

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

With the fourth quarter of 2020 in the rear view mirror and time to reflect, there are several salient points that stick out. From the chaos in Portland, Oregon, to the breaking and entering of the sacred halls of the Capitol in Washington, D.C. From COVID-19 lockdowns and record unemployment to the NYSE dropping 26 percent in one month. This year was like no other we have seen - period. 2020 will go down as the year of instability. But for all the utter insanity occurring in the United States, the Central Florida industrial market was completely unaffected by real world politics. Not only did our market remain insulated from the turmoil of political events, it thrived. Absorption equaled the inventory delivered in perfect balance in 2020, setting the stage for a robust 2021. As vacancy rates continue to drop, investors and developers are pouncing on opportunities, pushing land sales and building sales to all time highs. Florida remains positioned for excellent growth due to favorable weather, tax policies and our "right to work state" laws. And with net migration to Florida up dramatically, the future looks bright provided no major policy changes occur in 2021 with the new administration.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- Positive absorption of 842,801 square feet brought the year's total absorption to 3,026,332 square feet.
- Building sales hit quarterly and annual record highs for the market with \$269 million in sale this quarter for an annual total of \$626 million. The annual total surpassed the previous market record in 2018 of \$591 million in total annual sales.
- Total market vacancy dropped .7 percent to 6 percent and is made up of 5.3 percent direct vacancy and .7 percent sublet vacancy.
- Construction pipeline remains strong with 2.86 million square feet set to deliver in 2021.
- Leasing activity was strong with over 1 million square feet of new leases signed in the fourth quarter, including six leases over 100,000 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 1,980 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:		
	3Q-20	4Q-20
Flex	\$10.81	\$11.45
Bulk/Distribution	\$6.25	\$6.83
Manufacturing	\$5.44	\$5.34
Office/Warehouse	\$7.17	\$7.31
Total Market	\$7.26	\$7.52

Comparison of Market Vacancy:		
	3Q-20	4Q-20
Direct	6.0%	5.3%
Sublet	0.7%	0.7%
Total Market	6.7%	6.0%

Comparison of Absorption in SF:		
	3Q-20	4Q-20
Quarterly Amount	268,309	842,801
Year-To-Date	2,183,531	3,026,332

Construction Pipeline: 20,000SF+		
	3Q-20	4Q-20
U/C (speculative & BTS)	2,866,925	2,866,925
Delivered (by qtr)	1,485,647	0
Delivered YTD	3,029,625	3,029,625

Building Sales:		
	3Q-20	4Q-20
Quarterly Total	\$133M	\$269M
Average Price PSF	\$105.64	\$117.42

Lee & Associates – Central Florida, LLC

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QUARTER IN REVIEW

We ended 2020 with a strong fourth quarter of just over one million square feet in new leases, yielding 842,801 square feet of positive absorption this quarter. This brought the year end total to 3,026,332 square feet. This is the fourth time in the last ten years that the Central Florida market has crossed the 3 million square foot positive absorption mark in a calendar year. Just three submarkets are showing negative absorption with the Northwest submarket at the top with (18,577) square feet. Top positive absorption this quarter was seen in the Airport/Southeast submarket with 481,355 square feet, the Silver Star submarket with 172,874 square feet, and the OCP submarket with 146,229 square feet.

We began this year at 6.1 percent total market vacancy and added 3,029,625 square feet of new inventory to our market. Four quarters of strong leasing activity in addition to several large Amazon leases that were signed, kept the Central Florida industrial market stable and we ended the year at 6 percent total market vacancy. Although we have another 3 million square feet ready to deliver in the next 12 months, we expect leasing activity to remain strong and for the total market vacancy to remain stable in 2021. The Southwest submarket has the lowest vacancy at 1.9 percent, followed by the Central submarket with 2.9 percent.

Total building sales this quarter hit a record \$269 million, bringing the annual sales total to \$626 million, and increasing the average price per square foot to \$102. The total quarterly and annual sales totals, alongside the average price per square foot are the highest we have seen in this market. Several of the sales were part of large portfolio sales to KKR and Exeter. There were 41 total sales in the fourth quarter with 28 in Orange County and 13 in Seminole County.

Our average asking market rental rate jumped back up to \$7.52 per square foot, a reflection of the market's vacancies primarily made up of new space available in the market which has caused the asking rates to increase over the last several years.

Although we did not deliver any new buildings to the market this quarter, there was a total of 3,029,625 square feet added to the Central Florida industrial market in 2020, bringing the total we track to just over 131 million square feet. There is nearly 3 million square feet of inventory under construction now that will deliver in 2021, and we anticipate the pipeline to fill right back up.

