

Florida Investment Review

Y-O-Y Industrial Deal Volume in Florida up 5.6% in 2019 Fueled in Large Part by Healthy Development Activity and Strong Growth Within the Logistics Industry

Industrial investment activity continues to outperform all other property types, and deal volume during 2019 was the second strongest on record according to research by Real Capital Analytics. Underlying investor demand remains strong, and overall deal volume is being increasingly propelled by individual property sales rather than by large portfolio transactions. Florida's industrial markets exhibited accelerating investment activity during 2019, with total investment volume for the year ending Dec-2019 up markedly over the trailing 12-month period. This occurred in a year that saw record construction completions in Miami-Dade County, and where Orlando ended the year with more space under construction than had been delivered during the year. Rolling 12-month transaction volume hit a record of \$6.6 billion at the end of the third quarter, and total volume for the year was 41% higher than just two years before.

The flourishing logistics industry is playing a pivotal role in the expansion of the nation's overall industrial sector. As e-commerce continues to drive structural shifts, larger investors are increasingly interested in investing in the back end of the internet, placing their capital in fulfillment and distribution centers. The net result is an increase in deal volume and accelerating rents in primary distribution corridors. Moving forward into 2020, investment activity is anticipated to remain strong as industrial remains a preferred asset class for investors due to strong demand, rental rate appreciation, and the ripple effects of an ever-expanding e-commerce sector.

Industrial Investment Influencers During 2019

- The Federal Reserve cited global developments as the rationale for further reducing its policy rate by 25 basis points to a target range of 1.50% to 1.75% in October, after which Fed Chairman Jerome Powell signaled that he felt monetary policy was in a good place as global trade tensions were easing.
- A relative lack of developable land in some areas, particularly in Miami-Dade County, continues to present headwinds for developers as infill development, which is often more costly, becomes more and more common.
- 2019 was a year of major entity-level acquisitions, most recently New York-based Blackstone Real Estate Income Trust, Inc.'s \$5.3 billion purchase of Global Logistics Properties' 64 million-sf portfolio, so it is fitting that the final quarter of the year brought another massive announcement. Prologis, Inc. announced that it was under contract to acquire Liberty Property Trust in an all-cash transaction valued at \$12.6 billion. Prologis will add 107 million sf of quality logistics inventory to its 797 million-sf portfolio, expanding its footprint in 87 markets across the country. At the time of the announcement, Liberty had 5.1 million sf under construction with approximately 1,700 additional acres that could be developed as industrial product in the future, in addition to having a substantial presence in the South Florida, Tampa, Orlando and Jacksonville markets.
- During the final quarter of 2019, Avison Young's Capital Markets Group completed a \$70 million sale-leaseback of the Transformco Distribution Center in Ocala. The 1.9 million-sf industrial property is Florida's largest single-building industrial asset. The buyer was New York-based Reich Brothers.
- While a cease-fire has been declared in the trade war with China, the upcoming presidential election and escalating tensions in the Middle East may create some degree of volatility as the year progresses. Some of those fears have been mitigated with the passing of the USMCA (United States-Mexico-Canada Agreement) in the House during December, which could aid the contracting U.S. manufacturing sector. Despite current geopolitical stress, the U.S. economy is entering its 11th year of expansion and 2020 is expected to be another strong year for the industrial market.

\$5.8 billion

total statewide industrial transaction volume during 2019

61.2 million

total sf sold during 2019

418

total industrial sales >\$2.5MM and >20,000 sf during 2019

\$94

avg price/sf for all industrial sales >20,000 sf closed during 2019

5.6%

Y-O-Y change in total industrial transaction volume from Dec-18 to Dec-19

South Florida accounted for 49% of Florida's total industrial transaction volume in 2019, followed by Orlando, Tampa and Jacksonville.

South Florida

Total deal volume was up 9% in South Florida during 2019 as pricing surged due to increased land constraints and robust investor appetite.

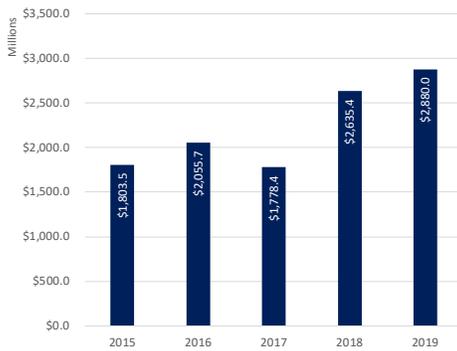
Investment activity in South Florida's industrial market remains vigorous as the sector continues to outperform and is one of the most sought-after asset classes in the region. Fueled by a surging e-commerce industry, robust port and trade activity, and vigorous tenant demand, South Florida's industrial market experienced yet another year of record investment sales during 2019. Total transaction volume in South Florida during 2019 was \$2.8 billion, outperforming the substantial investment sales volume recorded in 2018 by 9%. Although fewer properties sold during 2019, the jump in sales volume demonstrates the continued surge in pricing as investors continue to pay top dollar for well-located assets.

