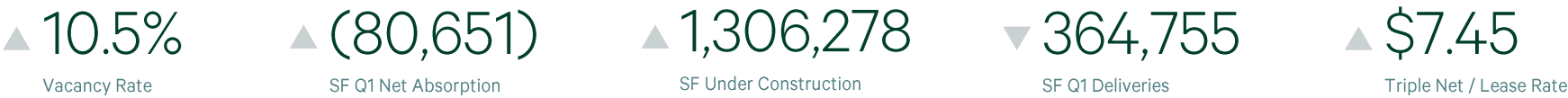


FIGURES | POLK COUNTY INDUSTRIAL | Q1 2025

New projects and pending sales expected to boost market fundamentals



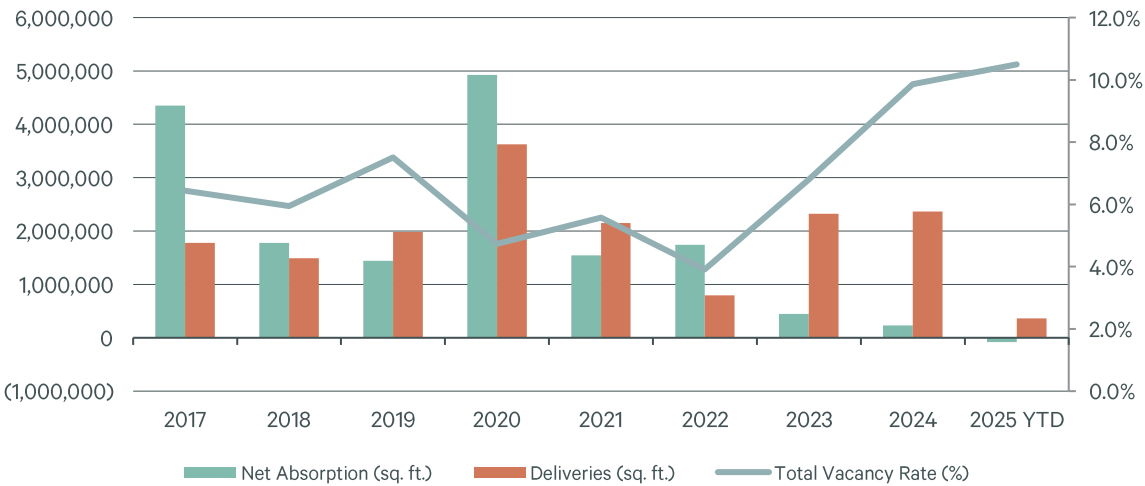
Note: Arrows indicate change from previous year.

OVERVIEW

- Total vacancy increased 60 bps to 10.5%, with the promise of improvement next quarter thanks to a pending user purchase of a vacant bulk facility in Lakeland
- Groundbreakings totaling over 920,000 square feet this quarter have replenished the construction pipeline, but won't deliver until late in the year or early next year
- Average asking rents still boast growth of 36% since 2020, but momentum has slowed over the past year among bulk assets

This quarter, capital markets activity outpaced leasing activity, with completed or pending sales exceeding 1.5 million square feet and totaling over \$170 million. The anticipated impact of these and other transactions is expected to reduce vacancy rates to single digits and drive absorption back into positive territory as early as next quarter. This is particularly likely given the construction pipeline, which is heavily weighted towards deliveries in the second half of the year or early next year. While the global trade environment and its effects on industrial demand will be important to monitor, Polk County's logistical advantages remain a key strength.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

The year began similarly to 2024, with slightly negative absorption totaling -80,651 square feet for the quarter. This wasn't due to any major move-outs or move-ins but rather a series of smaller movements, primarily within vintage industrial assets.

1st generation assets weren't without their own activity, which included the \$50M sale of Building 400 at Lakeland Commerce Center, totaling 348,740 square feet (\$143 per sq. ft.). That building was fully leased to LG last summer. Additionally, a pending user purchase of a vacant, 700,000 square foot facility in Lakeland is expected to improve market fundamentals next quarter.

