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**Cushman & Wakefield of Florida, Inc.**

**Tampa Bay Land Market Overview**  
**2Q – 2012**



Cushman & Wakefield has created a Land Practice Group in the United States and Canada. I am the lead broker for this group. Click here to view markets served:

<http://www.cushmanwakefield.com/flyers/Land Practice Group Marketing Flyer FINAL 6-19-12.pdf>

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](http://www.cushwakelandfl.com/tampa).

### **Erhardt's Quick Look at the Land Market**

- **Multifamily land** – For the 15th quarter, land for multifamily condo product is not active. Townhome projects however, are picking up in A suburban and infill locations. Rental continues to be active.
- **Single Family** – As for the last 11 quarters, builders and developers are closing and making offers on A and B locations. Prices are being pushed by builders. Developers cannot compete.
- **CDDs** – Bondholders continue to foreclose with special purpose entities taking title. The SPEs are charged with bringing in builders who will buy the lots and pay the bond obligations.
- **Retail** - Same as last 21 quarters, land prices are flat; however, I do not see them declining. Retail development continues to be driven by single tenant, necessity retail and investors, with the exception of the possible Bass Pro Shops and Chelsea Outlet Mall deals.
- **Industrial** – Developers are back looking, having left in 2008. Several developers that own land are finishing up the permitting for buildings on the shelf, to be ready for a build to suit or start speculative development. I believe spec development will start in 2013.
- **Office** – No change, users only. Medical office is active.
- **Hospitality** – No development activity that I am aware of.
- **Bank Deals** – I still believe we have another three years to go before the bank land inventory is cleared. Some banks are more aggressive in disposing of these assets than others.
- **Agricultural Land** – Active, along with recreational land. Farmers are buying zoned residential land.

#### **ERHARDT COMMENT:**

- *Trend for development is moving up. Some products more than others. This will continue through 2012 and accelerate in 2013 and 2014.*

# The Big Picture

## Tampa Bay Social Economic Growth

Click on this link for a chart prepared by TBARTA (Tampa Bay Area Regional Transportation Authority) <http://www.cushmanwakefield.com/flyers/TBARTA.pdf>, reflecting the social economic growth predicted to take place starting in 2006 through 2035. A couple of submarkets of note:

- CBD Urban Core – population growth 469% and employment growth of 94%
- Wesley Chapel, Pasco County – Population growth 270% and employment growth of 819%
- Total Hillsborough – Population growth 48% and employment growth 55%
- Total Pasco – Population growth 101% and employment growth 179%
- Total Region – Population growth 49% and employment growth 56%

### **State of Florida Overview, presented at the May 2012 C&W Statewide Brokers Meeting**

- Florida's 2010 Growth Domestic Product (GDP) of \$747.7 billion, ranked fourth in the nation and is the largest in the southeast.
- The state's GDP is forecast to increase an average of 2.6% over the next decade.
- Florida is the fourth most popular state in the nation and the largest in the southeast with 19,057,542 residents in 2011. The population is project to grow at 1.6% in 2012, which equates to 620 new residents per day. With a total employment of 8.22 million workers, Florida ranked fourth in the nation and first in the southeast in 2011.
- Annual job growth only averaged 0.8% over the past decade; Moody's Analytics is forecasting the state's job growth will jump to an average of 2.8% per year between 2012 and 2020.

#### **Economic Drivers**

- Life Sciences / Health Care, logistics import/export
- Tourism – 85.9 million visitors in 2011 was a record. Florida is one of the top traveled destinations in the world.
- Retirement – Florida is one of the few states with no income tax, inheritance or estate taxes.

### **Employment by Hillsborough County School System**

- While working on the number of employees working around my FishHawk Ranch apartment site listing, Lorraine Duffy-Suarez, with Hillsborough County Schools, told me that high schools employ 200, middle schools employ 100, and elementary schools employ 70.

**Nine Signs the Housing Market is Turning Around** – Associate Editor, Jeff Zagoudis, of the Housing Zone, summarized JP Morgan CEO Jamie Dimon's optimistic look on the housing market in Dimon's recent annual letter to investors.

1. The U.S. Population has grown by 3 million people per year since the housing crisis kicked off four years ago. He projects additional growth of 30 million people over the next decade.

2. At that growth rate, there would typically be a need for 1.2 million additional housing units. Over the last four years, that demand has been cut by about half; as job conditions improve, the other half of that demand is expected to return.
3. There has been slow employment growth over the last two years, with 3.45 million jobs added in that span.
4. A surplus of housing – thanks to the creation of 845,000 new housing units annually over the last four years versus the destruction of just 250,000 a year in that same period (via demolition, disaster and dilapidation) – will be scooped up as these new households are created.
5. Since May 2007, the existing supply of single family homes and condos for sale has been cut almost in half, from 4.4 million units at that time to 2.7 million today.
6. The inventory of homes with loans in delinquency or foreclosure has also decreased over the last few years. At the peak of the trend in 2009, 5.1 million homes were in this category; at present, the number sits at 3.9 million. Dimon predicts that number will continue to drop as more investors continue to buy distressed units and rent them out.
7. In half of the housing markets across the U.S., it is currently cheaper for potential homeowners to buy than to rent – a condition not seen in more than 15 years – thanks to ever growing rental rates.
8. The household debt service ratio – which compares mortgage plus consumer debt payments to disposable personal income – is at its lowest level since the mid-1990s.
9. Recent senior loan officer surveys by the Federal Reserve show that, while there are not yet clear signs of credit loosening for new mortgages, at least the rush to tighten mortgage lending standards has abated. Over the last two years, \$2 trillion of mortgages have been refinanced, substantially aiding homeowner burdens. Dimon expects another \$2 trillion to refinance over the next two years, with approximately 10% coming from recently announced government programs, and, at that point, we estimate that only 15% to 20% of Americans will be paying interest rates over 6%.

**Chief Executive Magazine, May 2, 2012 – Best / Worst States for Business 2012**

<b>2012 Rank</b>	<b>State</b>	<b>2011 Rank</b>	<b>1-Year Change</b>
1	Texas	1	0
2	Florida	3	1
3	North Carolina	2	-1
4	Tennessee	4	0
5	Indiana	6	1
6	Virginia	7	1
7	South Carolina	8	1
8	Georgia	5	-3
9	Utah	9	0
10	Arizona	13	3

It may be no accident that most of the states in the top 20 are right to work states, as labor force flexibility is highly sought after when a business seeks new locations. The bottoms five were California, New York, Illinois, Massachusetts and Michigan.

