

Healthy Leasing and New Development Activity Bolstering Orlando's Industrial Market, Despite the Negative Absorption Recorded at Mid-Year 2019

With the U.S. industrial sector remaining the preferred asset class for investors nationwide, the end of the second quarter of 2019 marked 120 consecutive months of U.S. economic growth, the longest on record. In a year of significant portfolio transactions nationwide, another massive industrial acquisition was announced during the second quarter when private equity firm Blackstone agreed to pay nearly \$19 billion to Singapore-based Global Logistics Properties for a 179 million-sf portfolio of urban infill logistics properties. The move will nearly double Blackstone's national industrial footprint and will result in one of the largest private real estate deals on record in the U.S.

While net absorption remained negative at the close of the second quarter, it was solely attributable to a single large distribution center landing on the market after its owner vacated due to bankruptcy. Taking the impact of that block of space out of the equation, absorption would have been just over 850,000 sf at mid-year. Several key leasing deals were completed, with four deals north of 100,000 sf taking place in the Orlando Central Park and Airport/Southeast submarkets. Asking rental rates for all industrial types as a group have declined slightly over the last year, however warehouse/distribution rents have grown by 7.1% in the trailing 12-month period. The overall vacancy rate has risen by 107 basis points since the second quarter of 2018, which once again is largely attributable to the distribution center discussed above. That said, the negative net absorption recorded so far this year should be able to be absorbed during the third quarter.



13.6 million sf

of new space has delivered in the last 4 years, accounting for 12% of all industrial space in Orlando

Industrial Market Snapshot

- International beverage giant Coca-Cola has confirmed plans to build a new 269,839 sf facility in Blue Scope Property Group's 178-acre, 2.4 million-sf Mid-Florida Logistics Park in the Northwest submarket. Earlier this year, Goya Foods revealed it was planning a 330,000 sf facility in the park. Missouri-based BlueScope is also planning a 113,159-sf development in north Seminole County to be called Sanford Logistics Center, which will likely be completed during the second quarter of 2020. That building has been 50% preleased by Marine Fasteners, Inc.
- U.S. cold storage demand is expected to accelerate over the next several years as the 'grocery wars' heat up and online grocery sales continue to rise. The Food Marketing Institute and research firm Nielsen have projected that online grocery sales will increase by 13% over the next 3 years, and new space will likely be needed as refrigerated warehouses comprise less than 3% of the total U.S. industrial market. Not surprisingly, investment in refrigerated/cold storage space has grown by 42% in the last three years. All of this is good news for Orlando, which just had a 1.1 million-sf

block of warehouse and freezer/cooler space hit the market after Winn-Dixie vacated its massive distribution center in the Silver Star submarket. The property should garner considerable interest but may take longer than average to fully lease up given its sheer size and current configuration as approximately 70% is warehouse and 30% is freezer/cooler space.

- The Federal Reserve ("Fed") is holding the federal funds target range steady until late July, when it is anticipated that Fed Chair Jerome Powell could make the case for a 0.25-point interest rate cut to keep fundamentals in check.
- Some of the significant pent-up demand for industrial space has been satisfied with recent industrial deliveries, however several developers are moving forward on larger scale projects. Colony Industrial, McCraney Property Co., McDonald Development Co., Prologis, EastGroup and Foundry Commercial are all underway with significant projects in the Orlando market and several other planned industrial projects are in the early planning stages.

