

ORANGE & SEMINOLE COUNTY INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

This quarter the market posted 819,745 SF of positive absorption, down slightly from last quarter's figure of 889,024 SF. In a change from last quarter, most of the absorption was from mid-size spaces compared to larger spaces like we saw in Q1. Additionally, we tracked several spaces which were vacated and re-leased in the same quarter, which illustrates continued market demand. Vacancies continue to remain at record lows, with the effect being increased rental rates for small to mid-size spaces. Rental rates for larger vacancies continue to be relatively steady from last quarter, and the impending delivery of new larger bulk buildings and some late Q1 deliveries are dragging market-wide rental rates down a bit. Construction activity remains in-check, with many developers still looking for land, but only executing on the best of deals. Sales volume remained constrained by interest rates, but low vacancy and lack of supply caused prices to tick up slightly. Looking forward, we seemed to have established a 'new normal' over the first half of this year, and we expect the balance of the year to be fruitful for the industrial market, but not white hot compared to the post-pandemic highs of 2021 and 2022.

MARKET TRENDS: CHANGES FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- Direct vacancy remains similar to last quarter at just 2.52% market wide, even with new deliveries.
- 2nd quarter sales totaled \$177 million with an average price per square foot of \$148.16.
- Total quarterly absorption was 819,745 SF.
- Average asking rents decreased to \$10.18/SF, reflective of lower pricing for new bulk buildings, dragging overall market rent down.

MARKET SNAPSHOT

COMPARISON RENTAL RATES PSF:		
	2Q-23	1Q-23
FLEX	\$12.28	\$13.61
BULK/DISTRIBUTION	\$9.16	\$10.82
MANUFACTURING	\$9.03	\$8.92
OFFICE/WAREHOUSE	\$11.59	\$11.79
TOTAL MARKET	\$10.18	\$11.34

COMPARISON OF MARKET VACANCY:		
	2Q-23	1Q-23
DIRECT	2.52%	2.50%
SUBLET	0.407%	0.478%
TOTAL MARKET	2.93%	2.98%

COMPARISON OF ABSORPTION IN SF:		
	2Q-23	1Q-23
QUARTERLY AMOUNT	819,745	889,024
YEAR-TO-DATE	1,708,769	889,024

CONSTRUCTION PIPELINE: 20,000 SF+		
	2Q-23	1Q-23
U/C (SPECULATIVE & BTS)	9,304,500	10,312,239
DELIVERED (BY QTR)	1,081,228	1,665,567
DELIVERED YTD	2,826,459	1,665,567

BUILDING SALES:		
	2Q-23	1Q-23
QUARTERLY TOTAL	\$177M	\$175M
AVERAGE PRICE PSF	\$148.16	\$143.82

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 2,000 buildings in Orange and Seminole County which total approximately 134 million square feet. The flex inventory makes up 11 percent of the total space within the market, while the industrial product makes up 89 percent. We end our statistical gathering of data approximately one week prior to the end of each quarter.

If you have any questions regarding this report, please contact:

William "Bo" Bradford, CCIM, SIOR
President | Principal
321-281-8502

Derek Riggelman, SIOR
Senior Vice President | Principal
321-281-8507

Tim Perry, CCIM, SIOR
Senior Vice President | Principal
321-281-8515

Ryan Griffith
Senior Associate
321-281-8512

Vacancy rates continue to tighten even further, with all south Orlando submarkets being under 1.84%, creating an incredibly tight market. While rental rates were reported down this quarter, they were dragged down by new larger bulk buildings, but existing buildings with small to mid-size spaces and those offering quick occupancy are achieving record setting rental rates. Positive absorption occurred in 4 out of 10 submarkets, but any negative absorption in any given submarket was nominal. Sales continued on a tepid pace due to increasing costs of capital and lingering economic uncertainty; however, pricing remains strong and bumped up slightly from \$143.82 to \$148.16/SF.

There is currently 8,585,390 SF of speculative development under construction or imminent. These buildings include:

- Exeter's Apopka Business Park buildings with 282,100, 546,859, 207,210 and 207,210 SF
- McNulty's Clarcona Road buildings #1 & #2 with 48,000 each
- WPT Management Trust's Apopka 429 #300 with 1,200,000 square feet and #400 with 546,000 SF
- Cadence Partners Northstar Industrial park with three buildings being 86,924 SF, 79,724 SF, and 399,234 SF
- KKR's McCoy Commerce Center with 262,462 SF, 192,157 SF, and 30,856 SF
- Scannell's 977,466 SF in Christopher C. Ford Park in Groveland
- Stonemont's 876,750 SF in Christopher C. Ford Park in Groveland
- Link's Mahogany Point Buildings 100 & 200 totaling 150,480 SF and 156,960 SF
- Venture One's Beachline Venture Park building totaling 220,871 SF
- Brookfield's Taft Vineland Road building 540,399 SF
- McCraney's Commerce 429 Logistics Park totaling 314,426 SF across 6 buildings
- Summitt's 451 Commerce Park totaling 260,084 SF
- East Group's 901 Mid Florida Drive totaling 167,242 SF
- LBA Realty's University Crossing project totaling 369,961 SF across 3 buildings
- Distribution Realty Group 6520 Narcoossee Road building

