**Bruce K. Erhardt, ALC**
**Cushman & Wakefield of Florida, Inc.**

# Tampa Bay Land Market Overview 2Q – 2011

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 pertain to the land business 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*** *– For the eleventh quarter, land for multifamily for sale product is not active, and for the fourth quarter, rental developers are looking at sites for 2012 and 2013 delivery. Mostly infill and A suburban. Looking for "low hanging fruit sites". Pinellas is very active.*
- ***Single Family*** *– For the last seven quarters, builders and developers are closing on A and B locations. C locations are not getting much attention, other than by long term buy and hold investors.*
- ***CDDs*** *– In Hillsborough County, a CDD bond was purchased at 69.5¢ percent of PAR. The goal was to buy the bonds to get the deed.*
- ***Retail*** *- Same as last seventeen quarters with land prices flat or declining because of lack of tenant demand. The only buyers are single tenant driven, buy and hold investors, and necessity retail (i.e. grocery, drug, women's shoes and gas). Other than the rumored Bass Pro Shops in Brandon, larger anchors have not been active but are rumored to be looking for sites.*
- ***Industrial*** *– No change, users only with one developer purchase in Plant City.*
- ***Office*** *– No change, users only.*
- ***Hospitality*** *– Operators are buying distressed existing hotels as opposed to new sites.*
- ***Bank Deals*** *– Picking up. Reserves have been increasing, which allows banks to sell REOs without being concerned that FDIC will show up at their front door Friday afternoon.*
- ***Agricultural Land*** *– Active and in some instances values are going up. Farmers are making offers on bank owned subdivision land, if the water permits can be secured.*

## The Big Picture.

**University of Central Florida, Institute of Economic Competitiveness – Highlights of the April 2011-2014 Florida Forecast, www.iec.ucf.edu/page/Forecasts.aspx**

- Corporate Tax cuts in Florida? Yes, if they are part of a Bright Futures program for all Floridians.

- Payroll job growth year-over-year is expected to average 0.4% in 2011, 2.3% in 2012, 2.9% in 2013, and 3.0% in 2014. It will be the 4$^{th}$ quarter of 2015 before payrolls recover to their pre-recession levels.

- The labor market is just beginning to participate in Florida's economic recovery. Unemployment will remain stubbornly high and will not fall below 10% until the 4$^{th}$ quarter of 2012.

- Unemployment rates may drift higher as the economy transitions into job growth mode. 2011 should mark the beginning of a long, slow and steady decline in unemployment. It may be 2018 before we see unemployment fall below 6% again.

- The sectors forecasted to have the strongest average growth during 2011 – 2014 are Professional and Business Services (4.8%); Trade, Transportation & Utilities (3.8%); Manufacturing (2.3%) and Leisure & Hospitality (2.0%).

- Florida's housing construction sector bottomed out in 2009 after a harrowing plunge. Housing starts will continue a painfully slow climb this year. Total starts at an annual rate will be 56.8 in the 4$^{th}$ quarter of 2011. By the 4$^{th}$ quarter of 2014 the number will be 168.8; more than 100,000 fewer starts than at the peak of the housing boom.

- Real Gross State Product (RGSP) will expand 2.4% in 2011, and then accelerate to 3.3% in 2012, 3.6% in 2013, and 4.0% in 2014.

- Real personal income growth turned positive in 2010. From 2011- 2014, personal income growth will average 3.3%, and will peak at 4.7% in 2014.

- Florida's population growth will continue its slow recovery in 2011. By 2014, the growth rate could hit 1.9% as the damage from the Great Recession is repaired, and the Baby Boomer retiree influx starts to swell.

- After a wobbly start to 2010, retail sales should finish stronger for the year. Retail sales will accelerate in 2011 and will grow at an average pace of 5.39% during 2012-2014.

**Oakland Institute Report on Agricultural Land Buying in Africa**

- Bio fuel companies, investment firms and hedge funds are taking agricultural land positions in Africa. The institute says that in 2009 alone, nearly 60 million sectors of land (148,260,000 acres) were purchased. Research by the Oakland Institute was done in Ethiopia, Mali, Sierra Leone, Tanzania, South Sudan and Zambia.

Buyers – It is reported that the buyers are from India, China, Saudi Arabia and other emerging countries. Western firms from Germany, England and the Netherlands are buying upland, as well.

Buyers include: The London based Emergent Asset Management; the Swiss based Addax Bio Energy; Quifel International Holdings based in Portugal; the U.S. based AgriSol Energy.

**ULI Spring Council Meeting, May 18-20, 2011**

The following are notes taken at the meeting:

- A Fanny Mae economist stated that immigration is back filling baby boomers. Predicted a trend of single family detached rentals, and the United States will be back to one million housing starts in 2014.

