

CENTRAL FLORIDA INDUSTRIAL MARKET

OCCUPATION GROWTH AIDED SLIGHT REBOUND

The Central Florida industrial market saw growth climb from the previous quarter and one year ago with more than 1.9 million square feet absorbed during the second quarter of 2020. Year-to-date absorption came in at just over 2.3 million square feet, an improvement from the 1.5 million square feet recorded at the midyear point in 2019. Thirteen buildings totaling approximately 2.8 million square feet were delivered during second-quarter 2020, and more than 79.0% of the space was pre-leased, contributing to the strong quarter performance. Notably, the overall vacancy only increased 10 basis points from the previous quarter despite the significant addition of new inventory. The continued surge in industrial development brought an additional 8.0 million square feet of new warehouse/ distribution space over the past 12 months. Notably, the region's healthy demand prevented the historic construction taking place from increasing vacancy, which rose 100 basis points from the 4.5% reported this time last year. The 29 buildings still under construction totaled 6.4 million square feet and are projected to complete over the next four quarters, which should push vacancy upward. Landlords held off increasing asking rents, as the weighted average asking rate remained unchanged from one year ago at \$6.11/SF. The amount of new high-end warehouse product delivered has yet to impact average rents, with secondary available space hindering significant rises.

LEASING DEMAND & INVESTMENT SALES

There were 271 lease deals totaling over 5.8 million square feet in second-quarter 2020, bringing overall transaction activity to 9.3 million square feet leased in the first half of 2020. This was a sizeable increase from the 7.6 million square feet reported one year ago. Warehouse/distribution space led with 8.3 million square feet, followed by general industrial with 990,000 square feet of leasing activity. Retail/wholesale companies held the top spot, dominating activity with the bulk of mid- to large-sized lease deals in the first half, accounting for more than 3.2 million square feet. This can be attributed to Amazon's seven lease deals throughout Central Florida. Food and beverage trailed in second with 590,000 square feet, while home and building supply companies rounded out the top three with 524,000 square feet.

Sale activity fell sharply during second-quarter 2020 as a result of the pandemic, with three transactions totaling a meager 321,500 square feet. However, first-quarter 2020's strong performance combined for approximately 3.0 million square feet for \$244.0 million. This was still up slightly from the 2.7 million square feet sold from one year ago, while the average price rose to \$83/SF from \$65/SF from one year ago.

CURRENT CONDITIONS

Demand growth climbed by 53.0 from one year ago as second-quarter net absorption was the strongest in two years.

Construction deliveries during second-quarter tied with fourth-quarter 2019 for the most square feet delivered in a single quarter.

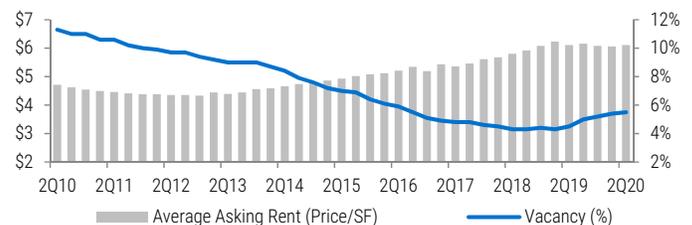
Vacancy ticked upward from the previous quarter, but was held from significant changes due to preleased space.

Asking rents held level from limited new available inventory impacting averages while owners hold off on increasing rents due to current economic conditions from the Covid-19 pandemic.

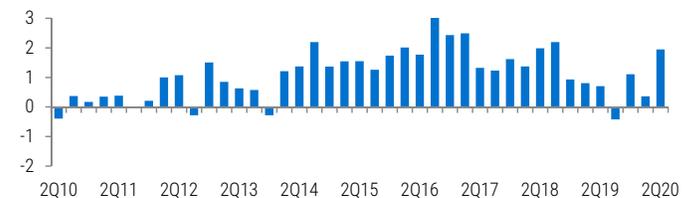
Vacancy should continue to climb upward with 60.0% of the 6.3 million square feet under construction remaining available.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