**10 Signs of Economic Relief for Florida and Tampa Bay – Tampa Bay Times Consultant, Robert Trigaux, May 3, 2012**

10. **Jobs:** So we know the job markets in Florida and Tampa Bay are strengthening. The state jobless rate is 9% with Tampa Bay a bit lower at 8.9%. But the core counties of Tampa Bay already boast even lower unemployment rates than our overall region. Hillsborough's fell to 8.5% and Pinellas is right behind at 8.6%.
9. **Customer growth:** "At Tampa Electric, we had a full 1% customer growth in the first quarter, and that's the highest we've seen since the first quarter of 2009." – Sandra Callahan, TECO Energy Chief Financial Officer.
8. **IT demand:** The big buzz in technology circles here is that there are lots of jobs going unfilled or forcing businesses to hire elsewhere. The anecdotal jobless rate of techies here: between 2% and 4%.
7. **Florida now helps rather than hinders:** "Florida has been becoming an asset for us again for the last several quarters. And I would say that we had stronger growth out of Florida incrementally than we did out of the rest of the country." – Mike McLamb, CFO of Clearwater's MarineMax, the country's biggest boating retailer.
6. **Realistic Tampa Bay housing prices:** In many housing markets, the difference between the median listing price (what people hope they can sell their homes for) and the median sales price (what they do sell their homes for) is huge. In Atlanta, the median list price is \$150,000 but the median sales price is \$90,600 – a whopping 40% difference. Not so in Tampa Bay where the median listing price is \$139,900 and median sales price is \$135,500. That's only a 3% difference, which means buyer and seller already are on the same wavelength, a plus for boosting home sales.
5. **A national frontrunner:** Sure, the jobless rate is coming down nicely in Tampa Bay, but how do we stack up against job trends in other big metro areas? Darn well. Among larger metro areas, the Tampa – St. Petersburg – Clearwater area enjoyed the third greatest decline in unemployment – 2 full percentage points – since March 2011. (Detroit was tops, followed by Miami).
4. **Move aside, North Carolina:** Chief Executive Magazine's new ranking of the best states for business says Florida is now No. 2 nationwide. Florida was No. 3 last year, but pushed ahead of North Carolina. Texas remains No. 1. Kudos, says the magazine, to "boosterish" Gov. Rick Scott.
3. **Fewer mass layoffs:** the pace and size of mass layoffs in Florida, defined as those job cuts requiring WARN (Worker Adjustment and Retraining Notice) Act disclosure to the state, is way down from last year. The biggest 2012 WARN cuts in Tampa Bay so far is 102 jobs at the social service firm Hillsborough Kids, Inc.
2. **Tourism rebounding:** Pinellas County drew 606,100 visitors in January and February, up 7.1% from a year ago. Hillsborough County enjoyed a 5.5% bump over 2011 in people staying overnight in local hotels and motels in the first quarter.
1. **More new vehicle sales:** At auto dealerships, new vehicle sales in March 2012 (versus March 2011) were up 9.4% in Hillsborough, 4.6% in Pinellas, 20% in Pasco, 24.4% in Hernando, but down 12.9% in Citrus.

**China, Wall Street Journal, April 11, 2012**

Property developers bought 2,023 plots of land in 300 China cities in February 2012, a 28% decline from January and a 27% fall from the year earlier. According to China Real Estate Index System, a private data collector, Shanghai land sales plunge in Q1.

Land sales were \$1.1 billion in January through March, plunging 80% from the same period a year earlier, and a drop of 79% from the fourth quarter 2011, according to data released by Soufun.com, operator of the country's largest real estate web site. 956,000 square meters of land were sold 10.76 square feet per square meter this is 236.15 acres, which is \$106.94 per square foot.

**Kiplinger Reports, May 4, 2012, Economic Forecast**

<b>GLOBAL FORECASTS</b>		
<b>GDP GROWTH</b>	<b>2012</b>	<b>2013</b>
World	3.2%	3.7%
United States	2.0%	2.4%
Euro zone	-0.5%	0.7%
China	8.2%	8.5%
Japan	2.0%	1.8%
United Kingdom	0.5%	1.5%
Brazil	2.8%	3.8%
Russia	4.2%	4.0%
Canada	2.0%	2.3%
India	6.5%	7.0%
South Korea	3.0%	3.9%
Mexico	3.6%	3.8%

**May 29, 2012, Economic Forecasts**

- GDP Growth – rising 2.0% this year, up from 1.7% in 2011.
- Interest rates – 10 year treasuries near 2.0% by year-end; 2.5% in 2013.
- Inflation – 2% in 2012 after hitting 3% in 2011, in spite of an energy bump.
- Unemployment – around 8% by year end, despite possible upticks earlier.
- Crude oil – highly volatile; trading at \$90-\$95/bbl. by fall.
- Commercial construction – deals rise as low interest rates offset weak economic growth.

**Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, Q1-2012,**  
[www.dividendcapital.com](http://www.dividendcapital.com), 866-324-7348

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

Job growth slowed back to the 100,000 per month level in Q1-2012 reducing demand growth back to lower levels and increasing the time it may take for the economy to move from recovery to expansion. Most of the real estate markets mirrored this moderated growth with slower levels of improvement in occupancy. An improving stock market gave optimism for a few months in early 2012, but the looming Green and European debt problems continue to cause both businesses and investors to be cautious and slow about their investments. All property sectors are expected to continue moderate improvement in 2012.

- Office occupancies **improved** 0.1% in Q1-2012, and rents grew 0.3% for the quarter and were up 0.1% annually.
- Industrial occupancies **improved** 0.2% in Q1-2012, and rents were flat for the quarter but up 0.2% annually.
- Apartment occupancies **improved** 0.1% Q1-2012 and rents grew 0.6% for the quarter, and 3.5% annually.
- Retail occupancy **improved** 0.1% in Q1-2012, and rents declined 0.13% for the quarter and were down 1.5% annually.
- Hotel occupancies **improved** 0.5% in Q1-2012, while RevPAR grew 3.5% for the quarter and 8.1% annually.

### **Office Market Cycle Analysis**

The national office market occupancy level improved 0.1% for Q1-2012 and was up 0.6% year over year. Most observers agree that the rate of absorption, while still positive, slowed in Q1-2012 as most businesses took a more conservative approach to expansion and hiring. Half of the markets we cover are still at the bottom of their occupancy levels at point #1 on the cycle graph. We still need a 1% increase in the national occupancy average to move office off the bottom point of the cycle. Rents were up 0.3% in Q1-2012, driven mostly by growth in Class A downtown properties in top tier markets and were up 0.1% year over year.

Tampa has moved up one position, to the beginning of the recovery phase. With Tampa is Palm Beach. Ahead of Tampa are Atlanta, Ft. Lauderdale, Charlotte, Jacksonville and Raleigh/Durham.

