

Central Florida Industrial Market Report

Growth Surged To Close Out 2020

After its slowdown in the previous quarter, Central Florida's industrial market rebounded during the fourth quarter of 2020, with positive net absorption of more than 2.3 million square feet, the highest quarterly performance in four years. Demand once again outstripped supply, bringing positive net absorption for all of 2020 to 5.4 million square feet. This was more than double the 2.3 million square feet absorbed one year ago and the highest annual absorption since the close of 2018, an indication that market fundamentals improved despite the economic uncertainty resulting from the pandemic. Overall vacancy rose by 60 basis points from one year ago, largely because of the 45 buildings totaling 8.3 million square feet of new inventory delivered throughout the year. Developers remained bullish on the industrial segment, as this is the highest recorded completions ever recorded in the region's history. Construction starts did slow, with 14 buildings totaling more than 3.5 million square feet at the close of the year. Developers may begin to pump the brakes on groundbreakings for speculative projects during 2021. Asking rents pushed upward slightly, consistent with previous gains and can be attributed to the increase of new high-end industrial availability. The overall average asking rental rate increased by a modest \$0.37/SF to \$6.45/SF from last year at this time, with warehouse/distribution space increasing by \$0.22/SF from \$5.61/SF. Landlords may hold asking rents level through 2021. As tenants relocate to newer Class A distribution space, second-tier available space may have an impact on future average rates by moving the needle down.

Leasing Demand

There were 298 lease deals totaling approximately 5.6 million square feet signed in fourth-quarter 2020, up slightly from the previous quarter. Overall transaction activity totaled 21.1 million square feet for the year, a significant increase from the 14.6 million square feet leased during 2019. Warehouse/distribution space dominated the market, with 18.6 million square feet, followed by general industrial, with 1.7 million square feet of leasing activity. More than 789,000 square feet of R&D/flex deals were signed during the year. Retail and wholesale companies held onto the lead, accounting for more than 5.3 million square feet of the tracked mid-to-large-sized lease deals for the year, while food and beverage moved into second place, with 2.2 million square feet. The home and building sector moved a notch down to the number-three spot, with 1.2 million square feet.

Investment Sales

Surprisingly, sales activity ticked upward from 2019 as 45 transactions totaling 7.6 million square feet sold for a combined total of \$731.0 million. This was just over the 7.2 million square feet sold from one year ago, while the average price increased to \$96/SF from \$76/SF one year ago. This can be attributed to an increase in sales of R&D/flex investment sales, coupled with an increase of high-end industrial properties trading hands as the average price for distribution space closed at \$95/SF.

Current Conditions

Demand growth rebounded to its highest quarterly performance since fourth-quarter 2016.

Completions of new industrial inventory shattered previous records with the largest amount of new high-end inventory brought to the market.

Landlords held asking rates level, with increased available space from new industrial inventory pushing the average rate to new heights.

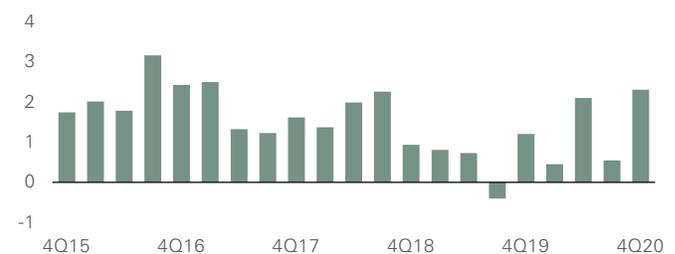
Ecommerce and the retail/wholesale industries were the contributing factors to the robust demand as Amazon gobbled up space throughout Florida, as online shopping skyrocketed as a result from the national shutdown during second-quarter 2020.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	461.0.0M	459.1M	452.5M	↑
Vacancy Rate	5.8%	5.8%	5.2%	↑
Quarterly Net Absorption (SF)	2.3M	544,824	1.2M	↓
Average Asking Rent/SF	\$6.45	\$6.32	\$6.08	↓
Under Construction (SF)	3.5M	4.5M	6.4M	↓
Deliveries	2.2M	2.3M	2.8M	↓

