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TAMPA BAY
LAND MARKET OVERVIEW
QUARTERLY REPORT

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IN THIS REPORT

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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 19 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. Suburban rental is picking up because urban infill has little or no A sites remaining. Look for infill assemblages.
- Single Family – As for the last 26 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. Outparcel subdivisions and unanchored strips are starting in A locations. Health, wellness, fitness and beauty tenants are close to 50% of local space in new grocery anchored centers.
- Industrial – New developers continue to contract and close land positions in Tampa, Lakeland and Plant City.
- Office – Same as last 14 quarters, users and B-T-S only, but I still believe we are getting close to a spec building. Medical office building construction by developers and providers is active.
- Hospitality – Same as the last eight quarters, development activity continues. Major franchisors are creating new brands.
- Agricultural Land – Active, but prices have leveled out for all but citrus, which is declining because of greening. More buyers than sellers. A lot of investor interest from overseas.
- 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

Moody's Analytics – Tampa – St. Petersburg – Clearwater, November 2015

Note the strength of the job market through 2018, and population growth through 2020. All good for land sales.

Click here for the full report.

Gulf Coast Business

Florida's Job Growth for January was 3.7% compared to the nation's rate of 2.2%.

Florida edged out Texas for the top spot for the ninth month in a row.

"Florida is the best place to start or grow a business, and out impressive job growth numbers prove that to the rest of the nation," said Florida Department of Economic Opportunity Executive Director, Cissy Proctor.

Manufacturing saw the fastest annual job growth rate in the nation at 3.8%

Florida Realtors Magazine, March 24, 2016 – It's not a housing bubble: 3 reasons

Home prices are rising three to four times faster than wages, and credit conditions are loosening, say Lawrence Yun, chief economist for the National Association of Realtors®. Those conditions usually prompt housing analysts to start uttering the words "housing bubble," but Yun discounts those warnings.

"Even though the credit conditions appear to be easing somewhat, the move is from overly stringent conditions to not-so-overly-stringent conditions," Yun writes on Forbes.com. "It is a far-fetched view to imply the current mortgage approval process in any way resembles the loosey-goosey, easy subprime mortgage access conditions of a decade ago."

1 **Reason one:** Mortgage credit scores today aren't anywhere near where they were during the housing bubble. Today, approval scores average about 740 to 750 compared to 710 to 720 during the housing crisis, according to Fannie Mae data.

2 **Reason two:** The no-doc requirements for subprime mortgages of yesteryear are nearly gone today. Yun also says that while home prices are rising above wages, low mortgage rates have been a silver lining.

3 **Reason three:** Yun says experts can squash bubble fears by just looking at the housing supply. Inventories are at about four to five months today, which is similar to the bubble years.

However, sales aren't moving at the same pace. Existing-home sales and new-home sales combined were at 8.4 million back then. In 2015, combined home sales were 5.76 million – about one-third lower.

A limited supply of for-sale homes is mostly behind the latest home-price increases, Yun says.

"We are not in a housing market bubble in terms of an inevitable impending home-price crash," Yun says. "Rather, we are facing an above-normal home-price growth trend, which admittedly is unhealthy on several levels because of the simple economic law of insufficient supply. We need more homebuilding."

"We are not in a housing market bubble in terms of an inevitable impending home-price crash," Yun says. "Rather, we are facing an above-normal home-price growth trend, which admittedly is unhealthy on several levels because of the simple economic law of insufficient supply. We need more homebuilding."

10 Take Aways from the Mortgage Brokers Association, CREF 2016 Convention, February 1, 2016

1. Federal Reserve will raise rates twice in 2016, and potentially four times in 2017.
2. Consensus is that we are seeing the tail end of the commercial real estate up-cycle.
3. Property fundamentals seem to be improving.
4. Commercial real estate crowd funding in the U.S. will grow to more than $1 billion by the end of this year, and potentially to $10 billion in five years.
5. Most industry participants admit that underwriting standards have somewhat loosened since the end of the great recession, especially in the CMBS space.
6. CMBS issuance has gone down 20% this year compared to the year before.
7. With about 50% year-over-year increase in non-bank commercial / multifamily loan maturities in 2016, much of it is in the CMBS space, that's leading some market participants to worry there won't be enough CMBS issuance to refinance all of those loans.
8. The hiccups in the CMBS space could provide an opportunity for mezzanine lenders.
9. Real Capital Analytics estimates that 33.7% of all CMBS loans maturing this year and the next will require additional capital to refinance and RCA researchers predict it will be mezzanine lenders and preferred equity partners that will help these borrowers close the gap. Loans on properties in secondary and tertiary markets, loans on retail assets and loans on suburban office buildings will be among those likely to need additional capital to refinance or face difficulty refinancing in all, according to RCA.
10. There is still some distrust with the rating agencies. "With the rating agencies, there is the concept of 'too deeply entrenched to fail.'"

