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Tampa Bay Land Market Overview
3Q – 2010

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. I would like to encourage any recipient of this overview to feel free to get back to me with any comments.

Erhardt's Quick Look at the Land Market

For the ninth quarter, land for multifamily for sale product is not active, but rental developers are starting to look at sites for 2012 delivery. The single family market continues to have builders and developers making offers, and closing on A and B locations. Retail is still at a standstill, with the exception of single tenant driven owner/user deals, and investors. Industrial, hotel and office land is dead in the water pending a turnaround in the economy. Same as the last four quarters, investors continue to look for well located, entitled single family land and other non-residential product, looking that will sell for land three to five years out.

- *Multifamily land – There was one trade in the third quarter for a market rate site. Banks have taken back multifamily rental land, but appraisals are making it difficult to contract and sell at current market value.*
- *Single Family – Same as the last four quarters, with builders and developers continuing to look for entry level, single family lots and, A located, entitled lots. I feel we may have a lot shortage in A and B locations in mid 2012 to early 2013.*
- *CDDs – There was one CDD bond purchase in the third quarter in the Tampa Bay Market, reportedly at $.17 on the dollar.*
- *Retail - Same as last fourteen quarters with land prices flat or declining because of lack of tenant demand. At the recent NAIOP Broker Update, Dave Conn with CBRE predicted no major large box anchored tenants development until 2013 or 2014.*
- *Industrial – No change, users only. No new developer purchases.*
- *Office – There is little or no demand other than Government or end users for office land, because neither investors nor developers know when there will be a building built on a particular site.*
- *Bank deals – Appraisals are still an issue, but as transactions occur, we are getting a clearer picture of value.*

The Big Picture.

Kiplinger Letter, July 9, 2010

- Interesting comparison between July 2nd and September 10th, 2010:

	July 2nd	**September 10th**
GDP	3.5%, steady through the second half.	Averaging 2.8% in 2010, picking up to 3.1% in 2011.
Interest Rates	3.25% until mid 2011	3.25% until mid 2011
Inflation	Slowing to about 1% this year; about 1.5% in 2011	Falling below 1% in 2010; rising to 1.5% in 2011
Unemployment	Steady at 9.5% thru year end	Headed to 9.4% by year end
Crude Oil	Swinging between low and high $70/barrel thru summer	Ending the year at $65-$75/barrel

July 9, 2010 Global Forecast:

GLOBAL FORECASTS		
GDP GROWTH		
(Descending rank by GDP size)	**2010**	**2011**
World	3.5%	3.2%
United States	3.3%	3.6%
Euro Zone	1.0%	1.3%
China	10.2%	9.2%
Japan	2.7%	1.6%
United Kingdom	1.2%	2.0%
Brazil	7.0%	4.4%
Russia	4.2%	4.2%
Canada	3.3%	3.0%
India	8.5%	8.1%
South Korea	5.6%	4.2%
Mexico	4.3%	3.8%

Kiplinger Letter, August 13, 2010
Real Estate

Note these two positive signs on the commercial real estate front:

- Real estate investment trusts (REITs) are raking in the bucks, with returns on publicly traded REITs up 15% in the first seven months of this year. Apartment REITs…up 29% over the same span. Investors figure supplies will thin out in the coming years as more echo boomers…folks born between 1982 and 1995…get their own places to live and the supply of foreclosed homes and condos wanes. The values of hotel and resort REITs are also up, 18% from December 2009 to July 2010. Not bad, considering essentially flat S&P returns, including dividends, through July.

- REITs are using the money attracted to buy…conservatively: Office buildings fully occupied by a single tenant and top properties in New York City, San Francisco and Washington, D.C. for example. The number of deals continues to lag elsewhere.
- Investors are starting to buy commercial real estate mortgages again. After nearly disappearing in 2009, the sale of securitized real estate loans will likely reach $10 billion this year, still just a fifth of the pre-bubble level. Big banks such as JPMorgan Chase are again bundling loans and selling them, though this time around, they're taking care to tighten terms on underlying loans, package together fewer, larger loans and maintain higher performance standards. Another difference: The investor groups buying are smaller and more select.
- The re-emergence is a positive sign for construction and related sectors…an early indicator that normal lending behavior is returning to the market.
- However, there's a bump in the road ahead: $535 billion in debt that will mature in 2010 and 2011, requiring refinancing. With securitization just starting to pick up and most banks still on the sidelines…another wave of defaults and bankruptcies.
- Good news for owners of property near East and West Coast port cities as well as major airports and rail hubs. Lower transportation costs have companies rethinking concentrating their distribution facilities at jumbo size inland sites.
- Smaller, closer-in distribution centers are the new trend. Clorox Sales Co. is moving into one facility near Atlanta's airport and another near Chicago's rail yards. Western supermarket chains are opting for centers near L.A.'s port. Logistics firms such as Forward Air, ProLogis, Kuehne & Nagel and APL Logistics are following suit.

