

Orlando Industrial Market Leads National Growth Despite Headwinds



Orlando's Industrial Surge

Orlando's industrial market has outpaced expectations, with total sales volume rising nearly 40% year over year as of the first quarter of 2025. The city's \$1.4 billion in trailing 12-month transaction volume now exceeds the 10-year annual average by over 15%, signaling continued investor confidence. Despite headwinds such as elevated interest rates and price discovery challenges, Orlando's industrial sector remains one of the strongest in the nation.

A surge in transaction activity during the third quarter of 2024 added more than \$400 million in deal volume, with four separate deals exceeding \$40 million each. Notable transactions include:

- Principal's acquisition of Osceola Logistics Center for \$54.6 million (\$194/SF) in September 2024.
- IP Capital Partners' purchase of a 149,570 SF cold storage facility in Orlando Central Park for \$40.8 million (\$273/SF).

Investor Sentiment & Market Fundamentals

Investors remain drawn to Orlando due to its second-fastest annual rent growth in Florida, trailing only Jacksonville. Population growth and planned hotel developments are expected to sustain strong demand for industrial space.

However, cap rates have continued to rise, impacting property values. Logistics cap rates have climbed to a 5.25% - 6.00% range, up from 3.75% - 4.50% in early 2022. Warehouse cap rates have also risen by over 50 basis points in the same period, reaching 6.5% - 7.0%. Despite this, Orlando's cap rates remain more attractive than national averages due to a strong local economy and resilient rent growth.

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National Industrial Market Trends

On a broader scale, industrial property sales topped \$65 billion in 2024, reflecting a 10% year-over-year increase. Transaction volume also improved, with 11,766 deals, up 6% from 2023. Private capital remains the dominant force in the market, with institutional investors increasing activity in deals above \$50 million.

However, annualized rent growth has slowed to 2%, the lowest since 2012, due to oversupply and sluggish absorption. Investors are now more selective, particularly regarding large distribution leases with near-term expirations.

Orlando's Competitive Edge

Unlike many national markets grappling with oversupply, Orlando is benefiting from:

- A robust buyer pool, despite rising cap rates.
- Sustained demand, supported by economic expansion and logistical needs.
- Interest rate cuts, which have set the stage for further deal-making in 2025.

Looking ahead, \$340 million in CMBS industrial loans are set to mature in the first quarter of 2025, likely fueling additional investment activity. While construction is slowing after two record-breaking years, rent growth - expected to bottom out in the low-4% range in 2025 - will still outperform the national average by approximately 200 basis points.

2025 Outlook

While national industrial markets face pricing risk and rising vacancies, Orlando's fundamentals remain strong. With a deep investor pool, resilient rent growth, and strategic economic positioning, the city continues to be one of the most compelling industrial markets in the country.

Data Source: CoStar Property

