

Central Florida Industrial Market Report

Industrial Records Showcase another Strong Year In Demand Growth

The Central Florida industrial market saw a decline from its previous high of 10.3 million square feet absorbed to 1.1 million during 2022, a significant decline from the previous high of 6.1 million square feet recorded in 2020. Orlando took over the top spot from Tampa for the region during 2022. Demand growth appeared to be decelerating during the first quarter of 2022, making up 1.1 million of the absorbed space for the year. The region had recorded millions of square feet of net absorption every quarter from the start of 2014 until the end of 2018, when demand for industrial space outpaced supply in the six-figure range.

The industrial economic market from the previous year continued to decline in year-to-date net absorption, this quarter's 1,070,372 signifies a decline from last year's 10,261,489. The amount of new high-end warehouse product delivered also impacted weighted rents, with another 24 buildings totaling over 4.6 million square feet under construction throughout Central Florida, this trend is likely to continue through 2022. Tampa continued to be the most affordable out of Florida's foremost industrial markets, as industrial rents in the Orlando market experienced the greatest year-over-year expansions for the region. 2022 will continue to trend towards demand outpacing supply but may not achieve the record-breaking year recently encountered, and vacancy will likely trend upward with the arrival of new space in the market.

Leasing and Demand

There were 170 lease deals totaling 5.6 million square feet in the first quarter of 2022, bringing overall transaction activity to 5 million square feet leased in the region during the year. Warehouse/distribution space led with 1.4 million square feet, followed by general industrial with 51,665 square feet absorption. R&D Flex came in final place with a negative 27,622 SF of absorption for leasing and demand in the Central Florida region.

Investment Sales

The Central Florida Industrial market totaled around 86 transactions and 508,995,192 in overall sales volume and total high average price of 15,953,813. The Tampa market dominated interest from investors, while Orlando sales trailed in comparison.

Current Conditions

The regions previous demand growth records and almost tied South Florida in absorbed supply, just short 1.2 million square feet.

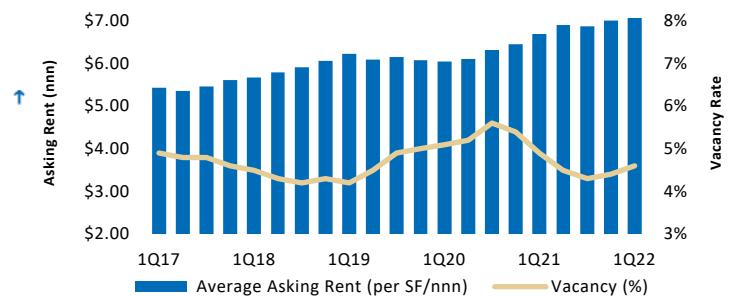
Tampa's industrial market appeared to be decelerating as Orlando's industrial market remained the lead in demand.

Construction of new industrial space also increased throughout the region but as developers are stepping on the gas on speculative projects breaking ground.

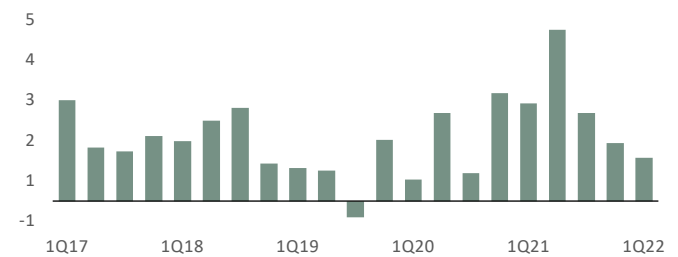
Investment sales increased with investors remaining bullish in the industrial sector, pushing sale prices up even for all industrial buildings.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