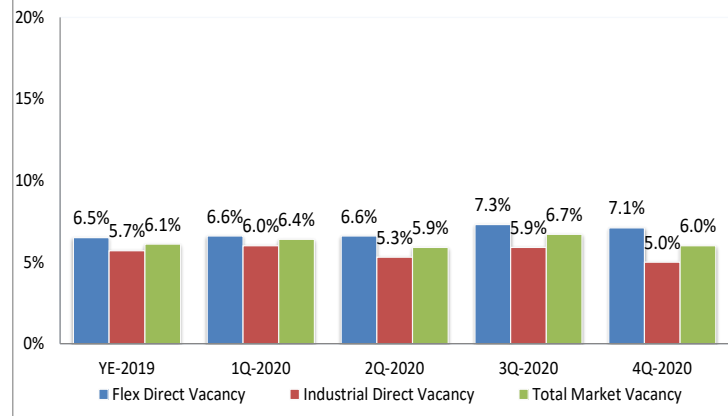
There is currently 2,325,450 square feet of speculative development under construction or imminent. These buildings include:

- 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

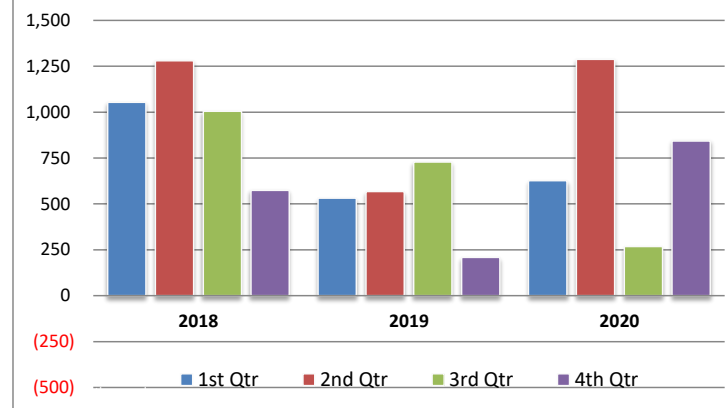
There is currently 541,475 square feet of build-to-suit construction underway. This include:

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

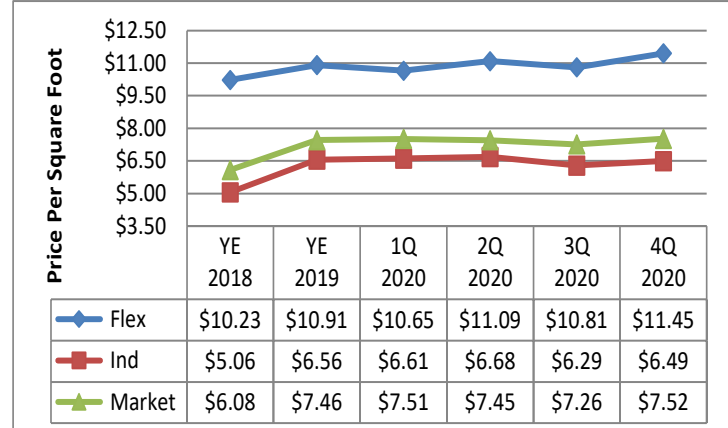
VACANCY



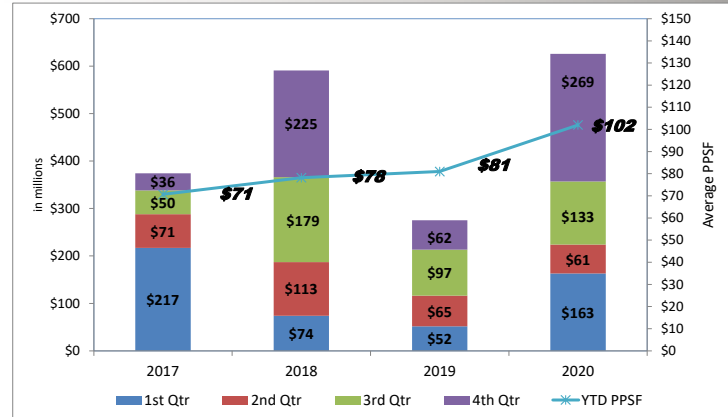
ABSORPTION



RENTAL RATES







SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q4 2020

TOP FOURTH QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
11010 Florida Crown Drive	Humana	162,656	Airport/Southeast	New
9682 Air Commerce Parkway	Sprouts	134,492	Airport/Southeast	New
1021 Crews Commerce Center	Skyline Exhibits	127,344	Airport/Southeast	New
4200 Shader Road 	Christy Distribution	113,115	SilverStar	New
2001 Directors Row	Skyline Cabinetry	102,430	OCP	New
11010 Florida Crown Drive	LGSTX	100,085	Airport/Southeast	New
9620 Air Commerce Parkway	Gilmore	77,501	Airport/Southeast	New
8000 Vista Reserve 	Eagle Metal Distribution	47,880	Airport/Southeast	New
2901 Titan Row 	Titan Commercial Warehouse	43,735	OCP	Renewal
7315 S. Conway Road 	Pilot Air Freight	40,470	Airport/Southeast	Renewal
1010 Crews Commerce Center	ADL Delivery	40,060	Airport/Southeast	New
4306 Shader Road 	Pella	28,390	Silver Star	New

