

## MARKETBEAT

# Industrial Snapshot Q1 2016

Orlando



### ORLANDO INDUSTRIAL

#### Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Orlando Employment	1.13 mil	1.18 mil	▲
Orlando Unemployment	5.4%	4.4%	▲
U.S. Unemployment	5.5%	5.0%	▲

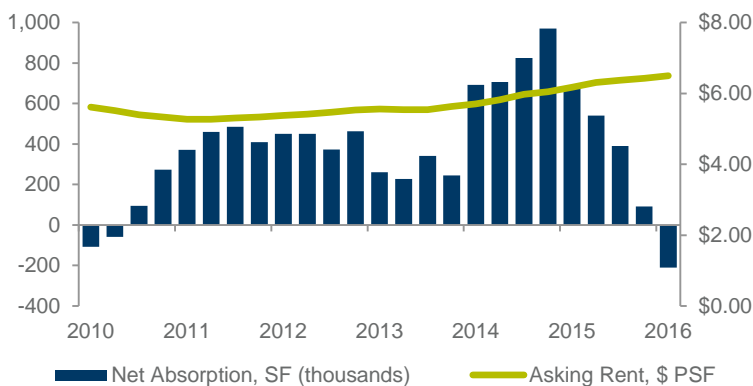
#### Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Vacancy	8.1%	6.9%	▼
Net Absorption (sf)	367,964	-210,863	■
Under Construction (sf)	1,025,307	1,338,125	■
Average Asking Rent*	\$5.97	\$6.51	▲

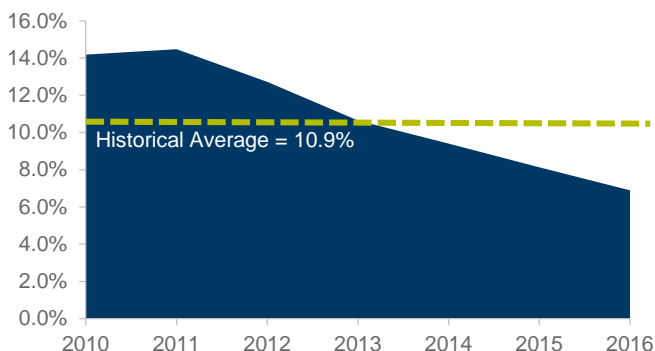
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 1Q TRAILING AVERAGE



#### Overall Vacancy



## Economy

The Orlando region started the new year with a bang, leading the nation in job growth among all major metro areas. The unemployment rate fell to 4.4% in February, down 1.0% percentage point (pp) year-over-year. Orlando added 47,900 jobs in the past twelve months, and increase of 4.2%, and included solid gains of 13,900 jobs in trade, transportation & utilities and in construction. Employment gains were broad-based and directly benefitted the industrial market.

## Market Overview

In six years, the overall vacancy rate fell by more than half, dropping 7.6 pps since the end of 2010 to 6.9% at the end of the first quarter. New tenant expansions and constrained development pipeline were two of the leading causes for the decline. Most new projects that came out of the ground were catered for small bay users with most having tenants in place before delivery. Despite an increase in speculative projects under construction, the new product will only marginally alleviate demand. Of the 1.2 million square feet (sf) in the pipeline, only 38.0% of that space remained available at the end of the first quarter.

Direct asking rental rates trended upwards in the first three months and were at their highest point since 2009, up an outstanding 16.1% in the last four years. As tenant demand remained high in the first quarter, landlords in several submarkets grew more confident in raising rents, even if only marginally. Asking rents in Orlando Central Park (OCP), the largest submarket in Orlando, continued to push higher, up 6.2% year-over-year to \$7.73 per square foot (psf). The expectation during the first quarter was that the new space coming to market will have an appreciative effect on rents as the new availabilities will have higher asking rental rates.

With steady increases over the past twelve months, leasing activity increased 13.9% from the first quarter of 2015 with a bulk of deal activity in warehouse/distribution space. Additionally, four submarkets, Airport/Lake Nona, Regency/Turnpike, OCP and Silver Star/Apopka accounted for over three-fourths of all leasing activity in the first quarter.