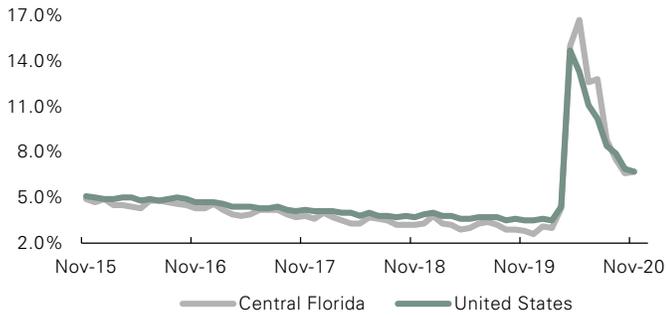
Economic Conditions

Central Florida's unemployment dropped to 6.7%, after peaking during second-quarter 2020 at 16.7% during the height of the national shutdown from the Covid-19 pandemic. 181,400 jobs remained lost throughout the region from one year ago but a strong recovery from the highest recorded unemployment rate the region posted dating back to 1990 and 500 basis points below the 11.7% peak rate recorded from the financial crisis in 2010. The Orlando region continued to feel the strongest impacts with the highest unemployment in Central Florida at 7.7%. This is a 310 basis point increase from the 10.8% rate recorded at the close of the previous quarter. Tampa's rate of 5.7% was an increase of 290 basis points from 2.8% recorded one year ago.

Central Florida's strong ties to tourism and theme park visits during Florida's strong travel season continued to be impacted as the leisure and hospitality industry saw more than 112,000 jobs lost from one year ago. Orlando's tourism industry made up the majority with over 84,700 of these losses. All other sectors trailed far behind with the professional and business services segment coming in second, totaling over 16,400 losses from this time last year. The education and health sector moved into the third spot with 14,600 less jobs from one year ago. No sectors have recorded year-over-year net gains as of yet with manufacturing seeing the least with 700 jobs lost.

Unemployment Rate

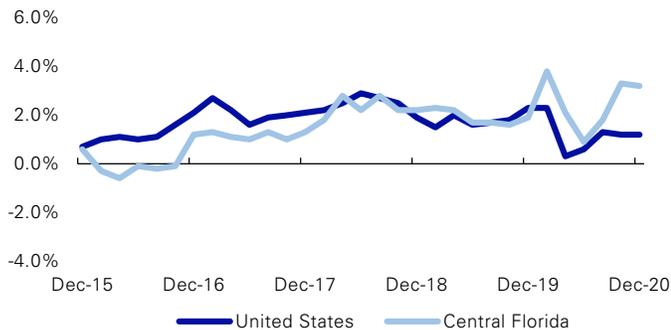
Central Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

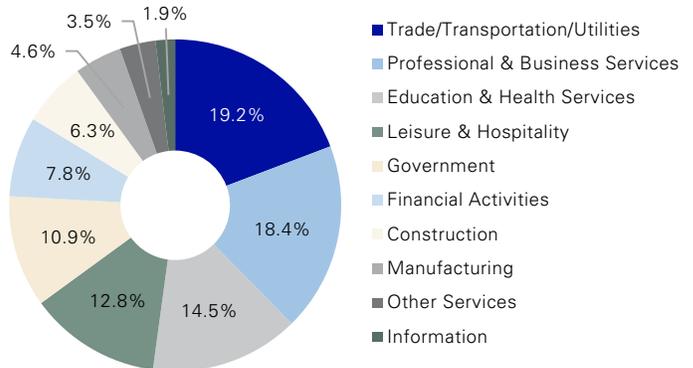
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment By Industry

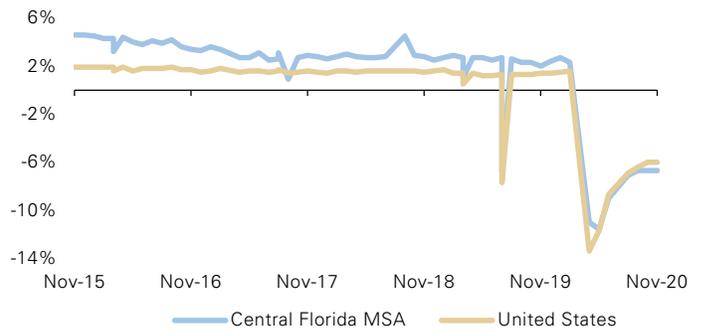
Central Florida MSA, Aug 2020 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

