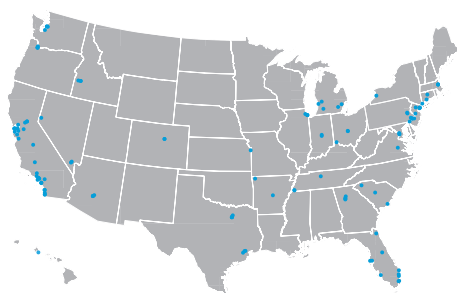


# CENTRAL FLORIDA RESEARCH REPORT



## Bouncing Along the Bottom

### EXECUTIVE SUMMARY

The reality of fluctuating market conditions resonated through the Central Florida retail market during the third quarter. Tenant demand and lease transactions softened, resulting in an overall negative net absorption. The local retail market can best be described as “bouncing along the bottom” as net absorption has alternated between positive and negative indicators each quarter over the past year. The good sign is vacancy has remained nearly stable during the same time period, adjusting no more than 0.5 percent quarter-to-quarter. As a result of the current conditions, it is still too early to determine if the market decline has bottomed. It will take a significant economic recovery, inclusive of jobs, GDP and consumer confidence, to alleviate the elevated vacancy and slow tenant demand.

### HIGHLIGHTED TRENDS

- Tourism activity has increased with the Orlando International Airport reporting a 5.3 percent increase in traffic.
- Orlando hotels registered a 52.5 percent occupancy rate, up 20.9 percent from this time period last year, according to Smith Travel Research.
- Retail store closings have declined significantly since the downturn.
- Short-term deals have become favorable by landlords, due to their expectation that the market will perform better in the next one to two years.
- Tenant activity has increased during the third quarter, showing signs of confidence in the long-term outlook for the market.

### MARKET INDICATORS

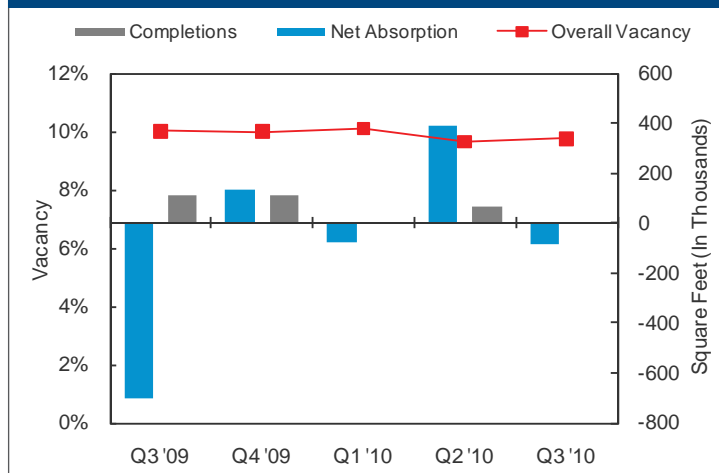
	Q3	Q4*
VACANCY	↔	↔
NET ABSORPTION	↓	↔
CONSTRUCTION	↔	↔
FIRST GENERATION RENTAL RATE	↑	↓
SECOND GENERATION RENTAL RATE	↓	↓

\*Relative to prior period. Note: Arrows compare current quarter to the previous quarter historically adjusted figures. All data in this report include buildings 10,000 square feet and greater.

### OVERALL RETAIL MARKET SUMMARY STATISTICS, Q3 2010

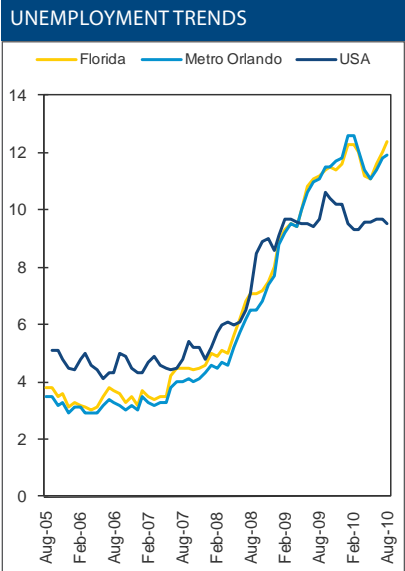
CURRENT VACANCY RATE:	9.8%
PREV. QTR. VACANCY RATE:	9.6%
YEAR AGO VACANCY RATE:	10.0%
<hr/>	
NET ABSORPTION:	-82,722
<hr/>	
UNDER CONSTRUCTION:	196,591
<hr/>	
CURRENT AVG. ASKING RATE:	\$17.22/NNN
PREV. QTR. AVG. ASKING RATE:	\$17.42/NNN
YEAR AGO AVG. ASKING RATE:	\$17.84/NNN

### COMPLETIONS, ABSORPTION AND VACANCY RATES



### STABLE VACANCY, MIXED ABSORPTION

Overall vacancy has remained nearly stable over the past year, while net absorption has alternated positive and negative each quarter.



