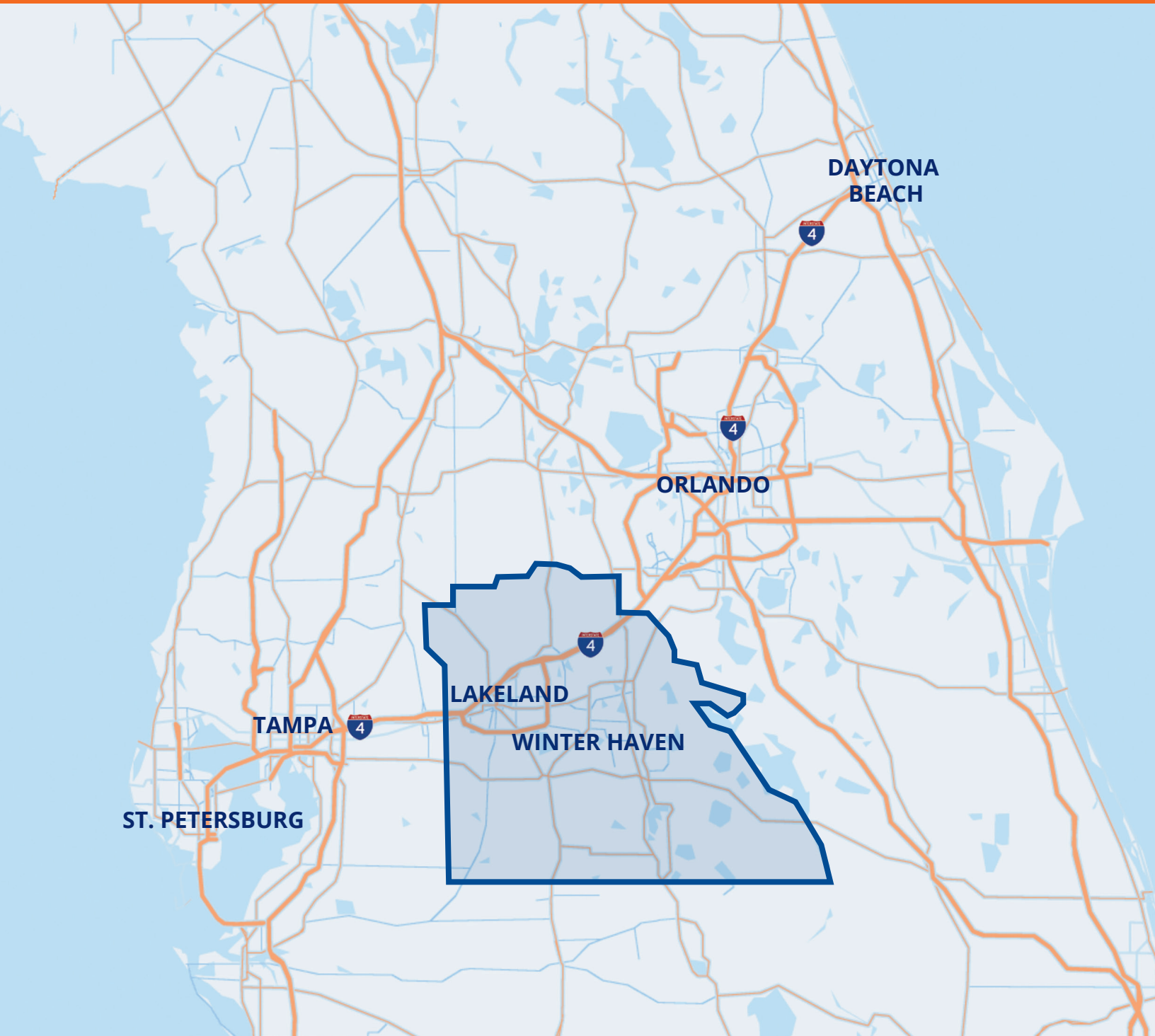


MARKET REPORT

POLK COUNTY

QUARTER 3 2019



INDUSTRIAL CAP RATES
DECREASE, PG 4

OFFICE TENANT
PREFERENCES, PG 6

MULTI-FAMILY RENTS
RISE, PG 10

COMMERCIAL MARKET REPORT

2019 QUARTER 3 SALES

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ABOUT US

SVN | Saunders Ralston Dantzer Real Estate is a full-service land and commercial real estate brokerage with more than \$2.9 billion in transactions representing buyers, sellers, investors, institutions and landowners since 1996. We are recognized nationally as an authority on all types of land including agriculture, ranch, recreation, residential development and international properties. Our commercial real estate services include marketing, property management, leasing and tenant representation, loan sales, valuation, advisory and counseling services for office, retail, industrial, and multi-family properties. Our firm also features an auction company, forestry division, international partnerships, hunt lease management and extensive expertise in conservation easements. Located at the center of Florida's I-4 corridor, we provide proven leadership and collaborative expertise backed by the strength of the SVN® global platform. To learn more, visit SVNsaunders.com.

MARKET OVERVIEW



LAKESIDE VILLAGE



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 United States Census Bureau, Florida's population is now about 21.5 million.

Population growth is slightly slowing at the national level and also slightly slowing in the key growth states of Florida and Texas. Only Texas is growing by more people than Florida. This is important because real estate is space for people and more people means more demand for real estate.