Kiplinger Letter, August 20, 2010
Housing

- Construction of new homes won't show much life until at least 2012, when the economy begins adding many more jobs, spurring home buying. Builders need demand for new single family homes to climb over one million or so a year before launching new projects. So far, demand is nowhere near that.
- Homeownership will keep falling, and the ranks of renters will climb. At the peak in 2004, 69.2% of U.S. households owned their digs. Now, 66.9% do, same as in 1999. Meanwhile, rents will creep up as demand for apartments grows.
- Obama isn't about to leave mortgage financing entirely to the private sector, despite critics who say that's where it belongs. They are calling on the government to take mortgage giants Fannie Mae and Freddie Mac out of the picture altogether.
- Fannie and Freddie will likely get a lesser role in mortgage markets under a plan the White House is committed to sending to Congress early next year. The administration believes that though banks should continue to play a major role in securitizing mortgages, government guarantees of mortgages are still needed to keep the housing market from grinding to a halt in future recessions.

Kiplinger Letter, September 3, 2010
IT Staff Support Center Locations

- The hot new site for off shoring U.S. IT staff, support centers and the like? Hint: It's not China. Or India. Or anyplace in Southeast Asia or Central America. It's the rural U.S. More companies that once might have been tempted to pack up and move to cheap labor markets overseas are reexamining options closer to home. Typically, they wind up paying a bit more to "onshore" the positions…siting the centers in MO, Ark., Minn., and Miss., for example…but reap hefty benefits by avoiding the hassles of managing remote workers, often many time zones away.

- Of course, the trend means more jobs for workers in hard hit U.S. areas.
- IT labor costs in rural America can run 35% less than in urban markets, particularly those located in traditional tech areas such as Silicon Valley, Calif.
- Uncle Sam is helping groom rural communities for the job with $1.8 billion in grants, part of which will bring broadband to what are now rural dead zones.

Q2-2010 FDIC State Profile Florida

- Economic indicators (change from one year ago)
- Employment
- Total non-farm – down 0.9%
- Manufacturing – down 5.0%
- Government – up 1.6%
- Unemployment Rate – down 11.7%

Other Indicators

- Single Family home permits – up 20.6%
- Multifamily building permit – up 21.2%
- Home price index – down 11.7%

Loan concentration (median percentage of total risk – based capital):

Commercial industrial 62.6%
Commercial real estate 392.9%
Construction Development 71.3%
Multifamily residential real estate 16.3%
Non-residential real estate 265.8%
Residential real estate 169.9%
Consumer 8.1%
Agricultural 0.7%

ERHARDT COMMENT:

- *You can receive FDIC press releases and reports by going to www.FDIC.gov, at the top, click on News and Events, on the right, click on on-line subscription service.*

Institute for Economic Competitiveness – Highlights, July 2010, Sean M. Snaith, Ph.D., 407-823-1453, www.iec.ucf.edu, Florida Forecast 2010 - 2013

- In the housing sector, a cautious convalescence continues.
- The labor market remains a sore spot, despite small signs of improvement. Unemployment will remain stubbornly high and will not fall below 10% until Q2-2012.

- Payroll job growth year over year is expected to average 1.6% in 2011, 3.1% in 2012, and 3.0% in 2013. It will be 2014 before payrolls recover to their pre-recession levels.
- Florida's housing construction sector bottomed out in 2009, reaching a level that was just 16% of the peak number of starts. Housing starts will climb even more slowly than expected over the next several years. In 2013, housing starts will recover to 2001 levels, rising gradually to 158,600 starts.
- Real state product is expected to reach nearly $878 billion in 2013 as Florida resumes progress towards becoming **a trillion dollar economy**. We are forecasting RSP to finally break the trillion dollar mark in 2016.
- Whether it is today's economy of nearly three quarters of a trillion dollars, or the trillion dollar economy that Florida will eventually become, the Sunshine State is still one of the world's largest economies.
- Employment – Job growth will not return to the Construction sector until Q4-2011. Growth rates are expected to surge to 6.8% in 2012 and 9.3% in 2013, when the Commercial Sector will join in on the recovery, the full extent of the stimulus spending is felt, and the economic recovery expansion is in full swing.

