Q1 - 2017

TAMPA BAY LAND MARKET OVERVIEW

QUARTERLY 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 23 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. 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 30 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. Entry level is strong.
- **Retail** – Mainly tenant and location driven. Outparcel subdivisions and unanchored strips in A locations is active.
- **Industrial** – New and local developers continue to contract and close land positions in Tampa, Lakeland, Plant City and Manatee/ Lakewood Ranch.
- **Office** – Same as last 18 quarters, users and B-T-S only. There are several developers looking at Pasco County. Medical office building construction by providers continues to be active.
- **Hospitality** – Same as the last 12 quarters, development activity continues in urban and suburban locations.
- **Agricultural Land** – Active. More buyers than sellers.
- **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. Population and job growth are the drivers.

THE BIG PICTURE

Tampa Bay Builders Association, February 15, 2017 Economic Forecast. Robert Deetz NAHB Chief Economist

- GDP 2017: Predicting 2.4% growth and 2.5% growth in 2018.
- Labor force decline is a problem.
- Mortgage rates: 4.5% end of 2017 and 5.3% end of 2018.
- Cost of building materials is an issue.
- Regulatory costs going up 29% over next 5 years
- Predicting Florida up 9% in 2017.
- 1.8 jobs equals 1 home demand
- Tampa Bay home starts prediction for 2017 – 10,000 single family and 6000 multi family

RCLCO Top Selling Master Plan Communities of 2016

Of the top 20 master plan communities, 20% were in Texas, 20% were in California, 20% were in Florida

20 Top-Selling MPCs in 2016

RANK	MPC	MSA	LOCATION	STATE	2016 SALES	2015 SALES	% CHANGE
1	Irvine Ranch	Los Angeles-Long Beach-Santa Ana	Orange County	CA	1,989	1,674	19%
2	The Villages	Ocala	The Villages	FL	1,966	2,294	-14%
3	Nocatee	Jacksonville	Ponte Vedra	FL	973	1,105	-12%
4	Lakewood Ranch	North Port-Sarasota-Bradenton	Sarasota	FL	775	535	45%
5	Summerlin	Las Vegas-Henderson-Paradise	Las Vegas	NV	769	602	28%
6	Cane Bay Plantation	Charleston-North Charleston	Charleston	SC	569	520	9%
7	Inspirada	Las Vegas-Henderson-Paradise	Las Vegas	NV	564	389	45%
8	Westridge	Dallas-Fort Worth-Arlington	McKinney	TX	528	472	12%
9	Paloma Creek	Dallas-Fort Worth-Arlington	Dallas	TX	515	450	14%
10	Eastmark	Phoenix-Mesa-Scottsdale	Mesa	AZ	502	554	-9%
11	Lake Nona	Orlando-Kissimmee-Sanford	Orlando	FL	495	500	-1%
12	Great Park Neighborhoods	Los Angeles-Long Beach-Santa Ana	Irvine	CA	490	282	74%
13	Stapleton	Denver-Aurora-Lakewood	Denver	CO	471	665	-29%
14	Rancho Mission Viejo	Los Angeles-Long Beach-Santa Ana	San Juan Capistrano	CA	458	302	52%
15	Vistancia	Phoenix-Mesa-Scottsdale	Peoria	AZ	453	466	-3%
16	Daybreak	Salt Lake City	South Jordan	UT	452	415	9%
17	Baker Ranch	Los Angeles-Long Beach-Santa Ana	Lake Forest	CA	443	355	25%
18	Riverstone	Houston-The Woodlands-Sugar Land	Fort Bend County	TX	441	609	-28%
19	Aliana	Houston-The Woodlands-Sugar Land	Fort Bend County	TX	426	443	-4%
20	Verrado	Phoenix-Mesa-Scottsdale	Buckeye	AZ	413	343	20%

RCLCO Seven Real Estate Disruptors to Watch in 2017 by Kelly Mangold, Vice President, & Kim Vernardin, Associate

