

MARKETBEAT

LAKELAND INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q08

ECONOMY

The Lakeland area's economy is experiencing much of the same contraction as seen in other markets throughout the United States. Weakness in the labor market is concentrated in cyclical housing-related and manufacturing industries. Job losses from September 2007 through September 2008 totaled 5,700 positions; however, this is less than the job losses experienced by other major markets in Florida, particularly in comparisons to Tampa, Miami and Ft. Lauderdale. Relevant to the Lakeland industrial market, the construction sector lost 1,800 jobs, while the manufacturing sector lost 1,100 jobs, and goods producing industry jobs decreased by a 2,900 positions since this time last year. Although the local economy shed jobs over the past year, market fundamentals remain relatively healthy for the Lakeland industrial market with continued asking rental rate increases, sustained construction activity and positive year-to-date overall absorption.

OVERVIEW

While the Lakeland industrial market remains stable when compared to Florida's other major industrial markets, it is softening as evidenced by the rise in overall vacancy, which increased two-tenths of a percentage point from last quarter, though with the current vacancy at 4.5%, this is a 0.4 percentage point decrease from the vacancy recorded in the third quarter of 2007. Despite the increase in total vacant space throughout the market during the third quarter, the Lakeland market's overall vacancy rate remains the lowest of all of Florida's major industrial markets.

The sparse demand affecting most markets throughout the southeast is evident in Lakeland's leasing activity during the third quarter of 2008. Only a mere 89,350 square feet (sf) of new and expansion leasing activity took place in the third quarter, bringing the year-to-date total to slightly less than 500,000 sf. Despite the minimal leasing activity from the continued drop off in tenant demand, overall absorption totals during the third quarter were positive with 88,380 sf, bringing the year-to-date absorption total to a State-leading positive 286,592 sf. Although year-to-date overall absorption remains positive, 2008 absorption levels have decreased 72.1% when compared to the total recorded this time last year.

Even with the reduced tenant demand and increasing vacancy, Lakeland enjoyed significant rental rate growth over the last four quarters. Asking rental rates increased an average of 1.6% per quarter to the current market-wide average net rent of \$5.70 per square foot (psf). This is partially attributable to the still healthy vacancy rate the market currently benefits from. Even as more space options become available, landlords are not notably dropping their asking rents or offering significant lease concessions.

FORECAST

The Lakeland industrial market will continue to experience the negative affects of the declining local and national economy. Cushman & Wakefield anticipates vacancy rates will increase further in the final quarter of the year as demand wanes and expects the increase in competition between landlords will drive down effective lease costs as concessions become more prevalent. Additionally, with large blocks of new institutional quality space, coupled with the several "ready-to-go" industrial building sites, Lakeland remains poised to capitalize on present and future needs of both local tenants and those companies considering relocating or expanding within the State.

BEAT ON THE STREET

"Tenant demand for warehouse/distribution space in the Lakeland market is somewhat lower than the historical average, though development interest in the area remains very strong. The recent lack of tenant demand is largely due to current economic uncertainties and should be short lived. The long term outlook for the market however, remains good as the area will continue to develop into one of the country's most important distribution centers."

-Tim Callahan, Director, Industrial Brokerage

ECONOMIC INDICATORS

National	2006	2007	2008F
GDP Growth	2.8%	2.0%	1.9%
CPI Growth	3.2%	2.9%	4.4%
Regional			
Unemployment	3.3%	3.9%	5.6%
Employment Growth	1.8%	-0.3%	-1.5%

Source: Moody's | Economy.com

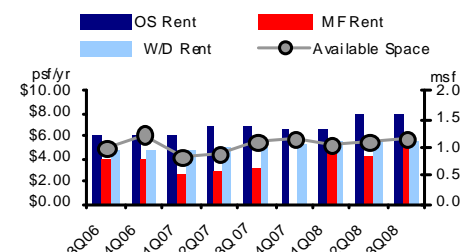
MARKET FORECAST

LEASING ACTIVITY: Demand from tenants remains soft, indicating leasing will remain below normal levels. ↓

OVERALL ABSORPTION will remain stable throughout the year due to continued hesitancy from tenants to make new lease commitments. ↔

SPECULATIVE CONSTRUCTION activity should decrease until tenant demand picks up, excess existing space in newly completed projects is leased and vacancy decreases. ↓

DIRECT RENTAL VS. VACANT SPACE



MARKET/SUBMARKET STATISTICS

*Rental rates reflect \$psf/year

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%	303,500	20,000	0	159,150	N/A	N/A	N/A	\$7.25
Southeast Lakeland	2,189,238	62	10.4%	26,500	0	0	(77,450)	N/A	N/A	\$8.00	\$5.81
Northwest Lakeland	10,086,997	83	3.6%	128,490	487,000	149,900	143,892	N/A	\$5.81	N/A	\$5.55
Northeast Lakeland	3,997,859	41	12.0%	24,600	0	100,000	61,000	N/A	N/A	N/A	\$5.19
LAKELAND TOTAL	25,704,355	278	4.5%	483,090	507,000	249,900	286,592	N/A	\$5.81	\$8.00	\$5.52

** HT inventory is not tracked in this market

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

MARKET HIGHLIGHTS

SIGNIFICANT 3Q08 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
5225 Swindell Road	Northwest Lakeland	WellDyneRx, Inc.	66,000	Warehouse/Distribution
4740 Lakeland Commerce Parkway	Northeast Lakeland	Safeguard Industrial	20,000	Warehouse/Distribution
2950 Maine Avenue	Southeast Lakeland	Kleen Air	12,000	Warehouse/Distribution
SIGNIFICANT 3Q08 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
5025 Frontage Road	Northwest Lakeland	Champagne Investments, LLC	43,920	\$1,450,000
SIGNIFICANT 3Q08 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Interstate Commerce Park Phase I - Building 2	Northwest Lakeland	G-Tech	90,000	9/08
2000 Interstate Drive	Northwest Lakeland	N/A	39,900	7/08
Pepperidge Farms Facility (Expansion)	Northwest Lakeland	Pepperidge Farms	20,000	8/08
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Saddle Creek Facility	Northeast Lakeland	Arizona Ice Tea	487,000	2/09
2940 Drane Field Road	Southwest Lakeland	N/A	20,000	11/08



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

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