

Q3 2017

Industrial Insight

Construction spreads to smaller submarkets, while leasing slows.

- Developers aggressively pursuing new development sites in Orlando.
- Construction boom continues into NW Orange submarket, as one building delivers and two new projects break ground.
- Leasing slows down in the middle market, with several large deals wrapping up.

Orlando is slightly past the peak of the market, as several larger transactions in the market are finally signed. The market has several availabilities that are expected to come to the market in the next year, and so tenants in the 100,000-square-foot range will have numerous options for leasing at that time.

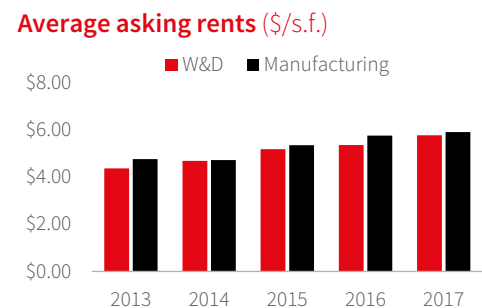
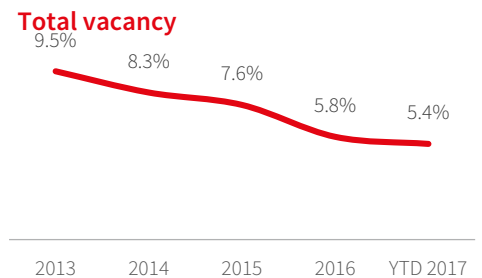
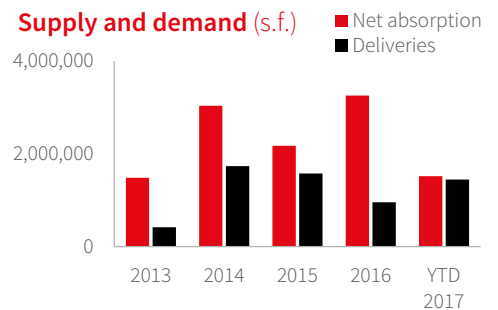
After the large developments delivered to market in the heart of Orlando's during 2016-early 2017, new developments have broken ground in the North Orange submarket, but the developments are much smaller in size, as little as 20,000-square-foot buildings. These developments are located along the populous Toll-429 corridor, and should appeal to tenants that operate and live on the west side of the city.

Outlook

The development cycle is past peak and next year will not likely match the 1.9 percent inventory growth expected by year end 2017. Fortunately, numerous tenants are delaying real estate decisions to either the end of the year or early 2018. Given tenants' decisions to wait, leasing is expected to increase in the fourth quarter of 2017 and into 2018. This will likely fill in current developments, along with national tenants conducting multi-market surveys.

With the market at a peak and buildings leasing up, the market will soon become prime for investment. Developers and owners involved with adding value to a property may sell to investors more interested in holding property long term. The current development cycle has numerous build-to-suit deals that have been completed and sold, and some speculative development business parks that have reached substantial occupancy.

Fundamentals	Forecast
YTD net absorption	1,516,772 s.f. ▲
QTD net absorption	865,837 s.f. ▲
Under construction	632,325 s.f. ▼
Total vacancy	5.4% ▼
Average asking rent (NNN)	\$5.79 p.s.f. ▲
Tenant improvements	Falling ▼



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Orlando

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Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly completions (s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Orlando Totals										
Warehouse & Distribution	84,233,527	540,043	1,327,935	1.6%	5.1%	8.6%	\$5.76	180,441	1,345,254	632,325
Manufacturing	24,782,702	325,794	188,837	0.8%	6.6%	9.8%	\$5.90	100,000	100,000	0
Totals	109,016,229	865,837	1,516,772	1.4%	5.4%	8.9%	\$5.79	280,441	1,445,254	632,325
Submarkets										
Brevard County										
Warehouse & Distribution	5,470,844	38,360	58,651	1.1%	5.9%	16.5%	\$6.96	0	0	0
Manufacturing	6,309,716	115,325	-80,050	-1.3%	4.4%	9.9%	\$7.50	0	0	0
Totals	11,780,560	153,685	-21,399	-0.2%	5.1%	13.0%	\$7.18	0	0	0
Lake County										
Warehouse & Distribution	3,917,760	-4,500	445,047	11.4%	7.1%	7.1%	\$3.56	0	0	0
Manufacturing	1,472,215	58,000	58,000	3.9%	3.0%	4.0%	\$3.00	0	0	0
Totals	5,389,975	53,500	503,047	9.3%	6.0%	6.3%	\$3.48	0	0	0
North Orange										
Warehouse & Distribution	16,806,477	-845	-205,147	-1.2%	5.1%	7.4%	\$6.07	180,441	180,441	322,808
Manufacturing	3,639,398	0	-973	0.0%	9.0%	9.0%	\$5.58	0	0	0
Totals	20,445,875	-845	-206,120	-1.0%	5.8%	7.7%	\$5.96	180,441	180,441	322,808
Osceola										
Warehouse & Distribution	2,981,362	24	1,174	0.0%	2.5%	2.6%	\$4.60	0	0	0
Manufacturing	1,143,341	100,000	106,719	9.3%	3.8%	3.8%	\$4.44	100,000	100,000	0
Totals	4,124,703	100,024	107,893	2.6%	2.9%	3.0%	\$4.54	100,000	100,000	0
SE Orange										
Warehouse & Distribution	29,028,449	479,784	1,111,334	3.8%	5.6%	8.9%	\$5.51	0	1,164,813	139,089
Manufacturing	5,107,065	18,469	89,116	1.7%	0.6%	2.6%	\$8.49	0	0	0
Totals	34,135,514	498,253	1,200,450	3.5%	4.9%	7.9%	\$5.66	0	1,164,813	139,089
Seminole										
Warehouse & Distribution	6,702,981	28,852	94,875	1.4%	3.4%	5.0%	\$6.74	0	0	0
Manufacturing	4,729,175	34,000	-1,751	0.0%	19.1%	24.1%	\$5.03	0	0	0
Totals	11,432,156	62,852	93,124	0.8%	9.9%	12.9%	\$5.42	0	0	0
SW Orange										
Warehouse & Distribution	19,325,654	-1,632	-177,999	-0.9%	4.7%	9.5%	\$5.49	0	0	170,428
Manufacturing	2,381,792	0	17,776	0.7%	0.7%	4.5%	\$5.33	0	0	0
Totals	21,707,446	-1,632	-160,223	-0.7%	4.3%	9.0%	\$5.48	0	0	170,428