1. **Transportation - Ride-Sharing and Self-Driving**
   - Uber is now the most popular taxi app in 108 countries around the world, and in 2016, 46% of business travelers' ground transportation transactions were for ride-hailing services (rather than car rentals, 40%, and taxis, 14%).
   - Widespread use of self-driving cars has the potential to fundamentally change American culture and daily life, with significant impacts on real estate. Some households may choose to have only one car, or not to own a car at all, if autonomous vehicles can complete rides for multiple family members during the day. This could change residential parking needs, as well as parking restrictions at malls, offices, and urban downtowns.
   - Some speculate that driverless cars could expand the demand for real estate in transit-inaccessible areas that are currently less expensive, or that they will increase the distance that people are willing to live from work because they can do other things while driving.
2. **Finance – Increased Interest in Alternative Sources**
   - In recent years, the high level of interest and activity by both foreign and crowdsourced investors shows the increasing demand for alternative real estate investment vehicles.
   - The stability and "safe haven" status of the U.S. economy will preserve inbound capital flows.
   - The other emerging alternative investment vehicle, crowdfunding, first emerged in 2012 and has grown substantially since. Crowdfunding currently makes up less than 1% of total real estate investment volume, but with the uptick in volatility in equity markets, and continued low returns on fixed income investments, the demand for crowdfunded real estate is likely to increase going forward.
3. **Office – Co-Working Continues to Flourish**
   - The co-working model has grown exponentially in recent years, both nationally and globally: in 2016, the co-working market surpassed 7,000 players around the globe. According to CoStar, co-working companies WeWork and Regus make up the largest and third largest tenants, respectively, with the highest new leasing volume since 2014.
4. **Hospitality – Hypergrowth in Homesharing**
   - 2016 was a year of continued hypergrowth for Airbnb, specifically in markets outside of the U.S. such as China. In 2016, Paris and London had the most Airbnb listings, and only two of the 10 most-listed cities in the world were in the U.S.
   - Despite its rapid growth, Airbnb generally competes with the leisure hotel demand segment, which is the smallest of the hotel industry. This minimizes the impact that homesharing has on hospitality, and shows that websites like Airbnb may be serving demand that was previously unmet or underserved. Thus, it is expanding the market share of the industry as a whole, rather than simply taking customers from traditional hotels.
5. **Residential – Smaller Living Spaces and Greater Flexibility**
   - While single-family home sizes have resumed steady growth after the downturn, rental units built since 2009 have decreased in size by almost 70 square feet. This change is generally driven by a shifting apartment unit mix, as developers are increasing the share of studio and 1BR units in their buildings.
   - Another housing type composed of very small units, co-living differs from micro units because of the larger communal areas that effectively extend living space. 2016 has shown increased market potential for co-living, as many of these existing properties are heavily oversubscribed.
   - Though the trend of smaller units has received much coverage in recent years, many developers believe that this is a growing, but likely not enduring movement. In micro units especially, developers are building in flexibility so that units may be combined into conventional living spaces if the trend moderates in later years.
6. **Brokerage – Big Data Affords Access**
   - The residential sector is also facing significant changes due to increased access to real estate data through national real estate portals such as Zillow and Trulia. These websites provide home value estimates that some homeowners are using to set asking prices rather than calling a Realtor to find out what comparable homes had recently sold in the market.
   - Online brokerages still only control a small share of overall transactions, but as consumers become savvier and Millennials continue to enter the for-sale housing market, it is likely that future tech startups will continue to change the nature of real estate transactions, especially in the sales of personal homes in the marketplace.
   - Another innovaton affecting the homebuying process is virtual reality (VR) technology, which is revolutionizing the design and construction industry by allowing users to "walk through" designed spaces.
7. **Retail and Industrial – Fight or Flight**
   - While a successful wide scale implementation of a technology such as Prime Air (coupled with existing online shopping with traditional delivery methods) could decrease the demand for brick-and-mortar retail stores, especially power centers, it is likely that restaurants and bars, services, and other experience-based retail will be more insulated. These retailers offer goods and services that cannot generally be delivered by drone or even UPS or FedEx, underscoring that disruptors like Prime Air will not affect all parts of the real estate industry equally.
   - E-commerce may also redefine the conventional industrial sector, with large retailers focusing on expediting the delivery process through optimally located warehouses. In the coming years, the typical distribution system will likely be based on three types of facilities: regional mega distribution centers; mid-sized distribution centers at the market edge; and small, urban and suburban warehouses for last-mile delivery.

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Five Major Trends That Will Shape Retail Real Estate in 2017 by Donna Mitchell, January 19 2017, realestateonline.com

1. Mall tenants will continue to renegotiate their leases, or exit malls altogether, if department store anchors continue to close stores. Specialty retailers pay the bulk of rents that support malls, and many have clauses in their leases specifying that the landlord must maintain a certain number of anchors. The closure of so many anchor locations by so many operators presents a very complex challenge for landlords.
2. Mall landlords will have to come up with a way to offer experiences to shoppers that Amazon.com cannot put in a box and ship.
3. Class-A malls will continue to thrive. Top-tier malls have maintained or increased their rents per square foot, and Chung expects them to continue outperforming class-B and class-C malls in 2017.
4. With a total net worth of about $92 trillion, American households are feeling wealthier and more confident. Retailers are increasing their understanding of how to engage with consumers both in-store and online.
5. The retail real estate sector is facing an enormous challenge over the next 18 months-the maturing of about $47 billion in debt.

If anything is sure about the retail industry it is that consumer tastes, technology and business conditions change.

US Industrial Markets Maintain Record Pace in 2016, January 23 2017, Cushman & Wakefield Reports More Than 280 MSF of Net Absorption

- Industrial markets absorbed 63.6 million square feet (MSF) of space in the final quarter of 2016, which propelled net absorption for the year to a record setting 282.9 MSF.
- The industrial sector has registered 27 consecutive quarters of net occupancy gains, placing this expansion among the longest ever. It is also among the strongest, with net absorption for the past three years (825.5 MSF) surpassing the strongest period of occupancy growth in the prior cycle, 726.8 MSF from 1997-1999.
- The national industrial vacancy rate for all product types continued to decline in the fourth quarter, falling 30 basis points (bps) from the prior quarter and 100 bps from the prior years to 5.5%. Over the past year, logistics-related warehouse vacancy has declined 130 bps, from 6.9% to 5.6%, despite the delivery of 156.8 MSF of new speculative product.
- Healthy demand from logistics and distribution users and supply constraints continue to fuel rent growth. U.S. industrial asking rents increased 3.9% in the fourth quarter compared to a year ago. Industrial rents increased in 61 of 79 markets tracked by Cushman & Wakefield from the fourth quarter of 2015 to the fourth quarter of 2016 with over a quarter of the country now reporting double-digit gains. In many markets, industrial rents are now at historic highs, and on a national level, the U.S. is witnessing rental rate appreciation for every industrial product type.
- On the developmental front, 232.9 MSF of industrial product was delivered in 2016, with 73.6 MSF of it coming online in the fourth quarter. Typically such a robust development pipeline would rebalance supply and demand fundamentals and elevate vacancy, but these are not typical times. Ecommerce continues to structurally alter supply chains and drive robust levels of leasing that continue to keep pace with deliveries. Currently, there is 215.6 MSF of industrial product under construction. Although development remains strongest in major industrial markets, port cities and primary inland distribution hubs, nearly half of the U.S. markets currently have over 1 MSF under construction.
- The top 10 strongest markets in terms of demand for industrial space were Dallas/Ft. Worth, with 5.3 MSF of net absorption; Chicago, with 4.1 MSF; Houston, with 4.1 MSF; the Inland Empire, with 3.6 MSF; Atlanta, with 3.5 MSF; Memphis, with 3.0 MSF; Stockton/Tracy, with 2.5 MSF; Nashville, with 2.5 MSF; the Pennsylvania I-81/I-78 Distribution Corridor, with 2.3 MSF; and Columbus, with 2.1 MSF.

