



Market Research

INDUSTRIAL/FLEX | THIRD QUARTER | 2008



Central Florida Industrial/Flex Market Executive Summary

The most consistent and descriptive word for the third quarter is volatility, which is observed at any moment in today's economic climate. Stocks are significantly up one day and sharply down the next, sometimes fluctuating greatly hour by hour and minute by minute. Crude oil futures dipped below the \$70 mark from its peak of \$147/barrel for the first time since the beginning of the year. This rollercoaster ride to who knows where has created urgency amongst government officials in Washington to craft the largest government emergency plan since the Great Depression. The nearly \$850 billion emergency plan passed by the Senate and finally by the House was signed by President Bush on October 3rd, 2008.

Commercial real estate markets across the country are suffering the adverse effects that the reckless residential market created. The trickle down effect has taken its toll on commercial investors nearly freezing investments worldwide. Although capital is still being offered, the terms have been heavily readjusted allowing only those well-qualified to tap into the available funds. The current conditions, although negative in many aspects, can be seen as a positive readjustment to a market of over-appreciation and downright greed. The economy essentially grew on falsified hope that the economy would grow at the unprecedented rate forever with no remorse for the possible outcomes. Today, the country is facing a major crisis but it is ready to do whatever it takes to rebound as quickly as possible without substantial long term effects. Although a recession is likely in the short term, the long term outlook has hopes of slow but continued growth.

The overall Central Florida Industrial and Flex market is currently experiencing some relief after three consecutive quarters of downward pressure. For the first time since the third quarter of 2007, absorption registered positively. More than 350,000 square feet of space was absorbed compared to last quarter's negative 915,000 square feet of absorption. In statistical terms, vacancy is unchanged from the previous quarter at 8.7 percent. The current vacancy level is comparable to the third quarter of 2004 when the average trend ranged anywhere between 8.0 and 10.0 percent. Thirteen buildings completed construction during the third quarter adding 482,636 square feet of new space to the market. Year-to-date, approximately 1,700,000 square feet of space was completed and delivered to the market. The Central Florida market currently consists of 136,559,950 square feet of rentable and owner-occupied space. Construction activity increased during the quarter even after thirteen buildings were completed and delivered to the market. Currently, 19 buildings remain under construction with a total of 1,441,347 square feet of space. The majority of the construction activity can be found in the Southeast Orange submarket with nearly a million square feet of space under construction. The overall average leasing rate fell slightly to \$6.93 per square foot triple net from an even \$7.00 per square foot triple net last quarter. The Industrial market is readjusting after numerous quarters of extreme demand, price appreciation and development. As the overall economy continues to struggle nationwide, the local markets growth is expected to slow. The long term outlook for demand in the Central Florida Industrial Market is with great uncertainty for 2009, however, with the current economic crisis, market correction is inevitable in the short term.

MARKET INDICATORS

CENTRAL FLORIDA INVENTORY

136,559,950 Sq. Ft.

