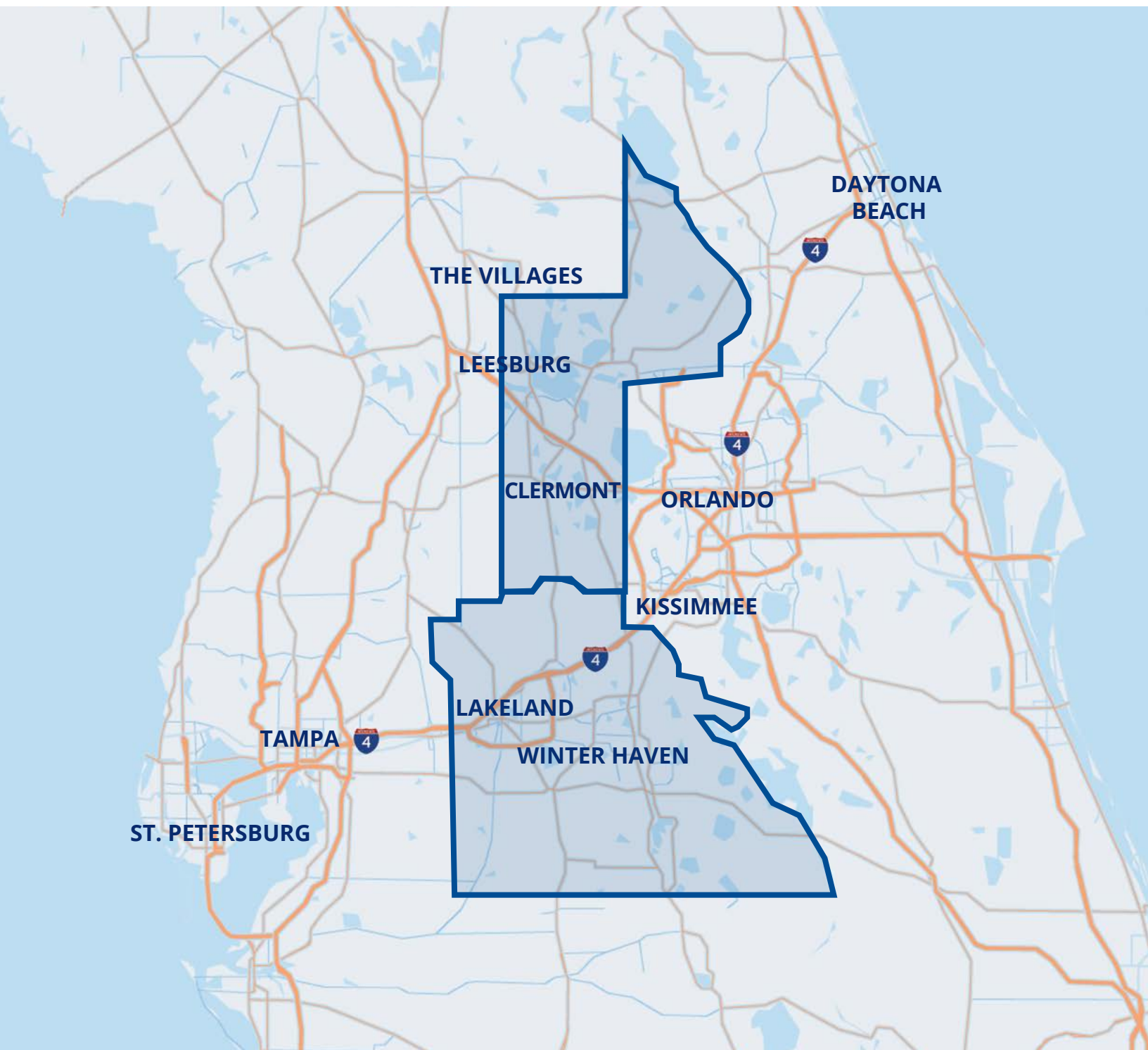


MARKET REPORT

COMMERCIAL PROPERTIES

SPRING 2019



COMMERCIAL MARKET
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NOTABLE RETAIL
SALES, PG 12-15

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COMMERCIAL MARKET REPORT

2018 ANNUAL SALES

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ABOUT US

SVN | Saunders Ralston Dantzler Real Estate is located at the center of Florida's I-4 corridor. With intimate knowledge of local markets, the brokerage offers proven leadership and collaborative expertise. Founded by three highly-recognized CCIM-designated Florida brokers, the company brings together experts in all aspects of real estate. We provide services to land and commercial clients through both SRD and our land brokerage, Saunders Real Estate. For more information, please visit SRDcommercial.com.



COMMERCIAL REAL ESTATE ADVISORS
SAUNDERS RALSTON DANTZLER
REAL ESTATE

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ANNUAL MARKET OVERVIEW



**GARY M.
RALSTON**
CCIM, SIOR, SRS,
CPM, CRE, CLS,
CDP, CRX,
FRICS, CRRP

Florida is one of the best real estate markets in the nation. According to the latest U.S. Census data, Florida's population is now 21.3 million and growing by about 1,000 people each day. Real estate is space for people, and more people means more demand for real estate.

Polk and Lake counties are located at the center of the I-4 Corridor, one of the fastest-growing markets in the nation. According to the latest Census data, the I-4 corridor is approaching a population of 6.5 million in its three metropolitan statistical areas (MSAs) comprised of Tampa [3.15 million], Lakeland [708 thousand] and Orlando [2.6 million].

Polk County is the 9th most populous county in Florida, and Lake County is the 19th. In 2018, Polk County grew by 3.23% [22,179] to a population of 708,009. Lake County grew by 3.31% [11,408] and is now home to 356,977 people. Osceola County had 4.35% population growth rate [367,990] and was the only large county that grew faster than Lake and Polk. Osceola County is also part of the I-4 corridor. The location characteristics of Lakeland-Winter Haven [Polk County] are very strong. The Lakeland-Winter Haven MSA is at the center of Florida and the center of the I-4 corridor. Almost 7.5 million people are within 90 minutes and almost 21 million people within 5 hours.

As a result, the warehouse distribution real estate market is one of the best in the nation. The transportation and warehousing location quotient for Lakeland-Winter Haven is 1.92, indicating that transportation and warehousing employment is almost twice the national average. Almost 2.2 million SF of new industrial real estate was added to the market in 2018. This increase was expected, based on the strong population growth in Lake County. The highest location quotient is construction at 1.87, indicating that construction employment is almost twice the national average.

National commercial property sales reached near record levels in 2018, almost back to the 2015 historic high level. But there were signs of weakness late in the year. Portfolio and real estate company sales accounted for over 30% of all investment activity. Individual property sales did hit a record high level of activity, slightly exceeding the previous high-water mark set in 2016. The Real Capital Analytics Property Price Index shows that year-over-year prices were up about 6% and commercial property prices are now almost 30% higher than the 2007 peak of the last cycle.

Due to the central location of Lakeland-Winter Haven, between Orlando and Tampa MSAs, residential development land continued to be in demand in 2018, and we expect this trend to continue in 2019. The strongest development area continues to be northeast Polk County, and we expect this trend to continue in the foreseeable future. Over the next few years, we expect to see continued very strong growth concentration for the US Highway 27 commercial corridor, which has very positive implications for both Polk and Lake Counties.