The largest sale of the year, which was also the largest sale in the state of Florida, was the sale of Centergate at Gratigny for \$178 million. RREEF America purchased the three-building park totaling 1.6 million sf from PGIM. Institutional

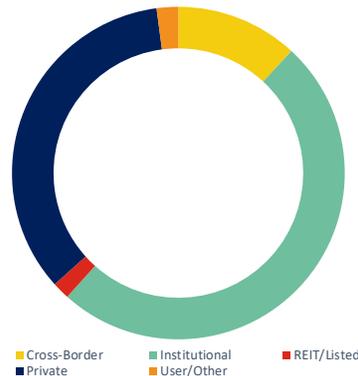
capital continues to flock to South Florida's industrial market with 49.8% of all investment sales during 2019 acquired by institutional buyers. That influx of institutional capital, as well as a low interest rate environment, also translated into compressed cap rates during 2019. Investment activity was strongest in Miami-Dade County, accounting for 54.6% of all industrial investment sales in South Florida, with the most investment occurring in the Northeast Dade, Airport West, and Northwest Dade submarkets. Southwest Broward also boasted strong performance, accounting for 14.1% of all industrial investment sales in South Florida.

Although headwinds remain on the horizon leading into 2020, South Florida's industrial investment environment is well-positioned for another successful year as strong job growth, robust development activity, and tenant demand remain constant.

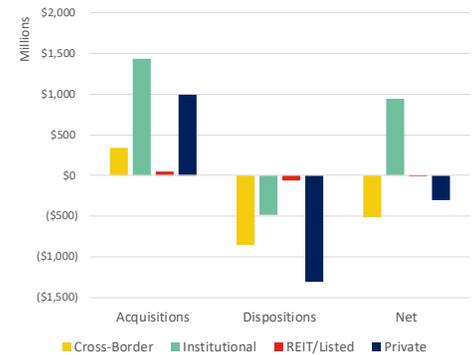
5-Yr Industrial Sales Volume Trend



Buyer Composition in 2019



Capital Flows in 2019



Significant 2019 Industrial Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Centergate at Gratigny	3Q-2019	1,580,821	\$178,000,000	\$113	RREEF America	Northeast Dade
AVE Aviation & Commerce Center*	4Q-2019	946,086	\$126,000,000	\$131	Bridge Development Partners/ BentallGreenOak	Northwest Dade
IDI Logistics Miramar Portfolio**	3Q-2019	607,223	\$116,500,000	\$192	Stockbridge Capital Group	Southwest Broward
3400 NW 74th Ave	3Q-2019	420,372	\$82,900,000	\$197	Brookfield Property Group	Airport West
Bridge Point Powerline Road	4Q-2019	467,832	\$68,950,726	\$147	Morgan Stanley	Pompano Beach
Meridian Business Campus	1Q-2019	438,331	\$63,050,000	\$143	Cabot Properties	Southwest Broward
Powerline Business Park	1Q-2019	443,720	\$62,250,000	\$140	Stockbridge Capital Group	Northeast Dade
Airport Trade Center	3Q-2019	367,848	\$56,000,000	\$152	The Blackstone Group	Airport West
County Line Corporate Park - Bldg 5	3Q-2019	252,128	\$40,000,000	\$159	Duke Realty	Northwest Dade
Turnpike Business Park	1Q-2019	353,835	\$39,061,200	\$110	Cabot Properties	West Palm Beach

*Avison Young was involved in this transaction

**Denotes a portfolio sale

Tampa Bay

Total deal volume for 2019 was more than double what was recorded just two years prior, with private investors comprising 54% of all sales.

