MARKETBEAT

LAKELAND INDUSTRIAL REPORT

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions℠

2Q08

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ECONOMY

Along with most of Florida's metropolitan areas, the Lakeland-Winter Haven MSA experienced a decrease in employment growth over the last six months, with the area losing 6,700 jobs since year-end 2007, bringing the latest unemployment rate to a substantially high 6.1%. While the continuing slowdown in the economy and the still deteriorating residential real estate market has adversely affected many other industrial markets throughout Florida during the first half of 2008, Lakeland's industrial market continued to perform relatively well over the same period. This is a direct result of the area's ideal location for logistics and transportation companies along the Interstate-4 Corridor.

OVERVIEW

Demand for industrial space in the Lakeland market has remained below typical levels experienced over the past several years, as evidenced in the second quarter's 21.3% decrease in leasing activity, though this hasn't noticeably affected overall vacancy. Market-wide, vacancy closed the second quarter at a appreciably low 4.3%, which is unchanged from last quarter, though up one half of a percentage point from this time last year. Additionally, the market has recorded 198,212 square feet (sf) of overall absorption thus far in 2008, with 105,262 sf of this absorption being posted in the second quarter.

Waning demand has forced many landlords to adjust their current asking rental rates to compete for tenants in a softer market. Market-wide, the direct net asking rental rate averaged $5.53 per square foot (psf) at quarter-end, a decrease of $0.11 psf since last quarter, though when compared to the average posted this time last year, the current average rental rate is still $0.44 psf higher than mid-year 2007. Warehouse/distribution space experienced the most significant decrease in average asking rents during the quarter dropping to $5.45 psf.

With tenant demand plummeting significantly when compared to this same time period a year ago, many developers have pulled back start dates for several new projects. At the close of the second quarter, 169,900 sf of new projects were under construction. This is just 15.6% the total construction activity reported this same time last year and the lowest amount of industrial space under development since the fourth quarter of 2003.

FORECAST

Even though the Lakeland economy is laboring under the weight of the correcting housing market and increase in unemployment, the area's long-term growth dynamics remain strong. Given that the Orlando and Tampa Bay markets are getting increasingly built-out, the Lakeland and greater Polk County industrial market is projected to experience solid growth once economic conditions improve. Additionally, with the second lowest overall vacancy of any market in Florida and the present and future needs of tenants to either move into or expand within the market, Lakeland should come out of this downturn sooner and more aggressively than comparative markets around the State.

BEAT ON THE STREET

"The current economic environment is impacting industrial real estate as first half of 2008 absorption figures indicate. Compared to other Central Florida markets such as Tampa and Orlando, which have experienced negative absorption through mid-year, while the Lakeland industrial market has recorded nearly 200,000 sf of positive absorption, signifying the market's strength."

–Mike Davis, Executive Director

ECONOMIC INDICATORS

National	2006	2007	2008F
GDP Growth	2.9%	2.2%	1.6%
CPI Growth	3.2%	2.9%	3.6%
Regional			
Unemployment	3.5%	4.0%	6.1%
Employment Growth	3.3%	1.6%	0.8%

Source: Moodys | Economy.com

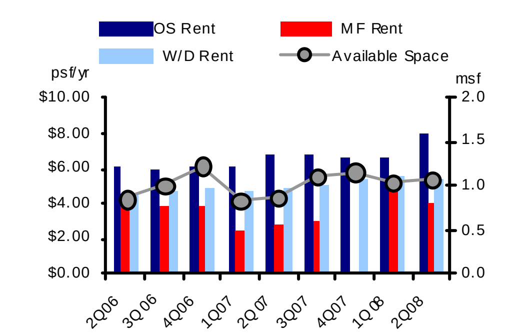
MARKET FORECAST

LEASING ACTIVITY fell significantly in the second quarter of 2008 and is expected to remain below historic levels throughout the remainder of 2008.

OVERALL ABSORPTION will continue to remain in positive figures in the near-term until the economic downturn is corrected.

SPECULATIVE CONSTRUCTION activity should continue to the decrease until tenant demand picks up and developers make the decision to start projects which are currently on hold.

DIRECT RENTAL VS. VACANCY RATES



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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	9,430,261	92	0.6%	303,500	20,000	0	185,100	N/A	N/A	N/A	$6.83
Southeast Lakeland	2,189,238	62	7.6%	9,500	0	0	(15,950)	N/A	N/A	$8.00	$5.59
Northwest Lakeland	9,937,097	81	3.9%	56,140	149,900	0	(31,938)	N/A	$4.10	N/A	$5.56
Northeast Lakeland	3,997,859	41	12.0%	24,600	0	100,000	61,000	N/A	N/A	N/A	$5.19
TOTAL	**25,554,455**	**276**	**4.3%**	**393,740**	**169,900**	**100,000**	**198,212**	**N/A**	**$4.10**	**$8.00**	**$5.45**

*Rental rates reflect $psf/year
**High Tech inventory is not tracked in this market
HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

MARKET HIGHLIGHTS

SIGNIFICANT 2Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
4760 Gateland Drive	Southwest Lakeland	Purina Companies	104,000	Warehouse/Distribution
2850 Interstate Drive	Northwest Lakeland	Williams-Sonoma Direct, Inc.	33,862	Warehouse/Distribution
3511 Century Boulevard	Southwest Lakeland	Undisclosed	9,000	Warehouse/Distribution
4930 Lakeland Commerce Parkway	Northeast Lakeland	Creative Drinkware	8,400	Warehouse/Distribution

SIGNIFICANT 2Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
N/A				

SIGNIFICANT 2Q08 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Interstate Commerce Park Phase I - Building 2	Northwest Lakeland	G-Tech	90,000	9/08
2000 Interstate Drive	Northwest Lakeland	N/A	39,900	7/08
Pepperidge Farms Facility (Expansion)	Northwest Lakeland	Pepperidge Farms	20,000	8/08
Parkway Corporate Center Phase IV	Southwest Lakeland	N/A	20,000	11/08

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