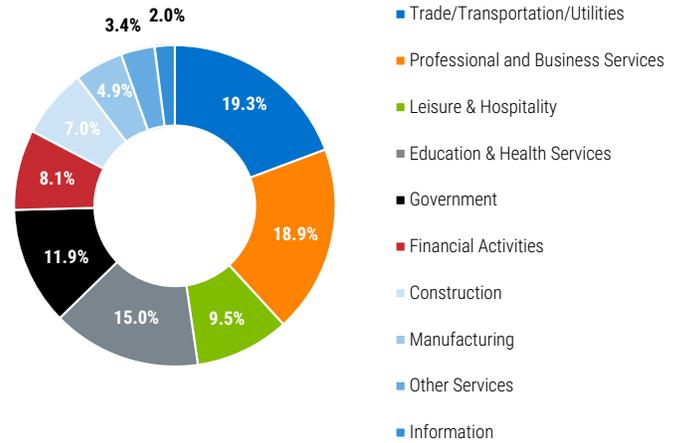
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	455.7 MSF	453.5 MSF	447.9 MSF	↑
Vacancy Rate	5.5%	5.5%	4.5%	↑
Quarterly Net Absorption	1.9 MSF	357,254	704,098	↓
Average Asking Rent	\$6.11	\$6.08	\$6.11	↔
Under Construction	6.3 MSF	9.1 MSF	7.0 MSF	↓
Deliveries	2.8 MSF	1.1 MSF	1.6 MSF	↔

ECONOMIC CONDITIONS

Central Florida’s unemployment climbed to 14.7%, with 314,800 jobs lost as a result from the Covid-19 pandemic outbreak shutting down operations throughout the region in late March through then end of May. This is the highest recorded unemployment rate the region has posted dating back to 1990 and 300 basis points above the 11.7% peak rate recorded from the financial crisis in 2010. The Orlando area reported the largest spike in unemployment, climbing to 16.2% from 2.8% from one year ago. Tampa’s rate followed suit, increasing to 13.1% from 4.3% recorded at the close of second-quarter 2019. Central Florida’s strong ties to tourism and theme park visits during the spring devastated the leisure and hospitality industry with over 215,000 jobs lost from one year ago. Orlando’s tourism industry made up the majority with over 163,000 of these job losses. The professional and business services segment sector trailed with the second highest number, totaling over 33,000 losses from one year ago. Since May numbers for the region hadn’t been posted yet, it is likely that come third-quarter, these numbers should begin to improve as the region slowly opens back up.

EMPLOYMENT BY INDUSTRY

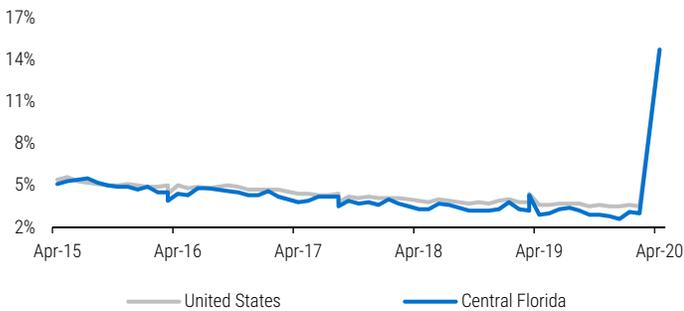
Central Florida MSA, Feb 2019 Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

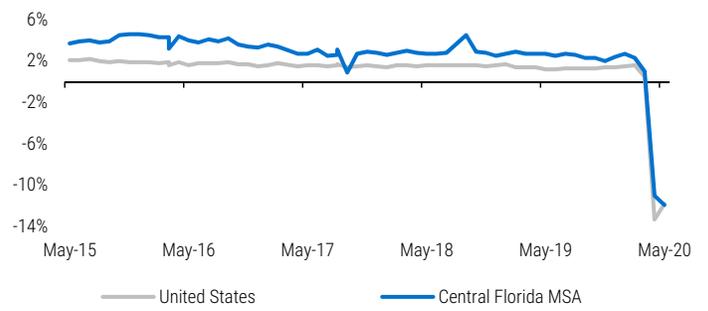
Central Florida Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

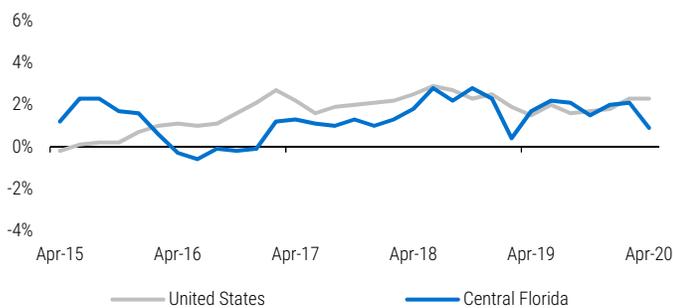
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

