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Tampa Bay Land Market Overview 1Q – 2013

The following represents excerpts from economic and real estate journals, notes from conventions, seminars and other meetings I attended, along with personal opinions of my own and others that affect the land market in the Tampa Bay Region. Previous Market Overviews can be found at www.cushwakelandfl.com/tampa.

Erhardt's Quick Look at the Land Market

- ***Multifamily land** – Land for multifamily for sale product is active, with townhome projects leading the way in A suburban and infill locations. A recent condo site purchase on Sand Key on the Gulf of Mexico, and an announcement of a Sarasota downtown condominium development shows A+ locations for mid – high rise condo development has started. Rental continues to be active. We have probably 12 to 18 months of rental land buying in this cycle.*
- ***Single Family** – As for the last 14 quarters, builders and developers are closing and making offers on A and B locations. Prices are being pushed by builders. Developers cannot compete, unless it's a large deal. With 4,800 starts in 2012, MetroStudy predicts 7,000 starts in 2013; 9,000 starts in 2014; and 12,000 starts in 2015.*
- ***CDDs** – The market is seeing CDDs being reset. There are several buyers, buying bonds to get the deeds. Projects foreclosed on by bond holders are selling to builders.*
- ***Retail** - Same as last 23 quarters, land prices are flat; however, I do not see them declining. Retail development continues to be driven by single tenant, necessity retail and investors, with the exception of the possible Bass Pro Shops and Chelsea Outlet Mall deals, in Brandon and Wesley Chapel, and Taubman / Benderson is moving dirt on a mall in Sarasota. Outparcels are hot.*
- ***Industrial** – Developers are back looking, having left in 2007. Developers have buildings on the shelf, to be ready for a build to suit or start speculative development. I believe spec development will start in 2013. Several large users, distribution and manufacturing, are looking for sites.*
- ***Office** – No change, users only. Several large users (250,000+) are looking. Medical office is active.*
- ***Hospitality** – Development activity is starting.*
- ***Bank Deals** – I still believe we have another three years to go before the bank land inventory is cleared.*
- ***Agricultural Land** – Active, along with recreational land.*

ERHARDT COMMENT:

- *The next development cycle has begun. A classic cycle with residential leading the way, followed by retail, industrial, office and hospitality.*
- *Job growth and population growth is positive for land activity. Over the past year, the Tampa Bay area added over 33,000 jobs, 8,500 were in professional and business services. Please click here to see Florida's February Employment Figures:* http://www.cushmanwakefield.com/flyers/DEO Release-20130329-FEB 2013.pdf or you may click here to see Florida's WorkForce Focus: http://www.cushmanwakefield.com/flyers/WorkForce Focus_201303.pdf*.*

The Big Picture

“Why I'm Optimistic about 2013”, Terra Firma Magazine, Q1-2013 (Realtors Land Institute), by Mark G. Dotzour, PhD, Chief Economist and Director of Research, Texas A&M University's Real Estate Center

Here are the first two reasons for my optimism going forward into 2013.

Reason One: The American voters are finally starting to hear the truth that Social Security and Medicare and essentially the federal government are on the road to insolvency. My theory is that once Americans know the truth, they will take action to preserve the economic future of the country.

Reason Two: Younger Americans do not have the same belief in the promise of Social Security and other government subsidies to retirees. Almost every college student that I talk to thinks they will get nothing out of Social Security. They are not being brought up in the indoctrination that the government will take care of you from cradle to grave. So each decade that goes by, less and less of the American electorate will fell the sense that they have a “right” to government sponsored health care and retirement.

Here are three more reasons that I'm optimistic about 2013 and beyond.

Reason Three: Americans do not tolerate deferred gratification. Many families have postponed important decisions for nearly five years since the financial system collapsed in 2007. Many have postponed retiring. Others have postponed purchasing a second home near the kids. After five years of postponing decisions, there is a lot of pent up demand. As an example, the average age of autos in America is at a record high of around 11 years old. We don't like driving old cars, walking barefoot on old carpet or using old computers and cell phones.

Reason Four: American families have increased capacity to buy things again. The percentage of our income that goes to pay back loans for stuff we already have purchased is plummeting from a historic high of nearly 14% down to a recent reading near 10.5%. This is huge for economic growth prospects in coming years. “Demand” means you want to have something.

"Effective demand" means you want something and you have the ability to pay for it. Effective demand drives economic growth.

Reason Five: The real estate sector of the economy has been a "headwind" against economic growth in the U.S. Well the wind is changing direction. We will look back on 2012 as the year when the housing market turned the corner. Home sales volume is picking up dramatically. Prices are increasing in many parts of the country and homebuilding is starting to increase again. Housing construction is a vital part of economic recovery. The multiplier effect is huge, creating jobs for homebuilders, contractors, building suppliers, concrete firms, retailers, title insurance companies and numerous other industries that provide goods and services to homebuilders.

These five reasons for optimism are potent. Even more important, these trends are going to happen even if Congress and the President continue to mismanage our government and fail to create a positive environment for business. If some miracle happens and they actually do something that encourages business owners and investors, that will be an unexpected bonus.

ARGUS Software Blog – Market Trends

U.S. architectural billings jump nationwide. Total architectural billings rose to 54.2 in January for the American Institute of Architectural of Billings Index. This was noticeably higher than the previous month's 51.2. Any figure higher than 50 notes there are more billings in the market.

January was a strong month with a mixed practice sector, as it registered a 54 report added. Multifamily, commercial/industrial and institutional also finished higher than the threshold.

