

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As we complete the third quarter, activity in both the leasing and sales market remained strong. The highlight this quarter was the acquisition of DCT by Prologis. In Orlando, DCT owned approximately 2.7 million square feet. Today, Prologis now owns 7 million square feet, making them the largest single owner of industrial buildings in Orlando by a factor of two over their nearest competitor. The dynamics of this acquisition have not yet been digested, but with the roll out of the "Clear Lease" and increased foot print, new market trends may emerge.

Leasing activity was down slightly in the third quarter compared to the second quarter, but overall leasing was still very robust. We are on pace to have record absorption for this year. Investment sales on the industrial front have slowed, not due to demand, but due to available inventory. The market demand appears to be in check with the supply coming out of the ground. Looking forward, the concerns we see on the horizon are the ongoing trade war with China, a potential change in political parties (whose agenda may include reversing some or all of the current administration's policies), labor shortages, increased interest rates and construction price increases. These forces could all apply the brakes to what is otherwise a well humming economy.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- The construction pipeline more than doubled this quarter from 1.9 million square feet to 4.26 million square feet.
- There were six leases over 100,000 square feet completed in the third quarter.
- Total positive absorption of 1,004,805 square feet brought the year to date absorption to 3.3 million square feet - the last time we saw over 3 million square feet of annual positive absorption was 2014 and 2015.
- There were 19 building sales this quarter totaling \$178 million with 16 in Orange county and 3 in Seminole county.

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 1,640 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:

	2Q-18	3Q-18
Flex	\$10.29	\$9.73
Bulk/Distribution	\$4.07	\$4.80
Manufacturing	\$5.07	\$5.22
Office/Warehouse	\$5.68	\$5.97
Total Market	\$6.30	\$6.35

Comparison of Market Vacancy:

	2Q-18	3Q-18
Direct	5.6%	5.6%
Sublet	0.4%	0.3%
Total Market	5.9%	6.0%

Comparison of Absorption in SF:

	2Q-18	3Q-18
Quarterly Amount	1,280,410	1,004,805
Year-to-date	2,334,157	3,338,962

Construction Pipeline: 20,000SF+

	2Q-18	3Q-18
U/C (speculative & BTS)	1,997,223	4,267,914

Building Sales:

	2Q-18	3Q-18
For the quarter	\$113M	\$178M
Avg Price PSF	\$86.59	\$84.46

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QUARTER IN REVIEW

The Central Florida industrial market had another strong quarter with total market vacancy hovering at 6 percent. The Orlando Central Park submarket had the lowest total vacancy at 3.4 percent followed closely by the SilverStar submarket with 3.5 percent. Office/warehouse product had the lowest total vacancy of all product types at 3.8 percent.

Positive absorption this quarter of 1,004,805 square feet was lower than the prior two quarters this year and a reflection of several large spaces coming back to the market. The Airport/Southeast submarket had the highest positive absorption at 493,315 square feet, followed by the Orlando Central Park submarket with 267,170 square feet. The Longwood/Lake Mary/Sanford submarket posted the highest negative absorption with (39,980) square feet. Office/warehouse product had 88.4 percent of the total absorption with 623,208 square feet.

Overall asking market rental rates continue to slowly increase as vacancy rates drop and new, class A industrial product is being delivered.

There were a total of 19 building sales in Orange and Seminole counties this quarter totaling \$178.9 million with an average sales price of \$84.46 per square foot.

There is currently 4,119,414 square feet of speculative development under construction or immanent. These buildings include:

- 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
- Cite Partners two buildings totaling 78,000SF on SilverStar 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
- Distribution 429 totaling 32,652 square feet
- EastGroup's Horizon XI rear load building with 135,067 square feet
- Exeter's Air Commerce Park Tract C building totaling 561,750 square feet
- Foundry's Princeton Oaks buildings #300 totaling 97,904 square feet, #400 totaling 87,104 square feet, and #500 totaling 97,904 square feet
- Liberty's 3057 Tradeport Drive building totaling 134,000 square feet
- McCraney's Distribution 429 #100 totaling 104,950 square feet and #200 totaling 144,000 square feet
- McCraney's five buildings at Infinity Park - #100 & #200 each totaling 98,864 square 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 21,881 square feet and #200 with 44,483 square feet
- McNulty Group's four buildings on Hoffner Avenue with 87,700 square feet and one building on Forsyth with 39,800 square feet
- Realvest's two buildings at Airport Commerce Center - 51,200 square feet and 20,47 square feet