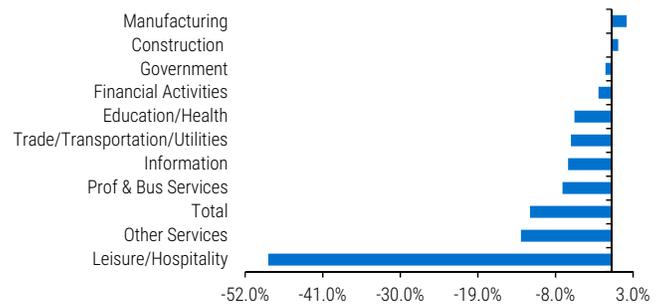
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

Central Florida, Feb 2019, MSA, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

TAMPA / SAINT PETERSBURG

The region's strong performance can be attributed to Tampa's industrial market's stellar performance during second-quarter 2020, as approximately 1.7 million square feet of positive net absorption took place. This was a massive improvement from first-quarter 2020 and the strongest quarterly performance since in four years. Tampa tied with Miami-Dade County to lead Florida's major commercial markets in demand with more than 2.0 million square feet of absorbed space in the first half of 2020. Tampa is the only market to see vacancy hold level at 5.4% since the close of 2019, despite robust construction totaling over 2 million square feet of new inventory delivered year-to-date. The industrial market also beat out Miami's posting, the smallest increase in overall vacancy year over year, with a 30-basis-point rise from the 5.1% from one year ago. The overall average rate dipped slightly from the \$5.83/SF rate posted one year ago to \$5.80/SF. This reflected secondary and lower-tier available space having more of an impact on the average as strong demand in new inventory hindered recently completed buildings, affecting averages.

Developers remained bullish on construction projects, with 15 warehouse buildings totaling over 3.6 million square feet projected to come online through 2021. More than 55% remained on the market as available for lease at the close of second-quarter 2020. This should help demand outpace supply over the next year, as vacancies will likely tick upward as new buildings are delivered. Although leasing and occupations remained healthy, the market could see a slowdown in demand growth as effects from the economic downturn may begin to surface. The industrial segment tends to be the last of the commercial sectors to feel the stings of a recession, as market fundamentals should hold through the remainder of 2020.

LEASING AND DEMAND

Improved leasing activity continued, with 147 transactions totaling over 3.0 million square feet completed during the second quarter. For the first half of the year, overall transaction activity was in excess of 5.1 million square feet. This was almost double the 2.7 million square feet leased at the midyear point one year ago. Activity was dominated by 4.5 million square feet of warehouse/distribution deals, followed by 601,000 square feet of general industrial leasing transactions; a lackluster 43,000 square feet of R&D/flex deals also took place. Midsized and large space deals improved from the previous quarter and one year ago with 2.7 million square feet at the midyear point. The retail/wholesale segment held the lead for the market, with 1.2 million square feet of lease deals, followed by food and beverage companies with 496,600 square feet. Home and building supply companies moved into the top three with 416,000 square feet.

INVESTMENT SALES

Only one sale of 91,350 square feet took place during the second quarter, bringing year-to-date activity to 1.1 million square feet, worth a combined \$91.1 million. Although investment sales dropped sharply from first-quarter 2020 and one year ago at the midyear point, the average sales price rose from \$65/SF to \$85/SF at the close of second-quarter 2020.

CURRENT CONDITIONS

Healthy growth coupled with healthy preleasing of new inventory delivered helped the market see vacancy remain level from the previous quarter.

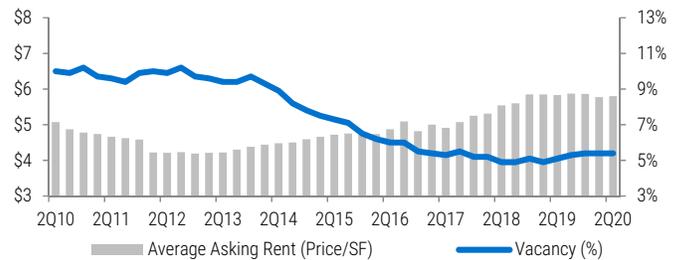
Four buildings totaling over 1.7 million square feet were delivered in second-quarter, the third most in the past decade.

Notably, almost half of current inventory under construction is already spoken for including almost one-million-square-foot comprised of three distribution facilities for Amazon.