Welcome to the New Normal, Realities in Real Estate 2012 to 2020, presented by David Snyder, Consulting Futurist for REIC-Tampa Bay, February 20, 2013

The following are excerpts from the PowerPoint:

The Changing American Economy
15 U.S. Industries with Largest Employment Growth – 2010 and 2020 (projected)

INDUSTRY DIVISION	EMPLOYMENT 2010	(IN 1,000s) 2020	CHANGE (1,000s)	(%)
1. Construction	5,526	7,365	+ 1,839	+ 33.3%
2. Retail Trade	14,414	16,182	+ 1,768	+ 12.3%
3. Health practitioners' offices	3,818	5,209	+ 1,391	+ 36.4%
4. Hospitals	4,685	5,564	+ 879	+18.8%
5. Home healthcare services	1,081	1,952	+ 871	+80.1%
6. Eating & drinking places	9,352	10,212	+860	+9.2%
7. Individual & family services	1,251	2,066	+851	+70.0%
8. Nursing & residential care facilities	3,129	3,951	+822	+26.3%
9. Wholesale trade	5,456	6,200	+744	+ 13.6%
10. Local government education services	8,010	8,751	+741	+ 9.3%
11. Computer system design services	1,442	2,113	+671	+ 46.5%
12. Employment services	2,717	3,348	+631	+ 23.2%
13. Professional, scientific & technical consulting services	991	1,567	+576	+ 58.1%
14. Post-secondary education	1,694	2,171	+477	+ 28.2%
15. Outpatient, laboratory & other ambulatory care services	1,077	1,471	+394	+ 36.6%

Health Care – 2010 to 2020
America's Biggest Industry Gets Bigger!

- Over-65-year-olds – who consume 2/3 of all medical services – will become the biggest age cohort in the U.S. population by 2015.
- Healthcare now 17% of GDP, projected to rise to 20% by 2020, 25% by 2025!
- Healthcare employs 1/8 of U.S. workers today, and creates ¼ of all new jobs; 1 out of 5 U.S. Jobs will be in health or medicine by 2020!
- National & regional "chains" dominate U.S. healthcare, operating hundreds of "Urgent Care" clinics; Medical Malls.

Projected New U.S. Construction 2000 – 2030

Class of Space	Total New Construction	Growth Construction	Replacement Construction
Residential	108 billion sq. ft.	71 billion sq. ft.	31 billion sq. ft.
Commercial / Institutional	96 billion sq. ft.	52 billion sq. ft.	44 billion sq. ft.
Industrial	8 billion sq. ft.	1 billion sq. ft.	7 billion sq. ft.
TOTAL	**212 billion sq. ft.**	**124 billion sq. ft.**	**88 billion sq. ft.**

Debt, Deleveraging & Austerity
Credit Bubbles and T heir Economic Consequences

A 2010 McKinsey Global Institute analysis of 45 historic episodes during which 10 developed nations and four developing nations significantly reduced their total debt-to-GDP ratios since 1030, found:

- Long periods of deleveraging nearly always follow major financial crises;
- Deleveraging lasts six or seven years, on average, during which
  Public & private sector debt are typically reduced by 1/3, while employment contracts & stagnates.

Public Sector Deleveraging Ahead!

- Forced by circumstances to reduce public sector debt, all levels of U.S. government will have to cut services and raise taxes, fees, tolls, etc. ($ trillions in play!!)
- To preserve Social Security, retirement age will be raised to 69 or 70.
- To broaden the public sector tax base, undocumented aliens may be permitted to "earn" U.S. citizenship through college/community/military service. (Wild card!)
- Congressional Deficit Reduction: (Major Federal Spending Cuts? Personal / Corporate Tax Reform &/or Increases? National Value-Added Tax?)

Our Economy Has Shifted Gears

- The ongoing “jobs recession: reflects a long term “down-shifting” of the consumer engine that has driven U.S. economic growth since 2000.
- Increased saving, tightened credit and higher taxes will reduce the discretionary expenditures of most U.S. households, keeping consumer spending 5% to 10% below pre-Recession levels for at least five years, as Americans are forced to “live within their means”.
- Rental Share of Housing Will Grow From 30% to 40% by 2020 – over 2/3 of all new housing units built between now and 2030 will be rental.

U.S. Job Creation Rate is Now Rising!
Comparative 10-Year Projections for U.S. Population and Job Growth
2002-2012 2004-2014 2006-2016 2008-2018 2010-2020

Years	Projected Population Numbers	Growth %	Projected Job Numbers	Growth %	Job Creation Rate
2002-2012	28.8 million	10%	21.3 million	14.8%	100:74
2004-2014	29.4 million	10%	18.9 million	13.0%	100:64
2006-2016	30.2 million	10%	15.6 million	10.4%	100:52
2008-2018	30.8 million	10%	15.3 million	10.1%	100:49
2010-2020	34.2 million	10%	20.5 million	14.3%	100:60

Some Common Visions of the U.S. Economy at the End of the Information Revolution (2020)

- High tech manufacturing (bio-tech, robotics, nano-tech, etc.)
- Green industrial economy (wind turbine, electric cars, fuel cells)
- Professional, scientific & technical services economy
- Micro-businesses, info-preneurships, ecreativity

What we do know for certain is that our “rendezvous with austerity” is about to be followed by…

A “Mash-Up” with Technology
By 2020…

- The U.S. stream of commerce will be cashless and paperless
- Smartphone’s will be our ewallets / ID / Drivers Lic / Med-Info
- Web 5.0/cloud computing streamlines internet (Server Centers!)
- Electronic Medical Record Systems (EMRS) will reduce costs and improve the quality of U.S. healthcare
- Personal mobile technologies will replace school textbooks
- We’ll all be “chatting” with our technology! “Personologies!”
- eEntertainment users / revenues – including games – surpass those for all live sports, concerts, movies, plays, etc.
- 3D printing fosters “mom & pop” manufacturing”

Millions of Americans move to the BIG CITY
Today, just over half of all Americans live in our 50 largest metropolitan areas.

The U.S. Census Bureau projects that 80% of all U.S. Population growth between 2000 and 2020 will occur in those 50 biggest cities.

