

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As we conclude the fourth quarter of 2019, the Central Florida Industrial Market ended the year like a tired marathon runner ends their race. After 7 years of record breaking robust activity, the leasing activity lost its steam, but managed to finish the year in positive territory with moderate absorption. Overall deal activity was incredibly light. Digging deeper into our data though, it appears that this was just a market nuance and not foreshadowing of a market turning downward. Although vacancy rates inched up for the first time in 6 years, this was due to new speculative deliveries and weak leasing activity in the fourth quarter. There was just over 2 million square feet absorbed for the year and 3.3 million square feet of new deliveries. Supply is diminishing as land is increasingly becoming scarce and new speculative construction is also diminishing which is good. Sales were moderately lower which was expected. Overall, 2019 will go down in the books as a solid year for the market. Looking forward, we anticipate high leasing volume in the first and second quarter of 2020 and diminished activity for the remainder of the year pending the presidential election results.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- There was 209,492 square feet of positive absorption this quarter bringing the total absorption for 2019 to 2,037,661 square feet.
- Total market vacancy rose by .4 percent from the previous quarter - a direct result of the delivery of several spec buildings at the same time that many new large vacancies became available.
- There was 529,000 square feet of new spec product delivered this quarter.
- The construction pipeline remains strong with 3.8 million square feet under way.
- Orange and Seminole county had 20 building sales this quarter totaling \$62 million. Total building sales for 2019 was \$275 million.

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 1,975 buildings in Orange and Seminole County which total approximately 130 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:		
	3Q-19	4Q-19
Flex	\$10.17	\$10.91
Bulk/Distribution	\$5.72	\$6.55
Manufacturing	\$5.52	\$5.47
Office/Warehouse	\$7.58	\$7.65
Total Market	\$6.83	\$7.46

Comparison of Market Vacancy:		
	3Q-19	4Q-19
Direct	5.4%	5.8%
Sublet	0.3%	0.4%
Total Market	5.7%	6.1%

Comparison of Absorption in SF:		
	3Q-19	4Q-19
Quarterly Amount	728,526	209,492
Year-To-Date	1,828,169	2,037,661

Construction Pipeline: 20,000SF+		
	3Q-19	4Q-19
U/C (speculative & BTS)	4,532,066	3,849,508
Delivered (by qtr)	1,150,715	529,000
Delivered YTD	2,182,135	3,311,195

Building Sales:		
	3Q-19	4Q-19
Quarterly Total	\$97.3M	\$62M
Average Price PSF	\$87.34	\$85.99

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QUARTER IN REVIEW

The Central Florida industrial market had positive absorption of 209,492 square feet this quarter, bringing the year to date absorption to 2,037,661 square feet. The delivery of 529,000 square feet of spec product coupled with new vacancies offset the moderate leasing activity this quarter. Six of the ten submarkets we track had positive absorption this quarter. The Northwest submarket had the highest absorption with 137,441 square feet made up primarily of 3 bulk product leases. The Airport/Southeast submarket followed with 105,698 square feet of positive absorption and several new leases.

Total market vacancy rose slightly from the third quarter from 5.7 to 6.1 percent. This is tied to sublet space increasing by .1 percent, the new inventory delivered and additional vacancies across the market. Manufacturing and office/warehouse space continue to post the lowest total vacancies with 2.2 and 3.4 percent. We continue to see all submarkets posting less than 10 percent total vacancy rates with the highest being 9.3 percent in the Silver Star submarket and the lowest of 2.8 percent in the Central Orlando submarket.

Average asking rental rates stayed relatively the same by product type but the overall average increased by \$.63 per square foot.

There were 20 building sales in Orange and Seminole counties totaling \$62 million. The 725,018 square feet of buildings sold had an average sales price of \$85.99 per square foot. Total building sales for 2019 were \$275 million with an overall average sales price of \$80.62 per square foot.

There is currently 3,032,008 square feet of speculative development under construction or imminent. These buildings include:

- Blue Scope's building in Sanford totaling 113,150 square feet
- JLL's three buildings totaling 111,980 square feet on Silver Star Road
- 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 two buildings at Infinity Park - #500 & #600 each totaling 115,500 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
- Prologis' Airport Park #200 totaling 379,176 square feet
- Prologis' ADC North Building F with 103,312 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
- Seefried's Narcoossee Logistics Center building #1 with 160,000 square feet and building #2 with 120,000 square feet