September 15, 2010 Hank Fishkind 27th Annual Economic Update given to the Tampa "Real Estate Investment Council"

- Population growth – it will take four years to reach the new normal of 200,000 per year.
- Why Florida has lost some of its competitive edge:

1. Best areas are built out.
2. Unbridled impact fees.
3. Poor land use policies – failure of growth management.
4. Faulty property tax system.
5. High cost of local government – do we need 37 fire departments in Pinellas County?

ERHARDT COMMENT:

- *While I didn't take a lot of notes on the other parts of the talk, it is important to note that in looking at all of his graphs for job growth, population growth and new home starts, they were all relatively the same - being flat until 2012 and 2013 - and then moderate to strong growth thereafter.*

November Ballot

There are two very important items being voted on, on November 2nd - Amendment 4 and a one penny sales tax for transportation Hillsborough County. I recommend voting against Amendment 4 for the reasons on the attached document (see attachment).

ERHARDT COMMENT:

- *I quote Ron Weaver, a local land use attorney, "If Amendment 4 passes, it will turn Growth Management into Growth Chaos".*

- One penny sales tax for Transportation Hillsborough County – Florida is the third largest state by population in the country, but lags behind others in public transportation.

- The additional penny sales tax will not only improve existing bus and road transportation, it will add light rail.
- Light rail will generate development around transit, not just light rail, but high speed rail, enhanced bus, street cars, and express lanes.
- At the transit stops, we will see transit oriented development. Employment centers will change.
- Within a half mile of a light rail station, we will see 20 to 120 acre transportation oriented developments take place. They will start with employment followed by shopping, entertainment, office and moderate density residential.

The Decline: The Geography of a Recession

This is a repeat, but in case you haven't seen it, it is worth watching:

http://cohort11.americanobserver.net/latoyaegwuekwe/multimediafinal.html

Internet Marketing

We are currently working on optimizing our land web site, www.cushwakelandfl.com/Tampa. During a discussion with a search engine optimization company (SEO), it was pointed out that two years ago Google had 500 million hits per day; they are now at one billion hits per day.

Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, August 2010, www.dividendcapital.com, 866-324-7348

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

- The combination of 600,000 new private sector jobs in the first half of 2010 and the fourth consecutive quarter of positive GDP growth created positive occupancy increases in four of the five property sectors. Even though these improvements were small, they were enough for us to call the bottom of the occupancy cycle and forecast the recovery going forward.
- Office occupancies were flat in Q2-2010 and rental growth declined by 0.5% for the quarter, resulting in a 4.5% annual decline.
- Industrial occupancies improved 0.1% in Q2-2010 and rental growth fell 0.8% for the quarter and 6.8% annually.
- Apartment occupancy improved 0.2% in Q2-2010 and rental growth improved 0.1% for the quarter, but fell 2.5% annually.
- Retail occupancy improved 0.2% in Q2-2010 and rental growth fell 0.1% for the quarter and 5.5% annually.
- Hotel occupancies improved 1.1% in Q2-2010, and RevPAR improved 13% for the quarter and improved 6.2% annually.

Office Market Cycle Analysis

The national office market occupancy level was unchanged from Q1-2010 to Q2-2010, but registered a 1.1% year over year decline. Our model shows Q2-2010 as the bottom of the occupancy cycle with a small increase expected in Q3-2010. The U.S. has added almost 600,000 private sector jobs in the first half of 2010 which translates into a net positive 3.9 million square feet of office absorption in Q2-2010. Leasing has begun to pick up in some of the largest major markets, with California and Texas leading the way. Rents declined 0.5% in Q2-2010 and were down almost 5% year over year. We do not expect to see rents rise until 2011.

Tampa is the in the same position as last quarter, at level 1, the beginning of the recovery phase. With Tampa are Orlando, Palm Beach, Raleigh Durham, Atlanta, Charlotte, Ft. Lauderdale, Jacksonville and Miami. No other Southeast U.S. states are ahead of or behind Tampa.

