CUSHMAN & WAKEFIELD

Q2 - 2017

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 24 quarters, rental continues to be very active especially in the suburbs. For sale townhomes and condominiums are under contract or construction in urban and suburban markets, and are gaining momentum.
- **Single Family** – As for the last 31 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 19 quarters, users and B-T-S only. There are several developers looking at Pasco County. Medical office building construction by providers continues to be active.
- **Hospitality** – Same as the last 13 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 are the drivers.








THE BIG PICTURE

Urban Land Magazine ULI Forecast by Kevin Brass April 21, 2017

- The Consensus Forecast survey found economists generally bullish on economic growth. The unemployment rate is expected to continue to fall, reaching 4.5% in 2018. The new forecast predicts 2.3% real growth in gross domestic product in 2017 and 2.6% in 2018. The new Consensus Forecast sees growth sliding back to 2% in 2019.
- Office - Once, 280 SF per employee was once common for all the space, more typical these days Is 180 SF. 140 SF is probably the floor.
- Retail - the forecast found the economists were equally optimistic about the retail sector. Vacancy rates are expected to hold steady at about 10% for the next 2 years, while rental growth will decline from 2.7% to 2.1% in 2018. Some felt the retail sector will continue to struggle, others see an uptick, especially as the link grows between retail and distribution space. Retail space can play a key role in solving the "last mile" issue.
- Retail space linked to services and entertainment space is still performing well.
- Multifamily - economist expect another uptick in 2017 uptick in vacancy rates in 2017, to 5.2%.
- The key is the millennials. It has been assumed that sooner or later millennials will form households and move back to suburbs as previous generations have. That may take longer than people expect and until then rentals should be in demand.

RCLCO Seven Real Estate Disruptors to Watch in 2017 by Kelly Mangold, Vice President, & Metrostudy ULI Presentation 2Q17, May 2017, Seattle

- The market's future is mixed; strong employment growth, rising levels of pent-up demand, rising mortgage rates, rising inflation, rising over valuation.
- The surge in the remodeling/renovation market will continue in the near-term.
- The window of land purchase and development remains open to Year 2019 in most markets.
- Too much new home product is being concentrated on homes that are too large and too costly. Many Millennials are being priced out of the market.
- An extended period of low mortgage rates has allowed home prices (and land values) to rise higher and more rapidly than they should have. Rising mortgage rates may contribute to severe over valuation in many markets, despite only modest price appreciation during the next few years.
- Overall, we're in the 6th inning of a challenging, uneven, uncertain market cycle.

Mark Boyd Metrostudy Economist

- Starts- peak 2018-2019
- 30 yr. fixed 4.02 mid 17.6% 2020
- Good demand through 2020
- 2019 peak – sell land
- Mtg rates affect land value

ULI Tour of Microsoft Campus in Redmond Washington, May 2017

- 540 ac 10MM sf
- Neighborhoods created throughout the campus.
- Everyone has natural light
- Team based space
- 650 people in 100,000 sf
- Create areas for focus- hard to do in open plan. People do better work with a spectrum of working spaces
- Partition doors are white boards on both sides
- Parking management directs you to vacant spaces. Carpool parking up close
- No outside Wi-Fi until this year
- 3 Tree houses
- Low rise buildings, don't want an elevator culture
- 33 cafes
- Average age 36.50% live within 5 miles
- Real estate thinks 3-7 years out

Erhardt's Comments:

I have also toured the Facebook and Google campuses, and the feel of Microsoft was somewhat stogy compared the other two. Maybe that's what happens when you are a 42 years old company.

