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**Tampa Bay Land Market Overview**  
**1Q – 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.

## **The Big Picture.**

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

For the thirteenth quarter, single family and multifamily for sale product are not active, with the exception of investor purchases. Retail is at a stand still, with the exception of single tenant driven owner/user deals. Industrial, multifamily rental, hotel and office land continues to slow. 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 offers potential upside.

- *Office – While there are several developers with cash looking for future land deals, the ones I am talking to, are waiting until third or fourth quarter to see the state of the economy at that time.*
- *Industrial – Users only. No activity with new developer purchases.*
- *Retail - Same as last eight quarters with land prices declining because of lack of tenant demand.*
- *Multifamily land – There have been no trades of for sale or rental sites. Cushman & Wakefield is bringing to market one, Class A, rental site at FishHawk Ranch and the 160 acre Georgetown Apartment waterfront site in South Tampa in the next couple of weeks, which will tell us the appetite for Class A properties, in this environment.*
- *Single Family – Same as last quarter, 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.*
- *It is the same as the end of the fourth quarter; I still don't know exactly where we are as it relates to pricing and demand. For whatever reason, last week my gut feeling was we had bottomed, and we will be flat until third or fourth quarter. Developer purchases I think will start showing up for most products fourth quarter of this year, or first quarter of 2010, which has the developers delivering product at the end of 2010 or early 2011.*

### **CoStar Group Retail Email, March 28, 2009**

- Retail real estate industry will not rebound until 2010 with real growth not expected until 2011 or even 2012.
- Retail construction is expected to drop more than 30% this year, with vacancy in existing space to increase to 10.2%. Other rents will drop 5%.
- Richard Latella, Senior Managing Director of Retail for Cushman & Wakefield stated that U.S. retail industry is experiencing one million square foot hangover. In 2008, Latella said the U.S. experienced a 50% increase in shopping center development, adding 113 million square feet (2,600 acres) of big box and department store space.

### **Shopping Centers Today Week, March 30, 2009**

Empty auto lots represent big redevelopment opportunities. A remarkable real estate opportunity is arising from the hundreds of U.S. properties whose resident car dealerships are closing up or shrinking down, observers say. A 2009 report for consulting firm Grant Thornton says a reduction of 5,000 new vehicle dealerships in the U.S. will be necessary to adjust to plummeting new car sales projections, potentially resulting in a more than 20% reduction in that industry's real estate footprint. That cutback would bring approximately 25,000 acres of retail or mixed use land onto the market – or over one billion square feet. This is based on an average dealership size of about five acres, as estimated by Brady Schmidt, president of Irvine, California based National Business Brokers, who has sold some 500 dealership tracts over the past 17 years.

### **Shopping Centers Today Week, March 23, 2009, Retail Development Down to 90 Million Square Feet in 2009**

Developers are putting the brakes on new centers this year as both consumer demand and financing dry up. Marcus & Millichap predicts that 90 million square feet of retail space will open this year, down from 131 million square feet last year. This is the lowest amount since 1995. New mall development is slowing, with only six million square feet slated nationwide this year. This slow down will help stabilize the market in 2010 before a recovery starts in 2011, the firm says in a report.

## **J.P. Morgan February 27, 2009 Homebuilder Report**

The following shows the larger, publicly traded home builders cash balances:

- Beazer \$436.9 million
- Centex \$1,472,000,000
- DR Horton \$1,520,000
- Hovnanian \$838,200
- KB Homes \$1,250,800,000
- Lennar \$1,100,000,000
- MDC \$1,420,000,000
- Meritage \$205,000,000
- Pulte \$1,000,655,000
- Ryland \$344,000,000
- Standard Pacific \$712,000,000
- Toll Brothers \$1,000,630,000

### ***ERHARDT COMMENT:***

- *In the last quarter, I have talked to four of the 12 builders, and they have an appetite for developed lots in the Tampa Bay market.*

## **Time Magazine, March 14, 2009**

Several countries that have found they don't have enough good land or water to feed their people, have started looking outside their border for land. The thought being, "if we can't grow our own food, we'll grow it somewhere else". The following are a couple of examples:

The Saudi Bin Laden Group has an agreement with Indonesia to plant rice on 1.5 million acres. South Korea's Daewoo logistics has leased more than 2.2 million acres in Madagascar – more than a third of the island nation's arable land – to grow corn and oil palms.

### **Some Things Never Change**

I am reading a biography of Abraham Lincoln, authored by Carl Sandburg. In 1848 Lincoln made speeches on internal improvements, public roads, rivers, harbors, canals, saying in one speech that so far as he could see, there was the same wrangling in state legislatures and in counties and in towns as there was in the national congress over improvement. "One man is often offended because a road passes over his land, and another is offended because it does not pass over his land; one is dissatisfied because the bridge for which he is taxed crosses a river on a different road from that which leads from his house to the town; another cannot bear that the county should be got in debt for these same roads and bridges; while not a few struggle hard to have roads located over their lands, and then stoutly refuse to let them be open until they are first paid the damages".

