

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As the third quarter concludes, the Central Florida Industrial market continued its amazing performance leaving most of us stunned. The unprecedented leasing activity was like a runaway freight train, no stopping it. With record leasing in the first and second quarter already, the third quarter absorption numbers totaled more than the first two quarters combined! Unprecedented is also an appropriate word for pre-leasing of new inventory not yet delivered – just over 28 percent was preleased at the end of the third quarter with leases out that will increase it to 37 percent preleased. Sales activity was also robust. Looking forward, we anticipate stronger headwinds than before which will have a chilling affect on our market: construction prices are rising, sourcing of construction materials is becoming a challenge and lead times are longer. Rental rates are rapidly rising due to inflation, and annual increases in leases are now exceeding 3% in several circumstances. Looking forward, we anticipate leasing in the fourth quarter to be much more modest as the availability of inventory is very limited.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- Vacancy rates have dropped 1.2 percent as large lease transactions continue to fill available space
- Quarterly absorption of 2,553,650 square feet pushed the year to date absorption to just over 5 million square feet, a new high for the Central Florida market
- Asking rental rates continue to increase as new space is delivered to the market and existing vacant space is scarce
- Building sales remain strong and steady with 29 building sales totaling \$130 million
- There is 2.5 million square feet in the construction pipeline, with new product being delivered each quarter, many with preleases.

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 1,985 buildings in Orange and Seminole County which total approximately 132 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-21	3Q-21
Flex	\$12.10	\$12.41
Bulk/Distribution	\$7.00	\$7.61
Manufacturing	\$6.40	\$6.40
Office/Warehouse	\$7.55	\$7.60
Total Market	\$7.96	\$8.64

Comparison of Market Vacancy:

	2Q-21	3Q-21
Direct	3.9%	2.8%
Sublet	0.6%	0.6%
Total Market	4.5%	3.3%

Comparison of Absorption in SF:

	2Q-21	3Q-21
Quarterly Amount	1,197,094	2,553,650
Year-To-Date	2,473,700	5,027,350

Construction Pipeline: 20,000SF+

	2Q-21	3Q-21
U/C (speculative & BTS)	3,171,554	2,587,612
Delivered (by qtr)	796,140	782,880
Delivered YTD	1,120,140	1,903,020

Building Sales:

	2Q-21	3Q-21
Quarterly Total	\$159M	\$130M
Average Price PSF	\$117.33	\$96.99

Lee & Associates – Central Florida, LLC

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QUARTER IN REVIEW

The Central Florida industrial market had a phenomenal third quarter posting 2,533,650 square feet of positive absorption. This is the highest absorption we have ever seen in this market. A quick glance at the size of leases that took place in the last three months showcases the current ongoing strength of our market. The Airport/Southeast submarket led with 1,451,872 square feet of positive absorption, followed by Northwest with 770,298 square feet. Bulk/distribution product had the most absorption with 1.65 million square feet.

The delivery of 782,880 square feet of new product had little effect on the total market vacancy rate, as it dropped again this quarter by 1.2 percent, bringing it down to 3.3 percent. The decrease is also a direct reflection of all the leasing activity that took place this quarter. The highest vacancy was in the Eastside/University submarket with 5.4 percent, and the lowest was in the Southwest submarket with 2.1 percent.

The combination of decreased vacancy and delivery of new product have continued to slowly push the asking market rental rates upward. Increases in the rates will continue as the demand for new space, and the demand for large blocks of space remain. The addition of 2.3 million square feet of new product currently in the pipeline, with more to follow, will also have an impact on the asking market rental rate over the next eighteen months.

This quarter's 29 building sales totaled \$129.9 million with the average price per square foot at \$96.99. The largest sale this quarter was 2001 W. Oak Ridge Road in OCP, a 403,704 square foot two building development that sold for just over \$51 million.

There is currently 2,294,612 square feet of speculative development under construction or imminent. These buildings include:

- Blue Scope's Mid Florida Logistics Park #5 with 246,460 square feet
- Blue Steel's Hermit Smith Road building with 290,000 square feet, and Axxess Park building A with 207,625 square feet, building B with 117,000 square feet, and building C with 125,400 square feet
- Cadence Partners & Clarion Western Beltway project #1 with 99,517 square feet and #2 with 90,767 square feet
- 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
- McCraney's Infinity Park #800 with 433,404 square feet and #900 with 128,341 square feet
- Prologis ADC North building G with 169,938 square feet

There is currently 293,000 square feet of build-to-suit construction underway. This include:

- Escalade (Tailgate) Sports 143,000 square foot building at ICP
- Ace Relocation's 150,000 square foot building at ICP