RCLCO 20 Top-Selling MPCs in 2016

RANK	MPC	MSA	LOCATION	STATE	2016 SALES	2015 SALES	% CHANGE
1	Irvine Ranch	Los Angeles-Long Beach-Santa Ana	Orange County	CA	1,989	1,674	19%
2	The Villages	Ocala	The Villages	FL	1,966	2,294	-14%
3	Nocatee	Jacksonville	Ponte Vedra	FL	973	1,105	-12%
4	Lakewood Ranch	North Port-Sarasota-Bradenton	Sarasota	FL	775	535	45%
5	Summerlin	Las Vegas-Henderson-Paradise	Las Vegas	NV	769	602	28%
6	Cane Bay Plantation	Charleston-North Charleston	Charleston	SC	569	520	9%
7	Inspirada	Las Vegas-Henderson-Paradise	Las Vegas	NV	564	389	45%
8	Westridge	Dallas-Fort Worth-Arlington	McKinney	TX	528	472	12%
9	Paloma Creek	Dallas-Fort Worth-Arlington	Dallas	TX	515	450	14%
10	Eastmark	Phoenix-Mesa-Scottsdale	Mesa	AZ	502	554	-9%
11	Lake Nona	Orlando-Kissimmee-Sanford	Orlando	FL	495	500	-1%
12	Great Park Neighborhoods	Los Angeles-Long Beach-Santa Ana	Irvine	CA	490	282	74%
13	Stapleton	Denver-Aurora-Lakewood	Denver	CO	471	665	-29%
14	Rancho Mission Viejo	Los Angeles-Long Beach-Santa Ana	San Juan Capistrano	CA	458	302	52%
15	Vistancia	Phoenix-Mesa-Scottsdale	Peoria	AZ	453	466	-3%
16	Daybreak	Salt Lake City	South Jordan	UT	452	415	9%
17	Baker Ranch	Los Angeles-Long Beach-Santa Ana	Lake Forest	CA	443	355	25%
18	Riverstone	Houston-The Woodlands-Sugar Land	Fort Bend County	TX	441	609	-28%
19	Aliana	Houston-The Woodlands-Sugar Land	Fort Bend County	TX	426	443	-4%
20	Verrado	Phoenix-Mesa-Scottsdale	Buckeye	AZ	413	343	20%
				TOTAL	13,732	12,975	6%

FLORIDA

Florida has continued to see strong growth in new home sales in 2016, with communities such as The Villages, Nocatee, Lakewood Ranch, and Lake Nona remaining among the top-selling communities in the country and in our top-20 list for 2016. An additional seven Florida MPCs reached our top-50 list: Summerlake, Ave Maria, Tradition, Bartram Park, Waterset, Viera, and FishHawk Ranch.

Relocating retirees account for a large share of new home sales statewide, as the much-anticipated wave of retiring Baby Boomers has arrived in force. This is true not only of retiree-only developments such as The Villages, but also at Nocatee, Lakewood Ranch, Tradition, FishHawk Ranch, and Ave Maria, which feature active adult communities as part of the larger master plan. Although Florida's population growth overall is below the peak of the early 2000s, its age 65+ population growth is as strong as it has ever been. Florida remains the top retirement destination nationally, capturing 20% of Americans aged 65 to 74 who moved out of state for retirement last year. Tourism continues to play a strong role in boosting the state's economy, with over 57 million tourists visiting the Sunshine State in the first half of 2016.

In addition, Florida continued to experience strong, but fluctuating, foreign investment in 2016, though the election and talk of restrictions on immigration raised concerns. It is too early to gauge long-term effects, but foreign investors seem to still believe the U.S. is a good place to invest, and South Americans in particular are expected to continue to be a force in the market. However, they were somewhat less prominent in 2016 due to economic challenges at home, which have resulted in slowing sales in markets most dependent on that segment, such as Miami.

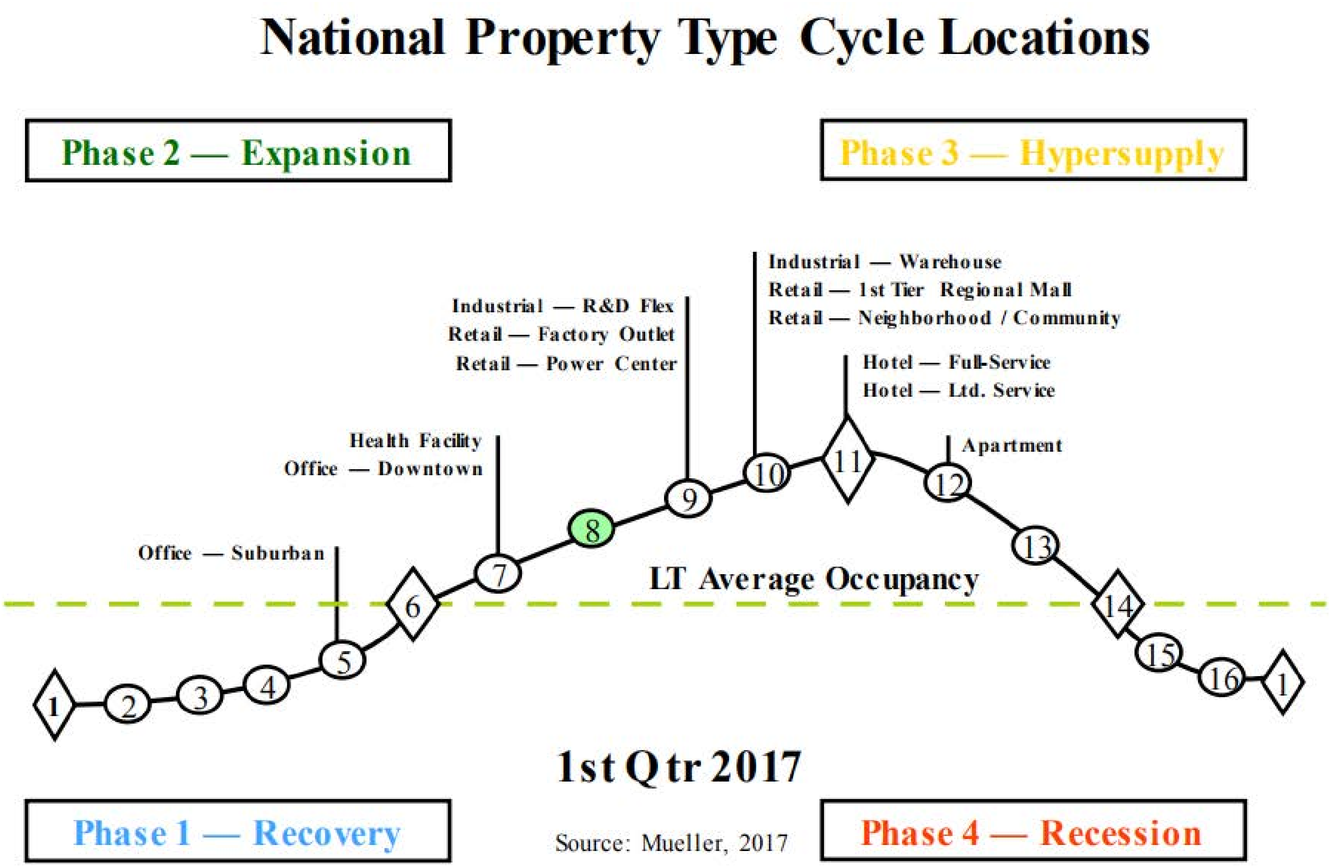
Dividend Capital Research Cycle Monitor – Real Estate Market Cycles, May 2017, www.dividendcapital.com, 866-324-7348, Q1-2017 Cycle Monitor

