

TAMPA BAY LAND MARKET OVERVIEW



Q2 - 2015

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Erhardt's Tampa Bay Land Market Overview

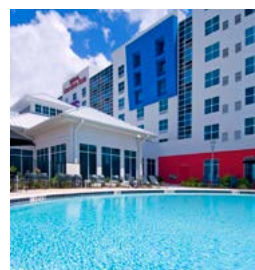


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The following represents excerpts from economic and real estate journals, notes from conventions, seminars and other meetings I attended, along with personal opinions of my own and others that affect the land market in the Tampa Bay Region. Previous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

ERHARDT'S QUICK LOOK AT THE LAND MARKET

- **Multifamily land** – Same as the last 16 quarters, rental continues to be very active. For sale townhomes and condominiums are under contract or construction in urban and suburban markets, and are gaining momentum as entry level new construction product.
- **Single Family** – As for the last 23 quarters, builders and developers are closing and making offers on A and B locations. Starting to see some land buys outside the A/B market. This can provide entry level product.
- **Retail** – Mainly tenant driven. Walmart and Publix are most active. Outparcel subdivisions and unanchored strips are starting in A locations.
- **Industrial** – New developers continue to contract and close land positions in Tampa, Lakeland and Sarasota.
- **Office** – Same as last 12 quarters, users and B-T-S only, but I believe we are getting close to a spec building. Medical office building construction is active.
- **Hospitality** – For the seventh quarter, development activity continues.
- **Bank Deals** – Not a factor.
- **Agricultural Land** – Active, but prices have leveled out for all but citrus, which is declining. More buyers than sellers. Big deals in the works.
- **Cycle** – I'm still predicting the overall Tampa Bay land cycle has five to six years left, with solid growth for the next three years



THE BIG PICTURE

JOHN BURNS REAL ESTATE CONSULTING,
NEW HOME CONSTRUCTION
WWW.REALESTATECONSULTING.COM

New home construction is gearing up for a 15 year boom. If you want an industry with a great long term outlook, consider construction. I have run the math. Even with the most conservative of assumptions, household formations will boom over the next 15 years, and we will need well in excess of 1.5 million homes built per year to meet the demand. That is 50% more than we built last year. All of my builder clients tell me there is a huge shortage of talent – both blue collar and white collar.

I could go on and on summarizing why the housing market has been slow to recover any why we will not hit 1.5 million homes this year or next, but that is not the point of this article.

Look at the U.S. population today. Those born between 1989 and 1994, who are currently 21 – 26 years old, are the largest five year cohort out there. Yes, their struggles to gain full time employment at a fair wage and to pay off student debt have been well documented. What has not been sufficiently documented is that the majority of them will still leave the nest, marry, have children, and need a place to live.

There are some very exciting industry developments too. We like to group the many, many factors that impact housing demand into four categories:

1. **Government involvement.** From immigration policies to mortgage policies to investment in urban areas or infrastructure, government will continue to play a major role in housing demand. There is a tremendous need to help government with their policy decisions.
2. **Technology.** Whether it is improved health care extending life, IVF technology allowing babies later in life, Internet access enabling knowledge workers to live wherever they want, or construction technologies making new homes more energy efficient, technology continues to evolve. These changes will affect where people live, how long they live, and in what type of home they will live.
3. **Economy.** You need a good paying job to form a household, and the Great Recession was so damaging that there are still fewer full time employed people than six years ago. However, regional economies like Seattle, Silicon Valley, Denver, and Dallas are booming right now, and signs point to continued strong growth in Texas, Arizona, Nevada, Florida, Georgia, and throughout the Southeast, where jobs are plentiful and housing is affordable.
4. **Social Shifts.** Television has done a great job depicting household life over the decades, from Leave it to Beaver in the 1950s and 1960s to Modern Family. Family structures are

changing, and thus the type of home people desire has shifted, as well. One great example is the surge in immigration in the last 25 years (more green cards issued than the prior 70 years), which is helping drive an increase in homes designed for multiple generations.

In summary, my home builder clients have been complaining for three years about a shortage of qualified labor, both blue collar and white collar. Our research shows that the industry will grow 50% over the next few years, and demographic housing demand will maintain that level for a very long time. If you want a great career, consider the many ways you can become involved in the construction industry.

Construction Materials and Labor Price

ERHARDT COMMENT:

- Going up. Construction materials for office construction is up 2.6% and 1.2% for health care construction.
- Lumber however, has fallen 4.4% from March 2014 to March 2015.

Florida Department of Transportation – Infrastructure Bank

ERHARDT COMMENT:

- Florida Department of Transportation now has a state infrastructure bank. The extension of S.R. 56 in Pasco County from its current terminus at Meadow Point Boulevard over to U.S. Highway 301 will be partially paid for by FDOT and partially by the infrastructure bank. That means it has to be paid back. It is my understanding that negotiations are still ongoing with the land owners along the right-of-way to figure out how the pay back is going to take place. Part of it could be Pasco County. Part of it could be a CDD type assessment on future property owners' tax bill.

Erhardt's Tampa Bay Land Market Overview

URBAN LAND INSTITUTE SPRING MEETING, HOUSTON, TX,
MAY 2015 – FACT AND MYTH CONCERNING THE
MILLENNIALS

- 50% rent, 26% own, and 21% live with their parents.
- 37% are city dwellers, 36% suburbs, and 26% rural / small town.
- 83% are working. 50% earn between \$35,000 and \$75,000/year. 21% don't use credit cards.
- 35% - 40% of the Millennials rent single family. 13% rent in urban areas.
- 25% marry between age 18 and 32 years old. 14% live in three generations households. 13% are downtowners, and 25% of those don't have cars.
- Urban living is expensive.
- Renting allows them to move for a job.
- Millennials like to live near a freeway.
- Once married, schools, safety and walkability will become more important.

