
3Q24

Orlando Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate ticked up by 34 basis points year over year to 3.3% but remained well below the five-year average of 5.0%.
- Job growth pace fell in line with the national average of 1.6% year over year while employment growth remains below pre-pandemic levels, with August 2019 growth at 3.0%.
- Most sectors reported positive employment growth year over year, while manufacturing, information and financial activities contracted. Mining and construction led job gains at 6.8% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, with trade/transportation/utilities and mining jobs growing by 1.1% and 6.8% respectively, while manufacturing jobs contracted by 0.2%.

Major Transactions

- Aerospace One signed the largest lease of the quarter for 220,853 SF at Venture Park Beachline.
- Three of the quarters five-largest deals occurred in the SW Orange County submarket, highlighting the appeal of the I-4 corridor for occupiers.
- Notable transactions during the quarter come from a mix of tenant industries, indicating there is still appetite for space among occupiers in the market.

Leasing Market Fundamentals

- The market reported 152,714 SF of positive absorption in the third quarter of 2024, falling 71.8% quarter over quarter.
- Overall rental rates increased in the third quarter to \$10.35/SF, a year over year growth rate of 3.1%.
- Construction deliveries totaled to 382,462 SF in the third quarter of 2024, while the pipeline grew to 5.3 MSF under construction as new construction starts picked up.
- Vacancy increased by 370 basis points year over year to 7.4% in the third quarter of 2024, as deliveries continued to outpace demand despite both experiencing a decline.

Outlook

- The Orlando industrial market will continue to see an influx of supply on the market in the near term, due to 2.9% of the current market's inventory being under construction. New deliveries, which are 11.5% pre-leased, will outpace demand in the near term.
- Vacancy rates are expected to increase in the near term, as supply outpaces occupancies, before flattening again once the new supply is absorbed.
- Asking rents will likely continue to increase, albeit at a slower pace, 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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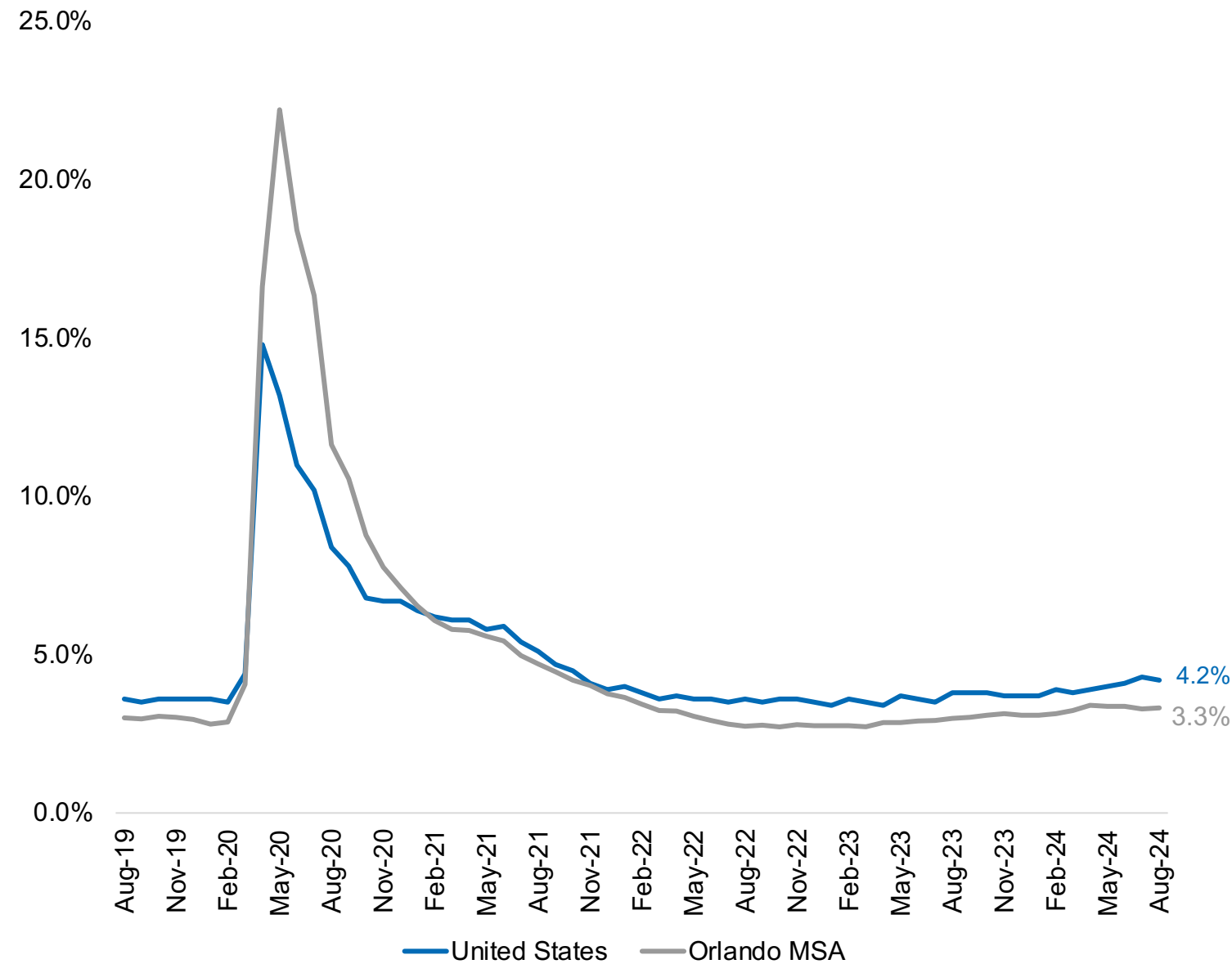
Economy