The land market was very active in the 1830s and 1840s in Illinois. Lincoln actually pursued the position of head of the Federal Land Office in Illinois. In Illinois in 1837, there were 17,075 patents (deeds) registered, covering 2,834,840 acres. In 1939, there were 1,132,872 land sales.

**Moody's.com predicts housing bottom.**

- Here is Moody's house price forecast for areas of the Gulf Coast:

**Housing Bottom to arrive in 2010**

Area	Peak-to-trough % Change	Peak Quarter	Trough Quarter
Naples-Marco Island	-70.1%	Q1-2006	Q4-2010
Cape Coral-Ft. Myers	-66.4%	Q1-2006	Q2-2010
Punta Gorda	-65.4%	Q1-2006	Q2-2010
Bradenton-Sarasota-Venice	-62.1%	Q1-2006	Q3-2010
Tampa-St. Petersburg-Clearwater	-49.9%	Q2-2006	Q4-2010
United States	-36.2%	Q1-2006	Q4-2009

**The Distressed Debt Newsletter, January 2009**

- The wave of defaults in housing related issues in California and Florida can expect to accelerate.
- Cordoba Ranch CDD issue is one of 24 which have defaulted in 2008. The next interest payment for all CDDs in the state of Florida is due May 1<sup>st</sup>. It is predicted.

*ERHARDT COMMENT:*

- *It is predicted that on May 1<sup>st</sup>, when the next payment is due, as many as 60 CDDs will be in default in the state of Florida. These defaults can and may wipe out bank debt on the development projects.*

**Housing Outlook, The Concord Group – When will markets recover?**

**[www.TheConcordGroup.com](http://www.TheConcordGroup.com)**

- Long-term structural annual U.S. home demand of 895,000 units will not likely be reached until 2011.
- Land / lot development opportunities precede recovery by 12 to 18 months.

*ERHARDT COMMENT:*

- *While Metro Study states there are 30,640 empty developed lots in the five county Bay Area, that would take six and one-half years to absorb, it is my opinion that a large number of these lots are in undesirable peripheral areas. I have asked companies that have a contractual relationship with Metro Study to see if they could get them to qualify A, B, and C quality lots and show what is the number of As and Bs, which in my opinion, would significantly shorten the timeframe for absorption of existing lots and the demand for new A and B quality lots.*

### **The Tampa Tribune, March 24, 2009, Existing Home Sales Rise 23%**

- This is the largest jump since September, when sales rose 29%.
- The number of existing homes that changed hands in the St. Petersburg / Clearwater metro area in February was a 23% jump from one year ago.
- The median sales price however, fell 27% to \$131,400. However, the sales price did edge up a bit from January's medium price of \$122,400. We are now back to September 2002 levels.
- Sales are up 20% statewide, and the medium sales price in Florida dropped 29% to \$141,900.
- Nationally, sales of existing homes grew 5.1% to an annual rate of \$4.72 million unit in February, up from \$4.49 million units in January, according to the National Association of Realtors. It was the largest increase since July 2003.
- The \$8,000 new home buyer credit as included in the federal economic stimulus package is expected to give an even bigger boost to home sales this summer.

### **Northern Trust Economical Market Update; March 10, 2009**

- The contraction of the economy is worse than 1982 by one percent. 1938 was worse.
- The last to contract was commercial real estate and is happening now.
- M2 supply is growing.
- Housing has not reached bottom – builders are cutting back and pricing is following. We are heading for bottom in building in the fourth quarter of 2009, and prices will bottom in 2010.
- Loosening credit to start soon.
- Inflation will go up in 2010 and 2011.
- More money on the sidelines than the last 50 years. Money market is at 50% of the stock market, where it is usually at 17%.

### **Forbes Magazine, America's Top 5 Most Popular Cities**

- San Diego, Tampa and Orlando did well because of near year long mild temperatures. Indeed, overall perceived attitude of the city was the biggest factor, according to the PEW report (PEW Charitable Trusts – PEW Research Center). Seven of the top 10 metropolitan areas are in the west, and the other three – San Antonio, Orlando and Tampa are in the south. Seven cities share the characteristics of many Western metro areas: warmer weather, a casual lifestyle, and rapid growth.

Top five least popular cities are Detroit, Cleveland, Cincinnati, Minneapolis, and Kansas City, Missouri.

- Just over half of those surveyed said that they are living in their ideal community, while 46% said they would rather live in another place.

