Market Research

INDUSTRIAL/FLEX | SECOND QUARTER | 2008

MARKET INDICATORS

CENTRAL FLORIDA INVENTORY	135,550,401 Sq. Ft.	
OVERALL VACANCY	8.4%	↑
DIRECT VACANCY	7.7%	↑
ABSORPTION	(806,796) s.f.	↑
CONSTRUCTION	1,243,129 s.f.	↓
COMPLETIONS	935,133 s.f.	↑
FLEX DIRECT AVG. LEASE RATE	$10.81	↓
WHSE DIRECT AVG LEASE RATE	$5.95	↑

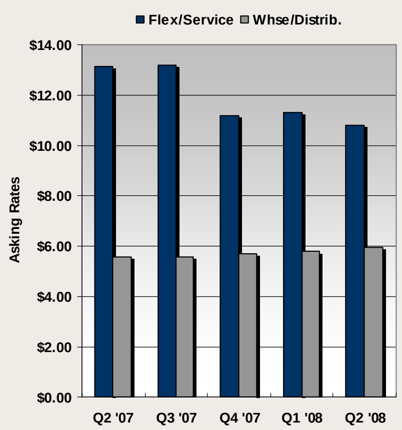
Central Florida Industrial/Flex Market Executive Summary

While many may believe the national economy is currently in a recession, statistics point in a different direction. The national GDP continues to show positive growth and the national employment is observed by many economists as a favorable level for the current economic conditions. We are yet to see a substantial increase in the unemployment level and still have not experienced a negative posting in the national GDP. Crude oil prices are also feeling the pressure as Americans have cut back and decreased their demand for oil for the first time in many years. The current price for a barrel of crude oil is down below $125 a barrel, more than $20 less than the high of almost $147 a barrel.

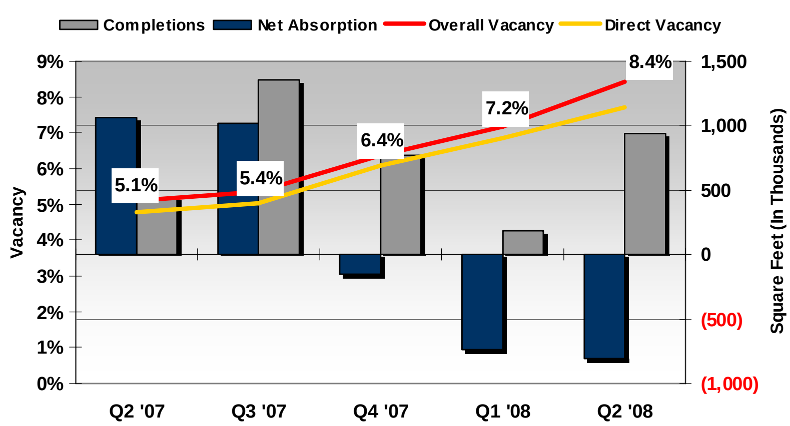
The job market in Central Florida continues to outpace the state and national market. The Orlando-Kissimmee MSA is currently experiencing a 5.3 percent unemployment rate while Florida and the U.S. are both generating a 5.7 percent unemployment rate. The local residential real estate market is also experiencing a positive trend after more than a year of unfavorable statistics. Pending sales have increased, the median sales price has increased and inventory has decreased within the Central Florida MSA. All are signs of readjustments to a market that is in desperate need of a positive change. Although a bottom may not have been fully reached at this point, current trends are showing the bottom is near if not already past. As long as current trends continue, the beginning of 2008 may be viewed as the bottom of the downturn.

