

Central Florida

Industrial

21Q1

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Industrial 21Q1

Key Takeaways

- Heightened tenant requirements and limited availability were major drivers in increased development of warehouse space 80,000 -150,000 square feet.
- Diminishing supply of viable industrial land sites, along with demand from both owner-user and industrial developers were key contributors to increase in land cost.
- Accelerated growth of e-commerce and demand for industrial space offset negative impacts caused by the pandemic.



Vacancy Rate
5.9%



Net Absorption
499K SF



Under Construction
2.8M SF



Industrial Avg. Direct Asking Rates (NNN)
\$7.57/SF

Industrial Adapts to Market Conditions

Once again, the industrial market proved its ability to adapt to market conditions as key fundamentals in vacancy and absorption continued to perform well, amidst the COVID-19 pandemic. Although there was a slight pause in the industrial market at the start of the pandemic, the quick bounce-back in the market was due to the flexibility of space and the ability to meet tenant demand. Net absorption remained positive as occupiers moved into more than 4.5 million square feet of industrial space over the last year.

Market Indicators



6.5%
Unemployment Rate



5.1%
GDP - Quarterly % change yr./yr.

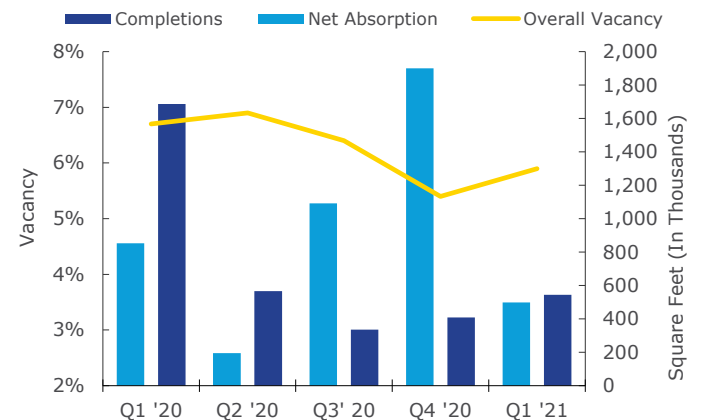


1.74%
U.S. 10 Year Treasury Note

Historic Comparison

	20Q1	20Q4	21Q1
Total Inventory	155,848,999	157,249,990	158,631,727
New Supply	1,686,663	407,813	1,381,737
Net Absorption	852,031	1,900,863	498,848
Overall Vacancy	6.7%	5.4%	5.9%
Under Construction	3,804,103	3,642,502	2,848,493
Industrial Overall Asking Lease Rates (NNN)	\$6.34	\$6.75	\$7.57

Market Trends



Vacancy rate remains steady

In the first quarter of 2021, the vacancy rate remained steady at 6.7% and market absorption trended positive for the second straight quarter.

Source: Colliers International, CoStar

Recent Transactions



Lease

2500 Consulate Dr.
SW Orange | 433K SF



Lease

2502 Lake Orange Dr.
SE Orange | 154K SF



Lease

8660 Transport Dr.
SE Orange | 125K SF



Sale

Technology Park
Lake Mary | \$217/SF



Sale

6900 TPC Dr.
Orlando | \$135/SF



Sale

1915 N. Orange Blossom Trl.
Orlando | \$86/SF

Leasing Activity

As companies sought to evaluate their business landscape, mainly to acclimate to a post-pandemic phase, some of their strategies and business solutions were to seek space that was adaptable and affordable. Flex space played a major role for those tenants in the market. After a slight uptick in the vacancy rate over the last year, more than 300,000 SF of flex space was leased, in a market that is already 93.2% occupied. The vacancy rate remained steady at 6.7%, due to limited supply of flex space available in the market, while rental rates rose 2.1% to \$11.84, and market absorption trended positive for the second straight quarter. Three flex buildings delivered this quarter in the Osceola County, Southeast and Southwest Orange submarkets, totaling 52,600 SF.