## **January 30, 2009, Tampa World Trade Center Monthly Meeting**

- In 2008 Florida had \$50.4 billion in exports through November, more than any other state. Florida had \$44.8 billion in exports in 2007.
- 1.1 million jobs in Florida are connected to the export business, second after tourism.
- 43,000 companies in Florida do exports, most are small to medium sized companies.
- Florida is closer to South America business centers than any other U.S. business centers.
- Comment on other countries:
  - Vietnam has 80 million people in oil reserves.
  - Cuba is considered a dead beat.
  - Exporters buy from Europe and Florida and sell to Latin America.

## **Excerpts from Site Selection Magazine, March 2009 – Pointing out that the U.S. is still the leader in global manufacturing**

Adam Bruns mentioned the following:

Scott Davis, chairman and CEO of UPS pointed out that amid the global economic meltdown, the US retained its title in 2008 as the world's leading manufacturer, producing nearly one-quarter of the global manufacturing output

The US was also the world's largest exporter of goods and services, with over \$1.8 trillion in goods/services produced.

The US has narrowed the gap against nine major industrial nations when it comes to disadvantages faced by industries as compared to one another from 31.67 percent in 2006 to 17.6 percent in 2008. The top five countries the US competed with in the 2008 report from Deloitte were: Germany, Canada, Japan, Mexico, and China. Two obstacles the US still faces as compared to its rivals remain to be: 1) corporate taxation and 2) energy costs.

Jeremy Leonard, economic consultant for Manufacturers Alliance/MAPI wrote: "The foreign raw cost advantage - essentially the trade-weighted difference of unit wage cost relative to the United States [against the aforementioned countries] – has also narrowed considerably from 2006; down from 22 percent to 7.3 percent."

## **Tampa Bay Partnership Model for Prosperity – A three year strategic plan 2009 – 2011, [www.TampaBay.org](http://www.TampaBay.org)**

- By itself, Florida would be considered the fifteenth largest economy in the world.
- 75% of the population in innovation is where 75% of the growth is going.
- The southern portion of Florida, which includes the Tampa Bay Area, is considered one of the mega regions in a research paper done in 2007 by Richard Florida, Tim Golden, and Charlotta Mellander.

Their work identified there are 40 mega regions with economic output of more than \$100 billion that produce 66% of world output and account for 85% of global innovation.

Other areas named on the list are: Boston to Washington, Chicago to Pittsburgh, Charlotte to Atlanta, Southern California, Dallas to Austin, Houston to New Orleans, Denver to Bolder, and Phoenix to Tucson.

**Industrial whitepaper for NAIOP Research Foundation, January 2009, by Cushman & Wakefield**

Panama Canal – the expansion of the 92 year old canal, expected to open in 2015, will cost some \$5.25 billion and almost double the tonnage passing through its network from 279 million net tons in fiscal year 2005 to 508 million net tons by 2025. Canal dimensions that are now 110' wide by 1,100' long will expand to 189' wide and 1,400' long, allowing the transit of vessels up to 1,200' long and 160' wide by a draft of 50'. The size of the largest, feasible vessels will increase from 4,500 TEU's to 12,000 TEU's.

The canal's overhaul is funded, underway, and on time, and will most significantly boost East Coast service to ports and their inland hubs. This new dynamic has the potential to deflate growth (though we do not expect a contraction demand) of West Coast ports as it decreases the competitiveness of moving goods over land to the more populated eastern half of United States and Canada from ports like Los Angeles/Long Beach, Seattle/Tacoma, and Vancouver.

**Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, Q4/2008,**  
**[www.dividendcapital.com](http://www.dividendcapital.com), 866-324-7348**

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

GDP is expected to be negative for the first half of 2009 and job losses are expected to continue through the full year. A majority of the economic stimulus package is not expected to have any effect until 2010. These fundamentals mean that occupancies and rents should decline for the full year of 2009 – the question is how much and what cities will be hurt the most. The lack of available capital has dropped new supply to the lowest levels in more than 30 years. Therefore, this down cycle should not be as deep as the last cycles. We also expect very low sale transaction activity in 2008.

Office occupancies declined 2% in 2008 and rents declined by 2.1% in 2008. Expect more declines in 2009. Industrial occupancies declined 1.8% and rental growth fell 2.5% for the full year of 2008. Apartment occupancy declined 1% in 2008 and rental growth declined 0.65% for 2008 after a 0.8% decline in Q4-2008. Retail occupancy declined 4% in 2008 and rental growth fell 3.5% for the full year of 2008 as predicted. Hotel occupancies declined 3% in 2008 and RevPAR fell 12% for the year after a 16% decline in Q4-2008.