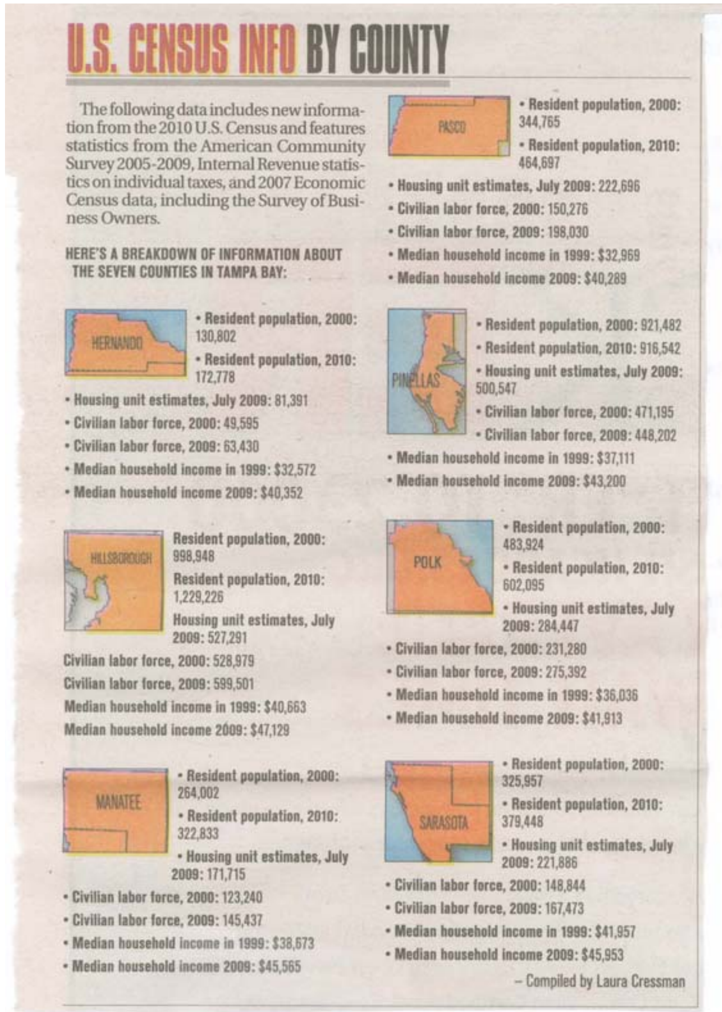
- **Debt and Equity**

- Bank of America - Private home builder lender, sees builders needing more lots in 2012. Sees opportunities in Texas, South Carolina, North Carolina and Nashville.
- Goldentree equity investor - Placing bets on raw land deals. Going to the stronger job markets and areas with good schools. Have invested in 23,000 lots, which represents $200 million unlevered.
- Mountain Funding – Provides private equity to builders and developers. Looking to place $50 million in 2011 with a deal size of $5 to $20 million. Likes A locations, infill.

- **Meritage Home Founders, Steve Hilton**

  - Building energy efficient homes where the 50% to 70% savings in electricity can go towards a mortgage. Calls existing homes “used homes”. They are even doing the expensive spray foam insulation in every home at no extra charge. The model homes show cut away walls to show energy efficient construction.
  - Schools are the best amenity.
  - Likes A and B locations for single family, has not been successful in urban attached.
  - When interest rates go up 100 basis points on a $200,000 home you lose 15% of your buyers.
  - Lenders are now looking at total debt service, including credit cards, and do not allow for more than 36% of income to be total debt service.
  - Jokingly said, is there a market for sedentary adults?

**Tampa Bay Business Journal, June 24, 2011**



# U.S. CENSUS INFO BY COUNTY

The following data includes new information from the 2010 U.S. Census and features statistics from the American Community Survey 2005-2009, Internal Revenue statistics on individual taxes, and 2007 Economic Census data, including the Survey of Business Owners.

HERE'S A BREAKDOWN OF INFORMATION ABOUT THE SEVEN COUNTIES IN TAMPA BAY:

HERNANDO
- Resident population, 2000: 130,802
- Resident population, 2010: 172,778
- Housing unit estimates, July 2009: 81,391
- Civilian labor force, 2000: 49,595
- Civilian labor force, 2009: 63,430
- Median household income in 1999: $32,572
- Median household income 2009: $40,352

HILLSBOROUGH
Resident population, 2000: 998,948
Resident population, 2010: 1,229,226
Housing unit estimates, July 2009: 527,291
Civilian labor force, 2000: 528,979
Civilian labor force, 2009: 599,501
Median household income in 1999: $40,663
Median household income 2009: $47,129

MANATEE
- Resident population, 2000: 264,002
- Resident population, 2010: 322,833
- Housing unit estimates, July 2009: 171,715
- Civilian labor force, 2000: 123,240
- Civilian labor force, 2009: 145,437
- Median household income in 1999: $38,673
- Median household income 2009: $45,565

PASCO
- Resident population, 2000: 344,765
- Resident population, 2010: 464,697
- Housing unit estimates, July 2009: 222,696
- Civilian labor force, 2000: 150,276
- Civilian labor force, 2009: 198,030
- Median household income in 1999: $32,969
- Median household income 2009: $40,289

PINELLAS
- Resident population, 2000: 921,482
- Resident population, 2010: 916,542
- Housing unit estimates, July 2009: 500,547
- Civilian labor force, 2000: 471,195
- Civilian labor force, 2009: 448,202
- Median household income in 1999: $37,111
- Median household income 2009: $43,200

POLK
- Resident population, 2000: 483,924
- Resident population, 2010: 602,095
- Housing unit estimates, July 2009: 284,447
- Civilian labor force, 2000: 231,280
- Civilian labor force, 2009: 275,392
- Median household income in 1999: $36,036
- Median household income 2009: $41,913

SARASOTA
- Resident population, 2000: 325,957
- Resident population, 2010: 379,448
- Housing unit estimates, July 2009: 221,886
- Civilian labor force, 2000: 148,844
- Civilian labor force, 2009: 167,473
- Median household income in 1999: $41,957
- Median household income 2009: $45,953

– Compiled by Laura Cressman

**Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, Q1-2011, www.dividendcapital.com, 866-324-7348**

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

The U.S. economic growth continued its sixth quarter of positive GDP growth and its fourth quarter of positive employment growth. Even though it is a slower and longer recovery than the last four economic cycles, it appears the U.S. is better than half way through the recovery cycle. Property occupancies continued to improve, but rents only improve3d in apartments and hotels. New construction declined again, so absorption should rebound more quickly.

- Office occupancies **were flat** in Q1-2011, and rents were also flat for the quarter and were down 0.3% annually.
- Industrial occupancies **improved** 0.4% in Q1-2011, but rents fell 0.23% for the quarter and were down 3.1% annually.
- Apartment occupancies **improved** Q1-2011 and rental growth **improved** 0.6% for the quarter, and was up 2.8% annually.

- Retail occupancy **improved** 0.5% in Q1-2011, but rental growth fell 0.3% for the quarter and 3.1% annually.
- Hotel occupancies **improved** 0.8% in Q1-2011, and RevPAR **improved** 8.9% for the quarter and 8.9% annually.

### Office Market Cycle Analysis

The national office market occupancy level was flat for Q1-2011, but up 0.3% year-over-year. Seven markets did improve their occupancies enough to move forward on the cycle graph to point #2, but the majority still sit on the bottom at point #1. New construction is at a 20 year low and the two towers at the World Trade Center make up 33% of new office construction. Office absorption was a low five million square feet for the quarter, and just barely above completions. All of the five million square feet absorption was in CBDs as suburban office submarkets suffered. Class A space in the six top markets saw a 1.3% increase in rents. Sub-lease space hit a three year low which is good news for landlords. Rents were flat for Q1-2011, which is a promising sign, but were down 0.3% year over year.

With Tampa are Atlanta, Charlotte, Jacksonville, Memphis, Orlando and Raleigh Durham. Behind Tampa are Ft. Lauderdale, Miami and West Palm Beach. Ahead of Tampa is Nashville.

