LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

WE TRACK THE STUFF THAT MATTERS!

Q4 2021

ORANGE & SEMINOLE COUNTY
INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

Concluding the 4th quarter of 2021, the Central Florida industrial market posted its best year since we started tracking the market back in the early 1990's. Record absorption, record lease rates and building sales regularly hitting triple digits were the story in 2021. Industrial land values increased drastically due to limited supply and speculative development and "forwards" became common. Robust economic conditions, pent up demand from COVID lockdowns, and cheap interest rates fueled all of this. Looking forward into 2022, we anticipate a continuation of the same activity in the first three quarters as demand remains very strong, the supply of new inventory under construction remains relatively in check, and existing supply remains scarce. Aside from all of the good things to note from a banner 2021, one must realize that what goes up must come down, and that 2021 was an abnormally successful and prolific year.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER

↓	↑	↓	↑
ASKING RENTAL RATES $8.38 PSF	TOTAL MARKET VACANCY 3.4%	TOTAL NET ABSORPTION 900,165 SF	CONSTRUCTION PIPELINE 4,206,778 SF

WHAT YOU NEED TO KNOW

- We ended 2021 with a total market vacancy of just 3.4 percent.
- Fourth quarter positive absorption of 900,165 square feet brought the year end total to a remarkable 5,927,515 square feet.
- Asking market rental rates stabilized this year and closed the year with an average rate of $8.38 per square foot.
- The construction pipeline increased by 1.5 million square feet, with a tremendous amount of spec development on the way in 2022.
- Building sales climbed back up to $165.8 million this quarter, pushing the average sales price to $111 per square foot for the year.

UNDERSTANDING THE REPORT
WE TRACK THE STUFF THAT MATTERS!

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 1,993 buildings in Orange and Seminole County which total approximately 133 million square feet. The flex inventory makes up 11 percent of the total space within the market, while the industrial product makes up 89 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-21	4Q-21
Flex	$12.41	$12.65
Bulk/Distribution	$7.61	$7.62
Manufacturing	$6.40	$6.40
Office/Warehouse	$7.60	$7.71
Total Market	$8.64	$8.38

Comparison of Market Vacancy:

	3Q-21	4Q-21
Direct	2.8%	2.9%
Sublet	0.5%	0.4%
Total Market	3.3%	3.4%

Comparison of Absorption in SF:

	3Q-21	4Q-21
Quarterly Amount	2,553,650	900,165
Year-To-Date	5,027,350	5,927,515

Construction Pipeline: 20,000SF+

	3Q-21	4Q-21
U/C (speculative & BTS	2,587,612	4,206,778
Delivered (by qtr)	782,880	679,864
Delivered YTD	1,903,020	2,582,884

Building Sales:

	3Q-21	4Q-21
Quarterly Total	$130M	$165.8M
Average Price PSF	$96.99	$126.92

Lee & Associates | Central Florida, LLC

If you have any questions regarding this report, please contact:

William "Bo" Bradford, SIOR, CCIM
Co-President | Principal
321-281-8502

Tom McFadden, SIOR
Co-President | Principal
321-281-8501

Derek Riggleman, SIOR
Senior Vice President | Principal
321-281-8507

Ryan Griffith
Associate
321-281-8512

Sam King
Associate
321-281-8511

QUARTER IN REVIEW

We ended 2021 with 5,927,515 square feet of total annual positive absorption. This is the most positive absorption the Central Florida industrial market has ever produced. This was in spite of a slow fourth quarter that had 900,165 square feet of positive absorption, with more than half of that coming from the Airport/Southeast submarket's 543,003 square feet of positive absorption. A robust third quarter led to slower leasing activity this quarter, leaving three of our submarkets with negative absorption, though it was minimal.

The direct vacancy rate is at its lowest point ever, with 2.9 percent direct vacancy and 0.4 percent sublet vacancy. This is a nearly 3 percent improvement over the 5.95 percent total market vacancy at the end of 2020. The OCP submarket had the highest vacancy with 6 percent due to the delivery of two new spec buildings on Oak Ridge Road. The Southwest submarket had the lowest at 1.2 percent, followed closely by the Silver Star submarket at 1.6 percent.

The average asking rental rates across all building types appear to have leveled out over 2021, ending with a total average asking market rental rate of $8.38 per square foot. With the current inventory nearly full, and a substantial amount of new product being delivered next year, we expect rates to only slightly increase in the asking average next year.

