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Florida
Retail Report - 2013

2013 ICSC Florida Retail Report

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Florida Retail Market Overview

A LOOK AROUND THE STATE

From urban centers to suburban shopping malls, retail in Florida is in a growth mode, thanks in part to a recovering economy and housing market. While some areas are seeing larger gains than others, overall 2013 is shaping up to be a positive year. Asking lease rates have improved in South Florida, but remain mixed in North Florida. Desirable submarkets are seeing rental increases as vacancy declines. Sales volume has cooled compared to 2012, but demand for well-positioned and prime retail properties will soon outpace supply. The limited supply of investment properties is having a positive effect on price per square foot on investment sales, as well as creating demand for new construction.

LEASING ACTIVITY

At the close of the second quarter of 2013, retail leasing activity across the state remained more or less stable compared to last year. Vacancy at the close of the second quarter stood at 7.6%, dropping little from the first quarter rate of 7.9%, and only marginally from last year's 8%. There was more than one million square feet of vacant sublease space on the market, an increase of 500,000 square feet from the first quarter.

STATS AT A GLANCE

\$17.95	Avg. Rental Rate (FL)
92.1%	Occupancy
7.1%	Unemployment
19,317,568	Population*

*Source: US Census Bureau

The Tampa Bay market has the most vacant sublease space – over 800,000 square feet, accounting for 79% of the total vacant sublease space across the state. This has been attributed to several large blocks of open space from former Sears and Kmart locations in Tampa.

On a brighter note, Sears Holdings, the parent company of the aforementioned chains, has created a company to market the vacant spaces, Ubiquity Critical Environments, as places for data centers, disaster recovery space and

FLORIDA MARKET STATISTICS

Submarket	Building SF	Vacancy	Occupancy	Quarterly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lease Rate (NNN)
Miami	41,587,440	4.1%	95.9%	332,867	601,447	1,151,399	\$35.04
Broward	48,068,165	8.1%	91.9%	534,070	571,030	213,650	\$20.61
Palm Beach	44,392,868	8.0%	91.9%	12,676	249,054	61,500	\$17.48
Tampa Bay	67,126,523	7.2%	91.6%	20,030	(568,338)	-	\$14.94
Orlando	64,459,116	7.9%	92.0%	46,096	327,312	474,667	\$14.36
Jacksonville	37,741,352	10.6%	89.3%	139,436	161,610	35,000	\$14.37
Total State of Florida	303,375,464	7.6%	92.1%	1,085,175	1,342,115	1,936,216	\$17.95
Total South Florida	134,048,473	6.8%	93.1%	879,613	1,421,531	1,426,549	\$22.80
Total North	169,326,991	8.2%	91.2%	205,562	(79,416)	509,667	\$14.57

Source: CBRE Research, Q2 2013

Florida Retail Market Overview

A LOOK AROUND THE STATE

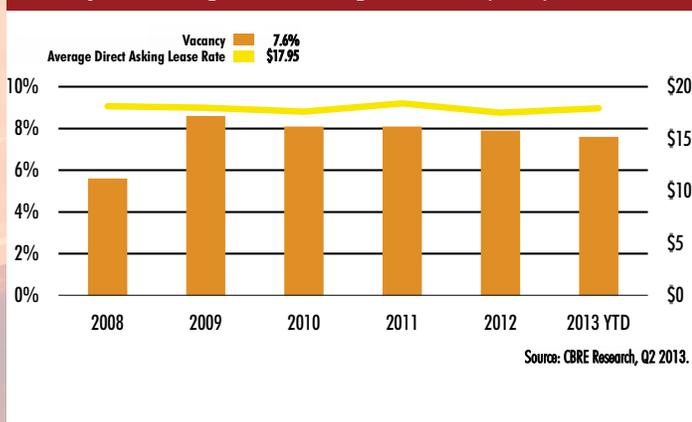
wireless towers. Following that, the grocery store market in the Tampa Bay area is active, with Bi-Lo purchasing the Sweetbay chain from Delhaize (scheduled to close in the fourth quarter). Sprouts and Earthfare are also looking to enter the market.

Miami posted the lowest vacancy rate at 4.1%. Miami's low vacancy is helping keep the South Florida vacancy low; it currently stands at 6.8%.

Jacksonville continues to post the highest vacancy at 10.6%. Jacksonville's absorption improved when Walmart Neighborhood Markets opened locations in many of the former Food Lion anchor spaces that were left vacant in the first quarter of 2012. Jacksonville's high vacancy contributes to the elevated North Florida vacancy of 8.2%.

The average direct asking lease rate for Florida is \$17.95 PSF NNN, while South and North regions posted rates of \$22.80 PSF NNN and \$14.57 PSF NNN, respectively during the second quarter of 2013. South Florida had increases in lease rates with gains in all three markets, particularly in Miami, which increased \$3.18 quarter over quarter, or 10%. North Florida had anemic increases in the asking rates compared to the first quarter. The highest priced submarkets within each market include the Miami Beach submarket of Miami which posted an average asking lease rate of \$132.63 PSF NNN; Broward's Southeast Broward submarket at \$31.98 PSF NNN; Palm Beach County's Boca Raton submarket at \$25.64 PSF NNN; Tampa Bay's Southwest Hillsborough submarket at \$21.96 PSF NNN; Jacksonville's Mandarin submarket at \$18.91 PSF NNN; and Orlando's Southeast Orange County at \$17.63 PSF NNN.

Vacancy -vs- Average Direct Asking Lease Rate (NNN)



EXPERT INSIGHT

“I’m comfortable saying retail is in the best position it has been in in the last five years in Florida, and the returns are good.”

– **Lee Arnold**, Executive Managing Director,
Colliers International

Second quarter absorption was 1,085,175 square feet, bringing total absorption of Florida retail space year to date to 1,342,115 square feet, with Miami, Broward and Jacksonville posting the greatest quarterly gains. Leasing activity for Palm Beach and Orlando slowed compared to the first quarter. Palm Beach posted 236,378 square feet of positive absorption and Orlando 281,216 square feet. During the first quarter of 2013, Tampa Bay had negative absorption of 588,368 square feet, but gained some ground this quarter with 20,030 square feet of positive absorption. Florida posted positive net absorption in the previous two quarters. However, the overall market is weighed down by Tampa's first quarter losses.

SALES ACTIVITY

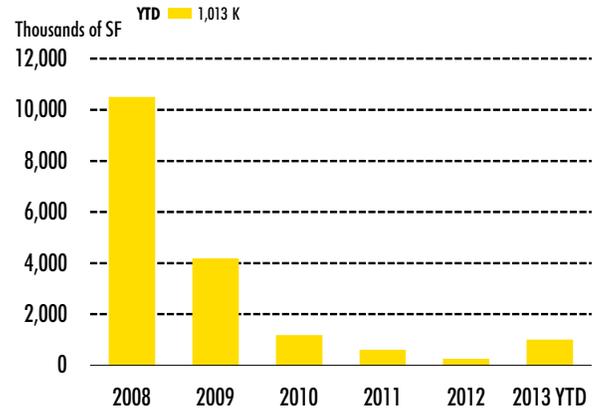
Florida is seeing demand outpace supply across the state for fundamentally strong retail properties. Activity in the first half of 2013 saw over 8.1 million square feet trade hands in 56 transactions worth \$949 million. Orlando led the state with 16 sales, accounting for more than 2.8 million square feet and \$176 million. After Orlando, the highest volume markets were Broward, Tampa, Palm Beach, Miami and Jacksonville. Those markets combined had 47 sales, about \$821 million in volume and traded approximately 7.3 million square feet of property. Broward took the top spot with the highest average per square foot rate of \$244, and a cap rate averaging 7.6%. In addition, Broward recorded the top sale during the second quarter by both size and price. The Shops at Pembroke Gardens, a 391,114-square-foot lifestyle center, was purchased by Jeffrey R. Anderson Real Estate for \$188 million, or \$481 PSF. Orlando posted the second-highest top sale by size and price with Rolling Acres Plaza by Sterling Financial. The shopping center is 189,130 square feet and the deal was valued at \$31.6 million, or \$167 PSF.

DEVELOPMENT

Over the last six years, new development went from a rapid period of growth to a relative standstill. But in the last two years, because of limited supply and economic growth, a new wave of construction has commenced. During 2008, over ten million square feet of new development was delivered. New development declined to five million square feet during the following two years, and 2011 to 2012 brought only 850,000 square feet of new product to market. At the close of the second quarter of 2013, almost two million square feet was under construction. Sixty percent of this new product resides in the Miami market.

IKEA is making its entry into Miami-Dade County at Dolphin Mall, which broke ground this quarter and is scheduled to open in April 2014. It will be the largest IKEA in Florida at 417,000 square feet; the next largest IKEA in Florida is in Orlando at 348,000 square feet. Another large-scale project underway in Miami is Brickell CityCentre, a five-million-square-foot, \$1.05-billion shopping and mixed-use project that will be built in two phases. Phase One, scheduled for completion in 2015, will include 520,000 square feet of retail space, 800 condominiums in two towers, 243 hotel rooms, 93 apartments and 120,000 square feet of office space.

Completions



Source: CBRE Research Q2 2013



BRICKELL CITYCENTRE - SWIRE PROPERTIES

Source: Wiki Commons, Swire Properties

2013 has been a positive year for Florida on just about every front. As the nation as a whole recovers from one of the worst economic downturns in recent history, Florida's recovery is in full swing – with steadily improving employment, a recovery in the housing market and consumer sentiment that matches or exceeds pre-recession levels. All of these bode well for the retail sector. Add to that Florida's unique characteristics – such as its tourism industry – and we see even more reason for optimism surrounding Florida's retail sector.

That said, a number of technological and demographic changes are converging to transform the retail landscape. These include changes in how consumers shop, as well as where people want to live, work and play. Shifts in consumer spending, an aging population and E-commerce are all impacting retailers and the retail environment.

TOURISM SECTOR SHINES BRIGHT

Tourism is a tremendous economic driver for Florida, and the first quarter of 2013 marked the biggest quarter for visitation in the history of Florida tourism. Approximately 26 million visitors came to the Sunshine State in the first three months of 2013, according to Visit Florida, the state's official tourism and

Year	Total Tourism Spending (Tourism/Recreation Taxable Sales)	Total State Sales Tax Revenues from Tourism	Number of Persons Directly Employed by Tourism Industry
2008	\$65.2 billion	\$3.9 billion	1,007,000
2009	\$60.9 billion	\$3.7 billion	973,800
2010	\$62.7 billion	\$3.8 billion	988,600
2011	\$67.2 billion	\$4.0 billion	1,016,600
2012	\$71.8 billion	\$4.3 billion	1,058,000

Source: Visit Florida



EXPERT INSIGHT

“If you open in a market like Miami or Orlando, the mass exposure you have to tourists is really cool. Consumers get exposure to your concept, so when you're thinking about growth in another part of the United States, (it) goes a lot faster and easier, because you already have a consumer.”

– **John Crossman**, CEO & President, Crossman and Company

marketing corporation. That's an increase of 4.7 percent over the same period a year ago.

Last year was also a record-breaking year for tourism. As the Sunshine State's No. 1 industry, tourism was responsible for welcoming 91.4 million visitors in 2012 who spent approximately \$71.8 billion, generating 23 percent of the state's sales tax revenue and employing more than one million people.

VISITORS	1Q2013	1Q2012	CY2012
Total Visitors	26.0 million	24.8 million	91.4 million
Air Visitors	13.6 million	13.1 million	46.5 million
Non-Air Visitors	12.4 million	11.7 million	45 million

Source: Visit Florida

TOP INTERNATIONAL MARKETS BY NUMBER OF VISITORS (2012)	
Canada*	3.61 million
Brazil	1.60 million
United Kingdom	1.58 million
Argentina	603,000

Source: Visit Florida



E-COMMERCE: CLICKS VERSUS BRICKS

Smartphones, tablets, social media and apps – consumers have more ways than ever to shop today without ever setting foot inside a store.

While brick and mortar sales still account for 90% of sales, the trend toward “showrooming” – when consumers browse in stores but ultimately buy online – is expected to intensify. That trend, coupled with improvements in logistics and next-or same-day delivery systems, has diminished retailers’ need for inventory and back-room supply space. Retailers have responded, accordingly, by reducing the number of stores overall, and moving to more compact retail formats.

But the best retailers are learning how to integrate online shopping with brick and mortar stores. Retailers who embrace e-commerce, and connect their online and physical stores better, can build brand loyalty and repeat sales – and even drive traffic into the retail store space. And as the economy improves, and consumers have more discretionary dollars, demand for service-oriented retail, including health and lifestyle retailers, and food and beverage companies, is expected to remain strong.



EXPERT INSIGHT

“The challenge for retailers is to make sure that they provide the proper experience that people can’t get on the Internet and to make sure that they can integrate their Internet and their bricks and mortar sales, and vice versa.”

– Ron Wheeler, CEO,
Sembler

URBANIZATION

Steady population growth – and an increase in the number of older residents – is changing how Floridians live and how they shop. Today Florida has an estimated population of 19.3 million people. By 2030, demographers predict that the state’s population will exceed 23.5 million. Following a national trend, many of those residents will choose to live in Florida’s cities and downtown areas.

BRICK & MORTAR

Traditional, **in-store shopping**



90% OF ALL RETAIL SALES

SHOWROOMING

Checking out and testing goods and products in a store, then **purchasing the item online**

50% OF INTERNET SALES



After several decades of urban to suburban migration, the pendulum is swinging in the opposite direction. While the younger, Echo Boomer or Millennial generation – the largest generation since the Baby Boomers – is largely credited with reviving urban living, Baby Boomers are also shunning traditional suburban lifestyles for the dynamic lifestyle and cultural opportunities that are only available in urban settings. And since Florida continues to age faster than the rest of the nation – 24.1% of the state's population will be 65 and older by 2030, compared to only approximately 18% now – this is likely to have a sizeable impact on Florida's cities.



EXPERT INSIGHT

“The biggest secular trend today that's transforming retail globally is the development of high street, high density retail in urban city centers.”

– **Anthony Buono**, Vice President/Retail,
CBRE Americas

This shift in lifestyle and consumer spending preferences runs counter to three generations of retail store placement that have favored inline stores and suburban retail developments. As a result, retailers will have to adapt by changing from sprawling footprints to more compact formats; building up rather than building out.

Big box retailers have already responded by initiating smaller format stores – sometimes up to 30% smaller – to penetrate dense urban areas with higher foot traffic. This is a reversal from the usual pattern of locating in rural or suburban areas that allowed sprawling shopping centers and large parking areas. Companies like Wal-Mart, Target, Home Depot, Best Buy and Office Depot are adopting smaller formats to gain footholds in urban areas.

NEW FACES IN THE RETAIL SPACE

As urban retail thrives, challenges and opportunities remain for traditional neighborhood and community retail centers. Fortunately, some of the vacant space is being backfilled by non-traditional users such as governmental or educational institutions, medical and/or healthcare-related practices and churches.

Medical leasing, in particular, has been particularly strong in Florida the past 12 months. The Affordable Care Act (ACA) is forcing many healthcare systems to bring services closer to patients – this means providing patient care in convenient, ambulatory settings in locations close to where commercially insured patients live. As a result, some traditional single doctor practices have increased the size of the spaces they lease, and group practices that operate within 4,000 to 8,000 square feet are also filling in retail vacancies. Many group practices have taken spaces in former restaurants or end caps in strip centers.