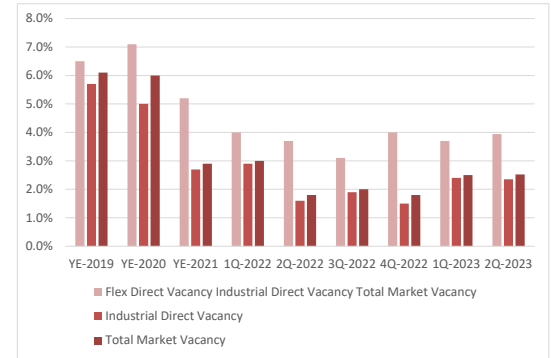
There is currently 719,110 square feet of build-to-suit construction underway. This includes:

- McKesson: 472,583 SF at AIPO
- Environmental Products' 50,000 SF building on Hermit Smith
- KEMCO's 100,050 SF on Lake Mary Boulevard
- List Industries 96,477 SF in Apopka

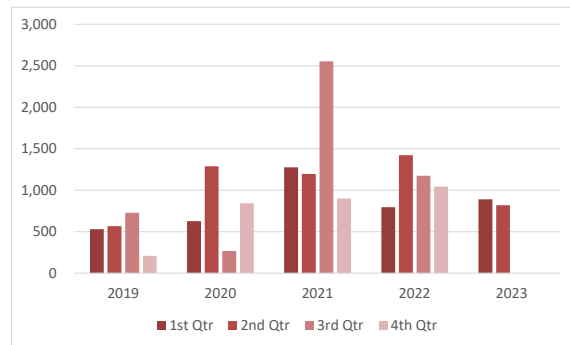
There was a total of 1,056,937 square feet delivered:

- Realvest's building at 6275 S Goldenrod with 92,024 SF
- WPT Management Trust's Apopka 429 building #200 with 725,040 SF
- Prologis' two buildings in AIPO which include 42,420 SF and 221,737 SF

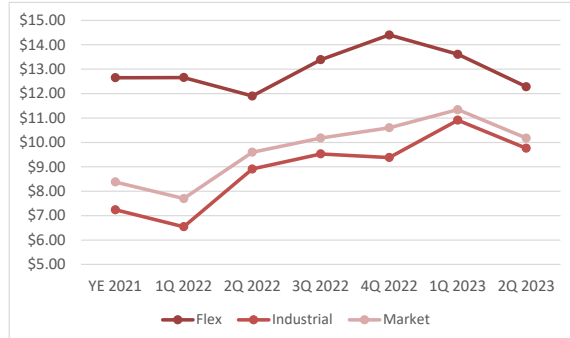
VACANCY



ABSORPTION







RENTAL RATES



SALES & AVERAGE PRICE PSF



TOP SECOND QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

BUILDING NAME	TENANT	TOTAL SF	SUBMARKET	TYPE
2675 Directors Row	Assa Abloy	150,150	OCP	New
10963 Florida Crown Drive	Quarter Master Logistics	118,491	Airport/Southeast	New
7575 Chancellor Drive	JCQ Services	100,440	OCP	New
7320 Kingspointe Parkway	Ally Building Solutions	87,564	Southwest	Renewal/Expansion
88 W Taft Vineland	 Nefco	83,082	Airport/Southeast	New
1221 Ocoee Apopka Road	Viking Supply	63,581	Northwest	New
1221 Ocoee Apopka Road	Sprayer Depot	62,879	Northwest	New
7705 Winegard Road	A-Z Industries	47,681	Airport/Southeast	New
3502 St. Johns Parkway	 Kairos Wholesale	46,925	Longwood/Lake Mary/Sanford	New
3851 WD Judge Drive	 Pool Corp (SCP Distributors)	39,752	Silver Star	New
1075 Gills Drive	Bay Industries 	25,950	Airport/Southeast	Renewal