Gary Ralston, CCIM, SIOR, SRS, CPM, CRE, CLS, CDP, CRX, FRICS, CRRP is a Managing Director & Senior Advisor. He can be contacted at 863-877-2828 or Gary@srddcommercial.com.

POLK COUNTY 2018 ANNUAL TOP 10 QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE	TYPE
1	LAKELAND	60.58	605,412	3/13/2018	\$59,600,000	INDUSTRIAL
2	LAKELAND	23.31	363,693	12/10/2018	\$50,000,000	MULTI-FAMILY
3	POLK CITY	45.79	650,808	7/19/2018	\$40,633,100	INDUSTRIAL
4	MULBERRY	22.72	305,586	2/28/2018	\$37,000,000	MULTI-FAMILY
5	WINTER HAVEN	39.90	386,137	7/25/2018	\$34,500,000	INDUSTRIAL
6	LAKELAND	17.62	208,898	9/27/2018	\$25,700,000	MULTI FAMILY
7	WINTER HAVEN	24.73	250,170	1/31/2018	\$24,025,000	MULTI-FAMILY
8	ELOISE	17.29	329,862	10/12/2018	\$20,641,000	INDUSTRIAL
9	DAVENPORT	25.66	168,159	11/30/2018	\$20,108,400	RETAIL
10	DAVENPORT	35.85	295,574	11/30/2018	\$18,891,600	RETAIL

LAKE COUNTY 2018 ANNUAL TOP 10 QUALIFIED SALES

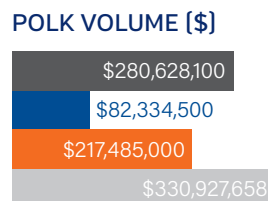
	CITY	ACRES	SF	SALE DATE	PRICE	TYPE
1	MINNEOLA	1,505.6	672	4/16/2018	\$70,834,500	RESIDENTIAL
2	CLERMONT	25.23	409,659	6/26/2018	\$68,500,000	MULTI-FAMILY
3	LEESBURG	276.16	35,692	9/26/2018	\$46,000,000	MOBILE HOME PARK
4	SORRENTO	107.51	16,425	3/6/2018	\$29,110,000	MOBILE HOME PARK
5	CLERMONT	5.99	90,469	6/28/2018	\$23,830,000	RETIREMENT HOME
6	MOUNT DORA	20.61	267,107	3/28/2018	\$19,401,500	MULTI-FAMILY
7	MOUNT DORA	15.04	72,852	7/17/2018	\$18,783,300	RETAIL
8	CLERMONT	32.89	203,762	2/15/2018	\$16,387,800	MULTI-FAMILY
9	CLERMONT	14.31	81,390	6/7/2018	\$12,899,300	RETAIL
10	CLERMONT	7.02	18,856	11/27/2018	\$12,000,000	HOMEOWNERS ASSN.

ANNUAL QUALIFIED SALES & AVERAGES

Industrial Office Retail Multi-Family

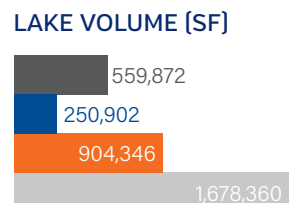
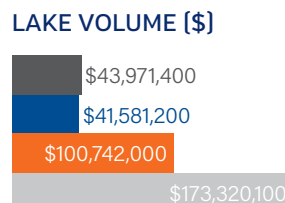
POLK COUNTY

TOTAL VOLUME (\$)
\$911,375,258
TOTAL VOLUME (SF)
11,124,222



LAKE COUNTY

TOTAL VOLUME (\$)
\$359,614,700
TOTAL VOLUME (SF)
3,393,480





8 RAILROAD AVE N, HAINES CITY, FL

The fourth quarter of 2018 brought continued demand, development, and sales of both industrial facilities and industrial-zoned land throughout Polk County and across Florida.

Because global trade is a big driver of growth in industrial markets, political differences have generated some concern. In spite of those differences, industrial markets exceeded expectations throughout 2018. With strong economic growth, robust population growth with approximately 1,000 people moving to Florida every day, and booming e-commerce, expectations are that 2019 will meet or exceed activity in 2018. The Florida areas capitalizing the most on the industrial boom are Jacksonville, Miami, and the increasingly-important Lakeland and Tampa metros in the I-4 corridor.

By most measures, 2018 was a great year for the industrial market. East Tampa and Lakeland make up the majority of the crucial I-4 corridor, and investment opportunities abound given their demographics. A strong labor market, continued growth in e-commerce, healthy construction and manufacturing, and the demand to control the flow of goods continue to drive this sector. Freight forwarders, last mile operators, distributors, and e-commerce users make up the lion's share of demand for this area because of its ease and accessibility to major highways and connectors.

According to Real Capital Analytics, industrial sector cap rates further compressed last year to a current 5.6% although they are accelerating somewhat in 2019. Cap rates on industrial properties in opportunity



GREG SMITH

zones are only 10-20 bps higher than the balance of the industrial market.

Looking at the top ten qualified sales throughout Polk County, the breakout is as follows:

- West Polk [Lakeland] had fourth-quarter sales of 644,737 SF at an average price of \$90.54 per SF.
- East Polk [Winter Haven and Eloise] had fourth-quarter sales totaling 835,000 SF at an average price of \$75.95 per SF.
- The I-4 corridor proper [Polk City] had sales of 650,808 SF at an average price of \$32.34 per SF.

Although the entire top ten qualified sales were notable, two transactions stood out. First was the sale of 3401 Old Polk City Rd. in Lakeland, which consisted of 47 acres with 605,412 SF. The second was the sale of 8906 Highway 33 North in Polk City which consisted of 45 acres with 650,808 SF. The two lone vacant industrial land sales in the top ten were 183 acres which sold for \$3,750,000 and 44 acres selling at \$3,300,000.

These sales are merely a glimpse of the activity which took place in the I-4 corridor and Polk County as a whole. With interest rates still hovering at near record lows and record unemployment, we fully expect to experience unprecedented growth throughout the industrial sector throughout 2019.

Greg Smith is a Sales Advisor. He can be reached at 863.774.3542 or Greg@SRDcommercial.com.

1,000 PEOPLE MOVING TO FLORIDA EVERY DAY

5.6% INDUSTRIAL SECTOR CAP RATES LAST YEAR

LARGE INDUSTRIAL BUILDINGS SOLD IN 2018

\$98.44/SF

SALE #1

\$62.43/SF

SALE #2

\$89.35/SF

SALE #3

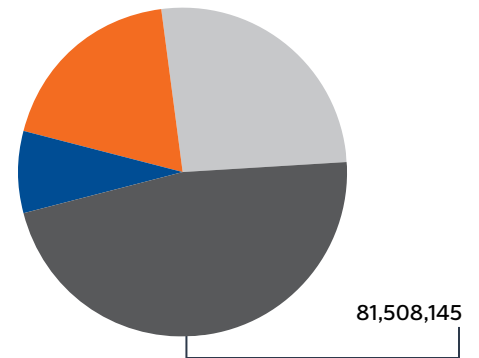
POLK INDUSTRIAL TOP 10 QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE
1	LAKELAND	47.33	605,412	3/13/2018	\$59,600,000
2	POLK CITY	45.79	650,808	7/19/2018	\$40,633,100
3	WINTER HAVEN	39.90	386,137	7/25/2018	\$34,500,000
4	ELOISE	17.29	329,862	10/12/2018	\$20,641,000
5	LAKELAND	16.06	226,378	10/12/2018	\$17,464,000
6	LAKELAND	36.31	172,156	6/8/2018	\$8,600,000
7	WINTER HAVEN	5.03	120,000	9/20/2018	\$4,513,300
8	LAKELAND	183.49	-	11/13/2018	\$3,750,000
9	LAKELAND	44.14	-	8/2/2018	\$3,300,000
10	LAKELAND	7.16	39,325	10/1/2018	\$3,250,000