Macro Trends

SHAPING FLORIDA'S RETAIL ENVIRONMENT

Reports are showing that healthcare at the retail level also serves to reduce overall vacancies and retailers have seen sales increases as a result of having medical co-tenants. The same holds true for the medical providers – being in traditional retail

shopping centers that customers frequent for groceries and other consumer staples has helped them gain exposure and, ultimately, new clients.



IN-LINE MEDICAL CENTER - LONDON SQUARE, KENDALL



URBAN SHOPPING CENTER - 5TH AND ALTON, MIAMI BEACH

Consumer confidence in Florida has been on the upswing since the beginning of 2013, as a result of the recovery of Florida's housing market and steadily decreasing unemployment figures. According to the Consumer Sentiment Index produced by the University of Florida, consumer optimism among Floridians rose to a post-recession high of 82 in June – an increase of approximately seven points since January. In July, however, it unexpectedly declined to 78, while at the same time national consumer sentiment rose to about 85.1. Economists attribute the decline in Floridian consumer confidence to pessimism among younger respondents, who generally have lower incomes and higher overall unemployment rates. While national unemployment was 7.6% in June, it was 13.5% for those ages 20 to 24, and 22.6% for those 18 to 19.

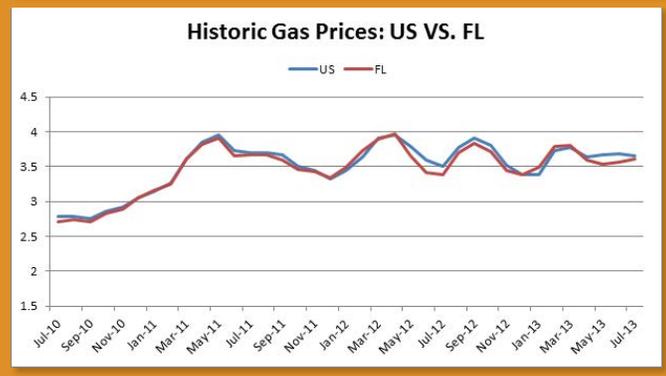
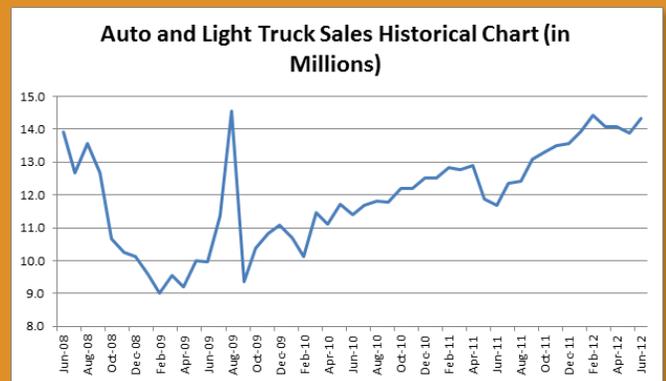
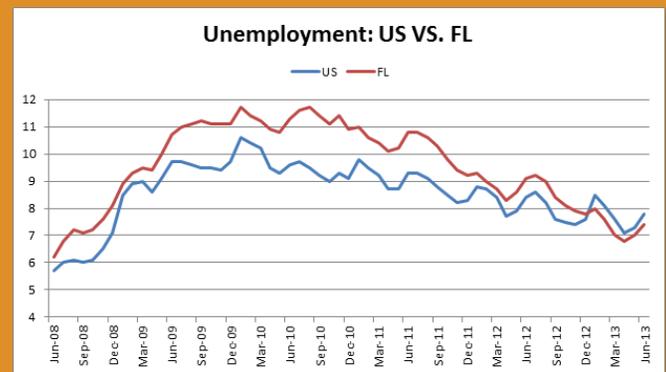
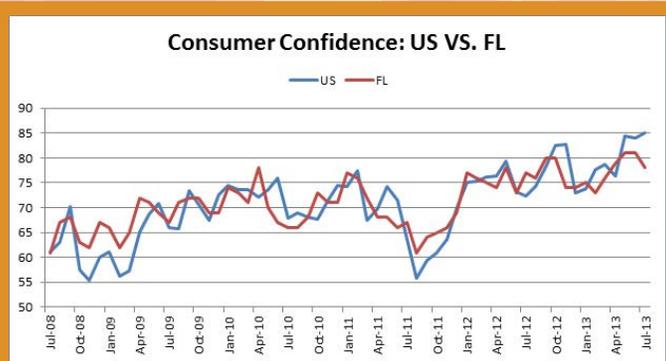
Most of the key economic indicators in Florida have been moving in a positive direction the past 12 months. In June 2013, Florida's unemployment rate stood at 7.1%, a decrease of 1.7% over the same time a year ago, and a drop of nearly four points since 2010. There was job growth in most categories this past year. In May, Florida's governor signed a record-sized \$74.1 billion budget containing increases for public schools and pay raises for educators and state workers – the latter who have not seen raises for the past seven years.

Housing prices continued to increase steadily in 2013, with the median price of an existing single-family home increasing to \$175,000 by July 2013. The last time it was this high was September of 2008. The stock market was also at record highs in July. While housing price increases and the stock market helped better-off and older Floridians, there is less benefit to younger Floridians. Increased housing prices and rising interest rates could be a barrier to younger and low income Floridians buying a house. Gas prices, which have increased more than 16 cents a gallon since the beginning of the month, may be another drain on consumer confidence.

CONSUMER CONFIDENCE



Source: UF, Bureau of Economic & Business Research



Source: CBRE Research Q2 2013

Florida's housing market has shown steady improvement over the past year. There have been year-over-year gains in existing home sales and Realtors across the state of Florida are reporting increased activity in their market areas, according to data from Florida Realtors®. Housing prices continued to increase steadily in 2013, with the median price of an existing single-family home increasing to \$175,000 by June 2013 – an increase of 15.1% over the same time last year.

Both closed and pending sales also increased significantly. The second quarter of 2013 saw 63,173 closed sales of single-family homes, a 14.7% year-over-year increase. There were 78,636 new pending sales of single-family homes by the end of the second quarter this year, an increase of 28.5% over second quarter 2012.

U.S. housing starts in June posted a 10% gain over the same time last year, with the National Association of Home Builders

reporting privately owned housing starts in June at a seasonally adjusted annual rate of 836,000. There has been a definite increase in residential construction to meet consumer demand with the lack of distressed properties available for purchase. Construction has not reached the levels it did during 2006 and 2007, but the improvement is notable.



MONTHLY MARKET SUMMARY (June 2013)

Single Family Homes - Florida

Market Statistics	June 2013	June 2012	% Change Year-over-Year
Closed Sales	20,403	18,793	8.6%
Cash Sales	8,878	8,228	7.9%
New Pending Sales	24,139	19,605	23.1%
New Listings	28,443	25,679	10.8%
Median Sale Price	\$175,000	\$152,000	15.1%
Average Sale Price	\$267,040	\$233,884	14.2%
Median Days in Market	48	61	-21.3%
Avg. Percent of Original List Price Received	94.3%	91.6%	2.9%
Pending Inventory	53,242	(No Data)	N/A
Inventory (Active Listings)	89,223	114,446	-22.0%
Months Supply of Inventory	5.0	7.2	-31.4%

Source: Florida Realtors®

Shopping Center Sales

FLORIDA - YTD 2013

PROPERTY NAME	CITY	SIZE (SF)	PRICE IN \$	BUYER / SELLER / BROKER
The Markets at Town Center	Jacksonville	317,000	135,000,000	Hines Global REIT from Ben Carter Properties JV JP Morgan by Eastdil Secured
Winter Garden Village	Winter Garden	758,988	196,000,000	DDR from Cole Real Estate Investments
Villages of Amelia Island	Yulee	175,000	20,901,767	H&R REIT by CBRE from Sleiman Associates by CBRE
Westshore Plaza	Tampa	1,068,024	186,333,333	Glimcher Realty Trust from Blackstone
Broward Mall	Ft. Lauderdale	416,275	114,889,983	O'Connor Capital Partners from Westfield America Inc
Shops at Shelby Crossing	Sebring	234,000	36,387,500	DeBartolo Development from Argate Properties
Avon Square Shopping Center	Avon Park	113,106	4,725,000	Carl Verstandig from Century Retail by CBRE
Palm Center	Lakeland	132,006	5,275,000	Carl Verstandig from Century Retail by CBRE
Medical & Merchants Plaza	Jacksonville	152,761	12,000,000	Carriere RE Holdings II LLC from Equity One by Cushman & Wakefield
La Fitness Plaza	West Palm Beach	104,485	22,300,000	Cornerstone RE Advisers from The Davis Cos JV Sterling Organization by The Shopping Center Group
North Bay Village	Bonita Springs	120,149	7,450,000	Real Capital Solutions from CWC Capital Asset Mgmt OBO COBALT 2006-C1 by Continental Real Estate Companies Rockwood RE Advisors; Commercial Property SW FL, a Cushman & Wakefield Alliance Member
Haines City Mall	Haines City	118,585	7,615,000	Blackpoint Properties from Haines City CPDC LLC
Vero Beach Square	Vero Beach	147,417	7,800,000	Indian River Holdings LLC from Gold Krown LLC by CBRE
Uptown Station	Ft Walton Beach	300,124	33,000,000	Slate Properties Inc from Victory Real Estate Investments by Shopping Center Group
Oak Station	Marianna	171,509	6,800,000	Regency Properties from CDC Marianna LLC by Cassidy Turley; C&W
University Collection	Tampa	107,198	18,400,000	Faison from Ram Real Estate JV Forge Capital Partners by Shopping Center Group
fmr Costco Delray Beach	Delray Beach	117,044	11,365,600	Sabal Financial Group from New Century Linton One LLC
Boardwalk at 18th Street	Boca Raton	107,727	12,950,000	TJAC by Stateland Brown from DRA Advisors by Cushman & Wakefield
Walk at Highwoods Preserve	Tampa	150,529	23,616,321	DDR from TIAA-CREF

Source: Real Capital Analytics



Winter Garden Village, Winter Garden (Orlando)



The Markets at Town Center, Jacksonville

Shopping Center Sales

FLORIDA - YTD 2013

PROPERTY NAME	CITY	SIZE (SF)	PRICE IN \$	BUYER / SELLER / BROKER
Seminole Towne Center	Sanford	628,896	46,000,000	Colony Real Estate from Citigroup by Eastdil Secured
Rolling Acres Plaza	Lady Lake	189,130	31,785,000	Sterling Organization from TMW Immo Weltfonds (Pramerica) by CBRE
Cobblestone Plaza	Hollywood	140,452	5,000,000	Manhattan Skyline from Kite Realty Group
Highlands Plaza	Lakeland	102,572	4,300,000	In-Rel Management Inc from DDR by Plaza Advisors
Biscayne Plaza Shopping Center	Miami	347,000	12,000,000	Global Fund Investments JV MMG Equity Partners from Easton Group
Mission Bay Plaza	Boca Raton	263,721	61,579,433	Ramco-Gershenson from Clarion Partners
Marketplace of Delray	Delray Beach	278,289	64,981,093	Ramco-Gershenson from Clarion Partners
Cypress Point	Clearwater	167,280	24,668,174	Ramco-Gershenson from Clarion Partners
West Broward Shopping Center	Ft Lauderdale	147,809	27,420,274	Ramco-Gershenson from Clarion Partners
Village Plaza	Lakeland	134,548	25,583,376	Ramco-Gershenson from Clarion Partners
Vista Plaza	Jensen Beach	109,728	15,429,077	Ramco-Gershenson from Clarion Partners
Eagle Ridge Mall	Lake Wales	554,000	7,000,000	Tabani Group from CWCapital Asset Mgmt OBO Wachovia 2005-C22 by Rockwood
Grand Central Station	Naples	158,000	21,500,000	Wheelock Street Capital from Antaramian Development Corp
fmr Hollywood Fashion Mall	Hollywood	1,059,848		Florida State Department of Transportation from Dacar Management LLC
Oviedo Marketplace	Oviedo	556,760	7,760,000	3D Investments from CWCapital Asset Mgmt OBO MS 2005-HQ6 by Rockwood
Pompano Marketplace	Pompano Beach	238,056	29,750,000	Principal Real Estate Investors JV Woolbright from Realty Associates Fund by CBRE
Winter Park	Winter Park	258,885	27,976,100	Sterling Organization from Main Street (FL)
Van Dyke Commons	Lutz	139,128	30,009,166	Prestige Properties and Development Co from iStar Financial by HFF
Orlando Fashion Square	Orlando	1,000,000	35,000,000	UP Development from PREIT
Coral Pointe Shopping Center	Cape Coral	125,110	17,635,971	Blackstone JV Kimco from UBS by Eastdil Secured
Palm Lakes Plaza	Pompano Beach	113,752	15,100,000	Stockbridge Capital Group from Weingarten Realty JV TIAA-CREF by C&W
Woodlake Plaza	Lake Worth	131,210	10,150,000	IMC Property from JBH Woodlake Plaza LLC by Plaza Advisors
Miracle Marketplace	Miami	243,000	92,000,000	Heitman from AWE Talisman JV Keystone Holdings by Jones Lang LaSalle
Fresh Market	Tallahassee	124,552	7,100,000	Kimco from Kearny Street Real Estate

Source: Real Capital Analytics



Rolling Acres Plaza, Lady Lake



Pompano Marketplace, Lake Worth

2013 CAPITAL MARKETS OVERVIEW

By **Dennis Carson and Casey Rosen**
CBRE National Retail Investment Group (Miami)

Both the U.S. and Florida retail property capital markets continue to show strength in 2013, and reflect a sentiment among capital market participants that retail property fundamentals are improving in step with the economy. Demand and pricing metrics through May 2013 were steady to improved, while fluctuations in transaction volumes have been primarily supply driven.

According to Real Capital Analytics ("RCA"), retail property sale volumes in the U.S. increased 25% in 2012 to \$55.2 billion. This more than tripled the low volume of 2009, but was still below the \$80.2 billion peak of 2007. Single-tenant properties and enclosed malls drove the overall increase in sales volumes in 2012 and more than offset a constrained supply of multi-tenant open air retail offerings that resulted in a 17% decline in these transactions.

Through May 2013, retail sales nationally were down 22%, versus the same period in 2012, with mall and single-tenant sales declining 46% vs. a 34%-increase in the sale of multi-tenant open air properties. Stable Class B assets, both in major and non-major markets, saw a notable increase in liquidity and cap rate compression, driven by nearly \$23 billion in CMBS issuance in Q1 2013 versus just \$6 billion during Q1 2012.

Recent retail transaction volumes in Florida have been somewhat more favorable than those of the nation as a whole. RCA reported 2012 retail sales of \$5.3 billion across Florida, a 42% increase over 2011, with year-to-date volumes through May 2012 down 11%.

Pricing & Debt

Overall debt liquidity for retail properties remained high through May 2013, with the aforementioned surge in CMBS lending contributing to increased liquidity and pricing in the non-core markets. Loan-to-value ratios (LTVs) remained low to moderate, with life companies focused on core at the lower end of the LTV spectrum (60% or lower), CMBS and non-recourse bank lending on non-core (with LTVs up to 75%, but generally in the 60-70% range). Debt pricing was in the low 4% to mid-3% levels for 10-year loans, with some periods of interest-only depending on asset quality, anchor-lease terms and loan-to-value ratio.

