

INDUSTRIAL OVERVIEW LAKELAND, FLORIDA

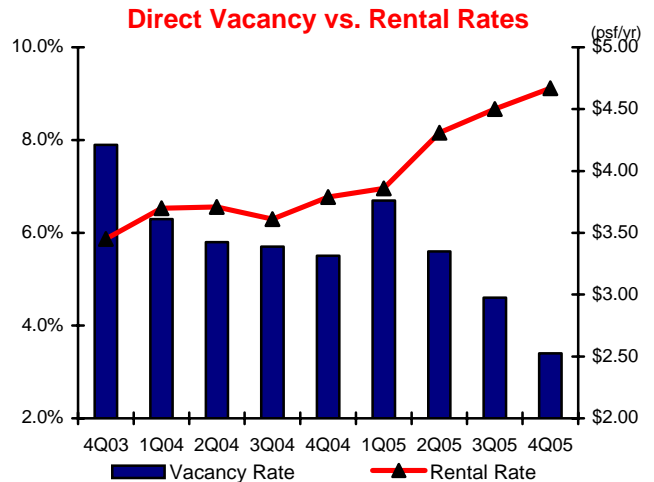
Year-End 2005

As the Tampa Bay MSA remains in a strong phase of job growth and business expansion, the area's industrial markets have prospered. While the year began with an oversupply of vacant space, the incredible demand resulting from the area's growth over the past year has decreased the available supply significantly. This swing in the pendulum in the supply/demand imbalance is readily apparent in the decrease in overall vacancy and the year's positive overall absorption.

In Lakeland's industrial market, fundamentals improved substantially in 2005. Recording the lowest overall vacancy rate of all of Florida's major industrial markets, Lakeland experienced a decrease in vacancy of 2.1 percentage points from this time last year to a current 3.4%. The constant in-migration of new companies into the Lakeland area, coupled with numerous expansions of existing local companies, contributed to this decrease in vacancy and the market's overall absorption total of nearly 1.05 million square feet (msf).

Despite the limited number of large vacant blocks of space in the Lakeland market, demand for space continues to increase over the levels experienced during 2004. This increase in demand is readily evident in the year's 1.2 msf of leasing activity, a 43.7% increase from the activity recorded in 2004. The most significant leases occurring in Lakeland this year included Rooms-To-Go's 151,250 square foot (sf) lease at the former VIP Structures building, Southern Wines and Spirits' short term 80,000 sf lease at 1070 County Line Road and USF Distribution's 80,000 sf lease in West Lakeland Industrial Park.

The consistent demand for industrial space in the Lakeland area over the past twelve 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 \$4.67 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.



As demand continues to rise, many developers are struggling with increasing construction costs, a dwindling supply of land, and rents too low to justify new speculative construction.

Cushman & Wakefield expects this pent-up demand will increase market-wide levels of leasing activity and positive absorption over the next six to twelve months. This demand, coupled with an extremely low vacancy rate, will also help push the Lakeland industrial market into a new speculative development cycle in an attempt to fulfill the current supply/demand imbalance currently affecting the market. ■

To fill the void of available space, Lakeland currently has slightly under 1.0 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. Another noteworthy coup for the Lakeland market was announced when Flagler Development out of Jacksonville publicized their 2006 plans to develop a 5.0 msf mixed use industrial and office park on 665 acres near the Polk Parkway. This largely speculative planned development will add some much needed class A, institutional quality space to the market.

Based on current market activity, projections are that lease deals involving both large and mid-size users will increase significantly as we head into 2006.

CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant 2005 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
2222 West Bella Vista Street	Northwest Lakeland	Rooms-To-Go	151,250	Warehouse/Distribution
5201 Gateway Boulevard	Southwest Lakeland	USF Distribution	80,000	Warehouse/Distribution
1070 County Line Road	Northwest Lakeland	Southern Wines & Spirits	80,000	Warehouse/Distribution
2520 Knights Station Road	Northwest Lakeland	PDT Trucking	64,600	Warehouse/Distribution
7150 New Tampa Highway	Northwest Lakeland	Dart Container	56,811	Warehouse/Distribution
2125 Interstate Drive	Northwest Lakeland	Sunrise Medical	49,600	Warehouse/Distribution
3440 Flightline Drive	Southwest Lakeland	Air Logic	44,000	Manufacturing
4336 Knight Station Road	Northwest Lakeland	TNT Skirting & Shredding, Inc.	38,046	Warehouse/Distribution

Significant 2005 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
5120 Great Oak Drive	Northwest Lakeland	Great Oak Property Management, LLC	111,775	\$3,200,000
5204 US Highway 98 South	Southwest Lakeland	School Board of Polk County	93,500	\$2,275,000
1070 County Line Road	Northwest Lakeland	Ben Hill Griffin, Inc.	80,000	\$3,000,000

Significant 2005 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
FirstPark@Bridgewater	Northeast Lakeland	Havertys	226,168	January 2005
5201 Gateway Boulevard	Southwest Lakeland	USF Distribution	104,000	February 2005
3810 Drane Field Road	Southwest Lakeland	Walmart	78,000	February 2005
4150 Kidron Road	Southwest Lakeland	Protel	35,970	March 2005

Significant Projects Under Construction

BUILDING	SUBMARKET	PROPERTY TYPE	SQUARE FEET	COMPLETION DATE
4440 Old Tampa Highway	Southwest Lakeland	Warehouse/Distribution	653,000	January 2006
1475 Airport Road	Southwest Lakeland	Warehouse/Distribution	220,000	March 2006
5101 Gateway Boulevard	Southwest Lakeland	Warehouse/Distribution	75,000	February 2006
3810 Drane Field Road	Southwest Lakeland	Warehouse/Distribution	31,200	January 2006

CUSHMAN & WAKEFIELD MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	YTD Leasing Activity	YTD Under Construction	YTD Construction Completions	YTD Overall Absorption	HT**	Direct Weighted Average Net Rental Rate*		
									MF	W/D	OS
Southwest Lakeland	7,864,455	81	3.8%	407,600	1,085,400	266,970	361,088	N/A	\$2.85	\$4.08	\$9.29
Southeast Lakeland	2,151,838	60	12.7%	115,650	0	57,500	30,550	N/A	N/A	\$4.22	\$6.33
Northwest Lakeland	9,286,830	75	2.0%	588,240	0	83,113	379,572	N/A	\$4.50	\$4.11	\$4.85
Northeast Lakeland	2,836,909	34	2.0%	90,100	0	226,168	270,368	N/A	N/A	\$8.71	N/A
TOTAL	22,140,032	250	3.4%	1,201,590	1,085,400	633,751	1,041,578	N/A	\$4.55	\$4.22	\$6.54

* Rental rate reflects \$psf/year

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