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Tampa Bay Land Market Overview
4Q – 2009

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 sixteenth quarter, land for multifamily for sale and rental product is not active, with the exception of investor purchases. The single family market has builders continuing to sign up for developed lots with soft terms in A and B locations. We did confirm one 60+ lot deal for cash. Retail is at a stand still, with the exception of single tenant driven owner/user deals. Industrial, hotel and office land continues to slow. Same as last quarter, investors continue to look for developed lots or well located, entitled, single family land, and are also starting to look at industrial, office and retail land that offer potential upside.

- *Office – Government uses dominate the office land market.*
- *Industrial – Users only. No activity with new developer purchases.*
- *Retail - Same as last eleven quarters with land prices declining because of lack of tenant demand.*
- *Multifamily land – There have been no trades for market rate rental sites, and one sale for a tax credit. Prices have not found bottom, but offers are being made by investors.*
- *Single Family – Same as the last two quarters, with builders continuing to look for entry level, single family lots for $500/front foot or less. There were several trades in last quarter to investors and home builders.*

  The CDD bond default list since the November 1st payment is up to 126. According to a Tampa Bay Business Journal article, there are 17 CDD's in default in just Hillsborough and Pasco Counties totaling $315.30 million. This figure does not include the bank debt, which is subordinate to the bonds.

  One of the problems I'm seeing is banks are relying on appraisals and ignoring the market. The market determines value. This is especially true where home prices decline and housing starts diminish. In these markets, the price of land falls even more sharply.

  Unfortunately, some banks won't sell at market because they can't take the hit to their reserves requirement. These banks, in our opinion, will be closed by FDIC over the next 1 – 2 years. We have been tracking sales of residential land, looking at the comparison of peak value to recent sales, most of which are bank deals. Please see the chart on the next page:

Central Florida – Current Closings to Peak Pricing

Buyer	Property	Cents on the Dollar	Transaction Date
Land Developer	CDD North Jacksonville, lots	27¢ On CDD	8/09
Investor	M/I Bank Sarasota lots/land	13.5¢ On loan, .12¢ of peak sales price	9/09
Home Builder	Waterfront condo pads and marina, Manatee county	22¢ on Seller's investment	9/09
Investor	Georgetown – South Tampa – Waterfront condo	24.4¢ Peak sales price .33¢/loan	10/09
Home Builder	Regions Bank SF South Hillsborough, single family	28.6¢ on peak sales price	10/09
Avatar	Key Bank, St. Lucie, single family	07.9¢ On the loan	10/09
Investor	CBD Tampa condo	29.7¢ Contract on peak sales price	11/09
Investor	32 acres Approved for 195 townhomes, South Hillsborough County	13.1¢ Peak sales price 11.16¢ on the loan	11/09
Investor	60 lots, Lake County	19¢ on the loan	11/09
Home Builder	159 finished lots (50's and 60's), Gamble Creek Estates, Manatee County	Purchase price was \$12,927/lot. 20¢ on the peak loan amount	11/09
Home Builder	89.12 acres, 365 paper lots, south Hillsborough County	28.6¢ on peak sales price	12/09

Average – 21.25¢
High - 33¢
Low – 7.9¢

The Big Picture.

Kiplinger Letter, September 25, 2009, See Global Forecasts Chart Below

GDP Growth (Descending rank by GDP size)	2009	2010
World	-2.0%	3.0%
United States	-2.7%	2.0%
Euro Zone	-3.8%	1.0%
China	8.4%	9.0%
Japan	-5.6%	1.6%
United Kingdom	-4.3%	1.4%
Brazil	-0.2%	4.2%
Canada	-2.3%	2.3%
India	5.9%	7.4%
Russia	-8.0%	2.8%
Mexico	-7.0%	2.5%
South Korea	-1.0%	4.0%

Real Estate Lives, www.realestatelives.org

A Tampa based organization started mostly by Ron Weaver, a local land use attorney, to help people in the real estate business that have lost their jobs. In addition to job placement (154 to date), they help with self esteem, how to discuss with the wife and children, Christmas party and holiday dinners.

The stats below are amazing to me:

Largest monthly total Rebounders	327
This month total Rebounders	194
Rebounders back to work	154
Resumes edited	500
Interviews facilitated	900
Coached and trained	400
Phone bank calls	4,800

Research Fact of the Week – Cushman & Wakefield, Inc.

Hit "play" to see what happens to the unemployment rate since 2004.

http://tipstrategies.com/archive/geography-of-jobs/

Hit "play" and watch what happens to the unemployment rate, by county, since January 2007 through October 2009.

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

High Speed, Commuter and Light Rail

- Reportedly, in late January or early February, Obama will make a decision on who is to receive the $8 billion designated for high speed rail. Tampa and Orlando are competing with Southern California, Chicago, and South Carolina. Tampa / Orlando are further along on their planning, having completed the environmental statement and already have the right of way, and apparently our line is cheaper to build. Tampa / Orlando would also like to have the funds pay for the studies necessary to extend the line from Orlando to Miami.

  The stops are Orlando Airport, Disney area, somewhere in Polk County, and Downtown Tampa, where they just knocked down the old jail. FDOT now owns that land.

- In early December, Florida's legislature passed legislation to go forward purchasing the 63 mile CSX line for commuter rail, between Stanford and Kissimmee. This legislation also sets up a rail commission.

  Consultants were telling our legislators that the feds needed Florida to show a commitment to rail, otherwise, they would not get high speed rail dollars.

- Hillsborough County Commissioners recently voted to pursue the 1¢ sales tax, which will be on the ballot November 2010. Reportedly, the first light rail line would run from Downtown Tampa to USF, on existing CSX great rail line.

  ERHARDT COMMENT:

  - I recently attended a luncheon where Lewis Miller, Executive Director of Tampa International Airport (TIA) spoke, and showed a video that showed how rail would affect TIA. I did not know it, but TIA already owns the rail line running along the eastern border of the airport up to the east/west rail line just south of Linebaugh Avenue, and north of the airport.