OVERALL VACANCY 8.7% ↔↔

DIRECT VACANCY 7.9% ↔↔

ABSORPTION 353,481 s.f. ↑

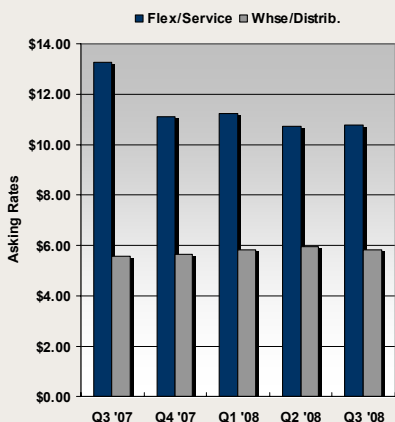
CONSTRUCTION 1,441,347 s.f. ↑

COMPLETIONS 482,636 s.f. ↓

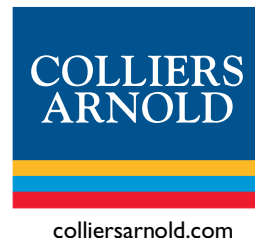
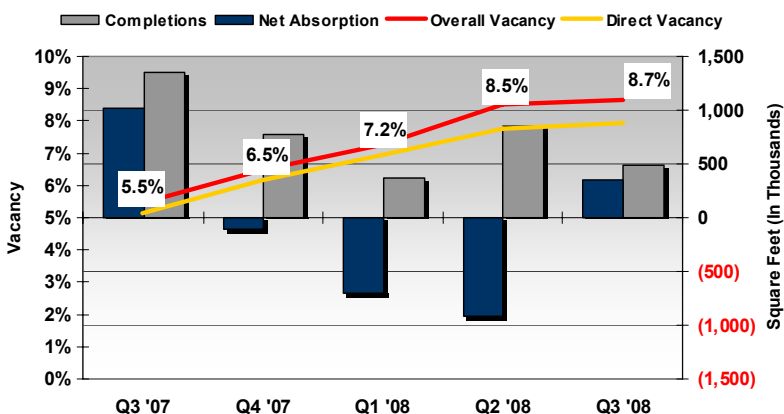
FLEX DIRECT AVG. LEASE RATE \$10.76 ↔↔

WHSE DIRECT AVG. LEASE RATE \$5.84 ↓

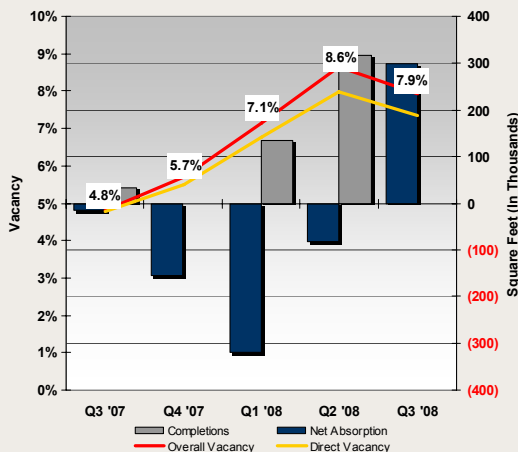
AVG. DIRECT ASKING LEASE RATES BY BUILDING TYPE (NNN)



CENTRAL FLORIDA NEW SUPPLY, ABSORPTION AND VACANCY RATES



NORTHWEST ORANGE 25,106,783 Sq. Ft.



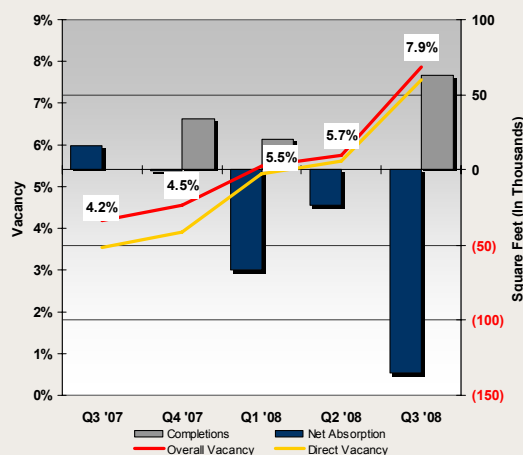
Northwest Orange

After numerous quarters of sub par performance in previous quarters, the Northwest Orange submarket generated favorable statistics in today's struggling economy. The submarket was one of only two submarkets this quarter to post a drop in vacancy. The average rate is currently trending at 7.9 percent rate compared to 8.6 percent rate in the previous quarter. Vacancy shifted direction due to nearly 300,000 square feet of space being absorbed in the submarket. This quarter represented the first positive absorption posting since the first quarter of 2007. Year-to-date, absorption is still in the red at negative 101,167 square feet. There were no construction completions during the third quarter leaving the year-to-date completion total at 451,290 square feet. The current construction pipeline consists of two buildings with a total of 40,100 square feet of industrial space. The overall average leasing rate for the submarket was \$5.89 per square foot triple net. This represents the third consecutive quarter of increases in the average leasing rate for the submarket. The start of 2008 observed an average rate of \$5.48 per square foot triple net. The submarket is forecasted to remain fairly comparable to the current condition with slight fluctuations expected each quarter.

