



# Market Research

INDUSTRIAL/FLEX | FIRST QUARTER | 2008

## Central Florida Industrial/Flex Market Executive Summary

The commercial real estate market kicked off 2008 with sluggish results as evidence of the pressure felt by a faltering national economy. Gas prices have reached new heights, unemployment claims are up and it is undetermined if a recession may be on the horizon. The Federal Open Market Committee recently adjusted the key interest rate by 75 basis points to its current level of 2.25 percent in hopes of forestalling a possible recession noted by Federal Chairman Ben Bernanke. As of the fourth quarter of 2007, GDP was experiencing an annual growth rate of 0.6 percent down from 4.9 percent in the third quarter of the year. According to the latest data available, the overall national unemployment rate is currently sitting at 5.2 percent for the month of March, unchanged from the previous month but up from 4.5 percent recorded one year ago. Crude oil futures continue to set new records with the current level trading at over \$115 a barrel. The overall U.S. average of regular grade gas has now reached \$3.39 per gallon up nearly \$0.40 from the start of 2008.

Tourism remains as Orlando's main revenue driver and traffic generator to the area. The Orlando International Airport posted a new record this year as more than 36.4 million passengers came through the terminals. This represents a five percent increase from the previous year. OIA is now the 11<sup>th</sup> busiest airport in the country and 21<sup>st</sup> in the world and is expected to continue its growth trend as the U.S. dollar weakens and international travelers take advantage of this opportunity. In terms of job growth, Orlando rises above the rest of the state's regions as the top metro area with positive job growth. The Orlando area added more than 7,800 jobs over the past year. Only six metro areas in Florida registered positive job growth, with the overall state's job growth down 33,700 jobs. The current unemployment rate for the Orlando MSA is posted at 4.5 percent in the month of March, unchanged from the start of the year.

For the second straight quarter, the Industrial Market has observed shifting conditions compared to the consistent years of the past. After many years of low vacancy, the Industrial Market registered a vacancy increase of 0.8 percent to 7.2 percent this quarter. The increase in vacancy was due to a negative 715,188 square feet of absorption, the largest negative absorption in over five years. Absorption reached this point due to a number of 40,000 to 70,000 square foot spaces throughout the market going vacant. During the first quarter seven buildings completed construction and were delivered to the market representing a total of 185,882 square feet. Over the past year, more than 2.7 millions square feet was delivered to the Industrial Market in Central Florida bringing the overall market inventory to over 134 million square feet. Buildings currently under construction increased this quarter bringing the overall construction activity total to 27 buildings consisting of 1,615,563 square feet. The current construction pipeline is up from the previous quarter posting of 986,710 square feet. As activity slows in the overall market, landlords and developers are finding it harder to receive their asking rates. Currently the average asking leasing rate has marginally decreased from \$6.72 nnn per square foot in the fourth quarter to \$6.70 nnn per square foot this quarter. This decrease is seen as statistically unchanged from the prior quarter. Compared to this time period one year ago, rates have fallen \$0.29 to its current level. Flex space is also on the same trend line as the overall market with the latest average lease rate down to \$10.86 nnn per square foot. Although a slowdown is without a doubt upon us, the long term outlook remains bullish and real estate professionals remain cautiously optimistic.



