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Orlando Industrial Market Blooms

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By Gail Kalinoski, Contributing Editor

Orlando's industrial sales market is stronger than ever and commercial real estate experts in the central Florida city expect it to break the sales volume record set last year, according to a third-quarter market report from GVA Advantis.

"The central Florida market is just cranking on the industrial side. There are a lot of building sales and they are trading at historically big prices," William "Bo" Bradford, a GVA Advantis senior director specializing in industrial sales and leasing, told *CPN* today.



The Orlando industrial market recorded \$314.5 million in sales volume with 4.2 million square feet being sold in the third quarter, according to the GVA Advantis report. Three of the year's biggest deals closed in the third quarter: the 324,000 square-foot Lee Vista Distribution Center portfolio sold to Liberty Property Trust for \$32.8 million; the 176,000 square-foot Airport Business Center Portfolio sold to Leaseco for \$22.7 million; and the 176,000 square-foot Crownpointe III sold to Capri Capital Advisors for \$20.2 million. The average price per square foot paid for industrial buildings is also rising, the report noted, particularly for flex buildings. The average price paid per square foot for Orlando flex buildings in the third quarter was \$86 and \$69 per square foot for other industrial types.

Although it closed this week, the \$20 million sale of a 25.5-acre parcel in south Orlando, where a 225,000 square-foot warehouse will be built is one example of this red-hot industrial sales market, he said. Bradford and senior director Tom McFadden arranged the deal between the owner, Pizzuti Land/Cornerstone L.L.C., of Columbus, Ohio, and the buyer, Lone Oak of Orlando L.L.C., part of the Reyes Holding Company.

"What's significant about this deal is it's the last parcel of land over 18 acres in Orange and Seminole counties that is rail served," Bradford said.

Bradford said the deal has been in the works since February 2002, when he started looking for a new warehouse site for Martin-Brower, a Reyes company that provides food and other supplies to the McDonalds Corp. The new warehouse should be built by late next year. "This facility will replace the current (warehouse) they have and virtually double the size," Bradford said.

Bradford said the Martin-Brower warehouse would be located adjacent to the new Whirlpool 500,000-square-foot facility that is being built. It's also just south of another build-to-suit industrial project, a 225,000 square-foot warehouse being built for Sealy, the mattress company.

"Things are looking up on the build-to-suit side," Bradford said. "Prices are significantly up. Cap rates are still holding steady. We are seeing industrial deals still trading below an 8 cap."

The tight Orlando industrial leasing market saw overall vacancy at 6.6 percent with demand pushing up the leasing rates to an average of \$5.46 per square foot, up about \$1.50 from the beginning of 2004, the report showed. The average flex lease rate increased to \$8.74 per square foot, up 25 cents from the second quarter. The submarket that saw the best improvement in flex lease rates was Orlando Central Park, which rose 79 cents per square foot in the third quarter.

On the office market side, limited supply has pushed the average leasing rate above the \$20 per square foot mark, up 4 percent over the third quarter of 2005, noted GVA Advantis executive director Greg Morrison.

"I've been in the office market in Orlando for 20 years and this is as tight and as strong a market as I've seen since I've been in the business," Morrison told *CPN* today.

Overall vacancy is at 8 percent, the lowest Orlando has seen in recent history, with the Class A vacancy rates cut nearly in half to 5.9 percent, the third-quarter report noted. Vacancy in the Class B and Class C has improved by 2 percent during the third quarter.

Morrison said a slowdown in the housing sector may lead to some related businesses like homebuilders, mortgage and title companies downsizing office space. So far, though, he said, there has not been a lot of subleasing back on the market.

He said there has been a "reasonable amount of new construction" in the office sector in Orlando. The Lake Mary submarket has seen the most office construction in the city, including the 83,712 square-foot Commons at Primera that was completed in the third quarter. In the Southwest market, Duke Realty Corp. delivered the 107,000 square-foot Millenia Lakes III project, which opened with 65 percent occupancy, according to the GVA Advantis report.