TRANSACTIONS

- **Commercial Door & Frame Service, Inc. purchased the 6,870 sf building at 550 Holts Lake Dr within the Apopka Expressway Ctr.**
- S.A.G. Creations Inc leased and plans to occupy 3,434 sf of flex space at 3529-3535 Edgewater Drive.
- Tornour Capital LLC leased and occupied 16,000 sf of warehouse space at 668 W Kennedy Blvd.
- CN Crag Newman LLC purchased the 155,721 sf building at 7050 Overland Rd for \$6,450,000 or \$41.42 psf.

NORTHEAST ORANGE 9,156,730 Sq. Ft.



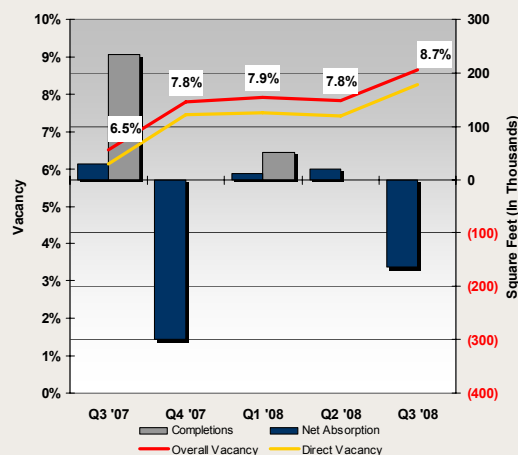
Northeast Orange

The Northeast Orange submarket experienced a significant spike in vacancy this quarter. Vacancy increased from 5.7 percent in the second quarter to 7.9 percent this quarter. The current level is the highest it has been in over four years and significantly higher than its lowest posting of 3.2 percent in the first quarter of 2007. Absorption also felt the pressure this quarter and posted a negative 134,691 square feet, down greatly from the negative 23,428 square foot posting last quarter. This was the fourth consecutive quarter of negative absorption for the submarket. Year-to-date, absorption is registering a negative 225,059 square feet. During the third quarter, one building completed construction located at 2710 Discovery Drive within the Discovery TechCenter II with a total square footage of 62,500. This was the second building to complete construction in 2008 within the submarket bringing the yearly completion total to 82,500 square feet. Currently, the submarket has no projects under construction due to the last building under construction being delivered this quarter. The average leasing rate for the submarket fell more than a dollar to \$11.15 per square foot triple net from \$12.16 per square foot last quarter.

TRANSACTIONS

- Fred Humphrey & Associates leased and occupied 4,560 sf of space at 809 S Orlando Ave within the Winter Park Business Center.
- EcoSports leased and occupied 1,900 sf of space at 207 N Goldenrod Rd within the Goldenrod Industrial Park.
- Central Florida Sign Works, Inc. leased and occupied 2,000 sf at 1460 N Goldenrod Rd within the Goldenrod CommerCenter.
- Monmouth Capital Corporation purchased the 100,639 sf FedEx building at 950 Bennett Rd for \$8,350,000 or \$75.47 psf.

SEMINOLE COUNTY 25,370,183 Sq. Ft.



Seminole County

The Seminole County submarket experienced a slow but positive start to 2008 with consistent positive absorption and stable vacancy rates. This quarter, absorption fell sharply to a negative 162,477 square feet from a positive 18,984 square feet in the previous quarter. Due to the large negative absorption this quarter, the year-to-date total has now fallen into the red with a total absorption of negative 132,722 square feet. For the second straight quarter, there were no projects completing construction. Only one building has completed construction since the start of 2008 with a total of 51,808 square feet of new space. Four buildings are currently under construction within the submarket with a combined square footage of 160,680. Two of the buildings are located in the North Park Commerce Center along Church Street in the city of Sanford. The buildings have a combined square footage of 117,600. The average leasing rate for the submarket fell slightly to \$8.01 per square foot triple net from \$8.10 per square foot in the third quarter.

TRANSACTIONS

- **Cascade Asset Management LLC leased 4,200 sf of space at 2120 Ronald Reagan Blvd within the Soldier's Creek Business Center.**
- Absolute Asphalt, Inc leased and occupied 5,000 sf of space at 751 Fleet Financial Ct within the Fleet Financial Center.
- Nu Water Solutions of Florida, LLC leased 6,000 sf of space at 663 Progress Way within the Monroe CommerCenter South.
- 3551 First Street LLC purchased the 30,156 sf building at 3551 W 1st St for \$2,500,000 or \$82.90 psf.

