LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

WE TRACK THE STUFF THAT MATTERS!

Q4 2018

ORANGE & SEMINOLE COUNTY INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As we close the books on 2018, we are amazed at how incredibly well the industrial market has performed. In the 16 years that we have been producing a market report, we have never seen positive absorption as high as 3,913,093 square feet. While 2018 will go down in the books as a "banner year" for the industrial market in Central Florida with record absorption, the fourth quarter ended with a pop instead of a bang. Leasing activity slowed greatly in the fourth quarter. Why is this? Well, we believe the market started to finally react to the pressures of the real world: the trade war with China, rising interest rates, political turmoil, a change of party in the House of Representatives, a precipitous decline in the stock market of over 17% alone in the fourth quarter, rising construction costs and land costs – take your pick. Looking forward, we don't know if 2019 will be another record year, but we do remain optimistic for continued growth.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER

ASKING RENTAL RATES	TOTAL MARKET VACANCY	TOTAL NET ABSORPTION	CONSTRUCTION PIPELINE
$6.08 PSF	5.8%	574,131 SF	3,818,892 SF

WHAT YOU NEED TO KNOW

•Total building sales in Orange & Seminole counties reached a record high of $225 million this quarter.
•Direct & sublet market vacancy dropped .2 percent, bringing the total market vacancy down from last quarter to 5.8 percent.
•Despite only over a half million square feet in absorption this quarter, the total absorption for the year hit a market high of 3.9 million square feet.
•The construction pipeline currently sits at just over 3.8 million square feet and there is an additional 1.5 million square feet planned or proposed.

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.** Buildings that are partially pre-leased are included in positive absorption at the time construction begins. Lee & Associates tracks over 1,660 buildings in Orange and Seminole County which total approximately 113 million square feet. The flex inventory makes up 12 percent of the total space within the market, while the industrial product makes up 88 percent. We end our statistical gathering of data approximately one week prior to the end of each quarter.

MARKET SNAPSHOT

Comparison Rental Rates PSF:		
	3Q-18	4Q-18
Flex	$9.73	$10.23
Bulk/Distribution	$4.80	$4.81
Manufacturing	$5.22	$5.26
Office/Warehouse	$5.97	$5.09
Total Market	$6.35	$6.08

Comparison of Market Vacancy:		
	3Q-18	4Q-18
Direct	5.6%	5.6%
Sublet	0.3%	0.2%
Total Market	6.0%	5.8%

Comparison of Absorption in SF:		
	3Q-18	4Q-18
Quarterly Amount	1,004,805	574,131
Year-to-date	3,338,962	3,913,093

Construction Pipeline: 20,000SF+		
	3Q-18	4Q-18
U/C (speculative & BTS)	4,267,914	3,818,892

Building Sales:		
	3Q-18	4Q-18
For the quarter	$178M	$224.00
Avg Price PSF	$84.46	$75.12

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QUARTER IN REVIEW

We added 574,131 square feet of positive absorption this quarter bringing the total absorption for the year to 3,913,093 square feet. This is the highest annual absorption we have seen in the Orlando market in over 15 years. Eight of the ten submarkets we track had positive absorption with the Airport/Southeast submarket reporting the highest positive absorption with 322,360 square feet. The two submarkets with minimal negative total absorption were 33rd Street with (61,310) square feet and Southwest with (33,772) square feet.

Total market vacancy rates fell this quarter by .2 percent bringing the total market vacancy to 5.8 percent. The Silver Star submarket has the lowest total market vacancy at 3 percent, followed closely by Orlando Central Park with 3.4 percent. The North Central submarket has the highest total market vacancy at 10.6 percent. Office/ warehouse product continues to maintain the lowest total vacancy with 4.3 percent.

There were 36 building sales this quarter totaling $224.7 million. Nearly 3 million square feet sold with 21 of the building sales in Orange County, 5 building sales in Seminole County, and the average price per square foot of $75.12.

