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4Q24

# Orlando Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- The market’s unemployment rate rose 21 basis points year over year to 3.4% but remained well below the five-year average of 5.0%.
- Job growth pace was 1.3% year over year, just 10 basis points shy of the national average of 1.4%. The current annual job growth rate is on par with pre-pandemic levels, with November 2019 growth at 1.4%.
- Most sectors reported positive employment growth year over year, while information and manufacturing contracted. Mining and construction led job gains at 5.3% over the past 12 months.
- Industrial-using jobs in the market reflected slowing yearly growth, ranging from a contraction of 2.4% in manufacturing jobs to no growth in the trade/transportation/utilities sector and 5.3% growth in mining and construction jobs.

## Major Transactions

- Essendent signed the largest lease of the quarter with its renewal of 404,286 SF in Building XII of Southridge Commerce Park.
- ECC International Corp. signed a new lease for 294,787 SF in Building 100 of OCP Logistics Center in the SW Orange County submarket for the quarter’s second largest lease.
- Three of the quarter’s five-largest deals occurred in the NW Orange County submarket, highlighting the appeal of the 429 and I-4 corridors for occupiers.
- Notable transactions during the quarter come from a mix of tenant industries, indicating there is still appetite for space among various occupiers in the market.

## Leasing Market Fundamentals

- The market reported 117,851 SF of positive absorption in the fourth quarter of 2024, falling 22.8% quarter over quarter. Absorption for the year totaled 1.0 MSF, an 80.5% decrease from the prior year total.
- Overall rental rates increased to a historical high of \$10.69/SF in the fourth quarter of 2024, reflecting a year-over-year growth rate of 2.3%. Elevated deliveries in 2023 accelerated rental rate growth over the last year, however the pace of growth is expected to moderate in the near term.
- Construction deliveries totaled to 1.0 MSF in the fourth quarter of 2024, while the pipeline contracted to 4.2 MSF under construction as new construction starts slowed.
- Vacancy increased by 370 basis points year over year to 7.7% in the fourth quarter of 2024, as elevated deliveries, the bulk of which have no tenant in place, outpaced demand.

## Outlook

- The Orlando industrial market will continue to see an influx of supply on the market in the near term, due to 2.3% of the current market’s inventory being under construction. New deliveries, which are 16.3% 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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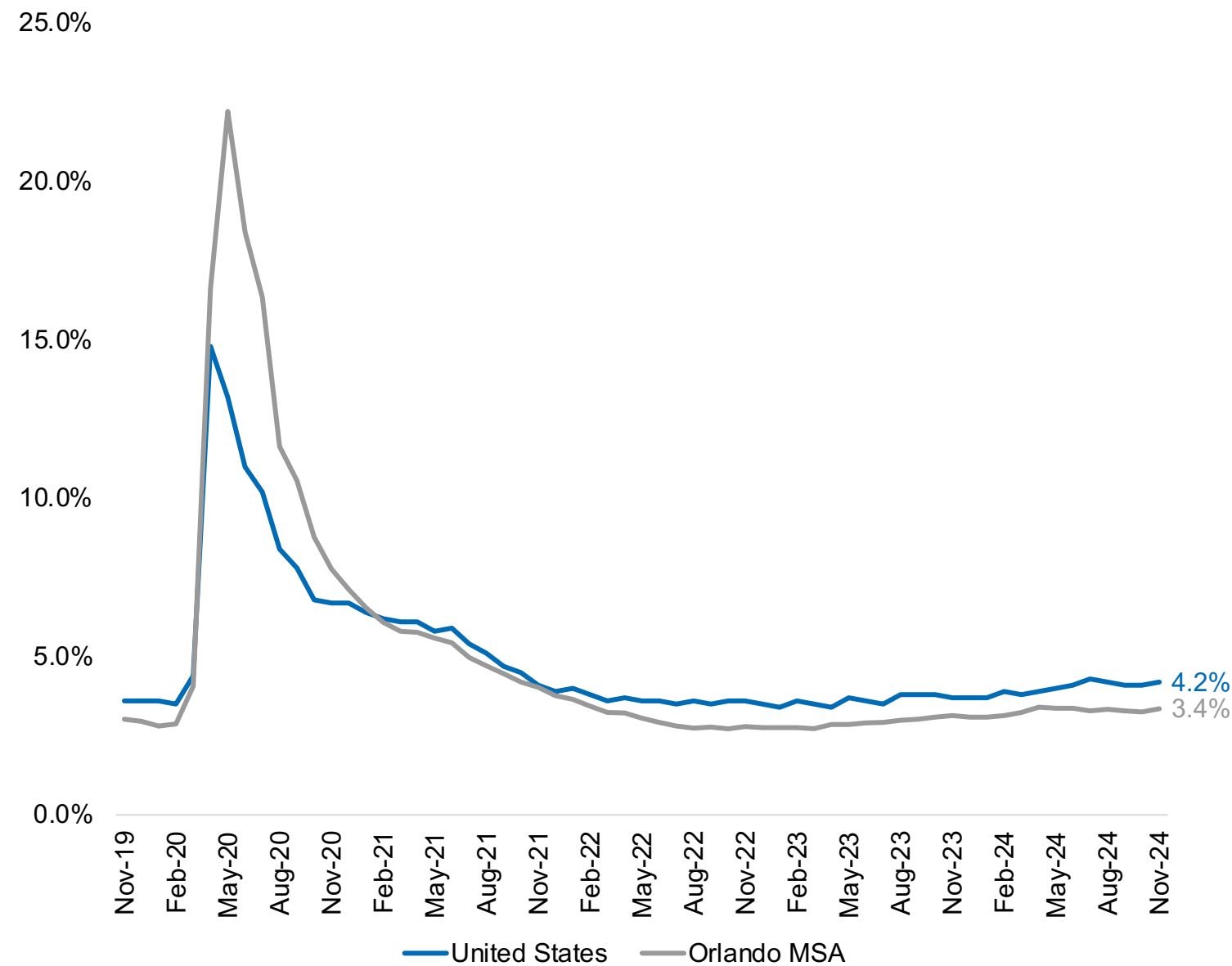
# Economy



