

Orlando



Market Facts

101.9 MSF

Total inventory in the Orlando industrial market

2,114,477 SF

Direct net absorption for 2016

5.99%

Overall Vacancy

\$6.00 PSF

Average rental rate for industrial space in Orlando on a triple-net basis

Industrial Market Fundamentals During 2016 Surpass Previous Year's Performance

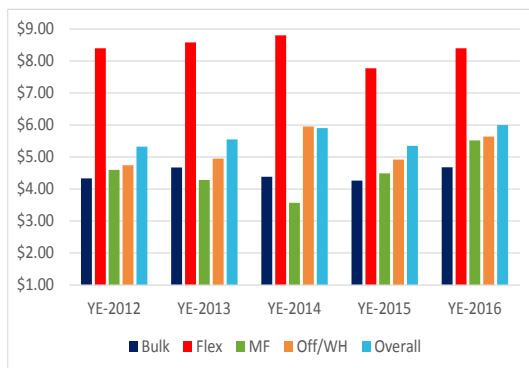
Orlando's economic engine continues to impress as demonstrated by the sustained decline in the unemployment rate, which remained steady at 4.4% as of November 2016 – a slight 20-bps decrease from the previous year. Economic fundamentals remain solid, job growth continues with over 46,800 new jobs added in the trailing 12-month period, healthy leasing activity is occurring, and there is an increasingly active speculative development pipeline, with the vast majority of new development still taking place in the sought after Airport/Southeast submarket.

At the close of 2016, industrial fundamentals remained sound. Overall vacancy has declined 2.4 percentage points over the last year to a current 5.99%, healthy absorption of over 2.1 million sf has been recorded, and rental rates continue to strengthen, with the

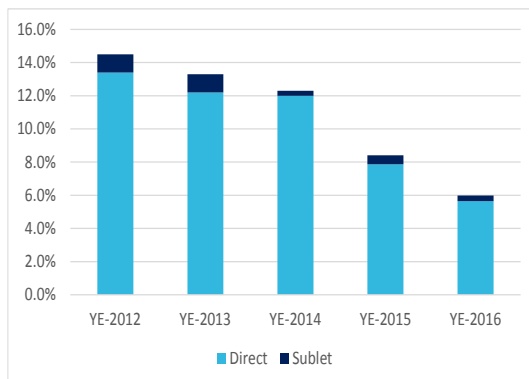
direct weighted average rental rate up \$0.65 since year-end 2015 to a current \$6.00 per sf on a triple-net basis. The direct weighted average rental rate is up in all submarkets over the same point a year ago, and has risen significantly in several areas. Landlords continue to incrementally increase asking rents, particularly in newer and more functionally efficient buildings in major distribution corridors, with the greatest year-to-date increases (relative to total inventory) in the Airport/Southeast submarket (up \$0.76), followed by Orlando Central Park (up \$0.62) and Silver Star (up \$0.51). All sectors except for manufacturing recorded positive absorption, and the Airport/Southeast, Orlando Central Park, and Southwest submarkets of South Orlando accounted for two-thirds of all net absorption recorded during the year.

Since functionality for e-commerce businesses is somewhat secondary to proximity, infill re-development of existing industrial and class C office product in pivotal locations could likely become an increasing trend over the next few years.

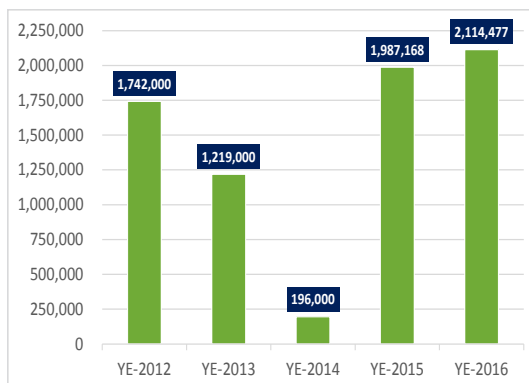
Average Asking Rent Rate (\$/SF/NNN)



Vacancy Rate



Net Absorption (SF)



E-Commerce Revolution Driving Industrial Trends

A virtual explosion within the e-commerce industry is spurring nationwide demand for industrial real estate, along with driving much of the demand for acquiring developable sites. As a result, finding reasonably priced industrial-zoned land in primary transportation corridors is an increasingly difficult proposition. Since functionality for e-commerce businesses is somewhat secondary to proximity, infill re-development of existing industrial and class C office product in pivotal locations could likely become an increasing trend over the next few years.