**Office Market Cycle Analysis**

The national office market occupancy level declined 0.6% in Q4-2008, which resulted in a 2% year over year decline. Firms continued to shed jobs and companies are demanding lower rental rates and more concessions from landlords as the economy continues to decline. Because job losses are expected for the entire year of 2009, we now also expect occupancy declines to occur for the whole year, which pushes almost all markets into a down cycle and the recession phase of the cycle. This wholesale move to a down cycle is new in our 18 years of cycle research, but warranted based upon the global and national economic forecasts and the fact that only 20% of the stimulus package is expected to be spent in 2009. We think office occupancies may decline another 2% in 2009. Rents declined 1.9% in Q4-2008 and were down 2.1% for the full year (they were up in the first half of 2008 – just as GDP growth was positive then). We expect rents to decline as much as 6% in 2009 (about \$1.50 per square foot) as landlords try to win what few tenants are available.

Tampa is at level 16, back from level 2, to a phase 4 recession phase. Last quarter was in a recovery phase. Ahead of Tampa is Jacksonville. With Tampa are Atlanta, Ft. Lauderdale and West Palm Beach. Behind Tampa are Orlando and Miami.

### **Industrial Market Cycle Analysis**

Industrial occupancies declined 0.7% in Q4-2008 creating a full year decline of 1.8% in 2008. Remember that the industrial market peaked in Q3-2007 with a national average occupancy of 92.4%. All warehouse using sectors (manufacturing, retail, imports and exports) are now declining. It is hoped that the stimulus package will create positive GDP growth by the second half of 2009 and this should reflect improving retail sales, although there are many unknowns and parts of the package that will not take effect until 2010. Therefore, our models show a full down year of occupancy for industrial space. This causes us to move all markets to the down cycle as we expect further occupancy declines throughout the year. Rents were down 1.2% for the quarter and 2.5% for the year. We estimate occupancies to decline another 1.8% in 2009 which should force rents down about 4% for the year.

Tampa has gone back from level 2 (where it was for the last three quarters) to the recession phase of increasing vacancy. With Tampa is Atlanta. Behind Tampa in the same phase are Orlando, Ft. Lauderdale, Jacksonville, Miami and West Palm Beach.

### **Apartment Market Cycle Analysis**

Apartment occupancy declined 0.5% in Q4-2008 producing a full 1% decline for the year of 2008. We believe that home foreclosures creating demand for apartments has played itself out in 2008 and do not expect to see much additional demand from foreclosure victims in 2009. Job losses are the key factor in a demand decline for 2009 and we expect job losses to continue for the full year. The stimulus package may not be able to turn job growth positive until 2010 by most economists' estimates. Even with supply growth reaching its low ebb at year end, we now see a full year of occupancy decline in apartments and have moved all markets to the down side of the cycle graph. Some markets still have better occupancies than others, which is reflected in their upper position on the graph. We cannot find a single market that might look better at the end of 2009 than it does at the beginning of 2009. Rents were down 0.8% in Q4-2008 but only down 0.65% for the full year as the first half of the year saw rental growth. We expect occupancies to decline a little more than 1% in 2009, which should cause rents to decline about 1.5% in 2009.

Tampa is at level 16, down from level 15 last quarter, which is in the middle of the recession phase of increased vacancy more completions. With Tampa are Jacksonville, Orlando and West Palm Beach. Behind Tampa are Atlanta, Miami and Ft. Lauderdale.

### **Retail Market Cycle Analysis**

Retail occupancies declined 1.8% in Q4-2008 producing a 4% decline for the full year of 2008. This moved the national average to point #15 on the cycle chart – note there is still more downside potential. Retail is doing far worse in this recession than the last. We expect more tenants to bail out of their leases after Christmas as well, even though Christmas sales were down only 2.5% over the peak year of 2007. While the positive 1.6% sales increase for January 2009 was a surprise, many retailers were just dumping goods at cost or below in January. Rents declined 1.5% in Q4-2008 and were down 3.5% for the full year. We estimate

occupancies should decline another 3% in 2009 and hit bottom at the end of the year. This could produce rent declines as large as 7% in 2009.

Tampa is located at position 14 (same as last quarter) which is increasing vacancy with the finishing up of new construction, but at the beginning of the recession phase. With Tampa are Ft. Lauderdale and Miami. Ahead are Atlanta, Jacksonville, Orlando and West Palm Beach.

### **Hotel Market Cycle Analysis**

Hotel occupancies declined 1.5% in Q4-2008 and 3% for the full year of 2008. Reduced business and leisure travel hurt demand and most airlines have cut more flights and employees as well. Occupancies at some destination resorts are down as much as 50% and these hotels are laying off employees as well. The 5-star Ritz Carlton at the high class Beaver Creek ski resort in Colorado announced that it will actually close at the end of the ski season in April until the economy improves. RevPAR growth declined by 16% in Q4-2008, but was only down 12% for the full year of 2008 as the first half of the year saw positive RevPAR growth. We estimate occupancies to decline 6% in 2009, which could push RevPAR down as much as 9% in 2009.

