

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As we hit the mid year point, the Central Florida industrial market shows no signs of slowing down. An insatiable appetite for land and buildings in the great state of Florida has hit an all time high. The pandemic has accelerated the shift to more e-commerce based business and increased the population of our state. The result is robust demand on the leasing side due to the large appeal of Florida's business friendly policies, increased population and favorable taxation rates. While our vacancy rate has hit an all time low, there are a few storm clouds on the horizon, namely inflation and dysfunctional government, to name a few. Additionally, operating expenses are quickly escalating to the point where they will begin to impact the base rents. While rents in Florida have typically escalated in the range of 3% per year, this is no longer keeping up with inflation. Looking forward, we anticipate Landlords to begin pushing for rental bumps that will match inflation & continue to raise base rental rates. We anticipate continued strong leasing absorption for the balance of 2021.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- Total market vacancy dropped to 4.5%, a one percent improvement from the previous quarter
- All submarkets are posting less than 6.3% total vacancy
- Building sales were up, reaching \$159 million with an average sales price of \$117.33 per square foot
- Strong leasing activity helped keep absorption on a positive trend with 1,197,094 square feet of total absorption this quarter
- The construction pipeline remains strong, delivering 796,140 square feet this quarter with more expected to deliver by year end

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 1,981 buildings in Orange and Seminole County which total approximately 131 million square feet. The flex inventory makes up 12 percent of the total space within the market, while the industrial product makes up 88 percent. We end our statistical gathering of data approximately one week prior to the end of each quarter.

MARKET SNAPSHOT

Comparison Rental Rates PSF:

	1Q-21	2Q-21
Flex	\$11.91	\$12.10
Bulk/Distribution	\$6.93	\$7.00
Manufacturing	\$6.35	\$6.40
Office/Warehouse	\$7.42	\$7.55
Total Market	\$7.77	\$7.96

Comparison of Market Vacancy:

	1Q-21	2Q-21
Direct	4.9%	3.9%
Sublet	0.6%	0.6%
Total Market	5.5%	4.5%

Comparison of Absorption in SF:

	1Q-21	2Q-21
Quarterly Amount	1,276,606	1,197,094
Year-To-Date	1,276,606	2,473,700

Construction Pipeline: 20,000SF+

	1Q-21	2Q-21
U/C (speculative & BTS)	4,367,694	3,171,554
Delivered (by qtr)	324,000	796,140
Delivered YTD	324,000	1,120,140

Building Sales:

	1Q-21	2Q-21
Quarterly Total	\$49.2M	\$159M
Average Price PSF	\$92.95	\$117.33

Lee & Associates – Central Florida, LLC

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QUARTER IN REVIEW

Total market vacancy was down one percent from the previous quarter, ending the second quarter at 4.6 percent, with direct vacancy making up 3.9 percent. The Airport/Southeast submarket had the highest total vacancy at 6.3 percent, while the Southwest submarket had the lowest total vacancy at 2.2 percent. Manufacturing space is down to 2 percent total vacancy followed closely by office/warehouse space at 3.2 percent.

Leasing continued to be strong across all submarkets giving us 1,197,094 square feet of positive absorption. Nine of the ten submarkets had positive absorption, with the Northwest submarket posting the highest total absorption of 354,903 square feet. A new lease at Distribution 429 made up 201,291 square feet of that absorption.

Rental rates continue to slowly tick upward as existing space is nearly full and new inventory being delivered has a higher average asking rate. This quarter saw an increase in the average rate across all product types that pushed the total average asking rate from \$7.77 to \$7.96 per square foot.

Building sales were up this quarter totaling \$153 million, with 20 sales in Orange County and 7 in Seminole County. Total square footage sold was 1,359,679 and had an average sales price of \$117.33 per square foot.

