

MARKETBEAT

Orlando

Industrial Q3 2019



ORLANDO INDUSTRIAL

Economic Indicators

| | Q3 18 | Q3 19 | 12-Month Forecast |
|----------------------|-------|-------|-------------------|
| Orlando Employment | 1.29M | 1.34M | ▲ |
| Orlando Unemployment | 3.4% | 3.3% | ■ |
| U.S. Unemployment | 3.8% | 3.7% | ■ |

*Numbers above are monthly figures, May 2019, FL Dept. Economic OPP

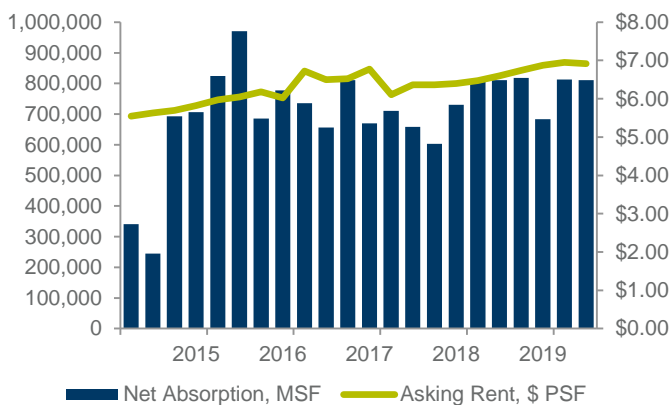
Market Indicators (Overall, All Property Types)

| | Q3 18 | Q3 19 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Vacancy | 5.2% | 7.1% | ▲ |
| YTD Net Absorption (sf) | 2.5M | 65k | ▼ |
| Under Construction (sf) | 2.7M | 3.6M | ▲ |
| Average Asking Rent* | \$6.88 | \$6.74 | ▼ |

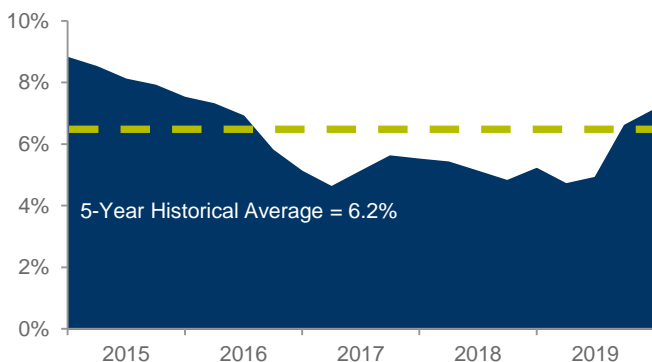
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Significant population growth over the last 12 months in the Orlando metro area helped to push the unemployment rate down to 3.3% in the third quarter, 10 basis points (bps) lower than one year ago. New residents fueled gains in the labor force, up approximately 54,000 jobs, or 3.9% year-over-year (YOY). Industrial-related industries, including construction and manufacturing, added over 10,000 positions in 12 months. Continued infrastructure improvements throughout the region as well as new housing construction sustained tenant demand for industrial space in almost every submarket and supported sizeable increases in the amount of inventory under construction.

Market Supply

New construction deliveries of 3.2 million square feet (msf) in 2019 that was 65% vacant drove the vacancy rate higher by 1.9 bps YOY to 7.1%. New deliveries in Airport/Lake Nona totaled 1.6 msf year-to-date (YTD), with 72% vacant, which pushed the vacancy rate up 890 bps to 15.8%. Silver Star/Apopka saw the vacancy rate jump 670 bps to 9.2% as developers added several midsized projects to inventory. The submarket had additional interest from users needing space as work on the Wekiva Parkway continued which, when finished, will complete a beltway around Central Florida. Both the Lake Mary/Sanford and Davenport submarkets had the largest occupancy gains in Central Florida with 400 bps and 340 bps, respectively, on several tenant move ins during the quarter. A total of 3.6 msf of warehouse/distribution space was under construction at the end of the third quarter with the majority delivering in the next six months. At this point in 2018, only 2.8 msf was under construction with a slightly smaller amount completed YTD.

Market Demand

Leasing activity YTD was running slightly behind the five-year average of 4.0 msf, off by roughly 100,000 square feet (sf). If demand remained the same through the rest of the year, Orlando could see for the first time since 2006 two consecutive years with leasing activity more than 5.0 msf. Orlando Central Park and Silver Star/Apopka captured the lions share of activity, totaling approximately 1.8 msf between both submarkets. As several ecommerce companies expanded in the market, a focus on increased parking ratios and outside storage options made locations with these options more preferable.

