MARKETBEAT

LAKELAND INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions℠

MID-YEAR 2009

ECONOMY

Lakeland's economy, along with the rest of the country, is continuing to deteriorate due to persistent broad-based job losses. While following suit with most of Florida's metropolitan areas, the Lakeland-Winter Haven MSA has suffered from the detrimental affects of the sustained downturn in the national economy in the first half of 2009. The MSA experienced a significant decrease in employment growth since December 2008, with the area losing 5,000 jobs since year-end 2008. As a result, the MSA's the latest unemployment rate increased to the current high of 10.8% by the end of May 2009. While the continuing slowdown in the economy has adversely affected all the major industrial markets throughout Florida over the past six months, Lakeland's industrial market continued to demonstrate the strength of the market's location and affordable real estate costs by recording positive absorption and the lowest overall vacancy of all of Florida's industrial markets during the first half of the year.

OVERVIEW

Demand for space in the Lakeland industrial market has remained below typical levels experienced over the past several years and this has continued during the first half of 2009. During the first six months of the years, Lakeland's industrial market fundamentals continued to deteriorate, albeit at a much slower pace than in 2008. Leasing activity, construction activity, sales transactions and absorption levels have all decreased significantly and vacancy has increased substantially since this time last year. Weak tenant demand resulted in only 50,512 square feet (sf) of new and expansion leasing activity during the second quarter of the year, bringing the year-to-date 2009 leasing total to just less than 166,000 sf, a 57.8% decrease from the leasing volume during the same period in 2008. Despite 2009's minimal leasing activity, overall absorption for the first half of 2009 totaled positive 499,362 sf. This is by far the strongest absorption totals of all the State of Florida's industrial markets. Unfortunately, despite the market's year-to-date positive absorption, which was primarily due to the delivery of a new 487,000-sf build-to-suit project delivered in the first quarter of the year for the Saddle Creek Corporation, softened demand in the market, coupled with several significant move-outs since this time last year, caused the market-wide overall vacancy rate to increase 1.0 percentage point since mid-year 2008, to a current 5.3% at the close of the second quarter of 2009.

Limited tenant demand and a higher than historically "normal" vacancy rate has forced many landlords to adjust their asking rental rates to compete for tenants during these times of weakened market fundamentals. Market-wide, the direct net asking rental rate averaged $5.29 per square foot (psf) at quarter-end, a minimal decrease of $0.12 psf since last quarter, though a more significant $0.24 psf decrease from the average asking rent recorded at this time last year. Warehouse/distribution space, which accounts for 64.2% of the Lakeland industrial market's inventory, experienced the most significant decrease in average asking rents over the past year, falling $0.34 psf to $5.11 psf. Additionally, as concessions such as free rent become more prevalent throughout the market to attract tenants, effective rents on completed deals continue to trend downward.

FORECAST

Heading into the third quarter of 2009, key observations and projections can be made. Lakeland's real estate market has continued to experience the negative effects from the current national economic problems, though not as severe as the rest of the state. As the real estate industry continues to weather the slowdown in activity and tenant demand, the Lakeland industrial market is poised to offer local and national companies quality industrial space at extremely competitive rental prices once a recovery begins.

BEAT ON THE STREET

"Overall economic conditions continue to erode at the economy which is causing most user groups to delay their expansion plans into the Lakeland market. While some users are beginning to look at space in the market, most are waiting for the economy to improve, which hopefully will occur over the next six to twelve months, before making any major real estate decision.

–Rian Smith, Director

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-3.0%	1.2%
CPI Growth	3.8%	-0.6%	1.7%
Regional			
Unemployment	9.0%	11.5%	12.8%
Employment Growth	-2.0%	-4.7%	-2.5%

Source: Moody's | Economy.com

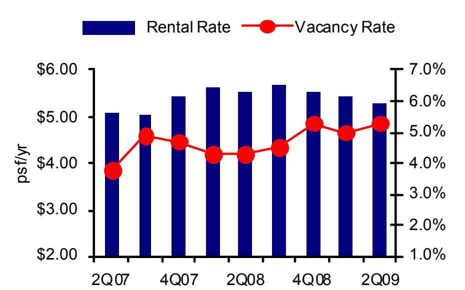
MARKET FORECAST

LEASING ACTIVITY will continue to remain slow until the job market improves and the financial markets are corrected.