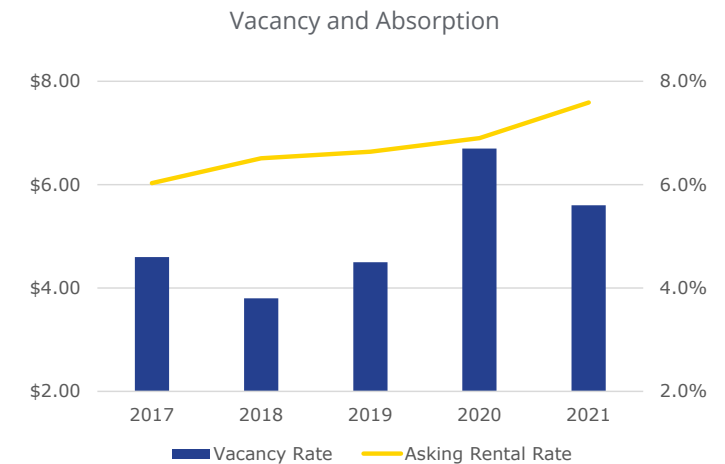
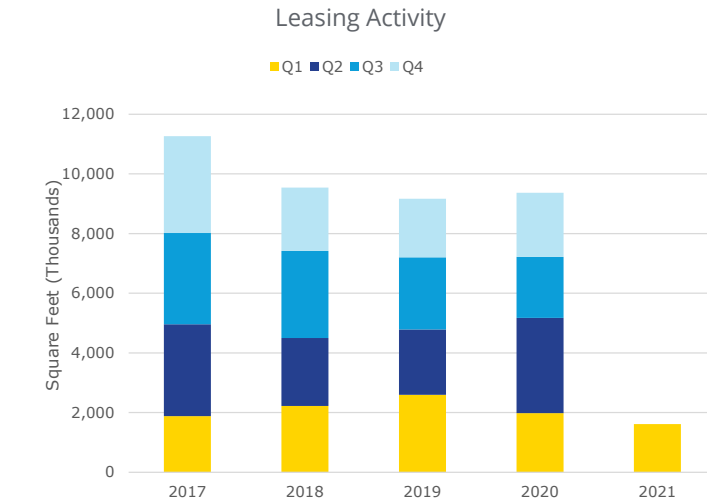
Warehouse and distribution space dominated the industrial sector in all key fundamentals, especially leasing activity. Industry types that signed the most leases during the quarter included wholesale, transportation, manufacturing and construction. The average deal size leased was 20,000-80,000 SF, although tenants seeking blocks of space over 100,000 SF signed renewals or new leases during the quarter as well, placing a greater squeeze on existing large available blocks of space. Tenants moved into over 980,000 SF of warehouse and distribution space during the quarter pushing vacancy to 5.1%, a decline of 150 basis points since last year.

Supply and Demand

Demand for industrial space throughout the region continued to boost the development of new warehouse and distribution space which drove an increase in land sales in the area. The increase in demand put pressure on land cost, which in turn was passed on to tenants through higher rental rates. The rise in interest in industrial land was due to the increased population in the Orlando MSA, and the acceleration of e-commerce logistics.

Lease Rate

Lease rates continued to climb for the 10th consecutive quarter to \$7.57 per SF, up 9.7% from the same time last year. The increase in construction cost, which included higher pricing on building materials and labor, had a significant impact on rent elevation.



As the amount of usable industrial land in core markets decreased, areas around the Central Florida Beltway, which include State Road 429 and State Road 417, as well as areas around Interstate-4 and the Horizons West were extremely active. Developers, as well as owner-users, were very active in touring the market during the quarter with interest in bringing new buildings to market. Many industrial buildings delivered were approximately 50% preleased, with the remainder of the spaces projected to be absorbed 6 to 12 months after delivery.

The market remained in favor of the landlords and they continued to grant minimal rent concessions. Many tenants that were at the end of their lease term during the quarter, remained uncertain of the prolong effects of COVID-19 pandemic and decided to renegotiate their lease provisions with many choosing to renew and remain in their current footprint.

Submarket Breakdown

Submarket & Property Type	# of Buildings	Total Inventory SF	Direct Vacancy %	Total Vacancy %	Net Absorption Current Quarter SF	Net Absorption YTD SF	New Completions SF	Under Construction SF	Average Direct Asking Rate NNN
Southwest Orange									
Industrial	763	39,295,359	5.0%	5.8%	11,590	11,590	0	1,293,802	\$6.60
Flex	221	7,021,966	5.6%	5.6%	-52,607	-52,607	0	0	\$12.33
Overall	984	46,317,325	5.1%	5.7%	-41,017	-41,017	0	1,293,802	\$7.18
Southeast Orange									
Industrial	574	42,936,294	8.2%	8.4%	313,984	313,984	0	682,570	\$6.94
Flex	105	3,257,499	9.3%	9.8%	12,261	12,261	0	0	\$14.84
Overall	679	46,193,793	8.3%	8.5%	326,245	326,245	0	682,570	\$7.42
Osceola County									
Industrial	151	6,126,224	1.2%	1.2%	35,880	35,880	0	339,232	\$7.88
Flex	25	598,415	5.9%	5.9%	23,400	23,400	0	0	\$11.07
Overall	176	6,724,639	1.6%	1.6%	59,280	59,280	0	339,232	\$8.05
Northwest Orange									
Industrial	522	24,780,832	5.2%	5.3%	-70,552	-70,552	402,582	532,889	\$6.91
Flex	82	2,140,255	9.2%	9.2%	6,155	6,155	0	0	\$10.03
Overall	604	26,921,087	5.5%	5.6%	-64,397	-64,397	402,582	532,889	\$7.12
Northeast Orange									
Industrial	174	5,472,110	2.7%	2.7%	35,421	35,421	22,800	0	\$12.16
Flex	84	2,284,536	6.3%	6.3%	-9,111	-9,111	0	0	\$13.95
Overall	258	7,756,646	3.8%	3.8%	26,310	26,310	22,800	0	\$13.30
Seminole County									
Industrial	666	19,864,444	3.4%	3.4%	108,910	108,910	202,250	0	\$7.63
Flex	176	5,034,395	6.0%	6.0%	69,560	69,560	0	0	\$9.94
Overall	842	24,898,839	3.9%	3.9%	178,470	178,470	202,250	0	\$8.61



