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Tampa Bay Land Market Overview
2Q – 2014

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** – No change, rental continues to be very active. Townhomes and stacked flat condos are under contract or starting construction in master planned communities. Condominiums are at the beginning of their cycle.*
- ***Single Family** – As for the last 19 quarters, builders and developers are closing and making offers on A and B locations.*
- ***Retail** – For the first time in 28 quarters, I am seeing land prices for outparcels, neighborhood and community center sites, increase. We believe that in A+ markets, we will see the emergence of unanchored strip centers.*
- ***Industrial** – New developers who don't already have land positions, are taking a good look at Tampa and Lakeland. Cabot is under construction with the first spec building, 180,000 sf in the East Tampa/Brandon market, asking rents $5.00/sf.*
- ***Office** – No change, users only. Currently five office users in the market for sites for build-to-suit or build-to-own. Medical office buildings are under construction in both the Trinity and Wiregrass communities in Pasco County.*
- ***Hospitality** – For the fifth quarter, development activity continues.*
- ***Bank Deals** – Slowing down.*
- ***Agricultural Land** – Active but prices have leveled out for all but citrus, which is declining.*

The Big Picture

PNC Outlook: Tampa Bay Economy on the Upswing

- The Tampa Bay economy is set to climb more quickly than the rest of the United States the rest of 2014 and 2015.
- Jobs: The region's job growth is outpacing the nation. Payroll growth was a full percentage point faster than the national average in 2013. Professional services are expanding at a rapid clip while finance – a large part of which is insurance – is adding payrolls. Construction employment, which fell by 45 percent during the recession, is turning up.

- Income: Income growth locally, however, is restrained by an outsize share of jobs created in low-wage industries such as retail, leisure and hospitality. Florida's minimum wage is higher than the federal minimum, yet the gap between living income and living costs remains wide.
- Housing: The area's housing market is gaining momentum as steep price discounts attract new buyers. Despite double digit price gains in the past year, housing remains much more affordable now than it was before the recession. The median price home in the region costs 2.6 times median income in 2006; now the median price home is 1.6 times median income.

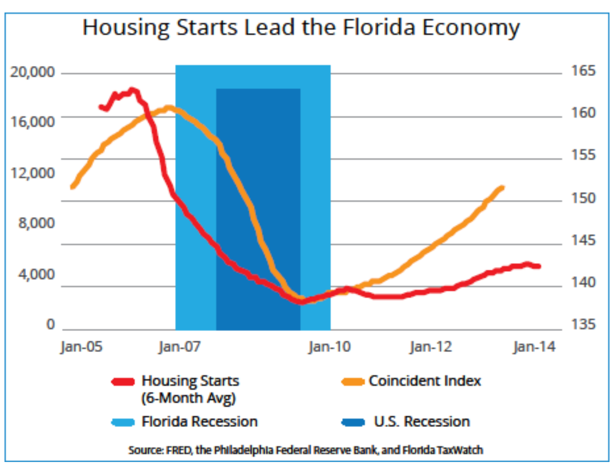
ERHARDT COMMENT:

- *It's all good – demographics, our geographic location, diverse economy and a cycle that may go all the way to 2020.*

Agricultural Land Purchases in Africa – Global Research, May 10, 2014

- Africa is up for sale. Historically, buyers of agricultural land were from the Middle East exporting food back to their countries. New purchasers of agricultural land are China and South Korea. Most of the deals have been in countries such as Ethiopia, Mali and Sudan.
- China acquired 2.7 million hectors (1,093,117 acres) for palm oil production and the Democratic Republic of the Congo.
- Many of the deals are shrouded in secrecy. Other areas experiencing this phenomena are the Philippines, Cambodia, as well as, Latin America.
- For the entire article, please click this link: http://news.mongabay.com/2009/0525-hance_landbuys.html.

Florida Tax Watch Economic Report, April 24, 2014

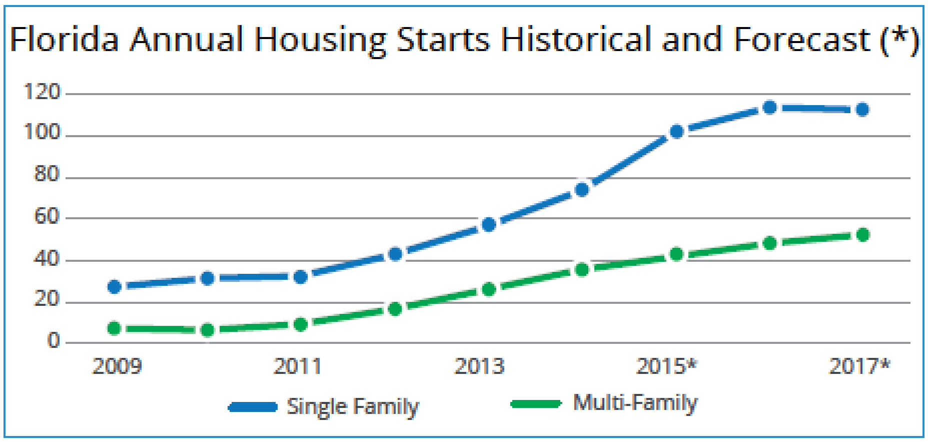


1 Florida TaxWatch. *Florida's Business Cycle*. June 2011.

The Forecast for Single Family Housing Starts

Using the March 2014 Florida & Metro Forecast for 2014-17published by the Institute for Economic Competitiveness at the University of Central Florida, the future for housing starts is expected to continue its positive trajectory.

