

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As we began the first quarter of 2020, the health of our market appeared to be, without question, on very solid ground. Sales and leasing activity resumed to a very healthy pace with leasing absorption up 300 percent over the fourth quarter numbers of 2019, and sales volume up 260 percent, respectively. Construction was commencing on an additional 2.65 million square feet of speculative buildings and by all accounts, the sky was blue. But far away in China, the COVID-19 virus was emerging and by the end of the first quarter, our blue sky was met with an economic hurricane which literally shut down all businesses in the United States, something unprecedented and an event that we hope to not go through again in our lifetime. This event made the future of our business less predictable as it affected every single individual, company and corporation in the world, from blue collar to billionaires. Everyone is in the same boat. While we are temporarily self-quarantined, looking forward, we believe we are one vaccine away from our world returning to a new normal, the like of which has yet to be defined. We believe one long term benefit for the industrial section will be that critical manufacturing will return to the United States. We are continuing to see demand from e-commerce and last mile distributors, although some are shorter term deals. Our outlook for the balance of 2020 remains guarded as we enter an election year, but we are hopeful that we can resume our work and sanity.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- There was 626,556 square feet of positive absorption in the first quarter of 2020, with the Longwood/Lake Mary/Sanford submarket at the top with 285,377 square feet.
- The addition of just over 1 million square feet of new inventory pushed the total vacancy rate up by .4 percent as most of it was spec space delivered without any preleasing.
- First quarter building sales were extremely high at \$163 million with 21 sales in Orange County and 3 in Seminole County.
- Construction remains strong with 3.2 million square feet of spec and build-to-suit product underway and nearly 1 million square feet more set to begin later this year.
- Rental rates continue to slowly increase with the first quarter posting an average asking rate of \$7.51 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 1,980 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:

	4Q-19	1Q-20
Flex	\$10.91	\$10.65
Bulk/Distribution	\$6.55	\$6.70
Manufacturing	\$5.47	\$5.54
Office/Warehouse	\$7.65	\$7.60
Total Market	\$7.46	\$7.51

Comparison of Market Vacancy:

	4Q-19	1Q-20
Direct	5.8%	6.0%
Sublet	0.4%	0.4%
Total Market	6.1%	6.4%

Comparison of Absorption in SF:

	4Q-19	1Q-20
Quarterly Amount	209,492	626,556
Year-To-Date	2,037,661	626,556

Construction Pipeline: 20,000SF+

	4Q-19	1Q-20
U/C (speculative & BTS)	3,849,508	3,273,330
Delivered (by qtr)	529,000	1,097,632
Delivered YTD	3,311,195	1,097,632

Building Sales:

	4Q-19	1Q-20
Quarterly Total	\$62M	\$163M
Average Price PSF	\$85.99	\$82.71

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QUARTER IN REVIEW

The Central Florida industrial market kicked off 2020 with 626,556 square feet of positive absorption. This is three times the absorption from the previous quarter but is in line with absorption numbers we saw for the first two quarters of 2019. Leasing activity has remained steady for the last 5 quarters, but not as robust as in 2018 where we hit nearly 1 million square feet of positive absorption for three of the four quarters. Seven of the ten submarkets we track had positive absorption with the Longwood/Lake Mary/Sanford submarket at the top with 285,377 square feet. Only three submarkets had negative absorption.

Total market vacancy rose by .4 percent from the previous quarter bringing it to 6.4 percent. This increase is due primarily to the 1 million square feet of new product delivered this quarter without much preleasing. All ten submarkets continue to have less than 10 percent vacancy with the Northwest submarket posting the lowest vacancy at 2.2 percent, followed closely by Central Orlando with 2.4 percent vacancy. Bulk/distribution product has the highest vacancy at 11.7 percent while manufacturing has the lowest vacancy at 2.1 percent.

Average asking market rental rates rose just slightly from the previous quarter to \$7.51 per square foot.