We are at the center of Florida in a region referred to as the I-4 corridor. The I-4 corridor is defined as the five-county area of Osceola, Lake, Polk, Orange and Hillsborough counties.

These five counties total about 4.3 million people and this geography is growing almost 2.5 times as fast as the nation and almost 1.5 times as fast as Florida. The population of the five counties is 20% of the population of Florida and represents almost 30% of the state's population growth.

In addition to population metrics, another way to measure location characteristics is drive time. Using Lakeland as the center point for analysis, there are 1.5 million people within 30 minutes; almost 4 million people within 60 minutes; and 7.5 million people within 90 minutes.

Housing growth continues to be extremely strong across the I-4 corridor. Currently, demand exceeds supply, so we expect residential development of houses, townhouses and apartments to continue to increase. Since demand exceeds supply, housing prices will also continue to grow. There is a need for almost 100 new housing units every day across the five-county area.

Among the five counties in the I-4 corridor, Osceola leads in growth with Lake and, as expected, Orange, tied for second place. It is interesting to note that Lake and Polk lead in the percentage of Baby Boomers. Osceola has a high concentration of Hispanics (over 50%), followed by Orange at 33%.

The outperformance of population growth is a strong positive for commercial real estate because, as we said, more people means more demand for real estate.

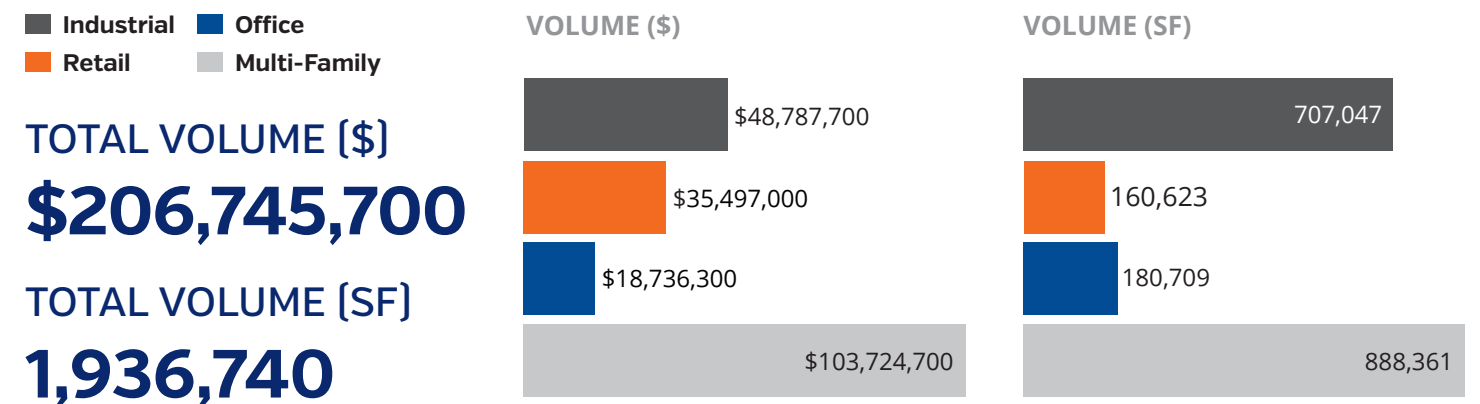
Gary Ralston, CCIM, SIOR, SRS, CPM, CRE, CLS, CDP, CRX, FRICS, CRRP is a Managing Director & Senior Advisor. He can be contacted at 863-877-2828 or gary.ralston@svn.com.

