

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As with any election year, we expect deal activity to diminish as very divergent paths emerge on policy which will effect virtually all business types. This has held true every election year but 2020. With COVID taking center stage in the world, and more people changing their shopping habits, e-commerce continues to expand rapidly, while the rest of the industries are just trying to stay afloat during the pandemic. This year alone in Orange County, Amazon has leased over 1.85 million square feet, single handedly keeping our market positive. The other non e-commerce companies have struggled this year, especially theme park related companies, food services groups, and convention service related companies. Of the leasing activity we had in the third quarter, 80 percent of the total activity was in South Orlando, and of the top 13 largest deals, 61 percent of them went into new construction. Vacancies were dominated by the 20,000 to 40,000 square foot range, and while absorption was minimal, mirroring the second quarter, when you strip away the Amazon leases, the market total for the year has remained in positive territory. However, looking towards the fourth quarter, we anticipate strong leasing, perhaps in excess of 1,000,000 square feet. If this were to occur, the demand will exceed supply delivered in 2020, which would be incredible.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- Total market absorption was down by nearly 1 million square feet from the previous quarter due to decreased leasing activity across all submarkets and building types.
- Total square footage under construction was down slightly this quarter, however, there is nearly 2 million square feet of proposed developments in the pipeline.
- Total market vacancy increased by .8 percent this quarter due to the delivery of over 1 million square feet of new inventory and several large vacancies in the market, alongside an increase of .3 percent in new sublet space.
- Total building sale volume was more than double the previous quarter at \$133 million and an average sales price of \$105.64.
- Asking market rental rates continue to remain consistent with what we have seen for the last seven quarters.

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 131 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-20 | 3Q-20 |
| Flex | \$11.09 | \$10.81 |
| Bulk/Distribution | \$6.25 | \$6.25 |
| Manufacturing | \$5.93 | \$5.44 |
| Office/Warehouse | \$6.99 | \$7.17 |
| Total Market | \$7.45 | \$7.26 |

| Comparison of Market Vacancy: | | |
|--------------------------------------|-------------|-------------|
| | 2Q-20 | 3Q-20 |
| Direct | 5.5% | 6.0% |
| Sublet | 0.4% | 0.7% |
| Total Market | 5.9% | 6.7% |

| Comparison of Absorption in SF: | | |
|--|-----------|-----------|
| | 2Q-20 | 3Q-20 |
| Quarterly Amount | 1,288,666 | 268,309 |
| Year-To-Date | 1,915,222 | 2,183,531 |

| Construction Pipeline: 20,000SF+ | | |
|---|-----------|-----------|
| | 2Q-20 | 3Q-20 |
| U/C (speculative & BTS) | 3,219,144 | 2,866,925 |
| Delivered (by qtr) | 446,346 | 1,485,647 |
| Delivered YTD | 1,543,978 | 3,029,625 |

| Building Sales: | | |
|------------------------|---------|----------|
| | 2Q-20 | 3Q-20 |
| Quarterly Total | \$61M | \$133M |
| Average Price PSF | \$95.67 | \$105.64 |

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QUARTER IN REVIEW

Total Central Florida market absorption of just 268,309 square feet this quarter represents the market's unusually slow pace this year likely attributable to the effects of COVID-19 on the economy and an election year. Similar to the previous quarter, the majority of positive absorption was made up by a single lease. This quarter it was a one year lease totaling 292,000 square feet in the Airport/Southeast submarket. This lease helped offset the addition of 250,000 square feet of new spec space delivered this quarter to the same submarket. Only half of the submarkets had positive absorption this quarter, with the Southwest submarket at the top with 274,134 square feet, made up primarily of new leases at Infinity Park. The OCP submarket came in last with (194,024) square feet of absorption, a result of several new vacancies over 20,000 square feet coming back to the market.

The total market vacancy rate increased slightly this quarter from 5.9 percent to 6.7 percent. Direct vacancy made up .5 percent of the increase while an increase in sublet space brought the total up another .3 percent. All product types showed an increase in total market vacancy except office/warehouse which improved by .3 percent. All submarkets remain below 10 percent total vacancy with the Southwest submarket now leading at 2.1 percent, and the Northwest and Airport/Southeast submarkets having the highest at 9.1 percent each, primarily due to recent deliveries.

Asking market rental rates have remained relatively consistent over the last seven quarters, posting an average asking rate of \$7.26 per square foot this quarter. We anticipate rental rates to remain mostly unchanged over the next few quarters as the local market begins to stabilize from this year's overall negative economic impact.