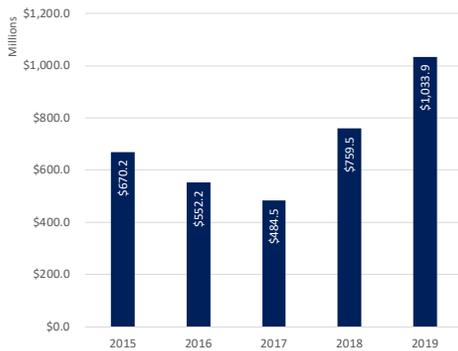
Tampa's industrial market performed well in 2019 as e-commerce fueled both industrial demand and development. Investment activity was strong in the combined Tampa/Lakeland market over the past year, with total industrial investment sales volume totaling just over \$1 billion over the trailing 12-month period ending December 2019, and \$3.5 billion in total investment sales occurring over the past five years.

The most significant sale of 2019 occurred in the second quarter when a massive 1+ million of distribution facility in the East Side's Ruskin area sold for the second time since its delivery in 2014 for a substantial premium over its last sale in 2016. Cole Office & Industrial REIT II previously acquired the property for \$103.6 million, and just finalized its sale to Industrial Logistics Properties Trust for \$123.6 million, a 16% increase. Also noteworthy is that during the third quarter a Dallas-based

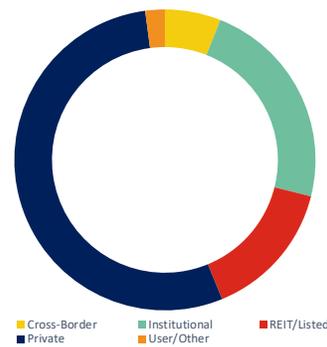
investment group acquired the recently delivered I-4 Logistics Center in Seffner for \$29.1 million without a tenant in place, a testament to how competitive the industrial market has become and to the perceived strength of the I-4 Corridor connecting Tampa to Orlando.

Nearly all of the new space underway is along the pivotal I-4 Corridor, offering accessibility to 20 million people within a 5-hour drive time, and robust demand for logistics facilities is fueling growth in Lakeland, where total industrial inventory has grown by 15% in the last 3 years. While some U.S. markets are in danger of overbuilding, tenant and investor demand in Tampa remains so robust that developers continue to scour for large land sites on which to construct distribution centers. Overall, Tampa's industrial market is very solid heading into 2020.

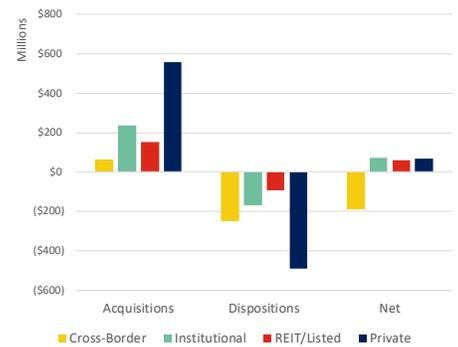
5-Yr Industrial Sales Volume Trend



Buyer Composition in 2019



Capital Flows in 2019



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Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
Amazon Distribution Center	2Q-2019	1,017,693	\$123,600,000	\$121	Industrial Logistics Properties Trust	East Side
Tampa Distribution Center	3Q-2019	955,000	\$69,250,000	\$73	Link Industrial Properties (Blackstone)	East Side
580 Corporate Center	4Q-2019	369,602	\$47,100,000	\$127	Adler Kawa Real Estate Advisors	North Pinellas
Key Logistics Center 200	2Q-2019	491,920	\$35,422,700	\$72	Kohlberg Kravis Roberts & Co, L.P.	Lakeland
Grand Oaks 75 Business Ctr I/II	3Q-2019	319,373	\$30,700,000	\$96	EastGroup	East Side
Bryan Dairy East Business Park	4Q-2019	281,214	\$29,400,000	\$105	GID Investment Advisors, LLC	Mid-Pinellas/Gateway
I-4 Logistics Center	3Q-2019	424,550	\$29,111,400	\$69	Dalfen Industrial	East Side
6870 Firstpark Blvd	2Q-2019	400,000	\$28,817,701	\$72	WPT Industrial Real Estate Investment Trust	Lakeland
Roth Portfolio (17 bldgs)	1Q-2019	466,460	\$28,622,000	\$61	Redstone Investments	Airport/Westshore & East Side
8800-8824 E Adamo Dr	2Q-2019	368,664	\$26,300,000	\$71	ASB Capital Management LLC	East Side

Orlando

Total deal volume for 2019 was down slightly over 2018 but up more than double the amount sold in 2017 with 51% of all sales by private investors.

Heading into 2020, industrial market fundamentals in Orlando remain solid and development activity continues to accelerate. Overall confidence in the market on the part of developers is so strong that there was more new inventory under construction at the close of 2019 than had been delivered during the year. Amazon was also very active in the Orlando area during 2019, and there are signs that they will continue to expand their presence during 2020, with projects underway along the I-4 corridor from Deltona (just north of Orlando) and into Polk County (between Orlando and Tampa).

