

## ORANGE & SEMINOLE COUNTY INDUSTRIAL MARKET REPORT

### QUARTER LEE NOTE

When Covid arrived, the affect it had on the industrial market was equivalent to gasoline being thrown on a campfire. Part of that fuel was abnormally low interest rates which fueled tremendous development activity, the likes of which have never been seen. The explosion of activity has now officially burned off and we are settling in to a new type of normal market that feels much more traditional. Absorption was anticipated to be lower in the first quarter, however, the market beat our expectations and posted a respectable 783,625 SF of positive absorption. This number was made up of several large deals, which reinforced our thoughts that without those, absorption would have been much less and coincides with our feelings of a less robust and more normalized market with diminishing leasing velocity. Deals are harder to complete as decisions seem to take longer to make, a sentiment felt by all landlord's. Despite the market normalizing, vacancy remains at what we consider a very healthy level of 5.40%, which is about the same as Q4 2023's figure of 5.39%. We continue to monitor bankruptcy's, AR issues and sublet space, all indicators of a changing market. Thus far, there is limited data that we are seeing that would indicate structural problems ahead and we view this as very positive.

Sales trended down sharply in both price, and velocity with just \$50M in sales recorded for the first quarter. Plenty of buyers are still out there waiting on the market to worsen, but we don't believe that will be the case.

For the rest of 2024, we are forecasting a similar pattern of absorption that seems paltry compared to the hey-day quarters of just a year or two ago. The larger bulk buildings are struggling to get leased, however the market's 'bread and butter' deal size of 20K SF to 40K SF is just as active as ever. We expect rents to remain stable, and the vacancy rate to increase slightly this year with a few more new building deliveries that are currently in the pipeline. For now, we are avoiding the 'boom and bust' cycle typically seen in real estate and are heading toward what may be a 'soft landing'.

### MARKET SNAPSHOT

COMPARISON RENTAL RATES PSF:		
	1Q-24	4Q-23
FLEX	\$13.74	\$14.71
BULK/DISTRIBUTION	\$7.42	\$7.51
MANUFACTURING	\$9.12	\$9.13
OFFICE/WAREHOUSE	\$11.16	\$9.59
<b>TOTAL MARKET</b>	<b>\$8.45</b>	<b>\$8.50</b>

COMPARISON OF MARKET VACANCY:		
	1Q-24	4Q-23
DIRECT	5.18%	4.97%
SUBLET	0.22%	0.42%
<b>TOTAL MARKET</b>	<b>5.40%</b>	<b>5.39%</b>

COMPARISON OF ABSORPTION IN SF:		
	1Q-24	4Q-23
QUARTERLY AMOUNT	783,625	579,099
YEAR-TO-DATE	783,625	2,448,612

CONSTRUCTION PIPELINE: 20,000 SF+		
	1Q-24	4Q-23
U/C (SPECULATIVE & BTS)	5,007,784	3,921,536
DELIVERED (BY QTR)	318,034	4,276,609
DELIVERED YTD	318,034	9,005,234

BUILDING SALES:		
	1Q-24	4Q-23
QUARTERLY TOTAL	\$50M	\$108M
AVERAGE PRICE PSF	\$130.42	\$158.49

### MARKET TRENDS: CHANGES FROM PREVIOUS QUARTER



### WHAT YOU NEED TO KNOW

- Direct vacancy increased to 5.18%, a relatively minor change from Q4 2023. Vacancy rates appear to be steady.
- Average sales price per square foot this quarter so far is \$130.42/SF, a slight decrease from 2024's Year-End Average pricing of about \$139/SF.
- Asking rents decreased slightly, which we believe is more rent stabilization as opposed to a larger trend of reduced rental rates.

### UNDERSTANDING THE REPORT

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 200' 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 200' 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. Our dataset is hand-selected and some variances may occur within the respective categories based upon our experience in the market. Data was updated in Q1 2024 to remove some duplicates and buildings which have been demolished. We anticipate our dataset to undergo minor changes in 2024, to further increase the integrity of the data. 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 a lease is signed for the corresponding lease size, and the corresponding amount of remaining vacancy. 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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The previous quarter's data indicated the market was stabilizing, and this quarter reinforces that. Whether we are at the bottom of the valley and heading to the peak again is yet to be determined. Bulk products continue to represent the highest vacancies, while the office/warehouse vacancies remain the lowest. Sales activity was very light this quarter, as buyers and sellers continue to dance in the "matchmaking" process and navigate the new norms of debt costs.