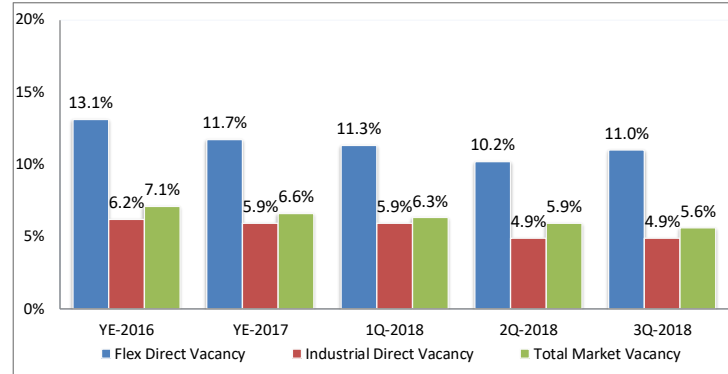
There is one build to suit under construction:

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

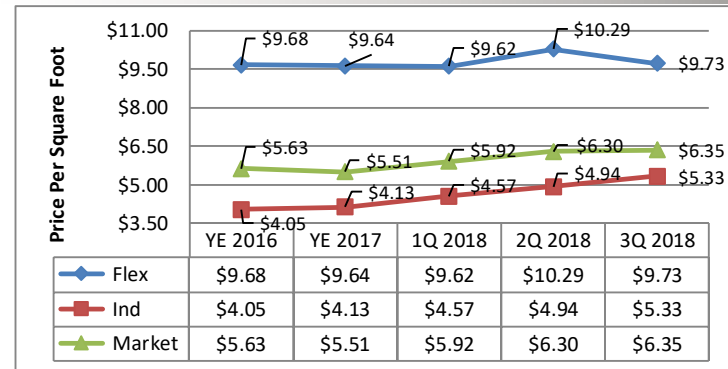
A total of 430,326 square feet was delivered this quarter:

- McCraney's Bent Oak #700 totaling 101,220 square feet and #800 totaling 77,219 square feet
- Prologis' Airport Distribution Center Building E with 101,747 square feet
- Realvest's three buildings at Beulah Commerce Center totaling 96,140 square feet
- Whitley Capital's building on Gills Drive totaling 54,000 square feet

