

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

Despite continued instability and uncertainty, the third quarter industrial market continued its positive push upwards, all of this despite headwinds and political mania that has occurred in our country. With no end in sight for the United States trade war with China and other associated gibberish not worth lamenting, the economy seems to have become anesthetized to media hysteria, producing solid absorption numbers and increased sales. With net absorption 24 percent higher than the second quarter, and sales volume 33 percent higher than the second quarter, things look to be trending fine. Supply is relatively in check with demand and we are not seeing overbuilding concerns. As we conclude the third quarter and look towards the fourth quarter, we remain optimistic and believe the year will end strongly, although not quite at the level of 2018.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- Total market vacancy dropped another 0.1 percent to 5.7 percent.
- All Central Florida submarkets are posting less than an 8.8 percent total vacancy rate.
- An additional 728,526 square feet of positive absorption this quarter brought the total absorption for the year to 1,828,169 square feet.
- The construction pipeline slowed down slightly this quarter with 4.5 million square feet underway versus 5.4 million square feet last quarter.
- A total of 1,150,715 square feet was delivered this quarter, bringing the total market square footage we track to 129,351,644 square feet.
- There were 24 building sales this quarter totaling \$97.3 million. The 1,114,781 square feet sold had an average sales price of \$87.34 per square foot.

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:

	2Q-19	3Q-19
Flex	\$11.21	\$10.17
Bulk/Distribution	\$5.35	\$5.72
Manufacturing	\$5.76	\$5.52
Office/Warehouse	\$7.63	\$7.58
Total Market	\$7.20	\$6.83

Comparison of Market Vacancy:

	2Q-19	3Q-19
Direct	5.5%	5.4%
Sublet	0.3%	0.3%
Total Market	5.8%	5.7%

Comparison of Absorption in SF:

	2Q-19	3Q-19
Quarterly Amount	567,806	728,526
Year-to-date	1,099,643	1,828,169

Construction Pipeline: 20,000SF+

	2Q-19	3Q-19
U/C (speculative & BTS)	5,441,747	4,532,066
Buildings Delivered	706,914	1,150,715

Building Sales:

	2Q-19	3Q-19
For the quarter	\$64.6M	\$97.3M
Avg Price PSF	\$80.59	\$87.34

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QUARTER IN REVIEW

Despite what felt like a quiet quarter, the third quarter of 2019 had strong leasing activity that pushed the total market vacancy down by another 0.1 percent to 5.7 percent. All ten of the Central Florida submarkets we track are now below 8.8 percent total vacancy - a low we have not seen since 2005. With only 107,510 square feet available out of the 6.2 million square feet of inventory, the Central Orlando submarket had the lowest vacancy rate at 1.7 percent. Following closely behind is the Southwest submarket with a 2.5 percent vacancy rate and only 121,870 square feet available in its 3.9 million square feet of inventory. The Silver Star submarket has the highest vacancy rate at 8.8 percent, largely due to the still vacant Winn Dixie building totaling 1,086,384 square feet.

There was positive absorption this quarter of 728,526 square feet bringing the year to date absorption up to 1.8 million square feet. Eight of the ten submarkets we track had positive absorption with the Longwood/Lake Mary/Sanford submarket at the top with 250,418 square feet, including a new 149,000 square foot lease on Lake Emma Road. The Airport/Southeast submarket followed closely behind with 240,689 square feet, which included 105,000 square feet leased by Home Depot, alongside 6 other leases over 20,000 square feet.

Building sales totaled 24 this quarter with 3 in Seminole County and 21 in Orange County. Total square footage of 1,114,781 brought in \$97.3 million in sales, for an average sales price of \$87.34. Building sales have been slower in 2019 than in the last three years, however, the average sales price per square foot has steadily increased.

There is currently 3,486,276 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
- EastGroup's Horizon Commerce Center VIII with 101,791 square feet and IX 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
- Liberty's building on Florida Crown Drive totaling 260,000 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 #300 with 405,596 square feet
- McDonald Development's Sand Lake 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' Airport Park #200 totaling 383,616 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

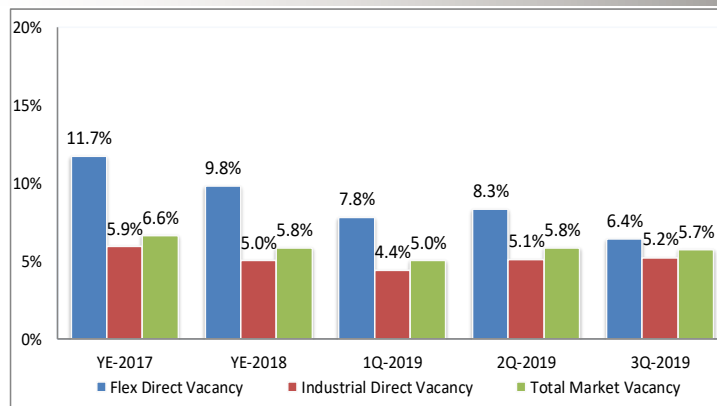
There is currently 1,045,790 square feet of build-to-suit construction underway. This include:

- 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 Fasteners 113,000 square feet in Sanford
- McCraney's Infinity Park #700 for LaserShip with 98,000 square feet
- Prologis' Beltway Commerce Center #500 with 105,500 square feet

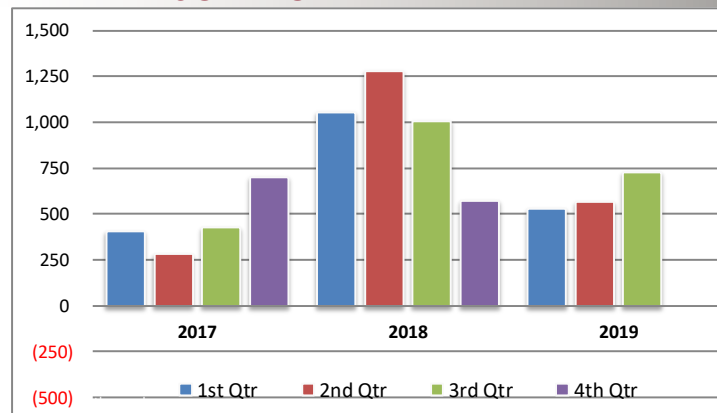
A total of 1,150,715 square feet was delivered this quarter:

- Colony's Beltway Commerce Center buildings - #1000 totaling 240,068 square feet and #2000 totaling 324,440 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
- JLL's Park 429 #500 totaling 65,012 square feet
- Dalfen Industrial's Hoffner Fulfillment Center #100 totaling 88,414 square feet and #200 totaling 44,919 square feet
- McCraney's Distribution 429 #100 with 104,950 square feet

