

CENTRAL FLORIDA INDUSTRIAL MARKET REPORT

Q4 2017

ANOTHER STRONG YEAR

SUMMARY

The Central Florida industrial market continues to remain very strong. Continued absorption and disciplined new construction has brought our overall occupancy rate to almost 96%. The story continues to be that there are very limited amounts of space available for tenants across the board, for both small and large deals. While the vacancy rate remains steady, this was the first quarter that the market felt the effects of that low vacancy rate..

VACANCY

Vacancy rates dipped slightly this quarter coming in at 4.2%, the lowest vacancy rate since the second quarter of 2007. Seven buildings totaling 472,897 square feet were delivered this quarter, up from three in the third quarter. However, these deliveries did little to alleviate the market's tight inventory. While vacancy rates have been decreasing steadily for the past few years, this was the first quarter where the low vacancy rate became noticeable. Additionally, because of the continued lack of options, rental rates rose 17 cents this quarter to \$6.29 per square foot, up from \$5.90 per square foot a year ago.

ABSORPTION

The market saw 1,013,382 square feet of absorption this quarter, bringing the year-to-date total to 3,140,717 square feet. After two consecutive quarters of low absorption, the market has rebounded from the effects of hurricane season, as business owners forged ahead with leasing new space. The total absorption for 2017 lagged a bit behind 2016, which had 3,863,127 square feet of absorption.

BUILDING SALES

There were 19 building sales in the fourth quarter, consistent with the first three quarters of 2017, bringing the year-to-date total to 86, compared to 108 last year. While this quarter's activity was consistent with the rest of the year, it was a slow Q4 compared to typical fourth quarters. There were fewer investment sales, which the market will continue to see slowing, as there are few investment properties left to sell in the market. The market has reached a point where the supply/demand equation is tilting significantly to high demand and very little supply.

This quarter's dollar volume of \$58,241,600 is the lowest dollar volume since Q2 2015. Even with a slow Q4, year-to-date dollar volumes totaled \$458,787,700, only slightly below the total for 2016. Square foot prices dropped for the second consecutive quarter to \$66.66.

NEW CONSTRUCTION

There are currently 15 industrial buildings under construction totaling 2,939,822 square feet. However, of the square footage under construction, only 1,850,000 square feet is available, emphasizing the region's vacancy challenges. As the market continues to absorb approximately 3,000,000 square feet per year and new construction isn't keeping up with demands.

OUTLOOK

While the market bounced back following the third quarter hurricanes, Q4 2017 was slower than average as the region's low vacancy rate became a real issue for the first time. With the low vacancy rate not expecting to ease any time soon, the industrial market will be tight in Q1 2018 and will continue to push toward a landlord's market. With that in mind, rents are forecast to continue to rise this quarter and through the rest of 2018.

4Q 2017 Industrial Market Statistics

134,032,253
TOTAL SF

4.2%
VACANCY

1,013,382
SF ABSORPTION

2,939,822
SF UNDER
CONSTRUCTION

\$6.29
AVG. ASKING
BASE RENT/SF

472,897
SF DELIVERED

\$58,241,600
BUILDING SALES
VOLUME

\$66.66
AVG. SALE PRICE/SF

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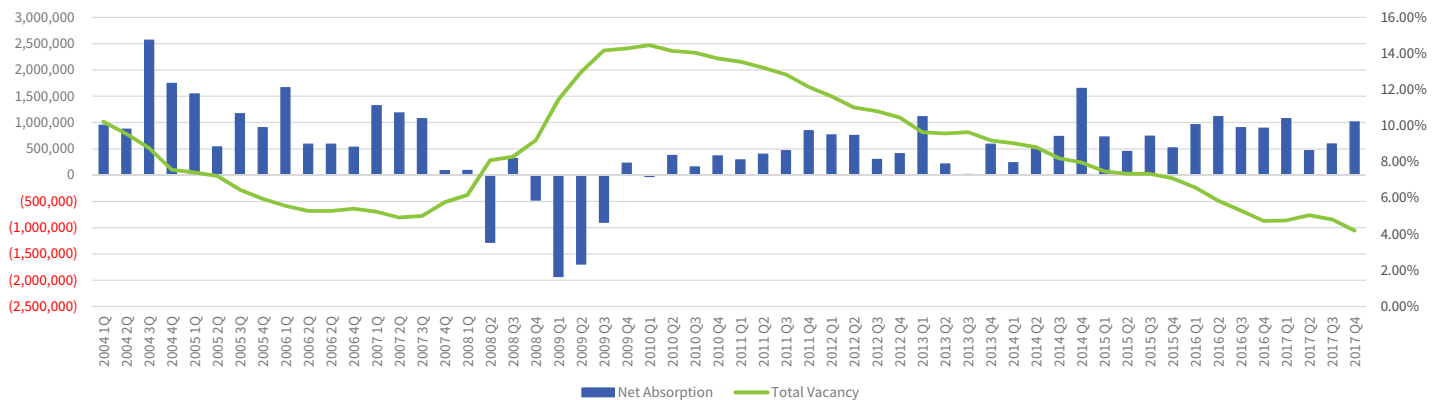
4Q 2017 Central Florida Industrial Market Stats

