

Central Florida Industrial Market Report

Leasing Velocity and Investment Sales Volume Decline, but Market Remains Healthy

Central Florida's industrial market remains healthy with continued robust quarterly net absorption, closing at 2.2 million square feet. This marks a decline of 500,000 square feet from the last quarter, but up more than 900,000 square feet from one year ago.

Vacancy rates increased by 10 basis points quarter over quarter to 5.0%. This comes as more than 3.3 million square feet of space delivered to start 2023.

Although tenant demand continued to cool, asking rents also surged. Rates closed the first quarter of 2023 at \$8.78/SF, up 10.6% from the fourth quarter of 2022 at \$7.98/SF. Rent growth surged in both Tampa and Orlando, with rent growth in Tampa more than double that of Orlando's growth.

More than 3.0 million square feet of new developments delivered this quarter, leaving 11.7 million square feet under construction. In the in-progress pipeline currently represents 2.8% of market inventory, an increase from 10.5 million square feet under construction one year ago.

Leasing Activity

Leasing activity in the Central Florida market decreased by 27.3% from the fourth quarter of 2022, closing at 4.5 million square feet across 328 transactions. Despite the notable decline in velocity, the number of transactions was down just 6.8%.

Tesla's 455,154-square-foot deal at 621 Charlie Taylor Rd. at East Hillsborough/Plant City was the largest deal signed this quarter.

Investment Sale Activity

Twenty transactions were executed through February. With the \$230.9 million in sales volume across 1.5 million square feet, pricing averaged \$150/SF.

Stonepeak's purchase of 6101 45th St. N. in South Pinellas for \$60.4 million, or \$484/SF, was one of the largest sales this quarter.

Current Conditions

Quarterly absorption posted at 2.2 million square feet, with Tampa driving most of that total.

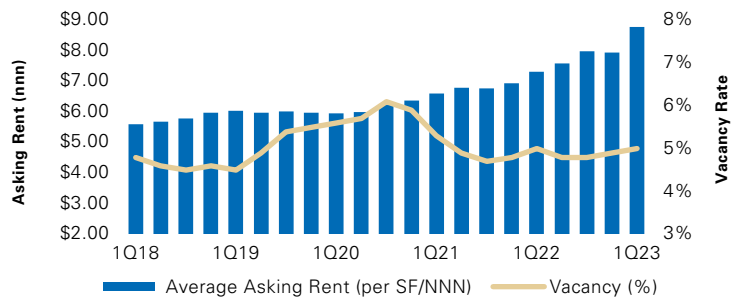
Vacancy rates in the fourth quarter of 2022 increased to 5.0%, up from 4.9% last quarter.

Even with more than three million square feet of deliveries this quarter, 11.7 million square feet of space remains under construction, even more than last year.

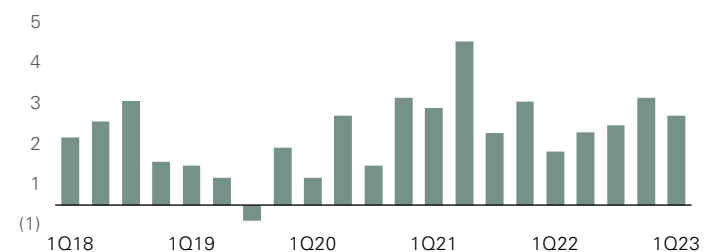
Leasing activity dropped 27.3% from last quarter to 4.5 million square feet in the prior quarter; Investment sales totaled 1.5 million square feet traded at an average of \$150/SF.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	418.8M	415.7M	408.6M	↑
Vacancy Rate	5.0%	4.9%	5.0%	↑
Quarterly Net Absorption (SF)	2.2M	2.7M	1.3M	↔
Average Asking Rent/SF	\$8.78	\$7.94	\$7.33	↑
Under Construction (SF)	11.7M	14.6M	10.5M	↔
Deliveries (SF)	3.3M	1.2M	1.6M	↔

Economic Indicators

Employment in Central Florida approached nearly 3.0 million jobs, up 4.7% year over year. The Central Florida unemployment rate fell to 2.5%, down 20 basis points from the fourth quarter of 2022. It also outpaces the national average by 110 basis points.

