Market on track for a better supply-demand balance this year

▼ 9.6%	▲ 947,058	▼ 950,278	▼ 386,000	▲ $7.56
Vacancy Rate	SF Q2 Net Absorption	SF Under Construction	SF Q2 Deliveries	Triple Net / Lease Rate

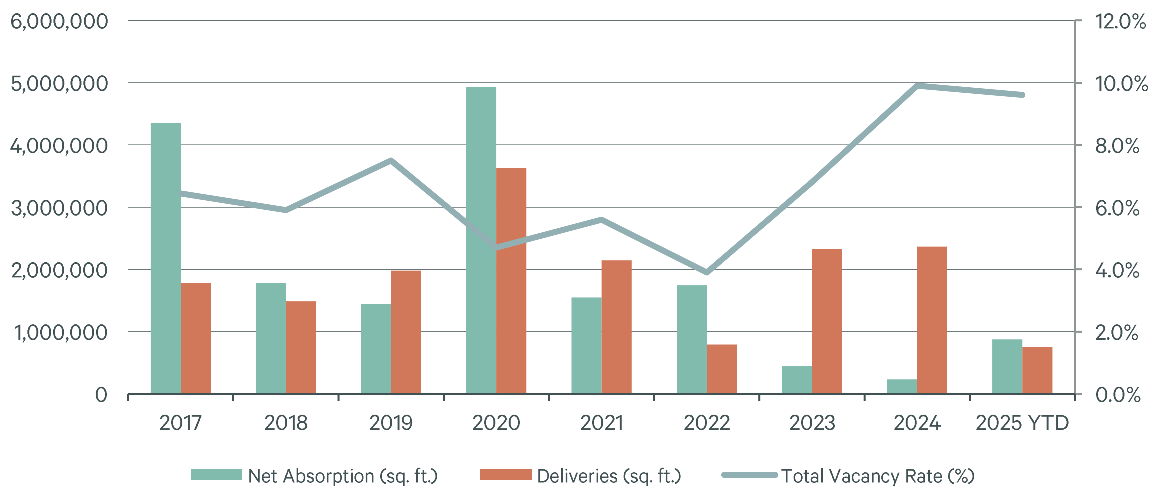
Note: Arrows indicate change from previous year.

OVERVIEW

- Total vacancy decreased 90 bps to 9.6%, back into the single digits thanks to one of the strongest quarters for net absorption since the pandemic
- The construction pipeline remained largely stable, with only one new project breaking ground and a single delivery this quarter
- Average asking rents are up 5.1% year over year with future growth likely tied to the ratio of bulk versus smaller bay product that will be available

This quarter's strong absorption not only helped reverse the recent rise in vacancy but also signaled a potential rebalancing of supply and demand. While both 2023 and 2024 saw deliveries significantly outpace absorption, the first half of 2025 shows a much tighter relationship. However, further bulk leasing activity will be essential to fully stabilize market fundamentals. Polk County's strategic position as a key distribution corridor within Florida continues to support its long-term appeal to industrial users.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Ashley Furniture's acquisition of the 705,000 square foot facility in Lakeland Central Park marked a pivotal moment for the Polk County industrial market. This owner-user purchase absorbed a long-standing vacancy that had lingered on the market for over two years, significantly boosting net absorption for the quarter to nearly 950,000 square feet—the highest level recorded since Q4 2020. This already puts the market on track to outpace 2023 and 2024 totals and realign the balance between new deliveries and tenant demand. Additionally, several large transactions currently progressing behind the scenes could further elevate absorption in the near term, particularly by reducing the inventory of cross-dock vacancies that have persisted or re-emerged due to recent retailer bankruptcies.

