# TAMPA BAY LAND MARKET OVERVIEW

## QUARTERLY REPORT

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## IN THIS REPORT

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

## ERHARDT'S QUICK LOOK AT THE LAND MARKET

- **Multifamily land.** Same activity as in the last 25 quarters. New rental communities continue to be very active, especially in the suburbs. For sale townhomes and condominiums are gaining momentum and are under contract or construction in both urban and suburban markets.
- **Single Family.** As in the last 32 quarters, builders and developers are closing and making offers on A/B locations. Starting to see some land buys for entry level developments outside of the A/B market.
- **Retail.** Mainly tenant and location driven. Outparcel subdivisions and unanchored strips in A locations are active.
- **Industrial.** New and local developers continue to contract and close on land positions in Tampa, Lakeland, Plant City and Manatee/Lakewood Ranch.
- **Office.** Same story as in last 20 quarters, users and B-T-S are the only active players. Pasco County is seeing more interest. Medical office building construction by providers continues to be active.
- **Hospitality.** Same as in the last 14 quarters with development activity in both urban and suburban locations.
- **Agricultural Land.** Active with more buyers than sellers.
- **Cycle.** Based on solid job and population forecasted, I predict the overall Tampa Bay land cycle still has five to six years left, with solid growth for the next three years.

# THE BIG PICTURE

## Urban Land Magazine July 5th 2017, Counselors of Real Estate Report Identifies Top Issues Facing Industry

- **Demographic Shifts.** Studies project that millennials ultimately will behave in a fashion similar to that of baby boomers but lag their timeline by about ten years. Boomers on the other hand are making the transition to an experience-oriented lifestyle, often renting in the same buildings as younger generations and abandoning suburbs for city or suburban locations. Real estate developers, investors, owners and builders will need to understand not only the location preferences of each group, but the design and amenities of housing units, whether rental or owner occupied. One size will not fit all, and supply will need to match rapidly changing demand.

- **Technology Boom.** The recent boom in tech applications for real estate is far from over. In 2016, $2.7 billion was invested in commercial real estate tech startups, and there were more than 1,600 real estate tech startups worldwide. Big data and real-time information will drive future development. What tenants want is changing with demands for less parking and better internet connectivity.

- **Changing Retail.** Traditional retailers are adopting an Amazon-like approach with new warehouses, distribution methods, and fulfillment models, while Amazon continues to make inroads into traditional bricks and mortar, including the acquisition of Whole Foods Markets, which was announced shortly after this research was published. Retail is not dying; it's just changing.

- **Infrastructure Investment.** They underscored the critical need for infrastructure investments, noting the possibility of limited federal investment and increasing reliance on the private sector, states, and municipalities. Private funds now oversee $360 billion in infrastructure money. Reliance on private funds means projects must have a strong revenue-generating capacity.

- **Housing Mismatch**. Affordability, especially in locations with the strongest job growth, is one of the biggest issues facing housing. A critical disparity exists between housing needs and housing supply. Developers have only just begun to address the potential for construction of starter homes: high land costs and regulatory constraints inhibit developer interest.

- **Middle-Class Incomes.** In spite of a 5.2 percent gain in 2015, median household incomes still hover below inflation-adjusted levels of two decades ago. This stall in income growth is affecting real estate beyond demand for primary residences; retail properties serving middle-class customers are bearing the brunt of store closures. The rising cost of living and higher student debt levels also suggest that younger consumers will continue to postpone home purchases.

- **Health and the Built Environment.** Real estate has become a major player in the emergence of cost-effective ways to improve health outcomes, with clinics, urgent-care facilities, and ambulatory surgery centers replacing costly hospitals. Also, real estate professional groups are ramping up a focus on healthy buildings. One driver has been growing interest from business, with over 90 percent of companies adopting some form of wellness programs and incentives. More than 450 projects in 28 countries have been certified under the WELL building standard.

The survey data also indicate concerns regarding the potential disruption of immigration, which largely has benefited home prices in many areas, and the risk of climate change, extreme weather, and flooding, particularly in coastal areas near sea level. The Counselors of Real Estate also placed on its "watch list" additional issues—tax reform, monetary policy, and the role of legalization of cannabis—as representing longer-term disruptive scenarios for real estate.

## Moody's Analytics Tampa-St. Petersburg-Clearwater, FL March 2017

The chart below shows how the Tampa Bay region will grow over the next 5 years. Net migration of the mid 50,000 people annually highlight the need for new residential options and continue to support retail, office and industrial construction.

| INDICATORS | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Gross metro product (C09$ bil) | 134.8 | 142.1 | 148.2 | 153.4 | 159.3 | 165.5 |
| % change | 4.3 | 5.4 | 4.3 | 3.5 | 3.8 | 3.9 |
| Total employment (ths) | 1,334.7 | 1,364.1 | 1,387.5 | 1,401.6 | 1,407.6 | 1,418.6 |
| % change | 2.9 | 2.2 | 1.7 | 1.0 | 0.4 | 0.8 |
| Unemployment rate (%) | 4.2 | 3.2 | 2.8 | 3.1 | 3.5 | 3.6 |
| Personal income growth (%) | 6.9 | 8.6 | 8.2 | 7.2 | 6.2 | 6.2 |
| Median household income ($ ths) | 53.0 | 55.8 | 58.5 | 60.8 | 62.8 | 64.9 |
| Population (ths) | 3,069.0 | 3,124.0 | 3,179.3 | 3,234.3 | 3,287.3 | 3,340.6 |
| % change | 1.8 | 1.8 | 1.8 | 1.7 | 1.6 | 1.6 |
| Net migration (ths) | 53.5 | 55.7 | 56.3 | 56.3 | 54.8 | 55.4 |
| Single-family permits (#) | 13,018 | 18,102 | 21,068 | 19,628 | 19,268 | 20,298 |
| Multifamily permits (#) | 5,352 | 7,648 | 7,923 | 6,530 | 7,047 | 7,920 |
| FHFA house price (1995Q1=100) | 263.7 | 275.1 | 272.7 | 267.6 | 267.2 | 272.0 |

See attached for a more in depth look at our market. **Click Here.**
***Erhardt Comment: Look at the population not migration numbers. We are heading for 60,000+/Year.***

## Tampa Job Growth Business Observer September 28, 2017

The Tampa area added 39,700 new private sector jobs year-over-year through August, the highest number of jobs in all metro areas in Florida. Tampa's unemployment rate was 4.1%, down 0.8% percentage points from a year ago.