ULI REAL ESTATE CONSENSUS THREE YEAR FORECAST,
APRIL 2015

Key Findings:

- Commercial property transaction volume is expected to increase for another two years and then level off at a robust \$500 billion by 2017.
- CMBS issuance continues its strong comeback with steady growth over the next years, increasing another 60% by 2017.
- Institutional real estate assets are expected to provide total returns of 11.0% in 2015, moderating to 10% in 2016 and 9.0% in 2017. By property type, returns are expected to be strongest for industrial and office, followed by retail and apartments, in all three years.
- Vacancy rates are expected to decrease modestly for office and retail over all three forecast years. Industrial availability rates and hotel occupancy rate are forecasted to improve modestly in 2015 and 2016 and plateau in 2017. Apartment vacancy rates are expected to rise slightly.
- Commercial property rents are expected to increase for the four major property types in 2015, ranging from 2.0% for retail up to 4.0% for both office and industrial. Rent increases in 2017 in these four types will range from 2.7% to 3.5%. Hotel RevPAR is expected to increase by 7.0% in 2015 and 4.0% in 2017.
- Single family housing starts are projected to increase from 647,400 units in 2014 to 900,000 units in 2017, remaining below the 20 year annual average. This is the only indicator for which analysts lowered their forecasts for '15 and '16, compared to six months ago.



Economy:

- The economists/analysts expect continued economic expansion at healthy and fairly steady levels in the next three years.
- GDP growth is expected to be healthy at a steady rate of 3.0% in both 2015 and 2016, with just a slightly lower rate of 2.8% 2017; these are all the highest annual growth rates in nine years.
- The unemployment rate is expected to decline a bit further to 5.3% by the end of 2015, 5.0% by the end of 2016, and remain at 5% at the end of 2017.
- Employment growth in 2015 and 2016 is expected to continue at about the same level as in 2014 with 3.12 million jobs in 2015 and 3.00 million in 2016. Employment growth is expected to continue at a somewhat slower but still strong place of 2.50 million in 2017.
- Compared to forecasts of six months ago, employment forecasts for '15 and '16 are somewhat more optimistic and GDP forecasts have remained the same.

Inflation, Interest Rates, and Cap Rates

- Inflation is expected to steadily increase, remaining low in 2015 at 1.3%, rising to 2.0% in 2016 and then inching up to the 20 year average if 2.3% in 2017.
- Ten year treasury rates are projected to increase by the end of 2015 to 2.6%, rising to 3.0% by the end of 2016, and 3.5% by the end of 2017, still below the 20 year average of 4.1%.
- Rising treasury rates will increase borrowing costs for real estate investors. However, survey respondents do not expect it to substantially impact real estate capitalization rates for institutional quality investments (NCREIF cap rates), which are expected to even decline slightly to 5.3% in 2015 and then rise to 5.6% in 2016, and 5.9% in 2017.

Erhardt's Tampa Bay Land Market Overview

- Compared to six months ago, forecasts for 10 year treasury rates and cap rates are lower for '15 and '16. The forecast for inflation in 2015 is lower than forecasted six months ago while the forecast for 2016 remains the same.

Real Estate Capital Markets

- Commercial real estate transaction has consistently increased for five years and should continue to be robust while leveling off in 2017 at a level only surpassed by that in 2007. Volume is expected to increase to \$470 billion in 2015, \$500 billion in 2016, and remain at \$500 billion in 2017.
- Issuance of commercial mortgage backed securities (CMBS), a key source of financing for commercial real estate which has rebounded nicely since 2009, is expected to continue to grow steadily through 2017. Issuance is projected to increase to \$115 billion in 2015 and grow steadily over the next two years to \$133 billion in 2016 and \$150 billion in 2017.
- Compared to six months ago, the current forecasts for '15 and '16 for both transactions and CMBS issuance are more optimistic.

Apartment Sector Fundamentals

- The apartment sector has performed very well the past several years. According to CBRE, vacancy rates have decreased from 7.0% in 2009 to 4.6% in 2014, even as construction activity has been strong. According to the ULI Consensus Forecast, end of year vacancy rates are expected to begin rising slightly to 4.7% in 2015, 5.0% in 2016 and 5.3% in 2017. Still, the 2017 forecast remains just below the 20 year average vacancy rate.
- Apartments are also expected to show consistent rental rate growth above the 20 year average of 2.6%. Rents are expected to rise by 3.5% in 2015, then moderate to 3.0% in 2016 and 2.7% in 2017.
- Compared to six months ago, the forecasted vacancy rates for '15 and '16 are lower, and the forecasted rental rate change for 2015 is higher. The forecasted rental rate change for '16 is unchanged.



Industrial / Warehouse Sector Fundamentals

- The availability rate for the industrial / warehouse sector declined to 10.3% at the end of 2014, according to CBRE, coming in just below the 20 year average for the first time since 2007. According to the ULI Consensus Forecast, availability rates will continue to decline in 2015 and 2016, with year-end vacancy rates at 9.8% and 9.6%, respectively, and remain steady in 2017 at 9.6%.
- According to CBRE, warehouse rental rates have shown positive

growth for the past three years following a three year decline. The ULI Consensus Forecast expects healthy rental rate growth to continue by 4.0% in 2015, 3.8% in 2016, and 3.1% in 2017. These forecasts are all above the 20 year average growth rate.

- The forecasts for industrial / warehouse availability rates in '15 and '16 are more optimistic than the Consensus Forecast of six months ago. The forecast for rental rate growth in 2015 remains the same but is more optimistic for 2016.