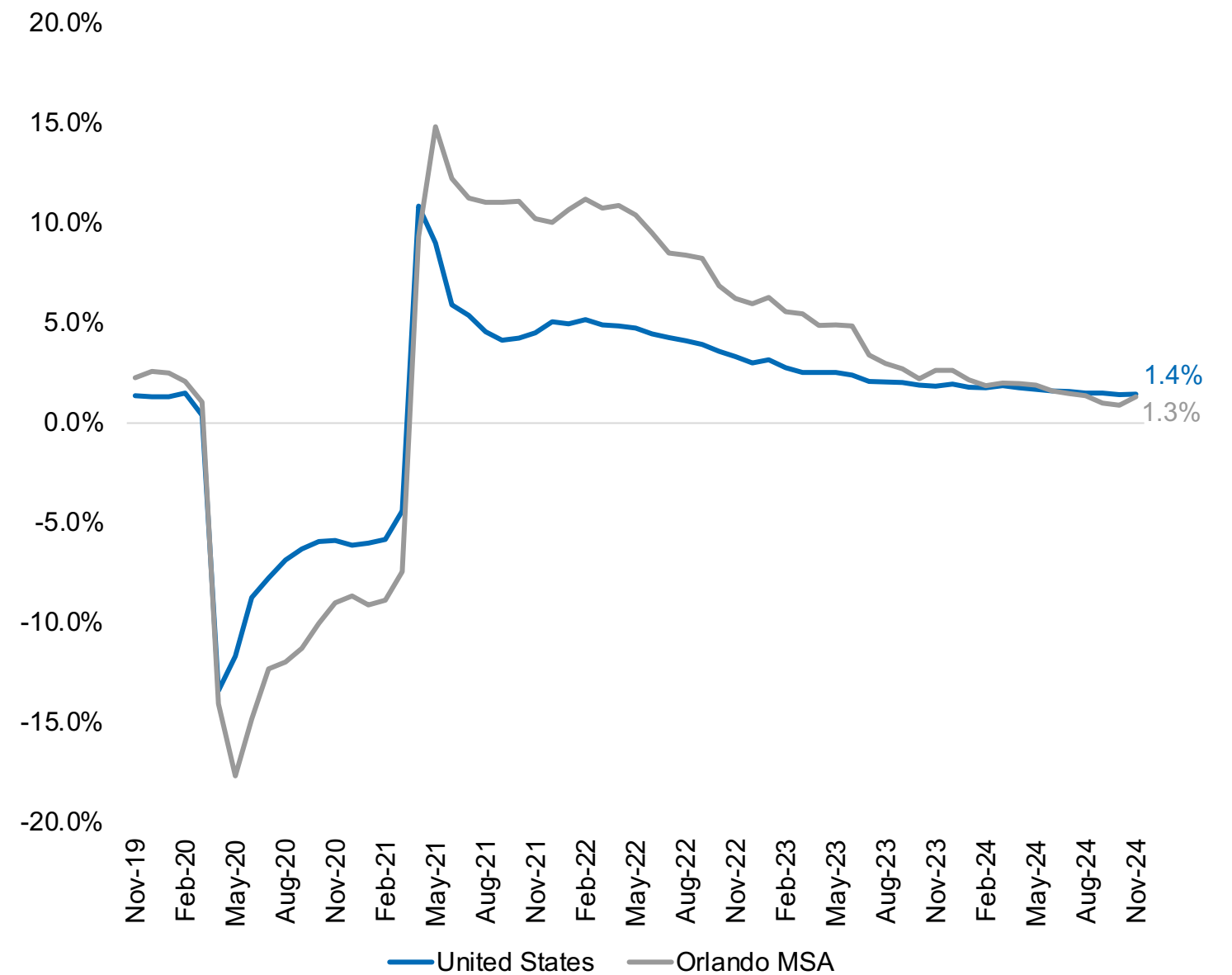
# Metro Employment Trends Continue Slow Growth

The Orlando market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. However, in the fourth quarter of 2024, annual employment growth was 1.3%, falling 133 basis points year over year and converging with the national average at 1.4%. National headwinds have pushed the region's unemployment rate to increase by 21 basis points year over year to 3.4% but remains below the national average of 4.2%.

Unemployment Rate, Seasonally Adjusted



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



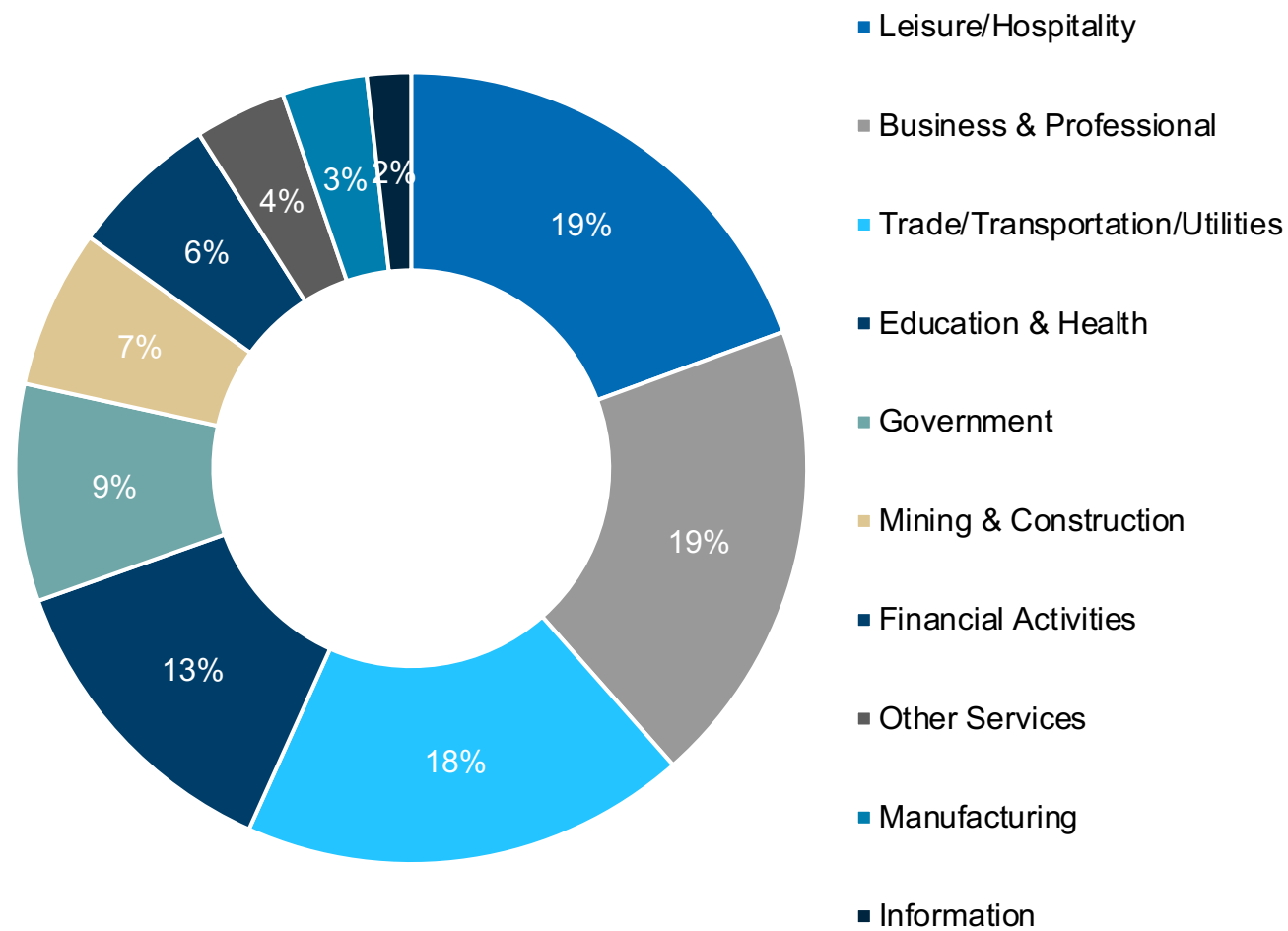
Source: U.S. Bureau of Labor Statistics, Orlando MSA



