

## INDUSTRIAL OVERVIEW LAKELAND, FLORIDA

Year-End 2006

**At the close of 2006, market fundamentals** indicate that Lakeland's industrial market remains on a steadily improving pace. With the local economy thriving and the business base continuing to expand, the market continues to tighten and attract high caliber tenants. While nearly 1.85 million square feet (msf) has been delivered since the beginning of 2006, overall vacancy, though heightened, has remained at a very healthy level. Likewise, overall absorption levels and rental rates demonstrated significant improvements over 2005.

Overall vacancy, which historically has been among the lowest of the industrial markets Cushman & Wakefield tracks nationwide, increased 2.5 percentage points from this time last year to a current 5.9%. This increase can be attributed to the completion of 134,100 square feet (sf) of new speculative space, which remains over 70.8% vacant. Despite this brief up-tick in overall vacancy, this increase is only expected to be temporary due to the pronounced demand experienced throughout the market.

While demand for space has continued unabated in the Lakeland market, the characteristics of tenant requirements have changed over the past twelve months. There has been a significant increase in large tenants looking for space in excess of 75,000 sf in Lakeland, though there remains a limited number of large, high quality vacant blocks of space within the market. Despite this limited amount of larger availabilities, leasing velocity remained on par with 2005, ending the year with slightly over 1.02 msf of total activity. This strong leasing activity helped produce nearly 1.14 msf of overall absorption since this time last year. The most significant leases occurring in Lakeland this year included Home Depot Supply's 240,000-sf lease in the newly built FirstPark@Bridgewater Phase II, Coca-Cola Enterprises' 100,000-sf lease in Lakeland Interstate Business Park and Caterpillar's 80,000-sf lease in the build-to-suit warehouse/distribution facility in FirstPark@Bridgewater Phase II.

The consistent demand for industrial space in the Lakeland area over the past year has caused the net weighted average asking rent to steadily increase. From a low average rent of \$4.67 per square foot (psf) at year-end 2005, the average asking rate has consistently increased and is currently at \$4.85 psf. As the quantity of available space declines, landlords of both existing and newly constructed facilities should continue to test the market with higher asking rates well into next year.

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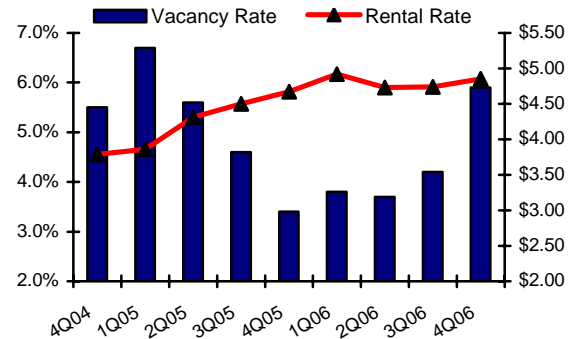
Market-wide, all indications point to a continued positive outlook in 2007, with continued strong leasing activity and a considerable increase in new speculative construction.

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After turning in the strongest year ever recorded in total industrial sales volume, 2006 results reveal that quality investment and end-user sale opportunities have become limited. Sales activity slowed significantly over the twelve months, down 38.3% from 2005, though still posting a healthy just over 522,000 sf of space changing hands. Interest in purchasing industrial product will continue strong in 2007, with the active buyers consisting of real estate investment trusts (REITs), TICs, pension funds, fund advisors and private equity groups, particularly those with institutional partners.

With Lakeland's low unemployment rate currently registering 3.5% and the need for tenants to either move into or expand within the area, the industrial market is expected to remain constricted in 2007. The addition of new construction should help alleviate the current supply/demand imbalance, but due to the scarcity of existing available industrial product, Lakeland's industrial market will remain at a low vacancy rate with asking rental rates continuously increasing due to the high demand and rising operating and insurance costs. Cushman & Wakefield feels that the industrial market will remain tight with continued strong demand during 2007. ■

**Overall Vacancy vs. Rental Rates**



**CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS****Significant 2006 New Lease Transactions**

| BUILDING                                     | SUBMARKET          | TENANT                    | SQUARE FEET | PROPERTY TYPE          |
|--|--------------------|---------------------------|-------------|------------------------|
| 6800 State Road 33                           | Northeast Lakeland | Home Depot Supply         | 240,000     | Warehouse/Distribution |
| Coca-Cola – Interstate Drive                 | Northwest Lakeland | Coca-Cola Enterprises     | 100,000     | Warehouse/Distribution |
| FirstPark@Bridgewater – Caterpillar Building | Northeast Lakeland | Caterpillar               | 80,000      | Warehouse/Distribution |
| 4035 South Pipkin Road                       | Southwest Lakeland | Fulfillment Solutions     | 70,400      | Warehouse/Distribution |
| 5101 Gateway Boulevard                       | Southwest Lakeland | Golf Ventures, Inc.       | 45,000      | Warehouse/Distribution |
| 333 North Lake Parker Avenue                 | Southeast Lakeland | Lakeland Baseball Academy | 37,000      | Office Service         |
| 3010 Reynolds Road                           | Southeast Lakeland | Jet Star                  | 29,375      | Warehouse/Distribution |