Industrial Market Cycle Analysis

Industrial occupancies improved in Q2-2010, which resulted in a 1.0% decline year over year. Industrial occupancies are about 4% below their 2007 cycle peak. This quarter's occupancy increase confirms our model forecast that Q1-2010 was the bottom of the occupancy cycle. Net absorption turned positive at over 19 million square feet in Q2-2010, the first positive absorption in seven quarters. Supply remained very low, as only 4.5 million square feet of new space was completed and most was build to suit. Industrial rents were down 0.8% for Q2-2010 and 6.8% year over year.

Tampa is the in the same position as the last two quarters, at level 1, the beginning of the recovery phase. With Tampa are Orlando, Palm Beach, Raleigh Durham, Atlanta, Charlotte, Ft. Lauderdale, Miami and Nashville. The only Southeast market ahead of Tampa is Richmond.

Apartment Market Cycle Analysis

The apartment occupancy national average improved 0.2% in Q2-2010 and was also up 0.1% year over year. Thus the occupancy bottom in Q1-2010 happened two quarters ahead of our Q3-2010 estimated bottom. Many of the 600,000 private sector jobs that were added in the first half of 2010 allowed these employees to rent apartments and many were college graduates finding entry level positions that allowed them to rent nice apartments. We are expecting this occupancy recovery to be very slow for at least the next year. Average national apartment rents actually improved 18 cents or 0.01% in Q2-2010 but were down 2.5% year over year.

Tampa has moved up to level 1, the beginning of the recovery phase. With Tampa are Charlotte, Memphis and Palm Beach. Ahead of Tampa are Atlanta, Jacksonville, Orlando, Nashville and Raleigh Durham. Behind Tampa are Ft. Lauderdale and Miami.

Retail Market Cycle Analysis

Retail occupancies improved 0.2% in Q2-2010, and were down 1.7% year over year. This confirmed our forecast of retail occupancy bottoming in Q1-2010. While only 600,000 new private sector jobs were created in the first half of 2010, consumer confidence has had some minor (albeit sporadic) improvements in the first half of the year and retail sales have improved.

The best malls in the country have seen improved traffic and sales, and big box retail is also doing well in many major cities. Rents were down 0.1% in Q2-2010 and were down 5.5% year over year.

Tampa is in the same position as last quarter, at level 1, the beginning of the recovery phase. With Tampa are Orlando, Palm Beach, Raleigh Durham, Atlanta, Charlotte, Ft. Lauderdale, Jacksonville, Memphis, Miami and Nashville.

Hotel Market Cycle Analysis

Hotel occupancies improved 1.1% in Q2-2010 but were flat year over year. Summer travel started out better than expected any many airlines have begun to add flights again, even though many are using the smaller regional aircrafts that are more cost effective. Business travel continued to improve in Q2-2010 as well because companies have large cash balances and are gearing up to compete again. The occupancy increase of more than 1% for the quarter moved the national hotel average enough to place hotels at point #2 on the cycle graph in the recovery phase. Hotel RevPAR improved 13% in Q2-2010 and was up 6.2% year over year.

Tampa has moved forward two positions to level 1, the beginning of the recovery phase. With Tampa are Norfolk, Palm Beach, Richmond, Atlanta, Ft. Lauderdale, Jacksonville, Memphis, Nashville and Orlando. Ahead of Tampa are Charlotte and Miami.

Tampa Bay Retail Market Overview

August, 2010 International Council of Shopping Centers Meeting, Orlando, Market Overview

Tampa / St. Petersburg

- 2.73 million people.
- 95.3 million square feet of shopping centers.
- Average rental rate $14.51, down 2.8% from year end 2009, from a peak of over $16.00 in 2008.
- Occupancy 88.8%, down 0.6% from year end 2009, just below the state wide average.

Lakeland / Polk

- Population – 580,343.
- 11,900,000 square feet of shopping centers.
- Average rental rate $13.65.
- Occupancy 88.7%.

Pasco / Hernando

- Population – 604,750.
- 15.7 million square feet of shopping centers.
- Average rental rate Pasco $12.94, Hernando $14.25.
- Occupancy Pasco 87.7%, Hernando 90.1%.

Wal-Mart – New Product

Wal-Mart is scouting urban sites in New York, San Francisco, Detroit and other big cities and is also expected to detail a plant push into the convenience store market.

These stores will be about 20,000sf, eight times the size of a 7-11, and one-seventh the size of a typical Supercenter.

There are four test stores in Arizona, under the Market brand – Focusing on fresh foods that are around 15,000sf. Wal-Mart also has 200 supermarket like Neighborhood Markets around the country, averaging 42,000sf.

Wal-Mart is entering this market for expansion purposes, but also because Target is also considering 20,000sf locations.

