

**ORANGE & SEMINOLE COUNTY INDUSTRIAL MARKET REPORT**

**QUARTER LEE NOTE**

The third quarter yet again posted positive absorption, this time in the amount of 117,664 SF. Absorption showed its first meaningful decline from the previous quarter as the market is exhibiting signs of a slowdown. This quarter also saw an uptick in subleasing, longer downtimes (particularly for larger and challenged spaces), and further trends cementing the fact that we are shifting to a new normal and the bull run of the last decade in Orlando may be coming to an end. It is noteworthy that most of the negative absorption this quarter came from the NW Orange County submarket, which is where the majority of the bulk deliveries were. This also resulted in the decline of average rental rates for bulk/distribution buildings. When looking at overall absorption, supply, and demand, we feel good about our local industrial market. Some high points from this quarter included several notable investment sales with a steady buyer pool in the market, rent growth for certain asset types and sizes, particularly small bay and units under 50,000 SF. Lastly, vacancy is trending higher, but still well within reasonable limits.

**MARKET TRENDS: CHANGES FROM PREVIOUS QUARTER**



**WHAT YOU NEED TO KNOW**

- Direct vacancy increased to 3.55%. This is mainly due to new deliveries and longer downtimes.
- Average sale price per square foot on the year is down slightly and is now \$124 per square foot, mainly impacted by the Staples building sale.
- Total quarterly absorption was 117,664 SF.
- Average asking rents decreased slightly, which remains affected primarily by new, larger bulk buildings being delivered.

**MARKET SNAPSHOT**

COMPARISON RENTAL RATES PSF:		
	3Q-23	2Q-23
FLEX	\$14.15	\$12.28
BULK/DISTRIBUTION	\$7.00	\$9.16
MANUFACTURING	\$9.48	\$9.03
OFFICE/WAREHOUSE	\$12.07	\$11.59
<b>TOTAL MARKET</b>	<b>\$8.84</b>	<b>\$10.18</b>

COMPARISON OF MARKET VACANCY:		
	3Q-23	2Q-23
DIRECT	3.55%	2.52%
SUBLET	0.40%	0.41%
<b>TOTAL MARKET</b>	<b>3.95%</b>	<b>2.93%</b>

COMPARISON OF ABSORPTION IN SF:		
	3Q-23	2Q-23
QUARTERLY AMOUNT	117,664	819,745
YEAR-TO-DATE	1,826,433	1,708,769

CONSTRUCTION PIPELINE: 20,000 SF+		
	3Q-23	2Q-23
U/C (SPECULATIVE & BTS)	7,439,179	9,304,500
DELIVERED (BY QTR)	1,902,166	1,081,228
DELIVERED YTD	4,728,625	2,826,459

BUILDING SALES:		
	3Q-23	2Q-23
QUARTERLY TOTAL	\$271M	\$177M
AVERAGE PRICE PSF	\$124.11	\$148.16

**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:

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While we note that the data appears to be trending in a different direction from 'up', we don't anticipate a major slide in the Orlando industrial market. To some extent, it reminds us of the time when COVID happened, when no one knew what to do. We are seeing that effect primarily in regard to larger spaces, whereas smaller operators who need to operate to keep a roof over their head have no choice but to make decisions to grow their business. Exemplifying this is that office/warehouse vacancy rates are sub 2.0% in nearly every submarket, whereas bulk is significantly higher. Also noteworthy is that the majority of the negative absorption this quarter came from NW Orange County, which is where the majority of the bulk deliveries are.

