

## Orlando Industrial, Q1 2020

# Industrial market shows positive net absorption and steady lease rates.

**Total Vacancy**  
7.4%

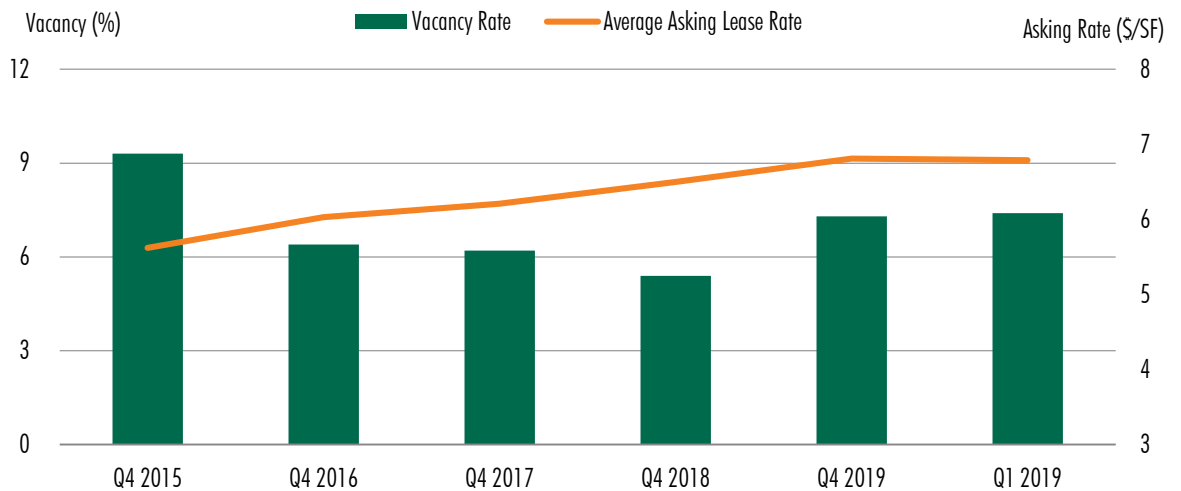
**Lease Rate**  
\$6.79 PSF

**Net Absorption**  
280,000 SF

**Completions**  
213,000 SF

\*Arrows indicate change from previous year.

Figure 1: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q1 2020.

- The overall vacancy rate for Q1 2020 stood at 7.4%, up 10 basis points (bps) from the previous quarter and increasing 170 bps over Q1 2019.
- Orlando’s industrial market finished Q1 2020 with net absorption of 280,210 sq. ft.
- The direct average asking lease rate remained virtually unchanged year-over-year at \$6.79 per sq. ft.
- During the first quarter 2020, REITs were the most active buyer segment in the market, 16.9% were private buyers and 10.6% were institutional buyers. On the seller side, 72.5% of the sellers were listed REITs, 16.9% were private sellers and 10.6% were cross-border sellers.

### LEASING ACTIVITY

The quarter closed with Orlando’s industrial market posting net absorption of 280,210 sq. ft. In Q1 2020, the Northwest Orange County submarket exhibited the highest net absorption with 126,201 sq. ft. followed by the Southeast Orange County submarket with 92,343 sq. ft.

Significant move-in’s during 2020 included: Cort Business Services taking occupancy of 376,601 sq. ft. of warehouse space in building 400, at 10910 Lee Vista Blvd. in the Southeast Orange submarket. In the Southwest orange submarket, Universal City Development moved into 156,660 sq. ft. of distribution space in Orlando Central park.

Figure 2: Market Statistics

Submarket	Total Inventory (SF)	Total Availability (%)	Total Vacancy (%)	Q1 2020 Net Absorption (SF)	2020 YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
SE Orange County	42,219,408	11.0	9.6	92,343	92,343	2,862,265	6.57
SW Orange County	26,714,235	6.7	3.9	30,613	30,613	467,710	6.07
NW Orange County	22,429,772	11.7	10.1	126,201	126,201	1,782,998	7.10
Seminole County	17,837,301	8.5	6.8	31,053	31,053	531,386	7.22
Osceola County	5,596,149	4.4	1.7	(700)	(700)	14,000	9.02
NE Orange County	1,500,994	5.1	0.6	(3,100)	35,606	0	10.80
<b>Orlando Market</b>	<b>118,365,095</b>	<b>9.4</b>	<b>7.4</b>	<b>280,210</b>	<b>280,210</b>	<b>5,658,359</b>	<b>6.79</b>
Manufacturing	20,101,075	5.5	4.8	(59,500)	(59,500)	0	6.99
Warehouse/Distribution	86,805,240	10.0	8.0	248,718	248,718	5,636,069	6.31
R&D/Flex	8,326,537	14.9	9.5	68,702	68,702	22,290	11.09
Other Industrial	3,132,243	4.2	1.8	22,290	22,290	0	8.70

Source: CBRE Research, Q1 2020.

