1Q25

Orlando Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate rose 25 basis points year over year to 3.4% but remained well below the five-year average of 5.0%.
- Job growth increased by 2.2% year over year, outperforming the national average of 1.2% by 100 basis points. However, it remains below the five-year average of 2.7%, indicating a slight deceleration in the market.
- Most sectors reported positive employment growth year over year, while manufacturing contracted. Mining and construction led job gains at 4.7% over the past 12 months.
- Industrial employment in the market showed a deceleration in yearly growth, with manufacturing jobs contracting by 0.1%, while the trade/transportation/utilities sector saw only a 1.0% increase.

Major Transactions

- Legendary Holding LLC signed the largest lease of the quarter for 283,170 SF in Building II of Orlando-Apopka Commerce Center Park to consolidate their operations from two older facilities into a newer modern industrial space.
- The quarter's five-largest deals occurred in the NW and SE Orange County submarkets, highlighting the appeal of the 429, 414 and I-4 corridors for occupiers in both regions.
- Notable transactions this quarter span a diverse range of tenant industries, highlighting sustained demand across multiple sectors. This broad interest reflects the resilience of the market, as occupiers from various industries continue to seek strategic locations to support their operations.

Leasing Market Fundamentals

- The market recorded 442,591 SF of positive absorption in the first quarter of 2025, a notable rebound from the negative absorption of the previous quarter. Compared to this same time last year, occupancy gains increased by 1.9%. With several new leases signed but not yet fully occupied, absorption is poised for a solid year.
- Overall rental rates reached a historical high of $11.11/SF in the first quarter of 2025, reflecting a 5.2% year over year growth. The surge in deliveries over the past few years contributed to accelerated rental rate growth; however, this pace is expected to moderate in the near-term.
- Vacancy increased by 200 basis points year over year to 8.1% in the first quarter of 2025, driven by elevated deliveries, the majority of which remain vacant, outpacing demand.
- In the first quarter of 2025, construction deliveries totaled 664,498 SF, while the under-construction pipeline contracted to 3.8 MSF as new construction starts slowed. In addition, only 18.5% of the projects under construction are pre-leased.

Outlook

- The Orlando industrial market is poised to see continued supply growth in the near term, with 2.2% of the current inventory currently under construction. However, this influx of new supply is expected to be short-lived, as fewer projects are breaking ground and existing developments approach completion.
- Vacancy rates are anticipated to rise in the near term as new supply outpaces absorption. However, this increase is expected to be temporary, with vacancy rates stabilizing once the remaining inventory is absorbed and market demand catches up to the new supply.
- Asking rents are expected to continue rising, though at a more moderate pace, driven by a remaining pipeline of high-quality new product that is commanding premium pricing as it comes online.

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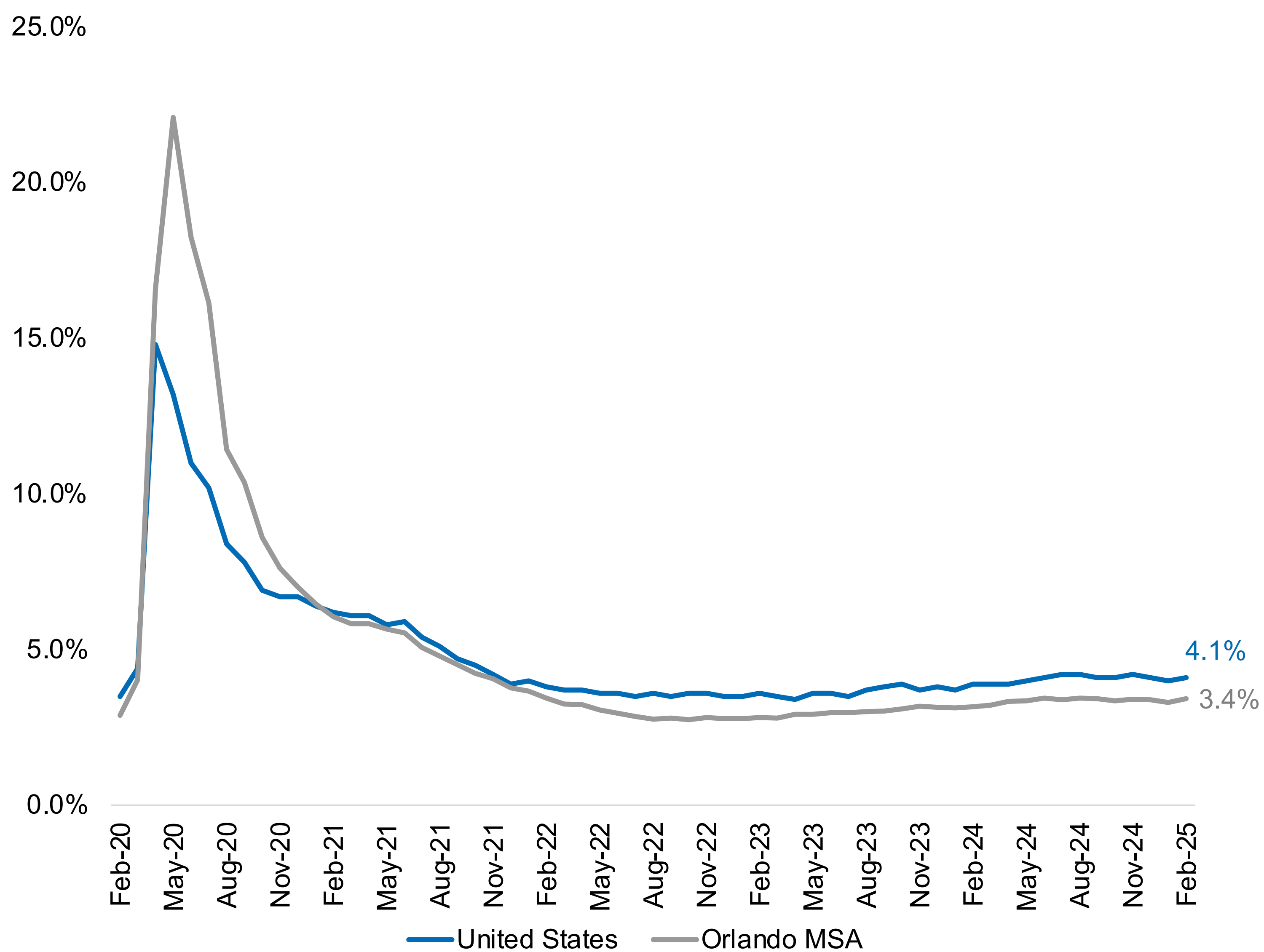
Economy