Building sales improved drastically from the previous quarter with 17 sales totaling \$133 million. The 1,259,356 square feet that sold had an average sales price of \$105.64. Thirteen of those sales were in Orange County and 4 were in Seminole County. We have had \$357 million in total sales volume in just three quarters this year, surpassing the 2019 year end sales total of \$275 million.

There is currently 2,325,450 square feet of speculative development under construction or imminent. These buildings include:

- Dalfen's Hoffner Avenue building with 105,000 square feet
- Johnson Development's South Orange Logistics #100 with 149,940 square feet and #200 with 131,220 square feet
- Lincoln's OCP Logistics #100 with 294,787 square feet and #200 with 108,917 square feet
- McCraney's Infinity Park #300 with 98,894 square feet, #400 with 112,459 square feet, #800 with 433,404 square feet and #900 with 128,341 square feet
- Prologis' Airport Park #200 totaling 379,176 square feet
- Prologis' ADC North Building F with 103,312 square feet
- Seefried's Narcoossee Logistics Center building #1 with 160,000 square feet and building #2 with 120,000 square feet

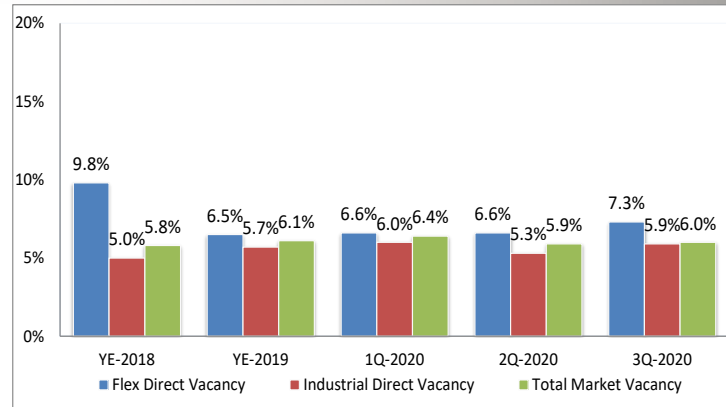
There is currently 541,475 square feet of build-to-suit construction underway. This include:

- GOYA's 324,000 square foot building in Apopka
- Amazon's 201,475 square foot building in Apopka

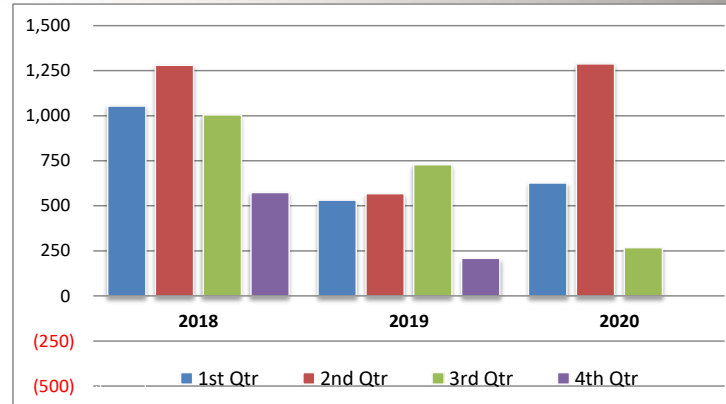
A total of 1,485,647 square feet was delivered this quarter:

- McCraney's Distribution 429 #300 with 405,596 square feet
- Coca Cola's 290,000 square foot building in Apopka
- Taurus' Young Pine Road building with 108,200 square feet
- Scannell's North Point Industrial building #1 with 146,000 square feet, #2 with 75,200 square feet, and #3 with 56,200 square feet
- Prologis' building on Florida Crown Drive totaling 260,741 square feet
- Link's building at 8649 Transport Drive with 141,660 square feet

