Q4 - 2016

TAMPA BAY LAND MARKET OVERVIEW

QUARTERLY REPORT

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

ERHARDT'S QUICK LOOK AT THE LAND MARKET

- **Multifamily land** – Same as the last 22 quarters, rental continues to be very active. For sale townhomes and condominiums are under contract or construction in urban and suburban markets, and are gaining momentum. Suburban rental is picking up because urban infill has little or no A sites remaining. Look for infill assemblages.
- **Single Family** – As for the last 29 quarters, builders and developers are closing and making offers on A and B locations. Starting to see some land buys outside the A/B market. Entry level is strong.
- **Retail** – Mainly tenant and location driven. Outparcel subdivisions and unanchored strips in A locations is active.
- **Industrial** – New and local developers continue to contract and close land positions in Tampa, Lakeland, Plant City and Manatee/ Lakewood Ranch.
- **Office** – Same as last 17 quarters, users and B-T-S only. Medical office building construction by providers continues to be active.
- **Hospitality** – Same as the last 11 quarters, development activity continues in urban and suburban locations.
- **Agricultural Land** – Active. More buyers than sellers.
- **Cycle** – I'm still predicting the overall Tampa Bay land cycle has five to six years left, with solid growth for the next three years. Population and job growth will keep the show on the road.








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THE BIG PICTURE

Cushman & Wakefield U.S. Macro Forecast, January 3, 2017

The Cushman & Wakefield Forecast predicts the following implications for the commercial real estate sector:

Office: With 730,000 net new office using jobs expected by the end of 2016 and an additional 438,000 and 508,000 throughout 2017 and 2018, respectively, there is still runway for the office market. In 2016, total U.S. net absorption is forecast to end the year at 50.2 million square feet. Absorption is projected to increase to 54.9 million square feet in 2017. Vacancy will remain stable through 2017 and will begin rising in 2018.

Industrial: The upbeat near term outlook for consumer spending will ultimately trickle into robust demand for warehouse and distribution space, especially as eCommerce sales as a share of total retail sales continues to rise. Additionally, with year over year growth in manufacturing production set to rebound to positive territory, and with auto sales expected to remain in the 17-18 million units per year range for the next two years, the outlook for the overall industrial sector remains bright.

Retail: Although growth in consumer spending will remain strong, a larger share of that spending is going to eCommerce. Several major retail categories will be in contraction mode, while other sectors that have been in growth mode will face issues of market saturation that will slow expansion. Neighborhood/community and power centers will be least impacted by contraction, while mall and lifestyle centers – especially Class B and C properties in secondary or tertiary markets – will be disproportionately affected.

Transaction Volume: Cushman & Wakefield expects investment sales to decline year over year in 2016 by 15 percent, to $466.0 billion. This is still well above the average of $279.7 billion over the 15 years for which there is consistent transaction date. While investment sales volume is forecast to modestly decline over the next two years (-2.2 percent in 2017 and -8.0 percent in 2018), the firm still anticipates solid activity with yearly totals registering $455.7 billion and $422.0 billion, respectively. By and large, the outlook for the U.S. economy over the next few years remains positive. “Although headwinds have come and gone and come again, the major force driving growth – the consumer – is still gaining momentum,” Thorpe concluded. “Of course, we are ushering in a new era of fiscal and monetary policy, and that will continue to generate uncertainty. However, we believe there will be a net positive impact on economic growth as well as the property markets in 2017 and 2018.”

Click here to download the full U.S. Macro Forecast.

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Moody's Analytics, Tampa – St. Petersburg – Clearwater, Florida MSA, November 2016

In the chart below note employment growth and population growth through 2021. Between 2016 and 2021, the MSA will add 322,900 people.

INDICATORS	2016	2017	2018	2019	2020	2021
Gross Metro Product (C09$ bil)	130.4	137.0	144.0	150.6	156.4	162.2
% Change	2.9	5.0	5.2	4.6	3.8	3.8
Total Employment (ths)	1,286.7	1,315.6	1,344.8	1,373.5	1,394.2	1,403.9
% change	2.9	2.2	2.2	2.1	1.5	0.7
Unemployment Rate (%)	4.5	4.2	3.7	3.3	3.2	3.5
Personal Income Growth (%)	4.7	7.2	8.6	8.3	7.0	6.3
Median Household Income ($ ths)	51.0	53.1	55.9	58.6	60.9	62.9
Population (ths)	3,024.3	3,077.5	3,132.7	3,188.9	3,245.4	3,300.3
% Change	1.7	1.8	1.8	1.8	1.8	1.7
Net Migration (ths)	48.2	52.4	54.7	55.9	56.5	55.2
Single Family Permits (#)	11,725	16,848	19,746	20,822	19,726	19,323
Multifamily Permits (#)	5,613	6,130	8,123	8,225	7,674	8,208
FHFA House Price (1995Q1=100)	240.2	257.6	265.7	263.6	260.6	261.5

ULI Real Estate Consensus Forecast, a Survey of Leading Real Estate Economists / Analysts, October 2016

Consensus Forecast for 2017 and 2018

- GDP – Up 2.1% in 2017 and up 2% in 2018.
- Unemployment – 4.7% in 2017 and 4.6% in 2018.
- Job Growth – 2% in 2017 and 1.8% in 2018.
- These are above the 10 year average.

Developers Are Focusing On Diversified Economies, Walkability, Resiliency.

- Disruptors – Driverless cars. Will need to convert garages.
- WeWork and Regis offering co-working and different opportunities for occupiers.
- For full report, click here.