This forecast shows that, compared to actual 2013 levels, housing starts for single-family homes are expected to double by 2016, with substantial increases during 2014 and 2015. This would create a substantial amount of economic activity in terms of construction jobs, furniture purchases, and many indirect and induced jobs. Multi-family housing is also expected to more than double, from 2013 actual numbers to 2017.



Florida's home construction industry continues its strong recovery from the Great Recession. Recent increases in home construction indicate future improvement in Florida's economy given the role of that statistic as a leading indicator of the direction of future growth.

This trend of a recovery in residential construction, along with an increase in commercial construction will help improve job creation and increase tax receipts for the state of Florida. As shown in a previous Florida TaxWatch report2, increases in Private Domestic Investment lead economies out of recessions, and drops in that same statistic lead economies into recession.

Knowing the importance of spending on new homes and new commercial buildings in private domestic investment, a healthy construction industry is a large component of a healthy recovery from recession. The construction industry provides jobs for many Floridians, as well as contributing to the growth of other sectors such as housing services, home improvement stores, furniture retailers, realtors, and title companies.

Given the forecasts of even healthier future growth in home construction in both single-family and multi-family construction, along with positive indicators such as record Florida tourism, lower unemployment rates, and increasing consumer confidence, Florida is well-positioned to increase its growth rate and create even more jobs for Floridians.

CoStar Group News, April 8, 2014 - Low Cost Cities to do Business

- Top 10 are Atlanta, Cincinnati, Orlando, Charlotte, San Antonio, Tampa, Cleveland, Pittsburgh, St. Louis and Phoenix.
- The bottom cost friendly cities were San Francisco, New York, Seattle, Boston, Los Angeles, Northern Virginia, San Diego, Sacramento, Philadelphia and Chicago.

Cushman & Wakefield Valuation and Advisory Business Briefing – National Housing Market Overview

- The health of the housing market improved considerably over the past year. Home prices and permit activity have been increasing while foreclosures and negative equity positions declining. Population increases continue in the traditional growth markets and interest rates remain favorable for qualified buyers. Home purchase affordability, which has decreased as of late, remains relatively high compared to historical standard.
- Due to a variety of demographic and economic factors, rental housing is increasingly becoming an alternative to homeownership. At the same time, the desire for homeownership should increase due to increasing household formation.
- Potential headwinds are increasing interest rates and decreasing affordability. Further, the key factor in demand is employment. Long-term job growth across all sectors is a pre-requisite to long-term positive momentum in housing market conditions. Even so, most economic and housing metrics suggest the 2014 housing market will demonstrate improvement over 2013. To read the entire report, please click this link: http://flyers.cushmanwakefield.com/flyers/Residential Development_Business Briefing_AMER.pdf

Biannual Cost Report by The Beck Group, Spring 2014
General Summary - Tampa

The overall recovery trend in Florida last year was extremely positive and uplifting for our industry. Now our state's unemployment rate is finally below 7%, which was the nation's average in 2013. It is apparent that the migration of people from the Northeast and Midwest is picking up and it is forecasted that Florida will pass New York this year as the third most populous state in the United States. The absorption of the overbuilt housing stock that accumulated during the mid-2000's has surprised most economists and there is a new aggressive wave of home building in progress.

Several major players have announced their arrival or expansion in the Florida market such as Bristol-Myers Squibb, Amazon and USAA which will create thousands of jobs. The Governor also committed over $190 million to the Tampa Airport for expansion of parking facilities and the start of a rail system that may eventually connect to a Transit Oriented Development in the Westshore District of Tampa.

Warehouses, higher education, retail, multifamily, healthcare, flagged upper-midscale and upscale hotels, medical office buildings, ambulatory centers and potentially new Class A office space continue to be the dominant projects in Florida. We are seeing material and labor pricing increasing at lease 4-5% compared to 2013. In addition, all analysts and market reports are indicating that overall construction costs will see another uptick come mid-2014. The lack of skilled labor is still a concern after hearing continuing complaints from our subcontractor community.

Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, Q1-2014, www.dividendcapital.com, 866-324-7348

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

U.S. employment growth continued to improve slowly, creating increasing demand for all property types. Coming off a 42 year low of new supply in 2013, the major property type developers are responding with increased supply to increased demand. The only property type that is creating too much supply is apartment, where government permanent financing is freely available. The U.S. banks and insurance companies have done a good job of constraining new supply to logical levels in the other property types. Assuming employment growth continues, 2014 should be a good up cycle year for real estate.