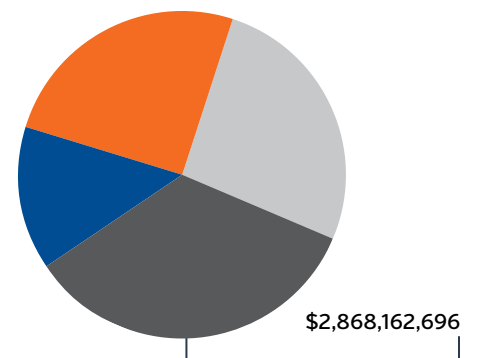
POLK COUNTY INVENTORY

Industrial Office Retail Multi-Family

SQUARE FOOTAGE



ASSESSED VALUE





789 WEST HWY 50, CLERMONT, FL

The industrial market in Lake County continues to expand, and demand for industrial space is high. Florida's Turnpike [SR 441], US HWY 27, US HWY 50, and I-4 all provide easy access to Central Florida's large population base and the rest of the state. Exceptional access makes Lake County an ideal location for commerce distribution centers and other industrial users.



CHRIS
SETTINERI

In industrial development, the concrete tilt-wall product continues to outpace the more traditional steel-sided construction. This trend is evident in both re-developments and new construction. Tilt-wall offers better insulation, higher clearance and more resiliency over its steel counterpart. Recently, traditional steel buildings have sold between \$35-\$50 per SF while concrete tilt-wall buildings have sold between \$71-\$84 per SF. The advantages of concrete construction over steel primarily account for its increased cost.

The Christopher C. Ford Commerce Park is Lake County's largest industrial park with over a dozen industrial users including Dunkin Donuts, Niagra Water, Domino's and Caroll Fulmer Trucking. The park sits at the crossroads of US HWY 27, SR 19 and Florida's Turnpike [SR 441]. Strategic location, lower cost compared to that of industrial space on I-4 and easy access to Central Florida's major MSAs make this park an in-demand location for many industrial users. In many ways, this park serves as a microcosm for industrial activity and demand across the county and state.

There were two notable industrial-zoned land sales in Lake County. The first is a 28.13-acre parcel in Sorrento on SR46 and Round Lake Rd. The parcel sold for \$71,099 per acre. The parcel's proximity to the newly constructed Mount Dora Connector [SR 453] makes it an ideal site for industrial development in Lake County. The second land sale consisted of 9.36 acres in Clermont. It sold for \$128,205 per acre.

Growing demand is especially evident across central Lake County through Leesburg, Tavares, and Eustis. Six industrial property sales were recorded in this area last quarter. Two of the sales were above 90,000 SF, and prices ranged between \$50-\$84 per SF.

These recent sales offer a snapshot of the industrial market activity here in Central Florida.

The first sale is a 6.11-acre storage facility totaling 95,803 SF at the corner of E. Orange Ave. and SR 44. It sold for \$84 per SF for a total sale price of just above \$8 million. The second sale is a 20.27 acre industrial center with ten buildings totaling 93,549 SF which sold for \$50 per SF on CR 561 in Tavares.

While the Federal Reserve may not cut rates, they don't seem to be raising them anytime soon. With continued low interest rates and plenty of opportunities in Central Florida, it is likely we will continue to see growth and development in the Lake County industrial market.

Chris Settineri is a Sales Advisor. He can be reached at 407.258.3009 or CSettineri@SRDcommercial.com.

TRADITIONAL STEEL BUILDINGS
SOLD BETWEEN

\$35-\$50
per SF

CONCRETE TILT-WALL BUILDINGS
SOLD BETWEEN

\$71-\$84
per SF

**LARGE
INDUSTRIAL
BUILDINGS SOLD
IN 2018**

\$83.92/SF

SALE #1

\$50.77/SF

SALE #2

\$71,098/AC

SALE #3

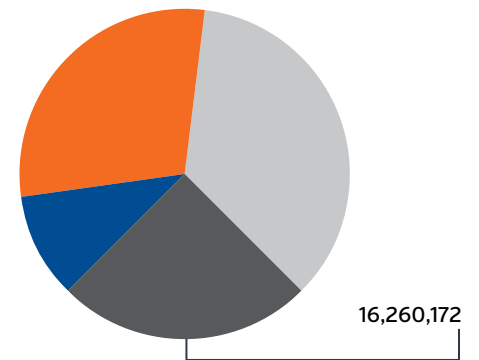
LAKE INDUSTRIAL TOP 10 QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE
1	EUSTIS	6.11	95,803	8/9/2018	\$8,040,000
2	TAVARES	20.27	93,549	3/23/2018	\$4,750,000
3	SORRENTO	28.13	-	5/16/2018	\$2,000,000
4	LEESBURG	4.49	41,204	4/30/2018	\$1,850,000
5	GROVELAND	1.91	12,979	7/25/2018	\$1,500,000
6	OKAHUMPKA	5.99	49,748	5/9/2018	\$1,350,000
7	CLERMONT	9.36	-	5/14/2018	\$1,200,000
8	LEESBURG	3.8	22,500	12/12/2018	\$1,150,000
9	LEESBURG	1.49	12,852	3/7/2018	\$1,150,000
10	TAVARES	1.13	15,412	10/24/2018	\$1,123,500

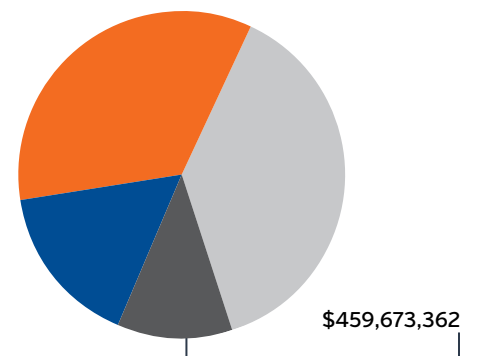
LAKE COUNTY INVENTORY

- Industrial
- Office
- Retail
- Multi-Family

SQUARE FOOTAGE



ASSESSED VALUE





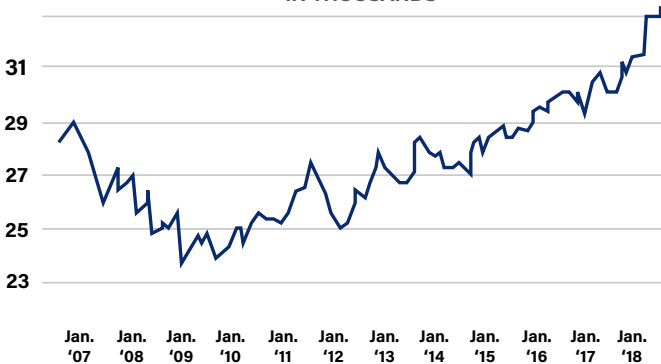
ORANGE STREET AND EAST OF TENNESSEE AVENUE PARKING PLAZA

The Polk County commercial real estate sector hardest hit by the 2008 recession was, undoubtedly, office. Thousands of jobs evaporated between 2008 and 2011. For our market, that meant increased vacancy and decreased rental rates.