Office Sector Fundamentals

- Office vacancy rates declined for the fourth straight year to 13.9% in 2014. These declines are expected to continue decreasing, bringing the vacancy rate below the 20 year average, to 13.0% in 2015, 12.5% in 2016, and 12.0% by the end of 2017.
- Office rental rates, according to CBRE, increased 4.5% in 2014. According to the Consensus Forecast, rental rate growth will continue at a similar pace at 4.0% in 2015 and 4.1% in 2016. Rental rate growth is expected to moderate slightly to 3.5% in 2017. All forecasted rates are above the 20 year average.
- The forecasts for office vacancy rates in '15 and '16 are more optimistic than the Consensus Forecast of six months ago. The forecasts for rental rate growth in '15 and '16 remain about the same.

Retail Sector Fundamentals

- Retail availability rates have been on a steady decline from peak of 13.0% in 2011, to 11.4% in 2014. The Consensus Forecast anticipates on going improvements over the next three years, with availability rates expected to decline to 10.9% by 2015, 10.5% by 2016, and 10.2% by 2017. Still, these rates remain above the 20 year average.
- According to CBRE retail rental rates increased for the first time in six years in 2014. The Consensus Forecast expects rental rates to sustain this growth, increasing by 2.0% in 2015, 3.0% in 2016, and 2.9% in 2017.
- Compared to six months ago, the forecast of availability rates for '15 and '16 is modestly more optimistic, while forecast of rental rate growth for '15 is less optimistic and remains the same for '16.

Erhardt's Tampa Bay Land Market Overview



Hotel Sector Fundamentals

- Hotel occupancy rates, according to Smith Travel Research (STR), have been steadily improving since reaching a recession low of 54.6% in 2009. Occupancy rates surpassed the 20 year average in 2014 to 64.4%.
- The ULI Consensus Forecast projects that occupancy rates will begin to plateau, just inching up to 65.2% in 2015, 65.6% in 2016 and remaining at 65.6% in 2017.
- In 2014, hotel revenue per available room (RevPAR) saw its biggest annual increase since 2005 at 8.3%. RevPAR growth is expected to remain strong, but at a decelerating rate, with expected growth of 7.0% in 2015, 3.3% in 2016, and 4.0% in 2017, all above the 20 year average.
- Compared to the forecast of six months ago, the current forecasts for 2015 and 2016 are more optimistic.

Housing Sector

- The single family housing sector experienced positive growth in starts for the third straight year in 2014. Starts are projected to increase to 700,000 in 2015, 815,000 in 2016, and 900,000 in 2017, still below the 20 year average.
- According to the FHFA, growth in existing home prices increased on average by 5.4% in 2014. Price increases are expected to moderate to 5.0% in 2015, 4.0% in 2016, and 4.0% in 2017.
- Compared to six months ago, forecasts for housing starts in 2015 and 2016 are less optimistic; forecasts for existing housing prices increases in 2015 are more optimistic, while the forecast for 2016 remains the same.

CHINA – PAKISTAN ECONOMIC CORRIDOR,
WIKIPEDIA, 4-20-15

The China-Pakistan Economic Corridor (CPEC) is an under construction development megaproject to connect Gwadar Port in southern Pakistan to China's northwestern autonomous region of Xinjiang via highways, railways and pipelines to transport oil and gas. The project is considered central to the China-Pakistan relations. The economic corridor will run about 3,000 km (1,864 miles) from Gwadar, a port city in southwest Pakistan, to the northwestern Chinese city of Kashgar. Overall construction costs are estimated at \$45 billion, with the project expected to be completed in 2030, according to the Nihon Keizai Shimbun.

CUSHMAN & WAKEFIELD EMPLOYMENT REPORT,
METRO TAMPA, APRIL 2015

- In April 2015, the Tampa-St. Petersburg-Clearwater MSA was number 12 in job growth in the country by region.
- 2.9% increase, 34,500 jobs added, total jobs at that time was 1,234,700.



ERHARDT COMMENT:

I believe we will have strong job growth through 2019, and that population growth will remain steady at over 40,000 people per year, even if job growth goes down.

DIVIDEND CAPITAL RESEARCH CYCLE MONITOR – REAL ESTATE MARKET CYCLES

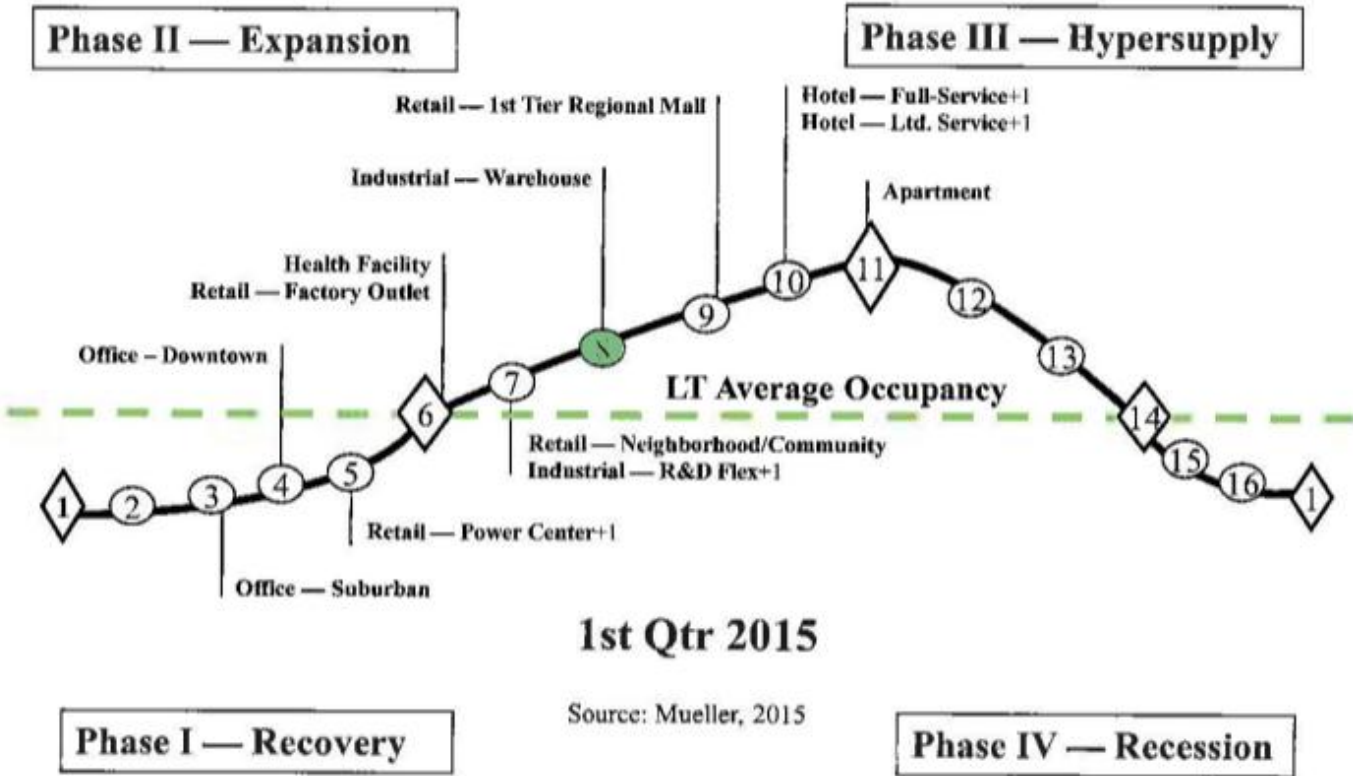
MAY 2015 | WWW.DIVIDENDCAPITAL.COM | 866-324-7348

