

Central Florida Industrial Market Report

Industrial Saw Strongest Quarter On Record

The Central Florida industrial market saw growth climb to an all new high, with approximately 4.1 million square feet absorbed during the second quarter of 2021. Year-to-date absorption came in at just under 6.4 million square feet, more than doubling the previous record of 3.1 million square feet recorded at the midyear point in 2015. Six buildings totaling over 2.1 million square feet were delivered during second-quarter 2021 with 94.5% of the space pre-leased and over 1.5 million square feet occupied during the quarter, contributing to the strong quarter performance. Notably, the overall vacancy only decreased 40 basis points from the previous quarter, despite the robust addition of new inventory. The continued surge in industrial development brought an additional 7.0 million square feet of new warehouse/distribution space over the past 12 months. Notably, the region's vigorous demand prevented the historic construction taking place from increasing vacancy, which decreased 60 basis points from the 5.3% reported this time last year. The 15 buildings still under construction totaled 3.3 million square feet and are projected to complete over the next four quarters, which could push vacancy upward but shouldn't have significant impacts to the region. Landlords increased asking rents during the pandemic, as the weighted average asking rate saw its strongest year-over year increase by 11.5% from one year ago to \$6.80/SF. The amount of new high-end warehouse product delivered has also begun to impact weighted rents as well. The average asking rate for warehouse/distribution space rose \$0.56/SF from one year ago, pushing past the \$6.00/SF mark for the first time.

Leasing and Demand

There were 329 lease deals totaling 5.6 million square feet in second-quarter 2021, bringing overall transaction activity to 9.7 million square feet leased in the first half of this year. This was a modest increase from the 9.3 million square feet reported one year ago. Warehouse/distribution space led with 8.0 million square feet, followed by general industrial with 851,000 square feet of leasing activity. R&D/flex space trailed closely with over 821,000 square feet of lease deals signed. Retail/wholesale companies held the top spot, dominating with the bulk of mid- to large-sized lease deals in the first half, accounting for more than 1.1 million square feet. Manufacturing companies trailed in second with 978,000 square feet, while the logistics and distribution sector rounded out the top three with 765,000 square feet. The food and beverage industry fell out of the top three with 388,000 square feet leased during the first half of this year.

Investment Sales

Investment activity skyrocketed from the previous quarter, with 42 sales totaling 4.9 million square feet during second-quarter 2021, combining for over 5.7 million square feet sold for a value of \$622.0 million at the midyear point. This was a sharp rise from the 1.8 million square feet that sold this time last year. The average price per square foot also rose from \$86/SF one year ago to \$121/SF at the close of the second quarter, as a couple high-end distribution sales, coupled with increased R&D/flex transactions, pushed the average price upward.

NEWMARK

Current Conditions

The region shattered previous demand growth records and significantly outpaced South Florida's strong industrial market.

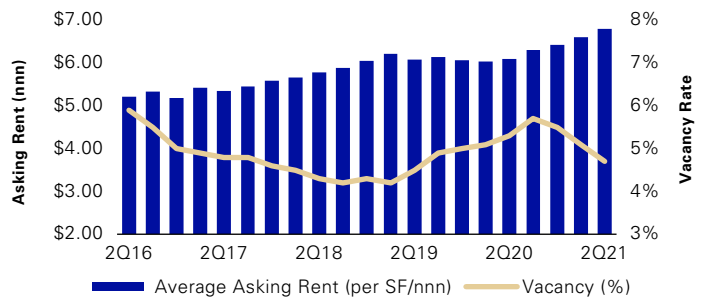
Average asking rates soared to new heights as landlords have pushed asking rents upward for available space in secondary and lower-tier industrial buildings, and this trend will likely hold through 2021.

Industrial development continued to slow as construction activity but with 3.3 million square feet underway, vacancy rates will likely increase in the second half of the year.

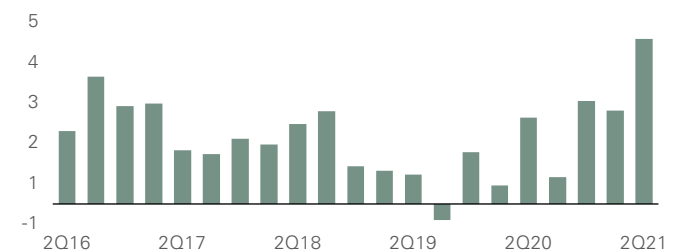
Investment sales have dramatically increased with investors remaining bullish in the industrial sector, pushing sale prices up even for lower-tier industrial buildings.

