

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As we had alluded to in our first quarter market report, the second quarter proved that the Central Florida Industrial Market is resilient and robust despite stormy conditions and some precarious world events. The market continues to amaze us in spite of political events that have created an uncertain direction, such as the enactment of tariffs on China and the seriously close military retaliation against Iran for the downing of a \$180 million US Airforce drone. In another time, events such as these could have severely impacted the US Economy, but today they don't appear to be affecting Orlando. Highlights this quarter include almost 1,000,000 square feet of build-to-suits under construction, up 20 percent from last quarter. Leasing was incredibly robust as anticipated, although the absorption numbers do not accurately reflect the solid demand that we had solely due to the vacancy of the 1,086,384 square foot Winn Dixie building, of which 251,425 SF is freezer / cooler space. While this is a very substantial building, we believe the impact of its vacancy is minimal on our market due to the specialization of the building and the high probability that it will remain a freezer/cooler facility and not compete with other traditional buildings in the market. We continue to remain optimistic about the industrial market into the third quarter but expect absorption to slow through the summer months and pick back up in the fourth quarter.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- **1,086,384 SQUARE FEET OF FREEZER/COOLER SPACE WAS RETURNED TO THE SILVERSTAR MARKET AFTER BEING VACATED BY WINN DIXIE.** Had this vacancy not occurred, our second quarter absorption numbers would have been 1.6 million square feet. As a result of this vacancy though, the second quarter still posted a respectable 567,806 square feet of positive absorption.
- The construction pipeline continues to grow as we added almost 1.3 million square feet of new buildings, bringing the total square footage under construction to 5.3 million.
- Building sales were up from the previous quarter but were still off 24 percent compared to the second quarter of 2018.
- There were 6 leases over 100,000 square feet this quarter, including Coca Cola's BTS lease in Apopka for 290,000 square feet.

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:		
	1Q-19	2Q-19
Flex	\$10.66	\$11.21
Bulk/Distribution	\$5.51	\$5.35
Manufacturing	\$5.76	\$9.39
Office/Warehouse	\$7.25	\$7.63
Total Market	\$6.67	\$7.20

Comparison of Market Vacancy:		
	1Q-19	2Q-19
Direct	4.9%	5.5%
Sublet	0.1%	0.3%
Total Market	5.0%	5.8%

Comparison of Absorption in SF:		
	1Q-19	2Q-19
Quarterly Amount	531,837	567,806
Year-to-date	531,837	1,099,643

Construction Pipeline: 20,000SF+		
	1Q-19	2Q-19
U/C (speculative & BTS)	4,056,647	5,441,747

Building Sales:		
	1Q-19	2Q-19
For the quarter	\$51.6M	\$64.6M
Avg Price PSF	\$66.10	\$80.59

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QUARTER IN REVIEW

1,086,384 SQUARE FEET OF FREEZER/COOLER SPACE WAS RETURNED TO THE SILVERSTAR SUBMARKET THIS QUARTER AFTER BEING VACATED BY WINN DIXIE.

This major market event brought the nearly 1.6 million square feet of positive absorption we had this quarter down to 567,806 square feet, a number that does not accurately represent the scale of activity in the market. Top leases this quarter included: Coca Cola with 290,000 square feet, undisclosed tenant at Oakmont with 149,636 square feet, Oceaneering with 135,067 square feet, Lucky's Market with 120,388 square feet, and Quality One Wireless with 106,575 square feet. Top submarkets with positive absorption this quarter were the Northwest with 813,839 square feet, Airport/Southeast with 307,906 square feet and Orlando Central Park with 233,759 square feet.

Winn Dixie's vacant space pushed the total market vacancy up by .8 percent to 5.8 percent. It also increased the total market bulk/distribution product direct vacancy from 6.1 to 9.2 percent. All ten of the submarkets we track have less than 10 percent total vacancy with the Orlando Central Park and Northwest submarkets carrying the lowest at 2.8 percent.