Read: "How the Crash Will Reshape America," by Richard Florida, Atlantic Monthly, March 2009

Now entering "THE NEW NORMAL"
Be prepared for:

- An older society
- An austere economy
- PERVASIVE technology
- More urbanized living

Creating "Walkable Urbanities"
Mixed Use Infill Opportunities Everywhere

- Existing central business districts.
- Industrial / transportation conversions
- "Transit villages" (300+ nationwide)
- Mall / auto dealer conversions
- Golf course conversions
- Military base conversions
- Healthcare based mixed use projects
- Education based mixed use projects

Creating "eBurbia"
Aging in Place in Suburban America

Most baby boomers say that they want to "age in place" rather than move into institutionally based living arrangements. In the New Normal, info-com technology will make it possible for the "fragile elderly" to live out their lives in their suburban homes.

- E tailing
- Remote monitoring
- Telemedicine
- "Auto-vators" (Google cars)

So, welcome to THE NEW NORMAL, where

- Society will be older (with fewer young people);
- Most individuals and institutions will have to live / operate within more limited means;
- Technology will pervade every aspect of daily life, work and play;
- And where life will be increasingly urbanized.

DAVID PEARCE SNYDER, CONSULTING FUTURIST
www.the-futurist.com

"The future evolves in an orderly fashion out of the realities of the past, filtered and shaped by the decisions of the present."
*David Pearce Snyder, 1969**

Please click here to review the entire PowerPoint presentation:
http://www.reictampabay.org/assets/flyers/Feb2013Presentation.pdf

Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, Q4-2012, www.dividendcapital.com, 866-324-7348

Physical Market Cycle Analysis of All Five Major Property Types in More Than 50 MSAs.

The Q4-2012 GDP growth of -0.1% was a surprise, but shows how fragile the U.S. economy really is. On the other hand, job growth continued at a slow rate which continues to increase demand for real estate space. The gridlocked government continues to cause businesses to be very conservative in hiring and we can only hope for some certainty after Q1-2013. Thus, we continue to expect very low occupancy improvements in 2013.

- Office occupancies **improved** 0.2% in Q4-2012, but rents grew 0.3% for the quarter and 1.7% annually.
- Industrial occupancies **improved** 0.4% in Q4-2012, and rents grew 0.8% for the quarter and 1.8% annually.
- Apartment occupancies **improved** 0.1% Q4-2012, and rents grew 0.3% for the quarter and 4.0% annually.
- Retail occupancy **improved** 0.2% in Q4-2012, but rents declined 0.5% for the quarter and were down 0.9% annually.
- Hotel occupancies **improved** 0.4% in Q4-2012, but RevPAR declined 0.4% for the quarter and 7.4% annually.

Office Market Cycle Analysis

The national office market occupancy level improved 0.2% for Q4-2012 and was up 0.6% year over year. About half of the jobs in Q4-2012 were office jobs mainly in the professional / business services, information and financial areas. The national office market occupancy average needs to see more than a 1% increase to move above point #2 on the cycle graph and at 0.2% in the past quarter, this could take more than a year for movement to happen. Office is recovering at the slowest rate of all property types. Average national rents were up 0.3% in Q4-2012 and were up 1.7% year over year.

Tampa is in the same position in the recovery phase (level 2), same as last quarter. With Tampa are Orlando and Palm Beach. Behind Tampa are Miami, Memphis and Ft. Lauderdale. Ahead of Tampa are Atlanta, Charlotte, Jacksonville, Nashville and Raleigh Durham.

Industrial Market Cycle Analysis

Industrial occupancies improved 0.4% in Q4-2012 and were up 0.9% year over year. This was enough to move the national occupancy average forward to point #4 on the cycle graph which is the second half of the recovery phase of the cycle. Exports and imports with Asia and India continue to increase at a slow rate, but many port markets, especially in California, are running at high occupancy rates and are now in need of additional spaces. The industrial national average rent index increased 0.8% in Q4-2012 and w as up 1.8% year over year.

For the fourth quarter, Tampa is still at the number two position in the recovery phase. With Tampa are Orlando and Nashville. Ahead of Tampa are Atlanta, Charlotte, Jacksonville, Ft. Lauderdale, and Palm Beach.

Apartment Market Cycle Analysis

The national apartment occupancy average improved 0.1% in Q4-2012 and was up 0.4% year over year, a slower occupancy improvement than seen in the last two years. Only six markets advanced their position on the cycle chart. New apartment construction continues to moderate occupancy gains, but must be looked at market by market. Large new supply is happening in Austin, San Antonio and San Jose that may stall their occupancy improvements over the next two years. The oversupply forecast from many researchers has helped to slow new construction starts. Average national apartment rents improved 0.3% in Q4-2012 and were up 4.0% year over year.

Tampa is in the same spot as the last six quarters, at level three of the beginning of the recovery phase. With Tampa are Atlanta, Charlotte, Jacksonville, Orlando and Palm Beach. No one is behind Tampa in our southeast United States. Ahead of Tampa are Ft. Lauderdale and Miami.

Retail Market Cycle Analysis

Retail occupancies improved 0.2% in Q4-2012 and were up 0.3% year over year. Christmas sales in 2012 were higher than 2011, but many believe that this was due to the extra week in the holiday calendar in 2012. Larger retail chains continue to open new store locations, while small retailers continue to have a difficult time competing with the internet. The new legislation in congress that would tax all internet sales will help stores compete on equal footing and allow states and local municipalities to receive the much needed sales tax revenue from their local citizens. Consumers did not seem to be worried about the fiscal cliff problem and continued to spend. Tenants were still in the driver's seat as average rents declined 0.5% in Q4-2012 and rents were down 0.9% year over year.