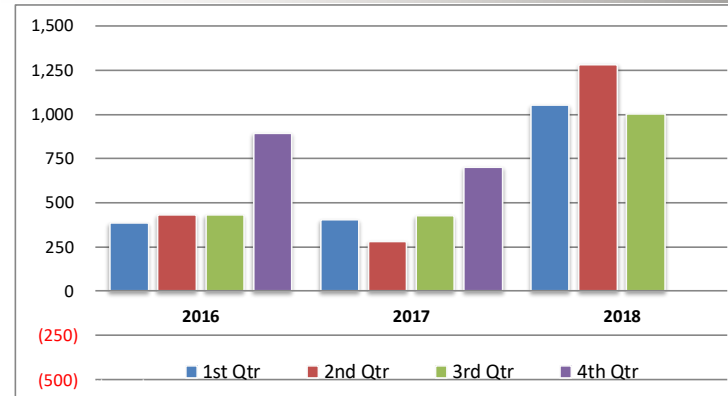
VACANCY



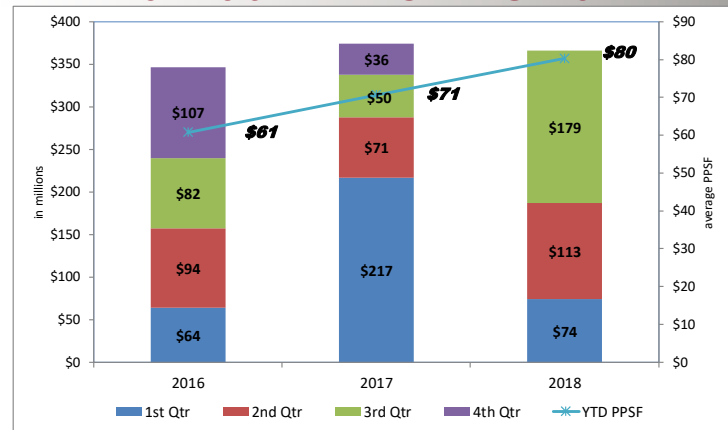
RENTAL RATES



ABSORPTION








SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q3 2018

TOP THIRD QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
Crossroads Distribution Center 3 1151 Gills Drive 	Office Depot	252,000	Airport/Southeast	Renewal
Consulate Distribution Center #200 2200 Consulate Drive	Sygma	242,160	OCP	New
Horizon VI	PRG	124,234	Airport/Southeast	New
7000 Kingspointe Parkway 	Behr Paint	117,797	Southwest	Renewal
Bent Oak #700 9643 Oak Crossing Road 	J&K Cabinetry	101,220	Airport/Southeast	New
Horizon XII 200 W Sandlake Road 	Lowes	69,000	Airport/Southeast	New
Sand Lake West 7575 Municipal Drive	Cubic Corporation	40,000	OCP	New
6550 Hazeltine National Drive	JetBlue	48,200	Airport/Southeast	New
Oakmont Bldg A 1401 Ocoee Apopka Road 	Live Trends	36,016	Northwest	New
3399 WD Judge Drive	Express Parts	18,050	Silverstar	New

TOP THIRD QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price
12340 Boggy Creek Road	Airport/Southeast	857,470	TA Associates	Relp Mojo LLC	\$108,000,000
2452 Lake Emma Road	Longwood	562,817	BVIP Innovation Center LLC	AREP Lake Mary LLC	\$14,800,000
Monroe Commerce Center I & II 627-655 Progress Way and 4140-4176 Flex Court	Sanford	116,500	Charles Wayne Properties	Monroe South RE LLC	\$9,550,000
Vantage Point 582 Monroe Road 	Sanford	110,000	Shopping Plaza Management LLC	Vantage Sanford LLC	\$13,400,000
2001 Directors Row	OCP	102,430	Cabot Industrial	Lowrie Brown Investment Co.	\$6,275,000
4424 Seaboard Road	SilverStar	100,153	Lucky Orlando 2 LLC	RBI Orlando LLC	\$5,700,000
1601 S. Atlanta Ave	Central	63,754	MG88 Central Florida Cold Storage LLC	T and T Service Enterprises LLC	\$4,000,000
2620 W. Orange Blossom Trail	Northwest	36,214	2620 OBT LLC	Deco Business Inc.	\$2,000,000
2300 S. Division Avenue	Central	30,764	Division Street Properties LLC	Maudlin Trucks Inc	\$2,592,500
4351 35th Street	33rd Street	24,700	CCR Solutions Inc	Charles & Norma Frazee	\$2,050,000