An omni-channel retail marketplace is also creating strong demand for industrial development as smaller retail footprints and a diminishing supply of brick and mortar stores is creating additional demand for distribution space.

A Growing and Diverse Development Pipeline

There is a total of 1.8 million sf in the active speculative development pipeline, nearly all of which is situated proximate to Orlando International Airport, with significant projects under construction by EastGroup, DCT Industrial Trust, Foundry Commercial and McCraney Property Company. There is also a significant manufacturing development underway in Osceola County. The 109,000-sf Florida Advanced Manufacturing Research Center ("FAMRC") is expected to become a major economic driver for Osceola County as the first facility in Florida with the capability of providing a high-tech manufacturing platform.

While a relative lack of large blocks of space in the market is fueling

the new construction activity, with the bulk in the Airport/Southeast submarket, it is expected that the new space under construction will only partly mitigate the pent-up demand as tenant interest remains steady and strong economic fundamentals continue to support business expansion.

Looking Ahead

Central Florida's industrial market offers considerable logistical advantages. Tenants in the e-commerce, distribution, and construction materials industries seeking buildings with higher clear heights, deep truck courts and trailer parking will find opportunities in new development rising around Orlando International Airport, along with the Davenport area of Southwest Orlando where the development of bulk distribution facilities have been pushing for the last several years.

Heading into 2017, Avison Young anticipates that the speculative construction underway will help to alleviate some of the existing pent-up demand for space, and the new space scheduled for delivery will create a small and temporary uptick in the vacancy rate. Rental rates will continue to show incremental gains, particularly for newly developed space and well located properties, and distribution, e-commerce, and 3PL firms will continue to aggressively canvass for opportunities in the Airport/Southeast submarket and in the burgeoning Davenport area.

Investors will also continue to seek opportunities for properties offering high quality construction with credit tenants that have limited short-term rollover in compelling locations proximate to transportation corridors.