There is currently 2,907,554 square feet of speculative development under construction or imminent. These buildings include:

- Blue Scope's Mid Florida Logistics Park #5 with 246,460 square feet
- Blue Steel's Hermit Smith Road building with 290,000 square feet and Access Park building A with 207,625 square feet, building B with 117,000 square feet, and building C with 125,400 square feet
- Cadence Partners & Clarion Western Beltway project #1 with 99,517 square feet and #2 with 90,767 square feet
- Dalfen's Hoffner Avenue building with 105,000 square feet
- Johnson Development's South Orange Logistics #100 with 149,940 square feet and #200 with 131,220 square feet
- Lincoln's OCP Logistics #100 with 294,787 square feet and #200 with 108,917 square feet
- McCraney's Infinity Park #800 with 433,404 square feet and #900 with 128,341 square feet
- Prologis' Airport Park #200 totaling 379,176 square feet

There is currently 264,000 square feet of build-to-suit construction underway. This include:

- Tailgate Sports 144,000 square foot building at International Corporate Park
- Ace Relocation's 120,000 square foot building at International Corporate Park

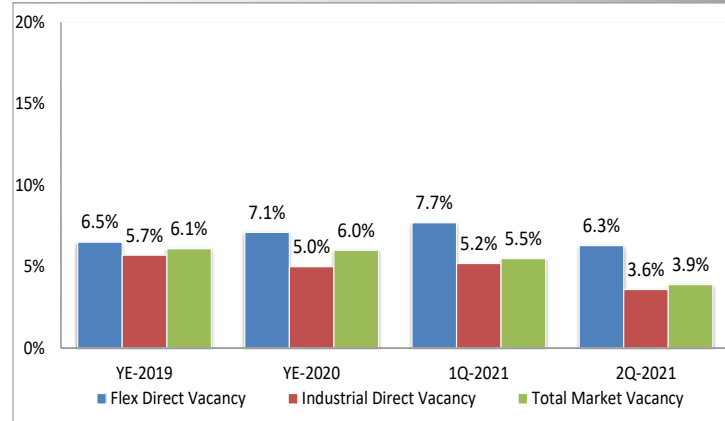
There was a total of 796,140 square feet delivered:

- Amazon's 201,475 square foot building in Apopka
- McCraney's Infinity Park #300 with 98,894 square feet, #400 with 112,459 square feet
- Prologis' ADC North Building F with 103,312 square feet
- Seefried's Narcoossee Logistics Center building #1 with 160,000 square feet and building #2 with 120,000 square feet

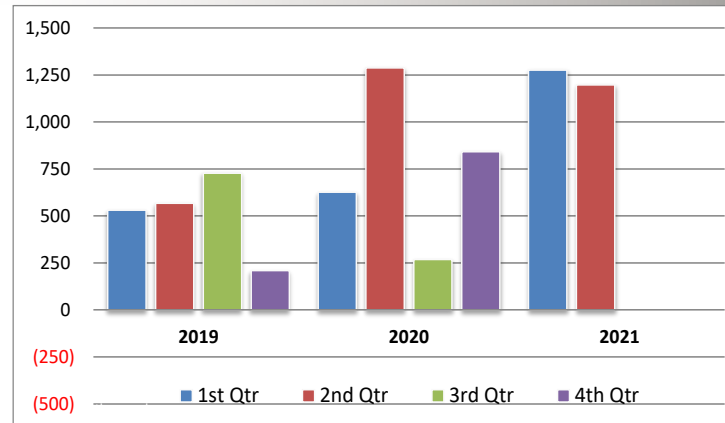
Worth noting, but not included in our Orange & Seminole County development pipeline above:

- Amazon's 202,044 square feet BTS in Christopher C. Ford Park
- Kroger's 375,000 square feet BTS in Christopher C. Ford Park - COMPLETED this quarter
- JLL's Perimeter Park West Phase I with three buildings that total 171,478 square feet