- *Office occupancies **declined** 0.1% in Q1-2014, and rents grew 0.9% for the quarter and 3.7% annually.*
- *Industrial occupancies **improved** 0.1% in Q1-2014, and rents grew 1.0% for the quarter and 5.1% annually.*
- *Apartment occupancies again **improved** 0.1% in Q1-2014, and rents grew 0.3% for the quarter and 2.6% annually.*
- *Retail occupancy **improved** 0.1% in Q1-2014, and rents grew 0.6% for the quarter and 1.8% annually.*
- *Hotel occupancies **improved** 0.6% in Q1-2014, while rents grew 0.9% for the quarter and improved 3.7% annually.*

Office Market Cycle Analysis

The national office market occupancy level was down 0.1% for Q1-2014, but was up 0.4% year over year. Only a few markets moved up from their near bottom positions in the cycle. Nationally there was 11 million square feet of absorption. However, the Washington, D.C. office market posted a negative 1.2 million square feet of net absorption. There was strong new construction with more than 60 million square feet nationally with Dallas-Fort Worth, Houston and New York leading the way. Suburban submarkets are seeing strong demand finally with more than 80% of Q1-2014 absorption, but suburban rental rates are 20% lower than CBD markets. The office recovery continues at a slower pace than previous cycles as firms continue to put more people in less space. Square foot usage per person (SFPP) has dropped from the historic average of 200 SFPP to about 180 SFPP today and co0uld be headed to 150 SFPP in the next three years. Average national rents were up 0.9% in Q1-2014 and rents were up 3.7% year over year.

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

Industrial Market Cycle Analysis

Industrial occupancies improved 0.1% in Q1-2014 and were up 0.4% year over year. Industrial markets are now near the peak occupancy of 2007, but still have a long way to rise. Net absorption was almost 43 million square feet with Dallas-Fort Worth leading the way with more than four million square feet of net absorption. New construction was more than 90 million square feet in Q1-2014, which is a moderate decline from the previous quarter. New construction is strongest in the Southern California markets where Asian imports continue to grow. A majority of industrial markets are now in the growth phase of the cycle and all the national industrial markets that are on the supply chain “Path of Goods Movement” are in the growth phase. The industrial national average rent index increased 1.0% in Q1-2014 and was up 5.1% year over year – about double the rate of inflation.

For the fifth quarter, Tampa is at level five in the recovery phase. With Tampa is Orlando. Ahead of Tampa is Raleigh Durham, Nashville, Memphis, Charlotte, Palm Beach and Miami. Behind Tampa is Jacksonville.

Apartment Market Cycle Analysis

The national apartment occupancy average improved by 0.1% in Q1-2014, but was flat year over year. We have held back on our cycle position movements for more than a year now, assuming that demand would increase enough to overcome the new supply being constructed in most markets in the country. However, the data has now forced us to recant this long term average holding estimation and call apartments at the top of the market (a jump of five points on the cycle graph), with almost half of the markets reaching their cycle occupancy peaks at the end of Q1-2014. More importantly many markets have passed their peak and are seeing declining occupancy rates. Thus, they are at points 12 and 13 in the cycle graph. Easy permanent loan financing from the government agencies (Freddie Mac, Fannie Mae & Ginnie Mae) have supported the large building boom in apartments that is over supplying the market place. Much of this new building is infill urban apartments, which is in demand by the millennial generation. We do not know how long the hyper supply phase might last, but average national apartment rent growth has slowed down to 0.3% in Q1-2014 and was up 2.6% year over year (both lower growth rates than the previous quarter).

Tampa made a huge move of ten positions, from three to thirteen, which is hyper supply with rent growth positive, but declining. With Tampa are Charlotte and Memphis. Ahead of Tampa is Norfolk, and behind Tampa is Miami, Palm Beach, Ft. Lauderdale, Jacksonville, Orlando and Nashville.

Retail Market Cycle Analysis

Retail occupancies improved 0.1% in Q1-2014 and were up 0.4% year over year. The abnormally snowy and cold winter held consumers back, and they rebounded in March buying with the better weather. Higher monthly employment in Q1-2014 helped to spur retail sales as well. Occupancies improved again bringing the national occupancy level to its long term historic national average at point six on the cycle graph. Half the markets are now in the growth phase of the cycle (points six through eleven on the cycle graph). National news has talked about the Sears and JCPenney problems, but this older/outdated retail model has been dying for a few years. New and creative retail formats are expanding in the marketplace and creating demand for space. National average retail rents increased 0.6% in Q1-2014 and were up 1.8% year over year.

Tampa has moved up again level five. With Tampa is Palm Beach. Behind Tampa are Richmond, Jacksonville, Atlanta, Nashville, Charlotte, Orlando, and Ft. Lauderdale. Ahead of Tampa is Raleigh Durham and Miami.

Hotel Market Cycle Analysis

Hotel occupancies improved an average of 0.6% in Q1-2014 and were up 1.5% year over year. Business and leisure travel are booming. New York has hit historic peak occupancy levels and it is almost impossible to find a hotel room in New York for under $400 per night! Travel has expanded and airlines are adding flights for the summer. There are now 32 markets in the expansion phase of the cycle and the national average occupancy level is at a cost feasible rent level – so we expect new construction. We expect these expansion phase trends to continue throughout 2014 and beyond. National average hotel rents improved 0.9% and were up 3.7% year over year.

Tampa has moved up again to level eight. Ahead of Tampa is Ft. Lauderdale, Miami, Orlando and Palm Beach. Behind Tampa is Jacksonville, Memphis, Charlotte, Norfolk, Richmond and Raleigh Durham.

Tampa Bay Retail Market Overview

Marcus & Millichap Q2-2014 Tampa Bay Metro Area Market Overview

Economy

- Tampa employers created 29,000 positions during the 12 month period that ended in the first quarter, expanding payrolls 2.5%. In the same period one year earlier, 25,600 jobs were added.
- The metro's unemployment rate dropped 80 basis points over the last year to 6.3%. Consumer confidence is on the rise as more residents obtain jobs, supporting an increase in spending. In the first quarter, retail sales rose 3.4% annually, far above the national average of 2.5%.
- Outlook – Employment will rise 2.8% with the addition of 33,500 workers this year. By year end 2014, payrolls will rest 14,600 below the pre-recession peak.