As 2008 marches on, the Industrial market in Central Florida continues to pull back. A staggering negative 806,796 square feet of absorption was observed during the second quarter. This represents the highest negative absorption posted since Colliers Arnold began tracking the Industrial market. Since the start of 2008, the market has observed a negative 1,550,000 square feet of absorption. The majority of the negative absorption was felt within the Southeast Orange submarket as Ashley Furniture pulled out of its 340,000 square foot space and relocated to the Lakeland market. As demand continues to decrease, vacancy is feeling the pain. Vacancy is currently averaging 8.4 percent, up from 7.2 percent in the first quarter. Vacancy has increased more than three percent from its all time low of 5.1 percent in the second quarter of 2007. Although vacancy has experienced a major readjustment over the past quarters, it is still well below the 10.5 percent average experienced before the real-estate frenzy. Deliveries increased this quarter with eight buildings completing construction and adding more than 935,000 square feet of new space to the market. Overall construction activity has decreased this quarter with 26 buildings under construction with a combined total square footage of 1,243,129 square feet. The majority of the construction activity can be found within the Southwest and Southeast Orange submarkets. The overall average asking lease rate increased this quarter to $7.06 per square foot triple net from $6.85 per square foot triple net in the first quarter. This is the first increase in the average lease rate after three straight quarters of downward pressure on the market. The trend currently experienced in the Industrial market is following the cyclical nature of the industry. In the quarters to come, vacancy should level off and begin to decrease. Although the statistics can be viewed negatively, many seasoned brokers and investors view this time period as full of opportunities.

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



CENTRAL FLORIDA NEW SUPPLY, ABSORPTION AND VACANCY RATES



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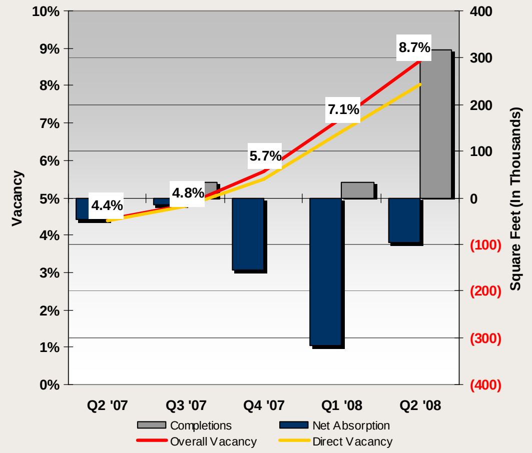
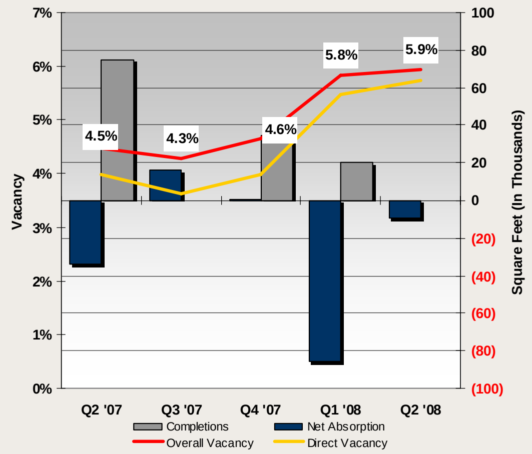
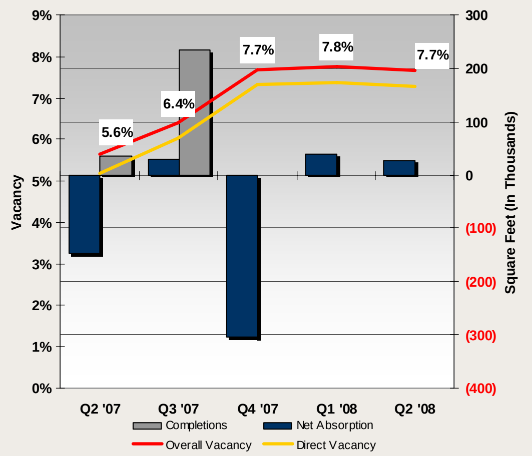
NORTHWEST ORANGE
25,042,710 Sq. Ft.



NORTHEAST ORANGE
8,838,726 Sq. Ft.



SEMINOLE COUNTY
25,649,603 Sq. Ft.