Florida Employment Report, Tampa/St. Petersburg, December 2016

- Tampa/St. Petersburg 12-Month Job Growth 2.2%, Unemployment 4.5%
- Florida 12-Month Job Growth 3.0%, Unemployment 4.7%
- U.S. 12-Month Job Growth 1.7%, Unemployment 4.5%

Source: Cushman & Wakefield Research, U.S. Bureau of Labor Statistics, Moody's (All data represents non-seasonally adjusted employment)

Tampa Westshore Sub-Market Overview

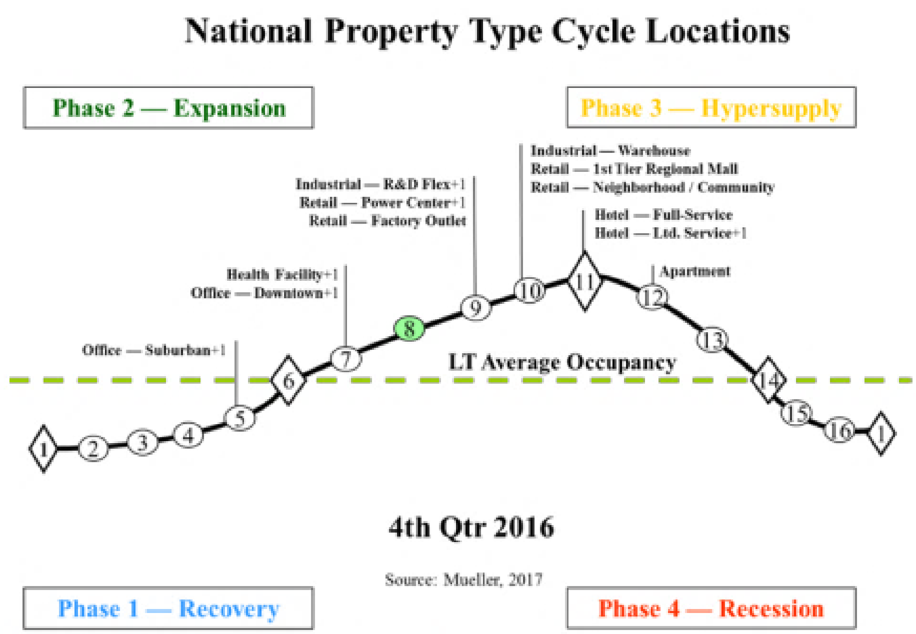
- 94K employees, Tampa Bay's largest employment center
- 13 million sq. ft. of commercial office space
- 35+ hotels, 7K+ rooms
- 3 major highways + Tampa International Airport equals great access to Westshore
- 250+ restaurants
- 350 stores at Westshore Plaza and International Plaza and Bay Street
- 26K students attend Westshore colleges and schools
- 15K residents, 2000+ apartments added since 2009 and 1700 planned or under construction
- 300+ acres of parks, beaches, golf courses and trails

Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, February 2017, www.dividendcapital.com, 866-324-7348, Q4-2016 Cycle Monitor

Commercial Real Estate Physical Market Cycle Analysis of All Five Major Property Types in 55 Metropolitan Statistical Areas (MSAs).

The economy continued its slow pace of expansion in 4Q16 and the prospects look similar for 2017. It will probably take most of the year to get the new administration's tax cuts and regulatory relief bills passed and then implemented. Most economists have projected slightly higher GDP and employment growth for 2017. Wage growth was only 2.5 % in 2016, and January 2017 was similar, so the prospect of higher inflation also seems to be less prominent for 2017. Continued moderate economic growth has been good for real estate over the past six years and we expect this to continue in 2017.

- ↑ Office occupancy **improved** 0.1% in 4Q16, and rents **grew** 0.7% for the quarter and 3.2% annually.
- ↑ Industrial occupancy **improved** 0.1% in 4Q16, and rents **grew** 1.7% for the quarter and 6.7% annually.
- ↓ Apartment occupancy **declined** 0.3% in 4Q16, and rents **declined** 0.6% for the quarter, but increased 3.0% annually.
- ↑ Retail occupancy **improved** 0.1% in 4Q16, and rents were **flat** for the quarter and increased 2.6% annually.
- ↑ Hotel occupancy **improved** 0.1% in 4Q16, and room rates were **flat** for the quarter and increased 3.1% annually.



National Property Type Cycle Graph shows relative positions of sub-property types — major markets are reviewed inside.

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Office Market Cycle Analysis

The national office market occupancy level improved 0.1% in 4Q16, and increased 0.4% year-over-year. The office national average improved enough to move to point seven in the growth phase of the cycle – the last property type to move above its long-term occupancy average in this economic cycle. Steady demand growth in technology, professional, medical and other office-using jobs is driving this office cycle. Government jobs have been the only area of job decline affecting office demand. Supply continued to be moderate, producing positive net absorption for the year. Average national rents increased 0.7% in 4Q16 and produced a 3.2% increase for the year.

Tampa moved to level 8, which is in the middle of the expansion phase. Ahead of Tampa are Nashville and Raleigh. With Tampa are Palm Beach, Orlando, and Charlotte. Behind Tampa are Memphis, Jacksonville, Fort Lauderdale, Atlanta, and Miami.

Industrial Market Cycle Analysis

Industrial occupancies improved 0.1% 4Q16 and increased 0.5% year-over-year. While many markets moved to their peak occupancy level in this cycle, we expect strong demand to continue as supply chain expands into more markets to provide faster local delivery. More retailers are trying to compete with Amazon.com and are leasing more space for internet fulfillment. Most real estate researchers show industrial as their number one property type for 2017 performance. Industrial national average rents increased 1.7% in 4Q16 and increased 6.7% for the year.

For the fourth quarter Tampa is at level 10 which is declining vacancy, new construction and high rent growth in a tight market. Ahead of Tampa are Atlanta, Charlotte, Miami, Nashville, Orlando, Palm Beach, and Raleigh. With Tampa are Fort Lauderdale and Richmond. Behind Tampa are Jacksonville, Memphis, and Norfolk.