### Industrial Market Cycle Analysis

Industrial occupancies improved 0.4% in Q1-2011, which resulted in a 1.4% increase year over year. Net absorption increased to 31 million square feet in Q1-2011 or two thirds of the 44 million square foot average seen in the 2005 to 2007 economic expansion. All indicators point to a solid recovery. The ISM Manufacturing index is near peak levels, which is pushing up warehouse demand. With the recovery just beginning, the industrial national average rents were still down 0.23% for Q1-2011, and down 3.1% year over year.

Tampa remains at level 1 for the fourth quarter, the beginning of the recovery phase. With Tampa are Miami, Nashville, Orlando and Palm Beach. Ahead of Tampa are Atlanta, Charlotte, Ft. Lauderdale, Jacksonville, Memphis and Raleigh Durham.

### Apartment Market Cycle Analysis

The national apartment occupancy average increased 0.2% in Q1-2011, and was up 0.9% year over year. Net absorption was a positive 44,000 units in Q1-2011 and the low amount of new supply of less than a half percent should help to make the recovery move along faster. While some researchers forecast new construction to pick up in 2011, demand is expected to match this new supply. Average national apartment rents improved 0.6% in Q1-2011, and were up 2.8% year over year.

Tampa has moved up to level 2, the beginning of the recovery phase. With Tampa are Jacksonville, Nashville, and Raleigh Durham. Ahead of Tampa are Miami, Orlando, Charlotte and Ft. Lauderdale.

### Retail Market Cycle Analysis

Retail occupancies improved 0.5% in Q1-2011, and were up 1.5% year over year. The small retailers in neighborhood and community centers are still cautious about the economy and leasing is flat in that sector. Major national retail chains are seeing enough sales growth that they are expanding and occupancies in regional malls are improving. Retail is still a tenant driven market and they are negotiating for lower rents. Rents were down 0.3% in Q1-2011, and were down 3.1% year over year.

Tampa is in the same position as the last four quarters, at level 1, the beginning of the recovery phase. With Tampa are Miami, Nashville, Orlando and Palm Beach. Ahead of Tampa are Atlanta, Charlotte, Ft. Lauderdale, Jacksonville, and Memphis.

### Hotel Market Cycle Analysis

Hotel occupancies improved 0.8% in Q1-2011 and were up 3.9% year over year. Business and leisure travel continued to improve and the best market in the country was New York City where occupancies are averaging over 79%. New construction starts are almost non-existent as financing is very hard to get for hotels after their major defaults in the recession. Many buyers are now seeking great deals. Hotel RevPAR was up 2.8% in Q1-2011, and was up 8.9% year over year.

Tampa for the first quarter has moved up to the recovery phase at level 2. With Tampa are Miami, Orlando, Jacksonville, Memphis, Nashville and Raleigh Durham. Ahead of Tampa are Charlotte and Ft. Lauderdale.

### The O'Donnell Report, Top 10 Worldwide Ports, www.odonnellgroup.com

- Singapore has the world's busiest port.
- Six of the world's top ten ports are located in China.
- The ports of LA/Long Beach are 1.60 times as large as those in New York.
- The U.S. is the world's largest importer (Wikipedia).
- The U.S. has the world's largest industrial square footage base (CBRE).
- The Ports of LA/Long Beach control 44% of the nation's total cargo (Grubb & Ellis 2010 Logistics Market Trends).
- The U.S. is the world's largest trading nation and the world's leading importer (Wikipedia).

## Tampa Bay Retail Market Overview

### CoStar Group, Q1-2011, Tampa – St. Petersburg

- Net absorption for the first quarter 2011 was 205,900 square feet.
- Vacancy rate decreased in Q1-2011, ending at 7.4%, down from 7.5% Q4-2010 compared to 7.8% in Q2-2010.
- Average quoted rental rates at the end of Q1-2011 is $13.54/sf. That compares to $13.74/sf in Q4-2010, and $14.51 at the end of Q2-2010. This represents a 1.5% decrease in rental rates in the current quarter and 7.16% decrease from four quarters ago.

- Inventory and construction during Q1-2011, six buildings totaling 103,959 square feet were completed. Over the past four quarters, 399,771 square feet of retail space has been built.

- There are 316,406 square feet under construction at the end of Q1-2011.

- Vacancy by product type:
  - Power Center 7.2%
  - Shopping Center 11% compared to 11% at the end of Q4-2010.
  - Power center compared to 7.92% at the end of Q4-2010.
  - General retail – 4.7% in Q1-2011 compared to 5% at the end of Q4-2010.
  - Mall – 4.6% at the end of Q1-2011 compared to 4.2% at the end of Q4-2010.

## Tampa Bay Single Family Market Overview

**MetroStudy Tampa Executive Summary, Q1-2011, www.MetroStudy.com, Tampa**

- Unemployment – Decreased during Q1-2011 to 11%. One year ago, the unemployment rate was 11.9%.
- As of March 2011, the unemployment rate in Miami was 12.3%, and 10.4% in Orlando.

The table below shows the price distribution of annual starts by price range:

| Price Range | Starts | Closings |
|---|---|---|
| $0 - $149,999 | 891 | 1,015 |
| $150,000 to $199,999 | 1,418 | 1,518 |
| $200,000 to $249,000 | 796 | 872 |
| $250,000 to $299,999 | 414 | 475 |
| $300,000 to $349,999 | 198 | 230 |
| $350,000 to $399,999 | 113 | 119 |
| $400,000 to $449,999 | 45 | 56 |
| $450,000+ | 97 | 228 |

- Lot delivery – 397 lots were delivered to the Tampa market this quarter, compared to 434 lots in Q1-2010. Vacant developed lot inventory stands at 33,940 lots, an increase of 1.5% compared to 33,446 lots last year. Based upon the annual start rate, this level of lot inventory represents a 102.5 months supply, a decrease of 6.5 months compared to last year.