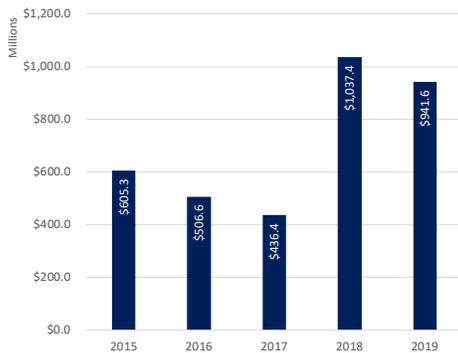
A pivotal part of Central Florida's industrial market, the I-4 Corridor continues to be highly sought after for logistics companies as delivery speed remains of paramount importance. Notably, 14% of all industrial space in Orlando has delivered in the last 5 years. Key distribution projects are underway with McDonald Development Company, Seefried

Properties, Prologis, Dalfen America, EastGroup, Foundry, Tavistock in partnership with McCraney Property Co., and Blue Scope Properties.

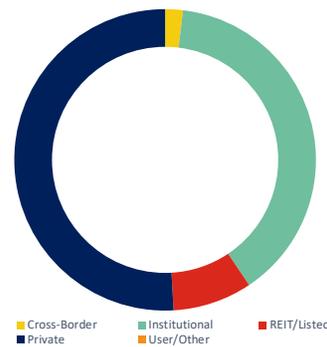
Industrial sales volume during 2019 was strong with warehouse and bulk distribution buildings comprising 86% of all property sales. Institutional and private investors were net buyers during 2019, accounting for 90% of all transactions for the year.

As 2020 will be punctuated by an easing of trade tensions at the beginning of the year and a Presidential election at the end, the market will certainly be affected by a combination of headwinds and tailwinds, much as it was at the close of 2019. That said, growth is expected to remain strong, especially given the fact that manufacturing is not a significant component of Orlando's industrial market, and therefore its slowdown has a minimal impact on its overall health.

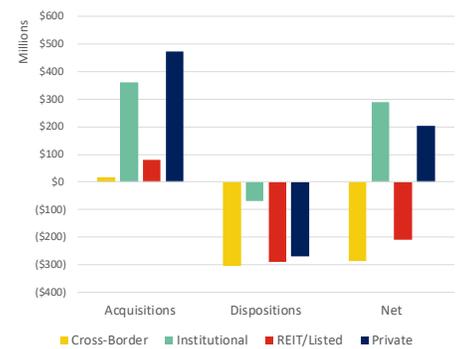
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American Industrial Center	1Q-2019	823,166	\$49,000,000	\$60	Blue Vista	Longwood/Lake Mary/
Beltway Commerce Center	3Q-2019	564,664	\$42,300,000	\$75	Colony Capital, Inc.	Airport/Southeast
Winter Garden Commerce Center	3Q-2019	140,933	\$21,600,000	\$153	Kohlberg Kravis Roberts & Co L.P.	Northwest
8601 Transport Dr	1Q-2019	143,000	\$18,500,000	\$129	Graham Commercial	Airport/Southeast
Lake Point Business Park	3Q-2019	134,389	\$17,625,000	\$131	TerraCap Management, LLC	Airport/Southeast
Lee Vista Business Center G	2Q-2019	159,884	\$15,500,000	\$97	Colony Capital, Inc.	Airport/Southeast
Altamonte Commerce Center	2Q-2019	185,600	\$14,850,000	\$80	SunCap Opportunity Fund	North Central
Presidents Plaza	3Q-2019	108,432	\$13,150,000	\$121	Kohlberg Kravis Roberts & Co L.P.	Orlando Central Park
6200/6923 Lee Vista Blvd	1Q-2019	150,751	\$10,929,748	\$73	JRC Lee Vista Investors LLC	Airport/Southeast
7466 Chancellor Dr	4Q-2019	100,045	\$10,150,000	\$101	Griffin Industrial Realty	Orlando Central Park

Jacksonville

Private investors are increasingly targeting the Jacksonville area, accounting for 40% of all sales volume in 2019, compared to 53% for the state of Florida.