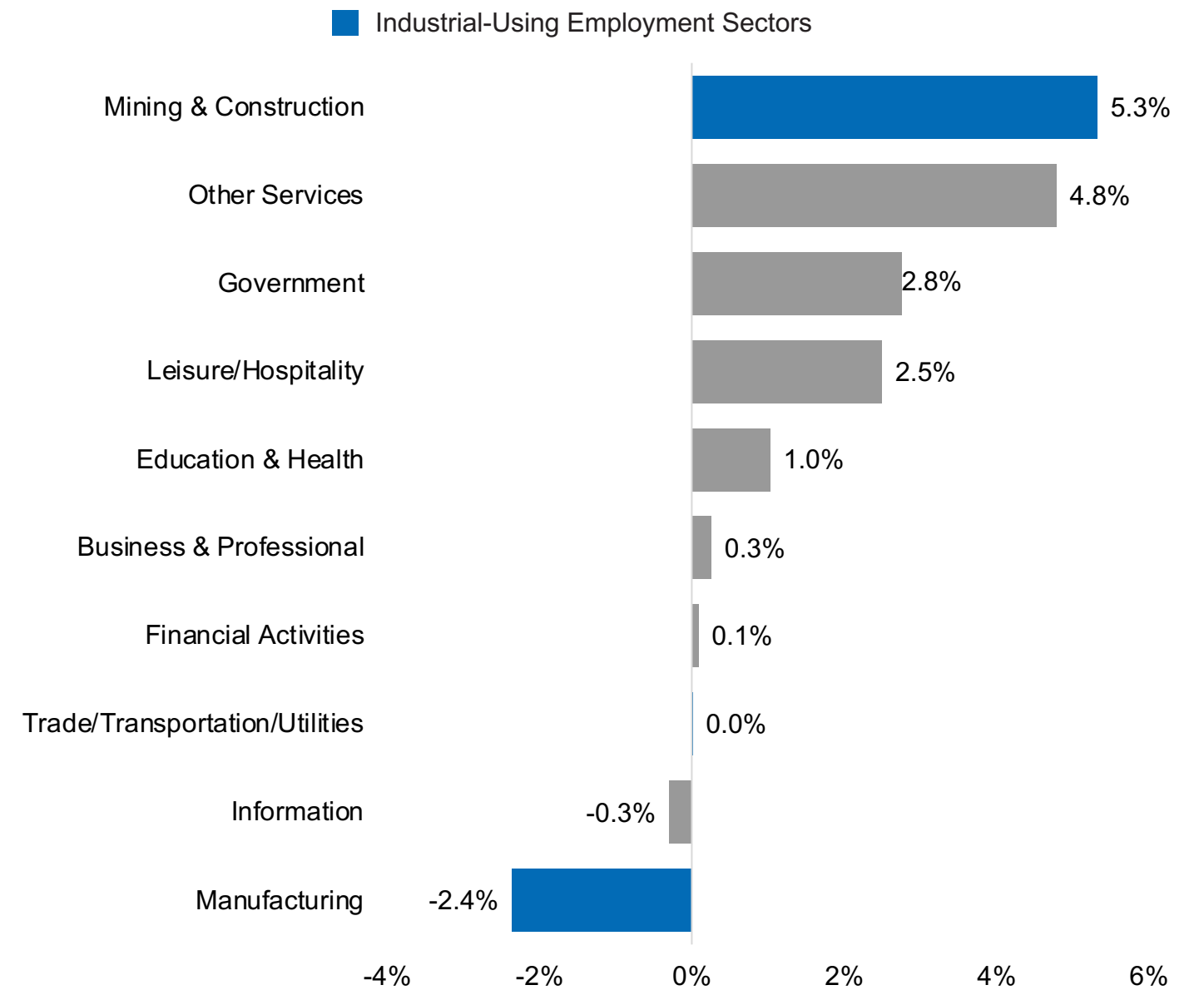
# Subtle Employment Growth for Two Office Sectors

Known for its tourism sector, the Orlando market's top two employment industries account for 38.5% of the market share. The industrial-using employment's trade/transportation/utilities sector accounts for 18.2% of the metro's employment industries, the third largest industry in the market. Most industries in the metroplex reported year over year growth, while the industrial-using manufacturing sector reported contraction of 2.4%. Trade/transportation/utilities and mining and construction reported growth of 0.0% and 5.3%, respectively.

