employment's trade, transportation and utilities sector is the second-largest industry sector in the metro at 18.7%. All industries in the metro, except for construction and business and professional, reported growth, with industrial-using industries reporting year-over-year growth ranging widely from a decrease of 2.9% to an increase of 3.0%.

Employment by Industry, August 2023



Employment Growth by Industry, 12-Month % Change, August 2023

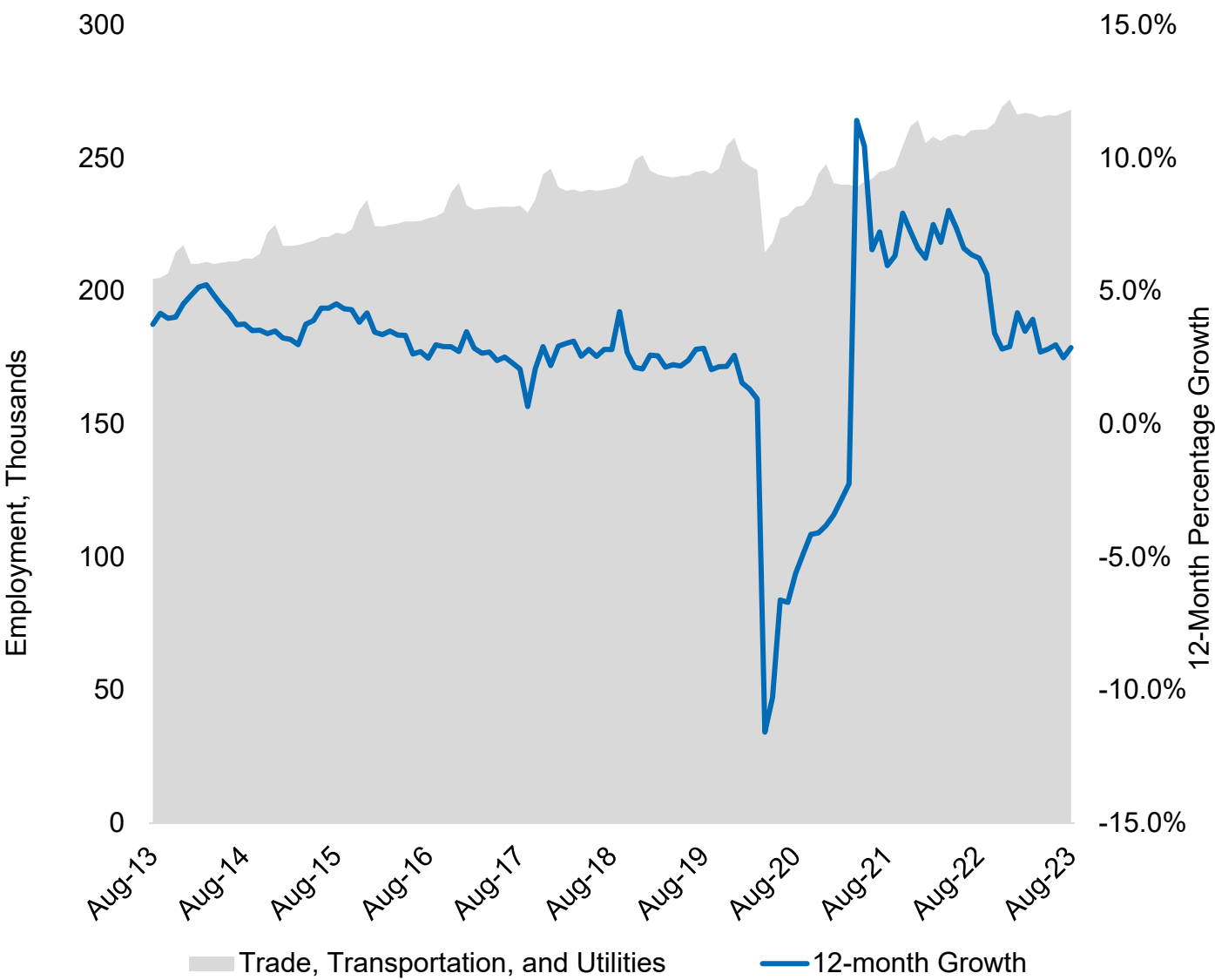


Source: U.S. Bureau of Labor Statistics, Orlando MSA

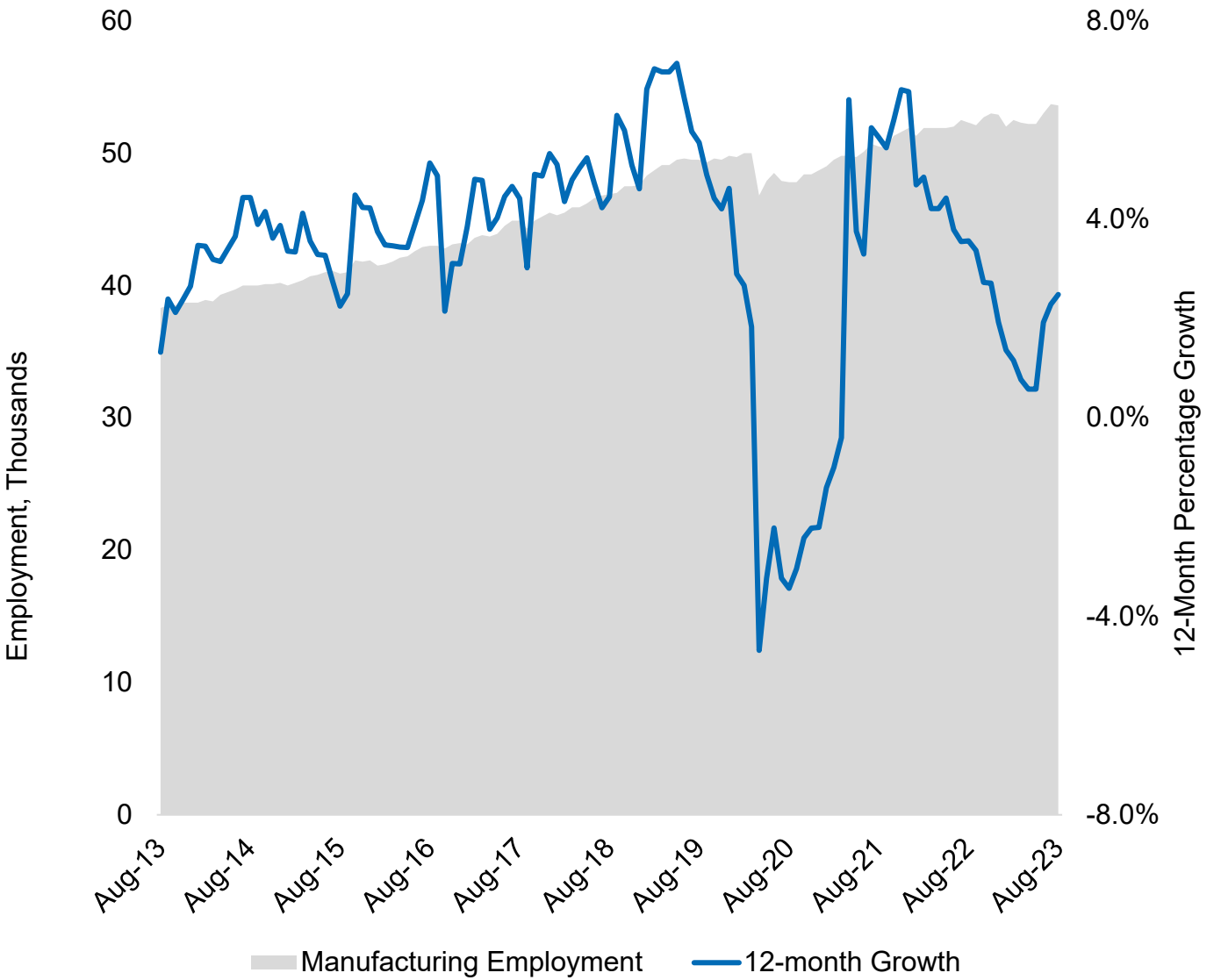
Industrial Employment Reflects Continued Positive Growth

Trade/transportation/utilities employment as of the end of August 2023 was at 268,200 employees, continuing to ease from an all-time high of 271,900 employees in December 2022. Manufacturing employment continues to remain elevated, only 100 workers shy of the recent all-time historical high reached in the second quarter of 2023 at 53,700 employees. Industrial-using employment continues to show yearly growth, albeit at a slower pace than before, reflecting a slowing economy.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Orlando MSA

