

Industrial Q4 2023

YoY
Chg12-Mo.
Forecast**6.3%**

Vacancy Rate

**470K**

YTD Absorption, SF

**\$7.39**

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q4 2023YoY
Chg12-Mo.
Forecast**272K**Polk County
Employment**3.6%**Polk County
Unemployment Rate**3.7%**U.S.
Unemployment Rate

Source: BLS

ECONOMY

Despite a slight year-over-year (YOY) uptick of 40 basis points (bps), Polk County's unemployment rate was 3.6%, 10 bps below the national average. The county added 9,443 jobs, reflecting a healthy 2.8% YOY growth in nonagricultural employment. Notably, the trade, transportation & utilities sector demonstrated strength by gaining 1,900 jobs. Additionally, the manufacturing sector expanded by 300 positions, while the construction sector faced a modest setback with a reduction of 400 jobs.

SUPPLY and DEMAND

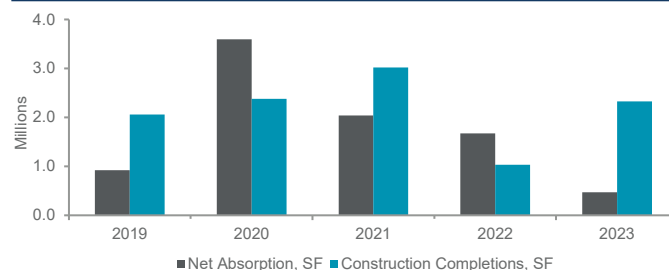
The warehouse/distribution (W/D) overall vacancy rate increased 290 bps YOY to reach 7.3%, above the five-year average of 6.7% and the highest rate since Q3 2020. This surge can be attributed to new speculative projects that delivered and remaining vacant throughout the year. In the course of 2023, 2.3 million square feet (msf) of new product was completed, a 12.9% increase from 2022, with 87.5% of this space still available for lease. This pattern persisted into Q4, when Lakeland Commerce Center - Building 100 delivered 258,400 square feet (sf) of vacant space. The East Polk submarket, hosting 58.5% of the new construction, had the most substantial YOY climb in vacancy, rising 550 bps to 7.1%. The Polk industrial segment may continue to face challenges into 2024 as an additional 1.6 msf is expected to deliver during Q1, with only 2.3% preleased. During Q4, LGH North America signed for 36,420 sf at Lakeland Commerce Center Building 200 and was the only preleasing among projects underway.

Polk County recorded 2.1 msf of new W/D deals in 2023, resulting in a 16.8% YOY decline. However, leasing activity finished the year off strong, with Q4 recording the highest quarterly volume with 840,000 sf. This rise was fueled by two significant deals in the Lakeland submarket. Veritiv secured the largest lease of the year in Q4, signing for 531,000 sf at CenterState Logistics Park, while the Florida Division of Emergency Management took 190,000 sf at Key Logistics Center - Building 100. The Veritiv deal held particular significance for the market, given that CenterState, a 1.0-msf building, had remained entirely vacant since its delivery in Q3 2021. Despite these substantial leases in the final quarter, the Lakeland submarket reported only 1.6 msf of new deals in 2023, marking a 26.6% YOY decline. Overall absorption for the year concluded at 470,000 sf, representing a significant decrease from the 1.7 msf recorded in 2022 albeit remaining positive.

MARKET PRICING

Polk County W/D asking rates increased every quarter over the past two years, ending Q4 at \$7.39 per square foot (psf). This was up 15.3% YOY and driven mainly by the heavy influx of new product on the market with premium asking rents. The Northeast Lakeland submarket had the largest YOY increase, marking a significant 17.1% surge. This boost was attributed to the removal of over half of the available space at CenterState, taking a large chunk of big box rents off the market, contributing to the rise in the weighted average. With a slew of new construction set to deliver early in 2024, the possibility of further average asking rent increases looms. However, landlords might be prompted to adjust rates if demand fails to keep pace with the incoming supply.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 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	19,305,096	1,206,923	6.3%	397,967	508,597	0	1,361,199	\$12.00	N/A	\$7.83
South Polk	7,626,043	108,984	1.4%	0	42600	1,216,800	0	N/A	N/A	\$7.00
East Polk Totals	33,705,382	1,540,003	4.6%	173,871	551,197	1,296,800	1,361,199	\$12.00	N/A	\$7.69
Northeast Lakeland	10,492,690	1,069,067	10.2%	-27,790	771,947	0	0	N/A	N/A	\$6.21
Northwest Lakeland	8,376,446	165,275	2.0%	34,350	118,650	0	0	N/A	N/A	\$7.63
Southeast Lakeland	2,145,684	18,350	0.9%	-7,300	41,400	0	0	N/A	N/A	\$10.00
Southwest Lakeland	15,533,250	1,644,662	10.6%	296,400	666,568	647,440	963,820	N/A	N/A	\$7.41
Lakeland Totals	36,548,070	2,897,354	7.9%	295,660	1,598,565	647,440	963,820	N/A	N/A	\$7.16
Lakeland / Polk Totals	70,253,452	4,437,357	6.3%	469,531	2,149,762	1,944,240	2,325,019	\$12.00	N/A	\$7.39

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

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

KEY LEASE TRANSACTIONS 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*	Quarter
CenterState Logistics Park East - Building 400	Lakeland	Veritiv	531,000	New Lease	Q4
Florida Central Park	East Polk	Huttig Building Products	448,627	Renewal	Q1
First Park @ Bridgewater Building 1	Lakeland	HD Supply	400,000	Renewal	Q2
Key Logistics Center - Building 100	Lakeland	DHL	330,200	Renewal	Q4
Pace Logistics Center - Building 100	East Polk	Hyundai Motor Company	291,000	New Lease	Q1

*Renewals are not included in leasing activity

KEY UNDER CONSTRUCTION PROJECTS Q4 2023

PROPERTY	SUBMARKET	SF	OWNER	PROJECTED DELIVERY DATE
Central Florida Integrated Logistics Park - Building 1	South Polk	1,216,800	Tratt Properties	Q1 2024
Lakeland Commerce Center @ County Line - Buildings 200-400	Southwest Lakeland	647,440	Stonemount Financial	Q1/Q4 2024

KEY CONSTRUCTION COMPLETIONS 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER	Quarter
Midpoint Florida Logistics Center- Buildings 100 & 200	East Polk	None	896,799	Dalfen	Q3
Lakeland Central Park - Building 2	Lakeland	None	705,420	Parkway Properties	Q2
Pace Logistics Center - Building 100	East Polk	Hyundai	464,400	Intersect Development Group	Q1

A map of the Lakeland Linder Regional Airport service areas. The map is divided into six color-coded regions: Northwest Lakeland (orange), Northeast Lakeland (light blue), Southwest Lakeland (dark blue), Southeast Lakeland (pink), East Polk (light green), and South Polk (orange). Major highways are shown, including I-4, US-98, US-35, US-27, US-17, US-92, US-60, and US-91. The airport is located in the Southwest Lakeland region. Other labels include 'East Lake Tohopekalliga' and 'Lake Tohopekalliga'.

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