INDUSTRIAL MARKET TRENDS **JACKSONVILLE, FL**

Grubb & Ellis Research | Third Quarter 2009

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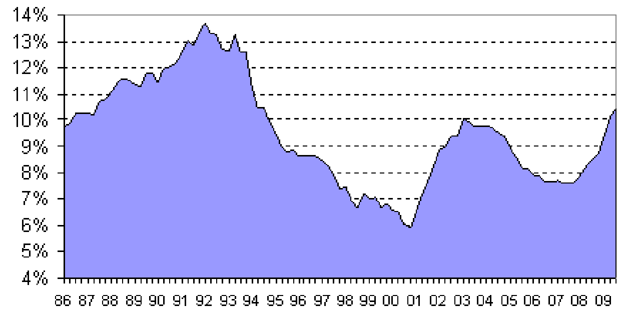
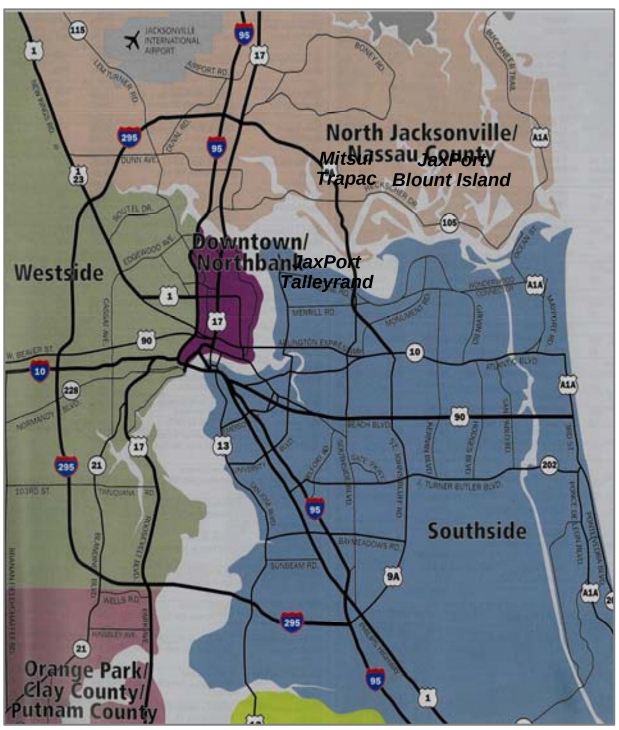
U.S. INDUSTRIAL VACANCY RATE ALL PRODUCT TYPES



INDUSTRIAL SUBMARKET MAP



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LEASING MARKET SLOW

The Jacksonville Industrial Market ended the 3rd Quarter of 2009 with a vacancy rate of approximately 9.4%. This is slightly higher than the previous quarter's vacancy rate of 8.98%, due primarily to the increased vacancy in Class A and B industrial product throughout the city and the increased amount of sublease space in all industrial submarkets. In addition, the deliveries of new Class A, bulk distribution space, specifically in North Jacksonville, has contributed to this recent spike in overall vacancy.

The continued slowdown in the global economy and the current capital market financial crisis has affected all sectors of the real estate community. Landlords are being forced to give significant rate reductions and rental concessions, Tenants credit is being highly scrutinized and building and land values continue to fall dramatically. Industrial "value add" investors who typically speculate on vacant buildings with the hopes to lease and reposition, can't underwrite the deals with their lenders and buildings with solid credit tenants as anchors are the only industrial investment buildings being considered, albeit at double digit capitalization rates.

While in the 2nd Quarter, prospective tenants searching for space in industrial submarkets were considering such new projects as Alta Lakes Commerce Center, Creekside at Tradeport and Crossroads at Pritchard Road, many of these prospects have not landed. This is forcing Landlords to reevaluate current rental rates and prospective deal structures.

On a positive note, while other competitive markets such as Savannah, Orlando and Tampa are also feeling the pain of a slow leasing market, there have been some signs of life as a number of leases have been completed in Jacksonville. Prime Source Building Products leased 85,789 square feet at Westside Industrial Park, Southeast Paper leased 50,000 square feet at Northpoint Industrial Park and Palm Coast Data leased 85,000 square feet at Graham and Company's First Coast Distribution Center in St. Augustine.

We continue to see companies with large distribution requirements searching in East coast port cities, and Jacksonville will certainly be considered along with Savannah and Charleston. Bulk warehouses such as Oakmont's Northport Logistics Center, N.E. Florida Industrial Center, Northpoint and Alta Lakes can all accommodate a company's larger space needs.

Values have continued to decline and many owners that are trying to sell their buildings are being forced to consider seller financing, as traditional available financing is difficult to obtain from local and regional banks. The challenge that developers face is the inability to underwrite exit capitalization rates, a realistic absorption schedule and future lease rates and deal terms.

As a result, until the financial world begins to offer lending on speculative development, land prices will continue to fall until ultimately desperate land owners will be forced to sell to vulture land funds or give the property back to the bank.

From a global perspective, The Port of Jacksonville is in the running to be designated a "national cargo hub" in the Florida Department of Transportation's statewide seaport system plan development. In addition, JaxPort is working diligently to get the adequate funding to deepen the river with the hopes of attracting larger vessels. While the future will certainly be bright with the port, Jacksonville's Industrial Market will be slow until consumer confidence is revived and space is absorbed.

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Industrial Market Snapshot NE Florida Third Quarter 2009

Submarket	Total SF	Vacant SF	Vacancy Rate	SF Under Construction	Average Asking Rate
Downtown	11,823,618	910,852	7.7%	0	Whse: $1.45
Northside	17,911,334	2,376,468	13.2%	279,874	Whse: $4.15 Flex: $6.45
Westside	45,250,438	3,229,138	7.10%	150,000	Whse: $3.65 Flex: $7.96
Southside	26,099,982	2,856,926	10.9%	0	Whse: $4.35 Flex: $8.52
Orange Park/Clay	5,136,051	544,046	10.6%	0	Whse: $3.50 Flex: $9.25
St. Johns	5,079,875	753,716	14.8%	21,080	Whse: $5.25 Flex: $9.50
Nassau	3,576,825	86,823	2.4%	0	Whse: $5.36 Flex: $7.43
Total	**114,878,123**	**10,757,969**	**9.4%**	**450,954**	**Whse: $4.22 Flex: $8.35**

*(Original numbers obtained from CoStar and adjusted by Grubb & Ellis|Phoenix Realty Group for the individual submarkets)

Market Highlights:

1. Prime Source leased ± 85,789 SF at 8215 Westside Industrial Drive
2. Southeast Paper leased ± 50,000 SF at 3850 Port Jax Parkway
3. Faro Services leased ± 60,000 SF at 9446 Florida Mining Boulevard
4. Palm Coast Data leased ± 95,000 SF at First Coast Distribution Center
5. Oakmont's ± 872,627 SF Northport Logistics Center was Delivered

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