



Market Research

INDUSTRIAL/FLEX | FOURTH QUARTER | 2008



MARKET INDICATORS

CENTRAL FLORIDA INVENTORY

138,681,773 Sq. Ft.

OVERALL VACANCY **10.1%** ↑

DIRECT VACANCY **9.4%** ↑

ABSORPTION **(1,458,173) s.f.** ↓

CONSTRUCTION **90,886 s.f.** ↓

COMPLETIONS **635,718 s.f.** ↑

FLEX DIRECT AVG. LEASE RATE **\$10.66** ↓

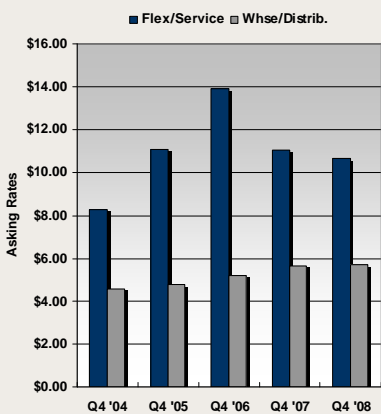
WHSE DIRECT AVG. LEASE RATE **\$5.68** ↓

Central Florida Industrial/Flex Market Executive Summary

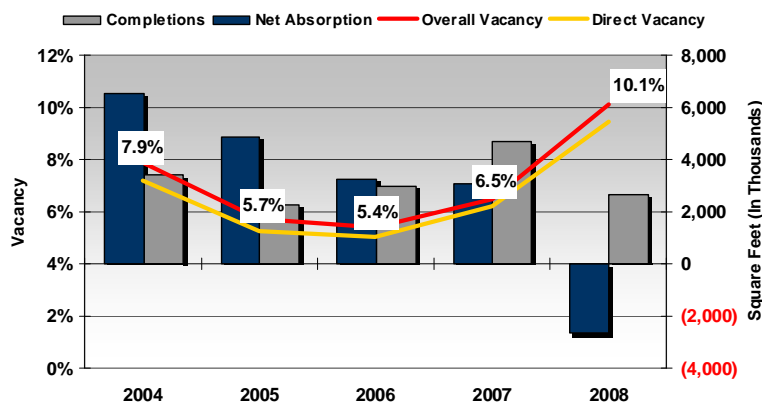
Over the past year, the nation has faced many obstacles and challenges that have not been experienced in decades. The country as a whole has seen a shift in the way we do business, a shift in the government's responsibilities and interactions, and a shift in consumer's attitudes and lifestyles. A prolonged recession, now over 12 months in duration, shows no signs of abating at the time of this publication. Many challenges and opportunities lie ahead regarding the current state of our economy. With unemployment at one of its highest levels in recent history at 6.5 percent, numerous businesses are going bankrupt, homeowners are facing foreclosures, financing is very difficult for both businesses and especially for real estate, and the future of the secondary debt market is in question. Economists predict that Q1 and Q2 of 2009 will be at least as slow as 2008 demand and activity, but as the year progresses, the second half of 2009 is expected to see growth as the new presidential administration takes office and the effects of the proposed stimulus plans begin to lift the economy. As the national economy continues to confront many challenges, the local Central Florida economy has several very positive aspects, including hospitality and tourism, the continued success of the University Research Park, and the ongoing development of the Medical City at Lake Nona. Although the local unemployment rate of 7.3 percent may be rising, compared to other major metro areas in Florida, Central Florida ranks near the top in terms of performance with only Miami and Jacksonville achieving a lower unemployment rate.

The Central Florida Industrial and Flex market this quarter took a major hit at the end of the year. Vacancy jumped to 10.1 percent from 8.7 percent in the previous quarter. The market has not observed vacancy at this level since the second quarter of 2004. After a positive posting in the previous quarter, absorption dove sharply to a negative 1,458,173 square feet. Year-to-date, absorption registered a negative 2,664,526 square feet. Construction was completed on 10 buildings, adding over 630,000 square feet of new space to the market during the fourth quarter. Construction activity is at a dismal four buildings for a combined square footage of 90,866 square feet, the lowest construction level since Colliers Arnold began tracking the Industrial Market. The overall average leasing rate for the Industrial Market is currently averaging \$6.66 per square foot triple net, down from the previous quarter's average of \$6.90 per square foot. Warehouse space is currently averaging \$5.69 per square foot triple net and Flex space is averaging \$10.66 per square foot triple net.

