

CENTRAL FLORIDA INDUSTRIAL MARKET REPORT

Q2 2018

DEALS, DEALS and MORE DEALS

SUMMARY

The Central Florida industrial market is feeling the effects of limited opportunity for development in the market's core, given the number of buildings under construction dwindling. Additionally, available options from a vacancy standpoint are tight while new projects are getting leased out very quickly after completion. As a result of the finite inventory, rental rates continue to climb as the market starts to see inferior product as potential options to fill the need.

VACANCY

For the first time in a long time, vacancy rates actually jumped, from 4.1% in Q1 to 5.1% this quarter. That vacancy rate is the highest the rate has been since Q3 2016. Eight buildings totaling 1,383,611 square feet were delivered this quarter and only 753,679 square feet was absorbed. While there continues to be a lack of industrially zoned land for development, especially in the metro area's core, developments are starting to deliver along the beltway and outside of the South Orlando core. Several new buildings were delivered this quarter which were not immediately leased, which helps the vacancy rate. The average asking base rent dropped again this quarter, down to \$6.09 per square foot.

ABSORPTION

The Central Florida industrial market saw 753,679 square feet of absorption this quarter, bringing the year-to-date total to 1,634,458 square feet, on par with this point last year. Contributing to this quarter's total absorption is a couple of deals that were completed in previous quarters but the buildings were just delivered this quarter. For example, the Park @ 429 was delivered this quarter but was almost entirely leased when construction finished, so that absorption can now be counted. Many of these deals are with first-generation tenants, so they're new to the market as well, not just moving from one location to another.

BUILDING SALES

The Central Florida industrial market saw 29 building sales totaling 2,742,486 square feet in Q2, bringing the year-to-date number of sales to 52. The second quarter's dollar volume was \$189,979,741, bringing the year-to-date total to \$255,148,341. Average square foot price jumped to \$83.17, up almost \$10 from the first quarter. Number of sales, dollar volume, square feet and average price per square foot in the second quarter were significantly ahead of Q1, mostly buoyed by investment sales activity along with the sales of Park @ 429 and West Park.

NEW CONSTRUCTION

Twenty-eight industrial buildings are currently under construction in the market, totaling 2,513,235 square feet. Of significant note this quarter, construction started on the Distribution 429 industrial park in Ocoee, which is expected to continue being a popular area for industrial development and tenant demand. The Park @ 429 proved that this submarket can attract tenants, so developers will continue looking for sites here up to Apopka.

OUTLOOK

The third quarter, with Florida's hot summers, is typically slower, but the market is currently booming. We believe that demand will continue to outpace supply, so the focus for a lot of industrial investors is now on development. However, that will prove to be challenging as it is difficult to find available sites in the market's core that would be attractive developments to tenants. At the same time, the market is healthy, and developers are being disciplined with what they're developing and not building more than the market can handle.

2Q 2018 Industrial Market Statistics

137,547,130
TOTAL SF

5.1%
VACANCY

753,679
SF ABSORPTION

2,513,235
SF UNDER
CONSTRUCTION

\$6.09
AVG. ASKING
BASE RENT/SF

1,383,611
SF DELIVERED

\$89,979,741
BUILDING SALES
VOLUME

\$83.17
AVG. SALE PRICE/SF

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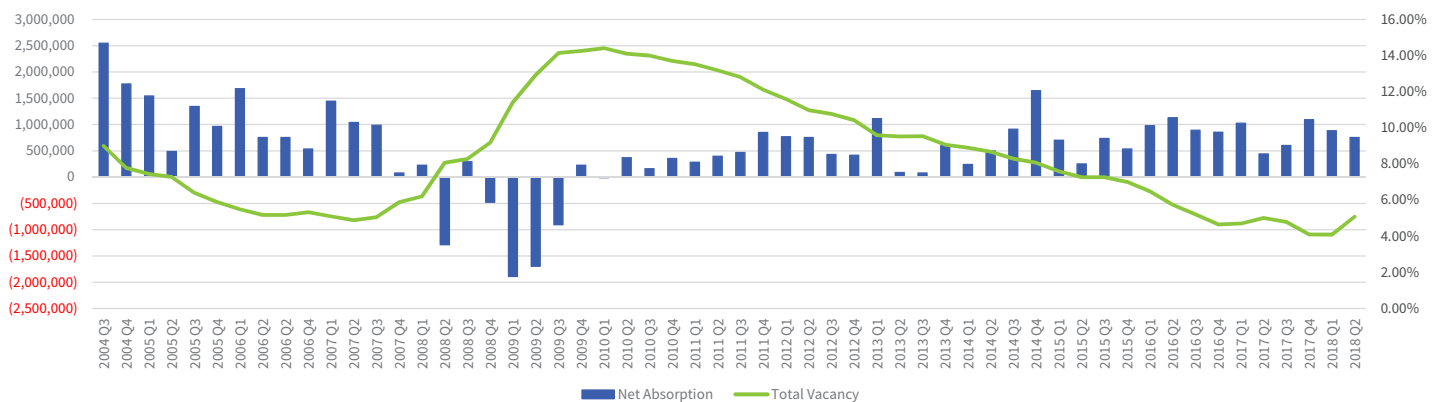
2Q 2018 Central Florida Industrial Market Stats