PHYSICAL MARKET CYCLE ANALYSIS OF ALL FIVE MAJOR PROPERTY TYPES IN MORE THAN 50 MSAS.

Employment drives real estate demand and 53% of all states are now considered to have tight labor markets, when it rises above 60% the economy is considered to be in a strong growth mode. Many economists believe that the United States may breach the critical 60% level during 2015. Real estate demand continues to outpace supply in all property types except apartment, thus occupancies continue to improve with more markets in their cycle growth phase.

- Office occupancies **improved 0.1%** in Q1-2015, and rents grew 1.0% for the quarter and 3.8% annually.
- Industrial occupancies **improved 0.2%** in Q1-2015, and rents grew 1.4% for the quarter and 5.0% annually.
- Apartment occupancies **declined 0.1%** in Q1-2015, but rents grew 0.7% for the quarter and 3.1% annually.
- Retail occupancy was **flat** in Q1-2015, and rents grew 0.5% for the quarter and 2.9% annually.
- Hotel occupancies **improved 0.4%** in Q1-2015, and room rates grew 0.7% for the quarter and improved 2.3% annually.

National Property Type Cycle Locations



Erhardt's Tampa Bay Land Market Overview

OFFICE MARKET CYCLE ANALYSIS

The national office market occupancy level improved 0.1% in Q1-2015, and was up 0.6% year over year. Demand continues to inch forward with choppy monthly employment growth numbers in the first quarter, partially due to the bad weather in the United States. In many markets, rent has not recovered enough to allow cost feasible new construction, but the trend of employers moving back into central business districts (CBDs) to attract millennial workers has allowed many old offices to be rehabilitated or old industrial buildings to be converted. San Jose, Austin, Houston, Nashville, San Francisco and Salt Lake all have more than 4% new construction growth versus the national average of 1.7%. (Note almost all of these markets are in the growth phase of the cycle.) Average national rents were up 1.0% in Q1-2015 and rents were up 3.8% year over year.

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

INDUSTRIAL MARKET CYCLE ANALYSIS

Industrial occupancies improved 0.2% in Q1-2015, and were up 0.7% year over year. Consumer demand hit a nine year high in Q4-2014, supporting the need for more warehouse space. Global slowing is a risk, but the stronger dollar should increase imports and help support warehouse demand. Absorption of almost 44 million square feet was one million square feet higher than new completions for the quarter. More than 50% of new construction was in markets at point #8 or higher in the cycle chart. Total new construction is still under 1% of total space, which should continue to allow for a balanced national industrial market overall. The industrial national average rent index increased 1.4% in Q1-2015 and was up 5.0% year over year.

Tampa has moved up to level seven, the beginning of the expansion phase. With Tampa are Atlanta, Ft. Lauderdale, Orlando and Raleigh Durham. Behind Tampa are Memphis and Jacksonville. Ahead of Tampa are Charlotte, Miami and Palm Beach.

APARTMENT MARKET CYCLE ANALYSIS

The national apartment occupancy average declined 0.1% in Q1-2015, and was down 0.1% year over year. Demand was strong with new construction absorbing more than its fair share compared to existing units. The millennial generation prefers new urban units to older and/or suburban units. Six more markets moved from their peak occupancy level on the cycle chart into the hyper supply phase of the cycle where occupancies are declining. We expect the national average to move into the hyper supply phase in either Q2-2015 or Q3-2015. Rents still grow in the hyper supply phase of

the cycle (as occupancies are above the long term average), but the rate of rent growth slows down. Average national apartment rent growth was up 0.7% in Q1-2015 and was up 3.1% year over year.

Tampa has moved up two positions, to 14, in the hyper supply phase. With Tampa is Nashville. Behind Tampa is Ft. Lauderdale, Jacksonville, Atlanta, Memphis, Miami, Charlotte, Palm Beach and Richmond. Ahead of Tampa is Norfolk.

ERHARDT COMMENT:

I firmly believe that the Tampa Bay market will absorb all of the multifamily units being produced now and for the foreseeable future.

RETAIL MARKET CYCLE ANALYSIS

Retail occupancies were flat in Q1-2015, but were up 0.5% year over year. Consumer spending ended 2014 at a 4.4% rate (more than double inflation) and this strong demand was further supported by the lower gas prices that gave consumers more disposable income. Retailers started the year cautiously with fewer expansion plans, but solid same store sales growth in 2015 should motivate them to begin expanding in the second half of the year. National average retail rents increased 0.5% in Q1-2015 and were up 2.9% year over year.