Millennial Urban Preferences: Will They Last? By: Ben Maslan, Principal, and Mark Trainer, Associate, www.rclco.com

Bottom line is the author predicts a reversion toward pre-recession household characteristics among the Millennials. Will likely yield residential location decisions similar to the previous generation.

For the entire article, please click here: http://www.rclco.com/advisory-millennial-preferences?utm_source=March+25%2C+2016+-+Millennial+Urban+Preferences&utm_campaign=Advisory-Millennial-Preferences-2016-03-25&utm_medium=email

Erhardt Comment:

In my opinion, affordability is going to be the biggest factor on Millennials being able to live in the urban districts. Rents north of $2.00/psf are now the norm, not the exception, in downtown Tampa and St. Petersburg.

Multi-Generational Households on the Rise by Isabell Kerins, John Burns Real Estate Consulting, http://realestateconsulting.com/

14% of all U.S. Households (16.5 million households!) now live multi-generationally, and the numbers continue to rise for three reasons:

Delaying marriage has increased the number of young adults living with their parents.

Surging retirement has increased the number of retirees living with their children.

Significant immigration from countries where multi-generational living is the norm has also helped boost the numbers.

Most of the U.S. housing stock was not built for multi-generational living, providing a generous opportunity for home builders. According to our Consumer Insights survey of more than 20,000 new home shoppers, 44% would like to accommodate their elderly parents in their next home. Additionally, 42% of today's shoppers plan on accommodating their 18+ older children in their next home.

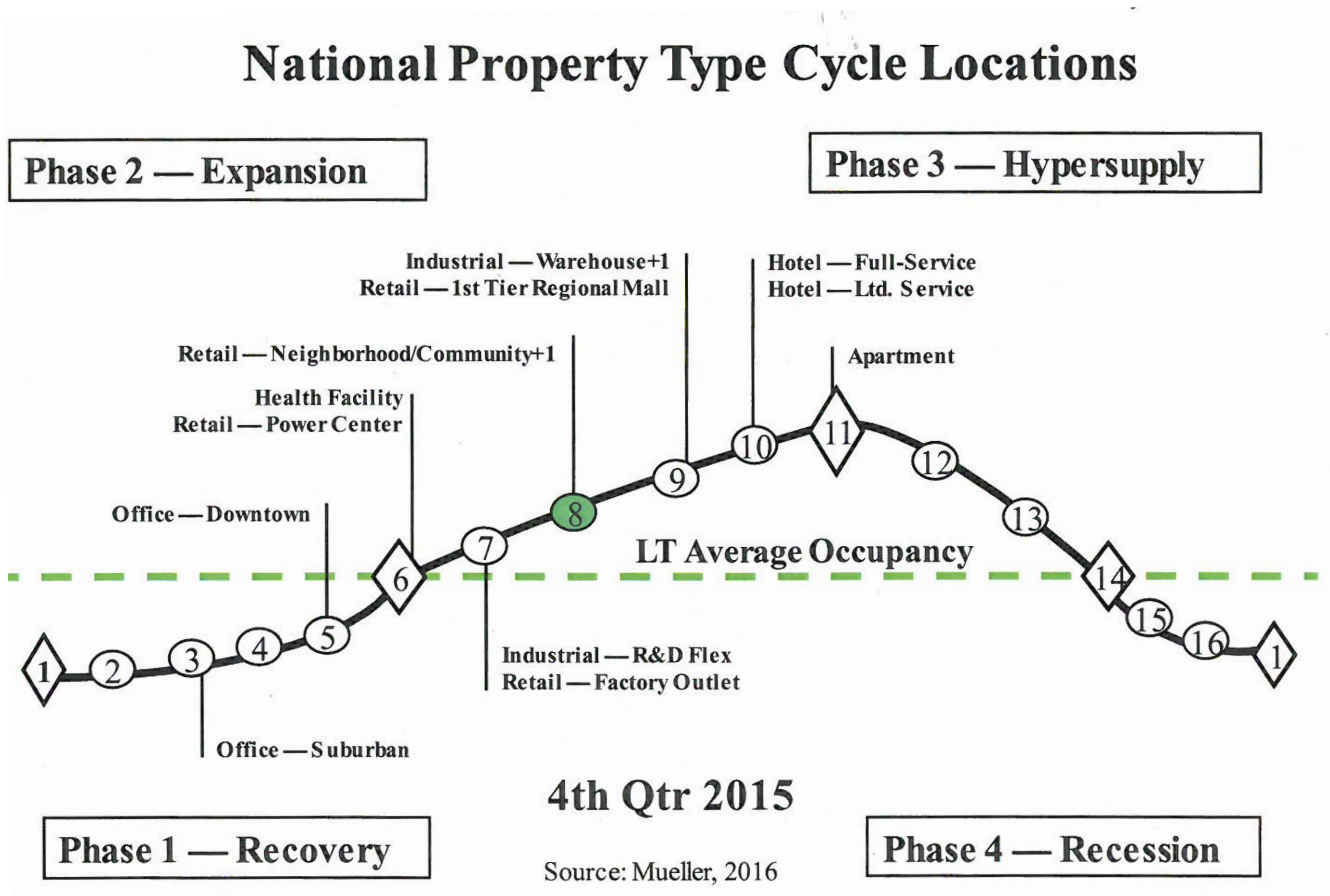
This focus on providing housing to extended family or friends may also account for 65% of respondents desiring a bedroom with bath on the ground level and 24% wanting a suite with a kitchenette and small living area.

Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, February 2016, www.dividendcapital.com, 866-324-7348

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

Gross Domestic Product (GDP) continued to grow at a moderate 2% level as it has since the great recession seven years ago. Continued stock market volatility and a slowing global economy have not deterred employment growth, which is the main driver for income producing commercial real estate demand. Low interest rates and low gas prices are supporting home buying and consumer spending. The economic expansion is crating abundant job opportunities even though the manufacturing and energy sectors are contracting. Commercial real estate is expected to perform well again in 2016.

- Office occupancies improved 0.2% in Q4-2015, and rents grew 1.2% for the quarter and 4.4% annually.
- Industrial occupancies improved 0.2% in Q4-2015, and rents grew 0.6% for the quarter and 5.5% annually.
- Apartment occupancies declined 0.3% in Q4-2015, and rents declined 0.1% for the quarter, but were up and 4.0% annually.
- Retail occupancy improved 0.1% Q4-2015, and rents grew 0.1% for the quarter and 2.4% annually.
- Hotel occupancies improved 0.2% in Q4-2015, and room rates declined 1.4% for the quarter but increased 2.6% annually.



Office Market Cycle Analysis

The national office market occupancy level improved 0.2% in Q4-2015 and was up 0.5% year over year. This is the twenty-first quarter of consecutive improvement. Solid employment growth helped tenants absorb more than 17 million square feet in Q4-2015 lead by the Chicago, San Francisco and Seattle markets. New construction remained lower than absorption for the year and was still 30% less than the pre-precession peak in 2006. Pre-leased space was above 60% in new construction indicating that tenants are optimistic about their future business prospects. Space completions continued to trail absorption, reducing options for tenants and pushing rents higher. Average national rents were up 1.2% in Q4-2015 and rents were up 4.4% year over year.

Tampa has moved up one level to level 5, which is declining vacancy and no new construction. Ahead of Tampa are Miami, Orlando, Charlotte, Nashville and Raleigh Durham. Behind Tampa are Ft. Lauderdale and Memphis. With Tampa are Jacksonville and West Palm Beach.

Industrial Market Cycle Analysis

Industrial occupancies improved 0.2% in Q4-2015, and were up 0.6% year over year. The occupancy increase was enough to push the national average occupancy rate up to point 9 on the cycle chart with 70% of the markets covered now having rents that allow for cost feasible new construction. Consumer spending continues to create increased demand for storage and many retailers are looking to provide faster delivery with more warehouse locations. Industrial rent growth was the highest of all the property types for 2015. The industrial national average rent index increased 0.6% in Q4-2015 and was up 5.5% year over year.

For the third quarter, Tampa is at level 8, in the expansion phase with rents rising rapidly towards new construction levels. With Tampa are Charlotte, Nashville, Orlando and Raleigh Durham. Ahead of Tampa are Miami and Palm Beach. Behind Tampa are Ft. Lauderdale, Jacksonville, Memphis and Richmond.

Apartment Market Cycle Analysis

The national apartment occupancy average declined 0.3% in Q4-2015 and was flat year over year. This means that the apartment occupancy cycle is passing its peak, but not quite enough yet to move to point 12 no the cycle. The reason for this is not a lack of demand as millennials continue to enter the work force and rent apartments. It is still because new construction is higher than demand and continues to accelerate. Apartment deliveries are expected to be the strongest yet in 2016. Average national apartment rent growth began to decline with a 0.1% drop in Q4-2015, but was up 4.0% year over year.

For the second quarter, Tampa is at level 13 in the hyper supply phase of rent growth positive, but declining. With Tampa are Nashville and Norfolk. Behind Tampa are Orlando, Palm Beach, Charlotte, Ft. Lauderdale, Memphis, Miami, Raleigh Durham and Jacksonville.

Retail Market Cycle Analysis

Retail occupancies were up 0.1% in Q4-2015 and were up 0.5% year over year. Holiday sales were reported to have had a minor drop initially, but then were revised to have a 3.4% gain. This gave retailers the confidence to expand stores, leading to 66 million square feet of net absorption in 2015. The major catalyst now is lower gas prices which give consumers more disposable income. National average retail rents increased 0.1% in Q4-2015 and were up 2.4% year over year.

For the third quarter, Tampa is at level 8, in the expansion phase, where rents rise rapidly towards new construction levels. With Tampa are Ft. Lauderdale and Palm Beach. Ahead of Tampa are Orlando, Miami and Raleigh Durham. Behind Tampa are Charlotte, Ft. Lauderdale, Nashville, Memphis and Jacksonville.