There is currently 3,670,392 square feet of speculative development under construction or imminent. These buildings include:

- 576 Ocoee Business Parkway totaling 32,652 square feet
- *Cite Partners* two buildings totaling 75,500 square feet on Silver Star Road
- *Cite Partners* Park 429 #500 totaling 65,012 square feet
- Beltway Commerce Center buildings - #1000 totaling 240,068 square feet and #2000 totaling 324,440 square feet
- *Dalfen Industrial's* two buildings on Hoffner Avenue - #100 totaling 44,919 square feet and #200 totaling 88,414 square feet
- *Exeter's* Air Commerce Park Tract C building totaling 561,750 square feet
- *Foundry's* Crews Commerce Center building #400 totaling 173,880 square feet, #500 totaling 139,080 square feet and #600 totaling 117,120 square feet
- *Foundry's* Princeton Oaks buildings #300 totaling 97,904 square feet, #400 totaling 97,104 square feet, and #500 totaling 97,904 square feet
- *McCraney's* Distribution 429 #100 totaling 104,950 square feet and #200 totaling 145,164 square feet
- *McCraney's* five buildings at Infinity Park - #100 & #200 each totaling 98,864 square feet, feet, #500 & #600 each totaling 115,500 square feet, and #800 totaling 425,014 square feet
- *McDonald Development's* Sandlake Commerce Center building #100 with 151,838 square feet and #200 with 79,710 square feet
- *McDonald Development's* Clermont Business Center #100 with 63,083 square feet and #200 with 44,483 square feet
- *Realvest's* two buildings at Airport Commerce Center - 51,200 square feet and 20,475 square feet

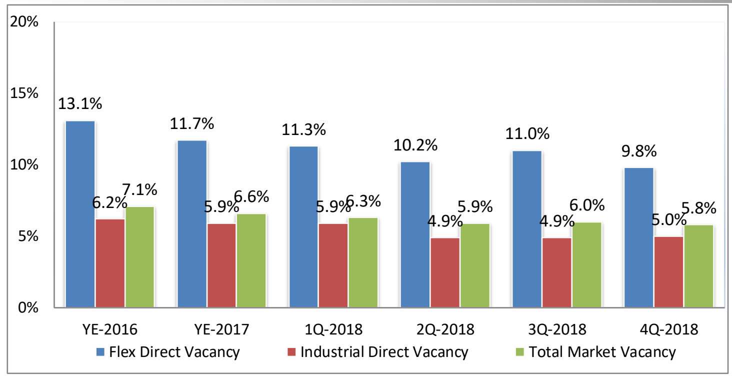
There is one build to suit under construction:

- *EastGroup's* Horizon VI totaling 148,500 square feet

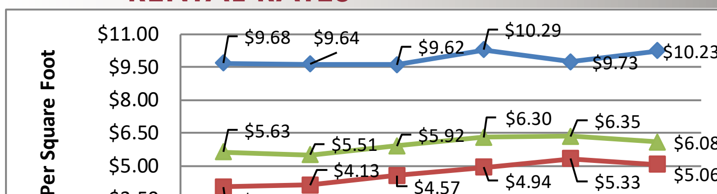
A total of 928,785 square feet was delivered this quarter:

- *McNulty Group's* five buildings on Forsyth totaling 39,800 square feet
- *Becknell's* Air Commerce Park Tract A with a 399,000 square foot cross dock and Tract B with a 133,400 square foot rear load
- *Liberty's* 3057 Tradeport Drive building totaling 134,000 square feet
- *EastGroup's* Horizon XI rear load building with 135,067 square feet
- *McNulty Group's* four buildings on Hoffner Avenue with 87,518 square feet