	# of Bldgs	Total SF	Total Vacancy	Avg Asking Base Rent	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
2017 Q4	3,031	134,032,353	4.2%	\$6.29	1,013,382	3,140,717	15	2,939,822	7	472,897
2017 Q3	3,026	133,843,947	4.8%	\$6.12	590,186	2,127,335	17	1,766,311	3	292,381
2017 Q2	3,023	133,551,566	5.1%	\$6.01	464,079	1,537,149	18	1,977,871	6	894,530
2017 Q1	3,017	132,657,036	4.8%	\$5.97	1,073,070	1,073,070	16	1,727,770	8	1,185,428
2016 Q4	3,009	131,471,608	4.7%	\$5.90	893,981	3,863,127	12	2,158,398	3	128,807
2016 Q3	3,006	131,342,801	5.3%	\$5.83	900,530	2,969,146	11	2,080,479	1	195,023
2016 Q2	3,005	131,147,778	5.9%	\$5.69	1,110,894	2,068,616	9	1,663,355	3	171,479
2016 Q1	3,002	130,976,299	6.6%	\$5.61	957,722	957,722	4	957,588	5	313,084
2015 Q4	2,997	130,663,215	7.1%	\$5.55	518,384	2,431,402	11	829,280	4	207,340
2015 Q3	2,993	130,455,875	7.3%	\$5.37	739,793	1,913,018	10	704,940	4	789,117
2015 Q2	2,989	129,666,758	7.3%	\$5.28	450,280	1,173,225	13	1,399,020	4	513,890

4Q 2017 Central Florida Industrial Submarket Breakdown

	# of Bldgs	Total SF	Total Vacancy	Rental Rate	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
NE Orange	191	5,559,482	2.5%	\$10.10	(12,711)	56,925	0	0	1	71,340
NW Orange	676	27,827,523	2.8%	\$6.23	339,441	247,163	8	874,880	1	29,978
SE Orange	466	33,536,328	5.1%	\$5.74	452,768	1,976,319	5	1,728,014	2	293,089
SW Orange	364	25,164,413	4.1%	\$5.69	84,731	(131,694)	1	170,428	0	0
Downtown	271	7,266,787	2.1%	\$6.72	57,263	(13,361)	0	0	0	0
Seminole	688	20,356,189	6.2%	\$5.99	48,100	217,185	1	166,500	1	45,000
Lake	229	8,133,808	4.3%	\$4.29	10,466	654,951	0	0	0	0
Osceola	146	6,187,823	3.1%	\$5.53	33,324	133,229	0	0	2	33,490

Absorption vs. Vacancy
Previous 15 Years



4Q 2017 Notable Industrial Lease Transactions

Property Address	City	Submarket	Tenant	Landlord	Type	Lease Size
Gills Drive	Orlando	SE Orange	FedEx	Colony Northstar	Renewal	163,678 SF
Investors Row	Orlando	SW Orange	XPO Logistics	Liberty Property Trust	New	156,000 SF
Boice Pond Rd	Orlando	SE Orange	Vital Records	McCraney Property Company	New	111,381 SF
Taft Vineland Rd	Orlando	SW Orange	Goodwill	Foundry Commercial	New	108,188 SF

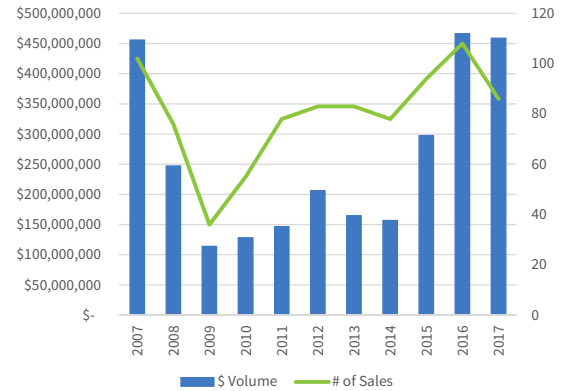
4Q 2017 Notable Industrial Sale Transactions