Tampa Innovation Alliance Advisory Board Meeting, October 19, 2016. Clarence Eng with Kimley Horn, Clarence.eng@kimley-horn.com, Discussion concerning Transportation Innovation

- Cost of light rail is $100 million per mile.
- By 2020, all of the major car manufacturers will have driverless cars in production.
- By 2025, most transportation between downtown Tampa and the airport will be driverless.
- By 2030, Uber will be driverless.
- University of South Florida is testing a circulator transit and bike sharing on campus.

By 2030 Uber will be DRIVERLESS

Business Observer, October 7-23, 2016 – 1,000 Friends of Florida Report on Growth

- By 2070, Florida's population will be nearly 34 million people.
- Central Florida in particular, an area that includes the Gulf Coast, would become significantly denser in the next 54 years, the result of existing infrastructure, urban areas, and availability of land for development.
- Central Florida will absorb 2,380,000 acres over the 50 year period, or 44,074 acres per year.
- Overall the state will absorb an average of 5,200,000 acres over the same 54 year period.
- Predicting increases in development densities.
- The non-profit 1,000 Friends of Florida says the state should establish incentives to farmers to preserve agricultural land, promote a range of housing types and projects, and encourage a mix of transportation, including biking and public transportation, especially in urban areas

By 2070 Florida's population will be nearly 34M

FDOT Announces Partnership with Florida Poly to Develop SunTrax, News Release, December 28, 2016

- FDOT and Polytechnic University are constructing a new state of the art transportation technology testing facility called SunTrax. It contains 400 acres and is located in the northeast quadrant of the Polk Parkway and the Braddock Road exit.
- The creation of this facility will establish Florida as a transportation technology leader, and create a high-tech hub for the research development and testing of emerging transportation technology related to tolling, intelligent transportation systems and automated and connected vehicles.
- There will be a 2.25 mile oval track on the 400 acres. Developed next is a learning laboratory, simulated City Center, suburban and rural roadways, interconnected signalized intersections, interchange ramps, roundabouts, various types of pavement, and many others.
- It will be equipped for research, development and testing for data and security, vehicle safety and equipment certification.
- Click here for the article

2016 Florida Logistics Report, Infrastructure for the 22nd Century, Cushman & Wakefield's Florida Research Team, for more information contact Chris Owen, Florida Research Manager, chris.owen@cushwake.com, 407-841-8000

Florida by the numbers:

- Population 22,270,000, which is a year over year growth of 1.8%.
- 8.4 million employed, a 2.3% year over year growth.

Transportation:

- State highway system sees 195,755,000 annual vehicle miles.
- Over 2,800 miles of rail lines move over 98 million tons of freight annually.
- 784 aviation facilities, 129 public use and 19 with commercial aviation services.
- Two space ports, five active launch facilities.
- 762 million tons of freight traffic annually.
- 15 deep water ports moved over 100 million tons of cargo.

Tourism:

- 107 million visitors. 49.8% by plane and 50.2% by car.
- $89.1 billion in taxable sales from tourism.
- 1.2 million employed in tourism.
- 15.2 million cruise passengers.
- For the entire 2016 Florida Logistics Report, click here.

MarketWatch.com, November 16, 2016, Five Real Estate Trends to Watch in 2017, Daniel Goldstein

- Attack of the drones – drones will do home inspections.
- Out of the box high quality drones are expected to drop in price to as little as $500.00. Those with higher end features, including gyro-stabilized platforms, will still run $1,000 to $1,200.
- Not "mixed use" but "surban" – The new name for suburban style dense communities with different housing arrangements with townhomes, apartments and single family homes together in the same neighborhoods. Suburban neighborhoods are adding urban amenities, or the blend of urban and suburban living provides the best of both worlds.
- John Burns Consulting expects nearly 80% of residential growth to occur in suburban communities over the next 10 years – up from 71% from 2010 to 2015 – compared to just 15% for urban areas through 2025.
- Forget the starter home, millennials want the move up property. More and more millennials have built up their cash and are in position to buy more house than a starter home.
- How Trump's shocking win could change real estate – the Trump presidency will be good for the housing and mortgage markets in the long term.
- Start thinking about Generation Z – start turning 18 in 2017. They will come of age with low interest rates, better job prospects and higher wages to help cushion the high cost of college education.

Wall Street Journal, November 3, 2016 – Urban Land Institute's Terwilliger's Center for Housing, a non-profit real estate research group finds suburbs outstrip cities and population growth, by Laura Kusisto, laura.kusisto@wsj.com

- Property Developers and Urban-Policy Experts have trumpeted the influx of young affluent professionals into big central cities in recent years. However research shows that suburbs are continuing to outstrip downtowns and overall population growth, diversity and even younger residents.
- The suburban areas surrounding the 50 largest metropolitan areas make up 49% of the population of those areas by accounting for 91% of population growth over the past 15 years.
- Three quarters of people aged 25 to 34 in these market metros live in the suburbs.
- A trend is reversing with suburbs seeing a 9% increase in jobs and City Centers just 6%

Pasco County Overpass Road Project Development Environmental Study, www.overpassroad.com