Hotel Market Cycle Analysis

Hotel occupancies increased an average of 0.2% in Q4-2015 and were up 1.0% year over year. Reduced energy prices helped to fuel holiday travel and room demand. New projects continued to come online increasing competition and while the increased occupancy should have translated into increased room rates, it did not happen. The National average hotel room rate declined 1.4% in Q4-2015, but was up 2.6% year over year.

For the sixth quarter, Tampa is at level 10, which is the supply demand equilibrium point. With Tampa are Charlotte and Jacksonville. Ahead of Tampa are Ft. Lauderdale, Miami and Palm Beach. Behind Tampa are Atlanta and Raleigh Durham.

Erhardt Comment:

I still think Tampa multifamily market has legs for the next three to five years because of population growth, job growth, and renter by choice.

TAMPA BAY MULTIFAMILY MARKET OVERVIEW

Erhardt Comment:

I believe population growth and job growth will keep the multifamily new apartment construction at equilibrium.

With 40,000 new jobs, the rental market needs to deliver one unit for every five jobs, that's 8,000 units. Significantly more than the 4,500 units that will be delivered this year.

Marcus & Millichap 2016 Market Forecast

Vacancies will remain particularly tight in Tampa Bay this year as developers scurry to keep pace with an accelerating rate of household formation.

The project pipeline remains full, and permitting trends signal a continuation of the current building cycle beyond 2016.

Completions this year will feature 1,800 rentals in the Westshore and Tampa CBD submarkets, where five consecutive years of employment growth are increasing the daytime population and enlarging the pool of prospective renters.

Properties in suburban submarket, including Brandon and Wesley Chapel, where job growth is generating new rental housing demand, offer potentially higher yields. Cap rates in the metro span a wide range, from the low 5% band for high quality assets in the center of the metro to 7% for functioning Class C complexes in lower density areas.

2016 Market Forecast

Strong construction and rising vacancy pushed the market down five positions in the index.

- Healthy expansions in medical fields and leisure and hospitality will set the pace in 2016 and contribute significantly to a gain of 32,600 positions during the year. In the Tampa Bay market, employers made 40,200 new hires in 2015.
- The pipeline in Tampa Bay remains quite full. This year, 4,500 rentals will come online, up from 3,600 apartments in 2015.
- A sizable increase in jobs will spark the creation of new households, but completions will outpace new demand in 2016 to push up vacancy 30 basis points to 3.8 percent.
- Following a hefty 8.1% jump last year, the average rent will rise 5.4% during 2016 to $1,075 per month. Tight vacancy will minimize concession use.
- In addition to searching the Tampa Bay suburbs to secure higher yields, investors seeking to hold assets for an extended period may increasingly consider top properties outside of the metro in nearby Manatee, Polk and Sarasota counties.

TAMPA BAY HOSPITALITY MARKET OVERVIEW

TampaBay.com, Tourism Hot Spots, by Justine Griffin

- The Tampa-St. Petersburg-Clearwater hotel market is among the top in the nation, according to Smith Travel Research, which said the Bay area saw the largest increase in hotel occupancy rates last year. The region also had the biggest bump in revenues per room.
- Tampa Bay, Hillsborough and Pinellas Counties, saw a 5.6% increase in occupancy to nearly 72%, and a 13.6% increase in revenue per room.
- Of the 25 tourism markets, STR Surveys, Hillsborough County ranked third for average daily room rate for the year at $107.95, which was up 8.1% compared to last year.
- Hillsborough County collects a 5% levy on hotel stays. In December, the County collected just over $2 million in bed taxes for the month, which is up 6.7% over last year.

Year to Date February 2016, Hillsborough County Hospitality Statistics

- Occupancy rates – 79.2%
- Room Rates – ADR $127.29, up 9.7%
- Room Expenditures – RevPAR $178.83, up 10%
- Market Growth – Supply $1,260,000, flat
- Demand - $1,000,193, flat
- Revenue - $127,300,000, up 10%

TAMPA RETAIL MARKET OVERVIEW

The CoStar Retail Report, Year End 2015

Overview

- The Tampa / St. Petersburg retail market experienced a slight improvement in market conditions in the fourth quarter 2015.
- The vacancy rate went from 6.1% in the previous quarter to 5.9% in the current quarter. Net absorption was positive 1,058,224 sf, and vacant sublease space decreased by 14,505 sf.
- Quoted rental rates decreased from third quarter 2015 levels, ending at $13.70/psf per year.
- A total of 20 retail building with 703,142 sf of retail space were delivered to the market in the quarter, with 514,130 sf still under construction at the end of the quarter.

Net Absorption

Retail net absorption was strong in Tampa/St. Petersburg fourth quarter 2015, with positive 1,058,224 square feet absorbed in the quarter. In third quarter 2015, net absorption was positive 735,267 square feet, while in second quarter 2015, absorption came in at positive 498,489 square feet. In first quarter 2015, positive 4,221 square feet was absorbed in the market.

