

MARKETBEAT

Lakeland

Industrial Q2 2018



LAKELAND INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Lakeland MSA Employment	220k	226k	▲
Polk County Unemployment	4.4%	3.7%	■
U.S. Unemployment	4.3%	3.8%	▼

* Numbers above are monthly figures, May 2018, FL Dept. Economic OPP.

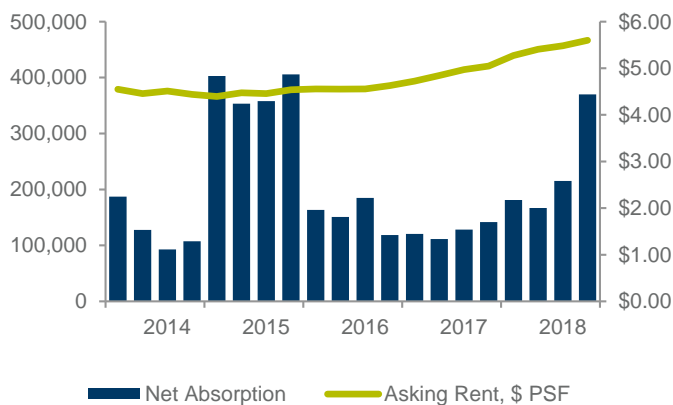
Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	5.1%	4.5%	▼
YTD Net Absorption (sf)	331k	1.1M	▲
Under Construction (sf)	605k	520k	▲
Average Asking Rent*	\$5.18	\$5.64	▲

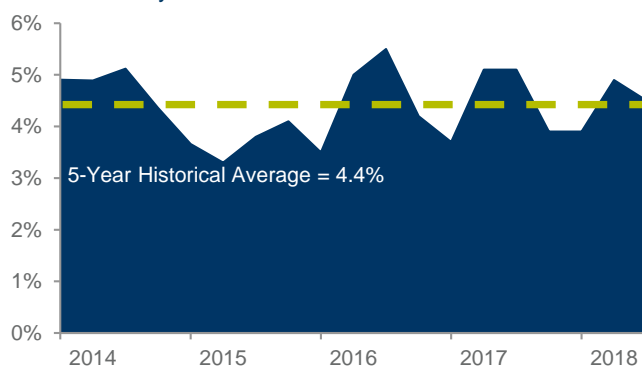
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Through the second quarter of 2018 the economy in Polk County, which includes the Lakeland industrial market, continued its upward momentum, adding +5,900 jobs for a growth rate of 2.7% year-over-year. The unemployment rate fell by -70 basis points (bps) over the last 12 months to 3.7%. Most industrial-using employment sectors gained jobs throughout Polk County. The Trade, Transportation, & Utilities sector, which added +1,700 for an annual increase of 3.0%, had the highest annual job growth rate when compared to all other Florida major metro areas.

Market Overview

The overall rental rate for the industrial market increased +8.9% year-over-year from \$5.18 per square foot (psf) to \$5.64 psf, triple net. The Southeast submarket led in rental rate gains with a +63% increase in asking rents to \$8.79 psf year-over-year. The growth in rents was due to an 85% increase in availabilities for office services/flex space in the past year which pushed rents from \$5.52 psf to \$10.23 psf, triple net. The overall industrial vacancy rate in the second quarter decreased by -40 bps in the last 12 months on strong tenant demand and expansion by in-market tenants. The overall vacancy rate has remained below 6.0% for 27 consecutive quarters with the Southwest submarket leading in occupancy gains with a -380 bps drop in the vacancy to 6.7%.

The Lakeland market's leasing activity for the second quarter was significantly lower when compared to the second quarter of 2017, decreasing by -79%. The drop in leasing activity can be attributed to a -9% decrease in overall available space in the market. Overall absorption continued its positive trend for the 19th consecutive quarter. The 1.1 million square feet (msf) of positive absorption in the first half of 2018 was more than three times greater than the first half of 2017.

Lakeland continued to be one of the top industrial markets for new construction in the Tampa Bay region with 1.2 msf of distribution space delivered during the first half of 2018. Scannell Properties' completed Best Buy's new 650,808-sf built-to-suit distribution center in the Northwest submarket. Additionally, Center State Logistics, a 605,920-sf distribution center delivered with Quaker/Gatorade as a full building user. Blue Steel Development broke ground on the first phase of Key Logistics Center, a 520,000-sf built-to-suit warehouse distribution center located in Lakeland's Southwest submarket. An additional 840,000 sf was planned to start construction at the end of 2018. High demand for new big box space, coupled with overall lack of availability, will continue to justify growth in Lakeland's industrial product.

Outlook

The Lakeland industrial market posted strong market fundamentals through the first six months of 2018. Lakeland continued to be the destination for large distribution tenants in the region due to the variety of space options and superior access to the I-4 corridor. Cushman & Wakefield anticipates the Lakeland industrial market's key dynamics to remain steady through the second half of 2018 and well into 2019.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Southwest Lakeland	107	12,234,092	0	1.8%	-30,850	520,000	30,200	\$0.00	\$5.25	\$5.84
Southeast Lakeland	66	2,408,065	0	6.7%	54,164	0	0	\$0.00	\$10.23	\$5.78
Northwest Lakeland	93	11,320,700	0	4.2%	124,192	0	0	\$8.50	\$0.00	\$5.19
Northeast Lakeland	46	6,259,938	605,920	9.4%	958,928	0	1,256,728	0		\$4.73
LAKELAND TOTALS	312	32,222,795	605,920	4.5%	1,106,434	520,000	1,286,928	\$8.50	\$10.18	\$5.09

*Rental rates reflect asking \$psf/year

FLEX = Flex Space MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)*	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	208	22,643,258	605,920	5.6%	1,074,374	520,000	187,350	1,286,928	\$5.09	\$5.08
Manufacturing	82	8,889,368	0	0.6%	0	0	0	0	\$8.50	\$8.50
Office Service/Flex	22	690,169	0	15.9%	32,060	0	28,000	0	\$10.18	\$10.18

*Does not include renewals

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Bridgewater Commerce Center	68,510	Express Global Logistics	Direct	Northeast Lakeland

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
No significant transactions occurred during 2Q18				

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