Construction

- During the most recent 12 month period, roughly 555,300 square feet came online, increasing retail stock 0.3%. In the preceding 12 months, developers completed 755,400 square feet.
- Nearly 1.7 million square feet is underway in the metro. The Mall at University Town Center in Sarasota accounts for half of total construction. Additionally, there are four other projects measuring more than 100,000 square feet and several smaller sized developments.
- The planning pipeline consists of 5.4 million square feet. The largest proposed development is a one million square foot outlet mall off Interstate 75 with a 2015 estimated delivery. Remaining proposed projects are heavily concentrated in Pinellas and Pasco Counties.
- Outlook – Builders will complete roughly 1.9 million square feet this year, more than double last year's deliveries.

Vacancy

- At the end of the first quarter, year over year average vacancy in Tampa dropped 60 basis points to 7.4%, the lowest rate since early 2009. Over the last four years, vacancy has hovered in the high seven to mid eight percent area.
- In the first quarter, average vacancy in all submarkets posted year over year improvements. The I-75 Corridor and North Hillsborough submarkets have the lowest vacancies at 5.9% and 6.5%, respectively.
- Vacancy in the multi-tenant sector fell 80 basis points to 9.6% year over year. Despite the improvement, vacancy in this segment remains 390 basis points above the pre-recession low.
- Outlook – Heavily preleased construction and absorption of 1.4 million square feet of space will push down vacancy 30 basis points this year to 7.4%. In 2013, vacancy held steady at 7.7%.

Rents

- As retailers move into quality locations, average asking rents for marketed space lowered 1.3 percent year over year to $13.74 per square foot in the first quarter. In the preceding 12 months, rents ticked down 0.7%.
- Average asking rents in the Central Tampa, Hernando County and Pinellas submarkets posted annual gains in the first quarter as operator's leveraged tightening vacancy. The Central Tampa submarket commands the highest rents in the metro of $18.49 per square foot.
- Multitenant asking rents for available space inched up 0.7% over the last 12 months to $12.96 in the first quarter. Still rents sit 18% below the prerecession level.
- Outlook – As new inventory comes online, average asking rents in the Tampa Bay market are expected to rise 1.0% this year to $13.95 per square foot. In 2013, rents dipped 1.1%.

Tampa Bay Single Family Market Overview

John Burns, Trends in Florida's Residential Communities – Consumer Insights 2014

- Of the 22,000 respondents nationwide and 2,700 respondents in Florida, the ideal lifestyle was 44% master planned community, 21% TND, 20% suburban large lot, 10% rural and only 5% urban.
- Please click here for the John Burns Consumer Insights 2014, Trends in Florida's Residential Communities: http://flyers.cushmanwakefield.com/flyers/John Burns Consumer Insights 2014.pdf.

ULI, April 10, 2014, Master Planned Community Amenities

- Memory points instead of entry feature.
- Subsidize a café at 2,000 to 2,500 per month.
- Gathering place.
- Heritage of the land.
- Something other than a clubhouse.
- Referral fee to existing homeowners.

Trends Among Florida's Top Selling Active Adult Communities – Gregg Logan, Managing Director, RCLCO, 407-515-6592, glogan@rclco.com

Choosing a community and lifestyle defined by the amenities, activities and unique view orientations. These orientations include golf, lakes and open space. Life is so important, but so is water. There is a greater emphasis on health and fitness and socializing and homes in these communities are generally moderately priced.

- Chaise Trilogy Orlando provides a good example of a lifestyle element, having recently completed a 57,000 square foot clubhouse with extensive dining, social, and fitness activities. It features an athletic center, professional demonstration kitchen, sports bar and grill, indoor and outdoor lap pool, resort-style pool, tennis and artist studio. On site health and fitness trainers offer both classes and personal instruction.
- Among the 10 states that are attracting the most 55+ buyers, seven are in the Sun Belt: California, Arizona, Nevada, Texas, South Carolina and Florida.
- Although Florida has experience increased competition from other states, such as North Carolina, it still captures more relocating 55 to 74 year olds than any other state in the nation.
- Florida is expected to have 4.3 million persons age 60 to 75 by 2028 – 1.2 million more than in 2013.
- Population in this age range is expected to increase by 520,000 between 2013 and 2018, and by another 400,000 from 2018 and 2023.
- With the Villages wrapping up residential development in about 2017, it comes as no surprise that many are wondering who will become the next Villages by attracting 55+ households on a large scale. Villages has been delivering 250 to 300 new homes per month.

- St. Joe Company, with 50,000 acres in the Florida Panhandle, has a developed retirement community similar to the Villages.

