

ORANGE & SEMINOLE COUNTY

INDUSTRIAL MARKET REPORT

QUARTER LEE NOTE

As we complete the first quarter of 2022, the market continues to hold steady with robust activity in all areas. Investors appetite continues to be strong and a lack of product to purchase has pushed values to some of their highest levels we have seen. Building sales were extremely strong in the quarter as investors and owner users looked for a hedge against inflation as turbulence hit the stock market. Land prices have skyrocketed to numbers not previously seen due to scarcity of opportunities. Leasing continued to be very strong considering the lack of supply, however, the absorption numbers reported do not accurately reflect the demand. The demand is actually stronger. For example, there was just under half a million square feet of leases done in the first quarter that did not get reported because these spaces were leased at the beginning of the quarter, became empty and were leased prior to the end of the quarter, thus showing no change. Finally, the development pipeline was the largest we have tracked in the history of our report. We have not witnessed the speculation to this degree before and developers with cheap money forge ahead. In reading this, it appears we may have another banner year. However, there are storm clouds on the horizon that we believe can impact us. We are closely watching Amazon, continuing inflation, and quickly rising interest rates... more to come in our second quarter report.

MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER



WHAT YOU NEED TO KNOW

- The construction pipeline grew by almost 3 million square feet to a total of 7.1 million square feet under construction, and set to deliver in the next 12 months.
- Direct vacancy had a slight increase from 2.9 to 3.0 percent, due to the 1.2 million square feet of new inventory delivered this quarter.
- First quarter sales hit \$332 million with an average sales price of \$141.79 per square foot.
- Total quarterly absorption of 749,264 square feet does not include the many leases signed into spaces that became available this quarter and were immediately leased up.

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 1,999 buildings in Orange and Seminole County which total approximately 134 million square feet. The flex inventory makes up 11 percent of the total space within the market, while the industrial product makes up 89 percent. We end our statistical gathering of data approximately one week prior to the end of each quarter.

MARKET SNAPSHOT

Comparison Rental Rates PSF:

	4Q-21	1Q-22
Flex	\$12.65	\$12.66
Bulk/Distribution	\$7.62	\$6.06
Manufacturing	\$6.40	\$6.40
Office/Warehouse	\$7.71	\$7.17
Total Market	\$8.38	\$7.70

Comparison of Market Vacancy:

	4Q-21	1Q-22
Direct	2.9%	3.0%
Sublet	0.4%	0.3%
Total Market	3.4%	3.3%

Comparison of Absorption in SF:

	4Q-21	1Q-22
Quarterly Amount	900,165	749,264
Year-To-Date	5,927,515	749,264

Construction Pipeline: 20,000SF+

	4Q-21	1Q-22
U/C (speculative & BTS)	4,206,778	7,174,930
Delivered (by qtr)	679,864	1,211,529
Delivered YTD	2,582,884	1,211,529

Building Sales:

	4Q-21	1Q-22
Quarterly Total	\$165.8M	\$332M
Average Price PSF	\$126.92	\$141.79

Lee & Associates | Central Florida, LLC

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QUARTER IN REVIEW

We began 2022 with 749,264 square feet of positive absorption, with the Silver Star submarket at the top with 281,741 square feet of positive absorption. Only two of the ten submarkets we track had negative absorption, 33rd Street with (27,149) square feet and OCP with (40,965) square feet. First quarter leasing activity was slower than the first quarter 2021, however, this is expected given the lack of inventory.

Total market vacancy had a minimal increase from 2.9 to 3.0 percent due to the 1.2 million square feet of new inventory added to the Central Florida market. Sublease vacancy decreased by 0.1 percent to 0.3 percent, which represents only 458,779 square feet out of the 134 million square feet we track.

We had a strong start to building sales this quarter with \$332 million in sales, representing 35 sales across Orange and Seminole counties. The average sales price per foot also jumped to \$142 this quarter.

