

Second Quarter – 2013
**Jacksonville
Industrial Market**

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As a single source provider of **fee development, design build, construction, financing, marketing, sales/leasing, asset/property management and appraisal services**, we succeed in bringing to us, to our partners and to our clients a wide range of experience that completes a full spectrum of all commercial real estate services.

NAI Hallmark Partners is a group of dynamic and talented professionals who have worked on behalf of many different, primarily institutional, owners including Chubb Insurance Co., Cigna, Northwestern Mutual, EastGroup Properties Inc., Aegon USA, Wells Real Estate Funds Inc., Prudential Insurance Co. and other private partnerships. In fact, approximately half of the company's daily revenue is derived from providing leasing and management services for other building owners. NAI Hallmark Partners manages each property from an Owner's perspective to maximize value and to enhance owner equity.

All of NAI Hallmark Partners' projects and services reflect insistence on quality and attention to detail. Convinced that an attractive, well-designed work environment translates into more productive associates and a more profitable enterprise, NAI Hallmark Partners is committed to providing a superior level of service and expertise on each and every project. Each phase of the process from conceptual design, planning, financing, value engineering, construction, marketing, sales/leasing and management are all carefully tailored to meet the unique objectives of each client. NAI Hallmark Partners' experienced and professional associates work as a team to provide superior performance with an emphasis on quality—**NAI Hallmark Partners, Building Relationships—one by one, project by project.**

NAI Hallmark Partners

Commercial Real Estate Services, Worldwide.

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Industrial Market Update

As we reach the midway point of 2013, the Jacksonville industrial market is beginning to show true signs of a recovery, slow but stable. The second quarter marked the 7th consecutive quarter of positive absorption in the industrial market, as total industrial vacancy rates slipped just below 9 percent for the first time since Q4 2008.

Unemployment rates also continued to drop in Jacksonville and Florida overall, reported in May 2013 at 6.5 percent and 7.0 percent, respectively.

Investment sales and owner/occupant sales transactions continue to be significant in 2013 - a product of a low interest rate environment that is beginning to fade. Significant transactions include the sale of the 1.2 MSF Winn-Dixie Distribution Center, Dupuy Storage's acquisition of a previously vacant 300,000 Sq. ft. facility at 5515 W. 5th Street and Petroleum Containment's \$2.9 million purchase of a 125,000 sq. ft. facility at 8873 Western Way.

Some of the most encouraging news has come from the housing and construction industry, which are beginning to show real signs of improvement. While Jacksonville's larger industrial properties in the Westside and Northside submarkets are heavily tied to regional distribution, the Southside submarket is closely linked to residential construction. As the residential market tightens and consumer confidence improves, homeowners will begin to reinvest in their homes and restart home services that had been ignored during the recession. Trade, transportation and health services industries are driving larger growth throughout the state, with hospitality/tourism also beginning to experience significant growth.

Jacksonville's vacancy decreases to 8.9 percent

Market Overview

The Jacksonville Industrial market ended the second quarter of 2013 with a vacancy rate of 8.9 percent. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,359,652 sq. ft. in the second



Christian Harden

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quarter. Vacant sublease space increased ending the quarter at 151,602 sq. ft. Rental rates ended the second quarter at \$4.04, an increase over the previous quarter. A total of two buildings delivered to the market in the quarter totaling 92,170 sq. ft., with no properties under construction at the end of the quarter.

Vacancy

The Industrial vacancy rate in the Jacksonville market area decreased to 8.9 percent at the end of the second quarter. The vacancy rate was 10 percent at the end of the first quarter.

Flex projects reported a vacancy rate of 11.2 percent at the end of the second quarter. The vacancy rate was 12.3 percent at the end of the first quarter.

Warehouse projects reported a vacancy rate of 8.8 percent at the end of the second quarter. The vacancy rate was 9.8 percent at the end of first quarter.

Net Absorption

Net absorption for the overall Jacksonville Industrial market was positive 1,359,652 sq. ft. in the second quarter. That compares to positive 503,712 sq. ft. in the first quarter.

The **Flex** building market recorded net absorption of positive 84,323 sq. ft. in the second quarter, compared to positive

53,711 sq. ft. in the first quarter.

The **Warehouse** building market recorded net absorption of positive 1,275,329 sq. ft. in the second quarter of 2013 compared to positive 450,001 sq. ft. in the first quarter.

Construction Activity

During the second quarter of 2013, two buildings totaling 92,170 sq. ft. were completed in the Jacksonville market area. This compares to one building totaling 9,600 sq. ft. that was completed in the first quarter.

There wasn't any Industrial space under construction at the end of the second quarter 2013.