### **Industrial Market Cycle Analysis**

Industrial occupancies improved 0.2% in Q1-2012 and were up 0.9% year over year. Industrial demand continues to grow as U.S. manufacturing and imports/exports to grow. U.S. total occupied square feet is now above the previous peak in 2007 and more markets have moved into the growth phase of the cycle. Six markets have reached the cost feasible rents level and we are seeing a small amount of speculative construction in southern California near the major ports. The industrial national average rents were unchanged in Q1-2012, and rents were up 0.2% year over year.

For the second quarter, Tampa is still in the number 2 position, in the recovery phase. With Tampa is Orlando. Behind is Charlotte and Nashville, and ahead are Ft. Lauderdale, Jacksonville, Palm Beach, Raleigh/Durham and Miami.

### **Apartment Market Cycle Analysis**

The national apartment occupancy average improved 0.1% in Q1-2012 and was up 0.6% year over year. This was enough to move the national apartment occupancy level to its historic long term average. Job creation in 2012 has slowed from its 250,000 per month rate near the end of 2011 back to the more anemic 100,000 range in Q1-2012, creating less apartment demand. In addition, the rate of home foreclosures slowed forcing less people into the rental market. New apartment construction starts continue to be strong as financing is readily available at the lowest

rates in 60 years. More industry observers are talking about the potential for oversupply in the next two years. Average national apartment rents improved 0.6% in Q1-2012 and were up 3.5% year over year.

Tampa is at the same spot as the last three quarters, at level 3 of the beginning of the recovery phase. With Tampa are Raleigh/Durham, Orlando, Jacksonville, Ft. Lauderdale and Charlotte. Behind Tampa is Palm Beach, and ahead are Nashville and Miami.

### **Retail Market Cycle Analysis**

Retail occupancies improved 0.1% in Q1-2012 and were up 0.4% year over year. Retail demand continues to improve with major national chains leading the way with their cautious expansion plans. The recent International Council of Shopping Centers (ICSC) conference in Las Vegas saw cautious optimism from most participants. Class A regional malls continue to be the most sought after retail location. Five markets – all in the western U.S. – have moved into the growth phase of the cycle and the national average moved forward or mid-way through the recovery phase of the cycle. Older space availability continues to be a drag on rents, as rents declined 0.13% in Q1-2012 and were down 1.5% year over year.

Tampa moved up to the third level of the recovery phase. With Tampa are Nashville and Orlando. Behind Tampa are Atlanta, Charlotte, Ft. Lauderdale, Jacksonville and Palm Beach. Ahead of Tampa are Miami and Raleigh/Durham.

### **Hotel Market Cycle Analysis**

Hotel occupancies improved an average of 0.5% in Q1-2012 and were up 3.5% year over year. Hotel occupancies have now reached their long term average level on the cycle graph. In addition, six markets have reached the cost feasible rent level, so that we could see some new construction on the horizon. This has a low probability however, due to the difficult financing environment that exists for most commercial property types. National average Hotel RevPAR improved 3.5% in Q1-2012 driven by both leisure and business travelers in the quarter and was up 8.1% year over year.

Tampa has moved up to level three of the recovery phase. With Tampa is Memphis. Ahead of Tampa are Ft. Lauderdale, Miami, Orlando, Palm Beach, Raleigh/Durham, Charlotte and Nashville. Behind Tampa is Jacksonville.

## **Tampa Bay Retail Market Overview**

### **List of Retailers that are opening the greatest number of stores this year.**

## 2012 U.S. Store Openings

630	7-Eleven (U.S. and Canada)
500	Family Dollar
198	Walgreens
170	O'Reilly Auto Parts
145	Ascena Retail (dressbarn, marices, Justice)
140	Advance Auto Parts
135	Wal-Mart Supercenter
125	Charming Shoppes (through 2017)
100	Wal-Mart
85	Fossil
80	Big Lots
75	Foundry Big & Tall Supply Company (JC Penney)
75	Francesca's Collections
75	Pep Boys
75	Rue 21
60	Ulta
50	AutoZone
50	Citi Trends

## **Marcus & Millichap 2012 Market Outlook**

- **Construction:** Developers will complete only 180,000 square feet of retail space in 2012, primarily in the city of Tampa. Last year, nearly 276,000 square feet came on line.
- **Vacancy:** The rise in tenant demand and uptick in retail sales will lower the overall vacancy rate in Tampa by 70 basis points this year to 8.4%. Vacancy fell 90 basis points in 2011, a net absorption of 1.4 million.
- **Rent:** Rents will begin to edge upward in 2012 as vacancy improves. Asking rents will rise 0.5% to \$13.77 per square foot while rents advance 0.7% to \$11.98 per square foot. Last year, asking and effective rents contracted 1.4% and 1.5% respectively.
- **Development:** Development activity is ramping up at nearly 380,000 square feet of retail space is under construction. In addition, more than five million square feet is in the planning pipeline, including two million square feet in Pasco County.



## Property and Portfolio Research, Market Fundamentals, Retail – Tampa, May 9, 2012

### Rent Trends, Source: PPR; CoStar Group, Inc.

Rent Statistics as of Q1-2012									
Annual Trends									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Rent Growth	3.6%	-12.7%	-8.2%	-2.1%	2.4%	3.5%	4.0%	3.7%	2.8%
Rent Level	\$17.16	\$14.98	\$13.76	\$13.47	\$13.79	\$14.28	\$14.85	\$15.40	\$15.83
Community Ctr.	\$16.78	\$14.30		\$13.40					
General Retail	\$16.93	\$14.16	\$12.74	\$11.86					
Mall	\$26.65	\$16.19	\$19.57	\$24.72					
Neighborhood Ctr	\$15.91	\$14.39	\$13.39	\$13.43					
Power Center	\$19.08	\$19.77							
Strip Center	\$19.18	\$16.49	\$15.11						

#### ERHARDT COMMENT:

- *New tenants, O'Reilly's Auto Parts, Trader Joe's (rumor). Seven Eleven and Circle K have ramped up.*

## Tampa Bay Single Family Market Overview

I am including some national articles and notes, which are important when looking at the Tampa Bay market.

- National Trends - 530,000 starts in 2012, one million in 2013, and 1.3 million in 2015.
- Housing will continue to add to the GDP, adding 0.3% Q1-2012.
- Public builder orders are up 25% year over year, and private builders are up 51%.

#### Notes taken at a Hanley Wood builder/local housing seminar, June 14, 2012:

- 50% of REO buyers are investors and 21% pay cash.
- Top 10 builders sell 64% of new homes.
- Lennar was number one in the Bay area with 730 closings in 2011.

