

MARKETBEAT

Lakeland

Industrial Q2 2019



LAKELAND INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Lakeland MSA Employment	226k	233k	▲
Polk County Unemployment	3.8%	3.5%	▲
U.S. Unemployment	3.9%	3.6%	▼

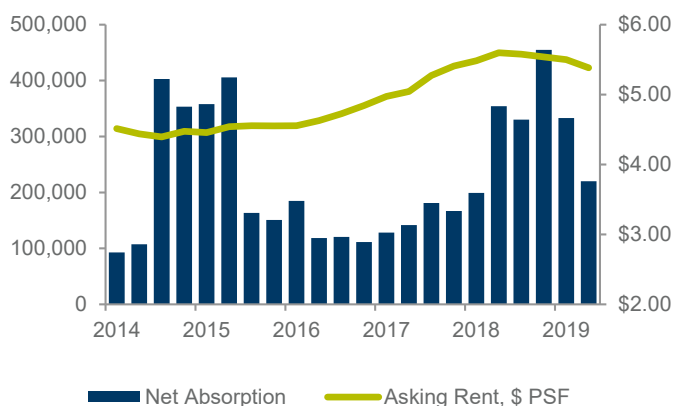
* Numbers above are monthly figures, November 2018, FL Dept. Economic OPP.

Market Indicators (Overall, All Property Types)

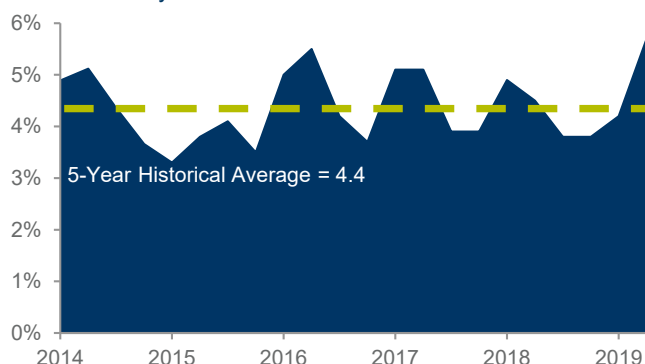
	Q2 18	Q2 19	12-Month Forecast
Vacancy	4.5%	5.7%	▲
YTD Net Absorption (sf)	1.0 M	105k	▲
Under Construction (sf)	520k	1.7M	▲
Average Asking Rent*	\$5.64	\$5.17	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The economy in Polk County, which includes the Lakeland industrial market, continued its upward momentum, adding 6,700 jobs for an annual growth rate of 3.0%. As of May 2019, the unemployment rate was 3.5%, a 30 basis points (bps) year-over-year (YOY) decrease. Most industrial-related industry sectors gained jobs throughout Polk County with the Trade, Transportation, & Utilities sector adding 1,000 new positions for an annual growth rate of 6.3%. Due to the region's robust consumer demand, many in- and new-to-market users took space in Tampa Bay's growing industrial market.

Market Overview

Overall rental rates decreased 8.3% YOY to \$5.17 per square foot (psf) triple net (NNN) and fell primarily due to the below market rate at Key Logistics Center's Building 200. In contrast, the Southeast submarket's warehouse/distribution rental rate increased by 13.8% to \$6.57 psf, the second highest asking rent in the submarket's history. The rent gains originated from the available space at Heritage Business Center. The overall vacancy rate grew substantially to 5.7%, the highest rate since 2011. This jump in vacancy can be attributed to the large spaces available in the Southwest submarket. In contrast, the remaining Lakeland submarkets all recorded decreases in vacancy when compared to one year ago.

Leasing activity remained strong through the first half of the year and is on pace to meet or exceed 2018 figures. To date, over 360,000 square feet (sf) was leased, with two leases making up the bulk of the activity. HD Supply expanded in First Park at Bridgewater and now occupies the entire 400,000-sf building. In the first quarter of 2019, PlayCore, Inc. leased a 96,200-sf building in the Southwest submarket. Overall absorption reached a positive +104,710-sf through the first half of year after an atypical first quarter. The positive absorption was in large part due to warehouse/distribution, which recorded +183,230 sf of absorption in the second quarter.