Figure 3: Significant Q1 2020 Lease Transactions

Submarket	Property	Tenant	Transaction (SF)
SW Orange	7320 Kingspointe Pkwy	Ally Building Solutions	46,002
SE Orange	9080 Bogy Creek Road	MWI Veterinary Supply	17,568
SE Orange	2603 Challenger Tech Ct	Alion Science and Technology	14,647
NW Orange	805 W Central Blvd	CS Labs	13,648

Source: CBRE Research, Q1 2020.

Figure 4: Significant Q1 2020 Sale Transactions

Submarket	Property	Buyer	Seller	Building (SF)	Sale Price (\$)
SW Orange	8201 Chancellor Drive	Tratt Properties	Kinsey Equities	713,585	41.1 million
SE Orange	10260 Ringhaver Drive (part of portfolio)	Prologis	Liberty Trust	551,606	(alloc'd) 26.6 million
NW Orange	4420 N Orange Blossom Trl	Steven Ervin	Prisma Properties	29,004	3.1 million

Source: CBRE Research, Q1 2020.

Figure 5: Significant Q1 2020 Projects Under Construction (SF)

Submarket	Property	Owner	Building (SF)
SE Orange	88 Taft Vineland Rd	Whittley Capital	827,800
NW Orange	General Electric Dr – Bldg 1	Mid Florida Freezer Warehouses	656,500
NW Orange	576 Logistics Ln	DAW Real Estate	402,582
NW Orange	General Electric Dr – Bldg 5	Mid Florida Freezer Warehouses	380,000

Source: CBRE Research, Q1 2020.

The overall vacancy rate for Q1 2020 stood at 7.4%, up 10 basis points (bps) from the previous quarter and increasing 170 bps over Q1 2019. The direct average asking lease rate remained virtually unchanged year-over-year at \$6.79 per sq. ft.

**SALES ACTIVITY**

During the first quarter 2020, REITs were the most active buyer segment in the market, 16.9% were private buyers and 10.6% were institutional buyers. On the seller side, 72.5% of the sellers were listed REITs, 16.9% were private sellers and 10.6% were cross-border sellers. Q1 2020 sales were 18 properties totaling 5.3 million sq. ft., for a sales volume of \$401.7 million, or \$256 per sq. ft. In comparison, sales volume for Q1 2019 was \$129.1 million or \$94 per sq. ft.

**DEVELOPMENT**

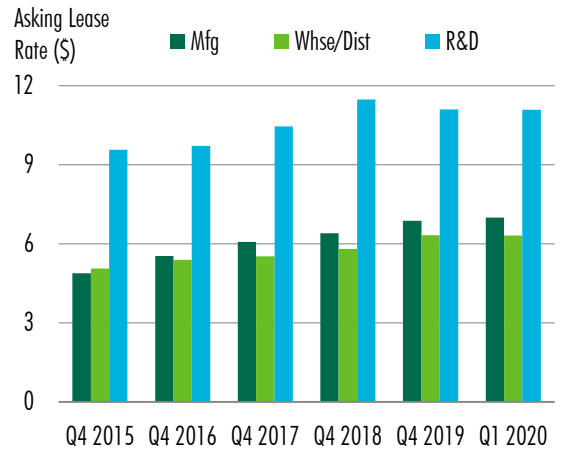
In Q1 2020, three industrial construction projects were completed, totaling 212,920 sq. ft. The deliveries brought 196,920 sq. ft. of warehouse space to the Southwest Orange submarket. There were no preleased spaces in these buildings. In the Osceola submarket, 16,000 sq. ft. of warehouse came on the market with 10,000 sq. ft. preleased.

There are currently 41 industrial facilities over 10,000 sq. ft., in various phases of construction, totaling 5.7 million sq. ft. That breaks out as follows: one R&D/Flex property totaling 22,290 sq. ft., and 40 warehouse/distribution facilities totaling almost 5.7 million sq. ft.

