

# Market Research

INDUSTRIAL/FLEX

| FIRST QUARTER

| 2009



## MARKET INDICATORS

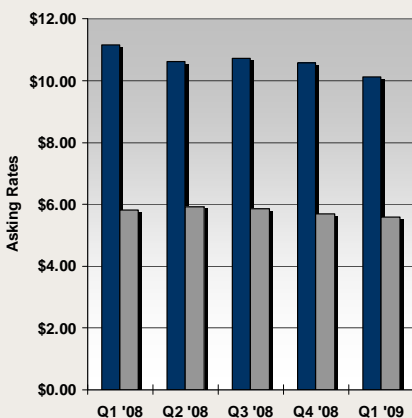
CENTRAL FLORIDA INVENTORY  
138,681,773 Sq. Ft.

	Q1	Q2*
OVERALL VACANCY 10.8%	↑	↑
DIRECT VACANCY 10.2%	↑	↑
ABSORPTION (1,149,268) s.f.	↓	↑
CONSTRUCTION 68,678 s.f.	↓	↓
NEW SUPPLY 195,940 s.f.	↓	↓
FLEX DIRECT AVG. LEASE RATE \$10.11	↓	↓
WHSE DIRECT AVG LEASE RATE \$5.57	↓	↓

\*Projected, relative to prior period

## RENTAL RATES BY BUILDING TYPE

■ Whse/Distrib. ■ Flex/Service

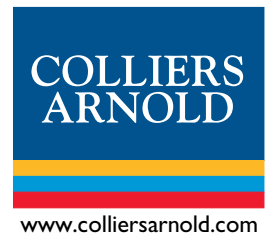
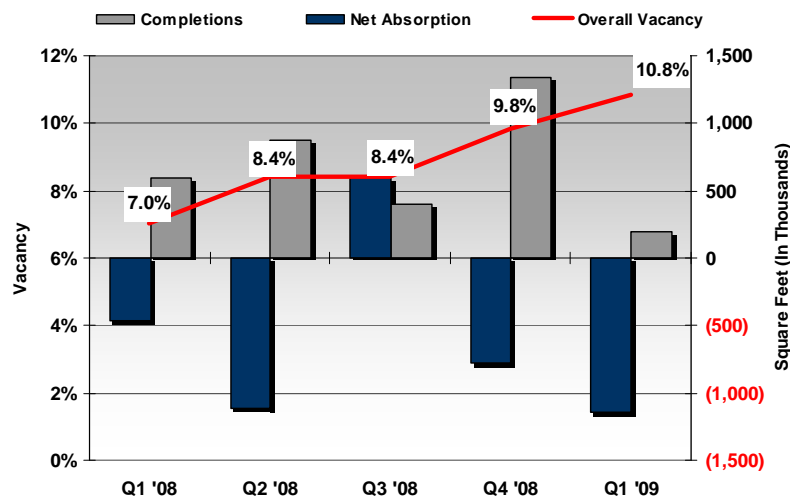


## Vacancy continues to increase; expect more of the same...

The first quarter of 2009 for the Commercial Real Estate market delivered new challenges and obstacles and the forecast for next quarter shows no significant improvement. The stock market continues to experience new deficits and consumers are feeling the pressure, as evident by the lagging retail sales, foreclosure increases, and near double digit unemployment rates. The overall consensus amongst the brokerage community stands that the bottom has yet to be reached. Many believe the market is still cleansing itself from the rapid growth experienced over the past years, and some forecast the current downturn to last through 2009 before seeing conditions stabilize in early 2010. As the year progresses, businesses will continue to dispose of space as cost cutting has become a high priority to the bottom line. In turn, subleases will become more common putting added pressure on competing landlords offering new and second generation space.

Looking ahead, Colliers Arnold is forecasting vacancy for the Industrial Market to continue its increasing trend into the second quarter but stabilizing in the third and fourth quarter of 2009. Average asking rental rates will fall in the upcoming quarters, but not as drastically as one might suspect due to the many landlord concessions being offered as an alternative to reduced rent. Construction activity will dwindle or be put on hold as financing for construction costs is difficult to obtain and the glut of available space makes new development very risky in today's market. Also, land sales are nearly non-existent creating pricing issues on the value of land. Although the economic storm is still battering the market, Colliers Arnold is cautiously optimistic looking ahead. Many brokers are reporting increased activity amongst savvy tenants looking to take advantage of distressed landlords. As each space gets absorbed, the local market will be one step closer to a stabilized market.