The Tampa area remained first among state metro areas in job demand in July with 43,523 openings. The Tampa area also continues to rank 1st in the state in demand for high skill, high wage STEM occupations with 14,293 openings in July.

## Florida Trends September, 2017 Grants to Florida Universities

University of South Florida received $14,380,000 from the National Science Foundation and $22,980,000 from the National Institutes of Health.

### 2017 Top National Science Foundation Grants in Florida

| Institution, City | Grants | Amount (millions) |
|---|---|---|
| University of Florida, Gainesville | 100 | $41.57 |
| Florida State University, Tallahassee | 53 | 18.47 |
| **University of South Florida, Tampa** | **41** | **14.38** |
| University of Central Florida, Orlando | 36 | 13.36 |

### 2017 Top National Institutes of Health Grants in Florida

| Institution, City | Grants | Amount (millions) |
|---|---|---|
| University of Florida, Gainesville | 268 | $102.77 |
| University of Miami School of Medicine, Miami | 162 | 65.58 |
| Scripps Florida, Jupiter | 80 | 34.06 |
| **University of South Florida, Tampa** | **60** | **22.98** |

**Florida locations*

| Institution, City | Grants | Amount (millions) |
|---|---|---|
| Florida International University, Miami | 44 | 17.40 |
| Mayo Clinic, Jacksonville | 30 | 17.05 |
| Florida State University, Tallahassee | 47 | 16.03 |
| **H. Lee Moffitt Cancer Center, Tampa** | **35** | **15.72** |
| Mount Sinai Medical Center, Miami Beach | 2 | 6.58 |
| **Jaeb Center for Health Research, Tampa** | **3** | **6.49** |
| University of Central Florida, Orlando | 21 | 5.89 |

## RCLCO Top Selling Master Planned Communities mid-year 2017

- Texas, Florida and California account for 68% of the 50 top selling communities.
- The Villages in Ocala was number 2 with 983 sales.
- The next 3, giving Florida 4 of the top 5 are Lakewood Ranch, West Villages, and Nocatee in Jacksonville.
- In total, Florida had 10 in the top 50

| Rank | MPC | MSA | Location | 2017 MY | 2016 MY | % |
|---|---|---|---|---|---|---|
| 1 | Irvine Ranch | Los Angeles–Long Beach–Santa Ana | Orange County.CA | 1,088 | 989 | 10% |
| **2** | **The Villages** | **Ocala** | **The Villages, FL** | **983** | **841** | **17%** |
| **3** | **Lakewood Ranch** | **North Port-Sarasota-Bradenton** | **Sarasota, FL** | **622** | **360** | **73%** |
| **4** | **West Villages** | **North Port-Sarasota-Bradenton** | **Sarasota, FL** | **526** | **-** | **-** |
| **5** | **Nocatee** | **Jacksonville** | **Ponte Verda, FL** | **516** | **616** | **-16%** |
| 6 | Eastmark | Phoenix-Mesa-Scottsdale | Mesa, AZ | 502 | 277 | 81% |
| 7 | Summerlin | Las Vegas-Henderson-Paradise | Las Vegas, NV | 470 | 366 | 28% |
| 8 | Great Park Neighborhoods | Los Angeles–Long Beach–Santa Ana | Irvine, CA | 466 | - | - |
| 9 | Inspirada | Las Vegas-Henderson-Paradise | Las Vegas, NV | 391 | 290 | 35% |
| 10 | Stapleton | Denver-Aurora-Lakewood | Denver, CO | 371 | 289 | 28% |
| 11 | Rancho Mission Viejo | Los Angeles–Long Beach–Santa Ana | San Juan Capistrano, CA | 340 | 242 | 40% |
| 12 | Baker Ranch | Los Angeles–Long Beach–Santa Ana | Lake Forest, CA | 318 | 228 | 39% |
| 13 | Cane Bay Plantation | Charleston-North Charleston | Charleston, SC | 315 | 308 | 2% |
| 14 | Paloma Creek | Dallas-Fort Worth-Arlington | Dallas, TX | 302 | 340 | -11% |
| 15 | Leyden Rock | Denver-Aurora-Lakewood | Arvada, CO | 281 | - | - |
| 16 | Riverstone | Houston–The Woodlands–Sugar Land | Fort Bend County, TX | 276 | 231 | 19% |
| 17 | Vistancia | Phoenix-Mesa-Scottsdale | Peoria, AZ | 274 | 209 | 31% |
| **18** | **Lake Nona** | **Orlando-Kissimmee-Sanford** | **Orlando, FL** | **273** | **244** | **12%** |
| 19 | Westridge | Dallas-Fort Worth-Arlington | Mckinney, TX | 264 | 318 | -17% |
| 20 | Siena | Austin-Round Rock-San Marcos | Austin, TX | 260 | - | - |
| 21 | Willowsford | Washington-Atlington-Alexandria | Loudoun, VA | 250 | - | - |
| 22 | Daybreak | Salt Lake City | South Jordan, UT | 243 | 222 | 9% |
| **23** | **Summerlake** | **Orlando-Kissimmee-Sanford** | **Winter Garden, FL** | **240** | **-** | **-** |
| 24t | Aliana | Houston–The Woodlands–Sugar Land | Fort Bend County, TX | 231 | 243 | -5% |
| 24t | Cadence | Las Vegas-Henderson-Paradise | Henderson, NV | 231 | - | - |
| 26 | Verrado | Phoenix-Mesa-Scottsdale | Buckeye, AZ | 228 | - | - |
| 27 | Bridgeland | Houston–The Woodlands–Sugar Land | Cypress, TX | 225 | 150 | 50% |
| 28 | Berewick | Charlotte | Charlotte, NC | 216 | - | - |