Tenants moving into large blocks of space in 2015 include: Goodwill moving into 49,430 square feet at Ranch Lake Plaza; and Restoration Hardware moving into 46,998 square feet at International Plaza; and Wal-Mart Neighborhood Market moving into 46,545 square feet at East Lake Woodlands.

Vacancy

Tampa/St. Petersburg’s retail vacancy rate decreased in the fourth quarter 2015, ending the quarter at 5.9%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 6.4% in the first quarter 2015, to 6.4% at the end of the second quarter 2015, 6.1% at the end of the third quarter 2015, to 5.9% in the current quarter.

The amount of vacant sublease space in the Tampa/St. Petersburg market has trended down over the past four quarters. At the end of the first quarter 2015, there was 557,557 square feet of vacant sublease space. Currently, there is 439,049 square feet vacant in the market.

Largest Lease Signings

The largest lease signings occurring in 2015 included: the 50,400-square-foot renewal signed by Sports Authority at Embassy Crossing Shopping Center; the 50,000-square-foot deal signed by Powerhouse FX Gym at 3251 W Hillsborough Ave; and the 46,031-square-foot lease signed by Publix at Shoppes at Trinity Lakes.

Rental Rates

Average quoted asking rental rates in the Tampa/St. Petersburg retail market are down over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the fourth quarter 2015 at $13.70 per square foot per year. That compares to $13.71 per square foot in the third quarter 2015, and $13.69 per square foot at the end of the first quarter 2015. This represents a 0.1% decrease in rental rates in the current quarter, and a 0.07% increase from four quarters ago.

Inventory & Construction

During the fourth quarter 2015, 20 buildings totaling 703,142 square feet were completed in the Tampa/St. Petersburg retail market. Over the past four quarters, a total of 1,524,174 square feet of retail space has been built in Tampa/St. Petersburg. In addition to the current quarter, 23 buildings with 307,626 square feet were completed in third quarter 2015, 25 buildings totaling 395,765 square feet completed in second quarter 2015, and 117,641 square feet in 15 buildings completed in first quarter 2015.

There was 514,130 square feet of retail space under construction at the end of the fourth quarter 2015.

Some of the notable 2015 deliveries include: Tampa Premium Outlets, a 490,940-square-foot facility that delivered in fourth quarter 2015 and is now 100% occupied, and Bass Pro Shops, a 140,400-square-foot building that delivered in third quarter 2015 and is now 100% occupied.

Total retail inventory in the Tampa/St Petersburg market area amounted to 223,952,572 square feet in 18,576 buildings and 2259 centers as of the end of the fourth quarter 2015.

TOTAL RETAIL INVENTORY 223,952,572 SF IN 18,576 BUILDINGS AND 2259 CENTERS

VACANCY RATE WENT FROM 6.1% IN THE PREVIOUS QUARTER TO 5.9% IN THE CURRENT QUARTER

NET ABSORPTION WAS POSITIVE 1,058,224 SF, AND VACANT SUBLEASE SPACE DECREASED BY 14,505 SF

QUOTED RENTS ENDED THE FOURTH QUARTER 2015 AT $13.70 PER SQUARE FOOT PER YEAR

Construction Activity Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total GLA	Preleased SF	Preleased %	All Existing	U/C
Sarasota/Bradenton	10	141,635	138,785	98.0%	12,108	14,163
Pinellas	5	138,700	138,700	100.0%	11,146	27,740
Pasco County	4	81,865	80,750	98.6%	14,647	20,466
Central Tampa	2	74,167	74,167	100.0%	9,588	37,083
I-75 Corridor	3	48,442	46,814	96.6%	11,878	16,147
Eastern Outlying	3	22,321	22,321	100.0%	12,186	7,440
Hernando County	1	7,000	7,000	100.0%	15,323	7,000
North Hillsborough	0	0	0	0.0%	13,595	0
Totals	28	514,130	508,537	98.9%	12,056	18,362

Source: CoStar Property®

Total Retail Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Central Tampa	1,620	15,532,694	806,496	890,288	5.7%	(20,867)	81,969	74,167	$16.57
Eastern Outlying	2,324	28,319,858	1,752,667	1,766,011	6.2%	125,741	63,942	22,321	$11.76
Hernando County	568	8,703,479	555,364	560,109	6.4%	117,263	96,208	7,000	$10.59
I-75 Corridor	2,130	25,299,950	1,048,118	1,062,201	4.2%	381,809	332,231	48,442	$13.82
North Hillsborough	1,358	18,462,643	1,025,970	1,035,922	5.6%	45,799	33,109	0	$13.64
Pasco County	1,686	24,695,349	1,788,245	1,877,066	7.6%	663,723	573,385	81,865	$12.34
Pinellas	4,891	54,517,249	3,181,964	3,349,273	6.1%	392,312	180,711	138,700	$14.19
Sarasota/Bradenton	3,999	48,421,350	2,714,207	2,771,210	5.7%	590,421	162,619	141,635	$14.93
Totals	18,576	223,952,572	12,873,031	13,312,080	5.9%	2,296,201	1,524,174	514,130	$13.70

