

Central Florida Industrial Market Report

Healthy market conditions continue, but weak economic forecasts loom.

Central Florida's industrial market posted quarterly net absorption in positive territory at 558,000 square feet. This is down significantly from the prior quarter, which had posted 1.25 million square feet of positive absorption.

Vacancy rates for industrial product in the Central Florida region have remained relatively stable, posting 4.6% in the third quarter of 2022 from 4.5% the prior quarter, and 4.3% one year ago. By way of comparison to regional statistics, the Tampa/St. Petersburg industrial market witnessed a vacancy rate of 5.2% in the third quarter of 2022, up de minimis from 5.1% in the prior quarter, and 4.6 % one year ago. Orlando's vacancy rate registered at 3.8% in the third quarter of 2022 from 3.7% in the prior quarter, and 1.3% one year ago.

Despite soft tenant activity in the Central Florida market relative to the preceding quarter, industrial property owners have nonetheless increased average asking rents in Central Florida to \$8.19/SF in the third quarter of 2022 from \$7.88/SF the prior quarter, and \$6.86/SF one year ago.

Industrial developers in Central Florida have in progress 13.7 million square feet of new product in the third quarter of 2022, however, weakening national macroeconomic conditions may cause delays. Comparatively, new product under construction had been 10.0 million square feet in the prior quarter and 6.2 million square feet one year ago.

Leasing Activity

Leasing activity in the Central Florida region decreased during the third quarter of 2022 to 5.2 million square feet across 205 leasing transactions. In the prior quarter, 7.0 million square feet of office space were leased across 190 transactions.

Existing and prospective tenants appear cautious, considering shifting macroeconomic conditions.

Investment Sale Activity

Central Florida's investment sales activity registered roughly 465 million square feet of office space, amounting to 156 office assets changing hands- during the third quarter of 2022. Sale volumes reached \$465 million.

Current Conditions

The region saw a slowing of tenant demand from the prior quarter and one year ago, as absorption declined considerably.

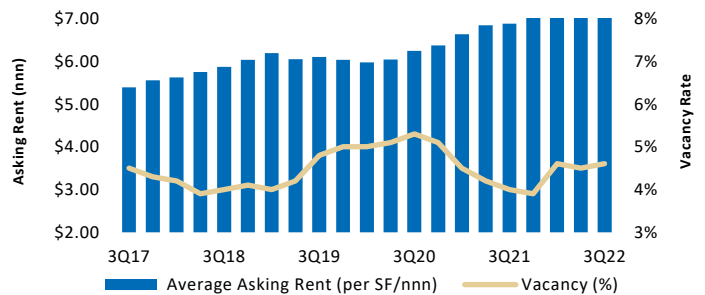
Vacancy rates remain largely stabilized, possibly as businesses reevaluate overhead, among other considerations in light of national economic conditions.

Industrial product under construction increased significantly from one year ago, although higher cost of capital and underwriting risk may slow new development.

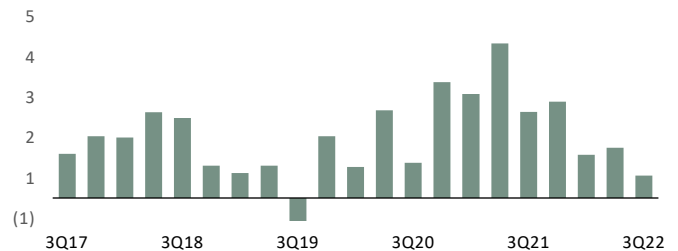
Leasing and investment sales activity slowed in the third quarter of 2022. This suggests a potential reevaluation among existing and prospective tenants, developers and property owners going into year-end.

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)	472 M	470 M	465 M	↑
Vacancy Rate	4.6%	4.5%	4.3%	↑
Quarterly Net Absorption (SF)	558,289	1.25M	2.2M	↓
Average Asking Rent/SF	\$8.19	\$7.88	\$6.86	↑
Under Construction (SF)	13.7M	10M	6.2M	↑
Deliveries	381,280	302,940	862,802	↓

Economic Conditions

Central Florida's employment base remains stable during the third quarter of 2022 at 2,836,000 million jobs, up from 2,708,200 the prior quarter. The region-wide unemployment rate ticked down significantly to 2.9% in the third quarter of 2022 from 4.9% in the prior quarter.