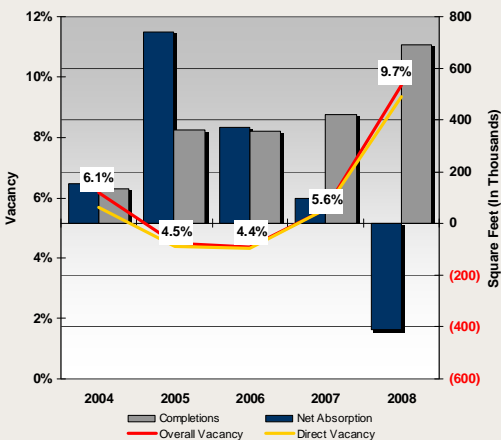
AVG. DIRECT ASKING LEASE RATES BY BUILDING TYPE (NNN)



CENTRAL FLORIDA YEARLY STATISTICS NEW SUPPLY, ABSORPTION AND VACANCY RATES



NORTHWEST ORANGE 25,742,681 Sq. Ft.



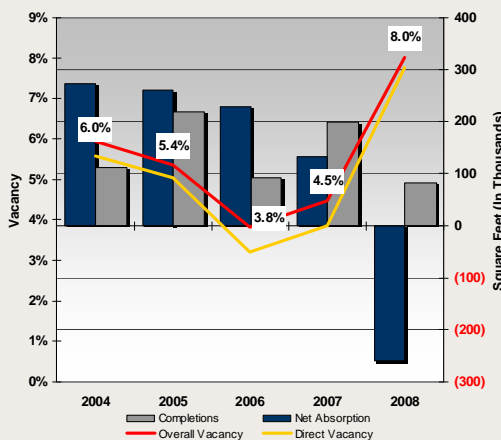
Northwest Orange

After last quarter's positive performance, the Northwest Orange submarket turned negative and observed an increase in vacancy. Currently, vacancy is averaging 9.7 percent up from the third quarters posting of 7.9 percent. Pushing vacancy higher this quarter was a large amount of negative absorption. Nearly 325,000 square feet of space was vacated during the fourth quarter. Over the past year, over 400,000 square feet of space was vacated in the submarket. Two buildings completed construction adding just over 40,000 square feet of space to the submarket. After the two buildings completed construction during the fourth quarter, no buildings were left under construction in the submarket. The submarkets average asking lease rate declined by sixteen cents to its current average of \$5.71 per square foot triple net.

TRANSACTIONS

- Gurley FP, LLC purchased 16,000 sf of space at 3876 Bengert St for \$475,000 or \$29.69 psf.
- Millennium Marketing Group leased 49,011 sf of space at 1978 Stanhome Way within the Fairvilla Ind. Park.
- S.A.G. Creations, Inc. leased 3,434 sf of flex space at 3529-3535 Edgewater Drive.
- Hansrob Rd Partners, LLP purchased 87,505 sf of space at 2729 Handsrob Rd for \$3,440,000 or \$39.31 psf.

NORTHEAST ORANGE 9,501,484 Sq. Ft.



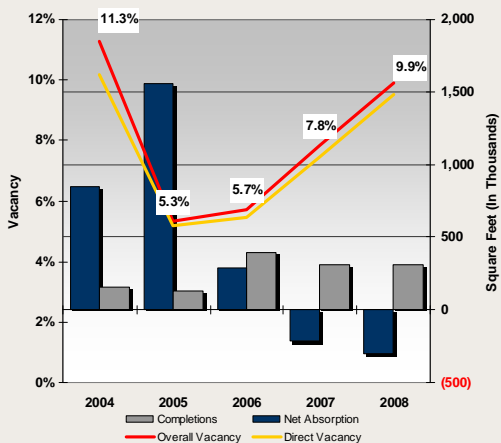
Northeast Orange

The Northeast Orange submarket experienced an entire year of negative absorption. This quarter, absorption posted a negative 53,715 square feet compared to the previous quarter's posting of a negative 111,000 square feet. Vacancy continued to increase throughout the year with the latest average at 8.0 percent, up a half percent from the previous quarter's average of 7.5 percent. The submarket currently has no buildings under construction for the second straight quarter. Building completions for the year totaled 82,500 square feet, half of what was delivered during 2007. The submarkets overall average asking lease rate fell slightly this quarter to an average of \$11.08 per square foot triple net. Leasing rates have fallen more than a dollar looking over the past year.