Northwest Orange

Continuing the trend this quarter, the Northwest Orange submarket experienced another increase in the overall vacancy. Currently, vacancy is posted at 8.7 percent, up from 7.1 percent in the first quarter of 2008. Vacancy has increased from its low of 4.2 percent in the first quarter of 2007 to its current standing. Consistent with the increase in vacancy, demand continues to fall pushing net absorption into the negative for the fifth straight quarter. Absorption registered a negative 96,295 square feet this quarter, up from the negative 317,816 square feet last quarter. Two buildings completed construction in the second quarter adding more than 317,000 square feet of new space to the submarket. Both buildings completing construction this quarter were located along Ocoee Apopka Road and consist of 117,000 square feet (Building A) and 200,000 square feet (Building B). Since the start of 2008, 350,000 square feet of space has been delivered to the market. Construction activity consists of four buildings with a combined total square footage of 141,445 square feet. The overall average asking leasing rate has increased this quarter to $5.68 per square foot triple net from $5.48 per square foot triple net in the previous quarter.

TRANSACTIONS

- **Robyn D Cook Revocable Trust purchased the 23,499 sf building located at 777 S Park Ave for $1,150,000 or $48.94 psf.**
- The 13,860 sf Industrial building located at 1321 Airport Road was purchased for $550,000 or $39.68 psf.
- Discovery Education leased 32,400 sf of warehouse space at 2427 Lynx Ln within the College Park Commerce Center.

Northeast Orange

The Northeast Orange submarket vacancy level is statistically unchanged from the previous quarter. Currently, vacancy is averaging a 5.9 percent rate compared to the previous quarter's posting of 5.8 percent. Demand for direct space decreased this quarter posting a negative 23,332 square feet while demand for sublet space increased with a positive posting of 14,054 square feet. Total net absorption was a negative 9,278 square feet. Year-to-date, net absorption and demand has generated poor statistics posting a negative 95,066 square feet. No deliveries were accounted for during the second quarter with only one 20,000 square foot building being delivered in 2008. Construction activity remains unchanged from the previous quarter. Currently, two buildings are under construction representing a combined square footage of 118,400 square feet. Both buildings under construction are located in the Discovery TechCenter II within the Central Florida Research Park in East Orlando. The submarket is currently asking on average $12.61 per square foot triple net, down from $12.96 per square foot triple in the previous quarter. The current asking leasing rate is two dollars higher than this time period one year ago.

TRANSACTIONS

- 2,500 sf of of flex/light manufacturing space was leased and occupied at 7006 Stapoint Ct within the East Point Industrial Park.
- **Landscape Resources signed a sublease and occupied 9,450 sf of warehouse space at 2169 Forsyth Rd.**
- Nakam Invs on Metric LLC purchased the 40,085 sf building at 4304 Metric Dr for $3,665,000 or $91.43 psf.
- O'Donoghue Holdings LLC purchased the 16,486 sf building at 707 Nicolet Ave for $1,440,000 or $87.35 psf.

Seminole County

The Seminole County submarket has remained fairly consistent over the past three quarters. Vacancy has remained basically unchanged at 7.7 percent from 7.8 percent last quarter and 7.7 percent in the fourth quarter of 2007. Absorption has recorded its second straight positive posting with the most recent quarter reporting a positive 26,259 square feet. Since the start of 2008, the market has absorbed approximately 66,000 square feet of space. No buildings completed construction this quarter keeping the yearly total delivered at zero. Construction activity includes five buildings with a total square footage of 222,784 square feet. All buildings have an expected completion date by the end of the year. The overall average leasing rate for the submarket increased this quarter to $8.12 per square foot triple net from last quarter's average of $7.90 per square foot triple net. The increase in the average asking rate represents the first increase since the second quarter of 2007 when rates jumped from $7.89 per square foot triple net to $8.40 per square foot triple net.

TRANSACTIONS

- **Cascade Asset Management, LLC leased 4,200 sf at 2120 Ronald Reagan Blvd within the Soldiers Creek Business Ctr.**
- **Creative Mailbox Designs, LLC leased 6,750 sf of warehouse space at 155 National Place within the American Industrial Center.**
- NAPA Auto & Truck Parts leased and occupied 6,000 sf of space at 663-691 Progress Way within the Monroe Commercenter South.
- Cornerstone Realty Fund purchased the two building portfolio 4150 & 4200 Church St for $15,150,000 or $83.48 psf.