**Significant 2006 Sale Transactions**

| BUILDING                     | SUBMARKET          | BUYER                  | SQUARE FEET | PURCHASE PRICE |
|------------------------------|--------------------|------------------------|-------------|----------------|
| 333 North Lake Parker Avenue | Southeast Lakeland | Lake Parker Plaza, LLC | 117,000     | \$3,500,000    |
| 1144 Griffin Road            | Northwest Lakeland | FedEx National LTL     | 88,567      | N/A            |
| 3110 Reynolds Road           | Southeast Lakeland | Milliken Properties    | 45,000      | \$890,000      |
| 2725 Mine and Mill Road      | Southeast Lakeland | DBM Associates, LLC    | 40,650      | \$950,000      |
| 1025 Pine Chase Avenue       | Northwest Lakeland | Pine Chase One, LLC    | 39,936      | \$1,797,200    |

**Significant 2006 Construction Completions**

| BUILDING                                      | SUBMARKET          | MAJOR TENANT             | SQUARE FEET | COMPLETION DATE |
|---|--------------------|--------------------------|-------------|-----------------|
| 4440 Old Tampa Highway                        | Southwest Lakeland | Southern Wines & Spirits | 653,000     | January 2006    |
| 6800 State Road 33                            | Northeast Lakeland | Home Depot Supply        | 400,000     | September 2006  |
| 1475 Airport Road                             | Southwest Lakeland | Rooms-To-Go              | 220,000     | May 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  |
| 3910 Air Park Drive                           | Southwest Lakeland | N/A                      | 80,000      | October 2006    |

**Significant Projects Under Construction**

| BUILDING                                     | SUBMARKET          | MAJOR TENANT         | SQUARE FEET | COMPLETION DATE |
|--|--------------------|----------------------|-------------|-----------------|
| 4675 Drane Field Road                        | Southwest Lakeland | Eastern Metal Supply | 160,000     | January 2007    |
| 4100 Frontage Road                           | Northwest Lakeland | N/A                  | 152,880     | January 2007    |
| Central Florida Dist. Center                 | Northwest Lakeland | N/A                  | 152,600     | July 2007       |
| RingPower Building                           | Northeast Lakeland | RingPower Equipment  | 150,000     | February 2007   |
| 2850 Interstate Drive                        | Northwest Lakeland | N/A                  | 139,500     | July 2007       |
| FirstPark@Bridgewater – Caterpillar Building | Northeast Lakeland | Caterpillar          | 80,000      | January 2007    |

**CUSHMAN & WAKEFIELD MARKET/SUBMARKET STATISTICS**

| Market/Submarket   | Inventory         | No. of Bldgs. | Overall Vacancy Rate | YTD Leasing Activity | Under Construction | YTD Completions  | YTD Overall Absorption | Direct Weighted Average Net Rental Rate* |               |               |               |
|--------------------|-------------------|---------------|----------------------|----------------------|--------------------|------------------|------------------------|--|---------------|---------------|---------------|
|                    |                   |               |                      |                      |                    |                  |                        | HT**                                     | MF            | W/D           | OS            |
| Southwest Lakeland | 9,162,025         | 89            | 5.3%                 | 330,450              | 268,236            | 1,332,586        | 1,126,950              | N/A                                      | \$2.50        | \$4.94        | \$8.00        |
| Southeast Lakeland | 2,164,238         | 61            | 5.9%                 | 142,075              | 25,000             | 0                | 126,975                | N/A                                      | N/A           | \$5.20        | \$5.74        |
| Northwest Lakeland | 9,491,397         | 78            | 6.5%                 | 230,592              | 44,980             | 116,000          | (334,219)              | N/A                                      | \$4.50        | \$4.87        | \$6.50        |
| Northeast Lakeland | 3,269,259         | 36            | 5.7%                 | 320,000              | 220,000            | 400,000          | 219,100                | N/A                                      | N/A           | \$4.42        | \$5.50        |
| <b>TOTAL</b>       | <b>24,086,919</b> | <b>264</b>    | <b>4.2%</b>          | <b>1,023,117</b>     | <b>558,216</b>     | <b>1,848,586</b> | <b>1,138,806</b>       | <b>N/A</b>                               | <b>\$3.82</b> | <b>\$4.83</b> | <b>\$6.04</b> |

\* Rental rates reflect \$psf/year

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