Apartment Market Cycle Analysis

The national apartment occupancy average declined 0.3% in 4Q16 and decreased 0.6% year over year. We want to continue to emphasize that demand is expected to be strong for apartments from the growing millennial generation getting out of school, getting jobs and waiting longer to buy homes. The challenge continues to be the higher-than-needed new construction in most of the cities covered. This construction was focused on downtown locations for the past five years, but has now shifted to suburban locations with good transit access, as many millennials no longer want to pay high downtown rent prices. As previously stated, the apartment market could move back into the growth phase of the cycle if new construction slows. Average national apartment rent growth declined 0.6% in 4Q16, but increased 3.0% for the year.

The 6th quarter Tampa is at level 13 and the hyper-supply phase of rent growth, positive but declining. With Tampa is Fort Lauderdale and Nashville. Behind Tampa are Raleigh-Durham, Miami, Memphis, Atlanta, Charlotte, Orlando, and Jacksonville.

Retail Market Cycle Analysis

Retail occupancies improved 0.1% in 4Q16 and increased 0.5% year-over-year. Holiday sales were strong, providing profitable landlords with the confidence to expand. Successful brick and mortar retail formats continue to evolve, while many older concepts like department stores die, creating a unique challenge for landlords. New construction is restrained, providing good market balance. National average retail rents were flat in 4Q16 and increased 2.6% for the year.

Fourth quarter, Tampa is at level 10, expansion phase with declining vacancy and new construction. Ahead of Tampa is Raleigh-Durham. With Tampa is Palm Beach, Orlando, and Miami. Behind Tampa are Memphis, Charlotte, Atlanta, Norfolk, Richmond, Fort Lauderdale, and Jacksonville.

Hotel Market Cycle Analysis

Hotel occupancies improved 0.1% in 4Q16 and increased 0.7% year-over-year. We now estimate that hotels have hit their national average cyclical occupancy rate with a 72.25% all-time historic high. Demand growth is expected to continue to be positive over the next few years with the expanding economy, while new supply is now coming online at higher rates in 2017 and beyond. This may push hotels into the hyper-supply phase of their cycle in 2017. The national average hotel room rate was flat in 4Q16, and increased 3.1% year-over-year.

After seven quarters at level 10, Tampa has moved up to level 11, the demand/supply equilibrium point.

Office National Occupancy improved 0.4% year-over-year

Industrial National Occupancy improved 0.5% year-over-year

Apartment National Occupancy decreased 0.6% year-over-year

Retail National Occupancy improved 0.5% year-over-year

Hotel National Occupancy improved 0.7% year-over-year

Erhardt Comment:

I believe population growth and job growth will even out Tampa's position in the cycle. We are also seeing more privately built workforce housing and new segments for the fifty-five plus crowd who don't want the hassles of maintenance.

TAMPA BAY SINGLE FAMILY MARKET OVERVIEW

MetroStudy Market Briefing, Q4-2016, www.MetroStudy.com

- 2016 starts are up 16.9% to 8,785. We are now at 88% of the long term average of 10,000 starts.
- 34% of the units sold were in the $200K-$300K category. 11% were in the $300K+ category.
- New sales to entry level buyers have exceeded resale since 2013.
- Starts by market area: Hillsborough 5,186, Pasco 2,412, Pinellas 603, Hernando 393, Citrus 191
- The table below ranks the top ten communities in the market by annual starts and their price range:

Community (Area) Annual Starts

RANK	COMMUNITY (AREA)	PRICE RANGE	ANNUAL STARTS
1	Wiregrass	$150-$2963	340
2	FishHawk Ranch	$88-$1600	324
3	Waterset	$150-950	304
4	Long Lake Ranch	$200-$500	227
5	Starkey Ranch	$150-$550	219
6	Oak Creek (SHE)	$100-$305	178
7	Valencia Lakes	$177-$460	172
8	Magnolia Park	$111-$300	137
9	Ayersworth Glen	$124-$376	132
10	Hawks Point	$110-$297	130

- Vacant Developed Lots and Months of Supply:
  - Pasco County - 5,922 vacant developed lots, 29.5 months of supply
  - Hillsborough County - 8,666 vacant developed lots, 20.1 months of supply

Top Builders as of 4Q 2016

RANK	Builder	Closings	
1	Lennar (WCI)	1,844	22.8%
2	DR Horton	740	
3	CalAtlantic	615	
4	Taylor Morrison	520	
5	Pulte Group	393	
6	Homes by WestBay	370	
7	M/I Homes	358	
8	NVR/Ryan	330	
9	David Weekley	286	
10	GL Homes	235	
	Top 10	**5,691**	**70.4%**

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TAMPA BAY MULTIFAMILY MARKET OVERVIEW

AxioMetrics, Inc. Market Performance Summary, Q3-2016, Tampa – St. Petersburg – Clearwater, Florida Metropolitan Statistical Area

Apartment Performance

- Effective rent increased 1.5% from $1,110 in Q2-2016 to $1,126 in Q3-2016, which resulted in an annual growth rate of 5.6%. Annual effective rent growth is forecast to be 3.3% in 2017, and average 3.1% from 2018 to 2020. Annual effective rent growth has averaged 2.6% since Q3-1996.
- The market's occupancy rate decreased from 95.5% in Q2-2016 to 95.4% in Q3-2016, and was down from 95.7% a year ago. The market's occupancy rate was above the national average of 95.1% in Q3-2016. For the forecast period, the market's occupancy rate is expected to be 95.0% in 2017, and average 95.0% from 2018 to 2020. The market's occupancy rate has averaged 93.9% since Q3-1995.

