

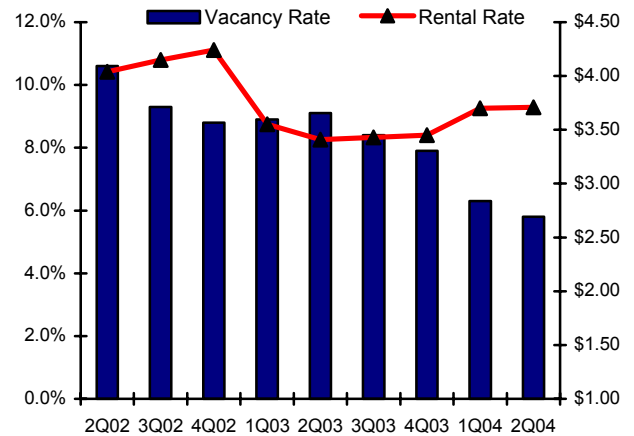
INDUSTRIAL OVERVIEW LAKELAND, FLORIDA

Second Quarter 2004

Lakeland's ideal logistical location, quality industrial space and abundant workforce have historically drawn both large and small companies to the area. With an industrial market that totals more than 21.7 million square feet (msf) of distribution, service center and manufacturing space, the area offers a variety of industrial product to meet the needs of any company. Although a majority of Florida's industrial markets continue to struggle with surplus vacant space and negative absorption, Lakeland has fared relatively well through the second quarter. The market's overall vacancy rate fell modestly since the first quarter, down one-half of a percentage point to 5.8%, and overall net absorption was positive for the fourth quarter in a row, recording positive 108,048 square feet (sf).

Although demand for new space has remained below the historical levels experienced in 2003, corporate confidence continues to improve as many companies have begun to make new sizeable leasing commitments. Total leasing activity increased for the third quarter in a row, ending the second quarter of 2004 at just less than 190,000 sf, escalating 27% over the total posted three months ago. Year-to-date 2004, a total of nearly 330,000 sf of activity has taken place, though when compared to this time last year, leasing is down by over 35%. The most significant leases of the quarter included Carolina Logistics Services, Inc.'s 79,000 sf lease in Lakeland Interstate Business Park and US Carriers' 40,933 sf build-to-suit commitment at Ruthven Airpark.

Overall Vacancy Rates vs. Rental Rates



Contrary to the national trend affecting most industrial markets, Lakeland's weighted average asking rental rate has

...Developers are beginning to construct new speculative facilities in the Lakeland market. There is 204,600 sf of speculative space currently under development.

remained stable over the past quarter. At mid-year, the average weighted net rental rate was \$3.71 per square foot (psf), a slight increase from the average recorded last quarter and a significant \$0.26 psf increase from year-end 2003. Asking rental rates should continue ascend in the second half of 2004, due largely to the limited availability options and the sustained demand enjoyed by the area.

The increasing land and impact fees, as well as construction costs, motivated many developers to begin projects before the less favorable conditions intensify. Although new starts were moderate in the second quarter, there is currently 529,701 sf of industrial product currently under construction. The most significant construction projects underway in Lakeland include the Havertys 226,168-sf build-to-suit in FirstPark at Bridgewater, a 104,000-sf speculative, dock-high distribution facility in Ruthven Airpark and Heritage Equities' two speculative buildings totaling 55,000 sf on AZ Park Road.

While the incredible activity experienced since year-end 2002 has slowed in the first half of 2004, the Lakeland industrial market remains very healthy, with the lowest overall vacancy of Florida's major industrial markets and positive year-to-date absorption. Heading into the second half of the year, the market should experience increasing levels of leasing and sales activity, as well as increased construction activity. ■

CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant 2Q04 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
2125 Interstate Drive	Northwest Lakeland	Carolina Logistics Services, Inc.	79,000	Warehouse/Distribution
Ruthven Airpark	Southwest Lakeland	US Carriers	40,933	Warehouse/Distribution
3715 North Frontage Road	Northwest Lakeland	Milliken	15,000	Warehouse/Distribution
3135 Drane Field Road	Southwest Lakeland	X Cingular	12,500	Warehouse/Distribution

Significant 2Q04 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
2540 Knights Station Road	Northwest Lakeland	Ben Hill Griffin, Inc. (Keymark)	136,972	\$6,700,000
3310 Reynolds Road	Southeast Lakeland	Central Food Equipment	27,360	\$430,000
4950 Elixir Drive	Northwest Lakeland	Metamic	23,653	\$637,500
Pre-Mix Facility – Maine Ave.	Southeast Lakeland	Quikrete Companies, Inc.	19,960	\$1,200,000
2012 South Combee Road	Southeast Lakeland	Stanley Investment, LLC	19,365	\$520,000

Significant 2Q04 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
None				

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
FirstPark @ Bridgewater – Havertys	Northeast Lakeland	Havertys Furniture	226,168	December 2004
Ruthven Airpark	Southwest Lakeland	N/A	104,000	January 2005
2335 & 2345 AZ Park Road	Southeast Lakeland	N/A	55,000	October 2004
5030 Gateway Boulevard	Southwest Lakeland	N/A	45,600	August 2004
Ruthven Airpark	Southwest Lakeland	US Carriers	40,933	October 2004
Parkway Corporate Center	Southwest Lakeland	Curry Controls	29,000	August 2004

CUSHMAN & WAKEFIELD MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Completions	YTD Overall Absorption	Direct Weighted Average			
								HT**	Net Rental Rate* MFG	W/D	OS
Southwest Lakeland	7,857,875	72	4.3%	82,833	248,533	75,000	54,200	N/A	\$2.75	\$3.55	N/A
Southeast Lakeland	2,026,938	55	12.1%	15,750	55,000	0	(4,500)	N/A	N/A	\$3.73	\$8.25
Northwest Lakeland	9,156,931	75	7.0%	219,570	0	0	451,039	N/A	N/A	\$3.28	\$5.75
Northeast Lakeland	2,610,741	33	1.9%	9,100	226,168	0	4,700	N/A	N/A	\$3.87	N/A
TOTAL	21,652,485	235	5.8%	327,253	529,701	75,000	505,439	N/A	\$2.75	\$3.44	\$7.56

* Rental rate reflects \$psf/year

** HT inventory does not exist in this market