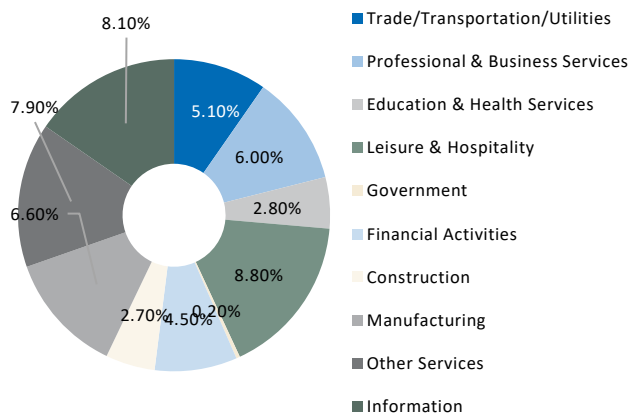
Orlando's employment base increased to 1.4 million in the third quarter of 2022 from 1.3 million in the prior quarter, demonstrating relative stability. Tampa's employment base also demonstrated stability totaling 1.5 million, roughly the same as one year ago.

Year-over-year region-wide, the trade, transportation and utility industry garnered the most job gains in the Central Florida region, with 261,200 jobs, followed by professional and business services, with 254,400 job and education and health services, with 165,300 jobs.

The Central Florida market shows continued resilience in the third quarter of 2022.

Employment By Industry

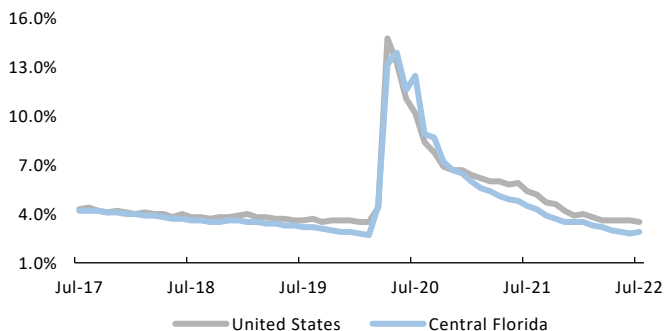
Central Florida MSA, July 2022 | Not seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

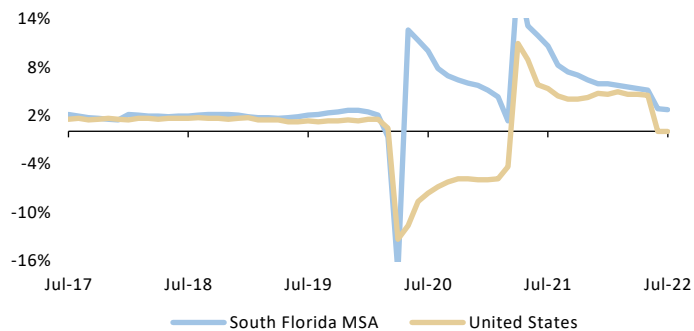
Central Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

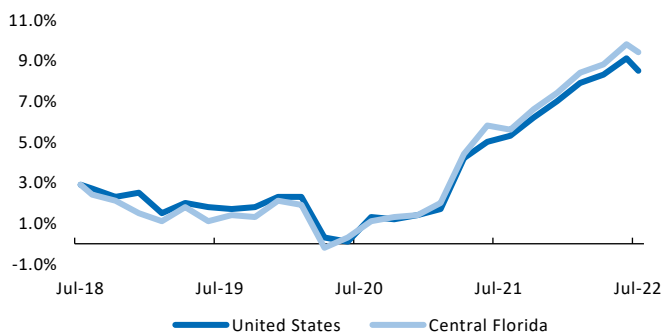
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

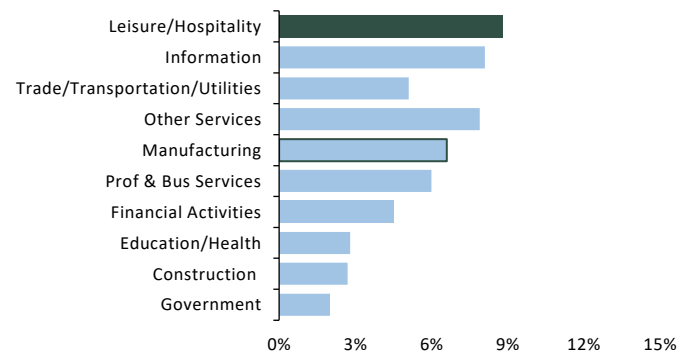
All Items, 12-Month % Change, Not Seasonally Adjusted