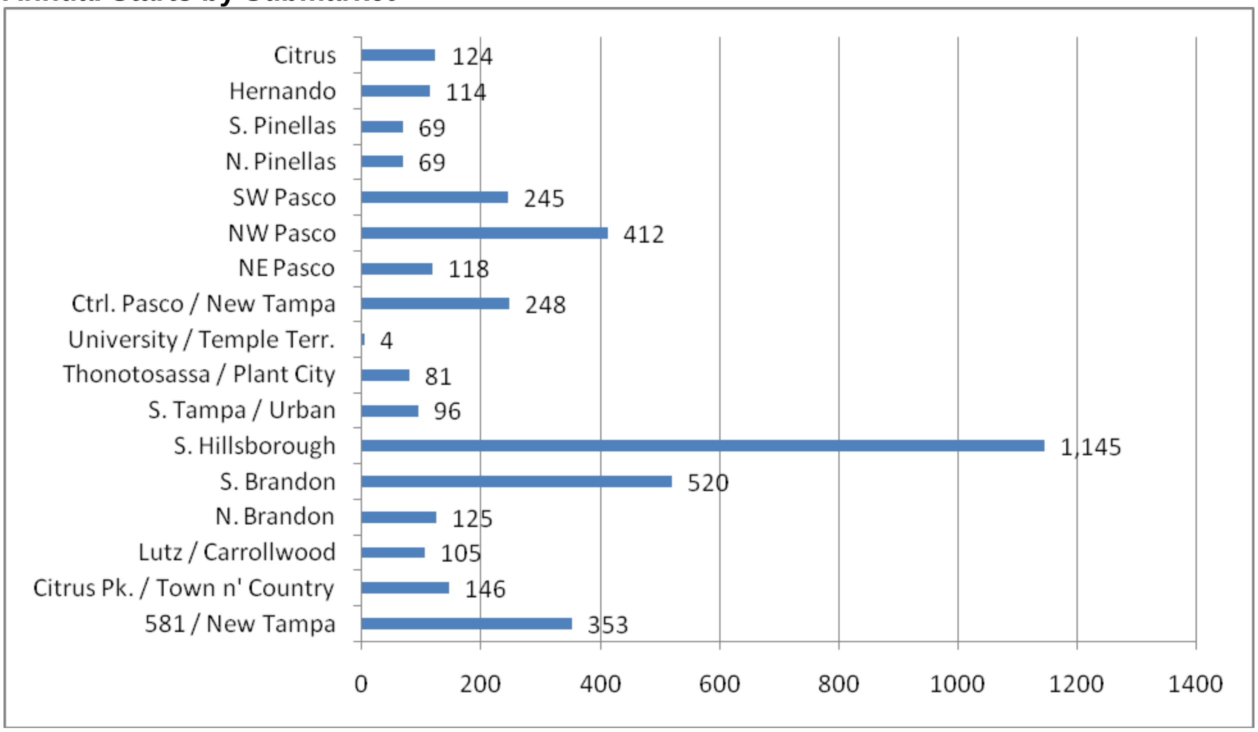
Market areas based on annual starts are shown below:

| Market Area | Ann Starts (% Change) |
|---|---|
| Hillsborough | 2,575 (+9.0%) |
| Pasco | 1,023 (+2.1%) |
| Pinellas | 138 (-30.7%) |
| Hernando | 114 (+65.2%) |

The table below ranks the top ten communities in the market by annual starts:

| Community (Area) | Ann. Starts |
|---|---|
| FishHawk Ranch | 208 |
| South Fork | 135 |
| Cypress Creek | 130 |
| Live Oak Preserve | 122 |
| Verandahs | 113 |
| Panther Trace | 107 |
| Bahia Lakes | 91 |
| Ayersworth Glen | 86 |
| Valencia Lakes | 86 |
| WatersEdge | 83 |

**Annual Starts by Submarket**




*ERHARDT COMMENT:*

- *I heard Tony Polito speak at a ULI seminar on June 22, 2011, and took the following notes: Single family starts have been the same for the last nine quarters, annualized at 4,000. Almost all are in A and B locations. This represents 40% of the 20 year average of 10,095 starts per year. The peak was 21,000 starts.*
- *From a demographic point of view, the peak of the baby boomers turn 57 this year. The echo boomers are 18 to 31 today, and early to mid 30s is usually when they become a first time home buyer. The echo boomers are looking at urban locations. There are more 65 year olds than 50 year olds for the next 10 years.*

**MetroStudy Tampa Executive Summary, Q1-2011, www.MetroStudy.com, Sarasota / Bradenton**

- Starts – 424 single family units were started in Q1-2011. This represents a decrease of 12.6% compared to last year's rate of 485 units. The annual start rate compared to last year increased by 23.9% to 1,828 annual starts.

The table below shows the price distribution of annual starts by price range:

| Price Range | Starts | Closings |
|---|---|---|
| $0 - $149,999 | 223 | 274 |
| $150,000 to $199,999 | 507 | 544 |
| $200,000 to $249,000 | 370 | 391 |
| $250,000 to $299,999 | 275 | 346 |
| $300,000 to $349,999 | 163 | 228 |
| $350,000 to $399,999 | 72 | 96 |
| $400,000 to $449,999 | 37 | 47 |
| $450,000+ | 177 | 232 |

- Lot delivery – 3,129 lots were added to the count as previously developed lots in South Gulf Cove (Charlotte County) were moved from future lots to developed lots for the Sarasota – Bradenton market. The vacant developed lot inventory stands at 41,091 lots, an increase of 6.8% compared to 38,478 lots last year. Based on the annual start rate, this level of lot inventory represents a 269.7 month supply, a **decrease** of 43 months compared to one year ago.
- Manatee County currently has a 66.5% supply of developed lots, down from a peak of 84.1 month supply of vacant developed lots in Q2-2009, and Sarasota has a 106.2 month supply of developed lots., down from a peak of 183.3 month supply recorded in Q4-2009.