VACANCY

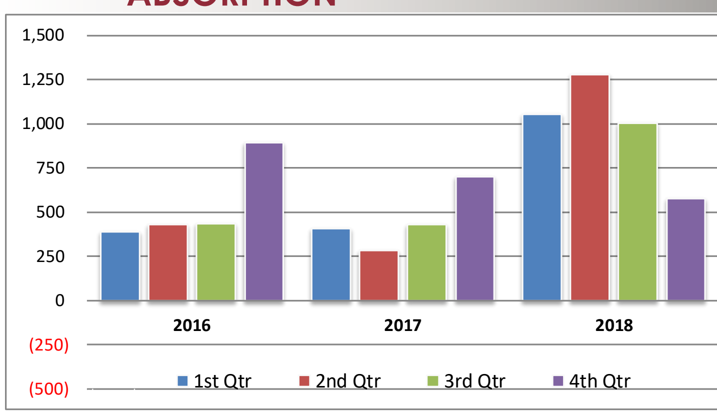


RENTAL RATES

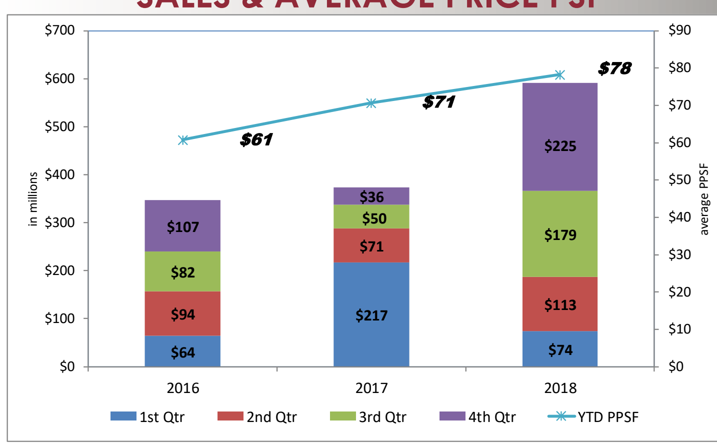


	YE 2016	YE 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
Flex	$9.68	$9.64	$9.62	$10.29	$9.73	$10.23
Ind	$4.05	$4.13	$4.57	$4.94	$5.33	$5.06
Market	$5.63	$5.51	$5.92	$6.30	$6.35	$6.08

ABSORPTION



SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

TOP FOURTH QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
Cypress Park East IV 1800 Cypress Park Drive	Total Logistics Services	249,800	Airport/Southeast	Expansion/Renewal
Crossroads 1091 Gills Drive	Sealy	141,680	Airport/Southeast	New
Crownpointe IV 7312 Kingspointe Parkway	Orlando Health	89,644	Southwest	Renewal
Sandlake Commerce Center 7725 Winegard Road	Cosentino	46,579	Airport/Southeast	New
OCP VIII 2900 Titan Row	PFG	14,752	OCP	Renewal
3057 Tradeport Drive	Follett	73,247	Airport/Southeast	New

TOP FOURTH QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
10701 Central Port Drive	Airport/Southeast	555,000	AG-EIP 10701 Central Port Drive LLC	EIP Industrial Toys LLC	$33,000,000	$59.46
8650 Transport Drive	Airport/Southeast	360,000	Blackstone	Mdh Propco 2015-B LLC	$30,845,790	$85.68
1401 Tradeport Drive	Airport/Southeast	348,360	Blackstone	MDH/Orl Jax Portfolio LLC	$28,985,949	$83.21
1001 Tradeport Drive	Airport/Southeast	261,291	Blackstone	MDH/Orl Jax Portfolio LLC	$21,741,209	$83.21
2702 Directors Row	OCP	187,196	Blackstone	MDH/Orl Jax Portfolio LLC	$14,123,294	$75.45
1500 Tradeport Drive	Airport/Southeast	125,990	Blackstone	MDH/Orl Jax Portfolio LLC	$8,506,905	$67.52
3600 Vineland Road	33rd Street	116,400	Blackstone	MDH/Orl Jax Portfolio LLC	$8,333,148	$71.59
1700 Tradeport Drive	Airport/Southeast	110,310	Blackstone	MDH/Orl Jax Portfolio LLC	$9,413,860	$85.34
4600 LB McLeod Road	33rd Street	84,470	Black Rock	MDH Orlando 33rd Street LLC	$6,372,971	$75.45
2801 Airport Boulevard	Sanford	82,986	Hartzler Properties LLC	Consolidated Investment Properties LLC	$4,150,000	$50.01
11821 Orange Blossom Trail	Airport/Southeast	76,557	11821 S OBT Realty LLC	Romis Realty Inc	$3,150,000	$41.15