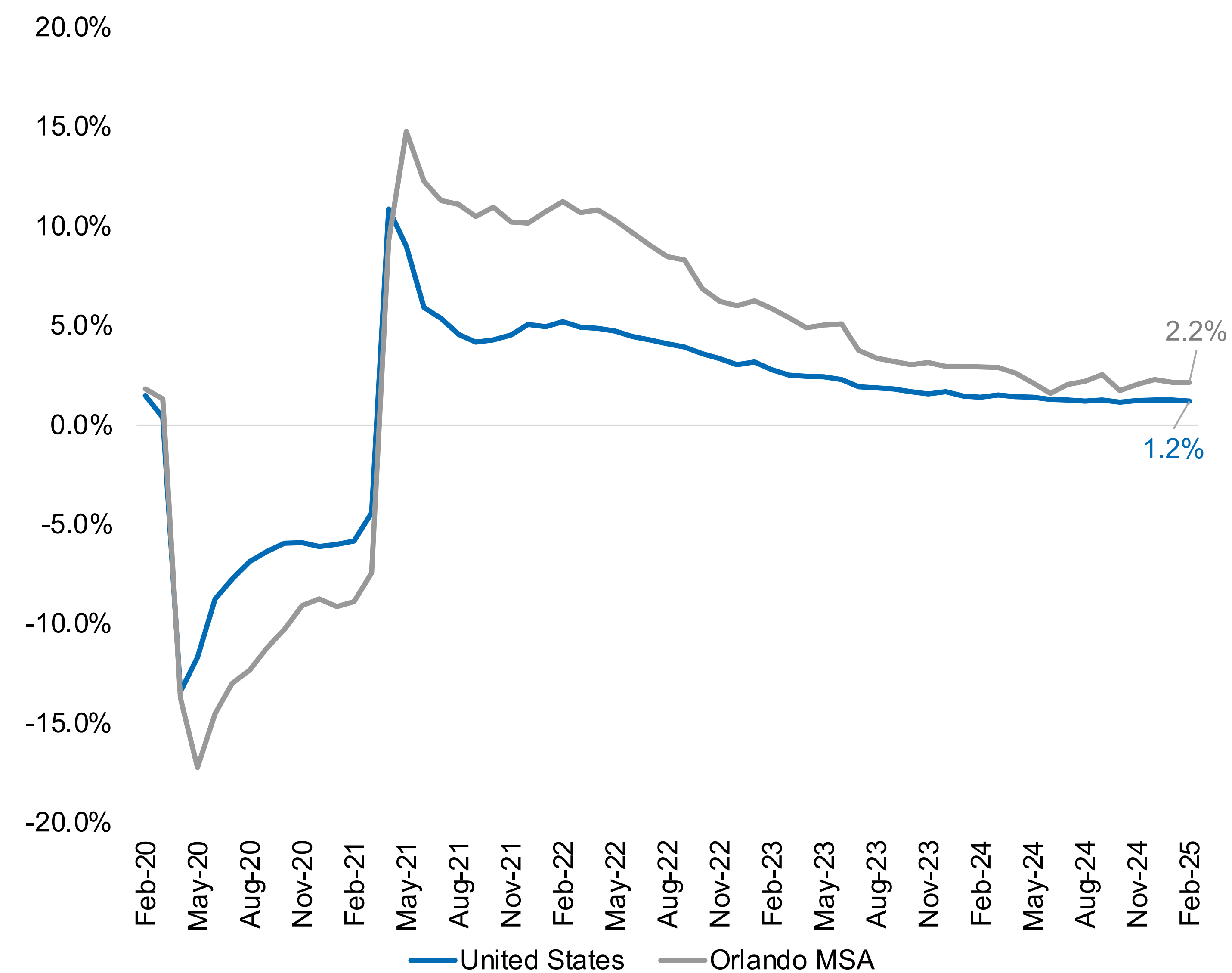
Metro Employment Trends Continue Slow Growth

The Orlando market has consistently outperformed the national average in both employment growth and unemployment rates. Over the last year, Orlando's unemployment rate increased by 25 basis points to 3.4%, but remains below the national average of 4.1%. In the first quarter of 2025, annual employment growth in Orlando was 2.2%, a decline of 76 basis points year over year. While national employment growth also slowed to 1.2%, down 20 basis points from the previous year, the gap between Orlando and the national average narrowed by 56 basis points, as employment growth in Orlando is decelerating at a faster pace.