Florida's Mobility Fee, King Facts, From www.kingengineering.com

DCA and FDOT Publish Joint Mobility Fee Study

As previously reported in King Facts, the Florida Legislature passed Senate Bill 360 in their 2009 session and the bill was signed into law by Governor Crist in July of this year. Senate Bill 360 made significant revisions to growth management legislation in Florida and included provisions for elimination of the Development of Regional Impact program and established Concurrency Exception Areas. The bill also required that DCA and FDOT jointly develop a study of Mobility Fees to fund needed transportation infrastructure. The study was published on December 1, 2009. The report identifies the following:

- A mobility fee alone cannot address all of Florida's transportation needs, and new development should not be required to pay for backlogs caused by a shortfall in public investment. Local government will still experience funding shortfalls and mobility needs in Florida go beyond what is demanded by new development, and the mobility fee concept must be sensitive to this.
- The mobility fee should provide development predictability not currently found under concurrency.
- There should be an option for a regional application to the fee, but at a minimum should be a countywide application.
- The fee must be multi-modal, not focusing only on roadways.
- It must be sensitive to land use and density to reduce the dependence on automobiles, this should be done by using a vehicle or person miles traveled measurement.

By recommending switching to a vehicle or person miles traveled measurement (VMT) of infrastructure use, the report intimates that this variable will be sensitive to mixed-use and locational impacts of development on the transportation system. For example, an infill high density residential building in a downtown area would theoretically have a smaller impact because residents have the option of public transit or walking to their place of employment, compared to a standard single family subdivision on the outskirts of the city that would rely on the automobile for all of the transportation needs. The study recommends heavy use of the Florida Standard Urban Transportation Modeling Structure (FSUTMS) transportation model to determine the VMT and suggests that the local governments create a standard VMT table (similar to the trip rate tables used today) for the assessment of the mobility fee.

The report also evaluated three legislative options for implementing a mobility fee and their advantages and disadvantages:

- Require mobility fees statewide by a date certain
  - Requires a consistent statewide methodology regardless of independent community needs and challenges
  - May be administratively challenging for smaller/rural communities
  - Implementation of a new system before any demonstration that it will achieve the desired results

- Require mobility fees only in Dense Urban Land Area's (DULA) and allow them conditionally elsewhere
  - Focuses the implementation where the most congestion exists
  - Provides local flexibility for areas outside of DULA's to decide for themselves
  - Could encourage sprawl adjacent to DULA's in non-mobility fee areas

- Mobility fees authorized in Pilot Counties to report back for further action
  - Allows identification of unintended consequences before statewide implementation
  - Inequity of existing concurrency system still remains for other areas
  - This approach had the most stakeholder support

According to the economic analysis, there may be some upfront cost to the state agencies required to assist with implementation as well as local governments. Comprehensive plans, transportation level of service standards, land development codes and inter-local agreements would all need to be updated or created at the expense of the local government or assisting state agency.

For the private sector, the report states that there may be an "adjustment cost" for transitioning to a new process and the mobility fee may likely increase mitigation fees paid to develop outside the urban center. However, they contend that the increased equity and predictability of mitigation combined with an anticipated decrease in approval time would benefit the private sector.

A link to the entire joint report can be found at http://www.dot.state.fl.us/intermodal/. If you have any questions about this study, or recent transportation related legislative changes, please contact your local King office.

ERHARDT COMMENT:

- *I think we will have a pilot program first, before it is implemented.*

Florida Population Projections

I recently met with Dennis Gilkey, Gilkey Advisors, www.gilkeyorganization.com, to discuss land opportunities. Dennis puts out a newsletter, the most recent being The New World of Mixed Use Community Development. He also left information on Florida Population Projections that he got from the Florida Office of Economic and Demographic Research. The following is what I found interesting:

- Between 2010 and 2030, Florida will gain five million in population. At 250,000 per year, not quite the 350,000 to 450,000 we experienced between 2002 and 2006, but historically still pretty good. Instead of the 1,000 people per day moving into the state, we're getting 685 people.
- Florida recovery timeline – No growth through March 2010, the recovery begins flat to low growth through 2010 to the beginning of 2011, and normal growth followed by accelerated growth between 2011 and 2013.

Unfortunately, population growth up to 2013 is still weak, and the unemployment rate will only improve slowly.

- Population by generation groupings in Florida
    - New millennium under age 14 – 16%
    - Generation Y – echo boomer – age 14 to 31 – 22.8%
    - Generation X – age 32 to 43 – 15.6%
    - Baby Boomer – age 44 to 62 – 25.4% (same as U.S.)
    - Silent and GI generation – age 63+ - 19.4%. This is the only group higher than the national average.
    - Florida will continue to capture more 55+ population than national average, which is a good chunk of the baby boomers. In 2014, this age group will represent 32% of Florida's population, vs. 26.4% in the U.S.
    - In the 65+ population, Florida will continue to gain population at the highest concentration in the nation, at 27.1%, followed by Arizona 22.1%, Nevada 18.6%, California 17.8%, North Carolina 17.8%, Georgia 15.9%, and Texas 15.6%.

Idea for Population Growth from Florida Tax Watch

At the November meeting of the Real Estate Investment Council here in Tampa, the speaker was Dominic Calabro, with Florida Tax Watch. He has produced a special report, which can be requested from www.FloridaTaxWatch.org, that shows that a retirement visa (known in other countries as Rentista or Pensionada Visa) would help population growth and job growth. In the United States, it will be called a Silver Card. Other countries that have this arrangement are Mexico, Spain, Australia, Brazil, South America, South Africa, Indonesia, Panama, Costa Rica and Thailand.

This retirement Visa would not only help real estate sales, but would also add jobs and bring personal real disposable income to Florida.

Summer 2009, Colliers International Report, Article by Christopher Lee, President and CEO of CEL Associates at: www.celassociates.com.

