

INDUSTRIAL OVERVIEW LAKELAND, FLORIDA

Third Quarter 2006

As the third quarter of 2006 comes to a close, it is readily apparent that the Lakeland industrial market is well on its way to having another good year. With consistently low vacancy rates, strong positive overall absorption and asking rental rates on the rise, the area is reaping the benefits of a strong performing local economy and the continued expansion of area's business base. Despite concerns over a tight labor market which currently has an unemployment rate of 4.0%, the continued influx of new companies to the market has created a total of 6,200 new jobs in the Lakeland MSA since August of last year.

The Lakeland market consistently has one of the lowest vacancy rates of Florida's major industrial markets. At the close of the third quarter, Lakeland's overall vacancy rate registered 4.2%, compared to 4.4% for the Tampa market and 6.0% for the Orlando market. Despite the over 1.7 million square feet (msf) of construction completions over the past nine months, steady demand has resulted in overall vacancy declining by four-tenths of a percentage point over the vacancy posted this same time last year.

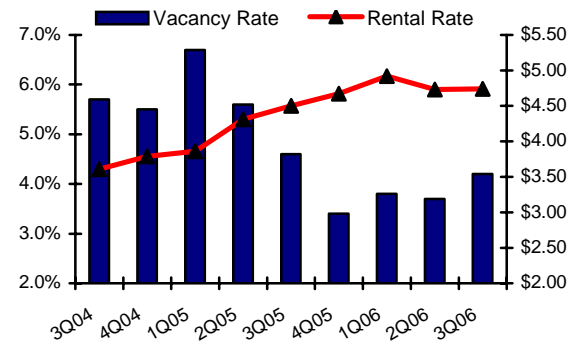
Leasing transactions increased significantly from last quarter, with the third quarter posting just under 412,000 square feet (sf) of new and expansion activity. The most notable of lease took place at FirstPark@Bridgewater, where Caterpillar leased a yet-to-be-built, 80,000-sf facility. Other significant leases which took place during the quarter include Fulfillment Solutions' 70,400-sf lease in MarcoBay's new building in Parkway Corporate Center and Lakeland Baseball Academy's 37,000-sf lease at 333 North Lake Parker Avenue. In-line with this increased leasing activity, overall absorption followed suit and posted positive figures for the thirteenth consecutive quarter. At the close of the third quarter, overall absorption registered a strong 564,892 sf, leading to the year-to-date total of an incredible 1,444,250 sf.

The average direct net asking rental rate for the Lakeland market finished the third quarter at \$4.74 per square foot (psf), up just slightly from mid-year, but increasing \$0.24 psf from the third quarter of 2005. While asking rents increased in all property types, with the exception of office service, instances of rents escalating \$0.25 psf - \$0.75 psf were experienced over the past three months. Warehouse/distribution asking rents exhibited the most dramatic increase over the past year, rising \$0.82 psf to \$4.69 psf at the close of the third quarter.

Steady tenant demand over the past year has had a positive affect on Lakeland's sustained positive absorption levels and consistently rising asking rental rates.

increasing the sublease inventory. Rental rates will also continue to ascend due to several factors including increased construction costs and the projected spike in property taxes and insurance costs. ■

Overall Vacancy vs. Rental Rates



Although construction costs have consistently increased since the beginning of the year, construction activity remained strong in the third quarter, with a total of over 656,000 sf under development. Most intriguing are the 380,000 sf of build-to-suit projects presently underway, which include the 160,000-sf Eastern Metal Supply Building on Drane Field Road, RingPower Equipment's 140,000-sf facility on Combee Road and Caterpillar's 80,000-sf building in First Industrial's FirstPark@Bridgewater. While build-to-suit activity has dominated the market over the past year, current demand levels has prompted a number of developers to accelerate plans for their next construction project.

The industrial market will remain on a positive path throughout 2006, but should experience a slight increase in overall vacancy as the projects under construction are completed. In addition, the slowdown in residential real estate may cause tenants who support the housing industry to downsize,

CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant 3Q06 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
FirstPark@Bridgewater – Caterpillar Building	Northeast Lakeland	Caterpillar	80,000	Warehouse/Distribution
4035 South Pipkin Road	Southwest Lakeland	Fulfillment Solutions	70,400	Warehouse/Distribution
333 North Lake Parker Avenue	Southeast Lakeland	Lakeland Baseball Academy	37,000	Office Service
3810 Drane Field Road	Southwest Lakeland	Undisclosed	26,600	Warehouse/Distribution
2950 Maine Avenue	Southeast Lakeland	GemAir	18,000	Warehouse/Distribution

Significant 3Q06 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1025 Pine Chase Avenue	Northwest Lakeland	Pine Chase One, LLC	39,936	\$1,797,200
3145 US Highway 92 East	Northeast Lakeland	CN Properties, LLC	23,187	\$363,000
202 Winston Creek Parkway	Northwest Lakeland	JMM Paz Lakeland, LLC	15,360	\$2,000,000

Significant 3Q06 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
6800 State Road 33	Northeast Lakeland	Home Depot Supply	400,000	September 2006
4760 Gateland Drive	Southwest Lakeland	N/A	104,000	September 2006
Interstate Business Park – Coca-Cola Building	Northwest Lakeland	Coca-Cola Enterprises	100,000	September 2006
4035 South Pipkin Road	Southwest Lakeland	Fulfillment Solutions	70,400	July 2006
Layne Atlantic Building	Southwest Lakeland	Layne Atlantic	40,000	July 2006

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
4675 Drane Field Road	Southwest Lakeland	Eastern Metal Supply	160,000	December 2006
4100 Frontage Road	Northwest Lakeland	N/A	152,880	November 2006
RingPower Building	Northeast Lakeland	RingPower Equipment	140,000	October 2007
FirstPark@Bridgewater – Caterpillar Building	Northeast Lakeland	Caterpillar (Mosaic)	80,000	December 2006
3910 Air Park Drive	Southwest Lakeland	N/A	80,000	October 2006

CUSHMAN & WAKEFIELD 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	W/D OS	
Southwest Lakeland	9,050,939	87	4.4%	278,250	283,122	1,221,500	1,104,300	N/A	\$2.85	\$4.92	N/A
Southeast Lakeland	2,164,238	61	5.3%	142,075	0	0	138,850	N/A	N/A	\$5.47	\$5.94
Northwest Lakeland	9,402,830	77	3.3%	230,592	152,880	116,000	(26,800)	N/A	\$4.50	\$4.43	\$6.50
Northeast Lakeland	3,237,024	35	5.5%	320,000	220,000	400,000	227,900	N/A	N/A	\$4.35	\$5.50
TOTAL	23,855,031	260	4.2%	970,917	656,002	1,737,500	1,444,250	N/A	\$3.94	\$4.69	\$5.97

* Rental rates reflect \$psf/year

** High-Tech inventory does not exist in this market