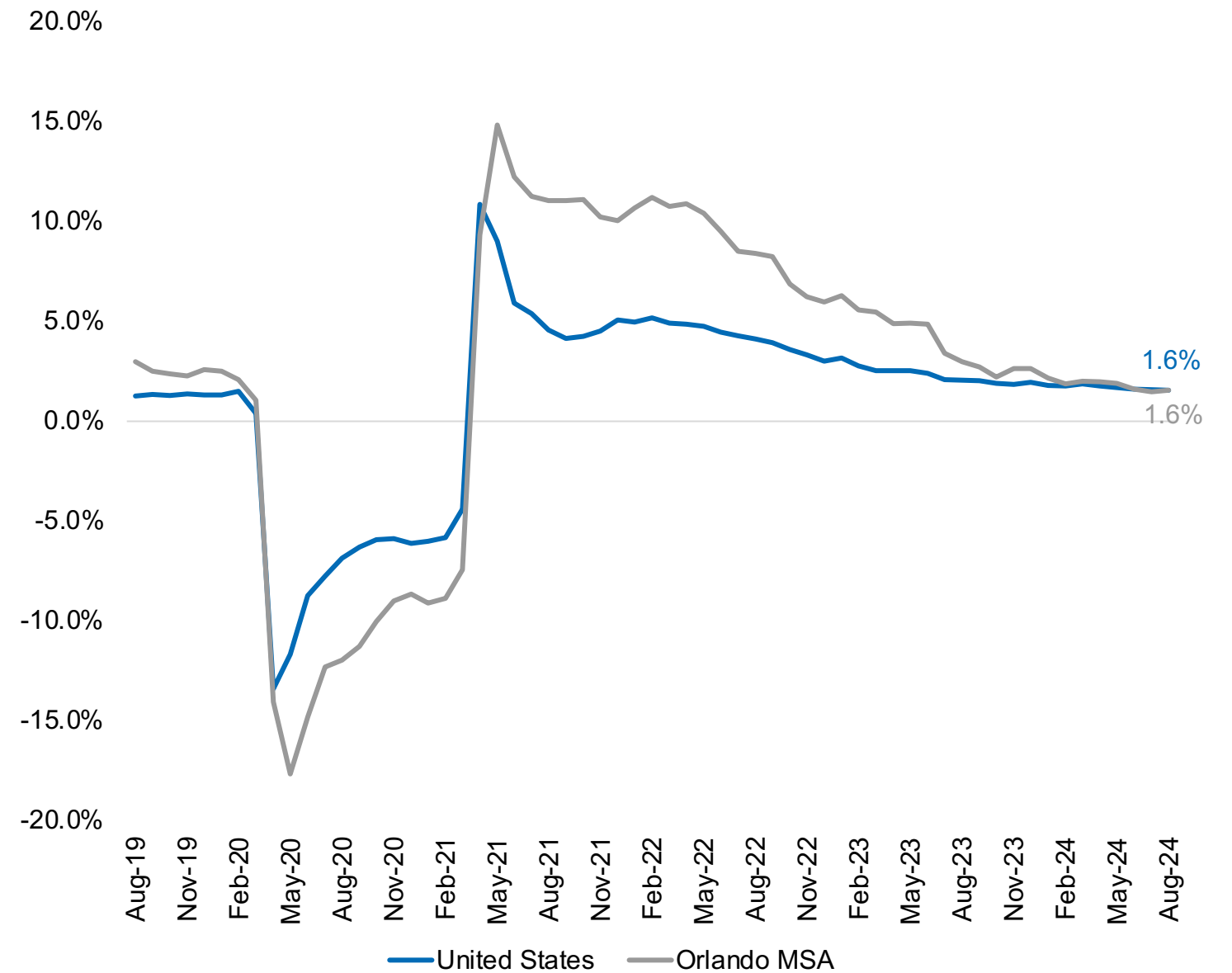
Metro Employment Trends Continue to Reflect Slowing Economy

The Orlando market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. However, in the third quarter of 2024, annual employment growth slowed by 142 basis points, falling in line with the national average at 1.6%. National headwinds have pushed the region's unemployment rate to increase by 34 basis points year over year to 3.3% but remains below the national average of 4.2%.