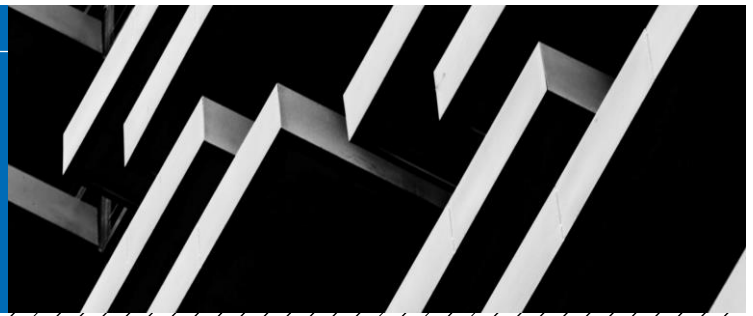
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

Central Florida, July 2022, MSA, 12-Month % Change, Not Seasonally Adjusted.



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



Tampa / Saint Petersburg Industrial Market

The Tampa/St. Petersburg industrial market registered increased tenant demand in the third quarter of 2022, with positive net absorption of 572,503 square feet in the third quarter of 2022 from 174,628 square feet in the prior quarter, and down significantly from 905,743 square feet one year ago.

Average asking rents in Tampa/St. Petersburg posted \$7.75/SF in the third quarter of 2022 from \$6.98/SF the prior quarter, and \$6.34/SF one year ago.

New construction in progress amounts to 6.2 million square feet in the third quarter of 2022, while 345,000 square feet of new product is coming online now.

Industrial developers in Tampa have in progress 13.7 million square feet of new product in the third quarter of 2022. Comparatively, new product under construction had been 10 million square feet in the prior quarter and 6.6 million square feet one year ago, up from 3.1 million one year ago.

Leasing Activity

Leasing activity in the Tampa Industrial region increased during the third quarter of 2022 to 2.4 million square feet across 86 leasing transactions. In the prior quarter, 2.1 million square feet of industrial space was leased across 97 transactions.

Investment Sale Activity

Tampa's investment sales activity registered roughly 211 million square feet of office space, amounting to 128 office assets changing hands, during the third quarter of 2022.

The region witnessed an average price per square foot \$117/SF, down from \$138/SF in the prior quarter, and \$126/SF one year ago.

Current Conditions

The Tampa/St. Petersburg industrial market landed just behind the Central Florida region as a whole with positive absorption, and an increase from the prior quarter.

Leasing activity in the third quarter increased modestly from the prior quarter yet not significant enough to identify a trend relative to one year ago.

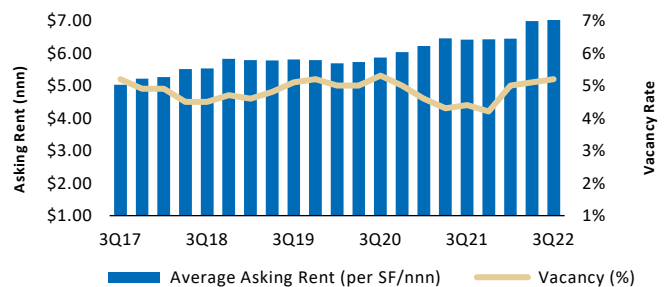
Asking rents increased in the third quarter of 2022 region-wide yet remained largely stable from one year ago.

Construction activity decreased albeit minimally from the prior quarter while new deliveries comes online with more square footage than the prior quarter

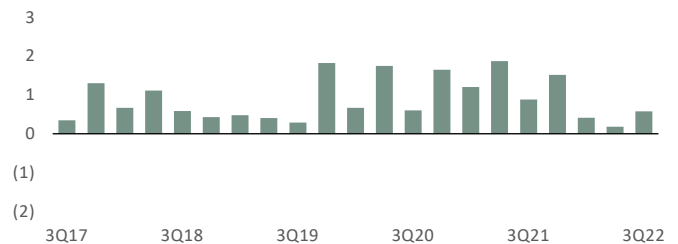
Leasing activity increased in the third quarter, while investment sales activity appears to have stabilized