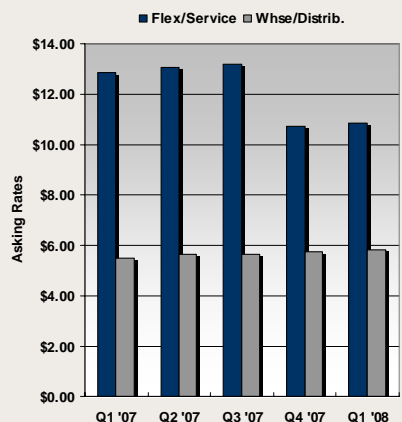
### MARKET INDICATORS

#### CENTRAL FLORIDA INVENTORY

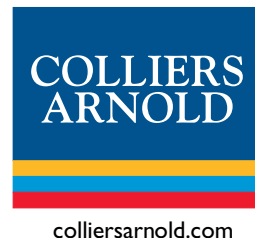
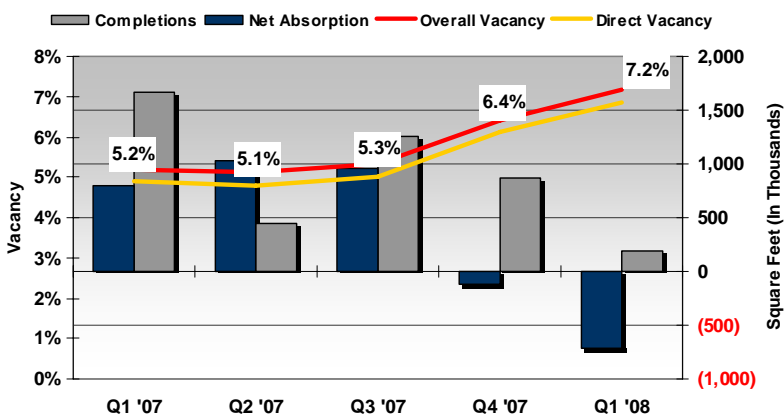
134,004,524 Sq. Ft.

OVERALL VACANCY	7.2%	↑
DIRECT VACANCY	6.9%	↑
ABSORPTION	(715,188) s.f.	↓
CONSTRUCTION	1,615,563 s.f.	↑
COMPLETIONS	185,882 s.f.	↓
FLEX DIRECT AVG. LEASE RATE	\$10.86	↓
WHSE DIRECT AVG. LEASE RATE	\$5.83	↔

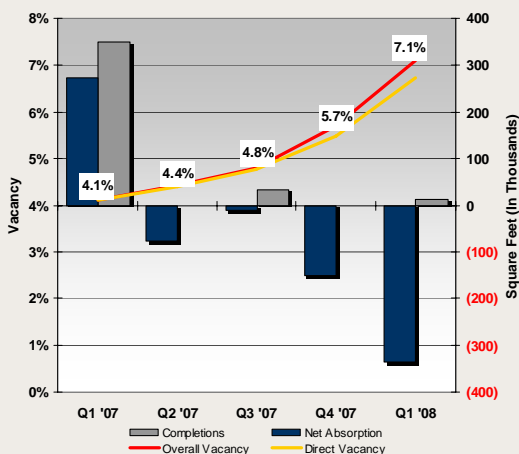
AVG. DIRECT ASKING LEASE RATES BY BUILDING TYPE (NNN)



CENTRAL FLORIDA NEW SUPPLY, ABSORPTION AND VACANCY RATES



## NORTHWEST ORANGE 24,556,101 Sq. Ft.



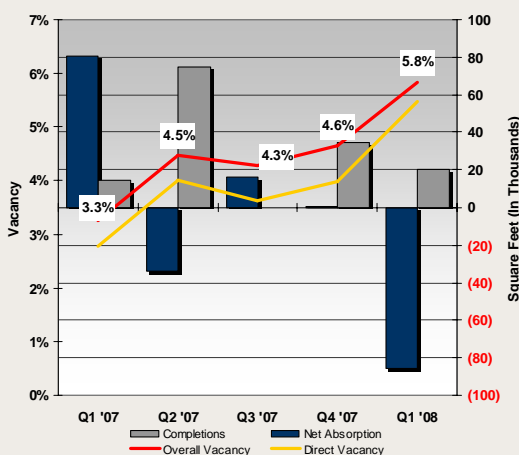
## Northwest Orange

Over the past year, the Northwest Orange submarket has experienced a dramatic increase in vacancy and consecutive negative performances in absorption due to the high concentration of the homebuilding industry in this submarket. Currently, the vacancy rate is posted at 7.1 percent up from 5.7 percent in the previous quarter. Absorption as well is following the same trend and is registering a negative 234,686 square feet. Over the past year, absorption experienced a major loss of 473,907 square feet compared to the prior year's gain of 544,732 square feet. The year started out with a minimal amount of space being delivered to the market totaling just over 12,500 square feet. Over the past year a mere 44,965 square feet of new space was delivered to the market, well below the previous years 360,000 square feet of absorption. Construction activity has increased greatly compared to the past three quarters of performance. Currently five buildings representing over 438,000 square feet of new space are currently under construction. The overall average lease rate slipped this quarter to \$5.47 nnn per square foot from \$5.60 nnn per square foot in the previous quarter. Compared to this time period one year ago, the average leasing rate has fallen \$0.40 cents from \$5.87 nnn per square foot.

### TRANSACTIONS

- **AH2 Group, Inc. sold their 2,500 sf building located at 490 Live Pine Circle for \$419,663 or \$167 per square foot.**
- Ferrari of Central Florida leased and occupied 5,700 sf of warehouse space at 6325-6373 All American Blvd.
- CVC & Associates, Inc. leased 26,250 sf of warehouse space located at 4455 Dardanella Dr within the Rubin Bros Warehouse.
- 5,700 square feet of space was leased and occupied at 100 Lake Destiny Blvd within the Interstate Park.