Sales activity picked up significantly with 1.1 million square feet (msf) sold year-to-date (YTD), a 31% YOY increase. Key Logistics Center's building 200 was the largest sale of the quarter at \$35.4 million, or \$72 psf. The recently delivered property was purchased by Kohlberg Kravis Roberts & Co. WPT Industrial REIT purchased a 16-property portfolio for \$226 million, which included the 400,000-sf distribution center at First Park at Bridgewater. The property had an allocated sale price of \$28.8 million, or \$72 psf. Lakeland Regional Industrial Park, a 113,000-sf manufacturing building, sold for \$6.9 million or \$60 per square foot. The property was purchased by the Federated Companies and is currently leased by Structall Building Systems.

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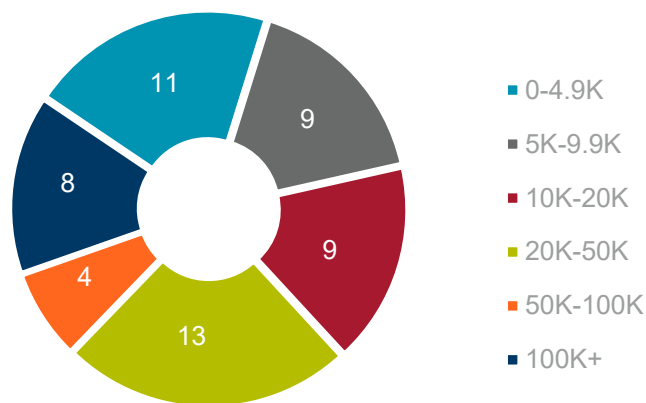
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Lakeland continued to be one of the top industrial markets for new construction in the Tampa Bay region. Blue Steel Development completed phase II of Key Logistics Center with a 491,920-sf speculative building. Phase III of Key Logistics Center had 350,000-sf speculative space which will deliver next quarter. In addition, Lakeland had 1.6 msf under construction with over 1.1 msf expected to deliver in the third quarter of 2019. Center State Logistics, which includes the 605,920-sf distribution center for Quaker/Gatorade, also had a 440,000-sf speculative building nearing completion. The Ruthven's North Combee Road development included two buildings totaling 327,000-sf and an estimated third quarter delivery date.

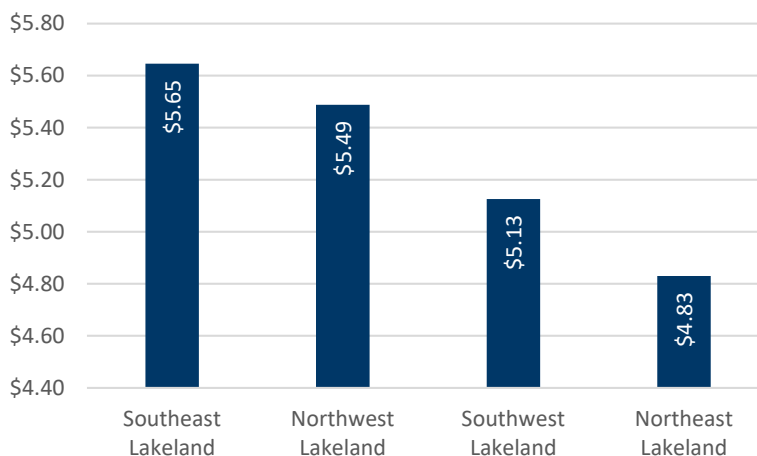
Availability by Size Segment
OVERALL VACANCIES IN ONE SUITE



Sales activity picked up significantly with 1.1 msf sold year-to-date (YTD), a 31% YOY increase.