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)	276M	276M	272M	↑
Vacancy Rate	5.2%	5.1%	4.6%	↔
Quarterly Net Absorption (SF)	572,503	174,628	905,743	↓
Average Asking Rent/SF	\$7.75	\$6.98	\$6.34	↑
Under Construction (SF)	6.2M	6.6M	3.1M	↑
Deliveries	345,000	163,414	706,841	↓

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	22,984,063	2,068,426	2.7 %	186,439	419,146	\$8.27	N/A	\$10.27
E Hillsborough/Plant City	16,362,630	1,058,460	10.4 %	322,373	673,572	\$5.36	N/A	\$5.33
East Side Tampa	62,943,255	740,994	6.3 %	-42,174	-460,305	\$6.29	\$8.13	\$7.65
NE Hillsborough/University	1,572,640	0	3.8 %	1,780	8,834	\$4.95	\$14.50	\$5.63
North Pinellas	10,842,569	130,000	2.2 %	-61,178	-110,114	\$8.36	\$9.75	\$8.58
NW Hillsborough	2,404,424	0	3.4 %	-32,713	-13,763	\$10.75	N/A	\$8.50
Pasco County	8,076,907	858,000	1.7 %	0	37,786	\$7.89	\$8.22	\$7.15
Polk County	57,116,491	727,600	4.6 %	498,797	730,094	\$5.81	\$12.73	\$5.91
S Tampa Ind	3,740,869	0	24.6 %	-4,500	0	\$6.00	N/A	\$6.00
Sarasota	17,427,471	285,000	2.3 %	118,492	136,993	\$9.24	\$7.44	\$9.53
SE Hillsborough	3,141,672	0	7.7 %	0	50,000	\$8.00	N/A	\$8.00
South Pinellas	52,017,091	20,000	4.6 %	-34,200	-8,296	\$10.65	\$16.77	\$8.43
Westshore/Airport	17,808,133	297,254	5.4 %	-380,613	-313,447	\$8.97	\$10.37	\$8.95
Totals	276,438,215	6,185,734	5.2 %	572,503	1,150,500	\$7.11	\$12.08	\$7.75

Tampa / Saint Petersburg Lease / User Transactions

Tenant	Building	Submarket	Square Feet
Ball corporation	400 Tampa Commerce Blvd	East Side Submarket	252,109
Amazon	4902 W Waters Ave	Westshore/Airport Submarket	246,938
Leased by R.C. Moore	3102 Queen Palm Dr	East Side Submarket	229,605
Fanatics	6422 Harney Rd	East Side Submarket	220,814
Essendant	9945 Currie Davis Dr	Hernando County Submarket	169,217

Tampa / Saint Petersburg Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
7075 US Hwy 41 S	SE Hillsborough Submarket	\$103,000,000	\$208.84	493,204
5411 Tyson Ave	SW Hillsborough Submarket	\$28,727,696	\$1,468.70	19,560
12501 Telecom Dr	NE Hillsborough/Univ Submarket	\$20,500,000	\$136.61	150,500
4601 N 34th St	South Pinellas Submarket	\$13,000,000	\$117.29	110,833
9400 International Ct N	South Pinellas Submarket	\$9,050,000	\$169.73	53,319

Orlando Industrial Market

Orlando industrial market posted tenant contraction in the third quarter of 2022 of 14,214 square feet. This is a significant change in absorption from 1.1 million square feet in positive territory in the preceding quarter. Comparative to one year ago, Orlando posted 1.3 million square feet of positive net absorption.

Vacancy rates for industrial product in Orlando posted 3.8% in the third quarter of 2022 from 3.7% the prior quarter. This remains stable from one year ago.

Average asking rents in the Orlando industrial market tallied \$8.70/SF in the third quarter of 2022 from \$8.96/SF the prior quarter, and \$7.48/SF one year ago.

Industrial developers in Orlando have in progress 7.5 million square feet of new product in the third quarter of 2022. Comparatively, new product under construction tallied 3.4 million square feet in the prior quarter and 3.1 million square feet one year ago.

Leasing Activity

Leasing activity in the Orlando region increased during the third quarter of 2022 to 4.1 million square feet across 104 leasing transactions. In the prior quarter, 3.2 million square feet of office space was leased across 108 transactions.