Building sales were very strong in the first quarter of 2020 with just over \$163 million in building sales. Orange County had 21 sales and Seminole had 3 sales totaling 1,974,598 square feet with an average sales price of \$82.71 per square foot. The two largest buildings that sold this quarter were 8201 Chancellor Drive with 713,585 square feet sold for \$41 million and 2560 W. Orange Blossom Trail with 500,000 square feet sold for \$25 million.

There is currently 2,659,330 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
- Lincoln's Oak Ridge Road building #100 with 295,600 square feet and #200 with 109,700 square feet
- McCraney's Distribution 429 #300 with 405,596 square feet
- Prologis' Airport Park #200 totaling 379,176 square feet
- Prologis' ADC North Building F with 103,312 square feet
- Prologis' building on Florida Crown Drive totaling 260,000 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 building #1 with 140,000 square feet, #2 with 75,200 square feet, and #3 with 56,200 square feet
- Seefried's Narcoossee Logistics Center building #1 with 160,000 square feet and building #2 with 120,000 square feet
- Taurus' Young Pine Road building with 108,200 square feet

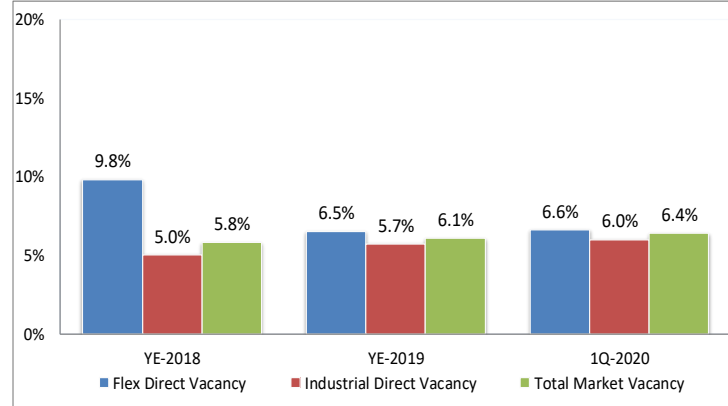
There is currently 614,000 square feet of build-to-suit construction underway. This include:

- Coca Cola's 290,000 square foot building in Apopka
- GOYA's 324,000 square foot building in Apopka

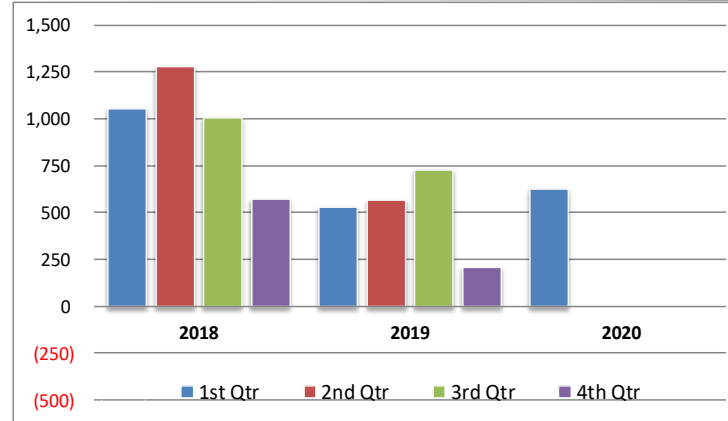
A total of 1,097,632 square feet was delivered this quarter:

- McDonald Development's Sand Lake Commerce Center building #100 with 151,838 square feet and #200 with 79,710 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
- Home Depot at Beltway Commerce Center #500 with 105,500 square feet
- McCraney's Infinity Park buildings #500 and #600 with 116,252 square feet each
- LaserShip at Infinity Park #700 for LaserShip with 98,000 square feet