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)	463.6M	461.1M	455.5M	↑
Vacancy Rate	4.7%	5.1%	5.3%	↑
Quarterly Net Absorption (SF)	4.1M	2.3M	2.1M	↓
Average Asking Rent/SF	\$6.80	\$6.61	\$6.10	↑
Under Construction (SF)	3.3M	3.7M	7.2M	↓
Deliveries	2.1M	210,866	2.8M	↓

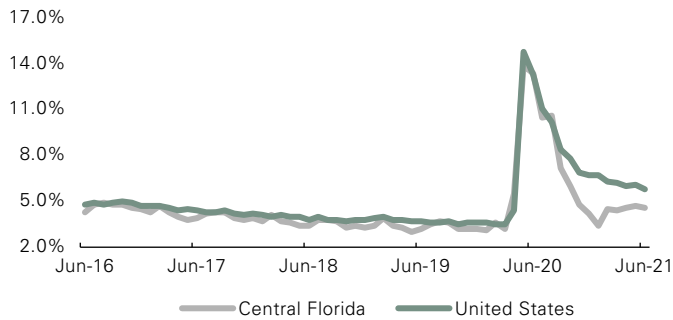
Economic Conditions

The region's unemployment dropped to 5.0%, after peaking this time last year to 17.7% when the height of the national shutdown from the pandemic impacted Central Florida's job market. Over 207,000 jobs were added back as the recovery has begun and economic improvements continued to be felt as things return to normal. The Orlando market led the region with the addition of 110,000 jobs while Tampa followed closely with over 97,000 jobs added to the market from one year ago. Tampa tied with Palm Beach for the lowest unemployment rate for Florida's major markets at 4.6%. Orlando moved out of holding the highest unemployment, falling below Miami with a 5.4% rate at the close of second-quarter 2020. This was a significant recovery from the 22.6% rate recorded this time last year.

The region's strong ties to tourism and theme park visits during Florida's travel season turned the corner from the pandemic with the leisure and hospitality industry adding more than 93,500 jobs from this time last year. Orlando's tourism industry made up 60,000 of the gains while Tampa's tourism sector saw over 33,500 more jobs from one year ago. All other sectors trailed with the professional and business services sector coming in second, totaling over 39,600 added from this time last year. One sector recorded a year-over-year net loss with government jobs decreasing by 4,300 from this time last year.

Unemployment Rate

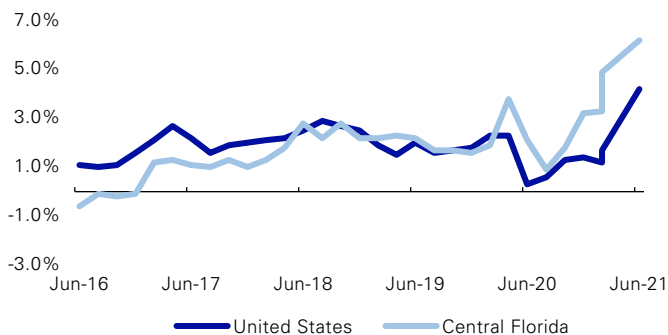
Central Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

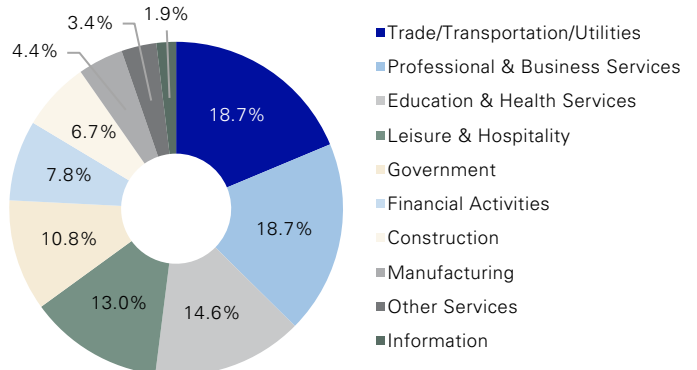
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment By Industry