Central Florida Overall Market

Quarter & Year	Buildings	Total Inventory SF	Direct Vacancy %	Total Vacancy %	Net Absorption Current Quarter SF	Net Absorption YTD SF	New Completions SF	Under Construction SF	Whse. Average Direct Asking Rate NNN	Flex Average Direct Asking Rate NNN
2021 Q1	3,531	158,631,727	5.7%	5.9%	498,848	498,848	544,242	2,848,493	\$7.57	\$11.84
2020 Q4	3,519	157,249,990	5.2%	5.4%	1,900,863	4,039,467	407,813	3,642,502	\$6.70	\$11.48
2020 Q3	3,517	156,842,177	6.2%	6.4%	1,091,743	2,138,604	335,273	3,669,325	\$6.54	\$11.62
2020 Q2	3,510	156,506,904	6.7%	6.9%	194,830	1,046,861	565,303	3,337,694	\$6.35	\$11.41
2020 Q1	3,498	155,848,999	6.6%	6.7%	852,031	852,031	1,686,663	3,804,103	\$6.31	\$11.64
2019 Q4	3,479	154,162,336	6.1%	6.2%	363,293	531,521	789,043	4,528,166	\$6.28	\$10.97
2019 Q3	3,469	153,373,293	5.9%	6.0%	84,179	168,228	919,244	3,944,922	\$6.24	\$10.94
2019 Q2	3,461	152,454,049	5.4%	5.5%	-515,018	84,049	920,314	3,978,821	\$6.15	\$10.46
2019 Q1	3,454	151,533,735	4.5%	4.6%	599,067	599,067	1,101,510	3,581,843	\$6.01	\$11.08

Significant Sales Activity

Address	Space Type	Size SF	Buyer	Sales Price	Submarket
Technology Park (5 properties) Lake Mary, FL	Flex	46,481	Somerset Properties	\$10,100,000 (\$217/SF)	Lake Mary
6900 TPC Dr. Orlando, FL	Industrial	27,950	McNulty Group Inc.	\$3,773,300 (\$135/SF)	Orlando
1915 N. Orange Blossom Trl. Orlando, FL	Industrial	41,769	Stonelake Capital Partners	\$3,600,000 (\$86/SF)	Orlando

Significant Lease Activity

Address	Space Type	Size SF	Tenant	Lease Type	Submarket
2500 Consulate Dr. Orlando, FL	Industrial	433,404	FedEx	Direct	SW Orange
2502 Lake Orange Dr. Orlando, FL	Industrial	154,000	Ross	Direct	SE Orange
8660 Transport Dr. Orlando, FL	Industrial	125,000	Ace Relocation	Direct	SE Orange

Bold Denotes Colliers Represented Transaction

351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



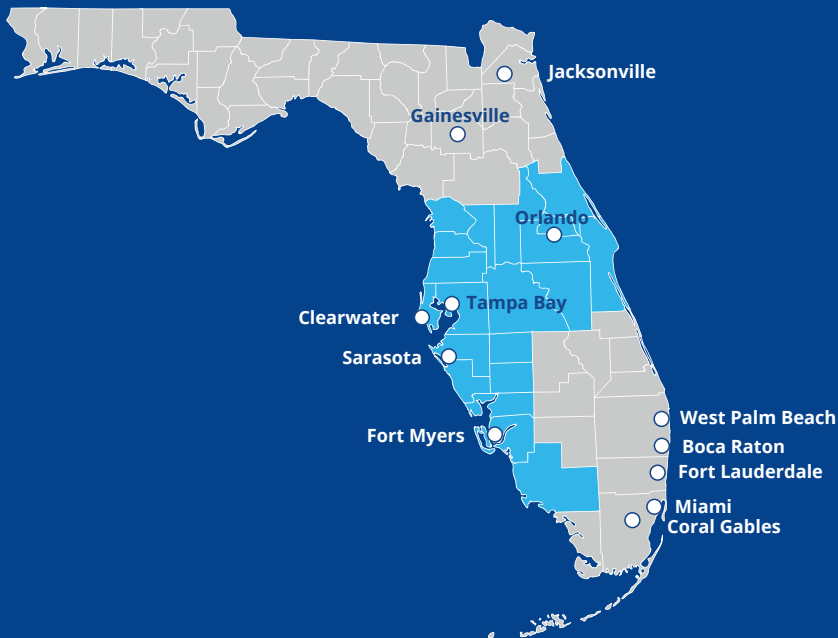
\$3.3B
in revenue



2B
square feet
under management



18,000 +
professionals and staff



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