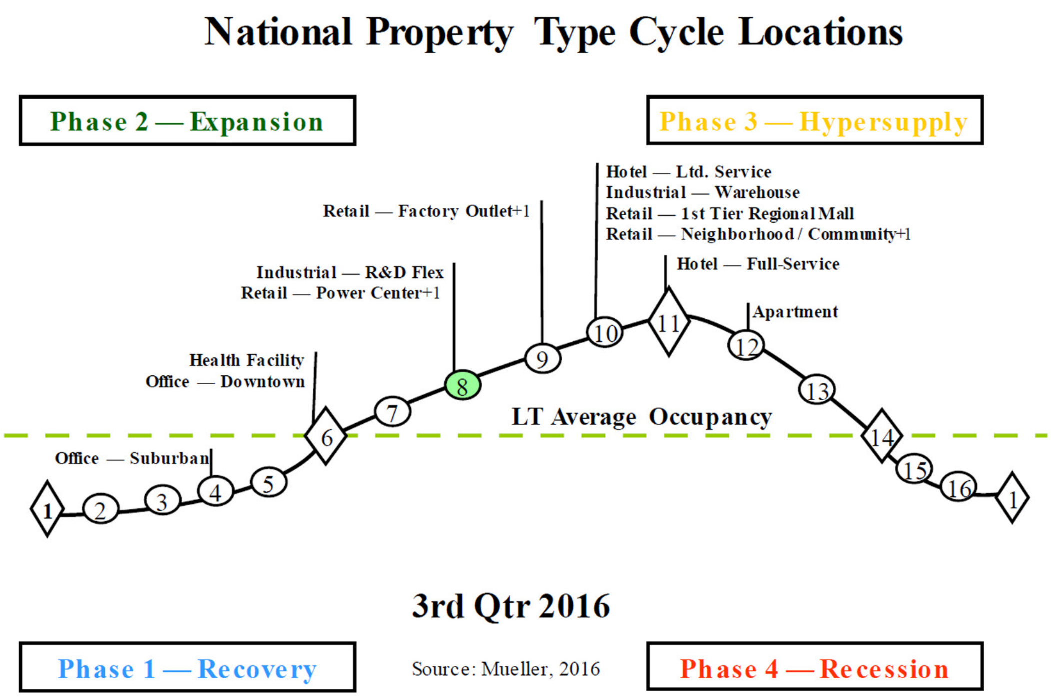
- I-75 overpass road interchange – right of way 2016-2020. Construction 2020.
- Boyette Road to Handcart is 90% complete. Handcart to U.S. Highway 301 not funded.
- This road will open up the 22,000 acre Pasadena Hills sector plan, which contains over 42,000 units in 13 village type communities, over a course of the next 50 years.

Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, November 2016, www.dividendcapital.com, 866-324-7348, Q3-2016 Cycle Monitor

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

The surprise result of the presidential election was greeted with strong, positive business and stock market reactions. All post-election economic forecasts improved. The Wall Street Journal's survey shows Gross Domestic Product (GDP) increasing 2.2% in 2017 and 2.4% in 2018. Consumer Price Index (CPI inflation is forecast to increase 2.3% in 2017 and 2.4% in 2018. The 10-year Treasury bill rates are expected to rise from 2.5% in 2017 to 3.0% in 2018. These moderate increases should all continue to create increased demand for income producing real estate, while increasing operating costs only moderately.

- Office occupancies improved 0.2% in Q3-2016, and rents grew 0.8% for the quarter and 3.6% annually.
- Industrial occupancy improved 0.2% in Q3-2016, and rents grew 1.8% for the quarter and 6.9% annually.
- Apartment occupancy declined 0.1% in Q3-2016, and rents grew 0.6% for the quarter, and were up and 3.2% annually.
- Retail occupancy improved 0.2% in Q3-2016, and rents grew 0.8% for the quarter and 2.9% annually.
- Hotel occupancy was flat in Q3-2016, and room rates increased 0.4% for the quarter and 2.2% annually.



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Office Market Cycle Analysis

The national office market occupancy level improved 0.2% in 3Q16, and was up 0.5% year-over-year. Office job growth has averaged 2.5% over the past year, which outpaced the total employment growth of 2% in all categories. Office space demand was up only 1.3% as tenants continue to put more people in less space. New supply was up 5% over the previous year, with almost 64 million square feet of new space. However, demand is still outpacing new supply, producing positive net absorption year over year, and this absorption was spread across many markets. Sub-lease space is now below 2% of space available – another healthy market indicator. Average national rents increased 0.8% in 3Q16 and produced a 3.6% increase year over year.

Tampa moved close to level 7, which is the middle of the expansion phase. Ahead of Tampa are Nashville and Raleigh. With Tampa are Charlotte, Miami, Orlando, Palm Beach and Richmond. Behind Tampa are Jacksonville, Atlanta, Fort Lauderdale and Memphis.

Industrial Market Cycle Analysis

Industrial occupancies improved 0.2% 3Q16 and were up 0.6% year-over-year. Demand from e-commerce and retail chains led the way to more than 76 million square feet of new leasing in 3Q16. New supply did not keep pace, with only 53 million square feet of completions in 3Q16 – mostly Class A distribution space. Atlanta, Chicago, Dallas, and Riverside led the way in new construction. Net absorption has averaged more than 40 million square feet per quarter in this cycle, versus the 2002-2008 cycle average of 35 million square feet per quarter. Amazon.com signed two million plus square foot leases during the quarter. Industrial national average rents increased 1.8% in 3Q16 and were up 6.9% year over year.

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

Apartment Market Cycle Analysis

The national apartment occupancy average declined 0.1% in 3Q16 and was up a modest 0.3% year-over-year. Occupancies declined in 37 of the 50 largest markets lead by Austin and Houston. However, seven markets had occupancy improvements that moved them to higher points on the cycle graph. Household formation continues to be strong as Millennials graduate from high school and college. Downtown rents are now high enough that many Millennials are opting for suburban apartments near public transportation. Developers have responded with new supply that is quicker to build than downtown high rise apartments. Single family home ownership construction is still at historic low levels, keeping many Millennials in rental apartments. Thus, the apartment market could move back into the growth phase of the cycle if new construction slows. Average national apartment rent growth remained at a 0.6% increase in 3Q16, and was up 3.2% year over year.