TOP SECOND QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

BUILDING NAME	SUBMARKET	TOTAL SF	BUYER	SELLER	SALE PRICE	PPSF
Crossroads 429 Portfolio	Northwest	280,437	Cabot	Summit	\$40,250,000	\$143.53
TA Portfolio	Airport/SE	237,000	GID	TA Realty	\$36,500,000	\$154.01
Perimeter Park	Northwest	172,047	Investcorp	AG-HS Perimeter Park	\$29,750,000	\$172.92
Maggie Boulevard Small Bay Portfolio	33rd Street	85,300	Stonelake	MLMJJC, Inc.	\$12,000,000	\$140.68
603 Central Florida Parkway	Airport/SE	60,000	Legacy Capital	Williams Family	\$6,050,000	\$100.83
1201 Central Park Drive	Longwood/Lake Mary/Sanford	33,572	MNRL Properties, LLC	LINJON, Inc	\$4,600,000	\$137.02
1680 Timocuan	Longwood/Lake Mary/Sanford	20,842	BP Timocuan Way, LLC	7 Plastics, Inc.	\$2,400,000	\$115.15
550 Poyner	Longwood/Lake Mary/Sanford	20,000	550 Poyner Drive, LLC	Liphi Holdings, LLC	\$3,500,000	\$175.00

 * Logo reflects transactions that Lee & Associates participated in.