Investment Sale Activity

Central Florida's investment sales activity registered roughly 254 million square feet of office space, amounting to 51 office assets changing hands, during the third quarter of 2022.

Current Conditions

Orlando's tenant demand faltered into negative absorption territory, following a robust prior quarter of tenant movement.

Despite a significant swing in absorption, Orlando's vacancy rate has remained largely stable between now and one year ago.

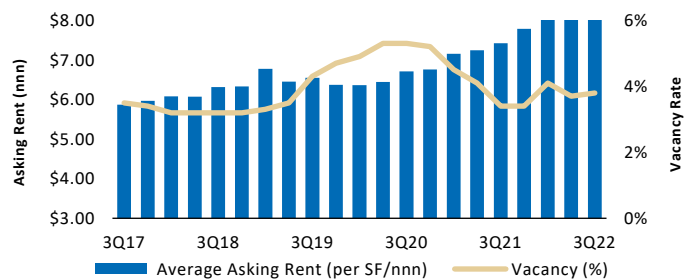
Asking rates have remained stable from one year ago although potential fluctuations may result because of national economic headwinds.

The square footage under construction increased considerably from the prior quarter and from one year ago suggesting anticipated demand for new industrial product, yet higher interest rates may alter this.

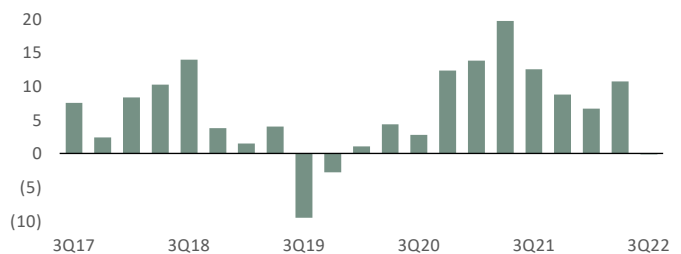
Leasing and investment sales activity appear healthy, yet adverse economics both locally and nationally may temper sentiment among market participants with diminished underwriting upside becoming apparent.

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)	195.2M	194.5M	192M	↑
Vacancy Rate	3.8%	3.7%	3.7%	↑
Quarterly Net Absorption (SF)	(14,214)	1,072,171	1.3M	↓
Average Asking Rent/SF	\$8.70	\$8.96	\$7.48	↑
Under Construction (SF)	7.5M	3.4M	3.1M	↑
Deliveries	36,280	139,526	155,961	↓

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	1,572,376	3.3 %	-24,555	41,110	\$8.71	\$10.25	\$9.22
Lake County	10,064,654	560,806	4.5 %	-370,058	-218,349	\$5.73	\$4.67	\$5.17
NE Orange County	1,919,703	0	2.5 %	0	-26,570	N/A	\$17.00	\$17.00
NW Orange County	36,679,408	3,583,526	4.2 %	49,929	703,428	\$9.87	\$9.94	\$8.45
Osceola County	7,992,137	343,811	3.8 %	-35,794	26,137	\$7.24	\$11.96	\$7.46
SE Orange County	52,672,008	949,111	3.6 %	26,139	1,025,239	\$8.62	\$12.70	\$9.61
Seminole County	26,319,015	363,130	3.7 %	40,457	-106,897	\$8.34	\$9.75	\$8.95
SW Orange County	33,580,561	139,832	4.1 %	299,668	280,862	\$9.52	\$11.32	\$9.44
Totals	195,233,567	7,512,592	3.8 %	-14,214	1,724,960	\$8.66	\$10.67	\$8.70

Orlando Lease / User Transactions

Tenant	Building	Submarket	Square Feet
Empire	1703 Boice Pond Rd	SE Orange County Submarket	188,400
United Facilities	10601 Southport Dr	SW Orange County Submarket	133,000
Bayside Homes	6769 Curtis St - Building 4A	Polk County Submarket	120,539

Orlando Select Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
5300 Allen K Breed Hwy - Key Logistics Center	Lake County Submarket	\$53,454,600	\$108.67	491,920
3610 W Main St	Lake County Submarket	\$31,500,000	\$124.02	254,000
8670 Transport Dr	SE Orange County Submarket	\$16,144,000	\$116.48	138,600
8350 Parkline Blvd	SE Orange County Submarket	\$13,350,000	\$163.30	81,750