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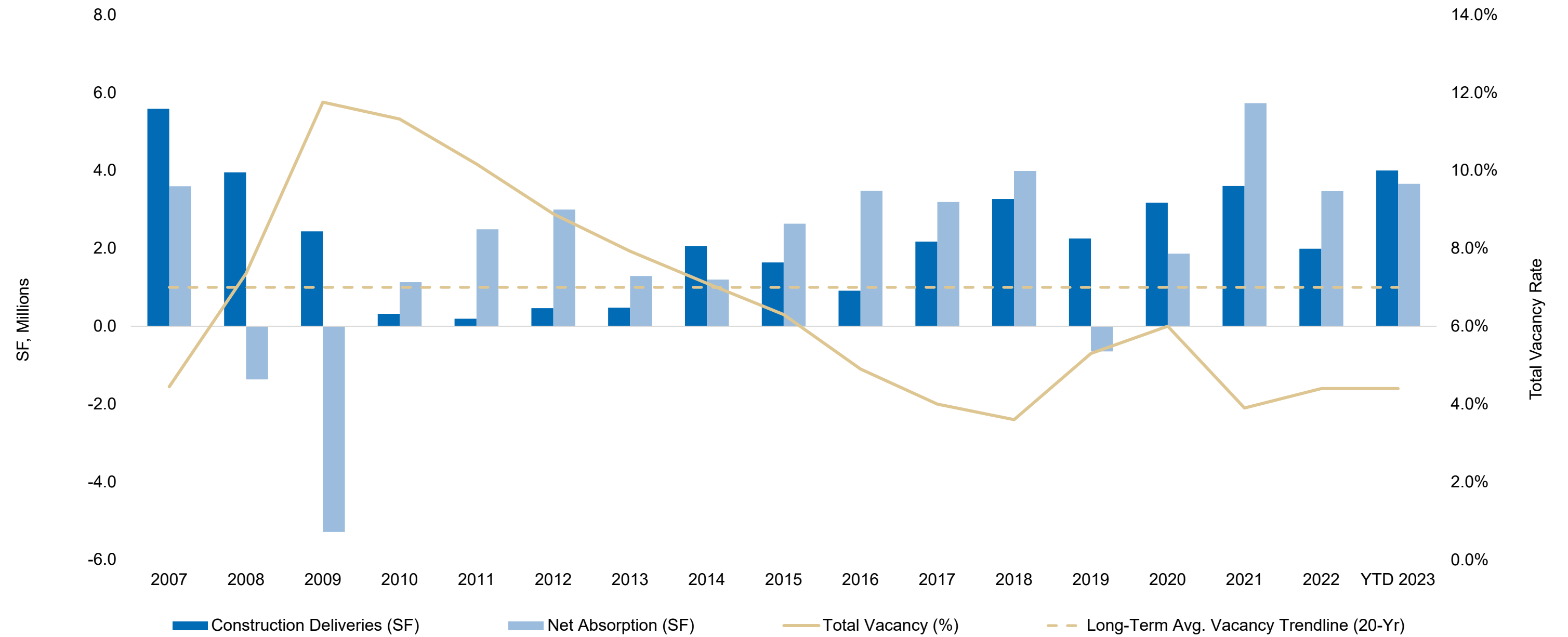
Leasing Market Fundamentals



Supply Narrowly Outpaces Demand

The Orlando industrial vacancy rate increased by 50 basis points year over year to 4.4% in the third quarter of 2023, with supply outstripping demand for the first time since the pandemic. Deliveries continue to remain strong in the market, with new supply year-to-date 2023 already outpacing all annual new construction volumes reported since 2007. Despite national economic headwinds, demand continues to remain positive for industrial space in the market.

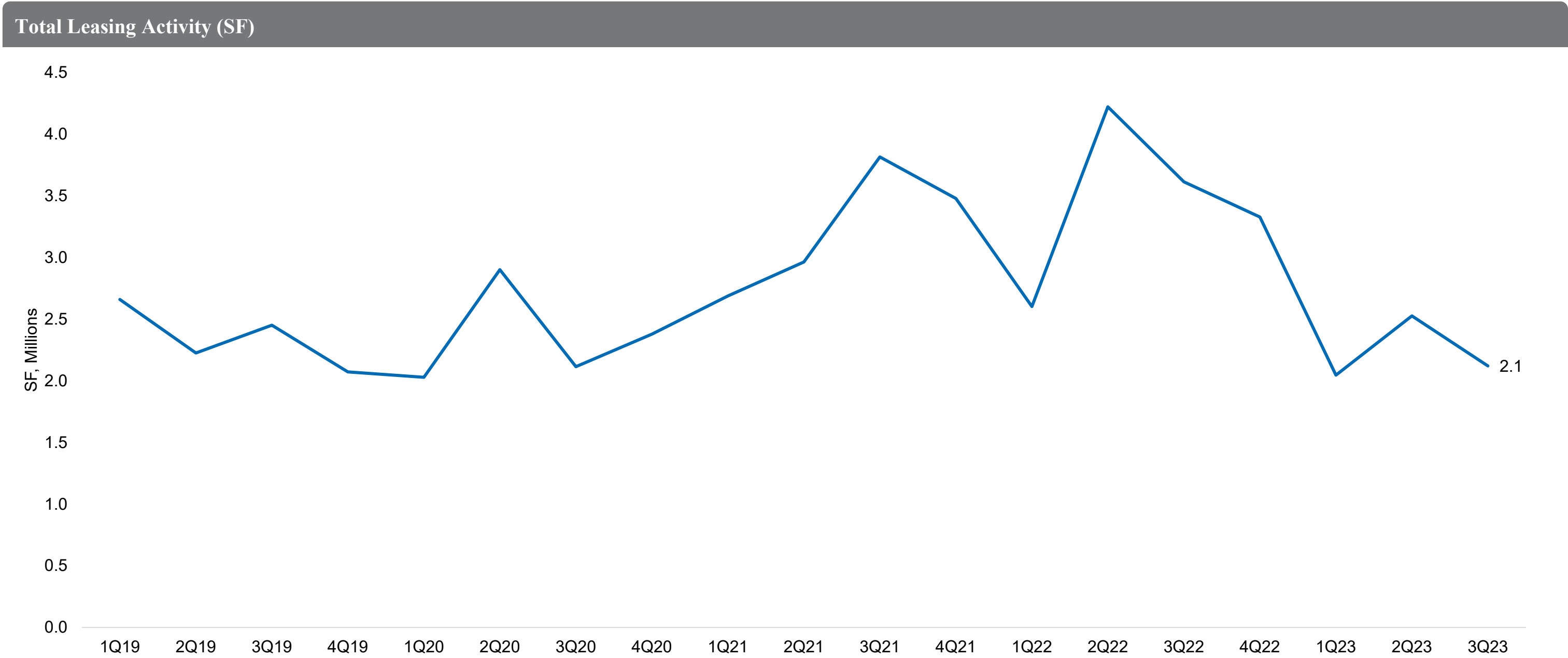
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Decelerates to Pre-Pandemic Levels

