

LAKELAND INDUSTRIAL



At the close of the second quarter, market fundamentals indicate that Lakeland's industrial market remains on a steadily improving pace. Although both the local and national economy has slowed in recent months, Lakeland's business base continues to expand and, as a result, market conditions continue to tighten. Even with the addition of the 578,516 square feet (sf) of new space delivered since the beginning of 2007, overall vacancy continued its descent to a current 3.8%. With the second quarter recording 346,411 sf of overall absorption, a substantial decrease from the impressive total of 582,964 sf documented in the first quarter, it is readily apparent that throughout the market, tenant demand remained strong in the first half of 2007.

Lakeland consistently demonstrates one of the lowest overall vacancy rates of all of Florida's major industrial markets. At mid-year, vacancy registered a decrease of four tenths of a percentage point from the first quarter, ending the second quarter at an extremely healthy 3.8%. Office service space, while in limited supply in Lakeland, displayed the greatest improvement in overall vacancy, dropping 9.3 percentage points over the quarter to a current 25.1%. While vacancy in office service and manufacturing space both recorded decreases in vacancy during the quarter, warehouse/distribution space experienced an increase, closing the quarter at 4.8%. Despite this brief up-tick in warehouse/distribution vacancy, this increase is only expected to be temporary due to the marked demand for this type of space continuing throughout the market.

Although tenant demand remains strong, leasing activity in the second quarter slowed from the initial quarter of 2007 by 59.9%, with a lackluster quarterly total of just

184,189 sf. This decrease in total leasing activity is primarily due to the market-wide lack of large contiguous blocks of vacant space, particularly in the bulk distribution arena. While leasing totals decreased substantially over the past three months, a few notable leases were completed during the period. Significant leases which occurred during the quarter include: EDI Express' 32,500-sf lease in the Ruthven Airpark, Commercial Design Services' 22,130-sf lease in the former C&L Building at 4343 North Frontage Road, and Orvis Logistics' 17,500-sf lease which also occurred in Ruthven Airpark.

While the Lakeland market historically has been lauded for having economically-priced industrial space, consistent demand, coupled with the limited space available in the market, continues to push asking rental rates upward. Market-wide, the net weighted asking rental rate averaged \$5.09 per square foot (psf) at mid-year, an increase of \$0.12 psf since last quarter and \$0.36 psf from this time last year. Warehouse/distribution space, which accounts for the majority of the industrial space in the Lakeland market, experienced the greatest increase in rents over the past year, increasing \$0.34 psf since mid-year 2006, to a current average of \$4.87 psf.

Moving into the third quarter, Lakeland's industrial market will experience improvements in leasing and net absorption. It appears the market has found somewhat of a plateau from which steady positive gains can be achieved. Construction deliveries are in check, and there is no real threat of overbuilding. Market activity may not have the force of recent years, however anticipation remains for steady positive growth.

Market Highlights

LEASING: Leasing activity decreased in the second quarter, primarily due to the lack of available vacant space.

ABSORPTION: Overall absorption was positive for the second consecutive quarter, recording 346,411 sf over the past three months, bringing the year-to-date total to 929,375 sf.

CONSTRUCTION: Nearly 1.1 msf is currently under construction in the Lakeland market. All of this new construction is slated for warehouse/distribution use, with 86.3% of this space expected to deliver within the next six months.

Significant New Lease Transactions – 2Q07

3919 Airpark Drive EDI Express	32,500 sf
4343 North Frontage Road Commercial Design Services	22,130 sf
3919 Airpark Drive Orvis Logistics	17,500 sf