**Florida locations*

| Rank | MPC | MSA | Location | 2017 MY | 2016 MY | % |
|---|---|---|---|---|---|---|
| 29 | Estrella | Phoenix-Mesa-Scottsdale | Goodyear, AZ | 214 | - | - |
| 30 | Green Valley Ranch | Denver-Aurora-Lakewood | Denver, CO | 213 | - | - |
| 31 | Cross Creek Ranch | Houston-The Woodlands-Sugar Land | Fulshear, TX | 212 | 200 | 6% |
| 32 | Sienna Plantation | Houston-The Woodlands-Sugar Land | Missouri City, TX | 207 | 199 | 4% |
| **33** | **Waterset** | **Tampa-St. Petersburg-Clearwater** | **Apollo Beach, FL** | **197** | **-** | **-** |
| 34 | Phillips Creek Ranch | Dallas-Fort Worth-Arlington | Frisco, TX | 192 | - | - |
| **35** | **Tradition** | **Port St. Lucie** | **St. Lucie, FL** | **191** | **-** | **-** |
| 36 | Viera | Melbourne-Palm Bay-Titusville | Viera, FL | 189 | - | - |
| **37t** | **Bartram Park** | **Jacksonville** | **Jacksonville, FL** | **183** | **-** | **-** |
| 37t | Woodforest | Houston-The Woodlands-Sugar Land | Montgomery, TX | 183 | 194 | -6% |
| 39 | Harvest | Dallas-Fort Worth-Arlington | Argyle, TX | 180 | - | - |
| 40 | Canyon Lake West | Houston-The Woodlands-Sugar Land | Cypress, TX | 177 | 207 | -14% |
| 41 | Harvest Green | Houston-The Woodlands-Sugar Land | Richmond, TX | 175 | 127 | 38% |
| 42 | The Woodlands | Houston-The Woodlands-Sugar Land | The Woodlands, TX | 174 | 120 | 45% |
| 43t | Light Farms | Dallas-Fort Worth-Arlington | Celina, TX | 172 | - | - |
| 43t | Wildwood at Northpointe | Houston-The Woodlands-Sugar Land | Tomball, TX | 172 | 193 | -11% |
| 45t | Briar Chapel | Raleigh | Chapel Hill, NC | 171 | - | - |
| 45t | Tehaleh | Seattle-Tacoma-Bellevue | Bonney Lake, WA | 171 | - | - |
| 47 | New Haven in Ontario Ranch | Riverside-San Bernardino-Ontario | Ontario, CA | 170 | - | - |
| **48** | **Ave Maria** | **Naples-Fort Myers** | **Naples, FL** | **164** | **-** | **-** |
| 49t | Viridian | Dallas-Fort Worth-Arlington | Arlington, TX | 158 | - | - |
| 49t | Sundance | Riverside-San Bernardino-Ontario | Beaumont, CA | 158 | - | - |

**Florida locations*

## Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, August 2017, www.dividendcapital.com, 866-324-7348, Q2-2017 Cycle Monitor

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

Federal Reserve (the Fed) officials seem to be on hold with the economic reality that low (sub-2.0%) inflation and low unemployment continue side by side. Five years of "weak" inflation looks like it may continue for many more years, as there is little evidence of wage pressure. Thus, there is now a very good chance that the Fed may not raise the federal funds rate for the rest of 2017. Low interest rates and moderate employment growth have produced seven years of positive fundamentals for real estate that now have a higher probability of continuing in the next year with the Fed's continued inaction.

**Office occupancy increased 0.1% in 2Q17, and rents grew 0.3% for the quarter and 1.7% annually**

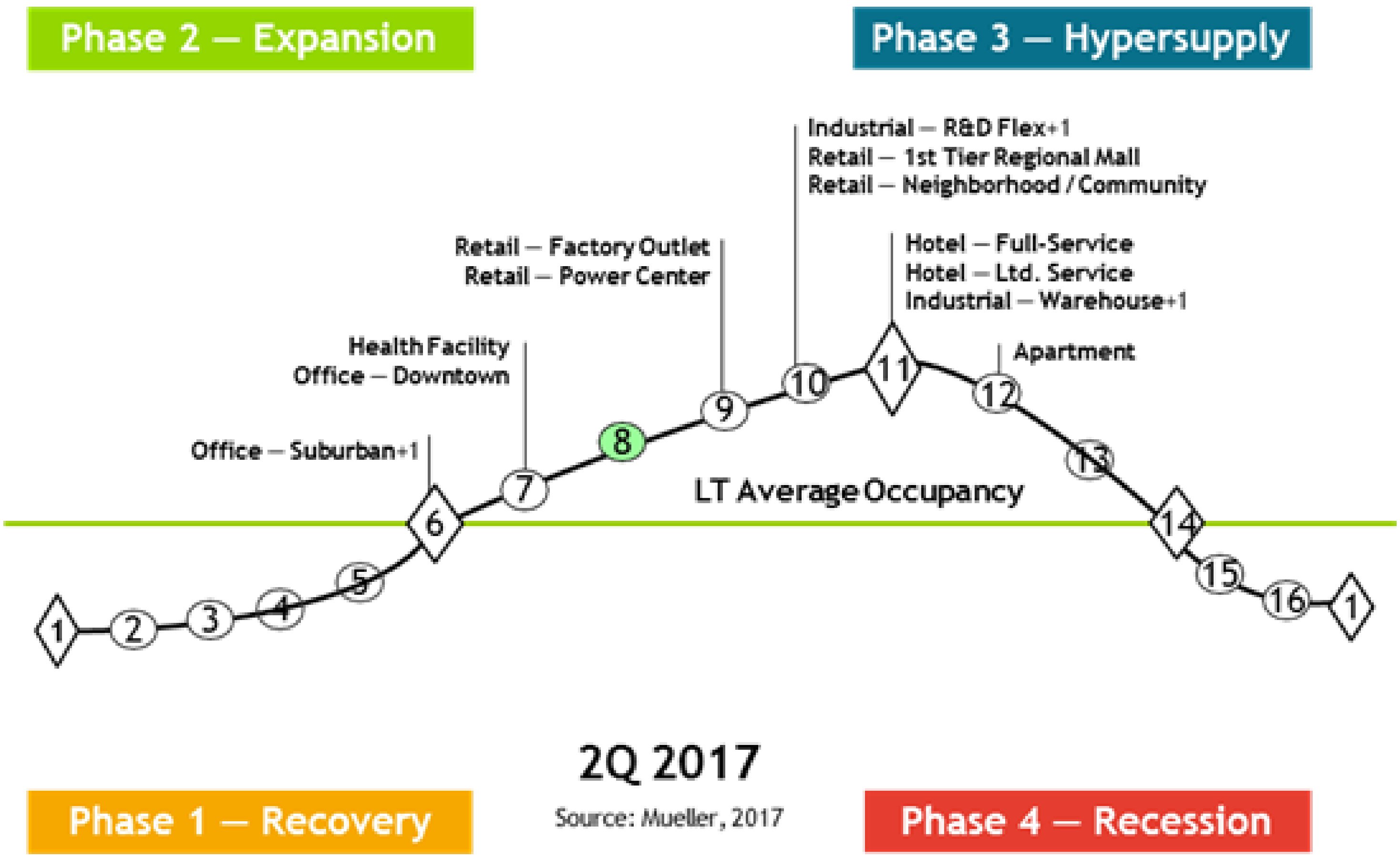
**Retail occupancy was flat in 2Q17, and rents grew 0.5% for the quarter and 2.1% annually**

