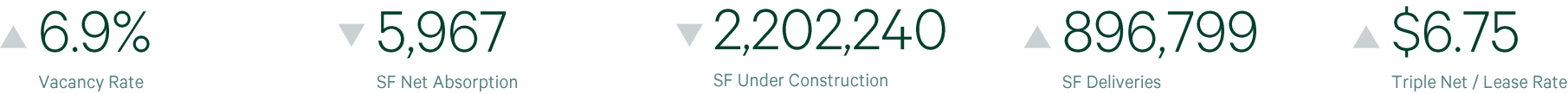


FIGURES | POLK COUNTY INDUSTRIAL | Q3 2023

# New opportunities pave a path towards continued growth



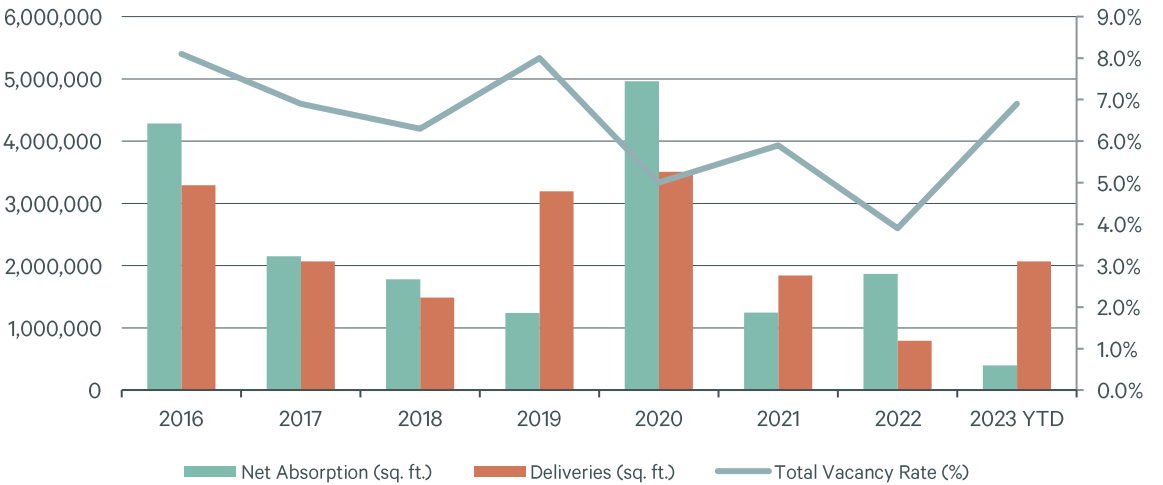
Note: Arrows indicate change from previous year.

## OVERVIEW

- In similar fashion to the previous quarter deliveries outweighed net absorption as 897,000 square feet delivered in East Polk County, as a result vacancy rose by 150 basis points.
- The construction pipeline was mostly unreplenished as only a single 80,000 square foot rear load building broke ground.
- Rent growth continued its upward trajectory, rising by 9% year-over-year.

Despite muted activity over the course of the year Polk County’s industrial market displayed signs of resilience as average asking rents continued their upward climb. In fact, average asking rents grew at a rate that bested most quarters over the past three years and have averaged 8.5% year-over-year growth over the course of 2023. A combination of macro-economic headwinds and tight market conditions have seen 2023 experience a slowdown in comparison to the activity in previous years. However, a maturing assortment of space options should allow a bounce back in coming quarters as industrial users now have more choices than ever to meet their space needs in one of Florida’s burgeoning industrial markets.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Net absorption remained negligibly positive, despite two spec buildings at Midpoint Florida Logistics Center delivering vacant, as a sizeable move-in by a warehouse logistics user at 4720 Gateland Drive helped buoy the figure. Tenant requirements remained healthy across all size segments as firms still look to capitalize on the location and premium offerings of the Polk County market. Although big box tenant demand has recently waned in favor of smaller bay product, this cyclical demand will return and those firms will find they have multiple options in the market.

VACANCY

A lack of large move-in's coupled with a flowing construction pipeline resulted in a 150 basis point increase in vacancy for the market. This rise is not necessarily negative as it comes in the East Polk submarket which had been averaging a 1.0% vacancy rate over the past 24 months. The completion of nearly 900,000 square feet in the past 90 days and with 1.3 million square feet slated to deliver over the next two quarters may put more upward pressure on vacancy but it will give users abundant opportunities to meet their respective needs in a historically tight market.