  ERHARDT COMMENT:

  - *GL Homes and Taylor Morrison Homes are building new communities that are age targeted, not restricted.*

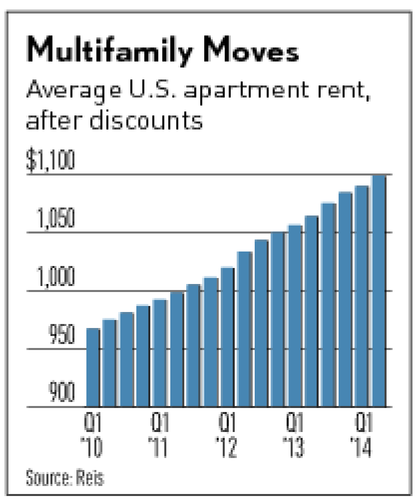
Tampa Bay Multifamily Market Overview

Multifamily Tampa Bay

Apartment rents in the U.S. grew at a quicker pace in the second quarter as tenant demand rose faster than the growing supply of multifamily properties.

Rents after any discounts such as a free month climbed 3.4% to an average $1,099 a month from $1,064 a year earlier, property-research firm Reis (NASDAQ:REIS) said in its quarterly report. Effective rents had gained 3.2% in the first quarter.

A tight supply of homes for sale and an improving job market are allowing apartment landlords to raise rents, even as developers race to meet demand by adding more properties to the market. A total of 33,210 new apartment units were completed last quarter, up from 29,990 a year earlier, Reis said.



"Landlords continue to extract whatever rent increases they can out of their tenants," noted Ryan Severino, senior economist at Reis.

The apartment vacancy rate, which has hovered at a decade low for more than a year, was 4.1%, unchanged from the first quarter and down from 4.3% a year earlier, Reis said. Vacancies were last lower in 2001, when they reached 3.9%.

All 79 of the primary markets measured by Reis had gains in effective rents, the first time that's happened since the last recession, Severino said. San Francisco led the U.S. in effective rent growth, with a 7.1% increase from a year earlier, Reis said. San Jose, Calif., was second at 6.7%, and Seattle third at 6.2%.

Development Competition

"Even in projects finished just a year or so ago, higher rents are being realized when leases turn over, despite the fact that there's competition from additional brand new developments just entering the market," Greg Willett, vice president at MPF Research, a unit of the research firm RealPage (NASDAQ:RP), said in a report.

Reis estimates effective rents will rise about 3.5% this year, which would be the top gain since 2007.

"There is more supply on the way, but the apartment market is merely returning to a more 'normal' level of construction," Jay Denton, vice president of research at apartment-research firm Axiometrics, wrote in a separate report.

It said on a quarterly basis, U.S. multifamily rents grew at their fastest pace since 2000.

The proliferation of younger renters and a dropping homeownership rate "continue to play in the favor of apartments," Denton said. The U.S. homeownership rate fell to 64.8% in the first quarter, the lowest in 19 years, Census Bureau data show.

Cushman & Wakefield U.S. and Florida Multifamily Market Update, May 2014, Byron Moger

Please click here to read market update: http://flyers.cushmanwakefield.com/flyers/Byron's ULI Presentation.pdf

Condominium Development Finance and Investment Seminar, Miami, Florida

Notes I took during the seminar:

- Porsche Building – $6.5 million average cost. Car elevator where you stay in the car to your unit. Large enough for a Ford Explorer. The project also has racing and golf simulators and a hair dresser. Buyers have a $75 million net worth.
- Miami is cheaper than New York, Moscow or Paris.
- Lenders – Blackstone, Regions, SunTrust, UBS, NorthStar, Deutsche Bank and Citi National.
- When loans get to 10% down payment, conversions will start in the $150 to $300,000 price point.
- Amenities - view premiums – put amenities on the roof, no smoking building, and car charging stations.

- Of the units being built in the Miami area, 20% are being built by someone not from Miami; French, Chinese, Russian and California developers.

Market Update Tampa Bay Multifamily Market – Q2-2014, Triad Research & Consulting, Inc., www.triadresearch.net, Michael Slater, President, 813-908-8844

**"CONTINUED MARKET STRENGTH OBSERVED…..NEW CONSTRUCTION REMAINS ACTIVE….. LENDERS & INVESTORS CAUTIOUS ABOUT FUTURE….
EXISTING & NEW PROJECTS CONTINUE TO EXCEED EXPECTATIONS
IN LEASING VELOCITY & RENTAL REVENUE GROWTH"**

SUMMARY CONCLUSIONS

Current Historically Recent Trends – New Construction and Future Development

- As of the end of the 2nd Quarter 2014, Hillsborough County has 18 Projects totaling 4,760 new projects under construction of in initial lease-up, up from 6 months ago when Hillsborough County had 12 Projects totaling 3,457 new projects under construction of in initial lease-up,
- Hillsborough County has as of the end of the 2nd Quarter 2014 thru 2015 an additional 11 Projects totaling 3,908 new market rate rental multifamily units planning to break ground and or deliver first units by mid-2015 as compared to 6 months ago when they had 13 Projects totaling 3,829 new market rate rental multifamily units planning to break ground and or deliver first units by mid-2014.
- As of the end of the 2nd Quarter 2014, Pinellas County had 12 Projects totaling 3,289 new units under construction of in initial lease-up, up from 6 months ago when Pinellas County had 8 Projects totaling 2,078 new units under construction of in initial lease-up.
- Pinellas County has as of the end of the 2nd Quarter 2014, 12 Projects totaling 3,539 new market rate rental multifamily units planning to break ground and or deliver first units by mid-2015 as compared to 6 months ago when they had 6 Projects totaling 1,628 new market rate rental multifamily units planning to break ground and or deliver first units by mid-2014.
- As of the end of the 2nd Quarter 2014, Pasco County had 8 Projects totaling 906 new units under construction of in initial lease-up, up from 6 months ago when Pasco County had 2 Projects totaling 590 new units under construction of in initial lease-up.
- Pasco County has as of the end of the 2nd Quarter 2014, 5 Projects totaling 1,172 new market rate rental multifamily units planning to break ground and or deliver first units by mid-2015 as compared to 6 months ago when they had 6 Projects totaling 1,628 new market rate rental multifamily units planning to break ground and or deliver first units by mid-2014.
- As of the end of the 4th Quarter 2013, Polk County still had 0 Projects of new units under construction of in initial lease-up, and , and 0 Projects of new market rate rental multifamily units planning to break ground and or deliver first units by mid-2015. This dormancy of new construction in Polk County has now been present for the past three (3) years, but we are now aware of 2 or 3 new projects in Polk County that may surface in 2015.