	# of Bldgs	Total SF	Total Vacancy	Avg Asking Base Rent	Net Absorption	YTD Absorption	# U/C	Under Construction	# Delivered	Delivered
2018 Q2	3,075	137,547,130	5.1%	\$6.09	753,679	1,634,458	28	2,513,235	8	1,383,611
2018 Q1	3,066	135,336,492	4.1%	\$6.23	880,779	880,779	15	2,653,524	10	1,048,417
2017 Q4	3,054	134,427,263	4.1%	\$6.24	1,091,073	3,154,627	15	2,941,270	7	594,397
2017 Q3	3,050	134,257,197	4.8%	\$6.07	600,357	2,063,554	17	1,766,311	3	292,381
2017 Q2	3,046	133,940,316	5.0%	\$5.96	440,651	1,463,197	18	1,977,871	6	894,530
2017 Q1	3,040	133,045,786	4.7%	\$5.93	1,022,546	1,022,546	16	1,727,770	8	1,185,428
2016 Q4	3,032	131,909,283	4.7%	\$5.90	853,181	3,845,026	12	2,158,398	3	128,807
2016 Q3	3,029	131,780,476	5.2%	\$5.83	889,865	2,991,845	11	2,080,479	1	195,023
2016 Q2	3,028	131,585,453	5.7%	\$5.70	1,125,728	2,101,980	9	1,663,355	3	171,479
2016 Q1	3,025	131,413,974	6.5%	\$5.62	976,252	976,252	4	957,588	5	313,084
2015 Q4	3,020	131,100,890	7.0%	\$5.56	532,498	2,218,569	11	829,280	4	207,340

2Q 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	5,770,268	3.0%	\$8.89	(33,622)	(40,707)	2	22,800	0	0
NW Orange	686	28,969,048	3.7%	\$6.26	538,624	665,170	5	337,306	5	340,889
SE Orange	474	35,206,904	7.7%	\$5.74	117,918	598,348	18	2,060,389	3	1,042,722
SW Orange	366	25,356,013	3.8%	\$5.73	165,964	342,765	1	29,680	0	0
Downtown	289	7,521,807	3.5%	\$7.24	(46,257)	(115,451)	0	0	0	0
Seminole	692	20,572,431	6.4%	\$6.06	(30,979)	160,601	2	63,060	0	0
Lake	225	7,972,710	3.8%	\$2.96	6,826	(24,056)	0	0	0	0
Osceola	147	6,177,949	3.0%	\$5.80	35,205	47,788	0	0	0	0

Absorption vs. Vacancy
Previous 15 Years



2Q 2018 Notable Industrial Lease Transactions

Property Address	City	Submarket	Tenant	Landlord	Type	Lease Size
Boggy Creek Road	Ocoee	SE Orange	Chrysler Group LLC	Bellambert LLC	Renewal	495,629 SF
West Orange Avenue	Apopka	NW Orange	Bloem LLC	WP Carey & Co. LLC	Renewal	369,537 SF
Bryn Mawr Street	Orlando	NW Orange	Packaging Corporation of America	Colony Northstar	Renewal	121,200 SF
Horizon Park Drive	Orlando	SE Orange	Oceaneering	Eastgroup Properties	New	103,722 SF