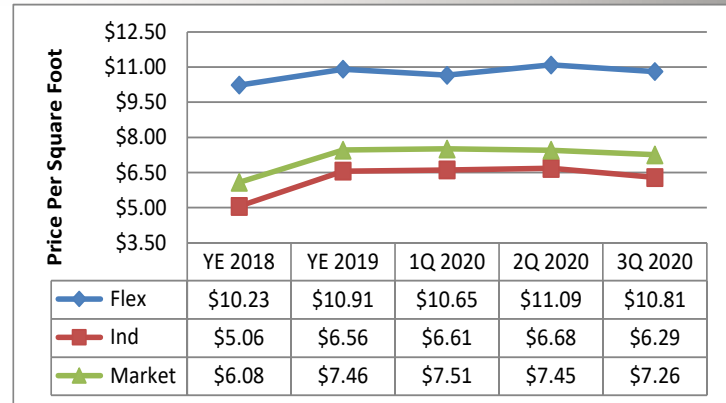
VACANCY



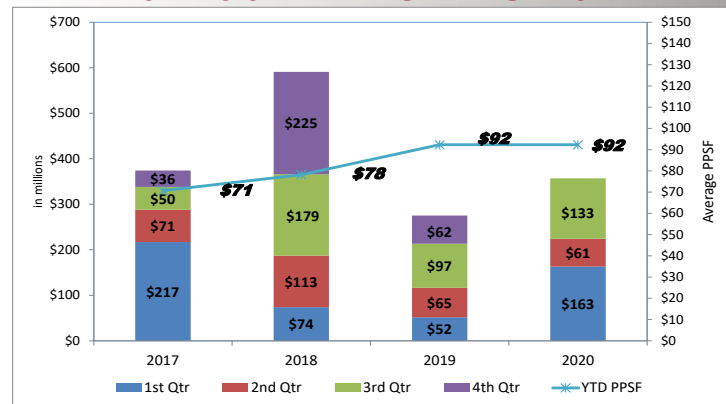
ABSORPTION



RENTAL RATES






SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q3 2020

TOP THIRD QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

| Building Name | Tenant | Total SF | Submarket | Type |
|---|-------------------------|----------|-------------------|---------|
| 2622 Consulate Drive | Pitney Bowes | 116,252 | Southwest | New |
| 7551 Presidents Drive | Crane Cartage | 86,579 | OCP | New |
| 6217 Emperor Drive | DG Fresh Distribution | 49,200 | OCP | New |
| 1020 Crews Commerce Center Drive | Tropical Foods | 48,864 | Airport/Southeast | New |
| 4492 SW 36th Street  | United Electrical Sales | 41,838 | 33rd Street | Renewal |
| 7415 Emerald Dunes Drive  | Siemens | 39,600 | Airport/Southeast | Renewal |
| 2619 Consulate Drive | Pep Boys | 36,608 | Southwest | New |
| 6843 Conway Road  | Golden Oak | 34,314 | Airport/Southeast | New |

TOP THIRD QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

| Building Name/Address | Submarket | Total SF | Buyer | Seller | Sale Price | PPSF |
|--------------------------------|---------------------|----------|---|--------------------------------------|--------------|----------|
| 8500 Parkline Boulevard | Airport/Southeast | 320,000 | Richland Communities | Buckhead-Airport Commerce Center LLC | \$43,000,000 | \$134.38 |
| 370 North Lake Boulevard | Altamonte Springs | 270,555 | TCD 214 Northlake Property LLC | RCS North Lake Business I LLC | \$28,500,000 | \$105.34 |
| 851 E. Maple Street | Northwest | 208,418 | NY Venture Capital Group | Crown Cork & Seal Company USA Inc. | \$6,475,000 | \$31.07 |
| 5700, 5707, 5712 Dot Com Court | Eastside/University | 198,000 | 127 AMM LLC/1302 Mirmelli Trust S & J LLC | Ganesh Holdings Inc. | \$22,200,000 | \$112.12 |
| 2110 S. Division Avenue | Central | 87,000 | TKM Real Estate LLC | Tide Real Estate Holdings I LLC | \$16,250,000 | \$186.78 |
| 2152 Sprint Boulevard | Northwest | 47,468 | Lemetra Investments LLC | United Partners Investments Inc. | \$2,750,000 | \$57.93 |
| 6828 Hoffner Avenue | Airport/Southeast | 23,275 | River Plate LLC | Nesha Holdings LLC | \$2,933,154 | \$126.02 |
| 2114 S. Orange Blossom Trail | Northwest | 22,380 | Agricon Equipment Company of Orlando LLC | Kulp Enterprises Inc. | \$2,000,000 | \$89.37 |
| 4900 N. Orange Blossom Trail | Northwest | 20,000 | TKM Real Estate LLC | John & Ellen Maudlin LLC | \$2,500,000 | \$125.00 |