There is currently 6,508,347 square feet of speculative development under construction or imminent. These buildings include:

- Brookfield's Taft Vineland Road buildings with 154,292, 142,424 and 563,920 square feet
- Indus Realty Trust's Landstar Logistic Center building 1 with 96,000 square feet and building 2 with 99,000 square feet
- Dalfen's Hoffner Avenue building with 105,000 square feet
- Exeter's Apopka Business Park buildings with 282,100, 546,600, 207,210 and 207,210 square feet
- Foundry's Princeton Oaks buildings #600 & #800 with 97,000 square feet each, and #700 with 86,400 square feet
- Johnson Development's South Orange Logistics #100 with 149,940 square feet
- McCraney Property Company & Butters Construction four St. Johns Parkway buildings with 216,000, 138,600, 170,000 and 25,152 square feet
- McNulty's Clarcona Road buildings #1 & #2 with 48,000 each
- Prologis' ADC North building G with 169,938 square feet
- Realvest's building at 7906 Kingspointe Parkway with 110,160 square feet
- Realvest's 6275 S. Goldenrod Road building 1 with 92,015 square feet and building 2 with 67,346 square feet
- Whitley Capital's 8690 Transport Drive building with 118,000 square feet
- WPT Management Trust's Apopka 429 building #200 with 725,040 square feet, #300 with 1,200,000 square feet and #400 with 546,000 square feet

There is currently 666,583 square feet of build-to-suit construction underway. This include:

- Escalade (Tailgate) Sports 144,000 square foot building at ICP
- McKesson's 472,583 square foot building at AIPO
- Environmental Products' 50,000 square foot building on Hermit Smith Road

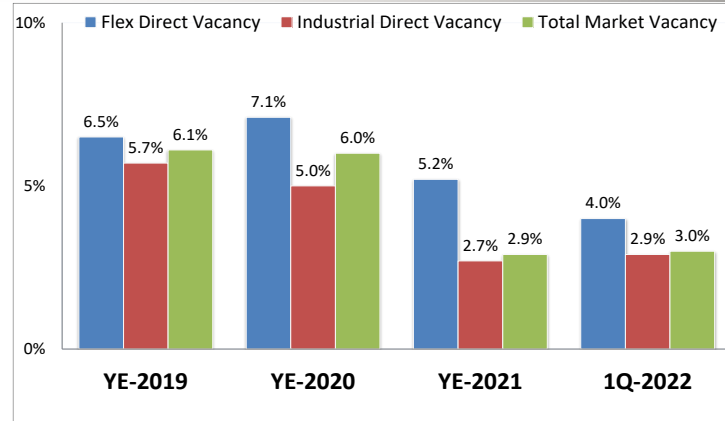
There was a total of 1,211,529 square feet delivered:

- Blue Steel's Hermit Smith Road building with 290,000 square feet, and Axxess 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
- Johnson Development's South Orange Logistics #200 with 131,220 square feet
- Ace Relocation's 150,000 square foot building at ICP

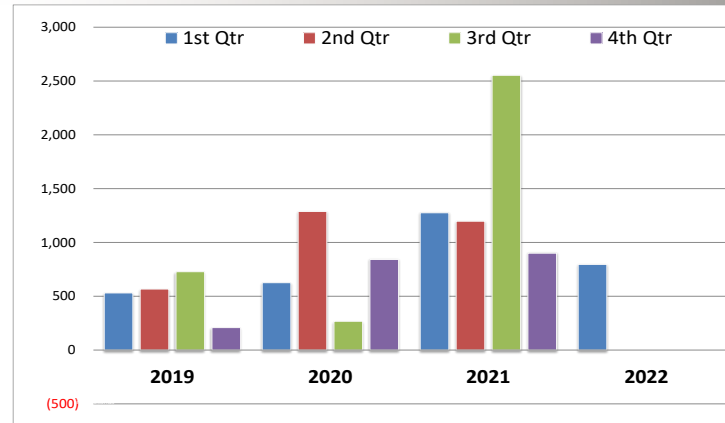
Although not included in our total inventory, there are notable developments underway in Lake County:

- JLL's Perimeter Park West building #400 with 36,283 square feet, #500 with 47,800 square feet and #600 with 87,395 square feet
- UBS's Groveland building with 425,039 square feet