#### Notes from a John Burns talk, May 9, 2012:

- Clearing vacant houses
- 1.2 jobs per household in the U.S.
- Public builders had 1.4 million lots in 2004, now down to 500,000 lots.
- Suburban design is what consumers want. TND is on the way out. Location, safety, design and price are the top four reasons to purchase.
- Private mortgage lenders are entering the market. One will accept FICO scores of 627. More money will enter this space at a higher rate.
- Nationstar Mortgage works with the credit constrained buyer pool.
- New master planned community ideas: Culture of care, 55+ Encouraged to go into master planned communities. Over 55 can go to the amenities of the conventional portion of the master planned community, but under 55 cannot go to the over 55 amenity.

- There is a development in Houston that has no visitor center, just Q codes.
- Best selling homes are between \$170,000 and \$460,000.
- Realtors sell 75% of new homes.
- Lot residual used to be 23%, it's now 20%.

**Robert Charles, Lesser Company, The Advisory, April 30, 2012, by Gregg Logan, Managing Director, RCLCOAdvisory@rclco.com**

- The share of Gen Y's that head households is growing by 12% each year, and although they are now largely renters, as more of them become household heads, the percentage that will become homeowners will also grow. Gen X still largely dominates the active market for-sale housing at 30.5%, followed by the Baby Boomers with 18%.
- The majority of the active for-sale market for each generation relative to where they currently reside is in the suburbs.
- Where would they live if they could – would they abandon the suburbs? Gen Y's would head downtown. But more would head to mix suburban areas, as would Gen X's and boomers.

**John Burns Q1-2012 Residential Land Survey, June 2012, www.realestateconsulting.com**

- While supply is exhausted in "A" locations; most public builders are finishing or developing lots.
- 61% of brokers surveyed report finished lots prices increased 30% in Q4-2011.
- Public lenders and developers bought 50% of entitled land/paper lots, pricing investors out.

*ERHARDT COMMENT:*

- *Connerton, located in Pasco County, will re-enter the market with the grand re-opening at the end of the year with four or five builders.*
- *Newland is bringing 212 home sites to market at master planned community Waterset in south Hillsborough County in September. Newland has closed 184 new homes Y-T-D in FishHawk.*

**MetroStudy Tampa Executive Summary, Q1-2012, www.metrostudy.com, Tampa**

Unemployment – 9.4% compared to 11.2% in Q1-2011.

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

Price Range	Starts	Closings
\$0 - \$149,999	685	791
\$150,000 to \$199,999	1,511	1,364
\$200,000 to \$249,000	998	869
\$250,000 to \$299,999	499	450
\$300,000 to \$349,999	205	196
\$350,000 to \$399,999	97	109
\$400,000 to \$449,999	68	62
\$450,000+	131	190

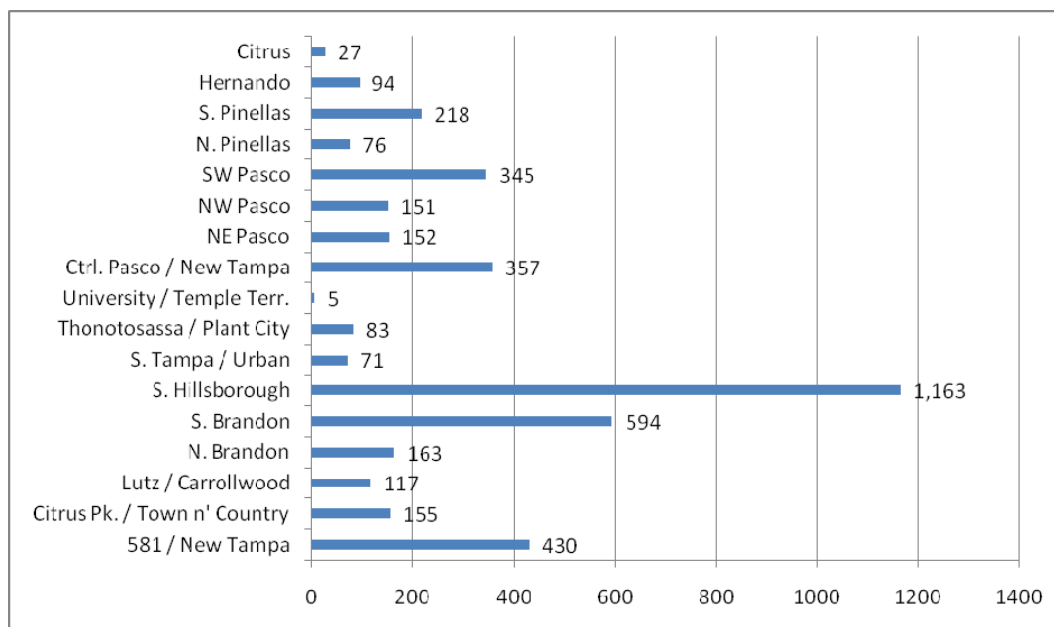
- Lot delivery – this quarter 527 lots were delivered to the Tampa market. The same quarter one year ago, we delivered 555 lots. Vacant developed lot inventory stands at 31,585 lots, a decrease of 7.6% one year ago.
- Based on the annual start rate, this level of lot inventory represents a 90.2 month supply, a decrease of 14.8 month, compared to one year ago.
- The market area based on annual starts as shown below.

Market Area	Ann Starts (% Chg)
Hillsborough	2,781 (+9.7%)
Pasco	1,005 (-0.5%)
Pinellas	294 (+117.8%)
Hernando	94 (-13.8%)

The table below ranks the top 10 communities in the market by annual starts:

Community (Area)	Ann. Starts
FishHawk Ranch	220
Concord Station	142
Live Oak Preserve	141
Valencia Lakes	138
Panther Trace	137
Bahia Lakes	111
The Hammocks	104
Seven Oaks	103
Harbour Isles	100
K-Bar Ranch	92

### Annual Starts by Submarket



**MetroStudy Tampa Executive Summary, Q1-2012, [www.MetroStudy.com](http://www.MetroStudy.com), Sarasota / Bradenton**

- The February unemployment rate was 9.2%, compared to 12.2% a year ago.
- Starts – 503 single family units were started in Q1-2012. This represents an increase of 14.3% compared to one year ago of 440. The annual start rate compared to one year ago increased 8.1% to 1,981 annual starts.
- The table below shows the price distribution of annual starts by price range:

<b>Price Range</b>	<b>Starts</b>	<b>Closings</b>
\$0 - \$149,999	201	217
\$150,000 to \$199,999	509	515
\$200,000 to \$249,000	448	431
\$250,000 to \$299,999	318	338
\$300,000 to \$349,999	169	170
\$350,000 to \$399,999	67	73
\$400,000 to \$449,999	39	38
\$450,000+	228	223

- Lot delivery – This quarter, 543 lots were delivered to the Sarasota – Bradenton market. Vacant developed lot inventory starts at 39,583 lots, a decrease of 0.9% compared to 39,940 one year ago. Based on the annual start rate, this level of lot inventory represents a 239.8 month supply, a decrease of 21.7 months compared to one year ago.
- At the end of Q1-2012, Manatee County had a 56.4 month supply of developed lots, down from a peak of 80.4 month supply of VDL in Q2-2009.
- Sarasota County had an 86.0 month supply at Q4-2011, down from a peak 184.4 months of supply recorded in Q4-2009.