Marcus & Millichap's Q3-2010 Market Update – Tampa Metro Area

- Construction: In 2010, approximately 400,000sf will come on line, compared with completions of 1.1 million sf in 2009. This year's total marks the lowest level of deliveries in 12 years.
- Vacancy: Space demand will remain weak over the next several quarters. As a result, vacancy will rise 80 basis points in 2010 to 10.5%. Last year, vacancy climbed 190 basis points on negative net absorption of 1.5 million sf.
- Rents: Pressure upon property owners to lower rents will ease only modestly for the remainder of 2010. Consequently, asking rents will fall 3.9% to $13.67/psf, compared with a 7.2% dip last year, and effective rents will slide 5% to $11.84/psf, after declining 8.8% in 2009.

Tampa Bay Single Family Market Overview

MetroStudy Tampa Executive Summary, Q2-2010, www.MetroStudy.com

In Tampa, 1,116 single family units were started in Q2-2010. This represents an increase of 22.9%, compared to last year's rate of 908 units. The annual starts rate, compared to last year, increased by 3.4%, to 3,904 annual starts. The majority of these starts were under $200,000 – 2,382 units. Submarkets with the most starts were South Hillsborough – 1,335; South Brandon – 569; Northwest Pasco – 526; 581 / New Tampa – 306; Central Pasco / New Tampa – 258.

This quarter 920 lots were delivered to the Tampa market. This same quarter one year ago, we delivered 1,341 lots. Vacant developed lot inventory stands at 33,740 lots, an increase of 8%, compared to 31,244 lots last year. Based upon the annual start rate, this level of lot inventory represents a 103.7 month supply, an increase of 4.4 months compared to last year.

Top Ten Communities In the Tampa Bay Market By Annual Starts

Community	Annual Starts
South Fork	168
FishHawk Ranch	135
Panther Trace	143
Oak Cree	134
WatersEdge	129
Verandahs	120
Cypress Creek	118
Valencia Lakes	113
Harbour Isles	98
K-Bar Ranch	98

Builder Magazine, September 3, 2010–Economists Still Forecast Housing Growth in 2010

Four of six economists predictions for 2010 and 2011 Forecasts for new home starts in the U.S.

Average forecast calls for a 15% increase in starts in 2010

	2009 Starts	2010 Forecast	Increase	2011 Forecast	Increase from 2010
NAHB	554,000	632,000	14%	906,000	44%
HIS Global Insight	554,000	638,000	14%	962,000	51%
Freddie Mac	554,000	660,000	19%	1,000,000	52%
Wachovia	554,000	580,000	5%	850,000	47%
Moody’s	554,000	672,000	21%	932,000	39%
Fannie Mae	554,000	648,000	17%	932,000	44%

Slow job growth, weakness in the overall economy, and continued deflation in home prices have forced adjustments in forecasts. But housing economists remain very bullish about the industry’s prospects later this year and into 2011.

The Bottom Line, the latest view on the economy, BMO Capital Markets, July 23, 2010, Dr. Sherry Cooper, Executive Vice President, Chief Economist, 800-613-0205

- This is the first post war recovery that hasn’t been led by a pick up in housing. That is because this is the first post war recession that was not caused by tightening monetary policy to fight inflation. There was no inflation in sight, except in house prices, and that was because of easy money, record low interest rates, and the ability of banks to ignore prudent credit standards. With no housing rebound, the recovery remains sub-par and job creation lags.

- One of the most profound repercussions of long term unemployment and declining wealth is the effect on household formation. Jobless university grads are moving in with their parents instead of finding a place of their own. Couples are postponing having a child or another child. Unhappy couples are postponing divorce, separating "within the confines of their own home". Even middle aged job seekers are moving into shared living arrangements. Stumbling stock markets and falling home equity have caused many to delay or short cut their retirement. Household formation has fallen sharply to an average annual rate of only 0.5 million since 2005, compared to an annual average of 1.2 million in the preceding decade. The national homeownership rate has declined from a peak of 69.2% in 2004 to 67.1% as of the end of Q1-2010 with ownership rates for some minority groups falling by an even greater extent. The U.S. has lost over one million households since the recession began as units merge and new formation is delayed.

U.S. Research, Published by Raymond James & Associates, July 26, 2010

- Housing – Florida existing single family home sales improved 15% year over year in June.
- Median price decreased 3% year over year in June. While we see several signs of home price stabilization across Florida's major markets, we remain concerned that Florida's large back log of foreclosures and high unemployment rate (11.4%) could result in additional pricing pressure, especially at the pace of real estate owned (bank REOs) liquidations begins to accelerate.