Property Address	City	Submarket	Buyer	Seller	Sale Price	Sale Date	Bldg Size (SF)	Price Per SF
38 Skyline Dr	Lake Mary	Seminole	Blackstone Group	Prologis	\$11,253,000	11/29/2017	120,500	\$93.39
3600 Silver Star (Portfolio Sale)	Orlando	NW Orange	Denholtz Associates	Brennan Investment Group	\$12,050,000	11/28/2017	287,923	\$41.85
450 Gills Dr	Orlando	SE Orange	First Industrial Realty Trust	McDonald Development	\$8,235,000	10/3/2017	87,293	\$94.34
3501 Parkbreeze Ct	Orlando	NW Orange	Denholtz Associates	Brennan Investment Group	\$5,050,000	10/3/2017	92,184	\$54.78

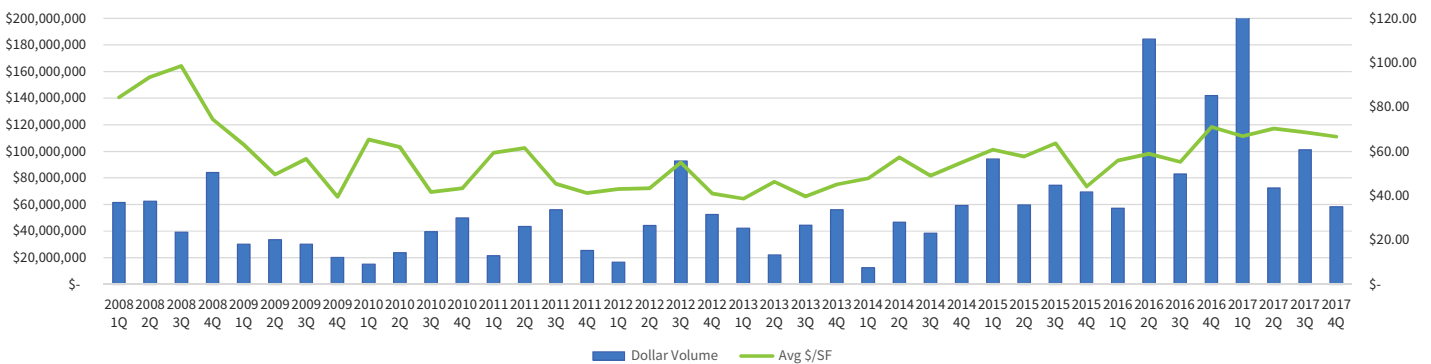
4Q 2017 Industrial Building Sale Stats

	# of Sales	YTD # of Sales	\$ Volume	YTD Volume	Square Feet	Avg \$ / SF
2017 4Q	19	86	\$58,241,600	\$458,787,700	1,055,855	\$66.66
2017 3Q	22	67	\$101,114,500	\$400,546,100	1,474,426	\$68.58
2017 2Q	22	45	\$72,483,000	\$299,431,600	1,031,214	\$70.29
2017 1Q	23	23	\$226,948,600	\$226,948,600	3,396,715	\$66.81
2016 4Q	30	108	\$141,887,629	\$466,480,900	2,001,991	\$70.97
2016 3Q	20	78	\$83,070,200	\$324,593,271	1,924,778	\$55.20
2016 2Q	33	58	\$184,298,871	\$241,523,071	2,907,759	\$58.89
2016 1Q	25	25	\$57,224,200	\$57,224,200	1,113,820	\$55.89
2015 4Q	20	94	\$69,355,800	\$297,715,800	1,585,828	\$44.13
2015 3Q	20	74	\$74,552,700	\$228,360,000	1,287,558	\$63.65
2015 2Q	27	54	\$59,723,400	\$153,807,300	1,222,063	\$57.62

BUILDING SALES
\$ Volume vs. # of Sales



Building Sales
Dollar Volume vs. Avg Price / SF
Previous 10 Years



QUARTERLY TRENDS



Vacancy Rates – Declining vacancy rates have been a hot topic for several years; however, the market’s low vacancy rate was finally felt during Q4 as it became incredibly obvious new construction was not keeping up with demand. Because of this, rent rates are expected to start climbing as the landscape becomes even tighter.