## NORTHEAST ORANGE 8,833,169 Sq. Ft.



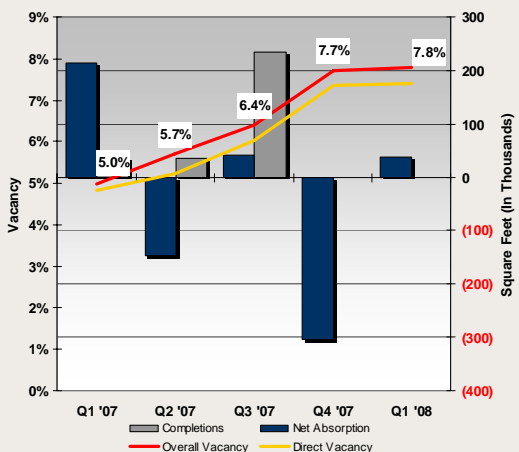
## Northeast Orange

The Northeast Orange submarket has experienced its second straight quarter with an increase in vacancy. The jump this quarter was more than one percent, bringing the current average to 5.8 percent from the fourth quarter posting of 4.6 percent. Absorption reported its largest negative recording in over two years with a posting of negative 85,788 square feet. Direct space recorded a net absorption loss of 111,390 square feet with sublet space recording a positive 25,602 square feet. Over the past year, absorption has fluctuated between positive and negative but overall has recorded a negative 103,146 square feet for the year. One 20,000 square foot building was completed and delivered to the submarket this quarter bringing the rolling yearly total to 129,200 square feet. Construction activity increased this quarter with the addition of two buildings with a combined total of 118,400 square feet of space. Both buildings are located along Discovery Drive and have an estimated completion date of the fourth quarter 2008. The overall average lease rate for the submarket of \$11.78 nnn per square foot has increased more than \$0.40 from the previous quarter posting of \$11.33 nnn per square foot. The current rate has increased nearly \$1.50 when compared to this time period one year ago.

### TRANSACTIONS

- Mddb Llc purchased a 7,600 sf warehouse building at 4218 E Roush Ave for \$735,000 or \$96.71 per square foot.
- A&B Stucco leased 8,250 sf of warehouse space at 1410 N Goldenrod Rd Building B. Occupancy to take place May, 2008.
- 9,000 sf of manufacturing space was leased at 413 Virginia Drive.
- Architectural Design Collaborative, Inc. leased 2,000 sf of space at 913 N Pennsylvania Ave within the Winter Park Commerce Center.

## SEMINOLE COUNTY 25,461,765 Sq. Ft.



## Seminole County

The only submarket this quarter to achieve a positive absorption was the Seminole County submarket. Up from a dramatic loss of 304,502 square feet, absorption totaled a positive 38,174 square feet. Vacancy remained statistically unchanged from the previous quarter with a posting of 7.8 percent compared to 7.7 percent in the fourth quarter of 2007. Although vacancy has leveled this quarter, the rate has risen from 5.0 percent this time period one year ago. Currently, construction activity consists of four buildings with a total rentable building area of 121,504 square feet. There were no deliveries recorded this quarter within the Seminole County submarket. Over the past year, 12 buildings were completed and delivered representing over 270,000 square feet of new space. The overall average leasing rate has fallen slightly from \$7.96 nnn per square foot to its current rate of \$7.82 nnn per square foot. Compared to the first quarter of 2007, the average leasing rate is marginally less than that quarter's posting of \$7.89 nnn per square foot.

### TRANSACTIONS

- Status 10 Lodging Furniture leased 14,000 sf of warehouse space located at 2800 West Airport Blvd.
- Southern Pride Trucking lease 7,300 sf of warehouse space at 4240 Church St within the Monroe CommerCenter IV, Bldg 11.
- Tech Source leased 8,978 sf of flex space at 402-474 S North Lake Blvd within the North Lake Business Park.
- XO Technologies leased 6,720 sf of flex space at 59 Skyline Drive within the Suntech Commerce Park 2, Bldg 100.