Who Are The Sellers?

Large portfolio owners seeking to reposition their holdings by culling "non-strategic" assets have been the most active retail property sellers over the past 12 months. Among others, these include public REITs such as Regency, DDR, Kimco, Weingarten and Equity One, as well as groups such as Inland America and TIAA-CREF. Offerings from these groups have included a variety of portfolios and individual properties, but have been largely comprised of Class B assets. Other sellers include merchant developers with "legacy" properties not yet sold, private owners facing debt maturities or in need of a liquidity event and lenders with distressed notes and REO. Almost as important, groups that have remained mostly out of the market to sell include institutional owners with few alternatives for reinvesting proceeds and merchant developers with new product.

What is Next?

Retail property operating fundamentals have continued to improve both nationally and across Florida. At the same time, residential markets are stabilizing and in many areas beginning to experience new construction, while retail development remains at a near standstill. As a result, tenant demand and the availability of retail property construction capital are beginning to materialize, but their return will be measured. This combination of dynamics should continue to fuel improving retail property market fundamentals and, in turn, stable capital demand from buyers and lenders.

Overall, we project a steady-to-increasing supply of Class B and C assets in the near term from sellers seeking to cull their portfolios. We should also soon begin seeing increasing supply across the quality spectrum from owners with maturing 10-year loans made between 2004 and 2007. Opportunistic buyers who acquired assets at the bottom of the market are also beginning to show signs of selling. Distressed selling will continue to be measured to declining.

Interest rates remain a wild card. It is still too early to assess the impact of recent increases in rates on property pricing and liquidity, but the potential for increased rates to result in short-term liquidity disruptions and bid-ask pricing gaps is high. Longer term, an increase in rates for reasons reflecting improved economic conditions and the gradual discontinuance of aggressive fiscal policy have to be viewed favorably, with rate increases eventually being at least partially offset by reduced borrowing spreads.

RETAIL TRENDS

PRICING TABLE

	Comment	Dominant Buyers	Primary Lenders	Pricing Metrics
Major Market Core Assets	Demand far exceeds supply, especially for dominant grocery anchored centers.	Larger cap public REITs and institutional investors, domestic and international.	Life companies at low to moderate LTVs	At historically peak levels with unleveraged discount rates at 6.5% to 7.5%, cap rates at mid-5% to low-6%.
High Street Assets & Class A Lifestyle Centers	Returning to favor and in high demand, especially assets with below market rents or income growth potential.	Domestic and foreign institutional investors (often with JV operating partners), larger cap Public REITs.	Life companies for permanent debt borrowers. Non-recourse bank loans for income growth driven borrowers with shorter holding periods.	Unleveraged discount rates driven by asset location and quality, cap rates generally in the low-5% to low-7% range, sub 5% for best of best or those with high growth potential.
Power Centers	Demand & liquidity improving but with high scrutiny of tenant sales, at-risk anchor types (electronics, books, office supplies), co-tenancy provisions, etc.	Private REITs, smaller cap public REITs, private investors and syndicators.	Life companies for top tier, CMBS and banks for other.	Reflects typical low growth income dynamics, high-6% to mid-7% cap rates depending on market size, tenant quality, age / lease terms.
Stable Class B & C Assets	Category has experienced the most significant improvement in pricing & liquidity since Q4 2012, largely driven by significant growth in CMBS lending and reduced debt pricing.	Private REITs, Canadian & Israeli investors and private equity funds for solid B assets including secondary and small market grocery centers. Private investors and syndicators for smaller individual assets, small markets and C quality properties.	Life companies for top tier only, CMBS for most others, banks and private lenders for the weakest assets.	Driven by sustainable income, buyers targeting leveraged cash returns using 60% to 70% debt. Cap rates for Class B in the high 6's to low 8's. Cap rates for Class C in the low 8's to high 9's.
Non-Stable & Distressed Assets	Properties with high risks or challenges are trading at distressed pricing, those without transitional or distressed ownership more often than not do not trade due to high bid-ask gap.	Private investors, private equity and hedge funds.	Banks and other non-traditional private lenders, in many cases requiring recourse.	Driven by sustainable income and price to replacement cost. Cap rates from 8% to 12%, or cap rates not applicable with focus on price PSF, land value, etc.
Single Tenant Assets	High demand and liquidity for properties with lease term, quality tenants and good locations.	Private REITs and NNN Public REITs for larger assets, private investors and exchange buyers for small to medium size assets.	All lender types depending on individual asset dynamics and borrower requirements.	Low 4% cap rates for best small sales such as McDonalds to low 6% cap rates for best large sales such as Costco . B-quality tenants or those with less lease term are trading at mid-6% cap rates and higher.
Class A & B Regional Malls	Demand exceeds supply. Ownership is consolidated, thereby limiting frequency of transactions. 2012 was unusually high volume. Lower quality properties, those with low sales, viewed as distressed.	Larger cap Public REITs, international funds and both domestic and international institutional investors.	Life companies	Generally IRR driven in the 6% to 7% range or lower for true fortress properties. Most transactions are partial interest sales to investors with sellers retaining operating control.

THE ECHO BOOMER EFFECT: URBANIZATION AND ITS IMPACT ON RETAIL

By: **Ryan B. Dietz, MBA**
 Director of External Relations
 Center for Real Estate Education & Research - Florida State University



FLORIDA STATE UNIVERSITY
 COLLEGE OF BUSINESS
The Center for Real Estate Education & Research

Echo Boomers, also known as “Generation Y” and “Millennials,” are an American cohort generally born between 1980 and 2001. Essentially, they are the offspring of the Baby Boomer generation.

As each generation matures, their housing preferences and retail preferences tend to correlate. The “GI” generation, parents of the Baby Boomers, started moving from the urban core to the suburbs in the early 1950s, creating demand for suburban neighborhood shopping centers. The urban sprawl went on for decades, with regional malls, then power centers, and in the mid-2000s these suburban areas became legitimate urban centers of their own, creating demand for lifestyle centers, some of which are called “town centers.”

Now, as the Echo Boomer generation starts their careers, a major shift in lifestyle is becoming evident. Instead of expanding the metropolitan boundaries further, as their predecessors have, they are seeking an active lifestyle in the urban centers, which had not been popular in the previous 50 years. Regardless of the many theories to why this has become the trend (affordability, social variety, environmental friendliness, diversity, health-consciousness, etc.), both the changing housing demand and related retail strategy cannot be ignored.

Urban areas have become attractive to Florida’s approximately 4.5 million Echo Boomers (about 24% of Florida’s population)¹. Some of the most successful Gen-Y core retail areas in Florida include Channelside (Tampa), Riverside (Jacksonville), the Brickell, Wynwood, & Midtown Districts (Miami), Downtown Orlando, and can also be seen in small cities with young populations, such as Midtown in Tallahassee.

Most of these locations have a few things in common: 1) They were not originally aimed at the 22-33 year old crowd; rather, they were aimed at the affluent executives of their city’s downtown districts. 2) The housing bust in 2007-2008 made these areas affordable to a new generation. 3) In anticipation of the affluent crowds, retailers, particularly the ones providing basic needs, were open for business by the time the Echo Boomers arrived, making the district sustainable.

Owned and operated by Ivanhoe Cambridge of Canada, Mary Brickell Village in Brickell, Miami, is one of the best examples of how a mix of quality high-end retailers suits the most basic desires of the Echo Boomer cohort in Florida. Within its 195,000 square feet of retail space, Mary Brickell Village (MBV) delivers retail that satisfies this generation seamlessly²:

Sample Echo Boomer Desires	How MBV’s Urban Neighborhood Retail Satisfies Desires
Nearby Access to Basic Needs	MBV’s local pharmacy and Publix tenant is within walking distance of most residents. An overhead parking garage allows short-term validated parking for Publix shoppers with heavy groceries.
Healthy Lifestyle & Fitness	An LA Fitness Signature Club on the second floor. Healthy food choices are abundant.
Food and Entertainment	12 separate restaurants and bars in MBV, and another two dozen nearby, cover a global palate of cuisine & drinks. Many unique restaurants and bars are mixed in with the more familiar chains.

¹ US Census: Profile of General Population and Housing Characteristics: 2010; 2010 Demographic Profile Data
² <http://www.marybrickellvillage.com/about-us.html>



These urban retail cores have been successful, but it might be foolish to look at these retail wonders without discussing long-term sustainability regarding the Echo Boomers in affluent shopping districts.

The Miami Herald ran an article in November 2012 that stated Brickell residential rents had increased 28% per square foot between 2010 and 2012, and suggested that retail developments such as CitiCenter were only increasing their rent rates further³. These increases may force residential tenants to look elsewhere, creating a new Gen-Y district (see Midtown Miami).

A 2010 study commissioned by the Urban Land Institute found that 82% of the Gen Y cohort (Echo Boomers) expected to own a home by 2015⁴. The median price for a residence in Brickell's 33131 zip code was \$400,000 in March - May of 2013 - a 27% increase year-over-year⁵. Few Echo Boomers will likely buy their first homes at this price. Put yourself in their situation: why would they limit disposable income that makes shopping & dining in these urban areas so much fun, just to find themselves "house poor," watching over-the-air TV and eating in every night? That does not sound like Generation Y, does it?

It could be argued that though retail attracted Echo Boomers to the urban market, housing may drive their ultimate decision making, causing a reversal in living trends. Landlords in these urban centers should be fine with the return of the affluent core, as well as the middle-class Echo Boomers living on the fringes.

There are strategies retails can use to position themselves for a long-term relationship with this generation, so that they will follow them wherever they go. Those strategies might include, at the least: a multiple-media presence (not just Facebook), fashion blogs, loyalty programs with useful perks, and creative ideas which allow more retail locations. One such idea is "proactive showrooming," which pairs brick and mortar purchases with home delivery.

The opportunities revealed as retailers and landlords continue to chase this cohort will be fascinating over the next decade. In the long term, retailers would be wise to watch Echo Boomers closely and see where they eventually settle down after housing recovers. Will they stay put, or will they start back-filling their parents' homes, because their groovy-hip parents moved to... Brickell?



³ <http://www.miamiherald.com/2012/11/23/3110169/allure-of-brickell-downtown-miami.html>

⁴ Lachman, M. Leanne, and Deborah L. Brett. Generation Y: Shopping and Entertainment in the Digital Age. Washington, D.C.: Urban Land Institute, 2013.

⁵ http://www.trulia.com/real_estate/33131-Miami/market-trends/

THE CAPITAL AND DEAL MARKETS: A NEW DAY

By **Randy Anderson, Ph. D., CRE**

Howard Phillips Eminent Scholar Chair & Professor of Real Estate

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UNIVERSITY OF CENTRAL FLORIDA
COLLEGE OF BUSINESS ADMINISTRATION

Last year we focused on the impact of uncertainty – with an impending presidential election and the “fiscal cliff” looming on the horizon. This year, by contrast, feels like a brand new day – with less uncertainty and a far more defined future for the capital and deal markets in retail real estate. The most notable change is the continued, persistent growth of the broader economy. Most significant for investors in retail properties is the return of the “wealth effect,” the result of record high stock markets and significant recovery in the housing markets. This has helped consumer spending and confidence, while simultaneously helping ease the pain surrounding the end of the payroll tax deduction – a feat few economists had thought possible. The European debt crisis appears to have subsided somewhat as well.

As a result, we expect retail real estate to continue to recover in terms of deal volume and pricing, as investors should rationally have more confidence in retailers and thus the properties underlying income projections. According to Real Capital Analytics, retail property transaction volume approached \$20 billion in the fourth quarter of 2012, a rate not seen since 2007. We believe this was likely motivated by sellers looking to complete transactions before anticipated tax law changes in 2013. In fact, transaction volume was only \$9 billion in the first quarter of 2013, down 30% from first quarter of 2012, which we find more indicative of a final end of year push than a reversal in demand for investment in retail properties.

On a relative basis, retail real estate has been less desirable over the past few years than other types of commercial real estate, namely multi-family, due to unique risks retailers faced such as competition from online retailers and overall weakness in consumer spending power. Going forward, we expect retail properties and investment to actually gain relative favor in the commercial property sector. This is due to several factors. First, the housing market is finally recovering in terms of pricing and

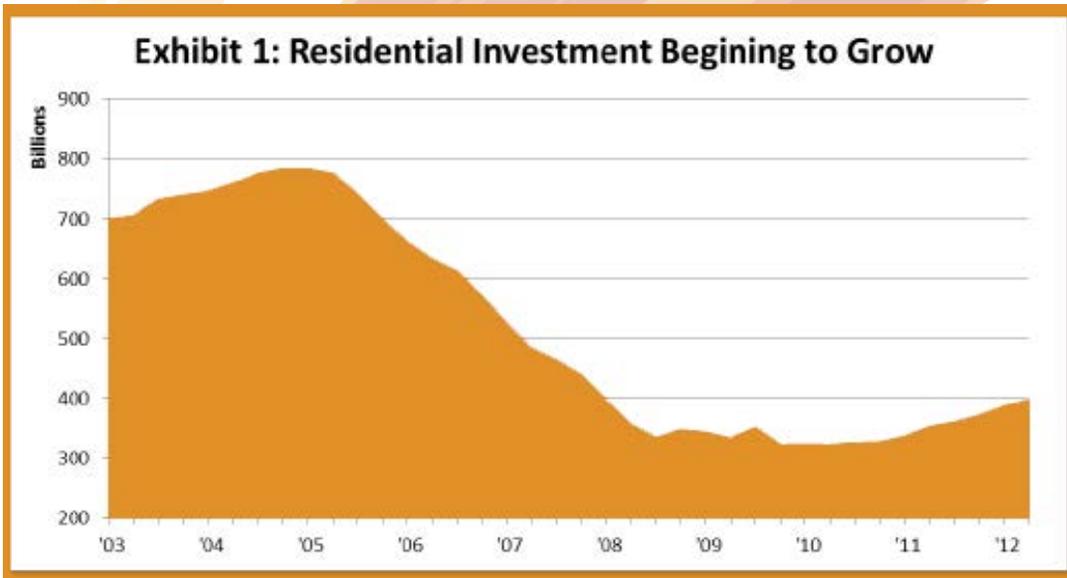
new development (see exhibit 1). As more housing units are built, the need for home furnishings, electronics, kitchenware and a host of other retail goods increases as well; this will likely benefit the broad spectrum of retailers who have already seen major recovery. Second, the unemployment rate has been trending downward and hiring has been increasing relative to previous years; this will likely help expand discretionary consumer spending and thus performance of retailers and retail properties.

Finally, we believe retail will be a more relatively attractive investment category because interest rates are beginning to rise (see exhibit 2) and retail can potentially act as a hedge to inflation and rising interest rates. It is important to understand that this is a relative comparison because rising interest rates will raise mortgage rates and potentially capitalization rates across the board. Retail happens to have some potential unique advantages at this time. First, retail cap rates have been higher on average, according to statistics by both Real Capital Analytics and CoStar; thus we can rationally expect the cap rate spreads to interest rates to potentially remain the widest. Additionally, as capital markets desires and available government loan programs may reduce available capital for multifamily, retail is a likely to be a future recipient given the overall fundamentals of the market as discussed herein. Further, development of new retail properties remains low, helping stabilize or reduce vacancy rates in many markets, and accordingly, increasing the value of the existing supply of assets.