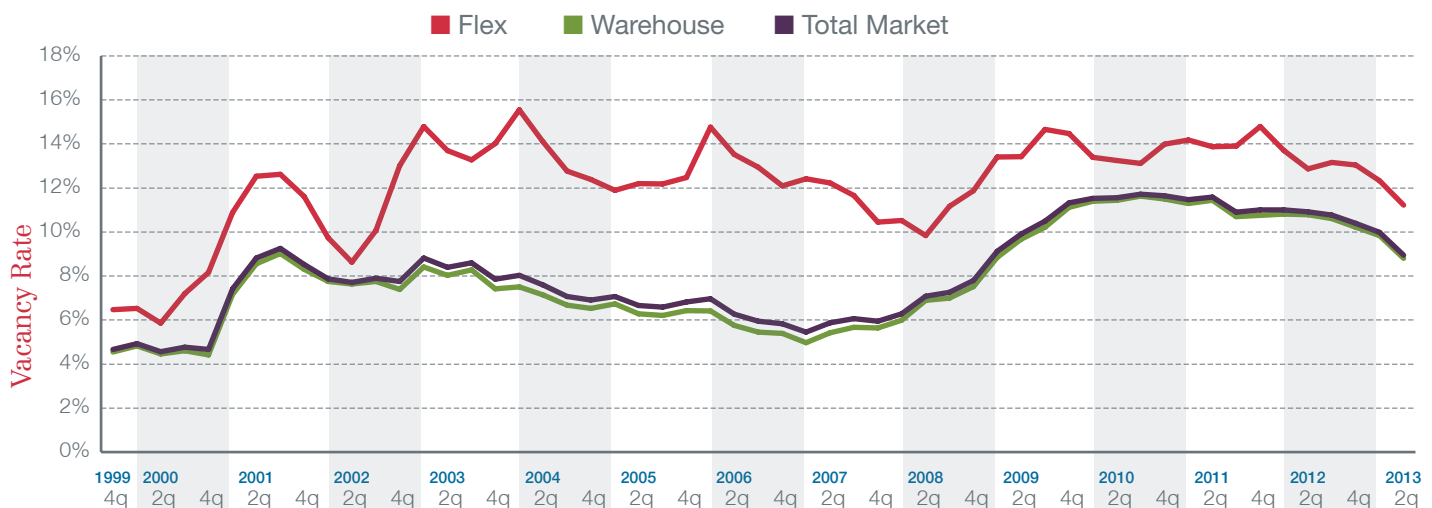
Quoted Rental Rates

The average quoted asking rental rate for available Industrial space was \$4.04 psf per year at the end of the second quarter in the Jacksonville market area. This represented a 0.5 percent increase in quoted rental rates from the end of the first quarter, when rents were reported at \$4.02 psf.

The average quoted rate within the Flex sector was \$8.70 psf at the end of the second quarter of 2013, while Warehouse rates stood at \$3.81 psf. At the end of the first quarter, Flex rates were \$8.51 psf and Warehouse rates were \$3.79 psf.

Source: CoStar Property®

Vacancy Rates by Building Type



Source: CoStar Property®

Total Jacksonville Industrial Market Statistics

SECOND QUARTER 2013

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Arlington	88	1,096,993	86,240	86,240	7.9%	(10,278)	0	0	\$6.67
Baker County	8	295,271	101,598	101,598	34.4%	0	0	0	\$3.15
Beaches	154	1,065,949	100,825	100,825	9.5%	23,412	0	0	\$9.06
Butler Corridor	617	20,022,417	2,320,047	2,334,646	11.7%	265,935	0	0	\$5.17
Downtown	462	11,506,098	510,989	510,989	4.4%	67,235	0	0	\$2.71
Mandarin	102	1,541,929	102,781	102,781	6.7%	73,316	0	0	\$5.57
Nassau County	111	3,231,293	200,059	200,059	6.2%	(2,925)	0	0	\$3.30
Northside	116	7,143,242	684,307	684,307	9.6%	74,002	0	0	\$3.43
Oceanway	122	12,406,316	2,360,618	2,394,418	19.3%	623,330	0	0	\$3.46
Orange Park/Clay County	192	5,380,163	809,734	809,734	15.1%	(30,962)	9,600	0	\$4.39
Riverside	721	18,015,581	721,288	723,788	4%	102,992	0	0	\$3.77
San Marco	249	4,399,863	294,100	294,100	6.7%	146,272	31,346	0	\$4.48
Southside	113	1,326,013	90,383	90,383	6.8%	65,366	0	0	\$7.66
St. Johns County	318	5,267,623	531,789	536,492	10.2%	(24,234)	0	0	\$5.31
Westside	532	30,064,910	1,920,877	2,016,877	6.7%	489,903	60,824	0	\$3.19
Totals	3,905	122,763,661	10,835,635	10,987,237	8.9%	1,863,364	101,770	0	\$4.04

