State of the Central Florida Market, January 2011

MetroOne Inc. ©

Industrial Property

Officially, the recession in the U.S. ended in June 2009, but 18 months later Central Florida's industrial real estate occupancy has barely turned upward in the metro areas and it appears to still be declining in Central Florida's adjacent non-metropolitan areas. For many in Central Florida, it still feels like a recession.

Absorption is net change in occupancy over a given time frame. We utilized Costar tools to track both net absorption and leasing activity in Central Florida. Positive absorption is the result of leasing, purchasing or expanding. Leasing activity is expressed as a gross number while absorption is expressed as a net number. For example, if a tenant relocates from 20,000 sq. ft. to 30,000 sq. ft., the leasing activity is 30,000 sq. ft. while the net absorption is 10,000 sq. ft. Following is a summary of leasing, absorption and vacancy by county for Central Florida.

	Rentable Bldg Area	Vacy	Absorb YTD	Lease YTD	Absorb % RBA	Lease % RBA	Rental Rate	Sq. Ft. Vac
Orange	117,845,837	12%	1,051,401	2,951,745	0.9%	2.5%	$ 4.57	14,309,098
Seminole	29,497,209	11%	(38,520)	1,018,825	-0.1%	3.5%	$ 5.16	3,320,988
Osceola	7,643,626	15%	179,716	227,355	2.4%	3.0%	$ 4.81	1,116,089
Sub- OSO	154,986,672	12%	1,192,597	4,197,925	0.8%	2.7%	$ 4.85	18,746,175
Hillsbo.	110,351,346	11%	364,688	3,125,875	0.3%	2.8%	$ 4.10	11,756,544
Pinellas	77,548,926	10%	(483,654)	1,135,348	-0.6%	1.5%	$ 5.05	7,393,101
Manatee	27,533,912	11%	18,304	265,585	0.1%	1.0%	$ 4.05	2,987,630
Pasco	9,904,426	11%	(250,820)	90,465	-2.5%	0.9%	$ 5.19	1,076,142
Polk	46,479,160	13%	(228,924)	1,009,494	-0.5%	2.2%	$ 4.12	6,229,228
Sub-TPA	271,817,770	11%	(580,406)	5,626,767	-0.2%	2.1%	$ 4.50	29,442,645
Lake	9,977,383	17%	113,811	72,152	1.1%	0.7%	$ 4.05	1,668,239
Marion	23,181,220	12%	(363,253)	288,723	-1.6%	1.2%	$ 3.52	2,804,771
Volusia	23,945,715	9%	(322,753)	265,877	-1.3%	1.1%	$ 4.61	2,225,020
Non-MSA	57,104,318	12%	(572,195)	626,752	-1.0%	1.1%	$ 4.06	6,698,030
Total	483,908,760	11.3%	39,996	10,451,444	0.0%	2.2%	#REF!	54,886,850
Outside Central Florida								
Duval/Jax	116,686,498	11.3%	117,354	2,345,116	0.1%	2.0%	$ 3.70	13,199,732
S. Florida	468,877,761	8.9%	5,490,984	15,371,681	1.2%	3.3%	$ 6.90	41,597,891

Along the I-4 corridor, **Orange County appears to be leading the recovery** with 1.05 million sq. ft of net absorption representing a one percent increase in occupancy over the past year. Seminole County had increased leasing activity but didn't quite turn the corner on absorption. High leasing activity but low or negative absorption occurs due to user business failures, closures or downsizing.

Statewide, the Miami/Fort Lauderdale area with a strong trade relationship outside of the United States, is recovering nicely with 5.4 million square feet of net absorption. Leasing activity is picking up in the Jacksonville area, but absorption there was just slightly positive. Likewise Hillsborough County, although the counties surrounding Hillsborough are still declining. It appears that urban areas are recovering first, possibly by tenants with stronger credit and banking relationships. Lake County's Clermont area functioned like a part of Orlando with increasing activity while Leesburg and northern Lake County experienced increasing vacancy.

