

# MARKETBEAT

## Lakeland

### Industrial Q1 2019



#### LAKELAND INDUSTRIAL

##### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Lakeland MSA Employment	224k	232k	▲
Polk County Unemployment	4.4%	3.9%	▲
U.S. Unemployment	4.1%	3.8%	▼

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

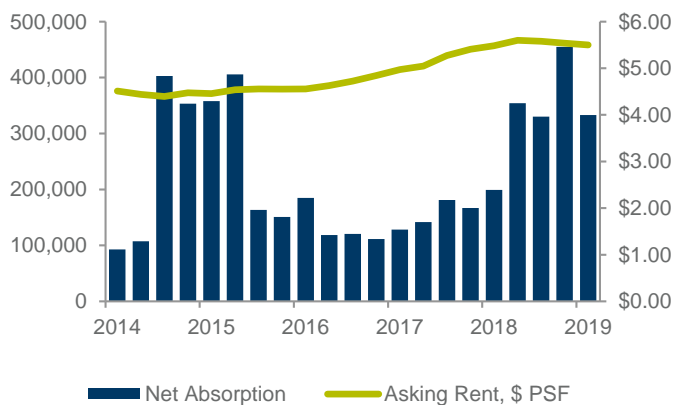
##### Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	4.9%	4.2%	▲
YTD Net Absorption (sf)	430k	-56k	▲
Under Construction (sf)	650k	2.1M	▲
Average Asking Rent*	\$5.45	\$5.30	▲

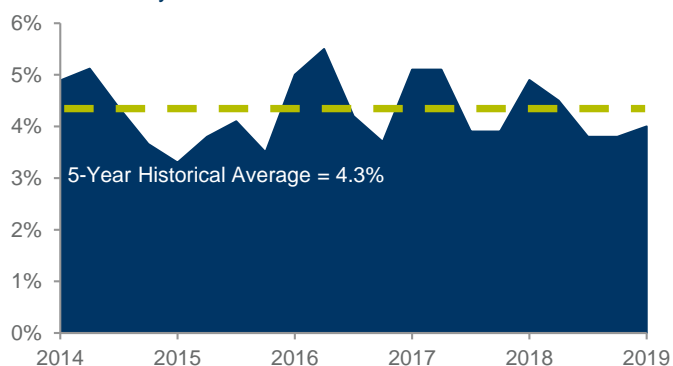
\*Rental rates reflect net asking \$psf/year

##### 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 7,600 jobs for an annual growth rate of 3.4%. As of February 2019, the unemployment rate was 3.9%, a 50 basis points (bps) year-over-year decrease. Most industrial-using employment sectors gained jobs throughout Polk County with the Trade, Transportation, & Utilities sector adding 1,200 new positions for an annual growth rate of 7.7%. Due to the region's robust consumer demand, many in- and new-to-market users are taking space benefiting Tampa Bay's industrial market.

## Market Overview

Leasing activity showed a slight increase compared to the fourth quarter of 2018. The market's lack of large 100,000+ square feet (sf) blocks of available space hampering many tenants' efforts to expand or relocate. The dynamic should change through the rest of the year as several new developments deliver with availabilities. Several tenant move-outs in Lakeland's industrial market caused negative absorption in the first quarter, which was in sharp contrast to the historic amount of space tenants took throughout 2018. This marked the first time since 2013 that the overall Lakeland market started the year with negative absorption.

The overall rental rate decreased 2.8% year-over-year (YOY) to \$5.30 per square foot (psf) triple net (NNN) and was primarily due to several higher-priced flex/office services availabilities taken off of the market. In contrast, the warehouse/distribution rental rate increased by 2.0% to \$5.11 psf NNN. Gains in asking rates were bolstered by increases in the Southeast submarket, which saw a YOY increase of 13.1%. The overall vacancy rate improved over the quarter, decreasing 65 bps to 4.2%, marking the 7<sup>th</sup> consecutive quarter the overall vacancy rate remained below 5.0%. Flex/office services space saw the largest vacancy drop in the past 12-months, decreasing from 17.4% to 11.7%, due to tenants taking several blocks off the market.

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Sales activity fell after a remarkable 2018, where over 2.6 million square feet (msf) sold. While new construction was a key driver in sales activity for 2018, the lack of deliveries in the first quarter of 2019 caused sale activity to pause. A 40,650 square foot warehouse in Southeast Lakeland sold for \$1.45 million and was the only sale of quarter.

