LEE & ASSOCIATES®
COMMERCIAL REAL ESTATE SERVICES

WE TRACK THE STUFF THAT MATTERS!

Q1 2016

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As we complete the first quarter of 2016, the statistics on paper show that the industrial market has paused slightly coming off of a record year in 2015. Activity in the leasing arena has slowed while development has accelerated. While the general consensus among brokers is that activity is good although a bit slower than last quarter, optimism still remains the standard, and that is holding true across virtually all product types. However, being an election year and given the stark political differences in the direction that both parties would take the country if elected, this could have a cooling effect on investors and businesses alike, as it did in the 2nd and 3rd quarters of 2012. We remain upbeat about the prospects for a solid 2016.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER

ASKING RENTAL RATES	TOTAL MARKET VACANCY	TOTAL NET ABSORPTION	NEW CONSTRUCTION
$5.14 PSF	9.5%	366,644 SF	1,675,179 SF

MARKET OVERVIEW

After ending 2015 with the highest absorption in ten years, the first quarter of 2016 started off very slowly despite a few large new leases, expansions, and new construction moving steadily along. The first quarter posted 366,644 square feet of positive absorption with the Airport/Southeast submarket leading all submarkets in absorption. The addition of 688,135 square feet to the inventory we track, and the low absorption this quarter, resulted in a total market vacancy increase of a mere .1 percent, but it still remains under 10 percent, a trend we haven't seen in over 9 years. Asking market rental rates remain unchanged.

One building was added to the construction pipeline, Airport Commerce Park on Tradeport Drive with 309,400 square feet of the total 478,400 square feet already leased. Sales this quarter totaled nearly $64 million, with 30 sales in Orange and Seminole counties. The average price per square foot came in at $65.29, which is higher than the overall annual average we have seen since 2006.

UNDERSTANDING THE REPORT

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We do not track ancillary smaller buildings. Lee & Associates **tracks all industrial buildings 20,000 square feet and greater within Orange and Seminole counties**. Condominium and self-storage properties are not included in this report. Among the buildings tracked, there are four categories: flex, bulk/distribution, manufacturing and office/warehouse. Flex space is defined as a building that provides a configuration allowing tenants a flexible amount of office/showroom area in combination with manufacturing, warehouse and distribution space. Flex buildings will have a higher parking ratio than office/warehouse or bulk buildings, are typically grade level and have an office finish greater than 30 percent. Bulk/distribution is defined as a building which has a clear height of 22' or greater, has a minimum depth of 160' and typically has less than 10 percent office finish. Manufacturing denotes a property used for conversion or assembly of raw or partially raw materials into goods/products. Office/warehouse is defined as buildings that have a clear height of up to 21', have a maximum depth of up to 160' and typically have a higher office finish of 10-25 percent more than bulk buildings. The term "industrial" combines all categories with the exception of flex space, which is tracked and reported separately.

All rental rates reported do not include operating expenses or CAM charges and are reported on a triple net basis. **In addition, sublet space is not included in the overall absorption or weighted average rental rates.** Lee & Associates tracks over 1,650 buildings in Orange and Seminole County which total approximately 107.5 million square feet. The flex inventory makes up 20 percent of the total space within the market, while the industrial product makes up 80 percent. We end our statistical gathering of data approximately one week prior to the end of each quarter.

MARKET SNAPSHOT

Comparison Rental Rates PSF:

	4Q-15	1Q-16
Flex	$7.89	$7.89
Bulk/Distribution	$3.67	$3.77
Manufacturing	$4.88	$4.90
Office/Warehouse	$4.33	$4.33
Total Market	$5.14	$5.14

Comparison of Market Vacancy:

	4Q-15	1Q-16
Direct	8.7%	8.8%
Sublet	0.7%	0.7%
Total Market	9.4%	9.5%

Comparison of Absorption in SF:

	4Q-15	1Q-16
Quarterly Amount	1,405,980	366,644
Year-to-date	3,413,771	366,644

Construction Pipeline: 20,000SF+

	4Q-15	1Q-16
U/C	1,500,878	1,675,179

Building Sales:

	4Q-15	1Q-16
For the quarter	$124M	$63.6M
Avg Price PSF	$49.89	$65.29

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QUARTER IN REVIEW

The direct market vacancy in the first quarter of 2016 posted a small increase of only .1 percent. This increase is rather insignificant as the absorption was low and the market's leasing activity this quarter was rather quiet. It is important to note that this is the third quarter in a row where the direct market vacancy has been under ten percent, a trend the Central Florida market has not seen since the early to mid 2000's.