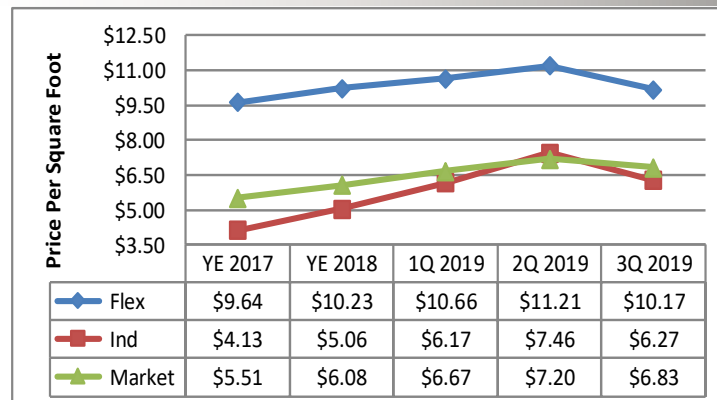
VACANCY



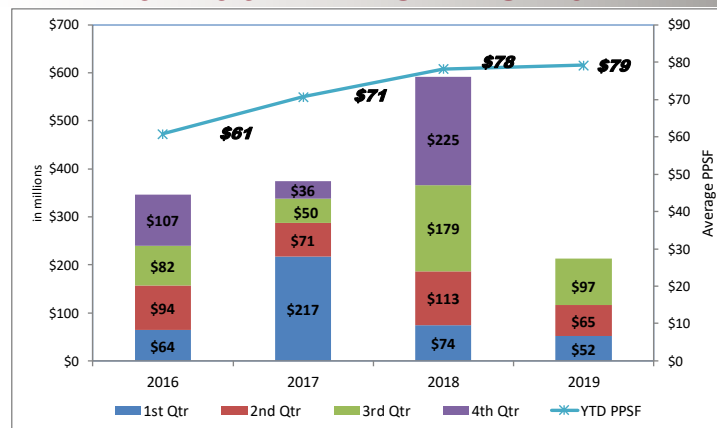
ABSORPTION



RENTAL RATES



SALES & AVERAGE PRICE PSF




QUARTER IN REVIEW

Q3 2019

TOP THIRD QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
2452 Lake Emma Road	Alliance Building Supply	149,000	Longwood/Lake Mary/Sanford	New
Vista East Parkway	Home Depot	105,000	Airport/Southeast	New
North Port Industrial Park	Undisclosed	75,403	Longwood/Lake Mary/Sanford	New
Lee Vista Business Center, Bldg. G 7455 Emerald Dunes 	Undisclosed	34,242	Airport/Southeast	New
9901 Satellite Boulevard	FS Florida (Carpet One)	33,699	Airport/Southeast	New
7510 Presidents Drive	Tradeshow Supply	28,800	OCP	New
Lee Vista Business Center, Bldg. G 7455 Emerald Dunes 	McCollisters Transportation Systems	27,842	Airport/Southeast	New
4670 LB McLeod	Hemani	25,000	33rd Street	New
6210 Hoffner Avenue	Momentum Solar	23,992	Airport/Southeast	New
Distribution 429 #100 540 Logistics Lane 	Winn Supply	23,156	Northwest	New
1031 Crews Commerce	Quality Furniture	21,030	Airport/Southeast	New
3122 Shader Road	1-800-Radiator	20,162	SilverStar	New
Lee Vista Business Center, Bldg. G 7455 Emerald Dunes 	MSC	19,200	Airport/Southeast	New
4600 36th Street	Vivint	18,940	33rd Street	New
6210 Hoffner Avenue	Thomas Reprographics	16,090	Airport/Southeast	New

TOP THIRD QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
Beltway Commerce Center Bldgs. 1000 & 2000 8000 & 8050 Vista Reserve	Airport/Southeast	564,508	Colony Capital	Taurus	\$42,400,000	\$75.11
Winter Garden Commerce Center 661,681 & 691 Garden Commerce Parkway	Northwest	140,929	KKR	WGCC Properties LLC	\$21,620,000	\$153.41
438 W. Kaley Avenue	Central	44,000	One Pulse Foundation, Inc.	VF Investors LLP	\$3,696,000	\$84.00
6448 Pinecastle Boulevard 	Airport/Southeast	41,200	6448 Pinecastle Investors LLC	Joepat LLC	\$3,450,000	\$83.74
3609 Old Winter Garden Road	Central	33,832	OWG Industrial LLC	Young Trust	\$1,800,000	\$53.20
3024 Shader Road	Silver Star	31,399	AIC Income Fund Shader LLC	LA Industrial Inc.	\$2,050,000	\$65.29
808 W. Washington Street	Central	25,344	Cowherd Realty	808 E Washington St LLC	\$1,475,000	\$58.20
460-466 W. SR 434	Longwood	21,000	Nicolas Canal Company LLC	LBJ Development LLC	\$1,040,000	\$49.52
1815 S. Division Avenue	Central	18,868	415 Kaley LLC	Park Avenue North Ltd	\$1,611,000	\$85.38
613-617 W. Central	Central	16,215	Central City Station LLC	W Central LLC	\$2,600,000	\$160.35
2500 Dinneen Avenue	Silver Star	16,000	EM Studios Inc	Tuan Mai & Binh Nguyen	\$800,000	\$50.00
500 Plumosa Avenue	Altamonte Springs	15,573	Jamie Hurtado	DSS Plumosa LLC	\$875,000	\$56.19
6848 Stapoint Court	Eastside/University	15,470	Meister Holdings LLC	Erlanger Marketing LLC	\$1,500,000	\$96.96