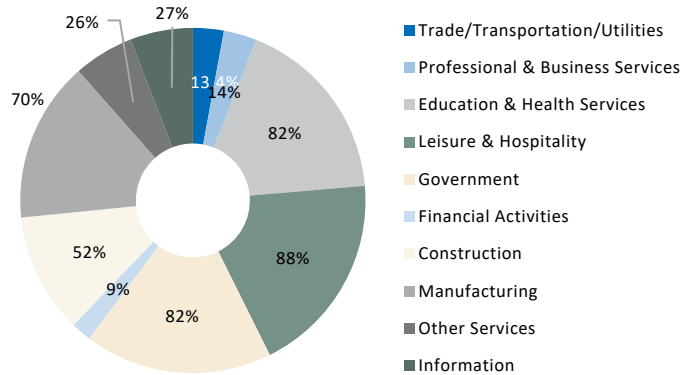
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	470 M	467.1M	461.3M	↓
Vacancy Rate	4.6%	4.4%	4.9%	↑
Quarterly Net Absorption (SF)	1.1M	1.4M	2.4M	↑
Average Asking Rent/SF	\$7.35	\$7.00	\$6.69	↓
Under Construction (SF)	9.0M	4.4M	4.8M	↓
Deliveries	1.5M	2.4M	210,866	↓

Economic Conditions

The region's unemployment dropped to 3.7%, after peaking at 18.0% at the height of the transition as pandemic-impacted Central Florida's job market. Its strong ties to leisure and hospitality rebounded during Florida's impact from the pandemic and continued its recovery, with the government industry increasing to 82% from the same time last year. All other sectors trailed, with government coming in fourth and construction rounding out around 52%. Overall, the economic conditions in Central Florida indicate a robust economy.

Employment By Industry

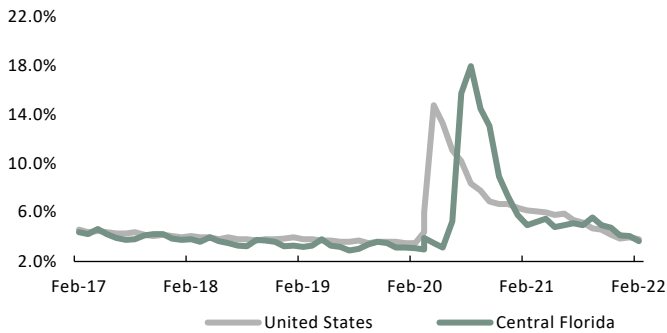
Central Florida MSA, Feb 2022 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

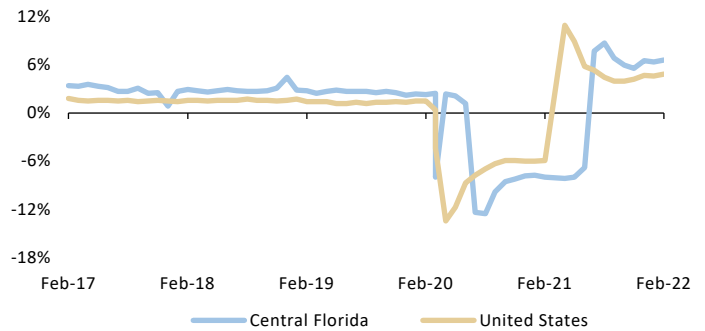
Central Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

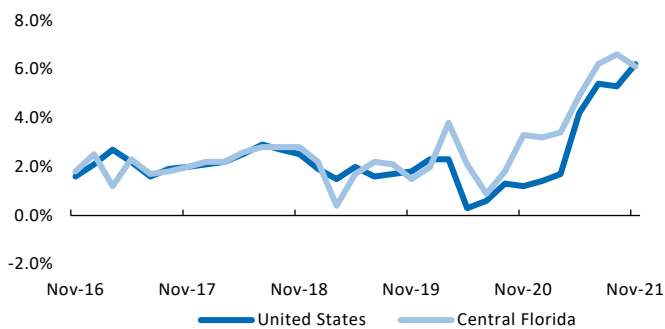
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