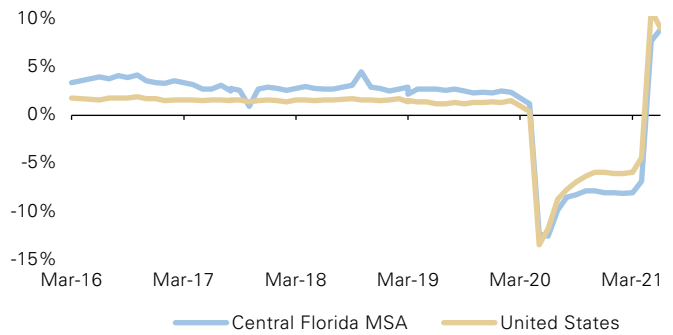
Central Florida MSA, Feb 2021 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

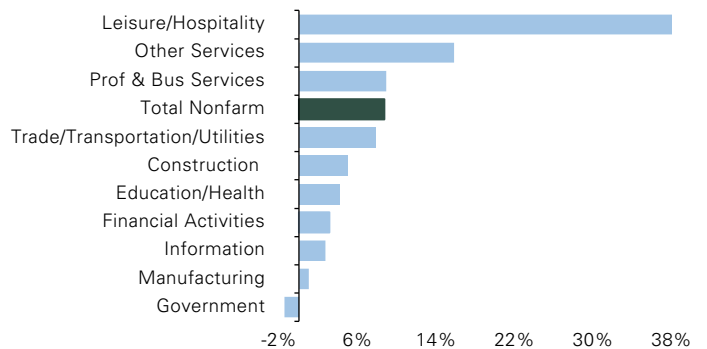
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

Central Florida, Feb 2021, MSA, 12-Month % Change



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

Tampa / Saint Petersburg Industrial Market

The region's robust demand can be attributed to Tampa's industrial market's strongest performance on record during second-quarter 2021 with over 2.2 million square feet of positive net absorption. This was the first time the industrial segment's demand outpaced supply over the 2.0-million-square-foot mark. Tampa just beat out Miami-Dade County to lead Florida's major commercial markets in demand with more than 3.2 million square feet of absorbed space in the first half of 2021. Tampa's record-breaking performance pushed vacancy down 40 basis points from the previous quarter, to settle back below the 5.0% threshold, signaling tight market fundamentals. Amazon's occupation of more than 1.0 million square feet at its new distribution center in Polk County contributed for almost half of absorbed space for the quarter and accounted for the only construction completion during the second quarter. The overall average increased from the \$5.77/SF rate posted one year ago to give the market's largest year-over-year increase by 9.7% to a new high of \$6.33/SF. This reflected landlords pushing asking rents up on lower-tier and secondary industrial available space over the past year, despite the pandemic. All the industrial segments saw year-over-year increases, with warehouse/distribution space experiencing the smallest increase from \$5.37/SF to \$5.73/SF, still making it the most affordable of Florida's major markets. Developers have pulled back on construction projects coming out of the ground, as eight warehouse buildings totaling approximately 2.0 million square feet are projected to come online through 2021. This was significantly down from the 4.4 million square feet underway this time last year. All of the space remained on the market as available for lease at the close of second-quarter 2021 as strong pre-leasing appeared to be tapering off. Vacancy will likely increase during the second half of this year.

Leasing and Demand

Leasing activity improved from the previous quarter, with 186 transactions totaling over 3.5 million square feet completed during the second quarter. For the first half of the year, overall transaction activity was more than 6.0 million square feet. This was up from the 5.1 million square feet leased at the midyear point one year ago. Activity was dominated by 4.7 million square feet of warehouse/distribution deals, followed by 787,000 square feet of general industrial leasing transactions; a significant jump in R&D/flex deals took place with over 504,000 square feet signed at the midyear point. Midsized and large space deals improved from the previous quarter and one year ago with 4.0 million square feet at the midyear point. The retail/wholesale segment held the lead for the market, with 829,000 square feet of lease deals, followed by logistic and distribution companies with 550,000 square feet. Manufacturing companies moved into the top three with 516,000 square feet.