ORLANDO MSA TOTAL									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Total Bulk / Distribution	32,041,087	\$4.68	1,929,178	93.98%	6.02%	0.74%	6.76%	451,823	568,166
Total Flex Space	13,863,114	\$8.40	1,452,549	89.52%	10.48%	0.51%	10.99%	0	423,634
Total Manufacturing	6,509,769	\$5.52	465,194	92.85%	7.15%	0.00%	7.15%	100,000	(12,100)
Total Office / Warehouse	49,446,401	\$5.64	1,904,178	96.15%	3.85%	0.11%	3.96%	1,250,616	1,134,777
Market Total	101,860,371	\$6.00	5,751,099	94.35%	5.65%	0.34%	5.99%	1,802,439	2,114,477
Northwest									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	743,355	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	384,704	\$9.00	2,940	99.24%	0.76%	0.00%	0.76%	0	27,620
Manufacturing	1,126,395	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Office / Warehouse	3,706,021	\$5.91	137,082	96.30%	3.70%	0.00%	3.70%	0	(1,296)
Submarket Total	5,960,475	\$5.97	140,022	97.65%	2.35%	0.00%	2.35%	0	26,324
Silver Star									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	3,365,354	\$4.55	146,400	95.65%	4.35%	0.00%	4.35%	0	11,278
Flex	1,317,456	\$5.04	118,641	90.99%	9.01%	1.14%	10.14%	0	1,649
Manufacturing	1,495,710	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Office / Warehouse	7,872,684	\$7.12	186,895	97.63%	2.37%	0.07%	2.45%	23,200	83,905
Submarket Total	14,051,204	\$5.74	451,936	96.78%	3.22%	1.21%	4.43%	23,200	96,832
Longwood / Lake Mary / Sanford									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	1,250,450	\$4.25	463,650	62.92%	37.08%	0.00%	37.08%	0	0
Flex	2,116,508	\$8.57	305,218	85.58%	14.42%	0.00%	14.42%	0	34,674
Manufacturing	1,522,876	\$4.75	423,194	72.21%	27.79%	0.00%	27.79%	0	12,900
Office / Warehouse	5,516,244	\$6.13	192,028	96.52%	3.48%	0.00%	3.48%	40,500	181,761
Submarket Total	10,406,078	\$5.62	1,384,090	86.70%	13.30%	0.00%	13.30%	40,500	229,335
North Central									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Flex	1,258,596	\$8.31	134,899	89.28%	10.72%	0.00%	10.72%	0	(14,294)
Manufacturing	233,186	\$0.00	0	100.00%	0.00%	0.61%	0.61%	0	0
Office / Warehouse	1,070,988	\$4.66	51,255	95.21%	4.79%	0.00%	4.79%	0	(34,630)
Submarket Total	2,562,770	\$7.30	186,154	92.74%	7.26%	0.61%	7.88%	0	(48,924)
Central Orlando									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	316,943	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	528,969	\$12.00	46,225	91.26%	8.74%	1.64%	10.38%	0	31,292
Manufacturing	510,500	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Office / Warehouse	3,406,751	\$3.60	20,350	99.40%	0.60%	0.44%	1.04%	0	69,589
Submarket Total	4,763,163	\$9.43	66,575	98.60%	1.40%	2.08%	3.48%	0	100,881
Osceola County									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	1,353,699	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	465,435	\$9.65	10,950	97.65%	2.35%	0.00%	2.35%	0	27,895
Manufacturing	1,257,315	\$6.29	42,000	96.66%	3.34%	0.00%	3.34%	100,000	(25,000)
Office / Warehouse	1,595,702	\$4.26	138,789	91.30%	8.70%	0.00%	8.70%	0	13,745
Submarket Total	4,672,151	\$5.01	191,739	95.90%	4.10%	0.00%	4.10%	100,000	16,640
33rd Street									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	213,000	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	613,674	\$6.59	86,647	85.88%	14.12%	0.00%	14.12%	0	(15,598)
Office / Warehouse	3,579,490	\$5.58	199,398	94.43%	5.57%	0.40%	5.97%	0	176,433
Submarket Total	4,406,164	\$5.88	286,045	93.51%	6.49%	0.40%	6.89%	0	160,835
University / East Side									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	350,154	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Flex	1,451,865	\$9.32	134,267	90.75%	9.25%	0.00%	9.25%	0	59,104
Manufacturing	363,787	\$0.00	0	100.00%	0.00%	0.00%	0.00%	0	0
Office / Warehouse	1,847,129	\$3.90	31,162	98.31%	1.69%	0.00%	1.69%	0	58,557
Submarket Total	4,012,935	\$8.30	165,429	95.88%	4.12%	0.00%	4.12%	0	117,661
Orlando Central Park									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	8,833,851	\$4.93	211,624	97.60%	2.40%	0.00%	2.40%	0	298,868
Flex	2,374,706	\$7.81	249,703	89.48%	10.52%	0.88%	11.40%	0	94,416
Office / Warehouse	4,216,280	\$4.69	152,548	96.38%	3.62%	0.00%	3.62%	0	50,657
Submarket Total	15,424,837	\$6.04	613,875	96.02%	3.98%	0.88%	4.86%	0	443,941
Airport / Southeast									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	13,337,627	\$4.64	1,020,771	92.35%	7.65%	1.77%	9.42%	451,823	148,353
Flex	2,187,066	\$9.31	291,498	86.67%	13.33%	0.00%	13.33%	0	86,396
Office / Warehouse	13,077,238	\$6.59	772,719	94.09%	5.91%	0.15%	6.05%	1,186,916	552,676
Submarket Total	28,601,931	\$6.02	2,084,988	92.71%	7.29%	1.91%	9.20%	1,638,739	787,425
Southwest									
Class Breakdown	Total RSF	Lease Rate	Direct Vacant SF	% Occupied	% Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Bulk	2,276,654	\$5.03	86,733	96.19%	3.81%	0.00%	3.81%	0	109,667
Flex	1,164,135	\$6.77	71,561	93.85%	6.15%	0.16%	6.31%	0	90,480
Office / Warehouse	3,557,874	\$9.60	21,952	99.38%	0.62%	0.00%	0.62%	0	(16,620)
Submarket Total	6,998,663	\$6.28	180,246	97.42%	2.58%	0.16%	2.73%	0	183,527

