

**ORANGE & SEMINOLE COUNTY**

# INDUSTRIAL MARKET REPORT

**QUARTER LEE NOTE**

As we conclude the first quarter of 2019, the market continued its forward progress posting a respectable 531,837 square feet of positive absorption. With the headwinds we were facing that were illustrated in our fourth quarter report, the direction of the market was less certain. However, with the passage of time, things have begun to normalize again. Interest rates for 30 year notes dropped from 4.95% to 4.05%, making homes more affordable. On the political front, talks with China seem to be heading in the right direction and the implementation of tariffs and a full out trade war seem to have diminished. And, the uncertainty of the President's future became a little more clear with the delivery of the special counsel's report. While these are not intended to be political statements, we do believe that they illustrated instability and uncertainty which was in our opinion, the sentiments of business in the first quarter, and this was reflected in the first quarter's lower than fourth quarter absorption numbers.

Looking forward, we anticipate a more normalized market to reassure both businesses and investors that all is well and it is safe to move forward with business, all be it cautiously. We anticipate a very healthy amount of absorption in the second quarter as many of the deals underway in 1Q will close in 2Q. We are optimistic that 2019 will be another solid year for the industrial real estate market absent more political turmoil.

**MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER**



**WHAT YOU NEED TO KNOW**

- In January and February of 2019, we conducted a complete review of our market report data, making modifications and updates as needed.
- The Central Florida market posted 531,837 square feet of positive absorption in the first quarter, and seven of the ten submarkets we track had positive absorption.
- Total market vacancy dropped by .8 percent to 5 percent & sublet vacancy is nearly gone.
- There were 20 building sales this quarter with 15 in Orange county and 5 in Seminole County.
- The construction pipeline continues to grow with nearly 250,000 additional square feet added this quarter and a long list of projects that will be added to the pipeline later this year. Additionally, 252,827 square feet was delivered this quarter.

**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 1,900 buildings in Orange and Seminole County which total approximately 128 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:**

	4Q-18	1Q-19
Flex	\$10.23	\$10.66
Bulk/Distribution	\$4.81	\$5.51
Manufacturing	\$5.26	\$5.76
Office/Warehouse	\$5.09	\$7.25
<b>Total Market</b>	<b>\$6.08</b>	<b>\$6.67</b>

**Comparison of Market Vacancy:**

	4Q-18	1Q-19
Direct	5.6%	4.9%
Sublet	0.2%	0.1%
<b>Total Market</b>	<b>5.8%</b>	<b>5.0%</b>

**Comparison of Absorption in SF:**

	4Q-18	1Q-19
Quarterly Amount	574,131	531,837
Year-to-date	3,913,093	531,837

**Construction Pipeline: 20,000SF+**

	4Q-18	1Q-19
U/C (speculative & BTS)	3,818,892	4,056,647

**Building Sales:**

	4Q-18	1Q-19
For the quarter	\$224M	\$51.6M
Avg Price PSF	\$75.12	\$66.10

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# QUARTER IN REVIEW

The first quarter of 2019 posted positive absorption of 531,837 square feet. The last two quarters have had lower total absorption than what we were seeing at the end of 2017 and the first three quarters of 2018. We expect it to increase again with the delivery of the 4 million square feet of product under construction. Seven of the ten submarkets we track had positive absorption. Office/warehouse space led positive absorption with 219,245 square feet. The largest lease this quarter was Prime Source taking 165,000 square feet at 2100 Directors Row.

Total market vacancy dropped by nearly one percent from the previous quarter and all ten submarkets are showing less than 8 percent total market vacancy. Sublet vacancy has virtually disappeared and is now at .1 percent. The SilverStar submarket has the lowest total market vacancy at 2.3 percent and the North Central has the highest total market vacancy at 7.8 percent.

Rental rates continue to increase slightly each quarter as new product is delivered, demanding a higher asking market rental rate.

There were 20 building sales in the first quarter totaling \$51.6 million. The buildings totaled 782,017 square feet and had an average sale price of \$66.10. The largest sale this quarter was three buildings on Transport Drive totaling 284,390 square feet and selling for \$18.4 million.