Current Tends – Rental Pricing, Occupancy Standards & Leasing Velocity

- New construction and proposed Pipeline projects continue to observe performance trends improvements through mid-2014. Rental Revenue Growth is now stabilizing market wide between 4% and 6% dependent and in some urban markets and in some upscale Class "A" or better products are observing between 6% and 10% per year growth factors.
- Product Quality and Construction Quality, Site Location, Interior and Exterior Features as well as interior appointments, utilization of Elevator Service Enhanced Parking Facilities, Storage Facilities and Security Features, are all critical to these historically observed high occupancies and rapid leasing velocities creating rapid stabilizations of those projects introduced between 2012 and early 2014.
- Rental Revenue Growths are now being projected between 6% and 10% per year for 2014-2015 and 2015 and 2016, contingent on no global economic downturns and a slow- down in new construction.
- Urban and Urban/Suburban leasing velocities are remaining high between 30 and 50 units per month without concessions. Suburban leasing velocities (some with concessions) are falling more in the 20-to-25 range, still an excellent performance standard.
- As we observe more and more new product being introduced, as renter demand remains strong and new product inventory continues to ***"not"*** keep pace, the short-term horizon projections remain relatively strong, however longer term projections are approaching a ***"Wait and See"*** status as lenders and investors are cautious.
- Continued urban development is much more expensive and risk management "**does not and cannot**" make any mistakes. These projects also require significantly longer period to deliver and stabilize (i.e. sometimes 18-24 months) increasing the risk.

Projected and Future Tends – Rental Pricing, Occupancy Standards & Leasing Velocity

- New construction and Proposed Pipeline projects are continuing to escalate as performance trends continue to improve, while equity and permanent financing is coming forward but is cautious of the future.
- Viable and affordable sites continue to diminish as land prices continue to escalate upward, urban sites are minimized while urban/suburban sites will be next growth market.
- With new construction and proposed new projects remaining highly attractive to lenders, investors, Life Funds, REITS, and private/entrepreneurial funding sources, it is our short-term horizon outlook of the next 12-24 months that we believe will remain extremely positive.
- Shifts in Interest Rates, declining land availability as well as escalating land costs beyond that, may slow the extremely positive performance trends of the past 24 months. In this writer's opinion however, we project at least a 2-4 year period of overall strength in the Rental Multifamily segment of Real Estate in construction, acquisitions and repositioning, condominium conversions, and market/consumer demand dynamics.
- However, for the first time since the end of the mid-2000's down turn in 2008, we are beginning to see economic and development conditions that warrant close attention, as

a slowdown of the current extremely positive 5-year cycle may be ahead of the industry post-2016.

- In closure, beyond the diverse opinions and market perceptions, opinions, and professional attitudes, of the diverse professionals impacting the rental multifamily industry, ***"very few persons really know what to expect beyond the next couple of years"***.
- Global economic dynamics, consumer "**choice related dynamics now in play**" and ***"lifestyle considerations demonstrated by so many renter households electing to move back inward to the urban care areas after 50-years of moving out to the suburbs"*** cause this economist to say that until there is enough new data tracking this cyclical dynamic not seen in this country in over 100 years when urban areas developed and mass transportation and or diverse auto ownership existed, no one really knows what to expect from rental consumers.
- We shall see over the next 12 to 24 months if all these patterns and performance trends maintain their strength, but I do have a great deal of confidence in this hypothesis. We believe the facts and opinions provided above to be true and accurate. These recommendations are presented as our qualified opinion as to a position of a conservative approach to meeting the challenges of today's market and the conditions we believe to be in force over the next 12 to 24 months.

Marcus & Millichap, Q2-2014 Apartment Research Market Report
www.marcusmillichap.com/

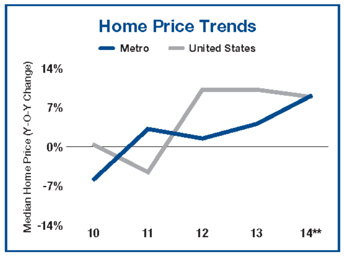
Tampa Bay Area 2014 Annual Apartment Forecast

- Employment: Employers will create 33,500 jobs in 2014 to expand payrolls 2.8 percent, exceeding last year's gain of nearly 30,000 positions. With the projected increase, nearly 127,000 jobs will have been created since payrolls resumed growing in early 2010.
- Construction: Builders will place in service 4,400 units in the market this year, exceeding the 1,917 apartments brought online in 2013. Developers are also on pace to draw permits for approximately 6,200 units of multifamily housing during 2014, a 25 percent rise from last year.
- Vacancy: Slightly higher vacancy will be the near-term norm as new rentals increase across the metro to fulfill growing demand. The delivery of new rentals will exceed net absorption of more than 3,100 rentals in 2014, raising vacancy 50 basis points to 6.3 percent; a decrease of 30 basis points occurred last year.
- Rents: The average rent will rise for the fifth consecutive year in 2014, advancing 2.5 percent to $915 per month, though new construction may lift concessions. In 2013, a gain of 2.4 percent was recorded.