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

Southwest Orange

The Southwest Orange submarket pulled much of the weight for the overall market this quarter by posting strong positive absorption and decreasing vacancy levels. Vacancy in the submarket turned the corner this quarter and experienced a half percent drop to 6.1 percent. The overall vacancy in the submarket has climbed from a low of 4.5 percent in the third quarter of 2007 to its current rate of 6.1 percent this quarter. After two consecutive quarters of negative absorption, the submarket switched direction and posted an encouraging 265,650 square feet of positive absorption. Construction was completed on one building during the third quarter located at 12908 S Orange Blossom Trail with a total square footage of 19,737. The construction pipeline now consists of one building with a total square footage of 150,000 square feet. The building, located at 8600 Commodity Circle within the SouthPark Business Center, has an expected completion date of the fourth quarter 2008. The average leasing rate within the submarket fell slightly to an average of \$6.57 per square foot triple net from last quarter's posting of \$6.65 per square foot triple net. Rates reached their peak during the third quarter of 2007 when they were averaging \$7.59 per square foot triple net.

TRANSACTIONS

- **Complete Ozone, Inc** leased and occupied 6,022 sf of space at 3713 Vineland Rd within the Vineland Commerce Center.
- **Tommy Hilfiger Retail** leased and occupied 12,745 sf of warehouse space at 7503 Exchange Drive.
- **Celebrity Resorts Management Services LLC** leased 6,389 sf of space at 3717 Vineland Rd within the Vineland Commerce Center.
- **Jodell M and Joseph E Altier** purchased the 24,699 sf building at 4351 35th St for \$2,175,000 or \$88.06 psf.

Southeast Orange

After an excessive amount of negative absorption was experienced during the second quarter, the Southeast Orange submarket bounced back and posted a minimal but positive reading of 90,383 square feet. Year-to-date, absorption remains in the negative at 520,806 square feet. At this time period last year, absorption was a strong 1,724,384 square feet. Vacancy is currently trending at a 13.2 percent rate slightly above last quarter's posting of 12.8 percent. The submarket experienced its lowest vacancy level during the second quarter of 2007 when it was trending at a 5.7 percent rate. Construction was completed on three buildings within the submarket adding approximately 151,000 square feet of new industrial space. Three buildings began construction during the third quarter bringing the overall construction total to 991,067 square feet. ProLogis began construction on the Beltway Commerce Center, which will consist of multiple buildings just east of the intersection of State Road 417 and Lee Vista Boulevard. The average leasing rate for the submarket is nearly unchanged from the previous quarter with an average of \$6.22 per square foot triple net compared to last quarter's average of \$6.28 per square foot triple net.

TRANSACTIONS

- **Hanger Prosthetics & Orthotics, Inc** leased 11,875 sf of space at 9561 Satellite Blvd within Cypress Park.
- **Ocean Embassy Holdings LLC** purchased the 7,158 sf building at 6422 Milner Blvd for \$1,012,500 or \$141.45 psf.
- **Clopay Building Products Company, Inc** leased 17,880 sf of space at 10789 Satellite Blvd within Cypress Park.
- **Fox Family LLC** leased 16,918 sf of warehouse space at 6325 McCoy Rd within the LeeVista Business Commons.