Unemployment Rate, Seasonally Adjusted



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

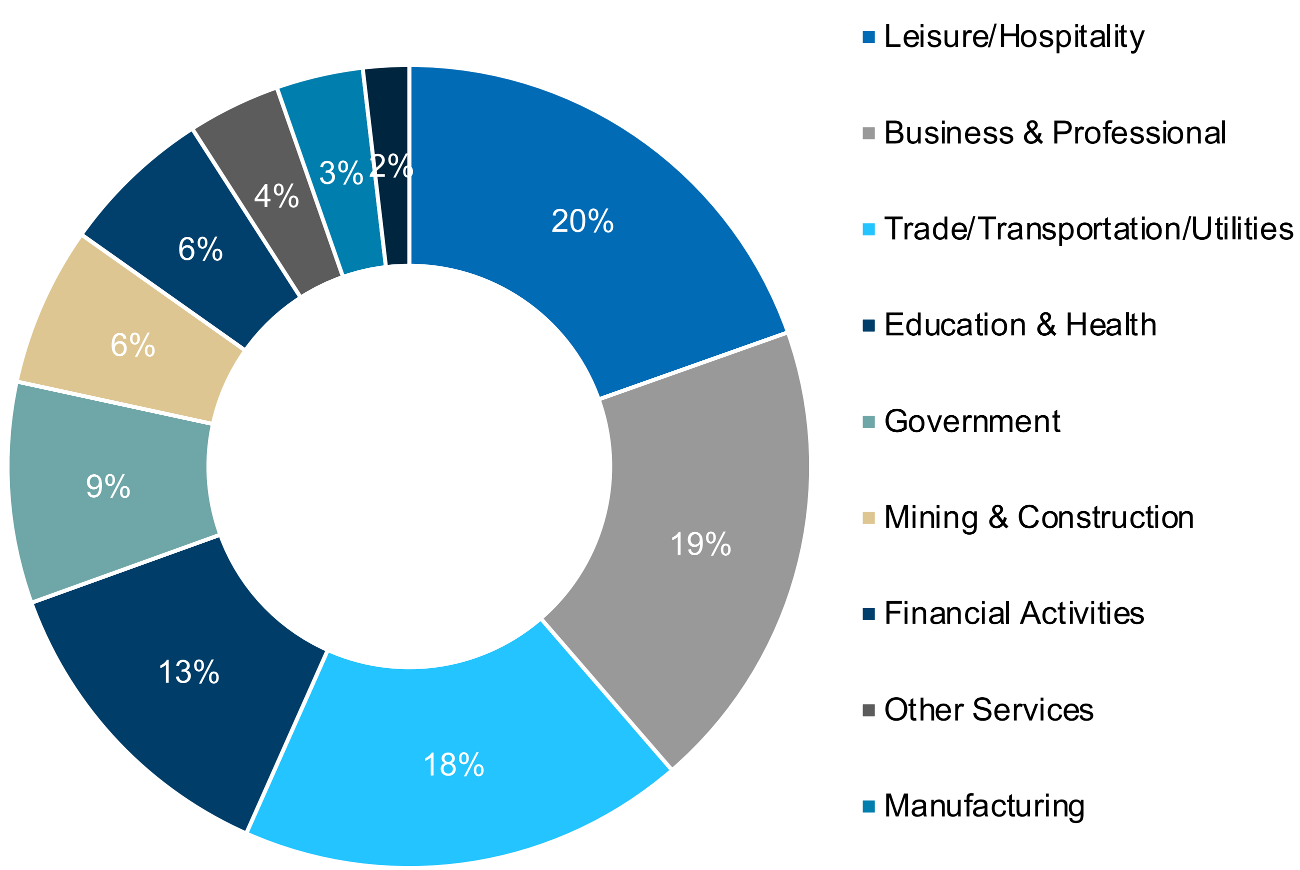


Source: U.S. Bureau of Labor Statistics, Orlando MSA

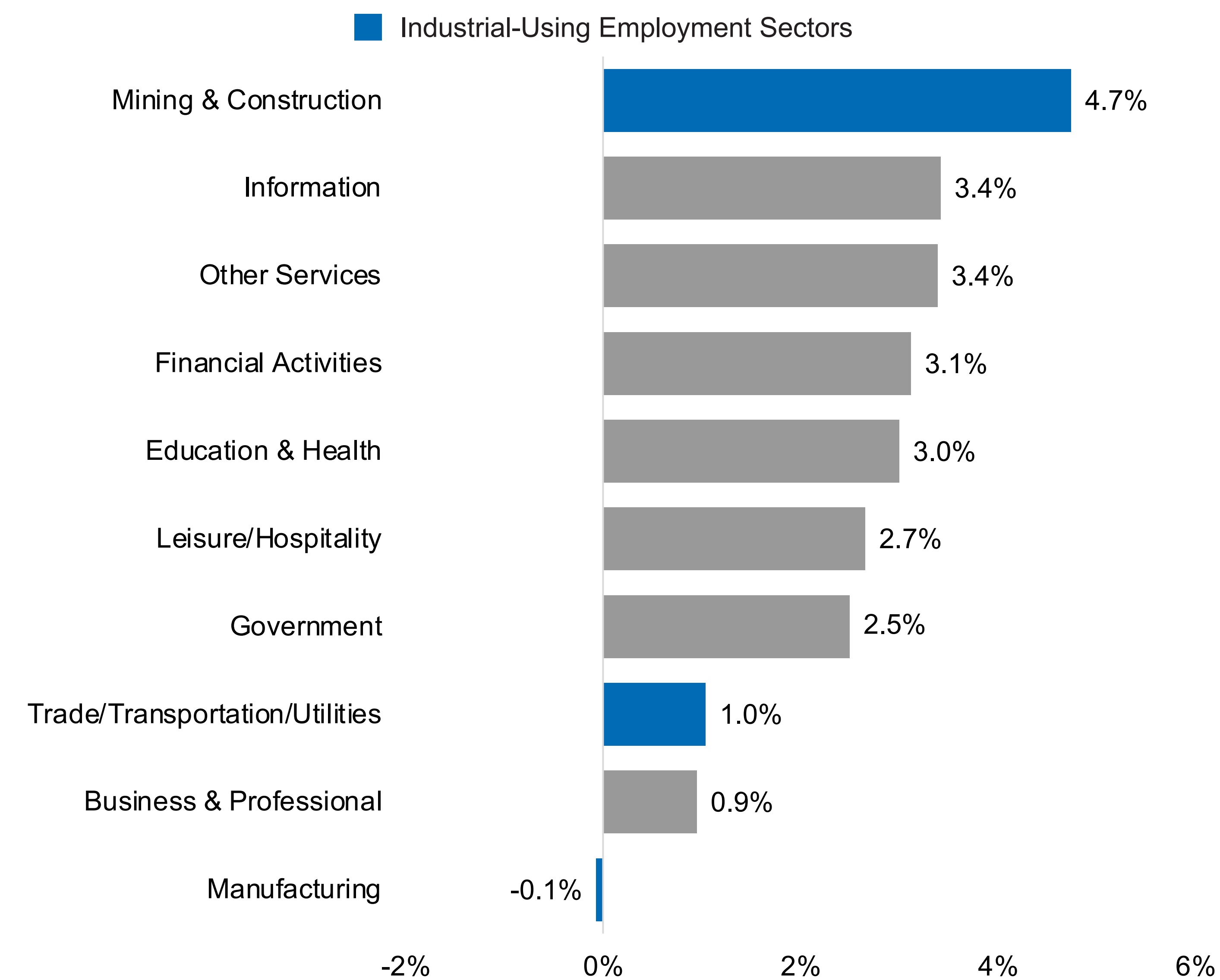
Solid Employment Growth for Two Industrial Sectors

The Orlando market, renowned for its tourism sector, sees its top two employment industries accounting for 38.7% of the total market share. The trade/transportation/utilities sector, which supports industrial-using employment, represents 18.0% of the metro's workforce, making it the third-largest industry. Most industries in the metro experienced year over year growth, with the manufacturing sector showing a slight contraction of 0.1%. In contrast, the trade/transportation/utilities sector grew by 1.0%, while mining and construction expanded by 4.7%