Overall absorption turned positive in the third quarter, a sharp turnaround from second quarter figures. Occupancy gains were driven by large users moving into warehouse/distribution space in the Airport/Lake Nona and Orlando Central Park submarkets. Smaller occupancy gains in several submarkets helped to push YTD absorption positive for the overall market. Both office services and manufacturing space had tenants moveout during the quarter which subtracted from the positive absorption numbers of tenants occupying warehouse/distribution assets.

Market Pricing

Overall asking rental rates for industrial product closed the quarter at \$6.74 per square foot (psf), down 2.0% YOY on rent decreases in office services space. Overall rents for warehouse/distribution rose 3.5% YOY to \$5.96 psf. The largest rent increases in 12 months were in smaller industrial submarkets. Altamonte/Longwood was up 39.6% to \$7.44 psf on strong demand from mid to smaller sized tenants while Lake Mary/Sanford saw asking rent jump 25.5% YOY to \$6.44 psf on available space from new construction priced at a higher level than the rest of the submarket. The largest decrease in asking rental rates was in 33rd Street/LB McLeod which had a decline of 38.6% YOY to \$7.09 psf on tenant moveouts and new availability priced lower than the submarket average. The bulk of inventory in this submarket consisted of smaller bay and older product which has not seen considerable new construction in 2019.

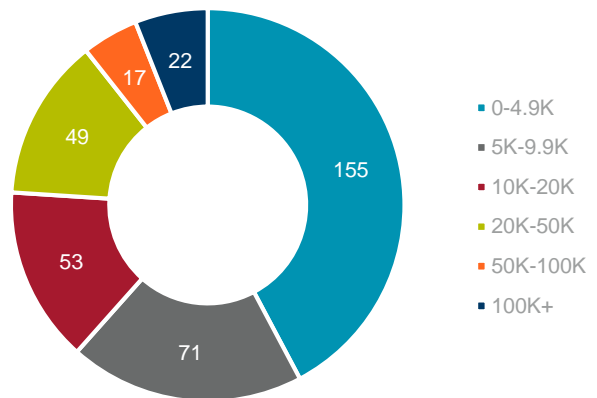
Overall rents for warehouse/distribution rose 3.5% YOY to \$5.96 psf.

Investment sales volume YTD in Orlando was roughly a third of the level recorded at this point in 2018. The 2.0 msf YTD in sales was split through most major industrial submarkets. In the third quarter alone, investment sales were only 634,000 sf, 3.3 msf less than third quarter 2018. While the appetite for industrial product remained high throughout the region, there was limited product to buy that had not already traded within the last three years.

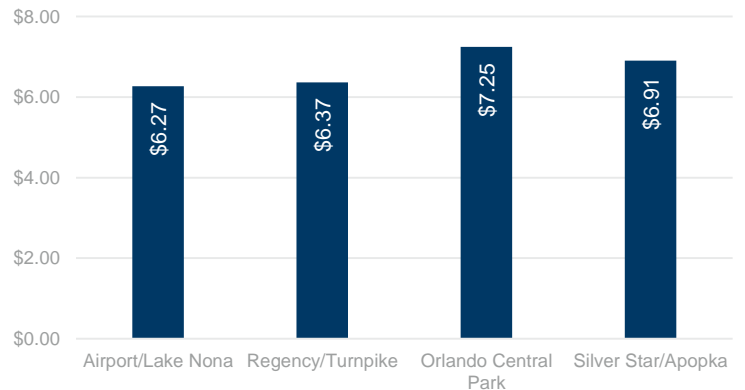
Market Outlook

- The Orlando economy continues to attract new residents, generate jobs and increased interest from industrial users who want to be in the market.
- Industrial market fundamentals and the central location of the market attracts large users, including several new-to-market tenants.
- Cushman & Wakefield forecast solid demand for industrial space even as vacancy rates rise on new construction.

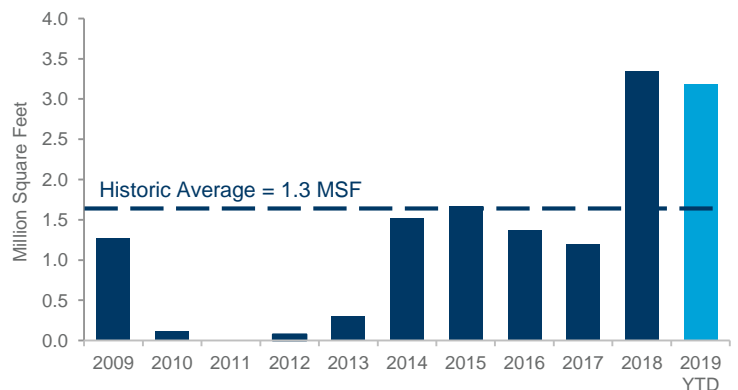
Availability by Size Segment



Warehouse/Distribution Asking Rents by Submarket (NNN)