The two submarkets with the lowest total vacancy rates are Northwest at 6.6 percent and Central Orlando with 5.6 percent. Although the Longwood/Lake Mary/Sanford submarket's total vacancy rate did improve by .5 percent, it still had the highest total vacancy of all the submarkets at 14.9 percent. Flex and bulk/distribution space hold the highest vacancy rates, while office/warehouse came in at a low 7 percent.

Asking market rental rates again remain unchanged from the previous quarter and are consistent with what we saw in 2015. The highest rates were seen in the Eastside/University submarket with an asking rate of $7.48 per square foot, and the 33rd Street submarket with an asking rate of $7.49 per square foot.

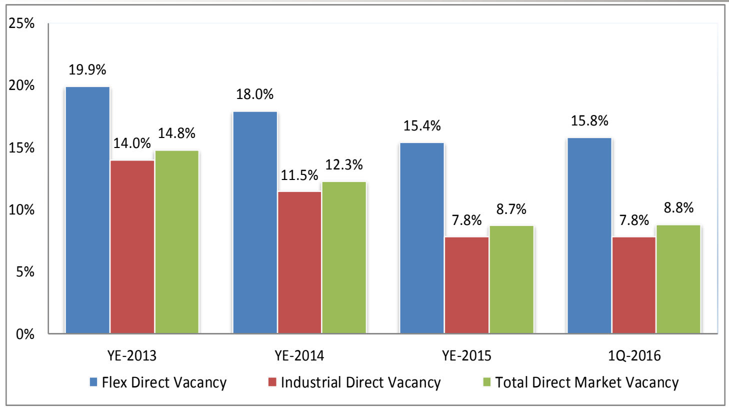
The first quarter absorption of 366,644 square feet is the lowest first quarter absorption the market has seen in two years. Of the six leases over 50,000 square feet this quarter, only three were new leases. The Airport/Southeast submarket posted the highest positive absorption of 392,385 square feet, while the Silver Star submarket had the highest negative absorption with (92,657) square feet.

Bulk/distribution and office/warehouse space made up all of the positive absorption with a total of 416,742 square feet. There was no absorption in manufacturing space, and flex space posted negative absorption of (50,095) square feet.

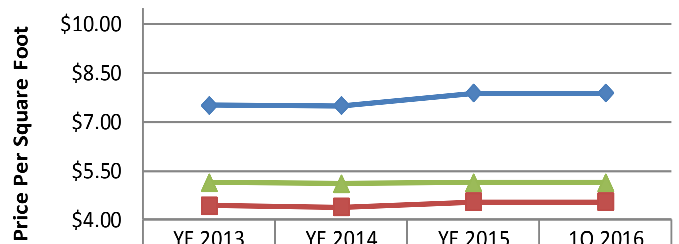
Building sales were strong in the first quarter with a total of 30 sales in Orange and Seminole County, totaling $63.6 million for an average price per square foot of $65.29. Twenty three of the sales took place in Orange County.

Buildings currently under construction total 1,675,179 square feet. These buildings include; McDonald Development's 89,240 square foot building on Gills Drive; three of McCraney Property Company's Bent Oak buildings totaling 715,503 square feet; DCT's ADC North Building D with 95,036 square feet; Air Commerce Park on Tradeport Drive with 478,400 square feet; and Prologis' Wetherbee Road building with 297,000 square feet; We expect the delivery of most of these buildings in 2016, as well as the addition of several new buildings that will be added to the pipeline.