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

Slow as we go! In 1Q17, Gross Domestic Product (GDP) growth was only 0.7% — the slowest growth in three years. However,

non-residential business investment was up by 9.4% and, more importantly, the sub-category of investment in structures was up 22%. Personal consumption was up only 0.2% and is the largest component at two-thirds of overall GDP. Thus, most economists assume higher spending should happen in the second quarter of 2017. It appears the U.S. may be on a plateau of growth for the foreseeable future. Core personal consumption inflation was up 2% in 1Q17, which is the Fed's target inflation maximum. Reaching and sustaining a 3% GDP growth rate for the U.S. may be very difficult, as more baby boomers hit retirement age. Moderate growth is very good for real estate and it should continue through 2017.

- Office occupancy was **flat** in 1Q17, and rents grew 0.4% for the quarter and 2.4% annually.
- Industrial occupancy **increased 0.3%** in 1Q17, and rents grew 1.7% for the quarter and 7.1% annually.
- Apartment occupancy was **flat** 1Q17, and rents grew 1.1% for the quarter and 2.4% annually.
- Retail occupancy was **flat** in 1Q17, and rents grew 0.5% for the quarter and increased 2.7% annually.
- Hotel occupancy was **flat** in 1Q17, and room rates declined 0.7% for the quarter and increased 3.6% annually.



Office National Occupancy improved 0.3% year-over-year

Industrial National Occupancy improved 0.3% year-over-year

Apartment National Occupancy decreased 0.6% year-over-year

Retail National Occupancy improved 0.5% year-over-year

Hotel National Occupancy improved 0.7% year-over-year

Office Market Cycle Analysis

The national office market occupancy level was flat in 1Q17 and increased 0.3% year-over-year. Absorption was only 6.6 million square feet in 1Q17, which is about half the rate seen over the last five years. This is also about half the amount of completions seen in the quarter. Washington, D.C. absorbed as much space in 1Q17 as it did for the total year of 2016. Employment growth has averaged above 220,000 people per month for the quarter and should provide good demand for the entire year if it can be sustained. Supply is variable by market, but mostly at reasonable levels. Average national rents increased 0.4% in 1Q17 and produced a 2.4% increase year-over-year.

For the 5th quarter Tampa is at level 10 which is declining vacancy, new construction and a high rent growth in a tight market. Ahead of Tampa is Miami, Nashville, Orlando, Palm Beach and Raleigh. With Tampa is Richmond. Behind Tampa in Fort Lauderdale, Charlotte, Atlanta, Jacksonville, Memphis and Norfolk.

Industrial Market Cycle Analysis

Industrial occupancies increased 0.3% in 1Q17 and increased 0.3% year-over-year. Absorption of space was above 50 million square feet for the tenth consecutive quarter with almost 20 markets absorbing more than one million square feet. E-commerce hubs like Atlanta, Riverside, Dallas and Chicago led the way. There are more than 50 mega projects under construction that are one million square feet or more across the U.S. It appears industrial is reaching a peak plateau in occupancy that could last for the next two years due to e-commerce demand. Industrial national average rents increased 1.7% in 1Q17 and increased 7.1% year-over-year.