For the fourth quarter, Tampa is at level three of the recovery phase. With Tampa are Jacksonville, Nashville, Orlando and Palm Beach. Behind Tampa are Atlanta and Ft. Lauderdale. Ahead of Tampa are Miami and Raleigh Durham.

Hotel Market Cycle Analysis

Hotel occupancies improved an average of 0.4% in Q4-2012 and were up 2.0% year over year. Only three hotel markets improved their occupancy enough to advance one point on the cycle graph. The lack of new supply is helping most to allow occupancy improvements as both business and leisure travel continues to increase at low rates. We expect this slow improvement to continue over the next year. National average Hotel RevPAR declined 0.4% in Q4-2012 as operators attempted to attract more business from leisure travelers (lots of online sale offers), but was up 7.4% year over year.

For the second quarter, Tampa is at level five of the recovery phase. With Tampa are Charlotte and Nashville. Behind Tampa are Jacksonville and Raleigh Durham. Ahead of Tampa are Orlando, Palm Beach and Ft. Lauderdale.

“Florida Population Booming Again”, Herald Tribune, March 14, 2013

- According to newly released Census Bureau data, Florida's population hit 19.3 million last summer, while New York came in at 19.6 million.
- Florida grew by 235,000 people in 2012, but a handful of economists contend 2013 growth will be even higher, as high as 360,000 new residents.
- We do expect very strong population growth over the next few years, accelerating to over 2%, which would be double the national average, by 2014," Chris Lafakis, Moody's Analytics Economist said.
- Lafakis said the shift stems from Florida's demographic drivers – good weather, advantageous business climate and employment and retirement opportunities.

Comparison Growth

- In the six years since the height of the residential real estate boom, Florida's population has grown by 1.2 million, Census figures show.

- Manatee County added 21,000 people during the last six years, bringing its population to 334,000.

- Sarasota County added 17,000 residents during the past six years, bringing its population to 386,000.

- Charlotte County, meanwhile, added 8,000 to reach a population of 162,000.

Tampa Bay Retail Market Overview

CoStar Group, February 6, 2013, Retail Webinar

- Announced closings: Sears, Blockbuster, Fashion Bug, Food Lion, Barnes & Noble, Macy's, Abercrombie & Fitch, Albertson's, Sweetbay, Bloomingdales, The Gap, OfficeMax, Best Buy, Staples.
- Discounters, drug stores going big.
  Stores increasing their lease size – Marshall's, Big Lots, Tractor Supply Company, Ross Dress for Less, TJ Maxx, Dollar Tree, Family Dollar, Home Goods, Dollar General and the two largest are CVS increasing over 60% and Walgreens increasing their size over 120%.
- Drug stores are taking on groceries, especially in urban environs. Urban areas will soon see grocers providing an icebox like a mailbox, where food is delivered to your personal icebox.

Colliers International, Q4-2012, Retail Research Report, Tampa Bay, Florida

- Current vacancy rate 8.7%, compared to 9.1% a year ago.
- Current asking rents $14.07 NNN, compared to $14.01 NNN one year ago.
- New construction in Q4-2012 about 148,000 sf was being built in the region.
- New retail projects are expected to start this year with centers opening in 2014 and 2015.

Submarket breakdown:

Sbmrkt	Bldgs.	Total Inventory SF	Direct Vac %	Total Vac %	Net Absorp. Current Qtr SF	Net Absorp YTD SF	New Completions SF	Under Construc SF	Overall Avg Direct Asking Rate NNN
Pasco County									
Q4-2012	197	11,357,027	11.4%	11.4%	-26.821	78.170	0	24,232	$13.98
Westshore/NW Tampa									
Q4-2012	240	14,274,030	6.9%	6.9%	-54,693	-97,513	0	0	$14.46
I-75 Corridor									
Q4-2012	212	12,760,544	6.4%	6.4%	130,940	249,848	0	0	$13.48
North Pinellas									
Q4-2012	172	8,280,458	6.6%	6.6%	114,351	119,843	0	0	$15.55
Mid-Pinellas									
Q4-2012	200	10,278,5555	7.9%	9.6%	-42,032	-50,297	0	0	$12.53
South Pinellas/St. Petersburg CBD									
Q4-2012	150	7,898,275	7.3%	8.5%	-13,612	-7,083	0	0	$12.70

Tampa Bay Single Family Market Overview

Lesley Deutch, Real Estate Consulting, John Burns Real Estate Consulting, LLC, www.realestateconsulting.com

Some current stats for Tampa:

- New home sales are definitely improving - they were up 16% in 2012 and 18% for the rolling 12 months ending in February. We are still way below peak levels of 25,000 + in 2005-2006
- We are expecting new home sales to experience double-digit growth over the next four years.
- New home prices are also stronger and have been increasing steadily since 2011.
- On a rolling 12 month basis, permit issuance in Tampa is up 76% year over year. Multifamily is leading the charge - up 187% to over 5,100 permits! Single family up 32% to over 6,000 permits.
- Even with the large increase in permits Tampa is only at 30% of peak levels.
- Resale inventory is really tight at 4.1 months of supply in the market.
- Investor sales are increasing in Tampa - as of 4th quarter, they represented 43% of total sales in the market - up from 37% a year ago.

Institutional Single Family Home Buyers, Wall Street Journal, March 25, 2013

- Blackstone so far has purchased 20,000 single family homes, totaling $3.5 billion and is spending $100 million per week.
- Colony Capital has purchased 8,000 single family homes for $1 billion.