VACANCY

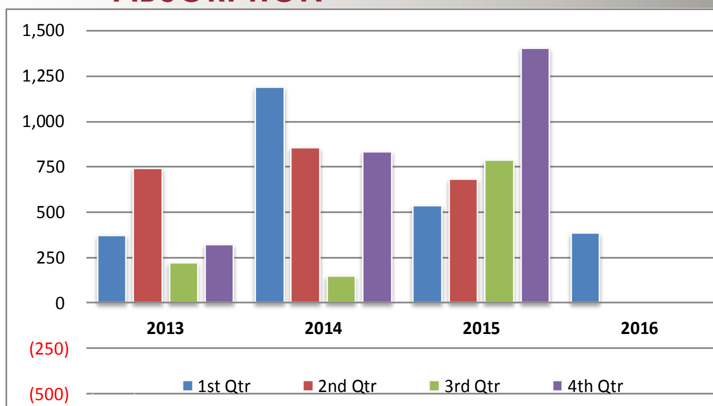


RENTAL RATES

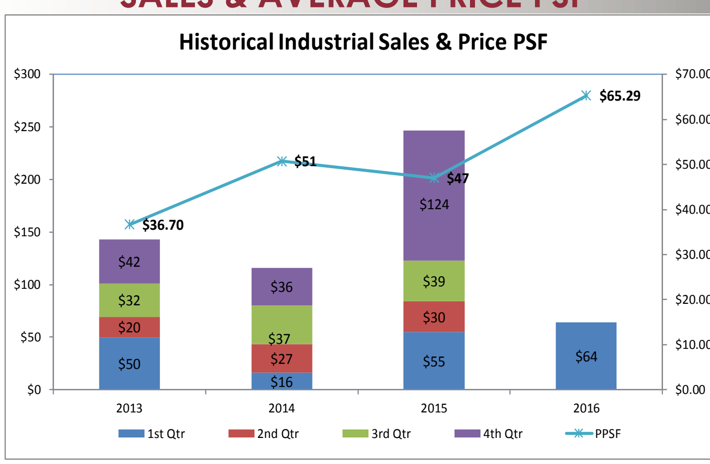


	YE 2013	YE 2014	YE 2015	1Q 2016
Flex	$7.52	$7.51	$7.89	$7.89
Ind	$4.43	$4.39	$4.55	$4.55
Market	$5.14	$5.11	$5.14	$5.14

ABSORPTION



SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

TOP FIRST QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
7315 Kingspointe Parkway	CHEP	203,125	Southwest	Renwal/Expansion
2501 Investors Row	Dusobox	128,000	OCP	New
3057 Tradeport Drive	Design Communications	120,422	Airport/SE	BTS
7415 Emerald Dunes Drive	Live TV	105,900	Airport/SE	Renewal/Expansion
301 Gills Drive	PSS World Medical	79,879	Airport/SE	Renewal
Horizon III, 200 Outlook Pointe Drive	US Ventures	61,560	Airport/SE	New
450 Gills Drive	Bridgestone	43,120	Airport/SE	New
6855 Presidents Drive	Buckeye	28,050	OCP	New

TOP FIRST QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
8751 Skinner Court	Southeast	129,248	FR 8751 Skinner LLC	Eisenberg Industrial Partners II LLC	$9,333,200	$72.21
588 Monroe Road	Sanford	102,300	Vantage Sanford LLC	Windsor at Vantage Point LLC	$9,750,000	$95.30
1220 Winter Garden Vineland Road	Northwest	92,606	Winter Garden Orlando LLC	Adler Winter Garden LLC	$8,550,000	$92.32
2419 Lake Orange Drive	OCP	80,388	Jaimes Acevedo LLC	Excel Technology Inc	$3,800,000	$47.27
3050-3090 Pennington Drive	Silver Star	68,180	HHR Thompson Florida LLC	Williams Investments Ltd	$3,500,000	$51.33
800 Mercy Drive	Silver Star	60,000	2000 North Orange LLC	Newman Properties LLC	$3,000,000	$50.00
227 Power Court	Sanford	58,500	Ebrahim & Tammy Hamzehloui	Dentrac Holding LLC	$1,670,000	$28.54
320 Enterprise Street	Northwest	47,504	Russo Waste Services Inc	320 Enterprise Street LLC	$2,500,000	$52.62
11609 S. Orange Blossom Trail	Southeast	33,950	RJ Florida Properties LLC	CJ Development Inc	$3,700,000	$108.98
1400 S. Orange Blossom Trail	Central	33,248	Waste Pro Southeast LLC	Kosmo Land Trust LLC	$1,350,000	$40.60
1031 Miller Drive	Altamonte Springs	32,000	Clear Choice Properties LLC	Crakes & Sons Inc	$1,216,000	$38.00

Logo placed within transactions listed above translates to deals where Lee & Associates participated.

