

LAND LETTER

CENTRAL FLORIDA LAND NEWS AND VIEWS

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WINTER 2015

TRENDS

“Sustaining momentum but taking nothing for granted” – Comments on ULI’s top ten emerging national trends for 2015:

1. **The 18 hour city** – coming to life in many mid-sized cities and a goal for Orlando.
2. **The huge millennial cohort** – will they still be renters 10 years from now? Will the baby boomers take their place in cities?
3. **Slow labor force growth** leading to “jobs chasing people” and perhaps new immigration policy.
4. **Technology** disruptions and adaptations from the sharing economy to new logistics.
5. **Event risk** leading to more international investors in US (think Brazilians in Orlando).
6. **A “Darwinian market”** will increase demands and competition for both companies and managers.
7. **Defined contribution pension plans**, managed by individuals, may become a source of real estate investment capital. (See below - \$12.6 trillion)
8. **Eroded infrastructure** – Orlando is ahead with Ultimate I-4 and SunRail. Water is also a concern.
9. **Housing shortfall** – estimated at 9 million for sale units nationally.
10. **New bubbles forming?** We are a cyclical industry...

MISCELLANEOUS STATS.

- **2,500,000** - Projected Metro Orlando population by 2020, up from 2,250,000 in 2015.
- **\$164,000** - Orlando’s median home price for 2014, up 9.6% from \$149,627 in 2013.
- **\$1.2 Trillion** in mortgages in 2014 nationally, down 39% from 2013 and the lowest amount since 1997.
- **\$12.6 Trillion** estimated to be held in IRA and 401(k) accounts nationally.

REPRESENTATIVE RESIDENTIAL LAND SALES

Orange County

Activity among builders remains strong at Horizon West with the following transactions reported at Summerlake:

Lennar paid \$20,000,000 for residential land. Lennar’s big commitment to the Orlando market may draw other builders to our region. Among those already here, **Beazer Homes** paid \$7,840,000 for land at Summerlake to build 178 town homes and 43 single family homes. **KB Home** paid \$5,055,000 for land to build 292 single family homes at Summerlake.

Lake Nona remains strong as well. For example, Ashton Residential purchased 21 lots in the Lake Nona Laureate Park for \$817,142 or just under \$39,000 per lot for lots as small as 31 feet.

REPRESENTATIVE COMMERCIAL LAND SALES

Seminole County

In **Sanford**, 4.78 acres zoned C-3 sold for \$1,725,000 or \$360,879 per acre on Beardall Avenue south of Washington St and just north of SR 46. (December 2014)

In **Oviedo**, 4.4 acres zoned for commercial use sold for \$1,500,000 at 264 E Mitchell Hammock Rd, east of Alafaya Trail. The REO sale equates to \$340,909 per acre and closed in November 2014.

Orange County

10.2 +/- acres at 7800 **Narcoossee** Road zoned I-1/I-5 sold to U-Haul Co of Florida for \$1,650,000 or about \$161,765 per acre. A mobile home park had previously occupied the site, which has 330 front feet on Narcoossee Road. (December 2014)

A new hotel if planned for 2.6 acres at 6750 Central Florida Parkway where the site sold for \$1,560,000 or \$600,462 per acre. The site is at the corner of Sea Harbor Drive and **Westwood Blvd.** (October 2014)

Scott Appleton sold approximately 19 acres in the **I-Drive South** tourist area for \$5,200,000. There were 12 parcels, part of the Munger subdivision.

A 2.99 acre lot at **Regency Village**, near the Premium Outlet Mall, sold for \$2,400,000 to Domus Group Hotels (November 2014)

Osceola County

Maharishi Global Development, owner of the long-standing DRI Fallchase on US 192 in Kissimmee, sold 87 acres to 4P Development for \$8,320,000 in December 2014.

Genesis Communications sold its 22 +/- acres of excess land next to **Eagle Bay** to Eagle Hammock LLC (c/o Sun Terra) for \$1,200,000 in January of this year.

Fidelity Vacation Homes LLC purchased 20 acres of commercial land at the **Westside** DRI on US 192 for \$3,484,000. The property is known as Westside Corners

LEGISLATIVE WATCH

Section 1031 Like-kind Exchanges may be in the crosshairs as Congress considers tax reform. Members of Congress from both sides of the aisle have proposed eliminating or limiting Section 1031. Organizations such as NAIOP are working to educate the legislators on the importance of Section 1031 to the real estate industry and the negative consequences of eliminating this “loophole,” as some consider it.

Volusia County

Geosam, the Halifax, Canada, subsequent developer of Venetian Bay, the mixed residential community off SR 44, purchased 831 gross acres at the NEQ of I-95 and SR 44 in **New Smyrna Beach**. The property is approved for 1250 residential units and 341,000 sf of commercial, along with small sites for office and hotel. The REO sale closed in December 2014 for \$6,000,000. About 50% of the site is usable.

Polk County

FedEx selected the west US 27 corridor north of I-4 for the location of a 300,000 sf warehouse. The \$7,000,000 paid for the 130 gross acre site, which abuts the Green Swamp, netted about 40 usable acres.

Polk County plans to build a secondary road around this area which will connect with Access Road to complete a loop. Polk has designated all land west of US 27 and south of Deen Still Road for industrial development. (November 2014)

Lake County

New Beginnings of Central Florida purchased 10 acres of vacant land in **Clermont** for \$864,000. A 108 unit multifamily project will assist the homeless. The sale closed in December 2014.

Brevard County

In **Titusville**, 94 acres north of the north interchange with I-95 and west of I-95 sold for \$1,000,000 to a fund from Newport Beach, CA in December 2014.

FINANCING

CMBS – hunt for yield

Reflecting an improving commercial real estate market and low yields elsewhere, the number of CMBS (commercial mortgage-backed securities) loans is rising. There were \$94 billion originated in 2014, and this number is expected to increase to \$100-125 billion in 2015. Still, this will be well below the peak of \$229 billion in 2009. Some worry about CMBS loans maturing over the next three years where properties are underwater.

Home Mortgages

Originations for home mortgages, however, were substantially down nationally in 2014. The \$1.12 trillion in new mortgages was 39% off from 2013 and the lowest amount since 1997, according to the Mortgage Bankers Association. Additionally, most new loans are going to current homeowners who are refinancing.

HOSPITALITY CORNER

The Nickelodeon Suites Resort, known for its kid suites, sold for about \$78,000,000 to Urban Commons, a US/Chinese fund. The 777 room exterior corridor property, located on SR 536 at the entrance to **World Gateway**, was built in 1999. (December 2014)

The former Howard Johnson at 4985 W Irlo Bronson Memorial Highway, **Kissimmee**, has sold for \$2,450,000 or \$15,315 per key. The distressed property, which was built in 1985, has 160 rooms.

The Mount Vernon Motor Lodge, a fixture of **Winter Park** since its construction in 1961, was sold to Unicorp National Developments, which is currently working on approval of a redevelopment plan. The price for the 151 key property was \$7,770,000. (November 2014)

C&W LAND BROKERAGE TEAM for East Central Florida: JOHNSON & SLOWIK

Margery Johnson, CCIM, CIPS (Certified Commercial Investment Member and Certified International Property Specialist) has been representing sellers and providing brokerage services in the Orlando area for over 25 years. She is joined by **Andy Slowik**, a UCF Real Estate and Finance graduate who has been at C&W since May 2011. Together they assist owners in the valuation, positioning and disposition of properties, and buyers and tenants in identifying the right land purchase. Note: Land Letter often relies on public information that has not been otherwise researched. Sales noted are representative, not comprehensive.