| 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 | 23 | 2,937,532 | 402,582 | 13.7% | 65,012 | 2.2% | 15.9% | 10,000 | 163,170 | \$ 5.50 |
| Flex | 18 | 618,183 | 29,904 | 4.8% | 7,500 | 1.2% | 6.1% | 0 | 375 | \$ 7.28 |
| Manufacturing | 17 | 1,060,028 | 7,700 | 0.7% | 0 | 0.0% | 0.7% | 0 | 0 | \$ 5.99 |
| Office/Warehouse | 99 | 5,824,255 | 440,321 | 7.6% | 0 | 0.0% | 7.6% | (29,905) | (233,878) | \$ 4.82 |
| Submarket Total | 157 | 10,439,998 | 880,507 | 8.4% | 72,512 | 0.7% | 9.1% | (19,905) | (70,333) | \$ 5.23 |
| SILVER STAR | | | | | | | | | | |
| Bulk/Distribution | 19 | 3,784,228 | 223,971 | 5.9% | 42,800 | 1.1% | 7.0% | 0 | 1,086,384 | \$ 7.13 |
| Flex | 31 | 1,359,333 | 94,720 | 7.0% | 6,000 | 0.4% | 7.4% | (13,790) | 713 | \$ 8.50 |
| Manufacturing | 22 | 1,929,491 | 27,772 | 1.4% | 0 | 0.0% | 1.4% | (100) | 5,622 | \$ 7.93 |
| Office/Warehouse | 213 | 11,476,727 | 609,684 | 5.3% | 10,000 | 0.1% | 5.4% | 54,952 | 2,489 | \$ 6.96 |
| Submarket Total | 285 | 18,549,779 | 956,147 | 5.2% | 58,800 | 0.3% | 5.5% | 41,062 | 1,095,208 | \$ 7.18 |
| 33RD STREET | | | | | | | | | | |
| Bulk/Distribution | 3 | 256,158 | 0 | 0.0% | 0 | 0.0% | 0.0% | 0 | 0 | \$ 4.91 |
| Flex | 33 | 935,758 | 42,171 | 4.5% | 0 | 0.0% | 4.5% | 3,827 | 7,618 | \$ 11.44 |
| Office/Warehouse | 84 | 3,884,920 | 188,880 | 4.9% | 50,989 | 1.3% | 6.2% | 59,438 | (33,709) | \$ 6.78 |
| Submarket Total | 120 | 5,076,836 | 231,051 | 4.6% | 50,989 | 1.0% | 5.6% | 63,265 | (26,091) | \$ 10.51 |
| NORTH CENTRAL | | | | | | | | | | |
| Flex | 46 | 1,305,256 | 116,325 | 8.9% | 0 | 0.0% | 8.9% | (10,067) | (17,299) | \$ 10.72 |
| Manufacturing | 12 | 535,289 | 32,246 | 6.0% | 0 | 0.0% | 6.0% | 0 | (4,123) | \$ 4.99 |
| Office/Warehouse | 52 | 1,924,152 | 41,200 | 2.1% | 0 | 0.0% | 2.1% | (18,160) | (15,783) | \$ 11.08 |
| Submarket Total | 110 | 3,764,697 | 189,771 | 5.0% | 0 | 0.0% | 5.0% | (28,227) | (37,205) | \$ 9.83 |
| LONGWOOD/LAKE MARY/SANFORD | | | | | | | | | | |
| Bulk/Distribution | 16 | 2,016,088 | 208,640 | 10.3% | 0 | 0.0% | 10.3% | 52,200 | 298,216 | \$ 5.25 |
| Flex | 64 | 2,497,819 | 230,984 | 9.2% | 7,955 | 0.3% | 9.6% | (37,171) | (7,264) | \$ 9.21 |
| Manufacturing | 54 | 3,051,660 | 160,800 | 5.3% | 0 | 0.0% | 5.3% | 0 | (51,600) | \$ 5.00 |
| Office/Warehouse | 193 | 8,209,940 | 337,848 | 4.1% | 0 | 0.0% | 4.1% | 60,209 | 24,906 | \$ 7.32 |
| Submarket Total | 327 | 15,775,507 | 938,272 | 5.9% | 7,955 | 0.1% | 6.0% | 75,238 | 264,258 | \$ 6.93 |
| CENTRAL ORLANDO | | | | | | | | | | |
| Flex | 17 | 637,437 | 1,200 | 0.2% | 0 | 0.0% | 0.2% | 0 | 2,400 | \$ 7.50 |
| Manufacturing | 19 | 1,210,447 | 18,000 | 1.5% | 0 | 0.0% | 1.5% | (18,000) | (15,304) | \$ 5.95 |