Tampa is at level eight, the recovery phase, same as last quarter. Ahead of Tampa is Miami. Behind Tampa is Ft. Lauderdale, Nashville, Palm Beach, Orlando, Atlanta, Charlotte, Jacksonville, Norfolk and Memphis.

HOTEL MARKET CYCLE ANALYSIS

Hotel occupancies increased an average of 0.4% in Q1-2015, and were up 2.3% year over year. National average occupancy improved enough to move to point #10 on the cycle chart. The largest business markets in the country are all at or near their peak occupancy levels. This demand is driving more new hotel construction and is also supported by the continued low interest rates available for financing. Hotel profitability is higher than previous cycles as well. National average hotel room rates increased 0.7% in Q1-2015 and were up 2.3% year over year.

For the third quarter, Tampa is at level 10, one level away from peak. With Tampa are Orlando, Nashville, Ft. Lauderdale and Charlotte. Ahead of Tampa are Miami and Palm Beach. Behind Tampa is Atlanta, Jacksonville, Memphis and Raleigh Durham.

TAMPA BAY RETAIL MARKET OVERVIEW

MARCUS & MILLICHAP, Q2-2015, TAMPA – ST. PETERSBURG METRO AREA – NEW RETAILERS PROBE TAMPA MARKET FOR POTENTIAL SITES

- Tenants opening stores are Trader Joe's, Bass Pro Shops, Publix and Walmart. Reportedly scouting for sites are: Sprouts, Cost Plus World Market and Cabela's.

2015 ANNUAL RETAIL FORECAST

- Employment: Employers in the Tampa metro are on track to increase headcounts 2.5% this year with the addition of 30,000 positions. Last year 34,400 jobs were created.
- Construction: Developers are scheduled to debut 1.2 million square feet of retail space this year, down from the 1.8 million square feet brought online in 2014.
- Vacancy: Average vacancy will retreat 70 basis points this year to 6.3% on net absorption of 2.3 million square feet. During the previous year vacancy fell 80 basis points.
- Rent: As vacancy tightens, average asking rents will rise 1.5% in 2015 to \$14.01 per square foot. Last year, rents slid 0.2%.



TAMPA BAY SINGLE FAMILY MARKET OVERVIEW

URBAN LAND INSTITUTE (WWW.ULI.ORG)
SPRING MEETING, HOUSTON, TX, MAY 2015

While in Houston, I had the opportunity to tour The Woodlands, one of the most successful master planned communities in the country. The following are some of my notes:

- Started in 1972, 28,000 acres.
- Property was originally a timber operation and saw mill.
- 121,000 people and 72,600 jobs.
- 240 miles of walking trails.
- The developers are currently doing all of the commercial and multifamily rental development themselves.
- Every village has its own commercial support. One of the new village centers has artificial grass.
- All parking garages are wrapped.
- Three to five feet between homes.
- 40 schools.
- 28% open space.
- They own their own tree farm, so they are able to plant more mature trees.

MetroStudy Q2-2015 was not posted at the time of this report.

TAMPA HOTEL MARKET OVERVIEW

JANUARY – MAY 2015, HILLSBOROUGH COUNTY
HOSPITALITY STATISTICS

- Occupancy rates – 79%
- Room rates – ADR-\$115.76
- Room expenditures – RevPAR-\$91.41
- Market growth – Supply- 3,268,546
- Demand- 2,581,163
- Revenue \$298,784,980

TAMPA BAY MULTIFAMILY MARKET OVERVIEW

MARKET UPDATE TAMPA BAY MULTIFAMILY MARKET
Q2-2014, TRIAD RESEARCH & CONSULTING, INC.,
WWW.TRIADRESEARCH.NET,
MICHAEL SLATER, PRESIDENT, 813-908-8844

Current Historically & Recent Trends – New Construction and Future Development

- As of the end of the 2nd Quarter 2015, Hillsborough County has 11 Projects totaling 3,814 new projects under construction of in initial lease-up, down somewhat from one (1) year ago when Hillsborough County had 18 Projects totaling 4,760 new projects under construction of in initial lease-up.
- Hillsborough County has as of the end of the 2nd Quarter 2015 an additional 14 Projects totaling 5,129 new market rate rental multifamily units planning to break ground and or deliver first units by end of 2015 or by end-2016, the highest numbers in recent history. This is attributed to the in-migration of seven (7) new projects over the past and recent 2 years of high density, high-rise, urban rental developments in downtown Tampa, Harbor Island, and Channelside.
- Pinellas County has as of the end of the 2nd Quarter 2015, 9 Projects totaling 2,936 new market rate rental multifamily units planning to break ground and or deliver first units by mid-2016 as compared to one (1) year ago when they had 12 Projects totaling 3,539 new market rate rental multifamily units planning to break ground and or deliver first units by mid-2015.
- 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.

Current Trends – 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 Trends – 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.

Erhardt's Tampa Bay Land Market Overview

- 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 downturn 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 core 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.

SOUTH FLORIDA CONDOMINIUM MARKET

THE REAL DEAL, BY PETER ZALEWSKI OF CONDOVULTURES

During this current real estate cycle that began in 2011, developers have already announced plans to build at least 335 new condo towers with nearly 43,000 units east of I-95 in the tri-county region as of Friday, according to the preconstruction condo projects website CraneSpotters.com. (For disclosure, my firm operates the website.)

In the South Florida preconstruction market, more than 120 new condo towers with nearly 13,200 units — about 31 percent of the tri-county regional total — are currently under construction or completed during this cycle.

