

MARKETBEAT

Lakeland

Industrial Q4 2018



LAKELAND INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Lakeland MSA Employment	224k	232k	▲
Polk County Unemployment	4.3%	3.4%	■
U.S. Unemployment	4.1%	3.7%	▼

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

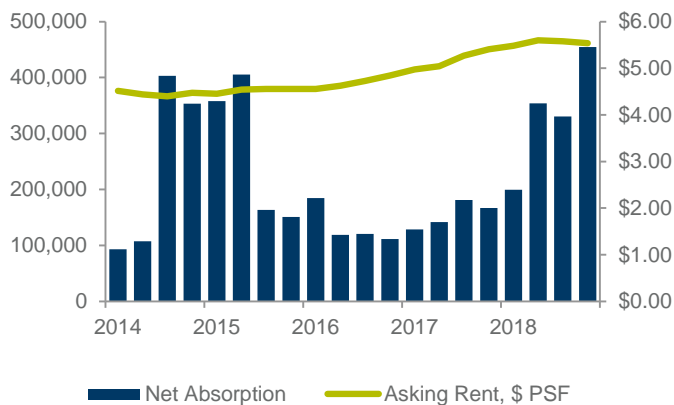
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	3.9%	3.8%	■
YTD Net Absorption (sf)	661k	1.8M	▲
Under Construction (sf)	636k	1.6M	▲
Average Asking Rent*	\$5.54	\$5.38	▲

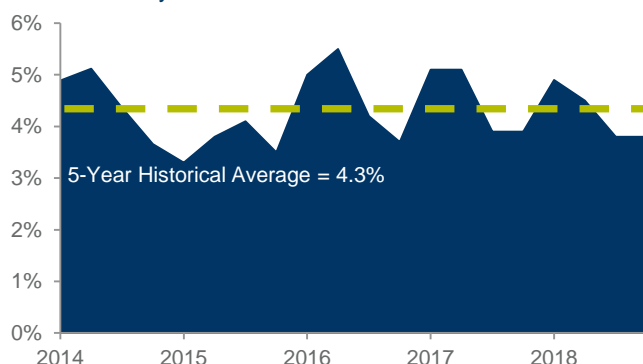
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The economy in Polk County, which includes the Lakeland industrial market, continued its upward momentum, adding +8,400 jobs for an annual growth rate of 3.8%. The unemployment rate fell by -90 basis points (bps) over the last 12 months to 3.4%. Most industrial-using employment sectors gained jobs throughout Polk County. The Trade, Transportation, & Utilities sector, added +1,400 new positions for an annual increase of 2.4%. The region's robust consumer base benefited the industrial market with many in- and new-to-market users taking space to meet consumer demand.

Market Overview

The overall rental rate decreased 2.9% year-over-year (YOY) to \$5.38 per square foot (psf) and was primarily due to a number of higher-priced flex/office services availabilities taken out of the market. In contrast, the warehouse/distribution rental rate increased by 3.2% to \$5.17 psf, the highest asking rent in over seven quarters. Gains in asking rates were bolstered by the Southeast submarket, which saw a YOY increase of 23.7%. The overall vacancy rate remained stable over the year, decreasing only -10 bps to 3.8%, and marking the 6th consecutive quarter the overall vacancy rate has remained below 5.0%. Flex/office services space saw the largest vacancy drop in 12-months, decreasing from 21.1% to 3.8%, due to several tenants taking space in the market.

Leasing activity in Lakeland cooled significantly when compared to 2017 historic figures, which saw tenants leasing over 1.2 million square feet (msf). The softening in leasing throughout 2018 is due to a lack of large 100,000+ sf blocks of space in the market. In contrast, overall absorption continued its positive trend for the 21st consecutive quarter. The 1.8 msf of positive absorption year-to-date was more than double year-end 2017 figures.

Lakeland remained one of the top industrial markets for new construction in the Tampa Bay region with 1.8 msf of distribution space delivered this year, the most deliveries since 2006. Scannell Properties' completed Best Buy's new 650,808-sf built-to-suit distribution center in the Northwest submarket. Additionally, Center State Logistics had a 605,920-sf distribution center delivered with Quaker/Gatorade as a single tenant building user. Blue Steel Development completed the first building of Key Logistics Center, which included a 520,000-sf built-to-suit distribution center for DHL/Ikea.

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At the close of 2018, 1.6 msf was under construction, the highest square footage under development at one time in the Lakeland industrial market in over 15 years. Unrelenting tenant demand bolstered further developer confidence in announcing additional phases and new industrial parks mainly focused along the I-4 corridor.

Sales activity picked up significantly in 2018, with over 2.6 msf sold, the highest sales figure in Lakeland history. New construction was a key driver in sales activity as all the big-box, single-user buildings including DHL/Ikea, BestBuy, and Quaker/Gatorade all sold to investors or the direct user in 2018. Cushman & Wakefield anticipates sales activity to decrease some in 2019, however the overall trend should continue.