**There is currently 5,451,003 SF of speculative development under construction or imminent. These buildings include:**

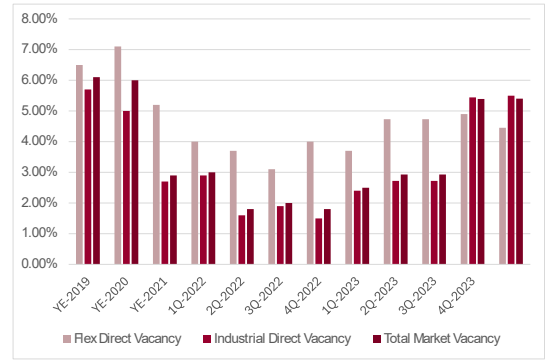
- KKR's McCoy Commerce Center with 192,157, and 30,856 SF
- Stonemont's 877,635 SF, 125,120 SF, and 569,400 SF in Christopher C. Ford Park in Groveland.
- McCraney's Commerce 429 Logistics Park totaling 314,426 SF across 6 buildings
- Distribution Realty Group 6520 Narcoossee Road building totaling 196,085 SF
- TPA's Beachline Logistics building at 8648 Transport Drive totaling 438,000 SF
- LBA Realty's 246,560 SF at University Crossings
- Clarion Partners 196,391 SF at Northstar
- Bluescope's 352,268 SF at Mid Florida Logistics Park South
- Foundry's Princeton Oaks Buildings 900 and 1000 totaling 239,804 SF
- Trammell Crow's Apopka Business Center Building 100 and 200 at 120,192 SF and 146,974 SF, respectively

**There was a total of 318,248 square feet delivered, which included:**

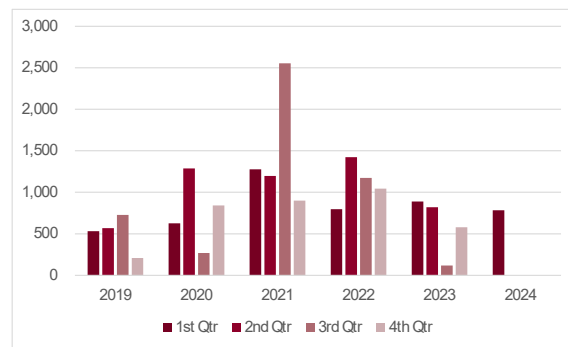
- Two buildings at McCraney's Commerce 429 Logistics Park totaling 55,786 SF
- KKR's McCoy Commerce Center with 262,462 SF