A total of \$64.6 million in building sales took place with 10 in Seminole County and 17 in Orange County. The buildings totaled 801,842 square feet and had an average sales price of \$80.59 per square foot.

There is currently 4,501,457 square feet of speculative development under construction or imminent. These buildings include:

- JLL's three buildings totaling 111,980 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
- EastGroup's Horizon Commerce Center #8 with 101,791 square feet and #9 with 114,191 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 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, and #800 totaling 425,014 square feet
- McCraney's Distribution 429 #100 with 104,950 square feet and #300 with 405,596 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
- Prologis' Beltway Commerce Center #500 with 105,500 square feet
- RREEF's Center of Commerce building #100 with 113,115 square feet and #200 with 108,101 square feet
- Scannell's North Point Industrial with 264,950 square feet

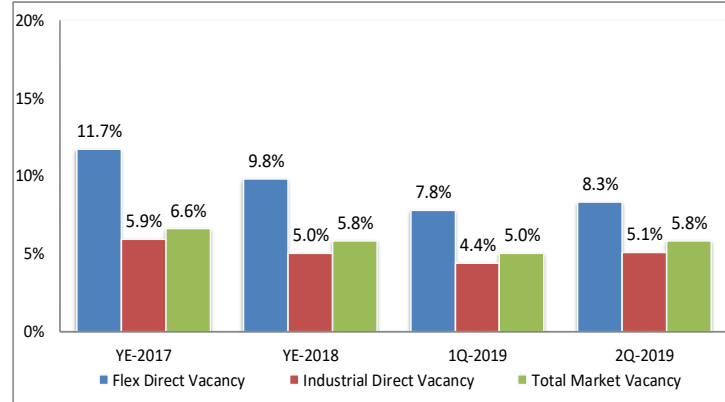
There is currently 940,290 square feet of build-to-suit construction underway. This include:

- Amazon's 115,290 square foot building on Rio Grande
- Coca Cola's 290,000 square foot building in Apopka
- GOYA's 324,000 square foot building in Apopka
- Marine Fastners 113,000 square feet in Sanford
- McCraney's Infinity Park #700 for LaserShip with 98,000 square feet

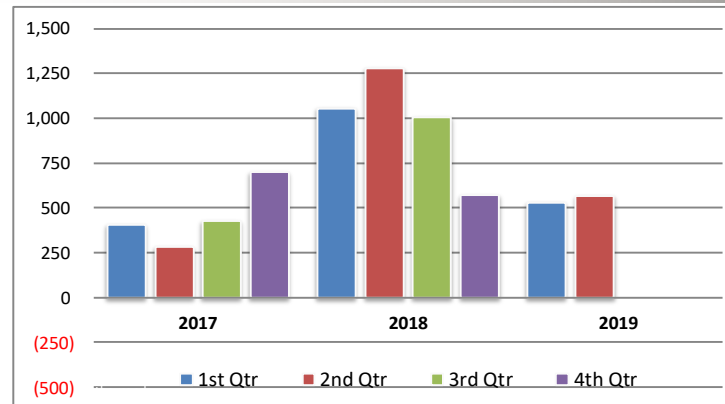
A total of 706,914 square feet was delivered this quarter:

- McCraney's Distribution 429 #200 totaling 145,164 square feet
- Exeter's Air Commerce Park Tract C building totaling 561,750 square feet

