

Q1 2017

## Industrial Insight

# Development completions change the dynamics of supply

- Current requirements exceed availabilities, including space under construction.
- The Osceola Advanced Manufacturing Center (OAMC), for sensor testing and development, to open in April.
- Colony Capital goes on buying spree.

The Orlando market is in the first wave of speculative development, with 6.6 million square feet under development or recently delivered. The 337,900-square-foot Crews Commerce Center and Bent Oak Industrial Park (1.3 million square feet) are nearing completion, with 43 percent preleased. Additionally, numerous built-to-suit developments are in various stages of the development process. With numerous developments delivering so near to each other, fears of oversupply have resulted in rising concessions.

Those fears appear to be unfounded, though, as active requirements still exceed developments under construction. The prime area of interest for warehouse and distribution tenants is the SE Orange submarket, and to a slightly lesser extent, the SW Orange submarket. These adjacent submarkets sit at the intersection of primary distribution arteries in Central Florida: I-4, the Florida Turnpike, Hwy 441, the Beachline Expressway, and John Young Parkway.

### Outlook

The Osceola Advanced Manufacturing Center is a 100,000-square-foot specialty manufacturing facility and can act as a catalyst for further growth in the high-tech manufacturing sector. This facility will help develop next generation manufacturing processes for building advanced sensors, emitters, and other high-tech items to help realize the technical demands of the Internet of things.

Additionally, investment activity has increased, as developers look to sell newly completed portfolios once stabilized. This will allow for financing the next wave of developments. In turn, this will help push rates in the market. Colony Capital has already started aggressive acquisitions in the market, purchasing \$221.6 million worth of industrial real estate, eyeing rent growth.

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Fundamentals	Forecast
YTD net absorption	561,714 s.f. ▲
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Under construction	889,743 s.f. ▼
Total vacancy	5.7% ▼
Average asking rent (NNN)	\$5.58 p.s.f. ▲
Tenant improvements	Rising ▲