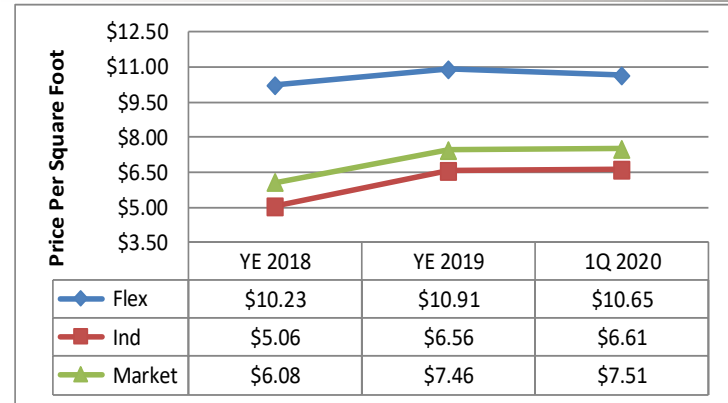
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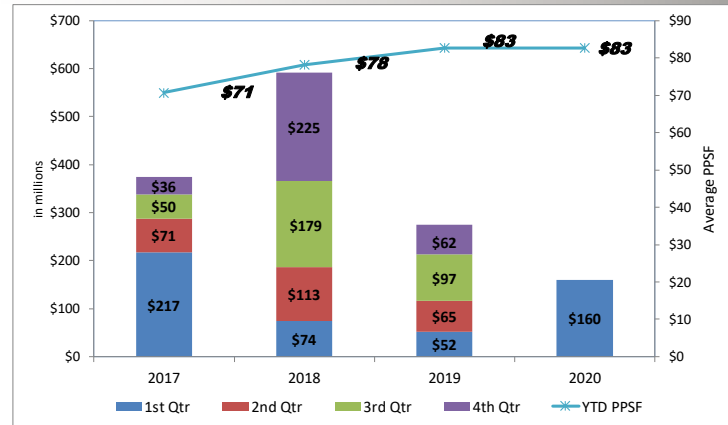
ABSORPTION



RENTAL RATES









SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q1 2020

TOP FIRST QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
Distribution 429, Bldg. 200 640 Ocoee Business Parkway 	Outdoor Lifestyle Manufacturer	119,684	Northwest	New
Airport Distribution Center VIII 9080 Boggy Creek Road 	MWI Veterinary Supply	59,456	Airport/Southeast	Expansion/ Renewal
Exchange Distribution Center I 7527 Exchange Drive 	Consolidated Electric Distributors	52,260	OCP	New
Crownpointe V 7320 Kingspointe Parkway 	Ally Building Solutions	46,002	Southwest	Expansion
6310 Hoffner Avenue	Beltmann Moving & Storage	44,919	Airport/Southeast	New
Presidents VI 7551 Presidents Drive 	Briggs Equipment	42,793	OCP	New
Infinity Park Bldg. 600 2612 Consulate Drive	Venture Flight Group	35,161	Southwest	New
Distribution 429, Bldg. 100 540 Logistics Lane 	Miner Dock	33,486	Northwest	New