| Office/Warehouse | 101 | 4,385,554 | 146,162 | 3.3% | 0 | 0.0% | 3.3% | (20,635) | (2,120) | \$ 8.05 |
| Submarket Total | 137 | 6,233,438 | 165,362 | 2.7% | 0 | 0.0% | 2.7% | (38,635) | (15,024) | \$ 7.82 |
| 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 | 185,059 | 9.8% | 89,696 | 4.7% | 14.5% | (33,827) | (42,155) | \$ 14.11 |
| Manufacturing | 14 | 627,131 | 6,000 | 1.0% | 0 | 0.0% | 1.0% | 0 | (4,875) | \$ 6.00 |
| Office/Warehouse | 64 | 2,514,430 | 54,197 | 2.2% | 12,960 | 0.5% | 2.7% | 11,136 | 69,125 | \$ 8.97 |
| Submarket Total | 120 | 5,435,313 | 245,256 | 4.5% | 102,656 | 1.9% | 6.4% | (22,691) | 22,095 | \$ 16.20 |
| AIRPORT / SOUTHEAST | | | | | | | | | | |
| Bulk/Distribution | 111 | 20,640,448 | 2,516,332 | 12.2% | 213,856 | 1.0% | 13.2% | 157,363 | 617,969 | \$ 5.89 |
| Flex | 76 | 3,310,282 | 290,949 | 8.8% | 58,504 | 1.8% | 10.6% | 829 | 27,915 | \$ 12.21 |
| Office/Warehouse | 283 | 19,016,564 | 727,187 | 3.8% | 81,716 | 0.4% | 4.3% | (40,100) | 99,341 | \$ 8.03 |
| Submarket Total | 470 | 42,967,294 | 3,534,468 | 8.2% | 354,076 | 0.8% | 9.1% | 118,092 | 745,225 | \$ 6.85 |
| ORLANDO CENTRAL PARK | | | | | | | | | | |
| Bulk/Distribution | 55 | 8,598,829 | 422,348 | 4.9% | 302,203 | 3.5% | 8.4% | (100,657) | (37,253) | \$ 5.83 |
| Flex | 42 | 2,003,149 | 133,258 | 6.7% | 0 | 0.0% | 6.7% | (60,755) | (66,951) | \$ 11.04 |
| Office/Warehouse | 86 | 5,366,904 | 115,375 | 2.1% | 0 | 0.0% | 2.1% | (32,612) | (45,658) | \$ 7.70 |
| Submarket Total | 183 | 15,968,882 | 670,981 | 4.2% | 302,203 | 1.9% | 6.1% | (194,024) | (149,862) | \$ 7.19 |
| SOUTHWEST | | | | | | | | | | |
| Bulk/Distribution | 19 | 2,859,909 | 17,400 | 0.6% | 36,921 | 1.3% | 1.9% | 134,013 | 233,365 | \$ 7.41 |
| Flex | 16 | 985,965 | 9,147 | 0.9% | 0 | 0.0% | 0.9% | 18,788 | 27,040 | \$ 13.55 |
| Office/Warehouse | 43 | 3,507,119 | 93,371 | 2.7% | 0 | 0.0% | 2.7% | 121,333 | 94,855 | \$ 8.21 |
| Submarket Total | 78 | 7,352,993 | 119,918 | 1.6% | 36,921 | 0.5% | 2.1% | 274,134 | 355,260 | \$ 8.50 |
| TOTAL FLEX | 383 | 15,547,116 | 1,133,717 | 7.3% | 169,655 | 1.1% | 8.4% | (133,166) | (67,603) | \$ 10.81 |
| TOTAL BULK/DISTRIBUTION | 248 | 41,493,010 | 3,791,273 | 9.1% | 660,792 | 1.6% | 10.7% | 252,919 | 2,361,851 | \$ 6.25 |
| TOTAL MANUFACTURING | 138 | 8,414,046 | 252,518 | 3.0% | 0 | 0.0% | 3.0% | (18,100) | (70,280) | \$ 5.44 |
| TOTAL OFFICE/WAREHOUSE | 1218 | 66,110,565 | 2,754,225 | 4.2% | 155,665 | 0.2% | 4.4% | 165,656 | (40,432) | \$ 7.17 |
| TOTAL INDUSTRIAL SPACE | 1604 | 116,017,621 | 6,798,016 | 5.9% | 816,457 | 0.70% | 6.6% | 400,475 | 2,251,139 | \$ 6.29 |
| TOTAL MARKET | 1,987 | 131,564,737 | 7,931,733 | 6.0% | 986,112 | 0.7% | 6.7% | 268,309 | 2,183,531 | \$7.26 |

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