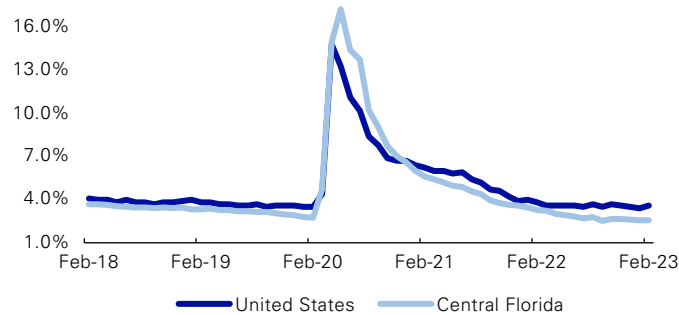
Both Tampa and Orlando each added approximately 6,000 jobs over the past month. Despite the modest increases the pace of job growth has slowed as the Fed has continued to raise interest rates over the course of the past year.

As per industry-specific job growth, leisure and hospitality jumped by 10.2% over the past year. This was followed by education and health services with 6.7% and professional and business services at 5.1%.

Central Florida inflation has continued to outpace the national average, closing January at 8.9%, while the US overall recorded 6.4% inflation. Both figures are down from their highs in the second quarter of 2022. The Fed has continued to raise interest rates to tame the rising inflation, which has slowed but not yet fully stabilized to desired levels.

Unemployment Rate

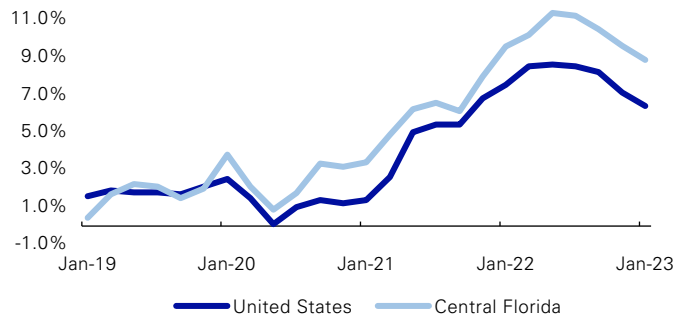
Central Florida (Orlando & Tampa MSA), Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

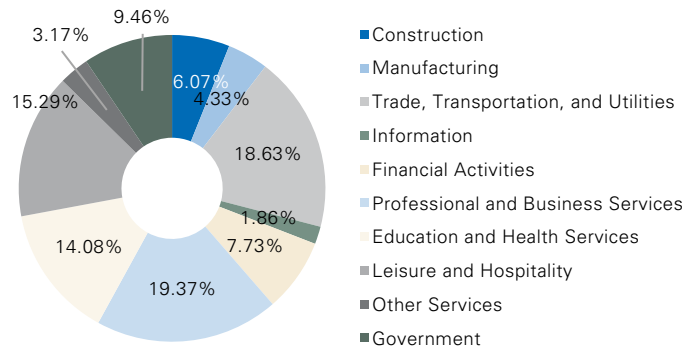
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment By Industry

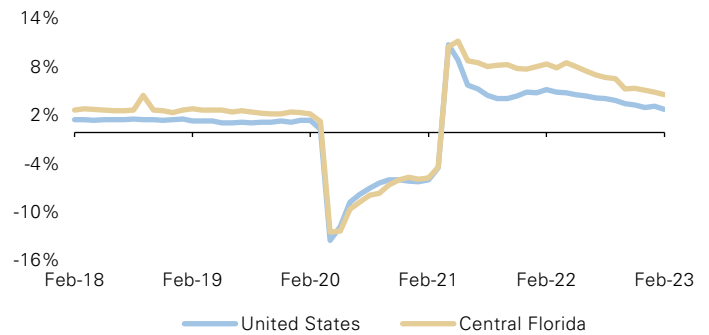
Central Florida (Orlando & Tampa MSA), February 2023 | Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

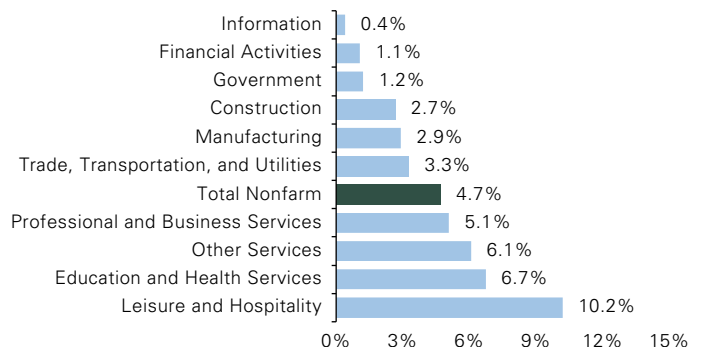
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

