

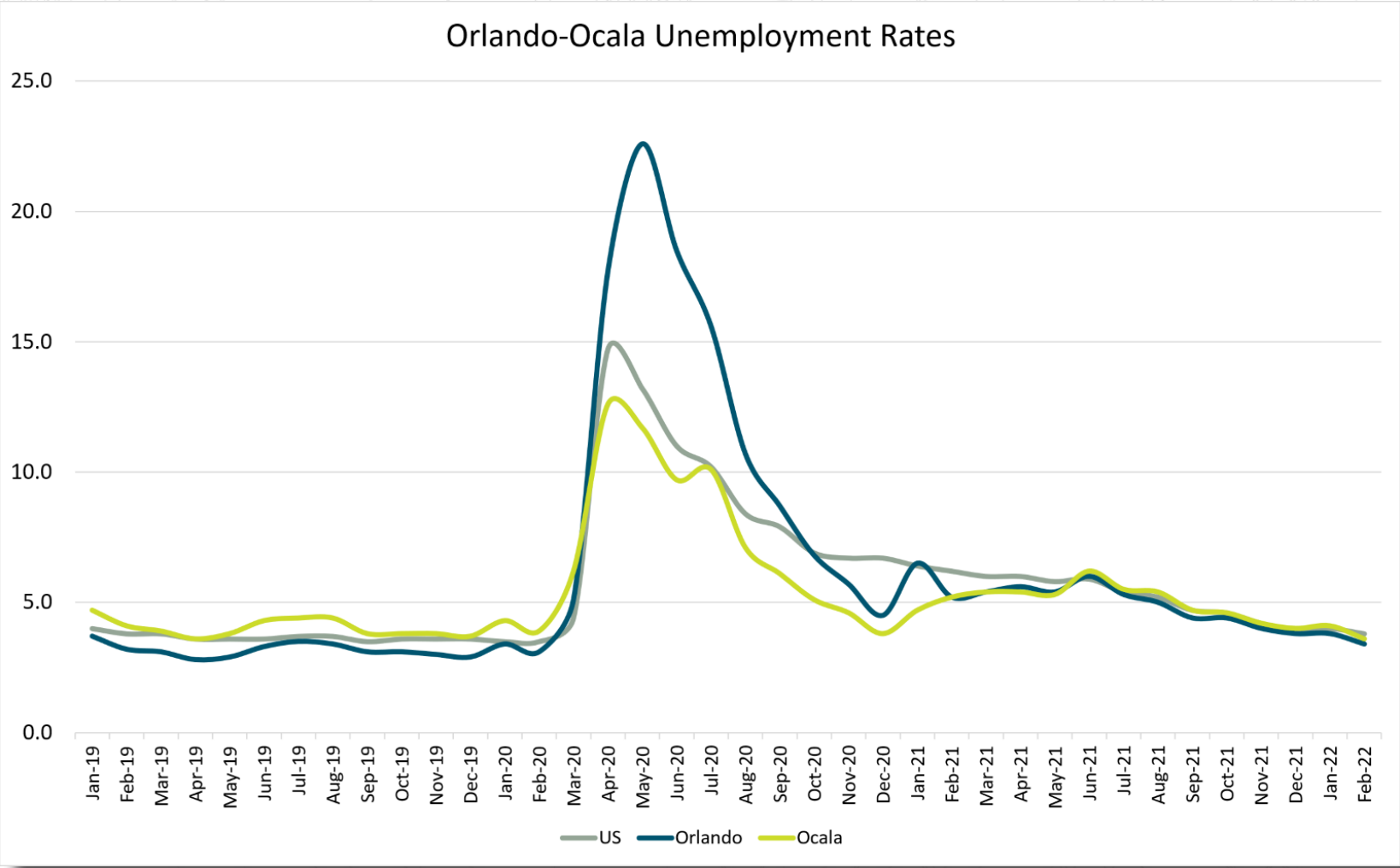
ORLANDO

Q1-22 Industrial Report

 FranklinStreet

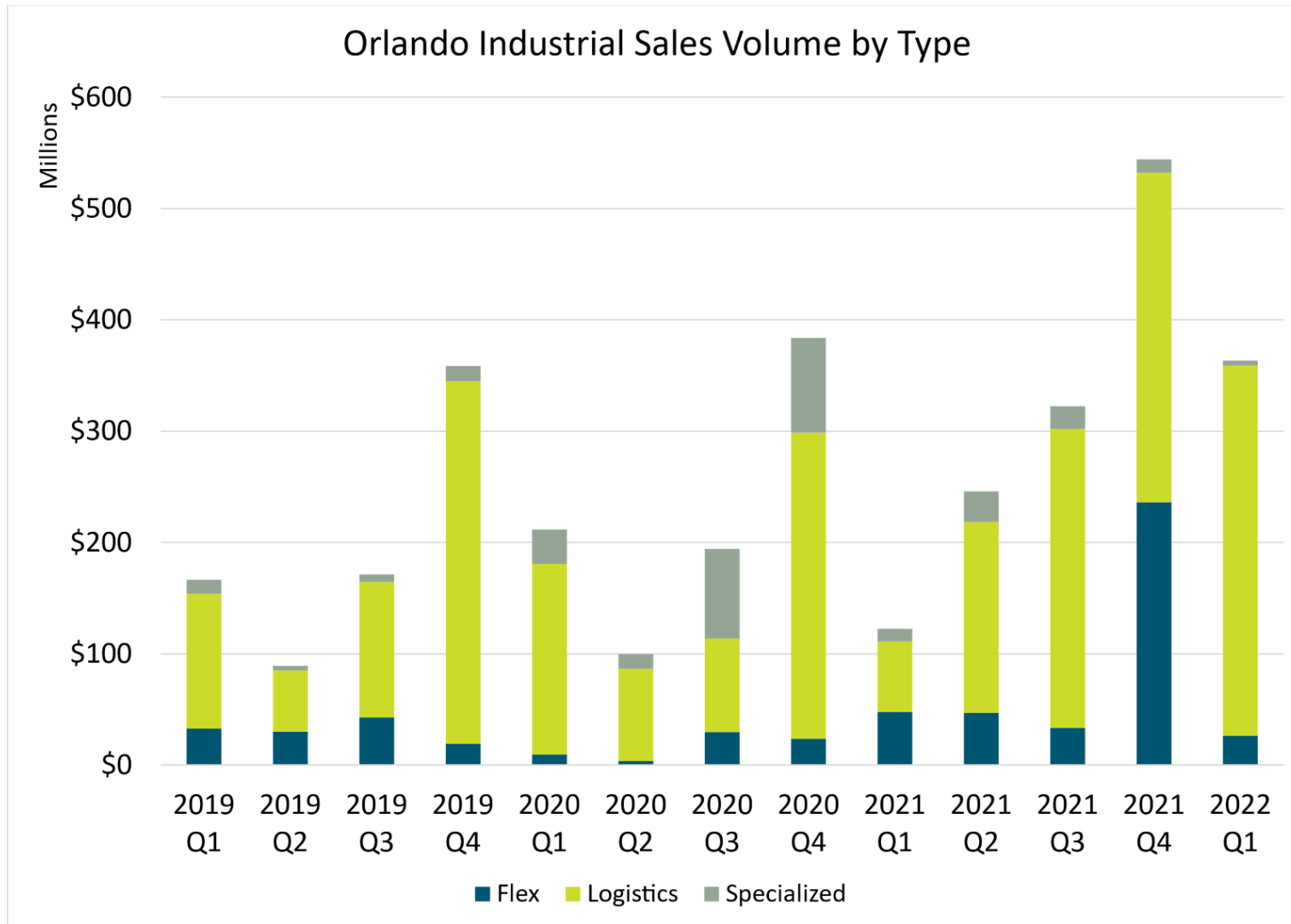
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Orlando-Ocala Unemployment Rates