Tampa moved back from position 4 recovery phase to position 15 in the recession phase. Behind Tampa are Ft. Lauderdale, Miami and Jacksonville. Ahead of Tampa are Orlando and West Palm Beach. With Tampa is Atlanta.

### **Tampa Bay Retail Market Overview**

#### **ERHARDT COMMENT:**

- *There are very few retail transactions taking place. Most tenants that drive a multi-tenant development deal or freestanding owner/user project have put expansion plans on hold.*

*Redevelopment and infill projects are active but slow to close. Another problem is pricing. I've seen this happen over the years. A CVS paid \$35.00/sf for a corner in 2006; therefore the other corners are going to be worth \$35.00/sf, in the land owners mind for a long time.*

*We had lunch with a retail developer last week who is mainly looking for a grocery anchored and drug store sites. We were talking about the International Council Shopping Center convention in May in Las Vegas. Currently, there are only 15,000 people registered, whereas there were 37,000 last year. Attendance is normally 50,000. It is reported that Simon Property Group is not putting up their booths this year, and is only sending five people. Simon has no new developments or redevelopments scheduled for 2009. Simon has predicted that development could be dead for around a decade. Please remember that Simon is mainly a mall developer.*

*Along the same lines, the 900,000sf University Town Center at I-75 and University in Sarasota, joint venture with Benderson, Forbes and Taubman, all major players, has been put on hold. I can say retail is probably the hardest hit sector for new development.*

## **Tampa Bay Single Family Market Overview**

### **The Tampa Tribune, January 23, 2009**

- Builders started construction on 932 homes in Q4-2008, down 33% from 1,399 starts the same quarter one year ago, according to Metro Study. This is the fewest home starts since Metro Study began collecting data 23 years ago.
- The annual start rate was equally bad, down 35%, during 2008 to 4,730.
- There were 2,617 empty new homes sitting on the market in the fourth quarter compared to 3,496 during the same period one year ago.

#### **ERHARDT COMMENT:**

- *Our peak of new home starts was not that long ago at 22,000. I had lunch a month ago with John Rymer, a marketing consultant with Rymer Strategies (www.RymerStrategies.com), who believes when the market returns to normal, normal will be in the 12,000 to 15,000 new home starts per year range.*

*One of the questions I keep asking is what will builders be willing to pay for a lot when the existing inventory of impaired (public home builders marking lots down to 0) and bank lot sales are absorbed, what will the market bear for new A and B located lots. Rymer and I agreed it will have to be \$1,000/front foot as opposed to \$500 or \$600/front foot, in order for a land developer to take the risk. Please note that in today's market, it takes \$400 to \$500/front foot to build a lot without the cost of land.*

### **Crittendon Builders Report,**

- The following is a list of what the large, publicly traded home builders have in their lot inventory:

DR Horton 97,000  
Centex 59,163  
Beazer 36,642  
Ryland 23,555  
Meritage 15,802  
Pulte 121,000  
Brookfield 24,109  
M/I Homes 9,723  
Standard Pacific 24,000  
Toll Brothers 38,000

#### **ERHARDT COMMENT:**

- *All of the above builders, with the exception of Brookfield Homes, are in the Tampa market.*

## **Tampa Bay Multifamily Market Overview**

### **Cushman & Wakefield Multifamily Report**

- Tampa Bay MSA can be broken down into 15 submarkets in four counties. The Bay Area Apartment Association reports 719 rental communities and 160,000 rental units.
- At the end of 2008, occupancy rates were at 92.1% down from 94.2% at the same time one year ago.
- Average rents increased 2.2%. This increase however, is offset by available concessions in the market, averaging one month, resulting in an estimated decline of 1%.

Cushman & Wakefield expects occupancy to remain flat in 2009. Rents too will remain flat, as a result of declining income growth and rising unemployment.

### **Marcus and Millichap's 2009 Apartment Market Forecast for Tampa Bay**

- Employment Forecast: Metro wide employment is expected to contract by 2.3% of 28,000 positions in 2009, compared with the elimination of 36,400 jobs last year.
- Construction Forecast: Approximately 9,000 units will be delivered in the metro area this year. In 2008, 2,300 apartments were completed.
- Vacancy Forecast: Market wide vacancy is expected to climb 130 basis points to 9.7% in 2009, as employment reductions weigh on demand. Job losses in lower paying sectors will contribute to an increase of approximately 180 basis points in Class B/C vacancy.
- Rent Forecast: Asking rents are forecast to fall 0.8% in 2009, while effective rents will climb 1.5%.