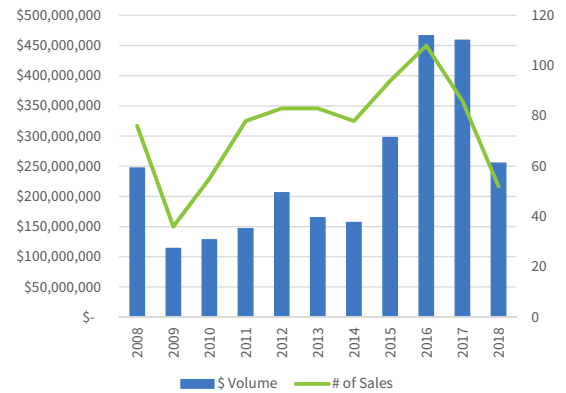
2Q 2018 Notable Industrial Sale Transactions

Property Address	City	Submarket	Buyer	Seller	Sale Price	Sale Date	Bldg Size	Price Per SF
2452 Lake Emma Road	Lake Mary	Seminole	Blue Vista Capital Partners	American Real Estate Partners	\$14,807,800	6/26/2018	562,817 SF	\$26.31
641-643 E Crown Point Road	Ocoee	NW Orange	Black Creek Group	Bluescope Properties Group	\$45,700,000	6/7/2018	441,175 SF	\$103.59
West Park I-XI	Orlando	SW Orange	Kohlberg Kravis Roberts & Co	Crow Holdings	\$37,100,000	5/2/2018	533,691 SF	\$69.52
10601 Southport Drive	Orlando	SE Orange	Mapletree Investments	Exeter Property Group	\$22,500,000	4/3/2018	292,182 SF	\$77.01

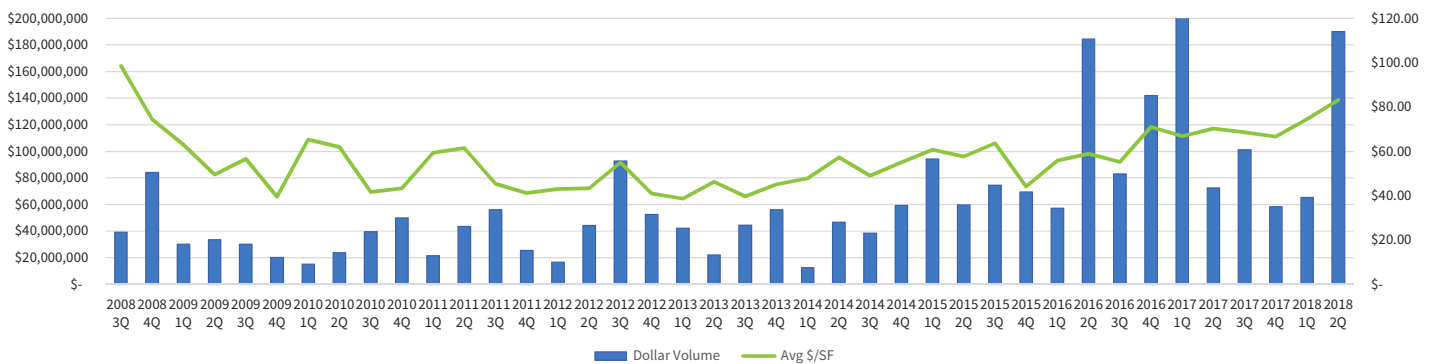
2Q 2018 Industrial Building Sale Stats

	# of Sales	YTD # of Sales	\$ Volume	YTD Volume	Square Feet	Avg \$ / SF
2018 2Q	29	52	\$189,979,741	\$255,148,341	2,742,486	\$83.17
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

BUILDING SALES
\$ Volume vs. # of Sales



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



QUARTERLY TRENDS



Absorption – Newly constructed buildings are seeing lots of activity with many buildings getting leases signed before the buildings are even delivered, which is the sign of a healthy market. However, while this is a positive sign for the market, the square footage of available space under construction is still low, leaving the market desperate for inventory.