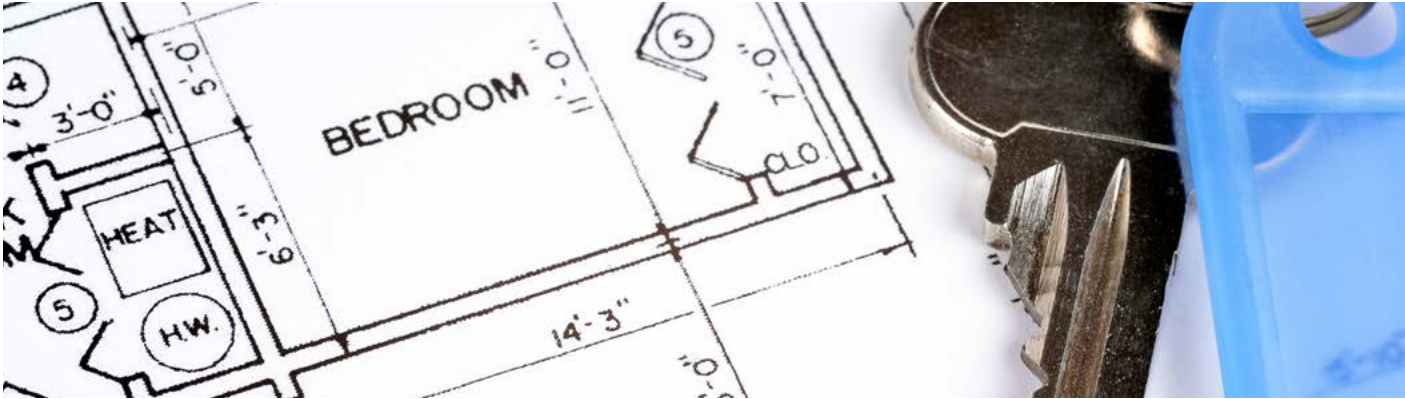
An additional 212 new condo towers with more than 29,800 units — some 69 percent of the tri-county total — have been announced for South Florida but may never get built depending upon market conditions.

On a county-by-county basis, developers have announced nearly 215 new condo towers in Miami-Dade County with more than 31,050 units, representing about 72 percent of the total number of units in the pipeline for South Florida.

In Broward County, developers have announced an additional 75 condo towers with nearly 8,500 units, representing nearly 20 percent of the South Florida preconstruction supply.

Nearly 50 condo towers with more than 3,400 units — some eight percent of the South Florida total — have been announced for Palm Beach County.

Comparing the current South Florida preconstruction condo cycle to the previous one that stretched from 2003 to 2010 is somewhat possible given the research that is currently on hand.



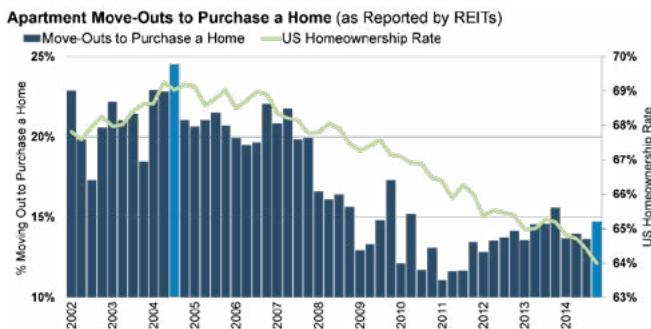
Erhardt's Tampa Bay Land Market Overview

JOHN BURNS REAL ESTATE CONSULTING,
 AFFLUENT APARTMENT RENTERS SLOW TO BUY A HOME,
 BY DAVID GUARINO, WWW.REALESTATECONSULTING.COM

On an almost-daily basis, we hear the question: *When will the millennial / first-time buyer emerge?* While predicting the behavior of a cohort still recovering from high levels of unemployment and a record amount of student loan debt can be tricky, the response of some of the largest apartment REIT operators is an unhesitating *no time soon*.

When your apartment lease expires, you have two choices: to renew or move out. Each quarter we track the percentage of residents who move out of an apartment to purchase a home. (Other reasons for moving out can include a job change, eviction, or rent rising too high). By studying publicly traded apartment REITs who manage a combined 520,000 units, we have learned the following:

- During the housing boom of the early to mid-2000s, roughly 1 in 5 renters leaving their apartment opted to purchase a home. In fact, the national homeownership rate peaked in 2004. At the same time that the percentage of those moving out to purchase a home was peaking.
- Since 2008, the percentage of renters moving out to purchase a home has remained below its historical average of 17%, while the homeownership rate has continued to decline.
- As of the fourth quarter of 2014, just 14.7% of all tenants moving out purchased a home. The homeownership rate declined to 64%, the lowest since the mid-90s.



Sources: Apartment REIT public filings; U.S. Census Bureau; John Burns Real Estate Consulting, LLC

The public apartment REITs we track primarily operate communities that target more financially stable millennial tenants (i.e., the most qualified to purchase a home). During the fourth quarter of 2014, the weighted average rental rate of these REITS was \$1,652, roughly 31% higher than the national average asking rent. One would think that enduring years of sizeable annual rent increases would push tenants toward owning a home. However, even with an improving economy and a more stable employment outlook, this trend has simply not occurred. While newly revised

FHA loan requirements have the potential to pull more first-time buyers out of apartments, the data does not indicate a significant uptick in FHA buyers.

We study the apartment space to determine what trends will impact the for-sale housing market. We offer a dedicated research report covering the apartment industry that guides developers, lenders, landlords, and investors as they navigate the market. For more information on our housing research products, please contact Lisa Marquis Jackson.

DENSITY-DRIVERS-DIVIDENDS-DEBATES, JUNE 2015 URBAN LAND INSTITUTE, WWW.ULI.ORG

This is worth reading! Bottom line, density is good and it helps create innovation.