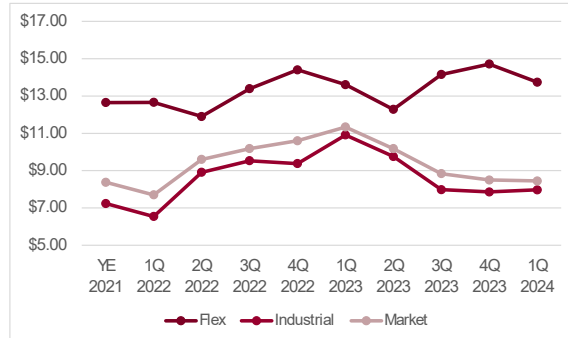
### VACANCY



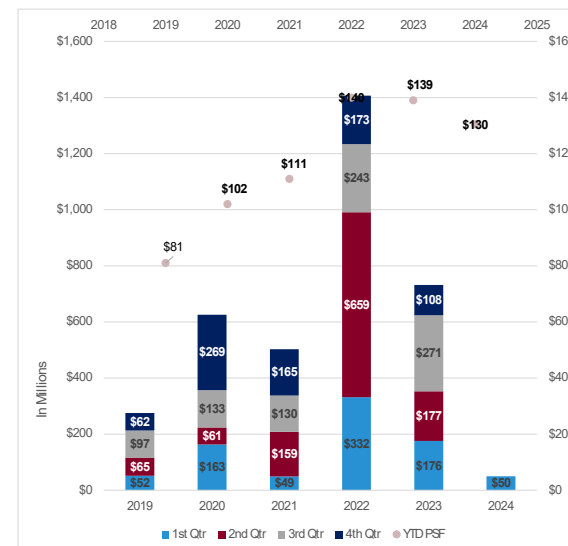
### ABSORPTION



### RENTAL RATES



### SALES & AVERAGE PRICE PSF



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

BUILDING NAME	TENANT	TOTAL SF	SUBMARKET	TYPE
901 Mid Florida Drive	Pinto Transport, Inc.	167,242 SF	Airport/Southeast	New
8200 McCoy Road	Cort Furniture	151,791 SF	Airport/Southeast	New
1091 Gills Drive	Best Cheer Stone	141,680 SF	Airport/Southeast	New
8200 McCoy Road	Grimco	110,671 SF	Airport/Southeast	New
7527 Exchange Drive	Consolidated Electrical Distributors CED	104,392 SF	OCP	Renewal/Expansion
1349 Ocoee Apopka Road	O'Rourke	59,738 SF	Northwest	Renewal
3221 Butters Way	Ligonier Ministries	28,036 SF	Longwood/Lake Mary/Sanford	New
3221 Butters Way	Evergreen Sweetners	27,944 SF	Longwood/Lake Mary/Sanford	New
1290 Ocoee Apopka Road	Avanti Windows and Doors	27,774 SF	Northwest	New

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

BUILDING NAME	SUBMARKET	TOTAL SF	BUYER	SELLER	SALE PRICE	PPSF
6072 Cinderlane	Silver Star	72,663	CF Warehouse, LLC	1788 Holdings	\$9,850,000	\$135.56
Lake Mary Beltway Commerce Park	Longwood/Lake Mary/Sanford	55,400	Surefire Properties LLC	Kemco Properties LLC	\$8,150,000	\$147.11
Semoran Business Center	Northwest	55,390	Louver-Lite (US) Inc.	Tubelite Denco	\$6,500,000	\$117.35
14748 W Colonial Drive	Southwest	39,038	Legacy Realty	Mens Warehouse	\$3,210,000	\$82.23
4111 N John Young Pky	Silver Star	35,600	Fields Motorcars of Florida	Friedman Ronald D Trust	\$4,500,000	\$126.40
6962 Edgewater Drive	Silver Star	30,411	SCV Edgewater LLC	7000 Edgewater Drive Partnership LLC	\$3,950,000	\$129.89
325 Old Sanford Oviedo Road	East Side/University	30,000	USA Management LLC	Stone Bridge Investment Group	\$2,450,000	\$81.67
1106 W Central Blvd	Central Orlando	22,803	Unknown	Fourniers Garage, LLC	\$5,100,000	\$223.65
Sanford Central Park	Longwood/Lake Mary/Sanford	20,918	Cohen Construction Inc.	41 Hundred LLC	\$3,750,000	\$179.27
Cypress Park	Airport/Southeast	19,326	Sonic Satellite	Palmer Grandchildren's GST Trust	\$2,300,000	\$119.01