The Metro Orlando MSA is currently experiencing an 11.9 percent unemployment rate for the month of August 2010, up from 11.8 percent in July 2010. Much of the employment gains that occurred during the February to May timeframe can be attributed to governmental hiring for the 2010 Census. Although unemployment has increased over the past four months, the current rate is below the all-time high of 12.6 percent that occurred in February 2010.

### VACANCY

The overall average vacancy rate for the Central Florida retail market is currently 9.8 percent, slightly up from 9.6 percent in the previous quarter. Tenant demand was mixed during the third quarter, resulting in an overall negative net absorption of -82,722 square feet. Only five out of the twelve submarkets posted positive absorption during the quarter.

A multitude of tenants are currently touring the market in preparation for the holiday season and long-term growth. Retailers like Wal-Mart, Aldi, Chick-Fil-A, WaWa, FirstWatch, Subway, Publix and Krystal Burger are actively searching locations. Many tenants are reporting that 2012 is their focus and they are planning their expansion strategies today.

### CONSTRUCTION & LEASE RATES

Construction activity remains unchanged during the third quarter. Just under 200,000 square feet of space is under construction, with the majority of the activity in the West Orange submarket. Looking ahead, construction activity will remain slow until vacancy rates retreat to acceptable levels for developers. It's possible small infill projects will be experienced in the next 12-18 months, however, no large developments are planned in the near term.

Lease rates continued to decline during the third quarter. Landlords are offering discounted lease rates to entice new tenant

activity and/or to retain existing tenants on renewals. As a result of the discounted rates, national and regional tenants are taking the opportunity to sign long term leases to lessen their real estate overhead. For the foreseeable future, lease rates will continue to decline until vacancy shows significant improvement.

### CONSUMERS

Retail investors are beginning to show signs of growing interest. NNN investments continued to be a primary focus for investors, due to the general safe haven they offer. During the third quarter, a few neighborhood and strip center transactions occurred, such as the 78,820 square foot Publix Center of St. Cloud that sold for just over \$9 million. Another spotlight transaction was the recent national acquisition of over 20 retail centers by Simon Property Group. The acquisition was valued at over \$2 billion and included the Prime Outlets in Orlando.

### SUMMARY

In summary, the retail market in Central Florida continues to coast along the bottom, with spotty signs of recovery in various submarkets. Tenant interest and activity increased as the quarter came to a close, supporting the belief that 2011 will likely experience positive growth. The primary focus will remain on general economic activity and job growth. Until consumers feel comfortable spending again, the retail market will likely remain relatively soft.

## TRANSACTION UPDATE

### SALES ACTIVITY

PROPERTY ADDRESS	PROPERTY TYPE	BUYER NAME	SIZE (SF)	SALES PRICE	SUBMARKET
129 W Church Street	Retail/Restaurant	129 West Church Street LLC	11,296	\$2,200,000 (\$194.76/SF)	Downtown Orlando
Publix Center of St. Cloud	Neighborhood	Inland Diversified Real Estate	78,820	\$9,363,000 (\$118.79/SF)	Kissimmee/St. Cloud
8255 LeeVista Blvd	Strip Center	Ovation Properties, Inc.	18,425	\$4,400,000 (\$238.81/SF)	Southeast Orlando
1277 N Mills Ave	Strip Center	1201 Park Plaza LLC	20,333	\$1,300,000 (\$63.94/SF)	Downtown Orlando
2036-2064 Americana Blvd	Strip Center	First American Investment	10,000	\$1,100,000 (\$110.00/SF)	Downtown Orlando