ERHARDT SINGLE FAMILY COMMENT, THE VILLAGES:

- *The Tampa office of Cushman & Wakefield recently hired a broker, Philip Glassman, with expertise and family land holdings in the Sumter and Marion Counties, home of Ocala and the Villages. We toured the Villages, which is an amazing success story. It is the largest single site of residential development in the U.S. spanning 26,000 acres in Sumter, Lake and Marion Counties. It is home to more than 78,000 residences and has a projected build out of more than 105,000 residences by the year 2017. They are currently putting in the infrastructure for 10,000 units, which represents* ***only a three year supply****.*

  We participated in the sales process at the internal town center, which was bustling with people in golf carts at 10:30 a.m. Our sales agent laid out a very simple one page sheet, which told prospective residents that if they paid $250,000 for a home in the Villages, their housing expense, including taxes, insurance, electric and HOA which covered the 37 golf courses (28 Executive and 9 Championship) and 26 amenities within the Villages, was less than $1,000/per month.

  The sales center included four, large living room type environments with kitchen table, dinner table, and living room type seating arrangement. You were told to take a seat. We chose a kitchen table type arrangement. The settings allowed the prospective buyers to choose sitting arrangements that they were comfortable with.

  From a retail stand point, the developer owns the retail and land leases all of the retail outparcels. The developer also owns the newspaper, television station and a local bank. At the time of our visit they were closing 10 to 15 homes per day.

Cushman & Wakefield has a 160 acre mixed use site in the southwest quadrant of the existing Villages, and across the street from the new 10,000 unit phase. This opportunity represents the only fee simple opportunity for retail development.

Tampa Bay Multifamily Market Overview

Q3-2010, Marcus & Millichap, Apartment Research Market Update, Tampa Metro Area

- Although modest in its intensity and occurring in only a few submarkets, the recovery of the Tampa apartment market has begun, and conditions will continue to stabilize over the remainder of 2010.
- Construction – Builders will deliver 1,300 units this year, split between Hillsborough and Pasco Counties. In 2009, more than 1,800 units were completed. While there are 6,400 planned units in the pipeline, none of these developments has a date scheduled to start construction.
- Vacancy – A slow rate of relocations from out of state and a more tepid pace of job growth in the second half of the year will raise vacancy from its current level. In 2010, vacancy will nevertheless decline 40 basis points to 10.3%.

Submarket Vacancy Ranking

Rank	Submarket	Vacancy Rate	Y-O-Y Basis Point Change	Effective Rents	Y-O-Y % Change
1	Brandon / Plant City	7.0%	-20	$833	1.3%
2	North Hillsborough	7.0%	10	$804	-6.9%
3	North St. Petersburg	7.6%	-40	$777	-3.4%
4	Central St. Petersburg	7.9%	120	$671	-4.4%
5	Clearwater	8.5%	-230	$755	-1.8%
6	Westshore	9.0%	220	$808	-1.6%
7	North Pinellas	9.6%	100	$764	-2.9%
8	Largo	9.9%	70	$700	-3.8%
9	Pasco County	11.1%	300	$611	-2.4%
10	Central Tampa	17.6%	-260	$1,008	-2.4%

ERHARDT COMMENT:

- *We currently have listed a 6.15 acre site in the Channelside area of downtown Tampa. We engaged a local multifamily research company, TRIAD Consulting, to estimate the absorption of the combined rental and condominium market in the Channelside District. TRIAD stated that the 1,400 units will be 93% occupied by Q1-2011.*

  We have received interest from an apartment developer on this parcel at 48 units per acre density product.

  As with single family, the multifamily rental interest is in Class A Urban Infill and Class A suburban locations.

- Rents – A neurotic recovery and the job market will hinder property owner’s ability to raise rents this year. Asking rents will inch up 0.9%. Year to date, Class A rents climbed 0.7%.

Approximately half of these submarkets registered an increase in Class A rents this year, led by Westshore and Clearwater.

Asking rents will pick up 0.9%, effective rents will rise 1.6%.

ERHARDT COMMENT:

- *While recently visiting a local apartment developer's office, he instructed his leasing staff to remove all concessions for one and two bedroom units. Their product is in northwest Hillsborough, New Tampa and Brandon.*

Office Market Overview:

Cushman & Wakefield Market Overview

- **Westshore Office Overview:** Overall vacancy at the end of 3rd quarter 2010 is 19.4% compared to 20.6% last year and 19.4% last quarter. Class A is at 19.8% compared to 18.5% last year and 20% last quarter.