While leasing was slower this quarter, building sales picked back up with a total of $165.8 million sold across Orange and Seminole counties. Of the 45 buildings that sold, more than half were smaller buildings totaling less than 20,000 square feet. The average sales price was $126.92 per square foot, bringing the year to date average sales price to $111 per square foot, and total building sales for 2021 to $504.5 million.

There is currently 3,391,195 square feet of speculative development under construction or imminent. These buildings include:

- *Blue Steel's* Hermit Smith Road building with 290,000 square feet, and Axcess Park building A with 207,625 square feet, building B with 117,000 square feet, and building C with 125,400 square feet
- *Brookfield's* Taft Vineland Road buildings with 154,292, 142,424 and 563,920 square feet
- *Cadence Partners & Clarion* Western Beltway project #1 with 99,517 square feet and #2 with 90,767 square feet
- *Dalfen's* Hoffner Avenue building with 105,000 square feet
- *Foundry's* Princeton Oaks buildings #600 & #800 with 97,000 square feet each, and #700 with 86,400 square feet
- *Johnson Development's* South Orange Logistics #100 with 149,940 square feet and #200 with 131,220 square feet
- *McCraney & Butters'* four St. Johns Parkway buildings with 216,000, 138,600, 170,000 and 25,152 square feet
- *McNulty's* Clarcona Road building #1 & #2 with 48,000 each
- *Prologis'* ADC North building G with 169,938 square feet
- *Whitley Capital's* 8690 Transport Drive building with 118,000 square feet

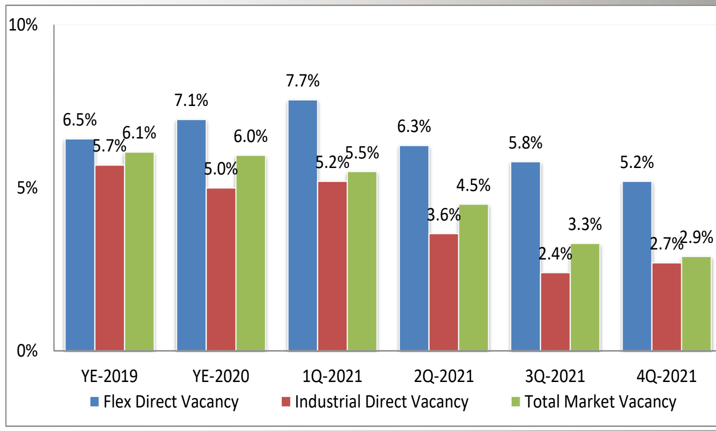
There is currently 815,583 square feet of build-to-suit construction underway. This include:

- *Escalade (Tailgate) Sports* 143,000 square foot building at ICP
- *Ace Relocation's* 150,000 square foot building at ICP
- *McKesson's* 472,583 square foot building at AIPO
- *Environmental Products'* 50,000 square foot building on Hermit Smith Road

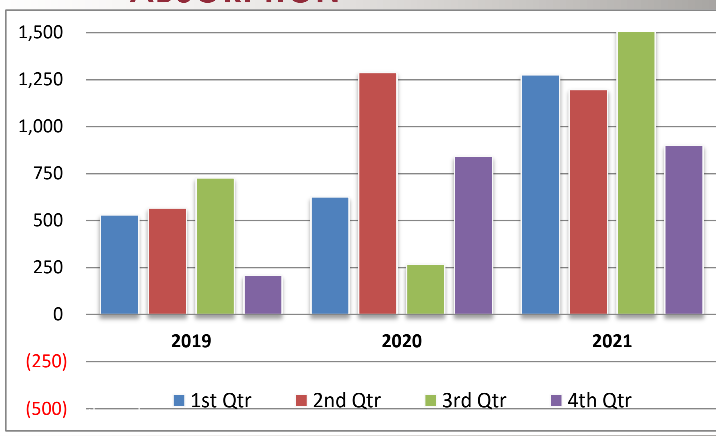
There was a total of 679,864 square feet delivered:

- *McCraney's Infinity Park* #800 with 433,404 square feet and #900 with 128,341 square feet
- *Blue Scope's* Mid Florida Logistics Park #5 with 246,460 square feet