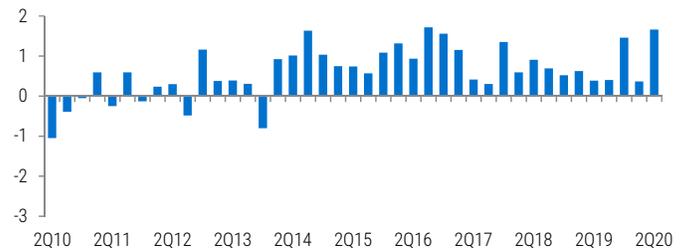
Leasing activity climbed in the first half while sales activity held level from one year ago as impacts from the sudden economic slowdown have yet to impact the industrial sector.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	266.1 MSF	264.9 MSF	261.1 MSF	↑
Vacancy Rate	5.4%	5.4%	5.1%	↑
Quarterly Net Absorption	1.7 MSF	366,512	1.0 MSF	↓
Average Asking Rent	\$5.80	\$5.77	\$5.83	↔
Under Construction	3.6 MSF	5.3 MSF	4.6 MSF	↓
Deliveries	1.7 MSF	404,900	707,391	↓

TAMPA / SAINT PETERSBURG SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy 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	21,966,383	303,000	2.5 %	35,104	27,217	\$5.57	N / A	\$5.48
E Hillsborough/Plant City	14,478,080	1,010,272	6.5 %	800,600	964,517	\$5.07	N / A	\$5.05
East Side Tampa	60,601,720	301,498	6.1 %	132,829	420,306	\$5.22	\$7.90	\$5.89
NE Hillsborough/University	1,572,640	0	3.2 %	0	3,775	\$4.21	\$6.00	\$5.11
North Pinellas	10,842,569	0	1.1 %	-12,793	-5,948	\$7.80	\$4.50	\$6.70
NW Hillsborough	2,428,841	0	5.6 %	12,700	4,798	\$5.64	N / A	\$7.98
Pasco County	8,071,437	0	2.2 %	-2,500	17,350	\$5.82	\$8.22	\$5.51
Polk County	53,042,822	1,760,523	7.5 %	754,563	933,197	\$4.81	\$9.39	\$4.97
S Tampa Ind	3,740,869	0	9.0 %	0	0	\$3.48	N / A	\$1.80
Sarasota	17,294,947	0	3.0 %	13,503	-34,389	\$6.80	\$6.88	\$7.13
SE Hillsborough	2,648,798	0	7.4 %	0	0	\$6.00	N / A	\$6.00
South Pinellas	51,668,643	209,047	5.7 %	-100,604	-254,161	\$6.37	\$11.91	\$6.46
Westshore/Airport	17,764,333	43,000	4.1 %	28,400	-48,348	\$5.94	\$10.17	\$6.72
Totals	266,122,082	3,627,340	5.4 %	1,661,802	2,028,314	\$5.40	\$8.94	\$5.80

TAMPA / SAINT PETERSBURG LEASE / USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Amazon	I-4 Logistics Ctr-1003 N Taylor Rd	E Hillsborough/Plant City	Direct	424,550
Refresco Beverages	Tampa Pk of Com-5210 S 16 th Ave	East Side Tampa	Direct	364,082
Haverty's Furniture Company	First Pk @ Bridgewater	Polk County	Renewal	335,000
Bausch Health US	Cabot @ Aprile Farms 1-8963 E Sligh Ave	East Side Tampa	Direct	127,254
Skar Audio	9700 18 th St N	South Pinellas	Direct	95,815

TAMPA / SAINT PETERSBURG SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
7301 114 th Ave N	South Pinellas	\$6,000,000	\$66	91,350

ORLANDO

Orlando's industrial sector saw an improvement from the previous three consecutive quarters recording negative net absorption, as demand outpaced supply by more than 285,000 square feet during second-quarter 2020. Unlike Tampa, demand slowed significantly in the first half of the year, bringing year-to-date net absorption to a modest 276,000 square feet. Warehouse/distribution space led the market with 273,125 square feet of absorbed space, with the general industrial segment posting over 61,000 square feet. The R&D/flex space saw the only correction, with 58,000 square feet of negative absorption, during the first half of 2020. The overall vacancy rate increased 80 basis points from the close of 2019 due to construction completions. Fourteen buildings, totaling approximately 1.7 million square feet, were added during the first six months of the year, with more than 68% still available on the market at the close of second-quarter 2020. Industrial developers remained bullish, despite slowing growth with 14 buildings totaling approximately 2.8 million square feet under construction with 65.0% still on the market as available. Robust development could push vacancy upward to the 6.5% mark over the next 18 months. Industrial rents held level from one year ago. Notably, increases in secondary available space, coupled with the economic slowdown as a result from the pandemic, pushed the recorded average down \$0.26/SF from the \$6.75/SF all-time high recorded during first-quarter 2019. Year over year, warehouse/distribution averages rose by \$0.22/SF from \$5.77/SF one year ago. General industrial rents decreased by \$0.19/SF from \$5.46/SF, while R&D/flex average practically remained unchanged, increasing from \$8.82/SF to \$8.84/SF at the close of second-quarter 2020.