Employment by Industry, November 2024



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

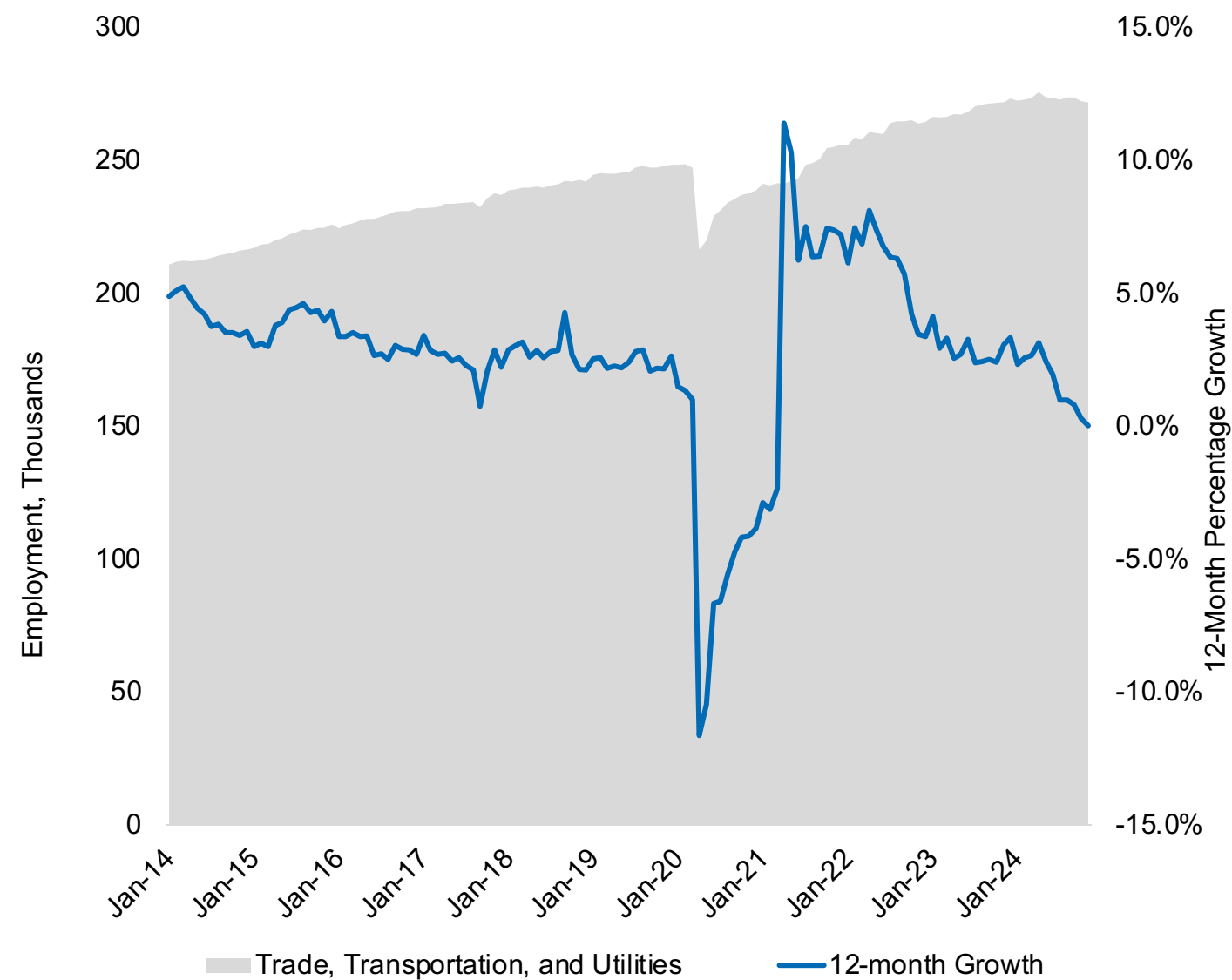


Source: U.S. Bureau of Labor Statistics, Tampa MSA

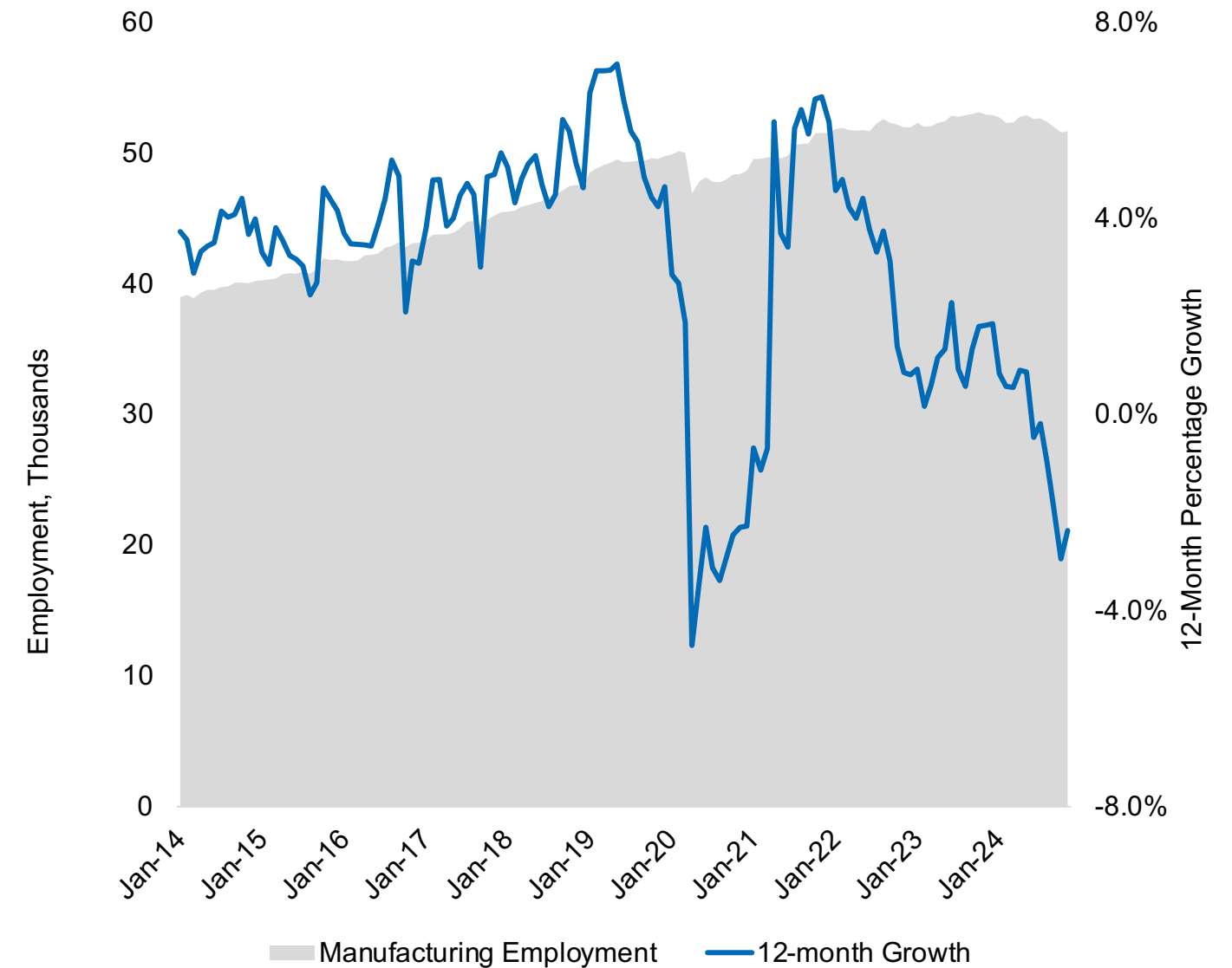
# Industrial Employment Growth Continues at Slower Pace

As of the end of November 2024, trade/transportation/utilities employment was at 271,672 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 2.4% 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