The good news is office jobs have been growing at an extraordinary rate since the lows of 2011. In 2018, Professional and Business Services in Polk County grew by 7.8%, and Financial Activities grew by 2.4%.

Looking more closely at Professional and Business Services, this category's annual average growth rate since January 2011 is 5.08% in Polk County. The bad news is the office sector functions more like the "Most

PROFESSIONAL & BUSINESS SERVICES JOBS IN LAKELAND-WINTER HAVEN MSA IN THOUSANDS



Source: Bureau of Labor Statistics



DAVID HUNGERFORD

Improved" segment in our commercial real estate market rather than the "MVP."

Still, we have not seen significant rental rate increases because we are still making up for excessive vacancies. U.S. office rental rates have been rising annually by about 2% since 2014 according to REIS, while the Polk County market has hovered closer to 0%. But it's not all bad news. Office jobs are steadily growing us toward equilibrium in the space market.

Vacancies are slowly being absorbed, and we believe rental rates will slowly rise in 2019 followed by more substantial rate increases in 2020.

In 2020, Downtown Lakeland will see its first new speculative office building in more than two decades. As its downtown has seen office vacancies absorbed, a need for more parking and more office space has resulted in the construction of a new parking garage with an attached speculative office building. The parking garage will offer more than 800 spaces, and the attached office building will be 40,000 SF total, 50% of which has already been pre-leased to a national tenant. Numerous owner occupant projects are also underway in cities like Lakeland and Bartow, as occupants of older, smaller buildings are making overdue upgrades. This activity reflects the ten-year U.S. bull market which is still running strong.

David Hungerford is a Sales Advisor. He can be reached at 863-272-7156 or DHungerford@SRDcommercial.com.

NEW PARKING GARAGE UNDER
CONSTRUCTION IN
DOWNTOWN LAKELAND

800+ SPACES

PROFESSIONAL
AND BUSINESS
SERVICES GREW
BY **7.8%**

ATTACHED OFFICE BUILDING WILL BE

**40,000 SF WITH
50% PRE-LEASED OFFICE SPACE**

FINANCIAL
ACTIVITIES GREW
BY **2.4%**

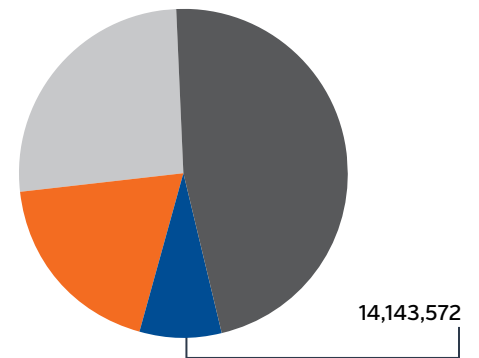
POLK OFFICE TOP 10 QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE
1	LAKELAND	2.04	117,860	9/14/2018	\$7,700,000
2	LAKELAND	2.71	15,322	11/26/2018	\$4,260,000
3	LAKELAND	3.41	25,260	6/22/2018	\$3,200,000
4	LAKELAND	5.62	-	2/2/2018	\$3,141,600
5	HAINES CITY	0.87	4,409	10/16/2018	\$2,550,600
6	LAKELAND	2.05	20,040	7/18/2018	\$2,252,500
7	LAKELAND	0.85	3,425	1/22/2018	\$2,201,100
8	LAKELAND	1.4	12,120	9/17/2018	\$1,925,000
9	HAINES CITY	1.05	7,636	11/1/2018	\$1,825,000
10	LAKELAND	0.45	5,583	8/17/2018	\$1,675,000

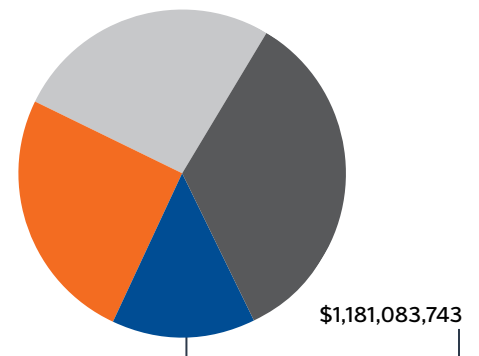
POLK COUNTY INVENTORY

■ Industrial ■ Office
■ Retail ■ Multi-Family

SQUARE FOOTAGE



ASSESSED VALUE



Lake County is a large, unique area of Florida. The hills and lakes of Florida's "Ridge District" transverse the more than 90-mile-length of the county. Lake County shares borders with five other counties on the western side of the Orlando MSA.

Lake County has three distinct areas of economic growth:

- The Villages and Lake Mary
- The Golden Triangle (Tavares, Eustis, Mt. Dora) and Leesburg
- South Lake (Groveland, Clermont, Montverde, Minneola) and Four Corners

During the current economic recovery, Lake County transitioned from a rural to an urban economy. Nestled between Tampa Bay and the Orlando MSA, Lake County is a new urban mecca attracting young families, athletes, and seniors. The economic shift has created an urgent need for medical and professional office space.

The Villages and Lake Mary area is home to the largest retirement community in the world. The Villages, now topping 100,000 residents, is expanding down the western edge of Lake County to the Leesburg/CR 48 Florida Turnpike exchange. The growth has created a large demand for services, medical, and professional office space. The current market has a 90% occupancy rate, and many of the newer buildings are "Build to Suit" for Owner Occupied space. The shortage of available office space has increased lease rates and put pressure on the market as a whole and is especially evident in Class "A" medical space.

The Golden Triangle is at the center of Lake County. This historic area is home to the county seat, Tavares, and Mt Dora, Eustis, and Leesburg. At one time, the Golden Triangle was the heart of Lake County's population, and it currently has the largest availability of office space. Available space tends to be older in Class B/C buildings. Newer construction and "Build to Suit" Owner Occupied space is prominent around the new Waterman Hospital on Hwy 441 in Eustis. This area also has space in older retail strip centers converted into office space.

The South Lake and Four Corners area includes Clermont, Minneola, Montverde, Groveland, Mascotte, and Four Corners. Centered at State Rd 50 (W.



CHRISTINA
"CHRISTY"
KURTZ-
CLARK
CCIM, ALC

Colonial Dr] and US Hwy 27, the area has become the most populated in Lake County. Proximity to Orlando with easy access to the Turnpike and Central Florida Expressway 429 makes this market very desirable. With a strong emphasis on sports medicine, the area actively recruits sports-related employers and companies. Clermont changed its slogan to "Choice of Champions" to reflect this strong connection to athletics. The area is home to the National Training Center. Olympic athletes train at this state-of-the-art sports and fitness facility along with athletes from around the world in wakeboarding, triathlons, youth golf academies, softball, baseball, and soccer. Orlando Health's expansion of its South Lake campus and two new hospital annexes created an increased need for services, professional, and medical space. This continued demand has increased lease rates and lowered tenant improvement allowances.