LEASING AND DEMAND

Leasing activity rebounded after a slower-than-usual first-quarter performance, as 124 transactions totaling almost 2.8 million square feet were recorded. Year-to-date activity totaled 4.2 million square feet recorded at the midyear point and rose from the 3.2 million square feet recorded one year ago. Warehouse/distribution space rose by 44.2% in the second quarter for a combined 2.7 million square feet of leasing activity. In stark contrast, the general industrial segment followed with 601,000 square feet, while R&D/flex deals remained tepid with 43,000 square feet of deals at the midyear point. The retail/wholesale industry led the mid-to-large-sized lease demand, accounting for over 2.4 million square feet that can be attributed to the four Amazon deals in the market. The home and building supply sector came in second with 107,000 square feet of deals, while food and beverage companies rounded out the top three with 93,300 square feet leased.

INVESTMENT SALES

After an improved first-quarter 2020, investment sales dropped sharply with two deals totaling over 230,000 square feet sold during second-quarter 2020. Year-to-date, eight sales totaling 1.8 million square feet sold for a combined total of \$146.9 million. This was an improvement from the 963,200 square feet that sold at the midyear point one year ago. The average sale price rose from \$65/SF to \$81/SF as a result from increased sales of upper-tier warehouse/distribution buildings sold in the first half of 2020.

CURRENT CONDITIONS

Industrial segment saw a modest rebound after experiencing negative absorption for three consecutive quarters.

An improvement in demand growth wasn't enough to combat new deliveries, as overall vacancy reaches its highest point in four years.

Leasing activity improved significantly from the previous quarter as Amazon continued to gobble up new industrial space in the region.

Healthy construction activity remained, but developers appeared to be slowing the amount of new buildings breaking ground.

Investment sales fell sharply during the second-quarter but still saw an improvement from the midyear point in 2019 as first-quarter sales pushed investment activity upward from one year ago.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, 100,000's)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	189.6 MSF	188.6 MSF	186.8 MSF	↑
Vacancy Rate	5.7%	5.3%	3.6%	↑
Quarterly Net Absorption	285,671	(9,258)	317,816	↓
Average Asking Rent	\$6.49	\$6.44	\$6.49	↓
Under Construction	2.8 MSF	3.8 MSF	2.4 MSF	↓
Deliveries	1.1 MSF	644,801	844,662	↔

ORLANDO SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy 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	3.5 %	-35,361	28,398	\$6.26	\$8.79	\$6.88
Lake County	9,283,934	375,000	2.5 %	0	-7,544	\$5.69	\$6.30	\$5.69
NE Orange County	1,919,703	0	2.3 %	14,980	19,387	\$9.50	\$13.18	\$12.13
NW Orange County	35,282,669	732,582	9.2 %	44,983	12,113	\$6.19	\$7.65	\$5.73
Osceola County	7,679,866	0	1.7 %	39,078	-6,781	\$6.34	\$16.50	\$7.24
SE Orange County	51,242,828	1,275,089	7.2 %	219,199	268,032	\$5.84	\$12.92	\$6.65
Seminole County	25,913,485	378,100	4.2 %	8,196	16,185	\$6.59	\$7.06	\$6.62
SW Orange County	32,272,896	0	4.3 %	-5,404	-53,377	\$5.77	\$7.92	\$6.51
Totals	189,600,842	2,760,771	5.7 %	285,671	276,413	\$5.99	\$8.84	\$6.49

