



Market Overview

CENTRAL FLORIDA

INDUSTRIAL/FLEX | FOURTH QUARTER | 2009

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Insights on the Market

INDUSTRIAL/FLEX

FOURTH QUARTER

2009

Pockets of Hope...

As the year comes to a close, the Central Florida industrial market is pleased to see pockets of hope appearing in the market. The first part of 2009 experienced a drastic drop off in overall activity encompassing the leasing and investment market. However, as the year progressed capable tenants began to take advantage of a market full of opportunities, primarily during the second half of the year. Landlords tightened their belts and got to work offering attractive rental rates, generous concessions and exercised flexibility in retaining tenants and attract new ones. In today's market, landlords are starting to understand that they have to do what it takes or offer extraordinary deals to maintain occupancy, and the recent increase in activity is the result of many landlords doing just that.

Investment and sales activity remained sluggish with owner/user buyers generating the majority, if not the entirety, of the industrial market sales activity. Prices on industrial buildings overall fell 46% to an average of \$53 per square foot when compared to the \$99 per square foot peak in the fourth quarter of 2007. Financing still remains an overall issue; however, banks are beginning to loosen their standards to qualified owner/users. Also, it should be noted that many REITs and large international funds are beginning to position themselves for a market recovery. Several large investment portfolios were placed on the market in 2009 yet many were removed as offers failed to meet seller reserves; these portfolios are expected to return to the market when conditions stabilize.

The Central Florida industrial market is currently experiencing a 13.3 percent vacancy rate, nearly unchanged from the previous quarter posting of 13.2 percent. Many tenants continue to downsize for efficiency reasons spurring an increase in leasing activity; but unfortunately these relocations also add further vacant space to the current surplus. As the supply increases, landlords have been forced to decrease rental rates and/or increase concessions to generate attention. With positive absorption slowly returning to the industrial submarkets, expect to continue seeing attractive rental rates and concessions persist in 2010. We anticipate that absorption will soon turn positive in the overall market, albeit minimal, due to the lack of construction activity forecasted for 2010, allowing tenants to absorb the excess supply in the market.

Trends

- Four out of the six submarkets experienced positive absorption during the fourth quarter.
- Asking rental rates continue to decline, forcing property values to depreciate.
- Construction activity is non-existent in the market, with no signs of new development in the near future.
- The number of leasing transactions in 2009 was 13 percent more than 2008.

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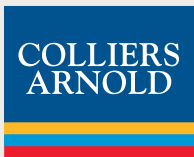


MARKET INDICATORS

CENTRAL FLORIDA INVENTORY
140,654,345 Sq. Ft.

	Q4	Q1*
OVERALL VACANCY 13.3%	↔	↔
DIRECT VACANCY 12.4%	↔	↔
ABSORPTION (146,901) s.f.	↑	↑
CONSTRUCTION 0 s.f.	↔	↔
NEW SUPPLY 0 s.f.	↓	↔
FLEX DIRECT AVG. LEASE RATE \$9.14	↔	↓
WHSE DIRECT AVG LEASE RATE \$5.08	↓	↓

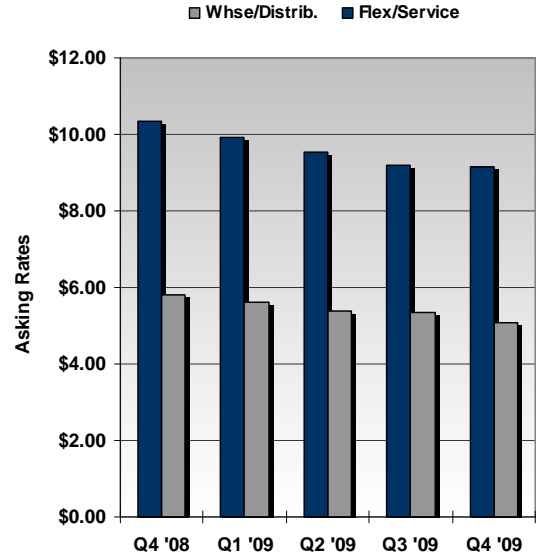
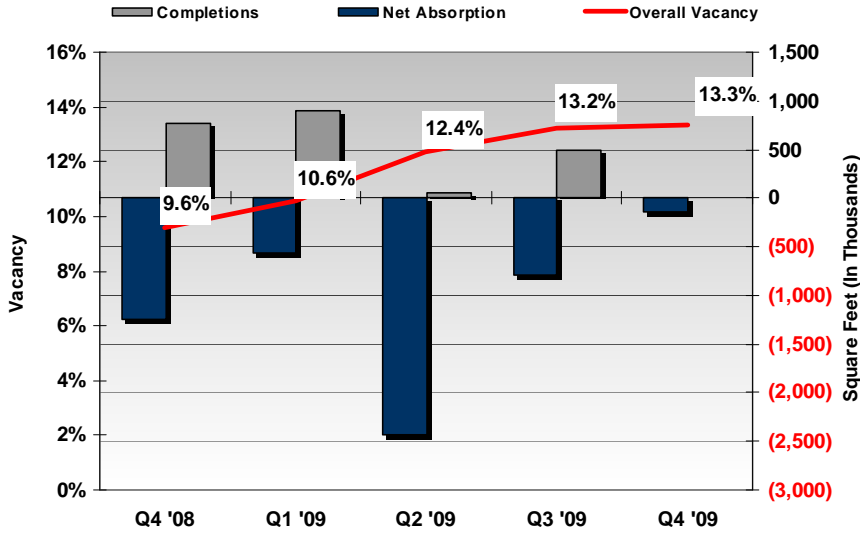
*Projected, relative to prior period
Note: Directional arrows compare current quarter to previous quarter historically adjusted figures.



