

Orlando Industrial, Q3 2018

Positive net absorption continues

 Total Vacancy
5.8%

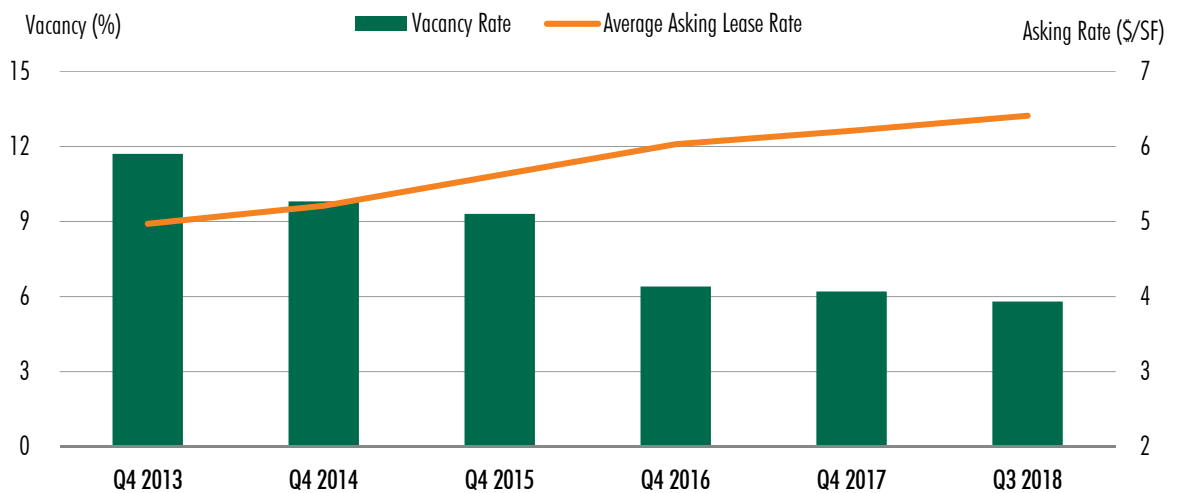
 Lease Rate
\$6.41 PSF

 Net Absorption
1.9 MSF

 Completions
857,000 SF

*Arrows indicate change from previous year.

Figure 1: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2018.

- The overall vacancy rate for Q3 2018 stood at 5.8%, holding steady with the previous quarter, but is down 80 basis points (bps) from Q3 2017.
- Orlando’s industrial market finished Q3 2018 with net absorption of 1.9 million sq. ft. This brings the year-to-date net absorption to 3.6 million sq. ft., an 84.4% increase in the year-over-year net absorption.
- The direct average asking lease rate stood at \$6.41 per sq. ft. Looking at the year-over-year change, there was a \$0.27 increase.
- Real Capital Analytics (RCA) reports that during 2018, publicly listed/REIT buyers lead the way with a total of 56% of sales.

LEASING ACTIVITY

Orlando’s industrial market finished Q3 2018 with net absorption of 1.9 million sq. ft., continuing the positive run that has been exhibited over the last several quarters. This brings the year-to-date net absorption to 3.6 million sq. ft., which is an 84.4% increase in the year-over-year net absorption. The submarket with the most absorption was Southeast Orange County with 934,666 sq. ft.

The overall vacancy rate for Q3 2018 stood at 5.8%, holding steady with the previous quarter, but is down 80 basis points (bps) from Q3 2017. The direct average asking lease rate stood at \$6.41 per sq. ft. Comparing the year-over-year change, there was a \$0.27 increase from Q3 2017.

Figure 2: Market Statistics

Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q3 2018 Net Absorption (SF)	2018 YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
SE Orange County	41,717,187	7.2	9.6	934,666	1,703,884	391,748	6.47
SW Orange County	26,255,656	4.5	8.5	78,832	343,837	0	5.54
NW Orange County	22,414,014	4.7	6.5	551,179	891,325	93,112	7.17
Seminole County	17,839,146	7.2	9.2	365,850	583,989	230,290	6.93
Osceola County	5,585,494	3.4	5.3	5,258	50,663	0	5.76
NE Orange County	1,630,722	.9	2.0	5,070	67,181	0	13.98
Orlando Market	115,442,219	5.8	8.4	1,940,855	3,640,879	715,150	6.41
Manufacturing	20,059,760	4.4	5.0	213,931	417,434	208,000	6.59
Warehouse/Distribution	84,202,659	5.9	8.8	1,763,391	3,093,044	431,385	5.82
R&D/Flex	7,591,684	9.9	13.4	(43,439)	111,384	75,765	10.64
Other Industrial	3,588,116	2.7	6.1	6,972	19,017	0	11.27

Source: CBRE Research, Q3 2018.