New Supply



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Orlando

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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 (WD) |
|------------------------------|--------------|--------------------|----------------------------------|----------------------|------------------------------------|------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| CBD/Winter Park/Maitland | 129 | 3,939,753 | 87,442 | 3.2% | -36,991 | 0 | 0 | N/A | \$14.87 | \$7.61 |
| Silver Star/Apopka | 338 | 18,130,877 | 63,600 | 9.2% | -873,148 | 840,216 | 282,912 | \$5.75 | \$8.21 | \$6.89 |
| Altamonte/Longwood | 162 | 5,355,960 | 225,950 | 5.4% | -81,197 | 0 | 0 | N/A | \$9.92 | \$7.44 |
| Lake Mary/Sanford | 191 | 8,711,954 | 40,000 | 7.2% | -370 | 264,950 | 0 | \$5.80 | \$6.94 | \$6.44 |
| E. Orange/University/Forsyth | 98 | 4,553,576 | 61,810 | 3.6% | -48,437 | 0 | 0 | \$10.00 | \$14.50 | \$8.85 |
| NE/Winter Springs/Oviedo | 28 | 1,070,987 | 0 | 1.4% | 54,345 | 0 | 0 | N/A | \$7.20 | N/A |
| Michigan/So. Orange Ave. | 73 | 2,890,163 | 0 | 2.8% | -6,250 | 0 | 0 | N/A | N/A | \$7.11 |
| Airport/Lake Nona | 188 | 19,394,584 | 212,684 | 15.8% | 83,013 | 383,616 | 1,597,187 | N/A | \$12.43 | \$5.55 |
| 33rd Street/LB McLeod | 126 | 5,047,834 | 0 | 4.9% | -77,307 | 0 | 14,866 | \$6.75 | \$12.11 | \$6.12 |
| Regency/Turnpike | 249 | 18,646,981 | 22,400 | 3.0% | -115,089 | 430,080 | 0 | \$14.95 | \$7.80 | \$5.87 |
| Orlando Central Park | 226 | 20,831,056 | 0 | 2.9% | 631,334 | 1,188,150 | 550,749 | N/A | \$11.84 | \$5.78 |
| Osceola/Kissimmee | 86 | 5,211,379 | 0 | 0.7% | 62,462 | 0 | 0 | \$8.23 | N/A | N/A |
| West Orange/Winter Garden | 69 | 3,416,482 | 0 | 13.3% | 59,609 | 467,594 | 282,766 | N/A | N/A | \$6.73 |
| Davenport | 18 | 6,685,599 | 0 | 12.9% | 412,576 | 0 | 450,000 | N/A | N/A | \$5.49 |
| Orlando Totals | 1,981 | 123,887,185 | 713,886 | 7.1% | 64,550 | 3,574,606 | 3,178,480 | \$7.23 | \$10.14 | \$5.97 |