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

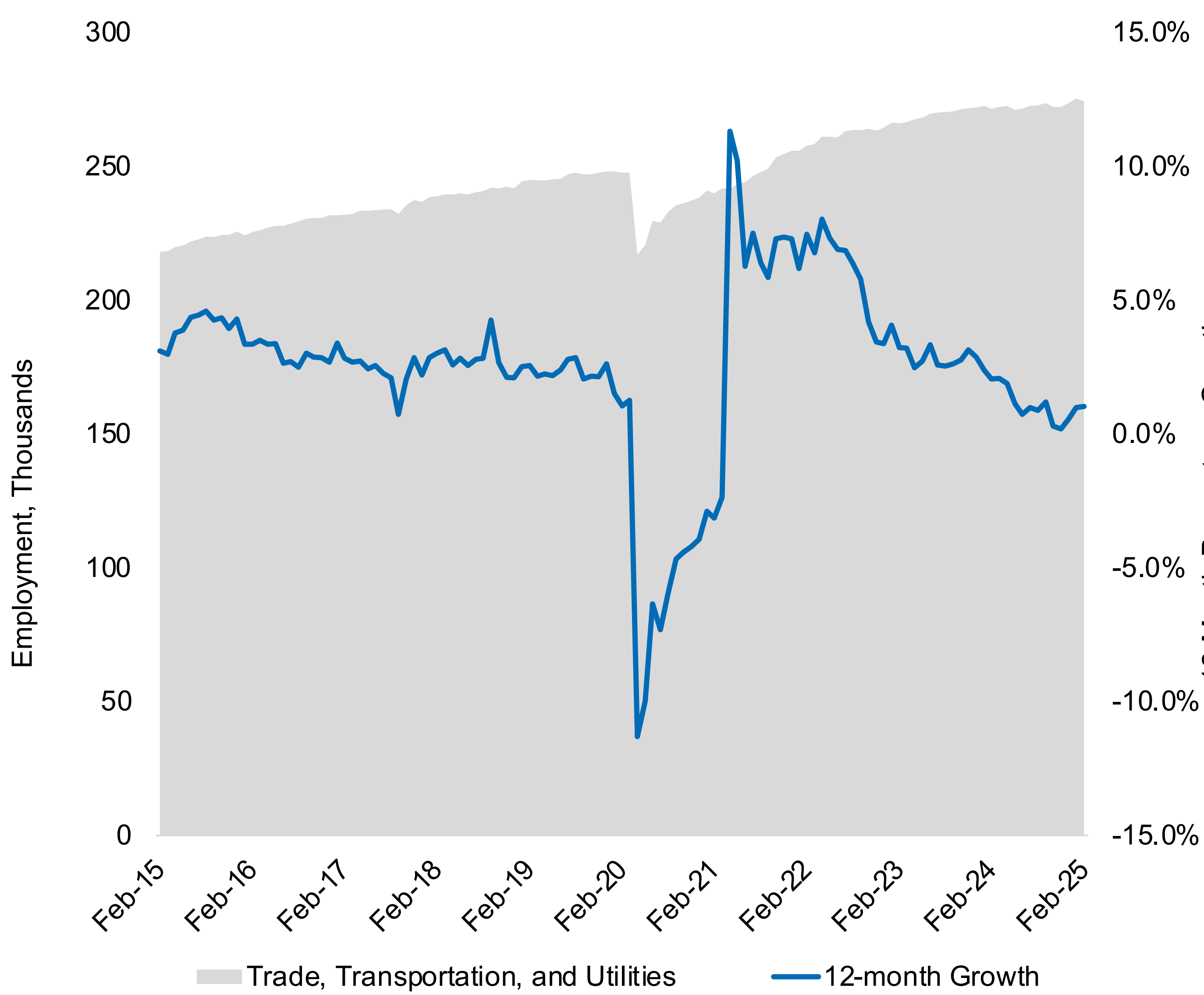


Source: U.S. Bureau of Labor Statistics, Tampa MSA

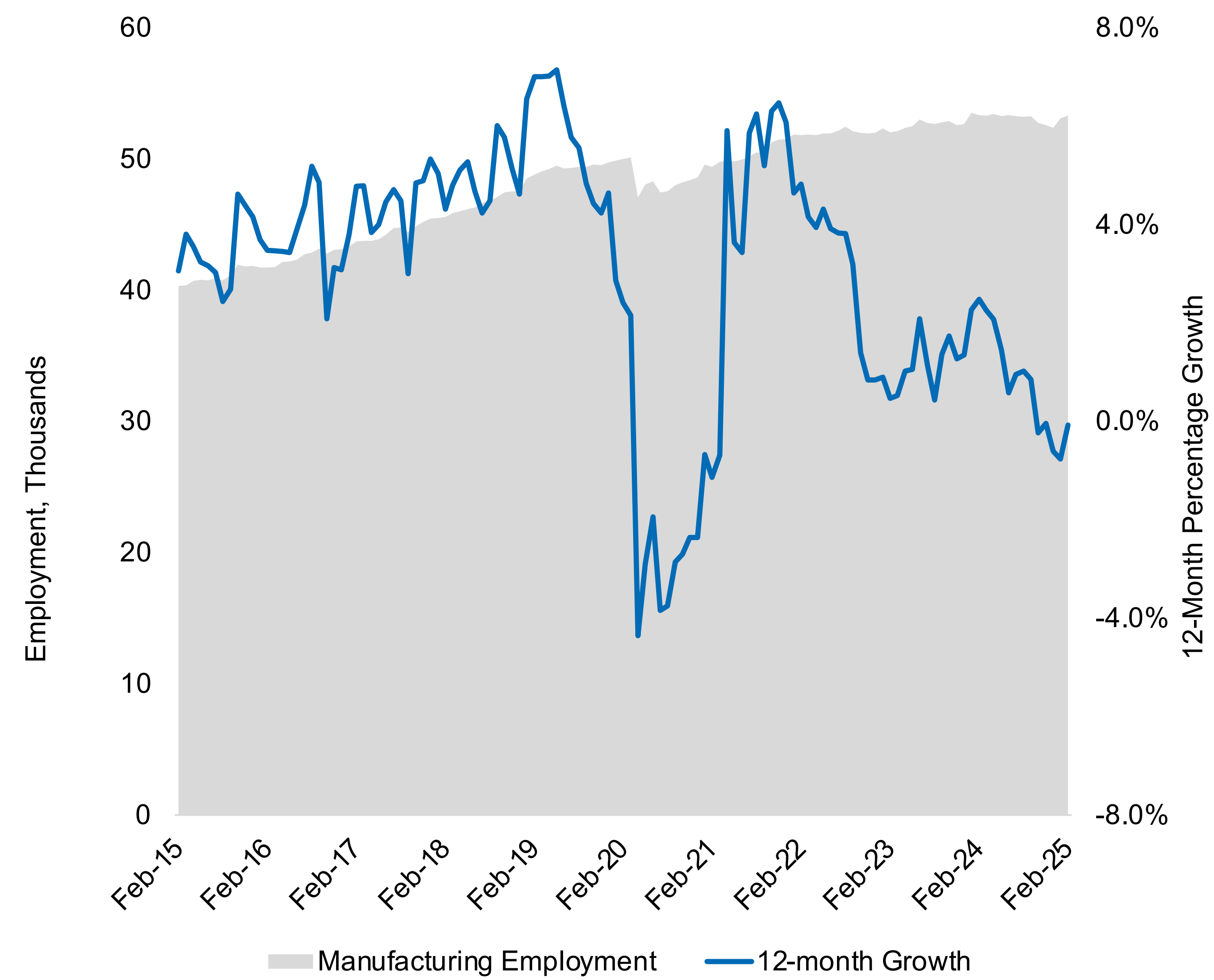
Industrial Employment Growth Continues at Slower Pace

As of February 2025, employment in the trade/transportation/utilities sector stood at 274,419 employees, slightly down 0.4% from the all-time high in January 2025, but up 1.0% year over year. Manufacturing employment continues to show modest deceleration, with a 0.1% year over year contraction. These trends suggest that the trade/transportation/utilities sector will likely continue to grow at a slower pace, while manufacturing employment appears to be weakening.

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

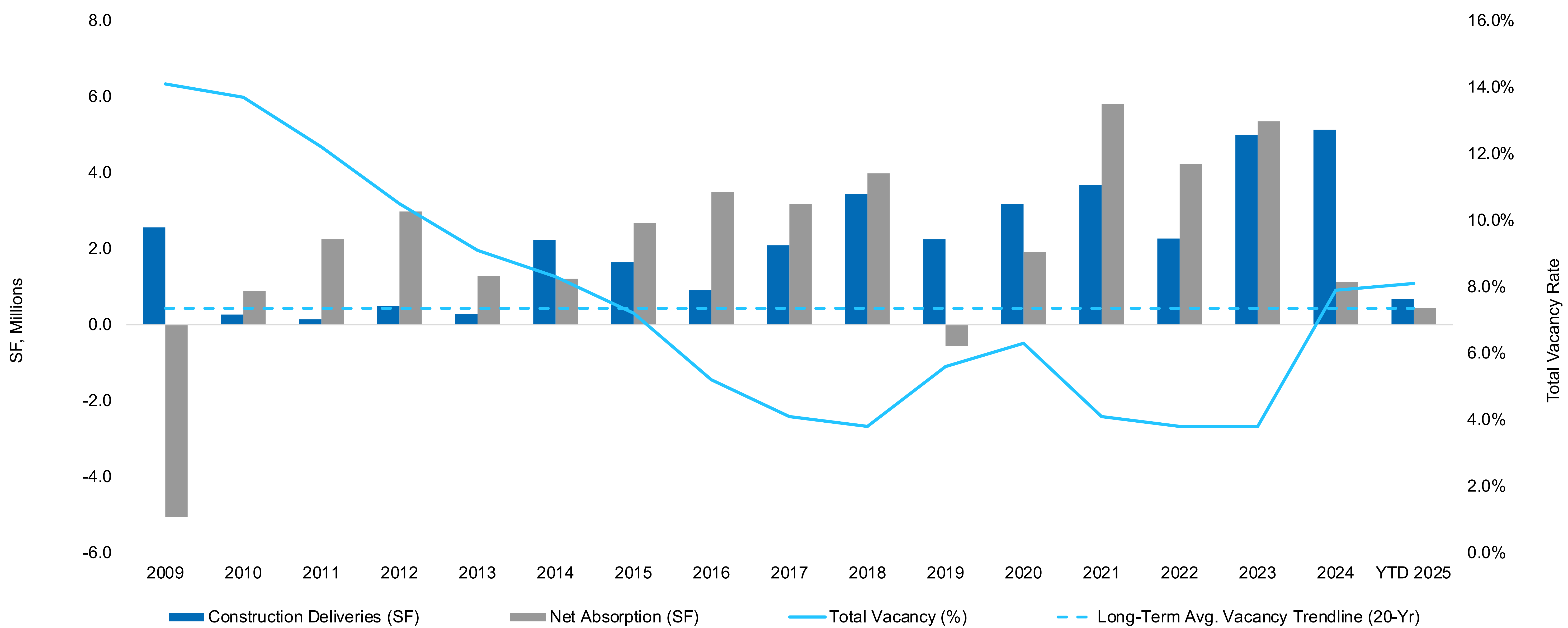
1Q25

Leasing Market Fundamentals

Vacancy Hits 10-Year High as Deliveries Continue Outpacing Absorption

The Orlando industrial vacancy rate increased by 200 basis points year over year to 8.1% in the first quarter of 2025, driven by over 5.8 MSF of new deliveries since the first quarter of 2024, which outpaced absorption by more than 4.2 MSF. Vacancy rates are currently at a 10-year high and are expected to remain elevated throughout most of 2025 as demand continues to eat away at supply. Deliveries remain strong, with 664,498 SF of new space added in the first quarter of 2025, surpassing the relatively solid absorption of 442,591 SF, reflecting a 1.9% increase compared to the same period last year.