In the third quarter of 2023, leasing activity continued decelerating from historical highs reported post-pandemic, ending the quarter at 2.1 MSF. Despite slowing leasing activity likely resulting from national economic headwinds, demand continues to remain positive in the market with 519,887 SF of net absorption in the third quarter of 2023.

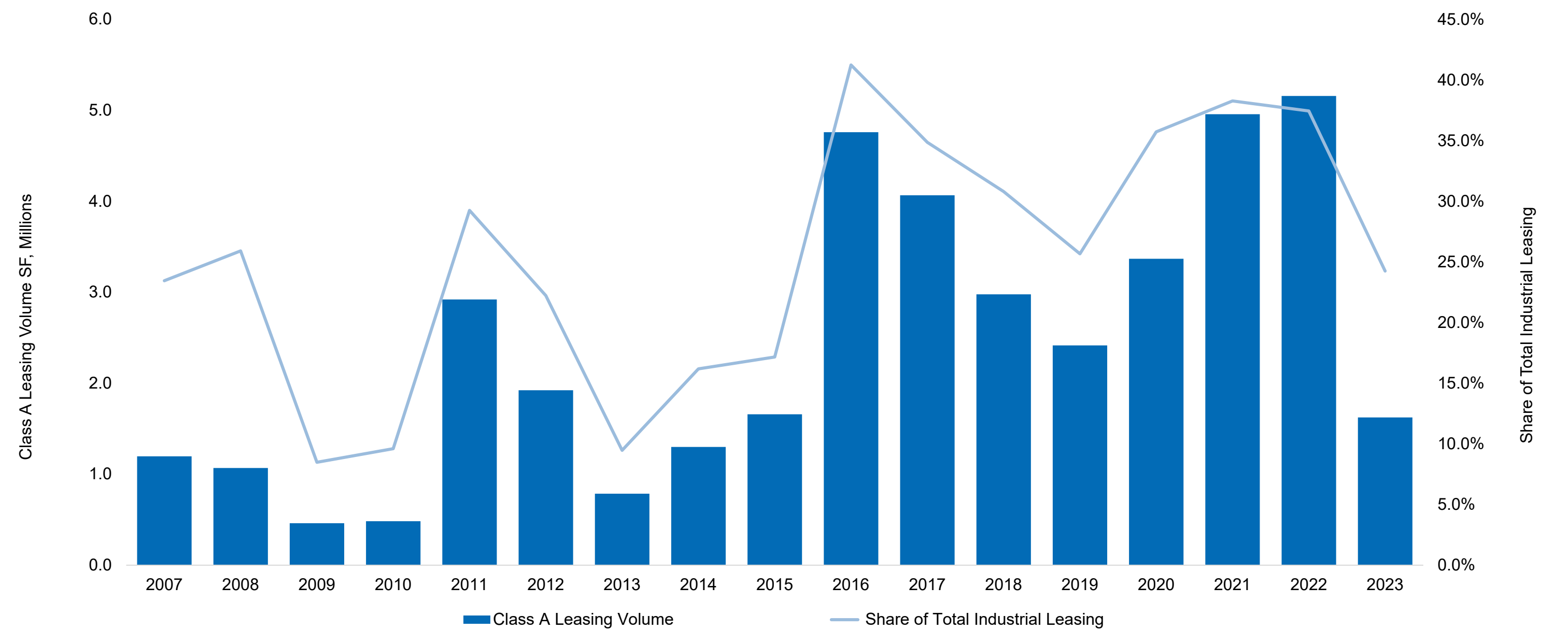


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Hovers above Long-Term Average

