

2020 North America Industrial Big Box

Review & Outlook

CBRE RESEARCH



CBRE

Central Florida



E-commerce demand has offset the weakness in Central Florida's convention and tourism industries. Orlando's central location within the nation's third most populous state, coupled with rapid population growth and the need for suppliers to store product closer to the consumer, makes it one of the premier secondary industrial markets in the country. Rising rents, lower vacancy rates, healthy net absorption and a robust development pipeline indicate an industrial market operating at full throttle despite the headwinds of the pandemic on the Florida convention and tourism industries."

– David Murphy, Executive Vice President





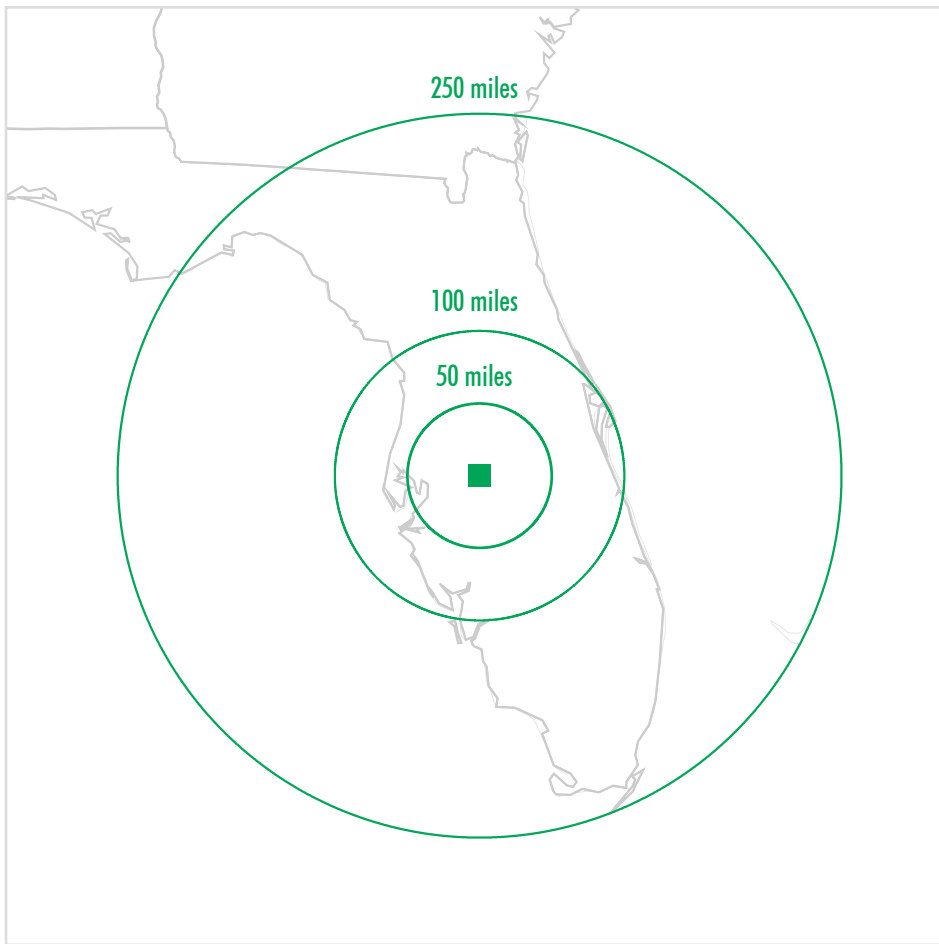
Central Florida

Demographics

More than 5 million people live within 50 miles of the region’s core, with a 9.5% expected growth rate over the next five years—the highest of any region in the Southeast. Within 250 miles, occupiers can reach 21 million people or 8.3 million households.

According to [CBRE Labor Analytics](#), the local warehouse labor force of just over 70,000 is expected to grow by 8.6% over the next decade. The average wage for a non-supervisory employee in Central Florida is \$13.15 per hour, 6.3% lower than the U.S. average and the lowest in the nation.

Figure 1: Central Florida Population Analysis



Distance from I-4 Corridor Core	2020 Total Population	5 Year Growth
50 miles	5,109,278	9.5%
100 miles	9,977,205	7.9%
250 miles	21,249,822	6.7%

Source: CBRE Location Intelligence.

Figure 2: Central Florida Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics.

*Median Wage (1 year experience); Non-Supervisory Warehouse Workers (forklift, warehouse workers).