## CENTRAL FLORIDA INDUSTRIAL/FLEX MARKET NEW SUPPLY, ABSORPTION AND VACANCY RATES



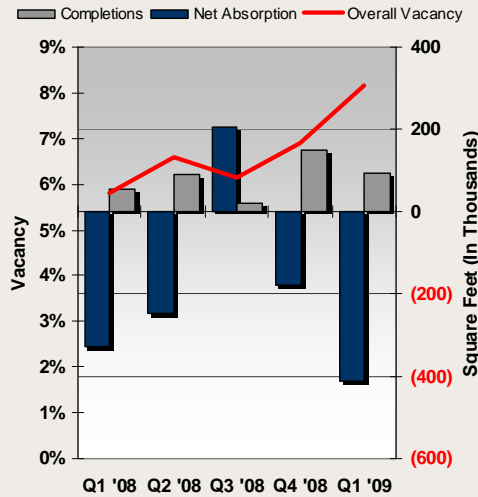
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Today's market has shifted quickly from a landlord's market of increasing rents, low vacancy and insignificant concessions to a tenant's market filled with below market rental rates, numerous space options/availability, and generous landlord concessions. In today's market, experienced landlords are offering many incentives to would-be tenants just to draw attention. These same landlords are 'buying' new leases at whatever cost just to fill space and begin to receive much needed cash flow. Some tenants are taking advantage of the situation, signing long term leases at unforeseen low rental rates. In the near future, commercial foreclosures will present another challenge to investors and owners of commercial property. Each business that closes its doors puts added pressure on landlords to cope with diminishing cash flows. With further diminishing demand to fill the space, many properties will have to face foreclosure. A recent report produced by Real Capital Analytics shows REO properties nationwide have drastically increased over the past two months from \$2.5B to \$6.8B; while pending foreclosures nationwide have doubled from \$21.2B to \$42.3B.

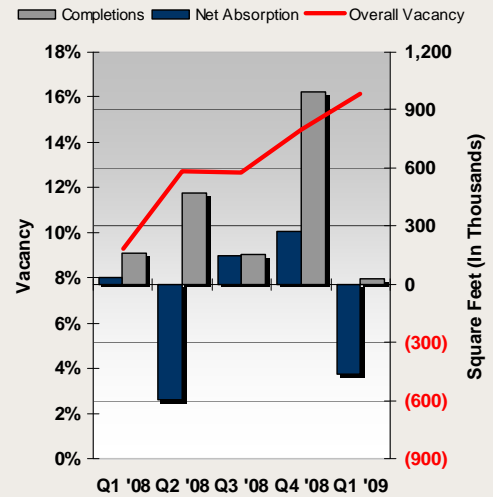
Taking a look at the submarket performance over the past quarter, it is easily noticed that more than half of the submarkets performed unfavorably. Negative absorption was experienced in four of the six submarkets, with Seminole County and Northeast Orange County being the only submarkets to register positive absorption. The Northeast Orange submarket currently holds the lowest vacancy level, 7.9 percent, of all the submarkets in Central Florida. Three of the six submarkets are currently experiencing double digit vacancy rates, which was non-existent one year ago. Construction activity is a perfect snapshot of the current market condition with only three buildings under construction in the entire market. If any good news can be taken away from the dismal amount of construction, it is that new space will not put added pressure on a market filled with high vacancy. Nearly all submarkets, with the exception of Southwest Orange, experienced a decrease in the overall average asking lease rate. The average rate within the SW Orange submarket increased from \$6.32 per square foot triple net to \$6.42 per square foot this quarter.