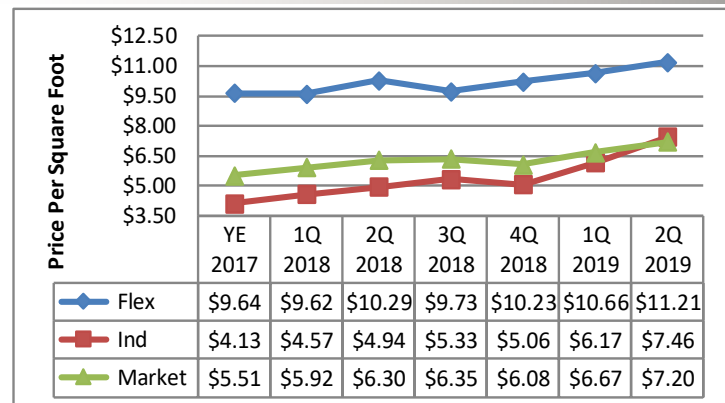
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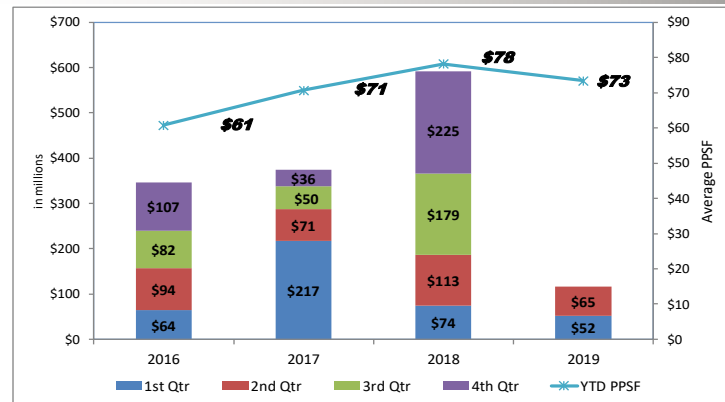
ABSORPTION



RENTAL RATES



SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q2 2019

TOP SECOND QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
3102 Peterson Road	Coca Cola	290,000	Northwest	New
1349 & 1451 Ocoee Apopka Road 	Undisclosed	149,636	Northwest	New
8046 Horizon Park Drive	Oceanering	135,067	Airport/Southeast	New
6375 Emperor Drive	Lucky's Market	120,388	OCP	New
7651 Southland Blvd.	Quality One Wireless	106,575	OCP	New
7272 Kingspointe Parkway 	Ally Building Supply	99,496	Southwest	New
3600 Ecommerce Place 	TTEC Healthcare Solutions	88,246	Silverstar	Renewal
1902 Cypress Lake Drive	H&M Logistics	50,000	Airport/Southeast	New
6843 South Conway Road 	Eco Convergence	33,120	Airport/Southeast	New
1256 LaQuinta Drive 	All American Crating	32,715	Southwest	Renewal

TOP SECOND QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
217-311 Altamonte Commerce Blvd.	Altamonte Springs	185,000	Altamonte Commerce Center LLC	Eastgroup Properties LP	\$ 14,800,000	\$80.00
7455 Emerald Dunes	Airport/Southeast	159,884	Cir III-Leevista LLC	McDonald Leevista G LLC	\$ 15,500,000	\$96.95
4304 Metric Drive	Eastside/University	51,038	Alluvion Celebration LLC	Nakam Investments LLC	\$ 3,325,000	\$65.15
700 French Avenue South	Sanford	46,200	1792 Properties LLC	Universal FML Investments LLC	\$ 1,050,000	\$22.73
783 Thorpe Road	Airport/Southeast	42,000	Commercial Properties Inc	American Douglas Metals Inc	\$ 3,262,500	\$77.68
518 Douglas Avenue	North Central	31,920	Keller Williams Peace River Partners Realty	Spring Park Center	\$ 1,565,000	\$49.03
7307 Sandscope Court 	Eastside/University	23,760	GC23 Holdings, LLC	Cactus Sandscope, LLC	\$ 2,238,000	\$94.19
5858 Lakehurst Drive	Southwest	23,462	JDZ Orlando LLC	General Exhibitions LLC	\$ 2,200,000	\$93.77
9440 Sidney Hayes Road	Airport/Southeast	23,000	Sidney Hayes LLC	Innercept Management Corp	\$ 1,360,000	\$59.13
895 Ronald Reagan Blvd.	Longwood	22,478	JC Altamonte Holdings LLC	Fields Motorcars of FL Inc	\$ 2,000,000	\$88.98
18 N Dollins Avenue	North Central	22,136	Lauri Koren	Impact Realty Investments LLC	\$ 1,275,000	\$57.60
930 Fern Street	North Central	18,260	Molivest LLC	930 Fern LLC	\$ 975,000	\$53.40
4350 Seaboard Road	Silver Star	17,614	Cathay Investment Group LLC	Kenney Holdings LLC	\$ 1,200,000	\$68.13
1702 Atlanta Avenue	Central	15,235	J&P Atlanta LLC	DLG Property Holdings LLC	\$ 1,200,000	\$78.77