**Industrial occupancy increased 0.1% in 2Q17, and rents grew 1.4% for the quarter and 6.2% annually**

**Hotel occupancy declined 0.1% in 2Q17, and room rates grew 1.7% for the quarter and 3.3%**

**Apartment occupancy increased 0.3% 2Q17, and rents grew 1.3% for the quarter and 2.5% annually**

## National Property Type Cycle Locations




## Office Market Cycle Analysis

The national office market occupancy level increased 0.1% in 2Q17 and increased 0.2% year-over-year. Continued growth in demand with moderate supply growth created another quarter of positive absorption. Employment growth slowed slightly in 2Q17 from the previous quarter to a near 200,000 people per month for the quarter. Eleven markets improved one point on the cycle graph — leaving only four markets left in the recovery phase of the cycle. Higher Central Business District (CBD) rents helped demand in suburban office and brought the national suburban office occupancy level up to its long-term average occupancy level. Average national rents increased 0.3% in 2Q17 and produced a 1.7% increase year-over-year.

For the 1st quarter Tampa has dropped down to level 9 from level 10, which is declining vacancy, new construction and a high rent growth in a tight market. Ahead of Tampa is Nashville. With Tampa is Orlando and Raleigh-Durham. Behind Tampa is Jacksonville, Palm Beach, Atlanta, Charlotte, Fort Lauderdale, Memphis and Miami.

## Industrial Market Cycle Analysis

Industrial occupancies increased 0.1% in 2Q17 and increased 0.3% year-over-year. The Census Bureau reports that 8.5% of all retail sales are now online and CoStar shows that 9% of all industrial tenants are e-commerce while 23% are logistics companies and retailers. Amazon.com now leases more than 100 million SF of space — from multi-million square foot distribution facilities to small “Prime Now” spaces of less than 30,000 SF. Experts are estimating that it will take a full decade for retailers (including Walmart) to complete their e-commerce distribution networks as on-line sales grow — thus demand for industrial appears to have a long run ahead. Of the markets we cover, 73% are now at their peak cyclical occupancy levels. Our forecast model currently shows that this peak occupancy plateau could last through 1Q19. Remember that peak occupancy is also economic equilibrium where demand and supply are growing at the same rate. Industrial national average rents increased 1.4% in 2Q17 and increased 6.2% year-over-year.

For the 6th quarter Tampa is at level 10, which is declining vacancy, new construction and high rent growth in a tight market. Ahead of Tampa is Miami, Nashville, Orlando, Palm Beach and Raleigh-Durham. Behind Tampa is Atlanta, Charlotte, Fort Lauderdale, Jacksonville and Memphis.

## Apartment Market Cycle Analysis

The national apartment occupancy average improved 0.3% in 2Q17, but decreased 0.2% year-over-year. The millennial generation continues to show preference for rental housing even though their home purchases have started to accelerate. The good news is that apartment ground breakings finally declined by a few percent in 2Q17. If this decelerating supply trend continues, it is possible that the demand / supply growth balance could come back and allow markets to move backwards in the cycle graph towards the cyclical peak that occurred in 3Q14. While CBD apartment rent growth has stalled from numerous years of above inflation growth levels, suburban apartment rent growth has improved allowing average national apartment rent growth to improve 1.3% in 2Q17 and increased 2.5% year-over-year.

For the 8th quarter Tampa is at level 13 in the hypersupply phase of rent growth, positive but declining. With Tampa is Atlanta, Charlotte and Palm Beach. Ahead of Tampa is Nashville. Behind Tampa is Jacksonville, Memphis, Orlando, Raleigh-Durham, and Norfolk.

## Retail Market Cycle Analysis

Retail occupancies were flat in 2Q17 and increased 0.2% year-over-year. Retail sales were up 0.6% in July and up 4.2% year-over-year. With e-commerce sales being only 8.5% of all retail sales, brick and mortar retail should not die over the next few decades. Remember that not every item should be purchased online. Human tactile desires and experiences still drive many purchase decisions. Even with Amazon.com buying Whole Foods, do not expect most consumers to buy fresh lettuce online and pay for the luxury of home delivery. Whole Foods was a strategic start to see how much wealthy consumers might pay for online grocery convenience and delivery. Most retailers are working on their e-commerce strategies and many are discussing the use of current stores as distribution centers — including using older malls for last mile distribution strategies. National average retail rents increased 0.5% in 2Q17 and increased 2.1% year-over-year.

For the 6th quarter, Tampa is at level 10, expansion phase with declining vacancy and new construction. With Tampa is Miami, Nashville, Orlando and Palm Beach. Ahead of Tampa is Fort Lauderdale and Raleigh-Durham. Behind Tampa is Charlotte, Atlanta, Jacksonville and Memphis.