SUBMARKET TRENDS

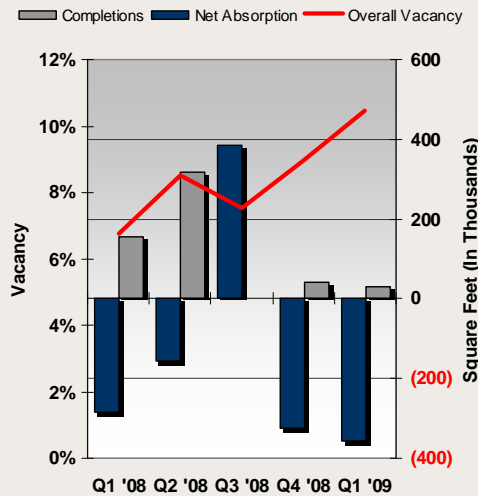
SOUTHWEST ORANGE



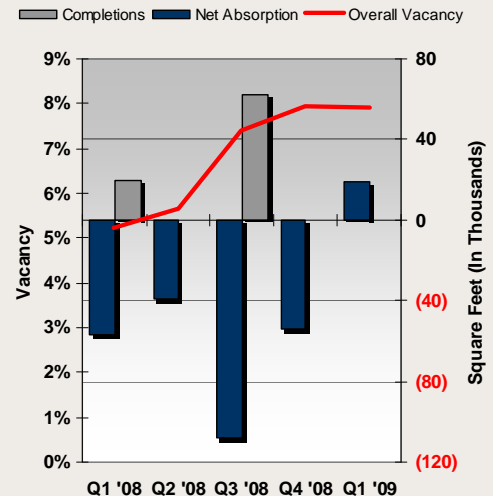
SOUTHEAST ORANGE



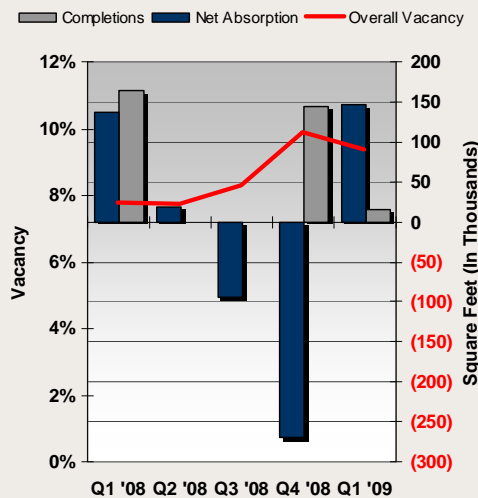
NORTHWEST ORANGE



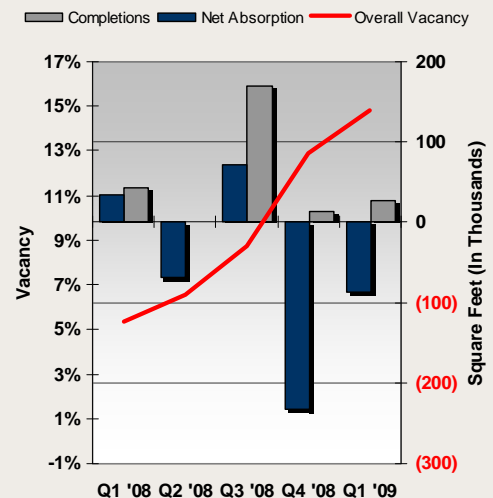
NORTHEAST ORANGE



SEMINOLE COUNTY



OSCEOLA COUNTY

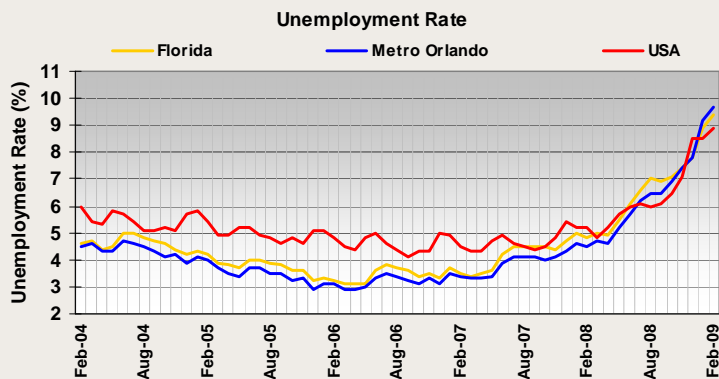


## CENTRAL FLORIDA MARKET STATISTICS

Qtr. & Year	Bldgs.	Total Inventory S.F.	Direct Vac. %	Total Vac. %	Net Absorp. Current Qtr. S.F.	Net Absorp. YTD S.F.	New Completions S.F.	Under Construc. S.F.	Avg. Direct Asking Rate NNN
<b>SUBMARKETS</b>									
<b>Southwest Orange</b>									
Industrial	723	35,305,170	6.5%	6.9%	-385,995	-385,995	94,000	0	\$5.48
Flex	220	7,651,647	14.3%	14.5%	-147,797	-147,797	0	0	\$11.54
<b>Southeast Orange</b>									
Industrial	455	28,140,379	13.3%	15.0%	-398,220	-398,220	30,148	0	\$5.43
Flex	89	2,869,013	27.5%	27.7%	-61,542	-61,542	0	38,078	\$8.37
<b>Osceola County</b>									
Industrial	111	5,533,517	12.6%	12.9%	-39,452	-39,452	27,260	15,600	\$5.79
Flex	13	333,381	45.6%	45.6%	-47,784	-47,784	0	0	\$6.08