John Burns Real Estate Consulting, Top Single Family Permit Markets in 2012

2012 Rank	Metro Area	2012p	2011 Rank	2005 Peak Rank
1	Houston	28,567	1	3
2	Dallas*	12,623	2	5
3	Phoenix	11,859	4	2
4	Atlanta	9,121	6	1
5	Wash DC*	9,099	3	10
6	Austin	7,971	5	16
7	Orlando	7,242	11	9
8	Raleigh	6,421	8	21
9	Charlotte	6,286	7	12
10	Las Vegas	6,112	15	6
11	Seattle*	6,082	9	24
12	Tampa	5,884	12	8
13	Denver	5,612	17	15
14	Minneapolis	5,577	16	17
15	Oklahoma City	5,346	26	42
16	Nashville	5,332	14	20
17	Fort Worth*	5,199	10	14
18	San Antonio	5,125	13	19
19	Jacksonville	4,582	24	13
20	Portland	4,469	25	23

**Metro Division*
Source: US Census Bureau, John Burns Real Estate Consulting

Fastest Growing Year Over Year Percentage Single Family Permits

2012 % Growth Rank	Metro Area	2011 to 2012 YoY	2012 Rank Volume	2005 Peak Rank Vol.
1	Bakersfield	92%	85	47
2	Miami, FL*	88%	69	34
3	Boise City	83%	35	31
4	Oklahoma City	74%	15	42
5	Oakland*	70%	49	52
6	Phoenix	63%	3	2
7	Las Vegas	60%	10	6
8	Orlando	60%	7	9
9	Tucson	56%	58	30
10	Denver	55%	13	15
11	St. George	53%	89	105
12	Sacramento	53%	36	18
13	San Jose	51%	78	137
14	Colorado Springs	49%	51	60
15	Greeley	49%	94	94
16	Minneapolis	48%	14	17
17	Atlanta	47%	4	1
18	Sarasota	45%	45	29
19	Provo	44%	60	77
20	Warren, MI*	44%	28	33

**Metro Division*
***From the top 100 by volume*
Source: US Census Bureau, John Burns Real Estate Consulting

Florida Is On Fire, John Burns Real Estate Consulting, www.realestateconsulting.com

The Florida housing market is booming. Home buyer traffic and sales are climbing rapidly throughout the state, leading to increasing home and land prices.

In the last two weeks, I had 14 meetings and visited over 20 communities throughout the state, and here is what I found:

1. Land prices are rising rapidly.
   Demand for land is the strongest in Orlando, where the large number of builders and developers in the region continue to bid up land prices. In some submarkets, land and finished lot prices have now surpassed peak levels. Most builders are opting to buy raw, unentitled land in Orlando just to gain a position and market share.

2. Home prices are rising rapidly.
   In markets like Orlando and Naples, new home prices are increasing approximately 1% - 2% per month in many communities. Lotteries are back. We are projecting double digit home price appreciation in many Florida markets for 2013.

3. The active adult market is back.
   In Southwest Florida, builders are reporting a 20%-25% increase in traffic and sales over last year (which was a very good year!). Secondary and even tertiary submarkets in Southwest Florida are experiencing stronger demand, especially as prices rise in the “A” markets.

4. Foreign buyers are helping the market.

Foreign buyers are not limited to the condos in Miami anymore. In Orlando, a large influx of foreign investors – typically paying all cash – have helped the market recover and are driving up demand and prices in the region. In one sales office I visited recently, there were three families buying homes at the same time – from Brazil, Germany and China.

5. Foreclosures are declining.
   Since Florida is a judicial foreclosure state, the time it takes for a foreclosure to occur is considerably longer. But the banks are slowly releasing the foreclosures, and the large number of investors in the state are buying them as quickly as possible.

We still have room to run.
Despite the rise in home and land prices, it is still affordable to buy a home in Florida thanks to very low mortgage rates. In Orlando and Naples – two markets experiencing strong home price appreciation – home affordability is still excellent.

Tampa Bay Builders Association, Tony Polito, HanleyWood (ex-MetroStudy), Annual Housing Report

- Home starts in 2012 were up 27% at 5,000.
- 45% of the homes sold were under $200,000. He predicts a decline in this because there are no lots for this product. There are 30,000 vacant developed lots, however, this includes Hernando and Citrus Counties.
- The most successful subdivisions are south of I-4 and in east Pasco and New Tampa.
- There are four months of inventory in multiple listing service, and four to six months is equilibrium.
- 12 to 18 month lot inventory in certain areas, 30 month inventory over all.
- 9,100 starts is the 20 year moving average. He predicts 5,000 to 6,000 starts in 2013; 9,000 starts in 2014; and 12,000 starts in 2015.
- 2016 will be the peak year when Baby Boomers turn 65.
- Generation X turns 48 this year, Generation Y turns 33 and echo boomers turn 23.

Harold Tribune, March 19, 2013

- Building permits increase in southwest Florida. MetroStudy reports that the 2,478 subdivision-based new home starts reported throughout the region in 2012 represented a 30% increase from 2011. MetroStudy predicts new home construction will climb another 7% to 20% in 2013, with greater gains in 2014.

- In Manatee, there is a 1.1-month supply of vacant finished inventory in the new home market, and just a 0.9-month supply in Sarasota County.

Tampa Bay Multifamily Market Overview

Marcus & Millichap, 2013 Annual Report, Tampa Metro Area, www.NationalMultiHousingGroup.com

2013 Market Outlook:

- 2013 NAI Rank: 27, Up 3 Places. Forecasts calling for a relatively sizable decline in vacancy counterbalanced Tampa's below average employment and rent growth scores.
- Employment Forecast: Employers will hire 22,800 workers in 2013, expanding total employment 2.0%; 10,000 jobs were added last year.
- Construction Forecast: Projects containing 1,800 rentals will come online in 2013, a slight increase from last year. Complexes slated for completion include the 344-unit Circle at Crosstown in the Brandon submarket.
- Vacancy Forecast: Accelerating job growth will generate new rental households and trigger a 40-basis point decline in vacancy this year to 5.1%. The rate tumbled 70 basis points during 2012.
- Rent Forecast: Marketwide asking rents will advance 3.3% to $868 per month this year, accompanied by a 2.5% jump in effective rents to $827 per month.