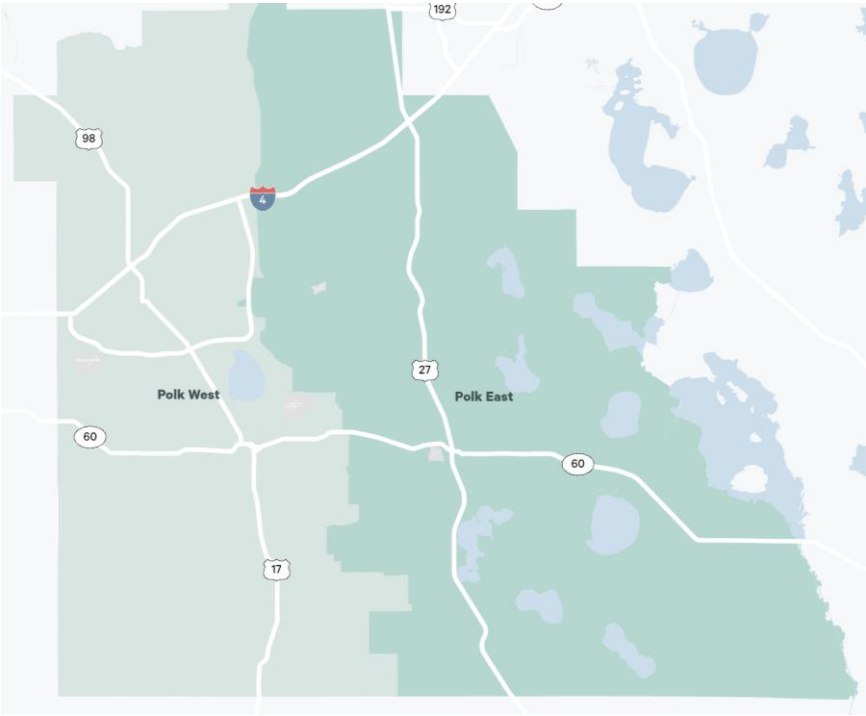
PRICING

Average asking rents saw positive movement as they experienced 4.8% quarter-over-quarter and 9.0% year-over-year growth through the third quarter. Asking rents have validated the resilience of the industrial market in Polk County as they have been on a trajectory that has seen an average yearly growth rate of 6.8% over the past 2 years. This comes even as most deliveries have been big box in nature, which demand lower average rents than smaller bay product. As additional single-load product comes online at higher rates, we should see average rent growth continue.

FIGURE 2: Statistical Snapshot Q3 2023

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2023 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
Polk East	17,737,398	6.5%	6.5%	(5,781)	(198,693)	1,296,800	\$7.01
Manufacturing	2,078,749	0%	0%	0	5,600	0	N/A
Warehouse/Distribution	15,658,649	1.7%	1.7%	(5,781)	(204,293)	1,296,800	\$7.01
Polk West	40,536,214	7.0%	7.1%	11,748	596,685	905,440	\$6.64
Manufacturing	4,818,807	0.0%	0.0%	0	0	0	N/A
Warehouse/Distribution	35,221,961	7.9%	8.0%	55,630	630,983	905,440	\$6.56
R&D/Flex	495,446	9.8%	9.8%	(43,882)	(34,298)	0	\$15.00
Polk County Total	58,273,612	6.8%	6.9%	5,967	397,992	2,202,240	\$6.75
Manufacturing	6,897,556	0%	0%	0	5,600	0	N/A
Warehouse/Distribution	50,880,610	7.7%	7.8%	49,849	426,690	2,202,240	\$6.70
R&D/Flex	495,446	9.8%	9.8%	(43,882)	(34,298)	0	\$15.00

Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy has defied expectations for a slowdown and has even exhibited some signs of acceleration despite sharp tightening of credit conditions and ongoing write-downs in the banking sector. This resilience due to a number of factors: 1) the Chips and IRA Acts have stimulated the construction sector; 2) the Fed. and the FDIC have provided prompt and effective support for the banks, and: 3) consumers are in good shape from a balance sheet and income perspective.

Nevertheless, headwinds are intensifying: such as higher oil prices, resumption of student loan payments, and a weakening global economy. These headwinds, not serious in themselves, will hit home at a time when the squeeze from elevated interest rates is at its maximum. The upshot for real estate is that the Fed is likely finished with its tightening cycle, allowing a clearer path for real estate capital markets to unfold. Although we expect economic growth to deteriorate it is likely that valuations will stabilize during 1H 2024

Survey Criteria: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Polk County. East Polk includes Auburndale, Davenport, Dundee, Eagle Lake, Fort Meade, Frostproof, Haines City, Highland Park, Hillcrest Heights, Lake Alfred, Lake Hamilton, Lake Wales and Winter Haven. West Polk includes Bartow, Lakeland, Mulberry and Polk City.

Contact

Mike DiBlasi

Managing Director  
+1 813 273 8400  
mike.diblas@cbre.com

Marc L. Miller

Associate Field Research Director  
+1 305 381 6428  
marc.miller1@cbre.com

Kyle Koller

Field Research Manager  
+1 813 273 8422  
kyle.koller@cbre.com

Juan Rodriguez Acosta

Field Research Analyst  
+1 813 273 8456  
juan.rodriquezacosta@cbre.com

