Beyond bulk: smaller users help drive Polk County's next growth phase

▲ 7.9%
Vacancy Rate

▼ (84,894)
SF Net Absorption

▲ 346,610
SF Construction Delivered

▼ 2.0M
SF Under Construction

▲ $8.55
NNN/YR Direct Lease Rate

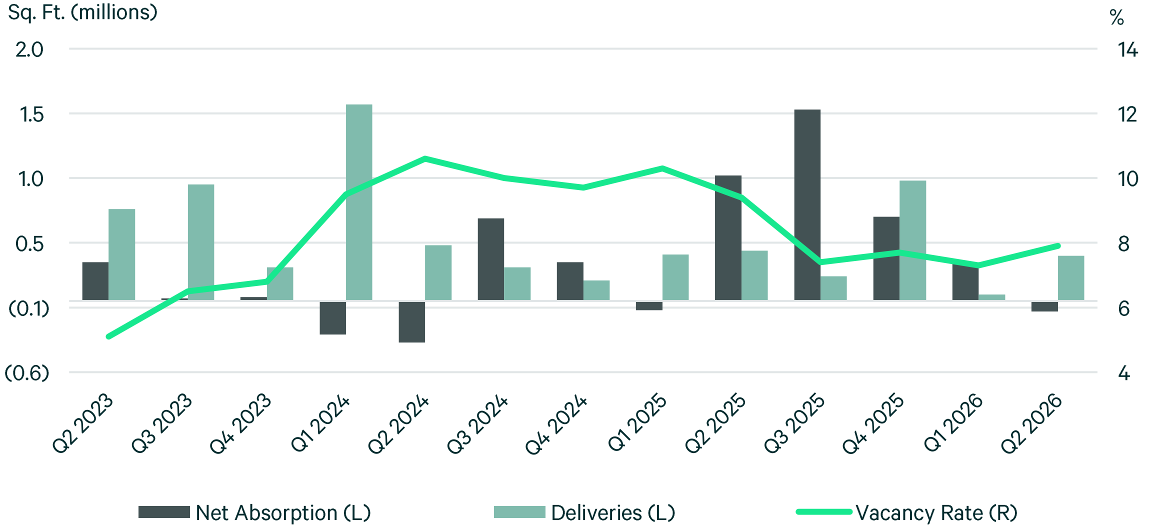
Note: Arrows indicate change from previous quarter.

Market Overview

The composition of demand in Polk County appears to be evolving. As bulk space has come off market and developers have shifted toward smaller rear-load facilities, a greater share of the market's absorption is being driven by smaller building sizes. This could signal the beginning of a rebalancing within Polk County, where the large bulk-distribution users that originally put the market on the map are increasingly being complemented by a deeper pool of local and regional occupiers seeking smaller-format space. At the same time, asking rents continue to reach new highs, reinforcing the market's growing maturity and strategic importance within Central Florida's logistics network.

Looking ahead, the key story will be how incoming supply aligns with this evolving demand profile. More than 2 million sq. ft. remains under construction, but a majority of that pipeline is already spoken for, limiting near-term speculative risk. Beyond the active pipeline, a significant amount of proposed development remains waiting in the wings, including projects that once again incorporate bulk buildings as existing large-block availability has dwindled. Whether the next phase of growth is led by another wave of major distribution users, continued demand from smaller occupiers, or a combination of both will be one of the most important trends to watch heading into 2027.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