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2019 Q3 TOP QUALIFIED SALES

	CITY	ACRES	SF	SALE DATE	PRICE	TYPE
1	DAVENPORT	55.02	309,829	8/27/2019	\$90,000,000	HOSPITAL
2	DAVENPORT	19.03	277,616	7/12/2019	\$51,275,000	MULTI-FAMILY
3	LAKELAND	22.21	349,929	7/29/2019	\$25,197,400	INDUSTRIAL
4	LAKELAND	1.49	135,160	7/12/2019	\$14,166,100	MULTI-FAMILY
5	HAINES CITY	7.01	39,750	7/29/2019	\$12,250,000	RETIREMENT
6	WINTER HAVEN	32.98	3,872	7/17/2019	\$12,150,000	MOBILE HOME
7	LAKELAND	14.52	137,500	7/23/2019	\$12,000,000	INDUSTRIAL
8	LAKE WALES	10.28	175,459	8/27/2019	\$10,146,000	HOSPITAL
9	DAVENPORT	21.48	9,128	7/31/2019	\$9,400,000	MOBILE HOME
10	DAVENPORT	195.08	-	9/11/2019	\$7,200,000	VACANT LAND

2019 Q3 QUALIFIED SALES TOTALS





4000 N COMBEE ROAD

As the main East/West connector in the State of Florida, I-4 has made Polk County a hotbed for industrial activity. From Q3 2018 to Q3 2019, the county added more than \$235,000,000 to the assessed value of industrial inventory. In the same time frame, there were approximately 4,400 new jobs created (bls.gov). This is great news for everybody, and we have many businesses, organizations, and authorities here in our community to thank for their hard work over the past year.



AUGIE SCHMIDT

\$1,041,667. The positive effect of cap rate changes combined with Polk County's growing popularity among institutional buyers creates an opportunity for local property owners to cash-out their assets.

Beyond increased values, there are many new developments either announced or under construction in the second half of 2019. All new projects are either considered speculative development or build-to-suit, so we'll take a look at one of each.

4000 N Combee Road in Lakeland (Speculative Development)

This Ruthvens development consists of 130,000 square feet of dock-high warehousing. Less than 5 minutes from I-4, this product provides bays that range from 2,340 square feet to 72,800 square feet and provide 24' clear height.

Everything from A to Z (Build-to-Suit)

The development of a new Amazon Fulfillment center was announced and is expected to create 500 new jobs starting at \$15 per hour. The project is located just south of I-4 near Berkley Road, and is being developed by ProLogis, a California Real Estate Investment Trust.

It's safe to say that it is an exciting time to be a resident of Polk County. With all that is going on, commercial real estate professionals are working hard every day to help our community become a better place to work, live and call home for everyone.

Augie Schmidt is an Advisor. He can be reached at 863-774-7133 or augie@svn.com.

Industrial sales values, volume, and price per square foot were all strong in Q3 2019. According to Real Capital Analytics, Florida's sale prices per square foot reached an all-time high of \$93, a 17.5% increase when compared to Q3 2018.

One key factor raising values is the compression of capitalization rates (cap rates), a metric on how investors and institutions transact investment grade real estate. Cap rates are easily configured by dividing the Net Operating Income (NOI) by the sale price. Year-over-year cap rates from Q3 2018 to Q3 2019 decreased from 6.4% to 6.0%. While a 0.4% change in cap rate may not seem like much, this chart shows how it increases the value of a property with a NOI of \$1,000,000.

QUARTER	NOI	CAP RATE	VALUE
Q3 2018	\$1,000,000	6.40%	\$15,625,000
Q3 2019	\$1,000,000	6.00%	\$16,041,667
			INCREASE IN VALUE = \$1,041,667

As seen above, the compression of cap rates increased the value of a property with no change in NOI by

“Industrial development in Lakeland continues to grow and thrive. With 10+ million people within a 100 mile radius, we continue to see a need from users for more space. Having available product in our market is key – we want to be able to close deals quickly and with the amount of speculative space available and under construction, we are able to do so.”