For the fifth quarter, Tampa is at level 13 in the hyper-supply phase of rent growth, positive but declining. With Tampa are Nashville and Charlotte. Behind Tampa are Richmond, Norfolk, Miami, Memphis, Atlanta, Fort Lauderdale, Orlando, Raleigh Durham and Jacksonville. Only Houston, which is outside of our market, is ahead of Tampa.

Retail Market Cycle Analysis

Retail occupancies improved 0.2% in 3Q16 and were up 0.5% year-over-year. Consumer spending continued to be moderately strong in 3Q16, providing landlords with the confidence to expand. Dominant retail hubs, urban cores and affluent suburbs experience most of the demand, while low population density locations continue to suffer. High end centers in prominent retail clusters are performing best. New supply continues at low levels, allowing the market balance to improve. National average retail rents increased 0.8% in 3q16 and were up 2.9% year over year.

For the third quarter, Tampa is at level 10, expansion phase with declining vacancy and new construction. With Tampa are Palm Beach and Miami. Behind Tampa are Orlando, Atlanta, Charlotte, Memphis, Nashville, Jacksonville and Norfolk.

Hotel Market Cycle Analysis

For the seventh quarter, Tampa is at level ten, which is the supply demand equilibrium point. With Tampa is Jacksonville. Ahead of Tampa are Charlotte, Ft. Lauderdale, Miami, Nashville, Orlando and Palm Beach. Behind Tampa are Raleigh Durham, Richmond and Norfolk.

This quarter Tampa moved to level 11, which is demand/supply equilibrium point. With Tampa are Palm Beach, Orlando, Nashville, Charlotte, Fort Lauderdale, Jacksonville and Miami. Behind Tampa are Raleigh Durham, Richmond and Norfolk.

National Occupancy improved
0.5% year-over-year

National Occupancy improved
0.6% year-over-year

National Occupancy improved
0.3% year-over-year

National Occupancy improved
0.5% year-over-year

Q4-2016 Tampa moved to level 11,
which is demand supply equilibrium

TAMPA BAY MULTIFAMILY MARKET OVERVIEW

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

Apartment Performance

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

	Sequential				Month	Annual						
	Q4-2015	Q1-2016	Q2-2016	Q3-2016	OCT. '16	2014	2015	2016F	2017F	2018F	2019F	2020F
Effective Rent Per Unit	$1,076	$1,085	$1,110	$1,126	$1,119	$991	$1,051	$1,110	$1,147	$1,175	$1,212	$1,258
Per Square Foot	$1.13	$1.14	$1.17	$1.19	$1.19	$1.04	$1.11	$1.17	$1.21	$1.24	$1.24	$1.33
Effective Rent Growth – Annually	6.9%	6.6%	6.5%	5.6%	4.9%	3.3%	6.1%	5.6%	3.3%	2.5%	2.5%	3.8%
Effective Rent Growth – Quarterly	0.9%	0.9%	2.3%	1.5%								
Occupancy Rate	95.6%	95.5%	95.5%	95.4%	94.9%	94.8%	95.5%	95.4%	95.0%	94.7%	95.0%	95.3%
Occupancy Change – Annually	0.6%	0.4%	0.0%	-0.3%	-0.7%	0.6%	0.7%	-0.1%	-0.4%	-0.3%	0.3%	0.3%
Occupancy Change – Quarterly	-0.1%	-0.1%	0.1%	-0.1%								
Economic Concessions												
Concession Value	$-3.40	$-4.53	$-3.60	$-3.23	$-3.80	$-8.64	$-3.74					
As a % of Asking Rent	-0.3%	-4.4%	-0.3%	-0.3%	-0.3%	-0.9%	-0.4%					

Demand and Supply

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

	Annual			Q3-2016		Annual Forecast				
	2013	2014	2015	MARKET	NATIONAL	2016F	2017F	2018F	2019F	2020F
Total Units Absorbed	3,663	6,632	5,810	2,409	292,287	2,578	2,759	4,540	5,136	4,048
New Supply	3,717	4,012	3,987	3,339	359,859	4,009	4,593	5,140	4,026	3,204
Inventory Growth	0.9%	1.4%	1.3%	1.1%	1.4%	1.1%	1.5%	1.5%	1.4%	1.1%

Submarket Delivery Schedule

	Pipeline Delivery Schedule				Pipeline Lease Up Trent					
	Sequential				Units Absorbed		Asking Rent		Effective Rent	
Top Submarkets	2014	2015	2016	TOTAL	TOTALS	PPM	PER UNIT	PSF	PER UNIT	PSF
Central St. Petersburg	375	260	408	1,043	143	13	$2,437	$2.25	$2,429	$2.25
Central Tampa	1,206	772	1,044	3,022	592	12	$1,747	$1.94	$1,676	$1.86
Clearwater	240	379	297	916	145	10	$1,445	$1.57	$1,406	$1.53
North St. Petersburg	651		278	929	169	16	$1,532	$1.40	$1,495	$1.37
Pasco County	421	421	396	1,238	298	14	$1,310	$1.21	$1,310	$1.21
Other	1,304	1,718	1,263	4,285	769	11	$1,342	$1.37	$1,309	$1.33
Tampa-St. Petersburg-Clearwater, FL	4,197	3,550	3,686	11,433	2,116	11	$1,558	$1.60	$1,521	$1.56