Investment Sales

Tampa's industrial market saw most investment sales during the second quarter with 21 transactions totaling approximately 4.0 million square feet, bringing year-to-date activity to 4.6 million square feet worth a combined \$568.4 million. Investment sales dramatically increased from the 1.1 million square feet sold one year ago at the midyear point, as the average sales price rose from \$85/SF to \$123/SF at the close of second-quarter 2021.

Current Conditions

Tampa/Saint Petersburg industrial regained its lead for demand growth, outpacing all other major Florida markets with its best quarter on record.

Amazon's occupation of more than 1.0 million square feet continued to boost Polk County's submarket as the top performer in the market.

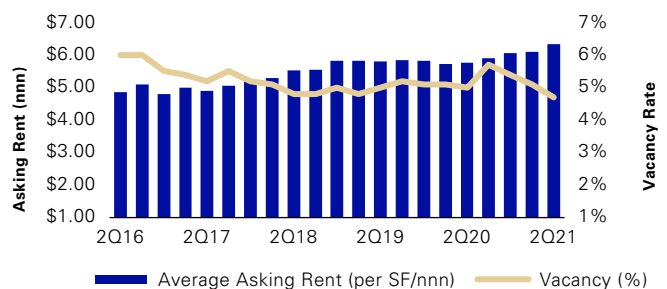
Robust development dropped by more than half from one year ago as developers take a more cautious approach to speculative construction.

Leasing activity continued to improve as deals signed increased from the previous quarter and was higher at the midyear point from one year ago.

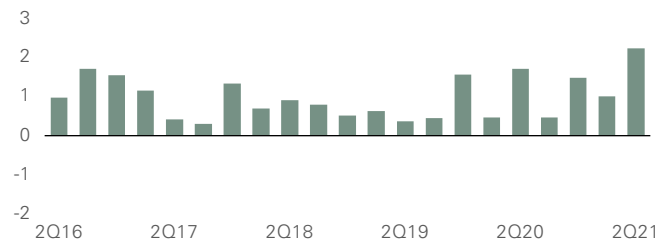
Asking rents will likely continue to rise through the remainder of 2021 as availability increases from the delivery of new inventory during the second half of this year.

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)	271.2M	270.1M	266.0M	↑
Vacancy Rate	4.7%	5.1%	5.0%	↑
Quarterly Net Absorption (SF)	2.2M	1.0M	1.7M	↓
Average Asking Rent/SF	\$6.33	\$6.10	\$5.77	↑
Under Construction (SF)	2.1M	2.1M	4.4M	↓
Deliveries	1.0M	210,866	1.7M	↓

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	22,269,383	0	2.7 %	172,462	203,135	\$6.58	N/A	\$5.93
E Hillsborough/Plant City	15,493,724	921,590	13.1 %	-	18,600	\$5.41	N/A	\$5.40
East Side Tampa	60,954,710	208,741	4.5 %	462,061	496,157	\$5.43	\$7.70	\$6.92
NE Hillsborough/University	1,572,640	0	3.2 %	2,007	-7,522	\$3.59	\$12.00	\$4.91
North Pinellas	10,842,569	0	1.3 %	-17,331	-81	\$6.79	\$4.50	\$7.24
NW Hillsborough	2,404,424	0	5.0 %	-26,225	-12,718	\$6.75	N/A	\$7.71
Pasco County	8,076,907	0	2.8 %	9,387	-12,986	\$5.40	\$8.22	\$5.36
Polk County	56,280,990	804,291	5.1 %	1,273,431	1,832,575	\$5.10	\$10.29	\$5.36
S Tampa Ind	3,740,869	0	7.6 %	40,780	40,780	N/A	N/A	N/A
Sarasota	17,171,971	142,500	2.4 %	78,329	127,203	\$7.92	\$9.19	\$8.47
SE Hillsborough	2,648,798	0	7.4 %	0	0	\$6.00	N/A	\$6.00
South Pinellas	51,902,757	0	4.6 %	155,545	409,004	\$6.72	\$12.78	\$6.81
Westshore/Airport	17,808,133	0	3.5 %	89,887	148,598	\$5.90	\$10.00	\$7.45
Totals	271,167,875	2,077,122	4.7 %	2,240,333	3,242,745	\$5.73	\$9.88	\$6.33

