

CENTRAL FLORIDA INDUSTRIAL MARKET REPORT

Q1 2018

STRENGTH IS IN THE NUMBERS

SUMMARY

The Central Florida industrial market remains strong. Vacancy rates continue to decrease while rental rates are on the rise. Developers continue to look for sites as buildings under construction and existing inventory are severely limited, while available land is also limited. The biggest restraint is the lack of well-located industrially-zoned land and the industrial land remaining is either very time consuming or costly to develop.

VACANCY

Vacancy rates dipped again this quarter, now down to 4.1%, the lowest vacancy rate since the second quarter of 2007. This quarter, nine buildings totaling 909,328 square feet were delivered, doing little to alleviate the lack of availability on the market. Since existing product is so tight, companies that would typically look for Class B and Class C facilities are now looking at more expensive Class A options. While the average rental rate dropped 12 cents this quarter to \$6.18 per square foot, rental rates are still on the rise for quality spaces.

ABSORPTION

The market saw 996,704 square feet of absorption this quarter as business owners continue to expand. Deals over 100,000 square feet and under 20,000 square feet are the most active. The larger deals are typically with larger companies needing their product to be closer to consumers, using Orlando as a regional distribution operation, while smaller deals tend to be from small business operators also looking to capitalize on this trend.

BUILDING SALES

There were 23 building sales totaling 965,093 square feet in the first quarter, consistent with building sales in the past year and equal to the first quarter of 2017. However, while building sales between Q1 2017 and Q1 2018 were equal, this quarter's dollar volume was \$65,168,600 – significantly lower than the first quarter of 2017, when dollar volume was \$226,948,600. Square foot prices also rose to \$74.58, an almost \$8 jump per square foot from last quarter.

NEW CONSTRUCTION

There are currently ten industrial buildings under construction totaling 1,958,046 square feet, the lowest number of new construction since the second quarter of 2016. However, the majority of the buildings under construction are already spoken for, doing little to alleviate the market's vacancy issues.

OUTLOOK

The first quarter was very strong for the industrial market with several large deals landing. We expect for the second quarter to be equally as strong. Low vacancy rates and rising rental rates are expected to continue as there's very little turnover from existing tenants and new construction struggles to keep pace with absorption.

1Q 2018 Industrial Market Statistics

135,397,291
TOTAL SF

4.1%
VACANCY

996,704
SF ABSORPTION

1,958,046
SF UNDER
CONSTRUCTION

\$6.18
AVG. ASKING
BASE RENT/SF

909,328
SF DELIVERED

\$65,168,600
BUILDING SALES
VOLUME

\$74.58
AVG. SALE PRICE/SF

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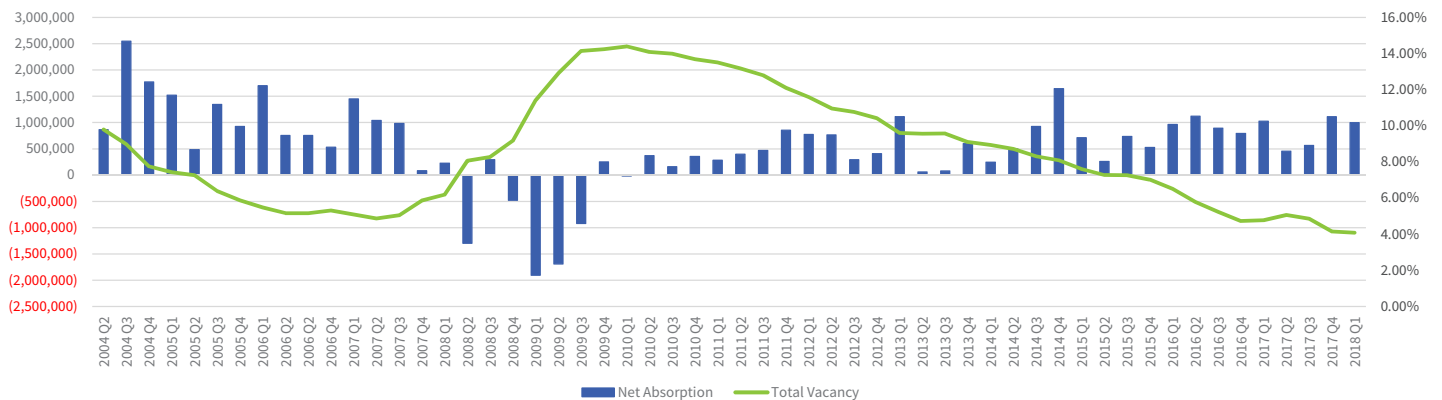
1Q 2018 Central Florida Industrial Market Stats