Important to note, that Combee Road marketed suites as small as 4,700-sf, a sharp contrast to the historic big box construction in Lakeland. Xebec's I-4 Logistics Hub was the largest building under construction at 537,354 sf and has an expected completion date of 4Q19. The market's construction activity continued to grab the attention of tenants as they sought out premier I-4 corridor locations.

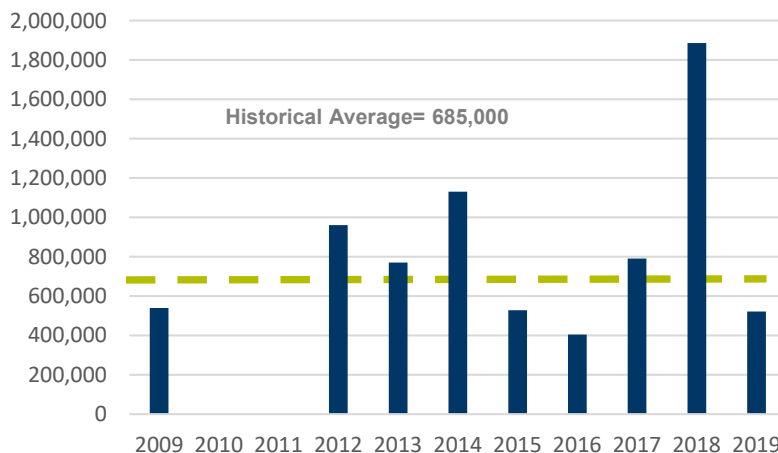
NNN Asking Rents by Submarket



Outlook

- The Lakeland industrial market posted mixed market fundamentals through the first half of 2019.
- Tenant interest in the premier I-4 corridor locations will be the catalyst for leasing and sales activity for the remainder of 2019
- Cushman & Wakefield anticipates the Lakeland industrial market's key dynamics to remain steady through the remainder of 2019.

New Supply



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Southwest Lakeland	100	12,503,567	491,920	7.3%	5,180	350,000	522,120	N/A	\$5.25	\$5.13
Southeast Lakeland	56	2,220,501	109,506	5.8%	-69,750	197,600	0	N/A	\$5.31	\$6.57
Northwest Lakeland	88	11,059,810	113,308	3.4%	62,830	0	0	\$10.00	\$4.75	\$5.08
Northeast Lakeland	41	6,674,528	400,000	6.4%	106,450	1,106,834	0	N/A	N/A	\$4.83
LAKELAND TOTALS	285	32,458,406	1,114,734	5.7%	104,710	1,654,434	522,120	\$10.00	\$5.25	\$5.07

*Rental rates reflect asking \$psf/year

FLEX = Flex Space MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)*	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	197	23,852,626	1,001,426	7..1%	138,640	1,654,434	328,000	522,120	\$5.17	\$5.07
Manufacturing	71	8,077,977	113,308	0.7%	47,530	0	33,030	0	\$10.00	\$10.00
Office Service/Flex	17	527,803	0	20.4%	-81,460	0	3,360	0	\$5.25	\$5.25

