

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

After a much quieter 2nd quarter than anticipated, the 3rd quarter showed promise with renewed activity and a flurry of lease transactions in the last 30 days of the quarter. There seemed to be a slight pause in completed lease transactions between 20,000 SF and 60,000 SF that carried into the beginning of the 3rd quarter, however, the pipeline of active deals in the market has grown robustly and seems to have normalized again. We are beginning to see the effects e-Commerce is having on Central Florida with Amazon's decision to place their newest 857,740 SF distribution facility just outside of Lake Nona. Larger Tenants (greater than 100,000 SF) have appeared in unprecedented levels, more so than at any other time. Looking ahead, we expect the 4th quarter to finish strong with numerous lease transactions nearing the completion phase.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



MARKET OVERVIEW

The third quarter had all the attributes of a healthy market - absorption increased over the prior quarter by almost 150,000 square feet, total market vacancy rates fell by .5 percent, average asking market rental rates slightly decreased and the construction pipeline grew.

Building sales remain strong with 23 sales in Orange and Seminole counties totaling \$50.6 million, which brought the year to date sales to \$338 million.

The construction pipeline increased this quarter to 3.6 million square feet, however, many of the buildings will be delivered soon, which will result in a slight decrease in the overall pipeline number in the fourth quarter of 2017.

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.** In addition, we do not include build-to-suits that are 100 percent occupied by a tenant as positive absorption, however, we do note these events as activity in the market. Buildings that are partially pre-leased are included in positive absorption at the time construction begins. Lee & Associates tracks over 1,650 buildings in Orange and Seminole County which total approximately 109 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:

	2Q-17	3Q-17
Flex	\$9.45	\$9.36
Bulk/Distribution	\$3.84	\$3.79
Manufacturing	\$4.35	\$4.38
Office/Warehouse	\$4.33	\$4.33
Total Market	\$5.54	\$5.52

Comparison of Market Vacancy:

	2Q-17	3Q-17
Direct	7.3%	6.9%
Sublet	0.5%	0.4%
Total Market	7.8%	7.3%

Comparison of Absorption in SF:

	2Q-17	3Q-17
Quarterly Amount	280,867	429,005
Year-to-date	685,549	1,114,554

Construction Pipeline: 20,000SF+

	2Q-17	3Q-17
U/C (speculative & BTS)	2,926,520	3,622,054

Building Sales:

	2Q-17	3Q-17
For the quarter	\$71.6M	\$50.6M
Avg Price PSF	\$74.95	\$84.91

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QUARTER IN REVIEW

The Central Florida market had a strong third quarter, with total market vacancy rates dropping .5 percent from the previous quarter. Other than a small increase in the vacancy rate last quarter due to the addition of new inventory and a few new large vacancies, the market is on its third straight year of vacancy rates under ten percent. All product types except manufacturing, which saw a minimal .1 increase, saw a decrease in their total vacancy rates. The 33rd Street and Longwood/Lake Mary/Sanford submarkets had the highest vacancy rates at 10 and 10.4 percent. The best performing submarkets were SilverStar and Central Orlando, both posting less than 5 percent vacancy rates.

Positive absorption this quarter was up by nearly 150,000 square feet over the previous quarter with a third quarter total of 429,005 square feet. This brought the year to date total to 1,114,555 square feet of positive absorption. The Airport/Southeast and SilverStar submarkets led the quarter with 285,261 and 210,632 square feet of positive absorption. All product types had positive absorption ranging from 6,430 to 256,089 square feet, except manufacturing, with only a mere (4,714) square feet of negative absorption. This quarter saw several large leases like Lesso America with 94,080 square feet, Spraggins Floorcoverings with 85,610 square feet, and Safemark with 69,545 square feet, alongside Fed Ex's 163,678 square foot renewal, which helped to continue the market's positive absorption trend.

The total asking market rental rate saw a slight decrease this quarter from \$5.54 to \$5.52 per square foot. Individual product types and submarkets did not see much of a change up or down this quarter.

There were 23 building sales in the third quarter - 21 in Orange County and 2 in Seminole County. Total sales reached \$50.6 million for 596,036 square feet, resulting in an average sales price of \$84.91 per square foot. The largest sale this quarter was 6550 Hazelfine National Drive, a 121,400 square foot building that sold to DCT for \$8.8 million. Although we only list Orange and Seminole County sales in our report, 19925 Independence Boulevard in Lake County sold in the third quarter. The 706,722 square foot building sold for \$40.2 million, with a price per square foot of \$56.88.