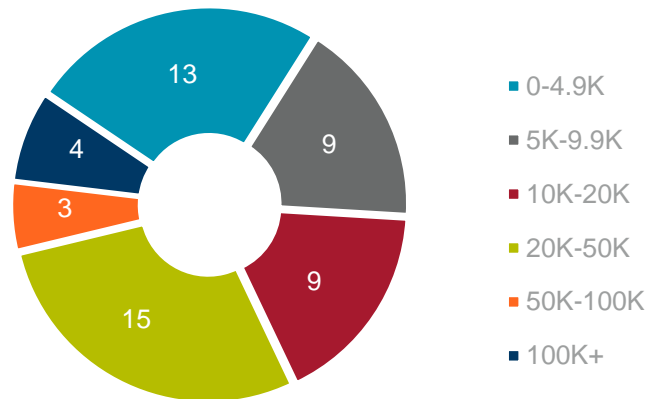
**Lakeland continues to manifest itself as a top industrial market for new construction with 2.1 msf under construction, the highest quarterly amount in Lakeland's history.**

Lakeland continued to manifest itself as a top industrial market for new construction with 2.1 msf under construction, the highest amount under construction in a single quarter in Lakeland's history. Phase I of Blue Steel Development's Key Logistics Center was finished in 2018, after a 520,000-sf built-to-suit distribution center was delivered for DHL/Ikea. Phase II and III of Key Logistics Center was underway with a total of 841,920 sf under construction and an estimated delivery date in June of 2019. The market's construction activity continued to grab the attention of tenants as they seek out premier I-4 corridor locations.

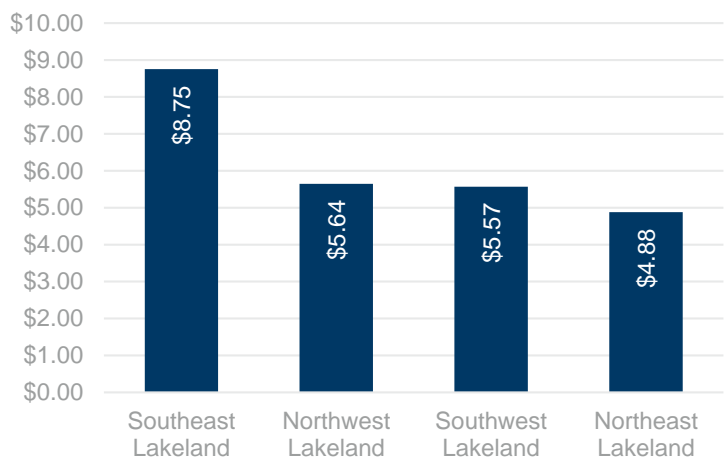
### Outlook

- Tenants continued to seek out Lakeland's lower rental rates, multiple product options, and superior access to the I-4 corridor.
- Lakeland's strong labor force will remain a key driver in attracting new tenants to the market.
- Cushman & Wakefield anticipates key market dynamics to remain steady through the remainder of 2019.

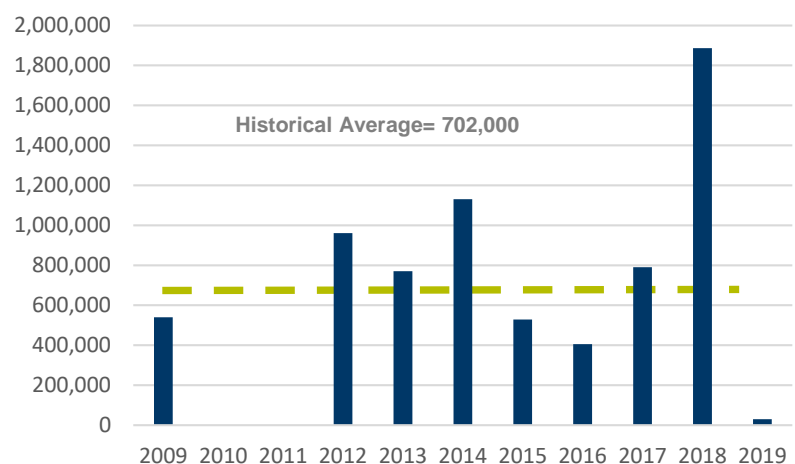
Availability by Size Segment  
OVERALL VACANCIES IN ONE SUITE



NNN Asking Rents by Submarket



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	105	12,788,220	0	2.3%	-37,840	841,920	30,200	N/A	\$5.25	\$5.57
Southeast Lakeland	61	2,345,565	40,650	4.1%	2,750	197,600	0	N/A	\$9.91	\$6.57
Northwest Lakeland	91	11,296,570	0	3.5%	15,300	0	0	\$8.42	\$4.75	\$5.10
Northeast Lakeland	46	6,259,938	0	9.1%	-36,000	1,106,834	0	N/A	N/A	\$4.88
<b>LAKELAND TOTALS</b>	<b>303</b>	<b>32,690,293</b>	<b>40,650</b>	<b>4.2%</b>	<b>-55,790</b>	<b>2,146,354</b>	<b>1,886,128</b>	<b>\$8.42</b>	<b>\$5.72</b>	<b>\$5.11</b>