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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	10	1,600,706	149,636	9.0%	0	0.0%	9.0%	0	352,150	$ 6.07
Flex	17	581,323	26,904	4.6%	7,500	1.3%	5.9%	(7,875)	(2,850)	$ 7.06
Manufacturing	14	664,500	7,700	1.2%	0	0.0%	1.2%	0	1,225	$ 5.99
Office/Warehouse	64	4,038,276	160,162	4.0%	0	0.0%	4.0%	136,974	314,677	$ 3.65
Submarket Total	*105*	*6,884,805*	*344,402*	*5.0%*	*7,500*	*0.1%*	*5.1%*	*129,099*	*665,202*	*$ 5.02*
SILVER STAR										
Bulk/Distribution	16	3,363,912	45,555	1.4%	0	0.0%	1.4%	(17,800)	(9,900)	$ 5.73
Flex	29	1,313,618	105,014	8.0%	0	0.0%	8.0%	11,739	(8,517)	$ 8.49
Manufacturing	17	1,809,590	33,372	1.8%	0	0.0%	1.8%	(5,700)	(11,300)	$ 6.25
Office/Warehouse	180	9,872,578	308,273	3.1%	2,000	0.0%	3.1%	92,452	276,266	$ 4.65
Submarket Total	*242*	*16,359,698*	*492,214*	*3.0%*	*2,000*	*0.0%*	*3.0%*	*80,691*	*246,549*	*$ 5.31*
33RD STREET										
Bulk/Distribution	3	213,000	0	0.0%	0	0.0%	0.0%	0	0	$ -
Flex	31	878,557	67,494	7.7%	0	0.0%	7.7%	13,173	14,902	$ 11.13
Office/Warehouse	82	3,813,456	365,077	9.6%	25,532	0.7%	10.2%	(74,483)	(90,000)	$ 8.03
Submarket Total	*116*	*4,905,013*	*432,571*	*8.8%*	*25,532*	*0.5%*	*9.3%*	*(61,310)*	*(75,098)*	*$ 8.52*
NORTH CENTRAL										
Flex	39	1,122,511	98,637	8.8%	11,200	1.0%	9.8%	5,678	3,499	$ 10.45
Manufacturing	10	490,567	118,029	24.1%	0	0.0%	24.1%	6,562	(7,561)	$ 7.11
Office/Warehouse	49	1,910,707	139,215	7.3%	7,200	0.4%	7.7%	19,705	(1,230)	$ 7.01
Submarket Total	*98*	*3,523,785*	*355,881*	*10.1%*	*18,400*	*0.5%*	*10.6%*	*31,945*	*(5,292)*	*$ 8.00*
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	9	1,539,201	318,895	20.7%	0	0.0%	20.7%	0	0	$ 5.50
Flex	56	2,220,784	261,809	11.8%	3,250	0.1%	11.9%	37,547	47,479	$ 8.51
Manufacturing	42	2,552,158	289,953	11.4%	0	0.0%	11.4%	(8,108)	19,249	$ 4.82
Office/Warehouse	144	6,404,647	229,566	3.6%	0	0.0%	3.6%	(162)	(24,360)	$ 6.89
Submarket Total	*251*	*12,716,790*	*1,100,223*	*8.7%*	*3,250*	*0.0%*	*8.7%*	*29,277*	*42,368*	*$ 6.33*
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	84	3,733,585	231,302	6.2%	21,004	0.6%	6.8%	41,208	(16,677)	$ 6.71
Submarket Total	*107*	*5,168,662*	*334,154*	*6.5%*	*21,004*	*0.4%*	*6.9%*	*41,208*	*(16,677)*	*$ 7.11*