## Hotel Market Cycle Analysis

Hotel occupancies were down 0.1% in 2Q17 and increased 0.4% year-over-year. It appears that the hotel national average cyclical occupancy rate peak may have occurred in 1Q17, but one quarter with a 0.1% decline is not a definitive turning point. Gross Domestic Product (GDP) growth is still the best indicator of hotel demand and it continues to be positive and moderate. Thus, we expect demand growth to continue for the foreseeable future. Strong supply growth pushed only two markets into the hypersupply phase of the cycle and two markets deeper into hypersupply in 2Q17. The national average hotel room rate increased 1.7% in 2Q17 and increased 3.3% year-over-year.

For the 3rd quarter, Tampa is at level 11, the demand/supply equilibrium point. With Tampa is Orlando and Palm Beach. Ahead of Tampa is Charlotte and Miami. Behind Tampa is Memphis, Raleigh - Durham, Fort Lauderdale, Jacksonville and Nashville.

# TAMPA BAY SINGLE FAMILY MARKET OVERVIEW

## August 22nd 2017 Myers Group Presentation

- Millennials - under 35, 34.1% own.
- Between the ages of 32-35, 56% own.
- 87% use online when buying
- 25,000,000 of the millennials with be buying in the next 1-3 years.
- In the Tampa bay area there were 30,000 permits issued in 2016, and year to date 2017 was 20,000 permits. 70% are single family.
- Tampa Bay median home prices are 5% above peak.
- There is a 46% difference between median resale prices of $179,035, and new prices of median $261,019.
- 7.5:1 ratio resales to new.
- Top 10 builders in Tampa Bay area have average home price sales of $304,000.
- 2 months inventory of new homes.

# TAMPA BAY MULTIFAMILY MARKET OVERVIEW

## Analysis of demographic shifts and impact to existing and future apartment product mixes by Foley & Puls, Inc. www.foleypuls.com

Erhardt's Comment: Interesting reading about the current product mix. Developers are doing a high number of one bedroom units in the urban core, which may not have as much demand in the future as demographics change.

**Click here** for Foley & Puls Analysis

# AxioMetrics, Inc. Market Performance Summary, Q2-2017, Tampa – St. Petersburg – Clearwater, Florida Metropolitan Statistical Area

## Apartment Performance

Effective rent increased 1.5% from $1,115 in 1Q17 to $1,131 in 2Q17, which resulted in an annual growth rate of 2.5%. Annual effective rent growth is forecast to be 2.4% in 2018, and average 3.4% from 2019 to 2021. Annual effective rent growth has averaged 2.6% since 3Q96.The market's annual rent growth rate was above the national average of 2.3%. Out of the 120 markets ranked by Axiometrics nationally, Tampa-St. Petersburg-Clearwater, FL Metro Area was 88th for quarterly effective rent growth, and 54th for annual effective rent growth for 2Q17. The market's occupancy rate increased from 94.9% in 1Q17 to 95.0% in 2Q17, but was down from 95.6% a year ago. The market's occupancy rate was at the national average of 95.0% in 2Q17. For the forecast period, the market's occupancy rate is expected to be 94.6% in 2018, and average 95.0% from 2019 to 2021. The market's occupancy rate has averaged 94.0% since 3Q95.

## Market Survey Results and Forecasts

| | Sequential | | | | Month | Annual | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 3Q16 | 4Q16 | 1Q17 | 2Q17 | AUG-17 | 2015 | 2016 | 2017F | 2018F | 2019F | 2020F | 2021F |
| Effective Rent Per Unit | $1,120 | $1,113 | $1,115 | $1,131 | $1,148 | $1,045 | $1,104 | $1,133 | $1,160 | $1,196 | $1,242 | $1,281 |
| Per Sq. Ft | $1.18 | $1.18 | $1.18 | $1.20 | $1.22 | $1.11 | $1.17 | $1.20 | $1.23 | $1.27 | $1.31 | $1.36 |
| Effective Rent Growth - Annually | 5.5% | 4.0% | 3.4% | 2.5% | 2.5% | 6.1% | 5.6% | 2.7% | 2.4% | 3.1% | 3.9% | 3.1% |
| Effective Rent Growth - Quarterly | 1.5% | -0.6% | 0.2% | 1.5% | | | | | | | | |
| Occupancy Rate | 95.4% | 94.7% | 94.9% | 95.0% | 95.3% | 95.5% | 95.3% | 94.9% | 94.6% | 95.0% | 95.3% | 94.9% |
| Occupancy Change - Annually | -0.3% | -0.9% | -0.7% | -0.6% | -0.2% | 0.7% | -0.2% | -0.4% | -0.4% | 0.4% | 0.3% | -0.4% |
| Occupancy Change - Quarterly | -0.1% | -0.7% | 0.1% | 0.2% | | | | | | | | |
| Economic Concessions | | | | | | | | | | | | |
| Concession Value | $-3.28 | $-6.42 | $-7.10 | $-5.47 | $-3.36 | $-3.75 | $-4.47 | | | | | |
| As a % of Asking Rent | -0.3% | -0.6% | -0.6% | -0.5% | -0.3% | -0.4% | -0.4% | | | | | |

# Demand and Supply

According to the Bureau of Labor Statistics, job growth in Tampa-St. Petersburg-Clearwater, FL Metro Area was 3.1% in August 2017, reflecting 39,600 jobs added during a 12-month period. The metro job growth figure was above the national number of 1.5%.Axiometrics forecasts Tampa-St. Petersburg-Clearwater, FL Metro Area's job growth to be 2.0% in 2018, with 26,405 jobs added. Job growth is expected to average 1.9% from 2019 to 2021, with an average of 25,804 jobs added each year. On the supply side, permits for 5,476 multifamily units were issued in the 12 months ending in July 2017, down -856 units from the prior year's sum. In terms of total residential housing, 17,819 units were permitted in the 12 months ending July 2017, an increase of 639 units from the prior year's total.