Triad Research & Consulting, Inc., www.triadresearch.net, Michael Slater, President, 813-908-8844

As of the 1st Quarter 2013, the rental multifamily market, both nationally and regionally, has for the ninth consecutive Quarter continued to demonstrate moderate to excellent performance standards and positive growth, primarily within the existing performing assets.

Within the Tampa Bay Region including Hillsborough, Pinellas, Pasco, Polk, Manatee and Sarasota counties, there continues to be demonstrative positive recovery trends with improving occupancies, rental revenue growth, declining or elimination of economic concessions.

However, the most dramatic new indicator or market trend demonstrating the rental multifamily recovery, falls within the ongoing observation of the Pipeline of Proposed new construction rental multifamily inventory and the development of contemporary, urban, urban/suburban, and upscale suburban rental multifamily inventories in response to this 24 plus month upswing in this segment of the real estate industry, now that this "recovery" is in full play and validated and accepted by both the lending community, the investment community, and the owner and development community as "real".

The Pipeline of Proposed new projects either in new construction or recently constructed new rental multifamily assets in initial product lease-up for the Tampa Bay Region now totals 28 assets and 6,421 rental units (both numbers up about 20% from 6 months ago). However, the Pipeline of Proposed or Planned new product rental multifamily products to occur over the next 12 to 24 months is now 54 assets totaling 11,478 units (up about 25% from 6 months ago).

Current countywide occupancies have continued to improve as the wave of planned new construction rental multifamily projects for the 2013-2015 period have now broken ground or leased up thru stabilization at phenomenal rates of 30 to 50 units per month.

Current occupancies are now stabilized in the metro counties of Hillsborough and Pinellas as well as the southern counties of Manatee and Sarasota at well above 95%. The two smaller counties of Pasco and Polk remain slightly lower in the 93% to 95% range.

Rental revenue growth regionally is averaging now in the 5% to 7% annually, with some observed growth levels in well located, upscale products, urban and urban/suburban products and undersupplied markets now achieving 8% to 10% annualized revenue growth.

As in the past over the past 9 Quarters, demand continues to outpace supply, for now. It continues to be our studied opinion that an environment of strong and stable performance should remain in place for a minimum of 3-5 years. Older vintage vacant units have now been almost completely absorbed (within the 5% range placing most stabilized assets in that near 95% occupied status).

The future of the regional rental multifamily market continues to remain highly positive, but the external forces unemployment, economic dynamics and availability of affordable and desirable new developments sites will have an impact of the industry beyond the next 3 years.

U.S. Capital Trends by Real Capital Analytics, Q3-2012 Apartments

- 25 property sales, those in New York had prices per unit of $930,233, $680,556, $582,822, $857,143, $455,556.
- There was an uptick in the average CAP rates, but due to recent declines and mortgage interest rates amongst lenders, CAP rates remain under downward pressure.
- The Greystar Seneca property traded in the fourth quarter for $139,000 per unit, can't remember where we have that sales thing that Edwin or Steve did.

Seniors Overview, Best urban places to retire, www.nerdwallet.com, March 21, 2013

Tampa was rated #4 – Tampa has it all. The city is affordable, warm and has a large population of seniors. Full of museums, parks, zoos and major sports teams, the city has something for everyone.

Also listed in Florida #1 – Miami. 16% of the city is over 65 years old, and Jacksonville #3, which has a fairly low cost of living and very low health care costs.

Rank	City	Overall Cost of Living Index	Annual Cost of In-Home Homemaker Services	Cost of a Doctor's Visit	Percentage of Population Over 65	Average Annual Temperature (°F)	Walkability Score	Overall Score for Retirees
1	Miami, FL	108.1	$36,608	$107	16.0%	76.7	73	67.0
2	El Paso, TX	94.6	$30,316	$74	11.2%	64.7	38	64.6
3	Jacksonville, FL	95.7	$40,040	$67	10.9%	68	33	60.9
4	Tampa, FL	92.2	$41,756	$85	11.0%	73.1	51	69.9
5	Memphis, TN	85.6	$37,752	$75	10.3%	62.4	39	58.2
6	Oklahoma City, OK	90.5	$38,896	$85	11.8%	60.1	36	56.4
7	San Antonio, TX	87.7	$40,040	$98	10.4%4	68.7	41	56.0
8	Louisville, KY	91.6	$40,040	$83	12.36%	57	40	55.6
9	Tucson, AZ	93.8	$43,998	$100	11.9%	68.7	48	54.8
10	Nashville, TN	87.7	$38,896	$79	10.2%	58.9	36	54.6

<u>Top 10 Trends In Senior Housing for 2013, SeniorHousingNews.com, January 9, 2013</u>

1. It's the end of skilled nursing as we know it…and we feel fine. Consumers are beginning to learn that a nursing home no longer has to be the final resting place for seniors. Combine these challenges with an aging population and increasing demand and limited supply, the world of skilled nursing requires a drastic evolution. With more focus on "person – center care" and returning people to their homes for comfort, nursing homes will start to appear as more of a surgical strike in the aging process vs. the final resting place.

2. Affordable housing crisis for seniors – Inextricable link between federal programs and local solutions. The statistical trends support the fact that independent, affordable senior apartments have long waiting lists and new inventory in this category is not being created fast enough to keep pace with demand.

   A strong, local housing program can provide a foundation for jobs, economic and community activities. Local solutions demand local leadership layered with federal assistance and programs, so while the two are separate and apart, they are both inextricably linked. In 2013, local leaders will need to emerge to provide the impetus for long term solutions to bridge the gap in affordable housing for seniors.

3. Re-thinking longevity of assets – personal and physical. Longevity will become America's fiscal and moral enemy. Deterioration of mind, body and assets, both financial and physical, will need to be addressed as part of everyone's plan. According to the Boston College Center for Retirement Research, the old retirement model used to call for replacing 80% of a person's pre-retirement income as a target for planning asset consumption and utilization.