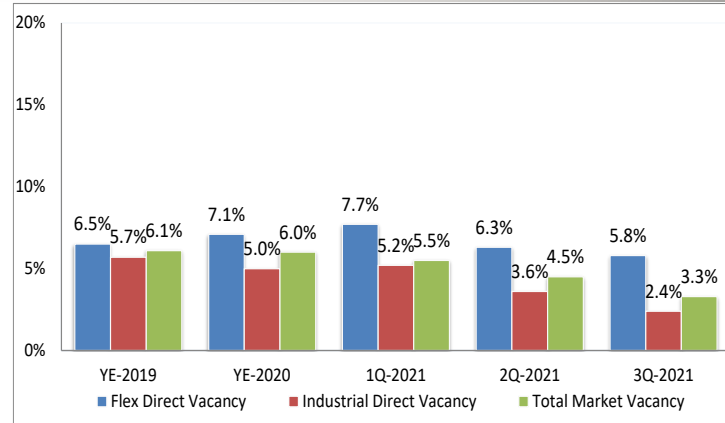
There was a total of 782,880 square feet delivered:

- Lincoln's OCP Logistics #100 with 294,787 square feet and #200 with 108,917 square feet
- Prologis' Airport Park #200 totaling 379,176 square feet

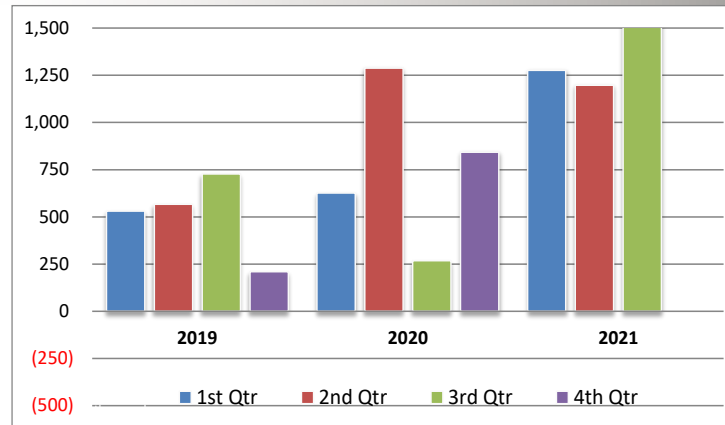
Worth noting, but not included in our Orange & Seminole County development pipeline above:

- Amazon's 202,044 square feet BTS in Christopher C. Ford Park COMPLETED this quarter
- Hanover's 420,000 square foot building in Christopher C. Ford Park
- JLL's Perimeter Park West Phase I with three buildings that total 171,478 square feet