*Does not include renewals

Key Lease Transactions Q2 2019

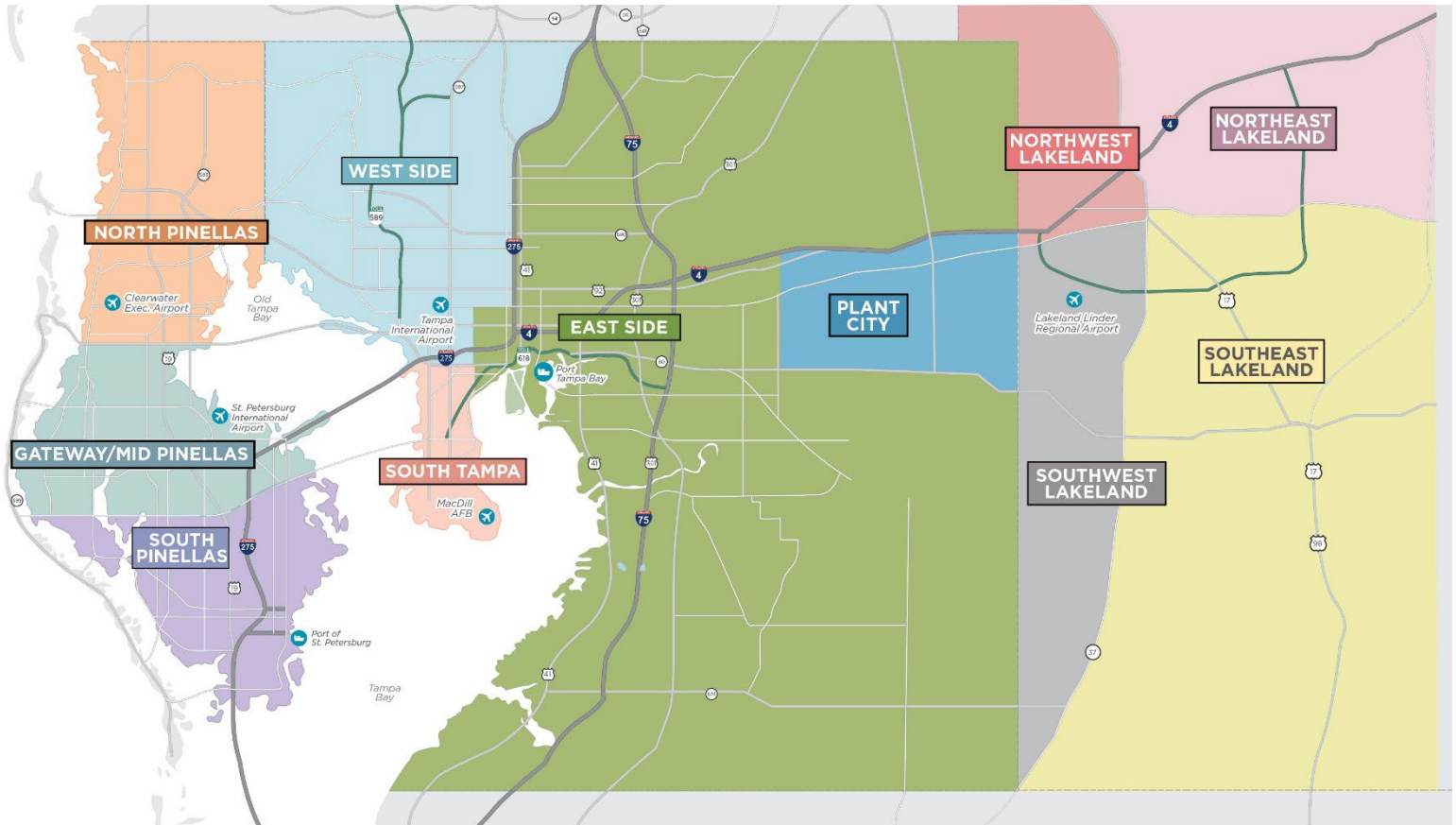
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
650 State Road 33	160,450	HD Supply	Expansion	Northeast
4343 Frontage Rd.	22,130	Driller's Service	New	Northwest

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Key Logistics Center – Bldg. 200	491,920	Blue Steel Development/ Kohlberg Kravis Roberts & Co. L.P.	\$35,422,700 / \$72.01	Southwest Lakeland
First Park at Bridgewater – Bldg. 2	400,000	Cal STRS/WPT Industrial REIT	*\$28,817,701 / \$72.04	Northeast Lakeland
Lakeland Regional Industrial Park	113,308	Brennan Investment Group/ Jonathan Cox	\$6,850,000 / \$60.45	Northwest Lakeland

* Allocated Sale Price

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