Due to very low vacancy rates and inventory, the Lake County Market has a strong demand for Class A office space. Except for the Golden Triangle and Leesburg area, the county has historically had very little office space available and did not build a lot of spec space during Florida's real estate market boom. The lack of available inventory and the increased cost associated with new construction creates high demand. Given the increased population, this market pressure likely will not change soon. "Build to Suit" for Owner Occupied properties and older retail spaces converted into professional office and medical uses are filling the current need and the gap of lease rates in the market. This trend is evident in several of the downtown areas. In conclusion, the office market in Lake County is vibrant and robust with a low vacancy and inventory. Lease rates are rising, and we are starting to see some development of spec building.

Currently, the average sales price for a Class B building is \$180.00 per SF with lease rates ranging from \$18.00 per SF Modified Gross to \$25.00 per SF. New construction rates, including land, are starting at \$200.00 per SF and go up depending on the interior use and impact fees.

Christina "Christy" Kurtz-Clark, CCIM, ALC is a Sales Advisor. She can be reached at 407-986-4853 or CClark@SRDcommercial.com.

LAKE COUNTY



MEDICAL AND PROFESSIONAL OFFICE SPACE

90% OCCUPANCY RATE

AVERAGE SALES PRICE FOR A CLASS B BUILDING

\$180.00 PER SF

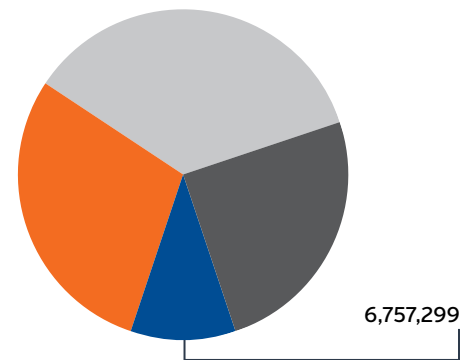
LAKE OFFICE TOP 10 QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE
1	CLERMONT	0.59	22,147	9/28/2018	\$5,973,500
2	LEESBURG	2	20,000	7/27/2018	\$4,220,300
3	CLERMONT	1.15	7,899	6/8/2018	\$3,170,000
4	EUSTIS	2.58	23,000	1/12/2018	\$2,600,000
5	LADY LAKE	1.79	5,106	6/21/2018	\$2,500,000
6	CLERMONT	0.09	4,002	2/13/2018	\$1,600,000
7	LEESBURG	1.92	3,859	6/1/2018	\$975,000
8	LEESBURG	0.74	8,118	10/12/2018	\$882,700
9	GROVELAND	5.93	4,800	9/25/2018	\$864,500
10	LEESBURG	1.18	10,089	4/18/2018	\$845,000

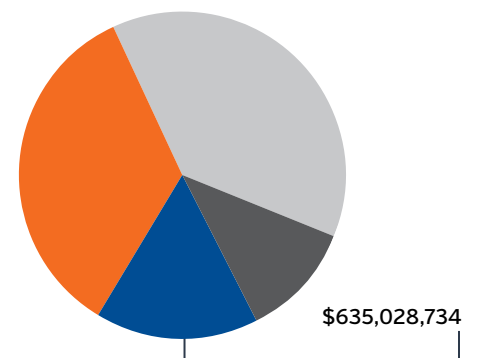
LAKE COUNTY INVENTORY

- Industrial
- Office
- Retail
- Multi-Family

SQUARE FOOTAGE



ASSESSED VALUE



National retail real estate deal volume was higher in 2018 and almost back to 2007 levels. Much of this was attributable to entity-level transactions involving Westfield and GGP. Individual asset sales were about the same as in 2017. The Real Capital Analytics Commercial Property Price Index shows that retail prices grew a modest 2% well below the overall commercial price increase of 6%.

The I-4 corridor, Orlando, Lakeland-Winter Haven, and Tampa are somewhat consistent with the national averages. However, overall retail prices in the Orlando market are slightly higher than Tampa, and as might be expected, Lakeland-Winter Haven prices are lower than both Tampa and Orlando. Stated another way, cap rates are lower in Orlando than Tampa and higher in Lakeland-Winter Haven. As a result, we expect increased interest in selected retail properties in our market as investors look for higher-yield opportunities.

National retail sales, as well as Florida retail sales, are growing by almost 5%. Retail sales in Florida are bolstered by Florida visitors. Tourism is at record levels and is expected to increase by nearly 7%.

Lakeland-Winter Haven retail sales, like Florida, remains strong. Retail real estate is about 33 million SF, and 2018 retail sales are estimated to be more than \$7.5 billion. That translates into about sales of \$10,600 per person. Lake County has almost 19 million SF and retail sales of about \$4 billion, which is about \$11,400 per person. Median household disposable income in Polk is about 17% below the nation, and Lake is about 10% below the nation. The sales per person in Polk is about 25% below the national average, and Lake is about 20% below the national average. Both Polk and Lake have about 50 SF of retail per person, which is consistent with the national average.

The Bureau of Labor Statistics reports that retail trade



215 MAIN ST. EAST, LAKELAND, FL



GARY M. RALSTON
CCIM, SIOR, SRS,
CPM, CRE, CLS,
CDP, CRX,
FRICS, CRRP

plus eating and drinking account for over 25% of the jobs in Polk County and 20% of the jobs in Lake County. Consistent with national averages, over one-third of the retail space is occupied by non-retail tenants, primarily personal services as well as health/medical.

The sales volume of freestanding net lease properties, typically one to three credit-worthy tenants, continued with strong sales levels and the lowest cap rates among retail properties. Developers of single tenant net lease properties continue to add locations as their retail tenants seek to expand, consistent with continued population growth in our market. Several freestanding restaurants and convenience store properties sold at low cap rates (below 6%) and between \$500 and \$750 per SF. These sales contrast with second-generation space that is selling for less than \$100 per SF. There were also several site acquisition transactions setting new record levels. Several in the South Florida Ave. and Harden Blvd. corridors sold for over \$1 million per acre and a couple of sites on US Highway 27 sold in the \$800,000 to \$1 million per acre level.

As previously noted, build-to-suit space for new tenants entering our market continues to set new high levels in the \$30's per SF range. This rent level is almost twice the rent levels in "mature" shopping centers in the market and is even higher than high-profile grocery-anchored centers.

Tenants and investors are continuing to focus on key commercial corridors with strong demographics, over 20,000 population within 2 miles, and a median household income 25% or more above the county level. Such corridors typically have average annual daily traffic of about 30,000 cars per day. There is also increased scrutiny on site characteristics, along with access, visibility, and parking. Parking requirements are increasing, and many retail tenants are now seeking 20% to 25% more parking spaces than in past years.

On a going-forward basis, effective execution of retail transactions, including leasing and sales, will require more analysis. Concern about future interest rate increases and eventually, higher cap rates, mean that tenants and investors want more information and data than in the past to support their decision making.

Gary Ralston, CCIM, SIOR, SRS, CPM, CRE, CLS, CDP, CRX, FRICS, CRRP is a Managing Director & Senior Advisor. He can be contacted at 863-877-2828 or Gary@srdcommercial.com.