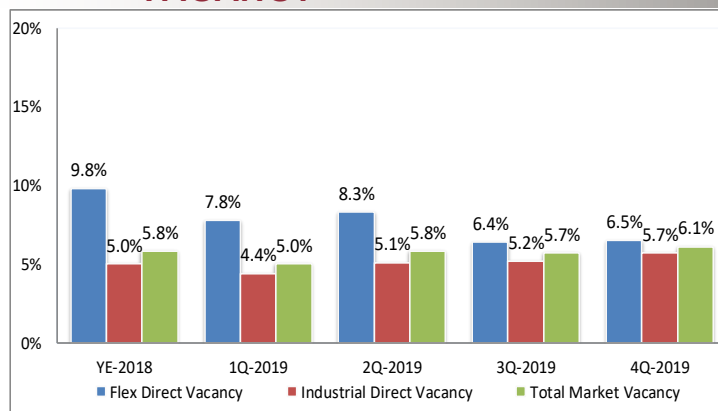
There is currently 817,500 square feet of build-to-suit construction underway. This include:

- Coca Cola's 290,000 square foot building in Apopka
- GOYA's 324,000 square foot building in Apopka
- LaserShip at Infinity Park #700 for LaserShip with 98,000 square feet
- Home Depot at Beltway Commerce Center #500 with 105,500 square feet

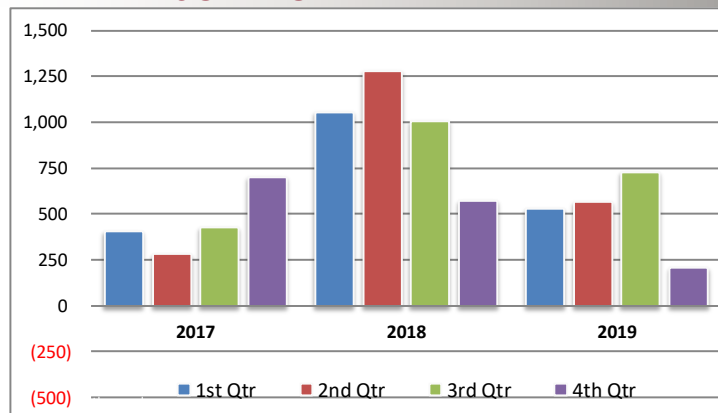
A total of 529,000 square feet was delivered this quarter:

- Amazon's 115,290 square foot building on Rio Grande
- McCraney's Infinity Park buildings #100 & #200 each totaling 98,864 square feet
- EastGroup's Horizon Commerce Center VIII with 101,791 square feet and IX with 114,191 square feet

