

CENTRAL FLORIDA | INDUSTRIAL

Fourth Quarter 2015

Accelerating success.

Industrial Market Thrives Despite Lack of Quality Inventory

Executive Summary

The Central Florida industrial market remained active as desirable space for lease continued to drop in supply, causing the market to tighten even further during the fourth quarter of 2015.

Driving this broad-based industrial market is Central Florida's thriving economy and subsequent job growth, as well as strengthening tourism and convention markets and an increase in local construction.

Industrial investors were unmoved by the Federal Reserve's interest rate increase and maintained a strong demand for product. The consistently low supply of quality product for sale in 2015 continued the trend of rapid sales processes and lightly inflated purchase prices.

Market Highlights

- › For the first time this year, the dollar value of consumer goods inventories held in warehouses became greater than in retail facilities. This trend is likely caused by the shift in supply chains and how consumers are purchasing more goods through e-commerce.
- › Tenants are willing to spend more money to acquire quality leased space than they have in previous years. In response, owners and investors are updating and improving less desirable space to make it more suitable for lease.
- › There was a significant demand for large space. At the close of the fourth quarter, there were at least six tenants in the market seeking product in excess of 100,000 square feet of space.

Summary Statistics

Q4 2015 Industrial Market	Central FL
Vacancy Rate	7.5%
Change From Q3 2015 (Percent)	-0.1%
Absorption (Square Feet)	301,652
New Completions (Square Feet)	207,500
Under Construction (Square Feet)	765,405

Asking Rents

Per Square Foot Per Year

Current Quarter	\$5.23
Previous Quarter	\$5.12
Year Ago	\$4.69

Market Indicators

Relative to Prior Period	Q4 2015	Q1 2016*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↓
FLEX RENTAL RATE	↑	↓
INDUSTRIAL RENTAL RATE	↑	↓

Note: Construction is the change in Under Construction.
*Projected.

Vacancy and Absorption

During the fourth quarter, the overall net absorption in Central Florida's industrial market was 301,652 square feet. The most active submarket was Southeast Orange, with 202,913 net square feet absorbed during the fourth quarter. The Southeast Orange submarket also reported the most net absorption in 2015 with a total of 988,901 square feet.

The Northeast Orange submarket held steady with the region's lowest vacancy rate once again, at 4.2 percent, compared to the region's total reported vacancy at 7.8 percent. Meanwhile, the Seminole County submarket had the region's highest vacancy, 10.9 percent.

Overall, leasing activity in the Central Florida industrial market remained active during the fourth quarter. The Southeast Orange submarket saw the most activity and remained attractive to industrial tenants, particularly those seeking space for regional distribution centers.

Industrial space in the 20,000 to 50,000 square foot range was highly sought after by warehouse tenants.

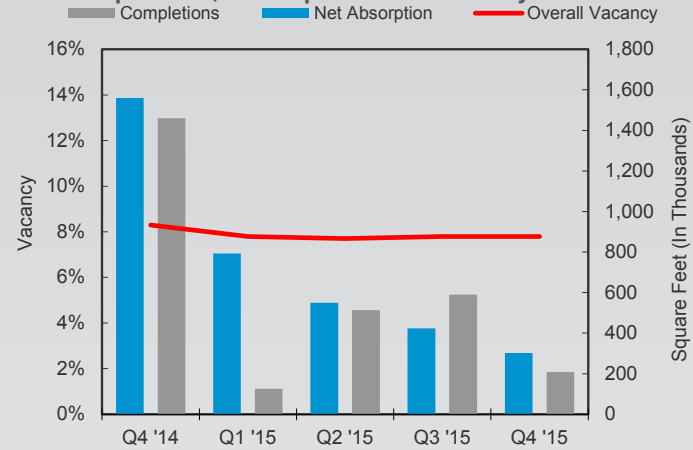
Leasing Activity

During the fourth quarter, leasing activity was steady in Central Florida. Much of the pent-up demand from previous quarters has been worked through and the market is rising. Rental rates increased across the region, with the average asking rental rate for industrial space increasing to \$5.23 per square foot (PSF). Meanwhile, the average asking rental rate for flex space was \$9.44 PSF. The Northeast Orange submarket had the highest asking rental rate at \$10.27 PSF, while the Osceola County submarket had the lowest asking rental rate, \$4.34 PSF. Most submarkets are showing signs of robust activity.

