

INDUSTRIAL OVERVIEW LAKELAND, FLORIDA

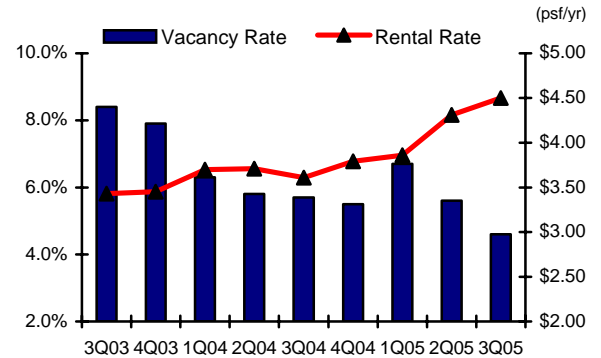
Third Quarter 2005

In the third quarter, Lakeland's industrial market continued with the same positive momentum experienced in the first half of 2005. The growing business base and new job growth in the Lakeland market continues to drive significant industrial real estate activity in almost all sectors. This booming economic growth has resulted in encouraging performance for the third quarter, demonstrated by the 302,243 square feet (sf) of positive overall absorption recorded and the 1.0 percentage point decrease in the overall vacancy rate from mid-year to state low of 4.6%.

Although tenant demand remains pronounced throughout the Lakeland market, total third quarter leasing activity has decreased 43% from the activity of the second quarter. Despite this decrease, the third quarter still posted a modest 175,183 sf of activity for the quarter. The overall decline in market-wide leasing activity in the third quarter is primarily due to the limited availability of larger industrial vacancies within the Lakeland area. This deficit of quality vacant space has, in some cases, caused some larger companies who were looking to lease space in the market, to alter their plans and make leasing commitments in properties elsewhere in the state. While leasing activity was down significantly over the past three months, a few notable leases were completed. Walmart leased 35,200 sf at 3115 Drane Field Road, Custom Glass signed for 31,005 sf at 5105 New Tampa Highway and Tru Vue, Inc. leased 15,400 sf at 5201 Gateway Boulevard.

The consistent demand for industrial space in the Lakeland area over the past nine months has caused the net weighted average asking rate to steadily increase. From a low average rate of \$3.86 per square foot (psf) in the first quarter of the year, the average asking rate has consistently increased and is currently at \$4.50 psf. As the quantity of available space declines, landlords of both existing and newly constructed facilities should continue to test the market with higher asking rates well into next year.

Direct Vacancy vs. Rental Rates



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Following a quarter where industrial sales dropped off considerably, both investor and user sales activity accelerated in the third quarter to total 642,078 sf, increasing 79% from last quarter. Although end-user sales comprised a high percentage of the total sales activity in the first half of the year, the third quarter experienced a shift in this trend. End-user sales accounted for only 16% of the third quarter total, due primarily to the lack of vacant properties currently on the market. The most valuable transaction of the quarter was Meridian Companies' investment purchase of a 166,800-sf warehouse/distribution building in Lakeland Interstate Business Park for \$7.3 million. Other notable sales include Star 999 Development's purchase of the vacant 151,200-sf building at 2222 West Bella Vista Street for just under \$3.2 million and Ben Hill Griffin's purchase of the 80,000-sf former Weyerhaeuser building for \$3.0 million.

Heading into the fourth quarter of 2005, cautious optimism best characterizes the state of Lakeland's business community. Looking ahead, a couple of key observations can be made. The local economy will continue to perform, aided by increased residential construction, steady job growth, and continued business expansions. Early indicators point toward a relatively modest fourth quarter, largely due to the relative lack of available space in the market. Cushman & Wakefield expects Lakeland's industrial vacancy to remain steady, rental rates to continue to climb and projects a spike in speculative development by the Ruthvens and Flagler Development. ■

CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant 3Q05 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
3115 Drane Field Road	Southwest Lakeland	Walmart	35,200	Warehouse
5105 New Tampa Highway	Northwest Lakeland	Custom Glass	31,005	Warehouse
2130 Interstate Drive	Northwest Lakeland	ACHY	22,278	Warehouse
5201 Gateway Boulevard	Southwest Lakeland	Tru Vue, Inc.	15,400	Warehouse

Significant 3Q05 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
2125 Interstate Drive	Northwest Lakeland	Meridian Companies	166,800	\$7,300,000
2222 West Bella Vista Street	Northwest Lakeland	Star 999 Development, Inc.	151,250	\$3,176,250
1070 County Line Road	Northwest Lakeland	Ben Hill Griffin, Inc.	80,000	\$3,000,000
3025 Gateway Boulevard	Southwest Lakeland	Miller Group, LLC	22,500	\$1,775,000

Significant 3Q05 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

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	November 2005

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	HT**	Direct Weighted Average Net Rental Rate*		
									MF	W/D	OS
Southwest Lakeland	7,861,455	81	4.6%	339,800	873,000	266,970	303,788	N/A	\$3.35	\$4.35	\$9.29
Southeast Lakeland	2,148,438	60	13.9%	77,700	0	57,500	1,600	N/A	N/A	\$3.87	\$7.37
Northwest Lakeland	9,286,830	75	3.4%	300,179	0	0	249,684	N/A	N/A	\$3.32	\$4.85
Northeast Lakeland	2,836,909	34	1.8%	43,600	0	226,168	223,868	N/A	N/A	\$4.89	N/A
TOTAL	22,133,632	250	4.6%	761,279	873,000	550,638	778,940	N/A	\$3.35	\$3.87	\$7.27

* Rental rate reflects \$psf/year

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