- **I-75 Office Overview:** Overall vacancy at the end of the 3rd quarter 2010 is at 22.4% compared to 20.3% a year ago and 22.5% last quarter. Class A is at 23.3% compared to 24.3% a year ago and 23.4% last quarter.

- **Tampa Central Business District:** Overall vacancy at the end of the 3rd quarter 2010 is at 18.9% compared to 20.0% a year ago and 19.6% last quarter. Class A is at 17.1% compared to 18.4% a year ago and 18.3% last quarter.

In the entire Bay area, there are only 85,000 square feet under construction, and that is in the Bayside market, in the Park Place office park, that is being developed by Hallmark.

ERHARDT COMMENT:

- *Same as last quarter, there is uncertainty because of the economy, as to when the Tampa Bay Area market will see new office construction. Until that time, office land demand and value will remain depressed, with the exception of end users.*

- *In reviewing the second quarter Cushman & Wakefield Market Beat Office Report for the U.S., year to date completion were 9,083,893 square feet in CBD markets and 9,960,197 square feet in suburban markets. Major development took place in Charlotte, Miami, Midtown New York, Phoenix and Boston.*

Industrial Market Overview:

Cushman & Wakefield Market Overview

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 3rd quarter, 2010 is 9.9% compared to 10.1% a year ago and 10.8% last quarter.

  Warehouse distribution is at 10.0% vacancy compared to 9.5% a year ago and 10.6% last quarter.

  Office Service Center is at 11.8% vacancy compared to 13.9% a year ago and 13.4% last quarter.

- **East Tampa Industrial Overview:** The overall vacancy at the end of the 3rd quarter 2010 was 10.8% compared to 9.8% a year ago and 10.0% last quarter.

  Warehouse distribution is at 11.8% vacancy compared to 10.6% a year ago and 11.1% last quarter.

  Office Service Center is at 18.7% vacancy compared to 17.1% last year and 15.9% last quarter.

- **Plant City Industrial Market Overview:** The overall vacancy at the end of the 3rd quarter 2010 was 3.6% vacancy compared to 2.5% a year ago and 3.6% last quarter.

  Warehouse distribution is at 4.1% vacancy compared to 2.3% a year ago and 4.1% last quarter.

- **Lakeland Industrial Market Overview:** The overall vacancy at the end of the 3rd quarter 2010 was 5.4% vacancy compared to 6.7% a year ago and 5.7% last quarter.

  Warehouse distribution is at 6.6% vacancy compared to 8.3% a year ago and 7.1% last quarter.

  Service center is at 16.6% compared to 17.1% a year ago and 16.4% last quarter.

  The overall Tampa Bay area market warehouse vacancy is 9.6% and office / service center is 14.6% vacant.

  The Florida industrial market shows an overall vacancy of 10.2%, with 485,000 square feet under construction.

  ERHARDT COMMENT:

  - *Same as office, there continues to be no demand by developers for industrial park sites and very few users. We believe there will be new spec construction starting late 2011 delivering mid 2012.*

Cushman & Wakefield U.S. Industrial Market Beat Q2-2010

- Highlights – The overall vacancy for the U.S. Industrial market declined for the first time in eleven quarters to 10.6%. Additionally, leasing and user sales continue to gain momentum.
- Since 1995, speculative deliveries outweigh build to suit project with an average of 2.5 to 1. However, in 2010, build to suit completions were more than double that of industrial buildings built on a speculative basis.
- The U.S. industrial real estate market is showing signs of a recovery phase of the economic cycle, as a result of changing fundamentals – strengthening demand, limited new construction activity, vacancy slowly trending down, and rents flattening.
- Market forecast – leasing activity is forecasted to continue to increase as a result of pent up demand of industrial users.
- Absorption – a number of industrial markets across the country are beginning to post positive absorption.
- Construction – development will remain limited as market fundamentals start returning towards equilibrium. The lack of new supply bodes well for markets saturated with availabilities.