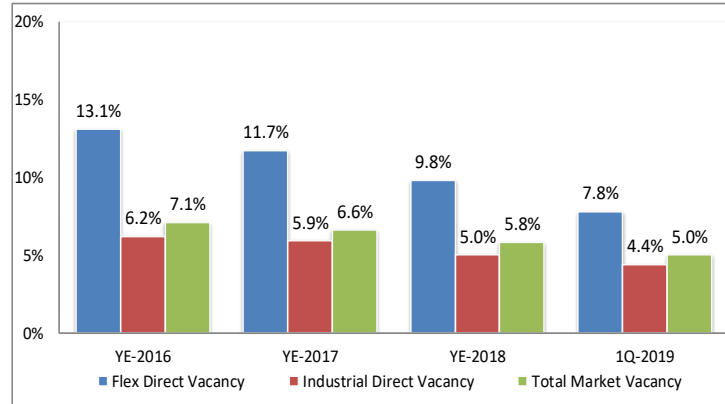
**There is currently 4,056,647 square feet of speculative development under construction or imminent. These buildings include:**

- JLL's two buildings totaling 75,500 square feet on Silver Star Road
- JLL's Park 429 #500 totaling 65,012 square feet
- Colony's 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 87,104 square feet, and #500 totaling 97,904 square feet
- McCraney's Distribution 429 #100 totaling 104,950 square feet, #200 totaling 145,164 square feet, and #300 totaling 402,582 square feet
- McCraney's six buildings at Infinity Park - #100 & #200 each totaling 98,864 square feet, #500 & #600 each totaling 115,500 square feet, #700 totaling 98,000 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

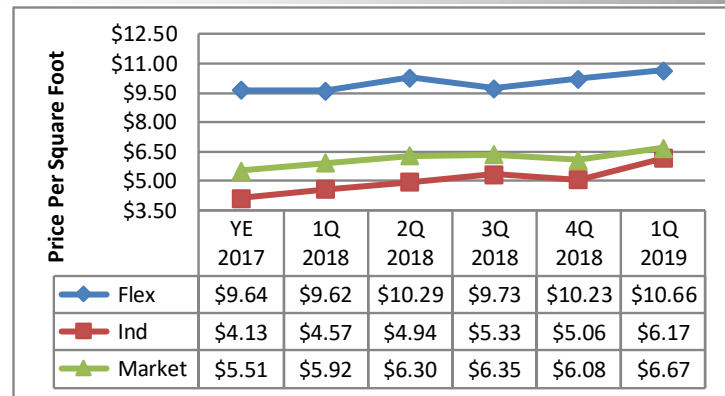
**A total of 252,827 square feet was delivered this quarter:**

- EastGroup's Horizon VI totaling 148,500 square feet
- Realvest's two Airport Commerce Center buildings totaling 51,200 square feet and 20,475 square feet
- 576 Ocoee Business Parkway totaling 32,652 square feet