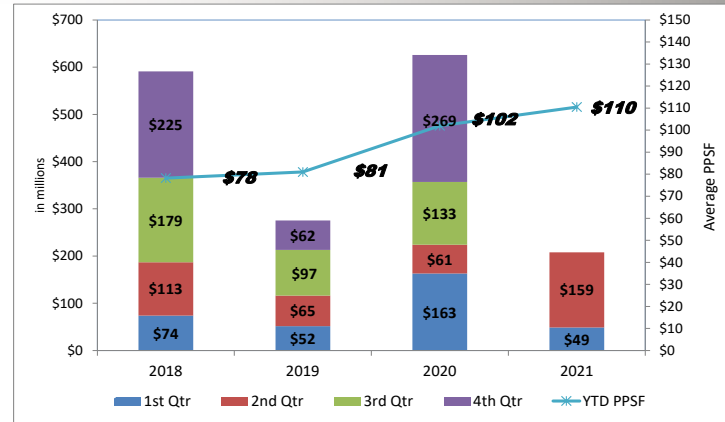
VACANCY



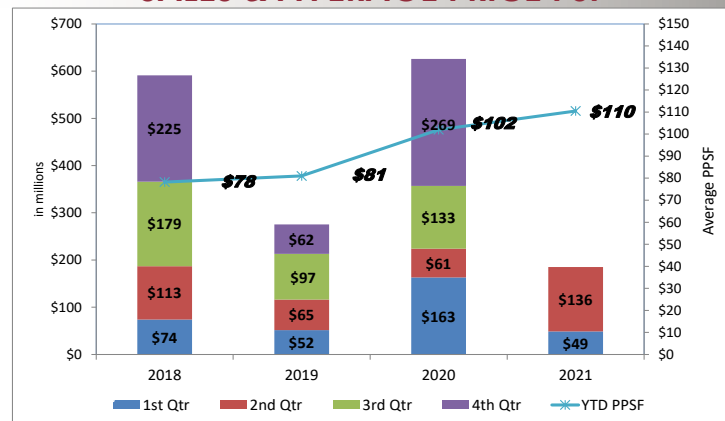
ABSORPTION



RENTAL RATES



SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q2 2021

TOP SECOND QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
635 Ocoee Business Parkway 	KAO Warehouse Inc.	201,291	Northwest	New
1090 Gills Drive 	Blue Hippo	91,318	Airport/Southeast	New
1349 Ocoee Apopka Road 	Legendary Holdings	89,578	Northwest	New
1500 Tradeport Drive	Cathedral Printing	79,795	Airport/Southeast	New
4311 Shader Road 	ABC Company	76,200	Silver Star	Renewal/ Expansion
38 Skyline Drive 	Stuart C. Irby Company	60,500	Longwood/Lake Mary/Sanford	Renewal
3019 Mercy Drive 	Con-Air	58,800	Silver Star	New
7725 Winegard Road 	Sunbelt Rentals	19,812	Airport/Southeast	New

TOP SECOND QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
10550 Southport Drive	Airport/Southeast	122,000	Exeter 10550 Southport LP	Shastcal Properties LLC	\$17,400,000	\$142.62
2234 Taft Vineland	Airport/Southeast	81,180	First Industrial	SC Properties	\$12,300,000	\$151.52
6072 Cinderlane Parkway	Silver Star	71,738	1788 NTW-MAC SPE LLC	REC Holdings Corp	\$3,200,000	\$44.61
485 Commerce Way	Longwood	60,000	CPIFL Longwood LLC	Sandlapper Capital Investments LLC	\$3,650,000	\$60.83
400-418 N Pine Hills Road	Silver Star	54,730	Pine Hills Commerce Park LLC	Pine Hills Commerce Center, LLC	\$2,450,000	\$44.77
725 W Central Boulevard	Central	51,313	MCO Holdings, LLC	Garfunkle, Inc.	\$4,250,000	\$82.83
828 W Taft Vineland Road	Southwest	38,070	Brookfield	Freeman	\$19,000,000	\$499.08
700 Fulton Street	Sanford	36,070	Horstmeyer Farm & Garden Inc	Tubbs Real Estate LLC	\$2,400,000	\$66.54
10577 Rocket Boulevard	Airport/Southeast	31,150	Tillman Kids Property, LLC	Chang Long Investment Corp of America	\$2,660,000	\$85.39
11422 Satellite Boulevard	Airport/Southeast	29,858	Spinco 12 LLC	P and J Properties of Orlando LLC	\$1,850,000	\$61.96
3162 Clemson Road 	Silver Star	26,368	Alterra Property Group	Robert Cascio	\$3,400,000	\$128.94
203 W 1st Street	NW	22,642	LDK Properties LLC	Faircloth Family Ltd	\$1,500,000	\$66.25