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	10	1,630,684	149,627	30.8%	0	3.7%	34.5%	77,623	352,150	\$ 6.07
Flex	17	581,323	19,029	3.3%	7,500	1.3%	4.6%	0	5,025	\$ 7.11
Manufacturing	14	664,500	7,700	1.2%	0	0.0%	1.2%	0	1,225	\$ 5.99
Office/Warehouse	64	4,038,276	297,136	7.4%	0	0.0%	7.4%	107,598	177,703	\$ 2.79
Submarket Total	105	6,679,324	473,492	10.9%	7,500	1.0%	11.9%	185,221	536,103	\$ 4.05
SILVER STAR										
Bulk/Distribution	16	3,363,912	27,755	0.8%	0	0.0%	0.8%	26,200	7,900	\$ 5.00
Flex	29	1,313,618	122,560	9.3%	0	0.0%	9.3%	5,330	(20,256)	\$ 8.23
Manufacturing	17	1,809,590	27,672	1.5%	0	0.0%	1.5%	6,800	(5,600)	\$ 6.25
Office/Warehouse	180	9,872,578	385,075	3.9%	2,000	0.0%	3.9%	23,779	183,814	\$ 4.69
Submarket Total	242	16,359,698	563,062	3.4%	2,000	0.0%	3.5%	62,109	165,858	\$ 5.29
33RD STREET										
Bulk/Distribution	3	213,000	0	0.0%	0	0.0%	0.0%	0	0	\$ -
Flex	31	878,557	80,667	9.2%	0	0.0%	9.2%	(1,888)	1,729	\$ 11.44
Office/Warehouse	82	3,813,456	290,594	7.6%	15,716	0.4%	8.0%	2,263	(15,517)	\$ 8.07
Submarket Total	116	4,905,013	371,261	7.6%	15,716	0.3%	7.9%	375	(13,788)	\$ 8.80
NORTH CENTRAL										
Flex	39	1,122,511	104,315	9.3%	11,200	1.0%	10.3%	67	(2,179)	\$ 10.41
Manufacturing	10	490,567	124,591	25.4%	0	0.0%	25.4%	4,000	(14,123)	\$ 7.08
Office/Warehouse	49	1,910,707	143,170	7.5%	1,600	0.1%	7.6%	(14,550)	(20,935)	\$ 6.68
Submarket Total	98	3,523,785	372,076	10.6%	12,800	0.4%	10.9%	(10,483)	(37,237)	\$ 7.86
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	296,209	13.3%	3,250	0.1%	13.5%	(41,423)	9,932	\$ 8.52
Manufacturing	42	2,552,158	281,845	11.0%	0	0.0%	11.0%	25,357	27,357	\$ 4.73
Office/Warehouse	144	6,404,647	189,636	3.0%	0	0.0%	3.0%	(23,914)	(24,198)	\$ 6.73
Submarket Total	251	12,716,790	1,086,585	8.5%	3,250	0.0%	8.6%	(39,980)	13,091	\$ 6.34
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	272,510	7.3%	21,004	0.6%	7.9%	(382)	(57,885)	\$ 7.30
Submarket Total	107	5,168,662	375,362	7.3%	21,004	0.4%	7.7%	(382)	(57,885)	\$ 7.50
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%	27,844	29,728	\$ 11.73
Manufacturing	8	352,806	0	0.0%	0	0.0%	0.0%	0	1,125	\$ 6.25
Office/Warehouse	53	2,499,148	97,567	3.9%	2,000	0.1%	4.0%	27,022	(24,372)	\$ 6.73
Submarket Total	91	4,592,633	318,463	6.9%	44,363	1.0%	7.9%	54,866	6,481	\$ 10.20
AIRPORT / SOUTHEAST										
Bulk/Distribution	100	18,732,838	1,383,183	7.4%	49,352	0.3%	7.6%	1,782	1,093,801	\$ 4.03
Flex	69	3,154,235	423,236	13.4%	27,699	0.9%	14.3%	38,399	87,887	\$ 8.80
Office/Warehouse	239	16,746,307	257,106	1.5%	67,477	0.4%	1.9%	453,134	885,565	\$ 6.22
Submarket Total	408	38,633,380	2,063,525	5.3%	144,528	0.4%	5.7%	493,315	2,067,253	\$ 5.28
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,644,975	407,228	4.7%	0	0.0%	4.7%	241,822	229,295	\$ 5.30
Flex	37	1,765,457	98,845	5.6%	0	0.0%	5.6%	(11,834)	41,474	\$ 8.65
Office/Warehouse	78	4,888,481	20,000	0.4%	0	0.0%	0.4%	37,182	219,215	\$ 5.25
Submarket Total	170	15,298,913	526,073	3.4%	0	0.0%	3.4%	267,170	489,984	\$ 5.93
SOUTHWEST										
Bulk/Distribution	16	2,529,405	99,496	3.9%	118,075	4.7%	8.6%	(30,594)	(99,496)	\$ 9.22
Flex	13	871,325	70,373	8.1%	25,204	2.9%	11.0%	12,112	43,863	\$ 15.70
Office/Warehouse	35	2,672,123	59,664	2.2%	0	0.0%	2.2%	11,076	170,735	\$ 7.53
Submarket Total	64	6,072,853	229,533	3.8%	143,279	2.4%	6.1%	(7,406)	115,102	\$ 10.77
TOTAL FLEX	332	13,809,437	1,513,647	11.0%	117,216	0.8%	11.8%	28,607	197,203	\$ 9.73
TOTAL BULK/DISTRIBUTION	210	36,374,502	2,386,184	6.6%	167,427	0.5%	7.0%	316,833	1,583,650	\$ 4.80
TOTAL MANUFACTURING	102	6,793,610	467,143	6.9%	0	0.0%	6.9%	36,157	9,984	\$ 5.22
TOTAL OFFICE/WAREHOUSE	1008	56,579,308	2,012,458	3.6%	109,797	0.2%	3.8%	623,208	1,494,125	\$ 5.97
TOTAL INDUSTRIAL SPACE	1320	99,443,678	4,865,785	4.9%	277,224	0.3%	5.2%	976,198	3,087,759	\$ 5.33
TOTAL MARKET	1,652	113,253,115	6,379,432	5.6%	394,440	0.3%	6.0%	1,004,805	3,338,962	\$ 6.35

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

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