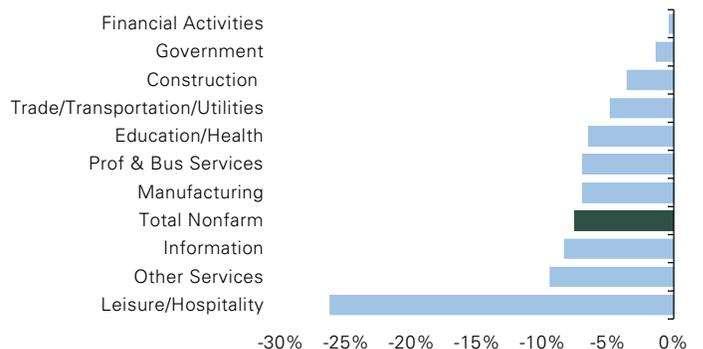
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



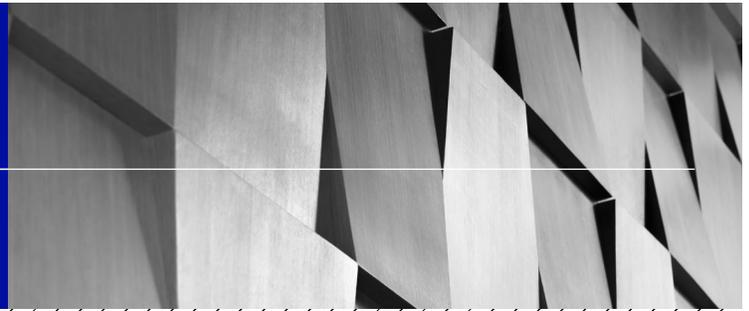
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

Central Florida, Aug 2020, MSA, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted



Tampa / Saint Petersburg Industrial Market

Tampa's industrial sector dominated the State of Florida in demand growth for the second consecutive year, with almost 3.8 million square feet of absorbed space. This was a significant improvement from the 2.8 million square feet of positive net absorption recorded one year ago and the third strongest annual performance in recorded history, after 2016 and 2014. Warehouse/distribution space remained in the lead with more than 4.0 million square feet of total absorbed space, while general industrial saw supply outpace demand, with over 175,000 square feet of negative net absorption. The R&D/flex sector achieved more of a balance but saw just over 4,000 square feet of supply returned to the market in 2020. The strong need for warehouse space helped vacancy tick down 20 basis points from the third quarter, while the addition of approximately 5.2 million square feet of new industrial inventory built throughout 2020 pushed overall vacancy up by 40 basis points from one year ago. Seven buildings totaling another 2.0 million square feet remained underway and could cause a slight uptick in vacancy, as 33.0% was still available for lease at the close of 2020. Amazon's pre-lease of just over 1 million square feet in Polk County is slated to be occupied in the first half of 2021 and will continue to aid strong market fundamentals. Landlord-favorable conditions have remained in place over the past four years, as the average asking rate inched upward past the \$6.00/SF mark for the first time. This was an increase of \$0.24/SF from the \$5.86/SF average one year ago. Tampa remained the most affordable of Florida's major markets. The limited rise in warehouse/distribution rents of \$0.11/SF from the \$5.40/SF this time last year was the result of vigorous leasing of the new inventory. As tenants occupied newer facilities, secondary-tier space had more of an impact as warehouse/distribution rent saw its weakest year-over-year increase since 2016.

Leasing and Demand

Leasing activity remained consistent with the previous quarter, as 173 transactions totaling 3.4 million square feet were recorded during fourth-quarter 2020, bringing year-to-date deal activity to 12.5 million square feet. This was a notable increase of 4.7 million square feet from the overall leasing seen in 2019. Warehouse/distribution space led with 10.8 million square feet, followed by general industrial totaling 1.2 million square feet of activity. Even the R&D/flex segment saw an increase in deal activity from one year ago, with 467,000 square feet of deals for the year. The retail and wholesale sector stayed in the top spot, with more than 2.5 million square feet of leasing activity. Food and beverage companies jumped into the number-two spot, with 2.1 million square feet, knocking the home and building segment down to the third spot, with 846,000 square feet.