Unemployment Rate, Seasonally Adjusted



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

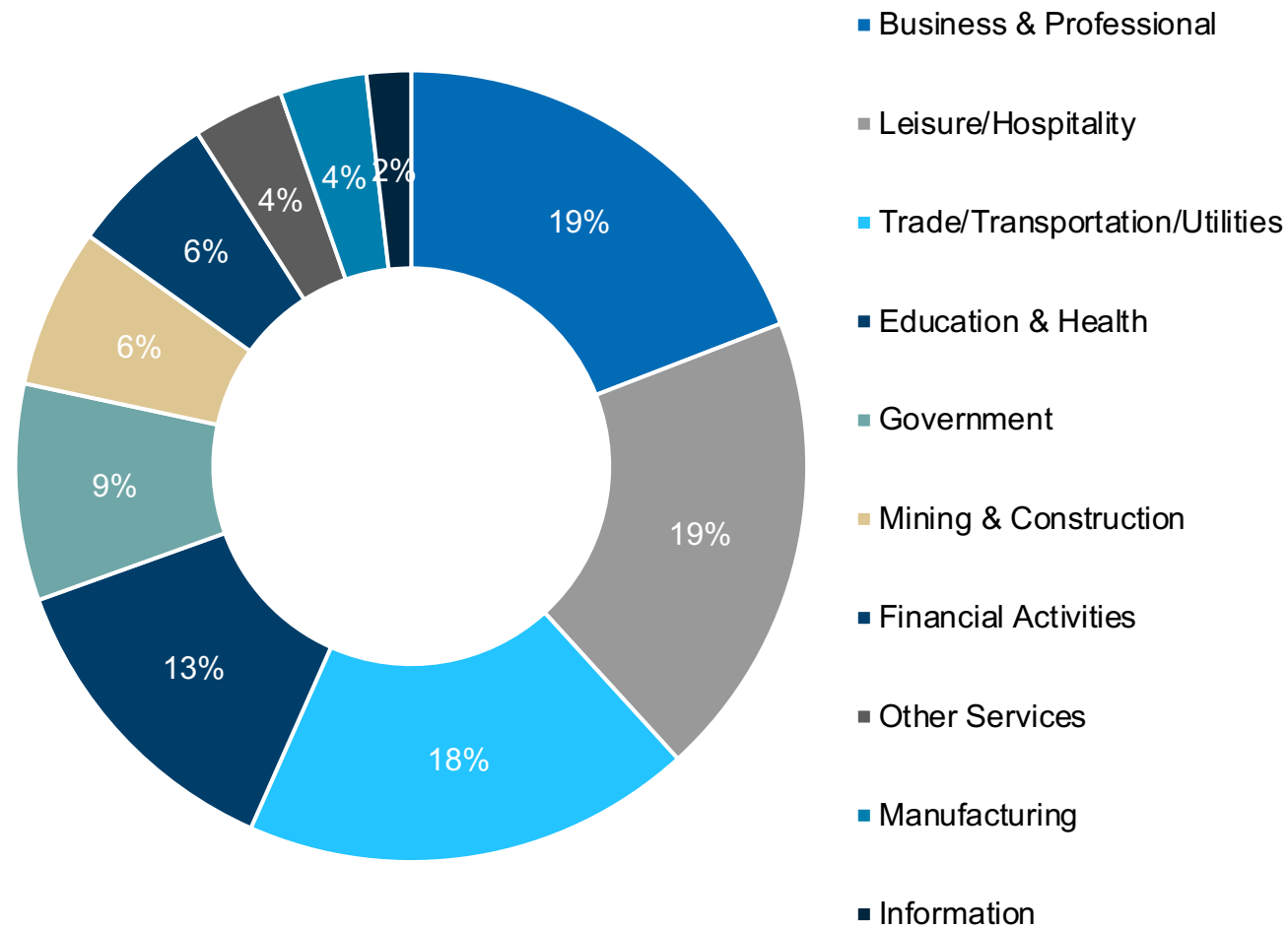


Source: U.S. Bureau of Labor Statistics, Orlando MSA

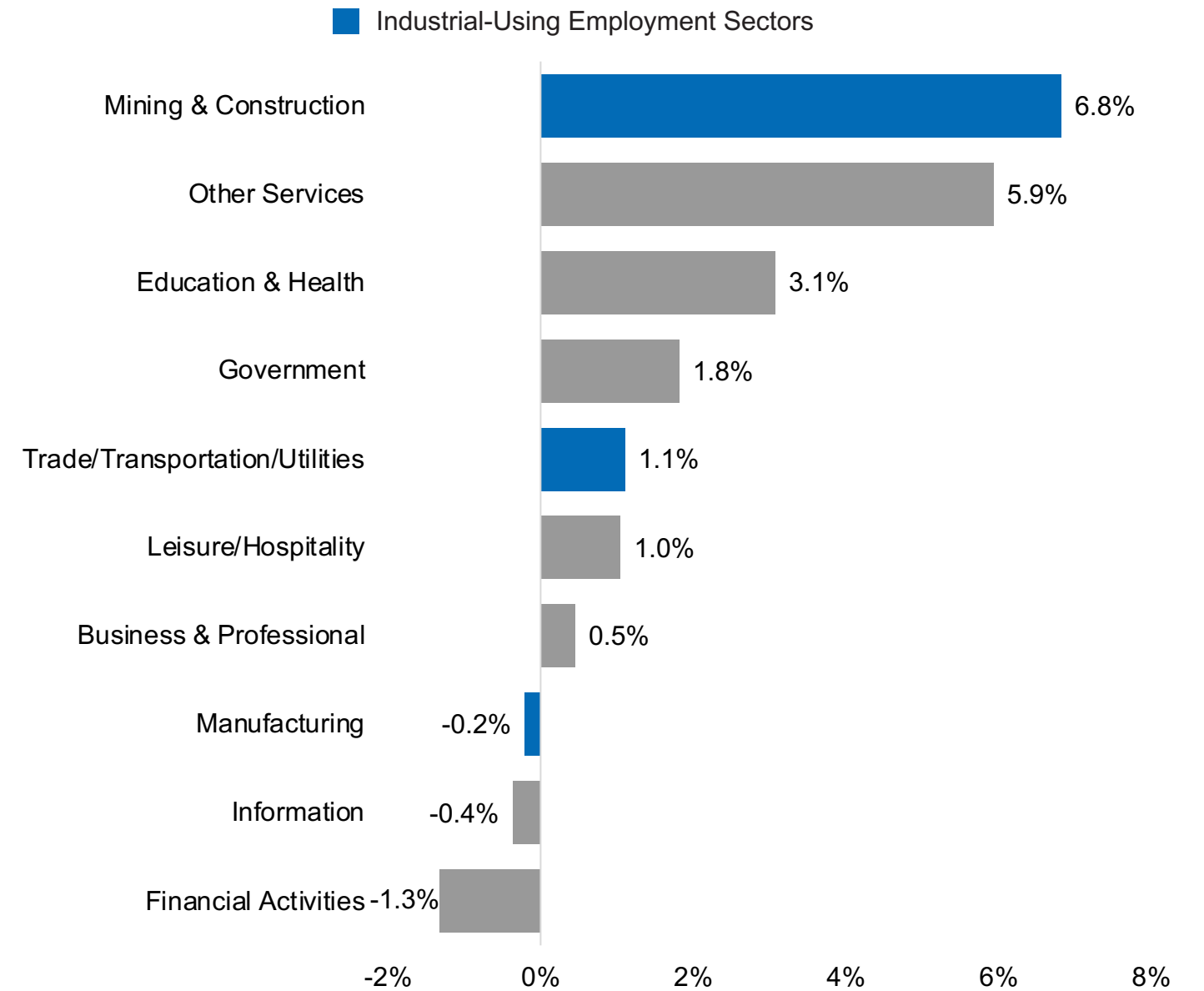
Slow Employment Growth Continues for Most Industrial Sectors

Known for its tourism sector, the Orlando market's top two employment industries account for 38.2% of the market share. The industrial-using employment's trade/transportation/utilities sector is the third-largest industry sector in the metroplex at 18.4%. Most industries in the metroplex reported growth, while one of the industrial-using manufacturing industry reported contraction by 0.2%. Trade/transportation/utilities and mining and construction reported growth of 1.1% and 6.8%, respectively.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