Please click the link below to read the entire report:

<http://europe.uli.org/wp-content/uploads/sites/3/ULI-Documents/Density-Drivers-Dividends-Debates.pdf>

TAMPA OFFICE MARKET OVERVIEW

CUSHMAN & WAKEFIELD MARKET OVERVIEW – TAMPA

- **Westshore Office Overview:** Overall vacancy at the end of 2nd quarter 2015 is 11.5% compared to 15.1% last year and 12.2% last quarter. Class A is at 10.9% compared to 15.0% last year and 9.7% last quarter.
- **I-75 Office Overview:** Overall vacancy at the end of the 2nd quarter 2015 is at 19.0% compared to 20.3% a year ago and 20.7% last quarter. Class A is at 20.6% compared to 21.0% a year ago and 21.6% last quarter.
- **Tampa Central Business District:** Overall vacancy at the end of the 2nd quarter 2015 is at 12.0% compared to 13.6% a year ago and 12.1% last quarter. Class A is at 9.5% compared to 11.8% a year ago and 9.7% last quarter.

ERHARDT COMMENT:

I still believe we will see construction start on two office projects by the fourth quarter. One project is in Westshore and one is in downtown Tampa.



TAMPA INDUSTRIAL MARKET OVERVIEW

Our Perception of the Market, Julia Rettig, Director, Industrial Brokerage, Cushman & Wakefield of Florida, Inc.

The rebounding housing market in Central Florida is creating stronger demand for construction-related users. These trades are more confident in the long-term viability in housing and are quickly absorbing and expanding into warehouse/distribution space throughout the region. We are also seeing stronger activity from online retailers who are racing to develop faster supply chains. They prefer locations adjacent to highway and rail infrastructure which allows them to get goods faster to their customers. Healthcare-related industries are another group expanding. These users are looking to streamline the delivery of rehab equipment and pharmaceuticals to hospitals, as well as developing long-term care facilities. All three sectors have provided an additional boost to the market.

However, the absorption numbers to date this year do not reflect the increased deal activity and flow we are seeing on the ground, which indicates a strong pipeline of tenants moving into and expanding in the market during the second half of 2015. The larger contiguous blocks of class “A” distribution spaces that were chronically vacant, we predict, will be leased in the next six months. Look for new “speculative” construction to begin by the end of the year as occupancies rise, especially for quality space in prime locations.

CUSHMAN & WAKEFIELD MARKET OVERVIEW – TAMPA

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 2nd quarter, 2015 is 7.3% compared to 5.9% a year ago and 7.3% last quarter.
Warehouse distribution is at 6.0% vacancy compared to 4.0% a year ago and 6.1% last quarter.
Office Service Center is at 11.8% vacancy compared to 11.7% a year ago and 11.8% last quarter.
- **East Tampa Industrial Overview:** The overall vacancy at the end of the 2nd quarter 2015 was 9.0% compared to 8.0% a year ago and 9.1% last quarter.
Warehouse distribution is at 9.3% vacancy compared to 8.1% a year ago and 9.3% last quarter.
Office Service Center is at 15.7% vacancy compared to 15.1% last year and 15.7% last quarter.

Erhardt's Tampa Bay Land Market Overview

- **Plant City Industrial Market Overview:** The overall vacancy at the end of the 2nd quarter 2015 was 3.2% vacancy compared to 1.8% a year ago and 3.2% last quarter. Warehouse distribution is at 4.3% vacancy compared to 2.2% a year ago and 4.4% last quarter.
- **Lakeland Industrial Market Overview:** The overall vacancy at the end of the 2nd quarter 2015 was 3.3% vacancy compared to 5.1% a year ago and 3.3% last quarter. Warehouse distribution is at 3.7% vacancy compared to 6.2% a year ago and 3.7% last quarter. Service center is at 17.2% compared to 18.0% a year ago and 17.2% last quarter.

ERHARDT COMMENT:
Plant City and Lakeland are hot.



AGRICULTURAL LAND MARKET OVERVIEW

The Wagner Ranch in Texas, containing 510,000 acres, 500 quarter horses, 7,500 cattle, 1,200 oil wells, and 30,000 acres of cultivated farm land, is on the market for \$725 million.

COLDWELL BANKER COMMERCIAL SAUNDERS REAL ESTATE
MARKET REPORT 2014, PUBLISHED DURING 2015
WWW.SAUNDERSREALESTATE.COM, 866-937-2246

A brief summary of 2014 sales by land category follows.

Ranch and Recreational Land

More than 83,400 acres of unencumbered ranch land sold in 2014, up from 14,037 acres the previous year. The median price in 2014 was \$3,015 per acre, up from \$2,737 the previous year.

The report projects that demand for ranches will remain elevated throughout 2015 and for as long as cattle prices remain at historic highs.

Timberland

16 Florida timberland sales of 1,000 or more acres closed in 2014, totaling more than 462,000 acres at an average sales price of more than \$1,460 per acre. Gross sale prices ranged from \$1,100 to \$1,800 per acre.

The report projects that timberland values are likely to continue to rise in coming years. An improving U.S. economy, a continued rise in housing starts and the expected growth in bio-energy wood products are among factors likely to increase timber demand and timberland prices.

**Central Ridge Citrus
(Highlands, Lake and Polk counties)**

Sale prices for net citrus acreage ranged from \$5,300 to more than \$16,500 per acre, depending on the health and production of the grove. More than half of the sales were under \$10,000 per acre, compared to most sales the previous year being more than \$10,000 per acre.

The strong housing real estate market has created underlying land values for Ridge citrus land in decline from greening disease and other factors. However, as more growers quit caretaking due to greening, values are expected to decline. Anecdotally, there has been a noticeable decline in calls from prospective buyers for citrus groves in this region.

Erhardt's Tampa Bay Land Market Overview

Flatwoods Citrus

(Charlotte, Collier, DeSoto, Glades, Hardee, Hendry, Lee, Manatee and Sarasota counties)

Values for groves with average quality and production were in the \$8,000 to \$10,000 per-acre range, with a large percentage of those transactions being closer to \$10,000 per acre.