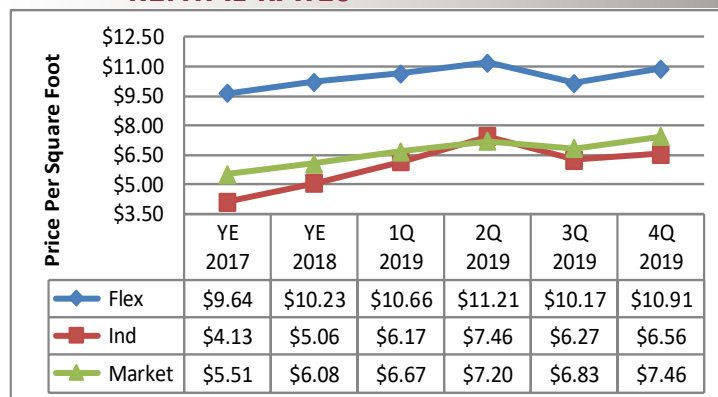
VACANCY



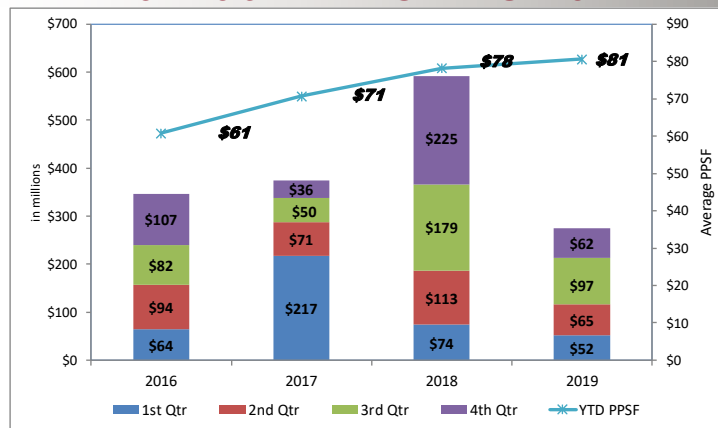
ABSORPTION



RENTAL RATES



SALES & AVERAGE PRICE PSF




QUARTER IN REVIEW

Q4 2019

TOP FOURTH QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Air Commerce Park, Phase II, Bldg. 1 9629 Air Commerce Park	CDS Logistics	77,101	Airport/Southeast	New
The Park at 429, Bldg. 500 857 East Crown Point Road	Rumble On	65,012	Northwest	New
Infinity Park, Bldg. 600 2716 Consulate Drive	Frito Lay	58,141	Airport/Southeast	New
LeeVista Business Center, Bldg. D 7443 Emerald Dunes Drive 	Timberlake	53,250	Airport/Southeast	New/Renewal
Center of Commerce, Bldg. 908 3019 Mercy Drive 	CUES	53,200	SilverStar	Renewal
Distribution 429, Bldg. 100 540 Logistics Lane 	Ballistic Advantage	48,308	Northwest	New
6550 Hazeltine National Drive	Erickson	36,129	Airport/Southeast	New
Horizon VIII 8022 Horizon Park Drive	Unilumin	33,596	Airport/Southeast	New
Distribution 429, Bldg. 200 640 Ocoee Business Parkway 	Louis Berger	25,480	Northwest	New
3057 Tradeport Drive	Design Manufacturing Installation	24,945	Airport/Southeast	New
ADC North, Bldg. E 6843 South Conway Road 	3 Miracles Corporation	16,560	Airport/Southeast	New

TOP FOURTH QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
7466 Chancellor Drive	OCP	103,501	Riverbend Orlando Holdings I & II	Realty Associates Fund XI LP	\$10,150,000	\$98.07
10407 Rocket Blvd.	Airport/Southeast	100,000	Jazz USA LLC	McLane Industries Inc.	\$3,164,500	\$31.65
2290 Premier Row	OCP	99,500	900 Mulligan, LLC	DBRXR Orlando, LLC	\$8,300,000	\$83.42
8850 Trussway Blvd. 	Airport/Southeast	78,773	Lit Industrial Limited Partnership	BSR Investments Co.	\$4,350,000	\$55.22
2441 Viscount Row	OCP	58,054	Florida Commercial Awning Real Estate LLC	C and C Terra Orlando LLC	\$4,500,000	\$77.51
770 Gills Drive	Airport/Southeast	54,000	First Industrial LP	770 Gills Drive LLC	\$6,318,000	\$117.00
7460 Chancellor Drive	OCP	50,000	Legacy Chancellor LLC / Trilogy Chancellor LLC	Max King Realty LLC	\$3,900,000	\$78.00
3050 Technology Pkwy.	Eastside/University	33,928	Harrison Associates LLC	Technology One Equity LLC	\$7,550,000	\$222.53
501 Cornwall Road	Sanford	30,000	Buzzella World LLC	JL Hutch LLC	\$2,400,000	\$80.00
3004 Silver Star Road	Silver Star	25,110	BC Realty LLC	HHH Properties LLC	\$1,400,000	\$55.75
11236 Satellite Blvd.	Airport/Southeast	20,560	Mel Ventures Group LLC	Cwn Holdings - Satellite LLC	\$1,630,000	\$79.28
1227 S. Division Avenue	Central	18,290	Orlando Health Inc	Southern Bell Telephone & Telegraph	\$1,600,000	\$87.48
140 Candace Drive	North Central	12,000	Maitland Luxury Imports Inc.	Sibac Realty LLC	\$1,200,000	\$100.00