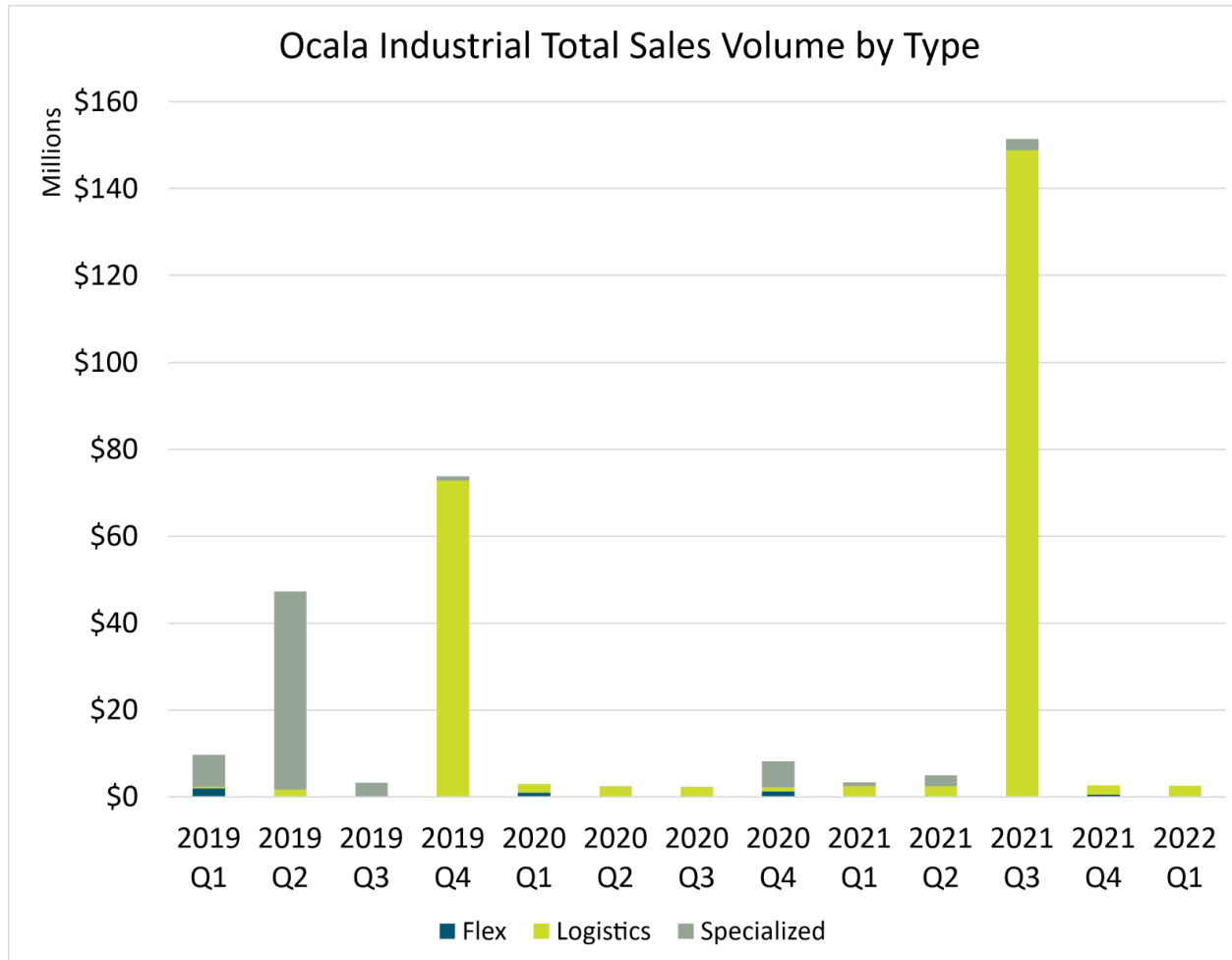
The Orlando MSA was very significantly impacted by the pandemic. Due to the hospitality and tourism nature of its economy, unemployment peaked to 22.6% May 2020. Shortly thereafter, the national economy and the Orlando economy both recovered quickly. Today, Orlando unemployment has edged lower than the national average by 40 basis points to 3.4%. As we end Q1 of 2022, we anticipate employment to continue to garner strength as the year progresses. The impact to employment in Ocala on the other hand was less significant. Peaking in April 2020 at 12.6%, it has now returned to sub pre-pandemic levels, and is currently sitting at 3.6%.

Orlando: Industrial Sales



Orlando industrial sales volume had an incredible first quarter of 2022. With demand for industrial space at an all-time high and Orlando's unique geographic position, investors flooded the market the past two quarters. In Q1, there was \$4.5 million in total sales for specialized space, over \$26 million in total sales volume for flex space, and over \$332 million in total sales for logistics space. Trends in ecommerce have exacerbated investment across Orlando due to the market's centralized location.