Class A warehouse space leasing activity has decreased since the all-time quarterly high reported in the second quarter of 2022, with Class A warehouse leasing activity remaining above the 1.0 million mark through year-end 2022. Year-to-date 2023 Class A warehouse leasing activity totaled 1.6 MSF, reflecting a sharp decline from 2022 levels. Class A warehouse leasing represented 24.3% of overall activity so far in 2023, down from 37.5% the previous year and still above the pre-pandemic average at 22.6% from 2007 to 2019.

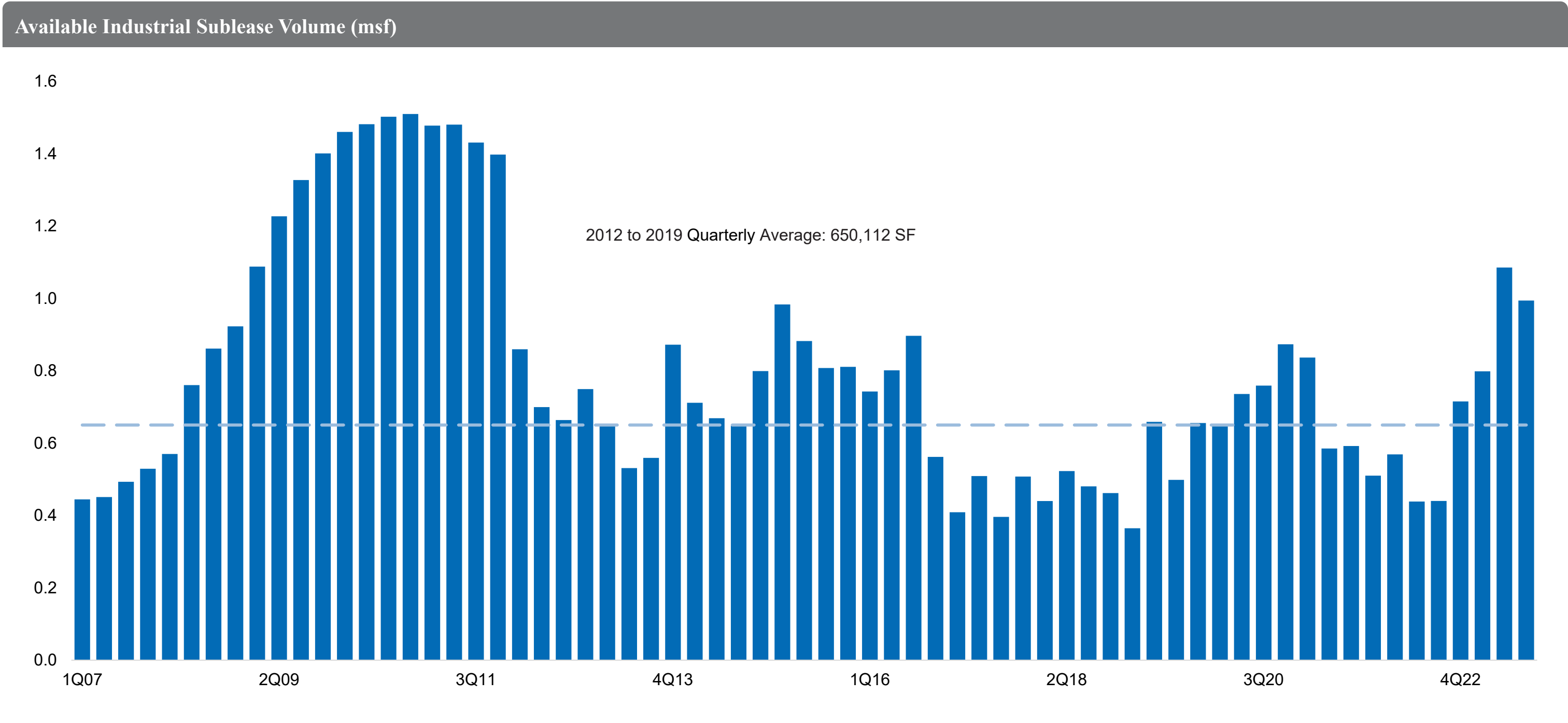
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