MOST RECENT RENTAL RATES

HIGH-INTENSITY
COMMERCIAL CORRIDOR

\$35/SF
RANGE

OLDER VINTAGE
STRIP CENTERS

<\$15/SF
RANGE

2018 POLK
RETAIL SALES
ESTIMATED TO BE
MORE THAN

**\$7.5
BILLION**

SALE #3 REFERENCES NEW
CONSTRUCTION TO BUILD A PUBLIX
GREENWISE MARKET

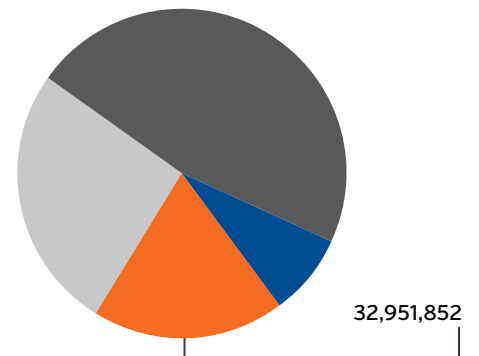
RETAIL TOP 10 QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE
1	DAVENPORT	25.66	168,159	11/30/2018	\$20,108,400
2	DAVENPORT	35.85	295,574	11/30/2018	\$18,891,600
3	LAKELAND	11.52	114,400	3/2/2018	\$10,500,000
4	LAKE WALES	86.08	460,820	5/7/2018	\$8,190,000
5	LAKELAND	1.5	12,600	8/10/2018	\$6,508,000
6	WINTER HAVEN	8.47	90,103	1/25/2018	\$6,000,000
7	BARTOW	36.19	51,335	5/1/2018	\$5,500,000
8	LAKELAND	1.37	6,096	8/6/2018	\$4,843,200
9	LAKE WALES	15.55	106,610	5/4/2018	\$4,625,000
10	LAKELAND	3.02	6,079	6/8/2018	\$4,500,000

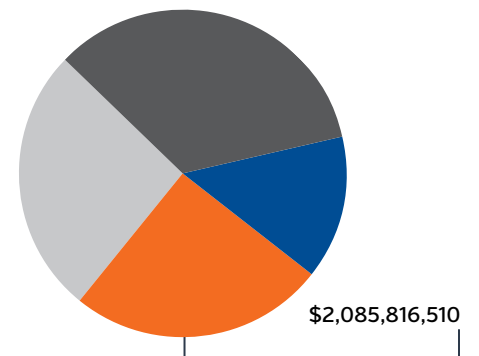
POLK COUNTY INVENTORY

Industrial Office
Retail Multi-Family

SQUARE FOOTAGE



ASSESSED VALUE





In the first quarter of 2019, the U.S. economy grew by 3.2%, registering a four-year high to start the year. We will look at Florida and Lake County's growth and the "hot zones" of opportunity.

Retail follows rooftops, particularly in areas of significant growth. Florida continually ranks nationally in the top three states for population growth. Florida's current population of 21,400,000 is expected to grow 21.4% to 26,000,000 by 2030 with over 1,500,000 new jobs needed. On average, about 1,000 people move to the state every day.

Lake County is one of the fastest-growing counties in Florida and is expected to more than double its population from just over 200,000 in 2000 to 450,000-500,000 by the year 2030. Since 2015, Lake County has seen a "boom" in the residential growth segment of the market including a substantial increase in the sale of existing homes and the approval and construction of new residential and multi-family developments. Last year, Lake county's residential sold volume increased by 12.83%.

Recent and current residential growth in the Clermont and South Lake County area drives the county's retail market, particularly in expansion and new development. Therefore, much of this article will focus on this particular area of Lake County



**MARVIN
PURYEAR**

2018 RETAIL IN LAKE COUNTY

In 2018, there was \$81,147,600 purchased in just the top 10 retail transactions of existing centers and retail buildings, with an average sales price over \$8 million and the average size of 57,000 SF at \$141.31 per SF.

Clermont's average retail rent rate is just over \$16 per SF, which is \$2.40 per SF less than the Orlando MSA average rent, and the occupancy rate is at 95%. Hwy 50, which is the main artery in and out of Clermont, has a beefy daily traffic count of 62,500 and Hwy 27 hosts 40,000 daily trips. Clermont has a population estimated at 35,208, a median household income of \$64,859 versus the \$51,077 for the Orlando MSA, and 28% of the residents 25 and older have earned bachelor's degrees or higher.

In 2018 in Clermont alone, 139 businesses opened their doors (compared to 121 businesses in 2017), including a new brewery, a Five Guys, First Watch Restaurant, a second Chick-fil-A, Lucky's Market, Home Goods, and a new Home2Suites hotel.

Combining the recent and upcoming explosive residential growth, along with the lifestyle and metrics noted above, Clermont, Groveland, and South Lake County will experience significant retail expansion in the next three to five years.

Tavares and Mt. Dora have produced a renaissance of their downtown areas following city renovations. Similar downtown and CBD renovations are happening in Clermont and Groveland.

UPCOMING RETAIL PROJECTS

There is currently 18,843,845 SF of retail space built in Lake County, and much more is on the way. South Lake Hospital (now Advent Health) expanded in 2018 with two remote ER facilities, one on Hwy 27 in South Clermont by the four corners Disney area, and one at the Florida Turnpike North entrance on Hwy 27 in South Leesburg. In 2019, the hospital is scheduled to add a surgical campus on the SE corner of Hwy 50 and Citrus Tower Blvd. in Clermont.

A new brewery is scheduled to open in downtown Clermont in May 2019, along with several new restaurants on the lake. A 20,000 SF Planet Fitness will be a part of the new 56,000 SF, \$11.2 million Shoppes at Anderson Hill retail center at Hwy 27 and Anderson Hill Road. Dunkin Donuts seeks to add a

location near the new Chick-fil-A off Hwy 27 S. Another Aldi store will be on E Hwy 50 in Clermont, as well as Hurricane Grill and Wings.

Groveland is adding a Wendy’s to join the recently opened Taco Bell on Hwy 50.

In the Leesburg and Tavares area, the Lake Square Mall was purchased for \$23 million and is being completely renovated. A new tenant is already in line.

There are a vast number of additional projects in the works that will come to light in 2019 for construction over the next several years.

SUMMARY

With the explosive growth of Lake County, there is a lot to like, and the county will continue to drive development and significant retail expansion.

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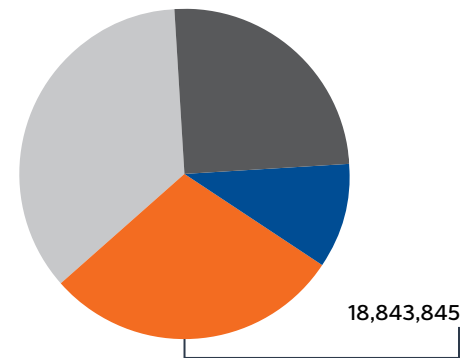
LAKE RETAIL TOP 10 QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE
1	MOUNT DORA	15.04	72,852	7/17/2018	\$18,783,300
2	CLERMONT	14.31	81,390	6/7/2018	\$12,899,300
3	MOUNT DORA	13.18	79,958	5/18/2018	\$11,033,400
4	LEESBURG	23.64	140,875	2/26/2018	\$8,400,000
5	EUSTIS	3.7	29,400	1/23/2018	\$6,805,000
6	EUSTIS	8.16	94,435	1/23/2018	\$5,085,000
7	LADY LAKE	1.84	5,763	8/8/2018	\$4,529,100
8	CLERMONT	2.09	14,308	3/12/2011	\$4,300,000
9	CLERMONT	10.12	46,737	9/24/2018	\$4,287,500
10	EUSTIS	7.76	35,722	11/1/2018	\$3,400,000

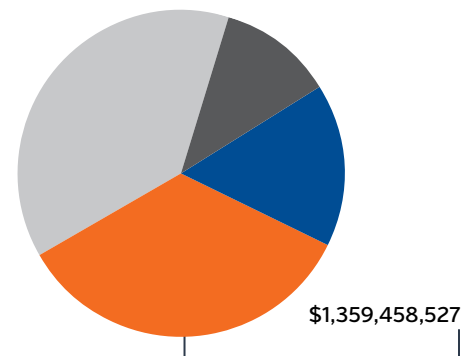
LAKE COUNTY INVENTORY

- Industrial
- Office
- Retail
- Multi-Family

SQUARE FOOTAGE



ASSESSED VALUE





Laissez les Bon Temps Rouler! “Let the good times roll,” is an old French-Cajun phrase that perfectly sums up today’s apartment markets overall, clear across the entire United States.