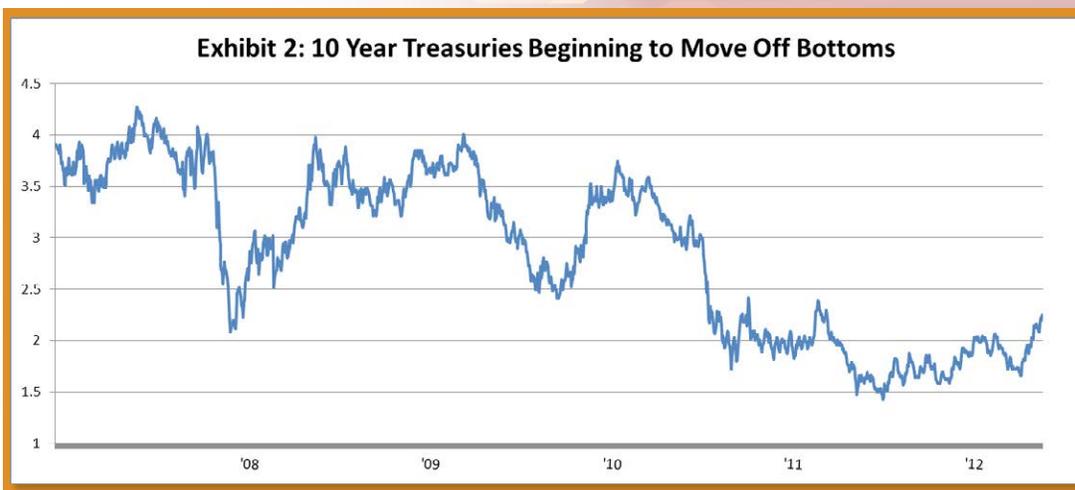
Before we conclude, it is worth discussing the uniqueness of Florida. Our state has historically been one to experience more dramatic boom and bust cycles than many others in the nation; the last cycle appears to be no exception. As of the second quarter of 2013, it feels as if Florida will likely outpace the nation in terms of housing growth and employment growth on a percentage basis. Our unique climate and environment is

mixed with an excellent low tax regime that is likely to continue to attract businesses and retirees to the state for the long term. Thus, we expect many outside investors, including international

investors, to seek quality assets in the Sunshine State. The next few years may be particularly bright for those in the retail real estate industry in Florida!



Source: US Bureau of Economic Analysis



Source: Federal Reserve

OUTLOOK FOR FLORIDA'S RETAIL REAL ESTATE MARKETS

By **Timothy S. Becker, CCIM, Director**
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Warrington College of Business Administration, University of Florida

The retail real estate markets in Florida continued their slow but steady improvement through the first quarter of 2013. That improvement can be attributed to an improving economy that is having a positive effect on employment in Florida. The Florida unemployment rate has decreased to 7.5% through March, which is 0.1% better than the national average of 7.6%. This improvement is due to consistent job growth over the past two years, which has driven consumer confidence over the same time period. According to the University of Florida Bureau of Business and Economic Research, the Florida consumer confidence index has reached 81, its highest level since 2007. Gains in employment and consumer confidence are influencing how real estate experts responded to the UF Bergstrom Center's Survey of Emerging Market Conditions. In assessing the outlook for retail occupancy over the next 12 months, respondents continue to believe that occupancy levels will increase across all retail sectors, and their optimism has reached a new survey high in all sectors except Free Standing retail.

Because of the increasing occupancy levels and the improving job outlook, respondents are becoming more optimistic about rents. The nearby graph shows the improvement in outlook for rents over the past three years. Smart retailers continue to look for opportunities to trade up on location and benefit from a great rent, but we are finally at a point where rents are projected to rise with inflation across all the retail sectors. In the absence of a boom in retail development, we expect to see rents rising at inflation for the foreseeable future.

These factors combine to make investment in retail real estate attractive. Survey respondents generally agree, indicating that it is a relatively good time to buy retail real estate. In fact, their outlook is at or near survey highs across three of the four sectors.

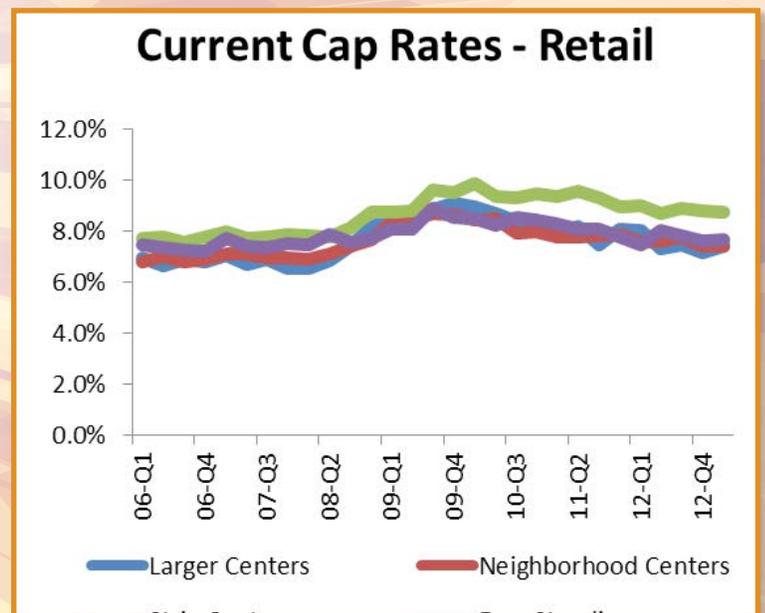
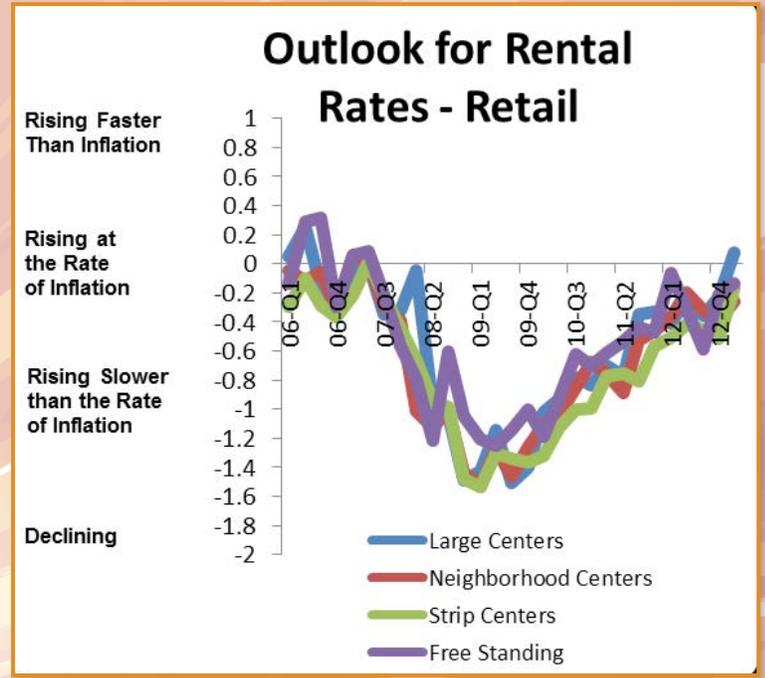
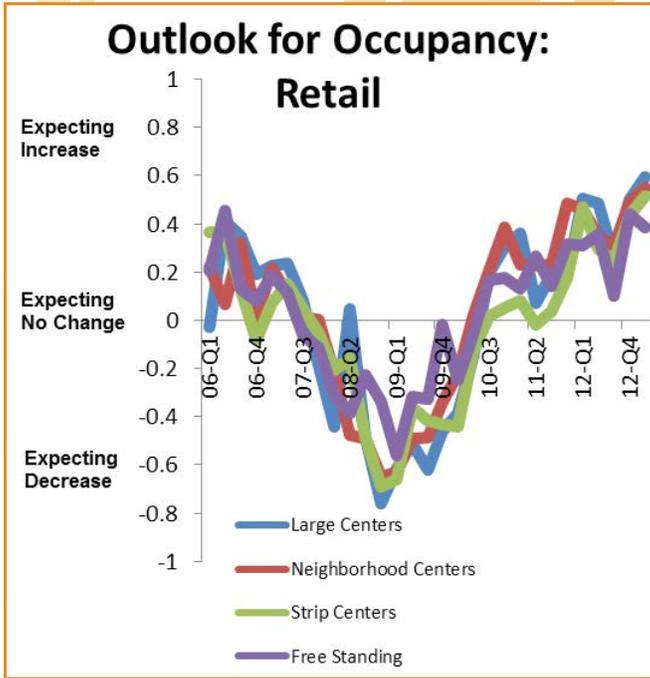
The optimism for retail real estate will continue to grow over the next year as long as Florida employment continues to grow and the state does not suffer any economic setbacks. However,

there are still clouds of uncertainty that we need to be wary of, including the eventual raising of interest rates, the continued implementation of Dodd-Frank regulations and the political debate over the nation's finances. These issues have the potential to negatively affect the growth and optimism for real estate in general.

The improving fundamentals have a tremendous impact on the flow of capital and the expected cap rates for retail investment. Cap rates have slowly declined for all retail sectors, declining 110 to 170 basis points from their peak rates, according to survey respondents. However, they haven't gone back to the low rates seen during the overheated days of 2006 and 2007. The current rates are 50 to 120 basis points higher than the lowest rates recorded by the survey, which is a good position given that respondents believe rates will remain stable or decline slightly over the next 12 months.

UF Bergstrom Center
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TRENDS IN RETAIL SALES GROWTH

By **Jessica Rutherford, Ph.D.**
and **Ronald Rutherford, Ph.D.**

Department of Finance
USF College of Business



This brief analysis explores factors affecting retail sales growth at the national level in the short and long term. Local conditions vary significantly from national averages, and Florida currently lags other areas in the economic recovery.

Short-term drivers of changes in consumer spending include individual net worth, confidence, interest rates and credit conditions. Individuals who have higher net worth and who are more optimistic about future business and labor market conditions tend to spend more. The effects of individual net worth and confidence on spending are conditional upon lending standards and interest rates. The graph below shows the historical relation between retail sales, consumer confidence and two important factors in individual net worth: housing prices and stock prices.¹

The Consumer Confidence Index dropped during the past two recessionary periods, in the early 2000s and from 2007 to 2009, and is highly correlated with changes in the value of the S&P 500 stock index. Retail sales barely reflect the recession in the early 2000s, but show a significant drop during the Great Recession from 2007 to 2009. Similarly, housing values increased steadily from the 1990s through their peak in 2006, without a significant drop during the recession in the early 2000s. What this illustrates is that even though opinions reflected in the Consumer Confidence Surveys and stock market prices fell significantly during the recession in the early 2000s, pessimism did not appear to suppress purchasing behavior. Why was there this disconnect?

¹ Data are monthly. Retail sales are from the U.S. Census Bureau survey of approximately 4,900 employer firms; consumer confidence is from the Conference Board Consumer Confidence Index monthly survey of 5,000 households; housing values are from the S&P Case-Shiller 10-City Home Price Index; and the stock price index is the S&P 500. Data have been scaled to facilitate graphing.

Actions of the Federal Reserve designed to reduce interest rates effectively spurred retail spending and housing demand in the early 2000s. This was not the case in the recession from 2007 to 2009; in the more recent recession, banks tightened lending standards at the same time that overleveraged consumers realized the need to reduce borrowing to increase net worth. The consumer debt service ratio² fell significantly from a peak of 14.03% at the end of 2007 down to 10.38% in the fourth quarter of 2012.

What does all this mean for the future of retail sales growth? In short, what is most important for a real recovery in the short term is increased consumer confidence and business investment. Consumer leverage has already declined to 1993-1994 levels, and the stock market is up approximately 10% since the year began. The Case-Shiller Composite Home Price Index continues to show slow improvement, and surveys of lenders indicate a loosening of credit standards and increased demand for credit³. However, the Consumer Confidence Index has not increased to the same degree as other economic indicators, and has more room for improvement. In light of these changes, a real recovery based on economic fundamentals, rather than government stimulus and spending is possible – but not guaranteed.

What we have discussed above is the national perspective. When we consider local conditions, some areas deviate significantly from the national averages. Florida's economic recovery lags other areas because residential foreclosures in Florida are still high. In the first quarter of 2013, foreclosure filings in the state of Florida were three times the national average; and in Tampa, one of every 307 homes received a foreclosure filing

² The debt service ratio is the percentage of individuals' total income used to service mortgage loans, consumer loans, and short term credit. The data is reported quarterly by the Federal Reserve.

³ The survey is conducted by the Federal Reserve Board. The April 2013 Survey includes responses from Senior Loan officers at 89 banks.

in January 2013.⁴ Furthermore, 10 of the 17 cities with the highest foreclosure rates for January 2013 were in Florida.

This high residential foreclosure rate will continue to inhibit local consumer confidence and retail sales in the short term. The Case-Shiller Home Price Index in the Tampa area is still approximately 40% below the 2006 peak value, and prices of retail centers are also in the early stages of recovery. The graph below shows data including average prices through April 2013, and estimated total sales for the full year for retail strip centers. In the first quarter of 2013, average price per square foot locally stands at approximately one third of peak values.

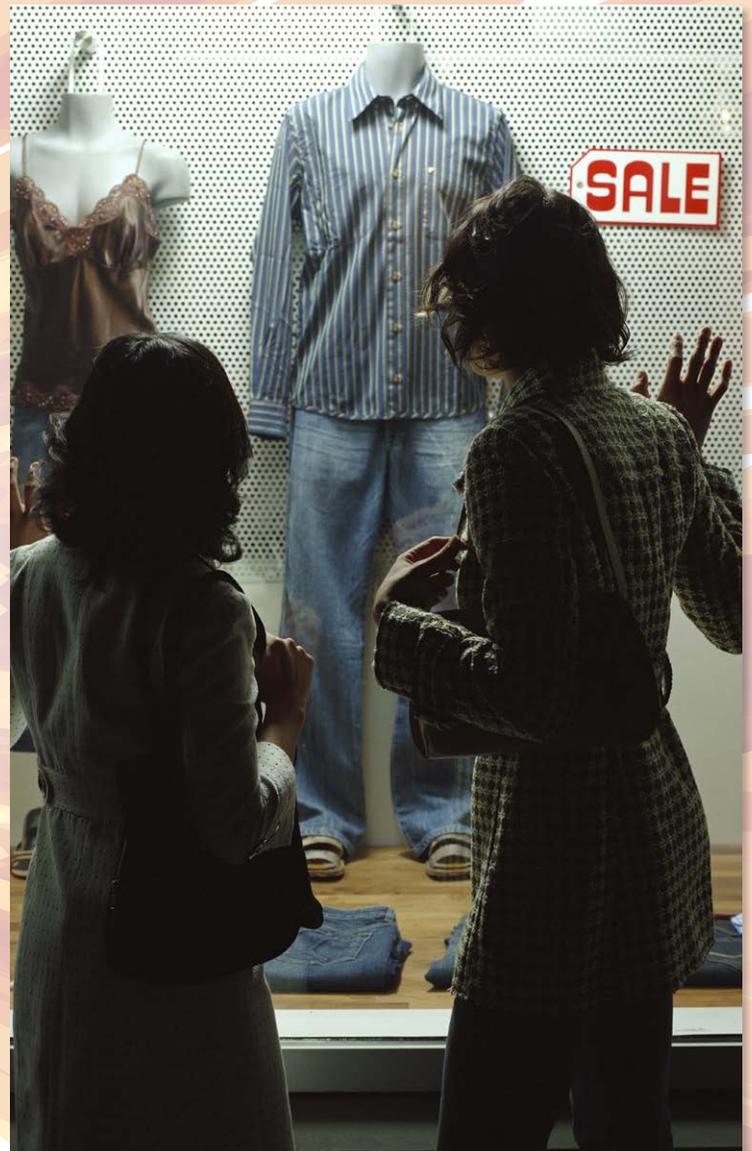
In the longer term, there are both threats to the economic recovery and secular trends that have the potential to suppress the growth of retail. First, it is possible that low interest rates that have been in effect since the crisis began nearly five years ago have distorted the market in a way that will contribute to high future inflation and devaluation of the dollar. High inflation and currency devaluation would render further stimulus actions ineffective, and retail sales would fall dramatically. This is a real possibility.

