

MARKETBEAT LAKELAND



Industrial Q4 2019

7.6%
Vacancy Rate



453K
YTD Absorption, SF



\$5.18
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

238k
Polk County
Employment



3.2%
Polk County
Unemployment Rate



3.6%
U.S.
Unemployment Rate



Source: BLS. Numbers above are monthly figures, FL Dept. Economic OPP.

ECONOMY: Job Gains Lead to Historic Unemployment

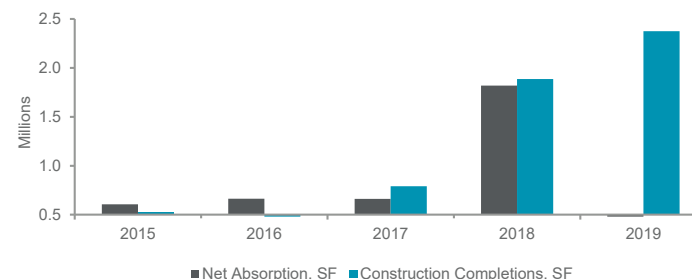
The economy in Polk County, which includes the Lakeland industrial market, continued its upward momentum, adding 3,900 jobs for an annual growth rate of 1.7%. As of November 2019, the unemployment rate was 3.2%, a 50 basis points (bps) year-over-year (YOY) decrease. Most industrial-related industry sectors gained jobs throughout Polk County with the Trade, Transportation, & Utilities sector adding 500 new positions for an annual growth rate of 2.9%. Due to the region's centralized location, many in- and new-to-market users had large space requirements in Lakeland's growing industrial market.

SUPPLY: Construction Remained Key Driver

Lakeland's industrial market experienced a construction boom in 2019. Nearly 2.4 million square feet (msf) delivered in 2019 with another 1.5 msf under construction. The amount of square feet delivered last year was the highest annual total post-recession. Center State Logistics, which included the 606,000-square foot (sf) Quaker/Gatorade distribution center, had a 440,000-sf speculative building deliver in the third quarter. Blue Steel Development completed the second and third phases of Key Logistics Center with a 492,000-sf and a 350,000-sf warehouse, respectively. Ruthven completed their Combee Road development in the third quarter, which featured two warehouses totaling 327,000 sf. Transwestern's University Park at Bridgewater was the largest building under construction at 713,000 sf with an expected completion date of second quarter 2020. Xebec's I-4 Logistics Hub was also under construction at 537,000 sf with an expected completion date in the first quarter 2020.

The overall vacancy rate rose 360 basis points (bps) year-over-year (YOY) to 7.6%. The rise in vacancy was attributed to the record construction numbers in 2019. For example, Key Logistics Center's building 200 & 300 and the CenterState Logistics Center delivered and remained 100% vacant through year-end. While a few 2019 deliveries remained vacant, the strong demand for distribution space along the I-4 Corridor should boost leasing activity and stabilize future vacancy in the market in the long term.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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Pricing: Rents Stable as Construction Boom Continues

Overall rental rates decreased 3.7% YOY to \$5.18 per square foot (psf) triple net (NNN). The asking rates softened due to the increase in competition among large available spaces in the market. The Northeast submarket recorded the only YOY increase as the warehouse/distribution rental rate increased by 2.4% to \$5.02 psf NNN. Lakeland's overall warehouse/distribution rental rate closed the fourth quarter at \$5.09 psf, marking the 11th consecutive quarter above \$5.00.

Demand: Big Box Users Fuel Leasing Activity

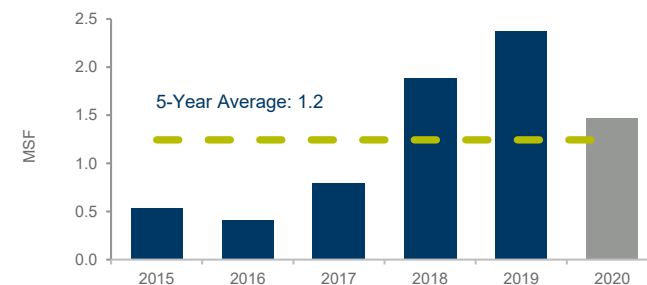
Leasing activity remained strong throughout 2019 with 1.6 msf leased. Activity for big box users was strong in 2019 with Conn's, Walmart, and Ta Chen leasing over 1.0 msf. Conn's leased 413,400-square feet (sf) at I-4 Logistics Hub. Walmart leased at 360,000-sf at the former JCPenney building that sat vacant for almost two years. Ta Chen leased 157,500 sf at Lakeland Logistics Center while Southeast Pets expanded by 62,400 sf in Ruthven's recently delivered 4080 N Combee Rd. Walmart leased the remaining 135,200 sf at Ruthven's Combee Road development in the fourth quarter. Overall absorption closed the year at +450,256 sf, a notable decline compared to 2018 figures. Overall absorption should improve in 2020 as several large tenants are expected to occupy space.