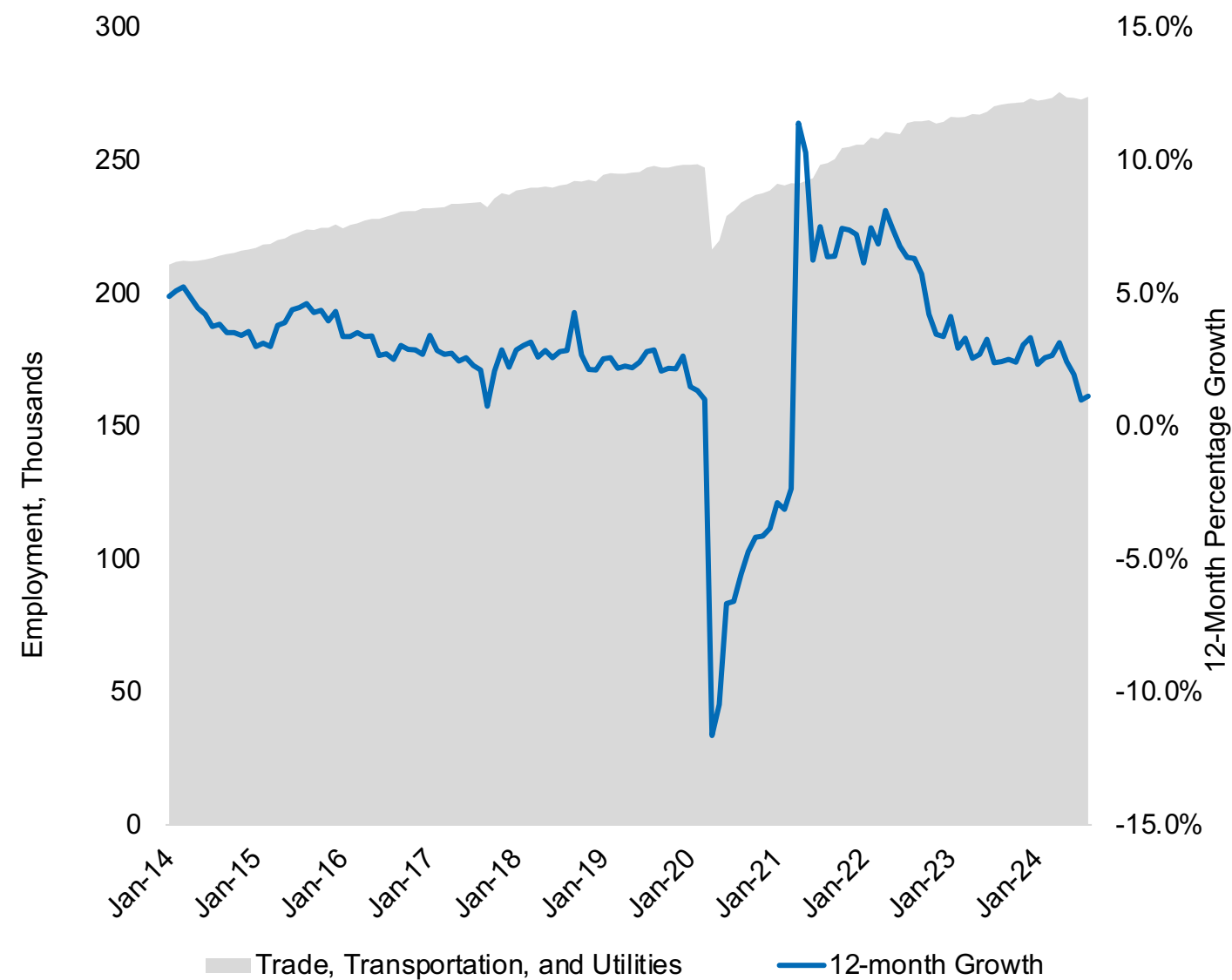


Source: U.S. Bureau of Labor Statistics, Tampa MSA

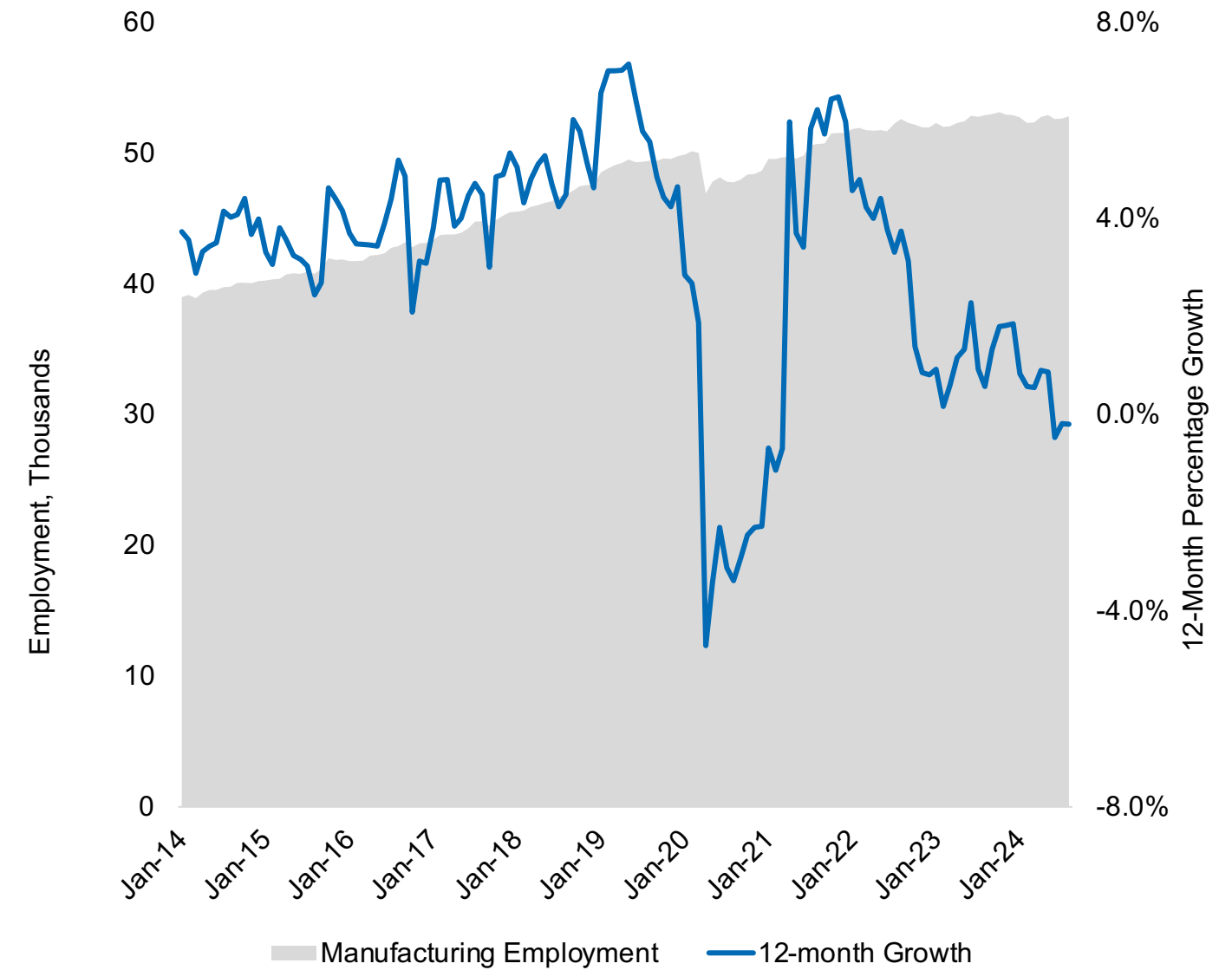
Industrial Employment Growth Continues at Slower Pace

As of the end of August 2024, trade/transportation/utilities employment was at 273,754 employees, continuing to slow from the all-time high of 275,450 employees reported in April 2024. Manufacturing employment growth has decelerated, with a contraction of 0.2% year over year. These trends indicate the trade/transportation/utilities sector will likely continue to grow at a slower pace, while manufacturing employment appears to be softening.