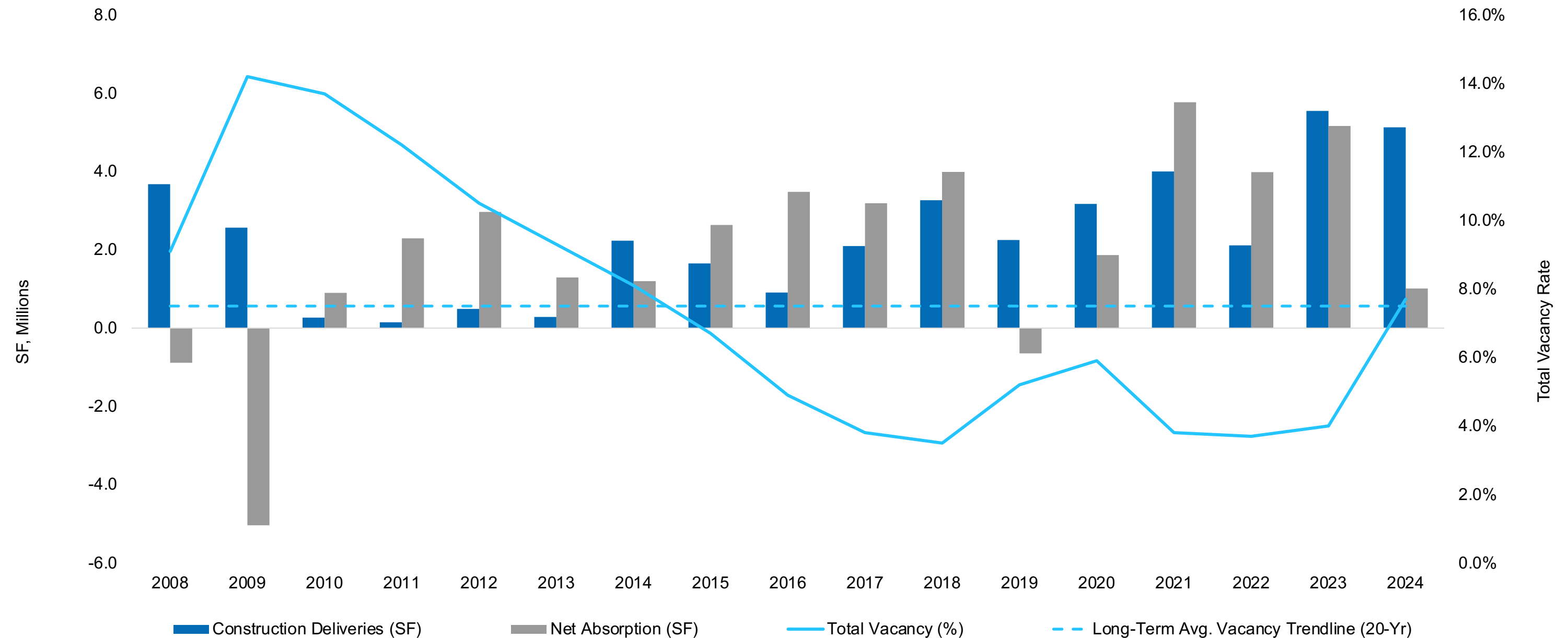




# Demand Weakens Further, Deliveries Drive Vacancy Upward

The Orlando industrial vacancy rate increased by 370 basis points year over year to 7.7% in the fourth quarter of 2024, as a large amount of new supply came online, and diminished demand continued. Deliveries continue to remain strong in the market, with 1.0 MSF of new supply in the fourth quarter of 2024. Demand fell in the fourth quarter, to 117,851 SF, a decrease of 22.8% quarter over quarter. At just over 1.0 MSF, annual absorption in 2024 dropped by 80.5% from 2023 year-end totals.

## Historical Construction Deliveries, Net Absorption, and Vacancy

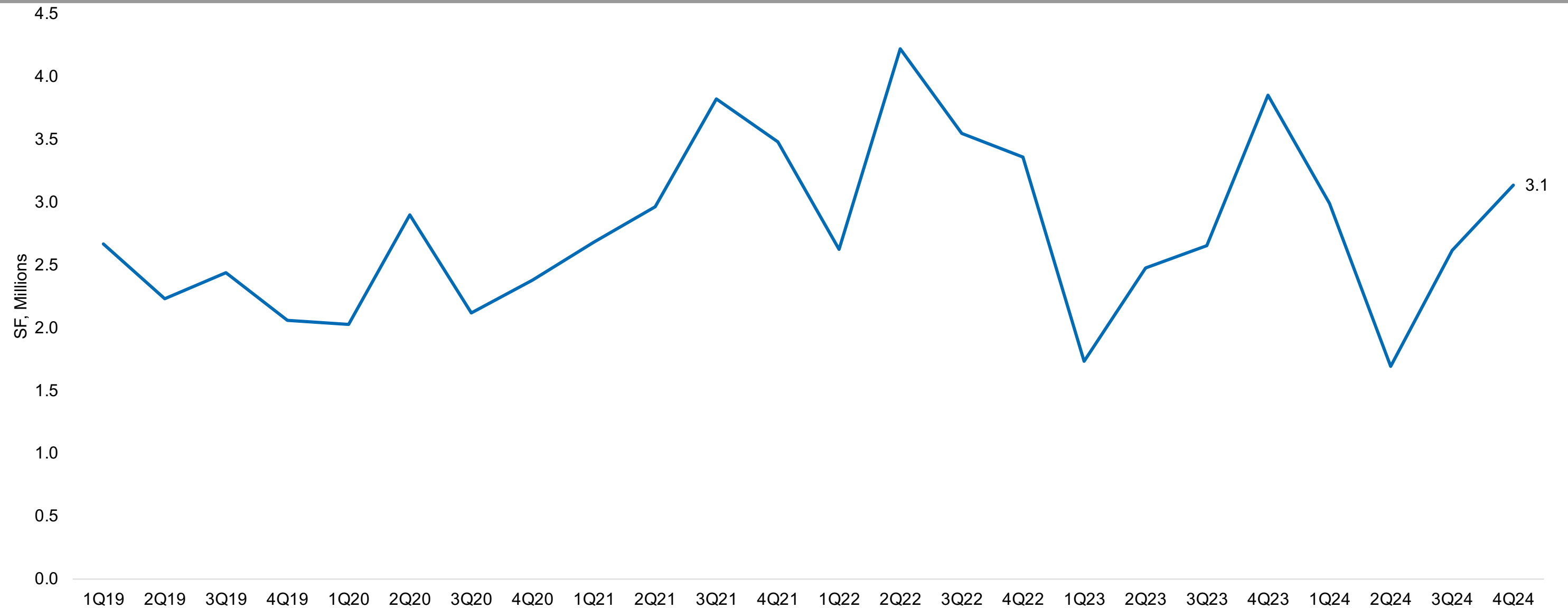


Source: Newmark Research, CoStar

# Industrial Leasing Activity Maintains Momentum

In the fourth quarter of 2024, leasing activity picked up, rising 19.8% quarter over quarter to 3.1 MSF. Leasing activity is down roughly 18.6% from a year ago, while 2024 leasing activity totaled 10.4 MSF, roughly 2.6% lower than leasing totals in 2023. The uptick in activity in the second half of 2024 will likely be beneficial to absorption in the coming quarters, as tenants begin to occupy their newly leased space.