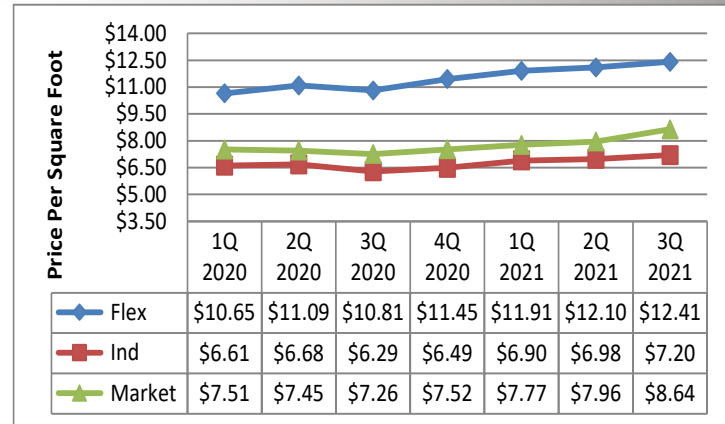
VACANCY



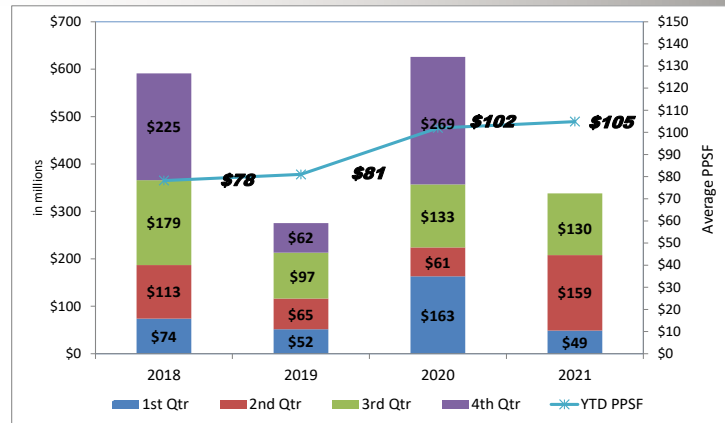
ABSORPTION



RENTAL RATES









SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q3 2021

TOP THIRD QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Address	Tenant	Total SF	Submarket	Type
851 Maple Street	Pure Cycle	221,469	Northwest	New
635 Ocoee Apopka Road 	FedEx	201,291	Northwest	New
8000 Vista Reserve 	Hilldrup	192,344	Airport/Southeast	New
2900 Titan Row 	PFG	181,637	OCP	Renewal/ Expansion
8050 Vista Reserve 	Carrier	172,875	Airport/Southeast	New
8050 Vista Reserve 	Amazon	151,565	Airport/Southeast	New
1264 La Quinta Drive	Victory Packaging	91,394	Airport/Southeast	New
7600 Narcoossee Drive	Evolution Electric Vehicles	90,867	Airport/Southeast	New
2583 Consulate Drive	Sun Run	39,538	OCP	New
1451 Ocoee Apopka Road 	Sonny's Enterprises	35,058	Northwest	New

TOP THIRD QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
2001 W Oak Ridge Rd	OCP	403,704	Oak Ridge Owner LLC	CH Realty VIII-LC Orlando Oak Ridge LLC	\$51,600,000	\$127.82
650 E Landstreet Rd	Airport/Southeast	140,000	Penske Truck Leasing Co LP	650 Landstreet LLC	\$5,610,000	\$40.07
927 Fern St	North Central	105,000	927 Fern Street Holdings LLC	MRP Investment LLC	\$4,250,000	\$40.48
2700-2716 Hazelhurst Ave	Silver Star	105,000	S16 Fla Industrial LP	Jay A & Linda Cooper	\$5,780,000	\$55.05
1325/1335 W Washington St	Central	53,201	1135 W Washington St LLC	National Industrial Park LLP	\$2,755,057	\$51.79
753 N US Hwy 17-92	Longwood/Lake Mary/Sanford	51,886	AK American Investments LLC	Dittmer Properties Inc	\$1,775,000	\$34.21
3368 Bartlett Blvd	33rd Street	49,644	Orange County BCC	GEW Management Inc	\$4,200,000	\$84.60
2640 W Airport Blvd	Longwood/Lake Mary/Sanford	40,500	Airport Boulevard LLC	Renna Equities LLC	\$4,300,000	\$106
337 S Northlake Blvd	Longwood/Lake Mary/Sanford	40,340	LRF2 Orl Northlake LLC	RCS Northlake Gar LLC	\$10,700,000	\$265.25
2150 Marquette Ave	Longwood/Lake Mary/Sanford	38,870	MDJJ LLC	Hold Real Estate LLC	\$2,500,000	\$64.32
3003 Pennington Dr	Silver Star	37,445	Prosource	Oscar W Freeman III Trust	\$3,475,000	\$92.80
800/806 W Landstreet Rd	Airport/Southeast	37,377	CSF Rojassschulz Enterprises LLC	Olive Holdings LLC	\$4,500,000	\$120.39