**Based on 2016 deliveries*

**Trend Based on trailing 12 month period*

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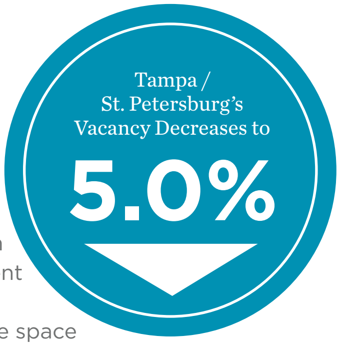
TAMPA BAY HOSPITALITY MARKET OVERVIEW

Year to Date November 2016, Tampa/Hillsborough County Hospitality Statistics, Visit Tampa Bay

Occupancy Rate	74.5%
Room Rates	ADR $114.19, up 7%
Room Expenditures	RevPAR $85.12, up 8.7%
Market Growth	Flat
Demand	$5,260,000 ,up 15%
Revenue	$600,400,000, up 8.6%

TAMPA RETAIL MARKET OVERVIEW

Q3-2016 Tampa / St. Petersburg Retail Market Report, CoStar Group, Inc.



The Tampa/St. Petersburg retail market did not experience much change in market conditions in the third quarter 2016. The vacancy rate went from 5.1% in the previous quarter to 5.0% in the current quarter. Net absorption was positive 285,432 square feet, and vacant sublease space increased by 102,795 square feet. Quoted rental rates increased from second quarter 2016 levels, ending at $14.43 per square foot per year. A total of 16 retail buildings with 167,756 square feet of retail space were delivered to the market in the quarter, with 752,756 square feet still under construction at the end of the quarter.

Net Absorption

Retail net absorption was slightly positive in Tampa/St. Petersburg third quarter 2016, with positive 285,432 square feet absorbed in the quarter. In second quarter 2016, net absorption was positive 770,431 square feet, while in first quarter 2016, absorption came in at positive 792,907 square feet. In fourth quarter 2015, positive 1,105,692 square feet was absorbed in the market.

Tenants moving into large blocks of space in 2016 include: Floor and Décor Outlets, moving into 60,027 square feet at 2915 N. Dale Mabry Hwy.; U-Haul Moving and Storage moving into 53,280 square feet at 10340 U.S. Highway 19; and Powerhouse Gym moving into 50,000 square feet at 3251 W. Hillsborough Avenue.

Vacancy

Tampa/St Petersburg's retail vacancy rate decreased in the third quarter 2016, ending the quarter at 5.0% Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 5.5% in the fourth quarter 2015, to 5.3% at the end of the first quarter 2016, 5.1% at the end of the second quarter 2016, to 5.0% in the current quarter.

The amount of vacant sublease space in the Tampa/St Petersburg market has trended up over the past four quarters. At the end of the fourth quarter 2015, there was 368,351 square feet of vacant sublease space. Currently, there is 474,336 square feet vacant in the market.

Largest Lease Signings

The largest lease signings occurring in 2016 included: the 45,153 square foot lease signed by 2Infinity Trampoline Park at Liberty Square, the 38,000 square foot deal signed by Crunch Fitness at Hillsborough Galleria, and the 32,500 square foot lease signed by Sprouts Farmers Market at Palm Harbor Commons.

Rental Rates

Average quoted asking rental rates in the Tampa/St Petersburg retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the third quarter 2016 at $14.43 per square foot per year. That compares at $14.05 per square foot in the second quarter 2016, and $13.68 per square foot at the end of the fourth quarter 2015. This represents a 2.7% increase in rental rates in the current quarter, and a 5.20% increase from four quarters ago.

Inventory & Construction

During the third quarter 2016, 16 buildings totaling 167,756 square feet were completed in the Tampa/St Petersburg retail market. Over the past four quarters, a total of 1,640,783 square feet of retail space has been built in Tampa/St Petersburg. In addition to the current quarter, 26 buildings with 327,435 square feet were completed in second quarter 2016, 24 buildings totaling 385,130 square feet completed in the first quarter 2016, and 760,462 square feet in 28 buildings completed in fourth quarter 2015.

There was 752,755 square feet of retail space under construction at the end of the third quarter 2016.

Total retail inventory in the Tampa/St Petersburg market area amounted to 225,468,910 square feet in 18,870 buildings and 2,259 centers as of the end of the third quarter 2016.

Shopping Center

The Shopping Center market in Tampa/St Petersburg currently consists of 2,203 projects with 88,812,268 square feet of retail space in 3,771 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers.

After absorbing 140,238 square feet and delivering 93,245 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 8.0% at the end of the second quarter 2016 to 8.0% this quarter.

Over the past four quarters, The Shopping Center vacancy rate has gone from 8.5% at the end of the fourth quarter 2015, to 8.3% at the end of the first quarter 2016, to 8.0% at the end of the second quarter 2016, and finally to 8.0% at the end of the current quarter.

Rental rates ended the third quarter 2016 at $13.19 per square foot, up from the $13.26 they were at the end of second quarter 2016. Rental rates have trended up over the past year, going from $13.08 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled 1,188,199 square feet over the past four quarters. In addition to the positive 140,238 square feet absorbed this quarter, positive 328,146 square feet was absorbed in the second quarter 2016, positive 337,002 square feet was absorbed in the first quarter 2016, and positive 382,813 square feet was absorbed in the fourth quarter 2015.

Power Centers

The Power Center average vacancy rate was 5.3% in the third quarter 2016. With negative (155,373) square feet of net absorption and no new deliveries, the vacancy rate went from 3.8% at the end of last quarter to 5.3% at the end of the third quarter.