To paraphrase the head of J.P. Morgan Chase, Mr. Jamie Dimon recently said he doesn’t see a U.S. recession coming this year. “I think the United States is going to be ok; I could be wrong; we don’t predict that; it’s not how we run the company,” said Dimon. Dimon believes the volatile fourth quarter of 2018 was a “huge overreaction” to concerns about trade and the government shutdown.

In a recently-published speech, the current Vice Chairman of the Federal Reserve, Mr. Richard Claridai said “the U.S. economy is in a good place and operating close to their desired projections...with the overall goal of having the Fed Funds Rate interest be at a level that neither stimulates or restrains the economy.”

In this positive market, most investors have to choose between higher-growth markets that tend to be less liquid at exit and higher pricing in more liquid markets.

Tampa ranked ninth, and Orlando was fourteenth, in year-over-year rent growth for all asset classes of apartments across the entire U.S. Concerning national job growth, Yardi recently reported in their March 2019 National Multi-family Report that the slowing of job growth is relatively slight. The rolling three-month average for new jobs is 186,000, while the six-month average is 190,000 and the 12-month average is 209,000.

Per Yardi, the year-over-year rent growth in Orlando



ERIC AMMON
CCIM

was 3.4%, and it was 3.6% in Tampa. Forecasted rent growth in Orlando for 2019 is 4.0%, with projections of a 3.3% increase in Tampa. Job growth is projected to be 3.9% in Orlando and 2.5% in Tampa for the current year. Both markets are projected to maintain 95% occupancy levels throughout the year despite the onslaught of many new projects.

While rental growth rates in Lakeland are going to look better on a percentage basis, the beginning base rents are lower. Nonetheless, growth rates going forward are going to lift all boats.

Per the fourth quarter 2018 Reis report, the average studio rent per foot in Lakeland is \$1.44 per SF. In Orlando and Tampa, the average is \$1.77 per SF. One-bedroom apartments in Lakeland are \$1.15 per SF on average. In Orlando, they are \$1.46, and in Tampa, they are at \$1.35 per SF. Two-bedroom apartments get \$0.96, \$1.21 and \$1.15 per SF in Lakeland, Orlando, and Tampa, respectively and three-bedroom apartments bring \$0.95, \$1.19 and \$1.10 per SF.

Sales activity continues to be brisk across all levels of this asset class. In Orlando in 2016, Reis reported 50 sales for \$1.611 billion, in 2017 those figures climbed to 63 properties for \$2.724 billion, and in 2018 those figures came in at 49 deals for \$2.057 billion.

The Tampa numbers from Reis are just as impressive, 96 deals in 2016 for \$2.276 billion, in 2017 those figures were 78 sales for \$1.836 billion, and in 2018 there were 69 sales for \$1.836 billion.

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“THE U.S. ECONOMY IS IN A GOOD PLACE AND OPERATING CLOSE TO THEIR DESIRED PROJECTIONS...WITH THE OVERALL GOAL OF HAVING THE FED FUNDS RATE INTEREST BE AT A LEVEL THAT NEITHER STIMULATES OR RESTRAINS THE ECONOMY.”

- Vice Chairman of the Fed, Mr. Richard Claridal

AVERAGE STUDIO RENT PER SQUARE FOOT

ORLANDO	TAMPA	LAKELAND
\$1.77	\$1.77	\$1.44

AVERAGE ONE-BEDROOM RENT PER SQUARE FOOT

ORLANDO	TAMPA	LAKELAND
\$1.46	\$1.35	\$1.15

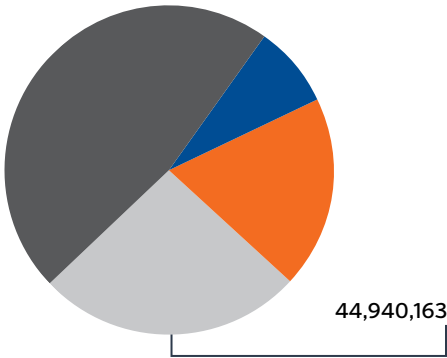
POLK MULTI-FAMILY TOP 10 QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE
1	LAKELAND	23.31	363,693	12/10/2018	\$50,000,000
2	MULBERRY	22.72	305,586	2/28/2018	\$37,000,000
3	LAKELAND	17.62	208,898	9/27/2018	\$25,700,000
4	WINTER HAVEN	24.73	250,170	1/31/2018	\$24,025,000
5	BARTOW	16.34	207,352	2/8/2018	\$18,500,000
6	LAKELAND	16.35	126,269	10/18/2018	\$16,250,000
7	LAKELAND	19.35	151,969	8/28/2018	\$12,850,000
8	LAKELAND	4.33	80,208	7/25/2018	\$7,900,000
9	WINTER HAVEN	1.83	25,080	7/10/2018	\$2,350,000
10	AUBURNDALE	0.48	28,960	1/10/2018	\$1,460,000

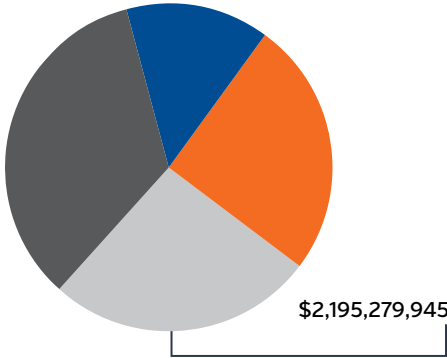
POLK COUNTY INVENTORY

- Industrial
- Office
- Retail
- Multi-Family

SQUARE FOOTAGE



ASSESSED VALUE



In 2018, Lake County, Florida saw a substantial boom in the multi-family segment of the market including the sale of existing developments and the approval and construction of new developments. Combined with the current residential market conditions, the outlook for multi-family in Lake County is very good.

In 2018, the average residential sales price in Lake County was \$235,273, a 9.12% increase over the 2017 average price of \$215,601. The residential market in Lake is “red hot” with a near 13% increase in total residential volume sold, and a 3.4% increase in units sold. Residential inventory is low at less than three months of total inventory, and the time it took to sell a home was 10% faster in 2018 than in 2017.

New home construction properties have been selling as fast as developers can build them. The average new home price in Lake County is over \$300,000, with very little inventory available under \$250,000. There are several new residential developments underway, and many will have new home product available this year.