## Multifamily Absorption and Supply

| | Annual | | | 2Q17 | | Annual Forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | Market | National | 2017F | 2018F | 2019F | 2020F | 2021F |
| Total Units Absorbed | 6,710 | 5,627 | 1,733 | 3,170 | 273,576 | 5,307 | 3,517 | 5,461 | 4,047 | 1,657 |
| New Supply | 4,012 | 3,987 | 4,704 | 5,115 | 363,579 | 5,416 | 4,746 | 4,026 | 3,204 | 3,869 |
| Inventory Growth | 1.3% | 1.3% | 1.5% | 1.5% | 1.4% | 1.7% | 1.5% | 1.2% | 1.0% | 1.2% |

Tampa-St. Petersburg-Clearwater, FL Metro Area's two largest job sectors are the Trade, Transportation, and Utilities sector (18.7% of employment), followed by the Professional and Business Services sector (18.6% of employment). The Trade, Transportation, and Utilities sector gained 3,100 jobs during the 12 months ending August 2017, constituting job growth of 1.3%.The Professional and Business Services sector grew 16,300 jobs during the same period; a 7.0% growth rate.

## Identified Supply

As of September 24, 2017, Axiometrics has identified 4,770 apartment units scheduled for delivery in 2017, of which, 2,913 have been delivered. As a comparison, there were 3,231 apartment units delivered in 2016. Properties delivered to the market in the last 12 months have achieved an average asking rent of $1,669 per unit, or $1.70 per square foot. Effective rent has averaged $1,593, or $1.62 per square foot, resulting in an average concession value of $-75.47. As a comparison, existing properties in the market had an average asking rent of $1,137 per unit ($1.20 per square foot) and an average effective rent of $1,131 per unit, or $1.20 per square foot, in 2Q17. Concessions for existing properties averaged $-5.47.

## Submarket Delivery Schedule

| | Pipeline Delivery Schedule | | | | Pipeline Lease Up Trent | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sequential | | | | Units Absorbed | | Asking Rent | | Effective Rent | |
| Top Submarkets | 2015 | 2016 | 2017 | Total | Totals | PPM | Per Unit | PSF | Per Unit | PSF |
| Central St. Petersburg | 260 | 458 | 448 | 1,166 | 354 | 18 | $2,175 | $2.30 | $2,122 | $2.24 |
| Central Tampa | 768 | 799 | 2,630 | 4,197 | 939 | 14 | $1,942 | $1.99 | $1,841 | $1.89 |
| Clearwater | 379 | 47 | 439 | 865 | 91 | 7 | $1,399 | $1.66 | $1,360 | $1.62 |
| South Hillsborough County | 260 | 250 | 366 | 876 | 246 | 19 | $1,434 | $1.45 | $1,404 | $1.42 |
| University North | | 144 | 418 | 562 | 265 | 15 | $1,355 | $1.31 | $1,273 | $1.23 |
| Other | 1,876 | 1,523 | 1,148 | 4,547 | 1,154 | 14 | $1,358 | $1.32 | $1,320 | $1.29 |
| Tampa-St. Petersburg-Clearwater, FL | 3,543 | 3,221 | 5,449 | 12,213 | 3,049 | 14 | $1,635 | $1.66 | $1,572 | $1.60 |

**Based on 2017 deliveries*

**Trend Based on trailing 12 month period*

# TAMPA BAY HOSPITALITY MARKET OVERVIEW

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

| | |
|---|---|
| **Occupancy Rate** | 70.5% |
| **Room Rates** | ADR $113.27. Flat |
| **Room Expenditures** | RevPAR $79.82. Flat |
| **Market Growth** | Flat |
| **Demand** | $474,187. Flat |
| **Revenue** | $53,713,005. Flat |

# TAMPA RETAIL MARKET OVERVIEW

## Notes from ICSC Meeting in Orlando August 28, 2017

- When asked about site selection criteria, Lucky's Market real estate manager Rick Lewellyan answered with one word "moxy".
- 55% of the US has amazon prime.
- In 8 years amazon will be larger than Walmart.
- Walmart, Lowes and Costco were 50% of the new construction in the state of Florida.
- Between 2017 and 2030 Florida will add 4 million people. This will require 50 million square feet of space, estimated to be 400 projects or 30 projects per year.

## Q3-2017 Tampa / St. Petersburg Retail Market Report, CoStar Group, Inc.

### Net Absorption

Retail net absorption was flat in Tampa/St Petersburg second quarter 2017, with positive 42,811 square feet absorbed in the quarter. In first quarter 2017, net absorption was positive 732,178 square feet, while in fourth quarter 2016; absorption came in at positive 510,811 square feet. In third quarter 2016, positive 140,120 square feet was absorbed in the market.

### Vacancy

Tampa/St Petersburg's retail vacancy rate increased in the second quarter 2017, ending the quarter at 4.7%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 5.0% in the third quarter 2016, to 4.8% at the end of the fourth quarter 2016, 4.6% at the end of the first quarter 2017, to 4.7% in the current quarter.

The amount of vacant sublease space in the Tampa/St Petersburg market has trended down over the past four quarters. At the end of the third quarter 2016, there were 475,916 square feet of vacant sublease space. Currently, there are 241,842 square feet vacant in the market.

### Largest Lease Signings

The largest lease signings occurring in 2017 included: the 86,479-square-foot-lease signed by Rural King at 7246 Gall Blvd; the 55,000-square-foot-deal signed by Hobby Lobby at Sunset 19 Shopping Center; and the 45,000-square-foot-lease signed by LA Fitness at 2890 Providence Lakes Blvd.

### Rental Rates

Average quoted asking rental rates in the Tampa/St Petersburg retail market are down over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the second quarter 2017 at $14.64 per square foot per year. That compares to $14.80 per square foot in the first quarter 2017, and $14.41 per square foot at the end of the third quarter 2016. This represents a 1.1% decrease in rental rates in the current quarter, and a 1.57% increase from four quarters ago.

### Inventory & Construction

During the second quarter 2017, 25 buildings totaling 194,766 square feet delivered in the Tampa/St Petersburg retail market. Over the past four quarters, a total of 750,402 square feet of retail space has delivered in Tampa/St Petersburg. In addition to the current quarter, 19 buildings with 290,421 square feet delivered in first quarter 2017, 24 buildings totaling 179,883 square feet completed in fourth quarter 2016, and 85,332 square feet in 12 buildings completed in third quarter 2016. There were 905,040 square feet of retail space under construction at the end of the second quarter 2017.