### LEASING ACTIVITY

PROPERTY ADDRESS	SPACE TYPE	TENANT NAME	SIZE (SF)	LEASE TYPE	SUBMARKET
Winter Garden Village	Inline	Bed Bath & Beyond	28,000	New/Direct	West Orange
Wekiva Riverwalk	Inline	Ross Dress for Less	27,689	New/Direct	Northwest Orange
Lake Buena Vista Factory Stores	Inline	Toys "R" Us Express	5,000	New/Direct	Sandlake / Tourist
494 W State Road 436	Inline	Mattress Firm	4,800	New/Direct	Altamonte Springs
Market Square	Inline	All In One Superstore	19,000	New/Direct	Casselberry/Winter Springs

## UPDATE SUBMARKET COMPARISONS

## SUBMARKET BREAKDOWN

Sbmrkt	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>Downtown</b>									
Q3 '10	61	4,679,660	7.59%	7.74%	-24,195	84,248	0	0	\$20.87/nnn
<b>Kissimmee / St. Cloud</b>									
Q3 '10	155	8,250,404	9.92%	10.03%	-24,564	64,477	0	0	\$17.19/nnn
<b>Altamonte / Longwood</b>									
Q3 '10	89	5,659,531	6.23%	6.23%	4,282	84,555	0	0	\$15.67/nnn
<b>Lake Nona / Southeast Orange</b>									
Q3 '10	85	4,399,749	13.39%	13.39%	-2,495	42,780	0	0	\$14.23/nnn
<b>East Orange</b>									
Q3 '10	116	6,759,840	8.61%	8.73%	14,435	84,471	0	0	\$18.77/nnn
<b>Northwest Orange</b>									
Q3 '10	123	8,531,880	15.63%	15.63%	5,482	-27,586	0	0	\$13.70/nnn
<b>Sanford / Lake Mary</b>									
Q3 '10	90	5,699,290	8.15%	8.15%	10,499	34,805	0	36,218	\$17.41/nnn
<b>Oviedo / Winter Springs</b>									
Q3 '10	110	6,390,698	12.91%	12.99%	3,292	-69,981	0	0	\$17.62/nnn
<b>Sand Lake / Tourist</b>									
Q3 '10	166	15,761,899	6.90%	7.70%	-29,633	-6,123	0	0	\$19.52/nnn
<b>West Orange</b>									
Q3 '10	48	2,551,625	10.38%	10.38%	-9,602	-28,554	0	160,373	\$17.04/nnn
<b>Clermont / Lake County</b>									
Q3 '10	41	2,664,797	5.46%	5.46%	-7,637	-25,745	0	0	\$18.27/nnn
<b>Winter Park / Maitland</b>									
Q3 '10	28	1,724,052	6.15%	6.15%	-15,134	-16,451	0	0	\$20.81/nnn

## CENTRAL FLORIDA OVERALL MARKET

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
2010 3Q	1,130	74,196,535	9.5%	9.8%	-82,722	224,224	0	196,591	\$17.22/nnn
2010 2Q	1,130	74,196,535	9.4%	9.6%	386,168	306,946	64,400	196,591	\$17.42/nnn
2010 1Q	1,128	74,132,135	9.9%	10.1%	-79,222	-79,222	0	224,773	\$17.74/nnn
2009 4Q	1,128	74,132,135	9.7%	10.0%	135,891	-1,153,435	112,477	14,400	\$17.79/nnn
2009 3Q	1,125	74,005,366	9.8%	10.0%	-700,535	-1,289,326	108,846	141,169	\$17.84/nnn
2009 2Q	1,120	73,896,520	8.7%	8.9%	-355,214	-588,791	46,154	250,015	\$18.30/nnn
2009 1Q	1,118	73,850,366	8.2%	8.4%	-233,577	-233,577	532,294	267,477	\$18.82/nnn
2008 4Q	1,109	73,332,364	7.1%	7.4%	592,794	1,348,982	962,494	682,656	\$18.89/nnn
2008 3Q	1,093	72,334,970	6.9%	7.0%	73,334	756,188	280,269	1,547,768	\$19.16/nnn

SUBMARKET MAP



## 480 offices in 61 countries on 6 continents

United States: 135  
Canada: 39  
Latin America: 17  
Asia Pacific: 194  
EMEA: 95

- \$1.9 billion in annual revenue
- 2.4 billion square feet under management
- Over 15,000 professionals

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This report includes owner and non-owner occupied space 10,000 square feet and greater. Directional arrows compare current quarter to previous quarter numbers. Arrows show change when there is a 10 cent or more change in lease rate or 0.5 percent 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 quarters. Sources: Costar Property and Colliers International Central Florida.



Central Florida

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