Total Leasing Activity (SF)



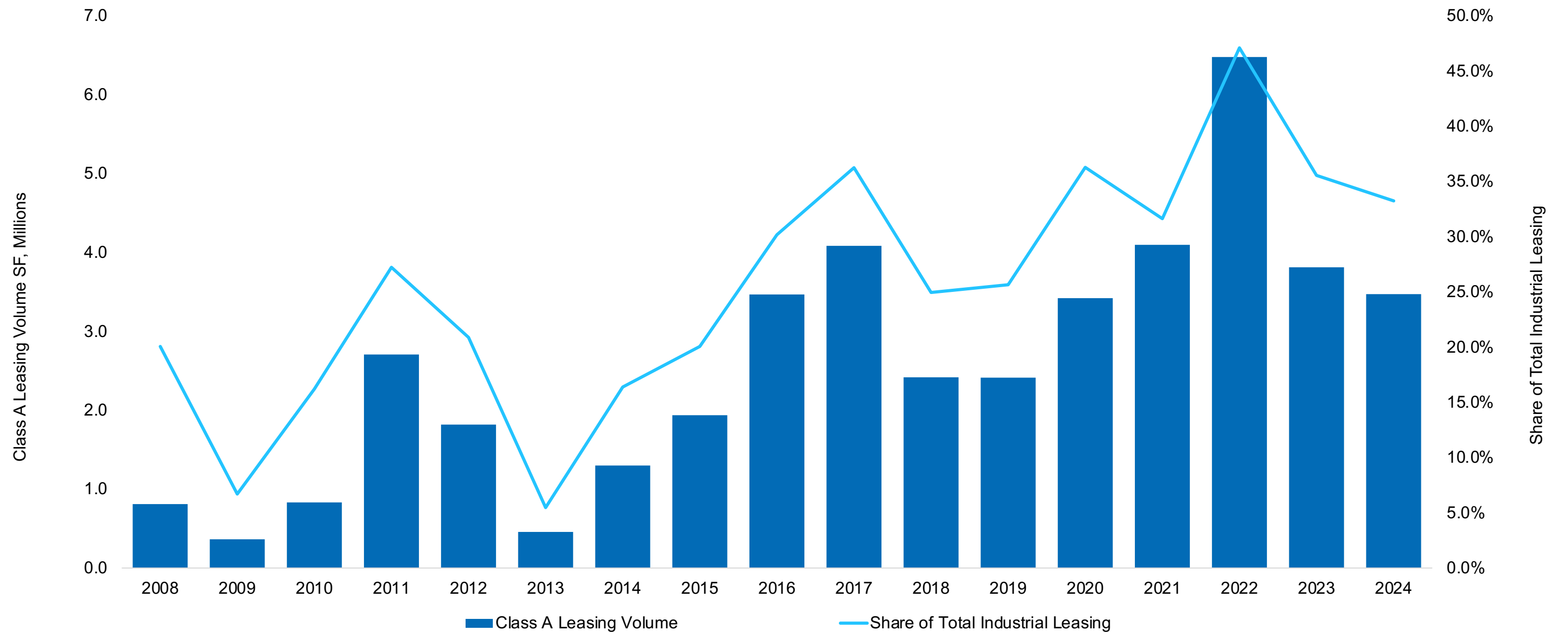
Source: Newmark Research, CoStar



# Class A Warehouse Leasing Remains Above Long-Term Average

Leasing activity for Class A warehouse rose in the fourth quarter of 2024 to 1.2 MSF, reflecting a 54.4% increase over the previous quarter. Class A warehouse leasing represented 39.5% of overall activity in the fourth quarter of 2024, a decrease from the fourth quarter of 2023 at 45.6% and moderately higher than the quarterly pre-pandemic average of 22.4% from 2008 to 2019.

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

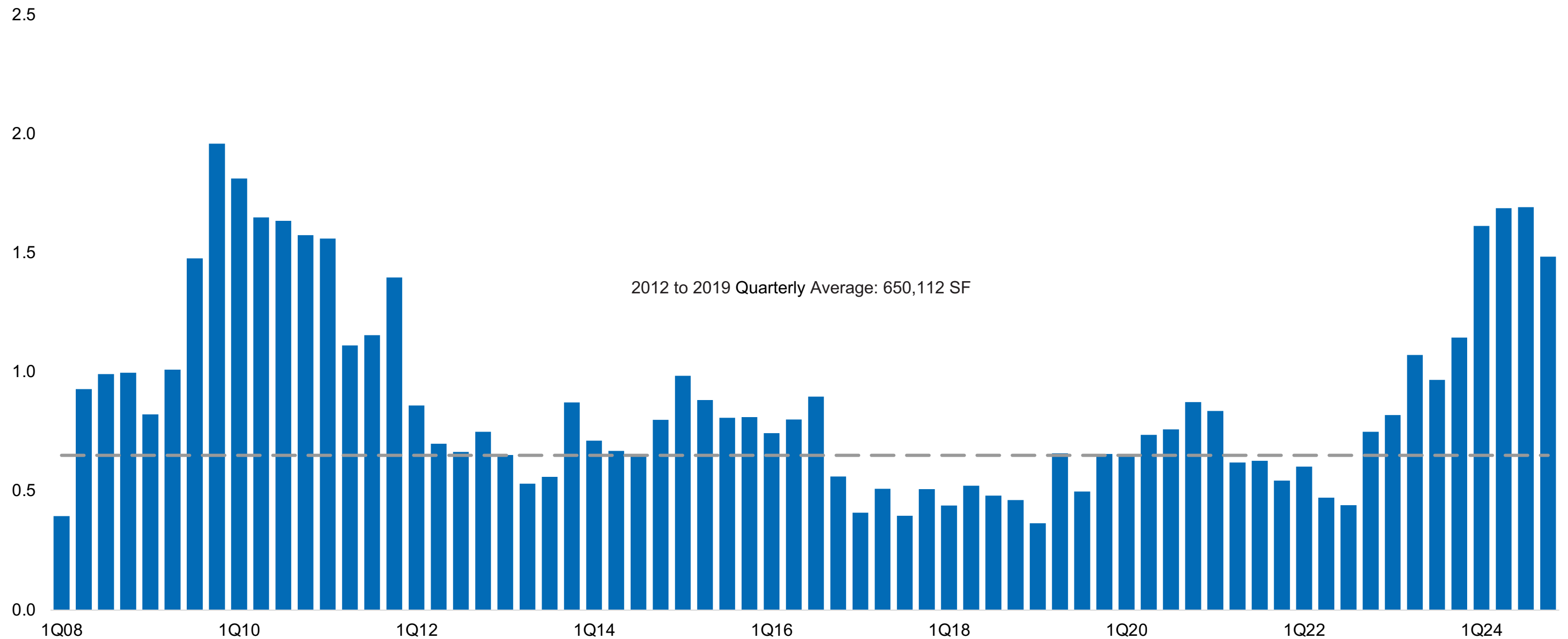


Source: Newmark Research, CoStar

# Industrial Sublease Availability Remains Elevated

In the fourth quarter of 2024, sublease volume decreased to 1.5 MSF, falling 12.2% 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 fourth quarter of 2024 increasing by 29.7% year over year. While some occupiers are still concerned with offloading underutilized space to cut costs, others have withdrawn space from the sublease market to front load inventory in preparation for trade policy changes and potential tariffs.

