



## Industrial Market Report 1<sup>st</sup> qtr 2008

### Market at a Glance Orlando Industrial Market

Average Sales Price  
\$55.75

Absorption  
Neg. 1,169,480 SF

Vacancy  
Increase to 8.1%

Largest Lease Sign  
400,500 SF

Sublease Space  
Increase 524,503 SF

Average Rental Rate  
\$7.08

New Construction  
19 New Building  
totaling 360,091

Inventory  
169,896,593 SF

For more information  
on this report, please  
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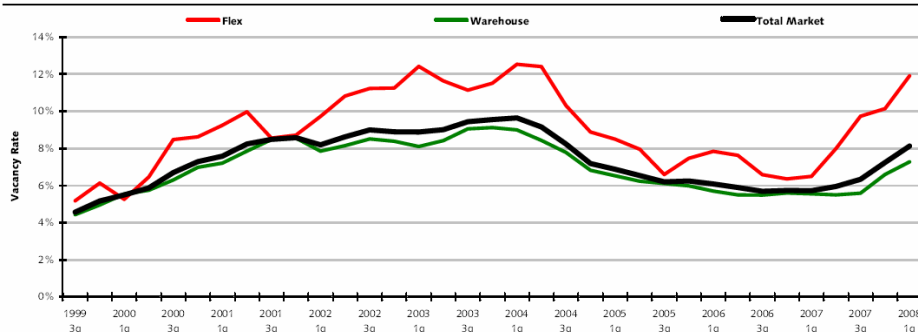
**Duke Kroeger &  
Company**  
(407) 696-3088  
[www.dukekroeger.com](http://www.dukekroeger.com)

### Market Overview

The Orlando Industrial market ended the first quarter 2008 with a vacancy rate of 8.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative 1,169,480 square feet in the first quarter.

Vacant sublease space increased in the quarter, ending the quarter at 524,503 square feet. Rental rates ended the first quarter at \$7.08, a decrease over the previous quarter. A total of 19 buildings delivered to the market in the quarter totaling 360,091 square feet, with 1,542,067 square feet still under construction at the end of the quarter.

VACANCY RATES BY BUILDING TYPE 1999-2008



Graph copied from Co-Star Group



## Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Orlando industrial sales figures fell during the fourth quarter 2007 in terms of dollar volume compared to the third quarter of 2007. In the fourth quarter, 13 industrial transactions closed with a total volume of \$39,365,000. The 13 buildings totaled 706,077 square feet and the average price per square foot equated to \$55.75 per square foot that compares to 24 transactions totaling \$119,975,500 in the third quarter.

The total square footage was 2,117,586 for an average price per square foot of \$56.66. Total year-to-date industrial building sales activity in 2007 is up compared to the previous year. In the twelve months of 2007, the market saw 96 industrial sales transactions with a total volume of \$556,701,975. The price per square foot has averaged \$68.55 this year. In the twelve months of 2006, the market posted 110 transactions with a total volume of \$528,905,454. The price per square foot averaged \$77.84. Cap rates have been lower in 2007, averaging 7.07%, compared to the twelve months of last year when they averaged 8.28%. One of the largest transactions that occurred within the last 4 quarters in the Orlando market is the sale of Crossroads Distribution 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 1,169,480 square feet in the first quarter 2008. That compares to negative 412,353 square feet in the fourth quarter 2007, positive 735,654 square feet in the third quarter 2007, and positive 615,633 square feet in the second quarter 2007.

Tenants moving out of large blocks of space in 2008 include:

Walt Disney moving out of 74,436 square feet at Parksouth Bldg D, PETCO moving out of 52,800 square feet at Crossroads Business Park - Bldg 6, and WinDoor Incorporated moving out of 45,300 square feet at 1996 Stanhome Way.

Tenants moving into large blocks of space in 2008 include:

United States Postal Service moving into 355,732 square feet at 2000 E Landstreet Rd, Margaritaville moving into 62,502 square feet at Crownpointe VI, and Dal-Tile Corporation moving into 62,377 square feet at Cypress Park East - Bldg 3. The Flex building market recorded net absorption of negative 282,729 square feet in the first quarter 2008, compared to negative 46,356 square feet in the fourth quarter 2007, negative 276,453 in the third quarter 2007, and negative 153,372 in the second quarter 2007.

