

FIGURES | POLK COUNTY INDUSTRIAL | Q3 2024

Positive absorption helps drop vacancy, with more to come before year’s end

▲ 10.2%

Vacancy Rate

▲ 618,178

SF Q3 Net Absorption

▲ 2,309,955

SF Under Construction

▼ 263,633

SF Q3 Deliveries

▲ \$7.41

Triple Net / Lease Rate

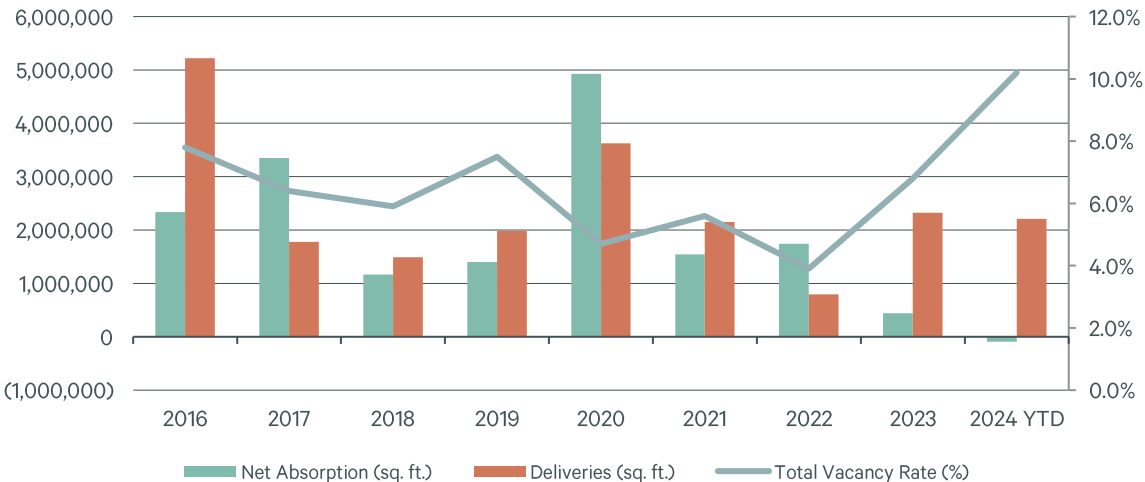
Note: Arrows indicate change from previous year.

OVERVIEW

- Overall vacancy started making its way back towards single digits this quarter, dropping 60 bps to 10.2%
- Positive absorption of over 600,000 square feet was the strongest quarter we have seen since 2022 as we continue to await the lease up of large blocks of space
- Smaller bay product with higher asking rents are buoying market averages and pushing rent growth to 10% year over year

After six consecutive quarters of rising vacancy, the market is finally beginning to correct. Vacancy dropped by 60 basis points to 10.2%, trending back toward single digits. This was supported by 618,178 square feet of positive absorption, primarily in Eastern Polk County. With one million square feet of pending move-ins expected by year-end—and over 60% of space under construction attributed to the Niagara Water facility in Winter Haven which won't add any new space to the market—vacancy is likely to drop below 10% soon. Tenants looking for space now have options in various size ranges within the County, a level of diversity that hasn't been the historical norm for the market.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Positive absorption returned for the first time this year, driven largely by the sale of the 422,000 square foot building at Midpoint Florida Logistics Center to the State of Florida which will be used for disaster relief efforts. This helped offset move-outs by firms like US Logistics Solutions and Southern Glazer's in Lakeland. Furthermore, 75% of this quarter's positive absorption came from newly built spaces, a common story for Polk County over the past handful of years. Though the market's total absorption remains slightly negative for the year, it is expected to return to positive territory before heading into 2025.

VACANCY

Minimal deliveries this quarter added to 2.2 million square feet that have come online between five different projects so far this year, with 1.5 million square feet—or just under 70%—still available for lease. This includes the 1.2 million square foot facility at Central Florida Integrated Logistics Park in Winter Haven. Deliveries of projects currently under construction are scheduled to extend into 2025, providing some breathing room for lease-up of these recently built assets.

This pause in deliveries, paired with pending move-in activity over the next 90 days, should work headline vacancy back into the single digits to start 2025. Interest rate and election clarity before the end of the year could also help promote the return of larger leases to Polk County soon.

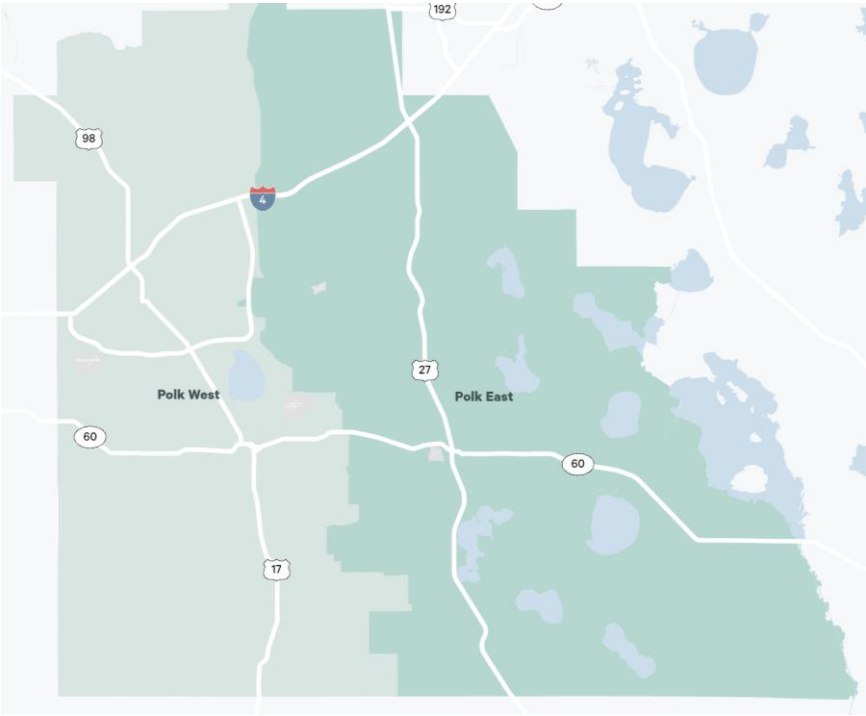
PRICING

Average asking rents have risen 5.7% this year and nearly 10% over the past 12 months, reflecting the premium commanded by smaller bay industrial properties, which have been favorited among developers in this latest round of new construction.

FIGURE 2: Statistical Snapshot Q3 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 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%	908,615	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%	908,615	895,350	0	\$6.88
Polk West	42,856,099	10.7%	10.7%	(290,437)	(854,080)	859,955	\$7.65
Manufacturing	4,676,221	0.5%	0.5%	0	(9,900)	0	\$12.35
Warehouse/Distribution	37,684,032	12.0%	12.1%	(290,437)	(877,662)	859,955	\$7.60
R&D/Flex	495,846	2.5%	2.5%	0	33,482	0	\$15.00
Polk County Total	64,130,498	10.1%	10.2%	618,178	(92,530)	2,309,955	\$7.41
Manufacturing	7,578,970	2.0%	2.0%	0	(143,700)	0	\$10.32
Warehouse/Distribution	56,055,682	11.3%	11.3%	618,178	17,688	2,309,955	\$7.29
R&D/Flex	495,846	2.5%	2.5%	0	33,482	0	\$15.00

Market Area Overview



ECONOMIC OUTLOOK

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

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

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

Kyle Koller

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