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	38	8,830,753 SF	3,778,215 SF	42.78%	0 SF	0.00%	42.78%	71,500 SF	71,500 SF	\$6.49
Flex	23	496,931 SF	16,019 SF	3.22%	0 SF	0.00%	3.22%	-5,050 SF	-5,050 SF	\$16.19
Manufacturing	18	1,110,821 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	\$0.00
Office/Warehouse	98	5,888,198 SF	106,653 SF	1.81%	0 SF	0.00%	1.81%	101,777 SF	101,777 SF	\$10.96
<b>Submarket Total</b>	<b>177</b>	<b>16,326,703 SF</b>	<b>3,900,887 SF</b>	<b>23.89%</b>	<b>0 SF</b>	<b>0.00%</b>	<b>23.89%</b>	<b>168,227 SF</b>	<b>168,227 SF</b>	<b>\$6.65</b>
<b>AIRPORT / SOUTHEAST</b>										
Bulk/Distribution	126	22,983,949 SF	706,308 SF	3.07%	65,800 SF	0.29%	3.36%	485,616 SF	485,616 SF	\$9.59
Flex	80	3,229,612 SF	162,605 SF	5.03%	0 SF	0.00%	5.03%	-34,782 SF	-34,782 SF	\$12.21
Office/Warehouse	275	18,027,231 SF	215,696 SF	1.20%	0 SF	0.00%	1.20%	4,373 SF	4,373 SF	\$10.58
<b>Submarket Total</b>	<b>481</b>	<b>44,240,792 SF</b>	<b>1,084,609 SF</b>	<b>2.45%</b>	<b>65,800 SF</b>	<b>0.15%</b>	<b>2.60%</b>	<b>455,207 SF</b>	<b>455,207 SF</b>	<b>\$10.14</b>
<b>SOUTHWEST</b>										
Bulk/Distribution	17	3,022,783 SF	0 SF	0.00%	0 SF	0.00%	0.00%	14,400 SF	14,400 SF	\$13.75
Flex	17	767,753 SF	48,912 SF	6.37%	3,680 SF	0.48%	6.85%	24,387 SF	24,387 SF	\$15.05
Office/Warehouse	40	3,593,395 SF	31,412 SF	0.87%	0 SF	0.00%	0.87%	34,502 SF	34,502 SF	\$16.00
<b>Submarket Total</b>	<b>74</b>	<b>7,383,931 SF</b>	<b>80,324 SF</b>	<b>1.09%</b>	<b>3,680 SF</b>	<b>0.05%</b>	<b>1.14%</b>	<b>73,289 SF</b>	<b>73,289 SF</b>	<b>\$15.40</b>
<b>ORLANDO CENTRAL PARK</b>										
Bulk/Distribution	52	8,530,657 SF	344,912 SF	4.04%	16,000 SF	0.19%	4.23%	-118,221 SF	-118,221 SF	\$9.36
Flex	37	1,419,330 SF	45,587 SF	3.21%	0 SF	0.00%	3.21%	5,047 SF	5,047 SF	\$15.02
Office/Warehouse	80	4,894,625 SF	14,295 SF	0.29%	5,300 SF	0.11%	0.40%	-10,535 SF	-10,535 SF	\$16.36
<b>Submarket Total</b>	<b>169</b>	<b>14,844,612 SF</b>	<b>404,794 SF</b>	<b>2.73%</b>	<b>21,300 SF</b>	<b>0.14%</b>	<b>2.87%</b>	<b>-123,709 SF</b>	<b>-123,709 SF</b>	<b>\$10.29</b>
<b>NORTH CENTRAL</b>										
Flex	40	1,080,106 SF	82,389 SF	7.63%	0 SF	0.00%	7.63%	20,400 SF	20,400 SF	\$14.00
Manufacturing	9	393,189 SF	38,000 SF	9.66%	0 SF	0.00%	9.66%	11,000 SF	11,000 SF	\$9.50
Office/Warehouse	45	1,585,872 SF	47,967 SF	3.02%	2,176 SF	0.14%	3.16%	12,500 SF	12,500 SF	\$12.38
<b>Submarket Total</b>	<b>94</b>	<b>3,059,167 SF</b>	<b>168,356 SF</b>	<b>5.50%</b>	<b>2,176 SF</b>	<b>0.07%</b>	<b>5.57%</b>	<b>43,900 SF</b>	<b>43,900 SF</b>	<b>\$12.52</b>
<b>CENTRAL ORLANDO</b>										
Flex	10	330,496 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	\$0.00
Manufacturing	17	873,428 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	\$0.00
Office/Warehouse	86	3,359,516 SF	117,955 SF	3.51%	0 SF	0.00%	3.51%	-4,375 SF	-4,375 SF	\$10.14
<b>Submarket Total</b>	<b>113</b>	<b>4,563,440 SF</b>	<b>117,955 SF</b>	<b>2.58%</b>	<b>0 SF</b>	<b>0.00%</b>	<b>2.58%</b>	<b>-4,375 SF</b>	<b>-4,375 SF</b>	<b>\$10.14</b>
<b>33RD STREET</b>										
Bulk/Distribution	6	792,091 SF	0 SF	0.00%	154,713 SF	19.53%	19.53%	0 SF	0 SF	\$8.50
Flex	32	1,032,693 SF	27,472 SF	2.66%	7,752 SF	0.75%	3.41%	-16,734 SF	-16,734 SF	\$17.26