TRANSACTIONS

- Superstreet Performance, LLC leased 3,200 sf at 1125 Solana Ave within the MaxFrance Park.
- Don Reid Ford renewed their 4,900 sf lease on Solana Ave within the MaxFrance Park.
- Kay Green Design leased 11,100 sf of industrial/warehouse space at 1500 Alden Rd.
- 3,750 sf of flex space was leased at 2213-2221 Forsyth Rd within the Forsyth Business Center.

SEMINOLE COUNTY 25,124,995 Sq. Ft.



Seminole County

The Seminole County submarket experienced an increase in vacancy for the third straight quarter and tenant demand continues to decrease. Vacancy is currently averaging 9.9 percent, up from 8.3 percent in the previous quarter. Although vacancy continues to increase, it is still well below the high of 14.2 percent experienced in the first quarter of 2004. Absorption fell sharply to a negative 267,706 square feet from a negative 70,000 square feet in the previous quarter. Three buildings completed construction with a total square footage of 145,280. The current construction pipeline consists of one 15,400 square foot building. The average asking lease rate is \$7.54 per square foot triple net, down from \$7.92 in the previous quarter.

TRANSACTIONS

- Sun Wave Management, LLC leased 5,000 sf of flex space at 751 Fleet Financial Court.
- ARAMARK Refreshment Services LLC leased 10,000 sf of space at 4148 Incubator Court.
- Premix-Marbletite Mfg. Co. leased 26,000 sf of space at 325 Old Sanford Oviedo Road.
- PPG Architectural Finishes, Inc. leased 4,000 sf of space at 663 Progress Way within the Monroe Commercenter.

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

Southwest Orange

The Southwest Orange submarket returned to the red this quarter after posting a positive performance in the previous quarter. Vacancy increased to 7.1 percent from 6.4 percent due to the submarket experiencing negative growth with absorption posting a negative 165,376 square feet. The final building left under construction in the submarket completed construction during the fourth quarter adding 150,000 square feet of new space to the market. Year-to-date, 314,000 square feet of space was delivered to the market, down greatly from the 2007 yearly delivery total of 1,200,000 square feet. The submarkets average asking lease rate fell twenty-five cents to an average of \$6.32 per square foot triple net from the previous quarters average of \$6.57 per square foot.

TRANSACTIONS

- Hard Drive Productions, Inc. leased 10,490 sf of space at 4075 L B McLeod Road within the 33rd St Industrial Park.
- Vanguard Carrier Solutions leased 2,000 sf of flex space at 2125 Orinoco Drive within the Orangewood Business Park.
- Berman Property Management leased 2,489 sf of space at 111 W Pineloch Avenue.
- Total Rental Care, Inc. leased 6,000 sf of space at 1222 Winter Garden Vineland Road.

Southeast Orange

The Southeast Orange submarket experienced a sharp increase in the overall vacancy this quarter. Vacancy increased 2.3 percent from the previous quarter bringing the current average to 15.1 percent. Vacancy has experienced consecutive increases since the second quarter of 2007. Absorption fell back into the red registering a negative 432,168 square feet of vacated space. Construction on three buildings was completed during the fourth quarter adding more than 280,000 square feet of new space to the market. The construction pipeline only consists of two buildings for a combined square footage of 48,226. The average asking lease rate experienced an increase of eight cents from the previous quarter bringing the rate up to \$6.28 per square foot triple net for the submarket.

TRANSACTIONS

- SawStreet, LLC leased 3,117 sf of space at 10501 Orange Ave within the South Orange Business Park.
- Rodriguez Orlando Properties, LLC purchased the 40,200 sf building at 10208 General Dr for \$3,100,000 or \$77.11 psf.
- The 35,490 sf building at 510 Thorpe Road was purchased for \$2,375,000 or \$66.91 psf.
- 20,482 sf of warehouse space was leased at 9555-9597 Benford Rd within the Orlando Air Cargo Center.