For the 5th quarter Tampa is at level 10 which is declining vacancy, new construction and high rent growth in a tight market. Ahead of Tampa is Miami, Nashville, Orlando, Palm Beach and Raleigh Durham. With Tampa is Richman. Behind Tampa is Fort Lauderdale, Charlotte, Atlanta, Norfolk, Memphis and Jacksonville.

Apartment Market Cycle Analysis

The national apartment occupancy average was flat in 1Q17 and decreased 0.6% year-over-year. Positive employment growth of mainly Millennial generation workers is the demand driver for apartments and the monthly average employment growth was more than 220,000 in 1Q17. Strong new construction completions continued in most analyzed markets, creating the hypersupply phase of the cycle. We do not forecast this continued oversupply to reverse course over the next year. There are too many projects in the pipeline that should complete in the next 12 months. Average national apartment rent growth increased 1.1% in 1Q17, and increased 2.4% year-over-year, a clear deceleration in rent growth.

For the 7th quarter Tampa is at level 13 in the hyper supply phase of rent growth, positive but declining. With Tampa is Atlanta, Charlotte, Miami. Behind Tampa are Memphis, Palm Beach, Raleigh-Durham, Richman, Fort Lauderdale and Jacksonville.

Erhardt Comment:

I believe population growth and job growth will even out Tampa's position in the multifamily cycle. We are also seeing more privately built workforce housing and new segments for the fifty-five plus crowd who don't want the hassles of maintenance.

Retail Market Cycle Analysis

Retail occupancies were flat in 1Q17 and increased 0.5% year-over-year. Retail sales were weak in the first quarter with the Easter holiday being later in the year. Department store closings continue to be backfilled by experience-based retailers and restaurants in the A-quality malls. Second-tier malls continue to lose occupancy. Look for repurposing and reuse plans in these B-quality and C-quality malls. Grocery-anchored community centers appear to be the only fortress retail type in a constantly changing retail landscape. New construction continues to run at very low levels, providing good demand / supply balance. National average retail rents increased 0.5% in 1Q17 and increased 2.7% year-over-year.

For the 5th quarter Tampa is at level 10, expansion phase with declining vacancy and new construction. Ahead of Tampa is Raleigh-Durham. With Tampa is Palm Beach, Orlando, Ft. Lauderdale, and Miami. Behind Tampa is Nashville, Richmond, Atlanta, Charlotte, Memphis, Norfolk and Jacksonville.

Hotel Market Cycle Analysis

Hotel occupancies were flat in 0.1% in 1Q17 and increased 0.7% year-over-year. Hotels maintained their national average cyclical occupancy rate peak of 72.3% for a second quarter, an all-time historic high over the last 30 years. Demand growth continued, driven by stronger employment growth and moderate GDP growth in 1Q17. We are seeing stronger completions in many markets, pushing five additional markets into the hypersupply phase of the cycle and two markets deeper into hypersupply. The national average hotel room rate declined 0.7% in 1Q17, but increased 3.6% year-over-year.

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

TAMPA BAY SINGLE FAMILY MARKET OVERVIEW

MetroStudy Market Briefing, Q1-2017, www.MetroStudy.com

- Quarterly new home starts were up 9.8% over 1Q16 levels; Annual New Home Starts are also up 9.8% YOY
- The Quarterly Closing Rate was up 45.3% YOY – the best quarterly move-in rate we have seen since the recession
- The median home price in March 2017 was up by 14.5% to $214,200. The median sale price for traditional resales was $220,000 in March, up 9.9%. Short Sales and Bank Sales continue to skew the overall median price downward.
- 2,318 single-family units were started in the quarter, an increase of 9.8% compared to last year's rate. The annual starts rate, compared to last year, increased by 9.8%, to 9,018 annual starts. Single-family quarterly closings totaled 2,482 units, which was 45.3% higher than 1Q16.
- The quarterly closing rate of 2,482 units was the best post-recession quarter for move-ins in Tampa. Metrostudy is still anticipating that there will continue to be growth in starts and closings in Tampa over the next few years.
- For the twelve months ending March 2017, annual new home starts in price ranges under $250k totaled 4,346 units, up 9.8% from the numbers in 1Q16. New home starts in prices over $250k grew by 9.9% from 1Q16 to 4,672 units as of 1Q17. The marginal 806 unit increase in the annual start pace was split: 386 more units under $250k and 420 more units above $250k.
- 2,887 lots were delivered to the Tampa market. This same quarter a year ago, we delivered 1,977 lots. Vacant developed lot inventory stands at 33,142 lots, an increase of 2.8% compared to 32,247 lots last year. Based upon the annual start rate, this level of lot inventory represents a 44.1 month supply, down 3.0 months from last year.