One important long-term trend that will curb growth in brick and mortar retail sales is the increase in e-commerce. E-commerce sales have grown from 2% in 2004 to 5.5% of total sales in 2013. If this trend were to continue for another 15 years, e-commerce sales would be approximately 30% of total sales.

Demographics are a second important long-term factor, because population growth and the age structure of the population significantly influences individual spending patterns. The elderly population in 2050 is expected to be more than double that of 2005. Older individuals spend more on specialized medical care and pharmaceuticals; retail outlets serving this sector will continue to have strong support. However, the high estimated costs of medicine and medical care not covered by insurance may crowd out spending in other areas of retail as the population ages.

In addition to the aging of the population, the retail industry will also be challenged by the decline of the middle class and growing income inequality.

According to the U.S. Census Bureau, household income inequality increased 18% between 1967 and 2010. By 2011, one in every six Americans was living in poverty. This trend has already begun to affect the retail industry, as discount retailers gain market share at the expense of department store chains that focus more on the middle class. Increasingly, retailers will have no choice but to compete for price conscious customers and profit margins will be under more pressure.



⁴ Source for Florida foreclosure statistics: RealtyTrac.



Ivy Z Greaner – Ram Realty Services
ICSC Florida Government Relations Chair

The current ICSC priorities in Florida include internet sales tax fairness and sales tax on commercial leases.

ICSC STATE LEGISLATIVE UPDATE

E-Fairness

E-Fairness was discussed at length and bills proposed to move this towards legislative resolution. The Legislative Leaders were willing to move the bills through the process but on the condition that Governor Scott would not veto the legislation. Toward the end of the Legislative Session we heard concerns being raised that Governor Scott was signaling that he did not want this bill to reach his desk. The recent movement by the U.S. Senate to address this issue could have also contributed to the desire not to pass the bill.

On June 13, Florida Governor Rick Scott (R) announced that the state reached a deal to bring Amazon distribution centers into Florida. This new deal includes creation of 3,000 jobs and a \$300 million investment along the I-4 corridor. As with other states with which Amazon has negotiated, the company will begin collecting sales tax from Floridians once a physical nexus (ex: warehouse, distribution center) is established. This deal comes weeks after the Governor rejected a deal with the company.

Amazon is currently collecting sales taxes in nine states and has deals with seven more to collect by January 1, 2014. In South Carolina, Amazon will begin collecting on January 1, 2016. Governor Scott's office stated that the agreement was for Amazon to begin collecting when it is required by state law, speculation is by 2016.

Sales Tax on Commercial Leases

Florida is currently the only state in the union that collects sales tax on commercial leases which adds an unfair burden to tenants in our state and a deterrent to businesses who are

interested in relocating or placing their business here from other states. Bills were introduced that sought to eliminate the sales tax on commercial leases. Given the revenues associated with this legislation, even when considering phasing this out over several years, these bills did not make it through the process. The legislators and the governor would be looking for ways to make up the revenues in other areas in order to seriously consider new legislation. We are being told that they will be considered during the 2014 Legislative Session. This would, as always, be dependent on how the economy and tax revenues grow over the year.

ICSC Federal Legislative Update

The current ICSC priorities at the Federal Level include Internet sales tax fairness, Additionally, we are tracking legislative and regulatory developments related to a variety of other key areas including tax extenders and tax reform, Dodd-Frank implementation, and storm water regulations.

Sales Tax Fairness

On May 6, the U.S. Senate voted 69-27 in favor of S. 743, the Marketplace Fairness Act of 2013. Of the 69 Senators who voted in favor of the bill, 21 were Republicans, 46 were Democrats and 2 were Independents.

With strong bipartisan momentum behind us, we turn our attention to the House of Representatives. Currently, there are 65 bipartisan cosponsors on the House version of the bill, H.R. 684, and that number is expected to continue growing. Key groups, such as Let Freedom Ring and the American Conservative Union, joined the increasing number of conservative voices that support the legislation. ICSC looks forward to working with members of the House Judiciary Committee to strengthen the bill. Position: ICSC strongly supports efforts to find a federal solution for uniform sales tax collection. There are currently two similar legislative proposals leading the way - the Marketplace Equity Act (HR 3179) and the Marketplace Fairness Act (S. 1832). By passing this legislation, Congress could level the playing field for community-based retailers, provide needed funds for state and local governments, and lessen the regulatory

burden placed on retailers across the country. Internet retailers should not receive a tax advantage at the expense of traditional retailers and state and local governments. The Federal bills would permit states to require retailers to collect sales taxes from purchasers regardless of whether the purchase takes place on Main Street, at shopping centers, via mail order or over the Internet. Retailers should be able to compete on attributes such as price and customer service, not government-imposed sales taxes.

Supreme Court Decision Affecting Developer's Property Rights

A U.S. Supreme Court decision vindicated a developer's property rights under the federal constitution. The case was *Koontz v. St. Johns River Management District* (opinion released 6/25/13).

Mr. Koontz, a Florida property owner, was told he would be denied a permit to develop his land by the regional Water Management District unless he agreed to reduce his development and deed a portion of his property as conservation land, or perform off-site repair and maintenance work on other properties, miles away from his property and unrelated to the development. When Mr. Koontz rejected these demands as excessive relative to his proposed plans, his development permit was denied.

The majority opinion of the Supreme Court held that the permit denial was an unconstitutional "taking" of property because the state regulator tried to impose compensatory mitigation conditions that were not closely connected and appropriate to the development proposed by Mr. Koontz.

In its 5-4 decision, the Court found that the denial of a land-use permit by the St. Johns River Management District violated an "essential nexus test" to determine when permit conditions are sufficiently connected to a development plan. In reversing a decision of the Florida Supreme Court, the U.S. Supreme Court said the conditions imposed on Koontz violated the essential nexus test established in *Nollan v. California Coastal Commission*, 483 U.S. 825, 26 ERC 1073 (1987) as further refined with the "rough proportionality" test established in *Dolan v. Tigard*, 512 U.S. 374, 38 ERC 1769 (1994). Justice Samuel Alito wrote the opinion and was joined by

Chief Justice John Roberts, Justices Antonin Scalia, Clarence Thomas, and Anthony Kennedy.

For questions, please contact Kent Jeffreys (kjeffreys@icsc.org/202-626-1405), ICSC's VP of Global Public Policy, who worked on this matter.

Invitation to participate in the Government Relations Committee
The ICSC Florida Government Relations Committees advocates on behalf of the retail real estate industry in Tallahassee and Washington, D.C. The Committee is responsible for the public policy agendas for the shopping center industry in Florida, all ICSC members are welcome to participate. Please contact me for more information.

Ivy Z Greaner – Ram Realty Services
ICSC Florida Government Relations Chair
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Miami-Dade County

RETAIL MARKET OVERVIEW



Retail in Miami continues to move in a positive direction with a shrinking vacancy rate and rising rents. The vacancy rate at the end of the second quarter was 4.1%, down 124 basis points year over year. Average asking rates are \$35.04 PSF NNN, with the highest asking rates found in Miami Beach, where they are as high as \$250 PSF NNN.

There is currently over 1.1 million square feet of retail space under construction in Miami-Dade County. Brickell is home to one of the largest single projects to date: the 2.9-million-square-foot mixed-use Brickell CityCentre. When completed, the project will include office, residential and hotel space, as well as 520,000 square feet of open-air retail space. The first phase of the project is scheduled to be completed in 2015. The first IKEA in Miami-Dade County at Dolphin Mall is under construction and is scheduled to open in April 2014. It will be the largest IKEA in Florida at 417,000 square feet. Demolition is currently underway in Miami's Design District, which is getting a \$312 million facelift to turn the area into an ultra-high-end retail destination built around a four-block, 30-foot-wide, tree-lined pedestrian promenade. When completed in a year or two, the area will feature a boutique hotel, condos, approximately 100 stores and 15 restaurants.

Miami is attracting national and international restaurant chains as well. The Spanish chain 100 Montaditos has opened four locations in Miami-Dade County in the past year. Cipriani, an Italian bistro with locations in New York, Los Angeles, Venice, Abu Dhabi and Hong Kong, opened in Brickell. In Downtown Miami, Wolfgang's Steakhouse opened its first Miami location, with five other locations in New York, California and Hawaii. In Miami Beach, Umami Burger opened its first location outside of California, and New York Italian restaurant group Serafina opened their newest location at the Dream South Beach hotel.

Year-to-date investment sales totaled \$374 million, which includes several noteworthy transactions. Miracle Marketplace in Coral Gables sold for \$92 million during the first quarter of 2013, representing the largest transaction so far this year. The Sony Music Building at 605 Lincoln Road in Miami Beach sold during the second quarter for \$22.5 million to ASB Real Estate Investments at a rate of \$2,610 per square foot, the highest rate per square foot in recent history.

STATS AT A GLANCE

(Miami-Dade County)



\$35.04

Avg. Lease Rate (FL)

95.9%

Occupancy

8.7%

Unemployment

2,591,035

Population*

*Source: US Census Bureau



EXPERT INSIGHT

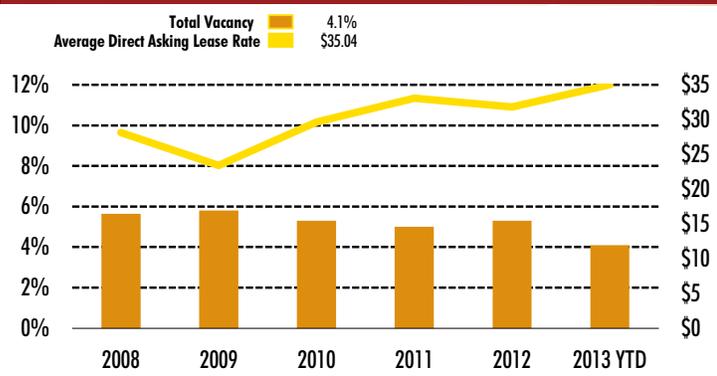
“ In certain cities, where you have a burgeoning downtown, as in Miami, you have several new developments taking place. As a result not all retailers are going to be able to afford these type of sites, but some of them are downsizing their formats in order to fit. ”

– **Paco Diaz**, Senior Vice President,
CBRE Miami



5th & Alton, Miami Beach

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Source: CBRE Research Q2 2013

Market Makers



- ♦ Bal Harbour Shops announced plans to add an additional 238,000 SF, making room for 25 to 30 new stores, as well as a specialty department store.
- ♦ Hotel occupancy was up more than 4% in the first quarter of 2013, to 89.1%, exceeding record-breaking numbers in 2012.
- ♦ Approximately 6,200 residential units are under construction in Downtown Miami and Brickell, many of which are in mixed-use buildings with a retail component.
- ♦ The first Dick's Sporting Goods in Miami-Dade County is currently under construction at the Palms at Town & Country.
- ♦ Chilean bank BCI purchased City National Bank of Florida for \$883 million, with plans to expand in Miami-Dade County.

Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Total Occupancy (%)	Qtrly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Aventura/Sunny Isles	1,998,139.00	4.40	95.60	(15,118.00)	(4,646.00)	0.00	33.10
Carol City/Opa Locka	1,780,948.00	2.10	97.90	21,001.00	66,886.00	0.00	24.12
Central Miami	221,338.00	8.00	92.00	0.00	145.00	0.00	17.72
Coral Gables	6,199,074.00	3.40	96.20	723.00	42,682.00	520,000.00	29.68
Cutler Bay	1,131,998.00	6.30	93.70	12,543.00	3,422.00	0.00	21.08
Doral/Medley	1,747,367.00	2.40	97.50	10,351.00	21,852.00	417,000.00	23.54
Downtown Miami	1,096,436.00	5.30	94.70	5,822.00	(17,659.00)	37,000.00	42.50
East Kendall	4,121,081.00	5.10	94.90	4,924.00	92,495.00	44,862.00	33.03
Hialeah	4,781,763.00	3.90	96.10	36,731.00	74,079.00	0.00	20.35
Homestead	2,607,212.00	2.20	97.80	1,081.00	10,762.00	84,637.00	16.53
Miami Beach	1,333,066.00	3.90	95.90	55,530.00	39,296.00	0.00	132.63
Miami Lakes	1,588,198.00	3.00	97.00	38,865.00	37,953.00	0.00	21.30
Miami Shores	1,953,197.00	8.50	91.50	(20,757.00)	3,497.00	0.00	72.91
North Miami	1,972,523.00	5.60	94.40	131,334.00	116,045.00	0.00	19.04
West Kendall	4,562,744.00	3.00	97.00	63,057.00	72,729.00	47,900.00	24.19
West Miami	4,492,356.00	4.40	95.60	(13,220.00)	41,909.00	0.00	22.86
Total Market	41,587,440.00	4.10	95.90	332,867.00	601,447.00	1,151,399.00	35.04
Total Before Free Standing	37,193,577.00	4.50	95.50	302,534.00	574,161.00	649,762.00	35.04
Free Standing	4,393,863.00	0.60	99.40	30,333.00	27,286.00	501,637.00	N/A
Shopping Centers	30,860,003.00	4.30	95.60	248,386.00	454,755.00	92,762.00	25.90
Mixed Use	6,333,574.00	5.20	94.80	54,148.00	119,406.00	557,000.00	61.83

Broward County

RETAIL MARKET OVERVIEW



The retail market in Broward County is in a vibrant state where leasing activity picked up extensively during the second quarter. Overall vacancy decreased to a three-year low, down 100 basis points from 9.1% in the second quarter 2010 to 8.1% this quarter, and down 30 basis points quarter over quarter. The average asking rental rates for Broward County climbed to \$20.61 from \$20.36 year over year. Tenants that were hesitant about signing leases at the end of 2012 due to concerns over the economy are now feeling more confident and signing longer-term leases with no concessions.

The rise of e-commerce has been a very important part of the retail industry, but has not been a threat to traditional outlets that have maintained market share by combining e-commerce with offline retailing. Merchants that are not in competition with e-commerce such as restaurants, fast food, dollar stores, automotive, drug stores, personal training, and lifestyle facilities experienced low vacancy during this quarter.