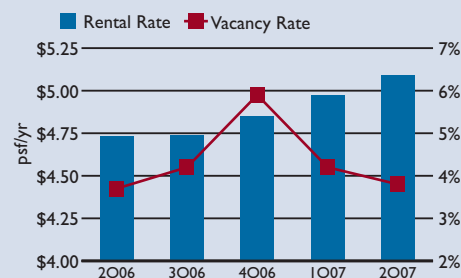
Market Indicators

Quarterly Comparison – 2Q06 vs. 2Q07

Overall Vacancy		
2Q07	3.8 %	
2Q06	3.7 %	

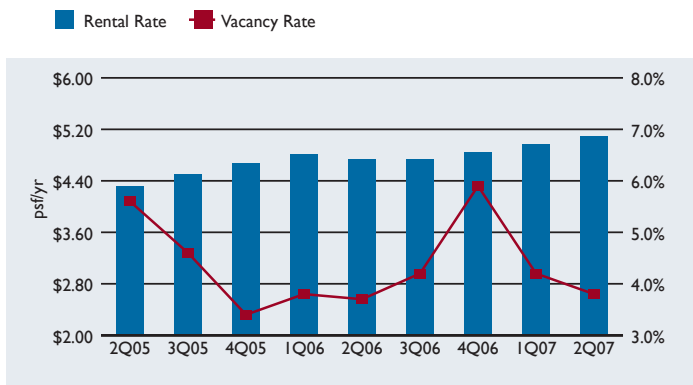
Direct Average Rental Rate		
2Q07	\$5.09 psf	
2Q06	\$4.73 psf	

Overall Rent vs. Vacancy – 2Q06 to 2Q07



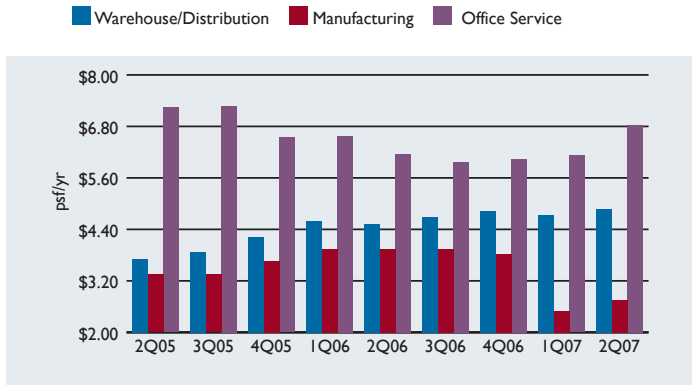
OVERALL MARKET

Overall Rental vs. Vacancy Rates



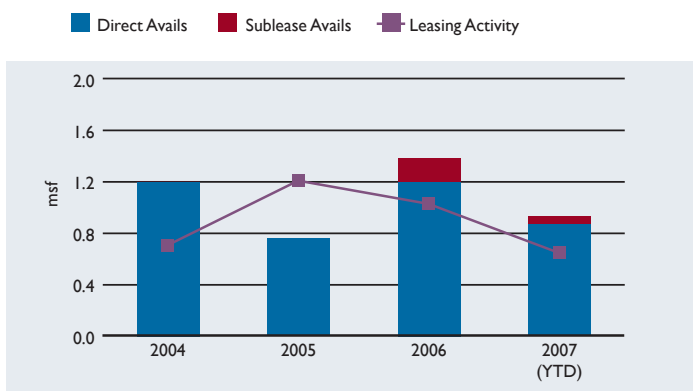
- The overall vacancy rate ended the second quarter at 3.8%, down four-tenths of a percentage point from last quarter. Healthy demand for space, coupled with a lack of quality vacancies, has contributed to this decline.
- Lakeland's average direct net asking rental rate increased to the highest point ever recorded in the market, currently at \$5.09 psf, an increase of \$0.36 psf from the mid-year 2006 average.

Rental Rate Comparisons



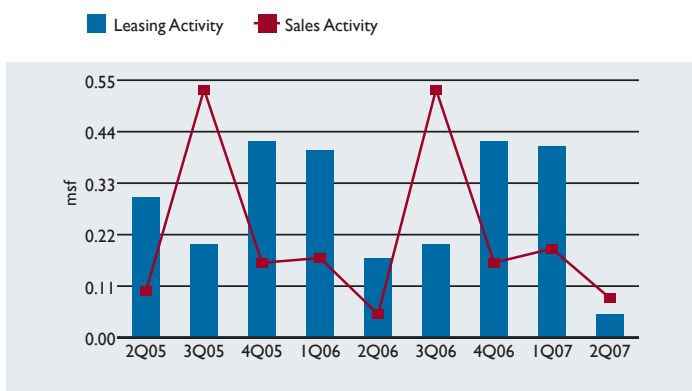
- Compared to this time last year, all property types, with the exception of manufacturing, have experienced increases in rents. Warehouse/distribution rents recorded an increase of \$0.34 psf from mid-year 2006.
- Lakeland's market-wide average rental rate is the lowest of Florida's major markets. Lakeland remains one of the biggest bargains in the State, with rental rates averaging 30.9% below Tampa and 35.7% below Orlando.