   Calculations by the Employee Benefits Research Institution found that almost 44% of those born between 1948 and 1978 will not have adequate retirement income. This number, which spans Baby Boomers and Gen X, assumes that interest rates begin to rise in 2014.

4. Internet service as means to personalized, technology solutions for seniors – As more seniors embrace more internet applications further out on the bandwidth curve, they will demand increases based upon their bandwidth needs.

   These data providers are important as they enable the opportunity for individuals, care providers and community owners to choose their own technology solutions. However, these providers are building their own applications into the interfaces that are used daily such as the cable television interface. Some service providers will compete with independent, third party solutions, while others will choose to invest or acquire these technology solutions to incorporate into their systems.

5. Architecture & design – can we be more creative than Granny PODS? Click on the following link: www.medcottage.com.

6. Senior housing finance – was 2012 the pinnacle of activity or just the beginning? As the year progresses, new players will emerge into the senior housing capital arena from institutional players to more private equity as a means to follow trends, deploy capital and grow their yields.

   REITs will continue to be major participants in the M&A and capital finance options for senior living in 2013.

7. Middle class myth of urban senior living – Everyone seems to forget that city living is more expensive than the suburbs, regardless of the metropolitan market. So does this concept of urban, city living work for those on tight budgets or average retirees, or is this a luxury?

   Walkable, urban lifestyle centers in collar suburban communities maybe a more accurate vision for most than big city retirement living.

8. Plugging in the holes: Filling out the continuum with hospice & home health care and build vs. buy – The fragmented nature of home health care and hospice creates an opportunity for larger players to roll up these companies and diversify their revenue sources by changing referrals to direct, incremental increased revenue opportunities.

   For some, the decision to build out these services or buy will require access to capital markets or the sale of assets to create capital for acquisitions. For others, such as Kindred's acquisition of IntegraCare, use of cash flow from operations will provide the capital for acquisition that will provide an ability for it to leverage those services to build out its continuum of care.

9. National occupancy averages to trend towards (and above) low 90th percentile – With demand increasing based upon demographics and lack of new supply, many industry professionals see occupancy levels trending higher to above 90% nationally and much higher in some areas with short supply. The challenge for operators will be determining a balance between occupancy levels and increases in prices otherwise known as price elasticity.

Compounding these trends, more operators will seek to diversify their revenue streams by luring more private pay customers to their communities. The increased competition for these lucrative customers will add some downward pressure to rising prices in some areas of the country.

10. State regulations increase dramatically for senior housing & care – The next year will see a significant growth of new and additional state legislation for senior care, housing and other services.

    Senior housing owners and operators will face more regulations over background checks, resident safety, licensing and training of employees. As more services are delivered to homes in the community, more challenges will arise as a limited number of state employees to monitor and control senior acre are available to regulate this expansion of services.

    The irony of increased regulations? More costs and burdens on employers and employees and those costs are eventually passed on to seniors and those paying for their care whether it's adult children or the government.

RCLCO Advisory, Best Practices Report: Seniors Housing, Innovative Intergenerational Projects, by: Adam Ducker, Managing Director, and Margaret Liddon, Associate, March 5, 2013

One notable trend is towards development of intergenerational housing projects, along with senior developments that are closely integrated into an intergenerational neighborhood.

Merrill Gardens at the University and The Corydon, Seattle, Washington

In Seattle, Washington, Merrill Gardens and Pillar Properties recently redeveloped a two acre parcel just north of downtown and adjacent to the University of Washington. In total, the project has 123 independent and assisted living rental units with 144 residents; 103 non-age-restricted units, which are currently 95% leased; and 22,500 square feet of retail space. The outdoor amenity space is shared by residents of Merrill Gardens and The Corydon and hosts events such as outdoor movie nights, bocce ball tournaments, and University of Washington band performances. Residents living in The Corydon are even able to purchase a meal plan at Merrill Gardens. By coupling seniors housing and market-rate housing adjacent to a university, the apartments capture both the older Baby Boomer and Eisenhower generations as well as the younger Generation Y-two markets with quickly growing rental demand.

Furthermore, the proximity of the buildings allows a few older residents who do not want to live in the seniors units all the time the ability to maintain a primary apartment at The Corydon while transitioning to respite care when necessary. While Merrill Gardens produces roughly 70% of the revenue, the market-rate apartments provide an intergenerational mix of residents that brings life and vitality to the university area and an opportunity for cross generational relationships.

Office Market Overview:

Cushman & Wakefield Market Overview - Tampa

- **Westshore Office Overview:** Overall vacancy at the end of 1st quarter 2013 is 13.0% compared to 15.1% last year and 11.9% last quarter. Class A is at 13.4% compared to 16.3% last year and 11.6% last quarter.

- **I-75 Office Overview:** Overall vacancy at the end of the 1st quarter 2013 is at 22.0% compared to 22.83% a year ago and 23.4% last quarter. Class A is at 18.86% compared to 22.2% a year ago and 21.6% last quarter.

- **Tampa Central Business District:** Overall vacancy at the end of the 1st quarter 2013 is at 15.4% compared to 16.8% a year ago and 14.1% last quarter. Class A is at 15.3% compared to 15.1% a year ago and 12.5% last quarter.

Industrial Market Overview:

Cushman & Wakefield Market Overview - Tampa

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 1st quarter, 2013 is 7.5% compared to 8.9% a year ago and 7.0% last quarter.

  Warehouse distribution is at 5.2% vacancy compared to 8.8% a year ago and 5.5% last quarter.

  Office Service Center is at 14.8% vacancy compared to 12.3% a year ago and 13.0% last quarter.

- **East Tampa Industrial Overview:** The overall vacancy at the end of the 1st quarter 2013 was 8.7% compared to 8.6% a year ago and 8.5% last quarter.