Flex Market Statistics

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Arlington	9	113,505	28,300	28,300	24.9%	(800)	0	0	\$13.59
Baker County	1	2,400	0	0	0%	0	0	0	\$0.00
Beaches	13	102,092	18,480	18,480	18.1%	2,980	0	0	\$12.03
Butler/Baymeadows	103	4,081,140	457,684	467,163	11.4%	63,392	0	0	\$8.75
Downtown Northbank	7	76,083	0	0	0%	0	0	0	\$0.00
Downtown Southbank	10	213,340	8,981	8,981	4.2%	7,200	0	0	\$7.57
Mandarin	6	42,453	0	0	0%	0	0	0	\$0.00
Nassau County	7	171,577	37,518	37,518	21.9%	10,802	0	0	\$10.65
Northeast Jacksonville	4	119,600	0	0	0%	0	0	0	\$0.00
Northwest Jacksonville	14	359,459	86,777	86,777	24.1%	2,150	0	0	\$9.35
Orange Park/Clay County	46	742,687	59,924	59,924	8.1%	21,462	0	0	\$6.15
Riverside	27	502,565	52,080	52,080	10.4%	5,104	0	0	\$8.98
San Marco	19	251,388	39,285	39,285	15.6%	26,044	0	0	\$8.32
Southside	34	503,740	30,515	35,218	7%	3,150	0	0	\$8.61
St. Johns County	14	287,507	15,837	15,837	5.5%	(3,450)	0	0	\$0.00
Totals	314	7,569,536	835,381	849,563	11.2%	138,034	0	0	\$8.70

Warehouse Market Statistics

SECOND QUARTER 2013

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Arlington	79	983,488	57,940	57,940	5.9%	(9,478)	0	0	\$5.77
Baker County	7	292,871	101,598	101,598	34.7%	0	0	0	\$3.15
Beaches	141	963,857	82,345	82,345	8.5%	20,432	0	0	\$8.60
Butler/Baymeadows	514	15,941,277	1,862,363	1,867,483	11.7%	202,543	0	0	\$4.65
Downtown Northbank	455	11,430,015	510,989	510,989	4.5%	67,235	0	0	\$2.71
Downtown Southbank	92	1,328,589	93,800	93,800	7.1%	66,116	0	0	\$5.34
Mandarin	105	3,188,840	200,059	200,059	6.3%	(2,925)	0	0	\$3.30
Nassau County	109	6,971,665	646,789	646,789	9.3%	63,200	0	0	\$3.23
Northeast Jacksonville	118	12,286,716	2,360,618	2,394,418	19.5%	623,330	0	0	\$3.46
Northwest Jacksonville	178	5,020,704	722,957	722,957	14.4%	(33,112)	9,600	0	\$4.08
Orange Park/Clay County	675	17,272,894	661,364	663,864	3.8%	81,530	0	0	\$3.59
Riverside	222	3,897,298	242,020	242,020	6.2%	141,168	31,346	0	\$4.35
San Marco	94	1,074,625	51,098	51,098	4.8%	39,322	0	0	\$7.27
Southside	284	4,763,883	501,274	501,274	10.5%	(27,384)	0	0	\$5.10
St. Johns County	518	29,777,403	1,905,040	2,001,040	6.7%	493,353	60,824	0	\$3.19
Totals	3,591	115,194,125	10,000,254	10,137,674	8.8%	1,725,330	101,770	0	\$3.81

Significant 2013 Lease Transactions

BASED ON LEASED SQUARE FOOTAGE FOR DEALS SIGNED IN 2013

Building	Submarket	SF	Quarter	Tenant Name	Tenant Rep Company	Landlord Rep Company
8500 Baycenter Road	Butler Corridor	69,098	1st	The Supply Source, Inc.	Direct Deal	NAI Hallmark Partners
8930 Western Way	Butler Corridor	11,864	1st	Spraggins	Direct Deal	NAI Hallmark Partners
8475 Western Way	Butler Corridor	10,702	2nd	Lasership	Direct Deal	NAI Hallmark Partners
7658 Philips Highway	Butler Corridor	6,400	1st	Tecta America	N/A	NAI Hallmark Partners

Source: CoStar Property*

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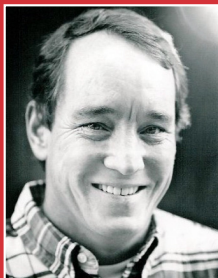
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