Historical Construction Deliveries, Net Absorption, and Vacancy

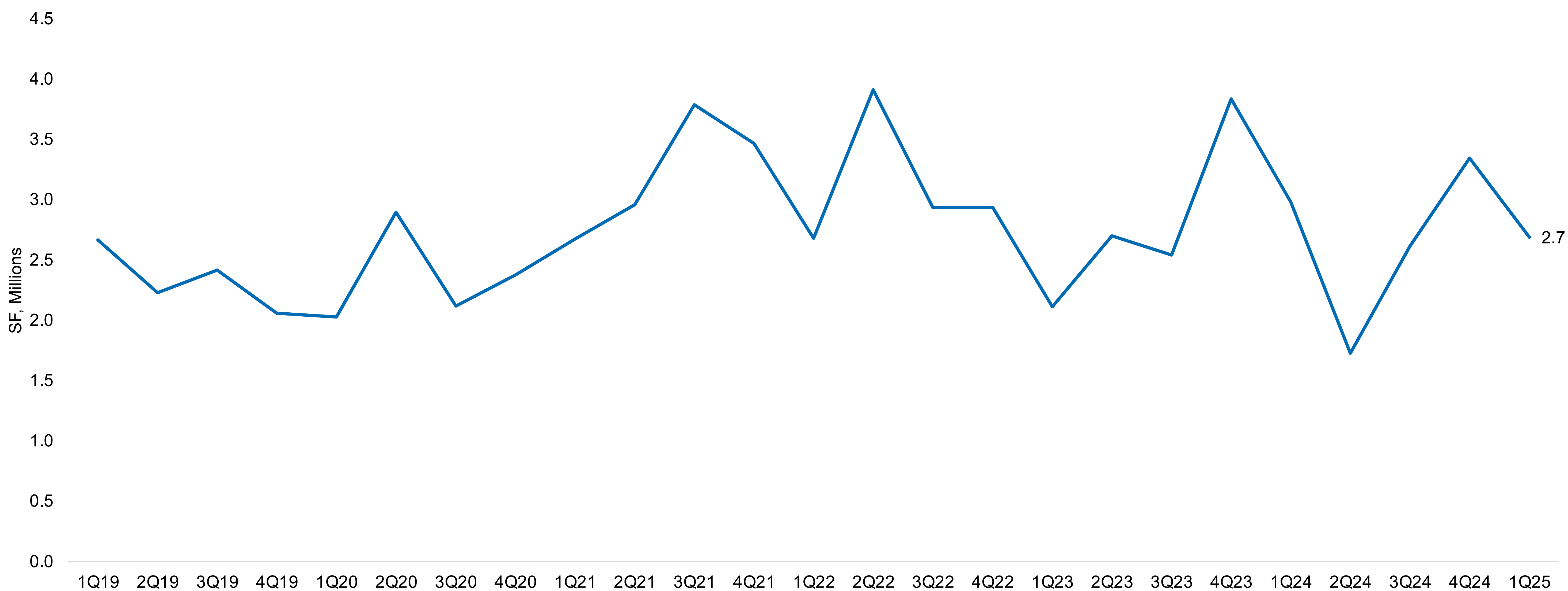


Source: Newmark Research, CoStar

Industrial Leasing Activity Dips Slightly but Remains Above Pre-Pandemic Levels

Leasing activity in the first quarter of 2025 declined by 19.6% quarter over quarter to 2.7 MSF and is down approximately 9.8% compared to the same period last year. Despite this fluctuation, first-quarter activity is slightly below the 10-year quarterly average by 0.4% yet remains 12.8% above the pre-pandemic average from 2012 to 2019. This indicates that while there may be some short-term softening, demand remains strong relative to historical levels, reflecting ongoing stability in the market.

Total Leasing Activity (SF)

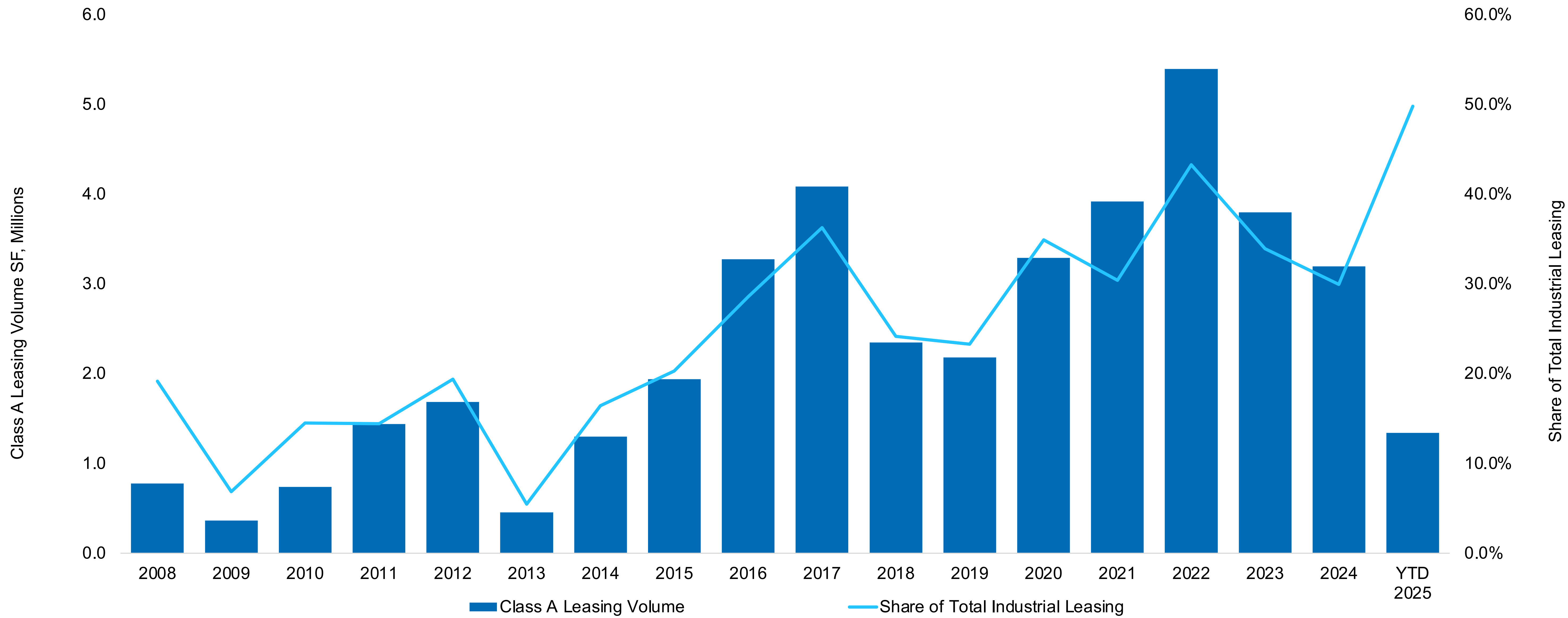


Source: Newmark Research, CoStar

Class A Warehouse Leasing Remains Above Long-Term Average

Leasing activity for Class A warehouse space in the first quarter of 2025 increased to 1.3 MSF, reflecting a 23.6% rise from the previous quarter. Class A warehouse leases accounted for 49.8% of total leasing activity in the first quarter, up from 25.6% in the same period last year. This marks the highest first-quarter leasing volume by SF for Class A warehouses in the last decade and half. The substantial share of Class A leases highlights a growing trend in industrial demand, with tenants increasingly seeking space in higher-quality buildings throughout the broader market.