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	20	2,355,599	145,164	6.2%	0	0.0%	6.2%	473,636	473,636	\$ 5.50
Flex	19	653,790	38,904	6.0%	7,500	1.1%	7.1%	(9,000)	(12,000)	\$ 7.33
Manufacturing	18	1,080,828	7,700	0.7%	0	0.0%	0.7%	290,000	290,000	\$ 5.99
Office/Warehouse	19	5,841,978	75,014	1.3%	0	0.0%	1.3%	59,203	140,800	\$ 7.70
Submarket Total	76	9,932,195	266,782	2.7%	7,500	0.1%	2.8%	813,839	892,436	\$ 6.40
SILVER STAR										
Bulk/Distribution	17	3,563,012	1,152,101	32.3%	0	0.0%	32.3%	(1,106,546)	(1,106,546)	\$ 5.28
Flex	31	1,359,333	70,648	5.2%	0	0.0%	5.2%	2,134	34,366	\$ 9.47
Manufacturing	22	1,929,491	22,072	1.1%	0	0.0%	1.1%	5,600	11,300	\$ 8.00
Office/Warehouse	209	11,205,375	327,638	2.9%	13,480	0.1%	3.0%	(1,579)	40,185	\$ 7.64
Submarket Total	279	18,057,211	1,572,459	8.7%	13,480	0.1%	8.8%	(1,100,391)	(1,020,695)	\$ 6.00
33RD STREET										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 5.50
Flex	33	935,758	32,520	3.5%	0	0.0%	3.5%	5,669	30,774	\$ 11.06
Office/Warehouse	85	3,913,787	236,528	6.0%	25,532	0.7%	6.7%	59,315	145,049	\$ 8.66
Submarket Total	121	5,105,703	269,048	5.3%	25,532	0.5%	5.8%	64,984	175,823	\$ 8.95
NORTH CENTRAL										
Flex	46	1,305,256	98,923	7.6%	2,000	0.2%	7.7%	(6,107)	24,886	\$ 10.20
Manufacturing	12	535,289	90,277	16.9%	0	0.0%	16.9%	19,552	52,952	\$ 9.63
Office/Warehouse	52	1,924,152	41,869	2.2%	0	0.0%	2.2%	35,596	97,346	\$ 8.77
Submarket Total	110	3,764,697	231,069	6.1%	2,000	0.1%	6.2%	49,041	175,184	\$ 9.72
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	12	1,625,488	255,016	15.7%	0	0.0%	15.7%	63,879	63,879	\$ 5.50
Flex	64	2,497,819	268,417	10.7%	8,405	0.3%	11.1%	(10,345)	20,188	\$ 8.77
Manufacturing	54	3,051,660	13,259	0.4%	0	0.0%	0.4%	51,237	56,239	\$ 12.00
Office/Warehouse	191	8,042,981	347,078	4.3%	0	0.0%	4.3%	20,404	(21,012)	\$ 7.86
Submarket Total	321	15,217,948	883,770	5.8%	8,405	0.1%	5.9%	125,175	119,294	\$ 7.52
CENTRAL ORLANDO										
Flex	17	637,437	4,000	0.6%	0	0.0%	0.6%	(2,800)	0	\$ 7.15
Manufacturing	19	1,210,447	0	0.0%	0	0.0%	0.0%	0	0	\$ 7.25
Office/Warehouse	103	4,435,803	240,659	5.4%	21,004	0.5%	5.9%	(3,329)	0	\$ 7.11
Submarket Total	139	6,283,687	244,659	3.9%	21,004	0.3%	4.2%	(6,129)	(13,357)	\$ 7.11