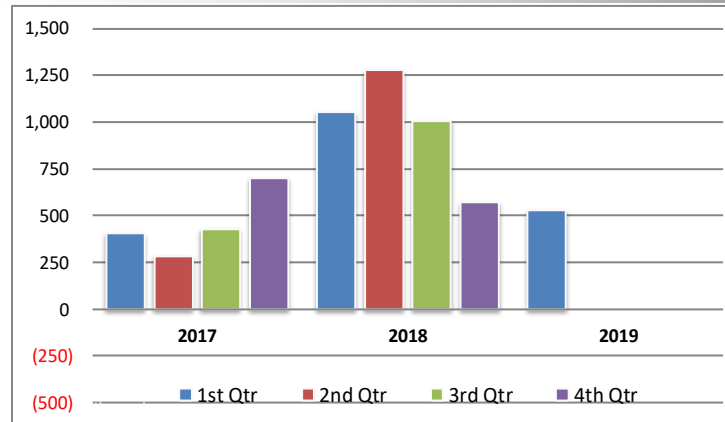
## VACANCY



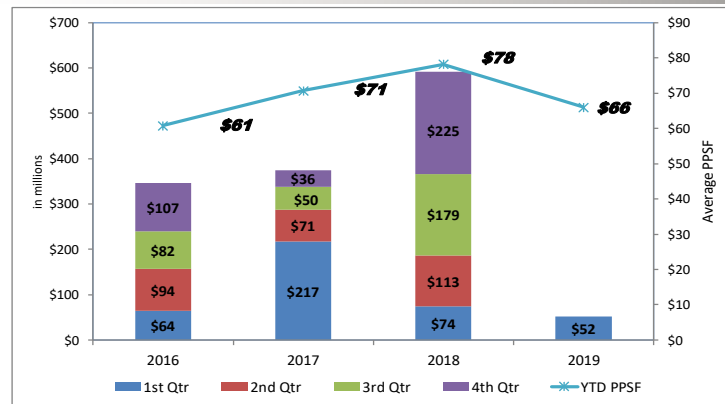
## RENTAL RATES



## ABSORPTION



## SALES & AVERAGE PRICE PSF



# QUARTER IN REVIEW

Q1 2019

## TOP FIRST QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
2100 Directors Row	Prime Source	165,000	OCP	New
Infinity Park, Bldg. 700 2559 Consulate Drive	LaserShip	95,206	Southwest	New
7415 Emerald Dunes Drive 	DHL	44,400	Airport/Southeast	Renewal
9600 Parksouth Court	VPX Logistics	38,684	OCP	New
567 Ocoee Business Parkway	JR Hobbs	23,000	Northwest	New
8810 Boggy Creek Road 	Ocean Blue Logistics	22,722	Airport/Southeast	New
8810 Boggy Creek Road 	Quest Events	22,288	Airport/Southeast	New
Princeton Oaks, Bldg. 100 3419 WD Judge Drive 	Stairmasterz	16,035	Silverstar	New

## TOP FIRST QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
8601, 8617 & 8663 Transport Drive	Airport/Southeast	284,390	GCP 8601 Transport LLC	GPT Transport Owner LLC	\$18,450,000	\$64.88
1800 Crown Way 	Silver Star	127,568	Equity Crown LLC	Lake Jessup Consulting LLC	\$5,800,000	\$45.47
777 W. Central Blvd	Central	55,670	TBDTR LLC Trustee	Ultra Graphics Plus LLC	\$3,100,000	\$55.69
2650 Jewett Lane	Sanford	43,075	GB Properties Orlando LLC	International Coatings Corp	\$1,550,700	\$36.00
3732 Bryn Mawr Street	Silver Star	39,540	IOV 3732 Bryn Mawr LLC	JRX Real Estate LLC	\$2,875,500	\$72.72
875 Central Florida Parkway	Airport/Southeast	33,542	Robert P Cascio	Industrial Loop Property LLC	\$2,850,000	\$84.97
140 Maritime Drive	Sanford	33,193	Maritime Drive LLC	140 MD Holdings LLC	\$2,785,000	\$83.90
1422 W. Anderson Street	Central	31,442	ASD Realty Inc	Anderson Street Development LLC	\$2,200,000	\$69.97
6802-6826 Stapoint Court	Eastside/University	21,868	MJAB Group LLC	DF Farley LLC	\$1,846,800	\$84.45
1332 W. Anderson Street	Central	16,560	Tane Corp	Daniel Thaxton Inc	\$906,300	\$54.73
3800 Commerce Loop	Silver Star	14,763	Linsmeyer Properties LLC	Culinary Source Inc	\$1,465,000	\$99.23
751 Central Park Drive	Sanford	12,000	Dewitt Custom Concrete	CJD Central Park LLC	\$1,225,000	\$102.08
310 Gordon Street	Sanford	11,200	Hartzler Properties Ltd	Red Lion Properties LLC	\$1,150,000	\$102.68
393 Enterprise Street	Northwest	10,316	Dackl Properties LLC	393 Enterprise LLC	\$800,000	\$77.55