- Ashley Cheek

VP Business Development, Central Florida Development Council

CAP RATES DECREASED

6.4% to 6.0%

FROM Q3 2018 TO Q3 2019

FLORIDA INDUSTRIAL PRICE PER SQUARE FOOT

\$93/SF

Q3 2019

UP 17.5%

FROM Q3 2018

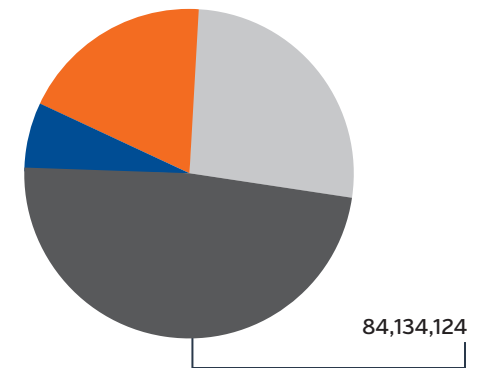
INDUSTRIAL TOP 10 QUALIFIED SALES

	CITY	AC	SF	DATE	PRICE
1	LAKELAND	22.21	349,929	7/29/2019	\$25,197,400
2	LAKELAND	14.52	137,500	7/23/2019	\$12,000,000
3	LAKE WALES	6.68	50,610	8/9/2019	\$3,050,000
4	BARTOW	11.18	28,130	8/26/2019	\$1,926,700
5	WINTER HAVEN	3.5	50,380	9/9/2019	\$1,800,000
6	LAKELAND	0.68	6,555	8/15/2019	\$660,000
7	WINTER HAVEN	18.5	-	9/18/2019	\$625,000
8	LAKELAND	0.65	14,400	9/6/2019	\$468,000
9	LAKELAND	0.94	14,553	7/25/2019	\$400,000
10	LAKE WALES	0.89	11,160	7/31/2019	\$375,000

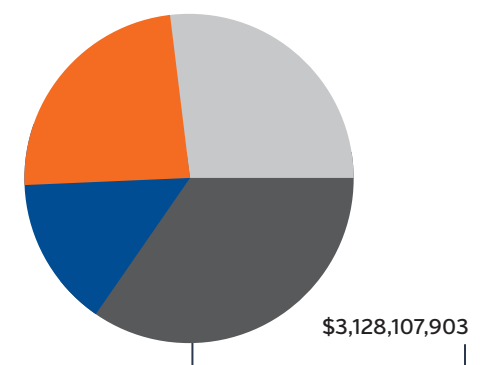
POLK COUNTY INVENTORY

Industrial Office
Retail Multi-Family

SQUARE FEET



ASSESSED VALUE





116 N KENTUCKY AVE,

TENANTS SEEK
COWORKING SPACE
OFFICE CONDOS
OPEN CONCEPTS

CONDO ADVANTAGES
LESS EXPENSIVE
HASSLE-FREE
OWN VS. LEASE

#1 SALE
Q3 2019
\$500/SF

MEDICAL SALE-LEASEBACK

Traditional office space is becoming less popular among office users on the move. Office landlords with large, “chopped-up” spaces are having a hard time attracting tenants and are losing out to the innovators. Some of these products have been around for decades and others are newer, but landlords who are unwilling to be flexible with evolving tenant preferences are seeing a negative effect on their bottom line. In Polk County, landlords who are winning tenants own coworking space, office condos, and/or open concept office space.



DAVID HUNGERFORD
 CCIM

office condo is one of the least expensive and most hassle-free ways to realize this dream. Office condo parks have low vacancy, and property values remain strong even though most of these parks are located off the main commercial highways, often tucked behind the retail frontage. Condos provide excellent flexibility because management is minimal, and you can often buy in very small increments.

Open Concepts

Among large office buildings, landlords who have open space plans with ample natural light are winning tenants. The

formula is quite simple: large open spaces in the center, perimeter offices with windows, and if you can add some reasonable amenities too, all the better.

Sale-leasebacks remain an excellent tool for owner-occupant property owners to monetize their real estate assets at top dollar. The #1 office sale for this quarter was a medical leaseback. The building sold for nearly \$500/SF, which undoubtedly far exceeded the doctor’s original basis in the property. From a finance perspective, it is not always best to own your property. Sometimes the right decision is to lease, and it depends on factors such as opportunity cost and credit worthiness. Before making the decision to own or lease office space, it’s best to get a consultation from an experienced commercial real estate professional.

