



Market at a Glance Orlando Industrial Market

Average Sales Price
\$85.62

Absorption
-2,154,851 sf

Vacancy
Increase to 11.1%

Largest Lease Signing
252,000 sf

Sublease Space
651,858 sf

Average Rental Rate
\$6.85

New Construction
17 New Buildings
totaling 239,340 sf

Inventory
175,072,727 sf

Market Overview

The Orlando Industrial market ended the first quarter 2009 with a vacancy rate of 11.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative 2,154,851 square feet in the first quarter.

A total of 17 buildings delivered to the market in the quarter totaling 239,340 square feet, with 53,678 square feet still under construction at the end of the quarter.

Vacant sublease space decreased in the quarter, ending the quarter at 651,858 square feet.

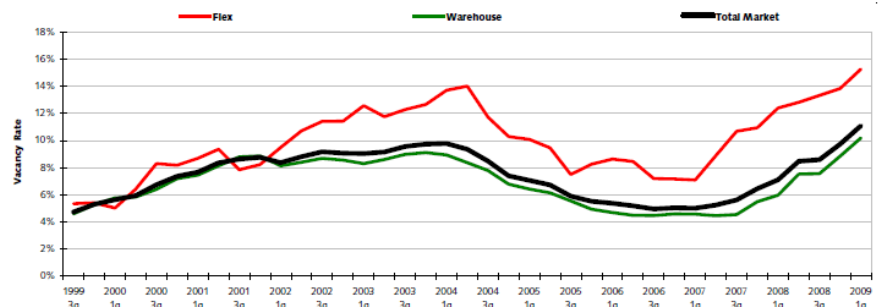
The quarter ended with an average quoted rental rate for available space at \$6.85, a decrease over the previous quarter.

Total Industrial inventory in the Orlando market area amounted to 175,072,727 square feet in 6,397 buildings as of the end of the first quarter 2009. The Flex sector consisted of 31,213,688 square feet in 1,495 projects. The Warehouse sector consisted of 143,859,039 square feet in 4,902 buildings. Within the Industrial market there were 622 owner-occupied buildings accounting for 26,248,039 square feet of Industrial space.

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VACANCY RATES BY BUILDING TYPE 1999-2009



Source: CoStar Property

*Graph copied from Co-Star Group



Absorption

Net absorption for the overall Orlando Industrial market was negative 2,154,851 square feet in the first quarter 2009. That compares to negative 779,318 square feet in the fourth quarter 2008, positive 265,972 square feet in the third quarter 2008, and negative 1,459,124 square feet in the second quarter 2008.

Tenants moving out of large blocks of space in 2009 include: BEHR Process Corporation moving out of 117,791 square feet at 7000 Kingspointe Pky, Atlantic Express4 moving out of 71,821 square feet at 5780 Carrier Dr, and Appliance Direct moving out of 28,926 square feet at 4161 N John Young Pky.

Tenants moving into large blocks of space in 2009 include: Noah's Ark Self Storage Facility moving into 94,000 square feet at 1015 N Apopka-Vineland Rd, Disney Cruise Line moving into 62,000 square feet at Lincoln International Corporate Pk - Bldg C, and Customized Delivery Services, Inc. moving into 40,100 square feet at Crossroads Distribution - Bldg B.

The Flex building market recorded net absorption of negative 302,102 square feet in the first quarter 2009, compared to negative 6,304 square feet in the fourth quarter 2008, positive 15,529 in the third quarter 2008, and negative 8,752 in the second quarter 2008.

The Warehouse building market recorded net absorption of negative 1,852,749 square feet in the first quarter 2009 compared to negative 773,014 square feet in the fourth quarter 2008, positive 250,443 in the third quarter 2008, and negative 1,450,372 in the second quarter 2008.

Vacancy

The Industrial vacancy rate in the Orlando market area increased to 11.1% at the end of the first quarter 2009. The vacancy rate was 9.7% at the end of the fourth quarter 2008, 8.5% at the end of the third quarter 2008, and 8.5% at the end of the second quarter 2008.

