

FIGURES | POLK COUNTY INDUSTRIAL | Q4 2024

A stronger finish to the year, with high hopes for the return of bulk leasing in 2025

▲ 9.9%

Vacancy Rate

▲ 294,864

SF Q4 Net Absorption

▼ 2,153,955

SF Under Construction

▼ 156,000

SF Q4 Deliveries

▲ \$7.43

Triple Net / Lease Rate

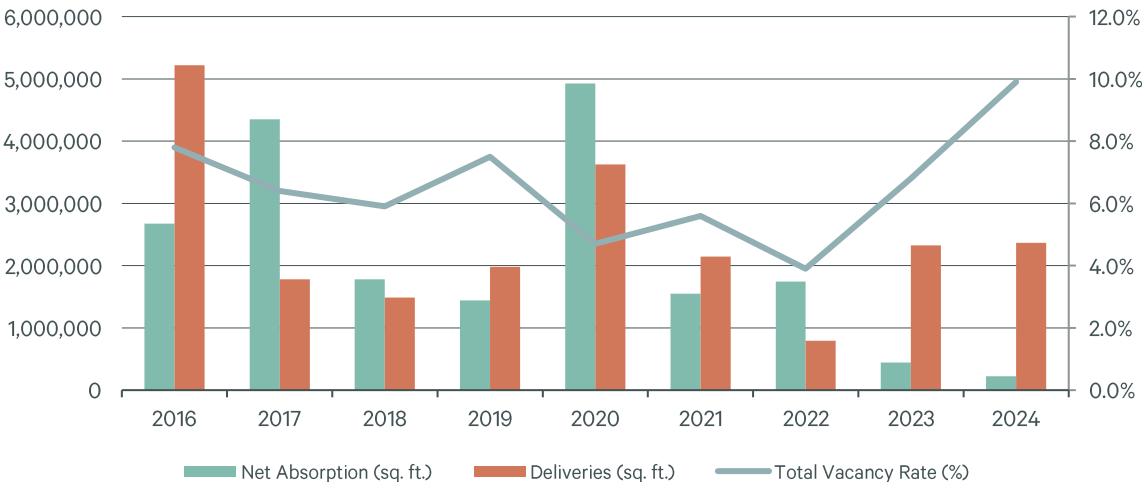
Note: Arrows indicate change from previous year.

OVERVIEW

- After a brief hiatus into double digits, market vacancy dropped 20 basis points to 9.9% during the fourth quarter
- Two consecutive quarters of positive absorption helped push the 2024 total into positive territory, with nearly 300,000 square feet absorbed in the past 90 days
- Capital markets activity was centered in Davenport this quarter, with \$182 million in institutional investment across 5 buildings

Despite another year where deliveries outpaced absorption, the market showed promising activity towards the end of the year, setting a stronger foundation for 2025. Currently, vacancy rates have returned to single digits, and the reduced construction pipeline is expected to limit future upward pressure. We remain optimistic about the return of larger leases to fill the lingering bulk vacancies. The locational, logistical, and labor advantages of Polk County, which was the fastest-growing county in the U.S. in 2023, will continue to play a crucial role in shaping the future of the market.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

As anticipated, net absorption turned positive before the year's end, although it remained below typical annual trends. The fourth quarter saw occupancy gains of 294,864 square feet, bringing the total for 2024 to 222,584 square feet—a notable achievement considering over 750,000 square feet of distribution space returned to the market with the bankruptcy of Conn's/Badcock Furniture.

Capital markets activity also surged to end the year, with nearly 1.5 million square feet—25% of the Davenport corridor—changing ownership. Cabot Properties acquired a 294,000 square foot building at 245 Deen Still Rd for \$42 million, while KKR purchased a four-building portfolio totaling 1.1 million square feet from Prologis for \$140 million.