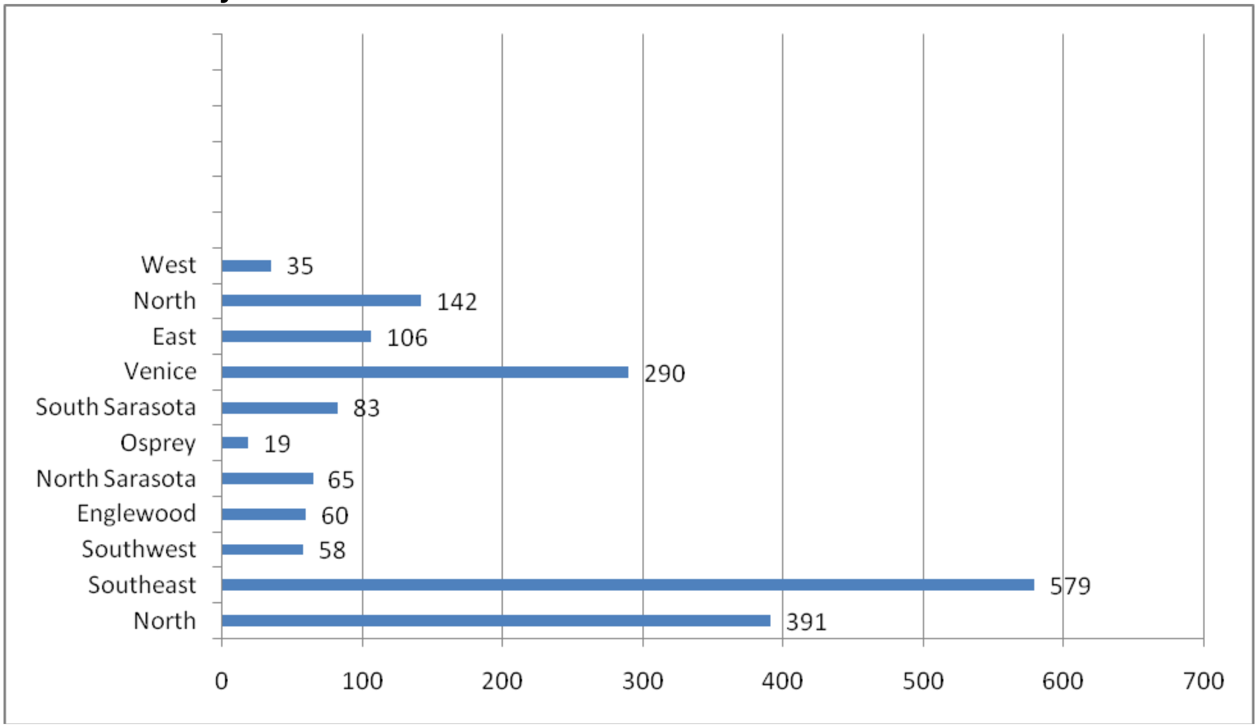
Market areas based on annual starts are shown below:

| Market Area | Ann Starts (% Change) |
|---|---|
| Manatee | 1,028 (-4.0%) |
| Sarasota | 517 (+55.7%) |
| Charlotte | 283 (+349.2%) |

The table below ranks the top ten communities in the market by annual starts:

| Community (Area) | Ann. Starts |
|---|---|
| Central Park | 102 |
| Venetian Falls | 94 |
| Riverwood | 93 |
| Lakewood Ranch | 88 |
| Forest Creek | 70 |
| Stoneybrook @ Venice | 61 |
| Palmer Ranch | 59 |
| River Sound | 53 |
| Copperstone | 52 |
| Heritage Harbour | 51 |

**Annual Starts by Submarket**




**Excerpt from 2011 Spring Linneman Letter**

- The total number of excess single family units is approximately 772,000 down from nearly one million units in Q1-2008.

  While excess inventories of home builders rose to a maximum of 218,000 units in Q2-2006, the excess inventory held by amateurs (flippers and speculators) reached a high of 945,000 by Q4-2008.

  The value of the home builders excess inventory stood at approximately $50 to $60 billion, while speculators held an excess inventory of $250 to $300 billion. This $250 to $300 billion amateur excess has converted into lender losses of close to $150 to $175 billion.

  The good news is that home builder inventories now stand below historic norms and must ultimately rise. Meanwhile, approximately half of the amateur excess inventory has been absorbed in the past two and one-half years. This inventory has been slow to adjust because it involves a foreclosure of speculators and subsequent grinding of units through the foreclosure and re-sale process.

# Tampa Bay Multifamily Market Overview

## Carolina's Real Data Real Estate Information Services
## Tampa Bay Historical Summary

| | Units Surveyed | Vacant Units | Vacancy Rate | Average Sq. Ft. | Average Rent/Mo. | Average Rent/SF | Same store Rent Change | Units Absorbed | Units U/C | Units Started | Change in Supply |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Nov 00 | 108,295 | 6,138 | 5.7% | 898 | $675 | $0.752 | 1.6% | 3,424 | 3,737 | 1,637 | 3,306 |
| May 01 | 109,870 | 7,069 | 6.4% | 902 | $689 | $0.765 | 1.9% | 1,298 | 5,399 | 3,659 | 2,314 |
| Nov 01 | 113,674 | 8,758 | 7.7% | 904 | $703 | $0.778 | 1.6% | 1,339 | 3,893 | 1,311 | 2,838 |
| May 02 | 112,247 | 10,187 | 9.1% | 910 | $725 | $0.796 | 0.8% | 1,434 | 2,949 | 1,410 | 3,150 |
| Nov 02 | 119,978 | 11,092 | 9.2% | 911 | $726 | $0.797 | 0.4% | 1,264 | 1,559 | 384 | 1,641 |
| May 03 | 118,702 | 9,797 | 8.3% | 914 | $725 | $0.793 | 0.5% | 1,260 | 2,084 | 1,461 | 356 |
| Nov 03 | 116,769 | 9,524 | 8.2% | 915 | $724 | $0.791 | 0.5% | 1,014 | 3,296 | 2,443 | 881 |
| May 04 | 120,725 | 9,851 | 8.2% | 917 | $730 | $0.796 | 1.0% | 572 | 3,306 | 1,869 | 1,259 |
| Nov 04 | 122,742 | 8,307 | 6.8% | 917 | $743 | $0.810 | 1.2% | 2,017 | 2,737 | 1,265 | 312 |
| May 05 | 122,300 | 6,632 | 5.4% | 921 | $756 | $0.822 | 1.4% | 20 | 3,115 | 1,384 | -1,726 |
| Nov 05 | 117,889 | 5,713 | 4.8% | 920 | $777 | $0.844 | 2.9% | -3,606 | 2,896 | 962 | -4,330 |
| May 06 | 111,157 | 4,566 | 4.1% | 920 | $808 | $0.879 | 3.7% | -5,541 | 1,539 | 348 | -4,669 |
| Nov 06 | 108,451 | 8,040 | 7.4% | 917 | $824 | $0.898 | 2.8% | -2,592 | 748 | 422 | 699 |
| May 07 | 109,202 | 9,912 | 8.4% | 919 | $831 | $0.904 | 0.7% | -422 | 3,324 | 2,899 | -468 |
| Nov 07 | 109,451 | 10,280 | 9.4% | 919 | $829 | $0.903 | -0.3% | -1,127 | 2,328 | 167 | -36 |
| May 08 | 115,258 | 10,416 | 9.0% | 921 | $838 | $0.910 | 0.3% | 1,359 | 2,118 | 979 | 1,232 |
| Nov 08 | 117,479 | 11,476 | 9.8% | 924 | $836 | $0.904 | -1.0% | -112 | 3,196 | 1,463 | 879 |
| May 09 | 114,273 | 11,376 | 10.0% | 928 | $819 | $0.882 | -3.0% | 336 | 3,778 | 1,533 | 547 |
| Nov 09 | 118,756 | 11,461 | 9.7% | 928 | $808 | $0.871 | -1.7% | 1,727 | 2,322 | 184 | 1,350 |
| May 10 | 123,268 | 11,103 | 9.0% | 931 | $822 | $0.882 | 1.2% | 1,950 | 2,465 | 1,517 | 1,336 |
| Nov 10 | 123,003 | 9,854 | 8.0% | 932 | $825 | $0.885 | -0.1% | 2,385 | 1,168 | 0 | 1,098 |