TOP FOURTH QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
7500 Amsterdam Drive	Airport/Southeast	316,071	Correct Craft Real Estate II LLC	LT LLC	\$ 21,500,000	\$ 68.02
3102 Shelby Industrial Drive	Apopka	289,839	MDC Coast 16 LLC	BPG Apopka Properties 1 LLC	\$71,450,000	\$246.52
455 Harvest Time Drive	Sanford	277,450	Northport Industrial Park Blenheim LLC	Scannell Properties 358 LLC	\$33,900,000	\$122.18
10425 S Orange Avenue	Airport/Southeast	130,400	The Realty Associates Fund XII Portfolio LP	Goya Foods Inc	\$10,220,000	\$78.37
3122 Shader Road	Silver Star	121,465	KKR	3122 Shader Road Investors LLC	\$20,263,946	\$166.83
2152 Martin Luther King Boulevard	Sanford	113,150	Avot Realty Sanford Logistics Center FL LP	BPG Sanford 1 LLC	\$14,100,000	\$124.61
8601 Transport Drive	Airport/Southeast	92,616	Exeter	GCP 8601 Transport LLC	\$10,954,130	\$118.27
2310 Mercator Drive	Eastside/University	66,254	KKR	2310 Mercator Drive Investors	\$4,704,665	\$71.01
4515 Metric Drive	Eastside/University	63,830	KKR	4515 Metric Drive Investors	\$5,200,000	\$81.47
204 5th & 109 5th Street	Airport/Southeast	62,838	109 & 204 Fifth Street LLC	Sandy Land LLC	\$5,100,000	\$81.16
1051 Sand Pond Road	Lake Mary	57,600	KKR	1051 Sand Pond Road Investors LLC	\$5,500,000	\$95.49
8617 Transport Drive	Airport/Southeast	48,745	Exeter	GCP 8601 Transport LLC	\$5,765,300	\$118.27
1180 Emma Oaks Trail	Lake Mary	45,340	USCIF Orlando Industrial Portfolio I LLC	Sun Technology Park III LLC	\$4,096,415	\$90.35