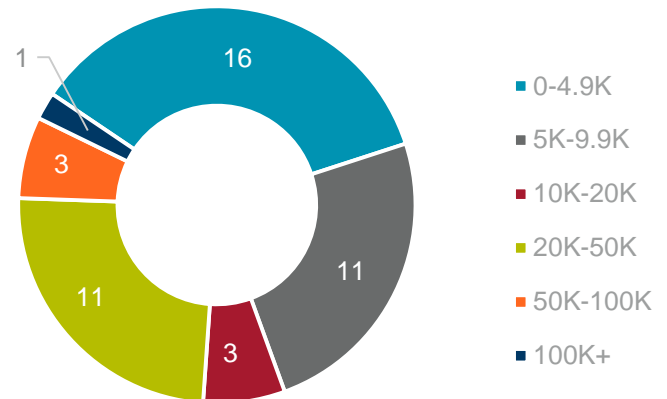
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Polk County has 20 designated opportunity zones, the majority of which are well located along I-4, and Memorial Boulevard. Opportunity Zones are a new community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities. The program provides a tax incentive for investors to re-invest their unrealized capital gains back into the zones. Billions of dollars could potentially be targeted to stimulate significant economic growth in designated communities.

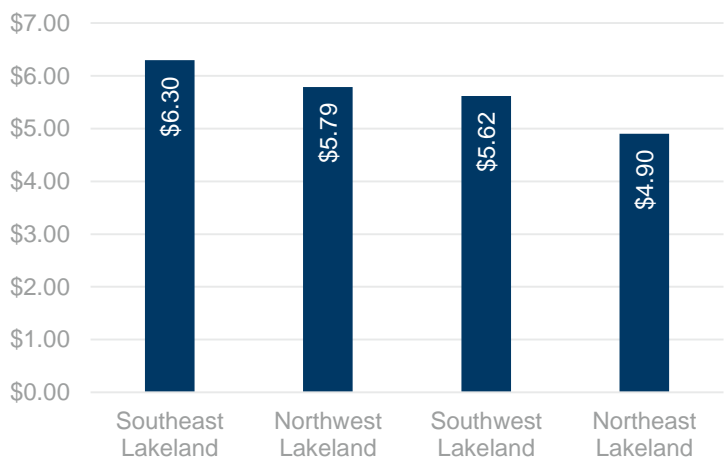
Market Highlights

- The Lakeland industrial market posted strong market fundamentals through 2018.
- Tenants continued to seek out Lakeland's lower rental rates, plethora of new product, and superior access to the I-4 corridor.
- Cushman & Wakefield anticipates the Lakeland industrial market's key dynamics to remain steady through the remainder for 2018 and into 2019.

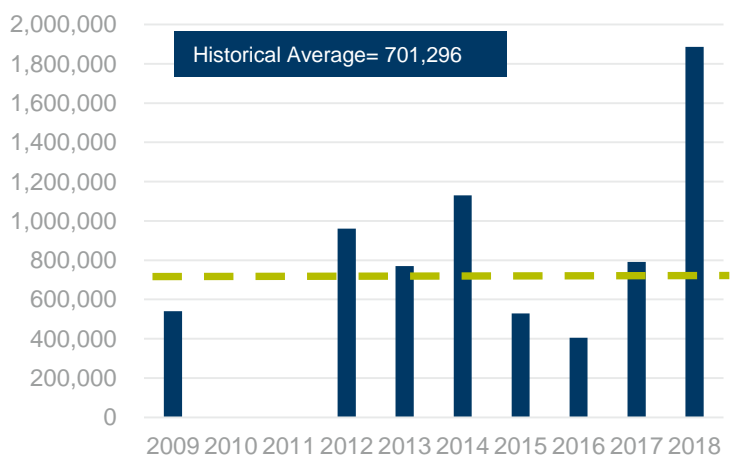
Availability by Size Segment
OVERALL VACANCIES IN ONE SUITE



NNN Asking Rents by Submarket



New Supply



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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	109	12,833,292	0	2.0%	534,537	841,920	629,400	N/A	\$5.25	\$5.63
Southeast Lakeland	66	2,408,065	0	2.6%	65,375	197,600	0	N/A	\$6.26	\$6.33
Northwest Lakeland	93	11,320,700	602,567	3.5%	205,840	0	0	\$8.42	N/A	\$5.20
Northeast Lakeland	46	6,259,938	1,256,728	8.5%	1,013,238	569,480	1,256,728	N/A	N/A	\$4.90
LAKELAND TOTALS	314	32,821,995	1,859,295	3.8%	1,818,990	1,609,000	1,886,128	\$8.42	\$6.13	\$5.17

*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	210	23,242,458	1,859,295	4.9%	1,812,680	1,609,000	473,455	1,886,128	\$5.17	\$5.19
Manufacturing	82	8,889,368	0	0.9%	-22,130	0	14,500	0	\$8.42	\$8.42
Office Service/Flex	22	690,169	0	3.8%	28,440	0	35,240	0	\$6.13	\$6.13

*Does not include renewals

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2025 US Highway 92 W	87,500	Crown Health Care Laundry	New	Northeast Lakeland
5005-5025 Great Oak Drive	78,141	Chepp	Renewal*	Northwest Lakeland
Hwy 33 & I-4	68,510	Express Global Logistics	New	Northeast Lakeland
4100 Frontage Road	37,440	Buckeye Diamond	New	Northwest Lakeland

*Not included in Leasing Activity Statistics.