Reporting Methodology: This report includes all industrial buildings and parks 20,000 SF and greater in the Orlando MSA that are not government owned. All rents are reported on a triple-net basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Florida's economy has emerged from the most significant downturn since the Great Depression as one of the nation's fastest growing economies.

Leading Indicators



Significant 2016 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Qtr Leased	Submarket
Whirlpool	2100 Directors Row	165,000	4Q16	New Lease	Orlando Central Park
Design Communications	Liberty Park at AIPO	119,250	2Q16	New Lease	Airport/Southeast
Specialty Logistics	Beachline Corporate Center	89,000	3Q16	New Lease	Airport/Southeast
Thyssen Krupp	LeeVista Business Center Bldg F	79,300	2Q16	New Lease	Airport/Southeast
Irby	Prologis Lake Mary Logistics Center	60,500	2Q16	New Lease	Lgwd/Lake Mary/San
Air Traffic Services	1001 Tradeport Dr	57,420	4Q16	Renewal	Airport/Southeast
MASCO Cabinetry	Presidents II	56,000	1Q16	Renewal	Orlando Central Park
Shaw	Liberty Park at AIPO	55,840	2Q16	Expansion	Airport/Southeast
WESCO	Bent Oak Industrial Park Bldg 200	54,491	4Q16	New Lease	Airport/Southeast
Daltile Sales Service Center	Center of Commerce 915	50,878	3Q16	New Lease	Silver Star
Wurth USA	3001 Directors Row	50,566	3Q16	New Lease	Orlando Central Park
Gemaire	Shader Industrial Park	48,500	4Q16	New Lease	Silver Star
Johnson Controls	Center of Commerce 902	46,582	4Q16	New Lease	Silver Star
4 Power Stone	2700-2716 Hazelhurst Ave	45,000	1Q16	New Lease	Silver Star
Blue Moon Global	Prologis OCP - Sand Lake I	43,993	4Q16	New Lease	Orlando Central Park
Bridgestone	450 Gills Drive	43,120	1Q16	New Lease	Airport/Southeast
Shell Oil	Prologis Crown Pointe Park	42,354	2Q16	New Lease	Southwest
Sorensen Moving & Storage	Liberty Park at AIPO	42,102	4Q16	Renewal	Airport/Southeast
Titan Commercial Warehouse	Orlando Central Park VIII	40,885	1Q16	Expansion	Orlando Central Park
Cambria Distribution	Parksouth Distribution Center E	38,684	1Q16	Expansion	Orlando Central Park
Scientific Games	Liberty Park at AIPO	33,372	4Q16	Expansion	Airport/Southeast
Absolute Exhibits	Airport Distribution Center North Bldg A	32,195	3Q16	Expansion	Airport/Southeast
Trojan Battery Sales	2900 Titan Row	31,500	2Q16	New Lease	Orlando Central Park
US Autoforce	Prologis Beltway Commerce Center	30,000	1Q16	New Lease	Airport/Southeast
Interline	Horizon Commerce Park III	28,102	3Q16	New Lease	Airport/Southeast
Lars	Prologis Orlando Corporate Center	27,224	3Q16	New Lease	Orlando Central Park
Zenith Lighting	LeeVista Business Center Bldg F	26,500	2Q16	New Lease	Airport/Southeast
Design Shop	West Park IV	25,000	3Q16	New Lease	33rd Street