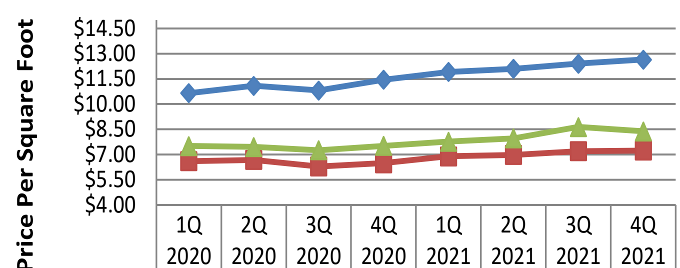
VACANCY



ABSORPTION

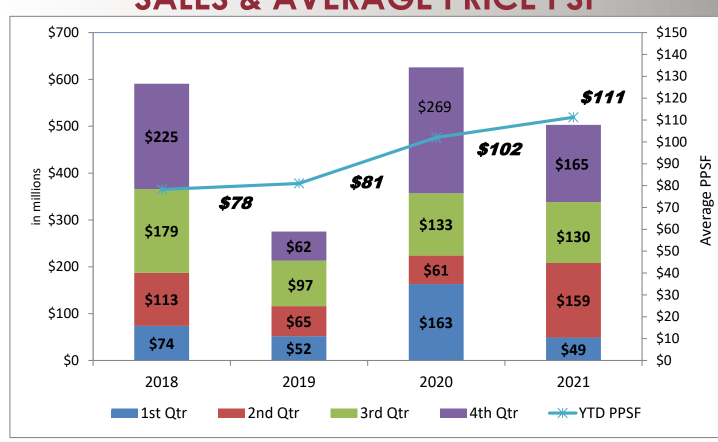


RENTAL RATES



	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021
Flex	$10.65	$11.09	$10.81	$11.45	$11.91	$12.10	$12.41	$12.65
Ind	$6.61	$6.68	$6.29	$6.49	$6.90	$6.98	$7.20	$7.24
Market	$7.51	$7.45	$7.26	$7.52	$7.77	$7.96	$8.64	$8.38

SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

TOP FOURTH QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Address	Tenant	Total SF	Submarket	Type
3785 Bryn Mawr Drive	Packaging Corporation of America	81,200	Silver Star	Renewal
2583 Consulate Drive	Ferguson	72,921	Southwest	New
2152 Martin Luther King, Jr. Blvd.	PODS	56,501	Lake Mary/Longwood/Sanford	New
1090 Gills Drive	A&M Supply	56,093	Airport/Southeast	Renewal
3555 WD Judge Road	Fabric	53,452	Silver Star	New
7455 Emerald Dunes Drive	BSLN, LLC	39,000	Airport/Southeast	New
7705 Winegard Road	American Copper & Brass	31,793	Airport/Southeast	New
4306 Shader Road	Carrier	28,163	Silver Star	New
3437 WD Judge Road	Arbor Carpet	23,502	Silver Star	New

TOP FOURTH QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
1264 La Quinta Dr	Airport/Southeast	181,394	Blackstone REIT	Cabot Properties Inc.	$30,171,264	$166.33
2001 Directors Row	OCP	102,430	Blackstone REIT	Cabot Properties Inc.	$17,037,182	$166.33
1080 Greenwood Blvd	Longwood/Lake Mary/Sanford	75,000	Microvast Inc	Scholastic Book Fairs Inc	$11,000,000	$146.67
700 S Hawthorne Ave	Northwest	66,096	Reason for the Season LLC	McClure Family LP	$1,940,000	$29.35
857 E Crown Pt Rd	Northwest	65,012	Blackstone REIT	Cabot Properties Inc.	$10,813,445	$166.33
6400 S Orange Ave	Airport/Southeast	60,825	Orlando 6400 Investments LLC	Orlando Antique Exchange Inc	$3,200,000	$52.61
4045 Forrestal Ave	Central	52,500	ABM-FL LLC	Forrestal South LLC	$5,610,000	$106.86
940 Williston Park Pt	Longwood/Lake Mary/Sanford	48,832	Redfearn Capital	Williston Park Office Center Property Owners Assn Inc	$6,780,871	$138.86
3850 E Lake Mary Blvd	Longwood/Lake Mary/Sanford	42,427	SFG ISF Sanford Lake Mary LLC	Seminole Land Management LLC	$6,250,000	$147.31
2402 Clark St	Northwest	39,000	Florida Real Estate Endeavors 13 LLC	Clark Street Commercial LLC	$3,120,000	$80.00
11422 Satellite Blvd	Airport/Southeast	38,100	Werner Real Estate Ko-Satellite LLC	Spinco 12 LLC	$3,300,000	$86.61
8022 Office Ct	Airport/Southeast	35,740	8022 Investment LLC	Julie Gordon & Amy Lentz Layden	$3,385,000	$94.71
615-645 Herndon Ave	Northwest	33,236	TLC Herndon Center LLC	LBJ Properties	$4,240,000	$127.57
6363 Edgewater Dr	Silver Star	32,736	6363 Edgewater LLC	Donald J Smyth Trustee	$2,550,000	$77.90
576 Ocoee Business Pky	Northwest	32,652	Massie Family Trust	Hooker Properties LLC	$6,670,700	$204.30
214 N Goldenrod Rd	Eastside/University	32,500	JSKRAM Property Management LLC	Goldenrod Business Park Partnership	$3,830,000	$117.85