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	153,170	6.1%	0	0.0%	6.1%	138,800	635,592	\$ 7.02
Flex	19	653,790	30,279	4.6%	7,500	1.1%	5.8%	(1,875)	(3,375)	\$ 7.24
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	59,060	1.0%	36,016	0.6%	1.6%	516	148,220	\$ 9.47
Submarket Total	158	10,102,157	250,209	2.5%	43,516	0.4%	2.9%	137,441	1,070,437	\$ 7.59
SILVER STAR										
Bulk/Distribution	17	3,563,012	1,131,939	31.8%	0	0.0%	31.8%	0	(1,086,384)	\$ 8.87
Flex	31	1,359,333	95,433	7.0%	7,003	0.5%	7.5%	(11,696)	9,581	\$ 7.82
Manufacturing	22	1,929,491	33,394	1.7%	0	0.0%	1.7%	(33,394)	(22,094)	\$ 7.87
Office/Warehouse	211	11,390,383	414,193	3.6%	21,480	0.2%	3.8%	(13,775)	159,658	\$ 7.74
Submarket Total	281	18,242,219	1,674,959	9.2%	28,483	0.2%	9.3%	(58,865)	(939,239)	\$ 8.51
33RD STREET										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 5.50
Flex	33	935,758	49,789	5.3%	0	0.0%	5.3%	(10,181)	13,505	\$ 12.76
Office/Warehouse	84	3,869,105	134,598	3.5%	47,088	1.2%	4.7%	(25,834)	173,012	\$ 6.67
Submarket Total	120	5,061,021	184,387	3.6%	47,088	0.9%	4.6%	(36,015)	186,517	\$ 8.31
NORTH CENTRAL										
Flex	46	1,305,256	101,967	7.8%	0	0.0%	7.8%	(3,644)	21,842	\$ 10.33
Manufacturing	12	535,289	28,123	5.3%	0	0.0%	5.3%	0	52,952	\$ 4.51
Office/Warehouse	52	1,924,152	25,417	1.3%	2,967	0.2%	1.5%	(2,973)	94,473	\$ 9.30
Submarket Total	110	3,764,697	155,507	4.1%	2,967	0.1%	4.2%	(6,617)	169,267	\$ 9.11
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	13	1,738,638	162,517	9.3%	0	0.0%	9.3%	0	212,879	\$ 6.14
Flex	64	2,497,819	191,174	7.7%	0	0.0%	7.7%	17,761	60,607	\$ 9.50
Manufacturing	54	3,051,660	109,200	3.6%	0	0.0%	3.6%	12,824	68,298	\$ 5.04
Office/Warehouse	192	8,153,619	260,097	3.2%	0	0.0%	3.2%	2,316	60,829	\$ 7.30
Submarket Total	323	15,441,736	722,988	4.7%	0	0.0%	4.7%	32,901	402,613	\$ 7.28
CENTRAL ORLANDO										
Flex	17	637,437	3,600	0.6%	0	0.0%	0.6%	(1,600)	(3,600)	\$ 7.17
Manufacturing	19	1,210,447	2,696	0.2%	0	0.0%	0.2%	0	(2,696)	\$ 10.00
Office/Warehouse	101	4,385,454	169,386	3.9%	0	0.0%	3.9%	(66,572)	(34,431)	\$ 7.53
Submarket Total	137	6,233,338	175,682	2.8%	0	0.0%	2.8%	(68,172)	(40,727)	\$ 7.56
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	142,904	7.5%	46,683	2.5%	10.0%	13,676	2,050	\$ 12.67
Manufacturing	14	627,131	1,125	0.2%	0	0.0%	0.2%	750	(1,125)	\$ 10.05
Office/Warehouse	69	2,864,570	114,682	4.0%	12,960	0.5%	4.5%	(4,607)	(18,671)	\$ 7.41
Submarket Total	125	5,785,453	258,711	4.5%	59,643	1.0%	5.5%	9,819	(17,746)	\$ 10.33
AIRPORT / SOUTHEAST										
Bulk/Distribution	104	19,566,854	2,063,276	10.5%	108,566	0.6%	11.1%	3,800	241,457	\$ 5.53
Flex	77	3,617,223	331,359	9.2%	7,627	0.2%	9.4%	(10,398)	36,300	\$ 11.83
Office/Warehouse	284	19,124,492	768,960	4.0%	79,154	0.4%	4.4%	112,296	414,547	\$ 7.62
Submarket Total	465	42,308,569	3,163,595	7.5%	195,347	0.5%	7.9%	105,698	692,304	\$ 6.70
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,596,685	385,095	4.5%	37,142	0.4%	4.9%	(25,030)	195,097	\$ 5.40
Flex	42	2,003,149	66,307	3.3%	0	0.0%	3.3%	1,517	1,049	\$ 11.08
Office/Warehouse	86	5,366,904	69,717	1.3%	25,550	0.5%	1.8%	68,643	89,700	\$ 6.43
Submarket Total	183	15,966,738	521,119	3.3%	62,692	0.4%	3.7%	45,130	285,846	\$ 6.26
SOUTHWEST										
Bulk/Distribution	18	2,743,657	134,513	4.9%	36,921	1.3%	6.2%	27,741	191,037	\$ 6.08
Flex	16	985,965	15,299	1.6%	12,419	1.3%	2.8%	(3,581)	(1,880)	\$ 16.80
Office/Warehouse	43	3,507,119	237,452	6.8%	13,458	0.4%	7.2%	24,012	39,232	\$ 8.44
Submarket Total	77	7,236,741	387,264	5.4%	62,798	0.9%	6.2%	48,172	228,389	\$ 7.95
TOTAL FLEX	385	15,889,664	1,028,111	6.5%	81,232	0.5%	7.0%	(10,021)	136,079	\$ 10.91
TOTAL BULK/DISTRIBUTION	234	39,390,383	4,030,510	10.2%	182,629	0.5%	10.7%	145,311	389,678	\$ 6.55
TOTAL MANUFACTURING	139	8,434,846	182,238	2.2%	0	0.0%	2.2%	(19,820)	385,335	\$ 5.47
TOTAL OFFICE/WAREHOUSE	1221	66,427,776	2,253,562	3.4%	238,673	0.4%	3.8%	94,022	1,126,569	\$ 7.65
TOTAL INDUSTRIAL SPACE	1594	114,253,005	6,466,310	5.7%	421,302	0.37%	6.0%	219,513	1,901,582	\$ 6.56
TOTAL MARKET	1,979	130,142,669	7,494,421	5.8%	502,534	0.4%	6.1%	209,492	2,037,661	\$7.46

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