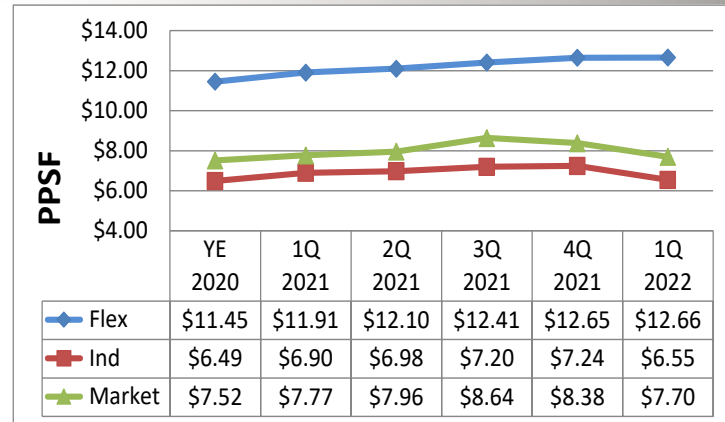
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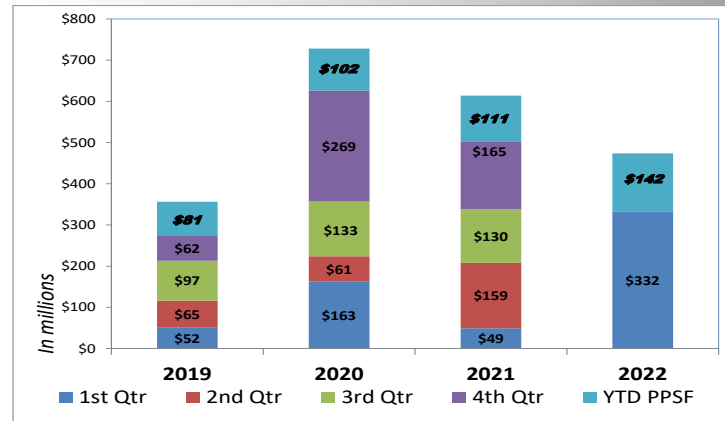
ABSORPTION



RENTAL RATES










SALES & AVERAGE PRICE PSF



QUARTER IN REVIEW

Q1 2022

TOP FIRST QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Address	Tenant	Total SF	Submarket	Type
1801 Boice Pond Road	VEHO Logistics	144,556	Airport/Southeast	New
2000 Parks Oaks Avenue	Frito Lay	130,000	Silver Star	New
1750 Cypress Lake Drive 	Meyer Distributing	121,000	Airport/Southeast	Renewal/ Expansion
2001 W Oakridge Road	Live Wire Entertainment	108,917	Southwest	New
650 Hermit Smith Road 	Chadwell Supply	74,205	Northwest	New
2590 Ocoee Apopka Road 	Just Floors	67,125	Northwest	New
601 Gills Drive 	Affordable Granite Concepts	60,087	Airport/Southeast	New
7606 Narcoossee Road	Genuine Cable	54,449	Airport/Southeast	New
770 Gills Drive	Atlas Cottage	54,000	Airport/Southeast	New
1150 Emma Oaks Drive	Planet Obstacle	44,800	Longwood/Lake Mary/Sanford	Renewal
2589 Consulate Drive 	Roush Industries	42,160	Southwest	New
3831 Bryn Mawr Street 	Matthews International Corporation	40,000	Silver Star	New
1075 Gills Drive 	US Tradeshows	24,020	Airport/Southeast	Renewal