	Sequential				Month	Annual						
	1Q16	2Q16	3Q16	4Q16	FEB-17	2014	2015	2016	2017F	2018F	2019F	2020F
Effective Rent Per Unit	$1,075	$1,100	$1,116	$1,109	$1,110	$981	$1,041	$1,100	$1,138	$1,166	$1,202	$1,248
Per Square Foot	$1.14	$1.17	$1.19	$1.18	$1.18	$1.04	$1.11	$1.17	$1.21	$1.24	$1.28	$1.33
Effective Rent Growth – Annually	6.6%	6.5%	5.7%	4.0%	3.2%	3.3%	6.1%	5.7%	3.4%	2.5%	3.2%	3.8%
Effective Rent Growth – Quarterly	0.9%	2.3%	1.5%	-0.7%								
Occupancy Rate	95.5%	95.5%	95.4%	94.7%	94.8%	94.8%	95.4%	95.3%	94.8%	94.6%	95.0%	95.3%
Occupancy Change – Annually	0.4%	0.0%	-0.3%	-0.9%	-0.6%	0.6%	0.7%	-0.2%	-0.5%	-0.2%	0.4%	0.3%
Occupancy Change – Quarterly	-0.1%	-0.1%	0.1%	-0.1%								
Economic Concessions												
Concession Value	$-4.54	$-3.60	$-3.25	$-6.45	$-6.20	$-8.64	$-3.74					
As a % of Asking Rent	-0.4%	-0.3%	-0.3%	-0.6%	-0.6%	-0.9%	-0.4%					

Demand and Supply

- Axiometrics forecasts Tampa – St. Petersburg – Clearwater, Florida Metro Area's job growth to be 2.4% in 2017, with 30,538 jobs added. Job growth is expected to average 2.1% from 2018 to 2020, with an average of 27,830 jobs added each year.
- On the supply side, permits for 5,526 multifamily units were issued in the 12 months ending in September 2016, down 518 units from the prior year's sum. In terms of total residential housing, 16,646 units were permitted in the 12 months ending September 2016, an increase of 1,363 units from the prior year's total.

	Annual			Q3-2016		Annual Forecast				
	2013	2014	2015	MARKET	NATIONAL	2016	2017F	2018F	2019F	2020F
Total Units Absorbed	3,652	6,670	5,634	1,738	263,077	1,738	5,464	3,517	5,461	4,047
New Supply	3,717	4,012	3,987	4,704	347,761	4,704	5,416	4,746	4,026	3,204
Inventory Growth	1.2%	1.3%	1.3%	1.3%	1.4%	1.5%	1.7%	1.5%	1.2%	1.0%

Submarket Delivery Schedule

	Pipeline Delivery Schedule				Pipeline Lease Up Trent					
	Sequential				Units Absorbed		Asking Rent		Effective Rent	
Top Submarkets	2014	2015	2016	TOTAL	TOTALS	PPM	PER UNIT	PSF	PER UNIT	PSF
Central St. Petersburg	375	260	474	1,109	273	16	$2,248	$2.31	$2,206	$2.26
Central Tampa	1,206	768	822	2,796	695	12	$1,867	$1.96	$1,785	$1.88
North St. Petersburg	651		278	929	286	15	$1,551	$1.44	$1,499	$1.39
Pasco County	421	419	396	1,236	301	14	$1,306	$1.22	$1,301	$1.22
South Hillsborough County		260	250	510	242	17	$1,435	$1.43	$1,425	$1.42
Other	1,544	1,836	932	4,312	843	12	$1,318	$1.37	$1,275	$1.33
Tampa-St. Petersburg-Clearwater, FL	4,197	3,543	3,152	10,892	2,640	13	$1,596	$1.63	$1,548	$1.58

**Based on 2016 deliveries*

**Trend Based on trailing 12 month period*

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TAMPA BAY HOSPITALITY MARKET OVERVIEW

Year to Date February 2017, Tampa/Hillsborough County Hospitality Statistics, Visit Tampa Bay

Occupancy Rate	78.6%
Room Rates	ADR $140.91, up 10.1%
Room Expenditures	RevPAR $110.75, up 9.1%
Market Growth	Flat
Demand	$993,034, up .06%
Revenue	$139,928,567, up 10%

TAMPA RETAIL MARKET OVERVIEW

Q4-2016 Tampa / St. Petersburg Retail Market Report, CoStar Group, Inc.

Net Absorption

Retail net absorption was strong in Tampa/St. Petersburg fourth quarter 2016, with positive 563,701 square feet absorbed in the quarter. In third quarter 2016, net absorption was positive 160,641 square feet, while in second quarter 2016, absorption came in at positive 790,016 square feet. In first quarter 2016, positive 776,213 square feet was absorbed in the market.

Vacancy

Tampa/St Petersburg's retail vacancy rate decreased in the fourth quarter 2016, ending the quarter at 4.9%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 5.4% in the first quarter 2016, to 5.1% at the end of the second quarter 2016, 5.1% at the end of the third quarter 2016, to 4.9% in the current quarter.

The amount of vacant sublease space in the Tampa/St Petersburg market has trended up over the past four quarters. At the end of the first quarter 2016, there was 343,981 square feet of vacant sublease space. Currently, there are 359,813 square feet vacant in the market.

Largest Lease Signings

The largest lease signings occurring in 2016 included: the 59,000-square-foot-lease signed by Old Time Pottery at 1159-1177 Missouri Ave N; the 45,153-square-foot-deal signed by 2Infinity Trampoline Park at Liberty Square; and the 38,000-square-foot-lease signed by Crunch at Hillsborough Galleria.

Rental Rates

Average quoted asking rental rates in the Tampa/St Petersburg retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the fourth quarter 2016 at $14.61 per square foot per year. That compares at $14.43 per square foot in the third quarter 2016, and $13.61 per square foot at the end of the first quarter 2016. This represents a 1.2% increase in rental rates in the current quarter, and a 6.84% increase from four quarters ago.

Inventory & Construction

During the fourth quarter 2016, 20 buildings totaling 146,846 square feet were completed in the Tampa/St Petersburg retail market. Over the past four quarters, a total of 979,244 square feet of retail space has been built in Tampa/St Petersburg. In addition to the current quarter, 14 buildings with 100,334 square feet were completed in third quarter 2016, 27 buildings totaling 332,258 square feet completed in second quarter 2016, and 399,806 square feet in 27 buildings completed in first quarter 2016.

There were 735,545 square feet of retail space under construction at the end of the fourth quarter 2016.

Total retail inventory in the Tampa/St Petersburg market area amounted to 225,424,973 square feet in 18,937 buildings and 2,252 centers as of the end of the fourth quarter 2016.