Location Incentives

Over the past five years, there have been 132 economic incentives deals totaling more than \$134 million at an average of \$7,476 per new job in the Tampa and Orlando metropolitan areas combined, according to Wavteq.

According to [CBRE’s Location Incentives Group](#), among the top incentive programs offered in metro Tampa and Orlando is the Quick Response Training grant, which provides funding to new and expanding businesses in Florida to train new full-

time employees. Businesses that are awarded grant funding are typically in high-skill industries, produce exportable goods and services and have wages that are 125% above the state or local average.

Florida also offers the Capital Investment Tax Credit (CITC) and High Impact Performance Incentive (HIPI). CITC is a corporate income tax credit for businesses that make a minimum investment of \$25 million and create at least 100 new high-paying jobs, while HIPI is a cash grant for businesses that make a minimum investment of \$50 million and create at least 50 new high-paying jobs.

Figure 3: Central Florida Top Incentive Programs

Program	Description
Capital Investment Tax Credit (CITC)	Income tax credit between 50% and 100% of capital investment; credits are paid equally over 20 years and require a minimum of \$25M of capital investment and 100 new jobs
Quick Response Training (QRT)	\$500 to \$1,500 grant to offset costs of training new employees
High Impact Performance Incentive (HIPI)	Performance based cash grant for companies in high impact sectors making a minimum \$50M investment and creating at least 50 new high paying jobs
Ad Valorem Tax Abatement	Communities have discretion of offer abatement or refund of real and personal property taxes for large investments or new construction

Source: CBRE Location Incentives Group.

Note: The extent, if any, of state and local offerings depends on location and scope of the operation.

Central Florida

Logistics Driver

Central Florida provides many logistics advantages to reach the entire state of Florida and beyond. The region is home to two international airports (Tampa and Orlando) with growing air cargo handling capabilities. Work is underway on the [I-4 Ultimate Project](#), which will improve truck flow throughout

the region. The region's biggest logistics advantage is its rail capabilities. [CSX Central Florida ILC](#) is an innovative facility that can process 300,000 containers annually and has the ability to increase capacity.

Capital Markets



Central Florida is becoming the logistics hub for statewide distribution, generating increased demand from institutional investors and fueling increased sales volume in 2020. Cap rates for stabilized Class A assets ended the year at 5.0% and we expect that the next large core profile offering will trade in the mid- to upper-4% range. As Central Florida continues to add speculative and build-to-suit facilities, it will become one contiguous market from Orlando to Tampa.”

– David Murphy, Executive Vice President

Figure 4: Cap Rate Comparison

	Class A	Class B
2020	4.75% - 5.50%	5.50% - 6.25%
2019	4.75% - 5.50%	5.50% - 6.25%

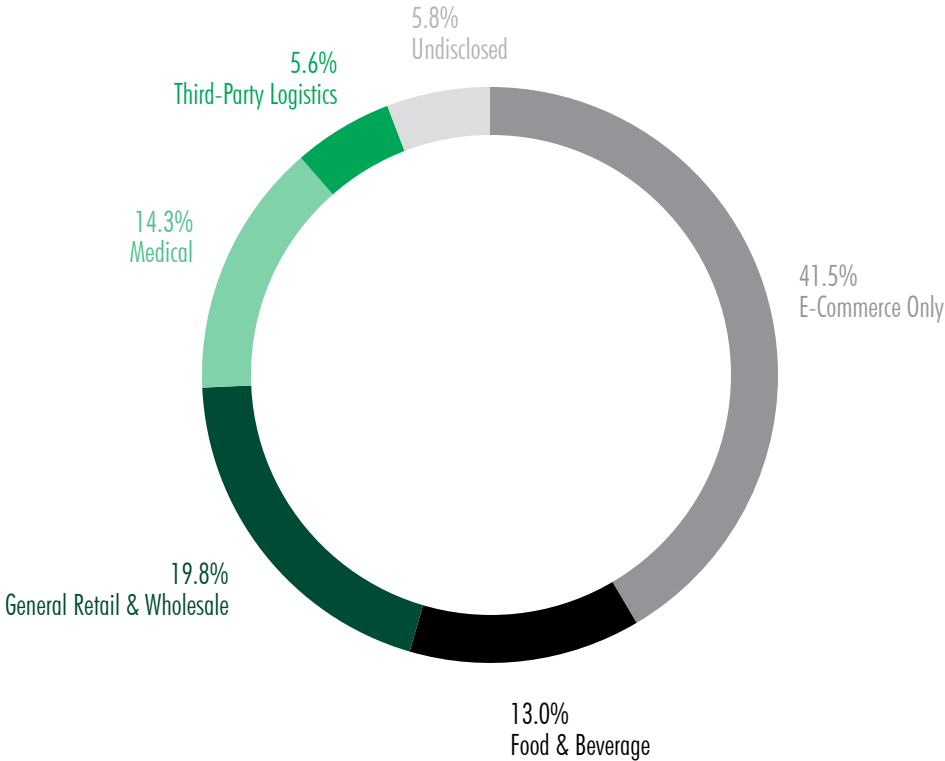
Source: CBRE Research.