Because of the price increase in the residential market, many first-time homebuyers and buyers seeking homes under \$200,000 are either not qualifying for a home or not finding the home they want. Therefore, they are turning to apartments until they can financially afford a home

Lake County was once the “hidden jewel” of Florida, but it is now a sought-after location. As the name would suggest, the county has more than 1,400 named lakes. Lake County also boasts the only hilly topography in Florida including the highest point in Florida; it is a worldwide headquarters for triathlon training; offers a healthy and ever-increasing list of retail and food options; and is only 30-40 minutes from downtown Orlando and Disney World. There are three Florida Turnpike exits, including the new Minneola exit for South Lake County and the new Wekiva Parkway Extension which now connects North Lake, and they make for an easy commute or trip to the metro Orlando area. Besides all these attributes,



**MARVIN
PURYEAR**

many people fall in love with the county’s “home town” feel making Lake County a powerful draw for new residents by the day. The population was 210,000 in 2010 and is expected to double by 2030.

Compared to 2017, the top 10 multi-family transactions for existing developments in 2018 produced a 45% increase in total sales volume [\$109,735,200] and the same percentage increase in the average sales price [\$10,973,520]. Buyers sought out properties that were nine years newer on average than those purchased in 2017 with 81% more land included. The average size of the projects increased as well, averaging 109,306 SF with the largest project at 409,659 SF.

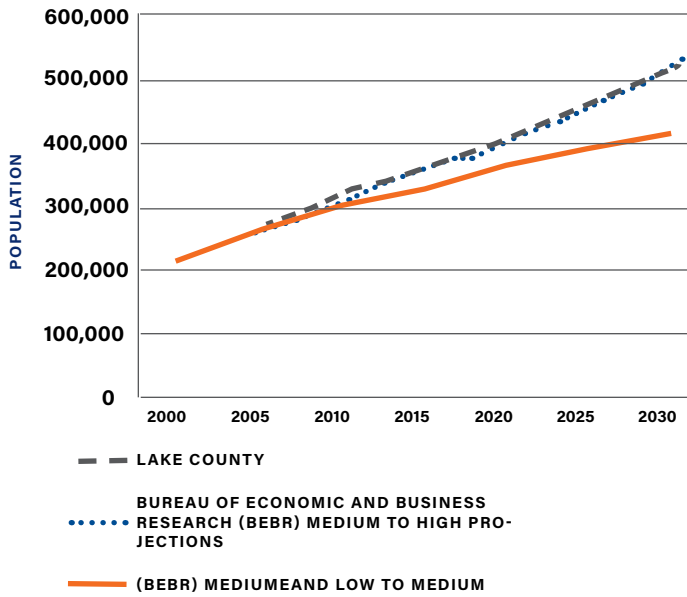
South Lake County which includes the cities of Groveland, Mascotte, Clermont, and Minneola, is expected to have the highest increase in population growth from 2000 to 2030. There is an anticipated 529% growth rate in Clermont, 712% increase in Minneola and a 454% increase in Mascotte. Groveland tops the population growth projections with a predicted 1,507% increase. North Lake’s largest population increase will occur in Fruitland Park which is the front door to The Villages, the largest residential development in the world. Every city in Lake County is expecting a population increase.

With such expansive growth, there are numerous multi-family projects in the works for Lake County. In Clermont, there are four large apartment projects scheduled for this year including The Lofts, a \$16 million “Class A” apartment development near the South Lake Hospital.

There’s no denying Lake County’s attractiveness to people and developers. From an investment standpoint, Lake County is one of the fastest-growing parts of Florida and is poised to be a lightning rod of development in all commercial real estate sectors for the next three years, particularly multi-family.

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FIGURE 3 - LAKE COUNTY POPULATION TRENDS, 2000-2030



AVERAGE 2018
RESIDENTIAL SALES PRICE
IN LAKE COUNTY

\$235,273

AVERAGE RESIDENTIAL SALES
PRICE FROM 2017-2018

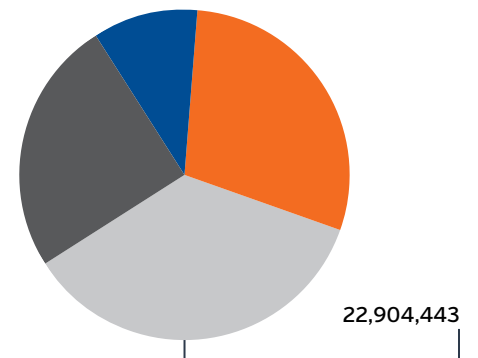
9.12% INCREASE

MULTI-FAMILY TOP 10 QUALIFIED SALES					
	CITY	ACRES	SF	SALE DATE	PRICE
1	CLERMONT	25.23	409,659	6/26/2018	\$68,500,000
2	MOUNT DORA	20.61	267,107	3/28/2018	\$19,401,500
3	CLERMONT	32.89	203,762	2/15/2018	\$16,387,800
4	LEESBURG	8.31	73,722	11/14/2018	\$10,205,000
5	MOUNT DORA	7.92	55,140	11/14/2018	\$5,500,000
6	TAVARES	1.26	12,738	5/26/2018	\$660,000
7	CLERMONT	0.28	2,974	5/23/2018	\$550,000
8	FRUITAND	0.69	4,856	7/23/2018	\$420,000
9	MOUNT DORA	0.06	1,682	4/2/2018	\$410,000
10	LADY LAKE	0.05	1,473	1/17/2018	\$390,000

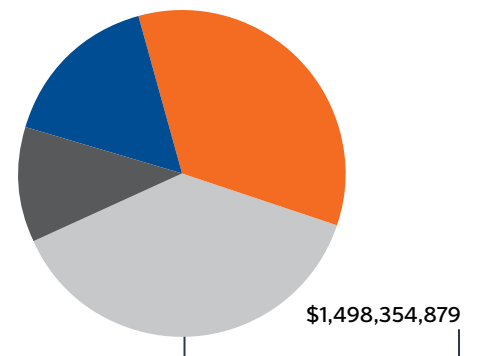
LAKE COUNTY INVENTORY

Industrial Office
Retail Multi-Family

SQUARE FOOTAGE



ASSESSED VALUE





Presorted Std.
US Postage
PAID
Permit #1
Lakeland, FL

114 N. Tennessee Ave. 3rd Floor
Lakeland, FL 33801

OTHER ANNUAL 2018 SALES

Below are sales that don't fit into the four categories discussed in this market report: Industrial, Office, Retail and Multi-Family.

POLK & LAKE COUNTY TOP 10 OTHER ANNUAL QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE	TYPE
1	MINNEOLA	1,505.6	672	4/16/2018	\$70,834,500	RESIDENTIAL
2	LEESBURG	276.16	35,692	9/26/2018	\$46,000,000	MOBILE HOME PARK
3	SORRENTO	107.51	16,425	3/6/2018	\$29,110,000	MOBILE HOME PARK
4	CLERMONT	5.99	90,469	6/28/2018	\$23,830,000	RETIREMENT HOME
5	CLERMONT	7.02	18,856	11/27/2018	\$12,000,000	HOME OWNERS ASSOCIATION
6	FROSTPROOF	441.28	784	9/12/2018	\$12,000,000	AGRICULTURE
7	BARTOW	430.86		2/23/2018	\$11,394,000	UTILITY LAND
8	MULTIPLE	12.51	89,659	11/27/2018	\$10,814,700	SFR PORTFOLIO
9	LAKELAND	30.03	4,000	11/20/2018	\$10,150,000	MOBILE HOME PARK
10	MULTIPLE	11.07	83,729	11/27/2018	\$9,641,900	SFR PORTFOLIO

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