The Warehouse building market recorded net absorption of negative 886,751 square feet in the first quarter 2008 compared to negative 365,997 square feet in the fourth quarter 2007, positive 1,012,107 in the third quarter 2007, and positive 769,005 in the second quarter 2007.



## Vacancy

The Industrial vacancy rate in the Orlando market area increased to 8.1% at the end of the first quarter 2008. The vacancy rate was 7.2% at the end of the fourth quarter 2007, 6.3% at the end of the third quarter 2007, and 6.0% at the end of the second quarter 2007. Flex projects reported a vacancy rate of 11.9% at the end of the first quarter 2008, 10.2% at the end of the fourth quarter 2007, 9.7% at the end of the third quarter 2007, and 8.0% at the end of the second quarter 2007. Warehouse projects reported a vacancy rate of 7.3% at the end of the first quarter 2008, 6.6% at the end of fourth quarter 2007, 5.6% at the end of the third quarter 2007, and 5.5% at the end of the second quarter 2007.

## Largest Lease Signings

The largest lease signings occurring in 2008 included: the 400,500-square-foot lease signed by United Stationers Supply Company Inc at Southridge Commerce Park - Building 12 in the SW Orange County market; the 355,732-square-foot deal signed by United States Postal Service at 2000 E Landstreet Rd in the SE Orange County market; and the 112,734-square-foot lease signed by Fed Ex at Fed Ex in the Seminole County market.

## Sublease Vacancy

The amount of vacant sublease space in the Orlando market increased to 524,503 square feet by the end of the first quarter 2008, from 469,641 square feet at the end of the fourth quarter 2007. There was 446,525 square feet vacant at the end of the third quarter 2007 and 477,444 square feet at the end of the second quarter 2007. Orlando's Flex projects reported vacant sublease space of 103,684 square feet at the end of first quarter 2008, down from the 132,401 square feet reported at the end of the fourth quarter 2007. There were 122,140 square feet of sublease space vacant at the end of the third quarter 2007, and 133,315 square feet at the end of the second quarter 2007. Warehouse projects reported increased vacant sublease space from the fourth quarter 2007 to the first quarter 2008. Sublease vacancy went from 337,240 square feet to 420,819 square feet during that time. There was 324,385 square feet at the end of the third quarter 2007, and 344,129 square feet at the end of the second quarter 2007.



## **Rental Rates**

The average quoted asking rental rate for available Industrial space was \$7.08 per square foot per year at the end of the first quarter 2008 in the Orlando market area. This represented a 2.6% decrease in quoted rental rates from the end of the fourth quarter 2007, when rents were reported at \$7.27 per square foot. The average quoted rate within the Flex sector was \$10.74 per square foot at the end of the first quarter 2008, while Warehouse rates stood at \$6.18. At the end of the fourth quarter 2007, Flex rates were \$10.84 per square foot, and Warehouse rates were \$6.36.

## **Deliveries and Construction**

During the first quarter 2008, 19 buildings totaling 360,091 square feet were completed in the Orlando market area. This compares to 18 buildings totaling 1,308,297 square feet that were completed in the fourth quarter 2007, 37 buildings totaling 1,465,367 square feet completed in the third quarter 2007, and 1,058,779 square feet in 33 buildings completed in the second quarter 2007. There were 1,542,067 square feet of Industrial space under construction at the end of the first quarter 2008. Some of the notable 2008 deliveries include: Simply Self Storage, a 90,000-square-foot facility that delivered in first quarter 2008 and is now 100% occupied, and Semoran CommerCenter - Building B, a 61,317-square-foot building that delivered in first quarter 2008 and is now 0% occupied. The largest projects underway at the end of first quarter 2008 were Beachline Corporate Center - Bldg 100, a 360,000-square-foot building with 0% of its space pre-leased, and Northwest Distribution Center - Building B, a 200,232-squarefoot facility that is 0% pre-leased.

## **Inventory**

Total Industrial inventory in the Orlando market area amounted to 169,896,593 square feet in 5,968 buildings as of the end of the first quarter 2008. The Flex sector consisted of 30,896,785 square feet in 1,456 projects. The Warehouse sector consisted of 138,999,808 square feet in 4,512 buildings. Within the Industrial market there were 726 owner-occupied buildings accounting for 32,010,315 square feet of Industrial space.