EAST SIDE / UNIVERSITY										
Bulk/Distribution	2	399,818	0	0.0%	0	0.0%	0.0%	0	0	\$ 5.25
Flex	41	1,949,834	294,027	15.1%	42,363	2.2%	17.3%	(9,063)	(13,717)	\$ 13.85
Manufacturing	14	627,131	0	0.0%	0	0.0%	0.0%	0	0	\$ 6.25
Office/Warehouse	69	2,864,146	127,787	4.5%	0	0.0%	4.5%	2,124	(13,476)	\$ 4.67
Submarket Total	126	5,840,929	421,814	7.2%	42,363	0.7%	7.9%	(6,939)	(27,193)	\$ 11.07
AIRPORT / SOUTHEAST										
Bulk/Distribution	101	18,896,690	1,613,603	8.5%	193,968	1.0%	9.6%	19,773	37,526	\$ 5.57
Flex	77	3,617,223	360,032	10.0%	7,627	0.2%	10.2%	(16,429)	39,845	\$ 11.61
Office/Warehouse	280	18,775,177	554,878	3.0%	3,000	0.0%	3.0%	304,562	268,546	\$ 7.85
Submarket Total	458	41,289,090	2,528,513	6.1%	204,595	0.5%	6.6%	307,906	345,917	\$ 6.93
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,596,685	306,802	3.6%	16,000	0.2%	3.8%	266,564	273,390	\$ 3.02
Flex	43	2,134,756	97,984	4.6%	0	0.0%	4.6%	(11,640)	4	\$ 9.03
Office/Warehouse	85	5,251,614	26,832	0.5%	0	0.0%	0.5%	(21,165)	17,295	\$ 8.46
Submarket Total	183	15,983,055	431,618	2.7%	16,000	0.1%	2.8%	233,759	290,689	\$ 4.72
SOUTHWEST										
Bulk/Distribution	17	2,627,405	46,002	1.8%	36,921	1.4%	3.2%	99,496	163,296	\$ 13.89
Flex	16	985,965	66,670	6.8%	0	0.0%	6.8%	(8,135)	(5,951)	\$ 16.32
Office/Warehouse	41	3,309,805	75,170	2.3%	0	0.0%	2.3%	(4,800)	4,200	\$ 7.30
Submarket Total	74	6,923,175	187,842	2.7%	36,921	0.5%	3.2%	86,561	161,545	\$ 12.11
TOTAL FLEX	387	16,077,171	1,332,125	8.3%	67,895	0.4%	8.7%	(65,716)	114,395	\$ 11.21
TOTAL BULK/DISTRIBUTION	227	38,320,855	3,518,688	9.2%	246,889	0.6%	9.8%	(183,198)	(94,819)	\$ 5.35
TOTAL MANUFACTURING	139	8,434,846	133,308	1.6%	0	0.0%	1.6%	366,389	410,491	\$ 9.39
TOTAL OFFICE/WAREHOUSE	1134	65,564,818	2,053,453	3.1%	63,016	0.1%	3.2%	450,331	669,576	\$ 7.63
TOTAL INDUSTRIAL SPACE	1500	112,320,519	5,705,449	5.1%	309,905	0.28%	5.4%	633,522	985,248	\$ 7.46
TOTAL MARKET	1,887	128,397,690	7,037,574	5.5%	377,800	0.3%	5.8%	567,806	1,099,643	\$7.20

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

***Please see comments on first page under "What You Should Know"

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