## Outlook

Vacancy levels in the industrial market continued to fall on heightened tenant expansion with rents trending up to reach in some submarkets pre-recession asking rates. Construction projects in the pipeline should address some of the tenant demand and allow the market more leverage in attracting new market entrants with tenant demand remaining steady going forward. Cushman and Wakefield forecasts further growth in the industrial market fundamentals throughout the rest of 2016.

# MARKETBEAT

## Industrial Snapshot Q1 2016

### Orlando



SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY	YTD USER SALE ACTIVITY	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)	OVERALL WEIGHTED AVG. NET RENT (ALL)
CBD/Winter Park/Maitland	4,086,886	1,500	0	5.7%	(31,645)	0	\$8.00	\$8.48	\$9.74	\$9.13
Silver Star/Apopka	17,094,541	142,229	72,900	3.8%	30,008	0	\$6.50	\$9.03	\$4.98	\$5.76
Altamonte/Longwood	5,421,949	74,506	0	6.7%	55,571	0	\$5.01	\$8.26	\$5.87	\$7.59
Lake Mary/Sanford	8,632,947	24,650	0	17.0%	(41,010)	0	\$5.46	\$8.04	\$4.42	\$6.26
E. Orange/University	4,558,852	30,684	0	6.1%	(20,395)	0	N/A	\$13.67	\$5.80	\$10.08
NE/Winter Springs/Oviedo	1,039,547	0	0	5.0%	(4,250)	0	N/A	\$7.00	\$6.00	\$6.88
Michigan/So. Orange	2,954,422	54,445	0	2.9%	50,031	0	\$5.00	N/A	\$4.33	\$4.36
Airport/Lake Nona	15,849,469	400,064	0	8.5%	(79,836)	317,510	N/A	\$11.21	\$5.44	\$6.18
33rd Street/ LB McLeod	5,080,335	62,504	0	10.3%	(36,534)	0	\$10.91	\$11.65	\$5.10	\$6.69
Regency/Turnpike	17,482,853	130,584	0	6.0%	(49,590)	843,615	\$5.98	\$7.47	\$4.54	\$4.99
Orlando Central Park	19,540,530	125,349	0	6.6%	(67,963)	0	\$10.00	\$11.48	\$5.18	\$7.70
Osceola/Kissimmee	5,089,029	3,850	0	3.5%	(4,975)	100,000	\$2.75	\$12.86	\$7.34	\$4.60
West Orange/Winter Garden	2,444,758	0	0	1.7%	(10,275)	0	N/A	N/A	\$5.76	\$5.76
<b>ORLANDO TOTALS</b>	<b>109,276,118</b>	<b>1,050,365</b>	<b>72,900</b>	<b>6.9%</b>	<b>(210,863)</b>	<b>1,338,125</b>	<b>\$6.07</b>	<b>\$9.62</b>	<b>\$5.10</b>	<b>\$6.51</b>

\*Rental rates reflect asking \$psf/year

FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

### Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
7315 Kingspointe Parkway	203,125	Chepp	Renewal/Expansion	Orlando Central Park/SouthPark
8650 Transport Drive	191,000	Electrolux	Renewal	Airport/Lake Nona
7445 Southland Blvd	151,800	Rexel	Renewal	Orlando Central Park/SouthPark
2500 Principal Row	71,000	Cambria	Expansion	Orlando Central Park/SouthPark

### Key Sales Transactions Q1 2016

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
8751 Skinner Court	127,505	First Industrial Acquisitions II	\$9,433,125 / \$73	Regency/Turnpike/Beeline
485 Commerce Way	58,000	Sandlapper Real Estate Group	\$6,136,752 / \$104	Altamonte/Longwood/Casselberry
1400 Orange Blossom Trail	46,900	Waste Pro of Central Florida, LLC	\$1,350,000 / \$28	Silver Star/Apopka
320 Enterprise Street	41,898	Russo Waste Services, Inc.	\$2,500,000 / \$56	West Orange/Winter Garden

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