**There is currently 7,439,179 SF of speculative development under construction or imminent. These buildings include:**

- Exeter's Apopka Business Park buildings with 207,210 and 207,210 SF
- 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
- 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
- TPA's Beachline Logistics building at 8648 Transport Drive totaling 438,000 SF

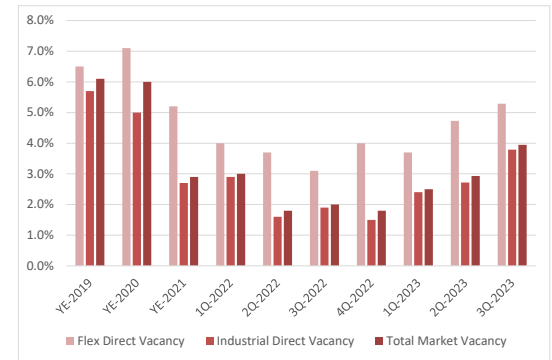
**There is currently 719,110 square feet of build-to-suit construction underway. This includes:**

- 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

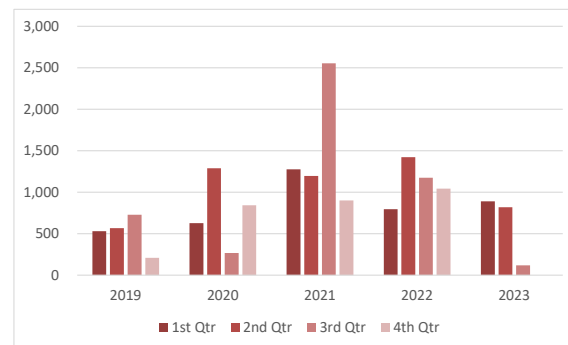
**There was a total of 1,902,166 square feet delivered:**

- Exeter's Apopka Business Park buildings with 282,100, and 546,859 SF
- McNulty's Clarcona Road buildings #1 and #2 with 48,000 SF each
- Scannell's 977,466 SF in Christopher C. Ford Park in Groveland

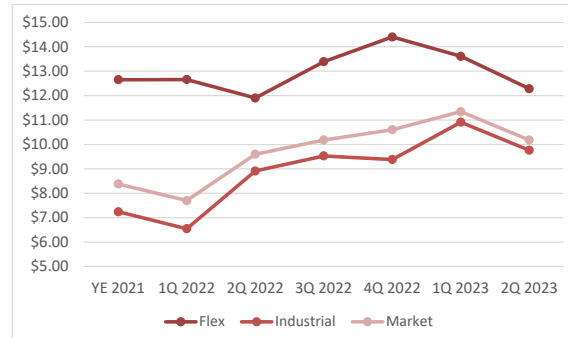
### VACANCY



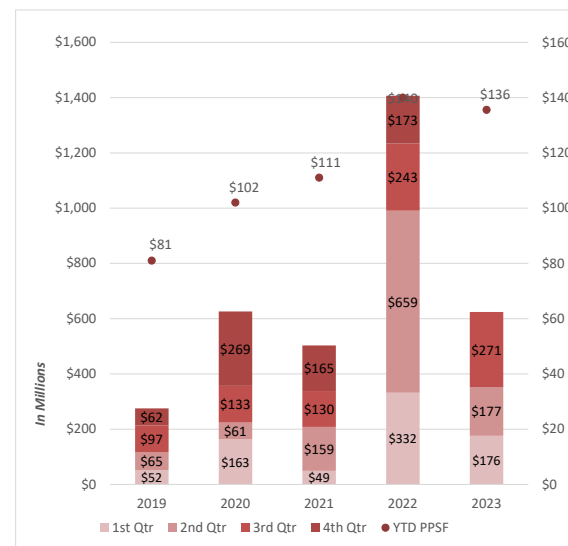
### ABSORPTION



### RENTAL RATES



### SALES & AVERAGE PRICE PSF



### TOP THIRD QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

BUILDING NAME	TENANT	TOTAL SF	SUBMARKET	TYPE
88 W Taft Vineland	Evolution Electric Vehicles	213,544	Airport/Southeast	New
2502 Lake Orange Drive	The Expo Group	154,200	Airport/Southeast	Renewal
8679 Transport Drive	Mitsubishi	119,200	Airport/Southeast	New
1349 Ocoee Apopka	Legendary Holdings	89,578	Northwest	Renewal
3600 Mercy Drive	Christy Distribution	88,246	Silver Star	New
601 Gills Drive	Star Pipe	67,339	Airport/Southeast	Renewal
3033 Mercy Drive	ATEX Distribution	57,465	Silver Star	New
7199 S Conway	Advance Composite Structures	40,501	Airport/Southeast	New
2900 Titan Row	Filterbuy	36,067	OCP	Renewal