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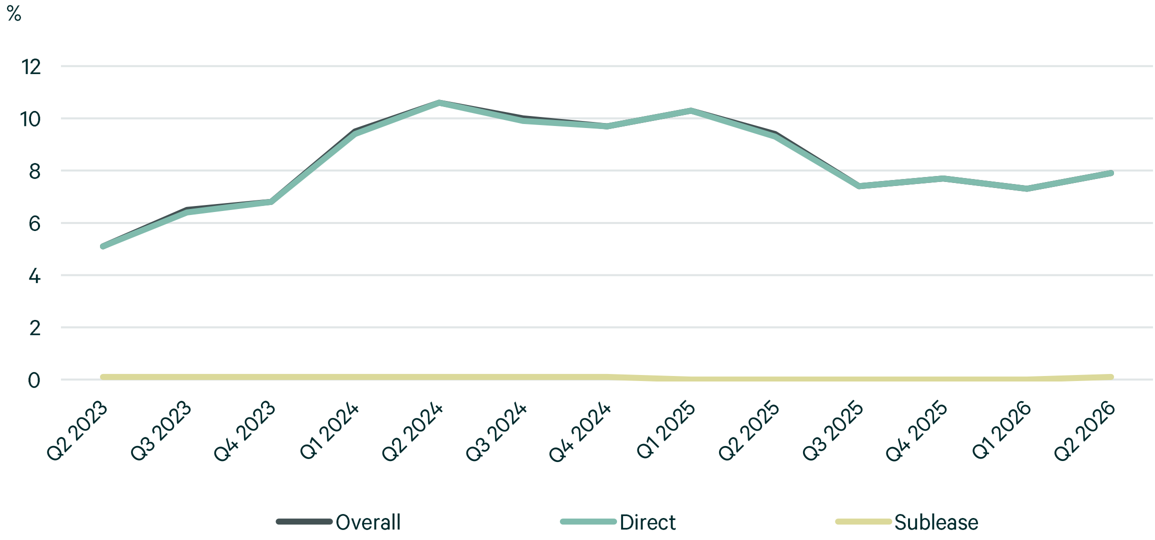
Vacancy Rate

Overall vacancy increased 60 basis points in Q2 2026 to 7.9% as the market recorded -85,000 sq. ft. of net absorption. Much of this increase was anticipated, as the affected space had been marketed for some time and does not necessarily signal a shift in broader Polk County fundamentals. In fact, vacancy remains 140 basis points below the 9.3% recorded one year ago, even with more than 225,000 sq. ft. of vacant space entering the market through new deliveries during the quarter.

Looking ahead, development activity is likely to place some upward pressure on vacancy in the near term. Approximately half of the 2 million sq. ft. currently under construction is already leased but that pipeline is scheduled to nearly fully deliver by the end of the year. This will introduce some additional upward pressure on vacancy before heading into 2027.

Sublease availability remains negligible in Polk County, continuing to play an immaterial role in overall market dynamics.

Figure 2: Vacancy Rate



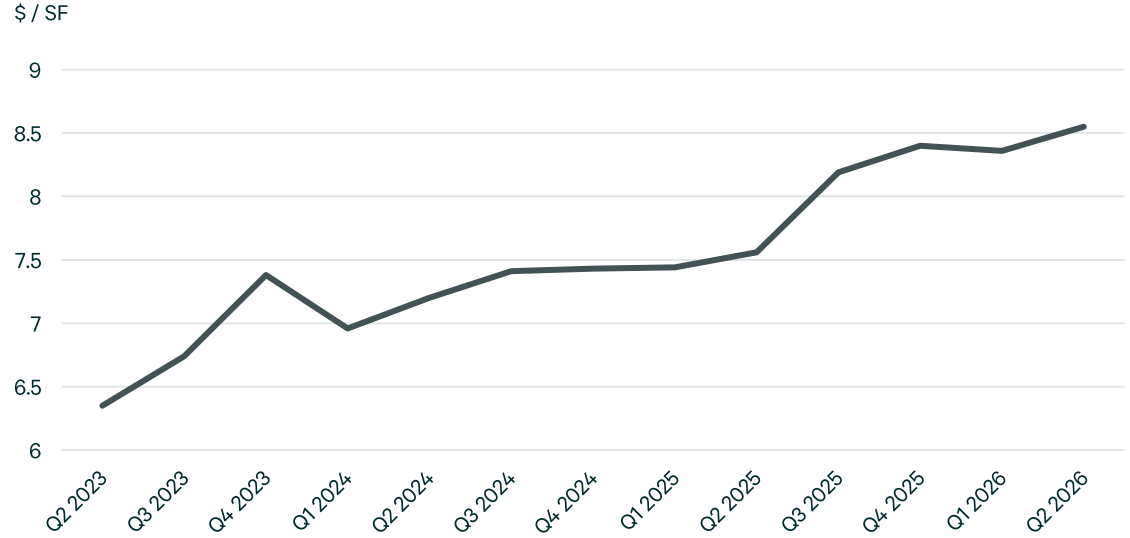
Source: CBRE Research, Q2 2026

Asking Rent

The market-wide average asking rent reached $8.55 per sq. ft. NNN in Q2 2026, rising 2.3% quarter-over-quarter and 13.1% year-over-year. Rent growth has been supported in part by the continued lease-up of newer bulk-distribution facilities, which has helped establish a higher pricing benchmark across the market.