Tenant improvement allowances increased as construction and labor costs continued to rise by nearly 20 percent. These allowances are offset by higher first-year rental rates.

Additionally, free rent continues to decline to an average of two months on a five-year lease. Notably, lease rental rates are up from the third quarter in all Class A, B and C industrial product.

Completions, Absorption and Vacancy Rates

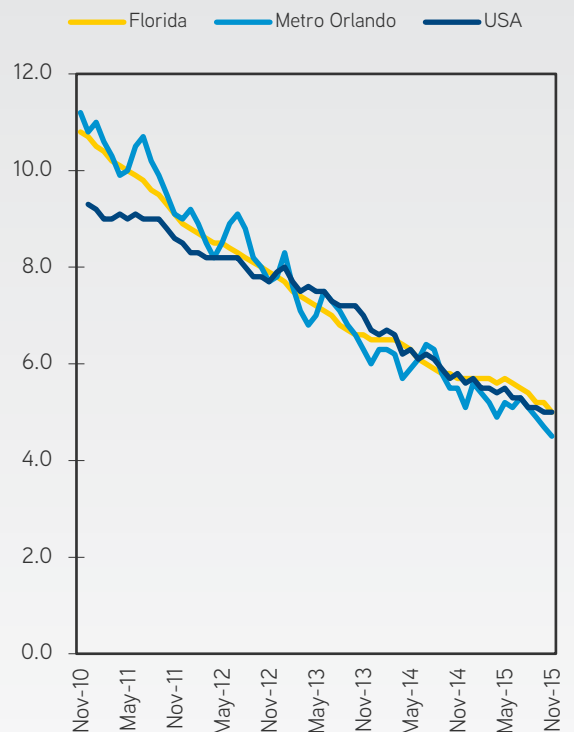


Vacancy remains steady

Total net absorption in 2015 totaled 2,068,482 square feet with 301,652 square feet in Q4. Vacancy levels remained consistent as new completions came to market.

Source: Colliers International, CoStar

Unemployment Trends



The Orlando MSA unemployment rate posted 4.5 percent in November 2015, which represents a 0.7 percent decrease from May 2015. The State of Florida rate ended the month of November at 5.0 percent in alignment with the national average.

Source: US Bureau of Labor Statistics

SUBMARKET BREAKDOWN

Sbmrkt & Prop. Type	Bldgs.	Total Inventory SF	Direct Vac. %	Total Vac. %	Net Absorp. Current Qtr. SF	Net Absorp. YTD SF	New Completions SF	Under Construc. SF	Avg. Direct Asking Rate NNN
Southwest Orange									
Industrial	696	34,854,613	5.4%	6.1%	-138,955	449,733	0	0	\$5.22
Flex	222	7,064,975	10.7%	11.0%	47,449	41,491	0	0	\$8.41
Overall	918	41,919,588	6.3%	6.9%	-91,506	491,224	0	0	\$5.88
Southeast Orange									
Industrial	473	31,337,382	8.5%	8.5%	216,100	977,972	125,000	694,517	\$5.34
Flex	94	2,986,928	13.8%	13.8%	-13,187	10,929	30,000	38,000	\$10.48
Overall	567	34,324,310	8.9%	9.0%	202,913	988,901	155,000	732,517	\$5.75
Osceola County									
Industrial	133	5,709,572	5.8%	5.8%	10,470	73,423	0	0	\$4.21
Flex	20	436,884	4.3%	4.3%	4,072	4,072	0	0	\$10.71
Overall	153	6,146,456	5.7%	5.7%	14,542	77,495	0	0	\$4.34
Northwest Orange									
Industrial	479	20,413,469	5.6%	5.6%	140,672	389,207	52,500	0	\$5.37
Flex	88	2,193,647	8.4%	8.4%	-47,353	-24,428	0	0	\$7.83
Overall	567	22,607,116	5.9%	5.9%	93,319	364,779	52,500	0	\$5.58
Northeast Orange									
Industrial	160	5,078,749	1.8%	1.8%	39,900	98,581	0	0	\$6.00
Flex	88	2,508,693	9.1%	9.1%	-440	-66,243	0	0	\$13.39
Overall	248	7,587,442	4.2%	4.2%	39,460	32,338	0	0	\$10.27
Seminole County									
Industrial	637	18,380,949	9.0%	9.0%	62,652	133,926	0	32,888	\$4.91
Flex	178	4,805,460	18.0%	18.3%	-9,728	-139	0	0	\$7.91
Overall	815	23,186,409	10.9%	10.9%	52,924	133,787	0	32,888	\$5.63

