

INDUSTRIAL OVERVIEW LAKELAND, FLORIDA

First Quarter 2007

The Lakeland industrial market showed no signs of slowing in the first three months of 2007. With an increase of 4,400 new jobs over the past twelve months, coupled with the in-migration of nearly 10,500 people moving from the Tampa Bay and Orlando MSA's during the past year, the Lakeland economy continues to expand by leaps and bounds. This growth trend, along with the market's ideal logistical location, continues to result in substantial demand throughout the industrial real estate market. As a result, new company relocations, as well as the expansion of existing companies, have caused the market-wide vacancy rate to drop significantly since year-end 2006 and have kept overall absorption significantly positive.

Following the fourth quarter of 2006, where unoccupied construction completions caused vacancy levels to spike to 5.9%, the overall vacancy rate fell considerably in the first quarter, declining by 1.7 percentage points to a current 4.2%. The warehouse/distribution sector experienced the biggest decline in vacancy, down 2.7 percentage points over the previous quarter to 4.7%, while manufacturing space was second, falling 1.0 percentage point to 1.3%. Booming leasing demand was the primary factor for the positive performance in the first quarter, effectively demonstrated by 545,964 square feet (sf) of positive overall absorption during the period.

Leasing activity increased over the final quarter of 2006 by 88.6% to a healthy 460,175 sf. This is the highest quarterly leasing total recorded within the Lakeland market since Cushman & Wakefield began tracking the market in 2001. The demand for space, particularly in the bulk warehouse/distribution sector, continues to strengthen, increasing over 90.0% from last quarter and over 90.7% from the same time last year. In addition to a substantial increase in total leasing activity, there was also a monumental increase in tenant size, with the average transaction totaling 36,347 sf, compared to the 11,011 sf in the final quarter of 2006. The most significant leases of the quarter included Empire Flooring's 160,000-sf lease in First Park @ Bridgewater, Ashley Aluminum's 104,000-sf lease at 4760 Gateland Drive and Graham Packaging's 80,000-sf lease at 1070 County Line Road.

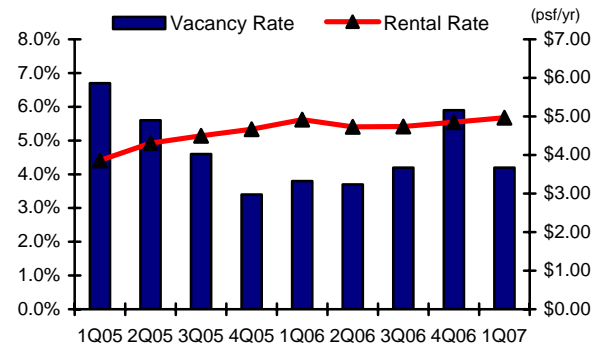
With nearly 1.4 msf, the total of new space currently under construction is well above the levels recorded in the fourth quarter of 2006.

With a sustained decline in the supply of available space, asking net rental rates continued to trend upward, with the market-wide average increasing \$0.14 per square foot (psf) over last quarter to a current average of \$4.97 psf. However, the market's most abundant property type, warehouse/distribution space, which makes up approximately two-thirds of Lakeland's total industrial inventory, increased only slightly to \$4.74 psf. Although asking rental rate increases have returned to reasonable levels since last quarter, the anticipated delivery of higher priced, institutional quality space in the near future will push up asking rents at an accelerated pace.

Entering the second quarter of 2007, Cushman & Wakefield expects the Lakeland industrial market will continue to experience high levels of leasing activity, along with persistent increases in asking rental rates. Both speculative and build-to-suit construction activity will continue to increase, as developers

taking advantage of the current tight market conditions, attempt to fulfill the supply/demand imbalance currently affecting the market. ■

Overall Vacancy vs. Rental Rates



CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant 1Q07 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
First Park @ Bridgewater Phase II	Northeast Lakeland	Empire Flooring	160,000	Warehouse/Distribution
4760 Gateland Drive	Southwest Lakeland	Ashley Aluminum	104,000	Warehouse/Distribution
1070 County Line Road	Northwest Lakeland	Graham Packaging	80,000	Warehouse/Distribution
2520 Knights Station Road	Northwest Lakeland	JP Lamborn	64,600	Warehouse/Distribution
3910 Airpark Drive	Southwest Lakeland	Primo Water	7,500	Warehouse/Distribution

Significant 1Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
2125 Interstate Drive	Northwest Lakeland	Weingarten Realty Investors	168,400	\$10,400,000

Significant 1Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
4675 Drane Field Road	Southwest Lakeland	Eastern Metal Supply	160,000	March 2007
First Park @ Bridgewater Caterpillar Building	Northeast Lakeland	Caterpillar	80,000	February 2007
2320 Commerce Pointe Drive	Southeast Lakeland	N/A	25,000	March 2007
NPR Buildings I & II	Southwest Lakeland	N/A	24,072	March 2007

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
First Park @ Bridgewater Phase III	Northeast Lakeland	N/A	400,000	August 2007
Interstate Commerce Park	Northwest Lakeland	N/A	152,880	April 2007
Central Florida Dist. Center	Northwest Lakeland	N/A	152,600	July 2007
RingPower Building	Northeast Lakeland	RingPower Corporation	150,000	April 2008
2850 Interstate Drive	Northwest Lakeland	N/A	139,500	July 2007
Saddle Creek Corp. Building	Northeast Lakeland	Saddle Creek Corporation	98,500	May 2007
Parkway Corporate Center II	Southwest Lakeland	N/A	96,200	June 2007
Carpenter Company	Southwest Lakeland	N/A	73,762	October 2007

CUSHMAN & WAKEFIELD MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	YTD		YTD		HT	Direct Weighted Average Net Rental Rate*		
				Leasing Activity	Under Construction	Construction Completions	Overall Absorption		MF	W/D	OS
Southwest Lakeland	9,334,061	91	3.9%	134,900	249,080	172,036	293,500	N/A	\$2.50	\$4.82	\$8.00
Southeast Lakeland	2,189,238	62	8.6%	11,875	0	25,000	(36,875)	N/A	\$0.00	\$5.45	\$5.81
Northwest Lakeland	9,492,997	78	4.7%	144,600	444,980	0	40,539	N/A	\$0.00	\$4.52	\$6.50
Northeast Lakeland	3,349,259	37	0.5%	168,800	698,600	80,000	248,800	N/A	\$0.00	\$0.00	\$5.50
TOTAL	24,365,555	268	4.2%	460,175	1,392,660	277,036	545,964	N/A	\$2.50	\$4.74	\$6.12

* Rental rates reflect \$psf/year

HT = High Tech MF = Manufacturing W/D = Warehouse/Distribution OS = Office Service