Housing and Demographics

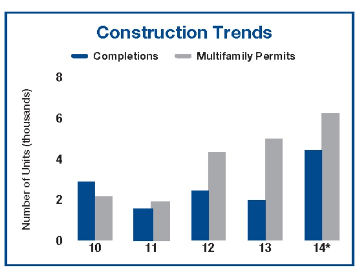
- Developers completed more than 10,000 units of single-family and multifamily housing over the past year, a 39 percent jump from the prior year. Construction payrolls also grew 3.6 percent, or by 2,000 positions, during that time, despite a loss of jobs in the first quarter.

- The median price of an existing single-family home in Tampa Bay rose 9 percent over the 12 months ending in the first quarter, to $147,100. The monthly debt on the median-priced home is roughly $70 more than the average rent in the market.
- The improved ability to sell homes in other parts of the country and brighter job prospects contributed to net migration of more than 23,000 individuals to Tampa Bay over the past 12 months. Relocations slowed to an average 14,400 persons annually from 2007 to 2009.
- Outlook: A strengthening local economy and expanding employment opportunities will continue to support favorable population and household formation trends and generate new housing demand.



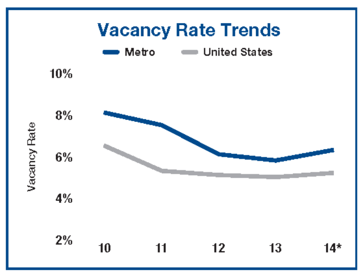
Construction

- Since the first quarter last year, developers brought online 2,000 units, marking an increase from 1,800 apartments in the preceding 12-month span. Only 86 rentals were placed in service in the first quarter this year, however.
- More than 1,300 units were completed in Hillsborough County during the past year. Collectively, the Jefferson Westshore, the Sedona and the Crescent Crosstown added 830 market-rate rentals to inventory. In Pinellas County, 645 rentals were delivered since the first quarter of 2013, including 221 senior apartments.
- Nearly 4,200 apartments are under construction and scheduled for delivery in 2014. Roughly 2,200 units are slated to come online in the Central Tampa submarket, while 1,800 rentals are due for delivery in Pinellas County.
- Outlook: Rental stock in Tampa Bay will expand 2.2 percent in 2014, or by 4,400 units. The total includes roughly 4,000 market-rate apartments.



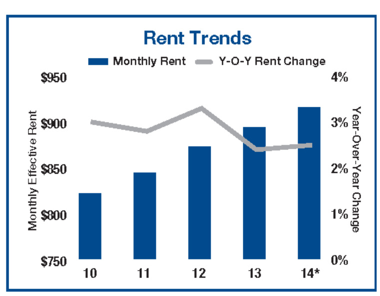
Vacancy

- Despite only a nominal addition to rental stock, vacancy in the first quarter was unchanged at 5.8 percent. In the past year, though, net absorption of more than 2,800 rentals trimmed vacancy 50 basis points.
- Seven of the metro's 15 submarkets posted a drop in vacancy over the past year. Tenant move-ins reduced vacancy in Central Tampa 130 basis points during the period to 4.2 percent, despite a minor uptick in the first quarter. Also, in Hillsborough County, renters occupied more than 600 additional units over the past 12 months in the University submarket, slashing vacancy 210 basis points to 6.6 percent.
- The Clearwater submarket posts the lowest vacancy rate in Pinellas County at 4.7 percent following a 50 basis-point decline over the past year. Demand softened over the past six months in South St. Petersburg, however, contributing to a sizable jump in vacancy to 10.6 percent.
- Outlook: Completions will exceed net absorption in 2014, yielding a 50 basis-point rise in vacancy to 6.3 percent.



Rents

- At $893 per month at the end of the first quarter, the average rent in the market was 1.7 percent more than the level posted one year ago. No change was recorded in the first three months this year, however.
- Despite the increase in vacancy, the average rent in South St. Petersburg advanced 3.7 percent during that stretch to $844 per month. The average rent declined in the University submarket during the past year, however, and concessions climbed in the first quarter to 6.7 percent of the average rent.
- At 6.2 percent of the average metro wide rent, concessions equal slightly more than three weeks of free rent.
- Outlook: The average rent in Tampa Bay will increase 2.5 percent to $915 per month during 2014.



Office Market Overview

Cushman & Wakefield Market Overview – Tampa

- **Westshore Office Overview:** Overall vacancy at the end of 2nd quarter 2014 is 15.1% compared to 13.8% last year and 13.2% last quarter. Class A is at 11.8% compared to 14.9% last year and 15.2% last quarter.