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

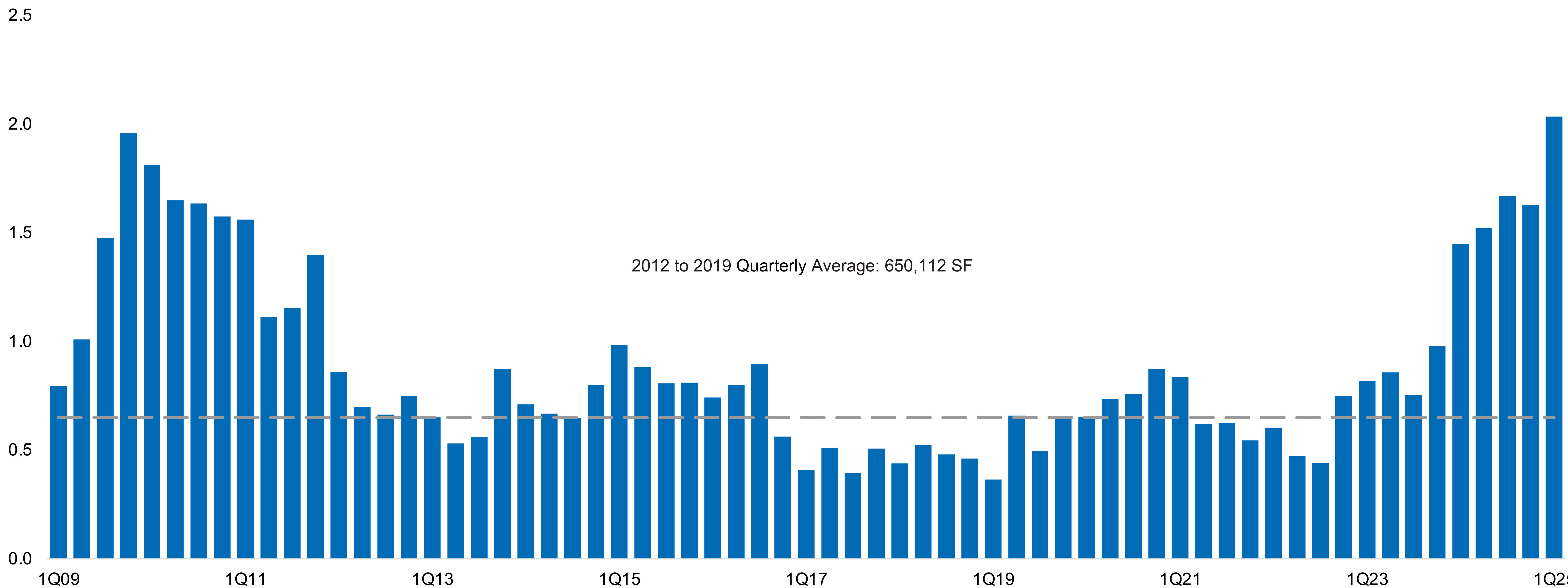


Source: Newmark Research, CoStar

Industrial Sublease Availability Reaches Peak

In the first quarter of 2025, sublease volume rose to 2.0 MSF, the highest level since 2009, representing a 24.9% increase from the previous quarter's 1.6 MSF. This jump was primarily driven by Samsung's placing over 383,000 SF at 19925 Independence Blvd up for sublease. The rise in sublease activity reflects a broader market shift, with current levels more than three times the pre-pandemic average of 650,112 SF. This increase is largely attributed to businesses adjusting to new economic conditions, opting to sublease excess space that was being used during the pandemic-driven surge. Despite concerns over the offloading of underutilized space, some companies, such as Victory Tailgate, are successfully subleasing space, including 143,000 SF at 8670 Transport Dr.

Available Industrial Sublease Volume (msf)

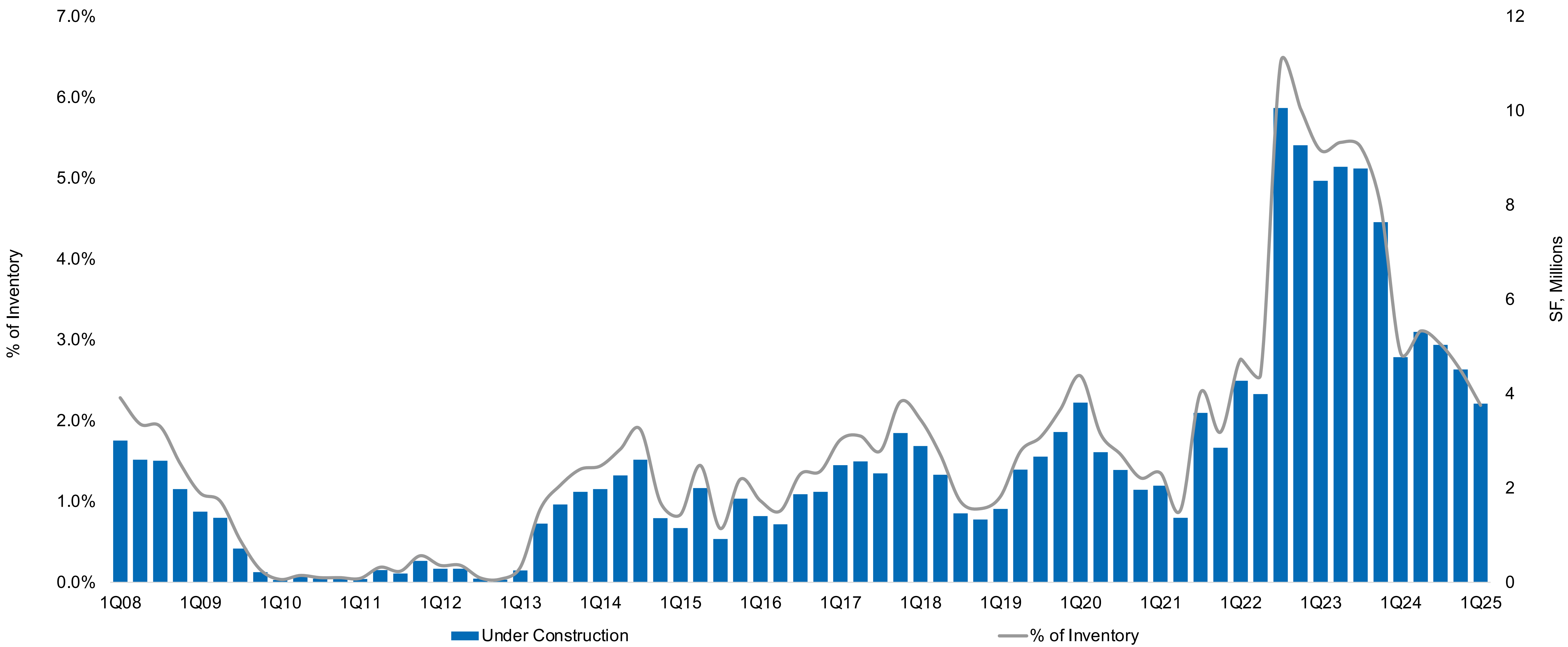


Source: Newmark Research, CoStar

Construction Pipeline Slows, But Remains Above Historical Averages

The construction pipeline in the first quarter of 2025 totaled 3.8 MSF, reflecting a 16.1% decline quarter over quarter and a 20.7% drop year over year, marking the lowest level since the fourth quarter of 2021, when 2.8 MSF was under development. Although current development activity remains elevated compared to the 15-year historical quarterly average of 2.6 MSF, many projects that broke ground in 2023 and 2024 are expected to wrap up in 2025 and early 2026. As these developments near completion, it is anticipated that the under-construction pipeline will return to more historical levels, as new deliveries continue to outpace new construction starts.