Investment Sales

There were six sales totaling 1.6 million square feet during fourth-quarter 2020, bringing year-to-date activity to 4.2 million square feet sold for \$417.7 million. This was slightly down from the 5.1 million square feet that sold in 2019. The average sales price increased to \$100/SF, from the \$79/SF recorded one year ago. Strengthening market fundamentals have translated into high demand and improved sale prices for well-leased properties. Interest in investment activity is there but owners continued to hold onto investment properties.

Current Conditions

Tampa / Saint Petersburg industrial segment outperformed all of the state's other major markets during 2020, seeing the strongest demand growth in Florida.

Polk County and East Hillsborough/Plant City continued to outperform all other submarkets in demand growth, while the Westshore/Airport and South Pinellas submarket struggled during 2020.

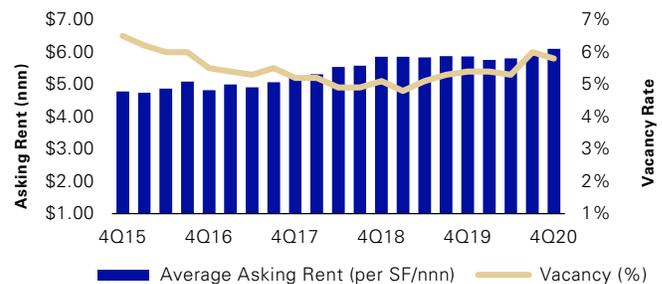
Notably, approximately 67.0% of inventory under construction is already spoken for, including Amazon's 1.0-million-square-foot distribution center in Polk County.

Leasing activity improved dramatically from one year ago, as online shopping spurred by the pandemic catapulted the need for distribution space from retail and wholesale, ecommerce and food and beverage companies.

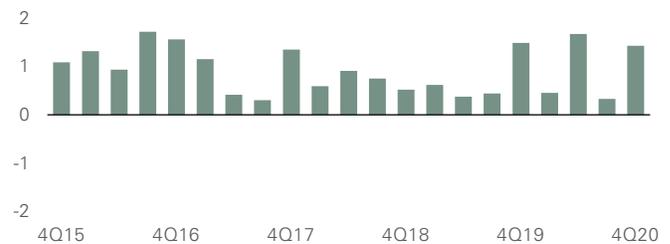
Asking rents will likely hold steady through 2021, resulting from a strong 2020.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	270.0M	269.2M	264.7M	↑
Vacancy Rate	5.8%	6.0%	5.4%	↑
Quarterly Net Absorption (SF)	1.4M	327,539	1.5M	↓
Average Asking Rent/SF	\$6.10	\$5.92	\$5.86	↔
Under Construction (SF)	2.0M	2.0M	3.1M	↔
Deliveries	1.1M	1.9M	2.4M	↓

Tampa / Saint Petersburg Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Bradenton/Manatee	22,269,383	0	3.8 %	45,827	27,918	\$6.20	N / A	\$5.85
E Hillsborough/Plant City	15,488,352	0	13.2 %	3,725	870,724	\$5.18	N / A	\$5.18
East Side Tampa	60,971,718	208,741	6.3 %	178,047	635,500	\$5.26	\$7.90	\$6.12
NE Hillsborough/University	1,572,640	0	2.7 %	2,644	11,121	\$3.87	\$12.00	\$5.19
North Pinellas	10,842,569	0	1.4 %	3,360	-40,140	\$6.39	\$4.50	\$7.79
NW Hillsborough	2,428,841	0	5.5 %	15,462	6,018	\$5.94	N / A	\$8.17
Pasco County	8,071,437	0	2.6 %	-6,074	-20,340	\$4.42	\$8.22	\$4.30
Polk County	54,885,345	1,477,241	6.4 %	956,092	2,659,522	\$4.95	\$11.63	\$5.33
S Tampa Ind	3,740,869	0	8.7 %	30,356	11,050	\$3.60	N / A	\$1.19
Sarasota	17,295,581	285,000	3.2 %	-16,199	-59,080	\$7.07	\$8.65	\$7.80
SE Hillsborough	2,648,798	0	7.4 %	0	0	\$6.00	N / A	\$6.00
South Pinellas	51,937,690	0	5.8 %	139,789	-109,113	\$6.39	\$11.85	\$6.54
Westshore/Airport	17,807,333	0	4.5 %	73,425	-129,078	\$6.35	\$10.00	\$7.27
Totals	269,960,556	1,970,982	5.8 %	1,426,454	3,864,102	\$5.51	\$9.93	\$6.10