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

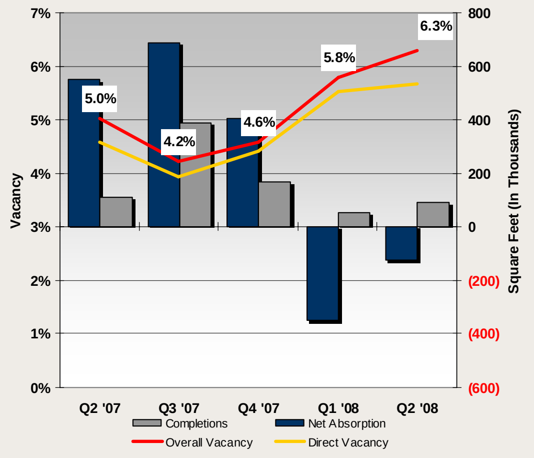
Southwest Orange

For the third straight quarter, vacancy in the Southwest Orange submarket has increased. At its low of 4.2 percent in the third quarter of 2007, vacancy has increased ever since to its current level of 6.3 percent. The current rate is up from 5.8 percent in the previous quarter. Absorption was once again in the negative with a posting of a negative 122,173 square feet. Sublet space within the submarket pulled absorption into the negative as direct absorption posted a positive 27,741 square feet. One building, located at 2456 Commerce Park Drive with a total square footage of 90,928 square feet completed construction this quarter. Construction activity is left with three buildings under construction with a combined square footage of 215,862 square feet. The largest building under construction within the submarket is located within the South Park Business Center located at 8600 Commodity Circle and has a total square footage at completion of 150,000 square feet. Just over 81 percent of the project is pre-leased within the building. The overall average leasing rate for the Southwest Orange submarket increased for the third straight quarter to $6.65 per square foot triple net from $6.54 per square foot triple net in the first quarter of 2008.

TRANSACTIONS

- **Unique Industry Corp of Florida, Inc. leased 36,800 sf of space located at 4506 L.B. McLeod Road.**
- FDG John Young Pkwy, LLC purchased the 129,257 sf building at 9701 John Young Pkwy for $8,150,000 or $63.05 psf.
- 395 Ent LLC purchased the 29,000 sf building located at 395 Enterprise St for $2,300,000 or $79.31 psf.
- Batac Corporation purchased the 34,725 sf building at 3840 Vineland Rd for $2,625,000 or $75.59 psf.

SOUTHWEST ORANGE
40,848,184 Sq. Ft.



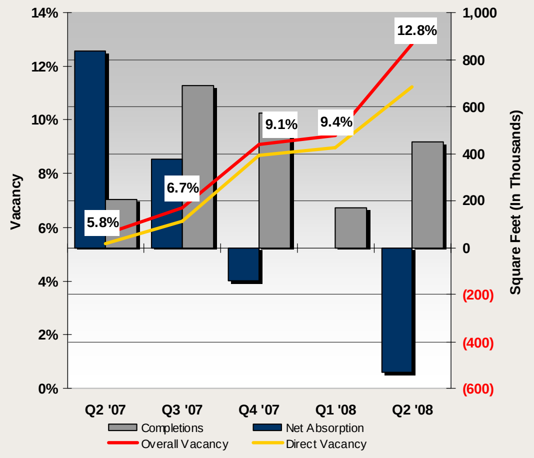
Southeast Orange

Vacancy in the Southeast Orange submarket spiked this quarter due to over 530,000 square feet of negative net absorption. Vacancy jumped to 12.8 percent from 9.4 percent in the first quarter. Absorption posted a large negative amount due primarily to Ashley Furniture moving out of 350,000 square feet of space at 1401 Tradeport Drive and relocating their distribution facility to the Lakeland submarket. The space is currently being marketed as sub-lease space. During the second quarter, three buildings were completed and delivered to the market representing approximately 448,000 square feet of new space. Year-to-date, over 642,000 square feet of space has been completed and delivered to the market. Currently, five buildings remain under construction within the submarket for a total square footage of 355,038 square feet. Completion on all five buildings under construction is expected by year end. The overall average leasing rate for the submarket increased this quarter to $6.29 per square foot triple net from $6.10 per square foot triple net in the first quarter. Looking back over the past year, rates have declined from the peak high of $6.35 per square foot triple net back in early 2007 to its current average.