Average asking rents across Eastern and Western Polk County also moved closer together during the quarter. Polk East recorded an average asking rent of $8.88 per sq. ft. NNN, while Polk West posted $8.48 per sq. ft. NNN, reflecting increasingly consistent pricing across the county as tenant demand and new development activity remain active on both sides of the market.

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q2 2026

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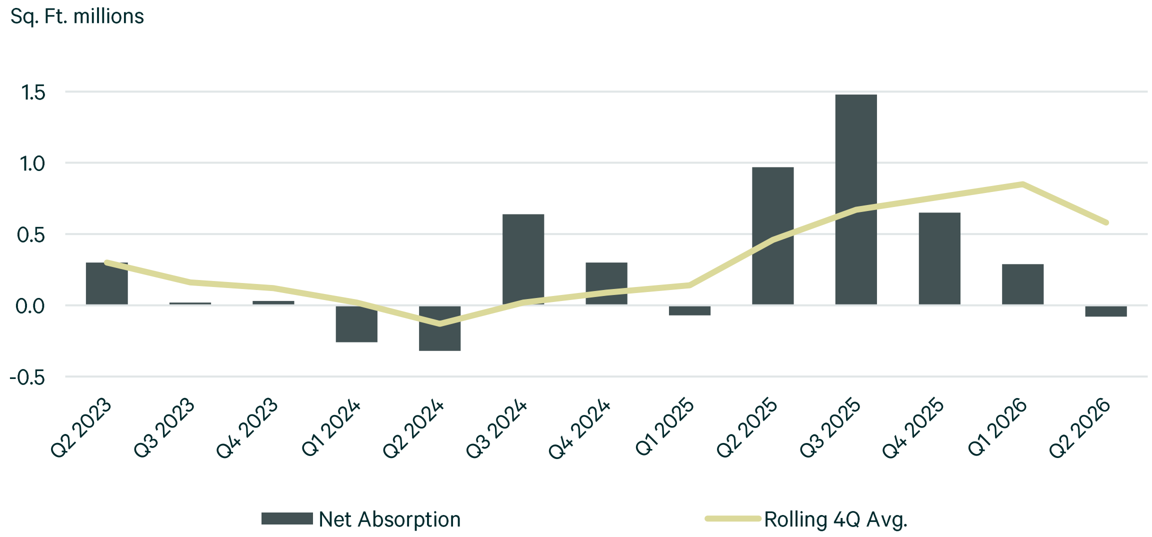
Net Absorption

Two relatively large, long-planned move-outs near County Line Road were the primary drivers of negative absorption during the second quarter, resulting in occupancy losses that were largely concentrated in Western Polk County. Notably, one of the departures reflected a tenant relocation across the street into Tampa's Plant City submarket rather than an exit from the broader regional market. As a result, the quarter's -85,000 sq. ft. of net absorption appears more reflective of isolated tenant movements than a weakening in overall demand. In fact, the market's rolling four-quarter absorption total remains healthy at 583,500 sq. ft.

The composition of demand also continues to evolve. As much of the available bulk space has been absorbed and developers increasingly deliver smaller rear-load facilities, leasing activity has become more concentrated among small- and mid-sized users. This trend was particularly evident in Q2 2026, when buildings under 250,000 sq. ft. were the only size segment to record positive occupancy gains, reinforcing the importance of smaller-format industrial product in the current phase of Polk County's growth cycle.