Central Florida (Orlando & Tampa MSA), February 2023, 12-Month % Change



Source: U.S. Bureau of Labor Statistics | Not Seasonally Adjusted

Tampa/Saint Petersburg Industrial Market

The Tampa/St. Petersburg industrial market recorded positive net absorption of 2.0 million square feet, up from 1.9 million square feet last quarter and relative to 658,665 square feet last year. This increase comes even as velocity dropped off.

Vacancy rates have remained relatively stable, dropping 10 basis points quarter over quarter to 5.3%.

Average asking rents in Tampa/St. Petersburg continued to rapidly increase, surging by 12.8% quarter over quarter to \$8.18/SF. This marked a 27.0% increase in rents over the past 12 months.

Following 2.0 million square feet of deliveries this quarter, roughly 3.8 million square feet remained under construction. Pasco County maintained the largest share of space under construction, at 1.5 million square feet, followed by Bradenton/Manatee and East Side Tampa.

Leasing Activity

Leasing activity in the Tampa industrial market reached its lowest point in five quarters, closing at 2.6% million square feet. This represents a quarter-over-quarter decline of 14.2%. The number of executed transactions was stable.

There were several 100,000-square-foot transactions signed this quarter. The largest was Tesla's 455,154-square-foot deal at 621 Charlie Taylor Rd. at East Hillsborough/Plant City. Breakthru Beverage Group signed a 130,021-square-foot lease at Seaboard Tampa Terminals. Additionally, Hit Promotional Products executed a sublease transaction, taking 100,000 square feet at 3201 Gateway Centre Pkwy.

Investment Sale Activity

Through February, nine transactions spanning approximately 600,000 square feet were finalized for \$84.8 million. The largest of these deals was finalized in the South Pinellas submarket, where Stonepeak purchased 6101 45th St. N. for \$60.4 million, or \$484/SF.

Current Conditions

The Tampa/St. Petersburg industrial market continued to be robust, posting 2.0 million square feet of absorption.

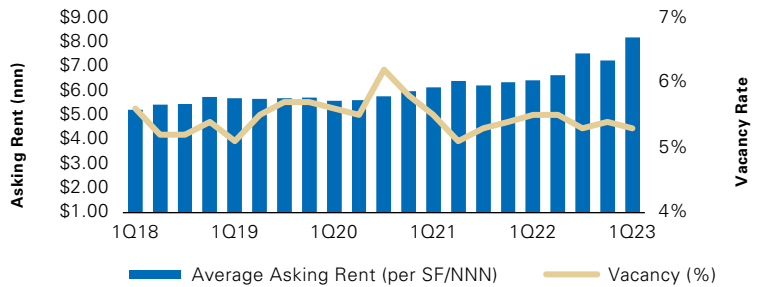
Vacancy in the first quarter closed at 5.3%, down 10 basis points from last quarter and 20 basis points from last year.

Asking rents have surged to \$8.18/SF, reflecting double-digit growth from one year ago.

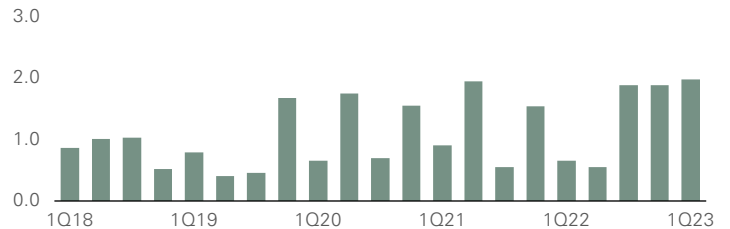
Leasing activity closed the first quarter at 2.6 million square feet, a 14.6% decline from last quarter. Investments sales remained limited through February, with just nine transactions finalized.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	246.2M	244.3M	239.8M	↑
Vacancy Rate	5.3%	5.4%	5.5%	↑
Quarterly Net Absorption (SF)	2.0M	1.9M	658,665	↔
Average Asking Rent/SF	\$8.18	\$7.25	\$6.44	↑
Under Construction (SF)	3.8M	5.8M	6.5M	↔
Deliveries (SF)	2.0M	965,000	689,939	↔