The title of the article was In Transition. On the next page is a chart of real estate growth cycles. I find it interesting he calls recessions a transition period.

Real Estate Growth Cycles

HISTORICAL	
1973-1978	Growth from Pent-Up Demand Caused by Oil Embargo & Stagnation
1979-1982	Transition Period
1983-1988	Growth from The Abundance of Capital & Financial Engineering
1989-1992	Transition Period
1993-1998	Growth from Consolidation, Securitization & The Digital Economy
1999-2002	Transition Period
2003-2008	Growth from Customer Connectivity, Talent, Banking & Capital Shifts
FORECAST	
2009-2012	Transition Period
2013-2018	Growth from Disintermediation, Generational Shifts, New Urbanism & Greening
2019-2022	Transition Period
2023-2028	Growth from Life Sciences, Suburban Recycling & Retirees
2029-2032	Transition Period
2033-2038	Growth from Harvesting/Harnessing The Oceans & Alternative Energy Production
2039-2042	Transition Period

I find it interesting where he thinks growth will come from in 2013 – 2018 - disintermediation, generational shifts, new urbanism and greening.

For the past 50 years, the real estate industry has generally had 10 year cycles:

6 years of growth and 4 years of transition and / downturn

In another chart, where the source was Arthur Nelson, FAICP, showed that between 2000 and 2040, the south Atlantic states (Florida, Georgia, North Carolina, etc.) would need to add 7.6 billion square feet of non-residential space. Nelson also said that in 2030, 50% of all space in America will have been built after 2000, and only 20% to 50% of that will be conventional sprawl.

The following chart shows the Growing Industry Sectors, and where the growth markets will be.

Growing Industry Sectors

Software Development	Waste Management
Healthcare/Medical Office	Emerging Technologies
Life Sciences/Biotech	Colleges/Universities
Technology	Aging Population/Retirees
Government	Gaming
Defense/Security	Science
Communications	Nonprofits
Trade/Logistics	Distressed Debt
Data Centers	Pharmaceutical
Leisure/Food Service	Finance/Insurance/Real Estate
Research & Development	Entertainment
Green Industries	Energy

The growth markets during this next real estate cycle will be	
Centers of Knowledge	Gateway & Hub Cities
Ports	Capital Cities
Lifestyle Cities	Energy States
Path of Growth Corridors	Coastal Cities
String Cities	Theme Cities

ERHARDT COMMENT:

- *I think Tampa's qualifies as Centers of Knowledge (USF), Ports (Tampa and Manatee), Lifestyle (outdoor activities), and a Coastal City. Four out of 10 is pretty good.*

Between 2013 and 2018, the U.S. population will increase by nearly 16 million residents. During this real estate cycle, the demand for real estate will be based on:

- Aging baby boomer generation;
- Growing number of Y Generation members in the workforce;
- More restrictive capital environment;
- Increasing use of the Internet for retail and lifestyle purchases;
- A re-engaged retirement population that seeks to recapture some of their net worth lost in the downturn;
- More efficient corporate world;
- Greater government involvement;
- A rise in purchasing power of the growing Hispanic population;
- The increasing role of biotech and the digital economy in consumers' daily lives;
- An intense focus on sustainability;
- Disintermediation; (the act of removing funds from savings banks, and placing them into short term investments on which the interest rate yields are higher.);
- A renewed focus on urban renewal and infrastructure upgrades.

ERHARDT COMMENT:

- *I have been looking for a new quote, to represent Sam Zell's quote of "Stay Alive until 1995" and CEL has come up with "Heaven by 2011".*

The National Association of Office Parks, Fall 2009, Development Magazine, Strategies for a New Century, an interview with George Livingston, Chairman of NAI RealVest, Maitland, Florida

The title of the article is: *What to do while you're waiting for development to re-accelerate?*

ERHARDT COMMENT:

- *We have provided all of his ideas below, but the two that caught my attention were Getting Land Ready to be Developed. South Carolina has come up with the term "Certified Site" The certified site concept enables you to predict more accurately how long it will take to start development, a key benefit to a land buyer, should you wish to sell in the future. We were already using that concept and produced a chart on a 260 acre industrial site in Plant City, showing the permits we have, the permits we need, how much they will cost, and how long they will take to obtain. We have even gone so far as to have a site contractor give us an accurate bid on the roads, water, sewer, retention, and land balancing costs.*

  The other idea is Mr. Livingston's four strong groups that will recover in any new expansion being senior housing, assisted living facilities, medical facilities and for profit schools.

Other ideas:

- Rethink your suppliers and providers. Reward those who have done a good job for you in the past. Consider going with a single provider for a service if better pricing can be had.
- Go to a blanket insurance policy on all of your properties instead of having insurance property by property. "This has saved us about $.25 per square foot in operating expenses," said the developer.
- Consider a wholesale electric buy on big projects and then resell the electric at cost or at a small mark up to tenants.
- Challenge tax assessments. With values dropping in much of the country, today's commercial property owner is probably paying too much in taxes because the assessment is overvalued.
- Upgrade properties to cut costs and obtain a LEED designation. Lower operating expenses will furnish you with a competitive advantage.
- Try a new bank. Whatever size bank you are currently dealing with, go do a smaller one, go to a larger one, go to a direct competitor or consider developing a relationship with Canadian banks because they are the most stable in the world today.
- Refinance if it is appropriate and feasible. Try to raise equity if you can and consider selling some secondary assets to increase your capital base.
- Use leverage as much as you can either through raising capital or some other solution.
- If you have a CMBS loan (even if it is a couple of years out), now is the time to talk to the lender. As you get closer to the end of that loan, it will be more difficult.
- Consider taking on a capital partner to reduce debt load.
- Resubmit any land use change request that was previously turned down. Governments are much more willing to reconsider and accept changes that they would not before, such as higher densities.
- If you already have approvals on land, go for higher density, such as townhouses to apartments. Governments will consider higher densities in this economic climate.
- Got impact fees to pay? Offer a letter of credit to pay the entity in three years when prices are stabilized.
- Expand your current site. Pick up adjacent land at a lesser price than you paid for yours and you will bring down your basis. Consider a joint venture with the adjacent landowner so that you do not have to put up money.