David Hungerford, CCIM is a Senior Advisor. He can be reached at 863-272-7156 or david.hungerford@svn.com.

Coworking Space

Many have followed the national headlines surrounding WeWork. The company’s eccentric founder has been accused of profiting to the tune of millions while driving the company into staggering losses. However, WeWork has catalyzed the prevalence of coworking space throughout the United States, even in smaller cities like Lakeland and Winter Haven. Lean Spaces in Lakeland, My Office and More in Lakeland, and The Lodge in Winter Haven all saw quick success and have ongoing waiting lists. It is true that most coworking establishments are struggling to make a decent profit, but where there is strong demand, landlords will eventually solve the riddle and make good returns.

Office Condos

Office condos have been around for decades, but they are still very popular. Many believe part of the American Dream is to own as opposed to lease, and the

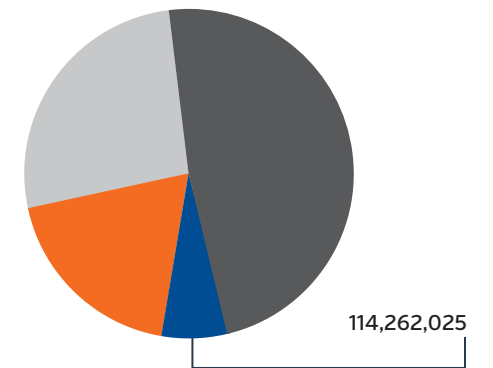
OFFICE TOP 10 QUALIFIED SALES

	CITY	AC	SF	DATE	PRICE
1	DAVENPORT	1.41	9,253	9/19/2019	\$4,600,000
2	WINTER HAVEN	1.1	10,138	9/16/2019	\$1,800,000
3	WINTER HAVEN	1.44	7,560	8/27/2019	\$1,700,000
4	LAKELAND	0.89	10,540	8/28/2019	\$1,200,000
5	LAKELAND	7.23	53,151	8/22/2019	\$1,150,000
6	LAKELAND	1.23	9,990	7/18/2019	\$975,000
7	WINTER HAVEN	1.18	4,128	8/26/2019	\$900,000
8	WINTER HAVEN	1.01	9,677	7/17/2019	\$750,000
9	LAKELAND	0.58	7,400	7/24/2019	\$585,000
10	LAKELAND	0.58	8,588	9/16/2019	\$575,000

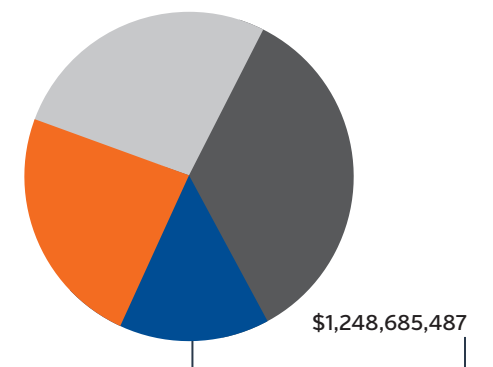
POLK COUNTY INVENTORY

Industrial Office
 Retail Multi-Family

SQUARE FEET



ASSESSED VALUE



National retail real estate volume continues to increase, and in some respects, the expansion is beyond general expectations. Retail sales for Q3 2019 (retail sales and food services less motor vehicles) were very strong with a 9.6% increase over the same period in 2018.



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

Here are a few other interesting overall retail statistics. This is the fourth year in which restaurant sales (NAICS 722) were greater than grocery store (NAICS 4451) sales. Walmart continues to be a dominating force for retail. Walmart sales are slightly more than 8% of total retail sales (NAICS 44, 45, 722 less auto dealers - 4411). E-commerce sales were 10.8% of total retail sales through the third quarter, and a record-high 11.2% for Q3 2019.

Further, retail real estate sales velocity is slowing, and the quarterly change is essentially flat. Real Capital Analytics data indicates that price growth is also slowing and will be less than 2% for 2019. It is also interesting to note that the spread between 10-year U.S. Treasuries and retail cap rates is at decade-high levels. Some of this characteristic is attributable to concerns that interest rates may increase, and some is attributable to uncertainty as to the impact of e-commerce.