Figure 3: Significant Q3 2018 Lease Transactions

Submarket	Property	Tenant	Transaction (SF)
SE Orange	Air Commerce Park II	Communications Test Design, Inc.	245,582
SE Orange	Horizon Commerce Park VI	Production Resource Group	124,234
SE Orange	Lee Vista Business Center	Jet Blue	48,200
Seminole	West First St.	Hutchings	26,000

Source: CBRE Research, Q3 2018.

Figure 4: Significant Q3 2018 Sale Transactions

Submarket	Property	Buyer	Seller	Building (SF)	Sale Price (\$)
SE Orange	Sears Outlet Center	LBA Realty	Sear Holdings Corp.	306,374	17,000,000
NW Orange	4424 Seaboard Road	Lucky Property Management	Haydon Rubin Dev. Inc.	100,737	5,700,000
SW Orange	2001 Directors Row	Cabot Properties	Lowrie Brown Investment Co.	100,286	6,275,000
SE Orange	1601 Atlanta Ave.	Mandich Group	T&T Services Enterprises LLC	63,712	3,785,000

Source: CBRE Research, Q3 2018.

Figure 5: Significant Projects Under Construction (SF)

Submarket	Property	Owner	Building (SF)
SE Orange	9775 Air Commerce Pkwy	Exeter Property Group	561,750
Seminole	North Port Industrial	Rand Yard Farms LLC	208,000
SE Orange	7455 Emerald Dunes Dr.	McDonald Leevista G LLC	159,884
SE Orange	Bent Oak Industrial Park	McCraney Property Co.	77,129

Source: CBRE Research, Q3 2018.

During Q3 2018, absorption was driven by 83 tenants taking occupancy of 735,730 sq. ft. of industrial space. Meyer Distributing, Inc. moved into 60,018 sq. ft. in Cypress Park and Jet Blue took occupancy of 48,200 sq. ft. of space in Lee Vista Business Park, both located in the Southeast Orange County submarket.

SALES ACTIVITY

Real Capital Analytics (RCA) reports that during 2018, publicly listed/REIT buyers lead the way with a total of 56% of sales. Data presented by RCA reports Q3 2018 sales to be 21 properties totaling 3.2 million sq. ft., for a sales volume of \$354.1 million, or \$71 per sq. ft. In comparison, Q2 2018 sales volume was at \$153.1 million, or \$75 per sq. ft.

DEVELOPMENT

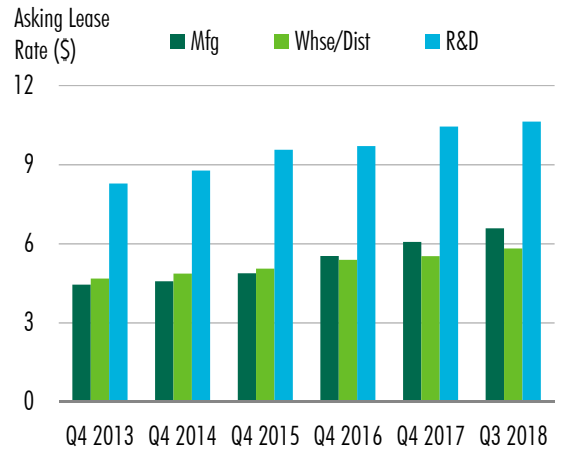
In Q3 2018, one industrial construction project was completed, totaling 857,470 sq. ft. The delivery was a new warehouse/distribution facility in the Southeast Orange County submarket.

There are currently 9 industrial facilities over 10,000 sq. ft., in various phases of construction, totaling 715,150 sq. ft. One flex and two warehouse properties were under construction in the Northwest Orange County submarket totaling 93,112 sq. ft. In the Seminole County submarket, one manufacturing facility and one flex building were under construction, for a total of 230,290 sq. ft. In Southeast Orange County, one flex and three warehouses were under construction, which total 391,748 sq. ft.