Submarket	# of Bldgs	Total RSF	Direct SF Available	Direct Vacancy	Sublet SF Available	Sublet Vacancy	Total Vacancy	Quarterly Absorption	Year to Date Absorption	Dir Wtd Avg Asking Rate
NORTHWEST										
Bulk/Distribution	23	2,937,532	233,769	8.0%	0	0.0%	8.0%	320,927	177,250	\$ 5.80
Flex	18	618,183	26,454	4.3%	7,500	1.2%	5.5%	0	3,450	\$ 8.98
Manufacturing	17	1,060,028	7,700	0.7%	0	0.0%	0.7%	0	0	\$ 5.99
Office/Warehouse	99	5,824,255	339,780	5.8%	0	0.0%	5.8%	33,976	134,197	\$ 4.81
Submarket Total	157	10,439,998	607,703	5.8%	7,500	0.1%	5.9%	354,903	314,897	\$ 5.39
SILVER STAR										
Bulk/Distribution	19	3,784,228	92,611	2.4%	0	0.0%	2.4%	48,655	(10,145)	\$ 6.71
Flex	31	1,359,333	58,826	4.3%	6,000	0.4%	4.8%	15,232	48,734	\$ 9.79
Manufacturing	22	1,929,491	22,072	1.1%	0	0.0%	1.1%	0	0	\$ 8.00
Office/Warehouse	213	11,476,996	334,372	2.9%	7,006	0.1%	3.0%	156,138	143,772	\$ 8.26
Submarket Total	285	18,550,048	507,881	2.7%	13,006	0.1%	2.8%	220,025	182,361	\$ 8.15
33RD STREET										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 4.91
Flex	33	935,758	68,384	7.3%	0	0.0%	7.3%	(5,566)	(9,766)	\$ 12.06
Office/Warehouse	84	3,884,920	96,572	2.5%	50,989	1.3%	3.8%	84,596	51,159	\$ 7.34
Submarket Total	120	5,076,836	164,956	3.2%	50,989	1.0%	4.3%	79,030	41,393	\$ 12.18
NORTH CENTRAL										
Flex	46	1,305,256	58,369	4.5%	0	0.0%	4.5%	9,023	13,460	\$ 11.47
Manufacturing	12	535,289	98,620	18.4%	0	0.0%	18.4%	0	0	\$ 8.03
Office/Warehouse	52	1,924,152	14,950	0.8%	0	0.0%	0.8%	3,700	(2,100)	\$ 14.52
Submarket Total	110	3,764,697	171,939	4.6%	0	0.0%	4.6%	12,723	11,360	\$ 9.76
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	16	2,016,088	93,898	4.7%	0	0.0%	4.7%	95,889	95,889	\$ 7.41
Flex	64	2,497,819	137,977	5.5%	20,762	0.8%	6.4%	11,620	40,972	\$ 10.35
Manufacturing	54	3,051,660	17,956	0.6%	0	0.0%	0.6%	8,000	150,844	\$ 8.66
Office/Warehouse	192	8,099,302	276,862	3.4%	0	0.0%	3.4%	84,591	62,447	\$ 7.26
Submarket Total	326	15,664,869	526,693	3.4%	20,762	0.1%	3.5%	200,100	350,152	\$ 8.14
CENTRAL ORLANDO										
Flex	10	330,496	1,200	0.4%	0	0.0%	0.4%	0	0	\$ 7.50
Manufacturing	19	1,210,447	18,000	1.5%	0	0.0%	1.5%	0	0	\$ 5.95