#### **ERHARDT COMMENT:**

- *In discussing future development with other brokers and apartment developers, it appears the consensus is to hold off any new construction until the end of 2009 or into 2010 with the goal of delivering at the end of 2010. I believe that because there are very few apartments under construction, there will be a pent up demand for A locations. I predict multifamily rental developers will be back in the market as soon as financing returns to 75% to 80% of cost.*

*I also believe from my conversations, that only Class A locations with all the amenities in place – close to employment, retail and a nicer, visual feel (i.e. lakes, trees) will get built. It is not until financing becomes loose that B- and C projects are developed.*

## **Health Care Overview**

#### **ERHARDT COMMENT:**

- *There are currently four, larger medical projects currently in the market for sites. They are 140,000sf, 100,000sf, 65,000sf, and 60,000sf for a total of 365,000sf. I predict at least three of these projects will purchase land in 2009.*

## **Senior Housing**

### **March 2009, Cushman & Wakefield Business Briefing Report – Annual Senior Care Participants Survey**

- The senior housing market is directly impacted by economic downturn. Seniors are putting off plans to sell their homes or are moving out of senior facilities to live with family or friends.
- Occupancy in both independent living and continuing care retirement communities is dropping. Assisted living skills nursing occupancy remains relatively steady, but concerns exist about Medicare rates being lowered by state governments under budgetary pressure.
- Class A properties remain desirable, but until the availability of credit and overall economy improves many sectors of the senior housing industry will remain adversely impacted.
- Many in the senior housing industry do not anticipate conditions to significantly improve until Q3-2009, at best, with many anticipating no change until Q1-2010.

#### **ERHARDT COMMENT:**

- *We are currently not involved in the new site selection or disposition of listings for senior housing. However, there are deals in the works in South Tampa, Sarasota and Pinellas County. There also appears to be a gearing up for some federal monies coming available for government seniors projects in our market.*

## **Government Overview**

- In a meeting with a local engineering firm last week, I asked about the new gopher tortoise regulations. Bottom line is the cost has gone from \$600 to \$1,500 - \$2,000 per tortoise.

### **State Government**

- There is a possibility of a state wide mobility fee that will stop the negotiations and extractions of government for traffic mitigation. Every project, large and small, will pay one transportation fee now called a mobility fee.
- Certain urban areas may be the beneficiary of a law going through the legislature that would impose an impact fee moratorium.
- New insurance legislation, where the state would receive a portion of the \$6.5 billion in insurance premiums currently being paid to the private insurance companies, but are in less vulnerable areas. The state is currently the insurer in high risk markets that the private sector won't insure, and the state wants the private insurance companies to share in that risk. This would be for residential policies and commercial policies for buildings under \$2 million in value.

#### **ERHARDT COMMENT:**

- *The only good thing about a recession is that government all the sudden becomes pro-development and is very interested in job creation.*

### **Environmental Protection Commission**

- I am currently involved in an industrial project in Plant City that has a site that would be large enough for a 1,000,000sf warehouse distribution center. But because it has two wetlands (wet only in the summer), and we currently do not have a user, EPC refuses to allow this land to be mitigated, even though we have the land on which to do the mitigation on contiguous property. This is policy, not ordinance.

I have asked two County Commissioners in the last three weeks, what is the difference between a user and a developer, who is preparing the land for a user or a multi-tenant building that will house multiple users? I intend to pursue this EPC policy and ask anyone reading this report if they have any experience in office or industrial projects that a parcel could not be mitigated because it was the developer asking for it, and not a user, please let me know.

I just can't understand how EPC can differentiate between a developer and a user, because the end result is a user will be in the facility. There's also the risk that an end user will not pick a site that needs to go through EPC, as users today want "shovel ready" sites. They also don't like any negative publicity.

### **Pasco County Permitting**

- The following is from notes I took at a Leadership Pasco Infrastructure and Growth Management Day, February 19, 2009 concerning permits:

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>January 2009</b>
<b>Retail</b>					32	1
<b>Subdivision Plat Approvals</b>	133	163	134	72	25	
<b>Single Family Permits</b>	6,300	7,252	4,123	1,955	1,111	41
<b>Multifamily Projects</b>		22	20	13	16	

### **Suncoast Parkway Extension**

Work on the remaining 27 mile stretch of the toll road through Hernando and Citrus Counties has been suspended. The \$140 million expected to be spent for final design work and land acquisitions instead will be diverted to other projects and expenses.

## Financing Overview

### Foresight Analytics, Oakland, California, March 23, 2009 – Maturing loans are coming home to roost.

- Over the next three years, \$814 billion commercial real estate loans will be maturing. Foresight Analytics is predicting rise in defaults.
- Refinancing activity has begun to crowd out new loans. It is estimated that 80% of the originations in 2008 were refinanced mortgages compared with approximately 35% between 2000 and 2007. They expected that proportion to remain very high at approximately 80% for several years to come. Each year through 2017, a high dollar value maturing loans is anticipated.
- With liquidity already scarce, many portfolio lenders have been kicking the can down the road with temporary, one year extensions, on 2009 maturities. These extensions will add to the maturities that come back for refinancing in 2010.
- 2011 is when the loan made in 2006 and 2007 mature.
- CMBS (Commercial Mortgage Back Securities) loans start maturing in 2009 and 2011 to the tune of \$45 billion to \$55 billion per year, and rises to \$120 billion and \$140 billion in 2016 and 2017 because of the nature of the 10 year loans.