TRANSACTIONS

- Shepard Exposition Services, Inc. leased 31,200 sf of distribution space at 603 W Landstreet Rd within the Beeline Industrial Park.
- Midwest Copier leased 5,600 sf of industrial space at 11350 Space Blvd within the Regency Center.
- Delta Properties Intl, LLC purchased the 80,389 sf building at 1815 Cypress Lake Drive for $5,950,000 or $74.02 psf.
- VIS Lee Vista LLC purchased the 40,300 sf building located at 6317 McCoy Rd for $3,632,580 or $90.14 psf.

SOUTHEAST ORANGE
29,163,382 Sq. Ft.



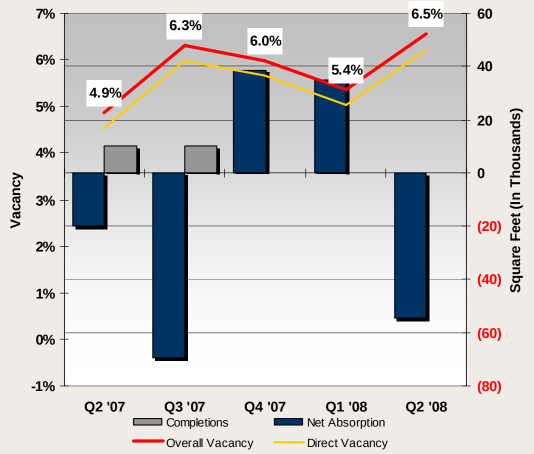
Osceola County

After a large drop in vacancy last quarter, the Osceola County submarket has bounced backward and experienced a 1.1 percent increase to the current average of 6.5 percent. Vacancy has volleyed back and forth over the past year due to absorption posting sporadic positive and negative postings in various quarters. This quarter, absorption registered a negative 54,585 square feet compared to last quarter's positive posting of 34,730 square feet. With the little amount of total rentable space in the submarket, the smallest fluctuations in absorption can cause extreme spikes in vacancy. For the third straight quarter, no buildings were delivered to the market. Construction activity increased this quarter with the addition of a 29,000 square foot building. The total construction square footage is 169,500 square feet and the buildings are all located along Poinciana Blvd within the Poinciana Industrial Park. The overall average leasing rate for the submarket increased again this quarter to $7.31 per square foot triple net from $6.75 per square foot triple net in the first quarter.

TRANSACTIONS

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

OSCEOLA COUNTY
5,508,313 Sq. Ft.