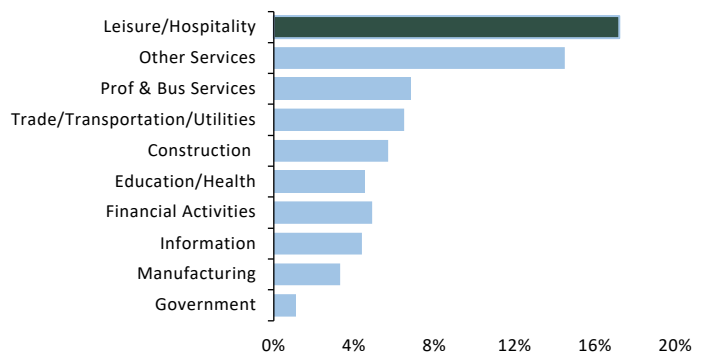
All Items, 12-Month % Change, Not Seasonally Adjusted



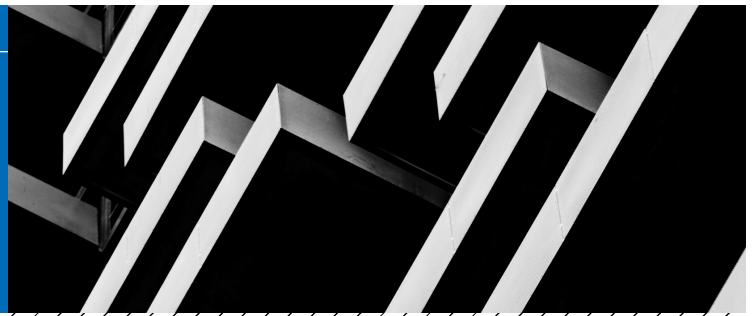
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



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



Tampa / Saint Petersburg Industrial Market

The first quarter of 2022 saw Tampa's industrial market vacancy inch up 10 basis points from the previous quarter to 5.0%, as demand outpaced supply at a modest pace with 403,369 square feet of positive net absorption. This marked the first quarter of the year with slower demand growth, while healthy fundamentals remained in place. The general industrial market led the way, posting more than 194,830 square feet of positive net absorption during the first quarter. The warehouse/distribution sector market saw a slight correction, with 185,105 square feet of space added to the market to match the R&D/flex segment with a strikingly identical 185,105 square feet.

It should be noted that in the first quarter, Tampa's industrial market showed 95.4% of occupied space and 32 buildings under construction leading to 5,280,184 total square feet of space, possibly signaling that demand growth may be increasing from recent quarterly performances. The overall average asking rental rate saw a slight increase for the first quarter as available space from new industrial buildings becomes leased, allowing availability from older secondary industrial buildings to have more of an impact on weighted averages. The \$6.44/SF rate recorded at the start of 2022 was still higher than the \$6.31/SF rate posted from the previous year. General Industrial and R/D Flex industrial segments saw year-over-year decreases, with Warehouse/Distribution space experiencing the largest increase, from \$5.75/SF to \$5.92/SF. Despite the market's recent strong performances, the Tampa/Saint Petersburg average rate remained lower than those of Florida's other major markets, making it the most affordable in the state.

Leasing and Demand

Leasing activity decreased from recent quarter performances, with 106 transactions totaling over 2.9 million square feet completed for 2022. Overall transaction activity was more than 2.5 million square feet and was up from the 1.6 million square feet leased in the previous year. Direct Vacancy exhibited was 13.5 million in total square feet; this was a slight increase from the previous quarter of 12.6 million square feet. Year-to-date absorption for warehouse distribution was 185,105 square feet, and R&D/Flex total net absorption came in around 185,105 square feet to tie Warehouse/Distribution. The General Industrial segment led with 194,830 square feet, as a strong indicator for Tampa industrial in the first quarter of 2022.