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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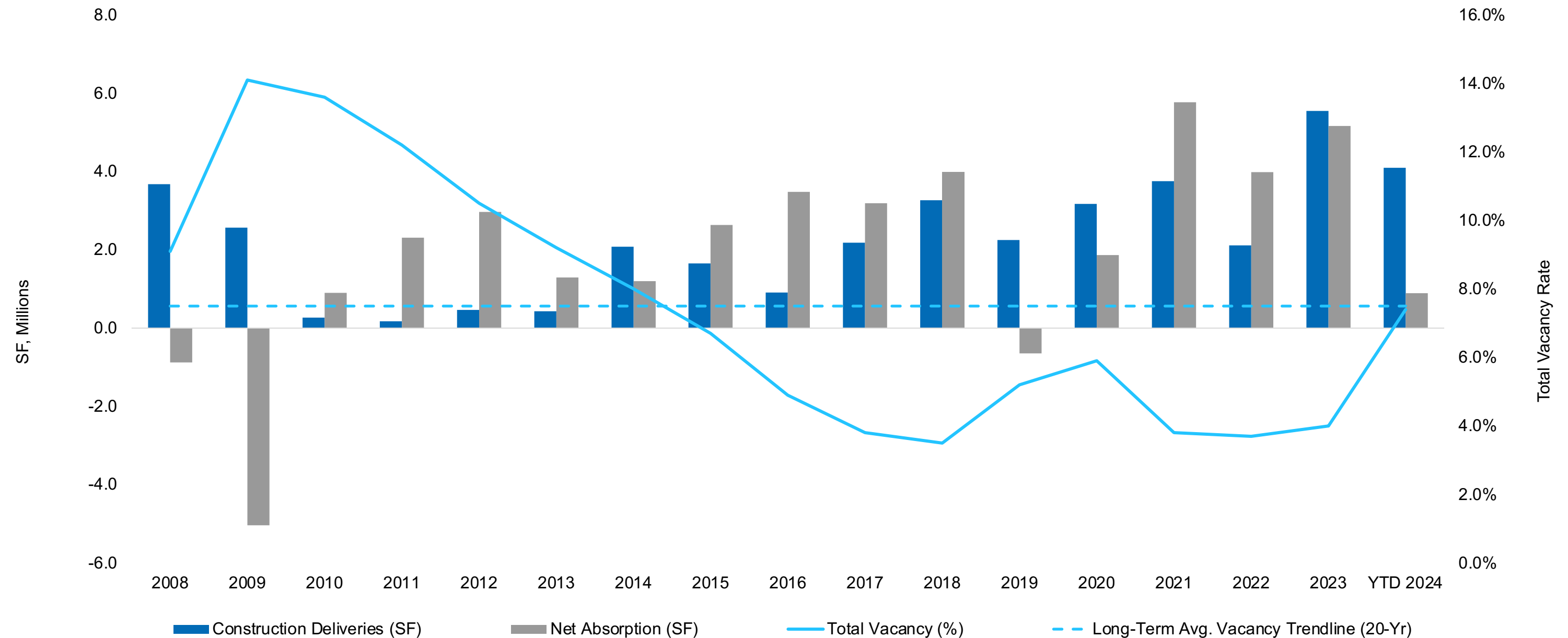
Leasing Market Fundamentals



Vacancy Rates Driven Upward by Deliveries and Weakened Demand

The Orlando industrial vacancy rate increased by 370 basis points year over year to 7.4% in the third quarter of 2024, pushed up by new supply coming online and diminished demand. Deliveries continue to remain strong in the market, with new supply totaling 382,462 MSF in the third quarter of 2024. Demand fell drastically in the third quarter to 152,714 SF, a decrease of 71.8% quarter over quarter. Year-to-date absorption in the market totaled 891,673 SF.

Historical Construction Deliveries, Net Absorption, and Vacancy

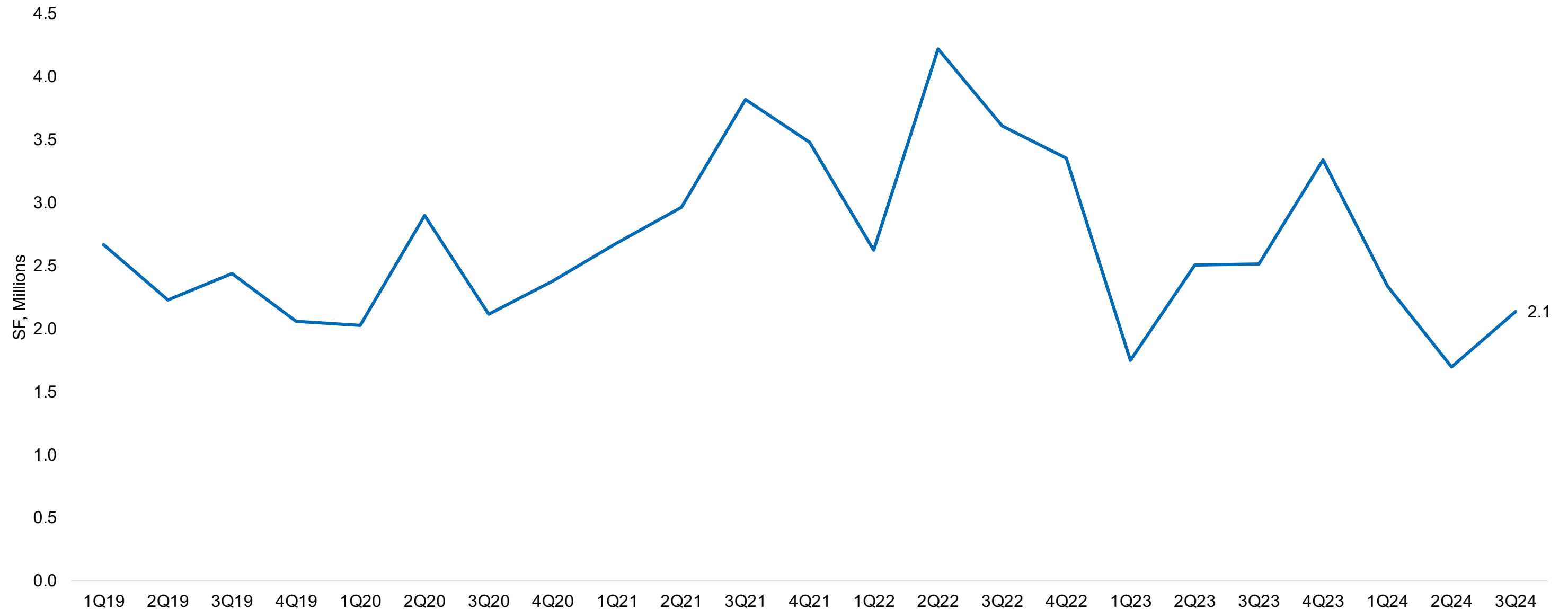


Source: Newmark Research, CoStar

Industrial Leasing Activity Gains Momentum

In the third quarter of 2024, leasing activity picked up, rising 25.9% quarter over quarter to 2.1 MSF. Leasing activity is down roughly 15.0% from a year ago and remains below levels reported throughout 2023. The quarterly uptick in activity will likely be beneficial to absorption in the coming quarters, as tenants begin to occupy their newly leased space.

