

INDUSTRIAL OVERVIEW LAKELAND, FLORIDA

First Quarter 2006

In the midst of an aggressively growing central Florida industrial market and Polk County's strong population and job growth, the Lakeland industrial market continued to improve through the first quarter of 2006. With warehouse/distribution space accounting for the majority of the industrial space in Lakeland, the incredible tenant demand in this space type has established this market, which was once considered a tertiary market to Tampa and Orlando, as one of the healthiest industrial markets in the nation. Results at the close of the first quarter show, that while overall vacancy modestly increased for the first time in four quarters and total leasing activity decreased slightly, overall absorption ended the quarter at positive 621,800 square feet (sf).

Overall vacancy, which is currently the second lowest of the industrial markets Cushman & Wakefield tracks nationwide, increased a slight 0.4 percentage points over year-end 2005 to 3.8%, but is down a significant 2.9 percentage points from this same time last year. This increase can be attributed to the completion of 134,100 sf of new speculative space, which remains over 92% vacant. Despite this brief up tick in overall vacancy, this increase is expected to only be temporary due to the pronounced demand experienced throughout the market.

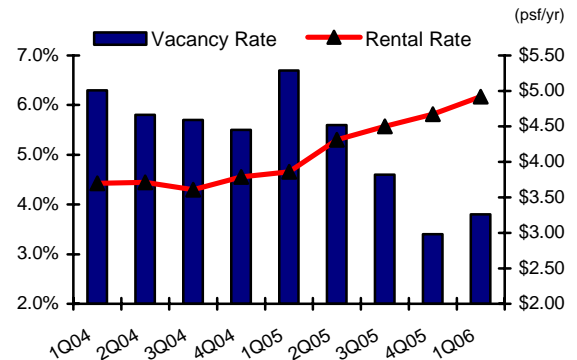
Although tenant demand remains prominent throughout the Lakeland market, total first quarter leasing activity decreased 21.1% from the activity of the fourth quarter of 2005. Despite this decrease, the first quarter still posted a significant 303,100 sf of activity for the quarter, with warehouse/distribution space accounting for an overwhelming majority (97.8%) of the quarter's total activity. The overall decline in market-wide leasing activity in the first quarter is primarily due to the limited availability of larger institutional quality vacancies within the market. This deficit of higher quality vacant space has, in some cases, caused some larger

companies who were looking to lease space in the market, to alter their plans by either making leasing commitments in other Florida markets or signing leases in buildings currently under construction or in planned properties within the market. Two such transactions took place during the first quarter, when Home Depot Supply signed a 180,000-sf lease in First Industrial's second speculative building at FirstPark@Bridgewater and Coca-Cola Enterprise's 100,000-sf commitment in a build-to-suit facility in Lakeland Interstate Business Park.

With the number of vacancies remaining limited and tenant demand continued robust, the market-wide direct average asking triple net rental rate increased significantly in the first quarter. Rents jumped \$0.25 per square foot (psf) from year-end, reaching \$4.92 psf at the close of the quarter. While asking rents increased in all property types, instances of rents escalating \$0.50 psf - \$1.00 psf were experienced over the past three months, particularly in the much sought after warehouse/distribution space.

At the close of the first quarter of 2006, some key projections can be made for the Lakeland industrial market. Due to the heavy concentration of logistics related industries in the market, the growing activity trend in this sector should continue to increase demand for space throughout 2006. Additionally, if vacancy continues to remain at such low levels, Cushman & Wakefield expects asking rental rates to continue to spike upward and speculative construction activity to increase significantly. ■

Direct Vacancy vs. Rental Rates



In one of the largest build-to-suit completions within the Lakeland market over the past decade, Southern Wines & Spirits opened their 653,000-sf facility in January.

CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant 1Q06 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
6800 State Road 33	Northeast Lakeland	Home Depot Supply	180,000	Warehouse/Distribution
Coca-Cola – Interstate Drive	Northwest Lakeland	Coca-Cola Enterprises	100,000	Warehouse/Distribution
3010 Reynolds Road	Southeast Lakeland	Jet Star	29,375	Warehouse/Distribution
5201 Gateway Boulevard	Southwest Lakeland	Golf Ventures	7,800	Warehouse/Distribution

Significant 1Q06 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
2725 Mine and Mill Road	Southeast Lakeland	DBM Associates, LLC	40,650	\$950,000
923 Edith Avenue	Northwest Lakeland	LBDW, LLC	17,000	\$540,000

Significant 1Q06 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
4440 Old Tampa Highway	Southwest Lakeland	Southern Wines & Spirits	653,000	January 2006
5101 Gateway Boulevard	Southwest Lakeland	N/A	75,000	February 2006
4040 Kidron Road	Southwest Lakeland	N/A	17,500	March 2006

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
6800 State Road 33	Northeast Lakeland	Home Depot Supply	400,000	July 2006
1475 Airport Road	Southwest Lakeland	Rooms-To-Go	220,000	May 2006
Coca-Cola – Interstate Drive	Northwest Lakeland	Coca-Cola Enterprises	100,000	August 2006
Parkway Corporate Center	Southwest Lakeland	N/A	70,400	July 2006

CUSHMAN & WAKEFIELD 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	W/D	OS
Southwest Lakeland	8,651,555	85	5.1%	10,300	290,400	745,600	625,700	N/A	\$2.85	\$4.65	\$9.29
Southeast Lakeland	2,151,838	60	10.2%	6,400	0	0	35,550	N/A	N/A	\$4.37	\$6.31
Northwest Lakeland	9,286,830	75	2.3%	106,400	100,000	0	(43,850)	N/A	\$4.50	\$4.69	\$4.85
Northeast Lakeland	2,836,909	34	0.0%	180,000	400,000	0	4,400	N/A	N/A	N/A	N/A
TOTAL	22,927,132	254	3.8%	303,100	790,400	745,600	621,800	N/A	\$3.94	\$4.60	\$6.57

* Rental rates reflect \$psf/year

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