Osceola County

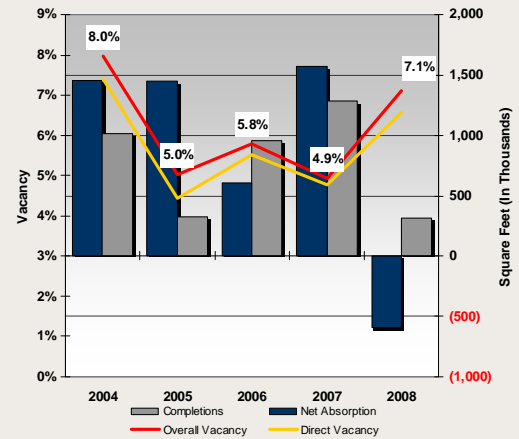
The smallest Central Florida Industrial submarket, Osceola County, continues to battle the decline in tenant demand. Vacancy has skyrocketed from the low 2.6 percent experienced in the second quarter of 2006, to its current average of 12.8 percent this quarter. Absorption set a new low this quarter by posting a negative 232,222 square feet after experiencing a positive absorption of 71,412 square feet last quarter. One 13,300 square foot building completed construction during the fourth quarter. Currently, only one building remains under construction with a total square footage of 27,260 square feet. The average asking lease rate for the submarket is \$6.13 per square foot triple net, down from \$6.88 per square foot last quarter.

TRANSACTIONS

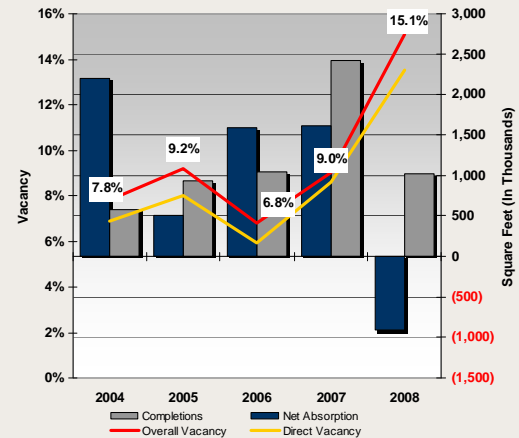
- Danielles Canal Co, LLC purchased the 22,400 sf building at 2700 Michigan Ave for \$5,196,000 or \$26.59 psf.
- 3,300 sf of flex space was leased and occupied at 2828 Michigan Avenue.
- 8,000 sf of warehouse space was leased at 850 Donegan Avenue
- 6,650 sf of warehouse space was leased at 2640 Michigan Avenue.

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

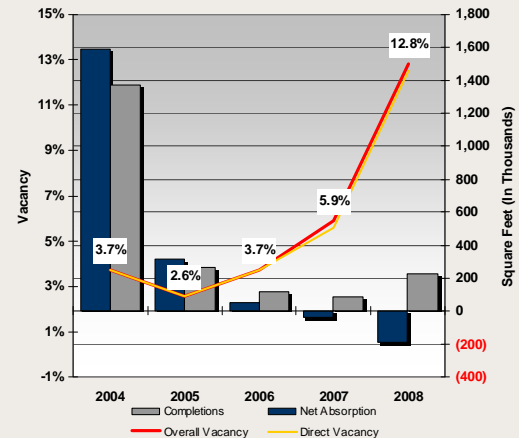
SOUTHWEST ORANGE 41,796,054 Sq. Ft.