Top Tampa Bay Master Planned Communities	
Wiregrass	339
FishHawk Ranch	295
Waterset	292
Starkey Ranch	245
Long Lake Ranch	211
Oak Creek (SEH)	199
Valencia Lakes	179
Belmont	138
Ayersworth Glen	134
Lakeside	130

TAMPA BAY MULTIFAMILY MARKET OVERVIEW

AxioMetrics, Inc. Market Performance Summary, Q1-2017, Tampa – St. Petersburg – Clearwater, Florida Metropolitan Statistical Area

Apartment Performance

Effective rent increased 0.2% from $1,111 in 4Q16 to $1,113 in 1Q17, which resulted in an annual growth rate of 3.3%. Annual effective rent growth is forecast to be 2.5% in 2018, and average 3.3% from 2019 to 2021. Annual effective rent growth has averaged 2.6% since 3Q96. The market's annual rent growth rate was above the national average of 2.4%. Out of the 120 markets ranked by Axiometrics nationally, Tampa-St. Petersburg-Clearwater, FL Metro Area was 68th for quarterly effective rent growth, and 42nd for annual effective rent growth for 1Q17. The market's occupancy rate increased from 94.7% in 4Q16 to 94.8% in 1Q17, but was down from 95.5% a year ago. The market's occupancy rate was above the national average of 94.5% in 1Q17. For the forecast period, the market's occupancy rate is expected to be 94.6% in 2018, and average 95.0% from 2019 to 2021. The market's occupancy rate has averaged 94.0% since 3Q95.

Market Survey Results and Forecasts

	Sequential				Month	Annual						
	2Q16	3Q16	4Q16	1Q17	MAY-17	2015	2016	2017F	2018F	2019F	2020F	2021F
Effective Rent Per Unit	$1,102	$1,118	$1,111	$1,113	$1,128	$1,043	$1,102	$1,132	$1,161	$1,197	$1,243	$1,281
Per Square Foot	$1.17	$1.19	$1.18	$1.18	$1.19	$1.11	$1.17	$1.20	$1.23	$1.27	$1.32	$1.36
Effective Rent Growth – Annually	6.5%	5.7%	4.0%	3.3%	2.2%	6.1%	5.7%	2.8%	2.5%	3.2%	3.8%	3.0%
Effective Rent Growth – Quarterly	2.3%	1.5%	-0.7%	0.2%								
Occupancy Rate	95.5%	95.4%	94.7%	94.8%	94.9%	95.4%	95.3%	94.8%	94.6%	95.0%	95.3%	94.9%
Occupancy Change – Annually	0.0%	-0.3%	-0.9%	-0.7%	-0.5%	0.7%	-0.2%	-0.5%	-0.2%	0.4%	0.3%	-0.4%
Occupancy Change – Quarterly	0.0%	-0.1%	-0.7%	0.1%								
Economic Concessions												
Concession Value	$-3.60	$-3.25	$-6.50	$-7.08	$-6.21	$-3.74	$-4.47					
As a % of Asking Rent	-0.3%	-0.3%	-0.6%	-0.6%	-0.5%	-0.4%	-0.4%					

Demand and Supply

According to the Bureau of Labor Statistics, job growth in Tampa-St. Petersburg-Clearwater, FL Metro Area was 3.3% in May 2017, reflecting 43,000 jobs added during a 12-month period. The metro job growth figure was above the national number of 1.5%. Axiometrics forecasts Tampa-St. Petersburg-Clearwater, FL Metro Area's job growth to be 2.1% in 2018, with 27,983 jobs added. Job growth is expected to average 2.2% from 2019 to 2021, with an average of 30,603 jobs added each year. On the supply side, permits for 5,995 multifamily units were issued in the 12 months ending in May 2017, down -337 units from the prior year's sum. In terms of total residential housing, 18,169 units were permitted in the 12 months ending May 2017, an increase of 989 units from the prior year's total.

Multifamily Absorption and Supply

	Annual			1Q17		Annual Forecast				
	2014	2015	2016	MARKET	NATIONAL	2017F	2018F	2019F	2020F	2021F
Total Units Absorbed	6,673	5,644	1,738	2,668	244,812	5,425	3,517	5,461	4,047	1,657
New Supply	4,012	3,987	4,704	4,915	350,515	5,416	4,746	4,026	3,204	3,869
Inventory Growth	1.3%	1.3%	1.5%	1.4%	1.4%	1.7%	1.5%	1.2%	1.0%	1.2%

Tampa-St. Petersburg-Clearwater, FL Metro Area's two largest job sectors are the Trade, Transportation, and Utilities sector (18.6% of employment), followed by the Professional and Business Services sector (18.2% of employment). The Trade, Transportation, and Utilities sector gained 2,100 jobs during the 12 months ending May 2017, constituting job growth of 0.8%. The Professional and Business Services sector grew 13,300 jobs during the same period; a 5.8% growth rate.