Available Industrial Sublease Volume (msf)



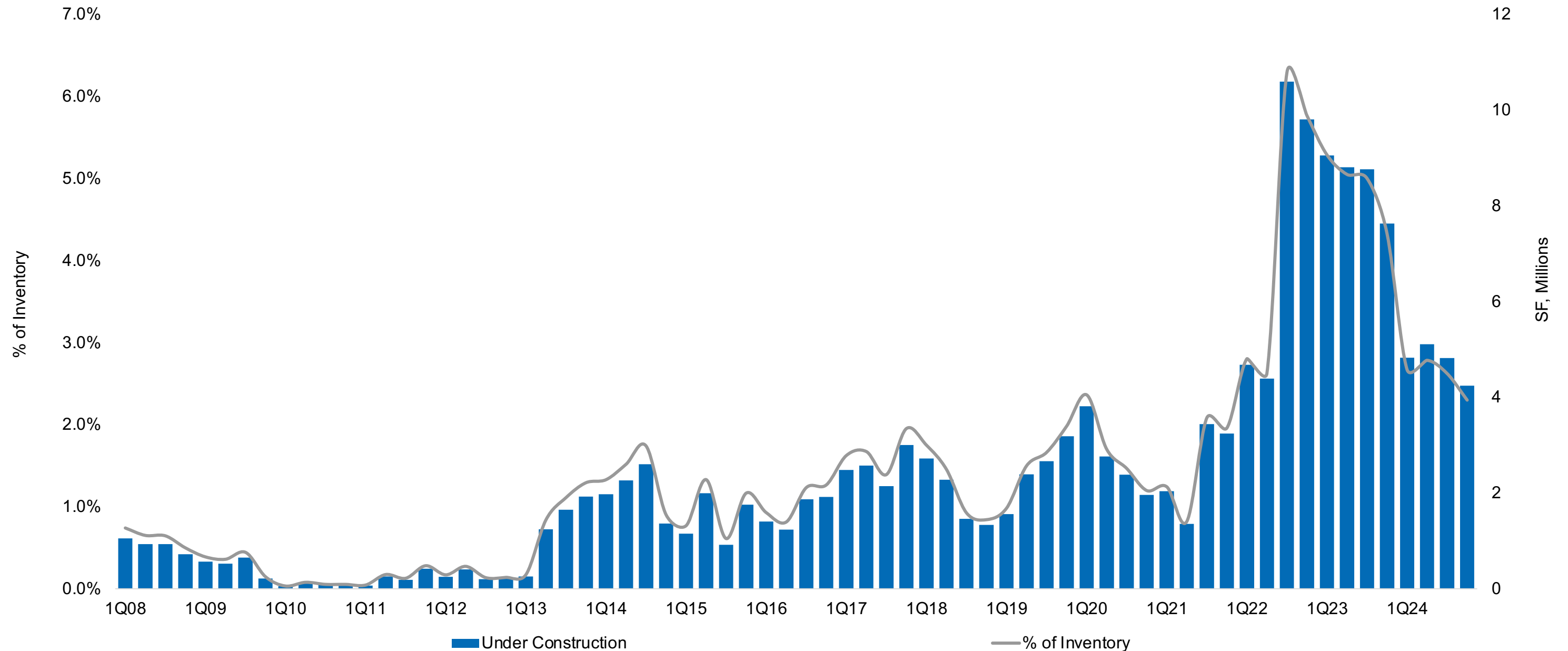
Source: Newmark Research, CoStar



# Slowing Construction Starts for Industrial Supply Pipeline

The construction pipeline declined slightly in the fourth quarter of 2024 to 4.2 MSF, the lowest it has been since the fourth quarter of 2021 when 3.2 MSF was underway. In the fourth quarter of 2024, deliveries totaled 1.0 MSF while the construction pipeline accounted for 2.3% of the market's inventory. Despite 11.5 MSF of new supply since the third quarter of 2022, when the construction pipeline reached a historical high of 10.6 MSF underway, the market could still see potential supply constraints as conditions continue to improve in 2025.