**OUTLOOK**

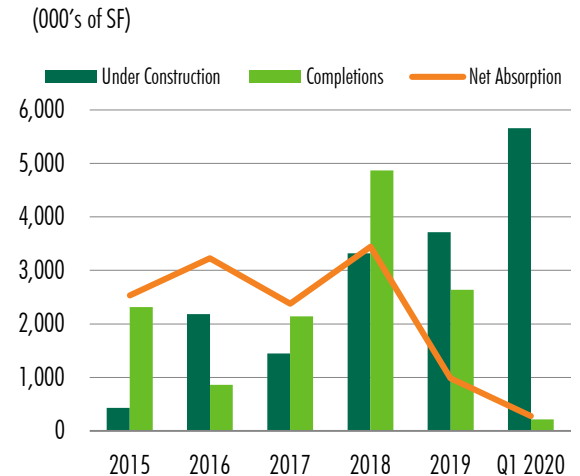
The COVID-19 pandemic has forced some state governments to impose strict stay-at-home orders that are adversely affecting many industries. This is leading the U.S. economy into a recession that will result in very sharp declines in GDP for H1 2020 and in job losses, particularly in the retail, food & beverage and transportation sectors. Office-using employment may be less negatively affected than in recent recessions. But the unique nature of this

Figure 6: Average Direct Asking Lease Rate (NNN)



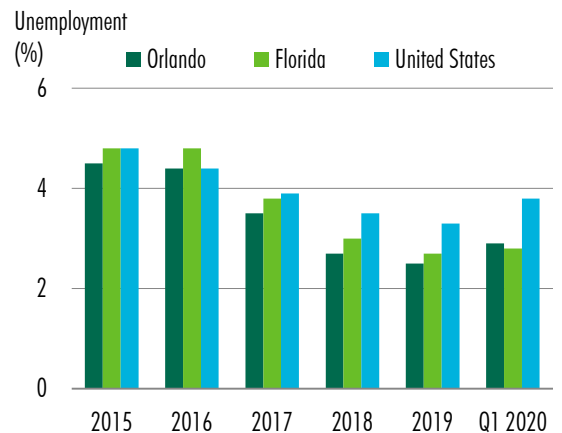
Source: CBRE Research, Q1 2020.

Figure 7: Under Construction and Completions —vs— Net Absorption



Source: CBRE Research, Q1 2020.

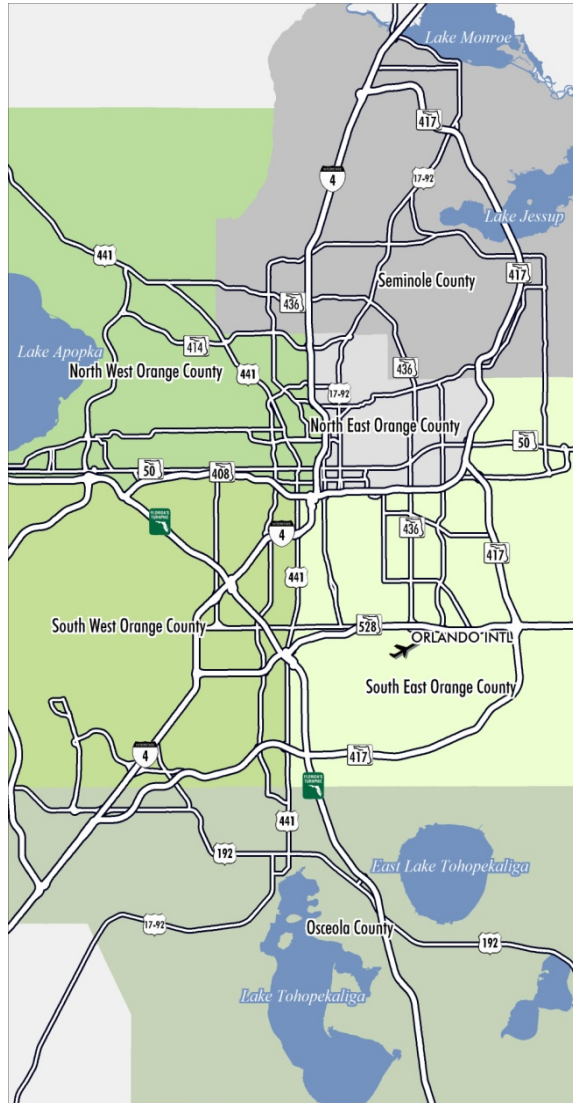
Figure 8: Unemployment



Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2020.

downturn should result in an unusually swift recovery that could begin as early as Q3 2020. Assuming the coronavirus peaks this summer in the U.S.—mirroring China’s experience—the U.S. government’s fiscal and monetary stimulus will

begin to bear fruit. This will be paired with pent-up private demand that could help the U.S. economy return to growth by year-end and drive stronger than previously expected growth in 2021.



**Market Coverage:** Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Orange, Osceola and Seminole counties (excluding self-storage and industrial-condos).

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