In the second quarter 2016, Power Centers absorbed positive 18,521 square feet, delivered 25,066 square feet, and the vacancy rate went from 3.7% to 3.8% over the course of the quarter. Rental started the quarter at $19.71 per square foot and ended the quarter at $22.32 per square foot.

A year ago, in third quarter 2015, the vacancy rate was 3.5%. Over the past four quarters, Power Centers have absorbed a cumulative (127,891) square feet of space and delivered cumulative 54,363 square feet of space. Vacant sublease space has gone from 8,920 square feet to 6,516 square feet over that time period, and rental rates have gone from $19.69 to $22.77.

At the end of the third quarter 2016, there was no space under construction in the Tampa/St Petersburg market. The total stock of Power Center space in Tampa/St Petersburg currently sits at 10,041,096 square feet in 29 centers comprised of 168 buildings.

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

Construction Activity

Markets Ranked by Under Construction Square Footage

Under Construction Inventory

					Average Building Size	
Market	**# Buildings**	**Total GLA**	**Preleased SF**	**Preleased %**	**All Existing**	**U/C**
Sarasota/Bradenton	23	245,709	102,709	41.8	12,056	10,683
North Hillsborough	2	158,000	158,000	100.0	13,565	79,000
Pinellas	7	152,639	104,310	68.3	11,045	21,806
I-75 Corridor	7	102,647	94,147	91.7	11,832	14,664
Pasco County	3	32,920	19,000	57.7	14,272	10,973
Central Tampa	2	22,320	22,320	100.0	9,584	11,160
Eastern Outlying	3	21,420	21,420	100.0	12,009	7,140
Hernando County	2	17,100	9,100	53.2	14,863	8,550
Totals	**49**	**752,755**	**531,006**	**70.5**	**11,948**	**15,362**

Erhardt Comment:

I learned that Publix is going to operate a market located in Babcock Ranch. Food and convenience is key during the early sales process of a master planned community.

TAMPA BAY SINGLE FAMILY MARKET OVERVIEW

MetroStudy Market Briefing, Q3-2016, www.MetroStudy.com

- Tampa Q3-2016 has been the best single quarter for new home starts since the great recession.
- Q3-2016 new home starts are up 16.5% over Q3-2015 – Annual rate is up 27% year over year.
- Townhomes are an increasingly attractive alternative to renting; the starts for these units is up 48% year over year.
- The median home price in August 2016 was up by 13.6% to $204,340 – still short sales and bank sales continue to skew the overall median price downward.
- MetroStudy's Q3-2016 survey of the Tampa housing market showed that 2,388 single family units were started in the quarter, an increase of 16.5% compared to last year's rate. The annual starts rate, compared to last year, increased by 27.0% to 8,662 annual starts. Single family quarterly closings totaled 2,115 units, which was 22.6% higher than the 1,725 closings during Q3-2015. The annual closings rate was 7,687 units. This was 22.4% above the annual closings rate of 6,282 units for the 12 months ended Q3-2015.
- Tampa is still only building 87% of its 20 year average. The quarterly closing rate of 2,115 units also represented a new post-recession high. In fact, the last time Tampa closed over 2,000 quarterly units was Q1-2008.
- Total single family inventory, which is composed of units under construction, finished vacant and models equaled 5,038 units on the ground at the end of Q3-2016, a 7.9 month supply. Inventories grew by 24% compared to Q3-2015. Compared to last year, the number of units under construction rose by 850 homes to 3,328 homes. Finished vacant inventory increased by 7.9% from 1,189 units last year to 1,283 this year. Compared to a year ago, the FV months of supply declined from 2.3 to 2.0 months. The number of move-ins exceeded completions during the quarter and FV inventory fell by 82 units versus Q2-2016 and the MOS fell from 2.2 to 2.0 months.
- This quarter, 2,350 lots were delivered to the Tampa market. This same quarter a year ago, we delivered 2,127 lots. Vacant developed lots inventory stands at 33,791 lots, an increase of 0.7% compared to 33,567 lots last year.
- Based upon the annual start rate, this level of lot inventory represents a 46.8 month supply, down 17.9 months from last year. MetroStudy is still anticipating that there will continue to be growth in starts and closings in Tampa over the next few years. This does not mean 2003-2006 levels, but demand should continue to grow. Competition, especially at the low end comes from apartments. Townhomes are an attractive alternative to renting and there was a 48% increase in the annual starts pace for townhomes during Q3-2016 versus Q3-2015, up from 979 annual units to 1,451 units.
- For the first eight months of 2016, MLS SF sales were up 2.4% from the same period of 2015 with 36,153 sales. The median home price in August 2016 was up by 13.6% to $204,340. However, the resale market is three tiered: traditional, short sales and foreclosures. The median sale price for traditional resales was $214,175 in August 2016, up 7.1%. Short sales and bank sales continue to skew the overall median price downward.
- The other significant trend involves new housing inventory. Starts and closings both grew in Q3-2016 versus Q3-2015 and Q2-2016. Finished vacant units fell by 82 units from a quarter ago. The result was a decrease in the months of supply from 2.2 months in June to 2.0 months in September. Only once since the recession has FV supply been below 2.0 months (in Q2-2014 the supply was 1.9 months). Ideally, the supply of FV units would be nearer to 1.5 months. The backlog of under construction remains strong and points to solid closing numbers in Q4-2016. With 3,328 units under construction, close attention should be paid to cancellation rate as this could push FV supply back above 2.0 months,
- The table below ranks the top ten communities in the market by annual starts:

Community (Area)	Annual Starts
Wiregrass	328
Waterset	287
Fishhawk Ranch	254
Long Lake Ranch	231
Ayersworth Glen	192
Hawks Point	189
Valencia Lakes	185
Oak Creek (SHE)	172
Magnolia Park	169
Union Park	168

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Erhardt Comment:

We need someone to build something soon. There are only two 25,000 sf spaces, and one 50,000 sf space in the Westshore market.