Total Leasing Activity (SF)

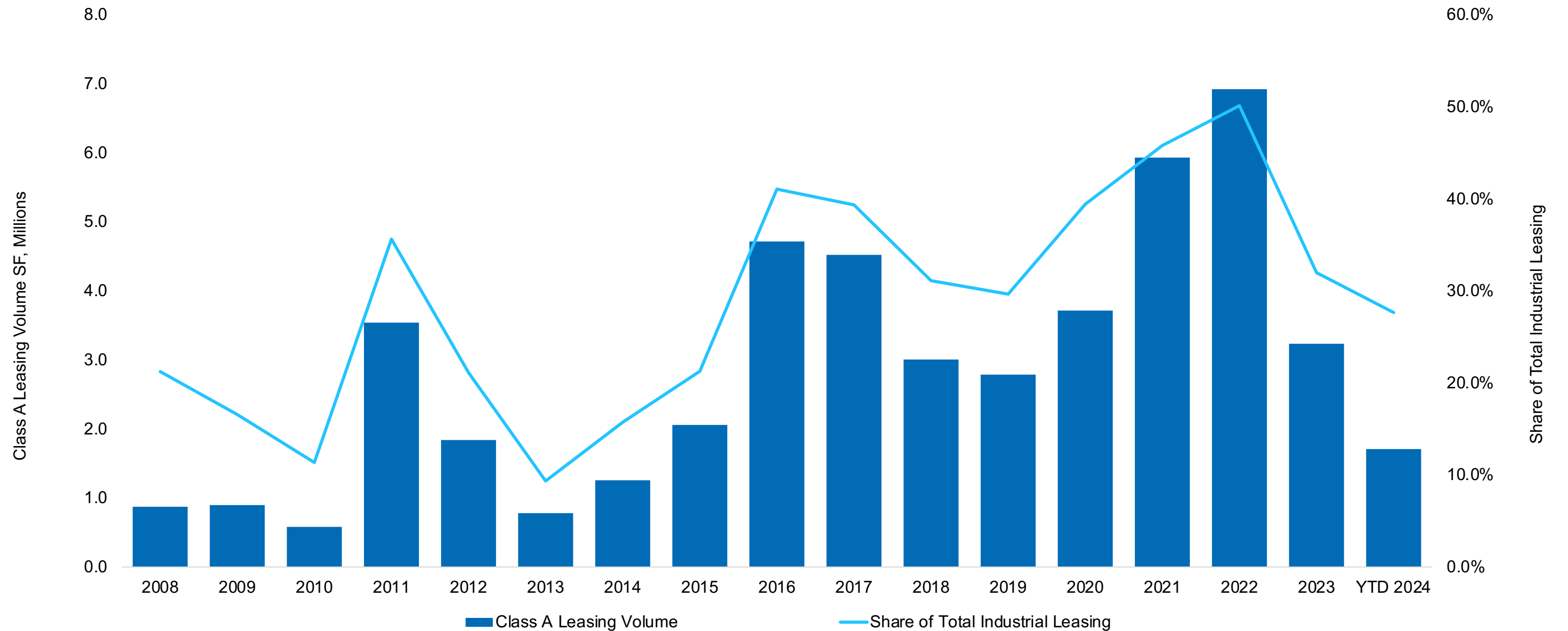


Source: Newmark Research, CoStar

Class A Warehouse Leasing Remains Above Long-Term Average

Leasing activity for Class A warehouse rose in the third quarter of 2024 to 654,504 SF, reflecting a 50.1% increase over the previous quarter. Class A warehouse leasing represented 30.6% of overall activity in the third quarter of 2024, an increase from the third quarter of 2023 at 28.6% and moderately higher than the quarterly pre-pandemic average of 26.5% from 2008 to 2019.

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

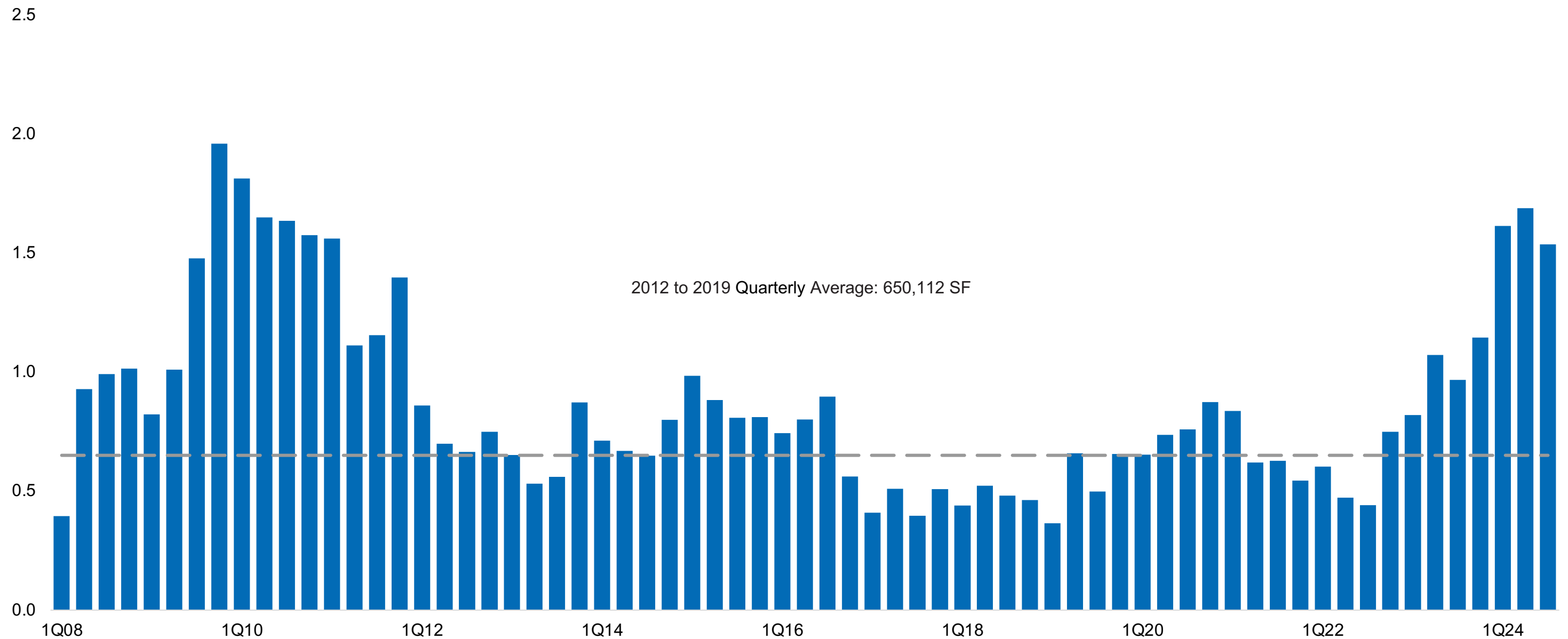


Source: Newmark Research, CoStar

Industrial Sublease Added to Market at Accelerated Pace

In the third quarter of 2024, sublease volume decreased to 1.5 MSF, falling from the previous quarter's recent high of 1.7 MSF. The rate at which subleases were added to the market has accelerated with the third quarter of 2024 increasing by 58.7% 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.