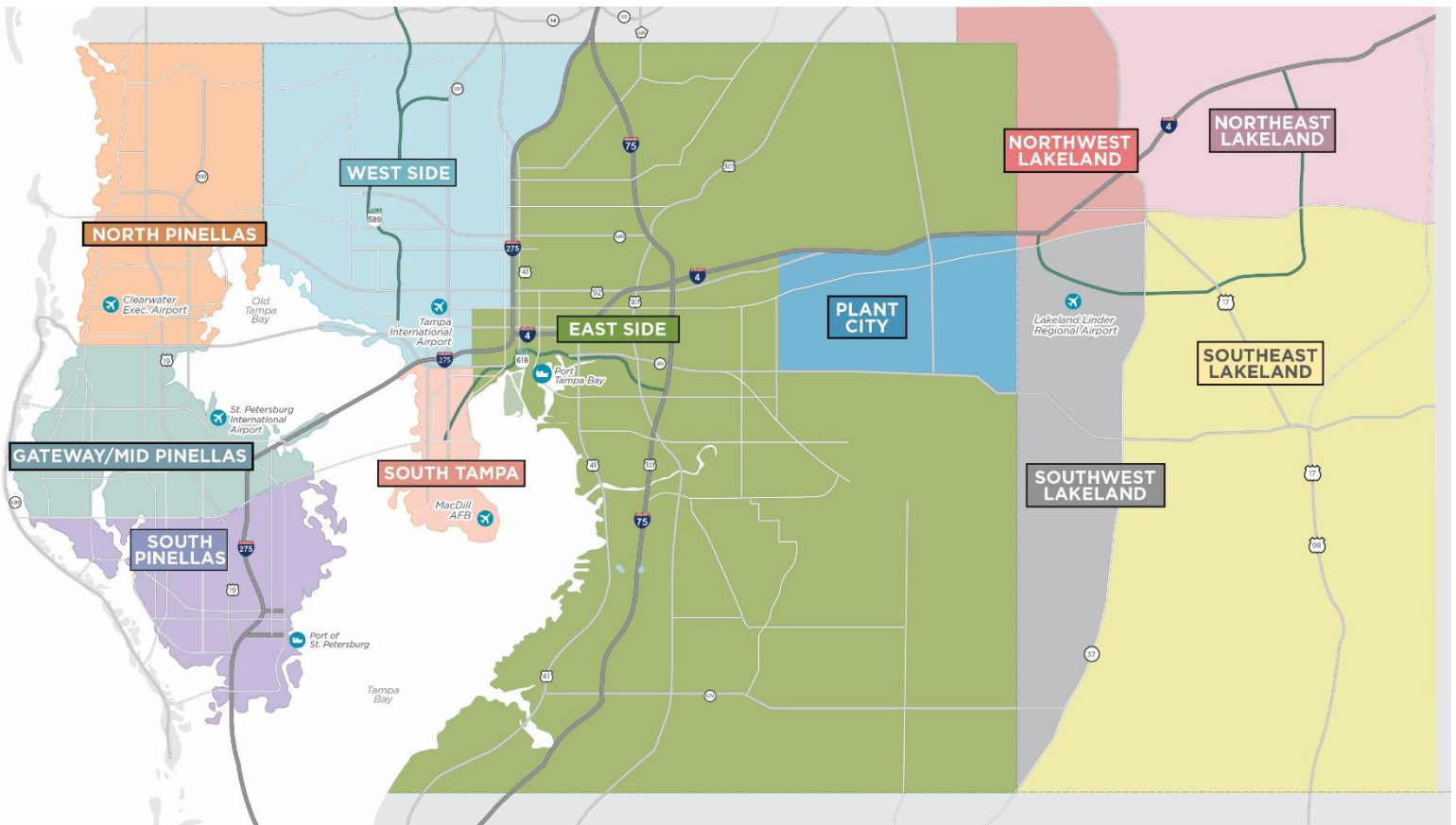
Key Sales Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
State Road 33 – Best Buy Distribution Center	650,808	Scannell Properties/Tratt Properties	\$40,633,100/\$62	Northeast Lakeland
8060 State Road 33	605,920	GB Lakeland/Griffin Capital	\$59,600,000/\$98	Northeast Lakeland
5300 Allen K Breed Highway	520,000	Blue Steel Development/Hyperion Properties	\$42,463,754/\$82	Southwest Lakeland
Lakeland Logistics Center (Portfolio)	490,000	AEW Capital/Cabot	\$40,200,000/\$82	Northwest Lakeland

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