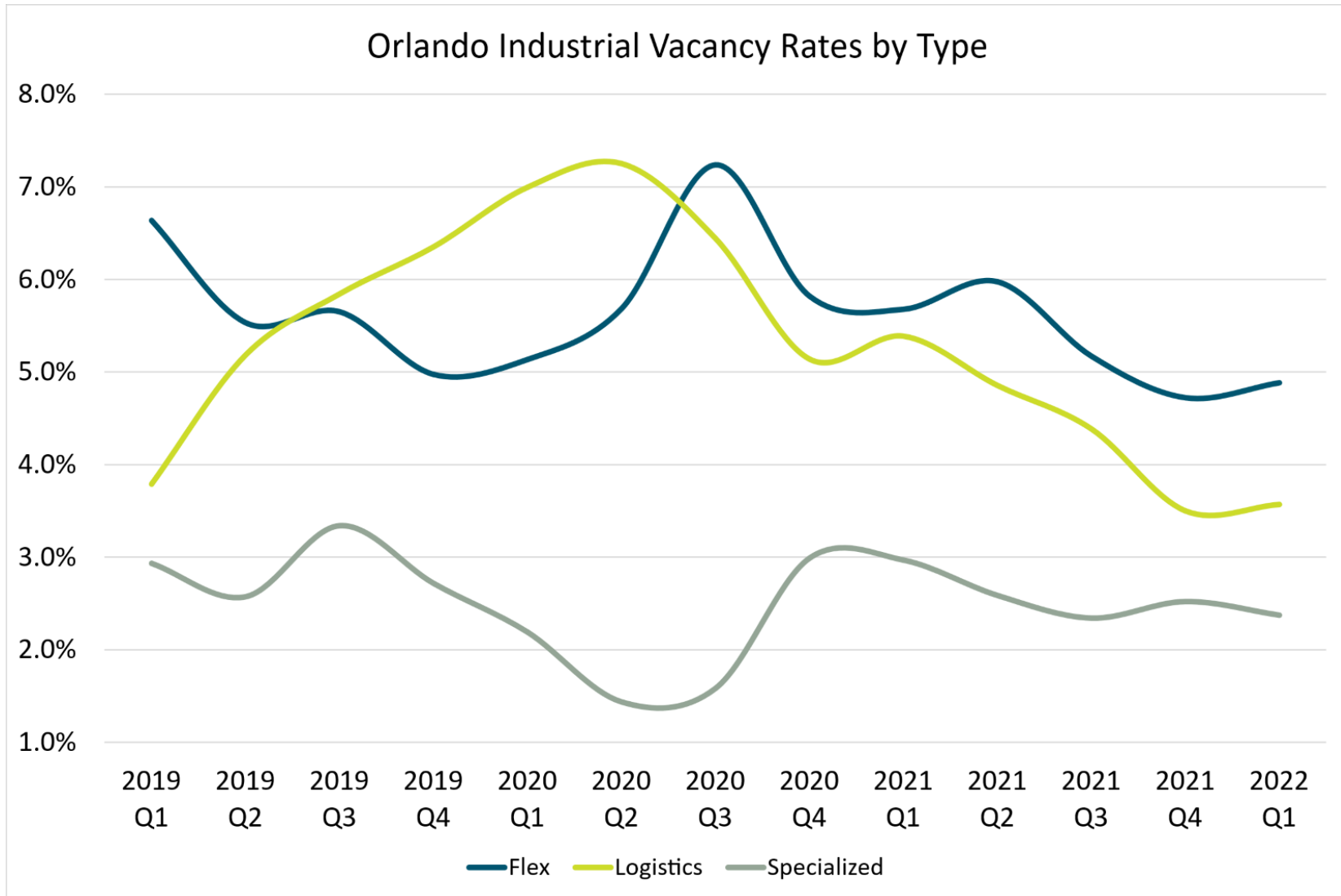
Ocala: Industrial Sales



While Orlando remains a large hub for industrial investment across central Florida, our agents have identified Ocala as a submarket that has experienced huge growth and is a great opportunity for future development. Located roughly 80 miles north of Orlando, Ocala has historically been known as a rural area of Central Florida. However, as ecommerce popularity grows, so does the need for industrial space to accommodate distribution and manufacturing centers. The market's close proximity to I-75, the Florida Turnpike and US 301 make the area incredibly accessible by major highways.

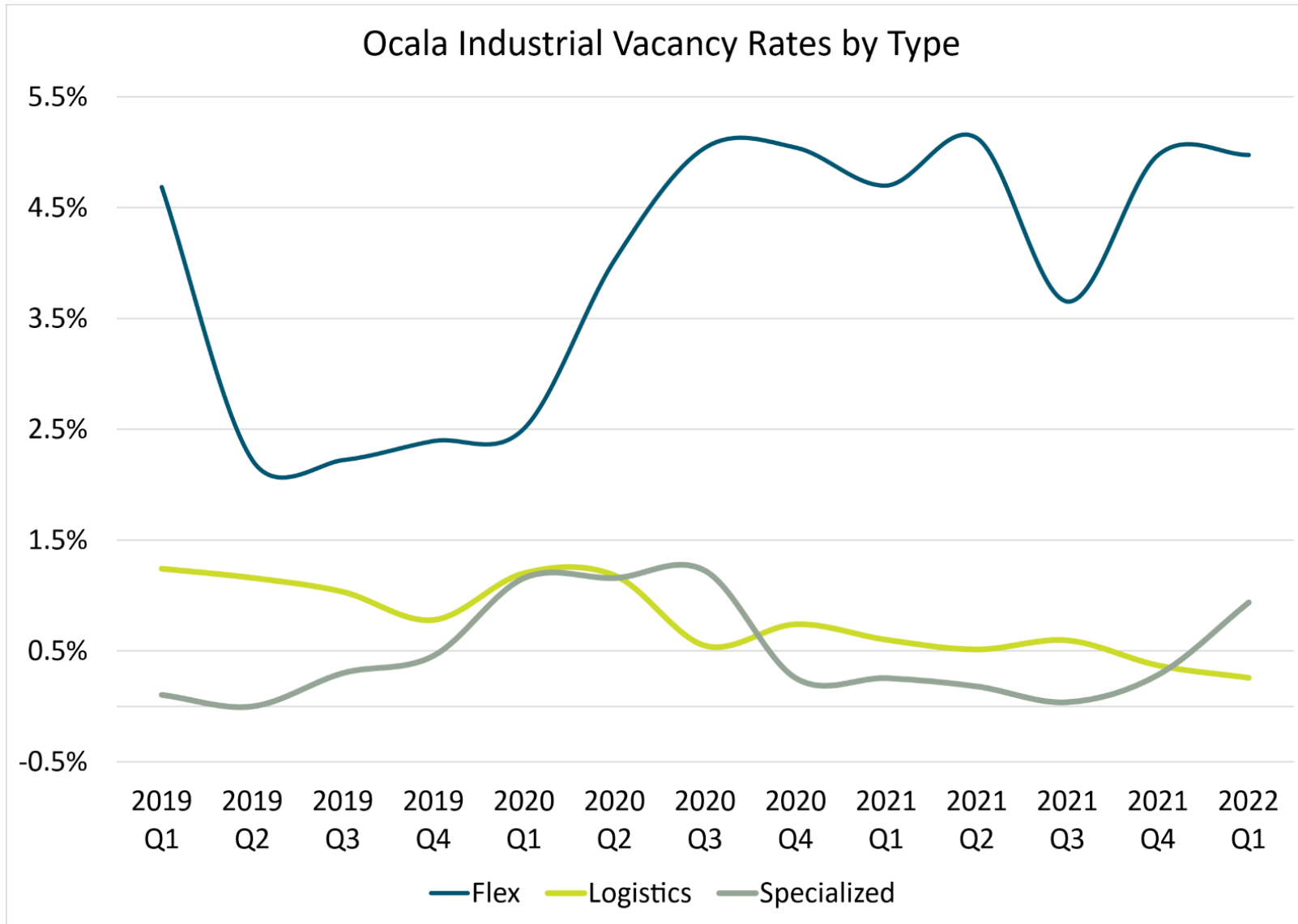
The majority of sales volume in Ocala revolves around logistics space accommodating the demand for distribution centers. The area also saw a large inflow of sales volume at the end of 2021, potentially due to anticipated rate hikes and investors wanting to take advantage of the lower rates while they still could. For Q1 of this year, total volume decreased dramatically to a total of \$2.5 million, all of which was allocated to logistics space. Labor and material costs are currently very high, and if they don't come down soon, we expect sales volume to continue at a slow pace.