#### *ERHARDT COMMENT:*

- *Here's the problem – Some of these properties are worth 20% less than when they were purchased, and the loans were 90% of value.*

### Stewart Title and Mortgage Bankers Association

<b>Commercial Lending Activity Q2-2008 vs. Q2-2007</b>	
Overall	-63%
Hotel	-87%
Office	-65%
Retail	-63%
Industrial	-57%
Multifamily	-42%
Health	-66%

<b>Commercial Lending Activity Q4-2008 vs. Q4-2007</b>	
Overall	-80%
Hotel	-99%
Office	-72%
Retail	-82%
Industrial	-76%
Multifamily	-62%
Health	-42%

## **Cushman & Wakefield Sonnenblick Goldman Capital Markets Update, March 27, 2009**

- Many securitized interest only loans written from 2005 to 2007 included provisions that provided for amortization after the first two – three years of the loan. RBS Greenwich estimates that \$25 billion to \$30 billion of loans each year for the next three years will convert to amortizing loans. This will have an affect of adding 1% – 1.5% to the annual debt constant for those loans, and may contribute to additional debt service defaults.
- Freddie Mac has announced that they intend to begin securitizing pools of residential loans rather than holding all of their loans on their books. Deutsche Bank is currently working with Freddie Mac on a \$1 billion package which is expected to be the precursor to a program that will include 3 - 4 securitizations per year going forward.

### **Office Market Overview:**

#### **Cushman & Wakefield Market Overview**

- **Westshore Office Overview:** Overall vacancy at the end of 1st quarter 2009 is 16.7% compared to 11.1% last year and 12.6% last quarter. Class A is at 16.5% compared to 11.3% last year and 12.2% last quarter.
- **I-75 Office Overview:** Overall vacancy at the end of the 1st quarter 2009 is at 20.8% compared to 20.3% a year ago and 20.0% last quarter. Class A is at 26.1% compared to 19.1% a year ago and 24.4% last quarter.
- **Tampa Central Business District:** Overall vacancy at the end of the 1st quarter 2009 is at 19.2% compared to 18.2% a year ago and 18.8% last quarter. Class A is at 16.9% compared to 16.6% a year ago and 16.7% last quarter.

The overall vacancy for the Tampa area is 18.4% and 17.1% direct vacancy. The overall absorption total for Q1-2009 is -514,806 square feet.

There is a total of 481,000 square feet under construction, of which 349,000sf is in the I-75 Corridor market. Mosaic has a 113,000sf building under construction in FishHawk, the balance are developer buildings.

#### **ERHARDT COMMENT:**

- *While vacancy continues to go up, at a recent C&W Tampa office broker monthly meeting, a list was circulated for addition and updates of tenants in the market. That list shows 3,900,000sf worth of tenants. Granted, some of these tenants will renew in their existing facility. Some, however, are owner / users looking for sites.*

*One of the other only good things about a recession is that buyers for office land can purchase at 40% to 50% of peak prices.*

## **Industrial Market Overview:**

### **Cushman & Wakefield Market Overview**

- **West Tampa Industrial Overview:** The overall vacancy at the end of the 1st quarter, 2009 is 8.7% compared to 5.3% a year ago and 8.2% last quarter.

Warehouse distribution is at 8.0% vacancy compared to 4.6% a year ago and 8.2% last quarter.

Office Service Center is at 12.0% vacancy compared to 8.0% a year ago and 9.9% last quarter.

- **East Tampa Industrial Overview:** The overall vacancy at the end of the 1st quarter 2009 was 9.9% compared to 5.8% a year ago and 8.9% last quarter.

Warehouse distribution is at 10.9% vacancy compared to 6.0% a year ago and 9.7% last quarter.

Office Service Center is at 16.0% vacancy compared to 11.1% last year and 15.4% last quarter.

- **Plant City Industrial Market Overview:** The overall vacancy at the end of the 1st quarter 2009 was 1.8% vacancy compared to 0.9% a year ago and 1.7% last quarter.

Warehouse distribution is at 2.5% vacancy compared to 1.1% a year ago and 2.4% last quarter.

- **Lakeland Industrial Market Overview:** The overall vacancy at the end of the 1st quarter 2009 was 5.0% vacancy compared to 4.3% a year ago and 5.3% last quarter.

Warehouse distribution is at 6.6% vacancy compared to 6.3% a year ago and 6.7% last quarter.

Service center is at 16.6% compared to 13.2% a year ago and 16.4% last quarter.