\*Note: Blue Bold Transactions are Deals Represented by Colliers Arnold Associates

### Southwest Orange

After a year of consistent demand and positive absorption, the Southwest Orange submarket fell into the overall trend of the sluggish market. Absorption posted a negative 366,093 square feet, well below the previous quarter level of positive 474,096 square feet. As a result of the negative absorption, vacancy increased from a low 4.6 percent to the current rate of 5.8 percent. Although the submarket experienced an increase in vacancy, compared to this time period one year ago, it has fallen from 6.2 percent. A minimal amount of space was completed and delivered to the market representing approximately 54,000 square feet of new space. There were no new buildings beginning construction this quarter leaving the overall construction level at four buildings consisting of 279,381 square feet of space. The average leasing rate posted this quarter climbed from \$6.46 nnn per square foot in the fourth quarter of 2007 to \$6.62 nnn per square foot this quarter. Looking back to the first quarter of 2007, landlords were asking on average more than \$7.00 per square foot but as demand slowed over the year the rates adjusted to the current levels experienced today. The Southwest Orange submarket still remains as the largest and most sought after submarket in the area for tenant and landlords.

#### TRANSACTIONS

- **Unique Industry Corp of Florida, Inc. leased 36,800 sf of space located at 4506 L.B. McLeod Road.**
- **Terminix International Company leased 7,415 sf of flex space at 7003 Presidents Drive within the John Young Commerce Center.**
- Dimensions Cabinetry leased 16,000 sf of warehouse space at 4125 L.B. McLeod Road within the Wet Park VII.
- Dale Willaims Co. leased 5,760 sf of warehouse space at 4240-4288 L.B. McLeod Road within the 33<sup>rd</sup> Street Industrial Park, Bldg 7.

### Southeast Orange

Over the past year, nearly 1.5 million square feet of space was completed and delivered to the Southeast Orange submarket. With an abundant amount of new product being delivered to the submarket, demand was unsuccessful in its effort to keep up with supply causing the overall vacancy to increase over the past four quarters. Currently, vacancy is averaging 9.7 percent, which is slightly higher than the previous quarter posting of 9.2 percent but far above last year's first quarter average of 5.7 percent. Absorption this quarter posted a negative 40,425 square feet, this quarter is a pleasant sign of an increase in activity. Five new buildings began construction this quarter bringing the overall amount currently under construction to seven buildings totaling more than 558,000 square feet of space. With demand slowing, as noted in the negative absorption felt this quarter, landlords and developers are taking note by holding off increases in asking lease rates. Compared to the previous quarter, the current average asking lease rate is statistically unchanged at \$6.10 nnn per square foot. Going forward, look for vacancy to level off and demand to slowly increase in the second half of 2008.

#### TRANSACTIONS

- **Vehicle Inspection Services purchased a 40,632 sf building at 6317 McCoy Rd for \$3,632,580 or \$89.49 per square foot.**
- **Justine Realty sold their 215,900 sf building located at 1854 Central Florida Pkwy for \$6,380,000 or \$29.55 per square foot.**
- Sheppard Electric Co sold their 9,357 sf building located at 6512 Pinecastle Blvd for \$1,122,840 or \$120 per square foot.
- **Goodyear Tire & Rubber Co. signed a lease for a 24,000 square foot space at 1000 Gills Drive.**

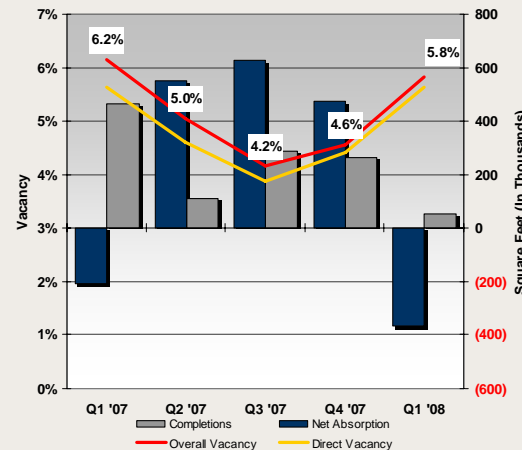
### Osceola County

The Osceola County submarket remained fairly comparable to the previous quarter as vacancy ticked up 0.1 percent to its current level of 6.2 percent. After numerous increases in vacancy over the past two years, vacancy has leveled off this quarter and is forecasted to remain similar going forward. Absorption registered a negative 7,370 square feet compared to the previous quarter positive posting of 31,650 square feet. Comparable to the previous quarter, no buildings were completed and delivered to the market. After two quarters of dormant conditions, construction activity regained strength with the addition of five buildings totaling 100,000 square feet. All five buildings are located within the Poinciana Office and Industrial Park located along Poinciana Blvd. Delivery is expected by year end. Leasing rates experienced an overall increase of \$0.40 to its current level of \$6.88 nnn per square foot. As prices in other major submarkets increase and available developable land diminishes, look for the Osceola County submarket to gain attention by developers and landlords alike.