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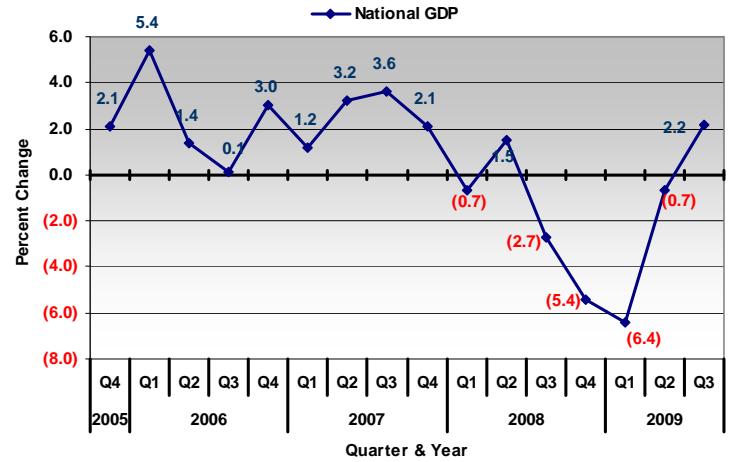
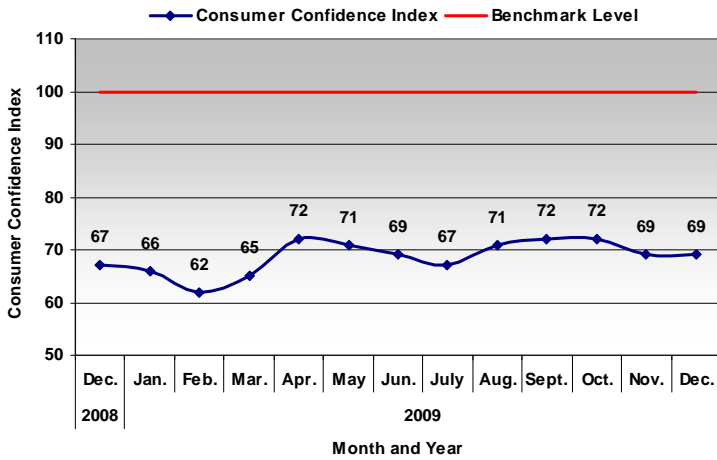
OVERALL INDUSTRIAL/FLEX MARKET STATISTICS