- Target close in sites as these areas will recover before sites further out.
- Get agricultural exemptions on your land to save on land taxes. Grow corn, raise cows.
- Re-approach land owners who you tried to buy land from at one time. Chances are that they might be more willing to deal now. Get them to joint venture.
- Increase revenues by seeking third party management contracts. You already have the infrastructure in place; new business will bring in new revenue.
- Got a construction arm? Market construction management services to others for a fee.
- Act as a consultant to banks and other lenders for a fee. This relationship can actually lead to other opportunities.
- Consult with the CMBS market people. Work with receivers.
- Consult with government entities on real estate issues; they will be glad for the help and expertise. Work with CPAs and attorneys. They know who is in trouble and they could possibly give you leads so that you can help out the troubled entity.
- Stay close to economic development organizations in your area. They know who is coming into the market.
- Consider selling some of the parcels in your park to users.
- Look through your portfolio, sell your weak assets and keep you core assets.
- Seek public-private partnerships with the local airport, the county or another entity because it may give you the ability to get land at a modest price.
- If you offer build-to-suits, consider matching that with financing.
- Buy troubled assets.
- Buy debt at a discount. In the worst case, you'll get a site you want that you can resell at a profit.
- Lease your rooftops for solar panels. "We are working with a firm that pays us between $.25 and $.50 per square foot," said the developer.
- Exploit all government expansions that are taking place in your market.
- Look where government stimulus money is being spent.
- Work with universities and colleges. They are short of money but they might be willing to do something as part of a partnership that they might not have been willing to do before.
- Work with tech incubators in your area. Get on the advisory board and help emerging companies write their business plan.
- Make opportunistic buys right now of properties you want to buy at very favorable cap rates.
- Buy land at half or less than it was priced just a few years ago.
- Keep alert to changes in the economy by watching container traffic and bulk cargo coming into the U.S.

Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, November 2009, www.dividendcapital.com, 866-324-7348

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

The good news is that U.S. GDP growth was positive in 2009 – even if half the amount came from the government's cash for clunkers auto program. The bad news is that job losses continue and are not expected to turn positive until the second half of 2010 (another jobless recovery). Labor productivity hit a cyclical high, which means employers may have to start hiring soon – and employment is where demand for commercial real estate comes from.

Office occupancies declined 0.8% in Q3-2009 and rents declined by 2.1% in the third quarter, producing a 7.5% annual decline.
Industrial occupancies declined 0.8% in Q3-2009 and rental growth fell 2% for the quarter and 8% annually.
Apartment occupancy declined 0.2% in Q3-2009 and rental growth declined 1.4% for the quarter, and 4.6% annually.
Retail occupancy declined 1.1% in Q3-2009 and rental growth fell 1.8% for the quarter and 5.8% annually.
Hotel occupancies declined 1.3% in Q3-2009 and RevPAR declined 2.4% for the quarter and 21% annually.

Office Market Cycle Analysis

The national office market occupancy level declined 0.9% in Q3-2009, which resulted in a 3.5% year over year decline. The U.S. national average vacancy rate has moved above 17%. Sub-lease space jumped by over 10 million square feet in Q3-2009, bringing the total to nearly 125 million square feet of sub-lease space. Job losses are slowing and while office absorption was still a negative 11 million square feet for the third quarter, it was only one-third of the negative absorption realized in Q1-2009 and Q2-2009. Rents declined 2.1% in Q3-2009 and were down over 7% year-over-year. Free rent and above standard tenant improvements abound in this difficult market.

Tampa is at level 1, same as the last two quarters, in the recovery phase. With Tampa is Atlanta, and behind Tampa are Ft. Lauderdale, Jacksonville, Orlando, West Palm Beach, Charlotte, and Miami.

It is important to note that all of the markets reported are all in the recession or very beginning of the recovery phase.

Industrial Market Cycle Analysis

Industrial occupancies declined 0.8% in Q3-2009 which created a decline of 3% year over year. The national industrial vacancy now stands just above 10%. Negative absorption topped -44 million square feet in Q3-2009, and is now close to -200 million square feet in this recession. The bottom does look near, however, as firms are starting to rebuild their inventories from cyclically low levels. In addition, many other countries are experiencing positive economic growth, thus international demand for U.S. products is growing again. Rents were down 2% for the quarter and 8% year over year.

Tampa is now at level 16, same as the last two quarters, in the recession phase. With Tampa are Charlotte, Ft. Lauderdale, Jacksonville, Miami, Raleigh and West Palm Beach. Ahead of Tampa are Atlanta and Orlando.

Industrial is the same as office, with all markets in the recession stage or the very first stage of recovery.

Apartment Market Cycle Analysis

Apartment occupancy declined 0.2% in Q3-2009, producing a 1.8% decline year over year. House closings were strong in the first two months of the quarter, as people pushed to close and take advantage of the $8,000 first time home buyer credit, but slowed in the third month when the home buyer credit was extended for another six months. Renters are moving up the quality scale as Class A apartment owners drop their rents to keep occupancies higher. Rents were down 1.4% in Q3-2009 and down 4.6% year over year.

Tampa is at level 16, the same as the last three quarters, the recession phase. With Tampa are Charlotte, Jacksonville, Orlando, Raleigh Durham, and West Palm Beach. Behind Tampa are Atlanta, Ft. Lauderdale, and Miami.

The cycle for apartments is different from office and industrial in that all markets but Milwaukee are in the recession phase.