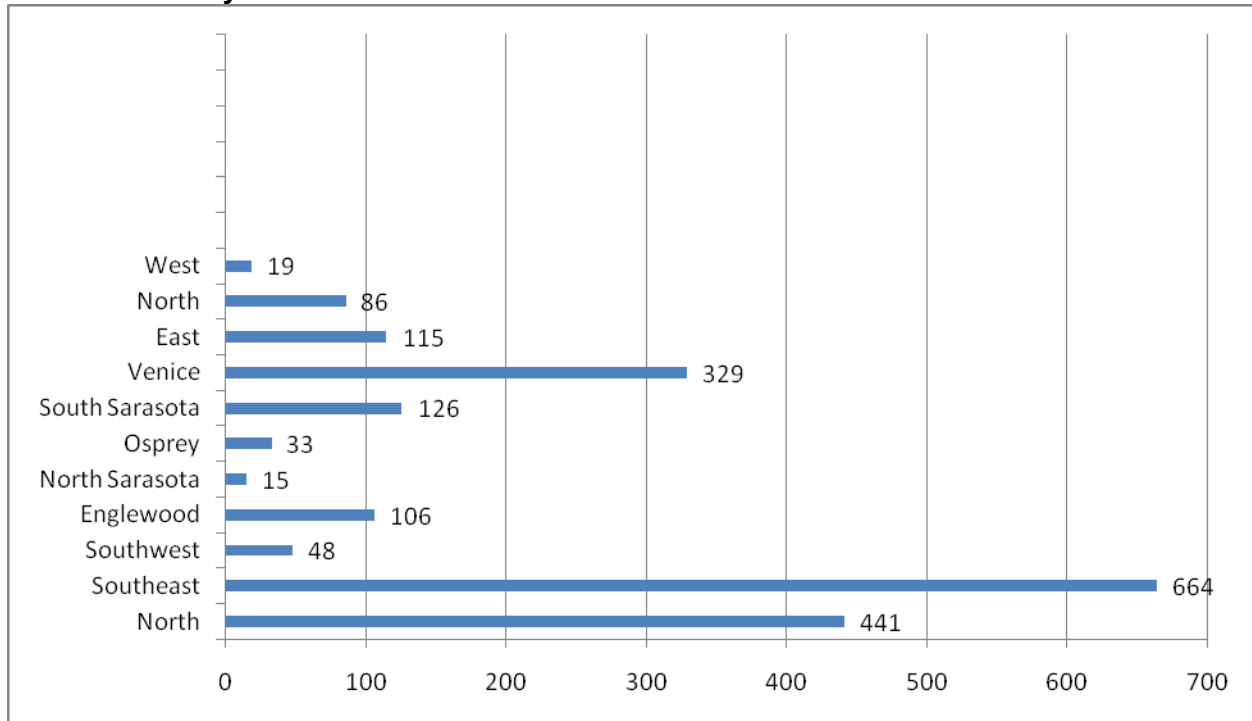
Market areas based on annual starts are shown below:

<b>Market Area</b>	<b>Ann Starts (% Change)</b>
Manatee	1,153 (+14.2%)
Sarasota	608 (+18.3%)
Charlotte	220 (-28.8%)

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

<b>Community (Area)</b>	<b>Ann. Starts</b>
Lakewood Ranch	205
Central Park	154
Copperstone	77
Palmer Ranch	71
Harrison Ranch	69
The West Villages	64
Punta Gorda Isles	59
Stoneybrook @ Venice	55
Burnt Store	50
Forest Creek	50

## Annual Starts by Submarket



- The number of finished, vacant housing units has been dropping since Q4-2006. As of March, 2012, the months of supply of the units for Sarasota/Bradenton stood at 2.0 months. This was down from 2.5 months as of March 2011. County by county finished vacant lots supply indicates that Manatee County is very near an equilibrium level of FV supply of 1.7 months. Sarasota County is near equilibrium levels of 1.3 months.
- The reduced FV inventory is typically a first sign of future housing start increases.

## Tampa Bay Multifamily Market Overview

### John Burns Newsletter, April 5, 2012

- Due to a combination of factors (e.g. lingering mortgage distress, lack luster economic growth, and stringent lending), we expect the home ownership rate for 25 to 34 year olds to continue falling through 2015. Subsequently, we anticipate that over eight million renter households will be added from 2010 to 2015, more than double the amount of renters added from 2000 to 2010.
- The piling on of debt, a significant increase of monthly expenses in comparison to their parents, (think iphone, premium cable, gym memberships, Starbucks, etc.) will permanently make it more difficult for the boomerang generation to purchase a home throughout their lifetime. This, along with the fact that inflation adjusted wages have actually declined for college students over the last decade, adds further credence to our growth outlook for renter households.

**Marcus & Millichap, Q2-2012 Market Research Market Report, Tampa – St. Petersburg Metro Area**

The formation of new rental households and the migration of former home owners to rentals will sustain strong demand trends this year, but rental construction will have an increasingly greater affect on operations.

Vacancy: The vacancy rate will decline 40 basis points in 2012 to 5.7% as net absorption will exceed additions to stock.

Rents: In 2012, asking rents will raise 2.9%, marking an acceleration from the 1.1% gain registered last year.

Employment: In 2012, employers will create 30,000 jobs in the Metro area, expanding total employment 2.6%.

**Submarket Overview**

- Projects slated to start construction in the first half of this year include 360 units at the Channelside project and the 375 unit Two Bayshore. Both developments are in the Central Tampa submarket, where an additional 1,400 rentals remain under consideration.
- The surge in demand that triggered a 220 basis point drop in vacancy in the Central St. Petersburg submarket also drove the sizable increase in effective rents over the past year. In the past six months alone, effective rents in the submarket have risen 3.9%. Across the entire Tampa market, effective rents have advanced 0.6% over the past half year.
- In nearby Sarasota and Manatee counties, located south of the Tampa metro, vacancy declined 70 basis points last year to 4.9% as rental housing demand recovered from the recession. Average rents in the counties climbed 4.6% during the year.