RENTAL RATES BY BUILDING TYPE



FLORIDA CONSUMER CONFIDENCE INDEX

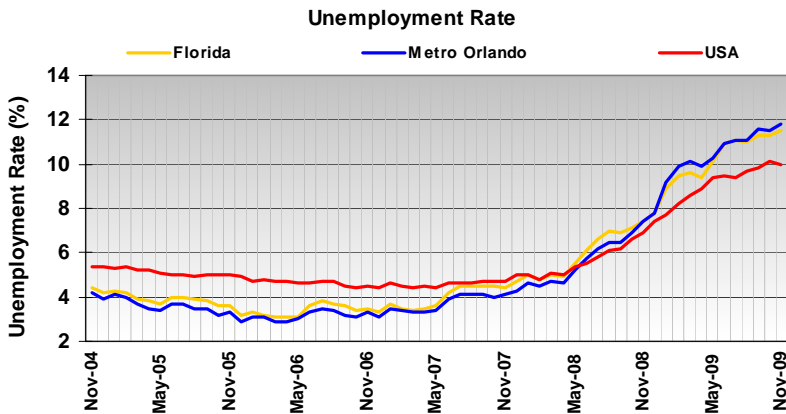
NATIONAL GDP



Source: Bureau of Economic and Business Research

Source: Bureau of Economic Analysis – U.S. Department of Commerce

UNEMPLOYMENT SNAPSHOT

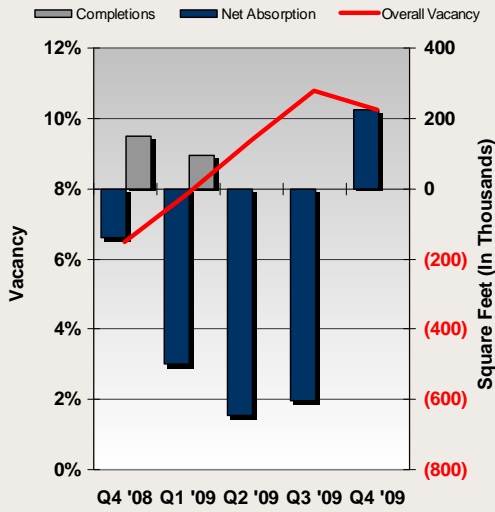


Source: Florida Research and Economic Database

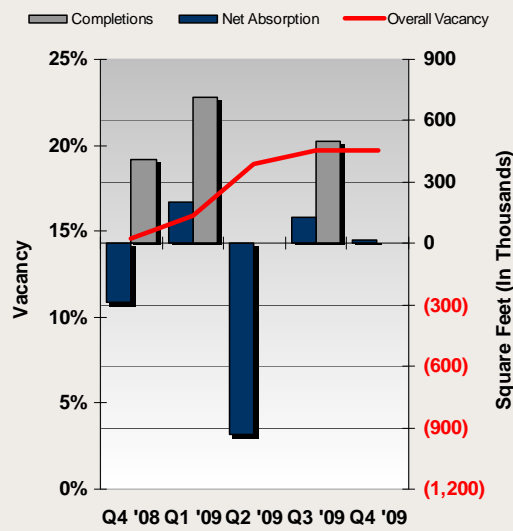
The unemployment rate for the Orlando-Kissimmee MSA was 11.8% for November 2009. This compares to the published rate of 7.4% for November 2008. The State of Florida rate was 11.5% for November 2009, which compares to 7.4% for November 2008. Both the local and state rates were higher than the national rate, which now stands at 10.0%, down 0.1% from the previous month. The national rate in November 2008 was 6.9%. The detailed snapshot for the Central Florida area shows a net loss of 62,021 jobs from November 2008 to November 2009. All reported rates are non-seasonally adjusted.