114.4 MSF

Total industrial inventory in the Orlando market

(185,961) SF

Direct Y-T-D net absorption as of 2Q-2019

6.42%

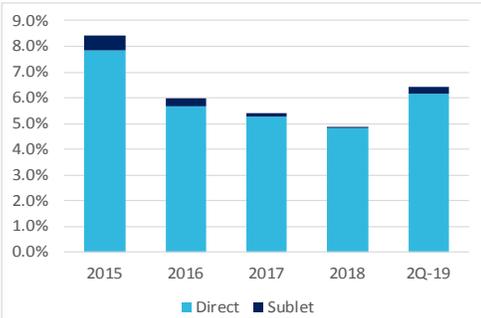
Overall Vacancy

\$6.56/SF/NNN

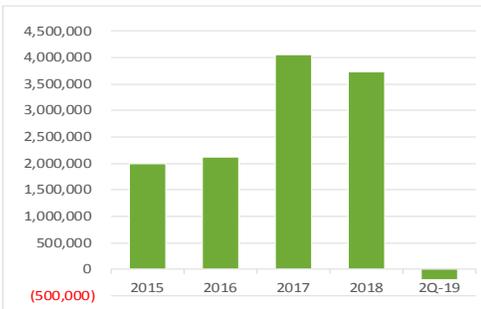
Average rental rate for industrial space

Statistical Snapshot

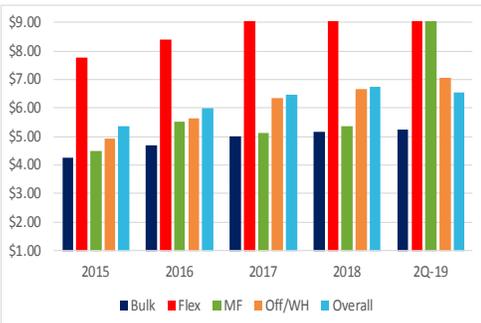
Vacancy Rate



YTD Net Absorption (SF)



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



Construction Pipeline



Orlando Industrial Market At A Glance

Demographics & Economy

The U.S. GDP growth rate is expected to remain between the ideal 2% to 3% range in 2019 and unemployment is forecast to continue at the natural rate.



27,059
increase in total non-farm employment since 2Q-2018

The U.S. economy remains well entrenched in the expansion phase of the business cycle but there are potential tailwinds on the horizon



3.1% **2.8%**
MAY-2018 MAY-2019
change in Orlando's unemployment rate



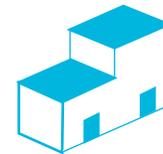
Development

3 million
square feet currently under construction



12%
OF ALL INDUSTRIAL SPACE IN ORLANDO
has been delivered in the last 4 years

Retail supply chain reconfiguration continues to drive demand for new warehouse/distribution space



Clear heights are increasing - new Class A distribution buildings average 32'

Market Influencers

\$541 million
in total industrial sales volume during the T-12 months ending 2Q19



7.1%
average rental rate increase for W/D space over the trailing 12-months ending 2Q-2019



Institutional capital continues to chase industrial real estate in the Southeast U.S.



The Amazon Effect continues to have a significant effect on the industrial market

ORLANDO MSA TOTAL

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|--------------------------|--------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|------------------|
| Bulk Distribution | 39,543,615 | \$5.23 | 3,873,002 | 252,556 | 90.21% | 9.79% | 0.64% | 10.43% | 1,177,022 | (753,897) |
| Flex | 14,173,185 | \$10.96 | 912,169 | 8,998 | 93.56% | 6.44% | 0.06% | 6.50% | 0 | 103,434 |
| Manufacturing | 6,565,835 | \$10.00 | 9,175 | 0 | 99.86% | 0.14% | 0.00% | 0.14% | 0 | 91,023 |
| Warehouse / Distribution | 54,103,050 | \$7.05 | 2,231,423 | 54,521 | 95.88% | 4.12% | 0.10% | 4.23% | 1,840,071 | 373,479 |
| Market Total | 114,385,685 | \$6.56 | 7,025,769 | 316,075 | 93.86% | 6.14% | 0.28% | 6.42% | 3,017,093 | (185,961) |

Northwest

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|--------------------------|------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Bulk Distribution | 1,072,949 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 402,582 | 149,636 |
| Flex | 500,738 | \$6.99 | 12,750 | 0 | 97.45% | 2.55% | 0.00% | 2.55% | 0 | 10,989 |
| Manufacturing | 1,126,395 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Warehouse / Distribution | 3,904,419 | \$8.91 | 50,769 | 0 | 98.70% | 1.30% | 0.00% | 1.30% | 250,114 | 126,873 |
| Northwest Total | 6,604,501 | \$8.53 | 63,519 | 0 | 99.04% | 0.96% | 0.00% | 0.96% | 652,696 | 287,498 |