### Shopping Center

The Shopping Center market in Tampa/St Petersburg currently consists of 2200 projects with 88,919,758 square feet of retail space in 3,781 buildings. The Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers. After absorbing 80,046 square feet and delivering 19,400 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 7.5% at the end of the first quarter 2017 to 7.4% this quarter.

Over the past four quarters, the Shopping Center vacancy rate has gone from 8.0% at the end of the third quarter 2016, to 7.8% at the end of the fourth quarter 2016, to 7.5% at the end of the first quarter 2017, and finally to 7.4% at the end of the current quarter.

Rental rates ended the second quarter 2017 at $13.05 per square foot, down from the $13.40 they were at the end of first quarter 2017. Rental rates have trended down over the past year, going from $13.28 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled 641,842 square feet over the past four quarters. In addition to the positive 80,046 square feet absorbed this quarter, positive 321,940 square feet was absorbed in the first quarter 2017, positive 202,290 square feet was absorbed in the fourth quarter 2016, and positive 37,566 square feet was absorbed in the third quarter 2016.

## Power Centers

The Power Center average vacancy rate was 6.0% in the second quarter 2017. With positive 120 square feet of net absorption and no new deliveries, the vacancy rate remained 6.0% since the end of last quarter.

In the first quarter 2017, Power Centers absorbed positive 27,310 square feet, delivered no new space, and the vacancy rate went from 6.3% to 6.0% over the course of the quarter. Rental started the quarter at $24.99 per square foot and ended the quarter at $26.32 per square foot.

A year ago, in second quarter 2016, the vacancy rate was 4.6%. Over the past four quarters, Power Centers have absorbed a cumulative (134,058) square feet of space. Vacant sublease space has gone from 4,000 square feet to 2,516 square feet over the past four quarters, and rental rates have gone from $21.85 to $24.89.

At the end of the second quarter 2017, 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 9,600,479 square feet in 26 centers comprised of 162 buildings. No significant space was under construction at the end of the second quarter 2017.

## 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 | 15 | 338,827 | 182,945 | 54.0% | 11,952 | 22,588 |
| North Hillsborough | 14 | 281,868 | 205,530 | 72.9% | 11,007 | 20,133 |
| Pinellas | 4 | 178,413 | 162,413 | 91.0% | 13,526 | 44,603 |
| I-75 Corridor | 5 | 41,541 | 28,342 | 68.2% | 11,563 | 8,308 |
| Pasco County | 4 | 34,275 | 27,575 | 80.5% | 9,559 | 8,569 |
| Eastern Outlying | 2 | 16,196 | 16,196 | 100.0% | 11,784 | 8,098 |
| Hernando County | 1 | 13,920 | 0 | 0.0% | 14,139 | 13,920 |
| Central Tampa | 0 | 0 | 0 | 0.0% | 14,524 | 0 |
| Totals | **45** | **905,040** | **623,001** | **68.8%** | **11,833** | **20,112** |

# TAMPA OFFICE MARKET OVERVIEW | CUSHMAN & WAKEFIELD

- **Westshore Office Overview:** Overall vacancy at the end of 3rd quarter 2017 is 10.1% compared to 8.9% last year and 10.5% last quarter. Class A is at 9.1% compared to 8.2% last year and 8.7% last quarter.
- **I-75 Office Overview:** Overall vacancy at the end of the 3rd quarter 2017 is at 15.9% compared to 12.6% a year ago and 14.1% last quarter. Class A is at 8.8% compared to 8.3% a year ago and 6.9% last quarter.
- **Tampa Central Business District:** Overall vacancy at the end of the 3rd quarter 2017 is at 14.4% compared to 12.6% a year ago and 13.7% last quarter. Class A is at 10.5% compared to 9.0% a year ago and 10.0% last quarter.
- **Under Construction:** 150,000 sf.

# TAMPA INDUSTRIAL MARKET OVERVIEW

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

Momentum in Tampa Bay's industrial market continued through the third quarter as large users either expanded or set up shop throughout the region. Tampa, and more specifically the Lakeland market, were routinely considered as some of the U.S.'s hottest industrial markets with vacancy rates less than 5% for warehouse/distribution space.

Tenants in the market absorbed space in the two of the largest speculative projects built to date. Brennan Investment Group, LLC purchase of 112 acres at CenterState Logistics site ushered the start of development of the largest industrial park in the Lakeland market in the last decade. Bullish about their Lakeland position, the Brennan team broke ground one of the area's largest speculative buildings with approximately 605,000 square feet (sf). The entire building leased before completing to one user with a high credit rating. Duke Realty delivered the other large spec building at the Tampa Regional Industrial Park. A majority of the 337,000 sf building leased to multiple tenants before delivery. Siemens and Chromalloy Gas Turbine Corporation leased over 200,000 sf. An additional 65,000 sf leased was signed to one of Duke's regional 3PL tenants, leaving them with only 65,000sf to lease and the strong desire to break ground on a second building.

McDonald Development will break ground in the fourth quarter on the much anticipated 301 Business Park. The plan is to deliver three (3) speculative buildings simultaneously: a 341,000 sf cross dock (of which over 200,000 sf should be pre-leased by the time this goes to press), a 170,000 sf front loader and a 141,000 sf rear load building. The park is being developed at the epi-center of Tampa's tightest industrial submarket with great access to all major thoroughfares.

Through the third quarter, Central Florida continued to benefit from the growing demand for large distribution and fulfillment centers near major population clusters. Central Florida's land positions offer options for users to service the entire state in one day or enhance their last-mile logistics requirements. The scarcity of industrial land in premier locations with strong connection to transportation networks is increasing competition among developers and end users. The need for industrial land will only increase as market fundamentals adapt to the needs of the digital economy. Well placed industrial locations near growing consumer markets will continue to see increased interest from industrial developers and end users.

## Cushman & Wakefield Industrial Market Overview – Tampa

### West Tampa Industrial Overview:

- The overall vacancy at the end of the 3rd quarter, 2017 is 5.1% compared to 4.6% a year ago and 4.8% last quarter.
- Warehouse distribution is at 2.7% vacancy compared to 3.5% a year ago and 2.8% last quarter.
- Office Service Center is at 11.0% vacancy compared to 8.0% a year ago and 9.8% last quarter.