  Warehouse distribution is at 9.2% vacancy compared to 9.3% a year ago and 8.8% last quarter.

  Office Service Center is at 15.9% vacancy compared to 15.7% last year and 17.1% last quarter.

- **Plant City Industrial Market Overview:** The overall vacancy at the end of the 1st quarter 2013 was 1.2% vacancy compared to 0.8% a year ago and 1.2% last quarter.

  Warehouse distribution is at 5.2% vacancy compared to 8.8% a year ago and 5.5% last quarter.

- **Lakeland Industrial Market Overview:** The overall vacancy at the end of the 1st quarter 2013 was 4.2% vacancy compared to 4.5% a year ago and 4.1% last quarter.

  Warehouse distribution is at 5.2% vacancy compared to 5.7% a year ago and 4.7% last quarter.

  Service center is at 17.0% compared to 17.7% a year ago and 17.1% last quarter.

Tampa Bay Hotel Market Overview

ReBusinessOnline.com, March 22, 2013

U.S. Hotel Fundamentals Are Among the Best in 30 Years, Says PKF Hospitality Research

Healthy real estate fundamentals in the U.S. lodging industry are setting the state for another prosperous year for hotel owners and operators, say industry experts. Indeed, Atlanta based PKF Hospitality Research expects revenue per available room (RevPAR) to increase 6.1% in 2013 and the average daily rate (ADR) to rise 5%. What's more, PKF is forecasting that room demand will rise 1.8% this year, easily outpacing a 0.8% increase in supply.

National Forecast – 2013/2014, PKF Hospitality Research

	Long Term Average	2008	2009	2010	2011	2012	2013F	2014F
Supply	2.0%	2.4%	2.9%	1.7%	0.5%	0.5%	0.8%	1.7%
Demand	2.1%	-2.5%	-6.2%	7.3%	4.7%	3.0%	1.8%	3.9%
Occupancy	61.9%	59.8%	54.5%	57.5%	59.9%	61.4%	62.0%	63.4%
ADR	2.9%	3.0%	-8.7%	0.0%	3.8%	4.2%	5.0%	6.2%
RevPAR	2.9%	-2.0%	-16.7%	5.4%	8.2%	6.8%	6.1%	8.4%

Taking a larger view, PKF forecasts that ADR growth for the U.S. hotel industry will be double the historical average through 2015, leading to similar gains in RevPAR. "I will tell you that if you look back at history, you've never seen a period like this," said Woodworth. "So, if our forecast ends up being true, then we'll all look back and say those wee some really good times."

Florida Trend, March 8, 2013

- 2012 a record year for tourist spending – Visitors in Florida spend a record $71.8 billion while on vacation or business here last year, 6.8% more than the year before, state officials said Thursday. That translates to about $4.6 billion more than the $67.2 billion spent in 2011, said Visit Florida, the state's tourism marketing agency. The last time visitors to the state spent anywhere near that much in one year was 2007, just ahead of the Great Recession, when the tab totaled $65.5 billion. [Source: Orlando Sentinel]

Land Sales

Single Family

1. Old Memorial Club, Inc. (part of Old Memorial Golf Course) in northwest Hillsborough County, sold Weekley Homes 20 developed lots for $25,000/per lot.
2. K Hovnanian purchased 23 developed lots in Harbor Isles, south Hillsborough County, for $55,000 per developed lot.
3. John Peshkin purchased 113 building lots in the high end Gulf community, The Concession, east of Lakewood Ranch in Manatee County for $69,911/per developed lot.
4. Neal Communities purchased 47 building lots in the Country Club east neighborhood of Lakewood Ranch for $111,170/per lot.
5. DR Horton purchased 135 lots in the Wild Wilderness subdivision in Manatee County for $15,770/per lot. The lots were mass graded.
6. Ashton Tampa Residential purchased 39 lots in the Rosedale subdivision, Manatee County, for $86,000/per lot.
7. M/I Homes purchased 41 lots in the Rosedale subdivision, Manatee County, for $70,000/per lot.
8. Taylor Morrison purchased 217 acres in Palmer Ranch, Sarasota County, planned for 267 home lots for $22,472/per paper lot.
9. DR Horton purchased lots in the Terra Bella subdivision in south/central Pasco County for $60,000/per developed lot for a 60' lot.
10. Ashton Woods Homes purchased 91 paper lots on Richardson Road, Sarasota County, for $36,813/per paper lot, for 60' lot.
11. Minto Communities purchased 3,416 acres known as Sabal Bay Community in south Naples, Collier County, for $35,000/per paper lot.

Office

1. Hines and Boston Properties purchased a 50,000 square foot land parcel in San Francisco for $4,000/per square foot. They plan on building a 1.4 million square foot office tower for $37.14 land cost per building foot.

Retail

1. GDAWG purchased 8.3 acres of vacant land fronting on U.S. Highway 41 in the Riviera Dunes subdivision in Palmetto, Florida for $3.18/per square foot developed.
2. Wal-mart purchased 20 acres at the northwest corner of Bearss and Nebraska, contiguous to I-275 in north Hillsborough County for $6.43/per square foot for a SuperCenter and 16 vehicle fueling station gas station.
3. Deron Howard and Bryan Schultz purchased 4.65 acres on Falkenburg Road, south of the Leeroy Selmon Expressway for $8.64/per square foot, developed.
4. 7-11 purchased an outparcel in Pinellas County for $1,325,000.

Multifamily

1. Henderson Real Estate Fund (Patrinely Group) in USAA Real Estate purchased a 0.634 acre property in Manhattan for $167,785/per unit. The 298 units represent 470 units per acre.

Industrial

1. Sabal Park Properties, LLC, an affiliate of Franklin Property and Development Group, purchased 29 acres on Palm River Road in the Brandon area of Hillsborough County for $1.19/per square foot.