<b>Northwest Orange</b>									
Industrial	476	23,021,977	10.3%	10.7%	-347,989	-347,989	0	0	\$5.01
Flex	98	2,595,584	7.9%	7.9%	-9,925	-9,925	29,132	0	\$8.71
<b>Northeast Orange</b>									
Industrial	167	6,272,982	4.1%	4.1%	11,612	11,612	0	15,000	\$6.95
Flex	106	3,337,335	13.6%	14.9%	-8,157	-8,157	0	0	\$13.28
<b>Seminole County</b>									
Industrial	614	18,863,054	7.3%	7.3%	286,860	286,860	15,400	0	\$6.31
Flex	230	6,267,413	15.2%	15.5%	-140,741	-140,741	0	0	\$9.96

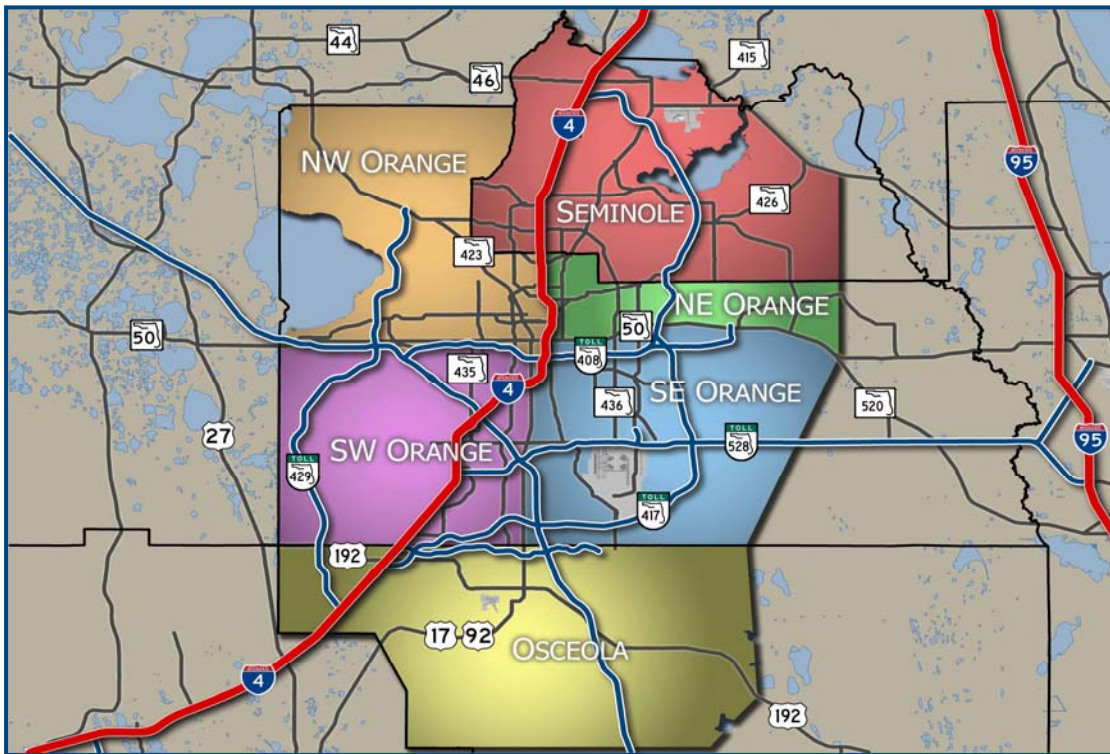
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<b>ORLANDO OVERALL MARKET</b>										
2009 1Q	3,309	140,586,971	10.2%	10.8%	-1,149,268	-1,149,268	195,940	68,678	\$5.57	\$10.11
2008 4Q	3,300	140,325,947	9.2%	9.8%	-771,814	-1,751,269	1,338,927	264,618	\$5.70	\$10.59
2008 3Q	3,287	138,987,020	7.7%	8.4%	593,599	-979,455	402,235	1,549,867	\$5.83	\$10.74
2008 2Q	3,271	138,346,865	7.7%	8.4%	-1,109,428	-1,573,054	879,468	2,082,810	\$5.94	\$10.60
2008 1Q	3,265	137,467,397	6.7%	7.0%	-463,626	-463,626	596,223	2,778,440	\$5.82	\$11.17