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	25	3,385,467	246,460	7.3%	0	0.0%	7.3%	0	411,019	$ 5.65
Flex	18	618,183	0	0.0%	7,500	1.2%	1.2%	7,800	29,904	$ 13.00
Manufacturing	17	1,060,028	7,700	0.7%	0	0.0%	0.7%	0	0	$ 5.99
Office/Warehouse	101	6,205,740	231,515	3.7%	0	0.0%	3.7%	(4,605)	647,467	$ 7.16
Submarket Total	*161*	*11,269,418*	*485,675*	*4.3%*	*7,500*	*0.1%*	*4.4%*	*3,195*	*1,088,390*	*$ 6.78*
SILVER STAR										
Bulk/Distribution	19	3,784,228	64,448	1.7%	0	0.0%	1.7%	28,163	18,018	$ 6.62
Flex	31	1,359,333	68,050	5.0%	0	0.0%	5.0%	(10,628)	39,510	$ 9.83
Manufacturing	22	1,929,491	22,072	1.1%	0	0.0%	1.1%	0	0	$ 8.00
Office/Warehouse	213	11,476,996	137,665	1.2%	7,006	0.1%	1.3%	134,792	401,426	$ 10.10
Submarket Total	*285*	*18,550,048*	*292,235*	*1.6%*	*7,006*	*0.0%*	*1.6%*	*152,327*	*458,954*	*$ 9.11*
33RD STREET										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	$ 4.91
Flex	33	935,758	36,696	3.9%	0	0.0%	3.9%	29,056	21,922	$ 10.84
Office/Warehouse	84	3,884,920	25,954	0.7%	37,709	1.0%	1.6%	45,807	116,312	$ 8.11
Submarket Total	*120*	*5,076,836*	*62,650*	*1.2%*	*37,709*	*0.7%*	*2.0%*	*74,863*	*138,234*	*$ 12.59*
NORTH CENTRAL										
Flex	46	1,305,256	55,847	4.3%	0	0.0%	4.3%	(11,251)	15,982	$ 10.14
Manufacturing	12	535,289	86,620	16.2%	0	0.0%	16.2%	0	12,000	$ 9.55
Office/Warehouse	52	1,924,152	34,150	1.8%	0	0.0%	1.8%	(3,100)	(21,300)	$ 12.01
Submarket Total	*110*	*3,764,697*	*176,617*	*4.7%*	*0*	*0.0%*	*4.7%*	*(14,351)*	*6,682*	*$ 10.22*
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	16	2,016,218	36,236	1.8%	0	0.0%	1.8%	94,028	189,917	$ 6.95
Flex	64	2,497,819	114,169	4.6%	20,762	0.8%	5.4%	(3,891)	64,780	$ 12.10
Manufacturing	54	3,051,660	128,206	4.2%	0	0.0%	4.2%	0	150,844	$ 1.21
Office/Warehouse	192	8,099,302	181,883	2.2%	0	0.0%	2.2%	500	154,397	$ 7.66
Submarket Total	*326*	*15,664,999*	*460,494*	*2.9%*	*20,762*	*0.1%*	*3.1%*	*90,637*	*559,938*	*$ 6.91*
CENTRAL ORLANDO										
Flex	10	330,496	16,366	5.0%	0	0.0%	5.0%	(16,366)	(15,166)	$ 7.00
Manufacturing	19	1,210,447	0	0.0%	0	0.0%	0.0%	0	18,000	$ 5.95
Office/Warehouse	101	4,385,554	182,816	4.2%	0	0.0%	4.2%	(16,800)	(9,368)	$ 9.25
Submarket Total	*130*	*5,926,497*	*199,182*	*3.4%*	*0*	*0.0%*	*3.4%*	*(33,166)*	*(6,534)*	*$ 10.42*