Office/Warehouse	85	3,813,100 SF	27,327 SF	0.72%	0 SF	0.00%	0.72%	16,489 SF	16,489 SF	\$15.75
<b>Submarket Total</b>	<b>123</b>	<b>5,637,884 SF</b>	<b>54,799 SF</b>	<b>0.97%</b>	<b>162,465 SF</b>	<b>2.88%</b>	<b>3.85%</b>	<b>-245 SF</b>	<b>-245 SF</b>	<b>\$10.83</b>
<b>SILVER STAR</b>										
Bulk/Distribution	19	3,800,846 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	\$8.75
Flex	30	1,114,227 SF	14,150 SF	1.27%	0 SF	0.00%	1.27%	-4,796 SF	-4,796 SF	\$16.61
Manufacturing	25	2,232,226 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	\$0.00
Office/Warehouse	184	9,248,332 SF	221,292 SF	2.39%	0 SF	0.00%	2.39%	60,524 SF	60,524 SF	\$10.09
<b>Submarket Total</b>	<b>258</b>	<b>16,395,631 SF</b>	<b>235,442 SF</b>	<b>1.44%</b>	<b>0 SF</b>	<b>0.00%</b>	<b>1.44%</b>	<b>55,728 SF</b>	<b>55,728 SF</b>	<b>\$10.48</b>
<b>LONGWOOD / LAKE MARY / SANFORD</b>										
Bulk/Distribution	23	2,782,685 SF	310,316 SF	11.15%	0 SF	0.00%	11.15%	65,380 SF	65,380 SF	\$9.46
Flex	72	2,697,632 SF	68,279 SF	2.53%	0 SF	0.00%	2.53%	9,143 SF	9,143 SF	\$11.80
Manufacturing	49	3,077,985 SF	182,500 SF	5.93%	0 SF	0.00%	5.93%	0 SF	0 SF	\$9.04
Office/Warehouse	173	7,211,529 SF	40,510 SF	0.56%	6,000 SF	0.08%	0.64%	47,606 SF	47,606 SF	\$11.92
<b>Submarket Total</b>	<b>317</b>	<b>15,769,831 SF</b>	<b>601,605 SF</b>	<b>3.81%</b>	<b>6,000 SF</b>	<b>0.04%</b>	<b>3.85%</b>	<b>122,129 SF</b>	<b>122,129 SF</b>	<b>\$9.78</b>
<b>EAST SIDE</b>										
Bulk/Distribution	4	660,072 SF	136,873 SF	20.74%	0 SF	0.00%	20.74%	0 SF	0 SF	\$9.95
Flex	41	1,616,939 SF	110,114 SF	6.81%	26,302 SF	1.63%	8.44%	-7,132 SF	-7,132 SF	\$13.94
Manufacturing	13	591,738 SF	0 SF	0.00%	0 SF	0.00%	0.00%	0 SF	0 SF	\$0.00
Office/Warehouse	55	2,218,925 SF	9,000 SF	0.41%	0 SF	0.00%	0.41%	606 SF	606 SF	\$14.25
<b>Submarket Total</b>	<b>113</b>	<b>5,087,674 SF</b>	<b>255,987 SF</b>	<b>5.03%</b>	<b>26,302 SF</b>	<b>0.52%</b>	<b>5.55%</b>	<b>-6,526 SF</b>	<b>-6,526 SF</b>	<b>\$12.01</b>
<b>TOTALS</b>										
<b>TOTAL BULK</b>	<b>285</b>	<b>51,403,836 SF</b>	<b>5,276,624 SF</b>	<b>10.27%</b>	<b>236,513 SF</b>	<b>0.46%</b>	<b>10.73%</b>	<b>518,675 SF</b>	<b>518,675 SF</b>	<b>\$7.42</b>
<b>TOTAL FLEX</b>	<b>382</b>	<b>13,785,719 SF</b>	<b>575,527 SF</b>	<b>4.17%</b>	<b>37,734 SF</b>	<b>0.27%</b>	<b>4.45%</b>	<b>-9,517 SF</b>	<b>-9,517 SF</b>	<b>\$13.74</b>
<b>TOTAL MANUFACTURING</b>	<b>131</b>	<b>8,279,387 SF</b>	<b>220,500 SF</b>	<b>2.66%</b>	<b>0 SF</b>	<b>0.00%</b>	<b>2.66%</b>	<b>11,000 SF</b>	<b>11,000 SF</b>	<b>\$9.12</b>
<b>TOTAL OFFICE/WAREHOUSE</b>	<b>1,121</b>	<b>59,840,723 SF</b>	<b>832,107 SF</b>	<b>1.39%</b>	<b>13,476 SF</b>	<b>0.02%</b>	<b>1.41%</b>	<b>263,467 SF</b>	<b>263,467 SF</b>	<b>\$11.16</b>
<b>TOTAL MARKET</b>	<b>1,919</b>	<b>133,309,665 SF</b>	<b>6,904,758 SF</b>	<b>5.18%</b>	<b>287,723 SF</b>	<b>0.22%</b>	<b>5.40%</b>	<b>783,625 SF</b>	<b>783,625 SF</b>	<b>\$8.45</b>
<b>TOTAL INDUSTRIAL SPACE</b>	<b>1,537</b>	<b>119,523,946 SF</b>	<b>6,329,231 SF</b>	<b>5.30%</b>	<b>249,989 SF</b>	<b>0.21%</b>	<b>5.50%</b>	<b>793,142 SF</b>	<b>793,142 SF</b>	<b>\$7.97</b>

\*Note that total industrial space excludes Flex