Tampa / Saint Petersburg Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
Solstice Sleep Prodcuts	500 S Falenburg Rd	East Side Tampa	Direct	136,140
Amazon	Tampa Regional Ind Pk 300-13010 Bay Industrial Dr	SE Hillsborough	Direct	112,000
Sika USA	Four Corners Bus Pk 200-4501 Home Run Blvd	Polk County	Direct	109,423
USP Home	Countyline Logistics Ctr 100-2101 County Line Rd	E Hillsborough/Plant City	Direct	66,020
Global Widget	Acline Dist Ctr 1-4501 E Acline Dr	East Side Tampa	Sublease	63,084

Tampa / Saint Petersburg Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Amazon Distribution Ctr-676 C Fred Jones Blvd	Polk County	\$157,700,000	\$158	1,078,000
County Line Distribution Ctr-3775 Fancy Farm Rd	E Hillsborough/Plant City	\$48,500,000	\$95	510,484
Lakeside Logistics Pk 1-2727 Henderson Wy	E Hillsborough/Plant City	\$43,800,000	\$87	505,160
Mago I-4 Logistics-6337 CR-579	E Hillsborough/Plant City	\$30,000,000	\$99	302,940
Starkey Lakes South Portfolio-8515-8615 126 th Ave	South Pinellas	\$28,620,000	\$149	192,000

Orlando Industrial Market

Orlando's industrial also saw its best quarterly performance, as demand outpaced supply by approximately 1.9 million square feet during second-quarter 2021. This, coupled with the strong growth in the previous quarter, brought year-to-date net absorption to just under 3.2 million square feet, surpassing the previous midyear high of 2.2 million square feet recorded in 2017. Warehouse/distribution space led the market with 2.9 million square feet of absorbed space, with the general industrial segment posting over 206,000 square feet. The R&D/flex space also saw a strong second quarter, pushing net absorption back in the black with 94,000 square feet of absorption during the first half of 2021.

The overall vacancy rate decreased 30 basis points from the previous quarter and held level from this time last year, despite the 13 buildings totaling approximately 2.6 million square feet added from one year ago. Robust demand contributed to more than 2.2 million square feet of occupancy within the new inventory delivered over the past year. Industrial developers have reduced the amount of new inventory breaking ground with seven buildings totaling over 1.2 million square feet under construction, which is down by more than half from the 2.8 million square feet underway the same time last year. Industrial rents continued to climb to new heights as the \$7.26/SF average rate was an 11.4% increase recorded one year ago and was the strongest 12-month increase on record. Landlords increased asking rents in all sectors and in secondary and lower-tier industrial available space, as limited amounts of available space from new inventory impacted the market. The warehouse/distribution average rose by \$0.62/SF from \$5.98/SF from one year ago, while general industrial rents saw the largest increase of \$1.02/SF from \$5.46/SF.

Leasing and Demand

Leasing activity slightly improved from the previous quarter, as 143 transactions totaling just over 2.0 million square feet were recorded. Year-to-date activity totaled 3.6 million square feet recorded at the midyear point and was down from the 4.2 million square feet recorded one year ago. Warehouse/distribution space increased from the 2.7 million square feet of leasing activity one year ago to close out the midyear point at 3.2 million square feet of deals signed. In a rare occurrence, the R&D/flex segment took the second spot with 317,000 square feet, while general industrial space turned in a tepid performance with 65,000 square feet of deals signed so far this year. The manufacturing industry led the mid-to large-sized lease demand, accounting for 462,000 square feet, with the retail/wholesale sector coming in second with a meager 313,000 square feet of deals. Logistic and distribution companies rounded out the top three with 214,00 square feet leased.

Investment Sales

After a slow first quarter, investment sales increased with 21 deals totaling over 892,000 square feet during second-quarter 2021. Year-to-date, 28 sales totaling 1.2 million square feet sold for a combined total of \$127.9 million. This was down from the 1.8 million square feet that sold at the same time last year. However, the average sale price rose from \$81/SF to \$111/SF as a result from increased sale prices from lower-tier sales as investors remained bullish on the industrial sector.

NEWMARK

Current Conditions

Orlando's industrial sector outperformed all previous historical activity as the market saw its strongest quarter ever.