Florida retail sales are bolstered by Florida visitors. Tourism is at record levels and is increasing, so our state's retail sales growth will continue to be higher than the nation. Increased retail sales mean increased demand for retail real estate, translating into growth in square footage and increased rent which leads to higher prices. An indication that retail sales in Florida outperform the nation is that there are almost 20% more retail trade jobs in Florida than the national average.

Polk County retail real estate totals about 34 million square feet, which amounts to about 49 square feet per person, and is consistent with the national average. Total retail square footage is not growing and considering population growth, which is over 3%. Analysts might consider this to be an overall positive since population and income is highly correlated to demand for retail and retail real estate.

In Polk County, there were 34 retail sales in Q3 2019 for about \$35.5 million. The average price per square foot was about \$190 with the top half of the sales averaging

over \$300 per square feet. The top 10 were high-profile net lease properties that averaged over \$400 per square feet. The sales volume of freestanding net lease properties, with typically one to three creditworthy tenants, continued with strong sales levels and the lowest cap rates among retail properties.

The bottom half of the sales were typically vacant properties or properties seeking a user and the price was about \$70 per square foot, which is less than replacement cost.

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.

There were several freestanding restaurants and convenience store properties that sold at low cap rates (below 6%) and between \$500 and \$750 per square feet. Retail sites continue to increase in price and there were several new highs recorded for key South Florida Ave. sites in Lakeland as well as US Hwy 27 in Davenport south of I-4.

As previously noted, build-to-suit space for new tenants entering our market continues to set high levels in the \$30s per square foot 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. They seek strong demographics of over 20,000 population within two miles with 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 of on-site characteristics such as 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, the effective execution of retail transactions of both leases and sales will require more analysis.

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.ralston@svn.com.

Q3 E-COMMERCE WAS RECORD HIGH

11.2%

OF TOTAL NATIONAL RETAIL SALES

FLORIDA RETAIL SALES

20% MORE

THAN NATIONAL AVERAGE

Q3 AVERAGE PRICE PER SQUARE FOOT

\$190/SF

OVERALL

\$300/SF

TOP HALF

\$400/SF

TOP 10

RETAIL TOP 10 QUALIFIED SALES

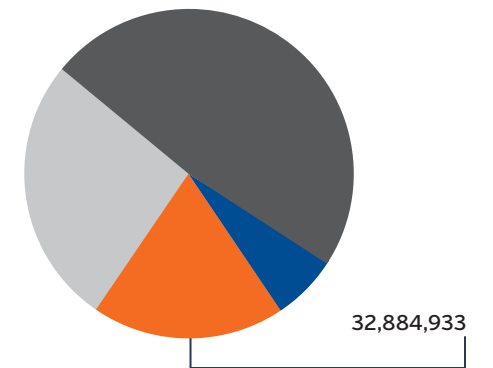
	CITY	AC	SF	DATE	PRICE
1	LAKELAND	0.85	11,440	7/10/2019	\$6,425,000
2	DAVENPORT	1.96	3,124	7/1/2019	\$4,695,600
3	LAKELAND	0.94	8,248	9/5/2019	\$3,025,000
4	LAKELAND	0.99	3,010	8/19/2019	\$2,891,400
5	WINTER HAVEN	1.6	7,486	8/5/2019	\$2,550,000
6	LAKE WALES	3.39	30,476	8/12/2019	\$2,355,000
7	HAINES CITY	0.92	7,744	8/15/2019	\$2,305,200
8	LAKELAND	1.2	5,265	9/17/2019	\$1,750,000
9	DAVENPORT	0.85	5,750	7/12/2019	\$1,500,000
10	MULBERRY	0.92	1,824	9/17/2019	\$1,114,300

Rows shown in orange are listed and/or sold by SVN Saunders Ralston Dantzler Real Estate (SVNSRD)

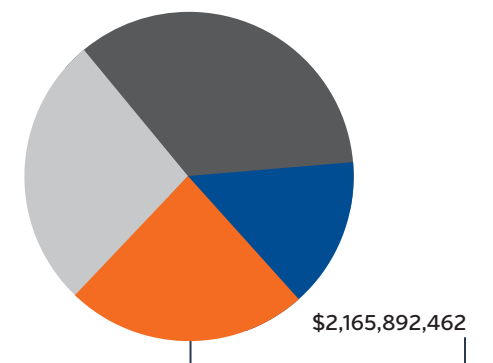
POLK COUNTY INVENTORY

Industrial Office
Retail Multi-Family

SQUARE FEET



ASSESSED VALUE





“Well, there isn’t much going on in and around Lakeland.” No that’s not right, there is a whole lot going on in, and around Lakeland! Everywhere you look there’s new growth, more new jobs announced, and more positive news every day. Based upon historical measurements, we are in historic territory in almost every category.