Retail Market Cycle Analysis

Retail occupancies declined 1.1% in Q3-2009 producing a 5.8% decline year over year. Retailers continued to close unprofitable stores while additional retail bankruptcies created more vacant space ahead of lease expirations. The good news is that GDP turned positive in Q3-2009 and with 70% of GDP coming from consumption, retail sales should begin to pick up. The moderator of this uptick was that half of the GDP growth came from the government's cash for clunkers program. Rents were down 1.8% in Q3-2009 and 5.8% year over year. We expect occupancies to decline through most of 2010 as well.

Tampa is located at position 15, same as last quarter, still in the recession stage. With Tampa are Miami, Raleigh Durham and Ft. Lauderdale. Ahead of Tampa one position are Atlanta, Charlotte, Jacksonville, Orlando and West Palm Beach.

All retail markets are in the recession phase, none are in the recovery phase.

Hotel Market Cycle Analysis

Hotel occupancies declined 1.3 % in Q3-2009 and 6.8% year over year. Airlines reduced the number of flights further, making it more difficult for business travelers to attempt last minute trips. Unfortunately, many downtown hotels that were started during the boom times of 2005 to 2007 are now being completed and adding to supply at just the wrong time. Hotels continue to offer specials, but are trying to keep their advertised room rates from falling too far. Hotel RevPAR declined 2.4% in Q3-2009 and is now down 21% year over year.

Tampa is at level 15, the same as the last three quarters, in the recession phase. With Tampa are Jacksonville, Ft. Lauderdale, Orlando, and West Palm Beach.

Same as retail, all hotel markets are in the recession stage.

Tampa Bay Retail Market Overview

Maddux Business Report, November 2009, See chart below

Tampa Bay Retail Market

	Existing Leasable Space (S.F.)	Existing Vacant Space (S.F.)	% Vacant	Space Under Construction	6-Month Absorption	Net Annual Absorption	Weighted Average Rents
Northeast	4.92-mil.	755,530	15.4%	91,100	-41,500	-208,370	$14.38
Northwest	9.32-mil.	535,400	5.7%	0	-60	-81,320	$19.41
South & East	8.47-mil.	762,450	9.0%	0	6,190	-81,640	$16.84
Southwest	2.55-mil.	130,150	5.1%	0	21,980	-23,490	$20.03
TOTAL Hillsborough	25.26-mil.	2.18-mil.	8.6%	91,100	-57,350	-394,820	$17.63
North	5.69-mil.	657,360	11.6%	85,000	-114,630	-121,840	$17.86
Mid	6.91-mil.	498,100	7.2%	0	26,150	-65,390	$17.96
South	6.49-mil	522,240	8.1%	0	45,140	-80,070	$18.47
TOTAL Pinellas	19.09-mil.	1.68-mil.	8.8%	85,000	-43,340	-267,300	$18.10
MANATEE	6.08-mil	538,930	8.9%	0	-39,040	-96,680	$16.09
SARASOTA	9.94-mil.	1.17-mil.	11.8%	0	-152,550	-322,600	$15.98
PASCO	9.48-mil.	1.33-mil.	14.1%	1.0-mil.	119,740	216,650	$16.53
REGION	69.8-mil.	6.91-mil.	9.9%	1.18-mil.	-172,540	-864,750	$17.21

- The last two years, there have been no net gains of occupied space.
- Landlords are having to cut rent substantially to get new tenants. To retain tenants, they are giving free rent (something I've never heard of).
- New tenants are hhgregg and Chase for bank branches.
- In the last six months, the Bay Area regions vacant big box space grew by 40%, to more than 1.6 million square feet. Big boxes are defined as spaces 30,000sf or more. Hillsborough County has the most vacant big box space with 491,650sf.

ERHARDT COMMENT:

We believe the retail segment will suffer almost as much as residential, for both land values and existing centers, especially unanchored strips.

Tampa Bay Single Family Market Overview

ERHARDT COMMENT:

- *All the nationals and most of the local and regional home builders continue to look for developed lots, mostly entry level. There are a couple of new start up home builders not wanting to compete with the nationals doing entry level, that are targeting move up locations and lots. We are even seeing some purchases of all the available lots as opposed to a soft builder take down.*

Notes From Various Zelman Publications and Conference Call Participation, Zelman & Associates, www.zelmanassociates.com

- Banks are still unwilling to fund new acquisition and development loans.
- Contacts rated for the third consecutive month in increasing demand for finished lots. This increased demand has led to modest pricing power for land sellers, on average.
- Entry level finished lots scored the highest, with move up and active adult generating less demand, and raw and entitled lots coming in last.
- Included in the worker, homeownership, and business assistance act (signed by President Obama on November 6th) was an extension of the NOL carry back period that is expected to provide cash refunds to public builders in early 2010. Although this bill was passed, the majority of contacts had not seen a pick up in builders pursuing year end land sales in order to take advantage of the carry back extension. Pulte Homes was the most commonly sited public builder to be attempting to sell assets before year end.
- Today, nearly every public builder has entered the arena of finished lot purchases. This trend started in March 2009 and the aggressiveness has increased throughout the subsequent months.
- As public builders and land developers / investors fight over developed lots in “A” locations, lot prices have increased up to 30% on average, from trough pricing. Note that these increases are isolated to finished lots in “A” locations. The lots in “C” locations and raw entitled land, the values continue to decline.
- While public builders have been increasing their bids on developed lots, the investor / developers are becoming more and more frustrated as they are being temporarily priced out of the market.
- Large banks have appeared to be more willing to write down land assets while community banks and smaller regional banks are not able to write down the assets to a true market value due to the increased scrutiny from federal regulators.
- On average, finished lots prices have returned to values last seen in mid-2001; the average decline in finished lots from peak to market, is now just under 50%. Many contacts indicated that raw land is still virtually worthless, due to the required holding periods in current economics.
- As of Q3-2009, there were approximately 800,000 single family homes in bank owned inventory, with over 4,000,000 single family residences in the foreclosure process or 90 days past due on their last payment.
- As of Q3-2009, the Tampa Bay market had approximately 2,450 existing single family homes that were bank owned, with approximately 41,000 single family residences in the foreclosure process or 90 days past due.
- At the beginning of Q3-2009, there were approximately $75 billion worth of non-performing acquisition, development and construction loans in the United States, however, only $10 billion worth of the assets are currently in the market for sale. This leaves $65 billion worth of non-performing acquisition, development and construction loans that are still outstanding to hit the market.

