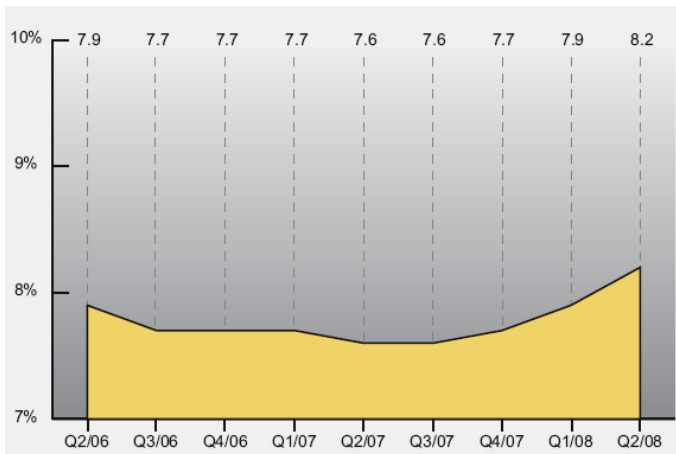


INDUSTRIAL MARKET TRENDS JACKSONVILLE, FL

Grubb & Ellis Research | Third Quarter 2008



U.S. Industrial Vacancy Rates



SLOW BUT STABLE

The Jacksonville Industrial Market had a slight increase in industrial inventory from the 2nd to the 3rd quarter of 2008, as well as an increase in the overall vacancy rate due primarily to new construction, relocations and closing of existing businesses and an increase in availability of sub-lease space throughout all Jacksonville submarkets.

Despite the growth that is surrounding JaxPort, the slump in the national economy has slowed Jacksonville's anticipated boom. This is evident by slow leasing activity and tenant demand in all sub-markets, as well as a slowdown of land sales by developers, investors and users.

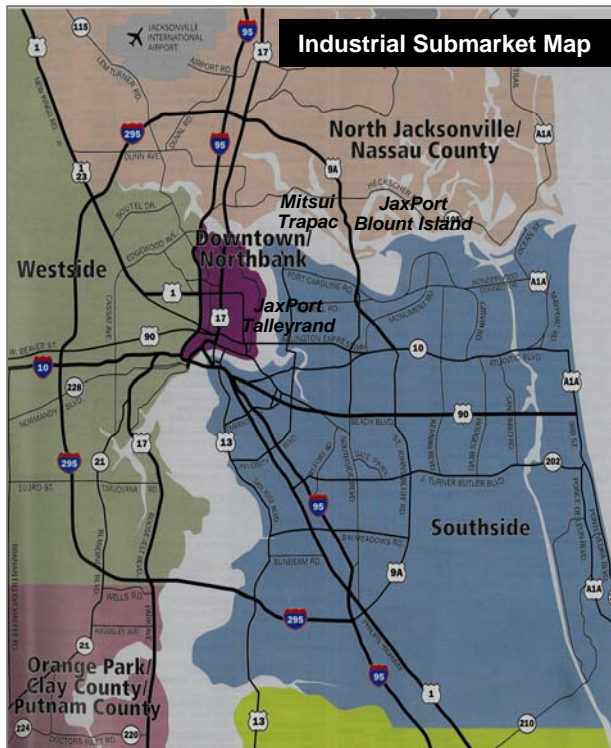
While Jacksonville's industrial market is healthy compared to other Southeast cities, Jacksonville has felt the effects of the national financial crisis.

Companies cannot get loans to buy buildings, therefore existing building prices have decreased and developers that have already acquired land are putting their planned speculative construction on hold due to lenders reluctance to lend on speculative development.

While new construction will require higher lease rates due to land and construction costs, companies looking for space now have alternatives in the marketplace in the bulk arena, and rates will be forced to decline due to competition. Local tax increases have continued to keep operating expenses high and lease rates have stabilized, if not decreased slightly, in all submarkets.

With industrial development continuing to be the driving force in Jacksonville for job growth, the city has announced that by 2009 it will try to select a master developer for Cecil Commerce Center on the Westside. The master developer would oversee the marketing and site development of the approximately 4,500 acres of city-owned land at Cecil Commerce Center.

While many industrial developments are in the planning and development phase, developers such as Cabot Properties, Johnson Development and Oakmont are committed to building speculative product in hopes of benefitting from Jacksonville's stable industrial market and anticipated port demand.



Jacksonville Industrial Market Trends

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Industrial Market Snapshot NE Florida Third Quarter 2008

Submarket	Total SF	Vacant SF	Vacancy Rate	SF Under Construction	Average Asking Rate
Downtown	11,580,489	789,331	6.8%	0	Whse: \$3.05 Flex: \$8.53
Northside	16,639,596	1,914,431	11.50%	793,304	Whse: \$4.12 Flex: \$7.48
Westside	44,355,943	3,224,644	7.30%	1,208,813	Whse: \$3.89 Flex: \$7.91
Southside	25,854,982	2,297,739	8.88%	102,416	Whse: \$5.89 Flex: \$10.00
Orange Park/Clay	5,010,853	524,116	10.5%	0	Whse: \$5.73 Flex: \$12.39
St. Johns	5,026,464	496,416	9.9%	108,204	Whse: \$6.62 Flex: \$11.83
Nassau	3,562,825	77,143	2.2%	0	Whse: \$4.57 Flex: \$7.50
Total	112,031,152	9,323,820	8.5%	2,212,737	Whse: \$4.43 Flex: \$10.29
All Submarkets					
Whse/Distribution	104,553,364	8,538,594	8.2%	2,023,121	\$4.43
R&D/Flex	7,477,788	785,226	10.5%	189,616	\$10.29
Total	112,031,152	9,323,820	8.44%	2,212,737	Whse: \$4.43 Flex: \$10.29

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

Market Highlights:

- 51,400 SF leased to Classic Lighting at 6100 Philips Highway
- 80,000 SF leased to W & O Supply at Port Jacksonville Industrial Park
- 44,500 SF leased to Sears Roebuck & Co. 3850 Port Jacksonville Parkway
- 187,000 SF lease renewal with Kraft Foods at Westside Industrial Park
- 300,000 SF lease renewal with Bacardi at One Imeson Park Boulevard
- Oakmont is under construction with a ±874,000 SF speculative development, NorthPort Logistics Center, in the Northside submarket
- Republic Properties plans to build a speculative project named Crossroads Distribution Center on the Westside

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