ERIC AMMON
CCIM

- Nearby Bartow has 175 new jobs coming with the recently announced \$98 million expansion of the Peace River Juice processing plant.
- The Green Mills Group based in Miami was just awarded an \$8 million grant to develop an 80-unit affordable housing project near Tiger Town.
- The Joinery, Lakeland’s very first food hall, recently opened for business at 640 E Main Street.
- The Yard on Mass, located on Massachusetts Ave., also opened recently as Lakeland’s first food-truck park.
- The Aerospace Center for Excellence on the SUN ‘n FUN campus at the Lakeland Linder Airport just announced plans for a new 8,000 square foot expansion estimated to cost \$4.5 million.
- Broadway Real Estate Services recently announced plans to build 90 one-bedroom apartments near Lime Street and Lake Avenue at an estimated cost of \$10.6 million.
- The Lakeland Housing Authority and the Housing Trust Group of Miami just broke ground on Phase 2 of Twin Lake Estates to bring an additional 132 units to the Lake Beulah area. They project a grand total of 320 new units of much needed affordable housing when Phase 3 is eventually brought online.
- Publix recently opened a new GreenWise Market on S. Florida Avenue immediately across the street from their Lake Miriam Publix.
- The new 824-space parking garage in the core of downtown was recently completed.
- Winter Haven just opened the new AdventHealth Fieldhouse, and then immediately announced Youth Basketball of America will relocate there from Orlando
- The State of Florida as a whole created nearly 198,200 new jobs statewide in 2019 helping Florida become one of the top ten economies in the world! Overall job growth in the state is nearly 2.5%, which continues to outpace the national job growth rate of 1.5%.

- Another recently reported key indicator is that a whopping 45% of in-migration across the United States is benefitting just two states: Texas and (you guessed it) Florida!
- The Century Companies of Lakeland recently announced plans for a 65-acre development in Winter Haven near Legoland for 250 new apartments, 183,000 square feet of new retail space and a new 100-room hotel.
- Mr. Brian Westbury, Chief Economist at First Trust Advisors, L.P., recently gave the keynote at the Lakeland Chamber Economic Forecast Breakfast and indicated that he foresees no immediate end to the economic boom currently underway.
- Springhill Suites is Lakeland’s first new hotel in downtown in over 20 years, and Heritage Plaza South is Lakeland’s first spec office building in over 40 years.
- Catapult in downtown Lakeland is the city’s first multi-purpose entrepreneur and coworking center.
- Summit Consulting’s new 135,000 square foot office building on Lake Mirror will be breaking ground soon; Amazon Prime Air’s new 238,000 square foot Cargo Center is underway at the airport (and they expect to create 1,000 new jobs); and Rooms-to-Go is adding another 400,000 square feet to their facility. Each of these three new facilities are in Lakeland.

What do each of these news items have to do with the apartment markets? Everything. All these things combined are making Lakeland one of the nation’s fastest-growing metros.

Nationwide market rents rose nearly 3% year-over-year with just a few exceptions, most notably in nearby Orlando where they are reporting a slow-down in rent growth of just 1.3% year-over-year. Reported occupancy levels nationwide came in at 94.9%. The outlier is the ever-increasing cost of new construction. In speaking with several developers, we are being told that the cost to construct new Class A three-story garden style apartments is somewhere near \$175,000 to \$180,000 per unit.

Eric T. Ammon, CCIM is a Senior Advisor. He can be reached at 863-602-1001 or eric.ammon@svn.com.

TEXAS AND FLORIDA ACCOUNT FOR 45% of in-migration

ACROSS THE U.S.