Notes from November 2009 ULI Fall Conference, San Francisco, CA, Overview by John Burns, www.realestateconsulting.com

- Best affordability since 1972.
- Fewer income earners every month.
- In the over built markets, we were back to normal demand.
- Re-sale is almost back to normal supply.
- Job growth – not yet.
- Florida has a 9 to 12 month supply of new homes and Southwest Florida has a 13 month supply.
- Foreclosures are with us until 2016.
- 13.5% of mortgages not making payments.
- In Tampa and Orlando, there are more notices of defaults than sales.
- Some land developers are getting into the home building business to jump start projects.

Other ULI Conference Notes Concerning Single Family

- Home builders have $10 billion in cash.
- No debt for developing new lots today, but when there is real demand, there will be.
- The inventory of better land is still to come.
- Banks that take back the better deals would like cash, but will do structured deals to maximize value.

ERHARDT COMMENT:

- *It appears from what we have heard and read, that land purchased in Florida between 2004 and 2006 for larger projects, and had a CDD put in place in 2005 through 2007, are over priced for today's market, where the active segment is first time and first move up home buyers.*

Florida CDD Report

According to Richard Lehmann, with Income Securities Advisors, www.floridacddreport.com, there are 126 districts in default, and 87 on the watch list. He knows of bonds trading at 40% to 50% of face, for defaulted districts. Some trades are between funds as they consolidate properties they want to keep or joint venture.

Tampa Bay Multifamily Market Overview

Multifamily Corporate Real Estate News, October 16, 2009, www.crenews.com

- The national multifamily vacancy rose 10 basis points in the third quarter to 7.8% according to REIS, Inc. This is its highest level since 1986.
- Additionally, rents have dropped.
- Landlord does not only need to give concessions, but they need to reduce asking rents to get tenants.
- REIS projects that multifamily market will add 100,000 units this year. This is the same as previous years; however, the job market is not as strong.

Market Trends, Triad Research and Consulting, Inc., Michael Slater, 813.908.8844, mrinfo@triadresearch.net

- New construction at a 15 year low for new rental multifamily inventory;
- Active new construction is currently limited to those with large sums of equity or those acquiring FHA/HUD insured 221 (d)(4) loans or State/Federal subsidized loans;
- Institutional monies for new construction is still 12 to 18 months away, with investment funds, institutional monies, etc. most likely to seek acquisitions of existing assets in 2010-11;
- Brokers validated that 2nd half of 2009 double the transaction activity of the 1st half of 2009, and, that they project 2010 to double again with as much as 30-50 transactions per the big houses such as C & W, CBRE, M & M, etc.;
- Current physical occupancies in the 6 county Tampa Bay Region has reached ±93%
- Concessions averaging 1 month free rent prevalent with some submarkets declining to specific units only and partial months free rent;
- LRO (Lease Rent Optimizer – where rents change based on trends) programs lowering rents $45 to $85 per month now present in ±27% of all properties;
- Some shadow market SF and failed condominiums are now filling small portion of inventory as viable rentals - renters skeptical of long term tenure and owner ability to manage and repair as good as professional management companies;
- However, a key point that I made is that the previously accepted methodologies for projecting renter demand are no longer accurate or valid (i.e. job growth and demographic growth) as they have been negative or declining while absorption of existing rentals, the few new construction products, the distressed SF units now coming out in the rental environment, and the failed or investor owned condominiums have increased, yielding a slow but steady upward trend in occupancy;
  In today's environment, we must look at actual market performance of three factors: actual leasing velocity of new products, leasing of shadow market condos and SF units as rentals, and finally the stabilization of the existing rental inventory.
- New products since 12/1/08 that have entered the market are averaging around 30 net leases per month in the absorption of new units, Greystar Seneca (32.5/mo), Circle @ Crosstown (30.1/mo), Vintage Lofts @ West End (28.7/mo), Phillips International (±30/mo), Tranquility Lake (32.5/mo);
- In closure, this real estate economist continues to profess that the "rental multifamily segment" of the real estate market is in fact "in recovery" and is improving by 1/3 to 1/2 a percentage point per month.

With construction down, over the next 6 to 12 months the Tampa Bay market vacancy will exceed the 94% to 95% threshold and acquisitions followed by new construction will return as rental housing in these uncertain economic times will be the housing choice by many households facing damaged or lost credit, previous home sales to short sales and foreclosures, lost jobs and declining savings.

ERHARDT COMMENT:

- *I was recently in the market with an opportunity to purchase a site at a substantially less price than a year ago. Unfortunately, the market study showed submarket rents being under $.80/sf. This is a very strong submarket, so this rental rate shocked me. New construction needs $1.00/sf to $1.05/sf to make economic sense, even at the lower land cost.*

  Except for government sponsored deals, I don't foresee any market rate class A projects starting until 2011 for delivery in 2012. The good thing is they need to contract for land in 2010.

Office Market Overview:

Cushman & Wakefield Market Overview

- **Westshore Office Overview:** Overall vacancy at the end of 4th quarter 2009 is 21.8% compared to 12.6% last year and 20.6% last quarter. Class A is at 21.7% compared to 12.2% last year and 19.6% last quarter.

- **I-75 Office Overview:** Overall vacancy at the end of the 4th quarter 2009 is at 19.0% compared to 20.0% a year ago and 20.3% last quarter. Class A is at 22.9% compared to 24.4% a year ago and 24.3% last quarter.

- **Tampa Central Business District:** Overall vacancy at the end of the 4th quarter 2009 is at 20.0% compared to 18.8% a year ago and 20.0% last quarter. Class A is at 18.4% compared to 16.7% a year ago and 18.4% last quarter.