Source: CoStar Property®

Total Retail Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total GLA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Bayside	187	4,194,829	160,365	160,365	3.8%	24,815	82,500	0	$12.37
Clearwater CBD	216	1,472,185	95,171	95,171	6.5%	(10,364)	0	0	$13.74
East Tampa	982	13,030,464	479,751	486,664	3.7%	168,870	155,335	4,400	$14.64
Gateway	286	3,361,534	159,503	162,705	4.8%	(2,286)	6,000	0	$13.80
Hernando County	568	8,703,479	555,364	560,109	6.4%	117,263	96,208	7,000	$10.59
Manatee	1,565	18,325,710	1,242,152	1,252,521	6.8%	269,778	48,080	51,143	$13.26
Manatee Outlying	96	1,472,948	58,394	58,394	4.0%	68,899	11,953	0	$16.61
Mid-Pinellas	1,028	11,189,961	840,890	843,462	7.5%	64,712	55,577	4,200	$13.72
North Pinellas	1,056	14,461,782	885,537	940,923	6.5%	87,432	0	58,000	$15.04
Northeast Tampa	1,148	12,269,486	568,367	575,537	4.7%	212,939	176,896	44,042	$13.22
Northwest Tampa	1,358	18,462,643	1,025,970	1,035,922	5.6%	45,799	33,109	0	$13.64
Pasco County	1,686	24,695,349	1,788,245	1,877,066	7.6%	663,723	573,385	81,865	$12.34
Polk County	2,324	28,319,858	1,752,667	1,766,011	6.2%	125,741	63,942	22,321	$11.76
Sarasota	1,959	23,472,080	1,057,293	1,103,927	4.7%	123,681	33,253	43,181	$17.79
Sarasota Outlying	379	5,150,612	356,368	356,368	6.9%	128,063	69,333	47,311	$12.23
South Pinellas	1,945	18,127,042	993,404	1,099,553	6.1%	192,801	36,634	46,500	$13.95
South Tampa	813	5,961,554	140,782	196,894	3.3%	36,047	10,941	74,167	$17.91
St Petersburg CBD	173	1,709,916	47,094	47,094	2.8%	35,202	0	30,000	$15.32
Tampa CBD	74	1,297,347	259,958	259,958	20.0%	(1,276)	0	0	$16.78
Westshore	733	8,273,793	405,756	433,436	5.2%	(55,638)	71,028	0	$15.83
Totals	18,576	223,952,572	12,873,031	13,312,080	5.9%	2,296,201	1,524,174	514,130	$13.70

Source: CoStar Property®

Tampa Tribune, October 7, 2015, Publix on USF Campus

- Publix to open on University of South Florida campus by fall of 2017.
- The store will be 2,800 sf built at the corner of Fletcher Avenue and UFF North Palm Drive, the main northern entrance to the Tampa campus.
- Three acres.
- There are 60,000 students and employees at the USF campus.
- The ground lease is $130,000/year, for 20 years, with six 5 year extensions.
- In the immediate area of the Publix, USF plans a village that will add 1,000 student housing beds.

TAMPA BAY SINGLE FAMILY MARKET OVERVIEW

MetroStudy, www.metrostudy.com

Bradenton

- Annual starts – 4,687 in 2015, which was below the 20 year average of 20,000 per year
- Housing price by segment – 3,135 below $350,000, and 1,555 above $350,000. There were 580 in the $450,000+ range.
- Sarasota starts by market: Manatee County: 2,365; Sarasota County: 1,812; Charlotte County: 496.
- Lakewood Ranch led the master planned communities by annual starts with 519; followed by the West Villages with 449; Palmer Ranch with 236; and South Gulf Cove with 185.
- Vacant developed lots
  - Manatee County: 5,133, which is a 26.1 month supply
  - Sarasota County: 4,102 which is a 27.2 month supply

Tampa

- Starts are up 27.3% and closings are up 17.8%.
- Housing by price segment – 6,043 units under $350,000, and 1,408 units above $350,000. The largest segment with 1,860 units was the $200,000 - $250,000 segment.
- Starts by submarket: South Hillsborough County led the way with 2,502 starts; followed by Central Pasco / New Tampa with 898, South Brandon with 789, and Trinity / Starkey / Southwest Pasco with 656.
- Top master planned communities by starts: Long Lake Ranch at 220, Fishhawk Ranch with 185, Ayersworth Glen with 181, Valencia Lakes with 177 (age restricted), and Hawks Point with 176.
- Vacant developed lots:
  - Pasco County – 6,294, which is a 34.8 month supply
  - Hillsborough County – 8,859 lots, which is a 24.1 month supply

2016 Tampa Housing Strategies, John Burns Real Estate Consulting, www.RealEstateConsulting.com

Tampa Market Forecast

- Employment Growth – 2.4% year over year.
- Resale activity steady and strong.
- Total permits up 4% in 2016 to 15,900 (62% single family).
- Months of supply very low at 3.2.
- New home prices up 3%.
- Household growth – 62% will be in the south, where 42% currently live.
- Florida has 7% of the households today, and is predicted to grow to 12%.

