

MARKETBEAT

LAKELAND INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



1Q08

ECONOMY

As a consequence of declining growth in the Lakeland area's economy during the first quarter of 2008, the local unemployment rate increased to 4.8%, up a full percentage point from this time last year. Approximately 2,300 positions were lost in the Lakeland-Winter Haven MSA's job market since February 2007, 1,000 of these job losses occurred during the first two months of 2008. Relevant to the Lakeland industrial market, the construction sector lost 1,800 jobs, while manufacturing industry jobs decreased by 1,000 jobs positions over the past year.

OVERVIEW

Lakeland's industrial market closed the initial quarter of 2008 with a decrease in vacancy of four tenths of a percentage point from year-end 2007, to a current 4.3%. While some tenants who have been hit particularly hard by the downturn in the residential market have vacated space and market-wide there is an overall decrease in tenant demand, move-in's out-weighted the move-outs during the first quarter. This is readily demonstrated in the market's miniscule, though positive, 43,850 square feet (sf) of absorption recorded over the first three months of the year.

While vacancy decreased during the first quarter, so has market-wide leasing activity. Total leasing activity has trended downward, as the first quarter's 171,278 sf of activity is down 62.1% from the first quarter 2007 figure and an incredible 71.6% from the fourth quarter of 2007. The lack of large leases (50,000-sf and over) has significantly affected total leasing activity figures for the first quarter. While the majority of leases occurred in the 5,000-sf to 10,000-sf range, a few significant leases were signed over the past three months. By far the largest lease of the quarter was Packaging Corporation of America's (PCA) 96,200-sf short-term lease at Parkway Corporate Center II. PCA quickly leased this entire building due to a fire in their previous location in Winter Haven.

Market-wide, the direct net asking rental rate increased for the third quarter in a row, and is currently at the highest point ever recorded within the market. The average direct asking rental rate ended the quarter at \$5.64 per square foot (psf), a \$0.22 psf increase over the average posted three months ago. Increases in warehouse-distribution asking rental rates was the primary cause of this upward trend in the market's average rent, Warehouse distribution rents also increased \$0.22 psf from year-end 2007 to a current average of \$5.56 psf. Several factors have contributed to the increase in asking rents which include: a deficit of vacant space, a relative lack of new development within the pipeline and consistent increases in insurance costs and property taxes.

FORECAST

Although many economists and industry professionals anticipate the Lakeland market will suffer further from the slowing effects being experienced in the residential housing sector, Lakeland's industrial market fundamentals remain hearty as evidenced in historically high asking rental rates, low vacancy rates, and sustained positive absorption. And while a state-wide slowdown in activity has occurred, with a further slowdown expected as 2008 progresses, Lakeland's industrial space continues to remain much less expensive than most other major metro areas in the state, which will continue to bode well for the market.

BEAT ON THE STREET

"The Lakeland industrial market continues to attract interest from large retail distributors. Currently there are four users in the market looking for in excess of 100,000 square feet. And several development groups are currently planning large scale industrial developments for delivery in the next 12-24 months. C&W believes, however, that demand will continue to outpace supply in the Lakeland industrial market."

Tim Callahan, Director, Industrial Brokerage

ECONOMIC INDICATORS

National	2006	2007	2008F
GDP Growth	2.9%	2.2%	1.5%
CPI Growth	3.2%	2.8%	3.0%
Regional			
Unemployment	3.5%	4.0%	4.7%
Employment Growth	3.3%	1.6%	0.8%

MARKET FORECAST

LEASING ACTIVITY: Due to softened tenant demand resulting from the downswing in the economy, leasing activity is expected to remain below the historic average throughout 2008.



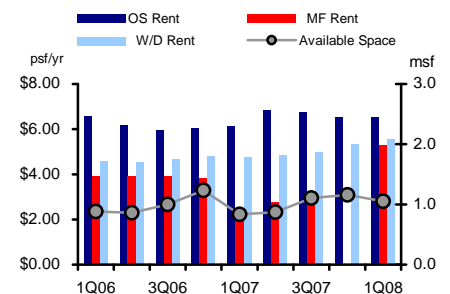
OVERALL ABSORPTION is expected to remain stable through most of 2008, potentially increasing by year-end.



CONSTRUCTION: The construction pipeline that was so prevalent over the past three years has virtually shut down. Construction activity is anticipated to remain slow for the rest of 2008.



DIRECT RENTAL VS. VACANCY RATES



MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								HT**	MF	OS	W/D
Southwest Lakeland	9,430,261	92	0.9%	135,000	20,000	0	115,800	N/A	N/A	N/A	\$6.84
Southeast Lakeland	2,189,238	62	8.1%	0	0	0	(22,950)	N/A	N/A	\$6.55	\$5.75
Northwest Lakeland	9,937,097	81	4.2%	22,278	129,900	0	(58,600)	N/A	\$5.28	N/A	\$5.81
Northeast Lakeland	3,897,859	40	11.0%	14,000	150,000	0	9,600	N/A	N/A	N/A	\$5.10
LAKELAND TOTAL	25,454,455	275	4.3%	171,278	299,900	0	43,850	N/A	\$5.28	\$6.55	\$5.56

*Rental rates reflect \$psf/year

**HT inventory is not tracked in this market

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

MARKET HIGHLIGHTS

SIGNIFICANT 1Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Parkway Corporate Center II	Southwest Lakeland	Packaging Corporation of America (PCA)	96,200	Warehouse/Distribution
Ruthven Business Park II	Southwest Lakeland	Gateway Tire	41,600	Warehouse/Distribution
5044 Great Oak Drive	Southwest Lakeland	United Brokerage Company	34,000	Warehouse/Distribution
2130 Interstate Drive	Northwest Lakeland	Critical Response Networks of Baltimore, Maryland	22,278	Warehouse/Distribution
1755 W. Olive Street	Southwest Lakeland	Broadnax Inc.	17,000	Warehouse/Distribution
West Lakeland Industrial Park	Southwest Lakeland	Undisclosed	12,000	Warehouse/Distribution

SIGNIFICANT 1Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1607 West Olive Street	Southwest Lakeland	Sylvite Terminal & Distribution, LLC	58,931	\$500,000

SIGNIFICANT 1Q08 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A	N/A	N/A	N/A	N/A

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
RingPower Building	Northeast Lakeland	Ringpower Equipment Company	100,000	5/08
Interstate Commerce Park Phase I - Building 2	Northwest Lakeland	G-Tech	90,000	6/08
2000 Interstate Drive	Northwest Lakeland	N/A	39,900	7/08
2222 Interstate Drive	Northwest Lakeland	Pepperidge Farm	20,000	8/08



For further information, please contact our Research Department: Cushman & Wakefield, Inc. One Tampa City Center, Suite 3600 Tampa, FL 33602 (813) 223-6300 www.cushmanwakefield.com

*Market terms & definitions based on BOMA and NAIOP standards.

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2008 Cushman & Wakefield, Inc. All rights reserved.