\*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	210	23,242,458	40,650	5.2%	-44,590	2,146,354	68,300	30,200	\$5.30	\$5.14
Manufacturing	82	8,889,368	0	0.9%	0	0	0	0	\$8.42	\$8.42
Office Service/Flex	22	690,169	0	11.7%	-11,200	0	1,120	0	\$5.72	\$5.72

\*Does not include renewals

**Key Lease Transactions Q1 2019**

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3115 Drane Field Road	32,500	MaxPax	Renewal	Southwest Lakeland

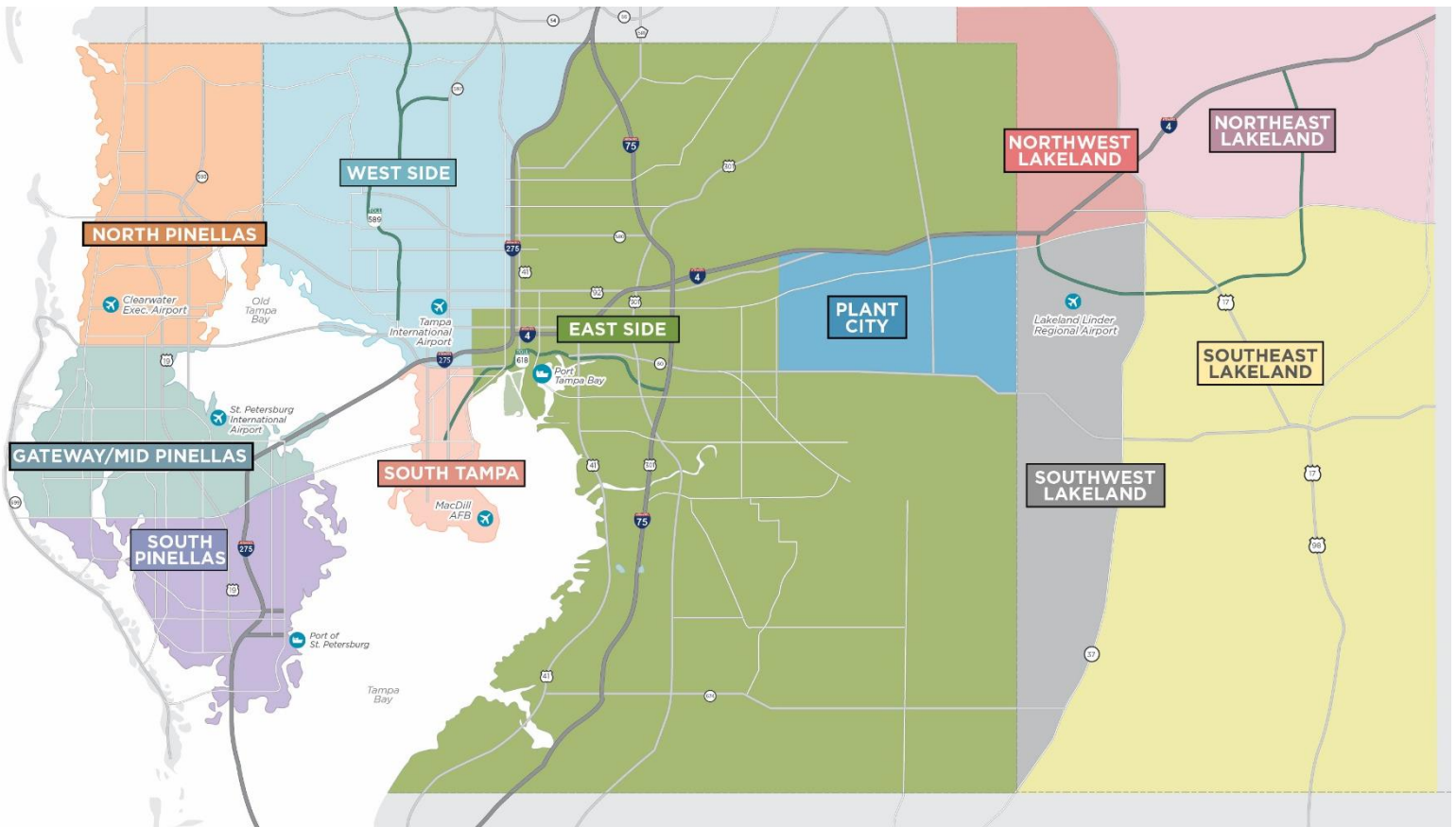
**Key Sales Transactions Q1 2019**

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2725 Mine and Mill Road – Tenneco Packaging	40,650	Agriworld Business Inc./Web Restaurant Inc.	\$1,450,000 / \$36	Southeast Lakeland

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