Capitalize on 11 Huge Social Shifts

1. Living Alone: Only 55% of households are led by couples (49% married, 6% living together), compared to 77% of households in 1950.
2. Marrying Later: Only 22% of women aged 25 – 29 are married with children today, compared to 68% in 1967.
3. Cohabitation: In the 1980s, 13% of the couples lived together in their late 20s, double the 1960s Egalitarians. Does less marital commitment mean less likely to cosign a mortgage?
4. Never Marrying: Marital rates for those under 30 have dropped in half to 39%; and marital rates for those aged 40-54 have dropped 12%+ too.
5. Divorcing Less: Divorce rates rose 132% from 1957 to 1979, and have fallen 37% since, creating fewer households.
6. Childless Households: Only 29% of households now have kids, meaning that good schools are not critical for 71% of households, and traditional floor plans are less relevant.
7. Delaying Childbirth: Women are having their first child two years later than their mother did.
8. Unwed Mothers: 40% of children are born to unmarried women, double the percentage in 1983.
9. Single Parent Households: Only 46% of 1990s Connectors lived with both parents in 2013, compared to 73% of 1940s Achievers in 1960.
10. Women are the Breadwinners:
    - 37% of women graduate from college vs. 31% of men.
    - 38% of women earn more than their husband, up from 24% in1987.
    - Since 1973, real female incomes are up 36% and male incomes are down 5%.
11. Raising Kids in a Rental Home: 15.3 million households now live in a single family rental home, 4.1 million more than in 2007.

Tampa Bay Builders Association, January 12, 2016, Annual MetroStudy Presentation, www.MetroStudy.com

- The 350,000+ starts is up 300% in three years.
- Starts – There were 7,454 starts in 2015, up 27%.
- Predicting 7,950 starts in 2016, 8,500 in 2017, and 8,600 in 2018.
- Home size is going up.
- 50% of home buyers over 60 are single.
- 1.5 jobs = new house.

Tom Murphy, ULI Fellow, Former Mayor of Pittsburgh, also spoke:

- Millennials are six times less likely to own a car. A car is $100,000 mortgage amount.
- Downtown Tampa is attracting Millennials.
- USF ranks 15th in the world for patent granted.

TAMPA OFFICE MARKET OVERVIEW

Cushman & Wakefield Market Overview – Tampa

- **Westshore Office Overview:** Overall vacancy at the end of 1st quarter 2016 is 9.0% compared to 9.8% last year and 9.1% last quarter. Class A is at 8.5% compared to 9.3% last year and 8.0% last quarter.
- **I-75 Office Overview:** Overall vacancy at the end of the 1st quarter 2016 is at 11.2% compared to 16.0% a year ago and 15.5% last quarter. Class A is at 9.4% compared to 18.2% a year ago and 17.2% last quarter.
- **Tampa Central Business District:** Overall vacancy at the end of the 1st quarter 2016 is at 10.6% compared to 9.8% a year ago and 9.3% last quarter. Class A is at 7.7% compared to 7.5% a year ago and 7.1% last quarter.

Erhardt Comment:

I still believe Vinik will build a downtown building and Highwoods will build at Independence Park in Westshore. I won't be surprised if an out-of-towner shows up and buys a parcel or office park site this year.

TAMPA INDUSTRIAL MARKET OVERVIEW

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

Leasing activity remained strong in the first quarter as companies were still experiencing growth and trying to secure positions in existing buildings or looking to consider build-to-suits or new build-to-own options. Cushman and Wakefield's Industrial Team leased or renewed close to 500,000 sf of space in the first quarter. Many users were determined to renew early as they felt market conditions were shifting to favor landlords, where asking rental rates would increase and concessions reduce.

According to Moody's Analytics, job growth in Tampa Bay in the first quarter was above the national pace and resulted in the area's unemployment rate to drop to 5.3%, close to its lowest since 2007. Among the sectors that drove growth was in construction and the resurgence of the housing market. The increase in construction jobs was directly tied to the elevated absorption levels in the last half of 2015 and in the first quarter.

Overall, developers have announced or broke ground on three (3) smaller speculative industrial buildings in the East Tampa market of 100,000 square feet or less. There are several build-to-suit users/ projects circling the market and there are limited options developers have to take advantage of accommodating those users.

The average asking rental rate at the end of the first quarter was $5.64 per sq ft/year for the Tampa Bay industrial market, up almost 1.0% higher over the past three months and 3.3% since the first quarter of 2015. In Hillsborough County, average industrial rental rates were up 2.3% in the first quarter on significant leasing activity which indicates a strong pipeline over the next two quarters for absorption.