## Notes from ULI Multifamily Housing Trends, Tampa, June 22, 2011

- **Tony Polito, MetroStudy**
  - Demand factors is led by job growth.  Tampa area saw 7,800 new jobs in the past 12 months.
  - Apartment rents are up and vacancy is down to 8.5%.
  - **Todd Fabri Group – affordable and mixed income developer.**
  - Shimberg Housing at the University of Florida states there are 600,000 families that spend 40% of their income on housing.
  - Land costs are back to early 2000s.
  - Like infill, public transportation and employment.

- **John Zelidon, Alliance Development, Market Rate Developer**
  - Current market rate deals need 35% equity.
  - 11% to 12% increase in rent mainly because owners are no longer offering concessions.
  - Likes barriers to entry markets.

**Bill Eshenbaugh, Eshenbaugh Land Company**

- Triad Consulting has stated the pipeline of new apartments will be 2,000 in 2011 and 2012; and 3,000 in 2013.

## Office Market Overview:

**Cushman & Wakefield Market Overview - Tampa**

- **Westshore Office Overview:** Overall vacancy at the end of 2nd quarter 2011 is 18.5% compared to 19.4% last year and 18.7% last quarter. Class A is at 18.5% compared to 18.3% last year and 19.8% last quarter.

- **I-75 Office Overview:** Overall vacancy at the end of the 2nd quarter 2011 is at 22.9% compared to 22.5% a year ago and 22.8% last quarter. Class A is at 20.8% compared to 23.4% a year ago and 20.8% last quarter.

- **Tampa Central Business District:** Overall vacancy at the end of the 2nd quarter 2011 is at 17.4% compared to 19.6% a year ago and 17.6% last quarter. Class A is at 15.6% compared to 18.3% a year ago and 16.2% last quarter.

  *ERHARDT COMMENT:*

  - *I don't know of any developers willing to purchase development sites until they feel they can build multi-tenant spec development.*

**Cushman & Wakefield Q2-2011 Tampa Bay MSA Office Statistics**

Please click on the link below for Q2-2011 Tampa Bay Area Office Market Statistics:

http://www.cushwakelandfl.com/media/downloads/press-releases/Q2-2011%20Tampa%20Bay%20MSA%20Office%20Statistics%20-%20All%20Classes.pdf

## Industrial Market Overview:

**Cushman & Wakefield Market Overview - Tampa**

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 2nd quarter, 2011 is 9.4% compared to 10.8% a year ago and 10.5% last quarter.

  Warehouse distribution is at 10.1% vacancy compared to 10.6% a year ago and 11.1% last quarter.

  Office Service Center is at 11.9% vacancy compared to 13.4% a year ago and 13.6% last quarter.

- **<u>East Tampa Industrial Overview</u>:** The overall vacancy at the end of the 2nd quarter 2011 was 10.1% compared to 10.0% a year ago and 9.8% last quarter.

  Warehouse distribution is at 10.9% vacancy compared to 11.1% a year ago and 10.4% last quarter.

  Office Service Center is at 18.4% vacancy compared to 15.9% last year and 19.0% last quarter.

- **<u>Plant City Industrial Market Overview</u>:** The overall vacancy at the end of the 2nd quarter 2011 was 1.6% vacancy compared to 3.6% a year ago and 3.3% last quarter.

  Warehouse distribution is at 1.2% vacancy compared to 4.1% a year ago and 3.8% last quarter.

- **<u>Lakeland Industrial Market Overview</u>:** The overall vacancy at the end of the 2nd quarter 2011 was 6.7% vacancy compared to 5.7% a year ago and 6.6% last quarter.

  Warehouse distribution is at 8.7% vacancy compared to 7.1% a year ago and 8.6% last quarter.

  Service center is at 18.0% compared to 16.4% a year ago and 18.3% last quarter.

  There is only one building, consisting of 562,000 square feet, under construction in the Bay area. This project which is located in Southwest Lakeland, is a new build-to-suit distribution facility for Publix, which is being developed by Marco Bay Construction.

  *ERHARDT COMMENT:*

  - *Same as office, other than a single developer 62 acre purchase in Plant City, there continues to be no demand by developers for industrial development sites. We still believe there will be new multi-tenant spec construction starting late 2011, delivering into mid 2012. I know of at least nine developers that have fully permitted buildings sitting on the shelf, ready to start construction, and they can deliver in six months or less.*

**<u>Cushman & Wakefield Q2-2011 Tampa Bay MSA Industrial Statistics</u>**

Please click on the link below for Q2-2011 Tampa Bay Area Industrial Market Statistics:

http://www.cushwakelandfl.com/media/downloads/press-releases/Q2-2011%20Tampa%20Bay%20MSA%20Industrial%20Statistics.pdf

## Hotel Overview:

### Smith Travel Research

- Growth and demand in revenue for the fourth consecutive month ending April.
- Room demand increase 2.1% compared to April 2010 to 415,073.
- Revenue rose 5.5% compared with year ago figures to $37.2 million.
- Average daily rate grew 3.3% to $89.71.
- Ft. Lauderdale, West Palm Beach, Miami and Orlando led the state in demand, growth, rate in April with only the Melbourne and Daytona Beach areas reporting a decline compared with year ago figures.