Consumer spending has perked up in the past several months as the housing market shows signs of recovery. Retail sales rose in building and garden equipment and major appliances, which reflects these gains in the housing sector. Broward County saw vigorous activity in housing starts during the first quarter.

While the need for new inventory has not been sparked, investors are encouraged by the positive absorption as they focus their attention on redevelopment of existing properties to attract or retain existing tenants. Class B and C properties have had success as new owners purchase and remodel vacant space and empty storefronts. Although private capital groups still dominate the buyer and seller side of commercial transactions, investment activity continues to increase among Real Estate Investment Trusts (REITs).

STATS AT A GLANCE

(Broward County)



\$20.61

Avg. Lease Rate (FL)

91.9%

Occupancy

5.7%

Unemployment

1,815,137

Population*

*Source: US Census Bureau



EXPERT INSIGHT

“

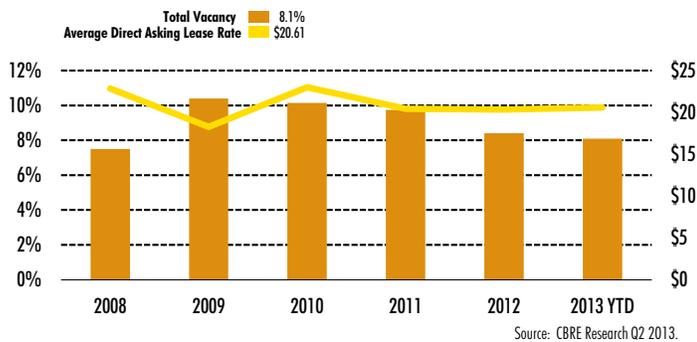
Broward County is seeing exceptionally strong investor demand for all type and quality of retail product. Investors are confident that market fundamentals are moving in a very positive direction as Broward is not over-developed with retail space and the market is mature, with limited land for future competitive developments.”

-David Donnellan, First Vice President
CBRE Fort Lauderdale



Sea Ranch Center, Fort Lauderdale, FL

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Market Makers



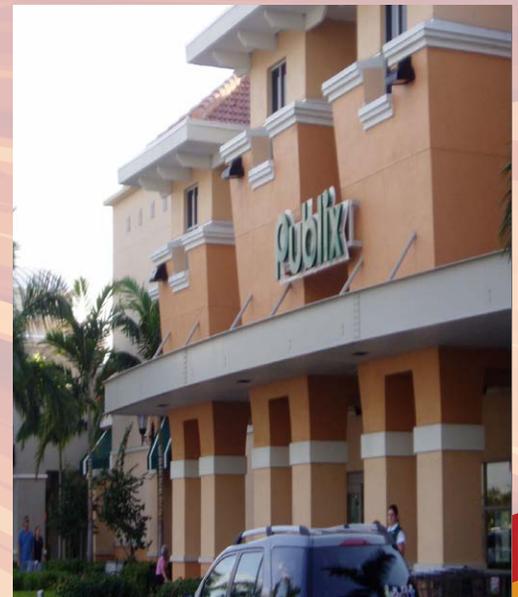
- Walmart delivered three stores during the second quarter: a 57,000-SF Neighborhood Market, a 200,000 SF store and a 186,000 SF store located in Pompano Beach
- S17TPA Corp and ABC Development purchased a multi-tenant retail center. The Charles Plaza's 46,058-SF buildings sold for \$5.6 million or \$122.13 PSF.
- 1800 Heritage Square Pompano Beach LLC, a 40,508-SF retail/office, traded for \$5.4 million or \$133.31 PSF.
- The Shops at Pembroke was purchased for \$188 million or \$481 PSF. This 367,024 SF multi-tenant retail community center, which was 90% leased at the time of purchase.
- Ashley Furniture HomeStore delivered a 52,000-SF building at 3775 North Federal Highway in Fort Lauderdale.

Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Occupancy (%)	Qtrly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Central East Broward	5,853,784	4.3	95.7	-1,768	32,732	0	\$17.08
Central West Broward	9,289,204	13.1	86.9	33,943	38,166	0	\$18.12
Northeast Broward	5,757,862	4.6	95.4	50,979	46,355	93,000	\$18.59
Northwest Broward	9,031,252	9.8	90.2	255,156	250,251	0	\$17.99
Southeast Broward	5,212,393	10.4	89.6	0	0	70,650	\$31.98
Southwest Broward	12,923,670	5.5	94.5	195,760	203,526	50,000	\$22.15
Total Market	48,068,165	8.1	91.9	534,070	571,030	213,650	\$20.61
Total Before Freestanding	43,547,200	8.8	91.2	95,773	102,153	0	\$20.64
Shopping Centers	40,369,216	8.1	97.6	63,843	56,491	0	\$18.45
Mixed-Use	3,177,984	16.9	83.1	31,930	45,662	0	\$32.15
Free Standing	4,520,965	1.5	98.5	438,297	468,877	213,650	\$15.20

Source: CBRE Research Q2 2013

Weston Commons, Weston, FL



Palm Beach County

RETAIL MARKET OVERVIEW



The overall Palm Beach County retail market is holding steady from the second quarter of 2012, dipping 30 basis points to a current vacancy rate of 8.1%. Retailers have found themselves operating in a more competitive landscape.

New retailers entering the Palm Beach retail market, as well as retailers who are expanding their presence, signal steady growth. Trader Joe's, for example, leased 12,000 square feet at the PGA Plaza, Palm Beach Gardens and also has plans to open another location in the downtown corridor of Boca Raton in 2014.

Delray Marketplace was completed during the first half of 2013. This center is comprised of six buildings totaling 259,245 square feet and is anchored by Publix and Frank Theaters and CineBowl & Grille. Currently under construction is the Village Green Center located in Wellington. This mixed-use project is slated for completion in the third quarter of 2013 and will total 61,500 square feet.

Investors are optimistic as figures continue to improve at a slow and steady pace in Palm Beach County. There were 11 retail investment sale transactions reported in 2013, for a total of 1,154,206 square feet, with a dollar volume of over \$205 million. Among the most recent transactions was the sale of LA Fitness Plaza in Palm Beach Gardens to Cornerstone Real Estate Advisors, which acquired the property for approximately \$22.2 million or \$213 PSF. The property was 100% occupied at the time of sale. Sabal Financial Group acquired New Century Commons, an 117,044-square-foot center in Delray Beach, from New Century Linton One for \$11.4 million or \$97 PSF. In addition, DRA Advisors sold Wharfside at Boca Pointe to TJAC Development for \$12.95 million or \$121 PSF. The buyer has plans for renovations. The property was 60% occupied at the time of sale. Investors are focusing on quality assets, and the potential for significant future value-add creation.

STATS AT A GLANCE

(Palm Beach County)



\$17.48

Avg. Lease Rate (FL)

91.9%

Occupancy

7.0%

Unemployment

1,356,545

Population*

*Source: US Census Bureau



EXPERT INSIGHT

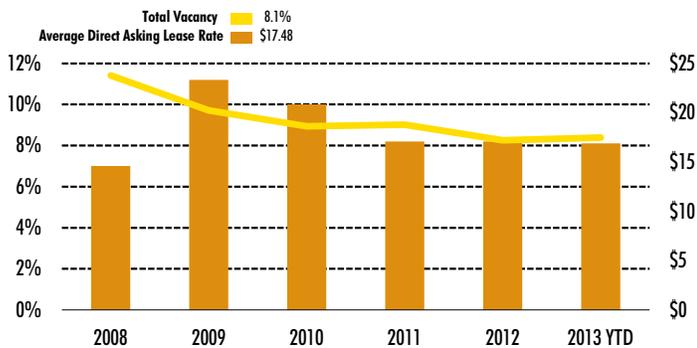
“The most robust change we’re experiencing in Florida today is in medical leasing.”

–Roxanne Register, Vice President
CBRE Boca Raton



Boca Center, Boca Raton, FL

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q2 2013.

Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Occupancy (%)	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Boca Raton	6,973,532	4.3	95.7	72,555	0	\$25.64
Delray Beach	3,993,941	7.3	92.7	239,071	0	\$21.95
Boynton Beach/Lantana	6,335,182	7.9	91.9	26,169	0	\$15.77
Lake Worth	4,893,928	11.8	88.2	35,686	0	\$12.34
Royal P.B./ Wellington	5,131,085	8.9	90.7	-67,347	61,500	\$17.18
West Palm Beach	7,113,100	7.6	92.4	-5,609	0	\$16.22
Palm Beach	756,079	4.7	95.7	3,238	0	\$25.33
North Palm Beach	6,312,773	9.3	90.1	14,780	0	\$17.26
Jupiter	2,883,248	5.9	92	-69,489	0	\$17.39
Total Market	44,392,868	8	91.9	249,054	61,500	\$17.48
Total Before Freestanding	38,442,112	9.2	90.7	249,054	61,500	\$17.49
Shopping Centers	34,936,057	9.5	90.3	59,201	0	\$16.62
Mixed-Use	3,506,055	5.8	94.2	186,853	61,500	\$32.72
Freestanding	5,950,756	0.1	99.9	0	0	\$12.00

Source: CBRE Research Q2 2013

Market Makers



- Walmart, along with Target and Office Depot, are building smaller stores. Walmart Neighborhood Market took 41,000 SF at the Boynton Trail Centre and 40,000 SF at South Delray Shopping Center.
- Walmart has plans to add an additional 690 jobs in Palm Beach County over the next two years.
- Winn-Dixie renewed 38,614 SF at the Center at Camino Real, Boca Raton which has been vacant for the past few years.
- Monterrey Supermarket took 27,500 SF at Trafalgar Square, Greenacres and backfilled the former Sedano's Supermarket space of 25,600 SF at Arbor Square, Lake Worth. Both were long term deals.
- Construction began in the first quarter of 2013 on the former Palm Beach Mall located in West Palm Beach. The new outlet mall totaling 900,000 SF will be the largest retail project over 500,000 SF to be developed since 1991 in Palm Beach County.

Boynton Town Center, Boynton Beach, FL



Tampa Bay MSA

RETAIL MARKET OVERVIEW



Cautiously optimistic are words heard often around the Tampa Bay area so far in the first half of 2013. Landlords and retail tenants are hopeful about the future as consumer confidence levels continue to rise and employment figures improve.

The vacancy rate was at 8.4% as of the second quarter of 2013, which is up only slightly from 8.2% the same time last year. Job growth has been a bright spot for Tampa Bay, as the non-seasonally adjusted unemployment rate sits at just 6.9%, 170 basis points lower than the second quarter 2012 rate of 8.6%.

Value-oriented retailers such as TJ Maxx, Marshalls and Rainbow USA are attracting customers with competitive pricing and an expanding inventory of products. Retailers in this category are constantly in search of premium locations with competitive rent rates. Tampa Bay meets those criteria, making it a likely candidate for expanding, large-chain retailers.

The most active tenants in the market over the past 12 months have included healthcare and fitness-related businesses as well as new and expanding restaurants. The Westshore submarket has become a particularly hot market for new restaurants, as the number of both employees and residents steadily increases in the area.

The grocery store market in the Tampa Bay area continues to heat up as well. Bi-Lo purchased the Sweetbay chain from Delhaize in May 2013, while Sprouts, Earthfare and Trader Joes are seeking their first store sites in the market. These newcomers will all contend against market-leaders Publix and Wal-Mart in competition for consumers' grocery dollars.

Retail development activity has been non-existent thus far in 2013 in the Tampa Bay market. However, the market could potentially see a few major projects announced for pre-development in 2013, as availability in the most sought-after locations shrinks and the need for space increases.

Landlords leasing Class B and Class C properties have been taking a chance on non-credit tenants. So, while there is more activity in the market compared to a few years ago, these dynamics have kept rents from escalating too much. The average asking rental rate in Tampa Bay remains generally flat over the past two years, sitting at \$14.94 PSF NNN as of the second quarter of 2013.

STATS AT A GLANCE

(Hillsborough, Pinellas & Pasco Counties)



\$14.94	Avg. Lease Rate (FL)
91.6%	Occupancy
6.9%	Unemployment
1,277,746	Population*

*Source: US Census Bureau



EXPERT INSIGHT

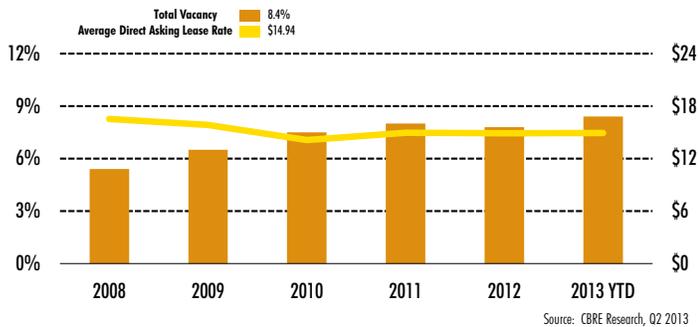
“While South American investors have been active in Southeast Florida for a long time, this is the first time in my career that I’ve seen them come to the West Coast looking for properties.”

–Mark Shellabarger, Senior Vice President
CBRE Tampa



Kingsway Crossing, Tampa, FL

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Market Makers



- ♦ Mixed-use developments with retail space are being proposed, while well-positioned assets continue to be important to investors as they look to Tampa Bay for long-term capital investment options.
- ♦ Westfield sold 49.9% of its interest in two Sarasota malls (Westfield Sarasota and Westfield Southgate) and three malls in Tampa Bay (Westfield Brandon, Westfield Citrus Park & Westfield Countryside) in 2013 for \$1.28 billion.
- ♦ 33 Sweetbay stores closed around the Tampa Bay area at the beginning of the year, creating a significant amount of vacant space across submarkets in the area. The chain was recently purchased by Jacksonville-based Bi-Lo Holdings for \$265 million.
- ♦ Tampa Bay has experienced a surge in new restaurant openings over the last year, with a handful of new-to-market chains such as Eddie V's and Cooper's Hawk Winery.
- ♦ "Med-tail" is a hot topic in past months, with many medical offices relocating to more visible and prominent retail locations and foregoing traditional medical office space.
- ♦ Taubman Centers Inc. paid \$437 million to buy out CSAT LP's stake in International Plaza in the Westshore submarket, making Taubman the sole owner of the shopping mecca. Taubman Centers is also developing the University Town Center Mall in Sarasota in a joint venture with Benderson Development.

Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Occupancy (%)	Qtrly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Southwest Hillsborough	3,648,159	6.3	92	-1,411	18,658	0	\$21.96
Northwest Hillsborough	11,273,549	5.3	93	-80,163	-105,476	0	\$17.29
Northeast Hillsborough	4,978,796	5.8	93.2	-3,322	-24,871	0	\$13.18
Southeast Hillsborough	9,430,835	8.1	91.5	93,918	17,432	0	\$15.95
South Hillsborough	2,150,099	5.9	94.1	33,771	60,657	0	\$14.88
Hillsborough County	31,481,438	6.4	92.5	42,793	-33,600	0	\$16.19
South Pinellas	8,188,612	6.5	91.3	20,125	-163,985	0	\$13.13
Mid-Pinellas	8,309,079	6.7	91.9	35,364	15,055	0	\$12.47
North Pinellas	6,318,906	6.6	92.1	-39,959	-155,710	0	\$15.53
Pinellas County	22,816,597	6.6	91.8	15,530	-304,640	0	\$13.61
Pasco East	5,520,293	4.8	94.2	-24,799	-53,261	0	\$17.65
Pasco West	7,308,195	14.1	85.3	-13,494	-176,837	0	\$11.45
Pasco County	12,828,488	10.1	89.1	-38,293	-230,098	0	\$13.92
Tampa Bay Market	67,126,523	7.2	91.6	20,030	-568,338	0	\$14.94
Total Before Freestanding	55,149,537	8.1	90.6	21,376	-467,604	0	\$15.27
Shopping Centers	54,087,021	8	90.6	22,404	-466,576	0	\$15.06
Freestanding	11,976,986	2.8	96.4	-1,346	-100,734	0	\$7.80
Mixed-Use	381,342	15.1	84.9	-1,028	0	0	\$26.82

University Mall, Tampa, FL





Those invested in Orlando's retail market have many reasons for optimism in the future. Most notably, the ever-expanding tourism industry continues to invest in the Orlando area. SeaWorld and Universal Studios both opened new attractions during the first half of 2013 that will help attract visitors to the area. Universal Studios also plans to expand its Harry Potter attraction in the near future and expects an uptick in visitors similar to what it saw when the attraction debuted in the summer of 2010.

Area retailers will continue to benefit as the major entertainment companies see potential in the Orlando area. The construction of the SunRail commuter rail will also create opportunities for area retailers. Certain businesses will benefit from proximity to planned SunRail stations while others will see increased traffic due to the additional access the rail will provide visitors to areas outside the tourist corridor. These factors along with steady immigration, competitive business costs and a moderate cost of living will help Orlando's retail market thrive in the months ahead.

The retail vacancy rate for Orlando has remained flat for the last three quarters. The market finished the second quarter of 2013 at 8%, which represents no change over the previous quarter and a mere 10 basis point dip from the 8.1% recorded at the end of 2012. While the vacancy rate remains well removed from the five-year low of 6.4% recorded in 2010, stability appears to be returning to the market in 2013.

Ample job opportunities exist in service industries and retail-related occupations. Retail trade accounts for 12.1% of Orlando's total jobs, making it one of the area's largest employment sectors. Leisure and hospitality make up 20% of Orlando's jobs and are closely related to the retail market. New restaurants and growing theme parks are likely to create most of the area's jobs in the near future and further expand these sectors' influence on the Orlando economy.

STATS AT A GLANCE

(Orange, Seminole, Osceola and Lake Counties)



\$14.36	Avg. Lease Rate (FL)
92.0%	Occupancy
6.6%	Unemployment
1,202,234*	Population*

*Source: US Census Bureau



EXPERT INSIGHT

“New construction is at the lowest level we've seen since World War II. Although there is more activity - Orlando's picking up - it's nowhere near where it needs to be.. That's why you're seeing record-setting rents on a monthly basis.”

-Bobby Palta, Vice President
CBRE Orlando



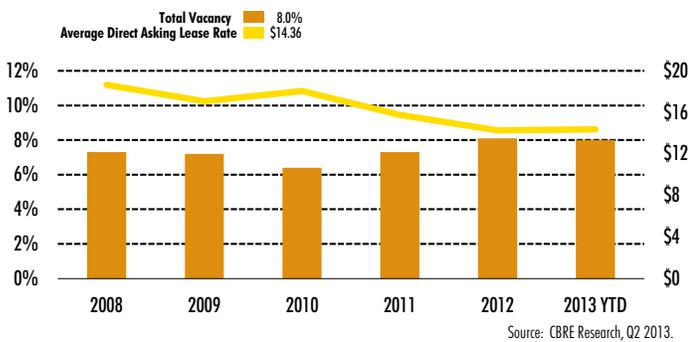
Lakeside Village Center, Orlando (Windermere), FL

Market Makers



- Orlando International Airport is ranked the 13th busiest passenger airport in the nation and 29th busiest in the world.
- Orlando's retail continues to benefit from the area's thriving tourism industry which had nearly 57 million domestic and international visitors in 2012.
- The Orlando Fashion Square Mall was sold for \$35 Million in February 2013 and was the largest transaction of the year based on size at 1 million square feet.

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Winter Garden Village, Orlando, FL



Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Occupancy (%)	Qtrly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
NE Orange County	5,246,703.00	6.90	93.10	61,860.00	35,056.00	0.00	14.22
NW Orange County	8,941,066.00	9.40	90.60	-29,958.00	-62,998.00	0.00	12.17
Osceola County	9,435,403.00	5.50	94.40	-23,831.00	-6,620.00	189,467.00	17.41
Seminole County	16,321,998.00	9.30	90.70	-106,549.00	6,112.00	80,000.00	12.38
SE Orange County	8,248,966.00	8.60	91.40	2,860.00	45,949.00	205,200.00	17.63
SW Orange County	16,264,980.00	7.00	92.70	141,714.00	309,813.00	0.00	15.60
Orlando Market	64,459,116.00	7.90	92.00	46,096.00	327,312.00	474,667.00	14.36
Total Before Free Standing	51,414,014.00	8.80	91.10	-117,747.00	203,247.00	334,267.00	14.30
Shopping Centers	50,171,360.00	8.80	91.10	-151,131.00	187,756.00	260,347.00	14.30
Mixed-Use	1,242,654.00	10.10	89.90	33,384.00	15,491.00	73,920.00	14.26
Free Standing	13,045,102.00	4.40	95.60	163,843.00	124,065.00	140,400.00	15.13

Source: CBRE Research Q2 2013

Jacksonville MSA

RETAIL MARKET OVERVIEW



All signs point to growth in the Jacksonville retail market, as new developments are underway, consumer confidence increases and vacancy rates decline.

The total vacancy rate dropped from 11.6% in the second quarter of 2012 to the current rate of 10.7%. Strongly contributing to the decline is Walmart Neighborhood Market taking occupancy of four anchor spaces previously vacated by Food Lion in the first half of 2012.

Nordstrom and Nordstrom Rack are currently under construction to build their first locations in Northeast Florida. Nordstrom Rack will be located in the Markets at Town Center occupying 35,000 square feet and Nordstrom Department Store will be located in the third phase of the highly desirable St. Johns Town Center – both located in the Southside submarket.

The recent sale of the Markets at Town Center was one of the largest deals to occur in years. The shopping center sold for \$135 million and included 350,000 square feet on 52.5 acres. Another large sale to occur in Northeast Florida was the Villages of Amelia. The shopping center, anchored by Publix, Kohl's, TJ Maxx, Ross Dress for Less and Jo-Ann Fabrics, sold for approximately \$21 million.

This positive growth is prompting optimism for investors, landlords and new tenants to enter the market allowing new retail developments to commence and occupancy rates to increase.

STATS AT A GLANCE

(Duval, Clay, St. Johns & Nassau Counties)



\$14.37

Avg. Lease Rate (FL)

89.4%

Occupancy

6.5%

Unemployment

1,276,135

Population*

*Source: US Census Bureau



EXPERT INSIGHT

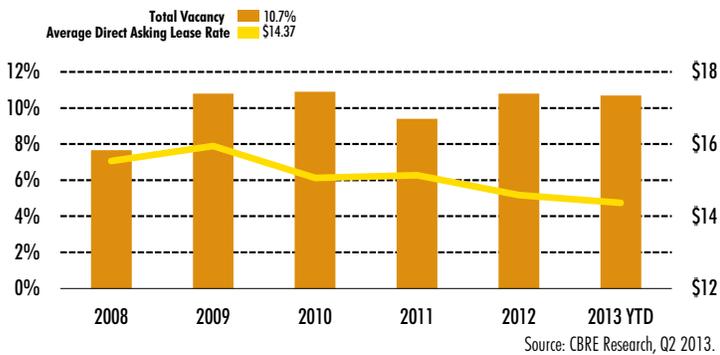
“In the last 12 to 18 months we’ve seen a large increase in the sale of properties in the B center space as well as for unanchored retail assets. We attribute this largely to the increase in debt liquidity across the market”

–Cliff Taylor, Senior Vice President
CBRE Jacksonville



Deerwood Lakes Commons, Jacksonville, FL

Total Vacancy -vs- Average Direct Asking Lease Rate (NNN)



Market Statistics

Submarket	Building SF	Direct Vacancy (%)	Occupancy (%)	Qtrly Net Absorption	YTD Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Arlington	2,126,348.00	12.90	87.10	1,714.00	14,779.00	0.00	11.14
Baymeadows/Avenues	1,844,842.00	9.70	90.30	(2,000.00)	20,500.00	0.00	15.42
Beaches	2,362,438.00	12.40	87.60	3,485.00	6,385.00	0.00	16.73
Intracoastal West	2,513,466.00	9.40	90.60	16,507.00	25,339.00	0.00	15.50
Mandarin	3,337,271.00	7.50	92.50	51,888.00	47,002.00	0.00	18.91
Northside	5,418,467.00	9.90	90.10	94,484.00	91,584.00	0.00	11.63
Orange Park	4,538,753.00	12.20	87.80	4,292.00	6,842.00	0.00	14.18
Regency	2,049,796.00	13.30	86.70	(1,065.00)	(1,808.00)	0.00	14.27
Southside	5,155,051.00	11.20	88.80	(32,008.00)	23,055.00	35,000.00	15.09
St. Augustine	2,921,064.00	7.20	92.80	(2,903.00)	(5,297.00)	0.00	15.87
Westside	5,473,856.00	11.60	88.40	5,042.00	(66,771.00)	0.00	12.56
Jacksonville Market	37,741,352.00	10.60	89.40	139,436.00	161,610.00	35,000.00	14.37
Total Before Free-Standing	33,262,601.00	11.80	88.20	139,436.00	261,610.00	35,000.00	14.37
Shopping Centers	31,762,601.00	12.30	87.70	139,436.00	139,436.00	193,000.00	14.59
Mixed-Use	1,500,000.00	0.00	100.00	0.00	0.00	0.00	N/A
Free-Standing	4,478,751.00	2.30	97.70	0.00	(100,000.00)	0.00	N/A

Source: CBRE Research Q2 2013

Market Makers



- ◆ Nordstrom Department Store and Nordstrom Rack are under construction in the Southside submarket to add 159,000 SF of retail inventory to the market.
- ◆ Walmart Neighborhood Markets are contributing to the declining vacancy rates by opening grocery stores at anchor spaces previously left vacant by Food Lion.
- ◆ The developers of the Markets at Town Center recently sold the shopping center for \$135 million.
- ◆ Construction was completed in the first half of 2013 at Parkway Shops in the Northside submarket. The center was 100% pre-leased at the time of delivery.

Shoppes at Mission Trace, Jacksonville, FL





STATS AT A GLANCE

(Collier County)



\$16.69	Avg. Lease Rate
91.8%	Occupancy
6.4%	Unemployment
332,427	Population*

*Source: US Census Bureau

MARKET OVERVIEW

Naples is seeing a steady recovery driven by strong tourism and business services, with new job creation beating the state and national averages. Collier County hotel occupancy increased strongly early in the year, boosting tax receipts, with visits by European tourists up a healthy 8% in 2012 despite Europe's recession. Surveys suggest Naples will continue increasing its share of the foreign tourist market, thanks to its status as one of Florida's most upscale destinations.

Despite high costs of living and home insurance, and a severe correction over recent years, there are signs of renewed confidence in the housing market. Construction is strengthening too, with a handful of new luxury home projects, including a mammoth 2,000-building, resort-style development by Hacienda Lakes, whose construction will stretch across nearly a decade. Looking ahead, tax increases on high-income



HIGHLIGHTS

- ♦ 2000-building, resort-style development by Hacienda Lakes
- ♦ Collier County has the highest per capita income in Florida

households and the weak European economy will be unable to stifle Naples' recovery. Assisted by strengthening private services and construction, by late 2013 new jobs will be beating both the national average and Florida's own strong performance. Longer term, essential service industries plus an attractive quality of life, with excellent amenities drawing in retirees and others, will ensure healthy demographics that keep Naples performing above average.



STATS AT A GLANCE

(Lee County)



\$12.81	Avg. Lease Rate
91.5%	Occupancy
7.0%	Unemployment
645,735	Population*

*Source: US Census Bureau

MARKET OVERVIEW

Lee County's principal strengths are an increasing population, a business-friendly environment, a relatively diverse industrial structure and comparatively lower costs of living than most of Florida. These are encouraging a broadening economic recovery, led by the retail trade and leisure/hospitality sectors. The metro area's population grew by 2.2% in 2012, nearly twice the average for Florida. This growth is being fueled by the area's attraction as a premier retirement destination as well as by tourism, both of which are helped by the favorable climate. The rate of in-migration is expected to grow rapidly over the next few years.

Along with increasing tourism, this will lead to strong private service employment growth and increasing demand. Construction is no longer holding back the recovery, and as the population continues to increase the low housing starts of the last five years will inevitably recover. Home Depot is hiring briskly across Southwest Florida, and work began this year on a \$240 million hospital at Lee County's HealthPark Medical Center. Lower labor and office costs than elsewhere in Florida



HIGHLIGHTS

- ◆ New \$240 million Lee County HealthPark Medical Center
- ◆ 2.2% population growth in 2012 doubled the state average

are helping make Lee County attractive for businesses, and are helped by a pro-business government. Recent significant investments include Gartner Inc., a publicly traded IT research firm, planning to hire at least 80 staff members through 2015, and Chico's expansion of its local headquarters. Looking ahead, strong in-migration plus investment will result in above-average employment growth and should prevent house price declines. The stock of distressed properties may not disappear immediately, but the outlook is strong for stable house prices and growing employment.

Port St. Lucie MSA

MARTIN/ST. LUCIE COUNTIES, FL



STATS AT A GLANCE

(Martin, St. Lucie Counties)



\$13.74

Avg. Lease Rate

93.6%

Occupancy

8.5%

Unemployment

434,298

Population*

*Source: US Census Bureau

MARKET OVERVIEW

According to the Bureau of Labor Statistics, job creation in Port St. Lucie is running ahead of both state and national averages, and unemployment has fallen to the lowest level in four years, although it is still high by Florida's standards. Helped by its port and healthy in-migration, the recovery in Port St. Lucie is well founded, with leisure/hospitality and support services providing the impetus, albeit below-average wage rates in these industries are blunting the edge. Construction is lending minor support, with 500 new builders employed in 2012. Martin Health System expects to open Tradition Medical Center in west Port St. Lucie by early 2014. The hospital will have 90 beds with the potential to expand to about 300. Nearby, Mann Research Center is building a 45,000-sq.-ft. medical office building, expected to be nearly fully leased when it opens in early 2014. It represents the first phase of a 22-acre medical office and life sciences complex.

Even the housing market is finally showing modest improvement from a difficult five years, although it has a lot of ground to make up. Nevertheless, based on anticipated rapid population growth, after five years of exceptionally low housing starts it



HIGHLIGHTS

- ◆ Tradition Medical Center (up to 300-bed hospital system) to open in 2014
- ◆ New 22-acre medical office and life sciences complex under way

seems inevitable that growth will return. That growth won't be fast however, as on a per household basis bank-owned homes are still at an extremely high level, and will compete with new builds.

Looking ahead, although the heady expansion of the past won't return, Port St. Lucie's high quality of life and desirable climate will help sustain in-migration that should strengthen the housing market and help the economy outperform national averages. Both retirees and baby boomers will be attracted by low housing costs compared with other South Florida metro areas. Healthcare should pick up as retirees return, and a growing population will help fuel strong job growth.