### TOP THIRD QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

BUILDING NAME	SUBMARKET	TOTAL SF	BUYER	SELLER	SALE PRICE	PPSF
Staples	Airport/Southeast	545,575	Raith Capital Partners	Angelo Gordon & Co.	\$44,500,000	\$81.57
Northwest Distriubtion	Northwest	646,482	Clarion	Oakmont	\$90,550,000	\$140.07
Parkway Commerce	Silver Star	292,365	Cofe Properties	The Geneva Group	\$44,000,000	\$150.50
4520 36th	33rd Street	93,300	Longpoint Realty	The Eisenberg Group	\$14,000,000	\$150.05
411 Hames	Central Orlando	66,780	3H Pharmaceuticals	411 & 421 Hames Ave, LLC	\$6,400,000	\$95.84
2650 Jewett	Longwood/Lake Mary/Sanford	40,000	V3 Capital	GB Properties Orlando, LLC	\$3,375,000	\$84.38

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
<b>NORTHWEST</b>										
Bulk/Distribution	42	10,517,349 SF	2,698,724 SF	25.66%	181,679 SF	1.73%	27.39%	-271,904 SF	8,533 SF	\$6.09
Flex	24	555,700 SF	9,933 SF	1.79%	0 SF	0.00%	1.79%	7,554 SF	1,621 SF	\$17.02
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	24,682 SF	0.35%	0 SF	0.00%	0.35%	-12,387 SF	-55,331 SF	\$11.02
<b>Submarket Total</b>	<b>209</b>	<b>19,104,157 SF</b>	<b>2,733,339 SF</b>	<b>14.31%</b>	<b>181,679 SF</b>	<b>0.95%</b>	<b>15.26%</b>	<b>-276,737 SF</b>	<b>-39,987 SF</b>	<b>\$6.17</b>
<b>SILVER STAR</b>										
Bulk/Distribution	25	4,473,100 SF	16,125 SF	0.36%	0 SF	0.00%	0.36%	111,147 SF	-50,837 SF	\$10.00
Flex	33	1,407,292 SF	52,357 SF	3.72%	0 SF	0.00%	3.72%	-38,678 SF	-20,457 SF	\$12.80
Manufacturing	29	2,452,359 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	N/A
Office/Warehouse	182	9,578,189 SF	109,929 SF	1.15%	0 SF	0.00%	1.15%	79,237 SF	41,620 SF	\$10.38
<b>Submarket Total</b>	<b>269</b>	<b>17,910,940 SF</b>	<b>178,411 SF</b>	<b>1.00%</b>	<b>0 SF</b>	<b>0.00%</b>	<b>1.00%</b>	<b>151,706 SF</b>	<b>-29,674 SF</b>	<b>\$11.06</b>
<b>33RD STREET</b>										
Bulk/Distribution	6	781,168 SF	0 SF	0.00%	175,218 SF	22.43%	22.43%	0 SF	0 SF	N/A
Flex	31	1,089,158 SF	17,862 SF	1.64%	18,671 SF	1.71%	3.35%	-6,186 SF	-274 SF	\$16.24
Office/Warehouse	84	3,750,278 SF	37,357 SF	1.00%	0 SF	0.00%	1.00%	-3,752 SF	1,794 SF	\$14.09
<b>Submarket Total</b>	<b>121</b>	<b>5,620,604 SF</b>	<b>55,219 SF</b>	<b>0.98%</b>	<b>193,889 SF</b>	<b>3.45%</b>	<b>4.43%</b>	<b>-9,938 SF</b>	<b>1,520 SF</b>	<b>\$14.78</b>