Available Industrial Sublease Volume (msf)

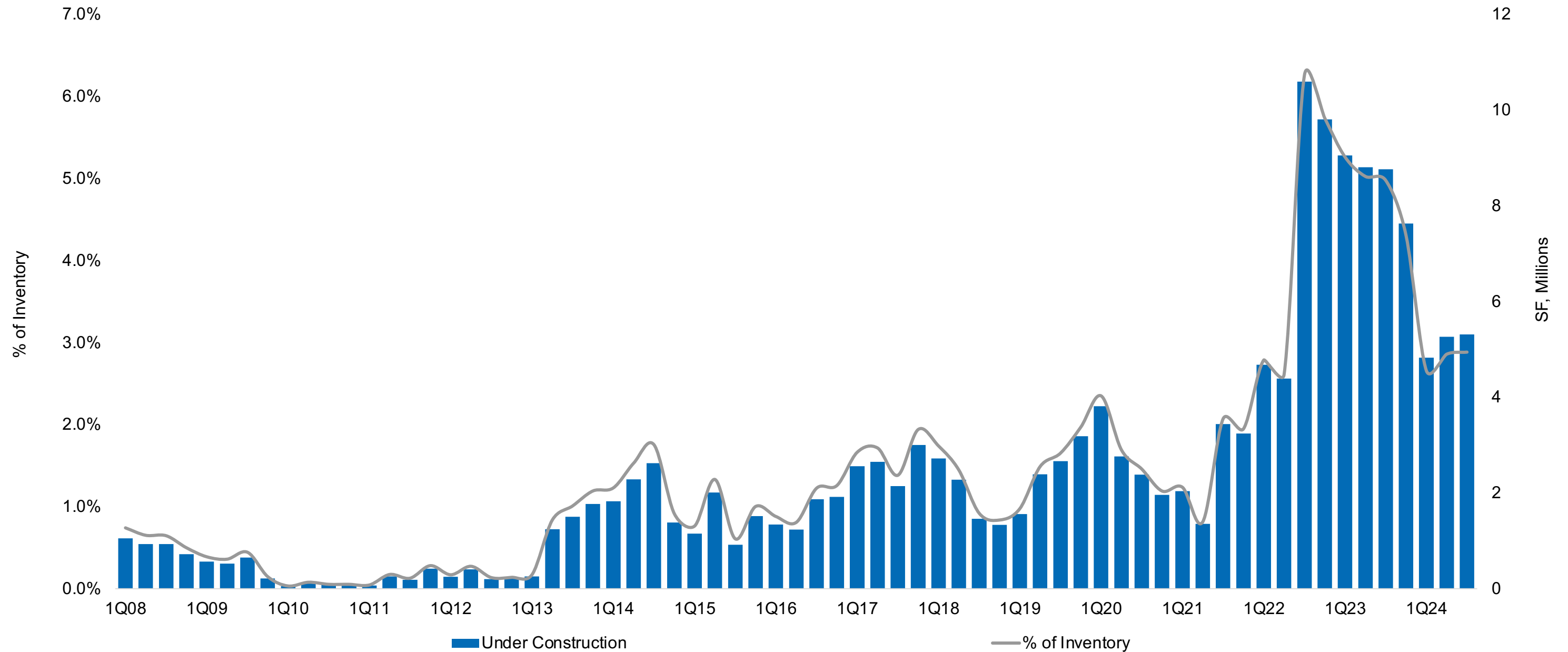


Source: Newmark Research, CoStar

Industrial Supply Pipeline Continues to Grow

The construction pipeline increased slightly in the third quarter of 2024 to 5.3 MSF, continuing its upward momentum but remaining well below the historical high of 10.6 MSF in the third quarter of 2022. As of quarter end, deliveries totaled 382,462 SF while the construction pipeline accounted for 2.9% of the market's inventory. The increase in new construction starts is likely due to a recently more favorable financing environment but overall, the market could still see potential supply constraints as conditions continue to improve in 2025.