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Tampa/Saint Petersburg Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Bradenton/Manatee	19,872,983	578,894	2.9 %	849,837	849,837	\$7.14	-	\$8.88
E Hillsborough/Plant City	16,245,807	101,866	13.2 %	390,160	390,160	\$5.53	-	\$5.53
East Side Tampa	57,902,712	542,350	4.7 %	752,914	752,914	\$6.24	\$12.01	\$8.93
NE Hillsborough/University	1,226,141	-	2.9 %	-	-	\$3.25	-	\$3.25
North Pinellas	8,041,465	-	2.2 %	-2,055	-2,055	\$6.09	-	\$8.04
NW Hillsborough	1,803,106	-	1.3 %	15,825	15,825	-	-	\$8.54
Pasco County	7,463,677	1,488,000	1.8 %	-86,746	-86,746	\$8.39	-	\$6.13
Polk County	54,253,605	422,199	5.0 %	-242,301	-242,301	\$6.77	\$12.96	\$6.65
S Tampa Ind	3,354,325	-	28.6 %	-60,000	-60,000	\$6.00	-	\$6.00
Sarasota	12,603,433	-	2.6 %	-58,078	-58,078	\$9.47	\$12.00	\$10.33
SE Hillsborough	4,207,381	270,885	11.3 %	-	-	\$8.00	-	\$8.00
South Pinellas	43,422,310	417,239	5.2 %	241,979	241,979	\$10.90	\$12.96	\$8.51
Westshore/Airport	15,754,836	-	2.9 %	182,211	182,211	\$9.30	\$7.04	\$9.27
Totals	246,151,781	3,821,433	5.3 %	1,983,746	1,983,746	\$7.53	\$10.71	\$8.18

Tampa/Saint Petersburg Lease/User Transactions				
Tenant	Submarket	Building	Type	Square Feet
Tesla	E Hillsborough/Plant City	621 Charlie Taylor	Direct	455,154
Breakthru Beverage Group	East Side Tampa	Seaboard Tampa Terminals	Direct	130,021
Hit Promotional Products	South Pinellas	3201 Gateway Centre	Sublease	100,000
Feeding America Tampa Bay	East Side Tampa	Tampa Distribution Center, Building 6	Renewal	80,000
Accessories of Florida	East Side Tampa	Madison Industrial Park, Building C	Renewal	80,000

Tampa/Saint Petersburg Select Sale Transactions				
Buyer/Seller	Submarket	Building	Sale Price	Price/SF
Stonepeak / Stonemont Financial	South Pinellas	6101 45th St N	\$60.4M	\$484
Graham & Co. / Joseph L. Muscarelle	East Side Tampa	East Tampa Commerce Center (Portfolio)	\$6.2M	-
CSM Companies / Robert E Sutton	East Side Tampa	6905 E Dr Martin Luther King Jr Ave	\$6.0M	\$162

Orlando Industrial Market

The Orlando industrial market posted strong positive absorption for the 13th consecutive quarter, closing at 225,230 square feet. This comes despite a significant decline in leasing activity from last quarter.

Vacancy rates increased for the third consecutive quarter, closing the first quarter at 4.7%, a 50-basis-point increase from the end of 2022. Outside of NE Orange County, the smallest submarket by inventory, Brevard County maintains the lowest submarket vacancy rate, at 4.0%.

The market continued to see strong rent growth, which increased by 8.9% quarter over quarter. Average asking rents closed the first quarter of 2023 at \$9.34/SF.

The increase in the vacancy rate was driven by a flood of new deliveries, totaling 1.3 million square feet. Despite the new deliveries, approximately 7.8 million square feet, or 4.5% of market inventory, remains under construction in the market.

Leasing Activity

Leasing activity in the Orlando market decreased by 65.4% quarter over quarter. Activity closed the first quarter of 2023 at just below 2.0 million square feet, down from 3.2 million square feet at the end of the fourth quarter of 2022.

The largest lease of the first quarter of 2023 was signed by Performance Food Group for 291,875 square feet in Horizon West Logistics Park, Building 10 in Osceola County. Mattress Warehouse also signed a large lease in the county, taking 71,337 square feet at First Loop Logistics Park Building I.

Investment Sale Activity

Orlando's investment sales activity through February totaled just under 1.0 million square feet, with 11 buildings trading hands. This was a notable drop from the fourth quarter of 2022, when 64 buildings were sold.