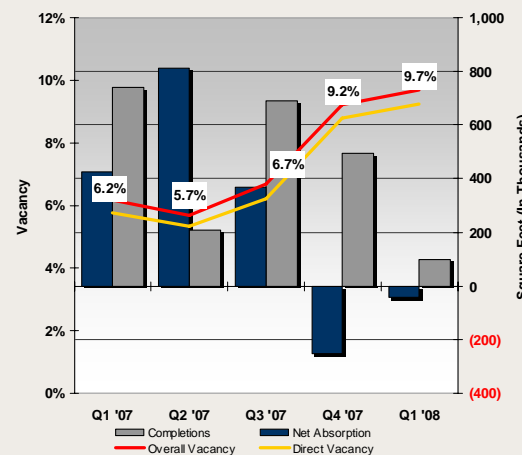
#### TRANSACTIONS

- There were no recorded transactions to report for the first quarter of 2008.

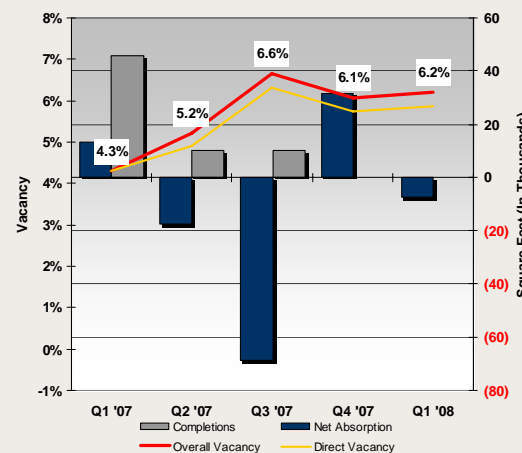
### SOUTHWEST ORANGE 40,779,933 Sq. Ft.



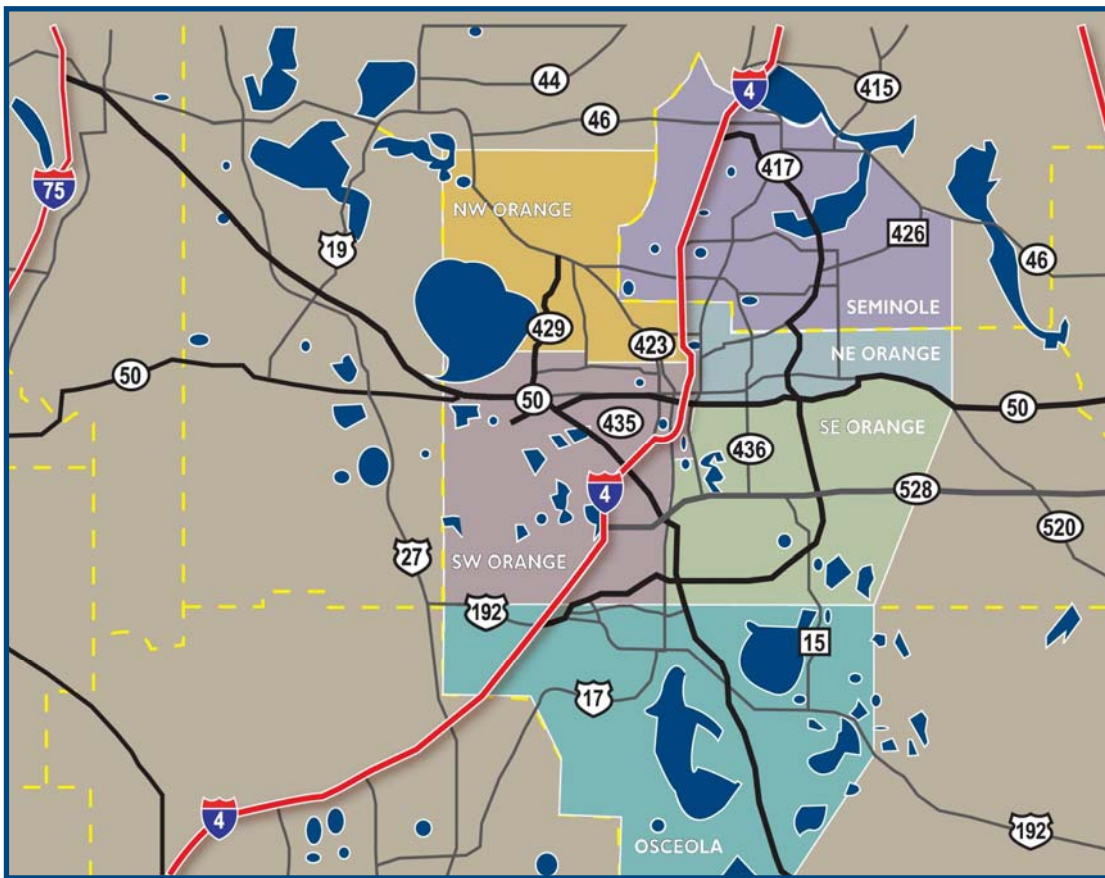
### SOUTHEAST ORANGE 28,410,564 Sq. Ft.



