

MARKETBEAT INDUSTRIAL SNAPSHOT



LAKELAND, FL

A Cushman & Wakefield Research Publication

Q4 2011



ECONOMIC OVERVIEW

The Lakeland-Winter Haven Metropolitan Statistical Area's (MSA) economy continued to struggle on an annual basis during 2011, though over the second half of the year, the area's economy began to gradually improve. As a result of this recent boost in the local economy, both existing companies, as well as, those new to the area, gained greater confidence in the current economic conditions and began to hire new employees and invest in either new or additional space. Evidence of this can be seen in the area's job growth, which posted a positive increase of 5,000 new jobs from July 2011 through December 2011, though year-over-year, employment growth in the market remained in negative figures. Unfortunately, the majority of this new job growth (2,900 new jobs) occurred in the leisure and hospitality, education and health services and retail trade sectors. Within the industry sectors most directly associated with the wellbeing of the industrial market, only the transportation, warehousing and utilities sector posted positive job growth during this time period, adding a total of just 300 new positions. Despite the diminutive employment growth figures within the industrial space-using sectors and slow activity during the first half of the year, Lakeland's industrial market fundamentals improved considerably as 2011 progressed.

DEMAND FINALLY RETURNED

Overall vacancy within the market ended 2011 at 4.5%, a decrease of one full percentage point from a year ago. In fact, the Lakeland industrial market closed 2011 with the lowest overall vacancy rate of the thirty-three primary industrial markets Cushman and Wakefield actively tracks throughout the country. A substantial increase in tenant demand during the second half of 2011, which in part, was driven by the favorable lease terms that could be obtained in the market, was a key factor in this decline in vacancy. This increase in demand is readily demonstrated in the market's annual leasing activity total of nearly 1.1 million square feet (msf), which was more than a 72.3% increase from the total leasing volume recorded in 2010. This increase in leasing activity over the past twelve months had an end result of the market posting an annual total of 306,070 square feet (sf) of positive overall absorption for the year.

RENTAL RATES SLOWLY INCREASE

Asking rental rates within the market bottomed out around mid-year, though towards the end of 2011 as available space became harder to find in the market, asking rents began to slowly increase. Market-wide, the year-end direct net asking rent averaged \$4.45 per square foot (psf), which was a \$0.25 psf increase from the third quarter of 2011 and when compared to the average posted this time last year, the current average rental rate is up \$0.29 psf. Within the industrial space types, manufacturing space experienced the most dramatic

increase in asking rents during the past twelve months, jumping \$1.11 psf to an average of \$4.48 psf at year-end.

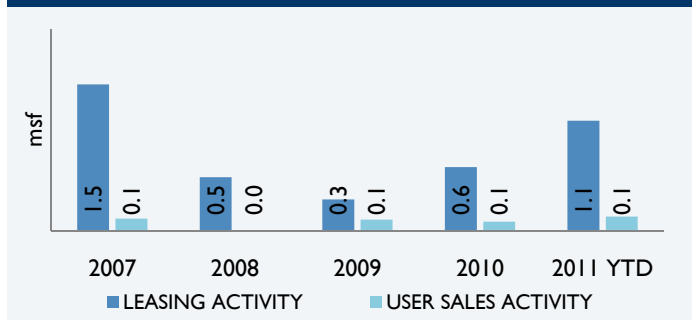
OUTLOOK

As the Lakeland-Winter Haven MSA continues to post positive job growth and with Moody's Analytics forecasting an additional 3,800 new jobs to be added in the area over the next twelve months, expect a continued increase in demand for both new and expansion space in the Lakeland industrial market. Heading into 2012, this heightened demand should serve as a catalyst for a continued decline in overall vacancy and sustained positive overall net absorption within the market. And as the amount of vacant space continues to drop, we expect to see speculative construction activity to return to the market over the course of 2012.

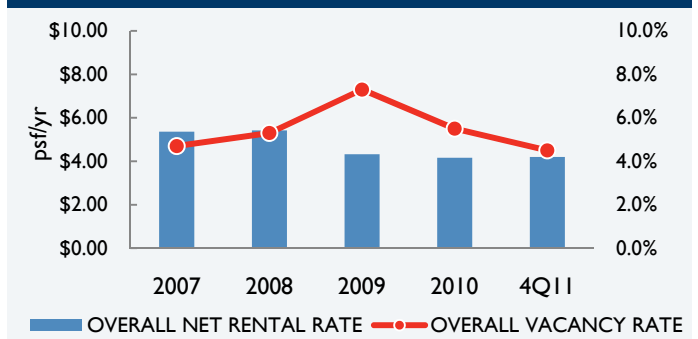
STATS ON THE GO

| | 4Q10 | 4Q11 | Y-O-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|---------|-----------|--------------|-------------------|
| Overall Vacancy | 5.5% | 4.5% | -1.0pp | ▼ |
| Direct Asking Rents (psf/yr) | \$4.16 | \$4.45 | 7.0% | ▲ |
| YTD Leasing Activity (sf) | 630,587 | 1,086,579 | 72.3% | ▲ |

