

As Central Florida's economy continues to accelerate with persistent broad-based job growth in all local MSA's, the Lakeland industrial real estate market has only performed moderately through the first quarter of 2005. The market's overall vacancy rate experienced a significant increase in the first quarter, increasing 1.2 percentage points from year-end to a still healthy 6.7%. Although the quarter recorded 190,806 square feet (sf) of positive overall absorption, the 231,000 sf of speculative construction deliveries that occurred over the last three months has negated the drop in market-wide vacancy that usually accompanies positive absorption.

Although inquiries from prospective tenants have steadily increased, the quarter's activity suffered from a lack of large deals, with only one lease over 50,000 sf and just six leases over 10,000 sf recorded during the period. Despite the shortage of large leases, the first quarter saw 235,900 sf of new and expansion activity, a 43% increase in total leasing activity from the lackluster total posted in the fourth quarter of 2004. The most significant leases occurring in the quarter included USF Distribution's 80,000-sf lease at the recently completed Ruthven building at 5201 Gateway Boulevard, Rooms-To-Go's short-term 45,600-sf lease at 5030 Gateway Boulevard, and Southeastern Paper Group's 21,000-sf transaction at 2560 Old Combee Road.

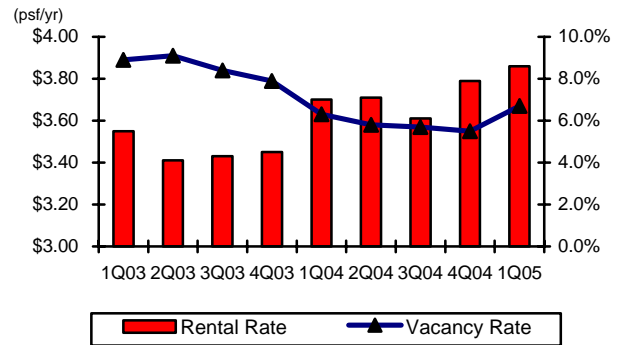
The average direct net asking rental rate for the Lakeland market increased for the third quarter in a row, ending the first quarter at a bargain \$3.86 per square foot (psf). Warehouse/distribution product, the predominant space type in Lakeland, has likewise experienced a consistent increase in asking rental rates over the past few quarters, and is the main contributor to the market's overall rise in average rental rates. While asking rental rates have consistently ascended over the past nine months, Lakeland remains the most economically priced industrial market in the state.

Second only to Broward County in terms of total square footage under construction, Lakeland currently contains slightly over 1.0 million square feet (msf) of industrial product under development. Of the most significant projects currently under development, the Southern Wines & Spirits facility in southwest Lakeland is the largest at 653,000 sf. In addition, Rooms-To-Go is well underway with a 220,000-sf expansion at their facility on Airport Road and Heritage Properties is putting the final touches on two new buildings at the Heritage Business Center in Southeast Lakeland. Another noteworthy coup for the Lakeland market was recently announced when Flagler Development out of Jacksonville publicized their plans to develop a 5.0 msf mixed-use industrial and office park on 665 acres near the Polk Parkway.

Based on current market activity, projections are that lease deals involving the mid-size users will increase significantly in the next few months. Firms requiring 150,000 sf and larger for regional distribution centers continue to see the Lakeland area as a viable location choice. The primary attraction is Lakeland continues to have an ample inventory of permitted industrial sites which allow the facilities to be completed in a short, predictable time frame.

Heading into the second quarter of the year, Cushman & Wakefield expects the market will experience increasing levels of leasing and sales activity, as well as continued interest in both build-to-suit and speculative construction activity. ■

### Direct Rental vs. Vacancy Rates



... sales activity has dropped off considerably from last quarter, primarily due to the limited sales opportunities in the market.

## CUSHMAN &amp; WAKEFIELD MARKET HIGHLIGHTS

## Significant 1Q05 New Lease Transactions

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
5201 Gateway Boulevard	Southwest Lakeland	USF Distribution	80,000	Warehouse
5030 Gateway Boulevard	Southwest Lakeland	Rooms-To-Go	45,600	Warehouse
2560 Old Combee Road	Northeast Lakeland	Southeastern Paper Group	21,000	Warehouse
3115 Drane Field Road	Southwest Lakeland	Tobacco Island, Inc.	12,800	Warehouse
2335 Az Park Road	Southeast Lakeland	Dal Tile Corporation	10,000	Office Service

## Significant 1Q05 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
520 West Brannen Road	Southwest Lakeland	Donald & Helen Geiger	19,040	\$300,000

## Significant 1Q05 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
6830 State Road 33	Northeast Lakeland	Havertys	226,168	January 2005
5201 Gateway Boulevard	Southwest Lakeland	USF Distribution	104,000	February 2005
3810 Drane Field Road	Southwest Lakeland	N/A	78,000	March 2005
4025 Kidron Road	Southwest Lakeland	Protel	35,970	February 2005
4030 Kidron Road	Southwest Lakeland	N/A	28,000	March 2005
4020 Kidron Road	Southwest Lakeland	N/A	21,000	January 2005

## Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
4440 Old Tampa Highway	Southwest Lakeland	Southern Wines & Spirits	653,000	January 2006
1475 Airport Road	Southwest Lakeland	Rooms-To-Go	220,000	June 2005
5100 Frontage Road	Northwest Lakeland	Carpenter Insulation	47,053	April 2005
2325 AZ Park Road	Southeast Lakeland	N/A	32,500	June 2005
2315 AZ Park Road	Southeast Lakeland	N/A	25,000	May 2005

## CUSHMAN &amp; WAKEFIELD MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall	YTD	Under Construction	YTD	YTD	Direct Weighted Average			
			Vacancy Rate	Leasing Activity		Construction Completions	Overall Absorption	HT**	Net Rental Rate*		
Southwest Lakeland	8,295,250	82	7.6%	169,900	873,000	266,970	36,288	N/A	\$3.17	\$3.60	\$9.29
Southeast Lakeland	2,090,938	58	15.4%	11,250	57,500	0	(48,950)	N/A	N/A	\$3.42	\$7.52
Northwest Lakeland	9,201,911	75	6.1%	31,550	83,113	0	(66,900)	N/A	N/A	\$3.22	\$5.75
Northeast Lakeland	2,836,909	34	0.2%	23,200	0	226,168	270,368	N/A	N/A	\$3.73	N/A
<b>TOTAL</b>	<b>22,425,008</b>	<b>249</b>	<b>6.7%</b>	<b>235,900</b>	<b>1,013,613</b>	<b>493,138</b>	<b>190,806</b>	<b>N/A</b>	<b>\$3.17</b>	<b>\$3.37</b>	<b>\$7.51</b>

\* Rental rates reflect \$psf/year

\*\* HT inventory does not exist in this market