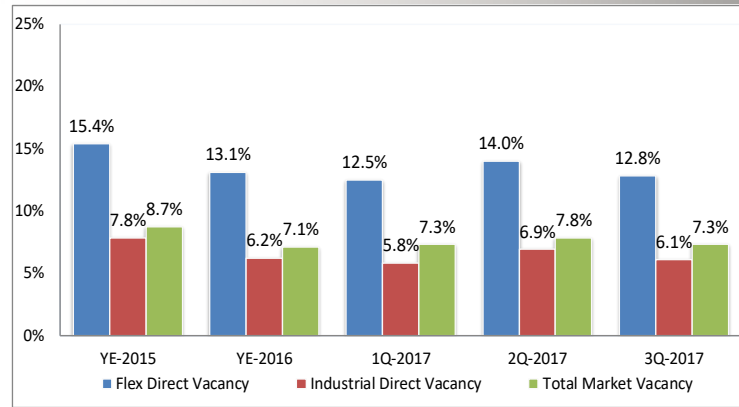
There is currently 2,439,756 square feet of speculative development under construction. These buildings include:

- McDonald Development's Lee Vista Business Center building G rear load with 159,884 square feet
- Becknell's Air Commerce Park Track A cross dock with 478,400 square feet
- Becknell's Air Commerce Park Track B with a 399,000 square foot cross dock and a 133,400 square foot rear load
- EastGroup's Horizon XII with 139,089 square feet
- BlueScope's five Park 29 buildings totaling 612,350 square feet
- Whitley Capital's building on Gills Drive totaling 54,000 square feet
- Panattoni's Center of Commerce building totaling 93,500 square feet
- Foundry's two Princeton Oaks buildings totaling 229,200 square feet
- Cite Partner's four buildings at Winter Garden Commerce Center totaling 140,933 square feet

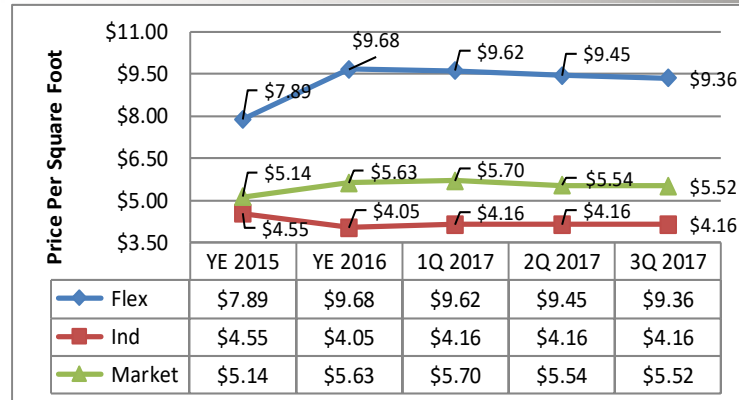
There is currently 1,182,298 square feet of build to suit space under construction. These buildings include:

- Liberty's BTS for Stihl totaling 154,400 square feet
- Duke Realty's BTS for PODS totaling 170,428 square feet
- Seefried's BTS for Amazon totaling 857,470 square feet*
(*building footprint only, excludes mezzanine)