<b>NORTH CENTRAL</b>										
Flex	40	1,091,557 SF	50,329 SF	4.61%	2,661 SF	0.24%	4.85%	19,991 SF	1,796 SF	\$16.23
Manufacturing	10	414,832 SF	52,000 SF	12.54%	0 SF	0.00%	12.54%	6,000 SF	20,374 SF	\$12.40
Office/Warehouse	47	1,770,606 SF	102,856 SF	5.81%	0 SF	0.00%	5.81%	-33,031 SF	-21,779 SF	\$11.28
<b>Submarket Total</b>	<b>97</b>	<b>3,276,995 SF</b>	<b>205,185 SF</b>	<b>6.26%</b>	<b>2,661 SF</b>	<b>0.08%</b>	<b>6.34%</b>	<b>-7,040 SF</b>	<b>391 SF</b>	<b>\$12.78</b>
<b>LONGWOOD/LAKE MARY/SANFORD</b>										
Bulk/Distribution	23	2,620,601 SF	410,793 SF	15.68%	0 SF	0.00%	15.68%	25,152 SF	60,397 SF	\$9.20
Flex	68	2,465,259 SF	114,154 SF	4.63%	0 SF	0.00%	4.63%	-37,509 SF	-12,979 SF	\$11.63
Manufacturing	52	3,067,605 SF	88,720 SF	2.89%	0 SF	0.00%	2.89%	20,780 SF	75,980 SF	\$8.95
Office/Warehouse	175	7,306,873 SF	133,974 SF	1.83%	10,926 SF	0.15%	1.98%	-47,874 SF	-26,493 SF	\$11.55
<b>Submarket Total</b>	<b>318</b>	<b>15,460,338 SF</b>	<b>747,641 SF</b>	<b>4.84%</b>	<b>10,926 SF</b>	<b>0.07%</b>	<b>4.91%</b>	<b>-39,451 SF</b>	<b>96,905 SF</b>	<b>\$9.96</b>
<b>CENTRAL ORLANDO</b>										
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	11,000 SF	1.20%	0 SF	0.00%	1.20%	-11,000 SF	-11,000 SF	\$15.00
Office/Warehouse	102	3,831,938 SF	75,172 SF	1.96%	0 SF	0.00%	1.96%	-19,706 SF	-66,605 SF	\$10.42
<b>Submarket Total</b>	<b>130</b>	<b>5,078,124 SF</b>	<b>86,172 SF</b>	<b>1.70%</b>	<b>0 SF</b>	<b>0.00%</b>	<b>1.70%</b>	<b>-30,706 SF</b>	<b>-77,605 SF</b>	<b>\$9.09</b>
<b>EAST SIDE / UNIVERSITY</b>										
Bulk/Distribution	2	399,818 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	N/A
Flex	47	1,821,744 SF	166,762 SF	9.15%	13,147 SF	0.72%	9.88%	-14,665 SF	-62,688 SF	\$12.60
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%	0 SF	10,076 SF	\$15.00
<b>Submarket Total</b>	<b>121</b>	<b>5,137,058 SF</b>	<b>177,868 SF</b>	<b>3.46%</b>	<b>13,147 SF</b>	<b>0.26%</b>	<b>3.72%</b>	<b>-14,665 SF</b>	<b>-46,612 SF</b>	<b>\$12.75</b>
<b>AIRPORT / SOUTHEAST</b>										
Bulk/Distribution	131	23,350,472 SF	253,365 SF	1.09%	65,800 SF	0.28%	1.37%	366,834 SF	1,427,637 SF	\$10.00
Flex	85	3,299,829 SF	127,345 SF	3.86%	28,051 SF	0.85%	4.71%	-14,801 SF	39,864 SF	\$13.47
Office/Warehouse	290	19,371,064 SF	225,664 SF	1.16%	25,821 SF	0.13%	1.30%	-36,661 SF	315,471 SF	\$13.71