TAMPA OFFICE MARKET OVERVIEW

Cushman & Wakefield Market Overview – Tampa

Westshore Office Overview:

Overall vacancy at the end of 4th quarter 2016 is 9.4% compared to 9.8% last year and 8.9% last quarter. Class A is at 8.3% compared to 9.3% last year and 8.2% last quarter.

I-75 Office Overview:

Overall vacancy at the end of the 4th quarter 2016 is at 14.1% compared to 16.0% a year ago and 12.6% last quarter. Class A is at 8.4% compared to 18.2% a year ago and 8.3% last quarter.

Tampa Central Business District:

Overall vacancy at the end of the 4th quarter 2016 is at 13.6% compared to 9.8% a year ago and 12.6% last quarter. Class A is at 9.2% compared to 7.5% a year ago and 9.0% last quarter.

TAMPA INDUSTRIAL MARKET OVERVIEW

Our Perception of the Market, Julia Rettig, Director, Industrial Brokerage, Cushman & Wakefield of Florida, Inc.

2016 might have had its ups and downs but the Tampa Bay Industrial market continued to stay hot. Vacancy rates have dropped to pre-recession levels. Users continue to need more space but due to the lack of vacant space, tenants with needs under 10,000 SF and over 70,000 SF are having a difficult time finding quality space, especially within class A structures. There was 907k more SF leased in 2016 vs. 2015 and 2016 had the highest leasing activity since 2004 at 1.6 million SF.

Cushman & Wakefield reported last quarter on East Group's two rear-load, 70,000 SF buildings. Both buildings were almost entirely leased by year end. Cushman & Wakefield's industrial team represented SLV lighting for 50,000 SF and the entire other building was leased up through organic tenant growth. In the 4th quarter, TPA Group broke ground on a 170,000 SF building at Grand Oaks just outside of Oak Creek with interest from tenants generating significant leasing activity. The largest project to break ground in Tampa in 2016 was Duke's first building at the Tampa Regional Industrial Park, a speculative 337,446 SF structure expected to deliver later in 2017.

Lakeland continued to be the epicenter of new speculative development and the net beneficiary of Tampa's lack of Class A space. Tenants in Parksite's 175,000 SF project were able to find Class A space at a competitive rental rate with access to logistics that enabled same-day delivery throughout the state.

Also in Lakeland, Seefried Development is under construction at Bridgewater Commerce Center, a 276,000 SF cross-dock space that is seeing strong organic leasing from surrounding users. Brennan Investment Group decided to swing hard in the SR 33 corridor and start on a mega speculative 605,000 SF, cross-dock building in the hope of landing one of the large user, or users, circling the market. McCraney Property Company broke ground at County Line Road with two rear load buildings, one 131,200 SF and the other 168,480 SF.

Cushman & Wakefield Market Overview – Tampa

West Tampa Industrial Overview:

- The overall vacancy at the end of the 4th quarter, 2016 is 4.5% compared to 5.3% a year ago and 8.0% last quarter.
- Warehouse distribution is at 3.7% vacancy compared to 3.7% a year ago and 3.5% last quarter.
- Office Service Center is at 7.3% vacancy compared to 10.3% a year ago and 8.0% last quarter.

East Tampa Industrial Overview:

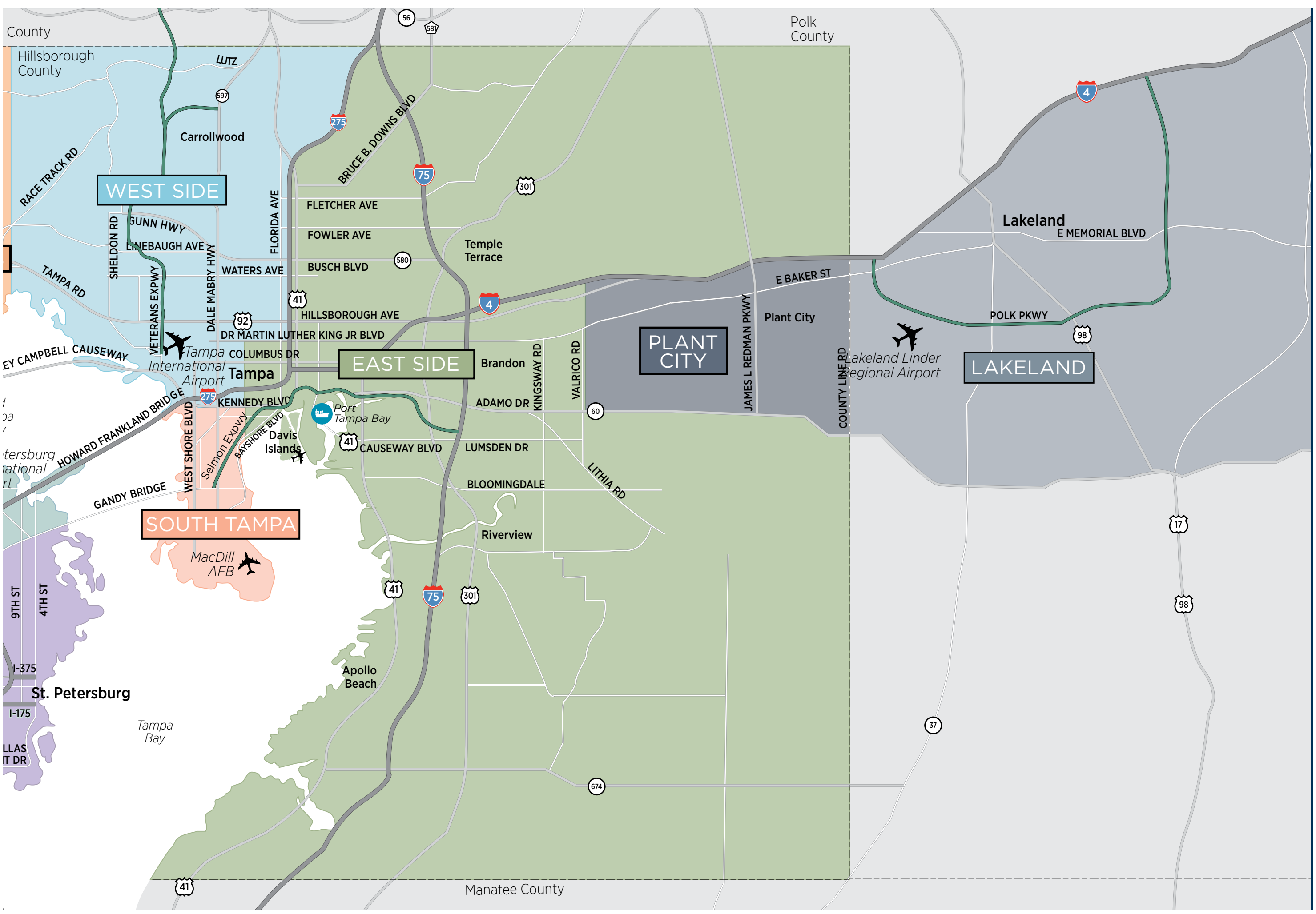
- The overall vacancy at the end of the 4th quarter 2016 was 6.4% compared to 7.1% a year ago and 6.6% last quarter.
- Warehouse distribution is at 6.3% vacancy compared to 7.1% a year ago and 6.2% last quarter.
- Office Service Center is at 12.2% vacancy compared to 14.8% last year and 13.6% last quarter.

Plant City Industrial Market Overview:

- The overall vacancy at the end of the 4th quarter 2016 was 2.0% vacancy compared to 3.0% a year ago and 2.4% last quarter.
- Warehouse distribution is at 2.5% vacancy compared to 4.2% a year ago and 3.1% last quarter.

Lakeland Industrial Market Overview:

- The overall vacancy at the end of the 4th quarter 2016 was 3.7% vacancy compared to 3.5% a year ago and 4.2% last quarter.
- Warehouse distribution is at 4.2% vacancy compared to 4.0% a year ago and 4.8% last quarter.
- Service center is at 18.5% compared to 16.1% a year ago and 19.2% last quarter.
- Industrial Submarket Map



LAND SALES

Single Family

1. Lennar Homes purchased 20 developed lots in South Hillsborough County for $52,500 per lot.
2. Mattamy Homes purchased 120 acres in Sarasota County, the old Sunrise Golf Club, for $119,166 per gross acres. 44 acres is to remain open space. They plan on building 425 homes, which is $33,647 per lot developed.
3. Taylor Morrison purchased 227 acres in Palmer Ranch for $36,000,000 which is $158,590 per acre. This will be an age targeted Esplanade project of approximately 500 homes, which is $72,000 per lot.
4. Pulte purchased 321.5 acres in Lakewood Ranch for $27,700,000. They plan on building 246 homes or $112,601 per lot.
5. Centex Homes/Pulte Homes purchased 50.2 acres in the Riverview/Brandon area of Hillsborough County for $3,150,000. They are planning to build 220 homes, which represent $14,318 per unit.

Multifamily

1. GF Properties, LM, LLC purchased 13.9 acres in South Tampa for $1,500,000. They plan on building 300 units, a mix of townhomes and four story apartments. The price per unit is $8,333, not developed.

CBD

1. 1The co-developer of the Ritz Carlton, Kevin Daves, in Sarasota purchased approximately 36,000 square feet for $5,400,000 or $150.00 per square foot. The property is across the street from Green Pointe's Quay site.

Industrial

1. Harrod Properties purchased 85 acres in Lakewood Ranch for $3,500,000, $0.90 per square foot. They plan on building an up to 700,000 square feet, which is $5.00 per building foot. The property was not land developed.
2. Mettler Toledo purchased 31.15 gross acres for $3,589,000 at the southeast quadrant of the Suncoast Parkway and S.R. 54 in South Central Pasco County. In addition to the land price, the state and the county provided additional funding for road construction. Cushman & Wakefield represented the sellers, Land Investment Partners, LLC 21.

Retail

1. Dave and Buster's purchased 6.1 acres in Brandon near Top Golf for $13.17 per square foot, developed. Dave and Buster's will build a 38,989 square foot building for a combined sports bar, arcade and multiple restaurants under one roof.

Public

1. The School Board of Manatee County purchased 50 acres near Area Route Road and U.S. Highway 301 in Parrish, Florida for $2,300,000, which is $46,000 per acre, not developed.
2. Hokanson Cos., Inc., an Indianapolis construction company, purchased 20 acres in South Hillsborough County on U.S. Highway 301 north of Big Bend Road for $3,275,000. The sales price represents $3.76 per square foot, not developed. Cushman & Wakefield represented the sellers in the transaction.

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About Cushman & Wakefield

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of $5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit www.cushmanwakefield.com or follow @Cushwake on Twitter.

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