	# of Bldgs	Total SF	Total Vacancy	Avg Asking Base Rent	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
2018 Q1	3,065	135,397,291	4.1%	\$6.18	996,704	996,704	10	1,958,046	9	909,328
2017 Q4	3,052	134,464,276	4.2%	\$6.30	1,106,462	3,144,426	15	2,941,270	7	594,397
2017 Q3	3,048	134,294,210	4.9%	\$6.12	561,767	2,037,964	17	1,766,311	3	292,381
2017 Q2	3,045	134,001,829	5.1%	\$5.98	453,651	1,476,197	18	1,977,871	6	894,530
2017 Q1	3,039	133,107,299	4.8%	\$5.91	1,022,546	1,022,546	16	1,727,770	8	1,185,428
2016 Q4	3,031	131,970,796	4.7%	\$5.93	792,721	3,764,835	12	2,158,398	3	128,807
2016 Q3	3,028	131,841,989	5.2%	\$5.84	893,865	2,972,114	11	2,080,479	1	195,023
2016 Q2	3,027	131,646,966	5.8%	\$5.78	1,117,386	2,078,249	9	1,663,355	3	171,479
2016 Q1	3,024	131,475,487	6.5%	\$5.62	960,863	960,863	4	957,588	5	313,084
2015 Q4	3,019	131,162,403	7.0%	\$5.56	525,765	2,227,836	11	829,280	4	207,340
2015 Q3	3,015	130,955,063	7.3%	\$5.41	734,514	1,702,071	10	704,940	4	789,117

1Q 2018 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	196	5,770,187	2.5%	\$9.63	(7,085)	(7,085)	0	0	0	0
NW Orange	683	28,492,590	4.0%	\$6.45	137,712	137,712	0	0	8	876,328
SE Orange	468	33,648,435	3.6%	\$5.60	549,974	549,974	8	1,883,186	0	0
SW Orange	365	25,088,727	3.6%	\$5.72	212,016	212,016	1	29,860	0	0
Downtown	289	7,519,907	3.1%	\$7.08	(69,194)	(69,194)	0	0	0	0
Seminole	690	20,547,364	6.4%	\$6.11	191,580	191,580	1	45,000	0	0
Lake	227	8,136,112	4.4%	\$3.07	(30,882)	(30,882)	0	0	0	0
Osceola	147	6,193,969	3.5%	\$5.76	12,583	12,583	0	0	1	33,000

Absorption vs. Vacancy
Previous 15 Years



1Q 2018 Notable Industrial Lease Transactions

Property Address	City	Submarket	Tenant	Landlord	Type	Lease Size
East Crown Point Road	Ocoee	NW Orange	City Furniture	BlueScope Properties Group	New	246,031 SF
Chancellor Drive	Orlando	SW Orange	Walgreens Co	High Street Realty Company	Renewal	210,600 SF
Oak Crossing	Orlando	SE Orange	4Wall Entertainment	McCraney Property Company	New	94,336 SF
East Crown Point Road	Ocoee	NW Orange	Maintenance Supply Headquarters	BlueScope Properties Group	New	88,554 SF

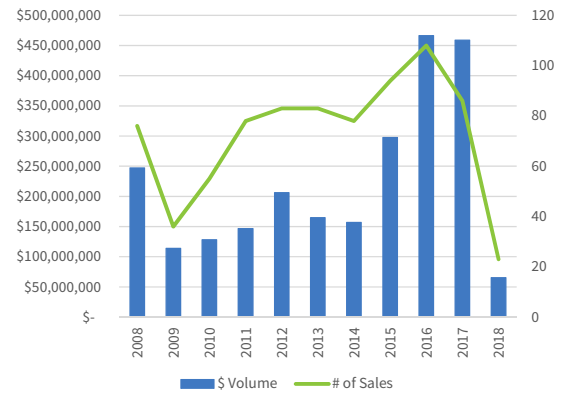
1Q 2018 Notable Industrial Sale Transactions