Investment Sales

Tampa's industrial market ruled investment sales for the State of Florida, with over 53 transactions, 131,650,192 in sales volume, and a high average price of 3,375,646 million. The average sales price decreased from 5,601,755 in the previous year to 3,375,646 in the first quarter of 2022. The average sales price declined from \$126.64/SF to \$101/SF. Investors remained bearish on Tampa's industrial sector.

Current Conditions

Tampa/Saint Petersburg had another strong annual performance but did not surpass 2021 in overall demand growth.

Leasing activity remained healthy, surpassing the previous year's record, motioning the market still has strong demand.

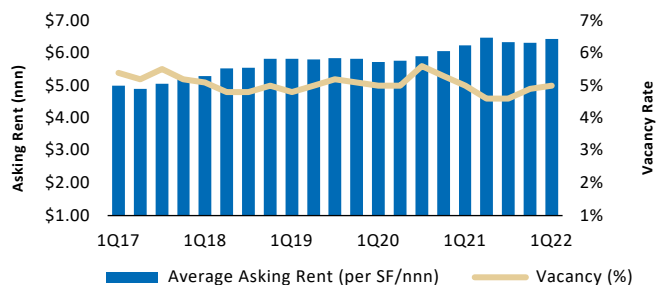
Construction activity continued to increase as developers appeared to be more cautious on bullish on new speculative projects.

Asking rent development continued through 2022, but at a slower rate than the other major industrial markets throughout Florida.

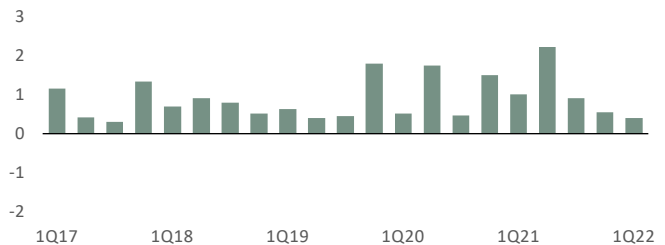
Investors were still optimistic as sale activity for industrial inventory beat previous records and accounted for the most activity in the entire state.

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)	275M	274M	270M	↑
Vacancy Rate	5.0%	4.9%	5.0%	↑
Quarterly Net Absorption (SF)	403,369	557,511	1.0M	↓
Average Asking Rent/SF	\$6.44	\$6.31	\$6.23	↑
Under Construction (SF)	5.3M	2.0M	2.9M	↓
Deliveries	489,181	1.7M	210,866	↓

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	22,727,283	2,032,912	3.3 %	39,524	39,524	\$6.39	N/A	\$5.43
E Hillsborough/Plant City	15,687,630	953,000	10.9 %	0	0	\$5.57	N/A	\$5.57
East Side Tampa	62,752,815	903,984	5.3 %	25,660	25,660	\$5.39	\$4.90	\$6.48
NE Hillsborough/University	1,572,640	0	3.0 %	22,056	22,056	\$5.35	\$14.50	\$5.99
North Pinellas	10,842,569	130,000	1.3 %	-19,311	-19,311	\$6.48	N/A	\$8.15
NW Hillsborough	2,404,424	0	2.7 %	5,000	5,000	\$10.75	N/A	\$9.47
Pasco County	8,076,907	58,000	1.9 %	22,136	22,136	\$6.55	\$8.22	\$6.26
Polk County	57,086,491	293,200	5.7 %	48,119	48,119	\$5.18	\$10.04	\$5.36
S Tampa Ind	3,740,869	0	24.0 %	23,000	23,000	\$5.00	N/A	\$5.00
Sarasota	17,284,971	427,500	2.2 %	17,332	17,332	\$9.09	\$9.39	\$9.31
SE Hillsborough	3,091,672	50,000	7.8 %	0	0	\$8.00	N/A	\$8.00
South Pinellas	51,902,757	134,334	4.1 %	164,280	164,280	\$7.92	\$14.30	\$7.01
Westshore/Airport	17,808,133	297,254	3.3 %	55,573	55,573	\$6.96	\$12.57	\$7.74
Totals	274,979,161	5,280,184	5.0 %	403,369	403,369	\$5.92	\$11.56	\$6.44