Submarket	# of Bldgs	Total RSF	Direct Vacant SF	Direct Vacancy	Sublet Vacant SF	Sublet Vacancy	Total Vacancy	Quarterly Absorption	Year-To-Date Absorption	Dir Wtd Avg. Asking Rate
NORTHWEST										
Bulk/Distribution	41	8,484,787 SF	1,006,056 SF	11.86%	213,400 SF	2.52%	14.37%	380,553 SF	280,437 SF	\$5.89
Flex	24	555,700 SF	17,487 SF	3.15%	0 SF	0.00%	3.15%	-7,433 SF	-5,933 SF	\$11.64
Manufacturing	19	1,050,911 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	5,190 SF	N/A
Office/Warehouse	124	6,980,197 SF	12,295 SF	0.18%	0 SF	0.00%	0.18%	-10,795 SF	-6,928 SF	\$13.46
Submarket Total	208	17,071,595 SF	1,035,838 SF	6.07%	213,400 SF	1.25%	7.32%	362,325 SF	272,766 SF	\$6.08
SILVER STAR										
Bulk/Distribution	25	4,473,100 SF	127,272 SF	2.85%	0 SF	0.00%	2.85%	39,752 SF	-17,743 SF	\$9.32
Flex	30	1,329,019 SF	13,679 SF	1.03%	34,370 SF	2.59%	3.62%	2,367 SF	18,221 SF	\$13.57
Manufacturing	26	2,299,699 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	N/A
Office/Warehouse	182	9,419,664 SF	189,166 SF	2.01%	0 SF	0.00%	2.01%	-7,860 SF	-37,617 SF	\$8.55
Submarket Total	263	17,521,482 SF	330,117 SF	1.88%	34,370 SF	0.20%	2.08%	34,259 SF	-37,139 SF	\$9.05
33RD STREET										
Bulk/Distribution	6	781,168 SF	0 SF	0.00%	217,336 SF	27.82%	27.82%	0 SF	0 SF	N/A
Flex	31	1,089,158 SF	11,676 SF	1.07%	0 SF	0.00%	1.07%	-887 SF	5,912 SF	\$15.77
Office/Warehouse	84	3,750,278 SF	33,605 SF	0.90%	0 SF	0.00%	0.90%	-16,178 SF	5,546 SF	\$15.15
Submarket Total	121	5,620,604 SF	45,281 SF	0.81%	217,336 SF	3.87%	4.67%	-17,065 SF	11,458 SF	\$15.31
NORTH CENTRAL										
Flex	40	1,091,557 SF	70,320 SF	6.44%	0 SF	0.00%	6.44%	-8,099 SF	-18,195 SF	\$14.09
Manufacturing	10	414,832 SF	58,000 SF	13.98%	0 SF	0.00%	13.98%	39,374 SF	14,374 SF	\$10.97
Office/Warehouse	47	1,770,606 SF	113,681 SF	6.42%	0 SF	0.00%	6.42%	-43,856 SF	-37,056 SF	\$10.28
Submarket Total	97	3,276,995 SF	242,001 SF	7.38%	0 SF	0.00%	7.38%	-12,581 SF	-40,877 SF	\$11.55
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	22	2,620,601 SF	331,284 SF	12.64%	0 SF	0.00%	12.64%	0 SF	35,245 SF	\$8.95
Flex	68	2,465,259 SF	81,446 SF	3.30%	3,376 SF	0.14%	3.44%	-4,801 SF	24,530 SF	\$2.04
Manufacturing	52	3,067,605 SF	109,500 SF	3.57%	0 SF	0.00%	3.57%	0 SF	55,200 SF	\$8.00
Office/Warehouse	175	7,306,873 SF	81,648 SF	1.12%	0 SF	0.00%	1.12%	4,452 SF	21,381 SF	\$11.22
Submarket Total	317	15,460,338 SF	603,878 SF	3.91%	3,376 SF	0.02%	3.93%	-349 SF	136,356 SF	\$8.15
CENTRAL ORLANDO										
Flex	10	330,496 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	N/A
Manufacturing	18	915,690 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	N/A
Office/Warehouse	102	3,831,938 SF	55,466 SF	1.45%	0 SF	0.00%	1.45%	-24,566 SF	-46,899 SF	\$10.98
Submarket Total	130	5,078,124 SF	55,466 SF	1.09%	0 SF	0.00%	1.09%	-24,566 SF	-46,899 SF	\$10.98
EAST SIDE / UNIVERSITY										
Bulk/Distribution	2	399,818 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	N/A
Flex	46	1,821,744 SF	152,097 SF	8.35%	37,205 SF	2.04%	10.39%	-45,183 SF	-48,023 SF	\$13.60
Manufacturing	14	627,131 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	6,000 SF	N/A
Office/Warehouse	58	2,288,365 SF	11,106 SF	0.49%	0 SF	0.00%	0.49%	32,580 SF	10,076 SF	\$14.89
Submarket Total	120	5,137,058 SF	163,203 SF	3.18%	37,205 SF	0.72%	3.90%	-12,603 SF	-31,947 SF	\$13.69
AIRPORT / SOUTHEAST										
Bulk/Distribution	131	23,231,272 SF	500,999 SF	2.16%	0 SF	0.00%	2.16%	307,678 SF	1,060,803 SF	\$9.79
Flex	85	3,299,829 SF	112,544 SF	3.41%	28,051 SF	0.85%	4.26%	2,628 SF	54,665 SF	\$14.75
Office/Warehouse	290	19,371,064 SF	189,003 SF	0.98%	13,420 SF	0.07%	1.04%	155,284 SF	352,132 SF	\$14.84
Submarket Total	506	45,902,165 SF	802,546 SF	1.75%	41,471 SF	0.09%	1.84%	465,590 SF	1,467,600 SF	\$11.67
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,958,528 SF	57,256 SF	0.64%	0 SF	0.00%	0.64%	0 SF	-48,097 SF	\$10.21
Flex	43	1,833,622 SF	88,436 SF	4.82%	0 SF	0.00%	4.82%	25,228 SF	-7,442 SF	\$11.36
Office/Warehouse	80	4,968,519 SF	24,625 SF	0.50%	5,300 SF	0.11%	0.60%	2,345 SF	23,268 SF	\$12.00
Submarket Total	178	15,760,669 SF	170,317 SF	1.08%	5,300 SF	0.03%	1.11%	27,573 SF	-32,271 SF	\$11.07
SOUTHWEST										
Bulk/Distribution	17	3,019,987 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	N/A
Flex	19	871,019 SF	31,093 SF	3.57%	12,315 SF	1.41%	4.98%	-6,586 SF	-16,719 SF	\$20.77
Office/Warehouse	44	4,011,240 SF	20,312 SF	0.51%	0 SF	0.00%	0.51%	3,748 SF	-2,325 SF	\$11.00
Submarket Total	80	7,902,246 SF	51,405 SF	0.65%	12,315 SF	0.16%	0.81%	-2,838 SF	-19,044 SF	\$16.91
TOTAL FLEX	396	14,687,403 SF	578,778 SF	3.94%	115,317 SF	0.79%	4.73%	-42,766 SF	7,016 SF	\$12.28
TOTAL BULK/DISTRIBUTION	299	51,969,261 SF	2,022,867 SF	3.89%	430,736 SF	21.29%	4.72%	727,983 SF	1,310,645 SF	\$9.16
TOTAL MANUFACTURING	139	8,375,868 SF	167,500 SF	2.00%	0 SF	0.00%	2.00%	39,374 SF	80,764 SF	\$9.03
TOTAL OFFICE/WAREHOUSE	1,186	63,698,744 SF	730,907 SF	1.15%	18,720 SF	0.03%	1.18%	95,154 SF	281,578 SF	\$11.59
TOTAL INDUSTRIAL SPACE	1,624	124,043,873 SF	2,921,274 SF	2.36%	449,456 SF	0.36%	2.72%	862,511 SF	1,672,987 SF	\$9.76
TOTAL MARKET	2,020	138,731,276 SF	3,500,052 SF	2.52%	564,773 SF	0.41%	2.93%	819,745 SF	1,680,003 SF	\$10.18

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