Figure 4: Net Absorption Trend



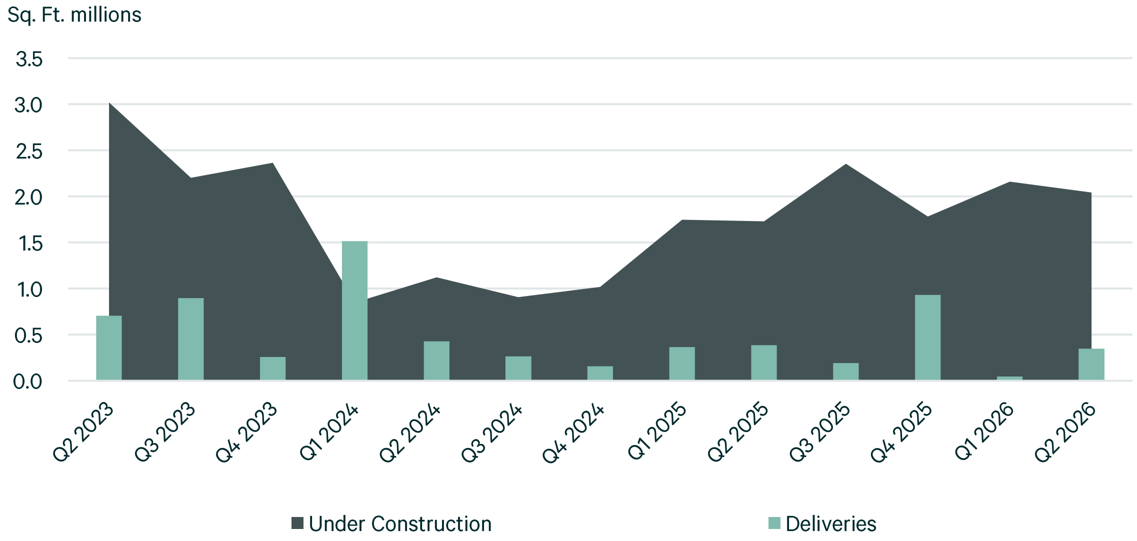
Source: CBRE Research, Q2 2026

Construction Activity

On a year-over-year basis, construction activity increased 17.9%, with more than 2 million sq. ft. currently underway across 11 projects. Unlike neighboring markets in Tampa and Orlando, however, the majority of Polk County's pipeline has already been committed through preleasing activity or build-to-suit developments, limiting the amount of speculative space entering the market.

Beyond the active pipeline, a substantial number of proposed projects remain in various stages of planning. Notably, some developers are once again evaluating bulk-distribution facilities as existing large-block availability has begun to tighten. While these projects underscore continued confidence in Polk County's long-term growth prospects, their development timelines vary considerably, suggesting that future supply additions are likely to be phased rather than delivered all at once.

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

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Market Statistics by Size

Figure 6

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	6.43M	8.5	9.5	9.2	0.3	12.95	73,000	(36,000)	79,000	82,000
50K-99,999 SF	7.20M	5.2	6.7	6.4	0.2	12.80	24,000	(53,000)	-	149,000
100K-249,999 SF	13.33M	8.7	9.4	9.4	-	9.48	92,000	184,000	267,000	941,000
250K-499,999 SF	15.49M	13.4	13.7	13.7	-	7.76	(274,000)	110,000	-	869,000
500K-749,999 SF	8.66M	7.0	6.0	6.0	-	6.75	-	-	-	-
750,000 SF +	15.03M	3.2	3.2	3.2	-	7.00	-	-	-	-
Total	**66.13M**	**7.9**	**8.3**	**8.2**	**0.1**	**8.55**	**(85,000)**	**205,000**	**347,000**	**2.04M**

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 7

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	58.24M	8.7	8.9	8.9	0.1	8.43	(125,000)	179,000	267,000	1.99M
Manufacturing - General	7.24M	0.3	1.6	1.6	-	14.29	40,000	40,000	-	47,000
R&D/Flex	659,000	24.1	24.1	24.1	-	16.27	1,000	(14,000)	79,000	-
Total	**66.13M**	**7.9**	**8.3**	**8.2**	**0.1**	**8.55**	**(85,000)**	**205,000**	**347,000**	**2.04M**

Source: CBRE Research, Q2 2026

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Market Statistics by Submarket