Hotel Overview:

The following are notes taken from the Robert Mandelbaum PKF / Colliers I 2010 Trends in the Hotel Industry Survey Web Video

RevPAR – down 18.7
Total Revenue – down 18.5%
Departmental Income – 22.1%
GOP – down 29.7%, NOI before deductions for capital reserve, rent, interest, income taxes, depreciation and amortization – worst in 74 years of survey

Survey Reports –

Number of rooms rented	81.5% decrease	18.5% increase
Rooms Revenue	95.2% decrease	4.5% increase
Total revenue	95.5% decrease	4.5% increase
NOI	91.4% decrease	8.6% increase

Reduced Expenses

Total Operating Expenses	-11.8%
Rooms Department	-10.4%
A&G	-13.0%
Sales & Marketing	-12.2%
Utilities	-7.4%
Tax & Insurance	up 1.6%
Salaries, wages & bonuses	-11.5%
Payroll related expenses	-7.6%
Total Labor Costs	-10.4%

- Hotel occupancy rates (a moving 12-month average) stood at 58.5% in Q1-2010, 340 basis points below the same quarter one year ago. Completions were down slightly, as a percentage of rooms, from 3.2% in Q1-2009 to 3.1%, but remained above the historical average of 2.3%. The Index of Revenue Per Available Room (RevPAR Index) was down 5% from the same quarter of 2009.

Financing Overview

Wall Street Journal, August 25, 2010

- Of the $4 trillion of commercial real estate debt due by the end of 2014, roughly 52% are under water, according to Debt Analysis Company TREPP, LLC.

Land Sales

- Single Family Lot Sales – Please see the attached Eshenbaugh Report.

Single Family

1. Toll Brothers purchased 122.34 acres in Bonita Springs, Lee County, for $7,000,000. The property is approved for 667 units or $10,495 per unit.
2. Taylor Morrison purchased 55 acres off Jacaranda Boulevard in Sarasota County for $1,750,000. The property is zoned for 160 lots or $10,937.50 per lot.
3. Taylor Woodrow Communities purchased additional land contiguous to their existing Artisan Lakes project 123.67 acres and 197.95 acres (total 321.62 acres) in Manatee County for $4,215,848 or $13,108 per acre.
4. Minto Communities purchased remaining land in Sun City Center for $9,900. Reportedly, the transaction contained a mix of developed and undeveloped lots totaling 1,000 units or $9,900 per unit.
5. A local Pasco County investor purchased 167 lots at the northeast quadrant of the Suncoast Expressway and SR 52 in Pasco County for $13,000 per developed lot.

Multifamily

1. Kitson & Partners purchased 59 acres in Pinellas County for $7.65 million. Reportedly, there is a “kicker” if the purchaser rezones the property to include retail. The property was entitled for 1,119 multifamily units or $6,836 per unit.
2. Alliance Residential Company purchased 17.7 acres from Post for $3,750,000 or $12,669 per unit. Reportedly, the price included pre-paid impact fees, engineering and full construction drawings. We believe this reduced the actual land price to $6,000 per unit.

Office / Industrial

1. Ryan Companies purchased 4.83 acres on SR 54 in Pasco County for $1.24 million. Ryan is building a 25,000sf facility for Rasmussen University

Retail

1. JPMorgan Chase purchased an outparcel on Cape Coral Parkway in Lee County for $905,000.

Agriculture

1. Loop Farms LLC purchased a 160.18 acre orange grove in South Hillsborough County for $1,121,260.00 or $7,000 per acre. Cushman & Wakefield of Florida, Inc. represented the seller.
2. Loop Farms LLC purchased 38.63, 167.22, and 279.92 acres (total 485.77 acres) for $3,074,500 or $6,329 per acre.

Senior Living

1. Senior Living LLC purchased 13.6 acres in Fort Myers for $2.5 million. The property is entitled for 200 assisted living units or 12,500 per unit.

Government:

1. St. Petersburg Housing Authority purchased 5.36 acres of industrial land on Gandy Boulevard in the Gateway Area of Pinellas County for $1,000,000. Plans are to build a 13,000sf office building or $76.92 per building foot.
2. Sarasota County purchased 3,759 acres in eastern Sarasota County for $22,560,000 or $6,001 per acre. The property will be used for habitat conservation, watershed protection and public outdoor recreation.
3. The University of South Florida purchased 1.205 acres at Whiting and Brorein Streets in downtown Tampa for $3,500,000 or $66.67 per square foot. USF is building a robotic surgical training facility. Reportedly, the site will also contain a hotel.
4. Lee County purchased 23.9 acres near the Southwest Florida Regional Medical Center for $7,800,000 or $7.49/sf. The property will be used for an operations facility for the public transportation system.