Orlando: Industrial Rates



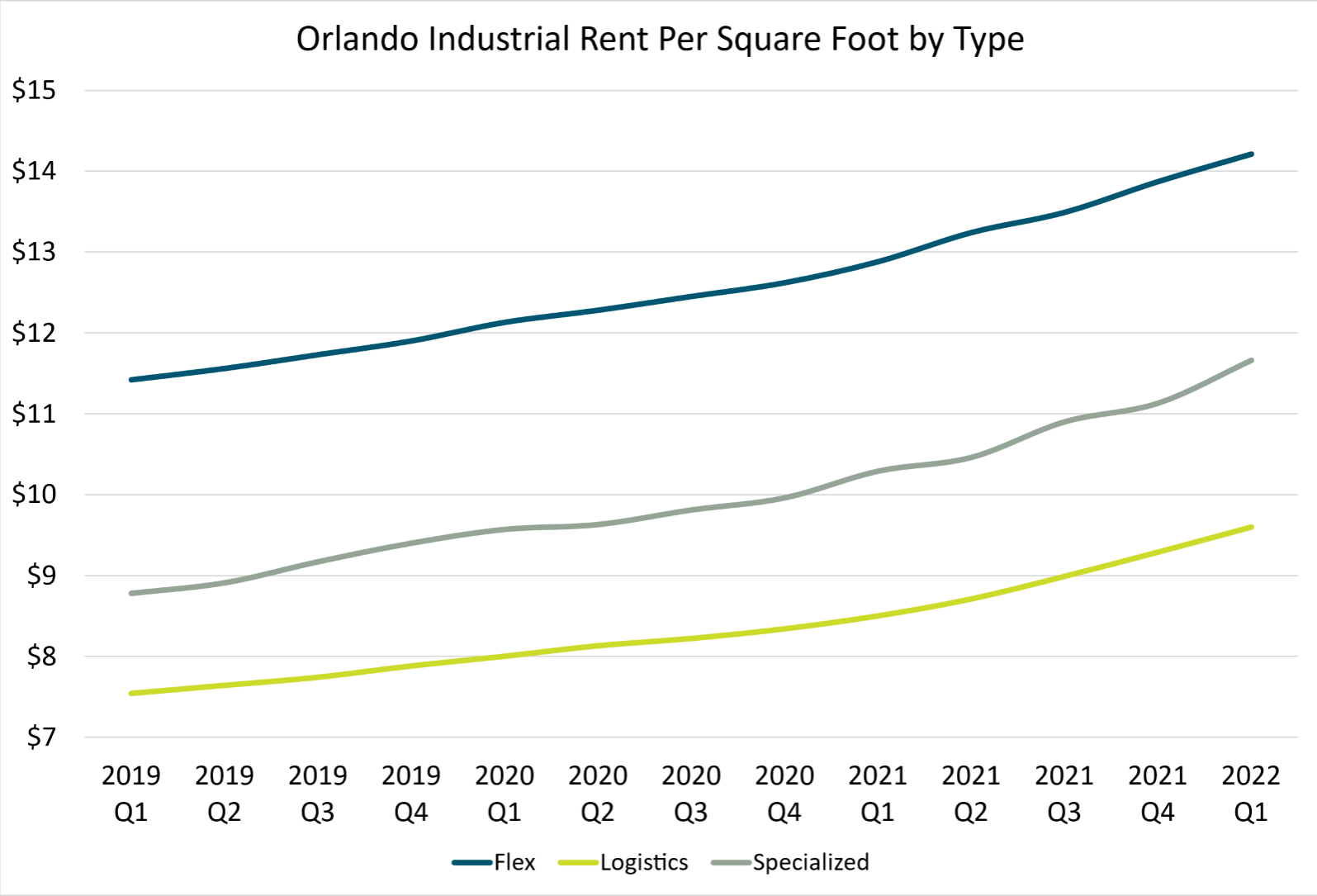
Industrial vacancy rates across all types in Orlando are very low. Flex space vacancy is about 4.9%, logistics space vacancy is about 3.6%, and specialized space vacancy is about 2.4%. We expect vacancy rates across all three industrial types to continue to decline as demand continues to grow.

Ocala: Industrial Rates



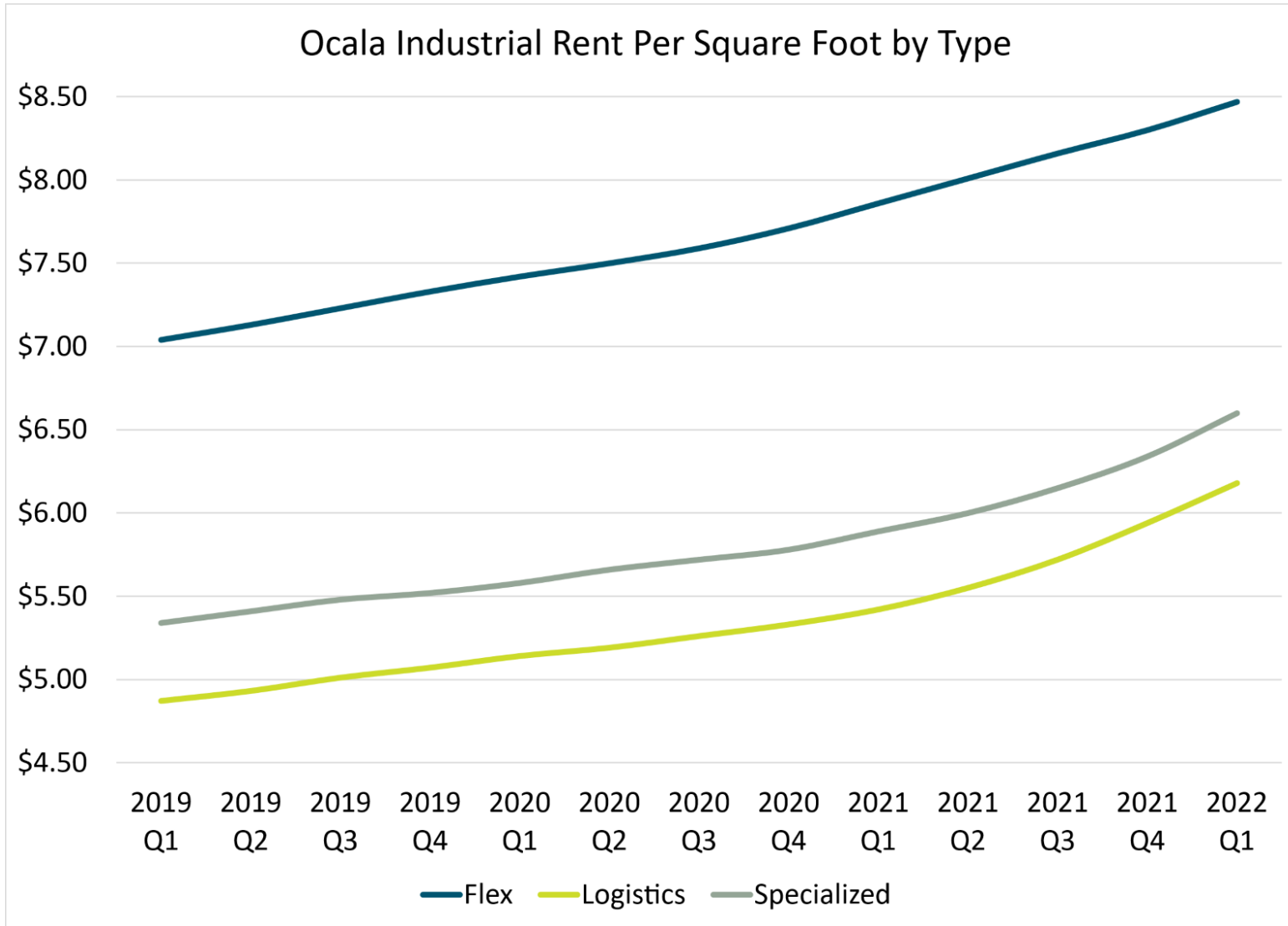
Vacancy rates in Ocala are even lower than in Orlando. Across all industrial types, Q1-22 vacancies averaged 2.1%. Flex space had the highest vacancy rate at 5.0%, while vacancies logistics and specialized spaces remained incredibly tight, at 0.26% and 0.94% respectively. Vacancy rates this low indicate strong competition among tenants and high cash flow for industrial space owners. As we progress into mid-2022, we expect vacancy rates to remain below 3%, as growing ecommerce demand continues to increase the need for industrial space.