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
<b>NORTHWEST</b>										
Bulk/Distribution	18	1,886,435	149,636	7.9%	0	0.0%	7.9%	0	0	\$ 6.07
Flex	19	653,790	29,904	4.6%	7,500	1.1%	5.7%	(3,000)	(3,000)	\$ 7.28
Manufacturing	17	790,828	7,700	1.0%	0	0.0%	1.0%	0	0	\$ 5.99
Office/Warehouse	98	5,816,960	134,217	2.3%	0	0.0%	2.3%	81,597	81,597	\$ 4.35
<b>Submarket Total</b>	<b>152</b>	<b>9,148,013</b>	<b>321,457</b>	<b>3.5%</b>	<b>7,500</b>	<b>0.1%</b>	<b>3.6%</b>	<b>78,597</b>	<b>78,597</b>	<b>\$ 5.46</b>
<b>SILVER STAR</b>										
Bulk/Distribution	17	3,563,012	45,555	1.3%	0	0.0%	1.3%	0	0	\$ 5.73
Flex	31	1,359,333	72,782	5.4%	0	0.0%	5.4%	32,232	32,232	\$ 9.19
Manufacturing	22	1,929,491	27,672	1.4%	0	0.0%	1.4%	5,700	5,700	\$ 8.15
Office/Warehouse	209	11,200,135	265,169	2.4%	2,000	0.0%	2.4%	41,764	41,764	\$ 7.79
<b>Submarket Total</b>	<b>279</b>	<b>18,051,971</b>	<b>411,178</b>	<b>2.3%</b>	<b>2,000</b>	<b>0.0%</b>	<b>2.3%</b>	<b>79,696</b>	<b>79,696</b>	<b>\$ 7.83</b>
<b>33RD STREET</b>										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 5.00
Flex	33	935,758	38,189	4.1%	0	0.0%	4.1%	25,105	25,105	\$ 11.64
Office/Warehouse	85	3,913,787	279,343	7.1%	25,532	0.7%	7.8%	85,734	85,734	\$ 8.04
<b>Submarket Total</b>	<b>121</b>	<b>5,105,703</b>	<b>317,532</b>	<b>6.2%</b>	<b>25,532</b>	<b>0.5%</b>	<b>6.7%</b>	<b>110,839</b>	<b>110,839</b>	<b>\$ 8.47</b>
<b>NORTH CENTRAL</b>										
Flex	46	1,305,256	92,816	7.1%	16,400	1.3%	8.4%	30,993	30,993	\$ 10.41
Manufacturing	13	584,967	109,829	18.8%	0	0.0%	18.8%	33,400	33,400	\$ 5.25
Office/Warehouse	51	1,899,867	77,465	4.1%	0	0.0%	4.1%	61,750	61,750	\$ 8.19
<b>Submarket Total</b>	<b>110</b>	<b>3,790,090</b>	<b>280,110</b>	<b>7.4%</b>	<b>16,400</b>	<b>0.4%</b>	<b>7.8%</b>	<b>126,143</b>	<b>126,143</b>	<b>\$ 7.77</b>
<b>LONGWOOD/LAKE MARY/SANFORD</b>										
Bulk/Distribution	12	1,625,488	318,895	19.6%	0	0.0%	19.6%	0	0	\$ 5.50
Flex	64	2,497,819	258,072	10.3%	8,405	0.3%	10.7%	30,533	30,533	\$ 8.72
Manufacturing	54	3,051,660	64,496	2.1%	0	0.0%	2.1%	5,002	5,002	\$ 5.58
Office/Warehouse	191	8,042,981	367,482	4.6%	0	0.0%	4.6%	(41,416)	(41,416)	\$ 7.99
<b>Submarket Total</b>	<b>321</b>	<b>15,217,948</b>	<b>1,008,945</b>	<b>6.6%</b>	<b>8,405</b>	<b>0.1%</b>	<b>6.7%</b>	<b>(5,881)</b>	<b>(5,881)</b>	<b>\$ 7.23</b>
<b>CENTRAL ORLANDO</b>										
Flex	17	637,437	1,200	0.2%	0	0.0%	0.2%	(1,200)	0	\$ 7.50
Manufacturing	19	1,210,447	0	0.0%	0	0.0%	0.0%	0	0	\$ 7.25
Office/Warehouse	105	4,450,403	237,330	5.3%	21,004	0.5%	5.8%	(6,028)	0	\$ 6.92
<b>Submarket Total</b>	<b>141</b>	<b>6,298,287</b>	<b>238,530</b>	<b>3.8%</b>	<b>21,004</b>	<b>0.3%</b>	<b>4.1%</b>	<b>(7,228)</b>	<b>(7,228)</b>	<b>\$ 6.92</b>
<b>EAST SIDE / UNIVERSITY</b>										