### East Tampa Industrial Overview:

- The overall vacancy at the end of the 3rd quarter 2017 was 6.0% compared to 6.6% a year ago and 6.2% last quarter.
- Warehouse distribution is at 6.0% vacancy compared to 6.2% a year ago and 6.4% last quarter.
- Office Service Center is at 10.0% vacancy compared to 13.6% last year and 10.2% last quarter.

### Plant City Industrial Market Overview:

- The overall vacancy at the end of the 3rd quarter 2017 was 1.0% vacancy compared to 2.4% a year ago and 1.9% last quarter.
- Warehouse distribution is at 1.0% vacancy compared to 3.1% a year ago and 2.4% last quarter.

### Lakeland Industrial Market Overview:

- The overall vacancy at the end of the 3rd quarter 2017 was 3.9% vacancy compared to 4.2% a year ago and 5.1% last quarter.
- Warehouse distribution is at 4.6% vacancy compared to 4.8% a year ago and 6.2% last quarter.

## Florida Industrial Revolution, C&W Research

Industrial is one of the hottest assets in the country and Florida is no exception. Providing the perfect trifecta of benefits - people, access and inventory - investors and tenants have taken notice. With nearly every major market performing at or better than pre-recession levels, Florida is a prime market for new construction and tenant expansion. So far in 2017 nearly 5.2 msf has been delivered with an additional 10.1 msf currently under construction.

### 2Q17 STATEWIDE STATISTICS

| 2Q17 Rents | YTD Absorption | YTD Leasing Activity | YTD Build-to-Suit | YTD Speculative | YTD Completions |
|---|---|---|---|---|---|
| ↓ | ↑ | ↑ | ↑ | ↓ | ↑ |
| **$7.03 NNN** | **3,743,356 SF** | **12,925,589 SF** | **6,147,474 SF** | **3,999,391 SF** | **5,199,742 SF** |

* Note above figures represent year-over-year comparison

| | TAMPA BAY | MIAMI | ORLANDO | JACKSONVILLE | BROWARD | PALM BEACH |
|---|---|---|---|---|---|---|
| SF | 2,139,394 SF | 2,385,130 SF | 950,541 SF | 3,343,476 SF | 1,031,524 SF | 296,800 SF |
| BTS | 16% | 45% | 0% | 69% | 20% | 18% |
| SPEC | 84% | 55% | 100% | 31% | 80% | 82% |


## MARKET HIGHLIGHTS

**Industrial fundamentals across the state improved significantly during the current real estate cycle. Statewide occupancy rose to 95.1% and demand stayed steady as tenants absorbed over 3.7 million square feet (msf) of space year-to-date. Rental rates slightly declined year-over-year, due in part to the lack of quality space that remains on the market.**

Until recently, speculative (spec) construction remained muted throughout the state of Florida due to lower rental rents and rising land costs. As demand reached new heights, developers showed confidence in breaking ground on a number of spec projects, a majority of which are slated for completion in 2017. For the first time since 2009, spec construction drove the bulk of activity with spec activity outweighing build-to-suits in 5 out of 6 major markets.

With limited supply of availabilities across the state, this will likely lead to lower absorption numbers in upcoming quarters. The trade-off will come with a strong increase in rental rates, as new vacant space comes online in the near term. Economic expansion, job growth, and an influx of new people into the state contribute to increases in consumer spending and support the underlying demand for industrial space in Florida.

**Q3**-2017

Stagewide Occupancy
**95.1%**

Tenants Absorbed Over
**3.7MSF**

# LAND SALES

## Multifamily

- Bainbridge Companies purchased a 12 acre site at the SW quadrant at Westshore Blvd. and Gandy Blvd., South Tampa for $13,200,000. They plan on 345 units, which is $38,268 per unit, $25.25 per land sf, and 28.75 units per acre.
- The Spanos Corporation purchased a rental site in Palmer Ranch, Sarasota County for $5,000,000. They plan on building 257 units or $19,455 per unit, undeveloped.
- Arlington Development purchased a rental site at the NW quadrant of SR54 in Wesley Chapel Blvd, South Central Pasco County for $15,425 per unit for 341 units.
- John Marling & Carl Lindell purchased 17.98 acres in the SE quadrant of Big Bend Rd and I75, South Hillsborough County for $15,543 per unit for 285 units.

## Single family

- Developed lots in Fish Hawk Ranch, South Hillsborough County, sold between $1,100 and $2,692 per front foot.
- Developed lots in Waterset, South Hillsborough County, sold for between $1,250 and $1,329 per front foot.
- Developed lots in Bexley Ranch, South Central Pasco County, sold for between $1,260 and $1,401 per front foot.
- Developed lots in Epperson Ranch, South Central Pasco County, sold for between $985 and $1,100 per front foot.
- Jeff Hills purchased 100 acres on the east end of South Fork, South Hillsborough County for $30,360 per acre. He plans on building 200 lots for $15, per lot.
- DR Horton purchased 130 lots in the NW quadrant of 1-75 and SR64 Manatee County for $14,461 per undeveloped lot. Note these are 40 ft lots.
- DR Horton purchased 31 developed lots in Palmetto, Manatee County for $41,500 per developed lot.
- Reeder Acquisitions Partners LP purchased 445 acres at the NE quadrant of US Highway 301 and Moccasin Wallow Rd., North Manatee County for $34,606 per acre. Reeder is developing 1100 lots for DR Horton. The price was $14,000 per undeveloped lots. Density is 2.74 units per gross acre.
- Claude Melli purchased 130 acres at the SW quadrant of US highway 301 and Moccasin Wallow Rd. for $47,101 per ac. The property is selling agricultural but has a land use of urban fringe 3 which would be $15,700 per unit at 3 units per gross acre.
- Kolter land acquisitions purchased 268 acres in the SW quadrant of US highway 301 and Moccasin Wallow Rd. for $26,030 per gross acre. Property is approved for 562 single family lots or $12,412 per lot.

## Institutional

- State College of Florida purchased 74 acres at 11680 Erie Rd., Parrish Florida, North Manatee County for $33,729 per gross acre

CUSHMAN & WAKEFIELD

Quarterly Report Q3 - 2017

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