Industrial Under Construction and % of Inventory

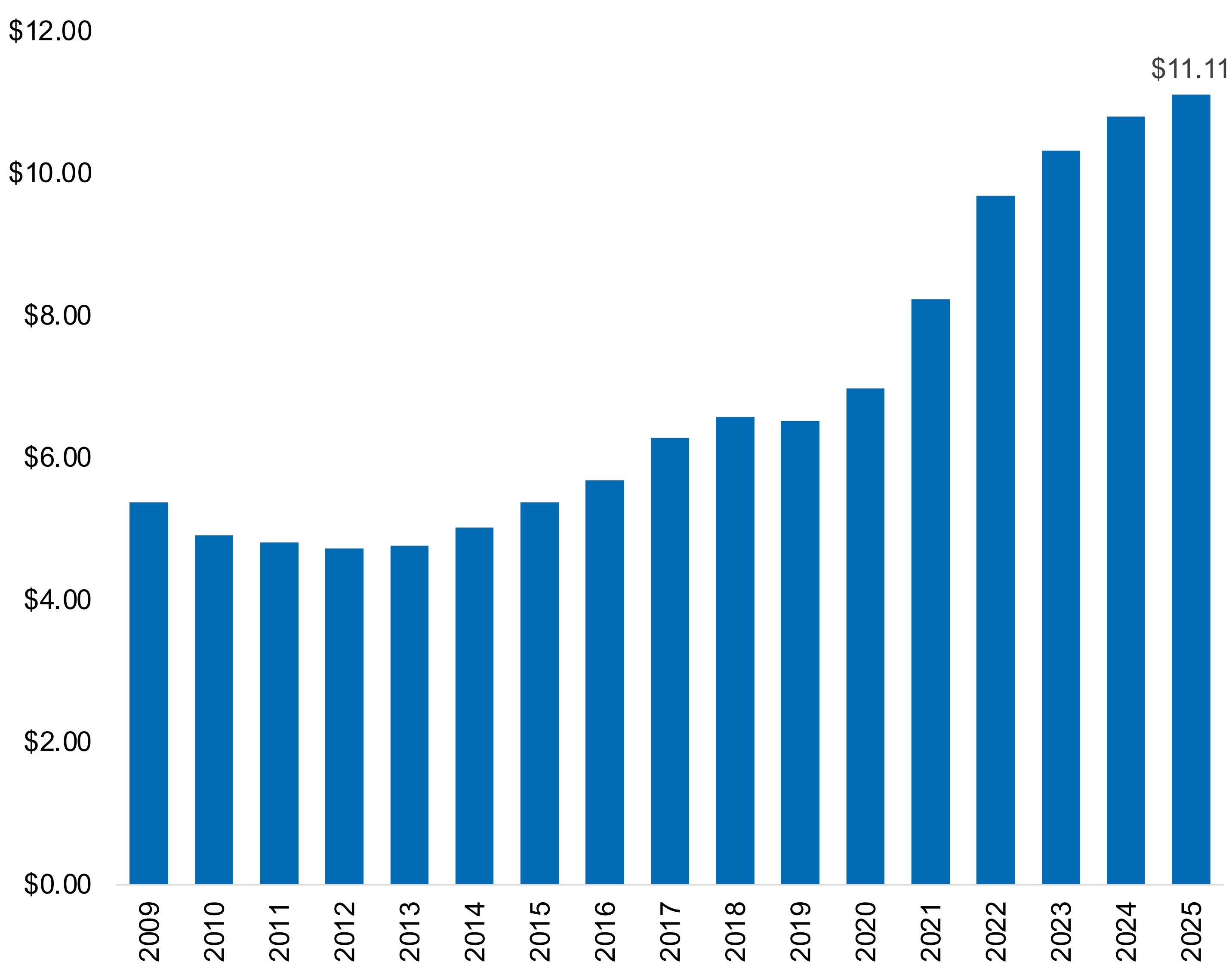


Source: Newmark Research, CoStar

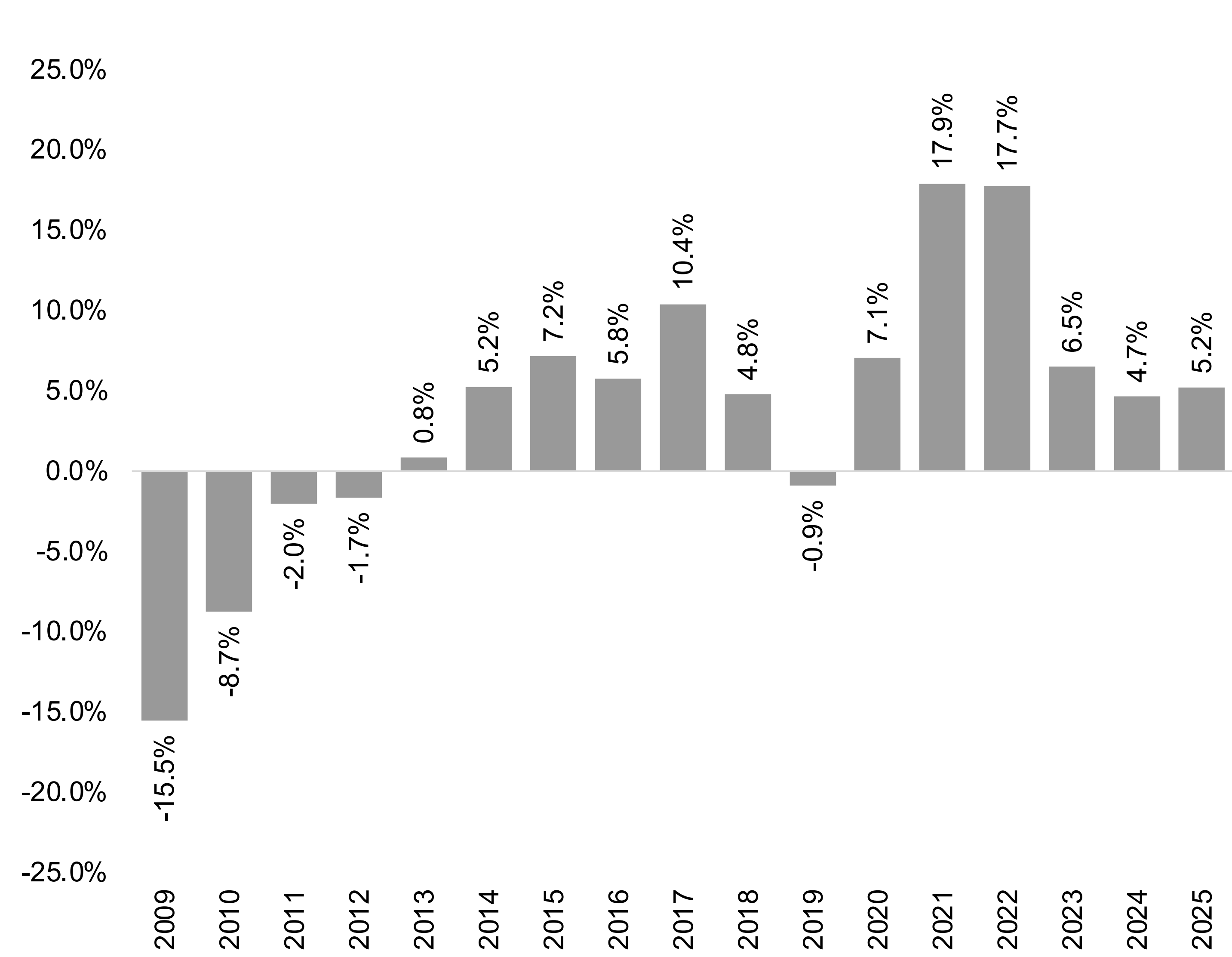
Asking Rents Increase to New Historical High