**Submarket Vacancy Rating**

Rank	Submarket	Vacancy Rate	Y-O-Y Basis Point Change	Effective Rents	Y-O-Y % Change
1	Brandon / Plant City	3.8%	-90	\$855	0.9%
2	North St. Petersburg	4.3%	-210	\$794	1.0%
3	North Pinellas	4.5%	-30	\$829	4.0%
4	North Hillsborough	4.7%	-340	\$684	1.0%
5	Clearwater	4.8%	-150	\$773	1.4%
6	Westshore	5.5%	-100	\$805	-0.5%
7	Central Tampa	7.2%	-100	\$1,068	3.1%
8	Central St. Petersburg	7.5%	-220	\$700	4.8%
9	Pasco County	8.2%	-50	\$658	2.5%
10	Temple Terrace	13.1%	-60	\$664	1.2%

*ERHARDT COMMENT:*

- *Pasco County vacancy is an overall vacancy. I know personally that the Wesley Chapel submarket is 5.5% vacant.*

**The following was taken from a Cushman & Wakefield offering memorandum for The Cove Apartments, [www.apartments.cushwake.com](http://www.apartments.cushwake.com):**

Florida recently surpassed New York moving into the number three spot in the nation in terms of total statewide population, with a current population of nearly 19.1 million residents. Of all states with a population over 10 million, Florida had the fastest population growth over the last 10 years and it was also in the top quartile of all states based upon median household income. According to the 2010 U.S. Census, from 2000-2010 Florida's population grew by 17.6% with an increase of 2.8 million people. Florida's population is now growing at a rate of over 250,000 per year – over 700 per day!

In 2011, the Tampa Bay MSA (12<sup>th</sup> largest in the U.S.) had the highest employment growth rate of any major market in Florida. The region added 28,500 jobs (+2.5%) over this period. Situated within the Tampa Bay MSA, Hillsborough County continues to be an appealing place for businesses of all sizes and types. The following employers will add approximately 1,000 jobs within the next five years in the vicinity of the Cove: Tim Warner, IRX Therapeutics, Inc., Dynamet, Nautical Structures, Madico, Formulated Solutions, CoreRx and Ceridian.

Improved demographic and employment trends had a clear positive impact on the Hillsborough County apartment market. From the first quarter of 2011 to the first quarter of 2012, rents increased approximately 4.7%. This trend is expected to continue.

**Office Market Overview:**

**Cushman & Wakefield Market Overview - Tampa**

- **Westshore Office Overview:** Overall vacancy at the end of 2nd quarter 2012 is 14.6% compared to 18.5% last year and 15.1% last quarter. Class A is at 16.1% compared to 18.5% last year and 16.3% last quarter.
- **I-75 Office Overview:** Overall vacancy at the end of the 2nd quarter 2012 is at 23.0% compared to 22.9% a year ago and 22.8% last quarter. Class A is at 22.5% compared to 20.8% a year ago and 22.2% last quarter.
- **Tampa Central Business District:** Overall vacancy at the end of the 2nd quarter 2012 is at 16.3% compared to 17.4% a year ago and 16.8% last quarter. Class A is at 15.5% compared to 15.6% a year ago and 15.1% last quarter.

There is a 250,000 square foot build to suit with Price Waterhouse in the Tampa / Westshore market.

## Property and Portfolio Research, Market Fundamentals, Office – Tampa, May 9, 2012

### **Supply Demand, and Vacancy Statistics**

Rent Statistics as of Q1-2012									
Annual Trends									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Change in Supply*	2,495	1,089	109	-130	293	654	883	1,432	1,828
Change in Demand*	-343	-1,607	616	316	1,012	1,761	1,807	1,664	1,434
Vacancy Rate (Q4)	12.7%	15.1%	14.6%	14.2%	13.5%	12.4%	11.5%	11.1%	11.3%
4 & 5 Star Rated	14.3%	17.1%	17.1%	15.3%					
3 Star Rated	11.5%	13.4%	12.9%	12.4%					
1 & 2 Star Rated	13.1%	15.7%	14.9%	15.6%					

\*In Thousands of Sq. Ft.

### **Fundamentals Overview**

**Vacancies in Tampa will continue to benefit from an improving labor market and sluggish development activity.** As of the first quarter of 2012, Tampa's growth of office-using employment has been twice that of PPR54. Combined with a near shutdown in supply, this had led to a steady decline in vacancies – an outlook that will continue through the forecast. As a result, vacancies should descent to a level consistent with historical norms.

**Premium assets have seen the strongest improvement in fundamentals.** Thanks to strong absorption in recent quarters, 4 & 5 Star rated buildings have experienced the most substantial decline in vacancies from their 2010 peak levels, but they are still a far cry from the trough of late 2006. Even so, vacancies among 3 Star Assets remain the lowest in the metro. This is not surprising as Tampa is dominated by back-office operations. As a result, its office tenants prefer cheaper, lower-grade space over the more expensive, higher-quality stock. Over the forecast, each has significant room for improvement as vacancies in both higher and mid-grade product remain over two percentage points above their historical averages.

### **Demand Trends**

**Though small, the Tampa office market is on a path to recovery.** For the second consecutive year, Tampa posted positive absorption and growth in office-using employment. Firms in the professional and business services sectors have grown significantly, bringing a number of net job gains to the metro. For instance, moves by insurance providers Wellcare (63,000 SF) and PCPCI (54,000 SF), along with business management solutions firm ConnectWise (50,000 SF), contributed to positive absorption over the past year. Continued gains in office-using employment over the previous year and considerable growth in leasing in the final half of 2011 indicates that near term demand will gather momentum.

**Tenants seeking new space in Tampa went west in 2011.** Westshore led the metro in absorption with over 300,000 SF (the next closest submarket, CBD, hovered at 180,000 SF). Bigger firms entering or expanding their footprint in Westshore include WellCare (63,000 SF), ConnectWise (50,000 SF), and Ricoh Americas (25,000 SF). Forecast demand and rent levels remain strong for Westshore as this submarket will compete with the Gateway, East and CBD areas for further demand.