Submarket	# of Bldgs	Total RSF	Direct SF Available	Direct Vacancy	Sublet SF Available	Sublet Vacancy	Total Vacancy	Quarterly Absorption	Year to Date Absorption	Dir Wtd Avg Asking Rate
NORTHWEST										
Bulk/Distribution	6	830,375	10,000	1.2%	0	0.0%	1.2%	0	0	$ -
Flex	17	581,323	57,721	9.9%	9,375	1.6%	11.5%	(825)	(825)	$ 7.14
Manufacturing	14	650,747	8,925	1.4%	0	0.0%	1.4%	0	0	$ 5.17
Office/Warehouse	79	3,736,899	298,701	8.0%	0	0.0%	8.0%	14,760	14,760	$ 3.75
Submarket Total	*116*	*5,799,344*	*375,347*	*6.5%*	*9,375*	*0.2%*	*6.6%*	*13,935*	*13,935*	*$ 4.36*
SILVER STAR										
Bulk/Distribution	16	3,363,912	304,442	9.1%	0	0.0%	9.1%	(111,878)	(111,878)	$ 4.80
Flex	29	1,313,618	291,058	22.2%	0	0.0%	22.2%	12,363	12,363	$ 8.53
Manufacturing	17	1,809,590	118,000	6.5%	0	0.0%	6.5%	0	0	$ 6.50
Office/Warehouse	176	9,526,036	555,802	5.8%	26,700	0.3%	6.1%	6,858	6,858	$ 4.96
Submarket Total	*238*	*16,013,156*	*1,269,302*	*7.9%*	*26,700*	*0.2%*	*8.1%*	*(92,657)*	*(92,657)*	*$ 5.88*
33RD STREET										
Bulk/Distribution	4	332,722	0	0.0%	0	0.0%	0.0%	0	0	$ -
Flex	31	878,557	110,163	12.5%	0	0.0%	12.5%	(10,878)	(10,878)	$ 10.41
Office/Warehouse	81	3,734,619	417,779	11.2%	15,716	0.4%	11.6%	(63,670)	(63,670)	$ 6.72
Submarket Total	*116*	*4,945,898*	*527,942*	*10.7%*	*15,716*	*0.3%*	*11.0%*	*(74,548)*	*(74,548)*	*$ 7.49*
NORTH CENTRAL										
Flex	39	1,122,511	114,482	10.2%	0	0.0%	10.2%	(38)	(38)	$ 8.27
Manufacturing	10	490,567	60,618	12.4%	0	0.0%	12.4%	0	0	$ 5.21
Office/Warehouse	49	1,880,695	107,406	5.7%	0	0.0%	5.7%	15,635	15,635	$ 3.98
Submarket Total	*98*	*3,493,773*	*282,506*	*8.1%*	*0*	*0.0%*	*8.1%*	*15,597*	*15,597*	*$ 5.98*
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	9	1,539,201	481,250	31.3%	0	0.0%	31.3%	0	0	$ 4.36
Flex	55	2,075,977	371,432	17.9%	14,908	0.7%	18.6%	(65,512)	(65,512)	$ 7.89
Manufacturing	43	2,582,313	304,952	11.8%	0	0.0%	11.8%	6,000	6,000	$ 4.58
Office/Warehouse	146	6,518,362	725,773	11.1%	0	0.0%	11.1%	58,321	58,321	$ 4.71
Submarket Total	*253*	*12,715,853*	*1,883,407*	*14.8%*	*14,908*	*0.1%*	*14.9%*	*(1,191)*	*(1,191)*	*$ 5.22*
CENTRAL ORLANDO										
Flex	12	511,088	77,517	15.2%	0	0.0%	15.2%	0	0	$ 10.00
Manufacturing	11	923,989	25,335	2.7%	0	0.0%	2.7%	0	0	$ 1.99
Office/Warehouse	87	3,840,348	136,376	3.6%	57,798	1.5%	5.1%	63,224	63,224	$ 5.02