SUBMARKET TRENDS

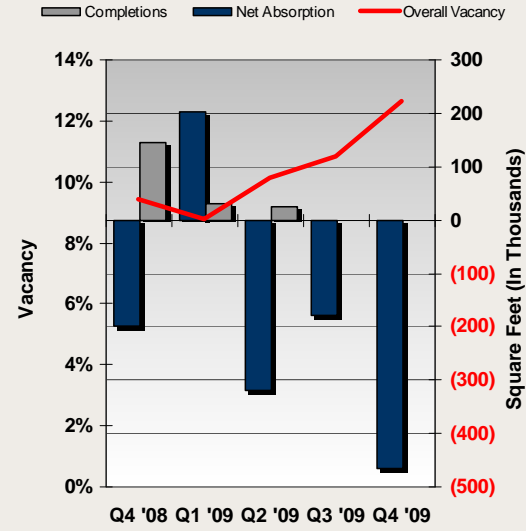
SOUTHWEST ORANGE



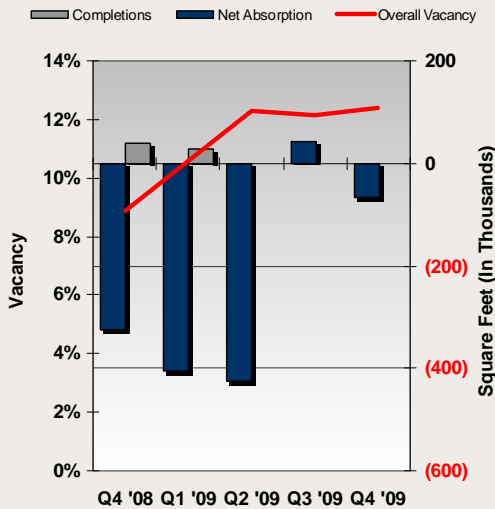
SOUTHEAST ORANGE



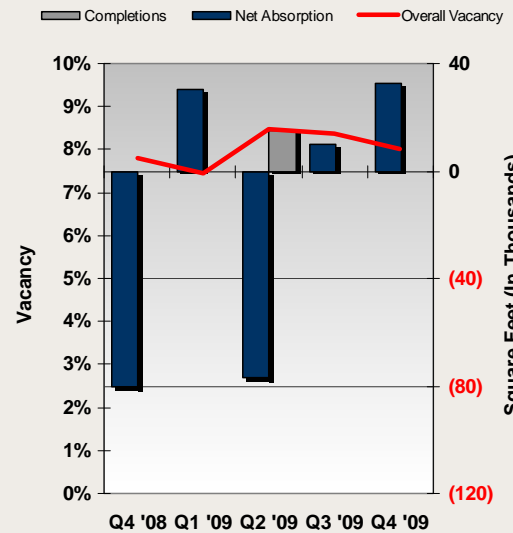
SEMINOLE COUNTY



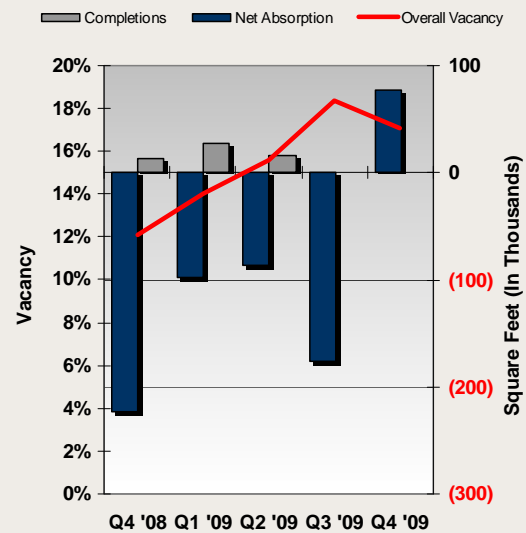
NORTHWEST ORANGE



NORTHEAST ORANGE



OSCEOLA COUNTY



SUBMARKET OVERVIEW

During the fourth quarter, more than half of the Central Florida industrial submarkets posted positive absorption, ending the two year trend of contraction. The Southwest Orange submarket generated the highest amount of positive absorption. More than 226,000 square feet of space was occupied, representing the first positive growth since the third quarter of 2008.

The Seminole County submarket registered the weakest conditions experiencing a negative 465,416 square feet of absorption, the worst net absorption in the past six years. A significant amount of space between 10,000 and 50,000 square feet were vacated during the fourth quarter yielding a substantial decrease in demand. As a result, the vacancy level

within the submarket jumped to 12.6 percent from 10.8 percent in the third quarter. Vacancy rates in Seminole County have nearly tripled from the low of 4.5 percent in the first quarter of 2006.

Construction activity remained inactive during the fourth quarter in all submarkets. Little to no construction is forecasted for the coming year unless conditions improve greatly. Asking rental rates continued with the downward trend experienced throughout the past year. The only submarket to experience an increase in the average rate was the Northeast Orange submarket where rents increased from \$8.77 to \$9.09 per square foot triple net. In some submarkets, tenants are leasing space for \$1 per square foot, with escalations in the following years to market rents. Free rent is also common for landlords in lieu of reduced rental rates.

CENTRAL FLORIDA MARKET STATISTICS

Sbmrkt & Prop. Type	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
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SUBMARKETS

Southwest Orange

Industrial	731	35,365,249	8.3%	8.8%	215,820	-1,163,448	0	0	\$5.15/nnn
Flex	215	7,574,698	17.0%	17.2%	10,241	-359,253	0	0	\$10.35/nnn
Overall	946	42,939,947	9.8%	10.2%	226,061	-1,522,701	0	0	\$6.00/nnn

Southeast Orange

Industrial	459	29,038,628	15.9%	19.0%	-88,643	-557,810	0	0	\$4.80/nnn
Flex	88	2,962,648	25.6%	25.8%	108,674	-24,621	0	0	\$9.27/nnn
Overall	547	32,001,276	16.8%	19.7%	20,031	-582,431	0	0	\$5.28/nnn

Osceola County

Industrial	128	5,928,597	14.9%	15.4%	81,907	-226,335	0	0	\$5.46/nnn
Flex	22	454,219	38.7%	38.7%	-4,150	-56,792	0	0	\$6.34/nnn
Overall	150	6,382,816	16.6%	17.1%	77,757	-283,127	0	0	\$5.56/nnn