RENTAL RATES should continue to decline due to the tepid tenant demand and increased vacancy in the market, giving tenants more negotiating power.

CONSTRUCTION activity will continue to diminish due to above average vacancy rates and the lack of tenants willing to pay the higher rents new buildings require.

OVERALL RENT VS. VACANCY



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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	9,446,181	93	0.6%	62,850	0	0	62,850	N/A	N/A	$8.00	$6.16
Southeast Lakeland	2,244,818	63	10.3%	19,250	52,800	0	(5,000)	N/A	N/A	$8.00	$5.38
Northwest Lakeland	10,183,757	85	6.5%	83,862	0	0	(45,488)	N/A	$5.81	N/A	$4.90
Northeast Lakeland	4,484,859	42	10.0%	0	0	487,000	487,000	N/A	N/A	N/A	$5.13
TOTAL	**26,359,615**	**283**	**5.3%**	**165,962**	**52,800**	**487,000**	**499,362**	**N/A**	**$5.81**	**$8.00**	**$5.11**

BY PROPERTY TYPE								2Q09	2008	2007	2006
High Technology	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Manufacturing	8,808,341	82	1.2%	80,000	0	0	106,000	$5.81	$5.44	N/A	$3.82
Office Service	623,023	20	16.4%	3,000	0	0	500	$8.00	$8.00	$6.55	$6.04
Warehouse/Distribution	16,928,251	181	7.1%	82,962	52,800	487,000	392,862	$5.11	$5.37	$5.34	$4.83
TOTAL	**26,359,615**	**283**	**5.3%**	**165,962**	**52,800**	**487,000**	**499,362**	**$5.29**	**$5.52**	**$5.42**	**$4.85**

*Rental rates reflect $psf/year
HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

MARKET HIGHLIGHTS

SIGNIFICANT YEAR-TO-DATE 2009 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
4920 South Frontage Road	Northwest Lakeland	RinCat, LLC	50,000	Manufacturing
3430-3440 Flightline Drive	Southwest Lakeland	At Your Door Moving & Storage (PODS)	30,000	Manufacturing
3025 Whitten Road	Southwest Lakeland	Café Favorites	24,106	Warehouse/Distribution
5001 Gateway Boulevard	Southwest Lakeland	Southern Furniture Leasing	17,500	Warehouse/Distribution
3020 Reynolds Road	Southeast Lakeland	Crimsafe	16,250	Warehouse/Distribution
5865 New Tampa Highway	Southwest Lakeland	MaxPak Fullfillment	14,250	Warehouse/Distribution
3810 Drane Field Road	Southwest Lakeland	Nsoro	10,400	Warehouse/Distribution

SIGNIFICANT YEAR-TO-DATE 2009 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
4425 U.S. Highway 92 East	Southeast Lakeland	Bell & Jackson Partnership	66,670	$3,000,000
1025 Pine Chase Avenue	Northwest Lakeland	Coach Glass	39,936	$2,076,672
733 Kraft Road	Northwest Lakeland	Finzer Roller	18,300	$860,000

SIGNIFICANT YEAR-TO-DATE 2009 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Saddle Creek Facility	Northeast Lakeland	Arizona Ice Tea	487,000	1/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Ruthven Industrial Center Building I	Southeast Lakeland	N/A	26,400	7/09
Ruthven Industrial Center Building II	Southeast Lakeland	N/A	26,400	8/09

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Cushman & Wakefield of Florida, Inc.
One Tampa City Center, Suite 3600
Tampa, FL 33602
(813)223-6300

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