<b>Submarket Total</b>	<b>506</b>	<b>46,021,365 SF</b>	<b>606,374 SF</b>	<b>1.32%</b>	<b>119,672 SF</b>	<b>0.26%</b>	<b>1.58%</b>	<b>315,372 SF</b>	<b>1,782,972 SF</b>	<b>\$12.11</b>
<b>ORLANDO CENTRAL PARK</b>										
Bulk/Distribution	55	8,958,528 SF	24,709 SF	0.28%	0 SF	0.00%	0.28%	32,547 SF	-58,960 SF	\$12.55
Flex	42	1,679,492 SF	88,663 SF	5.28%	0 SF	0.00%	5.28%	25,001 SF	17,559 SF	\$13.90
Office/Warehouse	80	4,974,683 SF	10,662 SF	0.21%	25,887 SF	0.52%	0.73%	13,963 SF	37,231 SF	\$13.75
<b>Submarket Total</b>	<b>177</b>	<b>15,612,703 SF</b>	<b>124,034 SF</b>	<b>0.79%</b>	<b>25,887 SF</b>	<b>0.17%</b>	<b>0.96%</b>	<b>71,511 SF</b>	<b>-4,170 SF</b>	<b>\$13.62</b>
<b>SOUTHWEST</b>										
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	885,785 SF	71,081 SF	8.02%	12,315 SF	1.39%	9.41%	-39,988 SF	-56,707 SF	\$21.91
Office/Warehouse	44	4,011,478 SF	22,712 SF	0.57%	0 SF	0.00%	0.57%	-2,400 SF	-4,725 SF	\$11.53
<b>Submarket Total</b>	<b>80</b>	<b>7,917,250 SF</b>	<b>93,793 SF</b>	<b>1.18%</b>	<b>12,315 SF</b>	<b>0.16%</b>	<b>1.34%</b>	<b>-42,388 SF</b>	<b>-61,432 SF</b>	<b>\$19.40</b>
<b>TOTAL FLEX</b>	<b>399</b>	<b>14,626,312 SF</b>	<b>698,486 SF</b>	<b>4.78%</b>	<b>74,845 SF</b>	<b>0.51%</b>	<b>5.29%</b>	<b>-99,281 SF</b>	<b>-92,265 SF</b>	<b>\$14.15</b>
<b>TOTAL BULK/DISTRIBUTION</b>	<b>301</b>	<b>54,121,023 SF</b>	<b>3,403,716 SF</b>	<b>6.29%</b>	<b>422,697 SF</b>	<b>12.42%</b>	<b>7.07%</b>	<b>263,776 SF</b>	<b>1,386,770 SF</b>	<b>\$7.00</b>
<b>TOTAL MANUFACTURING</b>	<b>142</b>	<b>8,528,528 SF</b>	<b>151,720 SF</b>	<b>1.78%</b>	<b>0 SF</b>	<b>0.00%</b>	<b>1.78%</b>	<b>15,780 SF</b>	<b>96,544 SF</b>	<b>\$9.48</b>
<b>TOTAL OFFICE/WAREHOUSE</b>	<b>1,186</b>	<b>63,863,671 SF</b>	<b>754,114 SF</b>	<b>1.18%</b>	<b>62,634 SF</b>	<b>0.10%</b>	<b>1.28%</b>	<b>-62,611 SF</b>	<b>231,259 SF</b>	<b>\$12.07</b>
<b>TOTAL INDUSTRIAL SPACE</b>	<b>1,629</b>	<b>126,513,222 SF</b>	<b>4,309,550 SF</b>	<b>3.41%</b>	<b>485,331 SF</b>	<b>0.38%</b>	<b>3.79%</b>	<b>216,945 SF</b>	<b>1,714,573 SF</b>	<b>\$7.98</b>
<b>TOTAL MARKET</b>	<b>2,028</b>	<b>141,139,534 SF</b>	<b>5,008,036 SF</b>	<b>3.55%</b>	<b>560,176 SF</b>	<b>0.40%</b>	<b>3.95%</b>	<b>117,664 SF</b>	<b>1,622,308 SF</b>	<b>\$8.84</b>

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