

2007 Year End Report

Duke Kroeger & Company Year End Industrial Market Report 2007



Market Overview

The Orlando Industrial market ended the fourth quarter 2007 with a vacancy rate of 7.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (557,857) square feet in the fourth quarter. Vacant sublease space increased in the quarter, ending the quarter at 469,641 square feet. Rental rates ended the fourth quarter at \$7.34, a decrease over the previous quarter. A total of 8 buildings delivered to the market in the quarter totaling 904,488 square feet, with 2,514,245 square feet still under construction at the end of the quarter.

Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Orlando industrial sales figures fell during the third quarter 2007 in terms of dollar volume compared to the second quarter of 2007. In the third quarter, 22 industrial transactions closed with a total volume of \$99,790,000. The 22 buildings totaled 1,642,570 square feet and the average price per square foot equated to \$60.75 per square foot. That compares to 25 transactions totaling \$162,668,200 in the second quarter. The total square footage was 2,330,368 for an average price per square foot of \$69.80. Total year-to-date industrial building sales activity in 2007 is up compared to the previous year. In the first nine months of 2007, the market saw 81 industrial sales transactions with a total volume of \$504,316,475. The price per square foot has averaged \$77.43 this year. In the first nine months of 2006, the market posted 89 transactions with a total volume of \$437,892,370. The price per square foot averaged \$77.97. Cap rates have been lower in 2007, averaging 6.99%, compared to the first nine months of last year when they averaged 8.38%.

One of the largest transactions that has occurred within the last 4 quarters in the Orlando market is the sale of Bldg A in Orlando. This 714,770 square foot industrial building sold for \$51,545,000, or \$72.11 per square foot. The property sold on 6/5/2007.

Absorption

Net absorption for the overall Orlando Industrial market was negative (557,857) square feet in the fourth quarter 2007. That compares to positive 410,832 square feet in the third quarter 2007, positive 637,698 square feet in the second quarter 2007, and positive 690,506 square feet in the first quarter 2007. The Flex building market recorded net absorption of negative (105,021) square feet in the fourth quarter 2007, compared to negative (288,463) square feet in the third quarter 2007, negative (142,758) in the second quarter 2007, and negative (38,392) in the first quarter 2007. The Warehouse building market recorded net absorption of negative (452,836) square feet in the fourth quarter 2007 compared to positive 699,295 square feet in the third quarter 2007, positive 780,456 in the second quarter 2007, and positive 728,898 in the first quarter 2007.

Vacancy

The Industrial vacancy rate in the Orlando market area increased to 7.1% at the end of the fourth quarter 2007. The vacancy rate was 6.4% at the end of the third quarter 2007, 6.0% at the end of the second quarter 2007, and 5.7% at the end of the first quarter 2007. Flex projects reported a vacancy rate of 10.0% at the end of the fourth quarter 2007, 9.8% at the end of the third quarter 2007, 8.1% at the end of the second quarter 2007, and 6.6% at the end of the first quarter 2007. Warehouse projects reported a vacancy rate of 6.5% at the end of the fourth quarter 2007, 5.6% at the end of third quarter 2007, 5.5% at the end of the second quarter 2007, and 5.6% at the end of the first quarter 2007.

Largest Lease Signings

The largest lease signings occurring in 2007 included: the 404,286-square-foot lease signed by United Stationer at Southridge Commerce Park-Bldg 12 in the SW Orange County market; the 343,860-square-foot lease signed by Ashley Furniture Industries at 1401 Tradeport Dr in the SE Orange County market; and the 340,000-square-foot deal signed by Broder Brothers at Liberty Park at AIPO - Building 2 in the SE Orange County market.

Sublease Vacancy

The amount of vacant sublease space in the Orlando market increased to 469,641 square feet by the end of the fourth quarter 2007, from 450,671 square feet at the end of the third quarter 2007. There was 481,590 square feet vacant at the end of the second quarter 2007 and 418,272 square feet at the end of the first quarter 2007. Orlando's Flex projects reported vacant sublease space of 132,401 square feet at the end of fourth quarter 2007, up from the 126,286 square feet reported at the end of the third quarter 2007. There were 137,461 square feet of sublease space vacant at the end of the second quarter 2007, and 111,885 square feet at the end of the first quarter 2007. Warehouse projects reported increased vacant sublease space from the third quarter 2007 to the fourth quarter 2007. Sublease vacancy went from 324,385 square feet to 337,240 square feet during that time. There was 344,129 square feet at the end of the second quarter 2007, and 306,387 square feet at the end of the first quarter 2007.

Rental Rates

The average quoted asking rental rate for available Industrial space was \$7.34 per square foot per year at the end of the fourth quarter 2007 in the Orlando market area. This represented a 1.9% decrease in quoted rental rates from the end of the third quarter 2007, when rents were reported at \$7.48 per square foot. The average quoted rate within the Flex sector was \$10.66 per square foot at the end of the fourth quarter 2007, while Warehouse rates stood at \$6.45. At the end of the third quarter 2007, Flex rates were \$12.02 per square foot, and Warehouse rates were \$6.15.

Deliveries and Construction

During the fourth quarter 2007, 8 buildings totaling 904,488 square feet were completed in the Orlando market area. This compares to 35 buildings totaling 1,123,155 square feet that were completed in the third quarter 2007, 35 buildings totaling 1,080,779 square feet completed in the second quarter 2007, and 724,893 square feet in 15 buildings completed in the first quarter 2007. There were 2,514,245 square feet of Industrial space under construction at the end of the fourth quarter 2007.

Inventory

Total Industrial inventory in the Orlando market area amounted to 167,381,919 square feet in 5,839 buildings as of the end of the fourth quarter 2007. The Flex sector consisted of 30,501,862 square feet in 1,423 projects. The Warehouse sector consisted of 136,880,057 square feet in 4,416 buildings. Within the Industrial market there were 751 owner-occupied buildings accounting for 33,969,707 square feet of Industrial space.