Property Address	City	Submarket	Buyer	Seller	Sale Price	Sale Date	Bldg Size (SF)	Price Per SF
4401 Shader Road	Orlando	NW Orange	First Industrial Realty Trust	Panattoni Development	\$8,700,000	3/9/2018	93,609 SF	\$92.94
2216 Directors Row	Orlando	SW Orange	Westgate Resorts	Brown Distributing	\$5,500,000	3/7/2019	115,180 SF	\$47.75
1264 La Quinta Drive	Orlando	SE Orange	Cabot Properties	Colony Northstar	\$11,000,000	2/15/2018	196,810 SF	\$59.55
6325 N Orange Blossom Trail	Orlando	NW Orange	Harvest Holdings	G and I X Orange Blossom LLC	\$9,000,000	2/6/2018	148,800 SF	\$60.48

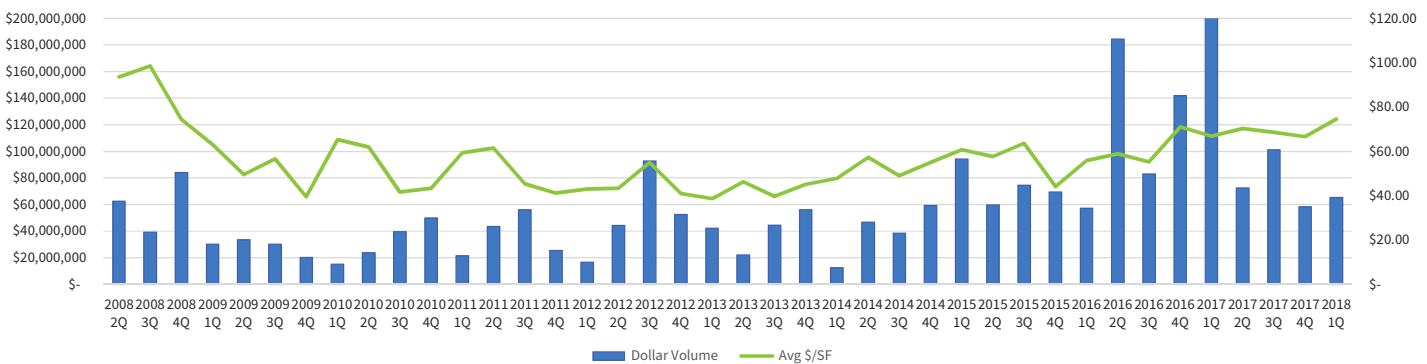
1Q 2018 Industrial Building Sale Stats

	# of Sales	YTD # of Sales	\$ Volume	YTD Volume	Square Feet	Avg \$ / SF
2018 1Q	23	23	\$65,168,600	\$65,168,600	965,093	\$74.58
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