- The overall vacancy for the Tampa Bay area is 20.6% and 19.6% direct vacancy. The overall absorption total for Q4-2009 is -180,951 square feet, bringing the entire 2009 total to -1,408,629 square feet.

- There is a total of just 85,000 square feet of office space currently under construction. The 85,000 square feet presently under construction is located in the Pinellas County Bayside submarket, where there is one speculative building currently being constructed by Hallmark Development.

Crittenden Real Estate Developers Report – Office Players with Land Positions

- Liberty Property Trust owns 1,530 acres and a couple of joint ventures for an additional 297 acres. This is enough land for 16.2 million square feet. The majority of the land is in Maryland. In Tampa, they have 20 acres in the Brandon area.
- Duke has 1,105 acres, which could allow 17.6 million square feet. The heaviest presence is in Indiana with 122 acres or 1.2 million square feet. They have 189 acres zoned for 1,500,000sf in Atlanta. To the best of my knowledge, Duke does not have any office land in the Tampa market.
- Highwoods – while not part of the Crittenden Report, does have 25 acres in Tampa between Westshore and I-75 markets.

ERHARDT COMMENT:

- *EOLA Capital, while historically not a developer, owns 57 usable acres on U.S. Highway 301 and the Crosstown Expressway. Reportedly, a portion of that is under contract to an end user.*

  It is my opinion; it is a good time to buy land for a build to suit position, or for when the market is ready for speculative development. I believe land costs have dropped from $22.50/building foot, surface park suburban, to under $10.00/building foot.

Industrial Market Overview:

Cushman & Wakefield Market Overview

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 4th quarter, 2009 is 10.7% compared to 8.2% a year ago and 10.1% last quarter.

  Warehouse distribution is at 10.8% vacancy compared to 8.2% a year ago and 9.5% last quarter.

  Office Service Center is at 13.4% vacancy compared to 9.9% a year ago and 13.9% last quarter.

- **East Tampa Industrial Overview:** The overall vacancy at the end of the 4th quarter 2009 was 00.1% compared to 8.9% a year ago and 9.8% last quarter.

  Warehouse distribution is at 11.0% vacancy compared to 9.7% a year ago and 10.6% last quarter.

  Office Service Center is at 16.9% vacancy compared to 15.4% last year and 17.1% last quarter.

- **Plant City Industrial Market Overview:** The overall vacancy at the end of the 4th quarter 2009 was 3.6% vacancy compared to 1.7% a year ago and 2.5% last quarter.

  Warehouse distribution is at 4.0% vacancy compared to 2.4% a year ago and 2.3% last quarter.

- **Lakeland Industrial Market Overview:** The overall vacancy at the end of the 4th quarter 2009 was 7.3% vacancy compared to 5.3% a year ago and 6.7% last quarter.

  Warehouse distribution is at 9.2% vacancy compared to 6.7% a year ago and 8.3% last quarter.

  Service center is at 16.9% compared to 16.4% a year ago and 17.1% last quarter.

  The overall vacancy rate for the combined Tampa, Pinellas, and Lakeland markets, totaling 155,661,475 square feet that Cushman & Wakefield tracks, is at 7.9% direct vacancy, and 8.3% overall.

  Overall net absorption for Q4-2009 was negative 646,963 square feet, bringing the year-long 2009 total down to negative 1,559,336 sf.

  There are no industrial buildings in the Tampa Bay MSA industrial market under construction compared to 1,014,984 square feet in Q4-2008.

ERHARDT COMMENT:

- *In the marketplace today, there are currently 20% to 30% discounts on asking rents.*
- *Same as office, a good time to get a position at a lower basis.*

Cushman & Wakefield, United States Industrial Report, Q3-2009

The overall vacancy rate for industrial space across the country climbed to its highest level in 15 years at 10.3%. Since mid year 2009, only four markets reported a decrease in the overall vacancy rate – Inland Empire; Stockton Forward – Tracey, California; Suburban Maryland; and Tampa *(Erhardt Comment: Lakeland helped this).*

Only five markets reported an increase in leasing transactions over the year; Oakland, Long Island, Palm Beach, Tampa, and San Francisco Peninsula.

Construction completions totaled 99 million square feet during the past nine months, a 43.6% decrease from projects delivered during this time in 2008. Projects built on a speculative basis declined 59.3% to 35.4 million square feet year to date, while facilities construction on a build to suit basis nearly tripled to 35.4 million square feet from last year, at this time.

Space under construction fell to 15.2 million square feet, the lowest quarterly total since Cushman & Wakefield started tracking national industrial statistics in 1995.

Leasing and user sales will stay flat through the remainder of 2009, but a slight increase is forecasted for 2010 when the local economy is expected to resume slow growth.

Investors are slowing beginning to re-enter the market. However, the availability of debt financing remains a critical issue and will continue to impede real estate transactions until market fundamentals recover.

Hotel Overview:

R. Mark Woodworth, Executive Vice President, PKF Hospitality Research, www.pkfc.com, 12/14/09 Market Update Series

- There is a strong relationship of hotel business and employment;
- Last quarter, ADR down 9.8%;
- Last quarter RevPAR down 16.9%;
- Q3-2010 starts back up;
- Profits up 2011.