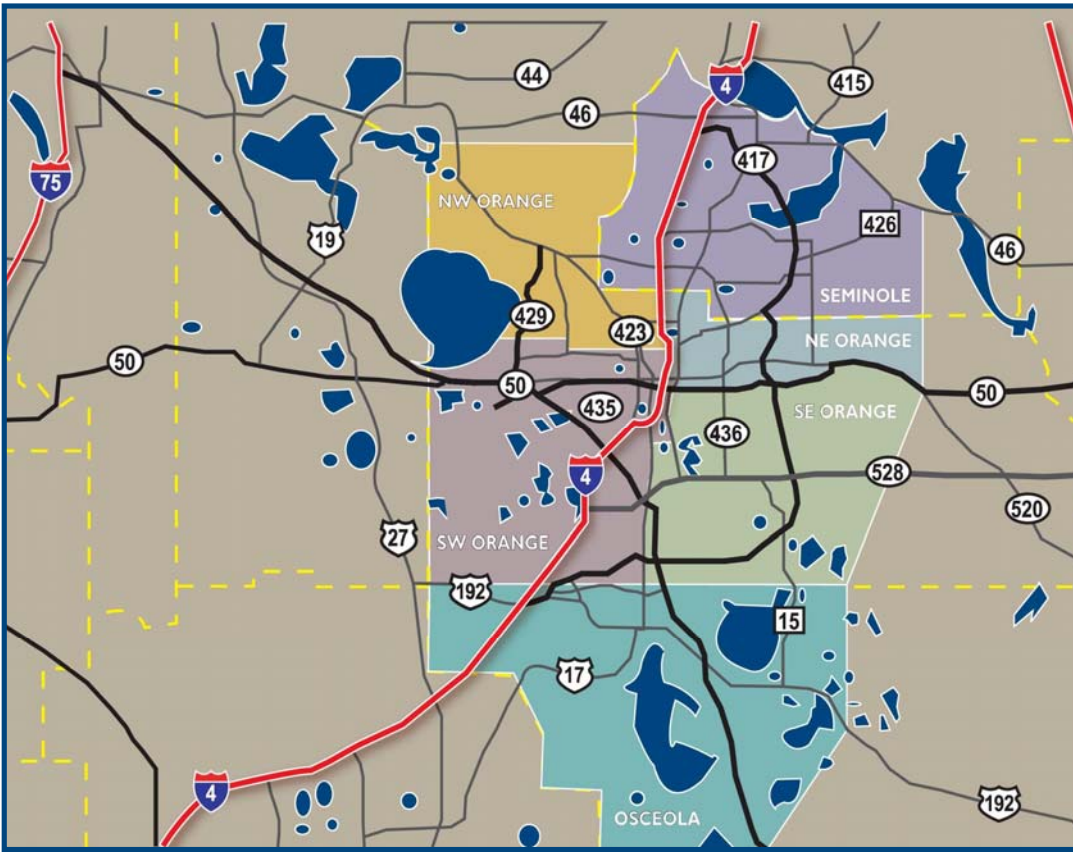


SOUTHEAST ORANGE 30,121,972 Sq. Ft.



OSCEOLA COUNTY 5,829,238 Sq. Ft.





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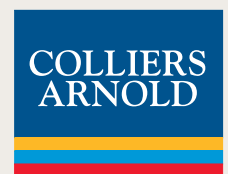
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INDUSTRIAL / FLEX MARKET FIVE QUARTER COMPARISON

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											
Q4 2008	3,267	138,681,773	9.4%	0.7%	10.1%	(1,458,173)	(2,664,526)	635,718	90,886	\$5.68	\$10.66
Q3 2008	3,257	138,046,055	8.0%	0.7%	8.7%	515,100	(1,206,353)	402,235	688,526	\$5.83	\$10.79
Q2 2008	3,241	137,427,569	7.9%	0.7%	8.6%	(1,067,198)	(1,721,453)	1,056,440	1,263,932	\$5.93	\$10.67
Q1 2008	3,234	136,371,129	6.8%	0.3%	7.1%	(654,255)	(654,255)	549,607	2,230,534	\$5.81	\$11.19
Q4 2007	3,222	136,098,060	6.2%	0.3%	6.5%	(22,644)	3,060,114	861,826	1,189,649	\$5.66	\$11.04
SOUTHWEST ORANGE SUBMARKET											
Q4 2008	910	41,796,054	6.6%	0.5%	7.1%	(165,376)	(597,063)	150,000	0	\$4.99	\$11.60
Q3 2008	909	41,646,054	5.8%	0.6%	6.4%	148,534	(431,687)	19,737	150,000	\$5.31	\$12.01
Q2 2008	908	41,626,317	6.1%	0.6%	6.7%	(205,747)	(580,221)	90,928	169,737	\$6.02	\$10.80
Q1 2008	907	41,535,389	5.7%	0.3%	6.0%	(374,474)	(374,474)	54,000	260,665	\$5.66	\$11.45
Q4 2007	903	41,470,047	4.8%	0.1%	4.9%	495,161	1,568,512	255,075	156,270	\$5.67	\$11.35

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 Q4 2008 numbers to Q3 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 293 offices throughout more than 61 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 the Colliers Arnold Research Department at 407/843-1723 or by e-mail: research@colliersarnold.com. Report written by Danny Rice, GIS/Research Coordinator. 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 12/30/08.



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