

INDUSTRIAL OVERVIEW LAKELAND, FLORIDA

Third Quarter 2007

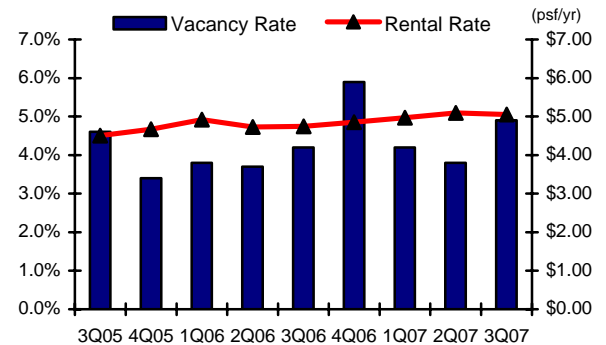
Third quarter results reveal the Lakeland industrial market remained stable despite the national economic slowdown. However, the pace of activity is certainly slower than at this time last year. Lakeland's unemployment rate reached 4.9% for August, which is above both the Florida average of 4.0% and the U.S. average of 4.6%. In light of the dramatic downturn in the area's residential real estate market, unemployment is expected to remain at the current levels, if not increase in the near-term.

Given Lakeland's large concentration of companies involved in the residential construction and building supply industries, the current downturn is expected to have a negative affect on other local industries as well. Despite the dismal unemployment and job growth figures currently affecting the area, the strength of Lakeland's industrial market continues to impress. Over the past three months, the area recorded an increase in leasing activity and posted another quarter with positive overall absorption.

Although the market remains stable, it is clearly softening as evidenced by a substantial rise in overall vacancy, which increased 1.1 percentage points from mid-year to a current 4.9%. This significant increase in vacancy is primarily attributed to the delivery of the newly constructed 400,000-square foot (sf) First Park at Bridgewater III, which remains 100% vacant. In addition, although overall absorption for the quarter totaled positive 146,747 sf, this is a substantial decrease from the 346,411 sf recorded in the second quarter of 2007.

As might be expected, the increase in available space has led to a slight drop in rental rates. The average market-wide asking rent is now \$5.05 per square foot (psf), a slight decrease from mid-year, though when compared to the average asking rent recorded this time last year, there has been an increase of \$0.31 psf from a year ago. Warehouse/distribution space, which accounts for the majority of the industrial space in the Lakeland market, continued to experience increases in rents over the quarter, increasing \$0.12 psf from last quarter and \$0.29 psf from the third quarter of 2006 to the current average of \$4.98 psf.

Overall Vacancy vs. Rental Rates



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While tenant demand declined significantly in the third quarter, new and expansion leasing activity over the past three months increased over the second quarter by 19.6%, recording 225,350 sf of activity during the quarter. One of the interesting aspects of third-quarter leasing activity was the absence of leases over 50,000 sf, which historically have been considered the "bread and butter" of Lakeland's leasing activity. The most significant leases during the quarter included Instrument Valve Services Company's lease of 26,400 sf at 5030 Gateway Boulevard, Deal Tire's 25,600-sf lease in Ruthven Business Park II and Outback Essentials 24,000-sf lease in Interstate Commerce Park.

Looking forward, vacancy is expected to continue to increase through the remainder of 2007 due to the decline in tenant demand, as well as the nearly 388,300 sf of speculative space scheduled for completion by year-end, which is

currently 100% vacant. Rising vacancy and moderating property tax and insurance increases should keep asking rental rates relatively stable through the end of the year. ■

CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant 3Q07 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
5030 Gateway Boulevard	Southwest Lakeland	Instrument Valve Services Company	26,400	Warehouse/Distribution
3125 Drane Field Road	Southwest Lakeland	Deal Tire	25,600	Warehouse/Distribution
4100 Frontage Road Bld. 1	Northwest Lakeland	Outback Essentials	24,000	Warehouse/Distribution
4100 Frontage Road Bld. 3	Northwest Lakeland	Warren Alloys	16,000	Warehouse/Distribution
4725 Lakeland Commerce Parkway	Northeast Lakeland	D-Zee Textiles, LLC	8,800	Warehouse/Distribution

Significant 3Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
First Park at Bridgewater (2 Building Portfolio)	Northeast Lakeland	U.S. Industrial REIT	480,000	\$34,000,000
1070 County Line Road	Northwest Lakeland	1070 County Line Road, LLC	80,000	\$764,300
918 East Oleander Street	Pinnacle/Turnpike	Realty Associates Fund VII	16,850	\$600,000

Significant 3Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
First Park at Bridgewater III	Northeast Lakeland	N/A	400,000	September 2007

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
5225 Swindell Road	Northwest Lakeland	N/A	152,600	November 2007
RingPower Building	Northeast Lakeland	RingPower Equipment	150,000	April 2008
2850 Interstate Drive	Northwest Lakeland	N/A	139,500	October 2007
4150 South Pipkin Road	Southwest Lakeland	N/A	96,200	October 2007

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	9,334,061	91	2.4%	261,400	96,200	172,036	436,694	N/A	\$3.00	\$5.45	N/A
Southeast Lakeland	2,189,238	62	7.8%	35,325	0	25,000	(18,300)	N/A	N/A	\$5.05	\$6.48
Northwest Lakeland	9,645,877	79	4.3%	392,389	292,100	152,880	222,728	N/A	N/A	\$4.81	\$10.25
Northeast Lakeland	3,897,859	40	10.6%	168,800	150,000	628,600	385,400	N/A	N/A	\$4.97	N/A
TOTAL	25,067,035	272	4.9%	857,914	538,300	978,516	1,026,522	N/A	\$3.00	\$4.98	\$6.74

* Rental rates reflect \$psf/year

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