VACANCY

The delivery of Hamilton Logistics Center (317,955 sq. ft.) this quarter contributed to a 60 bps increase in vacancy, but the first deal for 48,000 square feet has already been signed. The 386,000 square foot cold storage development by Related and RealCold in Auburndale is next in line to deliver in Q2. To the south, two additional projects broke ground, including the first two buildings on both the North and South sides of Pace Innovation Center. These projects will introduce four rear-load buildings to an area that has historically delivered bulk assets. The buildings range from 105,000 to 270,000 square feet and are expected to be completed in late 2025 or early 2026. This brings the total under construction pipeline to 1.3 million square feet, the highest since 2023.

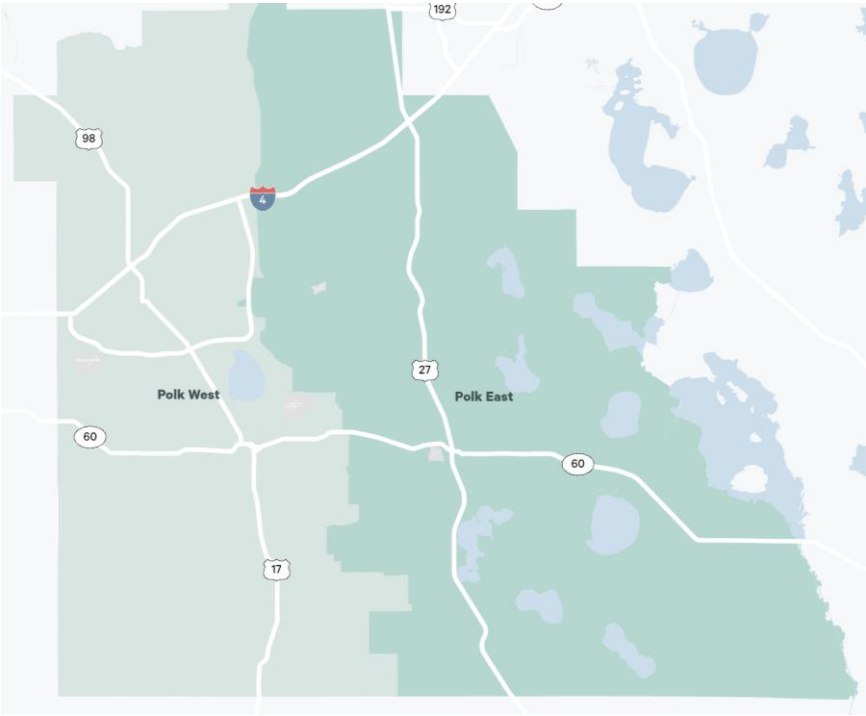
PRICING

Asking rent growth has been relatively stagnant over the past three quarters due to lingering bulk vacancies at lower rates. However, average rates have increased by 6.3% year over year to \$7.45 NNN and have grown by 36% over the past five years.

FIGURE 2: Statistical Snapshot Q1 2025

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2025 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
Polk East	21,278,335	9.6%	9.6%	(139,201)	(139,201)	0	\$7.10
Manufacturing	2,906,685	6.4%	6.4%	(53,000)	(53,000)	0	\$10.00
Warehouse/Distribution	18,371,650	10.2%	10.2%	(86,201)	(86,201)	0	\$6.88
Polk West	43,384,277	10.9%	10.9%	58,550	58,550	1,306,278	\$7.62
Manufacturing	4,676,221	0.3%	0.3%	8,000	8,000	0	\$12.00
Warehouse/Distribution	38,165,410	12.3%	12.3%	12,950	12,950	1,306,278	\$7.60
R&D/Flex	542,646	2.5%	2.5%	37,600	37,600	0	\$15.00
Polk County Total	64,662,612	10.5%	10.5%	(80,651)	(80,651)	1,306,278	\$7.45
Manufacturing	7,582,906	2.6%	2.6%	(45,000)	(45,000)	0	\$10.05
Warehouse/Distribution	56,537,060	11.6%	11.6%	(73,251)	(73,251)	1,306,278	\$7.37
R&D/Flex	542,646	2.5%	2.5%	37,600	37,600	0	\$15.00

Market Area Overview



ECONOMIC OUTLOOK

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

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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