Available Space vs. Leasing Activity



- During the second quarter, leasing remained strong at just under 184,189 sf, though not at quite the same level as the activity of the first quarter, which totaled 460,175 sf. The primary cause for this slowdown in leasing is the market's relative absence of vacant space.
- As a result of the dwindling supply of vacant space, tenants seeking larger space have been forced to either consider a build-to-suit or search elsewhere to fulfill their space needs.

Leasing vs. Sales Activity



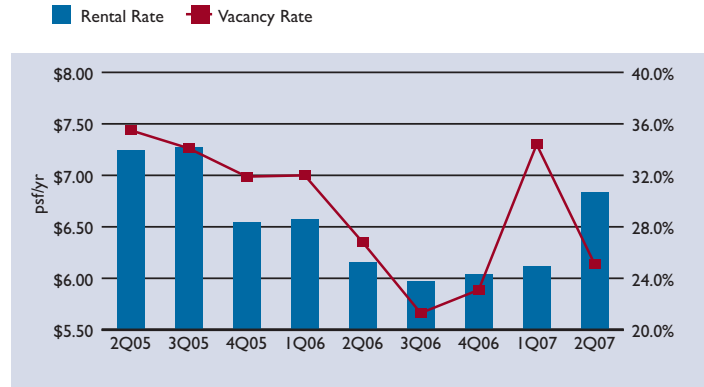
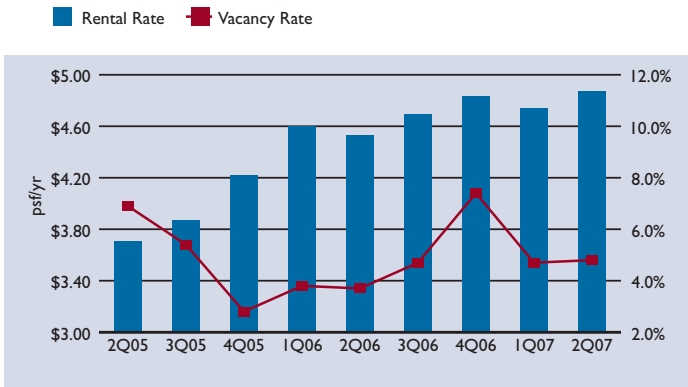
- Both leasing and sales activity decreased in the second quarter, though not from a lack of demand. The supply of quality properties both for lease and for sale has continued to decrease as the year progressed.
- There was an absence of sales activity in the second quarter, leaving the year-to-date total at just 168,400 sf. Again, this anemic sales total is due to the lack of viable investment product on the market.

WAREHOUSE/ DISTRIBUTION

OFFICE SERVICE

Overall Rental vs. Vacancy Rates

Overall Rental vs. Vacancy Rates

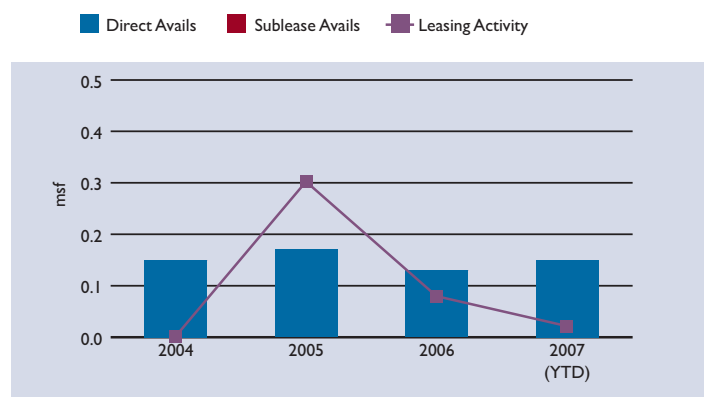
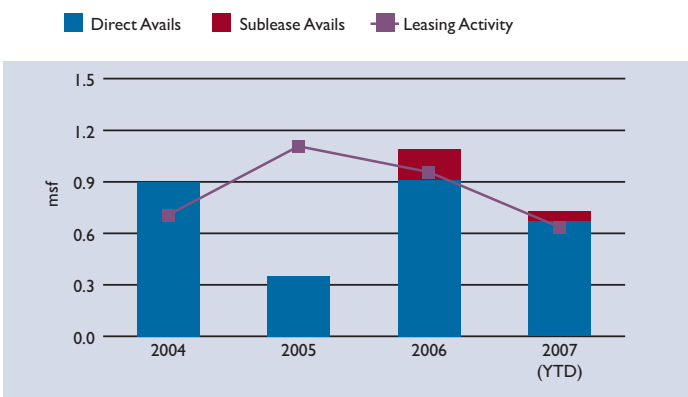