Silver Star

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|--------------------------|-------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|--------------------|
| Bulk Distribution | 3,295,417 | \$5.75 | 1,099,928 | 0 | 66.62% | 33.38% | 0.00% | 33.38% | 0 | (1,057,128) |
| Flex | 1,286,291 | \$8.41 | 60,736 | 0 | 95.28% | 4.72% | 0.00% | 4.72% | 0 | 19,307 |
| Manufacturing | 1,167,132 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 11,300 |
| Warehouse / Distribution | 8,513,858 | \$7.20 | 500,130 | 2,000 | 94.13% | 5.87% | 0.02% | 5.90% | 0 | (1,804) |
| Silver Star Total | 14,262,698 | \$6.29 | 1,660,794 | 2,000 | 88.36% | 11.64% | 0.01% | 11.66% | 0 | (1,028,325) |

Longwood/Lake Mary/Sanford

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|---|-------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Bulk Distribution | 1,250,450 | \$4.95 | 238,206 | 0 | 80.95% | 19.05% | 0.00% | 19.05% | 0 | 80,689 |
| Flex | 1,919,303 | \$10.15 | 162,584 | 5,155 | 91.53% | 8.47% | 0.27% | 8.74% | 0 | 3,689 |
| Manufacturing | 1,673,031 | \$10.00 | 9,175 | 0 | 99.45% | 0.55% | 0.00% | 0.55% | 0 | 60,323 |
| Warehouse / Distribution | 5,787,446 | \$6.98 | 340,065 | 0 | 94.12% | 5.88% | 0.00% | 5.88% | 27,000 | (50,854) |
| Longwood/Lake Mary/Sanford Total | 10,630,230 | \$7.06 | 750,030 | 5,155 | 92.94% | 7.06% | 0.05% | 7.10% | 27,000 | 93,847 |

North Central

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|----------------------------|------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Flex | 1,238,596 | \$9.83 | 89,760 | 0 | 92.75% | 7.25% | 0.00% | 7.25% | 0 | 11,954 |
| Manufacturing | 306,586 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 19,400 |
| Warehouse / Distribution | 1,070,988 | \$8.68 | 17,550 | 2,000 | 98.36% | 1.64% | 0.19% | 1.83% | 0 | 9,435 |
| North Central Total | 2,616,170 | \$9.64 | 107,310 | 2,000 | 95.90% | 4.10% | 0.08% | 4.18% | 0 | 40,789 |

Central Orlando

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|------------------------------|------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Bulk Distribution | 316,943 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Flex | 528,969 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Manufacturing | 510,500 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Warehouse / Distribution | 3,271,925 | \$7.30 | 124,111 | 0 | 96.21% | 3.79% | 0.00% | 3.79% | 0 | 23,818 |
| Central Orlando Total | 4,628,337 | \$7.30 | 124,111 | 0 | 97.32% | 2.68% | 0.00% | 2.68% | 0 | 23,818 |

Osceola County

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|-----------------------------|------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Bulk Distribution | 1,353,699 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Flex | 485,875 | \$8.09 | 13,948 | 0 | 98.15% | 1.85% | 0.00% | 1.85% | 0 | 0 |
| Manufacturing | 1,418,404 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Warehouse / Distribution | 1,617,018 | \$8.25 | 45,887 | 0 | 97.16% | 2.84% | 0.00% | 2.84% | 0 | 64,943 |
| Osceola County Total | 4,874,996 | \$8.22 | 59,835 | 0 | 98.87% | 1.13% | 0.00% | 1.13% | 0 | 64,943 |