$5.64 psf
END OF Q1-2016

1.0%
HIGHER OVER PAST 3 MONTHS

3.3%
HIGHER SINCE Q1-2015

2.3%
IN HILLSBOROUGH COUNTY

AVERAGE ASKING INDUSTRIAL RENTAL RATE

Cushman & Wakefield Market Overview – Tampa

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 1st quarter, 2016 is 5.1% compared to 7.3% a year ago and 5.4% last quarter.
  Warehouse distribution is at 3.8% vacancy compared to 6.1% a year ago and 3.7% last quarter.
  Office Service Center is at 9.7% vacancy compared to 11.8% a year ago and 10.6% last quarter.
- **East Tampa Industrial Overview:** The overall vacancy at the end of the 1st quarter 2016 was 7.3% compared to 9.1% a year ago and 7.1% last quarter.
  Warehouse distribution is at 3.8% vacancy compared to 9.3 a year ago and 7.1% last quarter.
  Office Service Center is at 9.7% vacancy compared to 9.3% last year and 14.8% last quarter.
- **Plant City Industrial Market Overview:** The overall vacancy at the end of the 1st quarter 2016 was 3.0% vacancy compared to 3.2% a year ago and 3.0% last quarter.
  Warehouse distribution is at 4.2% vacancy compared to 4.4% a year ago and 4.2% last quarter.
- **Lakeland Industrial Market Overview:** The overall vacancy at the end of the 1st quarter 2016 was 5.0% vacancy compared to 3.3% a year ago and 3.5% last quarter.
  Warehouse distribution is at 6.2% vacancy compared to 3.7% a year ago and 4.0% last quarter.
  Service center is at 14.6% compared to 17.2% a year ago and 16.1% last quarter.

LAND MARKET OVERVIEW

Agricultural Overview, January 12, 2016, Foreign Land Sales, www.Stuff.co

- China has about 22% of the world's population and about 8% of the world's arable land. A high proportion of that arable land – a common estimate is 40% - has been taken over by industry or urban development or is polluted.
- China has created a rich class and a very large middle class. They eat more, particularly more meat. China is expected to consume 50 billion kilograms more food in 2020 than it did in 2010.
- Threats to stability in China may come from food shortages.
- Foreign land buying of agricultural land is not going to stop any time soon.

Land Values on the Rise in Sunshine State, Tampa Tribune, April 2, 2016

- Investments in agriculture are competitive and bring reasonable returns, said Paul Genho, who for years operated Desire Ranches (Mormon Church) in Florida. Farm land in the last 10 years has had a 16% average return.
- Dean Saunders, Saunders Real Estate, stated that because Florida is 47th or 48th in the nation terms of tax burden, is a reason people want to come to Florida.
- The state has 10 million individual land parcels available, valued at upwards to $2 trillion, up 10% over the last year, Saunders said.
- Some buyers are those who want to get their money out of their country.
- Crop lands in Central Florida are selling for $5,000 to $6,700 per gross acre, he said, and in many cases it is being leased back to farmers by investor buyers.

Land Sales

Single Family

1. Mattamy Homes purchased 106 acres in the South Brandon / Riverview market for $12.1 million, which is $114,151 per acre. They plan on building 420 units or $28,810 per unit. This represents 3.96 units per gross acre.
2. LGI Homes purchased 55 lots in the Shadow Lakes subdivision in South Hillsborough County for $31,090/per lot.
3. MI Homes purchased 26 lots in Starkey Ranch for $55,686 per lot.

4. CalAtlantic Group purchased 16 lots in Starkey Ranch for $78,767 per developed lot.
5. Homes by WestBay purchased 12 lots in Starkey Ranch for $98,250 per lot.
6. Lennar Homes purchased 1,400 acres from Schroeder Manatee Ranch, Inc. (Lakewood Ranch) for $27,142 per acre. They plan on building 2,970 units, or $3,367 per unit. This represents 2.12 units per gross acre.

Institutional

1. University of Tampa purchased seven parcels of land containing approximately two acres for $1,000,000 per acre, which is $23.50/psf.
2. David Beckman purchased 6.2 acres in Miami for a soccer stadium in Miami's Overton neighborhood. He paid $70.35/psf for the 6.2 acres.

Multifamily

3. Hidden River Apartments (Bayfair Development, LLC) purchased 12.63 acres in the Hidden River office park at the NWQ of Fletcher and I-75, City of Tampa, for $3,000,000. $5.45/sf semi-developed. They are planning on building 300 units or $10,000/per unit.
4. Spanos Construction purchased 15.06 acres in Palmer Ranch, Sarasota County, for $4,000,000. The property is zoned for 239 units or $16,736 per unit, and 15.9 units / acre semi-developed.

Urban

5. China Oceanwide Holdings, a $390 million for a 42,694 square foot lot in the historic district at Seaport, Manhattan. The price represents $9,134.77 per square foot. The property is entitled for 817,784 square feet of development rights, which is $476.89 per building foot.

About Cushman & Wakefield

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of $5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit www.cushmanwakefield.com or follow @Cushwake on Twitter.

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