STATS AT A GLANCE

(Sarasota/Manatee Counties)



\$12.11	Avg. Lease Rate
91.2%	Occupancy
6.8%	Unemployment
721,631	Population*

*Source: US Census Bureau

MARKET OVERVIEW

Resilient tourism and a growing business services sector are helping job creation in North Port-Bradenton-Sarasota exceed state and national figures. Strong housing demand means prices are stable and the outlook is reasonably positive, even in the face of a statewide increase in the foreclosure inventory. Helped by the high quality of life and amenities locally, consistent recovery can be expected in the million dollar homes market. A poor start to the year has shaded into improved sales, raising the prospect that real estate will finally make a positive contribution. There are also some major construction projects that will feed through to increased employment. Prestigious retailers are planning nearly 2,000 new jobs by late 2014, when the University Town Center Mall is due to be completed. And a bid by Sarasota and Manatee County to host the 2017 World Rowing Championship, a rowing event second only to the Olympics, offers hope of a boost for tourism in the metro area, as well as construction work at Nathan Benderson Park,



HIGHLIGHTS

- ◆ 2000 new jobs through new University Town Center Mall
- ◆ Nathan Benderson Park expected to host 2017 World Rowing Championship

the intended venue. In addition to current funding, a further \$3.4 million will be available if the bid succeeds. The bid also opens up the prospect of garnering further events, regardless of its outcome. Strengthening private services and construction will help job creation continue to exceed state and national averages, while population growth and essential services will sustain better than average long term performance.



STATS AT A GLANCE

(Polk County)



\$10.87

Avg. Lease Rate

92.5%

Occupancy

7.7%

Unemployment

618,135

Population*

*Source: US Census Bureau

MARKET OVERVIEW

The oversupply challenges in Lakeland's housing market are being overcome through a growing population and expanding employment, with economic growth being driven especially by infrastructure and educational development. Lakeland's popularity with retirees and its consistently high population growth are both assets here, as is its status as a regional transport hub. A new intermodal rail link between the Port of Tampa and Lakeland's distribution centers is enhancing the local economy, with job growth in transportation running at twice the national level. This will intensify as the national recovery increases demand for Latin American products.

Lakeland's long-term outlook will also be strengthened by the development of its medical-educational facilities. The Lakeland Regional Medical Center, a leading local employer, has added 200 medical residency positions and plans to add a physician's assistant curriculum. Another significant asset is the USF Health System, which runs Florida's largest residency program and links the education industry to local healthcare. Rising private



HIGHLIGHTS

- ♦ 200 new jobs through USF Health System and Lakeland Regional Medical Center
- ♦ Legoland Florida theme park in Winter Haven continues to expand

sector employment will lead to stronger economic growth as 2013 progresses. Along with increasingly rapid population growth, and the attraction of low priced local real estate to investors, this growing employment will stabilize house prices in the medium term. Population growth and increased employment will eventually feed through into rising house prices, once the next stock of foreclosed properties has been absorbed and the issue of banks holding large REO volumes is resolved. In the long term, development in the construction and education/healthcare sectors will lead to faster than average job growth.



STATS AT A GLANCE

(Marion County)



\$11.76	Avg. Lease Rate
91.2%	Occupancy
7.8%	Unemployment
335,615	Population*

*Source: US Census Bureau

MARKET OVERVIEW

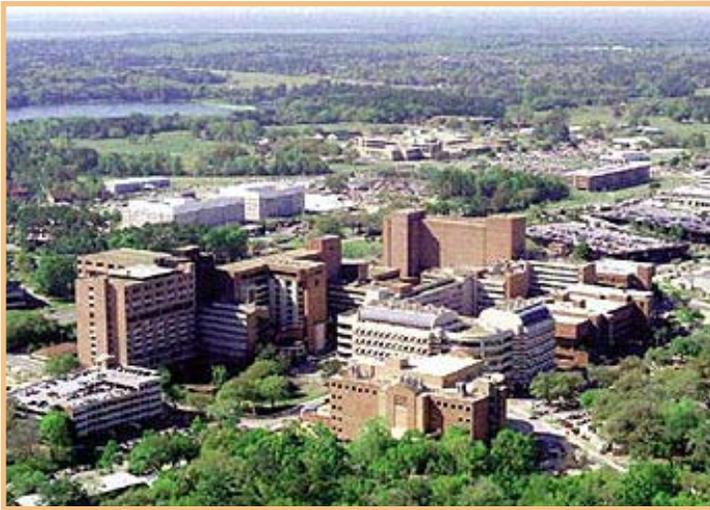
Strong growth and low costs in Ocala's housing and labor markets have helped it beat the statewide and national averages for the last few quarters. With 75% of private industries reporting stable or growing payrolls, new jobs are being created faster than at any time since early 2007. Although the jobs are not highly paid, these figures feeding into increasing wealth will help households maintain debt payments, fund new spending and access credit, which is good for Ocala's core consumer service industries. A surprising growth area in Ocala is back office operations. Highly cyclical, the niche industry offers strong potential as the U.S. recovery strengthens, and over the last year contributed nearly 20% of new jobs, double its share of total employment. Low labor costs and rents 27% below the national average make Ocala a strong candidate for new investment despite the low educational



HIGHLIGHTS

- ◆ New jobs created faster than any time since 2007
- ◆ Surge in back office operations hiring

attainment of its workforce. Moving into 2014, a resurgent housing market will help fuel higher than average job growth. Looking ahead, Ocala's climate and attractive housing costs will be a powerful draw to migrants and retirees, making up in part for the absence of major tourism, and boosting housing and consumer industries for growth that will be better than the national average.



STATS AT A GLANCE

(Alachua/Gilchrist Counties)



\$11.76	Avg. Lease Rate
91.2%	Occupancy
7.5%	Unemployment
268,547	Population*

*Source: US Census Bureau

MARKET OVERVIEW

An ample talent pool and affordability will secure Gainesville's economic growth in its skilled professional job market. Healthcare and medical research are major assets for Gainesville, whose status as a regional healthcare hub is reinforced by major employer Shands Hospital and its plans for a new emergency healthcare facility. Designed to cope with patient growth from a quickly expanding population, it will join existing innovative medical technology companies and large healthcare providers as a major driver for job growth in Gainesville. Other drivers include startup companies in the field of patient information and records, and together they are generating a substantial amount of local jobs. Generous medical research spending at the University of Florida is another major contributor, with the university ranking highly in the National Science Foundation's league of research universities, especially in health sciences research. Gainesville is the first U.S. home of Indian software company Mindtree, which will create 400 skilled professional jobs over the next few years. 2012 also saw local technology startups securing record levels of venture finance. Also benefiting from improved funding is



HIGHLIGHTS

- ◆ New Florida law designates the University of Florida as a Preeminent University and provides \$15 million per year to help UF become a top ten national public university
- ◆ 400 new jobs from international IT company Mindtree

the incubator campus at University of Florida's Innovation Hub, with new tenancies brisk since its 2012 launch. Construction is recovering too, helped by a revival of the University Corners residential/commercial project. In addition, nearly 100 well-paid jobs have been created by Silver Airlines commencing operations at Gainesville Regional Airport. All these are fuelling a growing recovery, keeping Gainesville in step with strong statewide job creation and helping it beat the U.S. national average. Gainesville will continue performing above average over the long-term thanks to population growth, the university, Shands Hospital and innovative healthcare industries.



STATS AT A GLANCE

(Bay County)



\$10.69

Avg. Lease Rate

93.5%

Occupancy

6.3%

Unemployment

171,728

Population*

*Source: US Census Bureau

MARKET OVERVIEW

Panama City's coastal location brings plenty of tourism as well as trade through its port. The widening of the Panama Canal due by April 2015 should net Panama City tangible benefits, as the canal's doubled capacity will allow it to accommodate much larger ships. Although these will use the Miami port, Panama City can hope to service many of the smaller cargo ships they displace. More port trade will bring more transport and distribution jobs to Panama City, and lower transportation costs will help make local manufacturers more competitive. Hospitality in Panama City has performed well, and as growth returns the second home market should see gains. Pier Park has been the strongest performer, with a healthy stream of tenants attracted to Panama City Beach. The new center at Pier Park North is performing well and picking up commercial lessees, including Bed Bath & Beyond, Dick's Sporting Goods and Rooms To Go. Panama City Mall is broadly holding up in the face of this competition, but is unlikely to share the growth the Beach is experiencing. Other major growth areas in



HIGHLIGHTS

- ♦ Widening of Panama Canal will boost port activity in 2015 and beyond
- ♦ New center at Pier Park North thriving

Panama City's relatively diverse economy include healthcare, where employment has expanded consistently and is likely to continue doing so. This healthcare income will be an especially important resource for local growth, given that healthcare wages are twice those of Panama City's retail and hospitality jobs. Looking ahead, Panama City's economy will continue performing above average, helped by its relatively broad base and driven by strong population growth.

Pensacola-Ferry Pass-Brent MSA

ESCAMBIA/SANTA ROSA COUNTIES, FL



STATS AT A GLANCE

(Escambia & Santa Rosa Counties)



\$10.69

Avg. Lease Rate

93.5%

Occupancy

6.4%

Unemployment

463,691

Population*

*Source: US Census Bureau

MARKET OVERVIEW

With its large military presence, Pensacola has been vulnerable to defense cuts, but attractive natural amenities and a low cost of doing business have helped offset some of its military losses. Fortunately, a planned \$200-million expansion project for the Navy Federal Credit Union suggests a continued substantial military presence in the area. This project will create 1,500 permanent jobs, boost demand for high-value business services and attract skilled workers to Pensacola. It should also help bring growing civilian defense work. Pensacola suffered recession losses in professional and business jobs, but has proved more resilient than most of the state and the losses have largely been regained with good chances of further expansion. Key signs of growth include Pensacola International Airport reporting heavy traffic in late 2012 and early 2013, and increasing renovation work in downtown Pensacola. Another good sign is new attractions opening in Pensacola's major entertainment districts. Foreclosure stocks in Pensacola aren't substantial compared with the Florida and Panhandle average,



HIGHLIGHTS

- ◆ \$200 million expansion project for Navy Federal Credit Union
- ◆ 1,500 new permanent Navy Federal Credit Union jobs

and fuelled by in-migration, low business costs and resilient major service industries, Pensacola's recovery will continue. Call centers are important employers in the metro area, and these will likely see growth as wage rises abroad make outsourcing less attractive, and operators prioritize locating closer to North American clients. Overall, as construction and private services strengthen in late 2013, new jobs in Pensacola will exceed the U.S. average and keep pace with the rest of Florida.



STATS AT A GLANCE

(Gadsden, Jefferson & Leon Counties)



\$13.82	Avg. Lease Rate
93.3%	Occupancy
6.1%	Unemployment
376,058	Population*

*Source: US Census Bureau

MARKET OVERVIEW

Tallahassee is seeing signs of recovery after a long recession, but isn't out of the woods yet. Although incomes are improving, they remain low compared with state and national averages, and labor force participation is the lowest it has been since the 1990s. Student loan delinquency is a significant problem, showing no improvement through the first half of the year. Compared with a national average of 20%, Tallahassee has nearly a third of its residents aged 15 to 29, which makes the spending power of students and young people especially important to the local economy. If the delinquencies signify financial difficulties among this age group, the implications for growth are worrying. The public sector is much more important in Tallahassee than to most Florida metro areas, and while this provides some stability, job gains will be steady during 2013 rather than spectacular as Tallahassee's lack of dynamic industries and the limited spending power of its



HIGHLIGHTS

- ◆ A stronger Florida economy steadies hiring in the state capital
- ◆ Long-term payroll stability in government as well as education with Florida State University

population count against it. Florida's budget surplus will likely help Tallahassee, as will strengthening home prices, below average business costs and its educated population. But despite ongoing job growth, Tallahassee will trail the rest of the state and won't replace the full recession losses until 2016. The same applies to income growth.



STATS AT A GLANCE

(Volusia County)



\$11.16

Avg. Lease Rate

90.7%

Occupancy

7.0%

Unemployment

499,417

Population*

*Source: US Census Bureau

MARKET OVERVIEW

The Daytona area is recovering more rapidly than expected in large part due to a jump in tourism. The local hospitality industry has benefitted from spring break tourists as well as annual events like Bike Week and the Daytona 500. Roughly 60% of visitors to the race come from outside the state, and more than half stay for more than five nights. The home of the event, the Daytona Beach Speedway, just kicked off a \$400 million renovation project in July, which will spur construction jobs and related industry growth. The facility will encompass nearly 2.5 million square feet, and is expected to be completed by January 2016.

The greater Daytona area will also continue to rely on healthcare to help turn the wheels of the economy, in part due to a shortage of high-paying manufacturing or tech-related industries. With a substantial percentage of elderly residents and historically strong population growth, the medical industry is in position for strong and steady long-term development. The high-paying jobs that come with a robust healthcare system will help stabilize the labor market around the area's seasonal tourism.



HIGHLIGHTS

- ◆ \$400 million renovation of Daytona Beach Speedway
- ◆ Construction throughout 2.5 million square foot facility will continue through 2016

Looking forward, both tourism and healthcare will be the principal drivers for Daytona's recovery. Beyond the Daytona Beach Speedway project, construction will remain light. Mild growth in the retail sector is on the horizon. As a result, Daytona will likely reach its prerecession employment level in 2016, which will be about two years after the rest of the country. But an affordable cost of living, attractive climate and a coastal location should continue to boost population growth to a faster than average pace, eventually sparking above-average job growth.



STATS AT A GLANCE

(Brevard County)



\$10.35

Avg. Lease Rate

90.0%

Occupancy

7.4%

Unemployment

549,852

Population*

*Source: US Census Bureau

MARKET OVERVIEW

After stalling in late 2012, the Brevard County economy is showing tangible signs of improvement. Both the education and healthcare sectors are steadily producing jobs, and the hospitality industry has surpassed its prerecession employment peak. However, the job cuts at the Kennedy Space Center continue to weigh heavily on the area, and the private sector has not yet been able to make up the difference in employment. Computer, electronics and aerospace-related companies help maintain the region's high-income, high-tech employment, but discontinuation of the shuttle program has put pressure on this sector.

Fortunately, Northrop Grumman, one of the nation's largest defense contractors, announced earlier this year that it would be adding 1000 jobs to its growing operation in Melbourne. In addition, Northrop also won a \$490 million Air Force training contract in July 2013, which is expected to produce new opportunities for former Space Center employees.

The healthcare industry has continued to be a steady performer in the region. And with 21% of the population aged 65 and



HIGHLIGHTS

- ◆ Northrop Grumman will be adding 1,000 jobs to Melbourne
- ◆ \$490 million Air Force training contract won by Northrop Grumman in July 2013

older, the medical community is expected to create and support high-paying jobs at a comfortable pace.

Long-term, Palm Bay and Melbourne will continue to draw out-of-state residents, and steady population growth will ultimately help Brevard County outpace the U.S. economy by comparison. In large part due to layoffs at the Kennedy Space Center, employment in the area will not reach its prerecession levels until 2017. Fortunately, with companies like Northrop Grumman keeping the area's well-educated residents employed, the region could outperform expectations.