Industrial Sublease Eases from Recent High

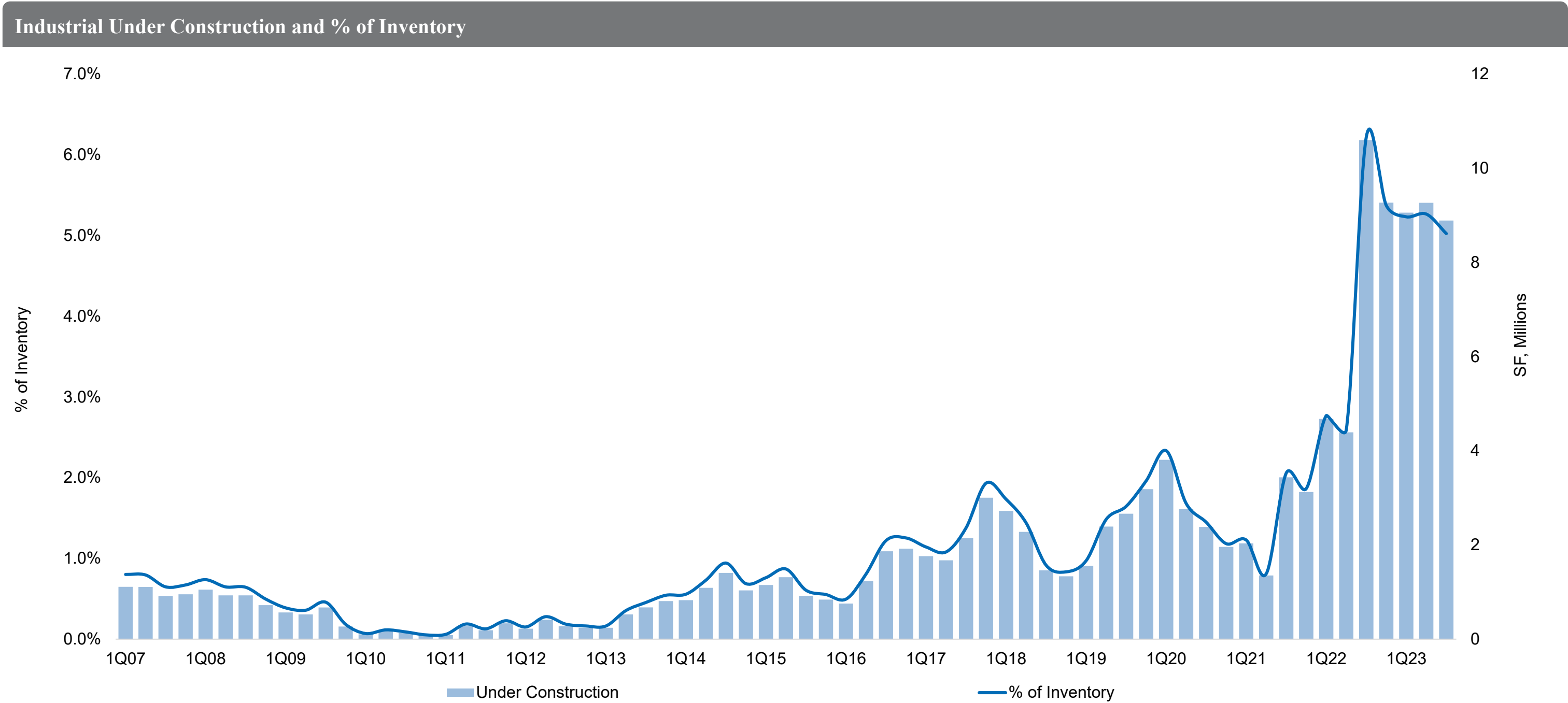
Sublease volume has eased from the recent high of 1.1 MSF reported in the second quarter of 2023. As of the end of the third quarter of 2023, sublease space available is at 994,171 SF, a decrease of 8.4% quarter over quarter. The rate at which subleases were added to the market has accelerated with the third quarter of 2023 increasing by 126% year over year. Rising interest rates, an inflationary environment and declining consumer demand are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.



Source: Newmark Research, CoStar

Industrial Supply Pipeline Remains Below Historical High

The construction pipeline decreased in the third quarter of 2023 to 8.9 MSF following consecutive quarters of decline after the pipeline reached a historical high in the third quarter of 2023 at 10.6 MSF. The pipeline will remain below the historical high as many developers are pausing new development amid slowing leasing activity and a challenging financing environment for new construction. Due to this, there will be a possibility for potential supply constraints as economic conditions improve in 2024 and 2025.