TOP FIRST QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
8050 Vista Reserve, et al. (Portfolio Sale)	Multiple in Orange & Seminole County	1,336,699	ARES REIT (Black Creek)	Blackstone	\$227,500,000	\$170.20
9755/9751 Delegates Dr	OCP	118,510	9751 Delegates LLC	Delegates LLC	\$13,500,000	\$113.91
1038-1040 W Arlington St	Central	111,265	WMG Arlington Orlando Owner LLC	Alan M Altshuler Trust	\$6,750,000	\$60.67
950 Bennett Rd	Central	110,638	IIPT 4S Orlando LLC	Monmouth Real Estate Investment Corp	\$21,504,914	\$194.37
11300/11350 Space Blvd	Airport/Southeast	90,373	Core Mti FL Orl Space-11300 LLC	Hameco Properties Inc	\$11,000,000	\$121.72
520 W Orange Blossom Trl	Northwest	55,853	Vertpack	McCoy Realty	\$3,750,000	\$67.14
110 Tech Dr	Longwood/Lake Mary/Sanford	53,200	Spire Investments 1 Inc	110 Tech Drive LLC	\$4,560,000	\$85.71
2380 W. 25th St	Longwood/Lake Mary/Sanford	52,888	114 Powers Court LLC	2380 Sanford LLC	\$4,200,000	\$79.41
47 W Jefferson St	Central	37,416	MCG W Jefferson Owner LLC	Cameron Property Company LLC	\$4,500,000	\$120.27
4100 Metric Dr	Eastside/University	36,000	Susquehanna Stewart LLP	Small Bay Partners LLC	\$4,710,000	\$130.83