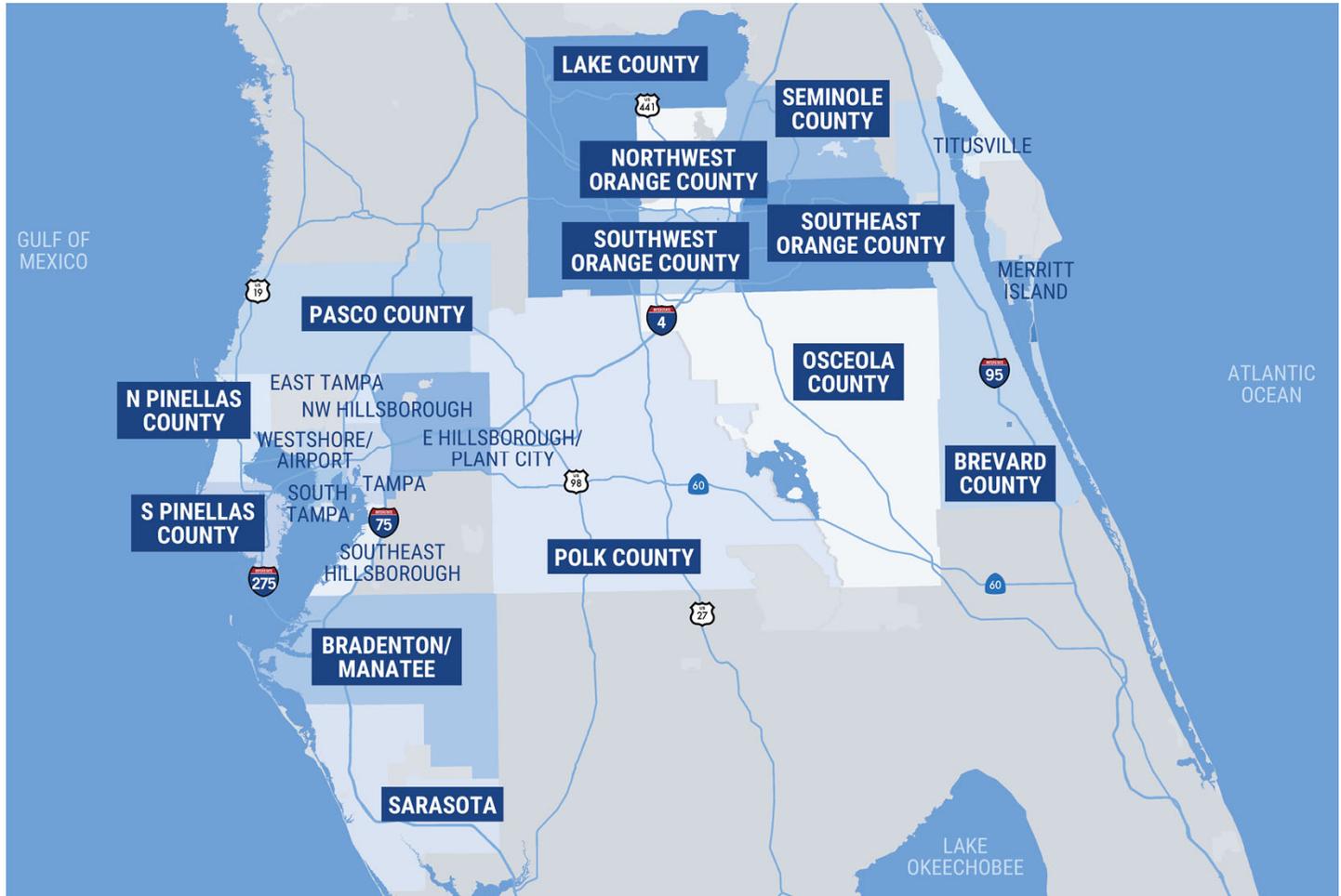
ORLANDO LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Amazon	Orlando West Ind Pk-4401 Seaboard Rd	NW Orange County	Direct	1,086,384
Amazon	Air Com Pk-9775 Air Commerce Pkwy	SE Orange County	Direct	561,750
Amazon	800 Commerce Dr	Brevard County	Direct	110,000
Frito_Lay	Infinity Pk 600-2612 Consulate Dr	SW Orange County	Direct	93,302
Dollar General	Orlando Central Pk 100-6217 Emperor Dr	SW Orange County	Direct	49,200

ORLANDO SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Sand Lake Com Ctr 1&2 Portfolio-7705 Wingard Rd	SE Orange County	\$26,400,000	\$81	230,117

CENTRAL FLORIDA INDUSTRIAL SUBMARKETS



TAMPA

4221 West Boy Scout Boulevard
Suite 440
Tampa, FL 33607
813.639.1111

ORLANDO

400 South Park Avenue
Suite 220
Winter Park, FL 32789
321.316.3030

ERIC MESSER

Research Services Manager
561.893.6234
emesser@ngkf.com

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