

DK DUKE KROEGER & COMPANY

Orlando Industrial Market Report Overview Year End 2006



**ORLANDO'S VACANCY REMAINS UNCHANGED AT 6.1 %
Net Absorption Positive 477,580 SF in the Quarter**

The Orlando Industrial market ended the fourth quarter 2006 with a vacancy rate of 6.1%. The vacancy rate was unchanged over the previous quarter, with net absorption totaling positive 477,580 square feet in the fourth quarter. Vacant sublease space increased in the quarter, ending the quarter at 683,919 square feet. Rental rates ended the fourth quarter at \$6.66, a change over the previous quarter. A total of 18 buildings delivered to the market in the quarter totaling 565,462 square feet, with 1,600,469 square feet still under construction at the end of the quarter.

Sales Activity

Tallying industrial building sales of 15,000 square feet or largest; Orlando industrial sales figures fell during the third quarter 2006 in terms of dollar volume compared to the second quarter of 2006. In the third quarter; 26 industrial transactions closed with a total volume of \$193,459,670. The 26 buildings totaled 2,059,466 square feet and the average price per square foot equated to \$93.94 per square foot. That compares to 42 transactions totaling \$196,444,800 in the second quarter. The total square footage was 2,807,682 for an average price per square foot of \$69.97.

Total year-to-date industrial building sales activity in 2006 is up compared to the previous year. In the first nine months of 2006, the market saw 102 industrial sales transactions with a total volume of \$464,696,545. The price per square foot has averaged \$69.96 this year. In the first nine months of 2005, the market posted 93 transactions with a total volume of \$367,164,314. The price per square foot averaged \$56.37.

Cap rates have been higher in 2006, averaging 8.61%, compared to the first nine months of last year when they averaged 8.36%. One of the largest transactions that has occurred within the last 4 quarters in the Orlando market is the sale of Bldg IX in Orlando. This 403,236 square foot industrial building sold for \$ 44,134,000 or \$109.45 per square foot.



Absorption

Net absorption for the overall Orlando Industrial market was positive 477,580 square feet in the fourth quarter 2006. That compares to positive 1,276,026 square feet in the third quarter 2006, positive 527,730 square feet in the second quarter 2006, and positive 889,429 square feet in the first quarter 2006.

Tenants moving out of large blocks of space in 2006 include: DDU Express moving out of (56,030) square feet at 1090 Gills Dr, Corporate Express, Inc. moving out of (51,500) square feet at CrownPointe I, and APX Logistics moving out of (51,500) square feet at CrownPointe III.

Tenants moving into large blocks of space in 2006 include: Staples moving into 555,000 square feet at 10701 Central Port D~ AMCOR Packaging moving into 228,950 square feet at 2351 Investors Row, and American Hotel moving into 160,000 square feet at Cypress Park East - Bldg 5.

The Flex building market recorded net absorption of positive 198,503 square feet in the fourth quarter 2006, compared to positive 359,636 square feet in the third quarter 2006, positive 205,548 in the second quarter 2006, and positive 251,222 in the first quarter 2006.

The Warehouse building market recorded net absorption of positive 279,077 square feet in the fourth quarter 2006 compared to positive 916,390 square feet in the third quarter 2006, positive 322,182 in the second quarter 2006, and positive 638,207 in the first quarter 2006.

Vacancy

The Industrial vacancy rate in the Orlando market area remained unchanged at 6.1% at the end of the fourth quarter 2006. The vacancy rate was 6.1% at the end of the third quarter 2006, 6.3% at the end of the second quarter 2006, and 6.3% at the end of the first quarter 2006.

Flex projects reported a vacancy rate of 6.8% at the end of the fourth quarter 2006, 7.1% at the end of the third quarter 2006, 7.9% at the end of the second quarter 2006, and 7.9% at the end of the first quarter 2006.

Warehouse projects reported a vacancy rate of 6.0% at the end of the fourth quarter 2006, 5.9% at the end of third quarter 2006, 5.9% at the end of the second quarter 2006, and 5.9% at the end of the first quarter 2006.

Largest Lease Signings

The largest lease signings occurring in 2006 included: the 555,000-square-foot lease signed by Staples at 10701 Central Port Dr in the SE Orange County market; the 228,950-square-foot deal signed by AMCOR Packaging at 2351 Investors Row in the SW Orange County market; and the 225,000-square-foot lease signed by Sealy Mattress Manufacturing Company, Inc. at Sealy Mattress in the SE Orange County market.

Sublease Vacancy

The amount of vacant sublease space in the Orlando market increased to 683,919 square feet by the end of the fourth quarter 2006, from 608,302 square feet at the end of the third quarter 2006. There was 710,652 square feet vacant at the end of the second quarter 2006 and 600,477 square feet at the end of the first quarter 2006.

Orlando's Flex projects reported vacant sublease space of 158,362 square feet at the end of fourth quarter 2006, down from the 247,519 square feet reported at the end of the third quarter 2006. There were 304,495 square feet of sublease space vacant at the end of the second quarter 2006, and 229,366 square feet at the end of the first quarter 2006.

Warehouse projects reported increased vacant sublease space from the third quarter 2006 to the fourth quarter 2006. Sublease vacancy went from 360,783 square feet to 525,557 square feet during that time. There was 406,157 square feet at the end of the second quarter 2006, and 371,111 square feet at the end of the first quarter 2006.

Rental Rates

The average quoted asking rental rate for available Industrial space was \$6.66 per square foot per year at the end of the fourth quarter 2006 in the Orlando market area. Rental rates at the end of the third quarter 2006 were reported at \$6.66 per square foot as well. The average quoted rate within the Flex sector was \$11.82 per square foot at the end of the fourth quarter 2006, while Warehouse rates stood at \$5.60. At the end of the third quarter 2006, Flex rates were \$11.24 per square foot, and Warehouse rates were \$5.56.

Deliveries and Construction

During the fourth quarter 2006, 18 buildings totaling 565,462 square feet were completed in the Orlando market area. This compares to 22 buildings totaling 1,131,193 square feet that were completed in the third quarter 2006, 16 buildings totaling 498,230 square feet completed in the second quarter 2006, and 607,396 square feet in 17 buildings completed in the first quarter 2006.

There were 1,600,469 square feet of Industrial space under construction at the end of the fourth quarter 2006. Some of the notable 2006 deliveries include: Windoor; a 325,000-square-foot facility that delivered in third quarter 2006 and is now 100% occupied, and

Crossroads Business Park – Bldg VII, a 233,700-square-foot building that delivered in third quarter 2006 and is now 74% occupied.

The largest projects underway at the end of fourth quarter 2006 were Sealy Mattress, a 225,000-square-foot building with 100% of its space pre-leased, and Princeton & John Young Pkwy a 163,000-square-foot facility that is 100% pre-leased.

Inventory

Total Industrial inventory in the Orlando market area amounted to 153,006,136 square feet in 4,921 buildings as of the end of the fourth quarter 2006. The Flex sector consisted of 28,658,504 square feet in 1,169 projects. The Warehouse sector consisted of 124,347,632 square feet in 3,752 buildings. Within the Industrial market there were 837 owner-occupied buildings accounting for 37,972,270 square feet of Industrial space.