**Tampa should experience a healthy recovery.** Since population growth is expected to outpace the PPR54 benchmark over the forecast, growth in demand for professional and business services that cater to the local population should be solid. Financial activities should



also be a strong demand driver over the forecast. In fact, two Tampa area financial services companies have already announced long term expansion plans. St. Petersburg based Raymond James Financial has confirmed that it will build an additional facility in Pasco County to employ 100 new workers by 2014 and eventually a total of 750 over the long term. In addition, T. Rowe Price plans to build a facility in Pasco County that will add 1,600 jobs to the Tampa area over the next decade. As usual in Tampa, newer is better, so don't be surprised to see build to suit demand outpace demand for existing space. Historically, the metro's main draw for larger national tenants has been its low rents and low business taxes. And this will likely remain the case over the forecast, allowing it to compete with nearby major metros, such as Atlanta and South Florida.

## **Supply Trends**

**Even as vacancies remain somewhat elevated over most of the forecast, supply is a credible concern beyond 2016.** Though no projects similar in magnitude to the MetWest project are scheduled to move forward in the immediate future, there are a number of proposed buildings of significant size. The Westshore, Gateway, Northeast Tampa, and Northwest Tampa submarkets are all host to more than one proposed project. Many of these developments were stalled by the recession and never made it off the ground, but that could certainly change. Historically, the market has proven to be a heavy builder and, thanks to construction, vacancies never fully recovered from the last recession.

## **Property and Portfolio Research, Market Fundamentals, Office – Tampa, May 9, 2012**

### **Rent Trends, Source: PPR; CoStar Group, Inc.**

Rent Statistics as of Q1-2012									
Annual Trends									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Rent Growth	4.8%	-9.5%	-2.1%	-2.4%	-0.1%	3.9%	6.1%	5.9%	4.3%
Rent Level	\$21.85	\$19.76	\$19.35	\$18.89	\$18.87	\$19.60	\$20.79	\$22.02	\$22.97
4 & 5 Star Rated	\$23.93	\$23.82	\$23.18	\$23.08					
3 Star Rated	\$23.55	\$19.53	\$18.96	\$18.58					
1 & 2 Star Rated	\$18.00	\$16.67	\$16.16	\$15.63					

Quarterly Trends									
	Q1-2011	Q2-2011	Q3-2011	Q4-2011	Q1-2012	Q2-2012	Q3-2012	Q4-2012	Q1-2013
Rent Growth	-2.4%	-2.9%	-2.8%	-2.4%	-2.2%	-1.4%	-0.9%	-0.1%	1.6%
Rent Level	\$19.12	\$18.936	\$18.90	\$18.89	\$18.70	\$18.66	\$18.73	\$18.87	\$19.00
4 & 5 Star Rated	\$22.89	\$22.95	\$23.13	\$23.08	\$23.03				
3 Star Rated	\$18.92	\$18.80	\$18.69	\$18.58	\$18.35				
1 & 2 Star Rated	\$15.94	\$15.76	\$15.64	\$15.63	\$15.44				

### **ERHARDT COMMENT:**

- *There is a new build to suit that Echelon is developing for American Strategic Insurance, who will own the project. The Perry Company is building the first building of 125,000 square feet with 791 space parking deck. A second building will be 125,000 square feet.*

## **Industrial Market Overview:**

### **Cushman & Wakefield Market Overview - Tampa**

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 2nd quarter, 2012 is 8.2% compared to 9.4% a year ago and 8.9% last quarter.

Warehouse distribution is at 8.1% vacancy compared to 10.1% a year ago and 8.8% last quarter.

Office Service Center is at 11.4% vacancy compared to 11.9% a year ago and 12.3% last quarter.

- **East Tampa Industrial Overview:** The overall vacancy at the end of the 2nd quarter 2012 was 8.1% compared to 10.1% a year ago and 8.6% last quarter.

Warehouse distribution is at 8.5% vacancy compared to 10.9% a year ago and 9.3% last quarter.

Office Service Center is at 15.3% vacancy compared to 18.4% last year and 15.7% last quarter.

- **Plant City Industrial Market Overview:** The overall vacancy at the end of the 2nd quarter 2012 was 0.8% vacancy compared to 1.6% a year ago and 0.8% last quarter.

Warehouse distribution is at 5.1% vacancy compared to 8.7% a year ago and 5.7% last quarter.

- **Lakeland Industrial Market Overview:** The overall vacancy at the end of the 2nd quarter 2012 was 4.1% vacancy compared to 6.7% a year ago and 4.5% last quarter.

Warehouse distribution is at 5.1% vacancy compared to 8.7% a year ago and 5.7% last quarter.

Service center is at 17.5% compared to 18.0% a year ago and 17.7% last quarter.

The only industrial buildings under construction are two new facilities for end users, 17,000 sf and 35,000 sf.

**Property and Portfolio Research, Market Fundamentals, Warehouse – Tampa, May 9, 2012**

**Rent Trends, Source: PPR; CoStar Group, Inc.**

Rent Statistics as of Q1-2012									
Annual Trends									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Rent Growth	-6.2%	-10.6%	-10.2%	-3.9%	0.5%	1.7%	4.7%	5.8%	4.8%
Rent Level	\$5.95	\$5.32	\$4.78	\$4.60	\$4.62	\$4.70	\$4.92	\$5.20	\$5.45
1990+ & 100K	\$5.93	\$5.04	\$4.43	\$3.86					
1990+ & <100K	\$7.47	\$6.44	\$5.76	\$5.66					
<1990 & 100K	\$4.60	\$4.42	\$3.71	\$3.74					
<1990 & 100K	\$5.88	\$5.58	\$5.11	\$4.85					

**Hospitality**

**Property and Portfolio Research, Market Fundamentals, Hotel – Tampa, May 9, 2012**

**Supply, Demand, and Occupancy Trends**

Rent Statistics as of Q1-2012									
Annual Trends									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Demand (Rooms)	-1,182	-1,499	1,700	2,371	1,163	449	636	695	639
Supply (Rooms)	1,565	775	577	-72	392	550	546	576	663
Occupancy Rate (q4)	56.4%	52.1%	55.2%	60.5%	62.5%	62.8%	63.4%	64.1%	64.5%

This market will be nearly devoid of supply over the near term, and the inventory growth rate projected through 2016 will fall slightly below the historical norm (2000-10).

**Wall Street Journal, April 25, 2012**

The Chinese luxury hotel market foresees adding 12,468 rooms, according to Lodging Econometrics – an 18% growth. The U.S. luxury market foresees adding 795 rooms in 2012, a 0.6% growth rate.

**Community Development Districts Overview, from a June 9, 2012 ULI Conference**

Better land has good bonds and not so good land as bad bonds. A \$40,000 lot can accept \$10,000 CDD. CDDs currently being issued are smaller - \$3-\$4 million. There have been between 25 and 30 CDDs issued in the last 12 months totaling approximately \$300 million.

CDDs represent 20% to 25% of lot value.