Identified Supply

As of July 3, 2017, Axiometrics has identified 5,449 apartment units scheduled for delivery in 2017, of which, 1,625 have been delivered. As a comparison, there were 3,221 apartment units delivered in 2016. Properties delivered to the market in the last 12 months have achieved an average asking rent of $1,615 per unit, or $1.64 per square foot. Effective rent has averaged $1,557, or $1.58 per square foot, resulting in an average concession value of $-57.72. As a comparison, existing properties in the market had an average asking rent of $1,120 per unit ($1.19 per square foot) and an average effective rent of $1,113 per unit, or $1.18 per square foot, in 1Q17. Concessions for existing properties averaged $-7.08.

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

**Based on 2017 deliveries*

**Trend Based on trailing 12 month period*

TAMPA BAY HOSPITALITY MARKET OVERVIEW

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

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

TAMPA RETAIL MARKET OVERVIEW

Q2-2017 Tampa / St. Petersburg Retail Market Report, CoStar Group, Inc.

Net Absorption

Retail net absorption was moderate in Tampa / St. Petersburg first quarter 2017, with positive 467,579 square feet absorbed in the quarter. In fourth quarter 2016, net absorption was positive 538,486 square feet, while in third quarter 2016; absorption came in at positive 169,206 square feet. In second quarter 2016, positive 841,497 square feet was absorbed in the market.

Vacancy

Tampa/St Petersburg's retail vacancy rate decreased in the first quarter 2017, ending the quarter at 4.7%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 5.1% in the second quarter 2016, to 5.0% at the end of the third quarter 2016, 4.8% at the end of the fourth quarter 2016, to 4.7% in the current quarter. The amount of vacant sublease space in the Tampa/St Petersburg market has trended down over the past four quarters. At the end of the second quarter 2016, there were 373,121 square feet of vacant sublease space. Currently, there are 258,532 square feet vacant in the market.

Largest Lease Signings

The largest lease signings occurring in 2017 included: the 39,000-square-foot-lease signed by Quality Distribution at 1208 E Kennedy Blvd; the 28,400-square-foot-deal signed by Hobby Lobby at Sunset 19 Shopping Center; and the 26,600-square-foot-lease signed by Hobby Lobby at Sunset 19 Shopping Center.

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 first quarter 2017 at $14.83 per square foot per year. That compares to $14.46 per square foot in the fourth quarter 2016, and $14.06 per square foot at the end of the second quarter 2016. This represents a 2.6% increase in rental rates in the current quarter, and a 5.19% increase from four quarters ago

Inventory & Construction

During the first quarter 2017, 18 buildings totaling 126,935 square feet were completed in the Tampa/St Petersburg retail market. Over the past four quarters, a total of 732,511 square feet of retail space has been built in Tampa/St Petersburg. In addition to the current quarter, 22 buildings with 164,020 square feet were completed in fourth quarter 2016, 12 buildings totaling 85,332 square feet completed in third quarter 2016, and 356,224 square feet in 28 buildings completed in second quarter 2016. There were 930,385 square feet of retail space under construction at the end of the first quarter 2017. Some of the notable 2017 deliveries include: 725 1st Ave S, a 30,000-square-foot facility that delivered in first quarter 2017 and 13843 Tamiami Trail, a 15,000-square-foot building that delivered in first quarter 2017. Total retail inventory in the Tampa/St Petersburg market area amounted to 226,231,103 square feet in 19,093 buildings and 2251 centers as of the end of the first quarter 2017.

Shopping Center

The Shopping Center market in Tampa/St Petersburg currently consists of 2197 projects with 88,990,080 square feet of retail space in 3,778 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers. After absorbing 246,870 square feet and delivering 14,100 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 7.8% at the end of the fourth quarter 2016 to 7.5% this quarter. Over the past four quarters, the Shopping Center vacancy rate has gone from 8.1% at the end of the second quarter 2016, to 8.0% at the end of the third quarter 2016, to 7.8% at the end of the fourth quarter 2016, and finally to 7.5% at the end of the current quarter. Rental rates ended the first quarter 2017 at $13.40 per square foot, up from the $13.17 they were at the end of fourth quarter 2016. Rental rates have trended up over the past year, going from $12.97 per square foot a year ago to their current levels. Net absorption in the Shopping Center sector has totaled 909,126 square feet over the past four quarters. In addition to the positive 246,870 square feet absorbed this quarter, positive 248,266 square feet was absorbed in the fourth quarter 2016, positive 68,484 square feet was absorbed in the third quarter 2016, and positive 345,506 square feet was absorbed in the second quarter 2016.