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	27	3,575,751	310,096	8.7%	0	0.0%	8.7%	67,125	67,125	\$ 5.98
Flex	18	618,183	0	0.0%	7,500	1.2%	1.2%	0	0	\$ 13.00
Manufacturing	17	1,060,028	7,700	0.7%	0	0.0%	0.7%	0	0	\$ 5.99
Office/Warehouse	100	6,114,973	184,227	3.0%	0	0.0%	3.0%	7,300	7,300	\$ 7.15
Submarket Total	162	11,368,935	502,023	4.4%	7,500	0.1%	4.5%	74,425	74,425	\$ 6.82
SILVER STAR										
Bulk/Distribution	19	3,784,228	68,648	1.8%	0	0.0%	1.8%	(4,200)	(4,200)	\$ 5.37
Flex	31	1,359,333	39,223	2.9%	0	0.0%	2.9%	28,827	28,827	\$ 9.87
Manufacturing	22	1,929,491	0	0.0%	0	0.0%	0.0%	22,072	22,072	\$ 8.00
Office/Warehouse	213	11,476,996	72,823	0.6%	7,006	0.1%	0.7%	235,042	235,042	\$ 10.74
Submarket Total	285	18,550,048	180,694	1.0%	7,006	0.0%	1.0%	281,741	281,741	\$ 9.64
33RD STREET										
Bulk/Distribution	6	706,168	450,010	63.7%	0	0.0%	63.7%	0	0	\$ 8.25
Flex	33	935,758	33,155	3.5%	0	0.0%	3.5%	3,541	3,541	\$ 12.00
Office/Warehouse	84	3,884,920	50,481	1.3%	9,816	0.3%	1.6%	(30,690)	(30,690)	\$ 8.48
Submarket Total	123	5,526,846	533,646	9.7%	9,816	0.2%	9.8%	(27,149)	(27,149)	\$ 8.50
NORTH CENTRAL										
Flex	46	1,305,256	33,233	2.5%	0	0.0%	2.5%	22,614	22,614	\$ 11.14
Manufacturing	12	535,289	66,374	12.4%	0	0.0%	12.4%	0	0	\$ 9.50
Office/Warehouse	52	1,924,152	12,350	0.6%	0	0.0%	0.6%	21,800	21,800	\$ 10.39
Submarket Total	110	3,764,697	111,957	3.0%	0	0.0%	3.0%	44,414	44,414	\$ 10.09
LONGWOOD/LAKE MARY/SANFORD										
Bulk/Distribution	16	2,016,218	36,236	1.8%	0	0.0%	1.8%	0	0	\$ 6.95
Flex	64	2,497,819	163,148	6.5%	20,762	0.8%	7.4%	(48,979)	(48,979)	\$ 11.76
Manufacturing	54	3,051,660	123,983	4.1%	0	0.0%	4.1%	4,223	4,223	\$ 7.79
Office/Warehouse	192	8,099,302	83,483	1.0%	0	0.0%	1.0%	54,650	54,650	\$ 8.40
Submarket Total	326	15,664,999	406,850	2.6%	20,762	0.1%	2.7%	9,894	9,894	\$ 9.43
CENTRAL ORLANDO										
Flex	10	330,496	0	0.0%	0	0.0%	0.0%	0	0	\$ 11.00
Manufacturing	19	1,210,447	0	0.0%	0	0.0%	0.0%	0	0	\$ 8.25
Office/Warehouse	101	4,385,554	84,947	1.9%	0	0.0%	1.9%	71,159	71,159	\$ 10.95
Submarket Total	130	5,926,497	84,947	1.4%	0	0.0%	1.4%	71,159	71,159	\$ 12.49
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	68,527	3.6%	89,696	4.7%	8.4%	84,070	84,070	\$ 16.01
Manufacturing	14	627,131	0	0.0%	0	0.0%	0.0%	0	0	\$ 6.50
Office/Warehouse	64	2,514,430	27,153	1.1%	0	0.0%	1.1%	5,604	5,604	\$ 10.99
Submarket Total	120	5,435,313	95,680	1.8%	89,696	1.7%	3.4%	89,674	89,674	\$ 24.88
AIRPORT / SOUTHEAST										
Bulk/Distribution	117	21,654,156	642,777	3.0%	0	0.0%	3.0%	220,420	220,420	\$ 6.40
Flex	76	3,310,282	160,330	4.8%	40,550	1.2%	6.1%	58,910	58,910	\$ 13.11
Office/Warehouse	283	19,016,102	332,361	1.7%	24,050	0.1%	1.9%	(83,164)	(83,164)	\$ 8.95
Submarket Total	476	43,980,540	1,135,468	2.6%	64,600	0.1%	2.7%	196,166	196,166	\$ 8.09
ORLANDO CENTRAL PARK										
Bulk/Distribution	57	9,002,801	493,849	5.5%	217,239	2.4%	7.9%	(39,090)	(39,090)	\$ 2.55
Flex	42	2,003,149	113,785	5.7%	0	0.0%	5.7%	(27,079)	(27,079)	\$ 10.50
Office/Warehouse	86	5,372,716	230,826	4.3%	0	0.0%	4.3%	25,204	25,204	\$ 0.40
Submarket Total	185	16,378,666	838,460	5.1%	217,239	1.3%	6.4%	(40,965)	(40,965)	\$ 3.03
SOUTHWEST										
Bulk/Distribution	21	3,071,262	90,554	2.9%	42,159	1.4%	4.3%	45,160	45,160	\$ 7.63
Flex	16	985,965	5,547	0.6%	0	0.0%	0.6%	4,745	4,745	\$ 16.28
Office/Warehouse	45	4,068,864	47,105	1.2%	0	0.0%	1.2%	0	0	\$ 8.80
Submarket Total	82	8,126,091	143,206	1.8%	42,159	0.5%	2.3%	49,905	49,905	\$ 8.35
TOTAL FLEX	376	15,240,175	616,948	4.0%	158,508	1.0%	5.1%	126,649	126,649	\$ 12.66
TOTAL BULK/DISTRIBUTION	265	44,210,402	2,092,170	4.7%	259,398	0.6%	5.3%	289,415	289,415	\$ 6.06
TOTAL MANUFACTURING	138	8,414,046	198,057	2.4%	0	0.0%	2.4%	26,295	26,295	\$ 6.40
TOTAL OFFICE/WAREHOUSE	1220	66,858,009	1,125,756	1.7%	40,872	0.1%	1.7%	306,905	306,905	\$ 7.17
TOTAL INDUSTRIAL SPACE	1623	119,482,457	3,415,983	2.9%	300,270	0.25%	3.1%	622,615	622,615	\$ 6.54
TOTAL MARKET	1,999	134,722,632	4,032,931	3.0%	458,778	0.3%	3.3%	749,264	749,264	\$ 7.70

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