CENTRAL FLORIDA OVERALL MARKET

Qtr. & Year	Bldgs.	Total Inventory SF	Direct Vac. %	Total Vac. %	Net Absorp. Current Qtr. SF	Net Absorp. YTD SF	New Completions SF	Under Construc. SF	Whse. Avg. Direct Asking Rate NNN	Flex Avg. Direct Asking Rate NNN
2015 Q4	3,257	135,594,272	7.5%	7.8%	301,652	2,068,482	207,500	765,405	\$5.23	\$9.44
2015 Q3	3,254	135,386,772	7.6%	7.8%	423,860	1,766,830	590,017	598,363	\$5.12	\$9.43
2015 Q2	3,251	134,796,755	7.6%	7.7%	549,809	1,342,970	513,769	1,188,380	\$5.02	\$9.52
2015 Q1	3,247	134,282,986	7.8%	7.8%	793,161	793,161	125,085	1,387,474	\$4.85	\$9.38
2014 Q4	3,246	134,157,901	8.2%	8.3%	1,559,783	3,040,294	1,459,801	1,021,979	\$4.69	\$9.08

SALES ACTIVITY

PROPERTY ADDRESS	PROPERTY TYPE	BUYER NAME	SIZE (SF)	SALES PRICE	SUBMARKET
8201 Chancellor Dr	Distribution	Kinsey Equities, LLC	713,585	\$35,500,000 (\$49.75/SF)	Southwest Orange
2603 Discovery Dr, Bldg 2	Flex	Taurus Southern Investments, LLC	75,279	\$10,100,000 (\$134.17/SF)	Southeast Orange
3090 Pennington Dr	Distribution	HHR Thompson Florida LLC	68,180	\$3,500,000 (\$51.33/SF)	Northwest Orange

LEASING ACTIVITY

PROPERTY ADDRESS	SPACE TYPE	TENANT NAME	SIZE (SF)	LEASE TYPE	SUBMARKET
5867 Vista East Pkwy	Warehouse	ASCOT Creative Costuming	83,491	New/Direct	Southeast Orange
5000 Mercantile Ln	Warehouse	CHEP USA	70,000	New/Direct	Osceola County
2501 Investors Row	Distribution	Arata Expositions	58,246	New/Direct	Southwest Orange

Sales & Development

Investor demand continues to be very strong despite a short supply of high-quality product. Investor activity reveals that few are concerned over the interest rate increase in Q4 by the Federal Reserve. Land investors continue to seek metro-Orlando industrial sites for near-term development or land banking for future use.

Notable industrial sales include a 56-acre site that sold for \$11,100,000, or \$198,214 per acre, along Taft Vineland Road near Orange Blossom Trail. The site was purchased by Crews Commerce Ventures, LLC/Foundry Commercial and sold by Crews Real Estate, LLC. The space is planned for 1,000,000 square feet of industrial space.

Additionally, LNR Partners, LLC, sold a three-building portfolio for \$9,300,000, or \$52.09 per square foot, in December 2015. These buildings were located in the Northwest and West Orange submarkets.

Lastly, Dr. Phillips, INC, sold an eight-building portfolio for \$6,900,000 in November 2015. These buildings were primarily located along Silver Star Road in the Northwest Orlando submarket.

New Construction

MDH Partners began construction on two buildings at Four Corners Business Park near I-4 and State Road 27. One building will be a 394,513-square-foot cross-dock facility and the other will be a 112,580-square-foot front-load facility.

Additionally, Park 27's Building III and IV are under construction and being developed by McCraney Property Company. Building III will feature a 412,320-square-foot cross-dock and Building IV is a 187,995-square-foot rear-load facility.

A total of 207,500 square feet of industrial construction was completed in the fourth quarter, including:

- » 2401 Lynx Lane, a 52,000-square-foot warehouse finished December 2015.
- » 2351 J Lawson Boulevard, a 125,000-square-foot industrial manufacturing site finished December 2015.

For newly completed construction, developers saw strong leasing activity during the building phase.

**502 offices in
67 countries on
6 continents**

**United States: 146
Canada: 44
Latin America: 24
Asia Pacific: 199
EMEA: 84**

**\$2.3
billion in
annual revenue
1.7
billion square feet
under management
16,300
professionals
and staff**



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