

MARKETBEAT

LAKELAND INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



4Q09

ECONOMY

The Lakeland-Winter Haven Metropolitan Statistical Area's (MSA) economy was hit hard in 2009 by a number of factors. Job growth continued to decline over the last twelve months, continuing the trend which began in late 2007. Industrial-related industries, such as, construction, manufacturing and trade, transportation and warehousing, experienced a loss of 6,100 positions from November 2008 through November 2009. These job losses have pushed the MSA's unemployment rate up to 12.9%, the highest level recorded in the area since September 1993. In addition to the decrease in jobs, personal income growth has deteriorated, making it increasingly difficult for consumers to purchase goods and services, thus further hampering the local economy. This has caused the gross metro product to decline by 3.3% over the last year.

OVERVIEW

Tenant demand in the Lakeland industrial market remained weak over the last twelve months. In a market which averaged 891,083 square feet (sf) of positive annual overall absorption from 2003 to 2008, during 2009, Lakeland posted just 50,752 sf of positive absorption the worst yearly total in seven years. Warehouse/distribution space was the only product type to turn in positive absorption at 91,252 sf due to the completion of the 487,000-sf build-to-suit facility for the Saddle Creek Corporation in the first quarter.

The decline in demand pushed vacancy up to 7.3% at the close of the fourth quarter, an increase of 2.0 percentage points over year-end 2008. Warehouse/distribution vacancy experienced the greatest rise in vacancy over the last twelve months, up 2.5 percentage points to 9.2%, as many companies tied to the construction and trade, transportation and warehousing industries either moved out or downsized in this product type.

The combination of increased vacancy and limited tenant demand throughout 2009 caused asking rental rates within the market to fall dramatically during 2009. Market-wide, the direct net asking rental rate averaged \$4.35 per square foot (psf) at year-end, a decrease of \$0.32 psf since last quarter and a significant decline of \$1.17 psf from the year-end 2008 average asking rent. Additionally, the substantial amount of vacant space in the market has continued to cultivate competition between landlords to offer additional lease concessions, decreasing the tenant's effective rental rate further over the term of their lease.

FORECAST

Although Lakeland's industrial market continued to weaken during the fourth quarter of the year, it appears as though more and more prospective tenants and existing tenants whose leases are expiring within the next 12 to 18 months, have become increasingly active in the market as they try to take advantage of the favorable lease terms currently available. With the surplus of vacant space and competition between landlords to fill occupancies in their properties, Cushman & Wakefield expects leasing activity to steadily increase and absorption levels to stabilize over the next few quarters.

BEAT ON THE STREET

"Overall economic conditions continued to erode market fundamentals also caused most user groups to delay their expansion plans into the Lakeland market. Fortunately, many users are preparing for economic conditions to get better which will hopefully take place by the second or third quarter of 2010."


**-Rian Smith, Director
Global Supply Chain Solutions**


ECONOMIC INDICATORS


National	2008	2009F	2010F
GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Regional			
Unemployment	6.7%	11.5%	13.3%
Employment Growth	-2.0%	-4.2%	-2.4%

Source: Moody's | Economy.com

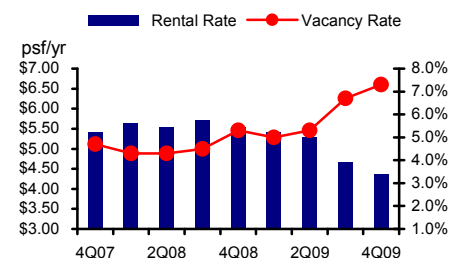
MARKET FORECAST

LEASING ACTIVITY declined by 42.8% in 2009, though activity should slowly increase in 2010 as many tenants take advantage of depressed rental rates to lock into very economical lease terms. 

RENTAL RATES should continue to decline due to the decreased demand, increased vacancy, and competition between landlords to land tenants. 

CONSTRUCTION ACTIVITY will remain virtually non-existent until the excess vacant space in the market gets re-absorbed. 

DIRECT RENTAL RATE VS. VACANCY RATE



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	3.3%	98,850	0	0	(193,756)	N/A	\$2.85	\$8.08	\$4.37
Southeast Lakeland	2,297,618	65	13.6%	25,750	0	52,800	(33,250)	N/A	N/A	\$4.84	\$4.48
Northwest Lakeland	10,183,969	85	8.3%	169,112	0	0	(221,242)	N/A	\$4.50	N/A	\$4.37
Northeast Lakeland	4,484,859	42	10.0%	12,000	0	487,000	499,000	N/A	N/A	N/A	\$4.60
TOTAL	26,412,627	285	7.3%	305,712	0	539,800	50,752	N/A	\$3.27	\$5.01	\$4.45

BY PROPERTY TYPE								4Q09	2008	2007	2006
High Technology**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Manufacturing	8,808,553	82	2.8%	80,000	0	0	(38,000)	\$3.27	\$5.44	N/A	\$3.82
Office Service	623,023	20	16.9%	6,000	0	0	(2,500)	\$5.01	\$8.00	\$6.55	\$6.04
Warehouse/Distribution	16,981,051	183	9.2%	219,712	0	539,800	91,252	\$4.45	\$5.37	\$5.34	\$4.83
TOTAL	26,412,627	285	7.3%	305,712	0	539,800	50,752	\$4.35	\$5.52	\$5.42	\$4.85

*Rental rates reflect \$psf/year

**High Technology (HT) space is not tracked in this market

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

MARKET HIGHLIGHTS

SIGNIFICANT 2009 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
4920 South Frontage Road	Northwest Lakeland	RinCat, LLC	50,000	Manufacturing
2520 Knights Station Road	Northwest Lakeland	Sylvite	38,000	Warehouse/Distribution
3430-3440 Flightline Drive	Southwest Lakeland	At Your Door Moving and Storage (PODS)	30,000	Warehouse/Distribution
3025 Whitten Road	Southwest Lakeland	Café Favorites	24,106	Warehouse/Distribution
625 McCue Road	Northwest Lakeland	Agape Food Bank	21,000	Warehouse/Distribution
5001 Gateway Boulevard	Southwest Lakeland	Southern Furniture Leasing	17,500	Warehouse/Distribution
SIGNIFICANT 2009 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
4425 U.S. Highway 92 East	Southeast Lakeland	Bell & Jackson Partnership	66,670	\$3,000,000
Ruthven Industrial Center II (2 Building Portfolio)	Southeast Lakeland	3505 & 3515 Reynolds Road, LLC	52,800	\$2,612,000
1025 Pine Chase Avenue	Northwest Lakeland	Coach Glass	39,936	\$2,076,672
SIGNIFICANT 2009 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Saddle Creek Facility	Northeast Lakeland	Arizona Ice Tea	487,000	1/09
Ruthven Industrial Center II - Building I	Southeast Lakeland	N/A	26,400	7/09
Ruthven Industrial Center II - Building II	Southeast Lakeland	N/A	26,400	8/09
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				



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

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