Shopping Center

The Shopping Center market in Tampa/St Petersburg currently consists of 2,198 projects with 88,890,191 square feet of retail space in 3,774 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers.

After absorbing 242,120 square feet and delivering 25,167 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 8.1% at the end of the third quarter 2016 to 7.9% this quarter.

Over the past four quarters, The Shopping Center vacancy rate has gone from 8.5% at the end of the first quarter 2016, to 8.2% at the end of the second quarter 2016, to 8.1% at the end of the third quarter 2016, and finally to 7.9% at the end of the current quarter.

Rental rates ended the fourth quarter 2016 at $13.31 per square foot, up from the $13.21 they were at the end of third quarter 2016. Rental rates have trended up over the past year, going from $13.02 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled 994,752 square feet over the past four quarters. In addition to the positive 242,120 square feet absorbed this quarter, positive 69,484 square feet was absorbed in the third quarter 2016, positive 347,546 square feet was absorbed in the second quarter 2016, and positive 335,602 square feet was absorbed in the first quarter 2016.

Power Centers

The Power Center average vacancy rate was 6.5% in the fourth quarter 2016. With negative (1,665) square feet of net absorption and no new deliveries, the vacancy rate went from 6.5% at the end of last quarter to 6.5% at the end of the fourth quarter.

In the third quarter 2016, Power Centers absorbed negative (159,823) square feet, delivered no new space, and the vacancy rate went from 4.8% to 6.5% over the course of the quarter. Rental started the quarter at $21.89 per square foot and ended the quarter at $24.50 per square foot.

A year ago, in fourth quarter 2015, the vacancy rate was 4.5%. Over the past four quarters, Power Centers have absorbed a cumulative (161,136) square feet of space and delivered cumulative 39,373 square feet of space. Vacant sublease space has gone from 4,000 square feet to 6,516 square feet over that time period, and rental rates have gone from $19.05 to $24.98.

At the end of the fourth quarter 2016, there was no space under construction in the Tampa/St Petersburg market. The total stock of Power Center space in Tampa/St Petersburg currently sits at 9,840,786 square feet in 27 centers comprised of 163 buildings.

No Space was under construction at the end of the fourth quarter 2016.

Construction Activity

Markets Ranked by Under Construction Square Footage

Under Construction Inventory

					Average Building Size	
Market	**# Buildings**	**Total GLA**	**Preleased SF**	**Preleased %**	**All Existing**	**U/C**
Sarasota/Bradenton	23	223,086	108,419	48.6%	11,990	9,699
North Hillsborough	3	166,400	162,872	97.9%	13,521	55,467
Pinellas	8	156,817	135,160	86.2%	11,017	19,602
I-75 Corridor	5	82,779	71,279	86.1%	11,835	16,556
Pasco County	8	52,044	21,324	41.0%	14,161	6,505
Eastern Outlying	6	44,419	33,380	75.1%	11,965	7,403
Hernando County	1	10,000	0	0%	14,760	10,000
Central Tampa	0	0	0	0%	9,543	0
Totals	**54**	**735,545**	**532,434**	**72.4%**	**11,948**	**13,621**

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TAMPA OFFICE MARKET OVERVIEW

Cushman & Wakefield Market Overview – Tampa

Westshore Office Overview:

Overall vacancy at the end of 1st quarter 2017 is 10.6% compared to 9.0% last year and 9.4% last quarter. Class A is at 9.3% compared to 8.5% last year and 8.3% last quarter.

I-75 Office Overview:

Overall vacancy at the end of the 1st quarter 2017 is at 12.9% compared to 11.2% a year ago and 14.1% last quarter. Class A is at 7.4% compared to 9.4% a year ago and 8.4% last quarter.

Tampa Central Business District:

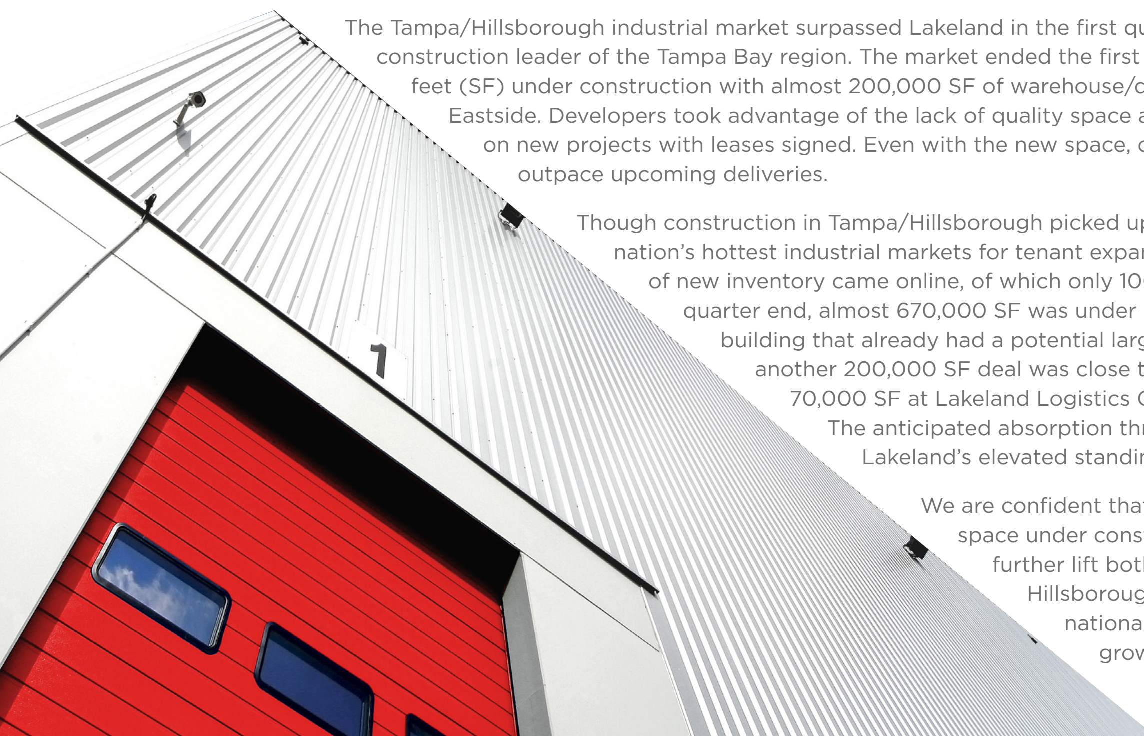
Overall vacancy at the end of the 1st quarter 2017 is at 13.6% compared to 10.6% a year ago and 13.6% last quarter. Class A is at 9.5% compared to 7.7% a year ago and 9.2% last quarter.