33rd Street

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|--------------------------|------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|------------------|
| Bulk Distribution | 213,000 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Flex | 613,674 | \$7.27 | 24,793 | 0 | 95.96% | 4.04% | 0.00% | 4.04% | 0 | (8,800) |
| Warehouse / Distribution | 3,579,490 | \$6.41 | 162,613 | 9,816 | 95.46% | 4.54% | 0.27% | 4.82% | 0 | (124,510) |
| 33rd Street Total | 4,406,164 | \$6.52 | 187,406 | 9,816 | 95.75% | 4.25% | 0.22% | 4.48% | 0 | (133,310) |

University/East Side

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|-----------------------------------|------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|-----------------|
| Bulk Distribution | 350,154 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Flex | 1,452,282 | \$10.42 | 140,010 | 0 | 90.36% | 9.64% | 0.00% | 9.64% | 0 | (68,590) |
| Manufacturing | 363,787 | \$0.00 | 0 | 0 | 100.00% | 0.00% | 0.00% | 0.00% | 0 | 0 |
| Warehouse / Distribution | 1,847,129 | \$6.19 | 58,100 | 0 | 96.85% | 3.15% | 0.00% | 3.15% | 0 | 6,200 |
| University/East Side Total | 4,013,352 | \$9.18 | 198,110 | 0 | 95.06% | 4.94% | 0.00% | 4.94% | 0 | (62,390) |

Orlando Central Park

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|-----------------------------------|-------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Bulk Distribution | 8,834,960 | \$4.96 | 377,473 | 16,000 | 95.73% | 4.27% | 0.18% | 4.45% | 0 | 72,906 |
| Flex | 2,627,752 | \$11.30 | 68,625 | 0 | 97.39% | 2.61% | 0.00% | 2.61% | 0 | 10,348 |
| Warehouse / Distribution | 4,037,394 | \$7.52 | 25,149 | 0 | 99.38% | 0.62% | 0.00% | 0.62% | 196,920 | (21,437) |
| Orlando Central Park Total | 15,500,106 | \$6.02 | 471,247 | 16,000 | 96.96% | 3.04% | 0.10% | 3.14% | 196,920 | 61,817 |

Airport/Southeast

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|--------------------------------|-------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Bulk Distribution | 15,302,790 | \$5.03 | 1,619,616 | 144,556 | 89.42% | 10.58% | 0.94% | 11.53% | 324,440 | 0 |
| Flex | 2,417,570 | \$12.59 | 290,101 | 3,843 | 88.00% | 12.00% | 0.16% | 12.16% | 0 | 100,863 |
| Warehouse / Distribution | 16,446,921 | \$6.99 | 842,547 | 3,784 | 94.88% | 5.12% | 0.02% | 5.15% | 1,366,037 | 209,819 |
| Airport/Southeast Total | 34,167,281 | \$6.43 | 2,752,264 | 152,183 | 91.94% | 8.06% | 0.45% | 8.50% | 1,690,477 | 310,682 |

Southwest

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|--------------------------|------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Bulk Distribution | 1,763,652 | \$4.50 | 50,000 | 0 | 97.16% | 2.84% | 0.00% | 2.84% | 0 | 0 |
| Flex | 1,102,135 | \$14.09 | 48,862 | 0 | 95.57% | 4.43% | 0.00% | 4.43% | 0 | 23,674 |
| Warehouse / Distribution | 3,621,380 | \$5.85 | 46,002 | 36,921 | 98.73% | 1.27% | 1.02% | 2.29% | 0 | 130,996 |
| Southwest Total | 6,487,167 | \$8.16 | 144,864 | 36,921 | 97.77% | 2.23% | 0.57% | 2.80% | 0 | 154,670 |

Davenport

| Class Breakdown | Total RSF | Lease Rate | Direct Vacant SF | Sublet Vacant SF | Occupancy | Direct Vacancy | Sublet Vacancy | Total Vacancy | Under Construction | YTD Absorption |
|--------------------------|------------------|---------------|------------------|------------------|---------------|----------------|----------------|---------------|--------------------|----------------|
| Bulk Distribution | 5,789,601 | \$5.13 | 487,779 | 92,000 | 91.57% | 8.43% | 1.59% | 10.01% | 450,000 | 0 |
| Warehouse / Distribution | 405,082 | \$5.95 | 18,500 | 0 | 95.43% | 4.57% | 0.00% | 4.57% | 0 | 0 |
| Davenport Total | 6,194,683 | \$5.16 | 506,279 | 92,000 | 91.83% | 8.17% | 1.49% | 9.66% | 450,000 | 0 |

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 and are direct weighted averages calculated on total available space. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but not guaranteed.