Orlando: Industrial Rent



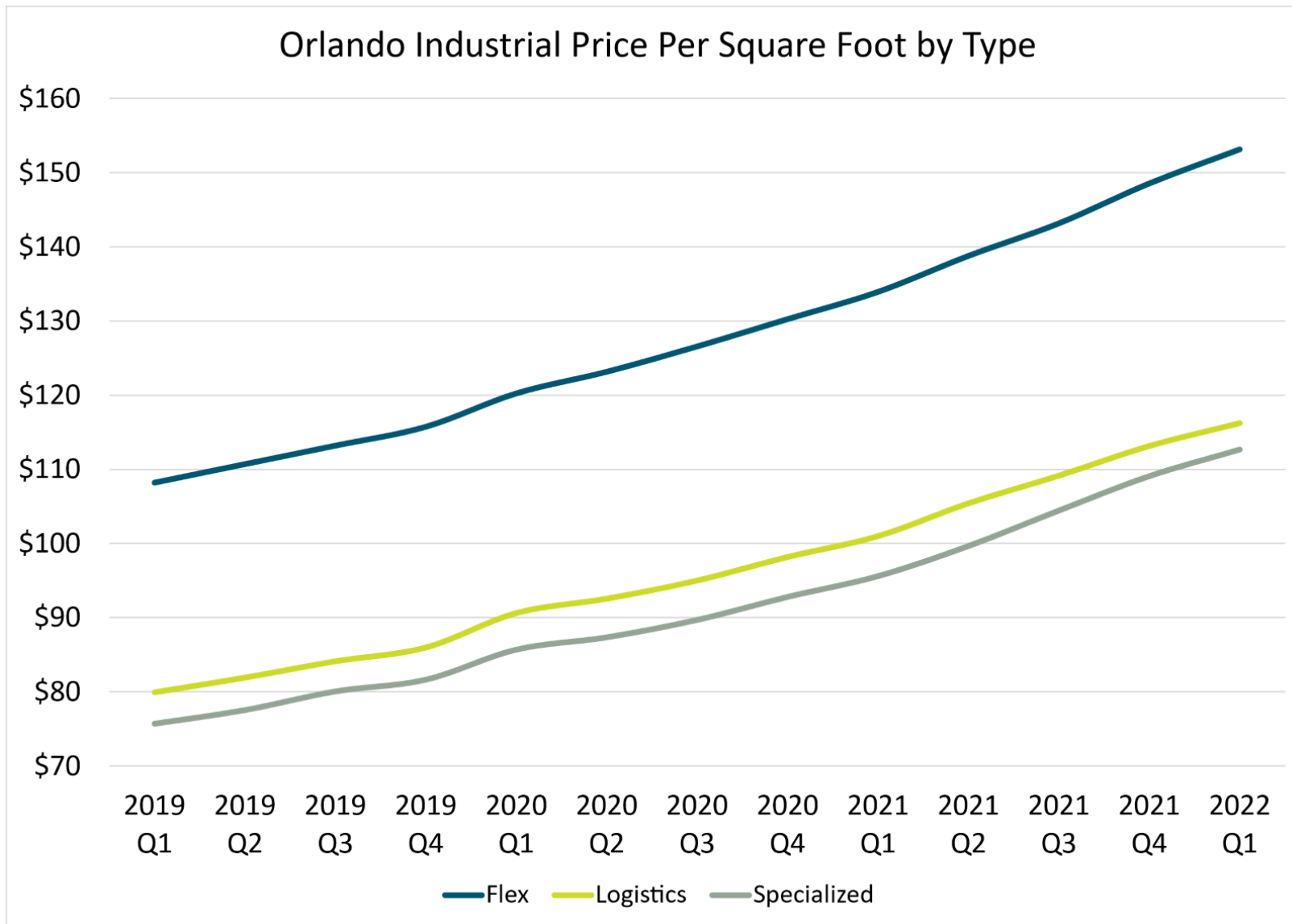
Industrial rental rates have maintained strong growth over the past three years. All three industrial types are achieving record high rents. This is the result of demand outpacing supply. Flex space rent is averaging \$14.21 per square foot, logistics space rent is averaging \$9.60 per square foot, and specialized space rent is averaging \$11.66 per square foot.

Ocala: Industrial Rent



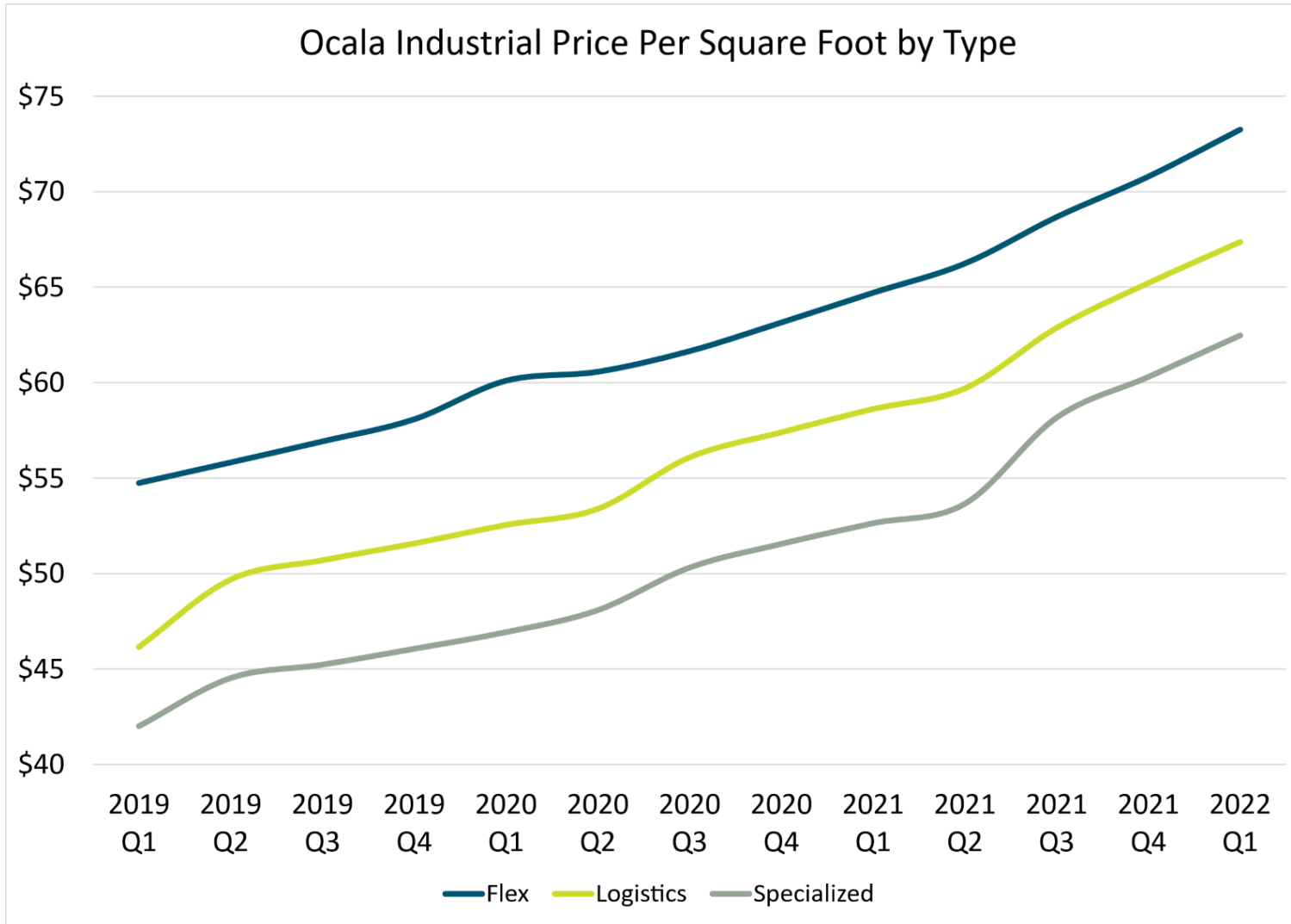
Rental rates in Ocala have also been steadily climbing for years. Since 2019, average rents in this market have grown from \$5.75 per square foot to \$7.08 per square foot. Flex space is above average at \$8.47 per square foot, while logistics and specialized are slightly below average at \$6.18 and \$6.60 per square foot, respectively. Demand for industrial space is materializing rapidly, and it's becoming more expensive to occupy industrial space. We anticipate Ocala's rental rates to continue their upward trajectory throughout 2022, potentially stabilizing as we enter 2023.