- Warehouse/distribution product has experienced a \$0.15 psf average quarterly increase in asking rental rates over the past two years. At the close of the second quarter the average asking rental rate registered \$4.87 psf.
- At the close of the second quarter, nearly 1.1 msf of new product was underway, with an overwhelming majority (86.3%) of this space being developed on a speculative basis.

- In comparison to the first quarter, office service vacancy decreased by 9.3 percentage points in second quarter of 2007 to 25.1%. Looking back to this same time last year, vacancy rates have declined by 1.7 percentage points.
- For the fourth quarter in a row, average asking rental rates increased in office service space. The current average of \$6.84 psf is the lowest average asking rate recorded since the third quarter of 2005.

Available Space vs. Leasing Activity

Available Space vs. Leasing Activity



- Leasing activity in warehouse/distribution space registered 167,489 sf in the second quarter of 2007. This represented a 63.6% decrease in total activity from the first quarter.
- The minimal leasing activity in the first half of the year is directly related to the decreased supply of vacant space. Currently, just 730,003 sf of warehouse/distribution space remains vacant.

- With an inventory of just 579,663 sf of office service space, the current 25.1% vacancy in this space type is misleading. Market-wide, there is only 145,572 sf of vacant space presently available.
- While demand for warehouse/distribution space has been the primary driver in Lakeland's industrial market, demand in the office service sector has demonstrated a significant increase in the first half of 2007.

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	9,334,061	91	3.8%	136,900	249,080	172,036	309,122	N/A	\$2.75	\$8.00	\$4.91
Southeast Lakeland	2,189,238	62	5.9%	34,075	0	25,000	22,325	N/A	N/A	\$6.48	\$5.44
Northwest Lakeland	9,645,877	79	4.5%	304,589	292,100	152,880	200,528	N/A	N/A	\$8.20	\$4.76
Northeast Lakeland	3,497,859	39	0.5%	168,800	550,000	228,600	397,400	N/A	N/A	\$5.50	N/A
TOTAL	24,667,035	271	3.8%	644,364	1,091,180	578,516	929,375	N/A	\$2.75	\$6.84	\$4.87

* Rental rates reflect \$psf/year ** HT inventory does not exist in this market

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

GLOSSARY

High Technology: Buildings which contain a significant amount of either lab space, clean rooms, telecom/switching equipment or R&D space. These buildings can be either grade-level or dock-high and typically have a ceiling height below 18 feet.

Manufacturing: A building which is primarily used for the manufacturing or production of goods, but may have a small distribution component.

Office Service: Buildings with interior ceiling heights of 12 to 16 feet, either by the building's design or by installed drop ceilings. Buildings

have a high concentration (30%+) of office or finished showroom space. These buildings are typically grade level but some may contain dock high doors.

Warehouse/Distribution: Buildings designed for warehousing or distribution of goods and have an office finish less than 30%. These facilities are typically dock-high, with some containing grade-level doors. Ceiling heights are usually above 16 feet.

Asking Rental Rates: Triple net asking rates per square foot for direct space weighted by the amount of square footage available.

Overall Vacancy Rate: Space vacant and available both directly and through sublease divided by the inventory. Space in properties under construction or under renovation is not included.

Overall Absorption: The change in occupied built space for a given period of time, including sublease space.

Construction Completions: Buildings that received their Certificate of Occupancy. Tenancy may not yet have taken place.

Under Construction: Projects which are beyond site preparation. A Certificate of Occupancy has not been issued. Under construction projects do not include projects under renovation.

Leasing Activity: The sum of all completed transactions in a given period of time, including sublet space and pre-leasing but excluding renewals.

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