EAST SIDE / UNIVERSITY										
Bulk/Distribution	1	350,140	0	0.0%	0	0.0%	0.0%	0	0	$ 4.50
Flex	29	1,390,539	220,896	15.9%	42,363	3.0%	18.9%	0	29,728	$ 11.73
Manufacturing	8	352,806	0	0.0%	0	0.0%	0.0%	0	1,125	$ 6.25
Office/Warehouse	58	2,538,948	114,311	4.5%	0	0.0%	4.5%	23,056	(1,316)	$ 3.89
Submarket Total	*96*	*4,632,433*	*335,207*	*7.2%*	*42,363*	*0.9%*	*8.2%*	*23,056*	*29,537*	*$ 9.06*
AIRPORT / SOUTHEAST										
Bulk/Distribution	100	18,734,181	1,131,459	6.0%	0	0.0%	6.0%	159,687	1,253,488	$ 3.81
Flex	69	3,154,235	324,775	10.3%	7,627	0.2%	10.5%	44,461	186,348	$ 10.29
Office/Warehouse	247	17,315,696	708,083	4.1%	45,477	0.3%	4.4%	118,212	1,003,777	$ 2.66
Submarket Total	*416*	*39,204,112*	*2,164,317*	*5.5%*	*53,104*	*0.1%*	*5.7%*	*322,360*	*2,443,613*	*$ 4.41*
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,644,975	376,508	4.4%	0	0.0%	4.4%	30,720	260,015	$ 5.38
Flex	37	1,765,457	97,988	5.6%	0	0.0%	5.6%	857	42,331	$ 9.05
Office/Warehouse	78	4,888,481	40,000	0.8%	0	0.0%	0.8%	(20,000)	199,215	$ 5.25
Submarket Total	*170*	*15,298,913*	*514,496*	*3.4%*	*0*	*0.0%*	*3.4%*	*11,577*	*501,561*	*$ 6.07*
SOUTHWEST										
Bulk/Distribution	16	2,529,405	145,498	5.8%	0	0.0%	5.8%	(46,002)	(145,498)	$ 8.04
Flex	13	871,325	67,087	7.7%	23,365	2.7%	10.4%	3,286	47,149	$ 16.50
Office/Warehouse	35	2,672,123	50,720	1.9%	0	0.0%	1.9%	8,944	179,679	$ 7.09
Submarket Total	*64*	*6,072,853*	*263,305*	*4.3%*	*23,365*	*0.4%*	*4.7%*	*(33,772)*	*81,330*	*$ 10.01*
TOTAL FLEX	332	13,809,437	1,348,121	9.8%	95,305	0.7%	10.5%	108,866	360,069	$ 10.23
TOTAL BULK/DISTRIBUTION	210	36,374,502	2,167,551	6.0%	0	0.0%	6.0%	126,605	1,710,255	$ 4.81
TOTAL MANUFACTURING	102	6,793,610	474,389	7.0%	0	0.0%	7.0%	(7,246)	2,738	$ 5.26
TOTAL OFFICE/WAREHOUSE	1021	57,188,497	2,346,709	4.1%	101,213	0.2%	4.3%	345,906	1,840,031	$ 5.09
TOTAL INDUSTRIAL SPACE	1333	99,443,678	4,988,649	5.0%	101,213	0.1%	5.1%	465,265	3,553,024	$ 5.06
TOTAL MARKET	**1,665**	**113,253,115**	**6,336,770**	**5.6%**	**196,518**	**0.2%**	**5.8%**	**574,131**	**3,913,093**	**$6.08**

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

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