Northwest Orange

Industrial	489	22,337,286	11.8%	12.0%	39,831	-641,693	0	0	\$4.74/nnn
Flex	97	2,568,619	14.3%	15.8%	-106,027	-211,203	0	0	\$8.18/nnn
Overall	586	24,905,905	12.1%	12.4%	-66,196	-852,896	0	0	\$5.02/nnn

Northeast Orange

Industrial	165	6,123,326	5.0%	5.0%	5,058	-24,370	0	0	\$6.20/nnn
Flex	95	2,642,920	14.8%	14.9%	27,494	20,458	0	0	\$12.34/nnn
Overall	260	8,766,246	8.0%	8.0%	32,552	-3,912	0	0	\$9.09/nnn

Seminole County

Industrial	627	19,608,882	10.8%	11.1%	-477,417	-554,053	0	0	\$5.50/nnn
Flex	228	5,802,443	17.2%	17.8%	11,950	-206,924	0	0	\$8.70/nnn
Overall	855	25,411,325	12.3%	12.6%	-465,467	-760,977	0	0	\$6.11/nnn

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.	Whse. Avg. Direct Asking Rate NNN	Flex Avg. Direct Asking Rate NNN
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CENTRAL FLORIDA OVERALL MARKET

2009 4Q	3,348	140,654,345	12.4%	13.3%	-146,901	-3,944,688	0	0	\$5.08	\$9.14
2009 3Q	3,347	140,637,029	12.3%	13.2%	-795,190	-3,797,787	500,000	0	\$5.33	\$9.21
2009 2Q	3,346	140,137,029	11.8%	12.4%	-2,435,431	-3,002,597	55,600	500,000	\$5.39	\$9.53
2009 1Q	3,343	140,081,429	10.2%	10.6%	-567,166	-567,166	897,291	555,600	\$5.62	\$9.93
2008 4Q	3,333	139,184,138	8.9%	9.6%	-1,238,236	-1,988,499	761,493	1,452,891	\$5.81	\$10.34
2008 3Q	3,322	138,422,645	7.5%	8.2%	687,076	-750,263	427,835	2,173,784	\$5.94	\$10.41
2008 2Q	3,303	137,779,366	7.6%	8.3%	-1,134,809	-1,437,339	878,617	2,674,451	\$6.03	\$10.39
2008 1Q	3,295	136,846,949	6.5%	6.8%	-302,530	-302,530	678,797	2,923,030	\$5.87	\$11.03
2007 4Q	3,279	136,384,949	6.1%	6.3%	97,508	3,544,193	862,362	1,245,748	\$5.77	\$10.94

CENTRAL FLORIDA INDUSTRIAL HIGHLIGHTED SUBMARKETS



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FOURTH QUARTER 2009 MARKET TRANSACTIONS

SALES ACTIVITY

BLDG NAME PROPERTY ADDRESS	TYPE	BUYER NAME	SIZE (SF)	SALES PRICE	SALES PRICE/SF	SUBMARKET
1112 Collins Drive	Whse. / Dist.	VASTU Orlando, LLC	114,292	\$2,200,000	\$19.25	OSCEOLA
1751 Directors Row	Whse.	Greenery Productions	25,600	\$1,775,000	\$69.34	SW ORANGE
3001 Hansrob Road	Man.	Rodney L. Russell, P.A.	15,252	\$653,855	\$42.87	NW ORANGE
10779-10789 Satellite Blvd	Whse.	Evans Equipment Co.	38,400	\$1,800,000	\$46.88	SE ORANGE
7575 Chancellor Drive	Whse. / Dist.	High Street Real Estate Fund III	201,600	\$9,125,000	\$45.26	SW ORANGE

LEASING ACTIVITY

BLDG NAME PROPERTY ADDRESS	TYPE	TENANT NAME	SIZE (SF)	LEASE TYPE	SUBMARKET
1125 Gills Drive	Whse	Ace World Wide Moving & Storage, Inc.	40,140	RENEWAL	SE ORANGE
Crossroads Distribution Ctr., Bldg D 1075 Gills Drive	Whse.	Ace World Wide Moving & Storage, Inc.	12,450	RENEWAL	SE ORANGE
West Park IV 4102 L B McLeod Road	Whse.	The Postcard Factory	8,000	NEW	SW ORANGE
Center of Commerce, Bldg 901 4175-4197 Seaboard Road	Whse.	Con-Air Industries, Inc.	99,615	NEW	NW ORANGE
Parksouth Dist. Center, Bldg F 9550 Parksouth Court	Whse.	Armstrong Relocation, Inc.	58,138	RENEWAL	SW ORANGE
Orlando Central Park	Whse.	Rehrig Pacific Co.	50,400	RENEWAL	SW ORANGE

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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. 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 01/07/2010.

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