Figure 8

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Polk East	21.39M	3.4	3.6	3.6	-	8.88	139,000	152,000	-	1.09M
Polk West	44.74M	10.1	10.5	10.4	0.1	8.48	(224,000)	52,000	347,000	955,000
Total	**66.13M**	**7.9**	**8.3**	**8.2**	**0.1**	**8.55**	**(85,000)**	**205,000**	**347,000**	**2.04M**

Source: CBRE Research, Q2 2026

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

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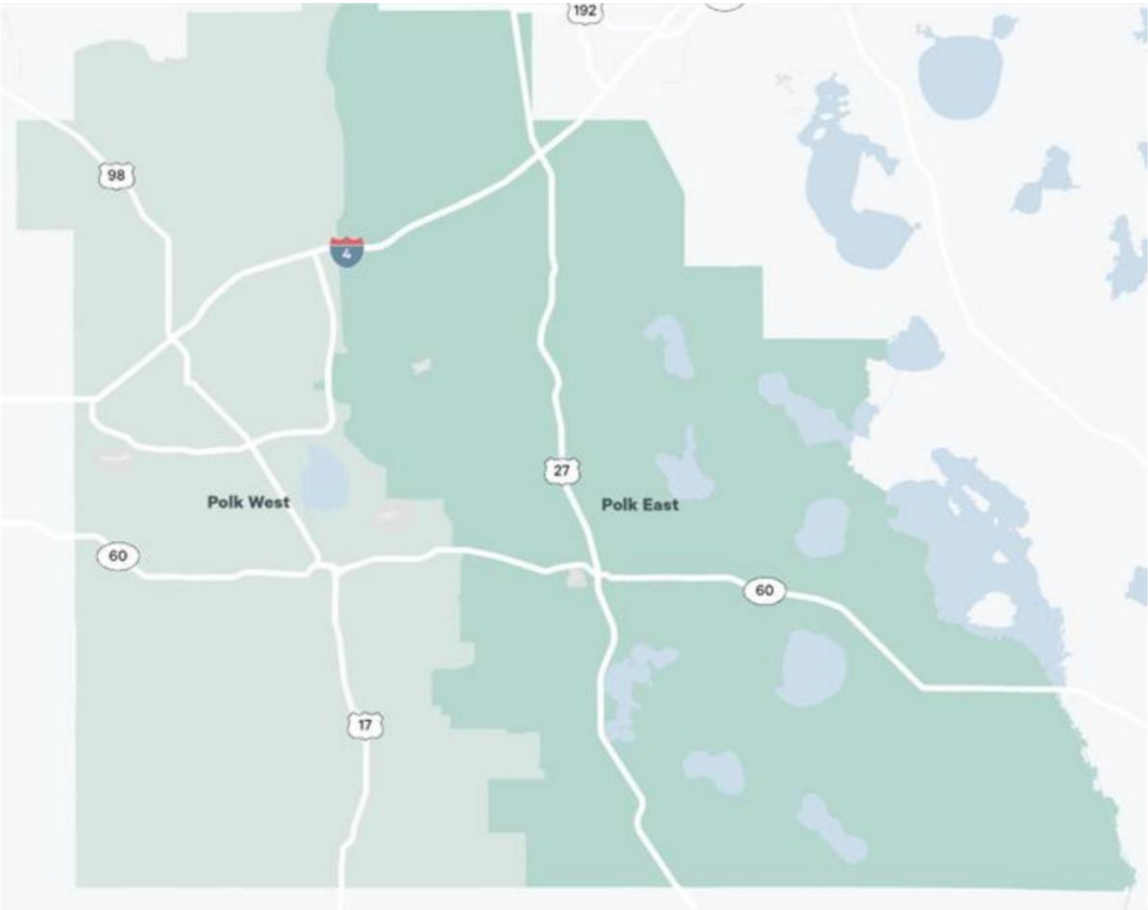
Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the ”net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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.

Contacts

Marc L. Miller
Research Director
+1 3053816428
marc.miller1@cbre.com

Kyle Koller
Research Manager
+1 8132738422
kyle.koller@cbre.com

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