Tampa / Saint Petersburg Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
C&S Wholesale Grocers Inc	1802 Jim Johnson Rd	E Hillsborough/Plant City	Direct	836,771
Nestle Waters North America	County Line Logistics Ctr-3602 Fancy Farm Rd	E Hillsborough/Plant City	Direct	282,639
Omnicell	2003 Gandy Blvd	South Pinellas	Renewal	132,548
Pathmark Transport	Four Corners Bus Pk-4501 Home Run Blvd	Polk County	Direct	105,577
Sherwin Williams	Four Corners Bus Pk-4500 Home Run Blvd	Polk County	Direct	105,065

Tampa / Saint Petersburg Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
1802 Jim Johnson Rd	E Hillsborough/Plant City	\$70,000,000	\$84	836,771
I-4 Logistics Ctr-1003 N Taylor Rd	E Hillsborough/Plant City	\$47,900,000	\$112	424,550
Cypress Bus Pk 100 & 200-12300 62 nd St	South Pinellas	\$26,700,000	\$128	209,047
Starkey Lakes S Monin Bld-8585 126 th St	South Pinellas	\$14,000,000	\$139	101,075
Center Point Bus Pk C-1907 US Hwy 301	East Side Tampa	\$7,545,033	\$131	57,500

Orlando Industrial Market

Orlando's industrial sector saw its strongest quarterly performance in over two years, bringing positive net absorption totaling over 1.5 million square feet during 2020. The significant improvement in growth during the second half of the year helped demand rebound after a correction of approximately 600,000 square feet of negative net absorption was seen during 2019. Despite the rally in 2020, more than 3.2 million square feet of building completions still pushed vacancy upward 80 basis points from one year ago. Warehouse/distribution space saw over 1.6 million square feet of space absorbed for the year, while the general industrial segment saw a more balanced approach between demand and supply, recording a meager 4,700 square feet of positive net absorption during 2020. Notably, R&D/flex space was the only sector to see a correction, with over 170,000 square feet of supply returned to the market for the year. Industrial developers have yet to pull back on projects, with seven buildings totaling more than 1.5 million square feet under construction at the close of 2020. These projects are projected to deliver during the first half of 2021; with approximately 76.0% still available for lease, vacancy will likely continue its trajectory upward. Lower-tier available space no longer held down the average asking rate, which saw stronger increases than in the previous two years. The county posted an average rental rate of \$6.85/SF, up from \$6.39/SF one year ago and a new record high for the second consecutive quarter. The addition of new inventory with higher asking rates has begun to impact the market, along with increased availability in the R&D/flex segment. For the most part, landlords held asking rents level through 2020, but favorable conditions for owners may begin ease if leasing activity in new developments slows and market fundamentals begin to soften.

Leasing and Demand

Leasing activity in fourth-quarter 2020 ticked upward from the previous quarter, as 125 transactions closed totaling 2.1 million square feet, bringing year-to-date activity to just under 8.6 million square feet. This was up slightly from the 6.7 million square feet of deals that closed in 2019. Warehouse/distribution space still led the market with 7.7 million square feet of all transactions, a sizeable increase from the 5.5 million square feet this time last year. General industrial space lagged with 526,008 square feet of year-to-date leasing activity as R&D/flex deals totaled 302,150 square feet for all of 2020. The market saw just under 4 million square feet of mid-to-large-sized deals transacted, led by the retail and wholesale segment with 2.8 million square feet, while the logistics and distribution sector moved back into the top three with 355,000 square feet of deals. The home and building sector held the number-three spot with 350,000 square feet leased

Investment Sales

Investment sales inched upward from the previous quarter, with three sales totaling over 533,000 square feet sold during fourth-quarter 2020, combining for the year to more than 3.4 million square feet, sold for a total of \$313.2 million. This was up from the 2.0 million square feet sold in 2019. The average sale price also increased to \$91/SF from \$77/SF at the close of 2019. This was a combination of increased sale prices, along with some notable high-end industrial transactions.