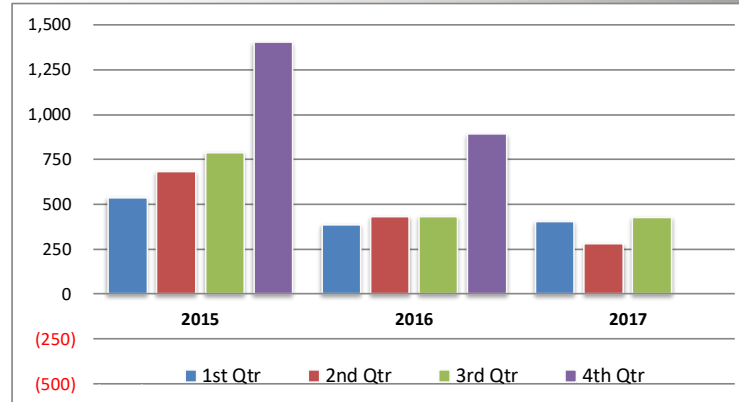
VACANCY



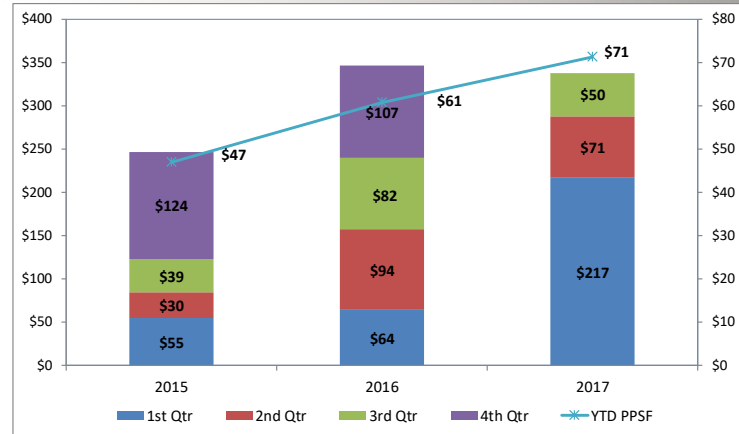
RENTAL RATES



ABSORPTION






SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q3 2017

TOP THIRD QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
501 Gills Drive	Fed Ex	163,678	Southeast	Renewal
1091 Gills Drive 	Lesso America	94,080	Southeast	New
3001 Mercy Drive 	Spraggins Floorcovering	85,610	Silver Star	New
Horizon XII 200 West Sandlake Road	Safemark	69,545	Southeast	New
450 Gills Drive 	Wayfair	43,120	Southeast	New
7500 Exchange Drive	Teamwork	39,939	OCP	Renewal/Expansion
7524 Currency Drive	Macrobaby	38,135	OCP	Renewal
Bent Oak 500 9652 Oak Crossing Road 	Fulfillment 9	37,504	Southeast	New
7022 TPC Drive 	Wheel Pros	23,230	Southeast	Renewal/Expansion

TOP THIRD QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price
6550 Hazeltine National Drive	Airport/SE	121,400	DCT Hazeltine LLC	American Realty Investors Ltd	\$8,800,000
180 Park Road	Eastside	51,341	Station at Alafaya, LLC	Jamem Holding, LLC	\$6,000,000
3910 Church Street	Sanford	50,800	Jacobmaxg LLC	Tibbetts Land, LLC	\$5,950,000
6333 McCoy Road	Airport/SE	42,000	Tryumph View LLC	Max King Realty IV LLC	\$6,000,000
4752 & 4802 Distribution Court	Airport/SE	40,000	Ronadiad Inc	Cross-H Property Management LLC	\$1,700,000
1715 S. Orange Blossom Trail	Northwest	37,519	Casual Aluminum LLC	Kagan Orlando LLC	\$1,325,000
4820 N. Orange Blossom Trail	SilverStar	37,036	4820 N Orange Blossom Tr LLC	Park Center Properties	\$3,100,000
3050 Technology Parkway	Eastside	33,928	Technology One Equity LLC	Himjr3 LLC	\$3,500,000
4484 34th Street	33rd Street	25,000	Ultra Graphics Plus LLC	Rederi Investments LLC	\$1,587,500
1620 Premier Row	OCP	23,110	Alami Investments LLC	Moon Saw & Tool Company Inc	\$1,460,000
4116 Silver Star Road	SilverStar	18,891	Habitat for Humanity of Greater Orlando Inc	LC Realty Assoc LLC	\$1,100,000