Osceola County

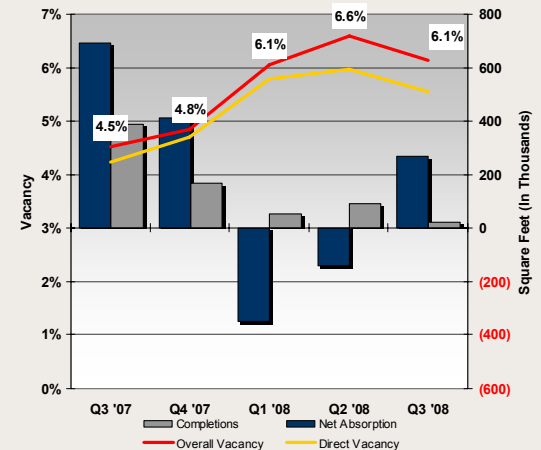
For the second straight quarter, the Osceola County submarket experienced a spike in the vacancy rate due to a negative absorption in the submarket. Vacancy increased this quarter to 8.0 percent from the second quarter's trend of 6.6 percent. The submarket experienced its bottom during the second quarter of 2006 when it was trending at a 2.6 percent rate and has experienced an increase in nearly every quarter since. Absorption put pressure on vacancy this quarter due to a negative 20,878 square feet being absorbed. Year-to-date, absorption in the submarket is at a negative 51,207 square feet. Three buildings completed construction during the quarter with a combined square footage of 65,998. The construction pipeline currently consists of five buildings with a total square footage of 99,500. The majority of the projects are projected to complete construction by year end. The overall average leasing rate for the submarket fell this quarter to an average of \$6.99 per square foot triple net from \$7.34 per square foot last quarter. Leasing rates have averaged around the \$7.00 mark since the first quarter of 2007.

TRANSACTIONS

- 10,000 sf of warehouse space was leased and occupied at 2642-2700 Michigan Avenue.
- 2,300 sf of warehouse space was leased at 850-872 Duncan Avenue.

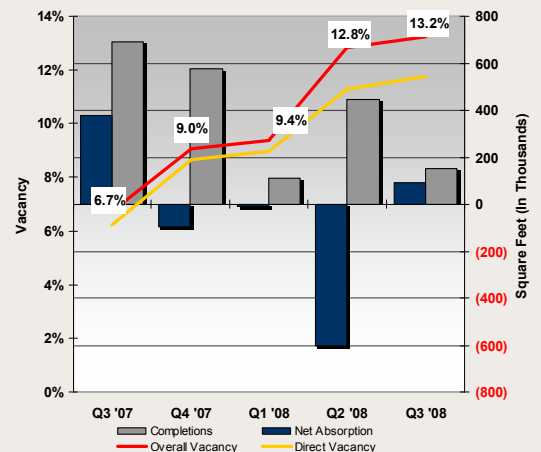
SOUTHWEST ORANGE

41,395,549 Sq. Ft.