Jay Rohr, CRE
JayRohr@MetroOneInc.com

Larry Kahn
LKahn@MetroOneInc.com

MetroOne, Inc. Moving Businesses in the Right Direction
1350 Orange Avenue Suite 201 Winter Park, FL 32789 407 629 6001

State of the Central Florida Market, January 2011

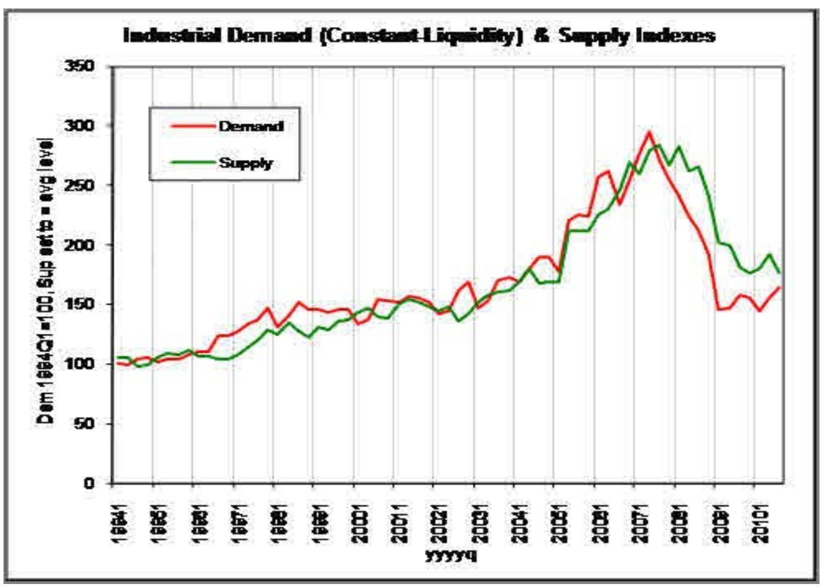
MetroOne Inc. ©

Industrial Property

The table below provides some insight regarding Orange County. For example, a typical 33,000 sq. ft. building in Orange County has a relatively high vacancy ratio but also a high level of leasing activity.

Bldg Size/Sq.Ft.	Vacy	Absorb Ytd	Lease YTD	Absorb % RBA	Leased % RBA	TOM months	Avg Rate	% of Total Vacancy
Under 9,999	7%	35,144	147,176	0.6%	2.3%	13	$ 8.99	3.1%
10,000 to 24,999	10%	135,782	526,832	0.7%	2.9%	15	$ 6.06	12.7%
25,000 to 54,999	12%	394,180	712,369	1.6%	2.9%	18	$ 5.01	19.9%
55,000 to 100,000	10%	174,682	599,712	0.7%	2.4%	20	$ 4.49	17.8%
Over 100,000	15%	264,600	968,206	0.6%	2.2%	22	$ 4.01	46.5%
	12%	1,004,388	2,954,295	0.9%	2.5%	19	$ 4.57	

This table also tracks average time on the market (TOM) and asking rents. Time on the market increased with building size while asking rents were higher for smaller spaces. The long time on the market is an indication of either low business activity or a mismatch of users' wants versus sellers' or landlords' expectations. Investor activity in Central Florida commercial real estate has been mostly limited to occupied buildings. We have seen some discounted sales of troubled mortgages but no wholesale off loading of vacant of soon to be vacant buildings.



Sales transactions are recorded in the public records allowing a direct comparison of asking prices versus actual transactions. CoStar reports that there were 126 Orlando metro area warehouse sales in 2005 for a total of $571,751,000, with an average price of $59.15 per sq. ft. In 2006 there were 128 transactions for $571,593,000 and an average sales price of $70.36 per sq. ft. For 2010, there were 44 reported transactions with a total of $133,849,000 and an **Orange county average price per foot of $47.74 per sq. ft.** The infamous bubble. Prices and rents are back to 2004 levels but the 2010 sales transaction volume was down 66% and the dollar volume down by 75% from the peak. At the beginning of 2011, CoStar has 122 warehouse for sale listings in Orange County over 10,000 sq. ft. a median asking price of $68.18 per sq. ft. Prospective sellers are asking 44% ($68.18 vs. $47.74 per ft.) more than recent sales would indicate that similar properties are worth. We are seeing a similar gap in rents. The MIT commercial property index calls this a bid/ask gap and reports that nationwide warehouse prices dropped and the number of transactions were up in the 3 Q of 2010 over the 2 Q as the bid/ask gap narrowed.

In conclusion, **occupancy levels and pricing appear to correlate closely with rising employment levels in Central Florida**, and transaction volume should increase as owners/landlords recognize and react to increasing time on the market for properties viewed as overpriced by potential users. This is a very good time to be leasing or buying.

Visit our website www.MetroOneInc.com for current articles on real estate and logistics related subjects. We update it frequently. We can provide you data specific to your situation. MetroOne provides a range of real estate services including relocation, facility utilization, logistics and financing.

Jay Rohr, CRE
JayRohr@MetroOneInc.com

Larry Kahn
LKahn@MetroOneInc.com

MetroOne, Inc. Moving Businesses in the Right Direction
1350 Orange Avenue Suite 201 Winter Park, FL 32789 407 629 6001