Industrial Under Construction and % of Inventory

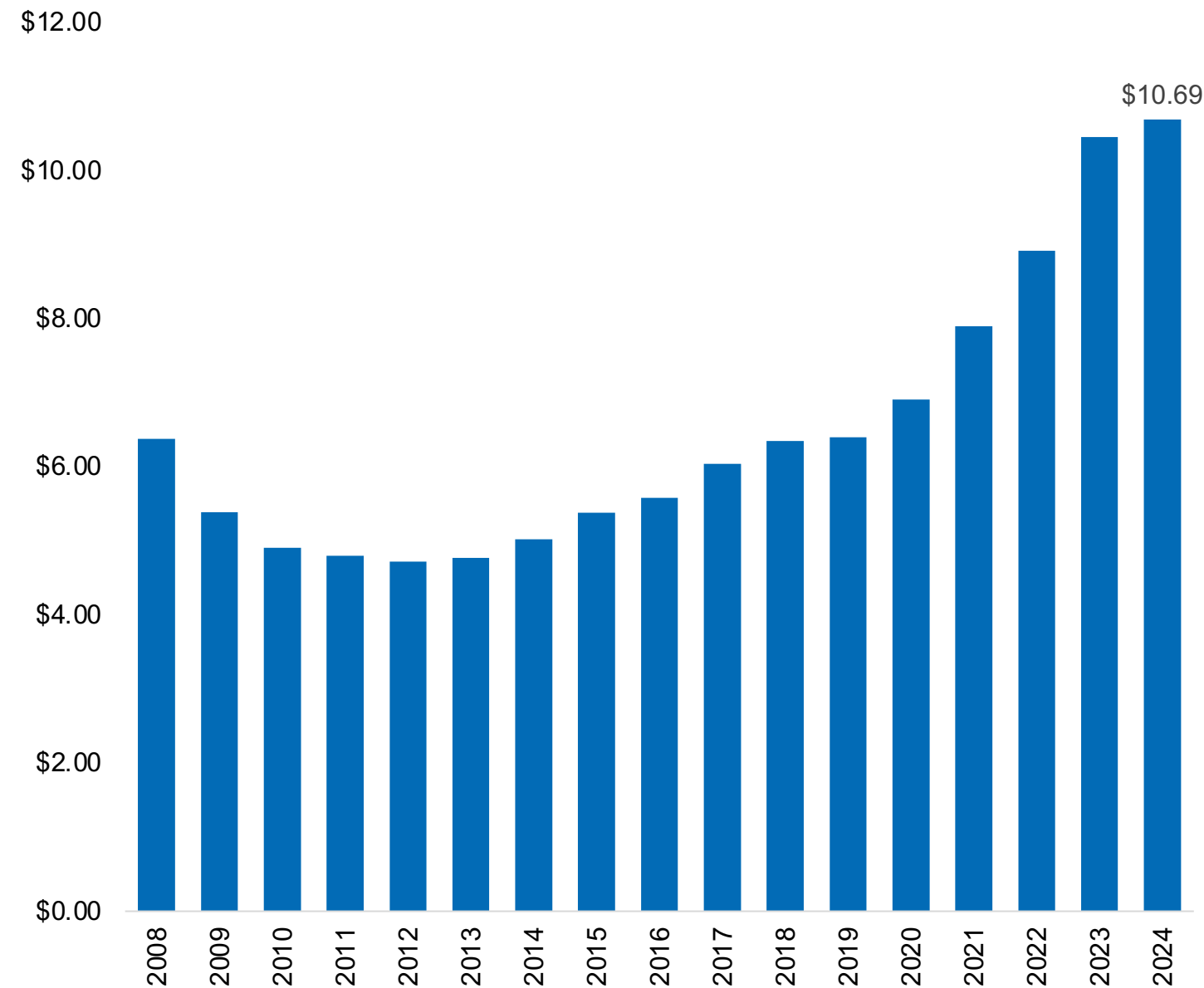


Source: Newmark Research, CoStar

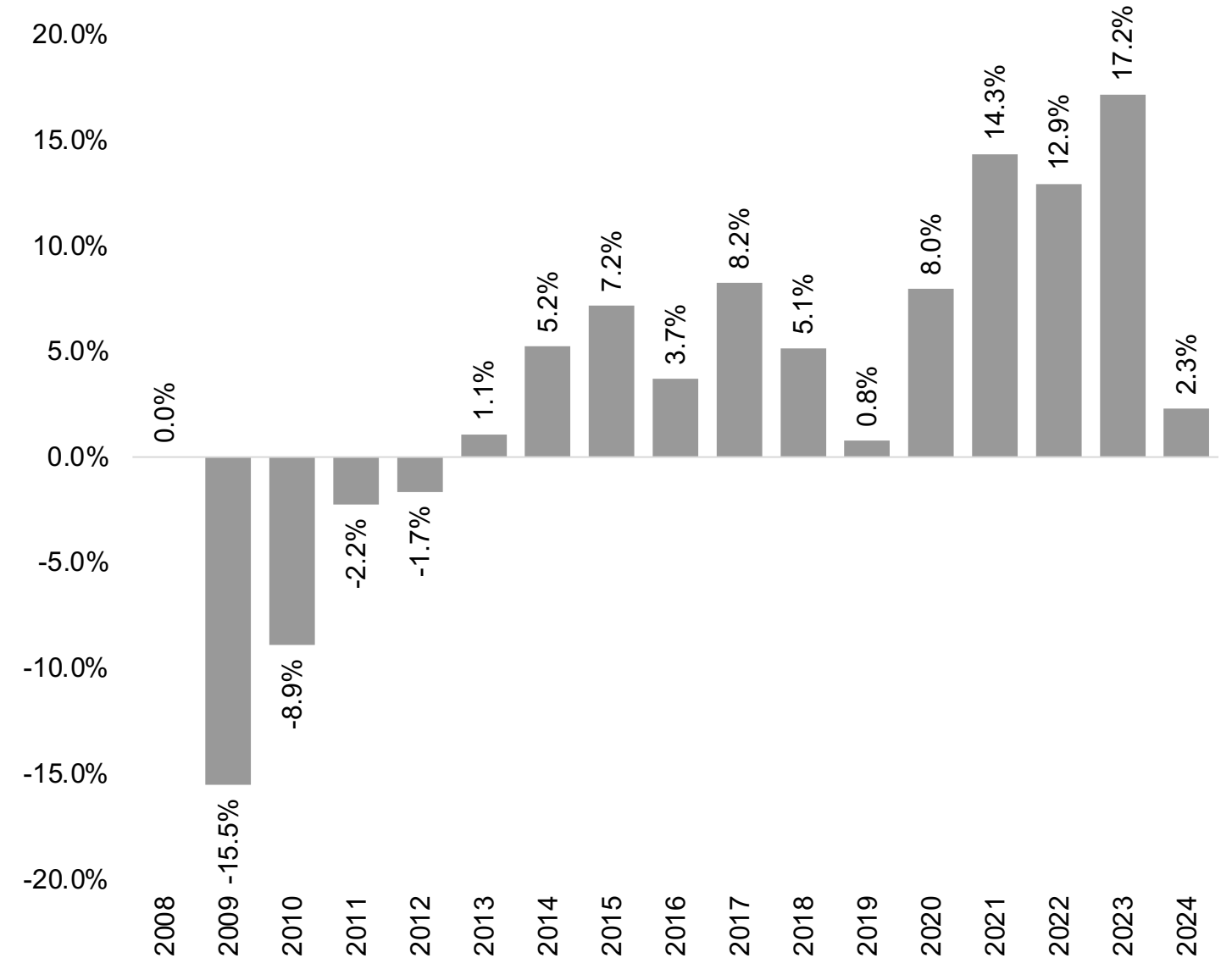
# Asking Rents Increase to New Historical High

Industrial average asking rents increased to \$10.69/SF in the fourth quarter of 2024, reaching a new historical high. This marks a 3.3% quarterly increase and a 2.3% yearly gain. The influx of new, higher quality supply in 2022 and 2023 led to an accelerated rate of rent growth, but as construction starts slow, the pace of rent growth is expected to moderate in the near term.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



# Notable 4Q24 Lease Transactions

Leasing activity increased in the fourth quarter of 2024, with quarterly leasing activity at 3.1 MSF. Direct leases accounted for 93.6% of the quarter's total leasing activity, while sublease activity ended the quarter accounting for only 201,544 SF. Under-construction projects in the market are 16.3% pre-leased.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Essendent	Southridge Commerce Park- Bldg XII	SW Orange County	Renewal	404,286
<i>Wholesale distributor Essendent renewed its lease for 404,286 SF in Building XII at Southridge Commerce Park in the SW Orange County submarket.</i>				
ECC International Corp.	OCP Logistics Center- Bldg 100	SW Orange County	Direct New	294,787
<i>ECC International Corp., which specializes in defense training and simulations, signed a new lease for 294,787 SF in Building 100 at 2001 W Oak Ridge Rd. in the SW Orange County submarket.</i>				
Bloem	3000 Orange Ave	NW Orange County	Renewal	260,160
<i>Gardening supply wholesaler Bloem renewed its lease for 260,160 SF at 3000 Orange Ave in the NW Orange County submarket.</i>				
Undisclosed	3409 Wd Judge Dr- Bldg 100	NW Orange County	Direct New	105,884
<i>An undisclosed tenant pre-leased 105,884 SF in Building 100 at 3409 Wd Judge Dr in the NW Orange County submarket. The property is slated to deliver early in Q2 2025.</i>				
Naldy Lasanta Warehouse	3019 Mercy Dr- Bldg 908	NW Orange County	Direct New	101,200
<i>Industrial warehousing company, Naldy Lasanta Warehouse, signed a new lease for 101,200 SF in Building 908 at 3019 Mercy Dr in the NW Orange County submarket.</i>				

Source: Newmark Research





Please reach out to your  
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