Delivery of new inventory held level from this time last year as construction activity will likely slow over the next 12 months.

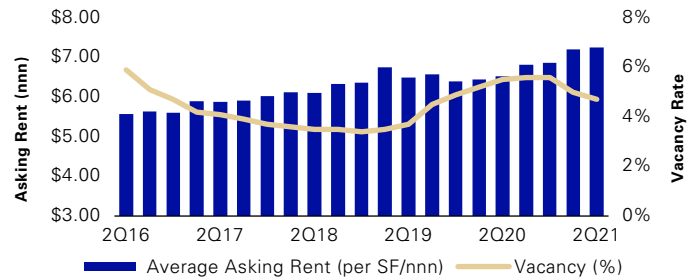
Construction activity slowed significantly as developers begin to take a more disciplined approach of starting new projects.

Asking rate increases gained momentum over the past year as the average continued to break previous records.

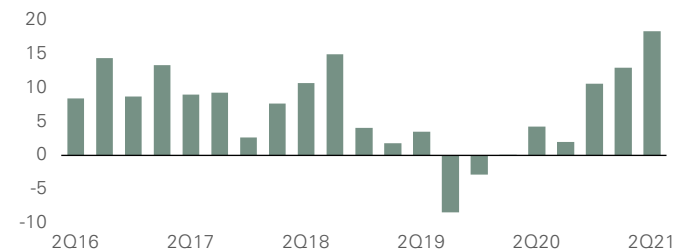
Leasing activity remained healthy, but the robust demand for large distribution space appeared to be slowing, while year-to-date transactions dropped from one year ago.

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)	192.5M	191.0M	189.6M	↑
Vacancy Rate	4.7%	5.0%	5.5%	↑
Quarterly Net Absorption (SF)	1.9M	1.3M	424,363	↓
Average Asking Rent/SF	\$7.26	\$7.21	\$6.52	↑
Under Construction (SF)	1.2M	1.5M	2.8M	↓
Deliveries	1.1M	0	1.1M	↓

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	3.3 %	54,223	166,595	\$7.08	\$9.31	\$8.08
Lake County	10,028,374	0	1.9 %	767,990	793,085	\$6.92	\$5.73	\$6.10
NE Orange County	1,919,703	0	1.8 %	7,549	2,730	\$8.50	\$15.52	\$11.02
NW Orange County	35,932,025	0	5.5 %	188,334	1,329,534	\$6.33	\$8.56	\$5.90
Osceola County	7,679,866	312,271	1.6 %	23,386	19,699	\$6.38	\$16.50	\$6.67
SE Orange County	52,036,029	482,488	6.9 %	420,664	327,219	\$6.58	\$12.22	\$7.38
Seminole County	26,291,585	0	4.0 %	167,856	226,816	\$7.55	\$8.24	\$7.85
SW Orange County	32,568,791	433,404	3.7 %	220,537	289,727	\$6.22	\$11.06	\$7.64
Totals	192,462,454	1,228,163	4.7 %	1,850,539	3,155,405	\$6.60	\$9.94	\$7.26

Orlando Lease / User Transactions

Tenant	Building	Submarket	Type	Square Feet
Escalade Inc	ICP @ Beachline-8660 Transport Dr	SE Orange County	Direct	143,000
USPS	AIPO-10425 S Orange Ave	SE Orange County	Direct	130,400
Ocean Blue	Airport DC North #2506-6851 S Conway Rd	SE Orange County	Direct	103,312
Xpanda Foam	Beachline Ind Pk-1090 Gills Dr	SE Orange County	Direct	91,318
1-800-Pack-Rat	Parksouth Distribution 2500-2500 Principal Row	SW Orange County	Renewal	69,002

Orlando Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Silver Star Commerce Ctr Portfolio-3600 Silver Star Rd	NW Orange County	\$24,350,000	\$92	264,541
Cypress Park Portfolio-9500-9901 Satellite Blvd	SE Orange County	\$28,400,000	\$111	256,838
10550 Southport Dr	SE Orange County	\$17,400,000	\$143	122,000
Clermont Business Ctr 100-12664 Hancock Rd	Lake County	\$8,350,000	\$132	63,208
485 Commerce Wy	Seminole County	\$7,910,000	\$135	58,500

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