Growers with smaller groves increasingly have begun to limit their caretaking and manage their groves to maximize production for another few seasons. Growers with large holdings are more likely to express confidence that a long-term solution to greening disease will be discovered; some see this as an opportunity to increase their holdings.

East Coast Citrus

(Indian River, Martin and Saint Lucie counties)

Two sales in this region netted \$6,505 and \$9,793 per citrus tree acre. Several sales of former citrus land transitioning to other agricultural uses ranged from \$2,852 to \$6,653 per gross acre.

The report said the citrus industry remains a challenge as greening, canker and "Swingle decline" take a toll. This is creating considerable consolidation, with less productive groves being converted to other uses and packinghouses that were once competitors joining forces to share a shrinking pot of fruit.

Former Citrus Lands in Central Florida

More than 10,000 acres of former citrus land was sold for other agricultural uses at an average price of \$5,100 per acre.

More than 13,000 acres of former citrus and ranch/recreational land was sold for development or long-term investment for an average price of more than \$15,400 per acre. However, former citrus alone (excluding ranch/recreational land) sold for an average of over \$76,000 per acre.

Former citrus lands continue to transition to other agricultural uses or to development – primarily residential development.



Central Florida Farmland/Cropland

Good quality irrigated farmland in the Immokalee (Collier County), Palmetto (Manatee County) and Ruskin (Hillsborough County) areas continue to have average market values of \$7,000 to \$8,000 per farmable acre. Per-acre values increase when the land is closer to packinghouses. The interior counties of DeSoto, Hardee, Highlands, Polk and Okeechobee have lower per-acre values of \$4,500 to \$6,000 per farmable acre.

Demand for farmland continues to be heavily influenced by tomato growers. Low or fluctuating tomato prices has resulted in many farmers reducing their planted acreage.

Sugarcane

Sales in the \$12,000 to \$15,000 per-acre range have been recorded.

The recent historically high prices for this South Florida crop are tied to the need to strengthen volume to existing mills or packing facilities. Prices are expected to maintain current levels in the Everglades Agricultural Area.

North Florida Cropland

In the farming area around Hastings (east of the St. Johns River in St. Johns, Putnam and Flagler counties), transactions showed strong prices, generally in the \$7,000 to \$8,000 range. In addition to the traditional potatoes and cabbage grown here, more specialty and ethnic crops are being grown. Land uses and values are influenced here to some extent by the steadily increasing populations of the metro areas less than 15 miles away on the Atlantic coastline.

In the more westward cropland region of Levy, Gilchrist, Dixie, Lafayette, Suwannee, Hamilton and Madison counties, field crops include peanuts, field and silage corn, beans, carrots, melons, tobacco and some small grains. Irrigated farm prices ranged from about \$4,500 to \$6,300 per acre, including wells and complete irrigation systems. The highest prices are for farms with the highest proportions of irrigated land.

Madison, Suwannee and Hamilton counties had the most active farmland markets in 2014. Dry cropland in this area generally sold for between \$2,500 and \$3,500 per acre.

See more at: <http://www.tampabaynewswire.com/2015/04/15/land-values-land-investment-outlook-and-more-shared-at-2015-florida-land-conference-34022#sthash.66MBkddV.dpuf>

Click "Lay of the Land Market Report 2014" for much more detailed information about each category.

LAND SALES

SINGLE FAMILY

1. David Weekley purchased nine lots at The Preserve, Brandon, Hillsborough County, for \$94,349/per developed lot.
2. David Weekley Homes purchased six lots in Seffner at Reserve at Hunters Lake for \$90,095/per developed lot.
3. Lennar Homes purchased 12 lots in DG Farms, located in south Hillsborough County for \$82,500/per developed lot.
4. Homes by West Bay purchased 10 lots at Lithia and Lumsden in Brandon for \$61,400/per developed lot.
5. K Hovnanian purchased 10 lots in DG Farms, located in south Hillsborough County for \$66,000/lot.
6. Adams Homes purchased 12 lots at Park Creek, Hillsborough County for \$55,000/per developed lot.
7. K Hovnanian purchased 21 lots at Union Park, south Pasco County, for \$41,884/per developed lot.

INDUSTRIAL

1. Benderson Development purchased 42 acres on Fruitville Road, east of I-75 for \$73,000/per acre.

MULTIFAMILY

1. Parkland purchased 22.35 acres on Gandy Blvd. across from Derby Lane Dog Track for \$21,982/per unit for 381 units. The property needs significant site work/fill.

SENIOR HOUSING

1. KRG Terra Bella LLC purchased 11.77 acres at Livingston and S.R. 54, south central Pasco County for \$1,205,000 for a senior living facility. Cushman & Wakefield of Florida represented the Seller.

RETAIL

1. WPG paid \$35.87/sf for 3.36 acres at the southwest corner of U.S. Highway 19 and Countryside Blvd. across from Countryside Mall, Pinellas County. No tenants announced.

www.cushmanwakefield.com

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Cushman & Wakefield (C&W) is known the world-over as an industry knowledge leader. Through the delivery of timely, accurate, high-quality research reports on the leading trends, markets around the world and business issues of the day, we aim to assist our clients in making property decisions that meet their objectives and enhance their competitive position.

In addition to producing regular reports such as global rankings and local quarterly updates available on a regular basis, C&W also provides customized studies to meet specific information needs of owners, occupiers and investors.

Cushman & Wakefield advises and represents clients on all aspects of property occupancy and investment. Founded in 1917, it has 248 offices in 58 countries, employing more than 16,000 professionals. It offers a complete range of services to its occupier and investor clients for all property types, including leasing, sales and acquisitions, equity, debt and structured finance, corporate finance and investment banking, appraisal, consulting, corporate services, and property, facilities, project and risk management. A recognized leader in global real estate research, the firm publishes a broad array of proprietary reports available on its online Knowledge Center at:

www.cushmanwakefield.com

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