RESEARCH Q3 2022

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VIRGINIA

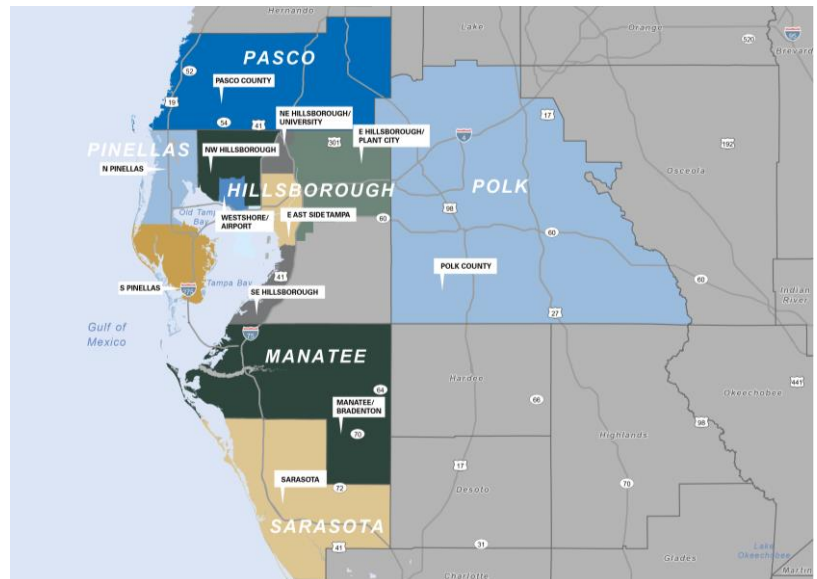
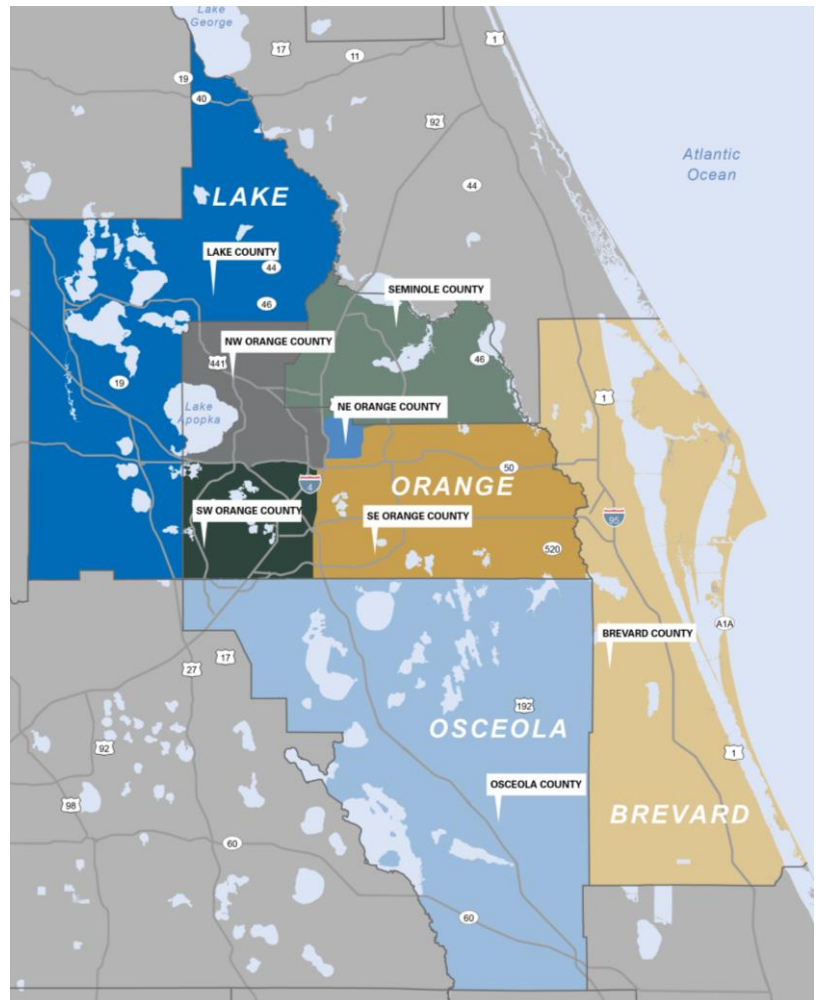
Tysons Corner

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Milwaukee



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