Orlando: Industrial Price



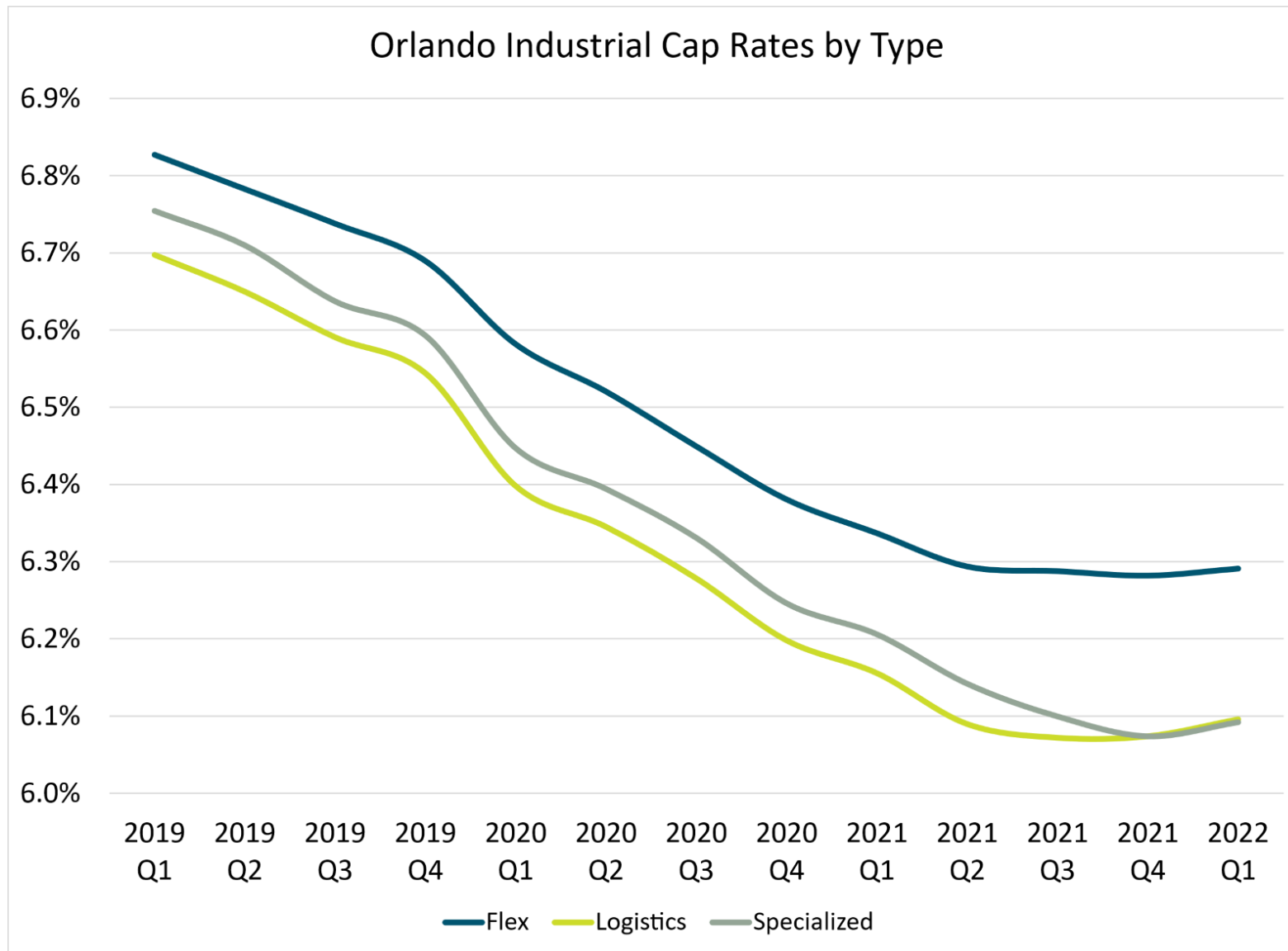
Similar to rental rates, sales prices per square foot for industrial space is also at an all-time high for all three types. We believe this growth trend to also be caused by the elevated demand for industrial space due to ecommerce trends along with decreased availability. The price per square foot for flex space is currently around \$153.11, while logistics space is averaging \$116.20 per square foot and specialized space is averaging \$112.65 per square foot.