Taking the Winn-Dixie distribution center out of the equation, net absorption has recovered impressively from the tepid activity reported during the first quarter, due in large part to strong leasing and the recent delivery of several partly preleased industrial developments.

Leading Indicators (Y-0-Y 2Q-2018 to 2Q-2019)

| Vacancy Rate | Net Absorption | Average Asking Rate (NNN) | New Construction | Total Employment |
|--------------|----------------|---------------------------|------------------|------------------|
| 6.42% | (185,961) SF | \$6.56/SF | 3,017,093 SF | 1.32 MM |

Significant Second Quarter 2019 Lease Transactions - Sorted by SF

| Tenant | Property | Type | SF | Submarket |
|-----------------------------|-----------------------------------|---------|----------|----------------------|
| Oceaneering International | Horizon Commerce Park XI | 135,067 | New | Airport/Southeast |
| Lucky's Market | Orlando Central Park 300 | 120,388 | New | Orlando Central Park |
| US Ventures | Horizon Commerce Park IX | 114,191 | New | Airport/Southeast |
| Confidential IT Distributor | Orlando Corporate Center | 106,575 | New | Orlando Central Park |
| Ally Building Solutions | Crownpointe VI | 99,496 | New | Southwest |
| Confidential Tenant | Northwest Distribution Ctr C | 89,578 | New | Northwest |
| Confidential Tenant | Northwest Distribution Ctr B | 60,058 | New | Northwest |
| All Points | 2663 Tradeport Dr | 42,128 | New | Airport/Southeast |
| Right Rug | 5159 L B McLeod Rd | 40,320 | New | 33rd Street |
| Impact Lighting | 3100 Pennington Dr | 20,400 | New | Silver Star |
| OPS International, Inc.* | 4600 LB McLeod Rd | 11,100 | New | 33rd Street |
| Granite Construction, Inc. | Lee Vista Distribution Center III | 10,957 | Sublease | Airport/Southeast |

* Avison Young handled this transaction

Significant Second Quarter 2019 Sales Transactions - Sorted by Sale Price

| Property | SF | Sale Price | Price/SF | Buyer | Submarket |
|------------------------------------|---------|--------------|----------|-------------------------|----------------------------|
| Lee Vista Business Center Bldg 'G' | 159,884 | \$15,500,000 | \$97 | Colony Capital Inc. | Airport/Southeast |
| Altamonte Commerce Center* | 185,600 | \$14,850,000 | \$80 | SunCap Opportunity Fund | North Central |
| 1225-1275 Bennett Dr | 118,629 | \$5,575,000 | \$47 | Z Asset Management | Longwood/Lake Mary/Sanford |
| 4304 Metric Dr | 51,083 | \$3,325,000 | \$65 | Red Bell Partners | University/East Side |