- **I-75 Office Overview:** Overall vacancy at the end of the 2nd quarter 2014 is at 20.6% compared to 19.5% a year ago and 17.9% last quarter. Class A is at 21.0% compared to 17.5% a year ago and 17.6% last quarter.

- **Tampa Central Business District:** Overall vacancy at the end of the 2nd quarter 2014 is at 13.6% compared to 15.7% a year ago and 13.2% last quarter. Class A is at 11.8% compared to 15.0% a year ago and 11.8% last quarter.

Industrial Market Overview

Cushman & Wakefield Market Overview – Tampa

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 2nd quarter, 2014 is 5.9% compared to 6.1% a year ago and 5.2% last quarter.

  Warehouse distribution is at 4.0% vacancy compared to 4.6% a year ago and 3.0% last quarter.

  Office Service Center is at 11.7% vacancy compared to 14.1% a year ago and 11.2% last quarter.

- **East Tampa Industrial Overview:** The overall vacancy at the end of the 2nd quarter 2014 was 7.4% compared to 8.7% a year ago and 7.4% last quarter.

  Warehouse distribution is at 8.1% vacancy compared to 8.9% a year ago and 7.7% last quarter.

  Office Service Center is at 15.1% vacancy compared to 15.9% last year and 14.1% last quarter.

- **Plant City Industrial Market Overview:** The overall vacancy at the end of the 2nd quarter 2014 was 1.8% vacancy compared to 1.2% a year ago and 1.2% last quarter.

  Warehouse distribution is at 2.2% vacancy compared to 1.8% a year ago and 1.8% last quarter.

- **Lakeland Industrial Market Overview:** The overall vacancy at the end of the 2nd quarter 2014 was 5.1% vacancy compared to 4.9% a year ago and 4.9% last quarter.

  Warehouse distribution is at 6.2% vacancy compared to 6.3% a year ago and 6.2% last quarter.

  Service center is at 18.0% compared to 17.1% a year ago and 17.3% last quarter.

Amazon Warehouse Tour

Please click this link: http://www.youtube.com/watch?v=i6H7nfHjHtY

ERHARDT COMMENT:

Interesting video of an Amazon warehouse, of which two are being built in Tampa and Lakeland.

Article from NAIOP – the new industrial revolution. A million square foot brand new distribution center does not necessarily work for an e-commerce building. Click this link for article: http://www.naiop.org/en/Magazine/2014/Summer-2014/Business-Trends/The-New-Industrial-Revolution.aspx#.U5doPj2IJwc.email

Land Sales

Single Family

1. Neal Land Ventures purchased 240 acres in the Parish area of Manatee County for $18,750/per acre and 1,705/per unit. Density is 2.43 units per gross acre or $10.00/sf.
2. Two Smart Guys LLC purchased 295 acres in the southeast quadrant of Buckeye Road and I-75 in North Manatee County for $1,983/per gross acre. The land use is Urban Fringe 3.
3. Mattamy Homes purchased 9,650 acres in south Sarasota County. 6,000 acres is in the City of Northport and 3,650 acres is in unincorporated Sarasota County. Current entitlements are for 11,000 homes and 3,000,000 square feet of commercial development. The price was $8,937/per gross acre.
4. Verano Land Investments LLC purchased 25 acres in the Davenport area of Polk County for $52,000/per gross acre and $15,000 per single family lot.
5. Neal Communities purchased 120 acres south of Laurel Road in Sarasota County for $13,333/per gross acre.
6. David Weekley Homes purchased eight developed lots in northwest Hillsborough County at the Old Memorial Club for $176,625/per developed lot.
7. Open House, a Manhattan based firm, purchased two acres in downtown St. Petersburg, Pinellas County, for $18.94/per square foot. Purchaser is still formulating strategy for the site.

8. Taylor Morrison purchased 169.54 acres for $49,899/per gross acre, and $24,521/per single family paper lot. New Tampa, Hillsborough County.

Industrial

1. Cabot Properties purchased 15.93 acres for $1.23/per gross square foot, and $5.66/per building square foot, for a 150,000 square foot warehouse. Brandon, Hillsborough County.

Agricultural

1. John Falkner purchased 650 acres of crop land in the Parish area of Manatee County for $1,077/per gross acre.
2. Farm Land Reserve (part of the Mormon Church) purchased 143 acres in South Hillsborough County for $10,615/per gross acre.
3. FH Parish 62 LLC purchased 595.6 acres at the northeast quadrant of U.S. Highway 301 and S.R. 62, Manatee County, for $6,722/per gross acre.

Senior Living

1. Wesley Investments LLC purchased 34.31 acres on the north side of S.R. 70 and I-75 for $46,653/per acre and $10,666/per bed for assisted living / memory care facility. Bradenton, Manatee County.

Student Housing

1. Collier Companies purchased 5.16 acres across from University of South Florida, Hillsborough County, for a 180 unit, 600 bed project. They paid $35,500/per unit, $10,666/per bed and $128.47/per land square foot.

Retail

1. Wal-Mart purchased a 3.74 acre former shopping center site at the northwest corner of Himes and Hillsborough, Tampa, Hillsborough County, for $18.11/sf.
2. John Peshkin / Vanguard Land LLC purchased 50.68 acres at the northeast quadrant of I-75 and Laurel Road for $2.26/per square foot. The commercial/mixed use zoned property allows for a variety of residential, office and retail uses. Peshkin owns other residential land in the submarket. South Sarasota County.