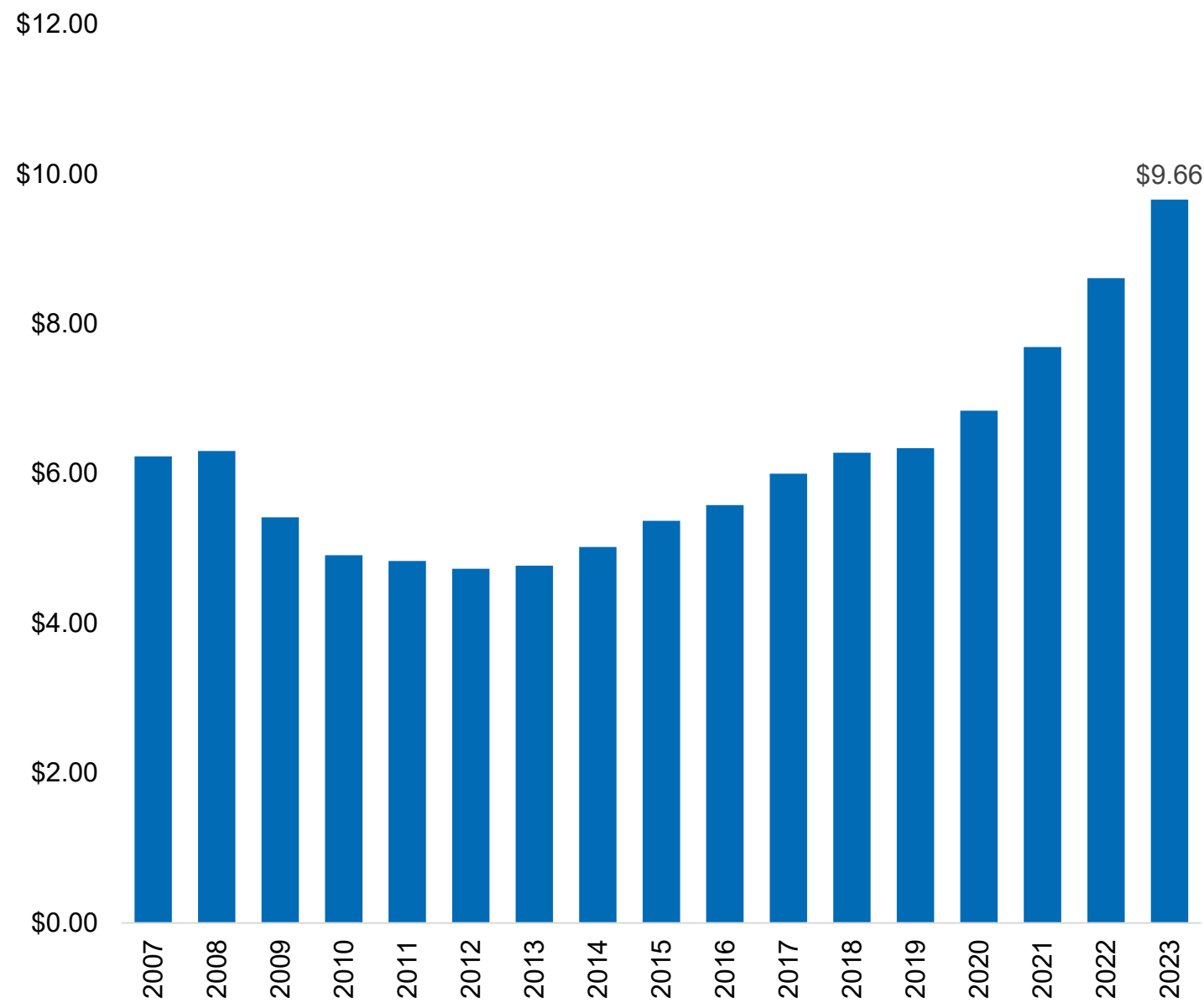


Source: Newmark Research, CoStar

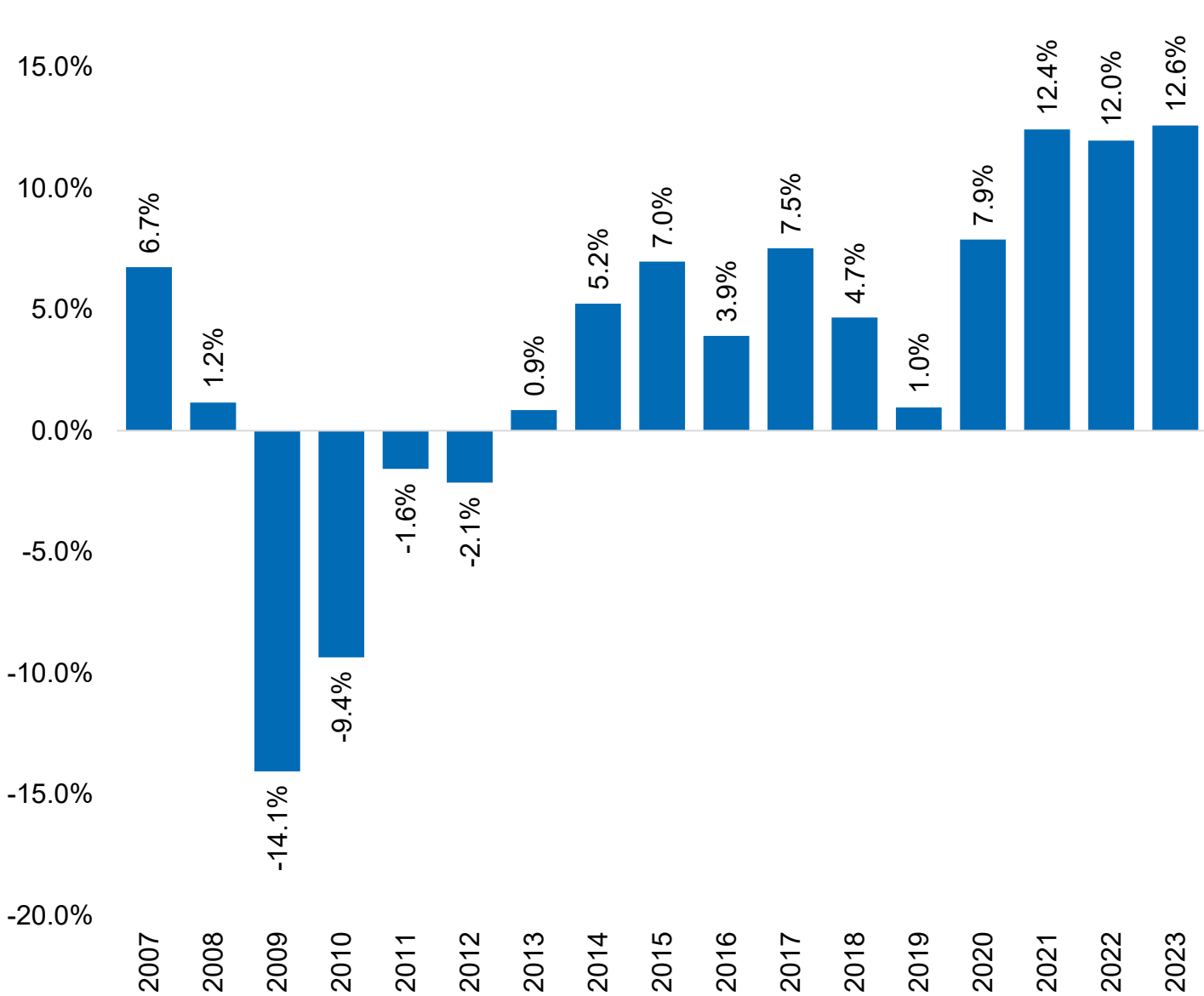
Asking Rents Reach New High

Industrial average asking rents continue to trend upward, reaching a new high of \$9.66/SF, at the end of the third quarter of 2023. Asking rents in the market grew by about 12% annually since 2021, with year over year growth of 12.6% in the third quarter of 2023. Rent growth is expected to continue increasing in the near term, as new, higher-quality assets deliver.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 3Q23 Lease Transactions

Leasing activity remained slower in the third quarter of 2023, with quarterly leasing activity at 2.1 MSF, below quarterly averages reported since 2010 at 2.5 MSF. Currently, projects under construction are 15.9% preleased. Most of the quarter’s leasing activity centered around direct leases, which totaled 2.1 MSF, while sublease activity ended the quarter accounting for only 23,280 SF.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
The Expo Group <i>The Expo Group, a trade show exhibit design company, renewed its lease at 2502 Lake Orange for 154,200 SF.</i>	2502 Lake Orange	SW Orange County	Renewal	154,200
Evolution Electric Vehicles <i>Evolution Electric Vehicles, an electric golf cart manufacturer, leased the entirety of Building 200 at 88 W. Taft Vineland Rd. at 142,560 SF, in addition to leasing 71,000 SF in Building 100.</i>	88 W Taft Vineland Rd- Bldg 100 & 200	SE Orange County	Direct New	213,600
Mitsubishi <i>Japanese trading company Mitsubishi leased 119,200 SF at 8679 Transport Dr. in the Southwest Orange County submarket.</i>	8679 Transport Dr	SW Orange County	Direct New	119,200
Christy Distribution <i>Christy Distribution, a third party logistics company, signed for 88,246 SF of warehousing space at 3600 Ecommerce Pl.</i>	3600 Ecommerce Pl	NW Orange County	Direct New	88,246
NEFCO <i>Construction equipment supplier NEFCO leased 83,082 SF in Building 100 at 88 W. Taft Vineland Rd, helping to bring the building to full occupancy.</i>	88 W Taft Vineland Rd- Bldg 100	SE Orange County	Direct New	83,082

Source: Newmark Research

Orlando Industrial Submarket Overview



Please reach out to your
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Orlando Industrial Submarket Map

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