Current Conditions

Orlando's industrial sector saw demand rebound in 2020 after struggling from slight market corrections in 2019.

Robust delivery of new inventory continued to impact the market, despite healthy absorption numbers as vacancy inched upward from one year ago.

Construction activity remained healthy as developers appeared to be slowing breaking ground on new projects.

Overall leasing and sales activity both saw improvements from one year ago.

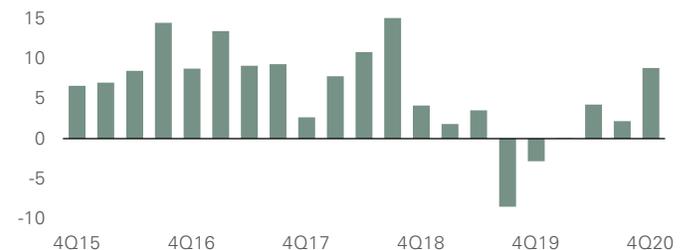
Landlords will likely hold asking rents level through 2021, but increased availability from second-tier space could push overall averages down over the next year.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (100,000 SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	191.1M	189.9M	187.9M	↑
Vacancy Rate	5.7%	5.6%	4.9%	↑
Quarterly Net Absorption (SF)	879,776	217,285	(281,592)	↔
Average Asking Rent/SF	\$6.85	\$6.82	\$6.39	↓
Under Construction (SF)	1.5M	2.4M	3.2M	↓
Deliveries	1.1M	375,891	488,924	↓

Orlando Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Brevard County	26,005,461	0	4.0 %	-92,707	-130,753	\$6.13	\$8.69	\$7.13
Lake County	9,283,934	375,000	2.6 %	4,811	-38,565	\$6.67	\$5.73	\$6.00
NE Orange County	1,919,703	0	2.0 %	-4,640	25,510	\$8.88	\$13.75	\$12.20
NW Orange County	35,962,751	0	9.2 %	230,633	704,537	\$6.02	\$8.17	\$5.78
Osceola County	7,679,866	0	1.9 %	13,774	-17,401	\$7.39	\$16.50	\$7.93
SE Orange County	51,647,229	870,688	6.8 %	560,090	810,611	\$6.04	\$11.53	\$6.79
Seminole County	26,291,585	0	5.0 %	110,996	163,265	\$6.92	\$8.11	\$7.46
SW Orange County	32,272,896	294,787	4.1 %	77,929	6,050	\$6.16	\$10.38	\$7.61
Totals	191,063,425	1,540,475	5.7 %	900,886	1,523,254	\$6.19	\$9.48	\$6.85

Orlando Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
LGSTX	Prologis Pk @ AIPO-11010 Florida Crown Dr	SE Orange County	Direct	185,000
Humana Pharmacy	Prologis Pk @ AIPO-11010 Florida Crown Dr	SE Orange County	Direct	162,656
Rhino Tire USA LLC	11423 S Satellite Blvd	SE Orange County	Direct	120,000
Problocki Holdings LLC	Center of Commerce-3851 E Center Loop	NW Orange County	Direct	63,000
Zenith Freight Lines	3057 Tradeport Dr	SE Orange County	Direct	36,068

Orlando Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Coca-Cola Bld-3102 Shelby Industrial Dr	NW Orange County	\$71,450,000	\$247	289,839
AIPO-10425 S Orange Ave	SE Orange County	\$10,220,000	\$78	130,400
Sanford Logistics Ctr-2152 MLK Jr Blvd	Seminole County	\$14,100,000	\$125	113,150

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