BUILDING SALES
\$ Volume vs. # of Sales



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



QUARTERLY TRENDS



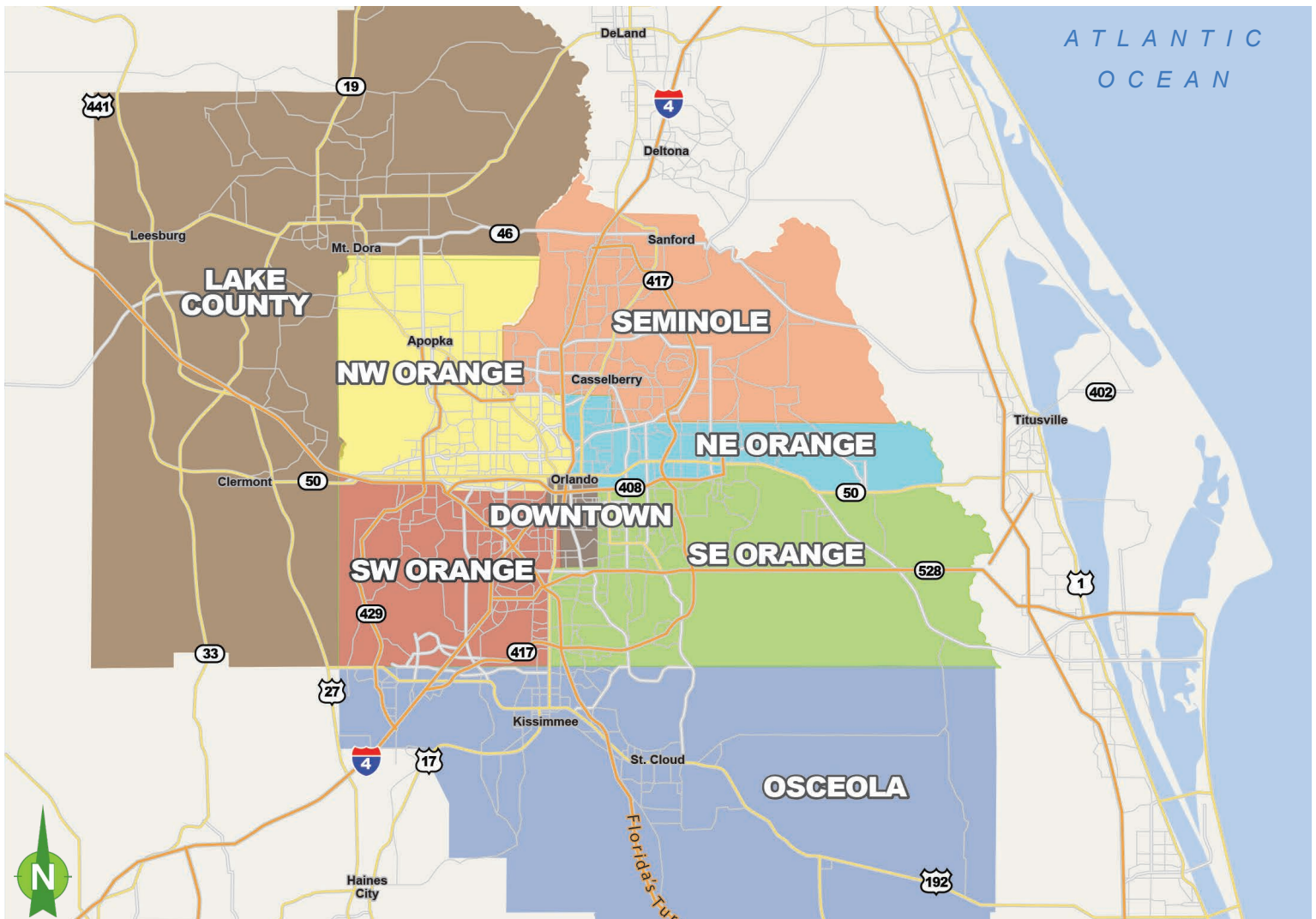
Vacancy Rates – While the market felt the effects of low vacancy rates for the first time in Q4 2017, the low rates brought a new trend this quarter. Many companies are now looking at more expensive spaces they would not normally consider in a market with higher vacancy rates. As such, rental rates continue to rise, but are also deal specific. Additionally, because of the tight vacancy rate, landlords no longer have just one potential tenant interested in a space; rather, they now have multiple options to choose from.



Significant Deals – The NW Orange and SE Orange submarkets remain the most active, specifically at The Park @ 429 and Bent Oak this quarter. With several major deals, The Park @ 429 was 96 percent leased prior to being delivered in April, making it one of the largest industrial leases of 2018, while Bent Oak also saw significant activity getting to nearly 86 percent leased. Two additional buildings are currently under construction at Bent Oak as well. The talk in Orlando has been that deals are getting bigger and this is evidence of that, while also proving that the Ocoee/Winter Garden submarket is very attractive to users.



Booming Industries – E-commerce, convention and construction-related industries continue to be the top industries in Central Florida. Construction-related and e-commerce businesses continue to seek warehouse space in the market, while the convention industry continues to be driven by the region's ever-growing popularity for conventions and trade shows.



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