Office/Warehouse	101	4,385,554	136,532	3.1%	0	0.0%	3.1%	5,700	(3,118)	\$ 8.38
Submarket Total	130	5,926,497	155,732	2.6%	0	0.0%	2.6%	5,700	(3,118)	\$ 8.09
EAST SIDE / UNIVERSITY										
Bulk/Distribution	2	399,818	0	0.0%	0	0.0%	0.0%	0	0	\$ 5.25
Flex	40	1,893,934	183,619	9.7%	89,696	4.7%	14.4%	0	(3,560)	\$ 14.39
Manufacturing	14	627,131	0	0.0%	0	0.0%	0.0%	6,000	6,000	\$ 6.50
Office/Warehouse	64	2,514,430	35,975	1.4%	0	0.0%	1.4%	13,802	16,222	\$ 6.45
Submarket Total	120	5,435,313	219,594	4.0%	89,696	1.7%	5.7%	19,802	18,662	\$ 23.39
AIRPORT / SOUTHEAST										
Bulk/Distribution	112	20,743,760	1,532,454	7.4%	96,470	0.5%	7.9%	150,748	688,143	\$ 6.44
Flex	76	3,310,282	318,666	9.6%	45,975	1.4%	11.0%	3,207	(17,819)	\$ 12.45
Office/Warehouse	283	19,016,564	622,664	3.3%	108,353	0.6%	3.8%	96,564	257,493	\$ 8.58
Submarket Total	471	43,070,606	2,473,784	5.7%	250,798	0.6%	6.3%	250,519	927,817	\$ 7.75
ORLANDO CENTRAL PARK										
Bulk/Distribution	55	8,599,097	123,889	1.4%	281,636	3.3%	4.7%	61,932	177,236	\$ 6.07
Flex	42	2,003,149	94,760	4.7%	0	0.0%	4.7%	13,981	32,029	\$ 11.73
Office/Warehouse	86	5,372,716	20,734	0.4%	0	0.0%	0.4%	(9,244)	(116)	\$ 2.04
Submarket Total	183	15,974,962	239,383	1.5%	281,636	1.8%	3.3%	66,669	209,149	\$ 7.96
SOUTHWEST										
Bulk/Distribution	20	3,293,313	36,820	1.1%	42,354	1.3%	2.4%	(19,020)	414,384	\$ 5.75
Flex	16	985,965	10,836	1.1%	0	0.0%	1.1%	6,464	6,464	\$ 12.52
Office/Warehouse	43	3,507,119	77,689	2.2%	0	0.0%	2.2%	179	179	\$ 8.70
Submarket Total	79	7,786,397	125,345	1.6%	42,354	0.5%	2.2%	(12,377)	421,027	\$ 8.16
TOTAL FLEX	376	15,240,175	959,091	6.3%	169,933	1.1%	7.4%	53,961	113,964	\$ 12.10
TOTAL BULK/DISTRIBUTION	250	42,029,994	2,113,441	5.0%	420,460	1.0%	6.0%	659,131	1,542,757	\$ 7.00
TOTAL MANUFACTURING	138	8,414,046	164,348	2.0%	0	0.0%	2.0%	14,000	156,844	\$ 6.40
TOTAL OFFICE/WAREHOUSE	1217	66,006,008	1,956,130	3.0%	166,348	0.3%	3.2%	470,002	660,135	\$ 7.55
TOTAL INDUSTRIAL SPACE	1605	116,450,048	4,233,919	3.6%	586,808	0.50%	4.1%	1,143,133	2,359,736	\$ 6.98
TOTAL MARKET	1,981	131,690,223	5,193,010	3.9%	756,741	0.6%	4.5%	1,197,094	2,473,700	\$ 7.96

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