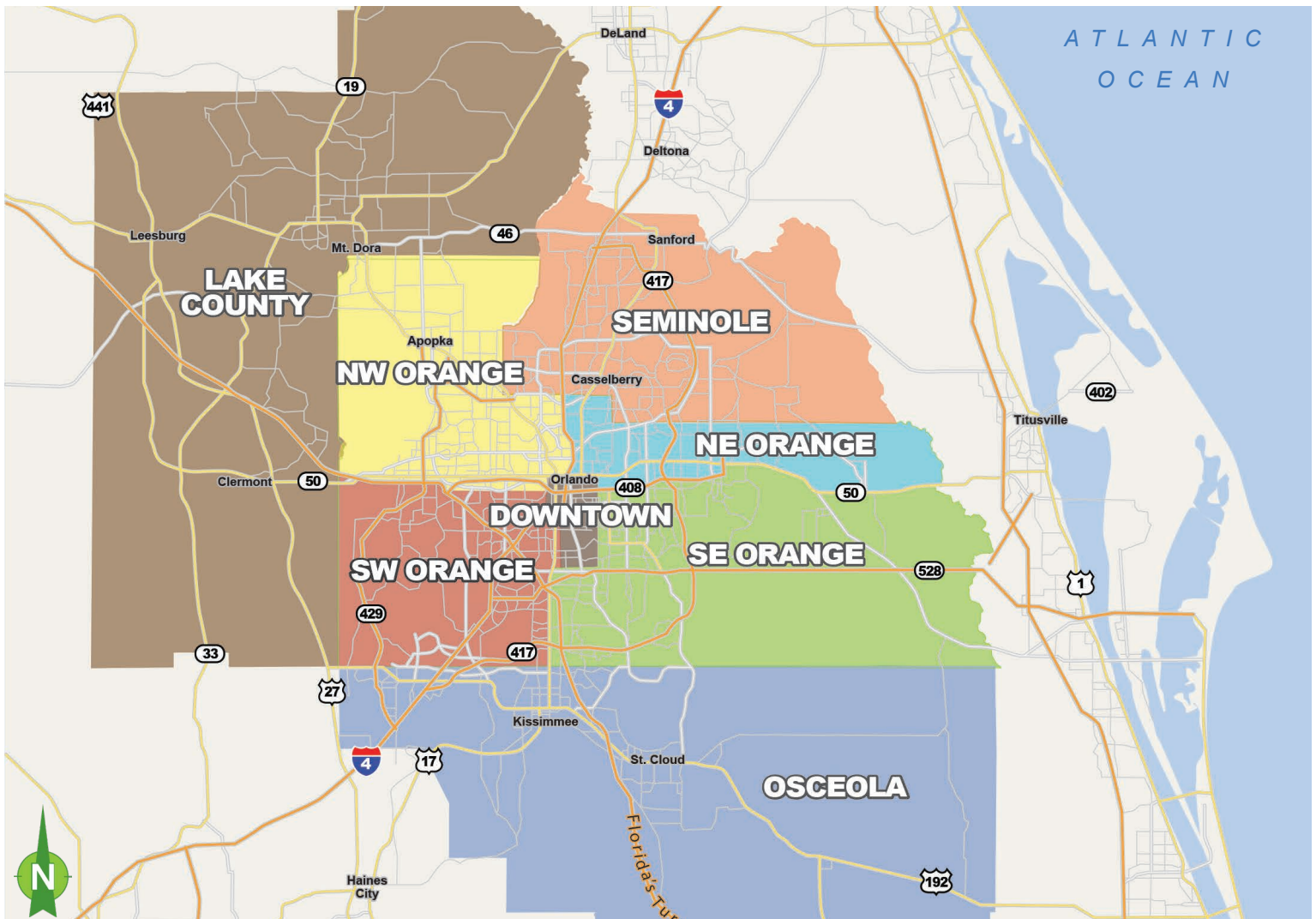
NW Orange & SE Orange Submarkets – The NW Orange and SE Orange submarkets continue to be the most active submarkets, as they are the only submarkets with any substantial new development. There are 13 buildings under construction in the two submarkets. In the NW Orange submarket, the Florida State Road 429 corridor continues to see increased activity and interest due to population growth, available amenities and access to highways.



Top Industries – E-commerce continues to be the booming industry in Central Florida, with the Amazon project the biggest indicator of that. However, third-party logistics (3PL) providers have also experienced considerable growth. Both industries are primarily looking for warehouse space to expand operations.



Theme Park – Not a day goes by where we do not read something about one of the Orlando theme parks expanding. Recent announcements include Disney’s Guardians of the Galaxy ride, Star War Hotel, and Toy Story Land; Universal Studios announcement of a new 531,000 square foot warehouse to be built off Sand Lake Rd; and the hotel resort code-named “Project 370.” All of this growth in the tourism industry will add jobs to the economy and further promote an already booming service industry.



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