Flex projects reported a vacancy rate of 15.3% at the end of the first quarter 2009, 13.8% at the end of the fourth quarter 2008, 13.3% at the end of the third quarter 2008, and 12.8% at the end of the second quarter 2008.

Warehouse projects reported a vacancy rate of 10.2% at the end of the first quarter 2009, 8.8% at the end of fourth quarter 2008, 7.6% at the end of the third quarter 2008, and 7.5% at the end of the second quarter 2008.



Sublease Vacancy

The amount of vacant sublease space in the Orlando market decreased to 651,858 square feet by the end of the first quarter 2009, from 1,002,997 square feet at the end of the fourth quarter 2008. There was 960,860 square feet vacant at the end of the third quarter 2008 and 989,816 square feet at the end of the second quarter 2008.

Orlando's Flex projects reported vacant sublease space of 111,499 square feet at the end of first quarter 2009, up from the 92,795 square feet reported at the end of the fourth quarter 2008.

There were 88,069 square feet of sublease space vacant at the end of the third quarter 2008, and 89,065 square feet at the end of the second quarter 2008. Warehouse projects reported decreased vacant sublease space from the fourth quarter 2008 to the first quarter 2009.

Sublease vacancy went from 910,202 square feet to 540,359 square feet during that time. There was 872,791 square feet at the end of the third quarter 2008, and 900,751 square feet at the end of the second quarter 2008.

Rental Rates

The average quoted asking rental rate for available Industrial space was \$6.85 per square foot per year at the end of the first quarter 2009 in the Orlando market area. This represented a 2.0% decrease in quoted rental rates from the end of the fourth quarter 2008, when rents were reported at \$6.99 per square foot.

The average quoted rate within the Flex sector was \$10.32 per square foot at the end of the first quarter 2009, while Warehouse rates stood at \$5.95. At the end of the fourth quarter 2008, Flex rates were \$10.57 per square foot, and Warehouse rates were \$6.09.

Deliveries and Construction

During the first quarter 2009, 17 buildings totaling 239,340 square feet were completed in the Orlando market area. This compares to 16 buildings totaling 1,360,454 square feet that were completed in the fourth quarter 2008, 17 buildings totaling 507,532 square feet completed in the third quarter 2008, and 962,289 square feet in 13 buildings completed in the second quarter 2008.

There were 53,678 square feet of Industrial space under construction at the end of the first quarter 2009.

Some of the notable 2009 deliveries include: 1015 N Apopka-Vineland Rd, a 94,000-square-foot facility that delivered in first quarter 2009 and is now 100%



occupied, and 6859 Edgewater Commerce Pky, a 29,132-square-foot building that delivered in first quarter 2009 and is now 0% occupied.

The largest projects underway at the end of first quarter 2009 were Business Center 1, a 38,078-square-foot building with 0% of its space pre-leased, and 1421 Hamlin Ave, a 15,600-square-foot facility that is 100% pre-leased.

Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Orlando industrial sales figures rose during the fourth quarter 2008 in terms of dollar volume compared to the third quarter of 2008.

In the fourth quarter, 14 industrial transactions closed with a total volume of \$70,316,600. The 14 buildings totaled 821,229 square feet and the average price per square foot equated to \$85.62 per square foot. That compares to 13 transactions totaling \$42,080,000 in the third quarter. The total square footage was 658,477 for an average price per square foot of \$63.91.

Total year-to-date industrial building sales activity in 2008 is down compared to the previous year. In the twelve months of 2008, the market saw 61 industrial sales transactions with a total volume of \$242,744,211. The price per square foot has averaged \$71.39 this year. In the twelve months of 2007, the market posted 103 transactions with a total volume of \$618,893,689. The price per square foot averaged \$74.96.

Cap rates have been higher in 2008, averaging 8.20%, compared to the twelve months of last year when they averaged 7.00%.