Ocala: Industrial Price



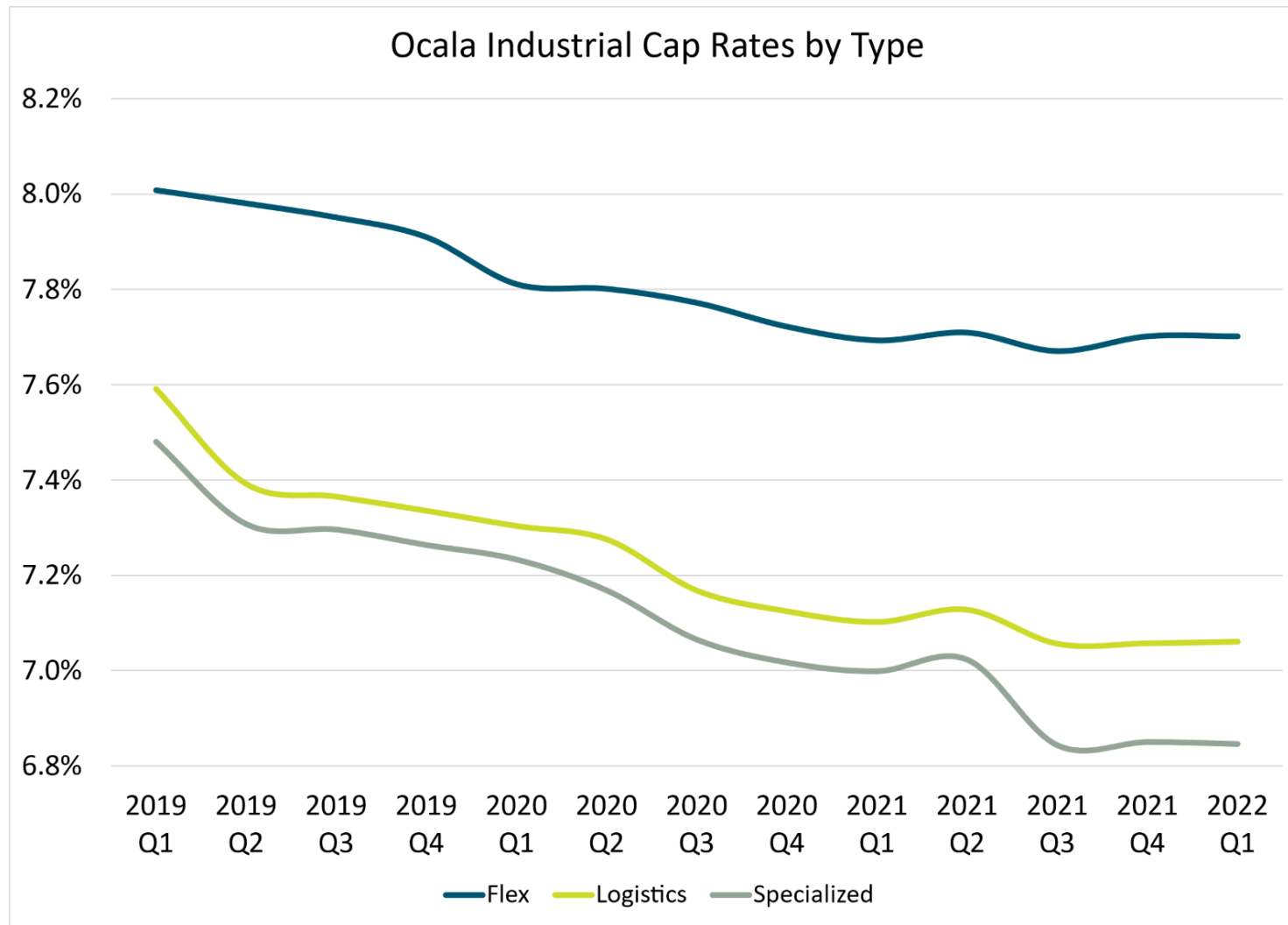
While not priced as high as Orlando, the price per square foot for space in Ocala has followed the same growth trend. The price for flex space has increased by \$18 since 2019 and is currently at \$73.26 per square foot. The price for logistics space has increased by \$21 since 2019 and is currently at \$67.38 per square foot. The price for specialized space has increased by \$20 and is currently at \$62.47. The cost of development is currently very high, making it difficult for new industrial space development to be delivered to the market. Until this trend subsides, competition for available space will tighten and prices will continue to increase.

Orlando: Industrial Cap



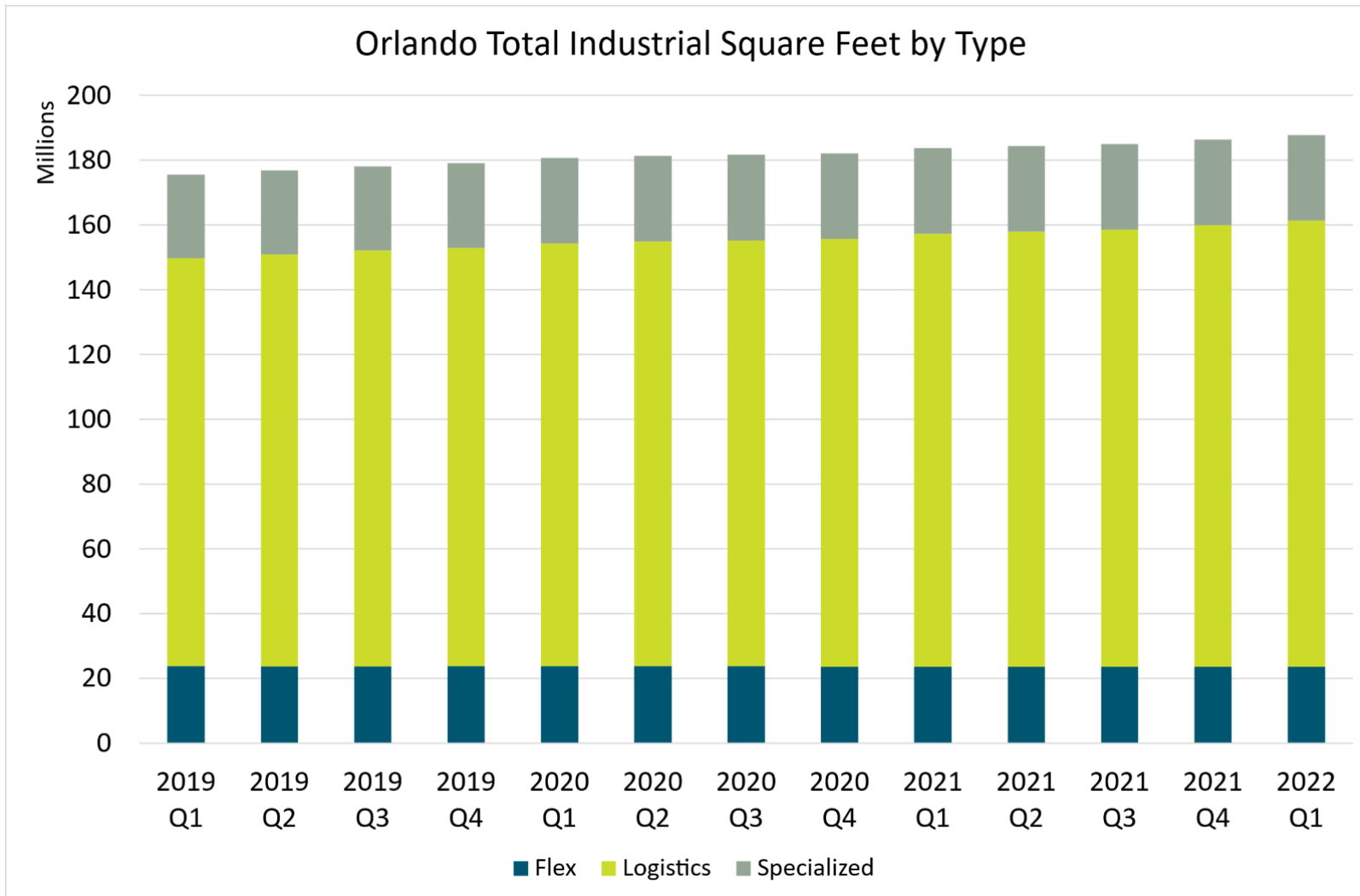
Cap rates have been experiencing steady compression for the past few years. Today, that compression seems to have moderated or at least reached a relative bottom. Cap rates for flex space are around 6.29%, cap rates for logistics space are around 6.09%, and cap rates for specialized space are around 6.09%. Although cap rates have been decreasing, demand has not slowed. Investor appetite for industrial space seems to only be growing, especially in Orlando.