VACANCY

This year, deliveries reached a total of 2.4 million square feet, contributing to 11.3 million square feet that has come online since Q1 2020. These additions represent a 20% increase in market inventory over the past five years, which had resulted in vacancy rates climbing into double digits for the first time in a decade. However, this quarter saw a positive shift, with vacancy rates declining by 20 basis points, bringing them just below the 10% mark. Looking ahead to 2025, 2.2 million square feet remains under construction, with 1.4 million square feet dedicated to a built-to-suit project for Niagara Water in Winter Haven.

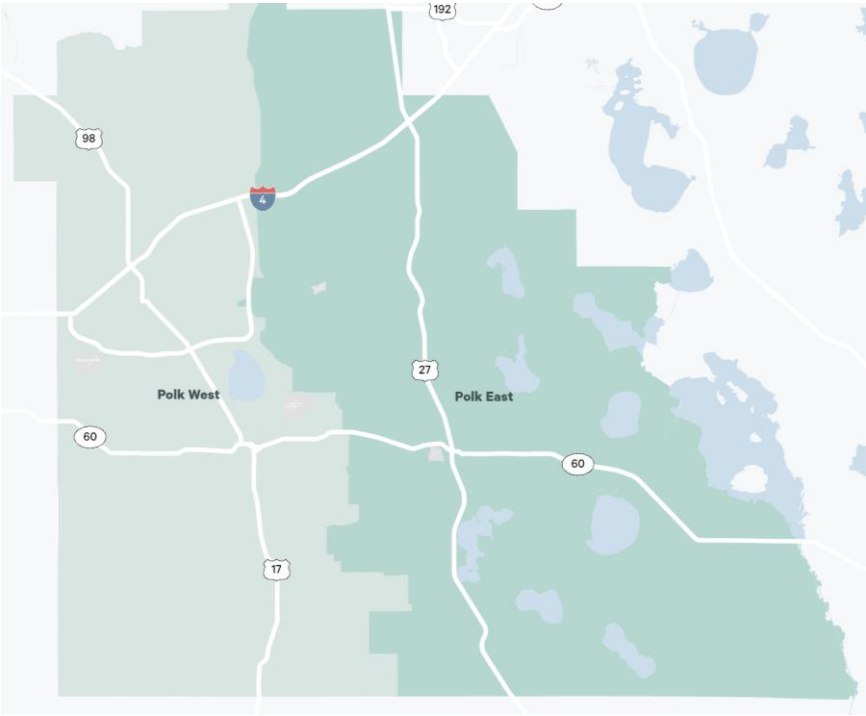
PRICING

Although average asking rates surpassed the \$7.00 mark for the first time toward the end of 2023—representing a 37% increase since Q4 2019—growth has largely stalled in the latter half of the year. This can partly be attributed to the predominance of big-box availability which is offered at relatively lower rates.

FIGURE 2: Statistical Snapshot Q4 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
Polk East	21,274,399	9.0%	9.0%	0	761,550	1,450,000	\$7.10
Manufacturing	2,902,749	4.6%	4.6%	0	(133,800)	1,450,000	\$10.00
Warehouse/Distribution	18,371,650	9.7%	9.7%	0	895,350	0	\$6.88
Polk West	43,012,099	10.2%	10.3%	294,864	(538,966)	703,955	\$7.61
Manufacturing	4,676,221	0.5%	0.5%	0	(9,900)	0	\$12.88
Warehouse/Distribution	37,840,032	11.6%	11.7%	286,864	(570,548)	703,955	\$7.56
R&D/Flex	495,846	0.9%	0.9%	8,000	41,482	0	\$15.00
Polk County Total	64,286,498	9.8%	9.9%	294,864	222,584	2,153,955	\$7.43
Manufacturing	7,578,970	2.0%	2.0%	0	(143,700)	0	\$10.39
Warehouse/Distribution	56,211,682	11.0%	11.0%	286,864	324,802	2,153,955	\$7.34
R&D/Flex	495,846	0.9%	0.9%	8,000	41,482	0	\$15.00

Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

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.

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