

MARKETBEAT

LAKELAND INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



4Q08

ECONOMY

Following suit with most of Florida's metropolitan areas, the Lakeland-Winter Haven Metropolitan Statistical Area (MSA) has suffered from the detrimental affects of the sustained downturn in the national economy in 2008. The MSA experienced a significant decrease in employment growth since December 2007, with the area losing 5,900 jobs since this time last year. As a result, the MSA's the latest unemployment rate continued to increase to the current substantial high of 8.7%. While the continuing slowdown in the economy and the still deteriorating residential real estate market has adversely affected all the major industrial markets throughout Florida over the course of 2008, Lakeland's industrial market continued to demonstrate the strength of the market's location and affordable real estate costs by recording positive absorption over the last twelve months.

OVERVIEW

Throughout 2008, market fundamentals continued to deteriorate, further reflecting the negative influence the persistent downturn in the economy, the credit markets and the local residential real estate market has had on Lakeland's industrial market. Leasing activity, construction activity, sales transactions and absorption levels have all decreased significantly and vacancy has increased substantially since this time last year. Feeble tenant demand resulted in only an anemic 26,888 square feet (sf) of new and expansion leasing activity during the fourth quarter of the year, bringing the 2008 leasing total to just over 534,000 sf, a 63.1% decrease from the leasing volume in 2007. Despite 2008's minimal leasing activity, overall absorption for 2008 totaled positive 170,278 sf, second in the State of Florida only to the Jacksonville market. Even though overall absorption closed the year in positive figures, 2008 absorption levels decreased 87.8% when compared to the total recorded in 2007. And, despite 2008's positive absorption, which was primarily due to the delivery of build-to-suit projects delivered over the last twelve months, softened demand in the market, coupled with several significant move-outs during the year, caused the market-wide overall vacancy rate to increase 0.6 percentage points since 2007 to a current 5.3%.

Even with the reduced tenant demand and increasing vacancy, Lakeland experienced rental rate growth over the last four quarters. Asking rental rates increased \$0.10 per square foot (psf) since year-end 2007, to the current market-wide average net rent of \$5.52 psf. This increase is attributable to several high quality and therefore higher priced spaces becoming available during the year. Despite this increase, as more space options become available, landlords are beginning to offer lease concessions, such as free rent and increased build-out allowances to entice tenants to their buildings.

FORECAST

The Lakeland industrial market will continue to experience the negative affects of the declining local and national economy. While Cushman & Wakefield believes the market has begun to reach bottom, we also anticipate vacancy rates will continue to increase in 2009. And with the supply/demand curve currently favoring the tenant, increased competition between landlords to fill the empty spaces within their buildings will continue drive down effective lease costs as concessions become more prevalent.

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. Most users are preparing for conditions to get worse before it gets better, which will hopefully take place by the third or fourth quarter of 2009."

-Rian Smith, Director

Global Supply Chain Solutions

ECONOMIC INDICATORS

National	2007	2008	2009F
GDP Growth	2.0%	1.2%	-1.5%
CPI Growth	2.9%	4.2%	0.9%

Regional	2007	2008	2009F
Unemployment	3.9%	8.7%	9.6%
Employment Growth	-0.3%	-1.6%	-3.4%

Source: Moody's | Economy.com

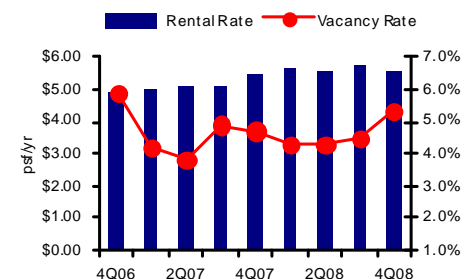
MARKET FORECAST

LEASING ACTIVITY fell significantly throughout 2008 and is expected to remain below historic levels until the economy shows signs of recovery. ↓

OVERALL ABSORPTION is expected to remain positive in 2009, with build-to-suit projects continuing to push absorption levels positive. ↔

CONSTRUCTION activity will be limited to build-to-suit projects over the next year as vacancy in the market negates the need for new speculative development. ↓

OVERALL RENT VS. VACANCY



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	1.0%	313,500	0	20,000	167,250	N/A	N/A	N/A	\$6.49
Southeast Lakeland	2,244,818	63	10.1%	37,750	26,400	0	(76,200)	N/A	N/A	\$8.00	\$5.84
Northwest Lakeland	10,183,757	85	5.8%	130,128	0	149,900	(10,172)	N/A	\$5.44	N/A	\$5.30
Northeast Lakeland	3,997,859	41	11.3%	53,000	487,000	100,000	89,400	N/A	N/A	N/A	\$5.13
LAKELAND TOTAL	25,872,615	282	5.3%	534,378	513,400	269,900	170,278	N/A	\$5.44	\$8.00	\$5.37

*Rental rates reflect \$psf/year

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

MARKET HIGHLIGHTS

SIGNIFICANT 2008 NEW LEASE TRANSACTIONS					
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE	
4760 Gateland Drive	Southwest Lakeland	Purina Companies	104,000	Warehouse/Distribution	
Parkway Corporate Center II	Southwest Lakeland	Packaging Corporation of America (PCA)	96,200	Warehouse/Distribution	
5225 Swindell Road	Northwest Lakeland	WellDyneRx, Inc.	62,000	Warehouse/Distribution	
3135 Drane Field Road	Southwest Lakeland	Gateway Tire	41,600	Warehouse/Distribution	
2850 Interstate Drive	Northwest Lakeland	Williams-Sonoma Direct, Inc.	33,862	Warehouse/Distribution	
2130 Interstate Drive	Northwest Lakeland	Critical Response Networks of Baltimore Maryland	22,278	Warehouse/Distribution	
4740 Lakeland Commerce Parkway	Northeast Lakeland	Safeguard Industrial	20,000	Warehouse/Distribution	
SIGNIFICANT 2008 SALE TRANSACTIONS					
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE	
1607 West Olive Street	Southwest Lakeland	Sylvite Terminal & Distribution, LLC	58,931	\$500,000	
5025 Frontage Road	Northwest Lakeland	Champagne Investments, LLC	43,920	\$1,450,000	
SIGNIFICANT 2008 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	
Parkway Corporate Center IV	Southwest Lakeland	N/A	20,000	11/09	
SIGNIFICANT PROJECTS UNDER CONSTRUCTION					
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE	
Saddle Creek Facility	Northeast Lakeland	Arizona Ice Tea	487,000	1/09	
Ruthven Industrial Center II - Bldg. I	Southeast Lakeland	N/A	26,400	6/09	



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

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

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

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2009 Cushman & Wakefield, Inc. All rights reserved.