Industrial average asking rents reached a new historical high of $11.11/SF in the first quarter of 2025, reflecting a 2.9% increase from the previous quarter and a 5.2% gain year over year. The increase in rents can be attributed to the ongoing influx of new, higher-quality supply delivering and the strong preference for state-of-the-art facilities by most tenants. However, as the remaining new supply deliveries, the pace of rent growth is expected to moderate in the near-term. Moving forward, rent increases will likely be driven more by localized demand and limited availability of high-quality space rather than widespread market-wide supply.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

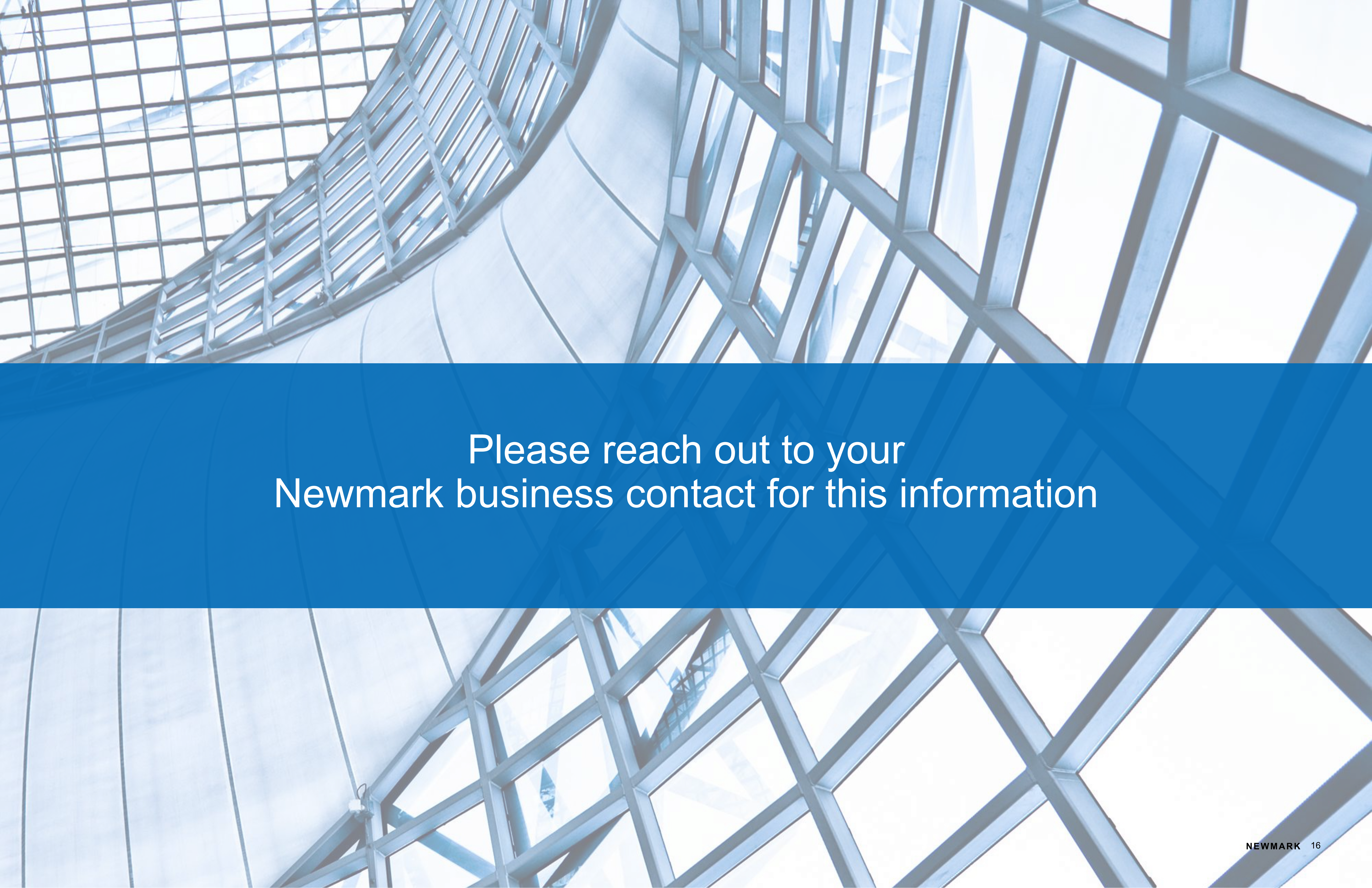
Notable 1Q25 Lease Transactions

Leasing activity in the first quarter of 2025 declined by 19.6%, totaling 2.7 MSF. Direct leases comprised 91.5% of the total activity, with subleases accounting for only 229,594 SF. Leasing for buildings over 100,000 SF remained robust, reaching 1.5 MSF, which is 42.0% above the pre-pandemic average from 2012 to 2019; but 11.0% below the peak levels seen from 2021 to 2023. Sustained demand for larger, higher-quality spaces reflects tenants' preference for modern assets. Notably, four of the top five leases were signed in buildings constructed since 2019. Projects currently under construction are 18.5% pre-leased, with buildings over 100,000 SF at 15.0% pre-leased, while smaller buildings under 100,000 SF are 28.9% pre-leased.

Notable 1Q25 Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Legendary Holding LLC	Orlando-Apopka Commerce Center- Bldg 2	NW Orange County	Direct New	283,170
The family clothing store retailer signed a lease to occupy the entire building through August 2035, consolidating their operations into one building. They are expected to physically move into the building in the third quarter of 2025.				
E-Recycling Solutions	Crossroad Business Park- Bldg 5	SE Orange County	Direct New	216,478
The waste management and remediation services company signed a lease to occupy the entire building to enhance its logistics capabilities and expand its e-waste recycling operations in the Southeast U.S.				
Nassal	ICP at Beachline- Bldg 1	SE Orange County	Sublease	143,000
The specialized construction firm headquartered in Orlando, subleased the entire building that was previously occupied by Victory Tailgate.				
Star Pipe Products	Prologis Park at AIPO	SE Orange County	Direct New	137,230
The global manufacturer and supplier of iron products signed a lease to occupy the entire building through July 2030.This marks the company's second known location in the Orlando market.				
Paradise Grills	640 Ocoee Business Pky- Bldg 200	NW Orange County	Renewal	119,684
The world's largest manufacturer of luxury outdoor kitchen grill islands & bars renewed its leased at the building which it has occupied since May 2020. The building serves as a local and regional distribution hub to many of their retail stores in the Orlando area and throughout the rest of the state.				

Source: Newmark Research



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