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	0	0.0%	0	0.0%	0.0%	233,769	411,019	\$ 6.35
Flex	18	618,183	7,800	1.3%	7,500	1.2%	2.5%	18,654	22,104	\$ 13.00
Manufacturing	17	1,060,028	7,700	0.7%	0	0.0%	0.7%	0	0	\$ 5.99
Office/Warehouse	101	6,205,740	226,910	3.7%	0	0.0%	3.7%	517,875	652,072	\$ 6.95
Submarket Total	159	10,821,483	242,410	2.2%	7,500	0.1%	2.3%	770,298	1,085,195	\$ 10.23
SILVER STAR										
Bulk/Distribution	19	3,784,228	92,611	2.4%	0	0.0%	2.4%	0	(10,145)	\$ 6.81
Flex	31	1,359,333	57,422	4.2%	0	0.0%	4.2%	1,404	50,138	\$ 9.63
Manufacturing	22	1,929,491	22,072	1.1%	0	0.0%	1.1%	0	0	\$ 8.00
Office/Warehouse	213	11,476,996	248,955	2.2%	7,006	0.1%	2.2%	122,862	266,634	\$ 8.72
Submarket Total	285	18,550,048	421,060	2.3%	7,006	0.0%	2.3%	124,266	306,627	\$ 8.38
33RD STREET										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 4.91
Flex	33	935,758	65,752	7.0%	0	0.0%	7.0%	2,632	(7,134)	\$ 12.06
Office/Warehouse	84	3,884,920	71,761	1.8%	37,709	1.0%	2.8%	19,346	70,505	\$ 7.56
Submarket Total	120	5,076,836	137,513	2.7%	37,709	0.7%	3.5%	21,978	63,371	\$ 12.59
NORTH CENTRAL										
Flex	46	1,305,256	44,596	3.4%	0	0.0%	3.4%	13,773	27,233	\$ 11.91
Manufacturing	12	535,289	86,620	16.2%	0	0.0%	16.2%	12,000	12,000	\$ 9.41
Office/Warehouse	52	1,924,152	31,050	1.6%	0	0.0%	1.6%	(16,100)	(18,200)	\$ 12.08
Submarket Total	110	3,764,697	162,266	4.3%	0	0.0%	4.3%	9,673	21,033	\$ 10.61
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	16	2,016,088	93,898	4.7%	0	0.0%	4.7%	0	95,889	\$ 7.41
Flex	64	2,497,819	110,278	4.4%	20,762	0.8%	5.2%	27,699	68,671	\$ 12.06
Manufacturing	54	3,051,660	17,956	0.6%	0	0.0%	0.6%	0	150,844	\$ 8.66
Office/Warehouse	192	8,099,302	182,383	2.3%	0	0.0%	2.3%	91,450	153,897	\$ 7.51
Submarket Total	326	15,664,869	404,515	2.6%	20,762	0.1%	2.7%	119,149	469,301	\$ 8.78
CENTRAL ORLANDO										
Flex	10	330,496	0	0.0%	0	0.0%	0.0%	1,200	1,200	\$ 7.00
Manufacturing	19	1,210,447	0	0.0%	0	0.0%	0.0%	18,000	18,000	\$ 5.95
Office/Warehouse	101	4,385,554	166,016	3.8%	0	0.0%	3.8%	10,550	7,432	\$ 9.25
Submarket Total	130	5,926,497	166,016	2.8%	0	0.0%	2.8%	29,750	26,632	\$ 11.18
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	180,169	9.5%	89,696	4.7%	14.2%	3,450	(110)	\$ 14.35
Manufacturing	14	627,131	0	0.0%	0	0.0%	0.0%	0	6,000	\$ 6.50
Office/Warehouse	64	2,514,430	25,975	1.0%	0	0.0%	1.0%	10,000	26,222	\$ 6.04
Submarket Total	120	5,435,313	206,144	3.8%	89,696	1.7%	5.4%	13,450	32,112	\$ 23.60
AIRPORT / SOUTHEAST										
Bulk/Distribution	113	21,122,936	779,757	3.7%	116,120	0.5%	4.2%	1,223,267	1,911,410	\$ 6.35
Flex	76	3,310,282	305,544	9.2%	61,200	1.8%	11.1%	13,122	(4,697)	\$ 11.91
Office/Warehouse	283	19,016,564	383,280	2.0%	132,403	0.7%	2.7%	215,483	472,976	\$ 9.62
Submarket Total	472	43,449,782	1,468,581	3.4%	309,723	0.7%	4.1%	1,451,872	2,379,689	\$ 8.36
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,599,097	34,655	0.4%	217,239	2.5%	2.9%	89,234	266,470	\$ 7.40
Flex	42	2,003,149	97,553	4.9%	0	0.0%	4.9%	(2,793)	29,236	\$ 12.79
Office/Warehouse	86	5,372,716	206,683	3.8%	0	0.0%	3.8%	(185,949)	(186,065)	\$ 1.09
Submarket Total	183	15,974,962	338,891	2.1%	217,239	1.4%	3.5%	(99,508)	109,641	\$ 5.10
SOUTHWEST										
Bulk/Distribution	20	3,406,035	36,820	1.1%	42,354	1.2%	2.3%	112,722	527,106	\$ 5.75
Flex	16	985,965	10,836	1.1%	0	0.0%	1.1%	0	6,464	\$ 12.52
Office/Warehouse	44	3,606,013	77,689	2.2%	0	0.0%	2.2%	0	179	\$ 8.70
Submarket Total	80	7,998,013	125,345	1.6%	42,354	0.5%	2.1%	112,722	533,749	\$ 8.16
TOTAL FLEX	376	15,240,175	879,950	5.8%	179,158	1.2%	6.9%	79,141	193,105	\$ 12.41
TOTAL BULK/DISTRIBUTION	251	42,521,892	1,037,741	2.4%	375,713	0.9%	3.3%	1,658,992	3,201,749	\$ 7.61
TOTAL MANUFACTURING	138	8,414,046	134,348	1.6%	0	0.0%	1.6%	30,000	186,844	\$ 6.40
TOTAL OFFICE/WAREHOUSE	1220	66,486,387	1,620,702	2.4%	177,118	0.3%	2.7%	785,517	1,445,652	\$ 7.60
TOTAL INDUSTRIAL SPACE	1609	117,422,325	2,792,791	2.4%	552,831	0.47%	2.8%	2,474,509	4,834,245	\$ 7.20
TOTAL MARKET	1,985	132,662,500	3,672,741	2.8%	731,989	0.6%	3.3%	2,553,650	5,027,350	\$8.64

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