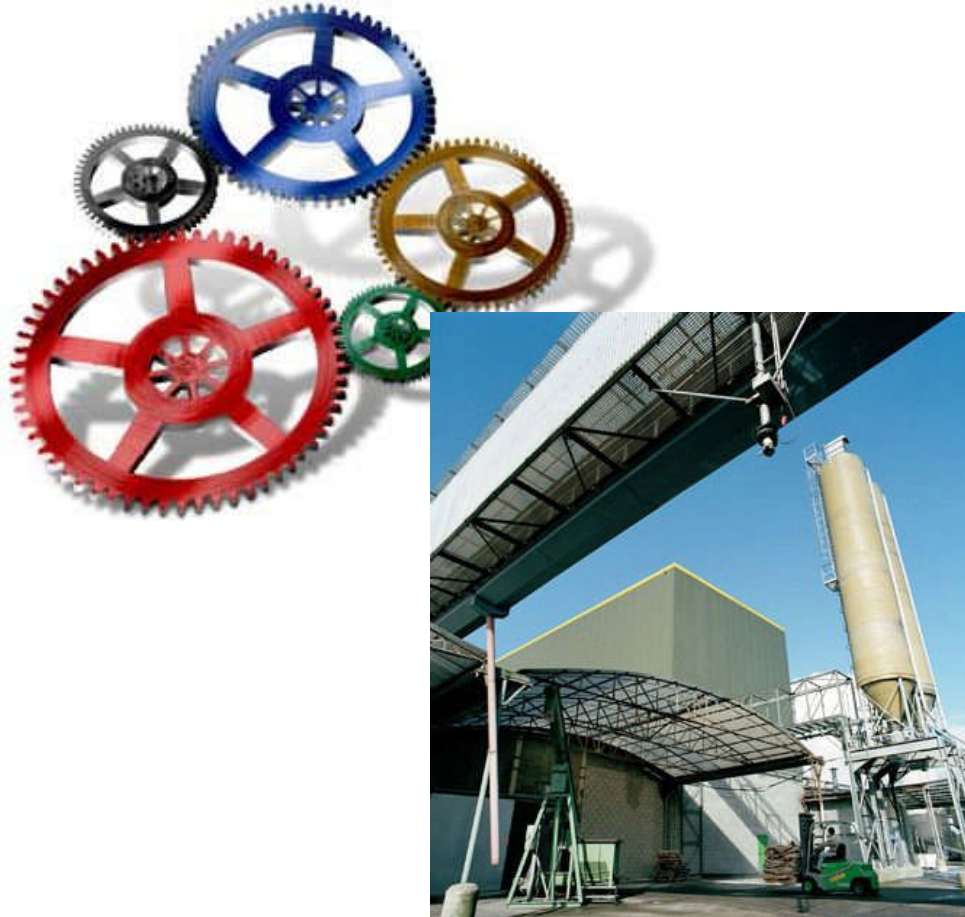


# Duke Kroeger & Company Mid-Year 2007 Industrial Market Report



**DK** DUKE KROEGER  
& C O M P A N Y

# Industrial Market Report Mid-Year 2007

## Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Orlando industrial sales figures rose during the first quarter 2007 in terms of dollar volume compared to the fourth quarter of 2006. In the first quarter, 29 industrial transactions closed with a total volume of \$160,716,575. The 29 buildings totaled 1,779,267 square feet and the average price per square foot equaled to \$90.33 per square foot. That compares to 20 transactions totaling \$89,763,084 in the fourth quarter. The total square footage was 1,198,406 for an average price per square foot of \$74.90. Total year-to-date industrial building sales activity in 2007 is up compared to the previous year. In the first three months of 2007, the market saw 29 industrial sales transactions with a total volume of \$160,716,575. The price per square foot has averaged \$90.33 this year. The first three months of 2006, the market posted 24 transactions with a total volume of \$46,062,000. The price per square foot averaged \$49.11. Cap rates have been somewhat lower in 2007, averaging 7.05%, compared to the first three months of last year when they averaged 8.81%. One of the largest transactions that has occurred within the last 4 quarters in the Orlando market is the sale of 8200 Boggy Creek Rd - Bldg 9 in Orlando. This 403,236 square foot industrial building sold for \$44,134,000, or \$109.45 per square foot. The property sold on 6/9/2006.