BentallGreenOak purchased I-4 Beltway Logistics for \$65.2 million, or \$119/SF. The transaction in Seminole County was one of the largest sale transactions of the first quarter of 2023.

Current Conditions

Orlando posted positive absorption for the 13th consecutive quarter.

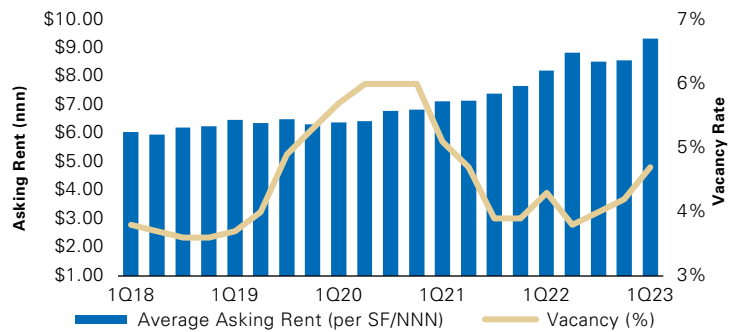
The Orlando industrial market vacancy rate increased 50 basis points from the fourth quarter to 4.7%.

Asking rates increased by 8.9% quarter over quarter to \$9.34/SF.

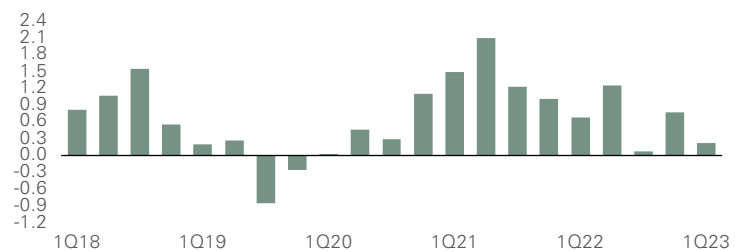
Leasing activity declined precipitously from the fourth quarter, as activity dropped by 65.4%.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	172.6M	171.4M	168.8M	↑
Vacancy Rate	4.7%	4.2%	4.3%	↑
Quarterly Net Absorption (SF)	225,230	775,302	674,929	↑
Average Asking Rent/SF	\$9.34	\$8.58	\$8.23	↑
Under Construction (SF)	7.8M	8.8M	4.0M	↑
Deliveries (SF)	1.3M	196,608	882,467	↑

Orlando Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Brevard County	20,114,396	-	4.0 %	69,340	69,340	\$8.20	\$10.77	\$9.41
Lake County	9,197,568	1,102,561	7.0 %	73,034	73,034	\$8.73	\$9.45	\$8.74
NE Orange County	1,270,231	-	0.4 %	3,250	3,250	\$15.00	-	\$15.00
NW Orange County	32,369,931	3,959,867	5.8 %	-246,184	-246,184	\$8.72	\$9.96	\$8.20
Osceola County	7,715,360	652,905	6.7 %	318,678	318,678	\$6.99	-	\$6.99
SE Orange County	49,477,291	2,055,412	3.3 %	49,631	49,631	\$8.18	\$14.11	\$10.06
Seminole County	20,942,386	69,953	5.3 %	-76,384	-76,384	\$10.26	\$9.47	\$9.39
SW Orange County	31,551,626	-	4.6 %	33,865	33,865	\$9.80	\$12.47	\$10.55
Totals	172,638,789	7,840,698	4.7 %	225,230	225,230	\$8.76	\$11.62	\$9.34

Orlando Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
Performance Food Group	Osceola County	Horizon West Logistics Park, Building 10	Direct	291,875
Packaging Exchange	SE Orange County	Landstar Logistics Center, Building 1	Direct	99,176
Undisclosed	Osceola County	Horizon West Logistics Park, Building 1	Direct	96,811
Undisclosed	SW Orange County	Crownpointe V	Renewal	87,564
Mattress Warehouse	Osceola County	First Loop Logistics Park, Building I	Direct	71,337

Orlando Select Sale Transactions

Buyer/Seller	Submarket	Building	Sale Price	Price/SF
BentallGreenOak / Butters Realty & Management	Seminole County	I-4 Beltway Logistics	\$65.2M	\$119
NexPoint / Basis Industrial	Seminole County	BaySpace Belle	\$15.4M	\$137
Provender Partners / Performance Food Group	Osceola County	Poinciana Industrial Park	\$18.0M	\$188