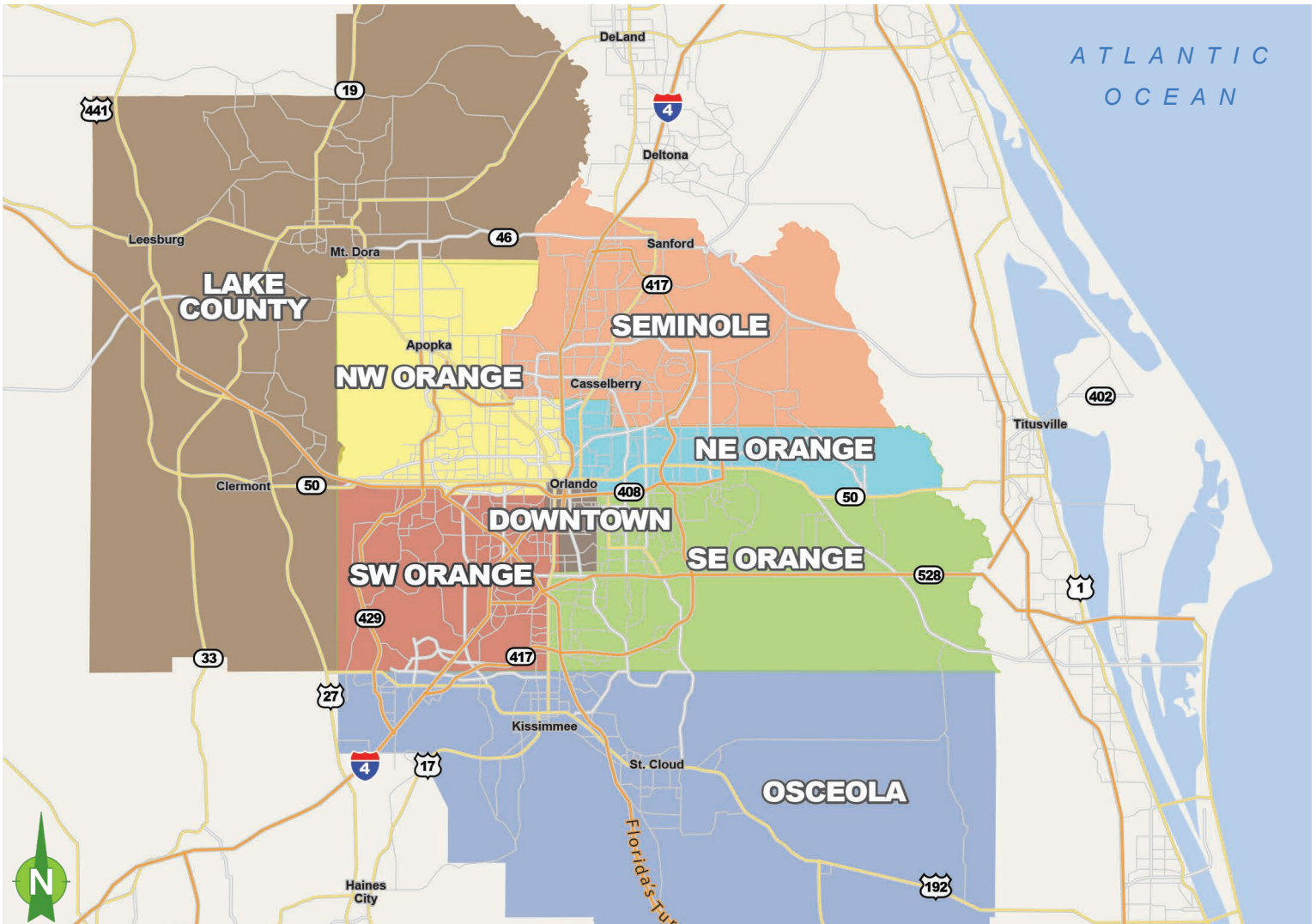
Land Availability – Due to lack of land in the more centrally located and more populated areas of the Orlando MSA, the market is starting to see industrial developments pop up in the beltway area, mainly highways 417 and 429. Land has been limited for some time in the core of Central Florida, so developers of new warehouse and industrial buildings are capitalizing on the land by the beltway since there's higher availability, easy access to highways and nearby amenities that make it attractive for companies to locate there.



Significant Deals and New Construction – The sale of The Park @ 429, along with the start of construction on the Distribution 429 industrial park, are strong indicators of the growth of Ocoee as a proven industrial submarket. Its close proximity to Winter Garden and available amenities continue to draw new residents, making it a promising area for companies to locate.



Disciplined Development – The top industries in Central Florida's industrial market continue to be e-commerce, tourism and construction. However, while all three industries are booming and spurring significant activity throughout the market, developers are being disciplined in their strategies. Rather than putting up four or five buildings at a time and fully building out an industrial park, developers are focused on putting up one or two buildings and fully leasing them out before continuing with the next phase of development.



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