Financing Overview

Realpoint Research, November 2009, www.realpoint.com, 1-800-299-1665

- In October 2009, the delinquent unpaid balance for CMBS increased slightly to $32.55 billion from $31.73 billion a month prior.
- Foreclosure distressed 90+ day in REO categories grew in aggregate for the 23rd month – up by $2.36 billion (12%) from the previous month and over $18.77 billion (572%) in the past year.
- Balloon default risk is growing rapidly from highly seasoned CMBS transactions for both performing and non-performing loans coming due, as loans are unable to pay off as scheduled.
- The following commercial real estate values and diminishing equity in collateral properties is projected to prompt struggling borrowers with marginal collateral performance, to hand over the keys and walk away from properties.
- Office, retail and hotels are leading product types in distress. See chart below for Average Loss Severities by Property Type for 2009: All Liquidated Loans (source: Realpoint)

Prop. Type	Balance Before Loss	Loss Amount	Loss %	# of Loans
Healthcare Average	$9,422,647.91	$3,997,882.72	42.7%	2
Hotel Average	$78,243,533.68	$17,904,764.60	34.5%	12
Industrial Average	$94,463,364.60	$21,322,286.36	21.7%	19
Multifamily Average	$411,702,879.21	$241,203,273.02	47.2%	118
Office Average	$310,122,847.44	$66,905,365.47	28.0%	36
Other Average	$40,674,486.64	$27,019,256.21	58.2%	14
Retail Average	$396,169,647.09	$113,864,332.21	33.3%	86
Grand Average	$1,340,169,647.09	$492,217,160.59	38.9%	287

- Geography – top three states, ranked by delinquency exposure have remained consistent since January 2009, as California, Florida and Texas collectively account for almost 33% of delinquency through October 2009.
- While by state, delinquency exposure, Florida ranks 2nd, no Florida MSA is found in the top 10. MSAs rank by delinquency exposure (highest being Miami, which ranked 13 in our data). The current balance for Florida delinquencies is $1,486,357,938 and 341 loans, which is $8.319% of the total state's exposure.

ERHARDT COMMENT:

- *I am listening to a finance cd from a ULI session in San Francisco in November. There were several quotes on financing – "delay and pray or pretend and extend". At the ULI Trends session on December 4th in St. Petersburg, I heard for the first time, "a rolling loan gathers no loss".*

  I think the basic problem is the simple fact that the majority of loans coming due on investment property, do not qualify for a loan large enough to retire the existing debt.

A Presentation to Cushman & Wakefield by Deutsche Bank, October 13, 2009, The Outlook for Commercial Real Estate and Impact on Banks

- For banks, ultimate losses on CRE are likely to reach $200 - $300 billion.
- We expect banks to employ widespread extensions for the vast number of performing loans that do not quality to refinance at maturity.
- Many loans will require extremely long extensions, perhaps as long as a decade, and at significantly below market rates.
- This will give rise to large real losses, even if there is ultimately no principle loss.
- CRE losses will weigh significantly on bank earning over the next few years.
- Hundreds of banks, mainly smaller regional and community banks are likely to fail, as a result of their CRE exposures alone.

If you haven't been to our new land web site, please take a moment and click on the following link: www.cushwakelandfl.com.

Additionally, we have organized the Cushman & Wakefield and Cushman & Wakefield Alliance Southeast Land Brokers Group. I have attached our networking map, which reflects point of contact for each region.

Land Sales, Researched and Compiled by Derek Pettigrew:

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

Multifamily

1. 301 Cone Grove LLC purchased 31.76 acres in the SWQ of US-301 and Gibsonton Dr. for $585,000 or $3,000 per unit. The property was entitled for 195 town home units. This was a bank owned sale.

Condominium:

1. Minto Bradenton LLC purchased part of the Seven Shores residential development in Bradenton Florida (Perico Island). The purchase included approximately 51 upland acres, a marina location, and 278 condo entitlements for $8,000,000. Details regarding the remaining acreage and entitlements were not available. The site has extensive earthwork completed.
2. Foursome II LLC purchased 1.02 acres at Tampa's CBD for $2,700,000 or $60.70 per square foot. The property is entitled for 504 residential units. C&W represented the seller in this transaction.

Single-Family

1. Mercantile Bank sold 71 fully developed lots off Gordon Street in Plant City, Fl for $16,000 per unit or $1,136,000.
2. Medallion Homes purchased 159 fully developed lots in Gamble Creek Estates (North Manatee County) for $2,055,428 or $12,927 per unit. This property was bank owned.
3. Royal Swazi Ashton LLC purchased 15.38 acres, entitled for 49 single-family homes (5540 & 5555 Fielding Lane, Sarasota) for $526,800 or $10,751 per entitled lot. This property was bank owned.
4. Florida Home Partnership purchased 79 acres (entitled for 356 units) in the SEC of 14th Ave SE and 9th St SE for $1,450,000 or $4,073 per unit. The property is was bank owned. C&W represented the seller in this transaction

Retail

1. Cypress TP Holdings purchased 16.16 acres of developed land in the SWQ of SR 54 and I-75 for $4,500,000 or $6.39 per square foot. This was the Super Target location that was to be built in the Cypress Creek Town Center, the fully developed slab is still in place.

Agriculture

1. D&D Ranch Pasco LLC purchased approximately 130.8 acres in the SWQ of SR 52 and Bellamy Brothers Rd for $1,350,000 or $10,321 per acre. The property is currently used for cattle grazing. Pasco County, FL
2. Loop Farms LLC purchased 100.84 acres in the NE & SE Corner of Keen Rd and Grange Hall Loop rd for $870,000 or $8,700 per acre. The property is an active orange grove. Hillsborough County, FL
3. Alafia Berry Farms LLC purchased 36.89 acres in the NEC of Moates Rd and S. CR 39 in Plant City, FL for $740,000 or $20,059 per acre.

4. Williams Farms Partnership purchased approximately 637 acres in Punta Gorda, Florida for $9,000,000 or $14,113 per acre. The property is made up of active citrus groves.

Government:

1. The City of Tampa purchased .46 acres in the SWC of E. Washington St and 12th St (Channelside District Downtown Tampa) for $804,840 or $40.00 per square foot. This will be the City's first park in the Channelside District. C&W represented the seller in this transaction.
2. Lee County purchased 56 acres in the NEQ of Penzance Rd and Palomino Ln in Fort Myers, Florida for $1,500,000 or $26,786 per acre. The property is linked to the Six Mile Cypress Slough Preserve and will be used for preservation space.