## Senior Housing

### Seniors Housing Research Report, Marcus & Millichap, First Half of 2012

Senior Housing Market Highlights:

**Independent Living (IL):** Occupancy will strengthen this year as spillover demand filters into IL properties from age-restricted and market rate communities. By year end 2012, occupancy will reach 90.4%, up 110 basis points. Rents will climb 3% to \$2,780 per month.

**Assisted Living (AL):** Demand for AL units should remain relatively healthy this year while construction is light compared with historical deliveries. Occupancy is expected to finish 2012 at 90.2%, up 10 basis points from 2011. Average rents will rise 1.8% to \$3,537 per month.

**Skilled Nursing (SN):** As states continue to grapple with budget issues and pull back on reimbursements, operators will be challenged to fill beds. At the end of this year, occupancy at SN facilities is expected to be 88.8%, up 30 basis points from 2011. Per-bed rents will climb 2.9% to \$274 per day.

**Continuing Care Retirement Communities (CCRCs):** A stronger turnaround in the housing market will be required to move the needle higher on CCRC occupancy, though a clear bottom appears to have been reached. By year end, a stronger national economy and home prices will push up CCRC occupancy to 89%, a 20-basis point rise.

## Sustainability – ULI Conference

The following are notes I took at the conference:

### **Speaker Hunter Lovins – Consultant, Climate Capitalism**

- Turn off the computer
- By 2020, San Francisco will have 100% renewable energy. Germany will be 100% renewable energy by 2050.
- Google has solar power for charging electric cars.
- You can now get a PhD in Sustainability.

### **Speaker Van Verreault, PhD, University of Tampa**

- Sikes School of Business at UT has courses in Sustainable Education, as well as, business. There are four Chinese in the graduate class.
- UT is trying to be sustainable.
- UT is giving out awards to businesses for sustainability.
- Business needs cheap energy and less regulation.

### **Speaker Stu Rogel, Tampa Bay Partnership, Sustainable regional economic development.**

- Productive growth.
- Sustainable growth.
- 20,000 green jobs in the Bay area, 1.2% of total.

**Speaker Steve Polzin, PhD, University of South Florida, Center for Urban Transportation Research**

- By demographics, the Tampa Bay area is the second most dispersed after Los Angeles.
- 5% of the Tampa Bay area's employees work at home.
- Geography – Tampa Bay – shapes travel. Predicts slower suburban growth.
- Communication is a substitute for travel – books, movies, and retail.

**Speaker Chip Hinton, PhD, Association of Food Banks**

- 60% of winter fruit and vegetables come from Florida. Experiencing improved production and increased deficiency in Florida's farms.
- 280 commodities produced in Florida.
- Agricultural is the single, largest economy in Florida.
- Regulations increase costs.
- Farmers are reducing water and fertilizer use.
- Planting times have been moved forward six weeks.

**Speaker Gerald Seeber – Tampa Bay Water**

- Sustainable water supply.
- 2.4 million people.
- 13 years ago we were 100% ground water, we now get 50% from surface water. We have three reliable and diverse sources. Consumption – Bay Area 100 gallons per person per day, South Florida 150, Central Florida 160 – 180.
- Economic downturn resulted in 18% less water use. The cost of producing water is up five times in 13 years. Water is under priced.
- You save water, you save energy.

## **Land Sales**

### **Single Family**

1. K Hovnanian purchased 24 – 90 foot lots in Harbor Isles, Hillsborough County, for \$55,000/lot.
2. M/I Homes purchased 10 lots in Howell Park, Hillsborough County, for \$62,242/lot.
3. DR Horton purchased 10 lots in Palmer Oaks, Sarasota County, for \$60,000/lot.
4. Newland Communities at FishHawk sold 68 lots in the first quarter of 2012, all over \$1,000 per front foot.
5. Pat Neal Communities purchased the first of six takedowns at Boca Royal Golf and Country Club for \$6,796 per lot. The total agreement covers 467 acres for 521 homes.

### **Agricultural**

1. Rudy Fernandez sold 33.68 acres to Astin Strawberry Management for \$16,805 per acre in south Hillsborough County.
2. A 13,810 acre timberland sale took place in May in north Florida for \$1,115 per acre.

## **Retail**

1. Seven Eleven purchased an outparcel in Hillsborough County for \$1,375,000.
2. Wawa purchased an outparcel in Pasco County for \$1,250,000.
3. Racetrack Petroleum purchased an outparcel in Hillsborough County for \$1,400,000.
4. PDQ Restaurant purchased an outparcel in Pinellas County for \$1,400,000.
5. Publix purchased 2.49 acres on Longboat Key, Sarasota County, to expand an existing supermarket for \$21.67/per square foot.
6. Darden Restaurant purchased 1.76 acres in Ft. Myers, \$15.59. They plan to build a LongHorn Steakhouse.
7. 56<sup>th</sup> Street Chevron purchased an outparcel at 6812 N. 56<sup>th</sup> Street, Tampa, for a convenience store for \$1,100,000.

## **Medical Office**

1. Duke Realty purchased 19 acres for \$9.12 in the Hidden River office park at I-75 and Fletcher, Hillsborough County. This will be a build to suite for the Veteran's Administration outpatient facility.
2. Baycare Health Systems purchased 39.83 acres on Drew Street, west of McMullen Booth Road for \$2.52/psf.

## **Multifamily**

1. An investor purchased a 20 acre multifamily site permitted for 296 units for \$4,729/unit at I-4 and Polk 54, Polk County.
2. Colony Key, LLC purchased 19.73 acres, zoned for 130 condominiums and seven single family lots in Tierra Verde, Pinellas County, for \$8,600,000. The property was 90% land developed. Colony Key, LLC is Patrick Walsh, Amprop Development.
3. The Richman Group purchased 6.5 acres, zoned for 108 residential units, for \$22,870/per unit, Clearwater, Pinellas County.

## **Mixed Use**

1. Thomas Property Group has put on the market a 24 acre site contiguous to Los Angeles International Airport. The property is entitled for 1.25 million square feet of development, and is expected to bring \$75 million or \$71.74/per building foot. The property is 80% developed. The property is on a Metro line.
2. TerraCap partners purchased 171 acres on Jones Loop Road, with frontage on U.S. Highway 41, for \$1.58/square foot. The proposed development by the Wilder Companies is 1.2 million square feet of retail, 500 residential units, office space, and a hotel. The buyers are proposing outdoor mall product with office, multifamily and possibly a hotel.
3. Jebco Ventures purchased 2.5 acres on Ringling Boulevard, Sarasota County, \$16.87/per square foot. The previous price was \$12,360,000 in October 2005. The property is zoned for 72 units, \$1,833/per unit.