## UNEMPLOYMENT SNAPSHOT



For the first time in recent memory, the Central Florida unemployment rate surpassed the overall averages of Florida and the United States. Metro Orlando reached its low of 2.9 percent in April 2006 and has increased 234 percent to today's rate of 9.7 percent. Locally, the construction industry continues to cut positions daily, having lost approximately six percent of its workforce over the past month. The Leisure and Hospitality industry surprisingly experienced an increase in the workforce over the past month by nearly two percent, but is still down four percent over the past year.

## CENTRAL FLORIDA INDUSTRIAL HIGHLIGHTED SUBMARKETS



## FIRST QUARTER 2009 MARKET TRANSACTIONS

## SALES ACTIVITY

BLDG NAME PROPERTY ADDRESS	TYPE	BUYER NAME	SIZE (SF)	SALES PRICE	SALES PRICE/SF	SUBMARKET
Crownpointe VI 7272 Kingspointe Pkwy	Dist.	Crownpointe Buildings LLC	251,330	\$17,200,000	\$68.44	SW ORANGE
3855 St. Valentines Way	Flex	Kennedy 34 <sup>th</sup> Street LP	27,900	\$2,600,000	\$93.19	SW ORANGE
Technology Center 1339 Bennett Drive	Whse	Lavoro LLC	31,500	\$2,260,000	\$71.75	SEMINOLE
5217 N Pine Hills Road	Ind.	PCL Construction Resources USA Inc	10,925	\$975,000	\$89.24	NW ORANGE
1265 La Quinta Drive	Whse	Natmi Truck Terminals, LLC	39,948	\$2,420,571	\$60.59	SE ORANGE

## LEASING ACTIVITY

BLDG NAME PROPERTY ADDRESS	TYPE	TENANT NAME	SIZE (SF)	LEASE TYPE	SUBMARKET
Crossroads Distribution, Bldg A 1051 Gills Drive	Whse	Office Depot	252,000	RENEWAL	SE ORANGE
Crossroads Distribution, Bldg B 1125 Gills Drive	Whse	Customized Delivery Services, Inc.	40,100	DIRECT	SE ORANGE
Cypress Park, Bldg 2 9603 Satellite Blvd.	Whse	Unique Option Llc	22,793	DIRECT	SE ORANGE
Lee Vista Business Center 5945 Hazeltine National Drive	Flex	Adacel Systems, Inc.	56,000	DIRECT	SE ORANGE
Rinehart Ridge IV 660 Century Pt.	Flex	N/A	35,000	DIRECT	SEMINOLE

FOR OTHER LOCAL REPORTS VISIT – <http://www.colliers.com/Markets/Orlando/MarketReports/>

FOR NATIONAL REPORTS VISIT – <http://www.colliers.com/Corporate/MarketReports/>

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. Directional arrows compare current quarter numbers to previous quarter 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. 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 293 offices throughout more than 61 countries. Questions should be directed to the Colliers Arnold Research Department at 407/843-1723 or by e-mail: [research@colliersarnold.com](mailto:research@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 3/23/2009.

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CONSTRUCTION MANAGEMENT  
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