Sales activity, much like leasing activity, was strong in 2019 with over 2.2msf sold. The most notable sales of the year were at Key Logistics Center. Key Logistics Center's building 200 and 300 were purchased by Kohlberg Kravis Roberts & Co. The recently delivered properties sold for a combined \$64.6 million, or \$72 psf. As Central Florida and the I-4 Corridor increases in population and stature, interest from both users and large institutional players should improve further making Lakeland a top-tier choice for logistics.

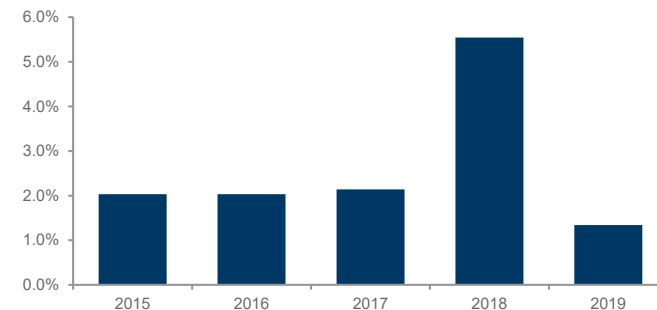
Outlook: Lakeland Continues to Grow as Industrial Hub

- Speculative construction will likely decelerate as developers wait for tenants fill existing large vacancies.
- Tenant interest in the premier I-4 corridor locations will be the catalyst for leasing activity in 2020
- Cushman & Wakefield anticipates the Lakeland industrial market's key dynamics to remain steady through the remainder of 2020.

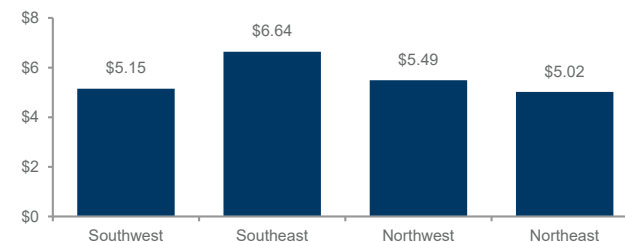
NEW SUPPLY



INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



RENT BY MARKET (\$PSF,NNN)



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Southwest	12,853,496	1,192,277	9.3%	-16,316	54,334	221,875	841,849	N/A	\$5.25	\$5.15
Southeast	2,220,501	23,100	1.0%	1,500	13,000	0	0	N/A	\$6.64	N/A
Northwest	11,060,690	528,123	4.8%	-200,000	-113,510	0	0	\$10.00	\$4.75	\$4.95
Northeast	7,441,608	803,098	10.8%	29,982	487,632	1,250,697	1,534,160	N/A	N/A	\$5.02
LAKELAND TOTALS	33,576,295	2,546,598	7.6%	-184,834	452,756	1,472,572	1,608,929	\$10.00	\$6.00	\$5.09

*Rental rates reflect weighted net asking \$psf/year

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

KEY LEASE TRANSACTIONS 2019 YTD

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
8401 State Road 33	Northeast	Conn's	413,437	New
6800 State Road 33	Northeast	Walmart	360,000	New
6850 State Road 33	Northeast	HD Supply	160,450	New
2025 W Memorial Blvd.	Northwest	Ta Chen	157,500	New
4080 N Combee Rd.	Northeast	Walmart	135,200	New

KEY SALES TRANSACTIONS 2019 YTD

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Key Logistics Center – Building 200	Southwest	Blue Steel / KKR	491,920	\$35.4M / \$72.01
First Park at Bridgewater – Building 2	Northeast	Cal STRS / WPT Industrial REIT	400,000	*\$28.8M / \$72.04
Key Logistics Center – Building 300	Southwest	Blue Steel / KKR	349,929	\$25.2M / \$72.01

