

**Year of the Mega Deal...
 How sustainable is this type of activity?**

The year of 2007 saw Jacksonville reach a new high water mark with the number of mega deals and total absorption. Land plays were abundant with many new industrial developers looking to get their piece of the pie, which was the direct result of JAXPORT's growth. The real question: How sustainable is this growth?

Even though 4Q07 activity and absorption fell off, the year over all ended on a stellar note. Activity for the quarter was 725,000 square feet and absorption was a negative 314,000 square feet, the first quarter since 3Q05 (-148k square feet) that recorded negative net absorption.

The Jacksonville distribution market of 88 million square feet shows about 10.5 million square feet currently being marketed or 12% availability. A record-breaking 3.5 million square feet of positive net absorption was recorded for 2007, which included 474 transactions, totaling over 6.4 million square feet. The average size transaction was just less than 15,000 square feet, more than double that of past years. This is specifically attributable to the number of mega deals included in the 2007 statistics. Of all the deals that were announced in 2007, the two recorded were Samsonite (817,680 sf) and Sears Logistic Services (815,000 sf). Several more are under construction and scheduled to be delivered in 2008. Lease rates continued to rise with the average market lease rate up just over 10%. Additionally, almost 4.2 million square feet of product was added to the inventory in 2007 and over 6 million more square feet of new industrial project announcements are anticipated over the next 12-18 months.

Land positions that have taken place include speculative industrial development as well as build-to-suit projects. Benderson Development of south Florida purchased 995 acres at I-95 and Pecan Park. Approximately 319 of those acres are earmarked for industrial development. Johnson Development acquired land in Westlake with plans to develop over 1 million square feet of industrial space. Duke Realty and ProLogis also purchased property in Westlake. ProLogis plans speculative development with Duke building a 850,000 square foot distribution center for Unilever. Trammell Crow Development / ING Clarion purchased Perimeter West Industrial Park where they are building the new 350,000 square foot distribution center for Volkswagen along with multiple speculative developments. Cabot Partners has announced building over 800,000 square feet of speculative warehouse at 9A and Alta Road.

Sustainability will depend on the impact JAXPORT's growth has on the warehouse and distribution market in northeast Florida. Needless to say, it's going to be an interesting ride over the next 18-24 months... Stay tuned...

Jeff L. Graham, SIOR
 President

Total Market

	Total Inventory	Net Absorption	Total Vacant	% Vacant	Total Activity	# of Deals	Avg SF Per Deal
Distribution	87,739,194	(314,314)	10,500,198	12.0%	723,014	91	7,945
Service Center	2,420,356	(24,077)	481,836	19.9%	33,204	8	4,151