VACANCY

Vacancy dropped back into the single digits after a brief hiatus over 10% for the past year thanks to strong positive absorption met with limited new supply. Only one project delivered during the quarter—a 386,000 square foot cold storage facility in Auburndale. With few new groundbreakings, the construction pipeline remained relatively unchanged, totaling just 950,000 square feet at the end of Q2. All projects currently underway are under 300,000 square feet and are concentrated in Western Polk County, where developers are targeting demand from smaller industrial users.

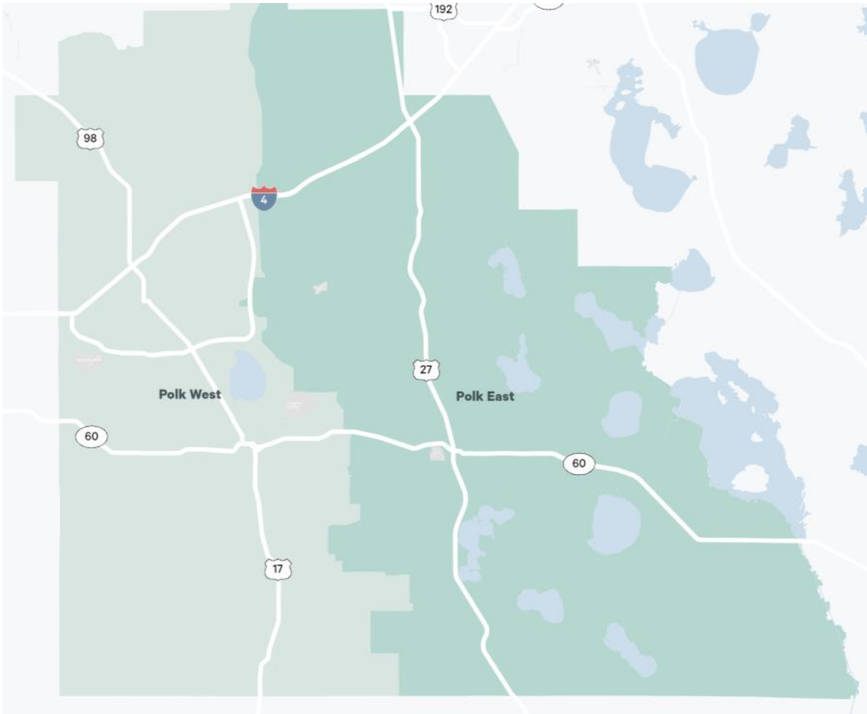
PRICING

Average asking rents rose by $0.11 per square foot this quarter, contributing to a 5.1% year over year increase. While this reflects the broader national trend of moderating rent growth, the anticipated delivery of smaller bay product in upcoming quarters could apply upward pressure on market rates.

FIGURE 2: Statistical Snapshot Q2 2025

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q2 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	10.0%	10.0%	(83,232)	(222,433)	0	$7.10
Manufacturing	2,906,685	6.4%	6.4%	0	(53,000)	0	$10.00
Warehouse/Distribution	18,371,650	10.6%	10.6%	(83,232)	(169,433)	0	$6.88
Polk West	43,770,277	9.3%	9.3%	1,030,290	1,100,490	950,278	$7.86
Manufacturing	4,676,221	0.4%	0.4%	(3,300)	4,700	0	$14.37
Warehouse/Distribution	38,551,410	10.5%	10.5%	1,033,590	1,058,190	920,278	$7.81
R&D/Flex	542,646	2.5%	2.5%	0	37,600	30,000	$15.00
Polk County Total	65,048,612	9.5%	9.6%	947,058	878,057	950,278	$7.56
Manufacturing	7,582,906	2.7%	2.7%	(3,300)	(48,300)	0	$10.48
Warehouse/Distribution	56,923,060	10.5%	10.5%	950,358	888,757	920,278	$7.46
R&D/Flex	542,646	2.5%	2.5%	0	37,600	30,000	$15.00

Market Area Overview



ECONOMIC OUTLOOK

Policy announcements and the news cycle—not economic fundamentals— are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a steadier economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

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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