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	9	1,354,675	273,898	20.2%	0	0.0%	20.2%	0	10,000	\$ -
Flex	17	581,323	21,054	3.6%	9,375	1.6%	5.2%	3,750	6,100	\$ 6.64
Manufacturing	14	664,500	8,925	1.3%	0	0.0%	1.3%	0	0	\$ 5.17
Office/Warehouse	58	3,802,817	149,222	3.9%	0	0.0%	3.9%	0	(18,600)	\$ 3.75
Submarket Total	98	6,403,315	453,099	7.1%	9,375	0.1%	7.2%	3,750	(2,500)	\$ 4.36
SILVER STAR										
Bulk/Distribution	16	3,363,912	35,655	1.1%	78,000	2.3%	3.4%	194,837	169,337	\$ 5.72
Flex	29	1,313,618	161,201	12.3%	31,165	2.4%	14.6%	31,146	40,164	\$ 8.60
Manufacturing	17	1,809,590	5,900	0.3%	0	0.0%	0.3%	(4,714)	(4,714)	\$ 6.25
Office/Warehouse	176	9,450,526	472,051	5.0%	2,000	0.0%	5.0%	(10,637)	(19,140)	\$ 5.60
Submarket Total	238	15,937,646	674,807	4.2%	111,165	0.7%	4.9%	210,632	185,647	\$ 6.33
33RD STREET										
Bulk/Distribution	3	213,000	17,766	8.3%	0	0.0%	8.3%	0	0	\$ -
Flex	31	878,557	103,698	11.8%	0	0.0%	11.8%	586	(13,758)	\$ 10.78
Office/Warehouse	82	3,811,183	340,155	8.9%	28,916	0.8%	9.7%	12,789	(187,598)	\$ 7.57
Submarket Total	116	4,902,740	461,619	9.4%	28,916	0.6%	10.0%	13,375	(201,356)	\$ 8.00
NORTH CENTRAL										
Flex	39	1,122,511	136,445	12.2%	0	0.0%	12.2%	3,449	(2,379)	\$ 9.68
Manufacturing	10	490,567	53,118	10.8%	0	0.0%	10.8%	0	7,500	\$ 5.10
Office/Warehouse	49	1,910,095	74,680	3.9%	0	0.0%	3.9%	18,800	18,800	\$ 5.33
Submarket Total	98	3,523,173	264,243	7.5%	0	0.0%	7.5%	22,249	23,921	\$ 7.53
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	9	1,539,201	438,649	28.5%	0	0.0%	28.5%	12,200	12,200	\$ 4.95
Flex	55	2,175,444	313,846	14.4%	14,908	0.7%	15.1%	(1,966)	12,153	\$ 9.71
Manufacturing	43	2,582,313	309,202	12.0%	0	0.0%	12.0%	0	(5,500)	\$ 4.53
Office/Warehouse	146	6,518,362	260,425	4.0%	0	0.0%	4.0%	27,290	243,846	\$ 5.59
Submarket Total	253	12,815,320	1,322,122	10.3%	14,908	0.1%	10.4%	37,524	262,699	\$ 6.11
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	85	3,788,785	139,779	3.7%	0	0.0%	3.7%	37,464	54,577	\$ 6.23
Submarket Total	108	5,223,862	242,631	4.6%	0	0.0%	4.6%	37,464	54,577	\$ 6.99
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	200,034	14.4%	42,363	3.0%	17.4%	10,255	36,231	\$ 11.06
Manufacturing	8	352,806	1,125	0.3%	0	0.0%	0.3%	0	0	\$ 6.25
Office/Warehouse	53	2,499,148	105,275	4.2%	0	0.0%	4.2%	(29,211)	47,350	\$ 6.93
Submarket Total	91	4,591,305	306,434	6.7%	42,363	0.9%	7.6%	(18,956)	83,581	\$ 9.60
AIRPORT / SOUTHEAST										
Bulk/Distribution	95	16,930,031	1,029,403	6.1%	143,081	0.8%	6.9%	205,300	620,017	\$ 3.28
Flex	69	3,121,235	436,093	14.0%	19,713	0.6%	14.6%	(34,744)	(26,562)	\$ 8.34
Office/Warehouse	235	16,302,272	984,731	6.0%	0	0.0%	6.0%	114,705	263,774	\$ 2.49
Submarket Total	399	36,353,538	2,450,227	6.7%	162,794	0.4%	7.2%	285,261	857,229	\$ 3.86
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,644,697	772,038	8.9%	0	0.0%	8.9%	(156,248)	(272,749)	\$ 5.09
Flex	37	1,765,457	167,874	9.5%	9,819	0.6%	10.1%	(6,046)	(23,136)	\$ 8.76
Office/Warehouse	79	4,907,885	237,040	4.8%	28,562	0.6%	5.4%	0	(47,280)	\$ 4.76
Submarket Total	171	15,318,039	1,176,952	7.7%	38,381	0.3%	7.9%	(162,294)	(343,165)	\$ 5.55
SOUTHWEST										
Bulk/Distribution	16	2,529,405	87,200	3.4%	0	0.0%	3.4%	0	231,774	\$ 4.25
Flex	13	871,325	143,853	16.5%	23,365	2.7%	19.2%	0	13,128	\$ 9.54
Office/Warehouse	34	2,501,695	75,811	3.0%	0	0.0%	3.0%	0	(50,981)	\$ 6.70
Submarket Total	63	5,902,425	306,864	5.2%	23,365	0.4%	5.6%	0	193,921	\$ 7.81
TOTAL FLEX	331	13,729,769	1,761,615	12.8%	150,708	1.1%	13.9%	6,430	41,941	\$ 9.36
TOTAL BULK/DISTRIBUTION	204	34,925,061	2,654,609	7.6%	221,081	0.6%	8.2%	256,089	770,579	\$ 3.79
TOTAL MANUFACTURING	103	6,823,765	403,605	5.9%	0	0.0%	5.9%	(4,714)	(2,714)	\$ 4.38
TOTAL OFFICE/WAREHOUSE	997	55,492,768	2,839,169	5.1%	59,478	0.1%	5.2%	171,200	304,748	\$ 4.33
TOTAL INDUSTRIAL SPACE	1304	97,241,594	5,897,383	6.1%	280,559	0.3%	6.4%	422,575	1,072,613	\$ 4.16
TOTAL MARKET	1,635	110,971,363	7,658,998	6.9%	431,267	0.4%	7.3%	429,005	1,114,554	\$ 5.52
<i>*Note that total market consists of both Flex and Industrial properties combined</i>										