Tampa / Saint Petersburg Lease / User Transactions

Tenant	Building	Submarket	Square Feet
Faour Glass Technologies	6315 Anderson RD	Westshore/Airport Submarket	104,247
Rainbow Adult Cabaret	4421 N Hubert Ave	Westshore/Airport Submarket	15,765
Scientific Expert Analysis	13930 Lynmar Blvd	NW Hillsborough Submarket	10,500
Color Concepts Printing	2602 Tampa East Blvd	East Side Submarket	10,500
A&S Associates	4806 N Manhattan Ave	Westshore/Airport	10,350

Tampa / Saint Petersburg Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
5210 S 16 th Ave S	East side submarket	\$36,410,00	\$101.15	360,000
216 Kelsey Ln	East side submarket	\$8,033,164	\$71.42	112,481
1620 Tampa East Blvd	East side submarket	\$3,860,000	\$121	31,890
420 S Ware Blvd	East side submarket	\$3,200,000	\$128.73	24,858
5435 N 56th St	East side submarket	\$4,300,000	\$72.13	25,151

Orlando Industrial Market

Orlando's industrial vacancy increased 30 basis points during the first quarter of 2022 to 4.1%, from 3.8% in the previous quarter, which reflected the 667,003 square feet of positive absorption recorded. Warehouse/distribution space led the market with 861,234 square feet of net absorption, with the R&D/flex segment inching into the number-two position with a decline into a negative absorption of 51,056 square feet. The general industrial sector fell to the third spot, with 143,175 square feet of negative absorption during 2022. Industrial developers in Central Florida have increased production on projects coming out of the ground for this economic cycle. Six buildings totaling almost 1,032,400 square feet were completed during the first quarter, of which more than 4% remained totally available. Construction activity increased during 2022, with 20 buildings totaling over 3.7 million square feet completed.

This was a strong amount of new space added since 2019. There was an increase in the industrial development, which continued through the next quarters. Industrial rents continued to climb to new heights as the \$8.33/SF average rate was a 1.1% increase recorded one year ago and was the strongest 12-month increase on record. Landlords continued to push asking rents upward, with the market's strongest year-over-year increase being recorded during 2022. The overall average increased by \$7.89/SF to \$8.33/SF to start the year with an all-new high. The warehouse/distribution average increased by \$0.66/SF from \$7.13/SF one year ago, pushing over the \$7.79/SF mark for the first time ever.

Leasing and Demand

Leasing activity decreased from recent quarter performances, with 64 transactions- totaling over 2.9 million square feet completed for 2022. Overall transaction activity was more than 2.5 million square feet and was up from the 1.6 million square feet leased in the previous year. Direct Vacancy showed 7.7 million in total square footage. This was a slight increase from the previous quarter of 8.6 million. R&D/Flex total net absorption decreased to 51,056 square feet, General industrial decreased to 143,175 sf, and Warehouse /distribution led with 861,234 square feet of year-to-date net absorption.

Investment Sales

Orlando's industrial market investment sales totaled 33 transactions, 377,345,000 in sales volume, and a high average price of 12,578,167 million. The average price increased from 5,094,758 in the previous year to 12,578,167 in the first quarter of 2022. The average sales price increased from \$135.24/SF to \$140.47/SF. Investors remained pessimistic about the Orlando market.

Current Conditions

Orlando's industrial sector outpaced all previous historical activity as the market saw its strongest year ever and showing the second strongest performance in the state of Florida.

Delivery of new inventory inched downward from recent years as vacancy ticked downward to a new recorded low.