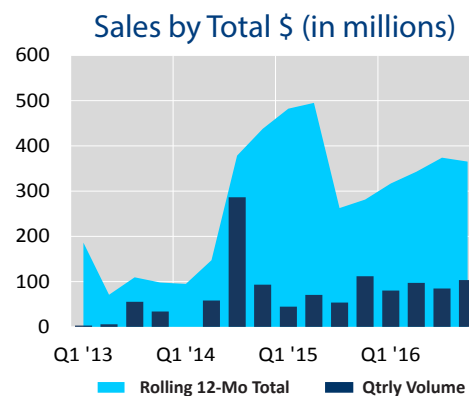
Shading indicates this was a 4th quarter lease transaction



Industrial Investment Activity Strong During 2016

Significant capital was invested in Orlando's industrial market during 2016, with a notable uptick in REIT investment activity over the course of the year. Sales volume during the trailing 12 month period ending with December 2016 was up 30% over the previous trailing-12 period ending December 2015, and the average price per sf was up 12% during that same period. The largest transaction during the fourth quarter was the sale of three buildings at LeeVista Business Park to Colony Capital REIT ('Colony') for \$47.9 million, although Colony also acquired two additional buildings in the Silver Star area. With over 1.5 million sf acquired over the course of 2016 totaling sales volume of \$127.8 million, Colony was the largest single industrial investor this past year. Earlier in the year, the REIT acquired CrownPointe I-IV, a four-building, 669,010 sf industrial development in the Southwest submarket. The class A industrial project was sold for \$55.6 million, or \$83 per sf, and the sale represented one of the largest industrial sales in Orlando's history.

There have been 42 industrial sales over the trailing 12 months accounting for \$365.1 million and 5.9 million square feet. Forty-nine percent of all sales have been to private buyers, followed by 29% to public REITs, 12% to owner/users, 7% to institutional investors, and 3% to foreign investors based in Canada.



Significant 2016 Sales Transactions - Sorted by Quarter of Sale

Property	SF	Sale Price	Price/ SF	Buyer	Qtr Sold	Submarket
LeeVista Business Park D-F	479,100	\$47,900,000	\$100	Colonial Capital REIT	4Q16	Airport/Southeast
1925 Park Oaks Ave	164,530	\$13,800,000	\$84	Colony Capital REIT	4Q16	Silver Star
3785 Bryn Mawr	218,413	\$10,500,000	\$48	Colony Capital REIT	4Q16	Silver Star
7101 Presidents Dr	106,858	\$9,000,000	\$84	Avistone	4Q16	Orlando Central Park
8650 Transport Dr	360,000	\$16,250,000	\$45	MDH Partners	3Q16	Airport/Southeast
University Tech Center	83,454	\$10,817,606	\$130	City Office REIT	3Q16	University/East Side
3250 Shader Rd	609,312	\$8,600,000	\$14	Spinel Investment Company	3Q16	Silver Star
CrownPointe I-IV	669,000	\$55,600,000	\$83	Colony Capital REIT	2Q16	Southwest
Technology Park	297,693	\$21,300,000	\$72	Real Capital Solutions	2Q16	Lgwd/Lake Mary/San
Shader Industrial Park	298,817	\$10,700,000	\$36	Hanover Platinum	2Q16	Silver Star
7466 Chancellor Dr	103,501	\$6,850,000	\$66	TA Realty	2Q16	Orlando Central Park
3200 Lake Emma Road	152,500	\$18,300,000	\$120	Kroger, Inc.	1Q16	Lgwd/Lake Mary/San
4473 Shader Rd	199,100	\$14,000,000	\$70	First Industrial Realty Trust	1Q16	Silver Star
30 S Keller Rd	110,688	\$9,977,105	\$90	Taurus Investment Holdings	1Q16	Silver Star
American Tire Distributors	125,775	\$9,300,000	\$74	First Industrial	1Q16	Airport/Southeast

Contact Information

Greg Morrison
Principal and Managing Director
135 W Central Blvd, Suite 700
Orlando, FL 32801
407.440.6640
greg.morrison@avisonyoung.com

Lisa Bailey
Principal
135 W Central Blvd, Suite 700
Orlando, FL 32801
407.440.6645
lisa.bailey@avisonyoung.com

Lisa McNatt
Director of Research
135 W Central Blvd, Suite 700
Orlando, FL 32801
813.444.0606
lisa.mcnatt@avisonyoung.com