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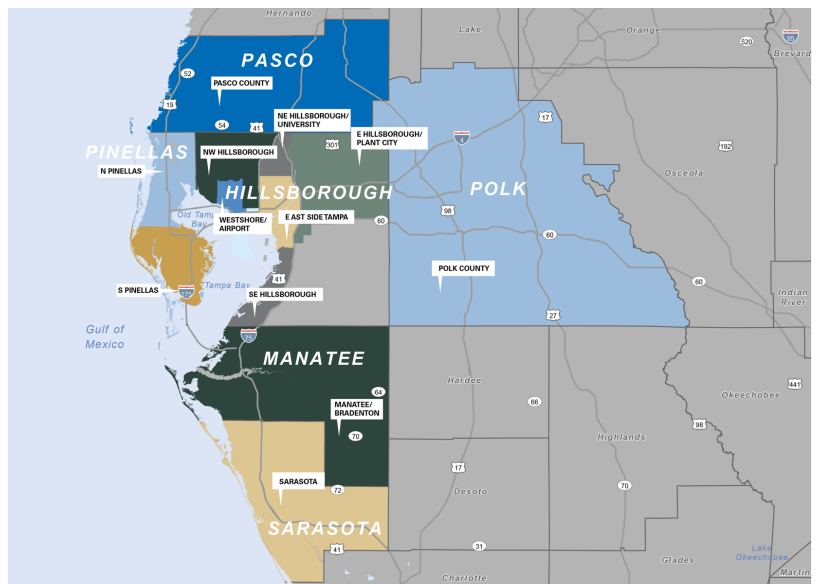
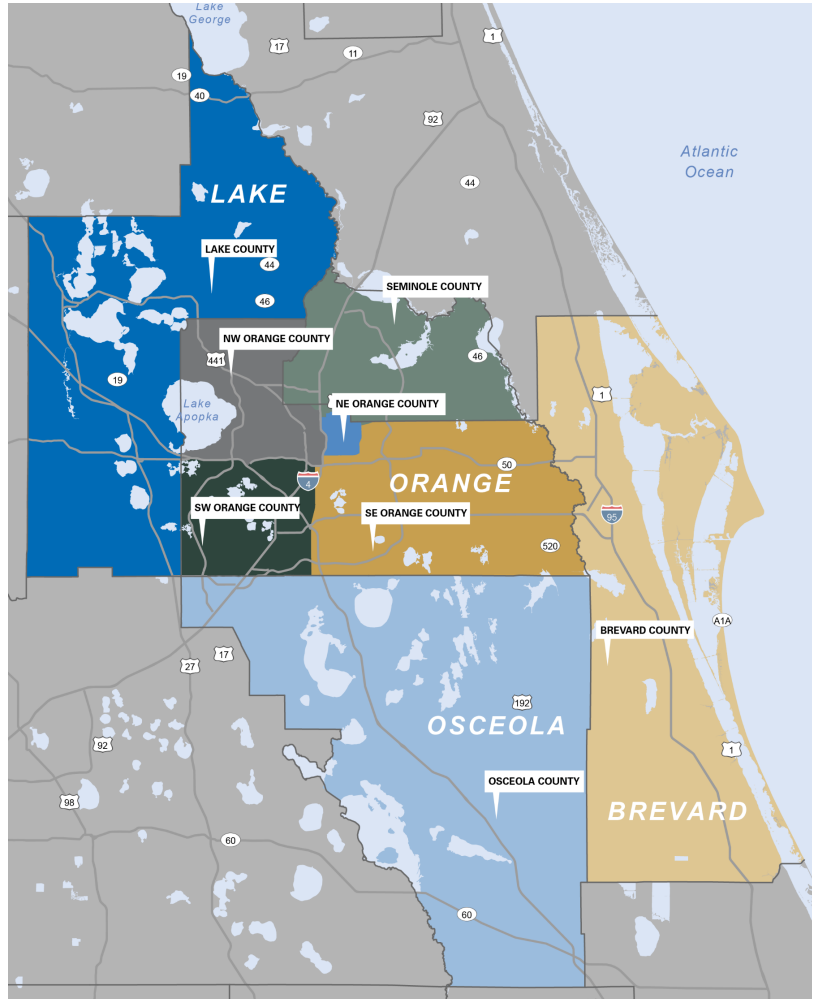
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