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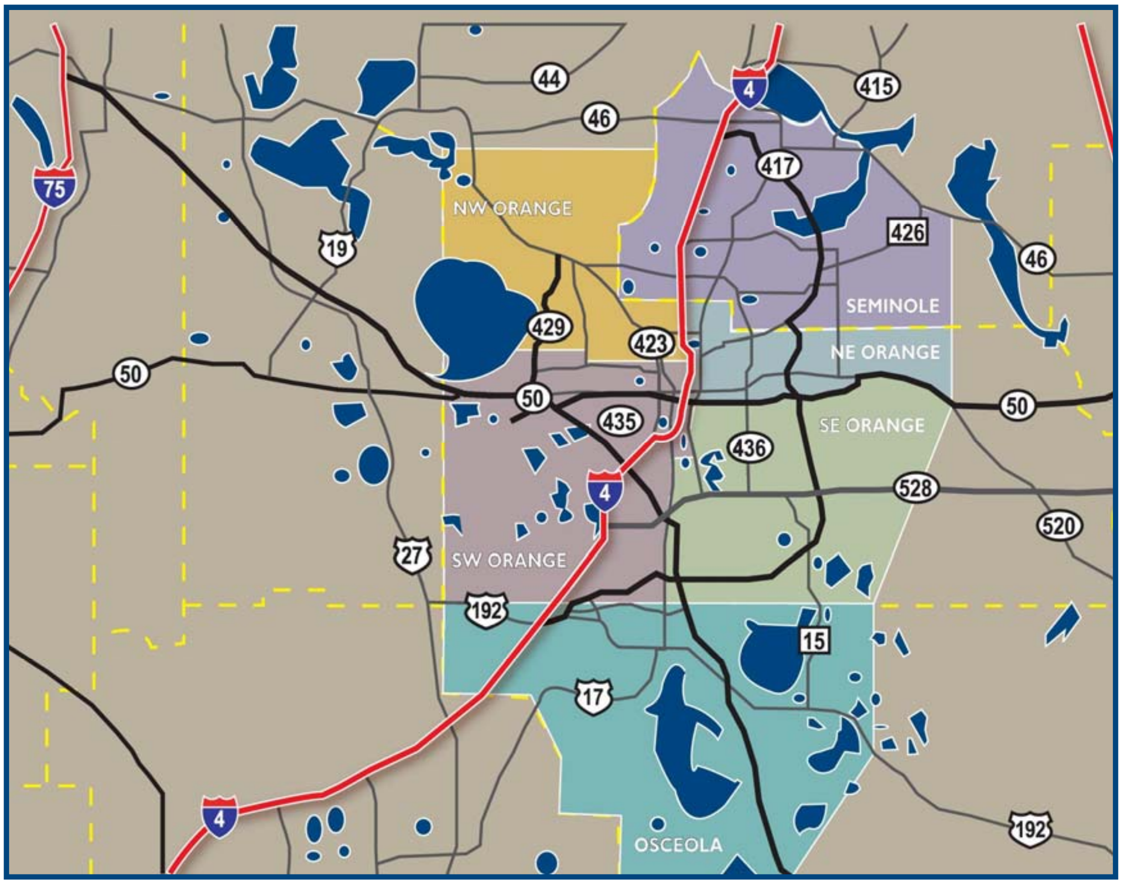

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INDUSTRIAL / FLEX MARKET FIVE QUARTER COMPARISON

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
ORLANDO OVERALL MARKET											
Q2 2008	3,180	135,550,401	7.7%	0.7%	8.4%	(806,796)	(1,552,752)	935,133	1,243,129	$5.95	$10.81
Q1 2008	3,171	134,595,268	6.8%	0.3%	7.2%	(745,956)	(745,956)	185,882	2,117,702	$5.78	$11.31
Q4 2007	3,157	134,224,877	6.1%	0.3%	6.3%	(152,535)	2,857,196	771,826	1,352,856	$5.71	$11.18
Q3 2007	3,139	132,926,838	5.0%	0.3%	5.4%	1,016,735	3,009,731	1,352,103	2,256,218	$5.59	$13.20
Q2 2007	3,113	131,520,235	4.8%	0.3%	5.1%	1,057,541	1,992,996	439,246	3,511,396	$5.56	$13.14
SOUTHWEST ORANGE SUBMARKET											
Q2 2008	879	40,848,184	5.7%	0.6%	6.3%	(122,173)	(472,104)	90,928	215,862	$5.88	$10.17
Q1 2008	878	40,757,256	5.5%	0.3%	5.8%	(349,931)	(349,931)	54,000	305,790	$5.58	$10.87
Q4 2007	873	40,601,914	4.4%	0.2%	7.4%	404,194	1,430,565	165,075	396,270	$5.58	$10.57
Q3 2007	868	40,032,553	3.9%	0.3%	4.2%	686,570	1,026,371	387,616	797,631	$5.42	$19.69
Q2 2007	860	39,644,937	4.6%	0.4%	5.0%	547,986	339,801	111,200	1,158,847	$5.18	$22.56

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 Q2 2008 numbers to Q1 2008 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 7/07/08.

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