Power Centers

The Power Center average vacancy rate was 6.1% in the first quarter 2017. With positive 31,310 square feet of net absorption and no new deliveries, the vacancy rate went from 6.5% at the end of last quarter to 6.1% at the end of the first quarter. In the fourth quarter 2016, Power Centers absorbed negative (1,665) square feet, delivered no new space, and the vacancy rate went from 6.4% to 6.5% over the course of the quarter. Rental started the quarter at $24.50 per square foot and ended the quarter at $24.98 per square foot. A year ago, in first quarter 2016, the vacancy rate was 4.7%. Over the past four quarters, Power Centers have absorbed a cumulative (121,348) square feet of space and delivered cumulative 25,066 square feet of space. Vacant sublease space has gone from 4,000 square feet to 2,516 square feet over that time period, and rental rates have gone from $19.10 to $26.29. At the end of the first quarter 2017, there was no space under construction in the Tampa/St Petersburg market. The total stock of Power Center space in Tampa/St Petersburg currently sits at 9,839,420 square feet in 27 centers comprised of 163 buildings.

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	361,600	268,568	74.3%	11,980	15,722
North Hillsborough	5	191,500	169,370	88.4%	13,457	38,300
Pinellas	10	170,266	113,791	66.8%	11,012	17,027
I-75 Corridor	3	81,200	75,845	93.4%	11,781	27,067
Pasco County	7	49,720	19,000	38.2%	14,066	7,103
Eastern Outlying	7	39,399	28,360	72.0%	11,711	5,628
Hernando County	2	36,700	30,000	81.7%	9,555	18,350
Central Tampa	0	0	0	0.0%	14,709	0
Totals	**57**	**930,385**	**704,934**	**75.8%**	**11,849**	**16,323**

TAMPA OFFICE MARKET OVERVIEW

Market	Existing Inventory		Vacancy						
	# Buildings	Total GLA	Direct SF	Total SF	Vac %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Central Tampa	1,635	15,622,147	396,281	450,766	2.9%	102,389	14,100	36,700	$18.15
Eastern Outlying	2,476	28,995,500	1,303,401	1,303,401	4.5%	(1,530)	5,000	39,399	$12.99
Hernando County	597	8,781,493	433,810	456,810	5.2%	26,357	0	0	$11.30
I-75 Corridor	2,176	25,635,782	1,107,385	1,115,706	4.4%	(7,068)	13,525	81,200	$13.55
North Hillsborough	1,390	18,704,946	732,216	733,016	3.9%	79,635	3,000	191,500	$15.89
Pasco County	1,770	24,897,481	1,388,817	1,406,361	5.6%	129,193	4,000	49,720	$12.04
Pinellas	4,972	54,751,128	2,724,324	2,821,812	5.2%	57,125	32,850	170,266	$16.86
Sarasota/Bradenton	4,077	48,842,626	2,225,562	2,282,456	4.7%	81,478 5	4,460	361,600	$15.88
Totals	**19,093**	**226,231,103**	**10,311,796**	**10,570,328**	**4.7%**	**467,579**	**126,935**	**930,385**	**$14.83**

Cushman & Wakefield Market Overview – Tampa

Westshore Office Overview:

Overall vacancy at the end of 2nd quarter 2017 is 10.5% compared to 9.9% last year and 10.6% last quarter. Class A is at 8.7% compared to 9.7% last year and 9.3% last quarter.

I-75 Office Overview:

Overall vacancy at the end of the 2nd quarter 2017 is at 14.1% compared to 14.0% a year ago and 12.9% last quarter. Class A is at 6.9% compared to 9.4% a year ago and 7.4% last quarter.

Tampa Central Business District:

Overall vacancy at the end of the 2nd quarter 2017 is at 13.7% compared to 13.7% a year ago and 13.6% last quarter. Class A is at 10.0% compared to 10.3% a year ago and 9.5% last quarter.

TAMPA INDUSTRIAL MARKET OVERVIEW

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

Tampa Bay's industrial market continues to benefit from the growing demand for large distribution and fulfillment centers near major population clusters. Shifts in technology, the growth of online commerce and the movement to just-in-time delivery options continue to disrupt existing supply chain models and their operators. The consumer's desire for same day delivery drive expansion of regional warehouses that feed into last-mile facilities. While physical stores for some retailers will always have a place in the supply chain, it is anticipated that in-store foot traffic will decline in certain sectors as many stores convert part or most of their business to the online marketplace.