TAMPA INDUSTRIAL MARKET OVERVIEW

Our Perception of the Market, Julia Rettig, Director, Industrial Brokerage and Michelle McMurray, Research Analyst, Cushman & Wakefield of Florida, Inc.

Tampa Bay's industrial market capitalized on the momentum coming out of 2016 and posted strong market fundamentals through the first quarter of 2017. Across the region, rent and vacancy rates reached or surpassed pre-recession levels with users and investors perceiving Tampa Bay as one of the hottest industrial markets in the country. The main reasons were the region's incredible job and population growth. Tampa Bay was a strong contender and one of the top ten markets people moved to from across the country. With strong employment and population growth forecasted through 2021, Tampa Bay's industrial market will be a major player with tenants, investors and developers for the foreseeable future.

Tampa/Hillsborough's leasing activity and absorption slowed when compared to the remarkable first quarter in 2016. This did not represent a slowdown in the market but was caused in large part due to the lack of available space. The short-term constraints has been alleviated as the pace of new speculative construction picked up in the last six months and finally add some much needed new inventory after years of limited new development.



The Tampa/Hillsborough industrial market surpassed Lakeland in the first quarter and became the industrial construction leader of the Tampa Bay region. The market ended the first quarter with almost 1.2 million square feet (SF) under construction with almost 200,000 SF of warehouse/distribution space delivered on the Eastside. Developers took advantage of the lack of quality space and rising rental rates to break ground on new projects with leases signed. Even with the new space, demand for class A buildings should outpace upcoming deliveries.

Though construction in Tampa/Hillsborough picked up, Lakeland remained one of the nation's hottest industrial markets for tenant expansions. In the first quarter, 758,000 SF of new inventory came online, of which only 100,000 SF was build-to-suit. By quarter end, almost 670,000 SF was under construction in one speculative building that already had a potential large user close to signing. Additionally, another 200,000 SF deal was close to being inked as well as the the last 70,000 SF at Lakeland Logistics Center, bringing it to 100% occupied.. The anticipated absorption through the rest of 2017 will cement Lakeland's elevated standing in the industrial market nationwide.

We are confident that the large, new, blocks of contiguous space under construction throughout the region will further lift both the Lakeland and Tampa/ Hillsborough markets in attracting quality national tenants wanting to locate in a high growth area.

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Cushman & Wakefield Market Overview – Tampa

West Tampa Industrial Overview:

- The overall vacancy at the end of the 1st quarter, 2017 is 4.2% compared to 5.2% a year ago and 4.5% last quarter.
- Warehouse distribution is at 2.4% vacancy compared to 3.8% a year ago and 3.7% last quarter.
- Office Service Center is at 8.6% vacancy compared to 9.7% a year ago and 7.3% last quarter.

East Tampa Industrial Overview:

- The overall vacancy at the end of the 1st quarter 2017 was 6.0% compared to 7.3% a year ago and 6.4% last quarter.
- Warehouse distribution is at 6.0% vacancy compared to 7.3% a year ago and 6.3% last quarter.
- Office Service Center is at 9.7% vacancy compared to 15.4% last year and 12.2% last quarter.

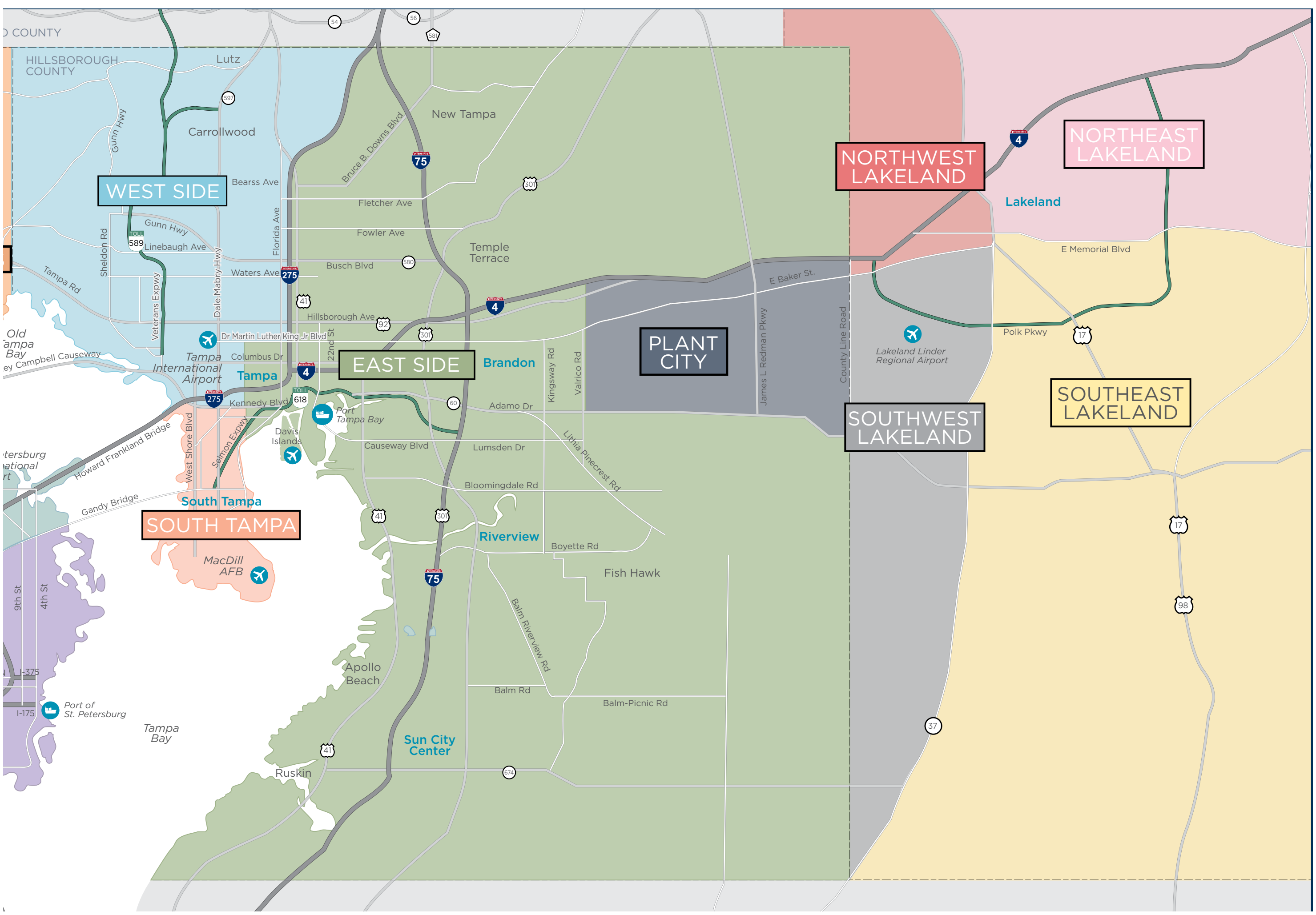
Plant City Industrial Market Overview:

- The overall vacancy at the end of the 1st quarter 2017 was 1.0% vacancy compared to 3.0% a year ago and 2.0% last quarter.
- Warehouse distribution is at 1.1% vacancy compared to 4.2% a year ago and 2.5% last quarter

Lakeland Industrial Market Overview:

- The overall vacancy at the end of the 1st quarter 2017 was 5.1% vacancy compared to 5.0% a year ago and 3.7% last quarter.
- Warehouse distribution is at 6.2% vacancy compared to 6.2% a year ago and 4.2% last quarter.
- Service center is at 23.7% compared to 14.6% a year ago and 18.5% last quarter

Industrial Submarket Map



LAND SALES

Medical Office

- Florida Hospital purchased 6 acres at the northeast quadrant of SR 54 and the Suncoast expressway, and Bexley Ranch for $12.40 a sq. ft. Part of the land will be used for an emergency room project and the balance will be a medical office building.

Retail

- MT Wesley Chapel investors LLC purchased 1.92 acres at the northeast corner of US Hwy 41 and Pleasant Plains Parkway at the entrance to Connerton in Pasco County for $15.54 a sq. ft. They are currently constructing a McDonalds.
- The developer for the VA purchased 27.62 acres in south Hillsborough County for $2.73 a sq. ft., not developed. Developer's obligation is to build an east-west road. This was a Cushman & Wakefield listing.

Industrial

- Blue steel development purchased 71.52 acres for $1.60 a sq. ft., not developed. They are entitled for 600,000 square feet, or $8.33 per building foot.

Single family

- Minto Communities purchased 1,581 acres in Daytona Beach FL from Consolidated-Tomoka Land Company for $17,200 per acre. They plan on building 3,400 units, or $8,000 per unit.

Hotel

- TDR Land Holdings purchased a 6 acre site for 200 rooms at Fruitville Rd. and Interstate 75, Sarasota County for $13.77 a sq. ft. They plan on building a 200 room property, which is $18,000 per unit. The site will be dual-branded with a Sleep Inn and Mainstay Suites.

Retail

- Circle K Stores purchased an outparcel at 107 East 30th Avenue, Bradenton FL for $1,400,000.

Multi-family

- 801 Central-St Pete LLC (Related) purchased 2.48 acres at 801 Central Avenue in downtown St. Petersburg for $84.79 a sq. ft. They're planning to build 354 rental apartments, or $25,875 per unit.
- Phillips Development and Realty purchased 9 acres on 34 Street South in St Petersburg for $10.71 a sq. ft. They plan on building 300 apartments, or $14,000 per unit.
- Unicom Bay purchased 2.87 acres in Hong Kong for $17,369 a sq. ft.
- Richmond Properties purchased 2.94 acres at the corner of North Howard Ave and West State Street in the SoHo area of South Tampa, Hillsborough County for $49.04 a sq. ft. They are building 198 rental units, or $31,719 per unit.

Agricultural

- Whole Florida Citrus LLC purchased 926 acres with 525 acres of grove located in Glades County FL for $4,313 per acre.
- Florida Power and Light purchased 600 acres in Vero Beach, FL for $5,383 per acre.
- QC Standby 5 purchased a 240 acre orange grove in Arcadia, FL for $7,500 per acre.

Single Family

- Homebuilder Pat Neal purchased 500 acres in eastern Sarasota County, east of I-75 for $40,000 per acre. He can build up to 1,100 rooms, or 18,181 units per acre. The density comes out to 2.2 units per gross acre.
- Lots in FishHawk Ranch traded for between $1,100 and $2,540 per front foot, developed.
- Lots in the Waterset Master-Planned Community in south Hillsborough County sold for between $1,110 to $1,294 per front foot developed.
- Lot sold in Bexley Ranch, south central Pasco County for between $1,223 and $1,482 per front foot, developed

THE CUSHMAN & WAKEFIELD LAND PRACTICE GROUP

brings together teams of seasoned and knowledgeable professionals who have expertise in all aspects of buying and selling. These teams use their substantial experience and proprietary real-time local market information to analyze and develop appropriate strategies for individual sites or portfolios. By capitalizing on various resources within the company, Cushman & Wakefield is uniquely qualified to combine local real estate knowledge with experience in international and domestic capital markets through our Equity, Debt and Structured Finance Group.

Click here to download the Land Practice Group brochure:
https://sites.cushwakedigital.com/181/11814/uploads/land-practice-group-brochure.pdf

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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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