Bulk/Distribution	2	399,818	0	0.0%	0	0.0%	0.0%	0	0	\$ 5.25
Flex	41	1,949,834	284,964	14.6%	42,363	2.2%	16.8%	(4,654)	(4,654)	\$ 13.20
Manufacturing	14	627,131	0	0.0%	0	0.0%	0.0%	0	0	\$ 6.25
Office/Warehouse	70	2,987,658	129,911	4.3%	0	0.0%	4.3%	(15,600)	(15,600)	\$ 4.77
<b>Submarket Total</b>	<b>127</b>	<b>5,964,441</b>	<b>414,875</b>	<b>7.0%</b>	<b>42,363</b>	<b>0.7%</b>	<b>7.7%</b>	<b>(20,254)</b>	<b>(20,254)</b>	<b>\$ 10.56</b>
<b>AIRPORT / SOUTHEAST</b>										
Bulk/Distribution	104	19,137,960	1,071,626	5.6%	0	0.0%	5.6%	17,753	17,753	\$ 5.72
Flex	78	3,695,223	343,603	9.3%	7,627	0.2%	9.5%	56,274	56,274	\$ 10.04
Office/Warehouse	280	18,774,177	860,880	4.6%	0	0.0%	4.6%	(36,016)	(36,016)	\$ 7.28
<b>Submarket Total</b>	<b>462</b>	<b>41,607,360</b>	<b>2,276,109</b>	<b>5.5%</b>	<b>7,627</b>	<b>0.0%</b>	<b>5.5%</b>	<b>38,011</b>	<b>38,011</b>	<b>\$ 6.96</b>
<b>ORLANDO CENTRAL PARK</b>										
Bulk/Distribution	55	8,596,685	573,366	6.7%	0	0.0%	6.7%	6,826	6,826	\$ 4.28
Flex	43	2,134,756	86,344	4.0%	0	0.0%	4.0%	11,644	11,644	\$ 8.97
Office/Warehouse	85	5,251,614	5,667	0.1%	0	0.0%	0.1%	38,460	38,460	\$ 14.39
<b>Submarket Total</b>	<b>183</b>	<b>15,983,055</b>	<b>665,377</b>	<b>4.2%</b>	<b>0</b>	<b>0.0%</b>	<b>4.2%</b>	<b>56,930</b>	<b>56,930</b>	<b>\$ 4.98</b>
<b>SOUTHWEST</b>										
Bulk/Distribution	17	2,627,405	179,698	6.8%	0	0.0%	6.8%	63,800	63,800	\$ 7.62
Flex	16	985,965	58,535	5.9%	0	0.0%	5.9%	2,184	2,184	\$ 16.36
Office/Warehouse	41	3,309,805	41,720	1.3%	0	0.0%	1.3%	9,000	9,000	\$ 7.54
<b>Submarket Total</b>	<b>74</b>	<b>6,923,175</b>	<b>279,953</b>	<b>4.0%</b>	<b>0</b>	<b>0.0%</b>	<b>4.0%</b>	<b>74,984</b>	<b>74,984</b>	<b>\$ 9.44</b>
<b>TOTAL FLEX</b>	<b>388</b>	<b>16,155,171</b>	<b>1,266,409</b>	<b>7.8%</b>	<b>82,295</b>	<b>0.5%</b>	<b>8.3%</b>	<b>180,111</b>	<b>180,111</b>	<b>\$ 10.66</b>
<b>TOTAL BULK/DISTRIBUTION</b>	<b>228</b>	<b>38,092,961</b>	<b>2,338,776</b>	<b>6.1%</b>	<b>0</b>	<b>0.0%</b>	<b>6.1%</b>	<b>88,379</b>	<b>88,379</b>	<b>\$ 5.51</b>
<b>TOTAL MANUFACTURING</b>	<b>139</b>	<b>8,194,524</b>	<b>209,697</b>	<b>2.6%</b>	<b>0</b>	<b>0.0%</b>	<b>2.6%</b>	<b>44,102</b>	<b>44,102</b>	<b>\$ 5.76</b>
<b>TOTAL OFFICE/WAREHOUSE</b>	<b>1215</b>	<b>65,647,387</b>	<b>2,399,184</b>	<b>3.7%</b>	<b>48,536</b>	<b>0.1%</b>	<b>3.7%</b>	<b>219,245</b>	<b>219,245</b>	<b>\$ 7.25</b>
<b>TOTAL INDUSTRIAL SPACE</b>	<b>1582</b>	<b>111,934,872</b>	<b>4,947,657</b>	<b>4.4%</b>	<b>48,536</b>	<b>0.04%</b>	<b>4.5%</b>	<b>351,726</b>	<b>351,726</b>	<b>\$ 6.17</b>
<b>TOTAL MARKET</b>	<b>1,970</b>	<b>128,090,043</b>	<b>6,214,066</b>	<b>4.9%</b>	<b>130,831</b>	<b>0.1%</b>	<b>5.0%</b>	<b>531,837</b>	<b>531,837</b>	<b>\$ 6.67</b>

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