### OSCEOLA COUNTY 5,442,321 Sq. Ft.



\*Note: Blue Bold Transactions are Deals Represented by Colliers Arnold Associates



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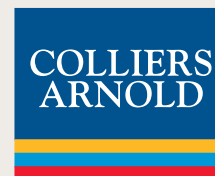
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## INDUSTRIAL / FLEX MARKET FIVE QUARTER COMPARISON

Qtr. & Year	Bldgs.	Total Inventory Sq.Ft.	Direct Vac. %	Sub-lease Vac. %	Total Vac. %	Net Absorp. Current Qtr. S.F.	Net Absorp. YTD S.F.	New Completions S.F.	Under Construc. S.F.	Whse. Avg. Direct Asking Rate NNN	Flex Avg. Direct Asking Rate NNN
<b>ORLANDO OVERALL MARKET</b>											
Q1 2008	3,156	134,004,524	6.9%	0.3%	7.2%	(715,188)	(715,188)	185,882	1,615,563	\$5.83	\$10.86
Q4 2007	3,143	133,654,233	6.1%	0.3%	6.4%	(121,679)	2,659,711	871,322	986,710	\$5.76	\$10.71
Q3 2007	3,125	132,298,913	5.0%	0.3%	5.3%	958,295	2,781,390	1,252,607	2,211,480	\$5.64	\$13.18
Q2 2007	3,100	130,991,856	4.8%	0.3%	5.1%	1,025,621	1,823,095	439,246	3,454,137	\$5.64	\$13.08
Q1 2007	3,084	130,005,035	4.9%	0.3%	5.2%	797,474	797,474	1,661,589	2,945,075	\$5.47	\$12.83
<b>SOUTHWEST ORANGE SUBMARKET</b>											
Q1 2008	878	40,779,933	5.6%	0.2%	5.8%	(366,093)	(366,093)	54,000	279,381	\$5.58	\$10.87
Q4 2007	873	40,624,591	4.4%	0.2%	4.6%	474,096	1,439,365	264,571	301,276	\$5.58	\$10.56
Q3 2007	867	39,975,649	3.9%	0.3%	4.2%	625,668	965,269	288,120	931,918	\$5.42	\$10.56
Q2 2007	870	39,687,829	4.6%	0.4%	5.0%	549,686	339,601	111,200	1,193,638	\$5.13	\$10.57
Q1 2007	857	39,576,629	5.6%	0.5%	6.2%	(210,085)	(210,085)	465,071	673,491	\$5.14	\$10.63

This Colliers Arnold market report includes owner and non-owner occupied industrial space 10,000 s.f. and greater in Orange, Seminole and Osceola Counties. Overall vacancy rates include direct and sublease space. Directional arrows compare Q1 2008 numbers to Q4 2007 numbers. Arrows show change when there is a 10 cent or more change in lease rate or 0.5% or more change in vacancy rate. Lease rates quoted are full service asking rates. Due to continual updates and refinements in the historical database, some of the data in this report may not match data published in previous reports. Sources: CoStar Property and Colliers Arnold. Colliers Arnold is a member firm of Colliers International - a worldwide affiliation of independently owned and operated companies with over 281 offices throughout more than 57 countries. Research reports for cities throughout the world may be found on the Colliers website at www.colliers.com or locally at www.colliersarnold.com. Questions should be directed to Danny Rice, GIS/Research Coordinator, at 407/843-1723 or by e-mail: drice@colliersarnold.com. Information contained herein has been obtained from sources deemed reliable but not guaranteed. No representation is made as to the accuracy thereof. Data as of 4/14/08.



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