CONSTRUCTION COST PER UNIT \$175,000 to \$180,000

NEW CLASS A THREE-STORY GARDEN STYLE APARTMENTS

NATIONWIDE OCCUPANCY RATE

94.9%

NATIONWIDE RENTS ROSE

3%

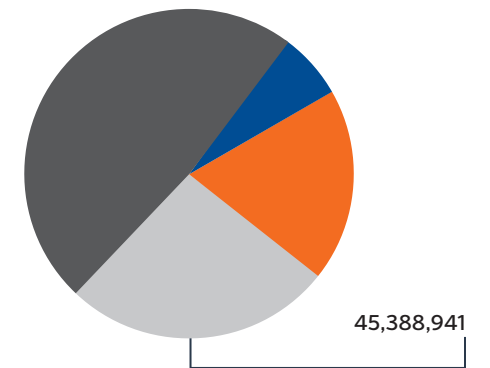
YEAR-OVER-YEAR

MULTI-FAMILY TOP 10 QUALIFIED SALES					
	CITY	AC	SF	DATE	PRICE
1	DAVENPORT	19.03	277,616	7/12/2019	\$51,275,000
2	LAKELAND	1.49	135,160	7/12/2019	\$14,166,100
3	WINTER HAVEN	0.61	8,927	9/16/2019	\$1,300,000
4	HAINES CITY	0.23	6,130	7/17/2019	\$485,000
5	LAKELAND	0.72	5,393	9/16/2019	\$480,000
6	WINTER HAVEN	0.54	3,294	7/19/2019	\$350,000
7	WINTER HAVEN	0.15	3,418	7/18/2019	\$335,000
8	HAINES CITY	2.03	2,704	8/26/2019	\$325,000
9	LAKE WALES	0.45	4,080	7/10/2019	\$320,000
10	LAKE WALES	0.54	4,514	9/25/2019	\$300,000

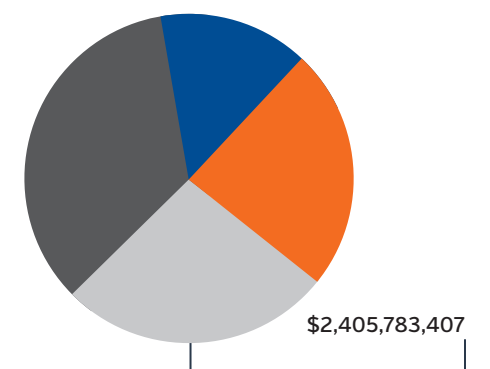
POLK COUNTY INVENTORY

Industrial Office
Retail Multi-Family

SQUARE FEET



ASSESSED VALUE



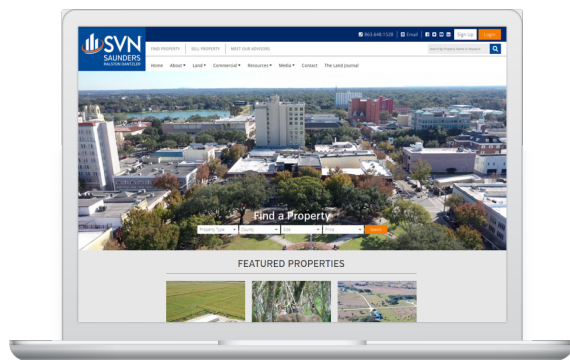
OTHER QUARTER 3 SALES

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

OTHER TOP 10 QUALIFIED SALES

	CITY	AC	SF	SALE DATE	PRICE	TYPE
1	DAVENPORT	55.02	309,829	8/27/2019	\$90,000,000	HOSPITAL
2	HAINES CITY	7.01	39,750	7/29/2019	\$12,250,000	RETIREMENT HOMES
3	WINTER HAVEN	32.98	3,872	7/17/2019	\$12,150,000	MOBILE HOME AND RV PARKS
4	LAKE WALES	10.28	175,459	8/27/2019	\$10,146,000	HOSPITAL
5	DAVENPORT	195.08	-	9/11/2019	\$7,200,000	VACANT COMMERCIAL LAND
6	DAVENPORT	9.35	-	9/25/2019	\$7,113,700	IMPROVED RESIDENTIAL LAND
7	LAKE ALFRED	1.69	32,091	7/1/2019	\$5,300,000	RETIREMENT HOMES
8	DAVENPORT	19.7	-	8/15/2019	\$5,210,000	VACANT COMMERCIAL LAND
9	DAVENPORT	62.68	-	8/15/2019	\$4,500,000	VACANT COMMERCIAL LAND
10	LAKELAND	10.53	4,002	9/26/2019	\$3,840,000	PARKING LOTS AND MOBILE HOME PARK

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