## Senior Housing

Crittenden Special Real Estate Brief, Senior Housing 2011, sponsored by GE Capital Health Care Financial Services

- An aging population will be the prime catalyst for growth niche. People 65 years and older will account for 20% of the overall population in the U.S. as early as 2030. Today, this group makes up almost 13% of the population or about 40 million people. This growth bodes well for investment returns in the senior care spectrum, including Skilled Nursing, Assisted Living (AL), Memory Care/Alzheimer's, Independent Living (IL) facilities, as well as, Continuing Care Retirement Communities (CCRCs).
- Construction Trends – Construction activity will inch up this year, driven primarily by experienced owner/operators with access to private capital and/or good relationships with institutional lenders and regional banks. It will be awhile before the industries growth nears the 2008 levels. New construction starts dropped by more than 30% in 2010 compared to 2009 levels, after falling by 60% in 2009 from 2008 levels.
- Absorption increased by 1.2% during Q3-2010 for all types of senior housing properties, excluding Skilled Nursing, which saw absorption decline by 0.7%. Construction activity also declined slightly in Q3 to 2%, leading to a nearly balanced supply – demand ratio as inventory grew by 1.7%.

The need for these types of facilities will only increase. Approximately 78 million baby boomers will turn 65 this year, followed by at least three to four million boomers added to the roster for every year during the next 18 years. The current inventory of senior housing units for beds totals 2.5 to 3 million. Forecasts indicate the industry needs at least 94,000 units each year – an increase of 60% between 2010 and 2030 – to keep up with expected demand.

## Financing Overview

### Cushman & Wakefield Sonnenblick Goldman Capital Markets Update, June 6, 2011

- As further evidence of the recovery of the CMBS market, the $1.2B Morgan Stanley/BofA pool being offered next week will push 2011's issuance to nearly $12B, exceeding the total issuance in 2010.

- It finally appears that we are at or near the highwater market for CMBS delinquency. Trepp reported that 30+ day delinquency for CMBS loans dropped 6 bps to 9.60% in May, the single largest decrease in two years. Lodging, retail and multi-family loans all showed improved delinquency rates. However, industrial and office delinquency rates continue to deteriorate, with industrial delinquency spiking 120 bps to 11.96%.

- There is growing speculation that securitization shops will be quoting floating rate, large loans by the end of the summer. Several recent pools included floating rate tranches (created by swapping fixed rate loans to floating rate) that were well-received by bond buyers.

- Investment appetite among equity investors continues to build. The public and private REITs are flush with cash and actively seeking deals. A new equity fund seeking 8.0-8.5% initial cash-on-cash returns will be targeting secondary markets that currently attract very little institutional capital, while multi-family developers in a variety of markets are fielding calls from investors interested in funding development projects.

## Government Overview

**Ron Weaver, Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A., May 13, 2011**

The May 6, 2011 Florida Legislature 7207 Growth Management Bill, which the Governor signed, provides:

- The effect is immediate upon becoming law.
- Affected landowners will generally receive (a) four years of extensions of their Development of Regional Impact buildout and mitigation and other obligations, and (b) a few more lenient triggers of that process, and (c) total exemption from that 12 to 18 month review process which persists from last year's SB 360 for only the six densest of our 67 counties, and densest half (over 1,000 people per square mile) of our 347 cities, (known as the DULA's "Dense Urban Land Areas").
- Road concurrency is optional for local governments but those opting out must formally amend their Comprehensive Plan to do so.
- For roads, no such local government, whether opting in or out of road concurrency, can charge a developer more than his newly and favorably defined proportionate share. That definition includes shares of a developer's significantly affected roads. He does not have to pay to reduce deficiencies caused by other developers or their vested trips.
- Only adverse impacts on important state resources and facilities are now state reviewed.
- Park, road, and school concurrency are now optional for local governments. Water, sewer, drainage, and solid waste are still mandatory.
- Permits are generally extended another 2 years, if election to do so by December 31, 2011. Be careful, however, in the last few legislative sessions such mercies are now capped at four years per permit AND prior extension requests are usually required to extend again.
- There were NO limits placed after all on impact fee increases for the next two years, despite proposals to do so through the last few hours of session.
- Urban sprawl is limited by 4 more reasonable of the 8 triggers of bans on outlier development beyond efficient utility and facility provision reaches.

- Capital Improvement Element "financial feasibility" requirements have been relaxed for the fourth year in a row, and this time indefinitely.
- Large scale planning by sector plan and rural land stewardship processes has been relaxed.
- Comprehensive plan amendments can proceed more often than twice per year, and such "expedited" amendments are generally effective-- with few exceptions -- 31 days after DCA and "other state agency plan amendment completeness" review unless the amendment is timely challenged, and general new review for adverse impacts to important state or regional resources, or facilities. However that process still requires in the final hour tradeoffs not one, but two public hearings on each plan amendment and submittal still to DCA, and other state agencies (albeit generally without state comment anymore, unless timely neighbor challenges, and generally no more DCA compliance comments of their own motion).
- Such challenges must overcome the local government favoring "fairly debatable" standard.
- Every seven years local governments must update their comprehensive plans, as necessary for intervening changes only, and finally,
- The state must, within sixty days of this HB 7207 becoming law, review all pending cases, and conform enforcement proceedings to these new rules, call with any questions, and yes the Bert Harris Property Rights Act was liberalized a bit this session in HB 701, as to time frames and government notices what developers can and cannot develop. Also, the one year rule to challenge a government's inordinate burden of property rights commences generally now only upon application of a law to an owner, instead of mere adoption of a rule. The exception is if the local government notifies every affected owner at such adoption that the one year has begun.

**Government Digest, Gulf Coast Business Review, June 24-30, 2011**

Governor Rick Scott signed Senate Bill 410, which shifts the burden of proof in challenges to local impact fees from challengers to local governments. The bill reenacts the section of a 2009 Florida lawn that states that the government has the burden of proving by a preponderance of the evidence that an impact fee meets the standards set out in statute or in case law. The section prohibits the courts from using a more deferential standard. Scott signed the bill June 17th, but it's retroactive to June 1, 2009, when it was first made law.