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	411,019	14.0%	0	0.0%	14.0%	(8,437)	154,733	\$ 5.66
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	437,961	7.5%	0	0.0%	7.5%	(10,140)	(244,018)	\$ 4.39
Submarket Total	157	10,439,998	886,584	8.5%	7,500	0.1%	8.6%	(18,577)	(88,910)	\$ 5.09
SILVER STAR										
Bulk/Distribution	19	3,784,228	82,466	2.2%	0	0.0%	2.2%	141,505	1,227,889	\$ 7.19
Flex	31	1,359,333	107,560	7.9%	6,000	0.4%	8.4%	(12,840)	(12,127)	\$ 8.41
Manufacturing	22	1,929,491	22,072	1.1%	0	0.0%	1.1%	5,700	11,322	\$ 8.00
Office/Warehouse	213	11,476,727	571,175	5.0%	22,700	0.2%	5.2%	38,509	40,998	\$ 7.54
Submarket Total	285	18,549,779	783,273	4.2%	28,700	0.2%	4.4%	172,874	1,268,082	\$ 7.64
33RD STREET										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 4.91
Flex	33	935,758	58,618	6.3%	0	0.0%	6.3%	(16,447)	(8,829)	\$ 11.67
Office/Warehouse	84	3,884,920	165,269	4.3%	41,173	1.1%	5.3%	11,555	(22,154)	\$ 6.99
Submarket Total	120	5,076,836	223,887	4.4%	41,173	0.8%	5.2%	(4,892)	(30,983)	\$ 11.10
NORTH CENTRAL										
Flex	46	1,305,256	97,001	7.4%	0	0.0%	7.4%	(4,676)	(21,975)	\$ 11.88
Manufacturing	12	535,289	32,246	6.0%	0	0.0%	6.0%	0	(4,123)	\$ 4.99
Office/Warehouse	52	1,924,152	12,850	0.7%	0	0.0%	0.7%	28,350	12,567	\$ 13.23
Submarket Total	110	3,764,697	142,097	3.8%	0	0.0%	3.8%	23,674	(13,531)	\$ 10.44
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	16	2,016,088	189,787	9.4%	0	0.0%	9.4%	0	298,216	\$ 7.23
Flex	64	2,497,819	178,949	7.2%	7,955	0.3%	7.5%	(1,165)	(8,429)	\$ 10.12
Manufacturing	54	3,051,660	168,800	5.5%	0	0.0%	5.5%	(8,000)	(59,600)	\$ 4.93
Office/Warehouse	192	8,099,302	316,172	3.9%	0	0.0%	3.9%	35,058	59,964	\$ 7.29
Submarket Total	326	15,664,869	853,708	5.4%	7,955	0.1%	5.5%	25,893	290,151	\$ 7.40
CENTRAL ORLANDO										
Flex	10	330,496	1,200	0.4%	0	0.0%	0.4%	0	2,400	\$ 7.50
Manufacturing	19	1,210,447	18,000	1.5%	0	0.0%	1.5%	0	(15,304)	\$ 5.95
Office/Warehouse	101	4,385,554	150,992	3.4%	0	0.0%	3.4%	(4,830)	(6,950)	\$ 7.07
Submarket Total	130	5,926,497	170,192	2.9%	0	0.0%	2.9%	(4,830)	(19,854)	\$ 6.96
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	180,059	9.5%	89,696	4.7%	14.2%	5,000	(37,155)	\$ 14.23
Manufacturing	14	627,131	6,000	1.0%	0	0.0%	1.0%	0	(4,875)	\$ 6.00
Office/Warehouse	64	2,514,430	52,197	2.1%	12,960	0.5%	2.6%	2,000	71,125	\$ 9.21
Submarket Total	120	5,435,313	238,256	4.4%	102,656	1.9%	6.3%	7,000	29,095	\$ 16.34
AIRPORT / SOUTHEAST										
Bulk/Distribution	111	20,640,448	2,044,093	9.9%	221,376	1.1%	11.0%	472,239	1,090,208	\$ 5.90
Flex	76	3,310,282	296,047	8.9%	50,466	1.5%	10.5%	(5,098)	22,817	\$ 12.05
Office/Warehouse	283	19,016,564	669,039	3.5%	60,686	0.3%	3.8%	14,194	113,535	\$ 8.74
Submarket Total	470	42,967,294	3,009,179	7.0%	332,528	0.8%	7.8%	481,335	1,226,560	\$ 7.14
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,598,829	377,345	4.4%	302,203	3.5%	7.9%	45,003	7,750	\$ 6.15
Flex	42	2,003,149	126,789	6.3%	0	0.0%	6.3%	6,469	(60,482)	\$ 10.87
Office/Warehouse	86	5,372,716	20,618	0.4%	0	0.0%	0.4%	94,757	49,099	\$ 8.91
Submarket Total	183	15,974,694	524,752	3.3%	302,203	1.9%	5.2%	146,229	(3,633)	\$ 7.40
SOUTHWEST										
Bulk/Distribution	19	2,859,909	17,800	0.6%	36,921	1.3%	1.9%	(400)	232,965	\$ 7.41
Flex	16	985,965	10,155	1.0%	0	0.0%	1.0%	(1,008)	26,032	\$ 14.77
Office/Warehouse	43	3,507,119	77,868	2.2%	0	0.0%	2.2%	15,503	110,358	\$ 8.21
Submarket Total	78	7,352,993	105,823	1.4%	36,921	0.5%	1.9%	14,095	369,355	\$ 8.71
TOTAL FLEX	376	15,240,175	1,086,282	7.1%	161,617	1.1%	8.2%	(29,765)	(97,373)	\$ 11.45
TOTAL BULK/DISTRIBUTION	248	41,493,010	3,122,510	7.5%	560,500	1.4%	8.9%	649,910	3,011,761	\$ 6.83
TOTAL MANUFACTURING	138	8,414,046	254,818	3.0%	0	0.0%	3.0%	(2,300)	(72,580)	\$ 5.34
TOTAL OFFICE/WAREHOUSE	1217	66,005,739	2,474,141	3.7%	137,519	0.2%	4.0%	224,956	184,524	\$ 7.31
TOTAL INDUSTRIAL SPACE	1603	115,912,795	5,851,469	5.0%	698,019	0.60%	5.7%	872,566	3,123,705	\$ 6.49
TOTAL MARKET	1,979	131,152,970	6,937,751	5.29%	859,636	0.66%	5.95%	842,801	3,026,332	\$7.52

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