Submarket Total	*110*	*5,275,425*	*239,228*	*4.5%*	*57,798*	*1.1%*	*5.6%*	*63,224*	*63,224*	*$ 6.31*
EAST SIDE / UNIVERSITY										
Bulk/Distribution	1	350,140	0	0.0%	0	0.0%	0.0%	0	0	$ 4.50
Flex	29	1,389,211	266,225	19.2%	55,894	4.0%	23.2%	29,760	29,760	$ 8.35
Manufacturing	8	352,806	7,125	2.0%	12,000	3.4%	5.4%	(6,000)	(6,000)	$ 6.25
Office/Warehouse	52	2,497,248	128,911	5.2%	0	0.0%	5.2%	288	288	$ 6.12
Submarket Total	*90*	*4,589,405*	*402,261*	*8.8%*	*67,894*	*1.5%*	*10.2%*	*24,048*	*24,048*	*$ 7.48*
AIRPORT / SOUTHEAST										
Bulk/Distribution	89	15,847,698	1,560,599	9.8%	299,793	1.9%	11.7%	413,633	413,633	$ 3.65
Flex	68	3,044,584	504,512	16.6%	0	0.0%	16.6%	(21,265)	(21,265)	$ 8.65
Office/Warehouse	235	16,026,459	1,176,271	7.3%	30,801	0.2%	7.5%	17	17	$ 4.52
Submarket Total	*392*	*34,918,741*	*3,241,382*	*9.3%*	*330,594*	*0.9%*	*10.2%*	*392,385*	*392,385*	*$ 4.74*
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,644,697	747,588	8.6%	27,224	0.3%	9.0%	(37,641)	(37,641)	$ 3.10
Flex	37	1,765,457	187,398	10.6%	33,639	1.9%	12.5%	6,297	6,297	$ 8.64
Office/Warehouse	82	5,019,580	131,828	2.6%	0	0.0%	2.6%	34,032	34,032	$ 4.25
Submarket Total	*174*	*15,429,734*	*1,066,814*	*6.9%*	*60,863*	*0.4%*	*7.3%*	*2,688*	*2,688*	*$ 4.22*
SOUTHWEST										
Bulk/Distribution	16	2,529,405	89,933	3.6%	87,000	3.4%	7.0%	(36,700)	(36,700)	$ 5.19
Flex	13	871,325	154,748	17.8%	28,036	3.2%	21.0%	0	0	$ 8.33
Office/Warehouse	34	2,501,695	50,120	2.0%	0	0.0%	2.0%	59,863	59,863	$ 6.23
Submarket Total	*63*	*5,902,425*	*294,801*	*5.0%*	*115,036*	*1.9%*	*6.9%*	*23,163*	*23,163*	*$ 7.02*
TOTAL FLEX	330	13,553,651	2,135,256	15.8%	141,852	1.0%	16.8%	(50,098)	(50,098)	$ 7.89
TOTAL BULK/DISTRIBUTION	196	33,438,150	3,193,812	9.6%	414,017	1.2%	10.8%	227,414	227,414	$ 3.77
TOTAL MANUFACTURING	103	6,810,012	524,955	7.7%	12,000	0.2%	7.9%	0	0	$ 4.90
TOTAL OFFICE/WAREHOUSE	1021	55,281,941	3,728,967	6.7%	131,015	0.2%	7.0%	189,328	189,328	$ 4.33
TOTAL INDUSTRIAL SPACE	1320	95,530,103	7,447,734	7.8%	557,032	0.6%	8.4%	416,742	416,742	$ 4.55
TOTAL MARKET	**1,650**	**109,083,754**	**9,582,990**	**8.8%**	**698,884**	**0.67%**	**9.5%**	**366,644**	**366,644**	**$ 5.14**

**Note that total market consists of both Flex and Industrial properties combined*