Supply & Demand

Most of Central Florida’s nearly 100 million sq. ft. of existing inventory is comprised of facilities of under 500,000 sq. ft. A large amount of preleased product hit the market in 2020, increasing net absorption to 7.9 million sq. ft. and lowering the direct vacancy rate by 1.8 percentage points to 7.9%. Asking rents rose to \$4.85 per sq. ft.

Construction completions totaled 5.8 million sq. ft. last year and were spread evenly across all size ranges. Another 4.2 million sq. ft. is currently under construction, 31% of it preleased. This new availability will help keep 2021’s transaction volume on par with the previous two years.

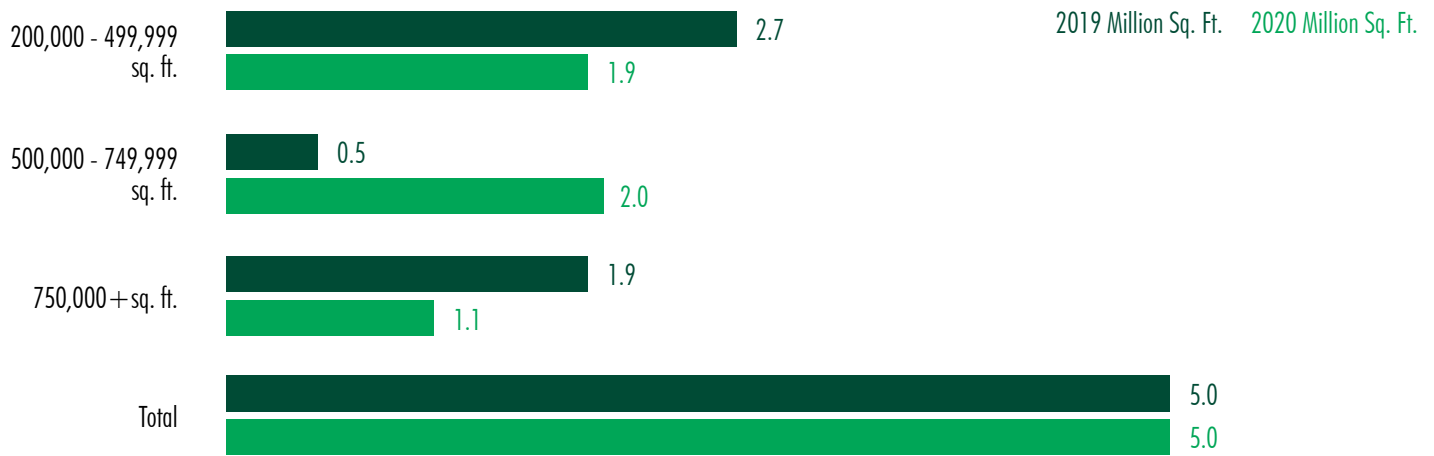
Figure 5: 2020 Occupier Transaction Market Share



Note: Includes transactions signed in 2020.
Source: CBRE Research.

Central Florida

Figure 6: Transaction Volume



Note: Includes new leases, renewals, and user sales transactions 200,000 sq. ft. and above.
Source: CBRE Research.

Figure 7: Big Box Year-Over-Year Data Comparison

2020						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	218	63,209,780	8.6%	3,195,066	1,498,314	\$4.85
500,000-749,999 SF	26	15,404,193	15.6%	1,810,104	2,439,775	N/A
750,000+ SF	20	20,595,780	0.0%	2,944,144	1,857,760	N/A
Total	264	99,209,753	7.9%	7,949,314	5,795,849	\$4.85
2019						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	210	60,586,347	10.9%	1,724,755	4,805,012	\$4.46
500,000-749,999 SF	21	12,427,064	9.9%	123,544	1,099,104	N/A
750,000+ SF	18	18,729,636	5.8%	(1,078,000)	0	N/A
Total	249	91,743,047	9.7%	770,299	5,904,116	\$4.46