OUTLOOK

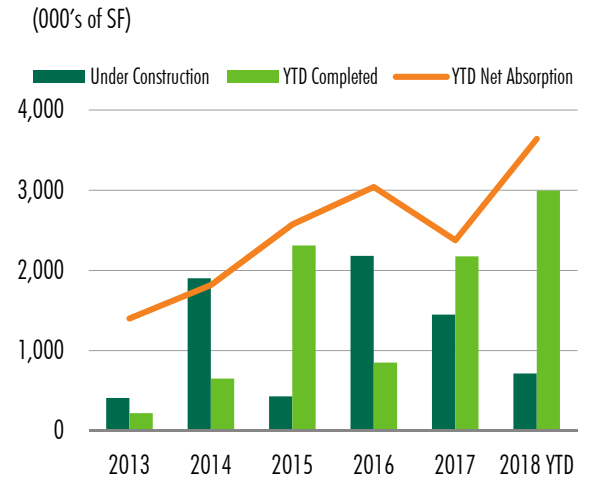
Low unemployment, infrastructure upgrades, population growth, thriving tourism, and new development will propel market growth long-term.

Figure 6: Average Direct Asking Lease Rate (NNN)



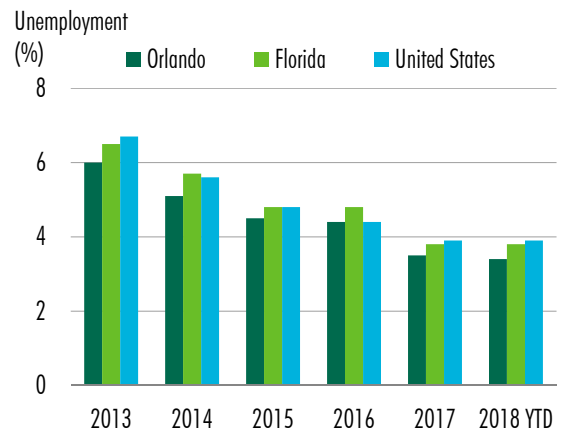
Source: CBRE Research, Q3 2018.

Figure 7: Under Construction and Completions —vs— Net Absorption

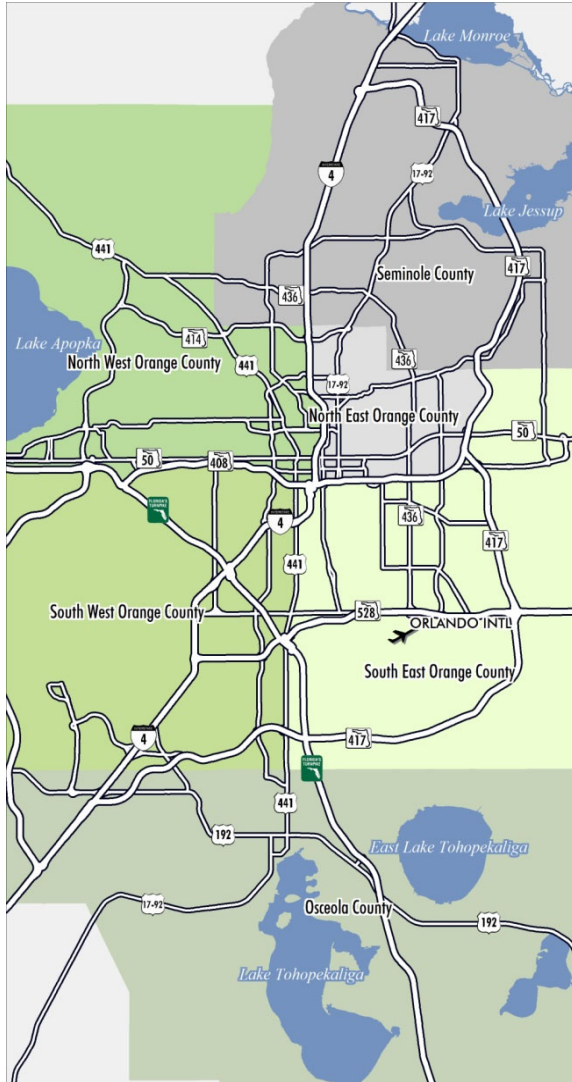


Source: CBRE Research, Q3 2018.

Figure 8: Unemployment



Source: U.S. Department of Labor, Bureau of Labor Statistics, September 2018.



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Market Coverage: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Orange, Osceola and Seminole counties (excluding self-storage and industrial-condos).