Manufacturers are jumping in on the same-day delivery model to directly compete with e-commerce firms. They are supplementing their traditional distribution networks with their own warehouses closer to major consumer markets. The I-4 corridor saw growth from these types of users who are successfully taking down large blocks of space to accommodate the trend.

The scarcity of industrial land in premier locations with strong connection to transportation networks is increasing competition among developers and end users. Industrial land marketed in 2017 was chased hard, pushing up prices. As demand from both groups remain high, we expect to see prices to rise further. Moreover, industrial end users are displaying a strong desire to own their own buildings which lead some developers to offer build-to-suit or build-to-own options. IDI Gazley recently completed a building for All American Container, an 90,000 square foot (SF) facility at Madison Business Park. Another end user, New South Windows built a 236,000 SF facility and Colonial Grocery an 112,000 SF project at Crossroads Commerce Center with a team by Marco Bay Construction leading those efforts.

The need for industrial land will only increase as market fundamentals adapt to the needs of the digital economy. Supply chains will be reconfigured and delivery methods will impact the location of both manufacturing and distribution facilities. Well placed industrial locations near growing consumer markets will see increased interest from industrial developers and end users.

Cushman & Wakefield Industrial Market Overview – Tampa

West Tampa Industrial Overview:

- The overall vacancy at the end of the 2nd quarter, 2017 is 4.8% compared to 5.0% a year ago and 4.2% last quarter.
- Warehouse distribution is at 2.8% vacancy compared to 3.8% a year ago and 2.4% last quarter.
- Office Service Center is at 9.8% vacancy compared to 9.2% a year ago and 8.6% last quarter.

East Tampa Industrial Overview:

- The overall vacancy at the end of the 2nd quarter 2017 was 6.2% compared to 7.2% a year ago and 6.0% last quarter.
- Warehouse distribution is at 6.4% vacancy compared to 7.1% a year ago and 6.0% last quarter.
- Office Service Center is at 10.2% vacancy compared to 15.5% last year and 9.7% last quarter

Plant City Industrial Market Overview:

- The overall vacancy at the end of the 2nd quarter 2017 was 1.9% vacancy compared to 3.0% a year ago and 1.0% last quarter.
- Warehouse distribution is at 2.4% vacancy compared to 4.1% a year ago and 1.1% last quarter.

Lakeland Industrial Market Overview:

- The overall vacancy at the end of the 1st quarter 2017 was 5.1% vacancy compared to 5.5% a year ago and 5.1% last quarter.
- Warehouse distribution is at 6.2% vacancy compared to 6.7% a year ago and 6.2% last quarter.
- Service center is at 21.4% compared to 18.0% a year ago and 23.7% last quarter.

LAND SALES

Agricultural

- The Cultural Gofer Hill Farm purchased 750 acres in Myakka City, Manatee County for $3,528/ acre

Medial Office

- Moffit Cancer center purchased 21 acres on McKinley by University of South Florida for $12.85 /SF for future expansion. Cushman & Wakefield represented the seller.
- Tera Firma Group purchased 2.26 acres east of I-75 and south of East Fowler Ave, Hillsborough County, for $49,692 per gross acre

Multifamily

- WCI Communities purchased 2.35 developed acres in the Westshore Marina District, South Tampa, for $71,428 /unit and $24.42 per land SF.
- Cypress Creek Land Corp. (Framework Group) purchased 40 gross acres in the Sun City area of South Hillsborough County. Plan for 260 apartments or $15,000 per unit semi developed.

Retail

- 2150 Bloomingdale LLC purchased 2.4 acre outparcel at the Walmart development in Bloomingdale, Hillsborough County $21.76/SF developed.

Single family

- Developed lots in Bexley Ranch sold for between $1,194 and $1,381 per front foot.
- Developed lots in Waterset sold for between $1,131 and $1,314 per front foot.
- Developed lots in Fishhawk sold for between $1,100 and $2,007 per front foot
- Lennar purchased 214.79 acres in Riverview for $88,458 per gross acre. They plan on building 1,000 units, or $13,000 per unit, a mix of single family and townhomes.
- MI Homes purchased 67 developed lots and 82 entitled lots for $4,020,000 in the northeast quadrant of I-75 and I-4, Seffner
- Willow Lane Holdings LLC purchased 184.7 acres west of I-75, Palmetto, North Manatee County for $34,380 per gross acre

Urban Mixed Use

- John Catsimatidis purchased a 2.3 acre site at 400 Central Ave, St. Petersburg CBD for $164.69/ SF. Property can build up to an 8 FAR or $20.63 per FAR ft.

VIsit the Cushman & Wakefield land web site:
www.cushwakelandfl.com/tampa

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