TOP FIRST QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
8201 Chancellor Drive	OCP	713,585	PBV Logistics Center LLC	Allegra Orlando LLC	\$41,150,000	\$57.67
2560 W. Orange Blossom Trail	Northwest	500,000	MG88 Central Florida Cold Storage II LLC	Mid-Florida Freezer Properties LLC	\$25,000,000	\$50.00
1224 S. Orange Blossom Trail	Central	115,280	CPUS 1224 South Orange Blossom LP	HPC-Seefried Grande LLC	\$32,600,000	\$282.79
3220 Maggie Boulevard	33rd Street	108,000	Riverbend Orlando Holdings 111 LLC	Stanley B Hanin	\$7,900,000	\$73.15
7601 Kingspointe Parkway	OCP	101,844	Spirit Master Funding X LLC	Mac Papers Inc	\$9,200,000	\$90.33
6917 Presidents Drive	OCP	75,590	Clarion Partners	A-1 Moving & Storage Company Inc	\$8,750,000	\$115.76
170 Sunport Lane	Airport/Southeast	68,320	Griffin Industrial Realty	Precision Partners Ltd	\$5,650,000	\$82.70
7410 E Colonial Drive / 1620 N Goldenrod Road	Eastside/University	28,890	Ultra RE Holdings LLC	7410 Enterprises LLC	\$2,650,000	\$91.73
4420 N. Orange Blossom Trail	Northwest	24,000	4420 Properties LLC	Prisma Popreties LLC	\$3,060,000	\$127.50
11245 & 11301 Satellite Boulevard	Airport/Southeast	20,605	Spinco 11 LLC	Waycross Investments LLC	\$1,375,000	\$66.73
399 Central Florida Parkway	Airport/Southeast	19,600	399 Central Florida Parkway LLC	Rens Plumbing Inc.	\$1,700,000	\$86.73
1818 Atlanta Avenue	Central	18,330	415 Kaley LLC	Modern Welding Co of Florida Inc.	\$2,140,000	\$116.75
7200 Gardner Street	Eastside/University	17,478	Total Cool Air Conditioning & Parts Supplier Inc	James E Rose Industrial Center LLC	\$1,717,300	\$98.25