*Rental rates reflect asking \$psf/year

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

** Absorption numbers do not match national reporting statistics.

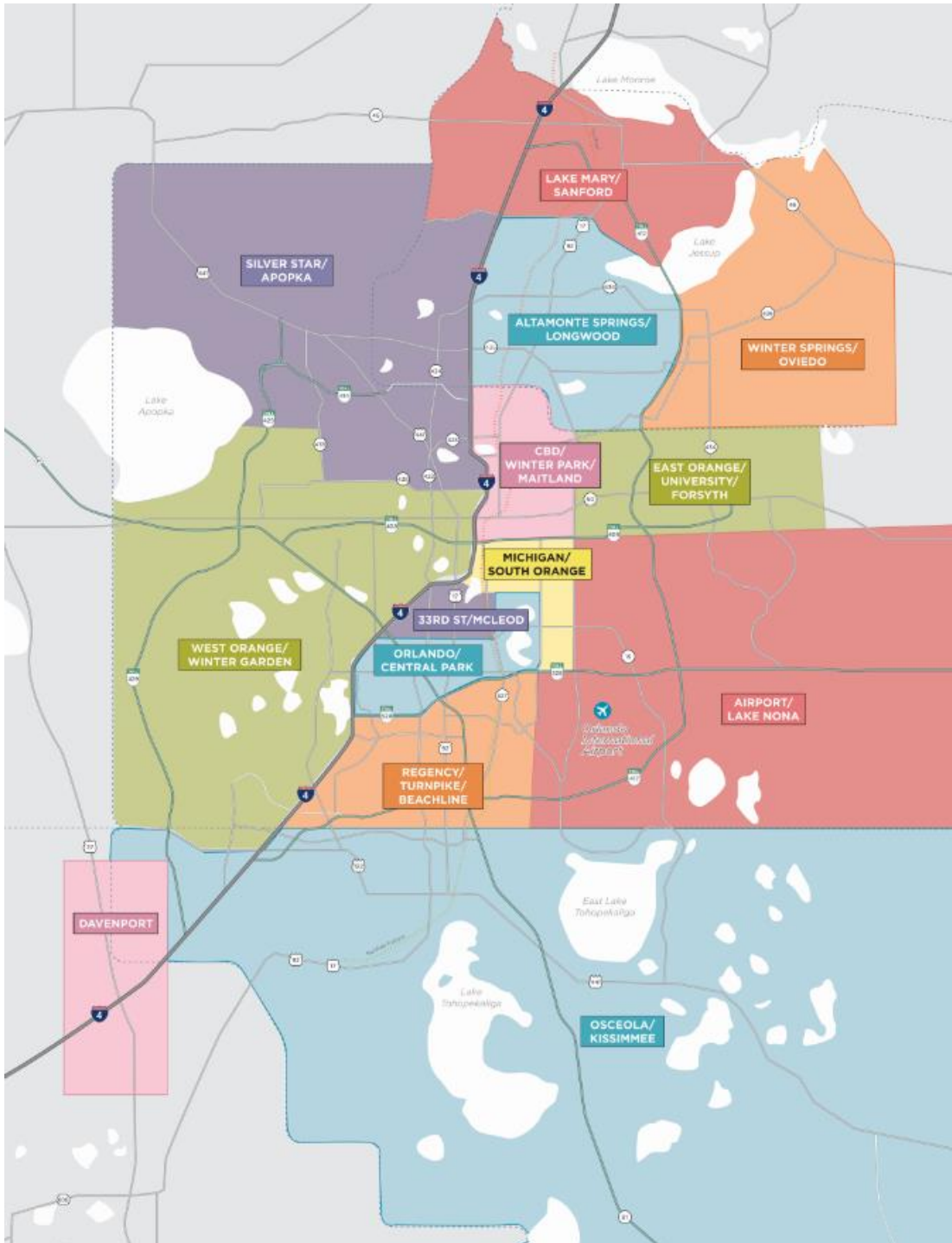
| ASSET TYPE | TOTAL BLDGS | INVENTORY (SF) | YTD INVESTOR SALES ACTIVITY (SF) | OVERALL VACANCY RATE | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | YTD LEASING ACTIVITY (SF) | YTD CONSTRUCTION COMPLETIONS (SF) | OVERALL AVERAGE ASKING RENT | DIRECT AVERAGE ASKING RENT |
|------------------------|-------------|----------------|----------------------------------|----------------------|---------------------------------|------------------|---------------------------|-----------------------------------|-----------------------------|----------------------------|
| Warehouse/Distribution | 1,444 | 96,433,816 | 367,076 | 7.4% | 301,887 | 3,574,606 | 3,695,691 | 3,178,480 | \$5.96 | \$5.94 |
| Manufacturing | 213 | 13,189,059 | 0 | 2.0% | -28,842 | 0 | 4,940 | 0 | \$7.23 | \$7.23 |
| Office Service/Flex | 324 | 14,264,310 | 269,200 | 9.5% | -208,495 | 0 | 238,579 | 0 | \$10.14 | \$10.15 |

Key Lease Transactions Q3 2019

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|-----------------------------|---------|------------------|------------------|--------------------------|
| Coca Cola - Building 5 | 289,000 | Coca-Cola | New | Silver Star/Apopka |
| 1801 Boice Pond Road | 193,968 | One Fat Frog Inc | New | Regency/Turnpike/Beeline |
| John Young Pkwy @ Consulate | 95,206 | LaserShip | New | Orlando Central Park |

Key Sales Transactions Q3 2019

| PROPERTY | SF | BUYER | PRICE / \$PSF | SUBMARKET |
|------------------------------------|---------|---------------------|--------------------|--------------------------------|
| 6200-6280 Hazeltine National Drive | 134,389 | Terracap Management | \$17,615,000/\$131 | Airport/Lake Nona |
| 658 Douglas Avenue | 123,000 | | \$12,063,123/\$98 | Altamonte/Longwood/Casselberry |
| 7101 Presidents Drive | 106,858 | KKR | \$13,150,000/\$123 | Orlando Central Park |



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