

LAKELAND/POLK

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
5.9% Vacancy Rate	▲	▼
479K YTD Absorption, SF	▼	▲
\$7.15 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
271K Polk County Employment	▲	▲
3.3% Polk County Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

Despite a slight year-over-year (YOY) uptick of 10 basis points (bps), the unemployment rate in Polk County stood at 3.3%, significantly outperforming the national average of 3.7%. The county added 3,750 jobs, reflecting a healthy 1.4% YOY growth in nonagricultural employment, with strength in trade, transportation & utilities, which experienced a gain of 1,600 jobs. Additionally, the manufacturing sector expanded by 200 positions, although the construction sector faced a modest setback of 600 jobs.

SUPPLY and DEMAND

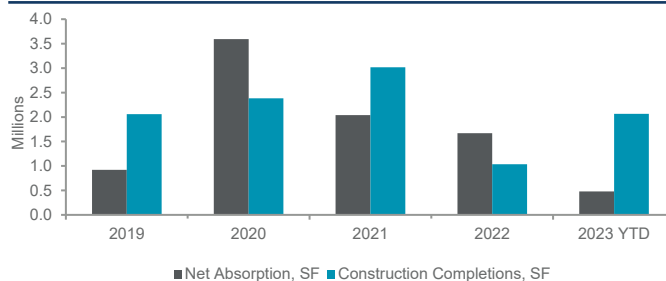
The overall vacancy rate recorded a YOY increase of 170 bps, reaching 5.9%, the highest level since Q3 2021. This rise can largely be attributed to the warehouse/distribution (W/D) sector, which surged 130 bps quarter-over-quarter (QOQ). A significant contributor to this was the completion of Midpoint Florida Logistics Center Buildings 1 and 2, delivering 896,800 square feet (sf) of vacant space in the East Polk submarket during Q3. Despite this rise in vacancy, these newly available spaces hold great potential, given their strategic location along Interstate-4 and the limited availability of premium product in East Polk. Alternatively, the Lakeland submarket experienced a slight YOY reduction of 20 bps in W/D vacancy, ending Q3 at 8.4%. Year-to-date (YTD), 2023 has been remarkable in terms of construction, with nearly 2.1 million square feet (msf) already completed, marking a staggering 697.3% increase compared to the same period in 2022. Moreover, an additional 2.1 msf remains under construction, none of which is pre-leased, potentially impacting vacancy rates in the coming quarters.

After a relatively quiet second quarter, leasing activity in Polk County rebounded during Q3, with 414,500 sf of new leases signed. This brought the YTD leasing volume to 1.3 msf, representing a 35.8% YOY decline. The slowdown in leasing demand can be attributed to reduced interest in big-box spaces (200,000 sf and larger), in light of the recent economic deceleration, with these spaces accounting for 77.7% of available product. Notably, two significant leases signed during the third quarter amounted to 71.1% of the total deal volume. West Lake Pipes took 192,800 sf at Logistixs Hub @ County Line in the Lakeland submarket, while Clear Springs executed a sale-leaseback of its 102,100-sf building in the East Polk submarket. Overall absorption remained marginally positive to end the third quarter at 33,100 sf, with a total of 478,700 sf absorbed YTD.

MARKET PRICING

The pricing dynamics of W/D assets in Polk County continued to exhibit strength, as asking rents recorded growth for the seventh consecutive quarter, culminating at \$7.14 per square foot (psf) triple net at the close of Q3. This represented a 1.7% increase QOQ and a substantial 14.5% surge YOY. The influx of new W/D product hitting the market helped fuel this increase, with asking rates averaging \$7.45 psf, a noteworthy 4.3% above the market average. Particularly remarkable is the significant uptick in asking rates for W/D assets in the Lakeland submarket, which recorded a 15.3% YOY increase, reaching \$6.79 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 2023

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Davenport	6,774,243	224,096	3.3%	-224,096	0	80,000	0	N/A	N/A	\$7.33
East Polk	19,630,646	1,206,749	6.2%	398,141	508,597	0	1,361,199	\$12.00	N/A	\$7.83
South Polk	7,622,193	108,984	1.4%	0	42,600	1,216,800	0	N/A	N/A	\$7.00
East Polk Totals	34,030,932	1,539,829	4.5%	174,045	551,197	1,296,800	1,361,199	\$12.00	N/A	\$7.69
Northeast Lakeland	10,492,690	1,072,747	10.2%	-31,470	182,837	0	0	N/A	N/A	\$6.08
Northwest Lakeland	8,376,446	157,500	1.9%	42,125	115,225	0	0	N/A	N/A	\$7.45
Southeast Lakeland	2,145,684	18,350	0.9%	-7,300	38,900	0	0	N/A	\$12.50	\$10.00
Southwest Lakeland	15,274,850	1,381,372	9.0%	301,290	416,996	905,440	705,420	N/A	\$8.50	\$7.33
Lakeland Totals	36,289,670	2,629,969	7.3%	304,645	753,958	905,440	705,420	N/A	\$11.26	\$6.79
Lakeland / Polk Totals	70,320,602	4,169,798	5.9%	478,690	1,305,155	2,202,240	2,066,619	\$12.00	\$11.26	\$7.14