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	0	0.0%	0	0.0%	0.0%	153,170	153,170	\$ 5.99
Flex	19	653,790	29,904	4.6%	7,500	1.1%	5.7%	375	375	\$ 7.28
Manufacturing	18	1,080,828	7,700	0.7%	0	0.0%	0.7%	0	0	\$ 5.99
Office/Warehouse	99	5,841,978	136,287	2.3%	36,016	0.6%	2.9%	5,187	5,187	\$ 7.25
Submarket Total	158	10,102,157	173,891	1.7%	43,516	0.4%	2.2%	158,732	158,732	\$ 7.38
SILVER STAR										
Bulk/Distribution	17	3,563,012	1,089,139	30.6%	42,800	1.2%	31.8%	0	0	\$ 8.99
Flex	31	1,359,333	89,243	6.6%	7,003	0.5%	7.1%	6,190	6,190	\$ 8.13
Manufacturing	22	1,929,491	33,394	1.7%	0	0.0%	1.7%	0	0	\$ 7.87
Office/Warehouse	211	11,390,383	449,445	3.9%	21,480	0.2%	4.1%	(35,252)	(35,252)	\$ 7.58
Submarket Total	281	18,242,219	1,661,221	9.1%	71,283	0.4%	9.5%	(29,062)	(29,062)	\$ 8.54
33RD STREET										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 4.91
Flex	33	935,758	58,196	6.2%	0	0.0%	6.2%	(8,407)	(8,407)	\$ 11.24
Office/Warehouse	84	3,869,105	122,619	3.2%	24,096	0.6%	3.8%	11,979	11,979	\$ 6.94
Submarket Total	120	5,061,021	180,815	3.6%	24,096	0.5%	4.0%	3,572	3,572	\$ 11.21
NORTH CENTRAL										
Flex	46	1,305,256	110,517	8.5%	0	0.0%	8.5%	(8,550)	(8,550)	\$ 10.91
Manufacturing	12	535,289	28,123	5.3%	0	0.0%	5.3%	0	0	\$ 4.51
Office/Warehouse	52	1,924,152	26,290	1.4%	0	0.0%	1.4%	(873)	(873)	\$ 11.86
Submarket Total	110	3,764,697	164,930	4.4%	0	0.0%	4.4%	(9,423)	(9,423)	\$ 9.97
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	14	1,878,638	56,501	3.0%	0	0.0%	3.0%	246,016	246,016	\$ 7.35
Flex	64	2,497,819	230,287	9.2%	0	0.0%	9.2%	4,558	4,558	\$ 8.47
Manufacturing	54	3,051,660	108,000	3.5%	0	0.0%	3.5%	1,200	1,200	\$ 5.00
Office/Warehouse	193	8,209,819	298,421	3.6%	0	0.0%	3.6%	33,603	33,603	\$ 7.05
Submarket Total	325	15,637,936	693,209	4.4%	0	0.0%	4.4%	285,377	285,377	\$ 7.22
CENTRAL ORLANDO										
Flex	17	637,437	1,200	0.2%	0	0.0%	0.2%	2,400	2,400	\$ 7.50
Manufacturing	19	1,210,447	0	0.0%	0	0.0%	0.0%	2,696	2,696	\$ 10.00
Office/Warehouse	101	4,385,554	150,848	3.4%	0	0.0%	3.4%	(6,806)	(6,806)	\$ 7.65
Submarket Total	137	6,233,438	152,048	2.4%	0	0.0%	2.4%	(1,710)	(1,710)	\$ 7.80
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%	0	0	\$ 12.70
Manufacturing	14	627,131	1,125	0.2%	0	0.0%	0.2%	0	0	\$ 10.05
Office/Warehouse	69	2,864,570	106,700	3.7%	12,960	0.5%	4.2%	7,982	7,982	\$ 7.25
Submarket Total	125	5,785,453	250,729	4.3%	59,643	1.0%	5.4%	7,982	7,982	\$ 10.37
AIRPORT / SOUTHEAST										
Bulk/Distribution	108	20,147,847	2,752,147	13.7%	76,560	0.4%	14.0%	0	0	\$ 5.85
Flex	76	3,310,282	298,259	9.0%	14,827	0.4%	9.5%	25,315	25,315	\$ 12.07
Office/Warehouse	284	19,124,492	656,715	3.4%	91,184	0.5%	3.9%	129,813	129,813	\$ 7.67
Submarket Total	468	42,582,621	3,707,121	8.7%	182,571	0.4%	9.1%	155,128	155,128	\$ 6.68
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,596,685	457,607	5.3%	62,799	0.7%	6.1%	(72,512)	(72,512)	\$ 5.55
Flex	42	2,003,149	48,658	2.4%	0	0.0%	2.4%	17,649	17,649	\$ 10.28
Office/Warehouse	86	5,366,904	2,610	0.0%	25,550	0.5%	0.5%	67,107	67,107	\$ 16.00
Submarket Total	183	15,966,738	508,875	3.2%	88,349	0.6%	3.7%	12,244	12,244	\$ 6.05
SOUTHWEST										
Bulk/Distribution	19	2,859,909	139,202	4.9%	36,921	1.3%	6.2%	111,563	111,563	\$ 9.16
Flex	16	985,965	18,863	1.9%	0	0.0%	1.9%	(3,564)	(3,564)	\$ 14.47
Office/Warehouse	43	3,507,119	252,509	7.2%	0	0.0%	7.2%	(64,283)	(64,283)	\$ 8.16
Submarket Total	78	7,352,993	410,574	5.6%	36,921	0.5%	6.1%	43,716	43,716	\$ 8.79
TOTAL FLEX	384	15,582,723	1,028,031	6.6%	76,013	0.5%	7.1%	35,966	35,966	\$ 10.65
TOTAL BULK/DISTRIBUTION	240	40,227,628	4,494,596	11.2%	219,080	0.5%	11.7%	438,237	438,237	\$ 6.70
TOTAL MANUFACTURING	139	8,434,846	178,342	2.1%	0	0.0%	2.1%	3,896	3,896	\$ 5.54
TOTAL OFFICE/WAREHOUSE	1222	66,484,076	2,202,444	3.3%	211,286	0.3%	3.6%	148,457	148,457	\$ 7.60
TOTAL INDUSTRIAL SPACE	1601	115,146,550	6,875,382	6.0%	430,366	0.37%	6.3%	590,590	590,590	\$ 6.61
TOTAL MARKET	1,985	130,729,273	7,903,413	6.0%	506,379	0.4%	6.4%	626,556	626,556	\$7.51

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