OVERALL OCCUPIER ACTIVITY



OVERALL RENTAL VS. VACANCY RATES



LAKELAND, FL

| SUBMARKET | INVENTORY | OVERALL VACANCY RATE | YTD LEASING ACTIVITY | YTD USER SALES ACTIVITY | UNDER CONSTRUCTION | YTD CONSTRUCTION COMPLETIONS | YTD DIRECT NET ABSORPTION | YTD OVERALL NET ABSORPTION | DIRECT WEIGHTED AVERAGE NET RENTAL RATE | | | |
|--------------------|-------------------|----------------------|----------------------|-------------------------|--------------------|------------------------------|---------------------------|----------------------------|-----------------------------------------|---------------|---------------|---------------|
| | | | | | | | | | HT** | MF | OS | W/D |
| SOUTHWEST LAKELAND | 9,459,581 | 1.1% | 253,212 | 85,400 | 862,000 | 0 | 96,162 | 96,162 | N/A | \$0.00 | \$6.15 | \$4.28 |
| SOUTHEAST LAKELAND | 2,327,918 | 9.5% | 98,575 | 55,210 | 0 | 0 | 66,836 | 66,836 | N/A | \$0.00 | \$4.88 | \$4.95 |
| NORTHWEST LAKELAND | 10,184,081 | 7.0% | 512,192 | 0 | 0 | 0 | 237,222 | 19,372 | N/A | \$4.48 | \$0.00 | \$4.15 |
| NORTHEAST LAKELAND | 4,484,859 | 3.6% | 222,600 | 0 | 0 | 0 | 123,700 | 123,700 | N/A | \$0.00 | \$0.00 | \$4.61 |
| TOTALS | 26,456,439 | 4.5% | 1,086,579 | 140,610 | 862,000 | 0 | 523,920 | 306,070 | N/A | \$4.48 | \$4.92 | \$4.37 |

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

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

MARKET HIGHLIGHTS

| SIGNIFICANT 2011 LEASE TRANSACTIONS | | SUBMARKET | TENANT | PROPERTY TYPE | SQUARE FEET |
|-------------------------------------------|--|--------------------|---------------------------------|------------------------|-------------|
| 6870 First Park Boulevard | | Northeast Lakeland | International Paper Company | Warehouse/Distribution | 200,000 |
| 2125 Interstate Drive | | Northwest Lakeland | Mission Foods | Warehouse/Distribution | 168,400 |
| 2210 West Bella Vista Street | | Northwest Lakeland | HD Supply | Warehouse/Distribution | 151,250 |
| 5005-5025 Great Oak Drive* | | Northwest Lakeland | Star Distribution Systems, Inc. | Warehouse/Distribution | 129,633 |
| 5201 Gateway Boulevard | | Southwest Lakeland | Forward Air | Warehouse/Distribution | 65,000 |
| 3430-3440 Flightline Drive | | Southwest Lakeland | MacSteel | Manufacturing | 62,250 |
| 700 McCue Road* | | Northwest Lakeland | Greenball Corporation | Warehouse/Distribution | 45,000 |
| 4255 South Pipkin Road | | Southwest Lakeland | SteriPak | Warehouse/Distribution | 37,962 |
| 3010 Reynolds Road | | Southeast Lakeland | PlastiFab | Warehouse/Distribution | 29,375 |
| SIGNIFICANT 2011 SALE TRANSACTIONS | | SUBMARKET | BUYER | PURCHASE PRICE | SQUARE FEET |
| 1515 West Bella Vista Street | | Northwest Lakeland | McKesson Corporation | \$13,472,900 | 180,000 |
| 4035 South Pipkin Road | | Southwest Lakeland | Premier Transportation | \$4,000,000 | 70,400 |
| 4255 South Pipkin Road | | Southwest Lakeland | Beckryger Capital Partners | \$1,725,750 | 37,962 |
| 2721 Mine and Mill Road | | Southeast Lakeland | Kersey Properties III, LLC | \$1,307,500 | 34,000 |
| 3517 Craftsman Boulevard | | Southeast Lakeland | Scott E. Williams | \$1,630,000 | 21,210 |
| SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS | | SUBMARKET | MAJOR TENANT | COMPLETION DATE | SQUARE FEET |
| N/A | | | | | |
| SIGNIFICANT PROJECTS UNDER CONSTRUCTION | | SUBMARKET | MAJOR TENANT | COMPLETION DATE | SQUARE FEET |
| Publix Super Markets Facility | | Southwest Lakeland | Publix Super Markets | 4Q12 | 562,000 |
| Rooms-To-Go Facility | | Southwest Lakeland | Rooms-To-Go | 3Q12 | 300,000 |

* DENOTES A RENEWAL AND EXPANSION – RENEWAL PORTION IS NOT INCLUDED IN LEASING ACTIVITY STATISTICS