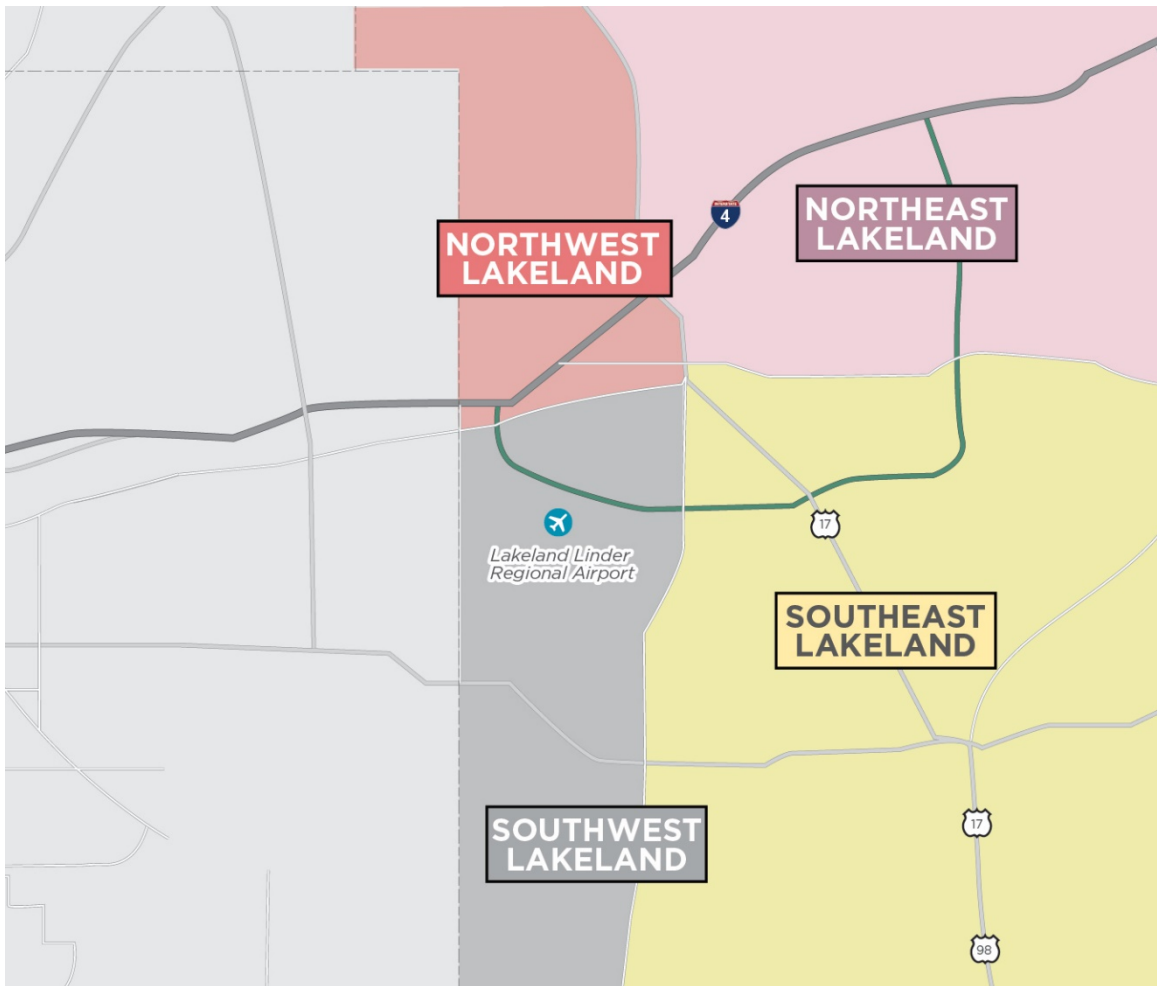
* Allocated Sale Price

KEY CONSTRUCTION COMPLETIONS 2019 YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Key Logistics Center – Building 200	Southwest	N/A	491,920	KKR / Blue Steel
8060 State Road 33 N	Northeast	N/A	440,000	Griffin Capital Corp.
Key Logistics Center – Building 300	Southwest	N/A	349,929	KKR / Blue Steel
4080 N Combee Road	Northeast	Walmart	197,600	Ruthvens



INDUSTRIAL SUBMARKETS

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