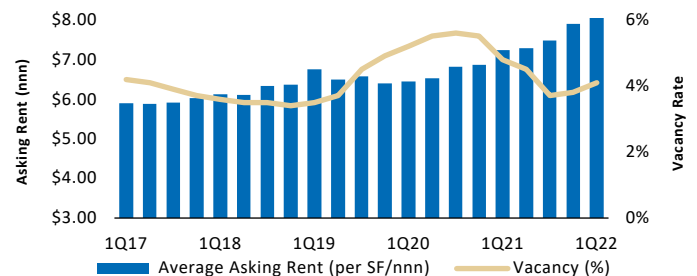
Construction activity slowed during 2021 but remained healthy and lead for the Central Florida region for the first time since 2018.

Asking rate increases gained momentum, experiencing the strongest increase for Florida from the previous year.

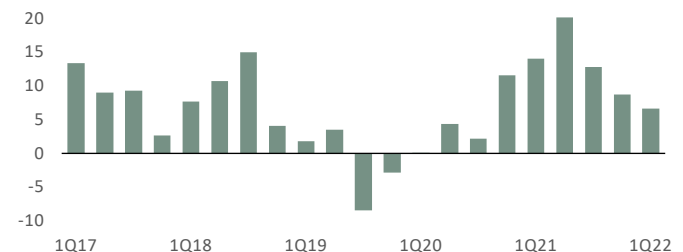
Investment sales ticked upward from the previous year as owners hold onto their industrial portfolios in Orlando.

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)	194.2M	192.8M	191M	↓
Vacancy Rate	4.1%	3.8%	4.8%	↑
Quarterly Net Absorption (SF)	667,003	876,208	1.4M	↓
Average Asking Rent/SF	\$8.33	\$7.89	\$7.23	↓
Under Construction (SF)	3.7M	2.4M	2.0M	↓
Deliveries	1.0M	659,698	0	↓

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	26,006,081	0	3.2 %	71,891	71,891	\$8.17	\$9.77	\$8.63
Lake County	10,028,374	597,086	1.3 %	68,602	68,602	\$5.95	\$9.79	\$6.37
NE Orange County	1,919,703	0	2.0 %	-16,706	-16,706	\$8.95	\$9.73	\$9.21
NW Orange County	36,269,882	2,383,534	3.9 %	392,440	392,440	\$7.36	\$11.10	\$7.20
Osceola County	7,992,137	343,811	5.3 %	-94,224	-94,224	\$7.36	\$11.89	\$7.50
SE Orange County	52,310,468	259,512	4.3 %	634,993	634,993	\$8.19	\$11.96	\$9.06
Seminole County	26,291,585	27,430	3.8 %	-146,653	-146,653	\$8.88	\$8.93	\$8.64
SW Orange County	33,455,161	125,400	5.3 %	-243,340	-243,340	\$7.62	\$11.09	\$8.41
Totals	194,273,391	3,736,773	4.1 %	667,003	667,003	\$7.79	\$10.29	\$8.33

Orlando Lease / User Transactions

Tenant	Building	Submarket	Square Feet
Sierramore Properties LLC	8201 N Orange Blossom Trl	NW Orange County	70,536
Sunny Florida Dairy	3620 Princeton Oaks	NW Orange county	18,000
Mecca Productions	7151 Lake Ellenor	SW Orange county	13,816
United Rentals	4559 Old Winter Garden Rd	SE Orange County	10,366
Window World	3882 Center Loop	NW Orange County	8,000

Orlando Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
4401 Seaboard Rd	NW Orange County	\$115,500,000	\$106.32	1,086,384
8050 Vista reserve	SE Orange County	\$56,120,000	\$172.95	324,466
8000 Vista reserve	SE Orange County	41,732,947	\$171.27	243,673
8649 Transport Dr	SE Orange County	\$21,700,000	\$153.82	141,072

For more information:

New York Headquarters

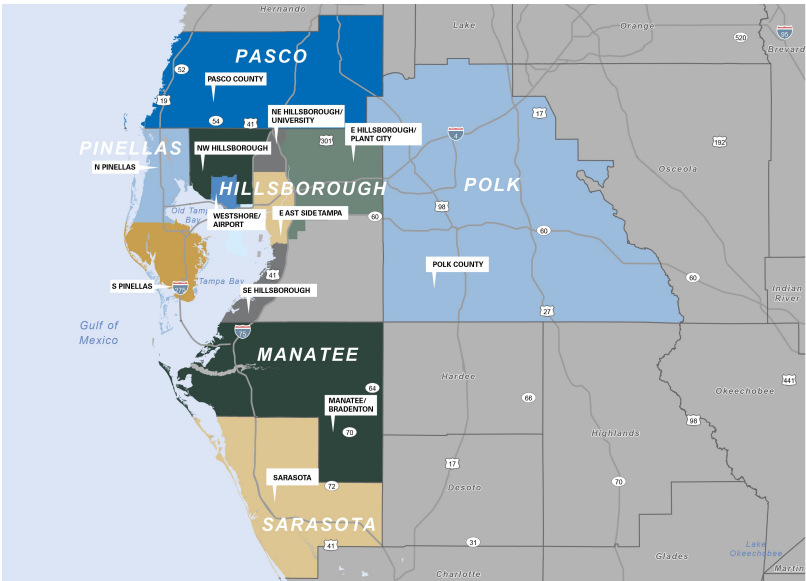
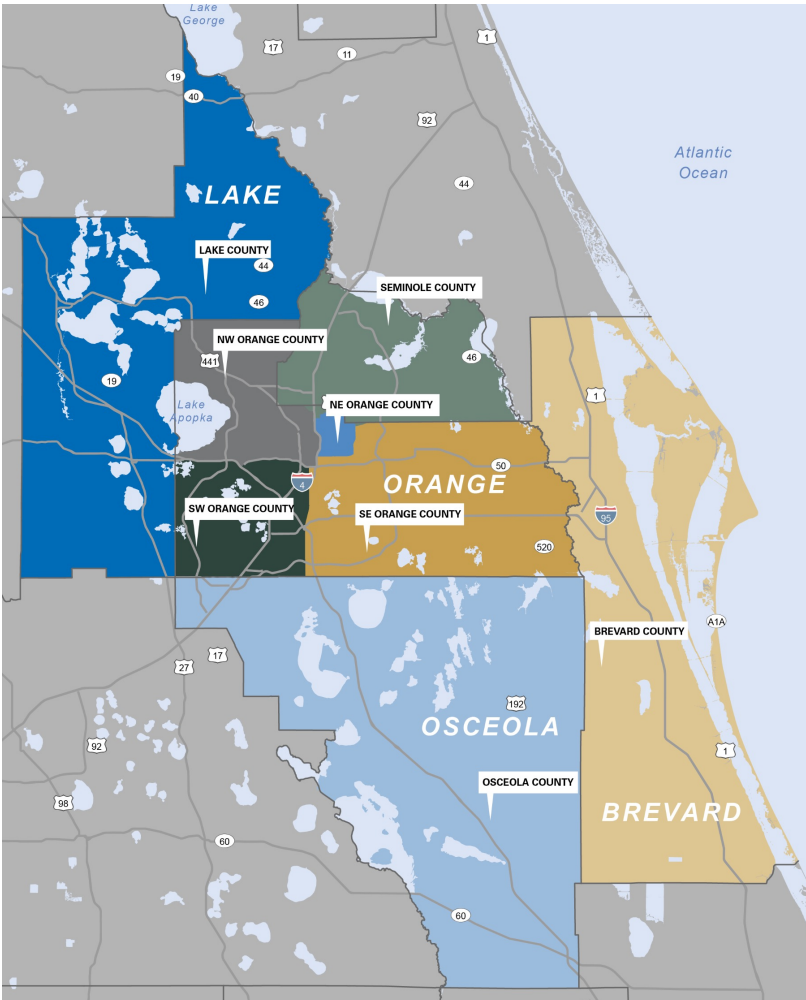
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