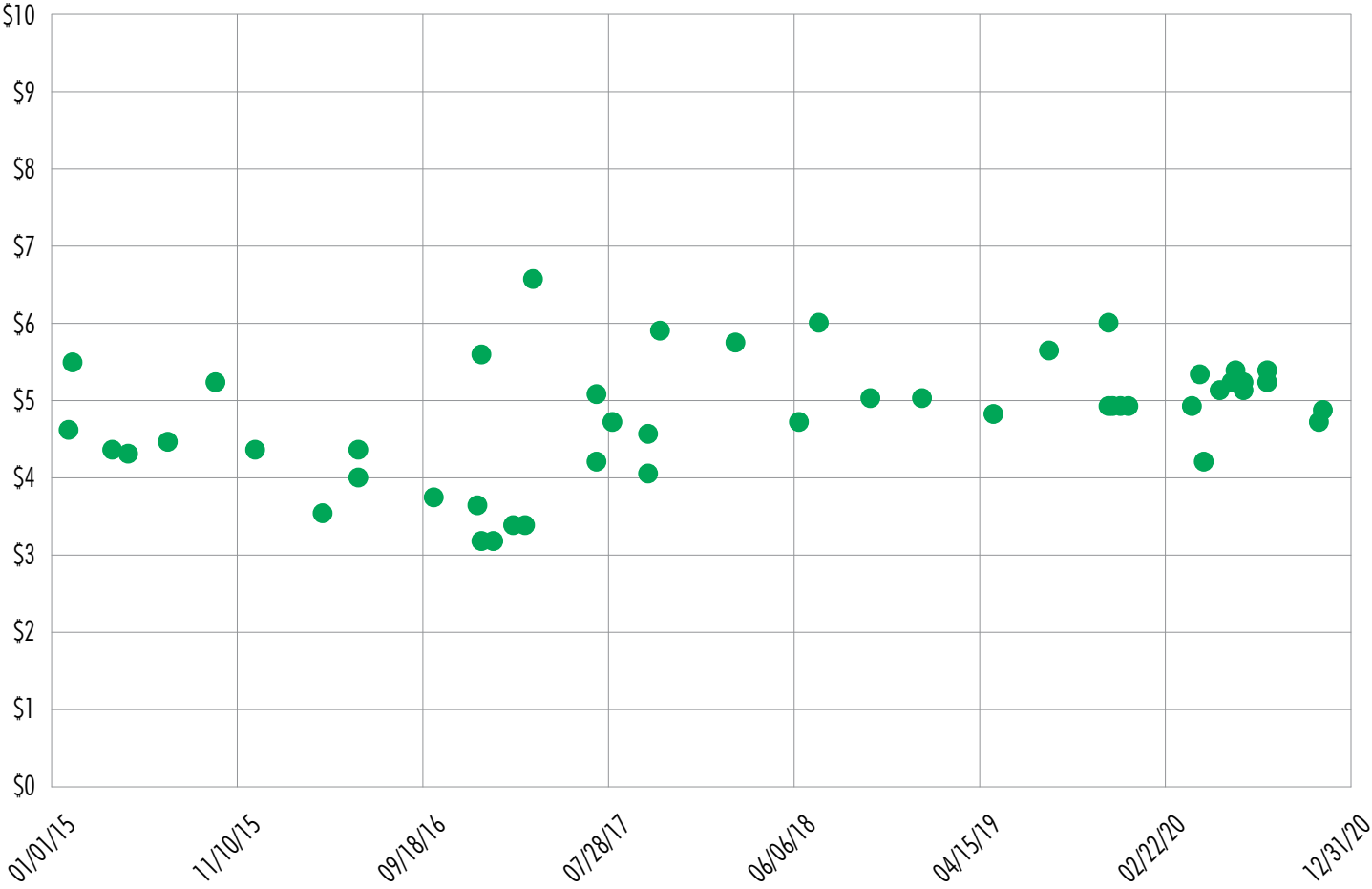
Source: CBRE Research.

Figure 8: Under Construction & Percentage Released

	2020 Under Construction Sq. Ft.	% Released
200,000-499,999 sq. ft.	1,395,873	0.0%
500,000-749,999 sq. ft.	1,823,350	71.9%
750,000+ sq. ft.	1,011,697	0.0%
Total	4,230,920	31.0%

Source: CBRE Research.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research.

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