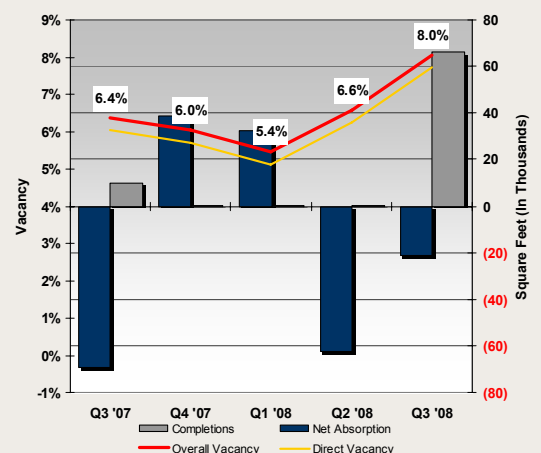
SOUTHEAST ORANGE

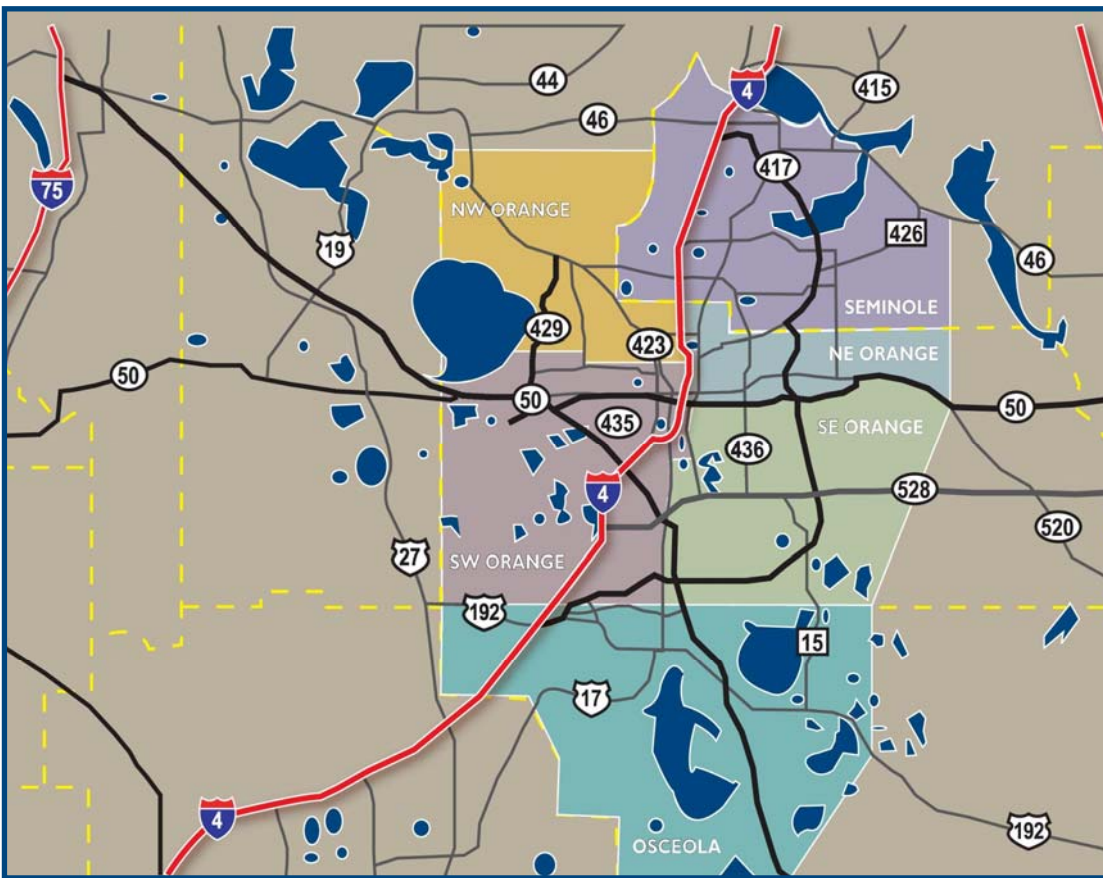
29,379,911 Sq. Ft.



OSCEOLA COUNTY

5,615,061 Sq. Ft.





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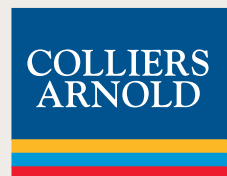
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INDUSTRIAL / FLEX MARKET FIVE QUARTER COMPARISON

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											
Q3 2008	3,208	136,559,950	7.9%	0.7%	8.7%	353,481	(1,265,745)	482,636	1,441,347	\$5.84	\$10.76
Q2 2008	3,190	135,928,540	7.8%	0.7%	8.5%	(915,589)	(1,619,226)	856,208	1,200,221	\$5.96	\$10.74
Q1 2008	3,184	135,072,332	6.9%	0.3%	7.2%	(703,637)	(703,637)	369,283	1,973,391	\$5.84	\$11.25
Q4 2007	3,171	134,723,903	6.2%	0.3%	6.5%	(111,484)	2,920,559	771,826	976,777	\$5.68	\$11.11
Q3 2007	3,152	133,391,124	5.1%	0.3%	5.5%	1,017,585	3,032,043	1,352,103	2,216,941	\$5.57	\$13.27
SOUTHWEST ORANGE SUBMARKET											
Q3 2008	890	41,395,549	5.5%	0.6%	6.1%	265,650	(225,454)	19,737	150,000	\$5.31	\$12.01
Q2 2008	887	41,314,172	6.0%	0.6%	6.6%	(140,147)	(491,104)	90,928	213,184	\$6.02	\$10.80
Q1 2008	886	41,223,244	5.8%	0.3%	6.1%	(350,957)	(350,957)	54,000	304,112	\$5.66	\$11.45
Q4 2007	881	41,067,902	4.7%	0.1%	4.8%	412,594	1,439,065	165,075	246,270	\$5.67	\$11.35
Q3 2007	876	40,498,541	4.2%	0.3%	4.5%	689,970	1,026,471	387,616	797,631	\$5.19	\$11.40

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 Q3 2008 numbers to Q2 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 10/01/08.



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