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	22	2,525,561	291,970	11.6%	0	0.0%	11.6%	23,156	496,792	\$ 5.13
Flex	19	653,790	28,404	4.3%	7,500	1.1%	5.5%	10,500	(1,500)	\$ 7.18
Manufacturing	18	1,080,828	7,700	0.7%	0	0.0%	0.7%	0	290,000	\$ 5.99
Office/Warehouse	99	5,841,978	44,672	0.8%	36,016	0.6%	1.4%	6,904	147,704	\$ 7.53
Submarket Total	158	10,102,157	372,746	3.7%	43,516	0.4%	4.1%	40,560	932,996	\$ 5.59
SILVER STAR										
Bulk/Distribution	17	3,563,012	1,131,939	31.8%	0	0.0%	31.8%	20,162	(1,086,384)	\$ 8.87
Flex	31	1,359,333	83,737	6.2%	0	0.0%	6.2%	(13,089)	21,277	\$ 9.49
Manufacturing	22	1,929,491	0	0.0%	0	0.0%	0.0%	0	11,300	\$ 8.00
Office/Warehouse	211	11,390,383	370,418	3.3%	21,480	0.2%	3.4%	133,248	173,433	\$ 7.66
Submarket Total	281	18,242,219	1,586,094	8.7%	21,480	0.1%	8.8%	140,321	(880,374)	\$ 8.62
33RD STREET										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 5.50
Flex	33	935,758	39,608	4.2%	0	0.0%	4.2%	(7,088)	23,686	\$ 11.50
Office/Warehouse	85	3,913,787	108,764	2.8%	9,816	0.3%	3.0%	53,797	198,846	\$ 6.59
Submarket Total	121	5,105,703	148,372	2.9%	9,816	0.2%	3.1%	46,709	222,532	\$ 7.90
NORTH CENTRAL										
Flex	46	1,305,256	98,323	7.5%	0	0.0%	7.5%	600	25,486	\$ 10.21
Manufacturing	12	535,289	28,123	5.3%	0	0.0%	5.3%	0	52,952	\$ 4.51
Office/Warehouse	51	1,813,514	22,444	1.2%	2,967	0.2%	1.4%	100	97,446	\$ 9.50
Submarket Total	109	3,654,059	148,890	4.1%	2,967	0.1%	4.2%	700	175,884	\$ 9.02
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	12	1,625,488	106,016	6.5%	0	0.0%	6.5%	149,000	212,879	\$ 5.50
Flex	64	2,497,819	208,935	8.4%	5,155	0.2%	8.6%	22,658	42,846	\$ 9.81
Manufacturing	54	3,051,660	122,024	4.0%	0	0.0%	4.0%	(765)	55,474	\$ 5.77
Office/Warehouse	192	8,153,619	262,413	3.2%	12,250	0.2%	3.4%	79,525	58,513	\$ 7.80
Submarket Total	322	15,328,586	699,388	4.6%	17,405	0.1%	4.7%	250,418	369,712	\$ 7.69
CENTRAL ORLANDO										
Flex	17	637,437	2,000	0.3%	0	0.0%	0.3%	2,000	0	\$ 7.30
Manufacturing	19	1,210,447	2,696	0.2%	0	0.0%	0.2%	(2,696)	0	\$ 10.00
Office/Warehouse	102	4,418,797	102,814	2.3%	0	0.0%	2.3%	41,498	0	\$ 7.72
Submarket Total	138	6,266,681	107,510	1.7%	0	0.0%	1.7%	40,802	27,445	\$ 7.77
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	156,580	8.3%	46,683	2.5%	10.7%	2,091	(11,626)	\$ 13.58
Manufacturing	14	627,131	1,875	0.3%	0	0.0%	0.3%	(1,875)	(1,875)	\$ 10.05
Office/Warehouse	69	2,864,146	88,575	3.1%	0	0.0%	3.1%	(588)	(14,064)	\$ 7.38
Submarket Total	125	5,785,029	247,030	4.3%	46,683	0.8%	5.1%	(372)	(27,565)	\$ 11.33
AIRPORT / SOUTHEAST										
Bulk/Distribution	104	19,566,854	2,083,636	10.6%	108,566	0.6%	11.2%	200,131	237,657	\$ 3.97
Flex	77	3,617,223	327,304	9.0%	7,627	0.2%	9.3%	6,853	46,698	\$ 8.56
Office/Warehouse	282	18,908,510	665,274	3.5%	63,086	0.3%	3.9%	33,705	302,251	\$ 7.22
Submarket Total	463	42,092,587	3,076,214	7.3%	179,279	0.4%	7.7%	240,689	586,606	\$ 5.16
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,596,685	360,065	4.2%	16,000	0.2%	4.4%	(53,263)	220,127	\$ 5.40
Flex	42	2,003,149	67,824	3.4%	0	0.0%	3.4%	(472)	(468)	\$ 11.30
Office/Warehouse	85	5,251,614	23,070	0.4%	25,550	0.5%	0.9%	3,762	21,057	\$ 9.04
Submarket Total	182	15,851,448	450,959	2.8%	41,550	0.3%	3.1%	(49,973)	240,716	\$ 6.47
SOUTHWEST										
Bulk/Distribution	17	2,627,405	46,002	1.8%	36,921	1.4%	3.2%	0	163,296	\$ 13.89
Flex	16	985,965	11,718	1.2%	12,419	1.3%	2.4%	7,652	1,701	\$ 17.20
Office/Warehouse	41	3,309,805	64,150	1.9%	0	0.0%	1.9%	11,020	15,220	\$ 9.06
Submarket Total	74	6,923,175	121,870	1.8%	49,340	0.7%	2.5%	18,672	180,217	\$ 11.67
TOTAL FLEX	385	15,889,664	1,024,433	6.4%	79,384	0.5%	6.9%	31,705	146,100	\$ 10.17
TOTAL BULK/DISTRIBUTION	232	39,160,981	4,019,628	10.3%	161,487	0.4%	10.7%	339,186	244,367	\$ 5.72
TOTAL MANUFACTURING	139	8,434,846	162,418	1.9%	0	0.0%	1.9%	(5,336)	405,155	\$ 5.52
TOTAL OFFICE/WAREHOUSE	1217	65,866,153	1,752,594	2.7%	171,165	0.3%	2.9%	362,971	1,032,547	\$ 7.53
TOTAL INDUSTRIAL SPACE	1588	113,461,980	5,934,640	5.2%	332,652	0.29%	5.5%	696,821	1,682,069	\$ 6.25
TOTAL MARKET	1,973	129,351,644	6,959,073	5.4%	412,036	0.3%	5.7%	728,526	1,828,169	\$ 6.83

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