## Absorption

Net absorption for the overall Orlando Industrial market was positive 141,433 square feet in the second quarter 2007. That compares to positive 566,314 square feet in the first quarter 2007, positive 718,754 square feet in the fourth quarter 2006, and positive 1,282,687 square feet in the third quarter 2006. tenants moving out of large blocks of space in 2007 include: Ashley Furniture Industries moving out of (348,360) square feet at 1401 Tradeport Dr, Qualex, Inc. moving out of (90,000) square feet at 2421 N Orange Blossom Trl, and Frazee, Inc. moving out of (86,800) square feet at Presidents Distribution Center. Tenants moving into large blocks of space in 2007 include: Sealy Mattress Manufacturing Company, Inc. moving into 225,000 square feet at Sealy Mattress, Walgreen Co. moving into 188,468 square feet at 2000 E Landstreet Rd, and Owens & Minor Distribution, Inc. moving into 172,571 square feet at Crossroads Business Park - Bldg VII. The Flex building market recorded net absorption of negative (130,067) square feet in the second quarter 2007, compared to negative (65,060) square feet in the first quarter 2007, positive 246,310 in the fourth quarter 2006, and positive 398,118 in the third quarter 2006.

The Warehouse building market recorded net absorption of positive 271,500 square feet in the second quarter 2007 compared to positive 631,374 square feet in the first quarter 2007, positive 472,444 in the fourth quarter 2006, and positive 884,569 in the third quarter 2006.

## **Vacancy**

The Industrial vacancy rate in the Orlando market area increased to 6.2% at the end of the second quarter 2007. The vacancy rate was 6.0% at the end of the first quarter 2007, 5.9% at the end of the fourth quarter 2006, and 5.9% at the end of the third quarter 2006. Flex projects reported a vacancy rate of 7.7% at the end of the second quarter 2007, 6.6% at the end of the first quarter 2007, 6.4% at the end of the fourth quarter 2006, and 6.8% at the end of the third quarter 2006. Warehouse projects reported a vacancy rate of 5.8% at the end of the second quarter 2007, 5.8% at the end of first quarter 2007, 5.8% at the end of the fourth quarter 2006, and 5.7% at the end of the third quarter 2006.

## **Largest Lease Signings**

The largest lease signings occurring in 2007 included: the 343,860-square-foot lease signed by Ashley Furniture Industries at 1401 Tradeport Dr in the SE Orange County market; the 340,000-square-foot deal signed by Broder Brothers at Tradeport Dr in the SE Orange County market; and the 188,468-square-foot lease signed by Walgreen Co. at 2000 E Landstreet Rd in the SE Orange County market.

## **Sublease Vacancy**

The amount of vacant sublease space in the Orlando market increased to 491,682 square feet by the end of the second quarter 2007, from 418,272 square feet at the end of the first quarter 2007. There was 499,869 square feet vacant at the end of the fourth quarter 2006 and 591,517 square feet at the end of the third quarter 2006. Orlando's Flex projects reported vacant sublease space of 137,461 square feet at the end of second quarter 2007, up from the 111,885 square feet reported at the end of the first quarter 2007. There were 156,577 square feet of sublease space vacant at the end of the fourth quarter 2006, and 245,734 square feet at the end of the third quarter 2006. Warehouse projects reported increased vacant sublease space from the first quarter 2007 to the second quarter 2007. Sublease vacancy went from 306,387 square feet to 354,221 square feet during that time. There was 343,292

square feet at the end of the fourth quarter 2006, and 345,783 square feet at the end of the third quarter 2006.

## **Rental Rates**

The average quoted asking rental rate for available Industrial space was \$7.29 per square foot per year at the end of the second quarter 2007 in the Orlando market area. This represented a 2.0% increase in quoted rental rates from the end of the first quarter 2007, when rents were reported at \$7.15 per square foot. The average quoted rate within the Flex sector was \$12.02 per square foot at the end of the second quarter 2007, while Warehouse rates stood at \$6.07. At the end of the first quarter 2007, Flex rates were \$11.63 per square foot, and Warehouse rates were \$5.97.

## **Deliveries and Construction**

During the second quarter 2007, 22 buildings totaling 489,096 square feet were completed in the Orlando market area. This compares to 14 buildings totaling 708,270 square feet that were completed in the first quarter 2007, 25 buildings totaling 763,408 square feet completed in the fourth quarter 2006, and 1,093,683 square feet in 24 buildings completed in the third quarter 2006. There were 3,402,159 square feet of Industrial space under construction at the end of the second quarter 2007. Some of the notable 2007 deliveries include: Sealy Mattress, a 225,000-square-foot facility that delivered in first quarter 2007 and is now 100% occupied, and Princeton & John Young Pkwy, a 163,000-square-foot building that delivered in first quarter 2007 and is now 100% occupied. The largest projects underway at the end of second quarter 2007 were Tradeport Dr, a 340,000-square-foot building with 100% of its space pre-leased, and Oakmont Building B, A 200,232-square-foot facility that is 0% pre-leased.

## **Inventory**

Total Industrial inventory in the Orlando market area amounted to 161,094,238 square feet in 5,483 buildings as of the end of the second quarter 2007. The Flex sector consisted of 30,129,519 square feet in 1,350 projects. The Warehouse sector consisted of 130,964,719 square feet in 4,133 buildings. Within the Industrial market there were 801 owner-occupied buildings accounting for 35,653,066 square feet of Industrial space.