Industrial Under Construction and % of Inventory

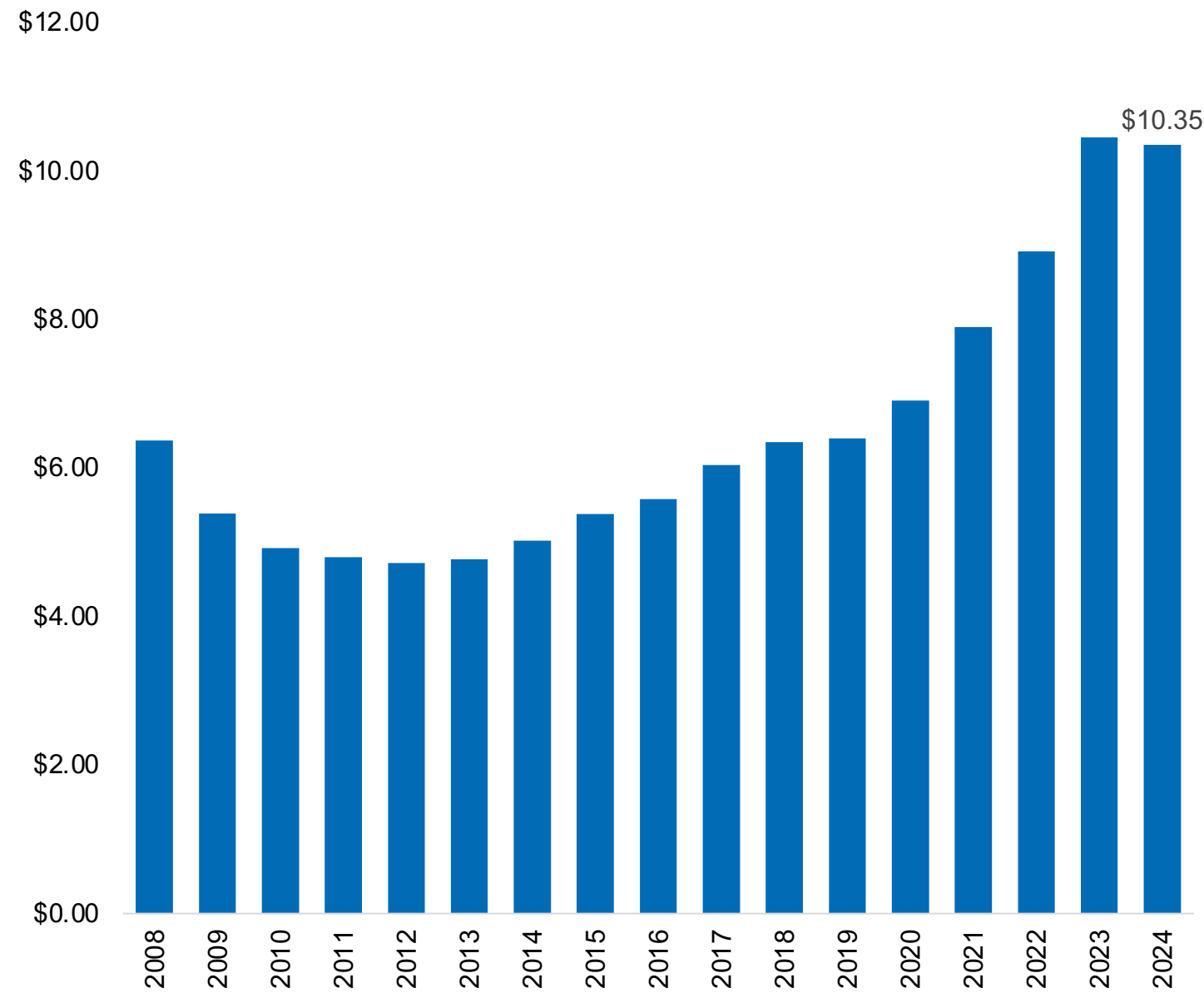


Source: Newmark Research, CoStar

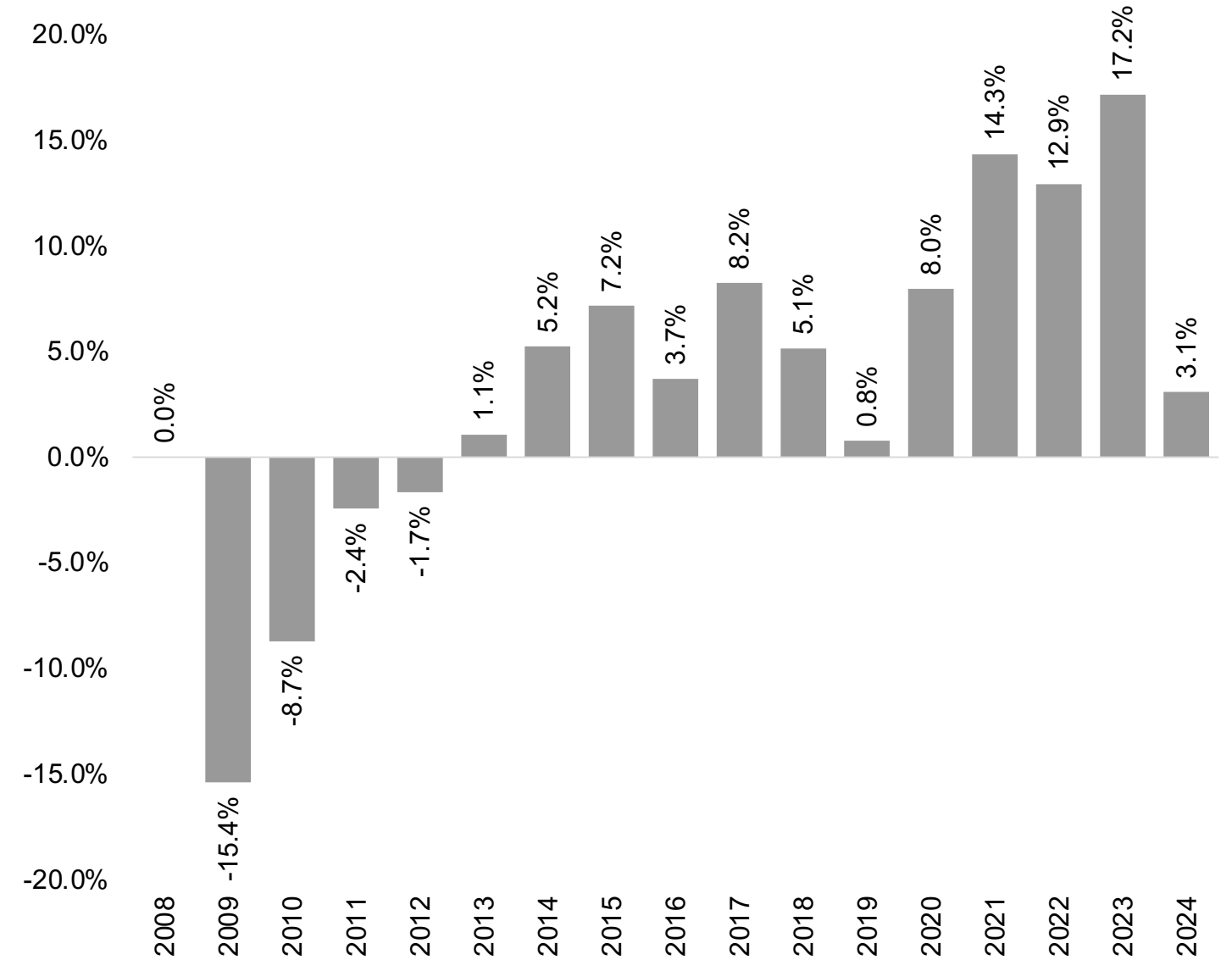
Asking Rent Growth Begins to Slow

Industrial average asking rents increased to \$10.35/SF in the third quarter of 2024 but are below the historical high of \$10.45/SF reached in the fourth quarter of 2023. This marks a 2.8% quarterly increase and a 3.1% yearly gain. Rent growth is expected to continue increasing in the near term, albeit at a slower pace, 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 3Q24 Lease Transactions

Leasing activity increased in the third quarter of 2024, with quarterly leasing activity at 2.1 MSF. Direct leases accounted for 91.5% of the quarter's total leasing activity, while sublease activity ended the quarter accounting for only 182,531 SF. Under-construction projects in the market are 11.5% pre-leased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Aerospace One <i>Logistics and warehousing company Aerospace One had the largest deal of the quarter with its lease for 220,853 SF at Venture Park Beachline in the SE Orange County submarket.</i>	Venture Park Beachline	SE Orange County	Direct New	220,853
Evolution Electric Vehicles <i>Golf cart manufacturer Evolution Electric Vehicles leased 156,000 SF of warehouse space at 2351 Investors Row in the SW Orange County submarket.</i>	2351 Investors Row	SW Orange County	Direct New	156,000
Rexel <i>Rexel, an electrical supply company, renewed its lease in Building 600 at Prologis Orlando Corporate Center for 151,800 SF.</i>	Prologis Orlando Corporate Center- #600	SW Orange County	Renewal	151,800
Undisclosed <i>An undisclosed tenant leased 107,840 SF at 2550 American Way in the Lake County submarket.</i>	2550 American Way	Lake County	Direct New	107,840
DCD Vehicle Corp. <i>DCD Vehicle Corp., a golf cart manufacturer, signed a new deal for 102,430 SF at 2001 Directors Row.</i>	2001 Directors Row	SW Orange County	Direct New	102,430



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