* Avison Young is handling the leasing and management of this property

McDonald Development Sells Recently Built Speculative Project for \$15.5 Million

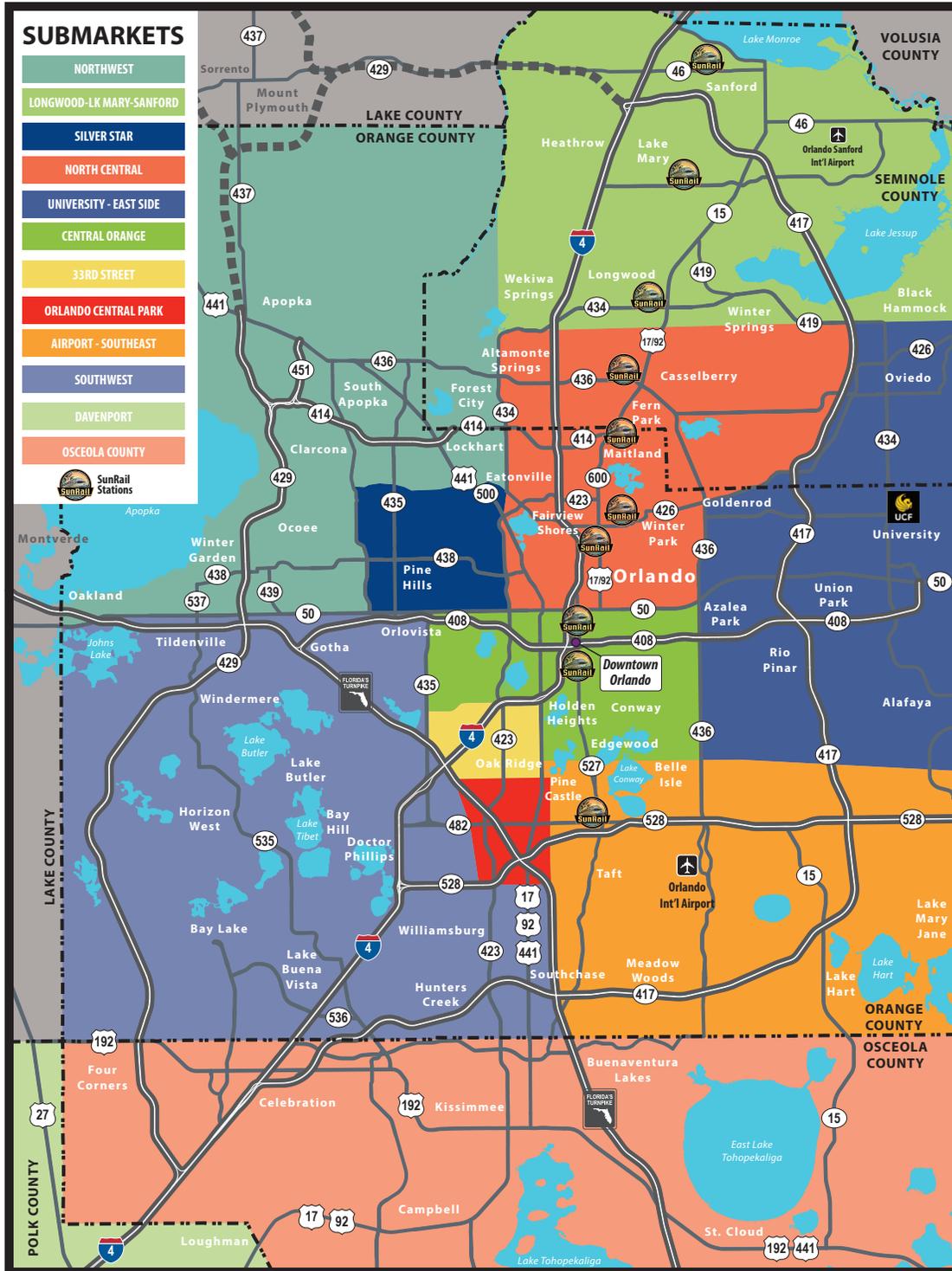
Investment activity within the industrial sector remains so solid that there are reports of new speculative construction in Orlando going on the market prior to their delivery, although nothing has yet to close. In May, Atlanta-based McDonald Development sold a recently completed warehouse/distribution building in its 81-acre master-planned business park in the Airport/Southeast submarket. Built in 2018, the 159,884-sf building was purchased by Los Angeles-based Colony Capital, which had previously purchased three other buildings in the park in 2016.



Lee Vista Business Center 'G'

Orlando Industrial Market Report

Second Quarter 2019



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