Ocala: Industrial Cap



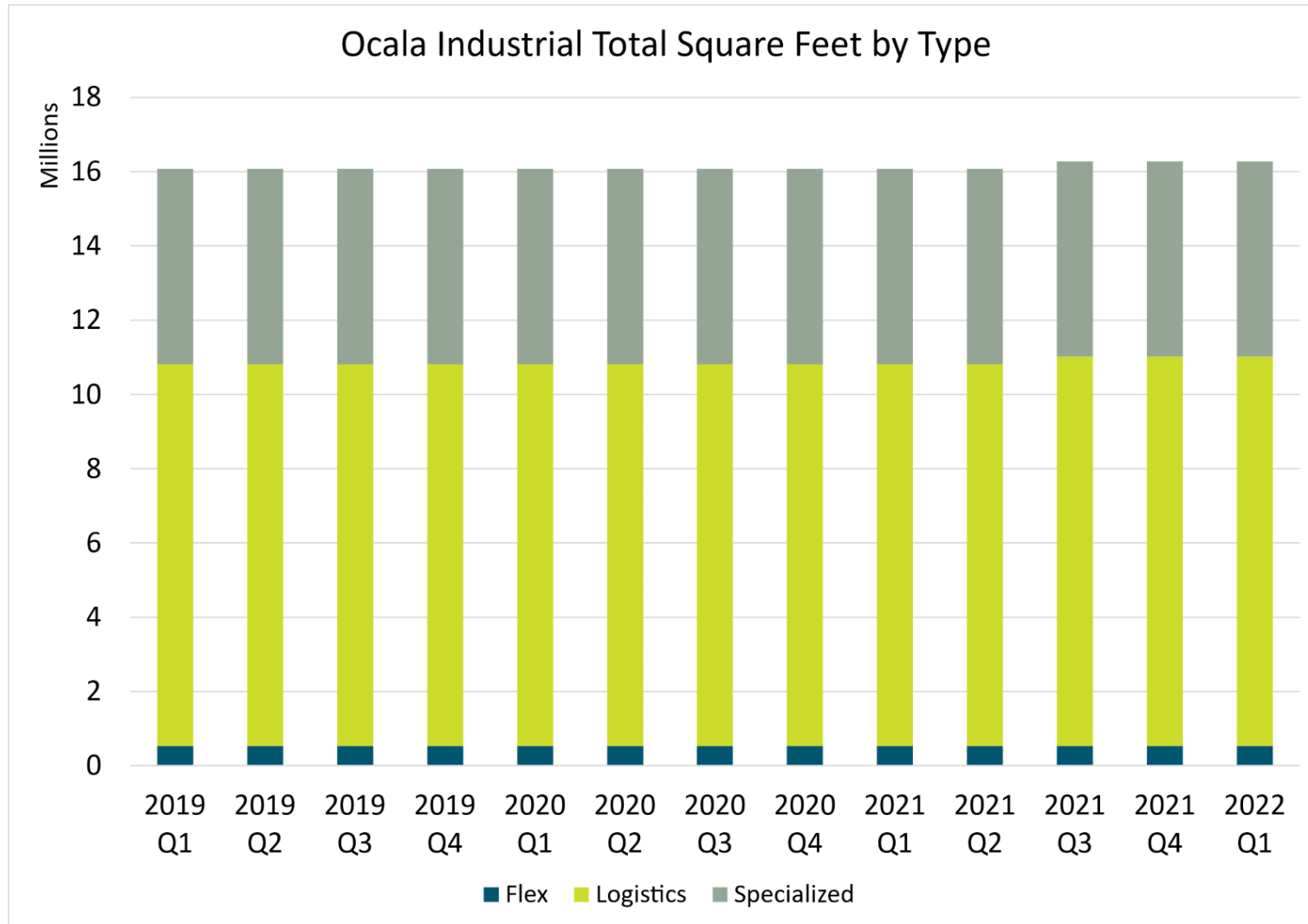
Cap rates in Ocala have also undergone intense compression over the past few years. The rapid increases in prices have brought cap rates to levels investors in the area have not seen yet. Flex space cap rates are averaging 7.7%, logistics space cap rates are averaging 7.1%, and specialized space cap rates are averaging 6.8%. While cap rates have dropped, we do not expect this compression to persist for much longer. We believe cap rates may dip slightly lower in the near term, then stabilize throughout the year to remain in the high 6% and low 7% level.

Orlando: Total Industrial



While sales volume and demand have grown significantly over the year and years prior, development has stayed somewhat flat in Orlando from Q1 2019 to now. 2019 started with 175 million total square feet of industrial space and there have only been 12 million square feet delivered to the market since then. Today, the market contains 23 million square feet of flex space, 137 million square feet of logistics space, and 26 million square feet of specialized space. Material costs have been high over the past few years due to the pandemic and supply chain related issues, which is potentially the cause of this slow growth.

Ocala: Total Industrial



Since 2019, there has only been 206,250 square feet of industrial space added to the Ocala market, with the large majority being allocated to logistics space. While logistics space is the dominate industrial space type in the area, there is also a considerable amount of specialized space. Logistics space accounts for roughly 64% of the total inventory with 10.4 million square feet. Specialized space accounts for roughly 32% of the total available inventory with 5.2 million square feet. Flex space only accounts for 3% of total inventory space with 526,381 square feet.

Central Florida has proven to be a very attractive location for both occupiers and investors. Orlando and Ocala have both shown very promising growth patterns in metrics investors typically look for to measure market health. Although labor and material prices remain elevated, development in the area will continue to climb, albeit at a more moderate pace and in more creative ways. With land prices on the rise as well, developers and occupiers are showing more interest in adaptive reuse. Struggling malls and many older retail properties throughout Central Florida are well-positioned to be transitioned into industrial use.

Further, the limited inventory paired with record rents is driving tenant interest outside of Central Florida's core markets into areas like Groveland, Daytona, DeBary, Deland, Lake Wales and Winter Haven.

Ultimately, Central Florida will continue to serve as a critical location for distribution. Florida is one of the most favorable tax environments in the entire country and it will continue to be a hotspot for investors looking to maximize their returns.

Geography Name	Asset Value	Vacancy Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	12 MO Delivered SF	Under Construction SF	12 MO Net Absorption	Market Sale Price Per SF	Market Cap Rate
Lake County	\$1,066,819,008	0.4%	\$8.47	12.9%	11,680,340	407,252	597,086	656,055	\$86.96	6.4%
NE Orange County	\$323,618,304	2.6%	\$14.35	11.6%	1,844,928	-107,577		54,904	\$175.41	6.4%
NW Orange County	\$5,542,457,856	3.7%	\$10.17	12.6%	41,662,474	921,762	1,817,879	1,580,287	\$127.48	6.0%
Osceola County	\$1,116,115,968	3.1%	\$10.97	12.8%	8,261,755	512,232	783,164	375,521	\$123.40	6.0%
SE Orange County	\$7,474,917,888	4.0%	\$10.50	12.5%	59,919,896	609,922	1,884,266	2,295,760	\$120.94	6.1%
Seminole County	\$3,703,476,736	2.9%	\$11.06	12.4%	29,482,289	157,500	150,030	398,650	\$125.09	6.3%
SW Orange County	\$4,010,370,816	4.5%	\$10.56	12.3%	34,876,841	1,492,614	253,040	1,263,940	\$114.16	6.0%

Industrial Advisory Team



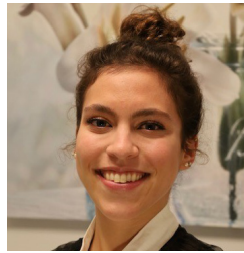
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