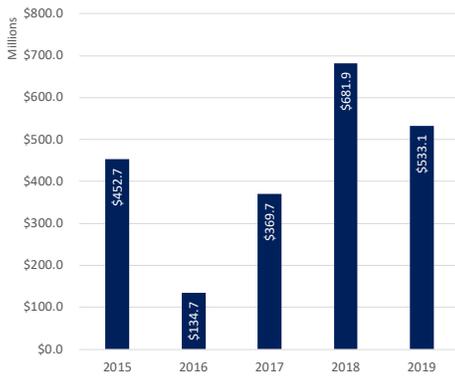
Jacksonville's industrial market remains a pivotal link in the Southeast delivery chain, centered between a major hub in Atlanta and fast-growing South Florida, where Miami-Dade County is steadily becoming a primary industrial market. Total industrial sales volume for 2019 was up 8% over the previous year, driven in large part by a surge in portfolio volume, which comprised 62% of all investment activity. Notably, rolling 12-month transaction volume reached \$670 million at the end of the second quarter of 2019, the highest level since the fourth quarter of 2014.

Institutional investors, REIT/listed companies and private investors were all net buyers in 2019, and there was no notable cross-border investment during the year. Institutional investors generated the most activity, accounting for 53% of all industrial sales, followed by private investors (40%), REIT/listed (5%), and users (2%).

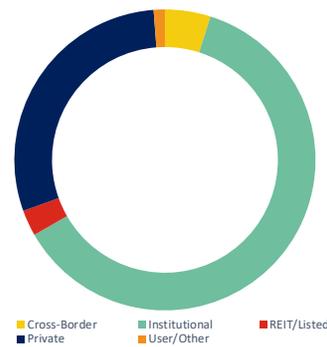
The most significant transaction in 2019 was Invesco's purchase of three industrial bulk distribution/logistics properties in the Westside and Ocean Way submarkets for a combined \$129.3 million. The buildings were previously owned by Gramercy Property Trust. Also notable was Birmingham-based Graham & Company's acquisition of Northport Logistics Center, a massive bulk distribution facility occupied by Gildean Activewear and Grimes Logistics.

The overall U.S. manufacturing sector is in the midst of a mild recession largely prompted by the trade war with China and a global economic slowdown, and manufacturing accounts for 17% of Jacksonville's industrial market. While in theory a protracted recession in manufacturing could leave Jacksonville more exposed than other Florida markets, the vacancy rate at the end of 2019 remained well below 1%.

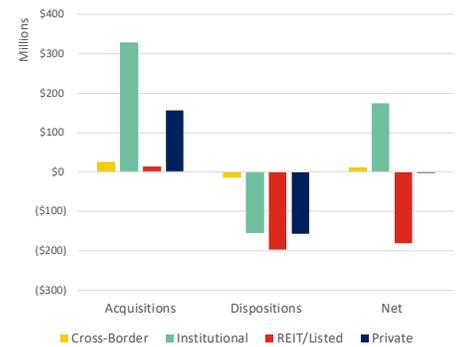
5-Yr Industrial Sales Volume Trend



Buyer Composition in 2019



Capital Flows in 2019



Significant 2019 Industrial Transactions Ranked by Sales Price

Property	Date Sold	SF	Sale Price	Price/SF	Buyer	Submarket
2300 Pickettville Rd	1Q-2019	601,500	\$50,400,000	\$84	Invesco Real Estate	Westside
12200 Presidents Ct	1Q-2019	772,000	\$46,900,000	\$61	Invesco Real Estate	Westside
NorthPort Logistics Center	1Q-2019	872,627	\$49,000,000	\$56	Graham & Company	Northeast
600 Whittaker Rd	1Q-2019	469,830	\$32,000,000	\$68	Invesco Real Estate	Ocean Way
3660 Deerpark Blvd S	2Q-2019	321,500	\$26,100,000	\$81	Investcorp International, Inc.	St Johns County
10501 Cold Storage Rd	3Q-2019	300,000	\$20,100,000	\$67	The Silverman Group	Ocean Way
Westlake Industrial Park II	4Q-2019	231,030	\$14,800,000	\$64	STAG Industrial, Inc.	Westside
Wells Road Distribution Center	2Q-2019	283,301	\$13,400,000	\$47	SIF Wells Road, LLC	Clay County
6045 Bowdendale Ave*	4Q-2019	113,521	\$9,400,000	\$83	Veyron & Co, LLC	Butler Corridor
12300 Presidents Ct**	3Q-2019	115,210	\$9,249,100	\$80	DRA Advisors, LLC	Westside

*This was a sale-leaseback

**This was part of a 20-property U.S. portfolio sale and the only one in Jacksonville



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