The overall vacancy rate for the combined Tampa, Pinellas, and Lakeland markets, totaling 154,764,641 square feet that Cushman & Wakefield tracks, is at 6.7% direct vacancy, and 7.0% overall.

Overall net absorption for Q1-2009 is -300,850 square feet.

Under Construction – 897,800sf, 575,000 is a user, Premier Beverage, and the balance is developers.

## **Tampa Bay Hotel Overview**

### **Hotel Business News, January 7 – 20, 2009**

- PKF Forecasts deep, long recession for industry – According to the latest report from PKF Hospitality Research, U.S. hotels have entered the initial stages of one of the deepest and longest recessions in the history of the U.S. lodging industry.

PKF-HR is now forecasting a 7.8% drop in RevPAR for 2009, which would be the fifth largest annual decline in this measure since 1930. In addition, PKF-HR reports that hotels will not again experience a year-over-year quarterly increase in RevPAR until Q2-2010. Consequently, according to Smith Travel Research data, the projected seven consecutive quarters of declining RevPAR that began with the recent third quarter decline will mark the longest stretch of falling hotel revenues endured by the U.S. lodging industry since STR began tracking the data in the late 1980s.

## **Land Sales:**

### **Single Family Land Sales**

1. Mobly Homes of Florida Inc. purchased 16 developed lots (75' x 130') in Basset Creek Estates (Kbar Ranch) for \$973,142 or \$60,821/unit or \$810/front foot, Hillsborough County.
2. Shepherd Road LLC purchased 20 acres, approved for 55 single family lots, in the northwest quadrant of Shepherd Road and Sundance Boulevard, Polk County, Florida, for \$200,000 or \$3,636/unit. Cushman & Wakefield represented the Seller in this transaction.

### **Retail Land Sales**

1. Racetrack Petroleum Inc. purchased 1.39 acres at a lighted intersection in the northeast corner of West Linebaugh Avenue and Wilsky Boulevard, Tampa, Hillsborough County, Florida, for \$1,300,000 or \$21.46/sf.
2. Kohl's Department Store purchased 5 acres in the northeast quadrant of Chalet Suzanne Road and U.S. 27, Lake Wales, Polk County, Florida, for \$2,400,000 or \$11.02/sf.
3. PIC-P LLC purchased 15.43 acres in the northeast corner of U.S. 301 and Ayersworth Glenn Boulevard, Hillsborough County, Florida, for \$3,000,000 or \$4.46/sf.
4. Wal-Mart Stores East LP purchased 22.75 acres in the southwest quadrant of S.R. 70 and I-75, Manatee County, Florida, for \$11,650,000 or \$11.76/sf.

### **Industrial**

1. Dart Container Corp. (makers of plastic and foam food service containers) purchased 85 acres (31 upland, 54 wet) in the southwest quadrant of Turkey Creek Road and S.R. 574, Plant City, Hillsborough County, Florida, for \$3,350,000 or \$2.48/sf usable.
2. Avenue G LLC purchased 10.93 acres of industrial zoned land in the southeast corner of Avenue J Northwest and 42<sup>nd</sup> Street Northwest, Winter Haven, Polk County, Florida, for \$1,650,000 or \$3.47/sf.

### **Agricultural**

1. Mosaic Fertilizer LLC purchased 78.64 acres in the southwest quadrant of Hiscock Road and Highway 39, Hillsborough County, Florida, for \$1,000,000 or \$12,716/acre.
2. George L. Southworth Trustee purchased 170 acres in the southeast quadrant of Erin Cutoff and SR 52, Pasco County, Florida, for \$2,000,000 or \$11,764/acre.
3. Martom JJJ Ranch purchased approximately 231 acres in the southwest quadrant of U.S. 98 and Madill Road, Pasco County, Florida, for \$1,550,000 or \$6,685/acre.

### **Hospitality**

1. RAMS Hospitality LLC purchased 3.5 acres in the southwest quadrant of Forest Lake Boulevard and Tampa Road, Oldsmar, Hillsborough County, Florida, for \$700,000 or \$4.59/sf.

### **Government / Miscellaneous**

1. Hillsborough County purchased 284.68 acres in the northeast quadrant of Thonotosassa Road and Wallace Branch Road, Hillsborough County, Florida, for \$6,063,500 or \$21,299/acre.
2. The Trust for Public Land purchased 9.74 acres in the northeast quadrant of North Seaboard Avenue and East Venice Avenue, Sarasota County, Florida, for \$7,350,000 or \$754,620/acre. There was an existing 17,158sf building on the property.

### **Mixed Use**

1. Accardi Properties LLC purchased 2.3 acres in the southwest corner of South Nebraska Avenue and Zack Street in Tampa's CBD, Hillsborough County, Florida, for \$5,032,600 or \$50.00/sf.