**King Facts, Florida Fish and Wildlife Conservation Commission (FWC), June 24, 2011, www.kingengineering.com, (813) 880-8881**

*FWC APPROVES DELISTING OF 16 WILDLIFE SPECIES*

On June 8, 2011, the Florida Fish and Wildlife Conservation Commission (FWC) unanimously approved staff recommendation to remove 16 species from the State list of protected species. The decision came after years of review and evaluation by the FWC, as they conducted biological status reviews for 61 species on their list to determine which of these species was no longer at risk for extinction in Florida.

*The adoption or official delisting won't go into effect until the FWC completes management plans for each of the 16 species. The management plans will help the FWC to understand what specific effects the delisting will have on each species, and to guide decisions relative to allowance of potential hunting or other appropriate management for certain species.*

*Of the 61 species reviewed, 40 will remain or be placed on the Threatened list and five (5) will be classified as Species of Special Concern, pending additional review to determine if continued listing is appropriate. Those species which are classified as Threatened or Endangered on the Federal list by the U.S. Fish and Wildlife Service (USFWS) were not part of this review because these species are subject to a separate Federal process for evaluation and listing.*

*Species that are approved for removal from State listing include:*

- *Alligator snapping turtle*
- *Brown pelican*
- *Florida black bear*
- *Florida mouse*
- *Florida tree snail*
- *Gopher frog*
- *Lake Eustis pupfish*
- *Limpkin*
- *Pine Barrens tree frog*
- *Rivulus*
- *Snowy egret*
- *Suwannee cooter*
- *White ibis*
- *Peninsula ribbon snake (FL Keys population only)*
- *Red rat snake (FL Keys population only)*
- *Striped mud turtle (FL Keys population only)*

**<u>New Road Impact Fees, By The Numbers, Gulf Coast Business Review, June 10-17, 2011</u>**

| | **Single Family Residential 3BR or 2,000 Sq. Ft.** | **Office per 1,000 Sq. Ft. for 100K Sq. Ft.** | **Industrial Per 1,000 Sq. Ft. For 100K Sq. Ft.** |
|---|---|---|---|
| **County** | **New or Proposed Fee** | **New or Proposed Fee** | **New or Proposed Fee** |
| Charlotte | $1,995 | $714 | $1,287 |
| Collier | $6,133 | $7,205 | $4,619 |
| Hillsborough | $1,475 | $1,893 | $994 |
| Lee | $6,701 | $5,355 | $4,626 |
| Manatee | $3,507 | $3,867 | $1,996 |
| Pasco | $10,302 | $3,153 | $3,151 |
| Pinellas | $2,066 | $2,767 | $1,414 |
| Sarasota | $1,276 | $3,004 | $1,416 |

Notes: Lee County fees as recommended by planning agency. Collier County fees effective September 1, 2011.

# Land Sales

## Single Family

1. BB&T sold 1,395 acres in Lake City, Florida, fronting on U.S. Highway 27, for $4.5 million. The property was zoned for 2,000 units at $2,250/unit. In 2006, Lennar paid $32 million or $16,000/unit. This represents 14% of peak.
2. Sunfield Homes purchased 83 acres in south Hillsborough County on Simmons Loop Road, Riverview for $27,711/acre. The previous price was $3.14 million in November 2007.
3. M/I Homes purchased 28 – 60 foot lots in Brandon for $43,993 which included lot costs and off site obligations. This represents $733 per front foot.
4. Ryland Homes purchased 24 lots in Hillsborough County, for $50,000 per lot. Seller was Taylor Morrison.
5. Arcus Private Capital Solutions LLC acquired 10,200 acres in Goodyear, Arizona, west of Phoenix, Arizona for $32.5 million. The project was planned for 44,000 residential units, 1,600 acres of office and retail projects, and 700 acres of industrial. The previous owner, Montage, paid nearly $400 million in 2006. This represents 8.13% of peak.

## Multifamily

1. Sun Hung Kai Properties Ltd. bought a 4.15 acre site on Stubbs Road in Hong Kong for $3,196/psf. Condominiums in this market are selling for $2,319/psf.

## Office / Industrial

1. Cal-Main Foods, Inc. purchased 68 rail served acres in Lacootchee area of northeast Pasco County, for $22,695 per gross acre.
2. 1205 Rice Road, LLC purchased 62 acres at the northwest quadrant of County Line Road and Rice Road in Plant City, eastern Hillsborough County, for $33,871 per gross acre. The property is zoned for 900,000 square feet, or $2.33 per building foot. This is the fourth parcel the purchaser has bought along the County Line Road corridor, two in Plant City and two in Polk County.

## Retail

1. Synovus Bank purchased an outparcel on Roosevelt Blvd. in Pinellas County for $1,276,571.
2. Auto Zone purchased an outparcel in the City of Oldsmar, in Pinellas County, for $800,000.

## Government

1. Ryan Companies purchased six acres in Brandon for a Charter School for $8.44/sf developed.
2. The School Board of Hillsborough County purchased 10.1 acres contiguous to existing middle school in Ruskin, South Hillsborough County, for $1,302,500.

**Mixed Use**

1. Morgan Street Channelside Properties, LLC (this is the third downtown property purchase) purchased 0.78 acres at the southeast quadrant of Morgan and the Crosstown Expressway for $79.47. Previous sale was September 2006 for $147.16/psf. Previous owner was planning 250 condominium units, 100 hotel condominiums, and 15,000 sf of meeting space, restaurant and a parking structure. This represented 54% of peak. There are two, vacant buildings on the site.
2. Charles Bruck Trustee purchased 260 acres at the NEQ of Suncoast Parkway and SR 54 in Pasco County for $958,000. The property is entitled for 1,800,000 square feet of office and 780 multifamily units. Cushman & Wakefield represented the Buyer.
3. Bayfront 2001, a subsidiary of Genting Malaysia Berhad purchased the old Miami Herald building in downtown Miami, containing 13.9 acres for $236 million or $389.77/psf. Genting is proposing resorts world Miami, they call it a large scale, mixed use entertainment complex. The Genting Group also owns 50% of Miami based Norwegian Cruise Lines.

**Medical**

1. Florida Hospital Zephyrhills, Inc., an Advent Hospital, purchased 11 acres from Wiregrass Ranch, Inc. contiguous to the hospital/medical office building currently under construction at CR 581, north of SR 56 in Wesley Chapel, Pasco County, for $8.03/sf, not developed.