*Rental rates reflect weighted net asking \$psf/year ** Stats do not reflect C&W National stats

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

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
Logistixs Hub @ County Line	Southwest Lakeland	West Lake Pipes	192,756	New
6105 Spirit Lake Road	East Polk	Clear Springs	102,132	Sale-Leaseback
Ruthven Parkway Center	Southwest Lakeland	Purina	90,000	Renewal
Lakeland Industrial Center - Building 2	Northwest Lakeland	Chep USA	78,141	Renewal

*Renewals are not included in leasing activity

KEY UNDER CONSTRUCTION PROJECTS Q3 2023

PROPERTY	SUBMARKET	SF	OWNER
Central Florida Integrated Logistics Park - Building 1	South Polk	1,216,800	Tratt Properties
Lakeland Commerce Center @ County Line - Buildings 100-400	Southwest Lakeland	905,440	Stonemount Financial

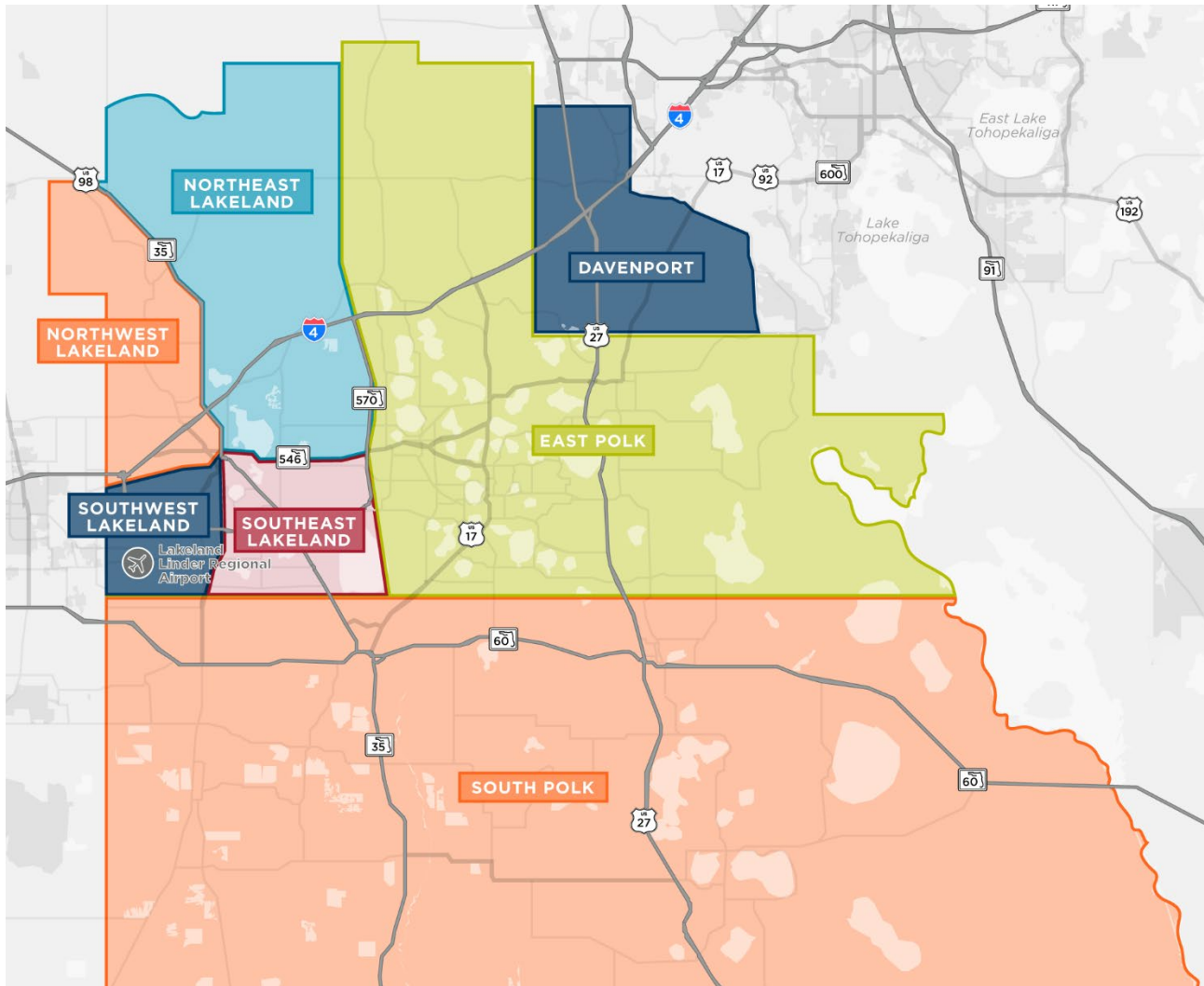
KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
Midpoint Florida Logistics Center- Building 200	East Polk	None	474,600	Dalfen
Midpoint Florida Logistics Center- Building 100	East Polk	None	422,199	Dalfen

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INDUSTRIAL SUBMARKETS



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