EAST SIDE / UNIVERSITY										
Bulk/Distribution	2	399,818	0	0.0%	0	0.0%	0.0%	0	0	$ 5.25
Flex	40	1,893,934	172,282	9.1%	89,696	4.7%	13.8%	7,887	7,777	$ 14.93
Manufacturing	14	627,131	0	0.0%	0	0.0%	0.0%	0	6,000	$ 6.50
Office/Warehouse	64	2,514,430	32,757	1.3%	0	0.0%	1.3%	(6,782)	19,440	$ 6.45
Submarket Total	*120*	*5,435,313*	*205,039*	*3.8%*	*89,696*	*1.7%*	*5.4%*	*1,105*	*33,217*	*$ 23.88*
AIRPORT / SOUTHEAST										
Bulk/Distribution	115	21,402,936	737,977	3.4%	52,800	0.2%	3.7%	321,780	2,233,190	$ 5.40
Flex	76	3,310,282	216,191	6.5%	61,200	1.8%	8.4%	73,353	68,656	$ 11.80
Office/Warehouse	283	19,016,102	245,997	1.3%	81,317	0.4%	1.7%	147,870	620,846	$ 10.68
Submarket Total	*474*	*43,729,320*	*1,200,165*	*2.7%*	*195,317*	*0.4%*	*3.2%*	*543,003*	*2,922,692*	*$ 7.64*
ORLANDO CENTRAL PARK										
Bulk/Distribution	57	9,002,801	454,759	5.1%	217,239	2.4%	7.5%	(16,400)	250,070	$ 0.82
Flex	42	2,003,149	96,250	4.8%	0	0.0%	4.8%	1,303	30,539	$ 12.89
Office/Warehouse	86	5,372,716	206,683	3.8%	0	0.0%	3.8%	0	(186,065)	$ 1.09
Submarket Total	*185*	*16,378,666*	*757,692*	*4.6%*	*217,239*	*1.3%*	*6.0%*	*(15,097)*	*94,544*	*$ 2.43*
SOUTHWEST										
Bulk/Distribution	20	2,972,368	36,820	1.2%	0	0.0%	1.2%	72,921	600,027	$ 5.75
Flex	16	985,965	10,292	1.0%	0	0.0%	1.0%	544	7,008	$ 12.33
Office/Warehouse	46	4,167,758	53,505	1.3%	0	0.0%	1.3%	24,184	24,363	$ 8.67
Submarket Total	*82*	*8,126,091*	*100,617*	*1.2%*	*0*	*0.0%*	*1.2%*	*97,649*	*631,398*	*$ 7.98*
TOTAL FLEX	376	15,240,175	786,143	5.2%	179,158	1.2%	6.3%	77,807	270,912	$ 12.65
TOTAL BULK/DISTRIBUTION	257	43,219,994	1,576,700	3.6%	270,039	0.6%	4.3%	500,492	3,702,241	$ 7.62
TOTAL MANUFACTURING	138	8,414,046	244,598	2.9%	0	0.0%	2.9%	0	186,844	$ 6.40
TOTAL OFFICE/WAREHOUSE	1222	67,047,670	1,332,925	2.0%	126,032	0.2%	2.2%	321,866	1,767,518	$ 7.71
TOTAL INDUSTRIAL SPACE	1617	118,681,710	3,154,223	2.7%	396,071	0.33%	3.0%	822,358	5,656,603	$ 7.24
TOTAL MARKET	**1,993**	**133,921,885**	**3,940,366**	**2.9%**	**575,229**	**0.4%**	**3.4%**	**900,165**	**5,927,515**	**$8.38**

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

Lee & Associates – Central Florida, LLC
1017 E. South Street, Orlando, Florida 32801 | Ph: 321-281-8500

LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES