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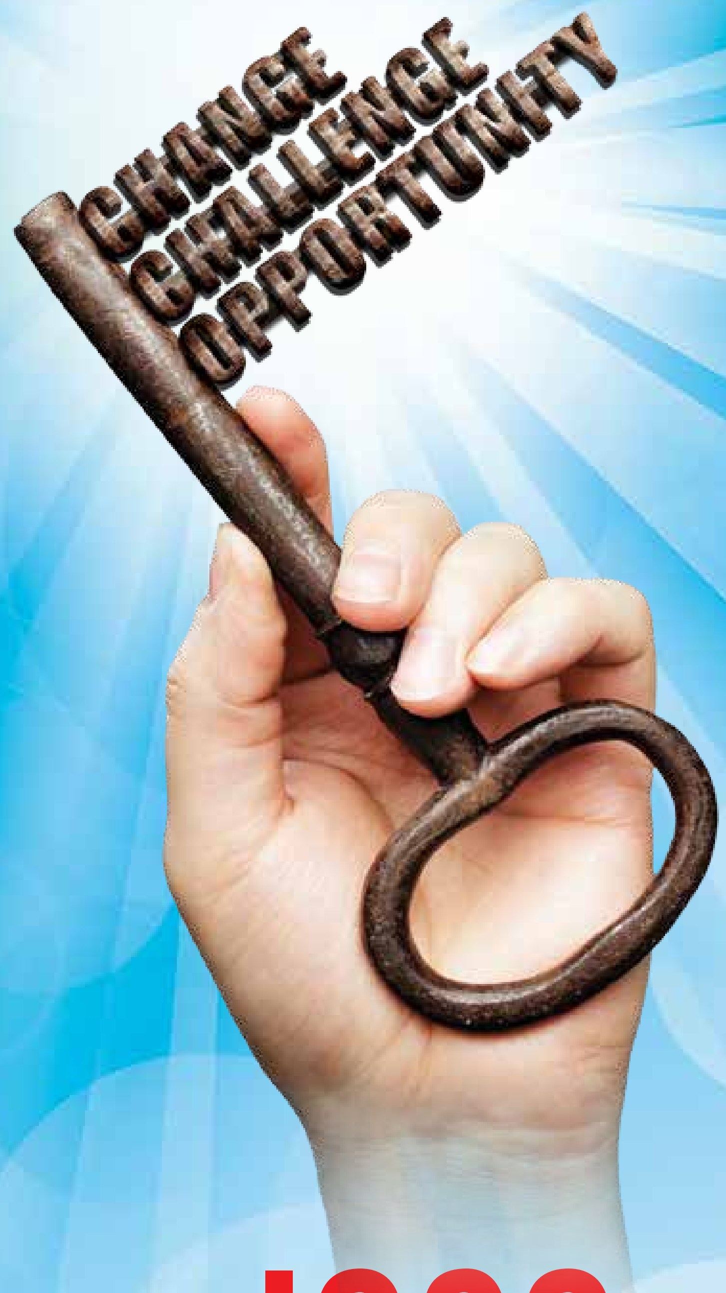

ICSC Retail Report

AUGUST 2014

Authored & Produced by CBRE, Inc.

CBRE

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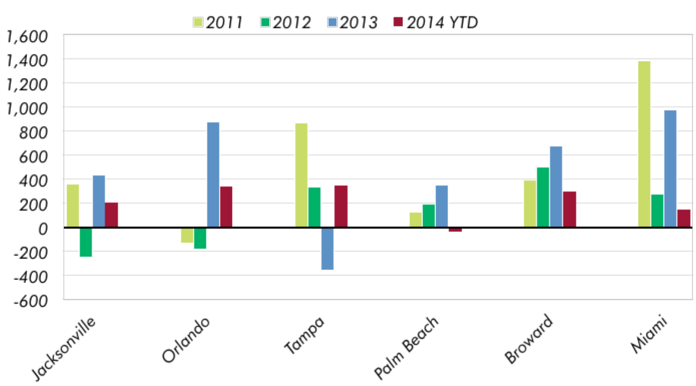
FLORIDA RETAIL MARKET OVERVIEW

Population growth, strong consumer spending and tourism have helped to propel demand for retail space. The three-year trend in net absorption is positive in most Florida retail markets, and net absorption increased in every major Florida market except Tampa in 2013. The trend of positive net absorption has continued into 2014, with 1.3 million sq. ft. of net absorption statewide year to date. South Florida has accounted for 417,054 sq. ft. and North Florida markets have accounted for 887,126 sq. ft. of positive absorption thus far this year. All three North Florida markets have posted positive year-to-date net absorption above 200,000 sq. ft.

On the supply side, economic growth and a limited supply of quality retail space have prompted a new wave of construction over the last two years. This growth put an end to two years of relatively low construction activity. Over 1.2 million sq. ft. of retail space was completed statewide in 2013, versus 258,000 in 2012 and 606,000 in 2011. At the close of Q2 2014, there was 2.5 million sq. ft. of retail space under construction in Florida, about 73% of which is located in the Miami market. Retail deliveries during the first half of the year occurred in three markets: Tampa, Orlando and Broward. Roughly 148,000 sq. ft. was delivered in Tampa, 100,218 sq. ft. in Orlando, and 70,650 sq. ft. in Broward. The retail construction pipeline is likely to grow in the near future with several planned projects expected to kick off in the second half of 2014.

Retail Net Absorption (SF, Thousands)



Source: CBRE Research, July 2014

Vacancy rates have fallen and lease rates have increased throughout the state as demand increases and supply, while growing, remains constrained. At the end of Q2 2014, statewide total vacancy stood at 7.4%, decreasing 10 basis points (bps) from Q1 2014 and 60 bps from Q2 2013. South Florida vacancy in Q2 2014 was 6.5%, with the Miami market posting the lowest vacancy rate of 3.9%. North Florida has a total vacancy rate of 8.1%, with the Orlando market posting the lowest rate of 7.2%. The year-over-year vacancy comparisons show a 40 bps decrease for South Florida and a 70 bps decrease for North Florida. The Jacksonville market had the largest year-over-year decrease, dropping 90 bps to 9.6% from 10.5% in Q2 2013.

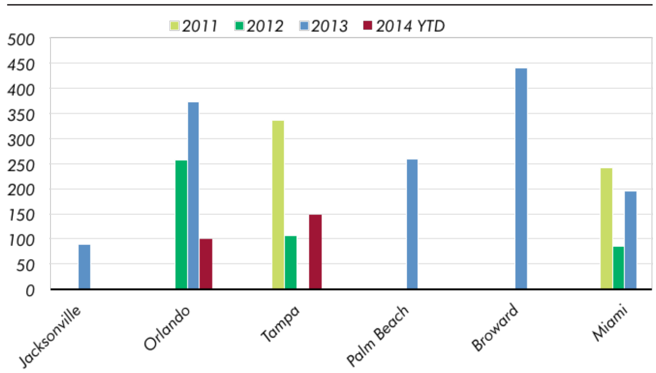
The average lease rate for retail space in Florida was $18.56 per sq. ft. during the second quarter, up $0.61, or 3.4%, year over year. In South Florida, the average lease rate in Q2 2014 was $24.29 per sq. ft., an increase of $1.49 year over year. This equates to a 6.5% gain, reflecting an increase in demand for prime retail space in the South Florida markets, especially Miami. The average lease rate for North Florida in Q2 2014 was $14.23 per sq. ft., a $0.34, or 2.3%, decrease year over year.

Florida Retail Space Completed

	2008	2009	2010	2011	2012	2013	Q2 2014	YTD 2014
000's of SF	10,507	4,186	1,186	606	258	1,247	219	319

Source: CBRE Research, July 2014

Retail Construction Completions (SF, Thousands)



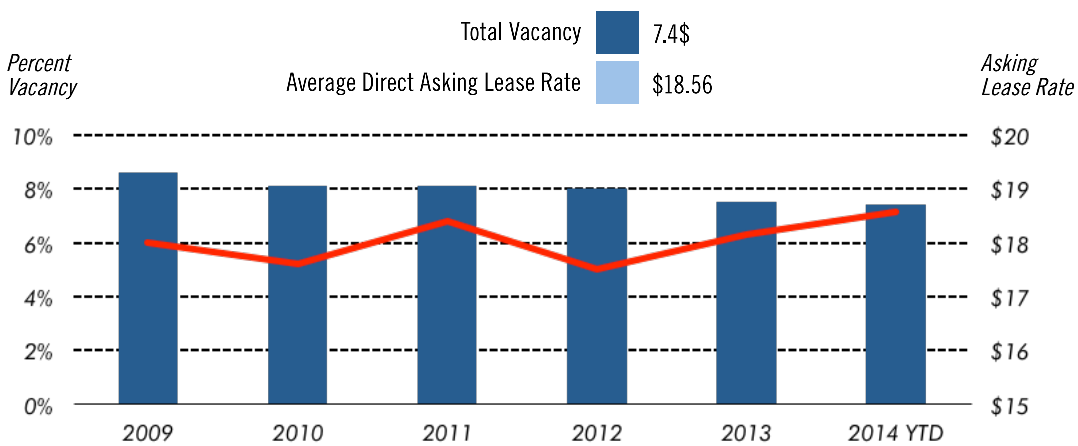
Source: CBRE Research, July 2014

Major Florida Markets Statistics

Submarket	Building sq. ft.	Direct Vacancy (%)	Total Vacancy (%)	Occ. (%)	Q2 2014 Net Absorption	2014 Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Miami	42,010,015	3.8	3.9	96.1	82,021	148,713	1,857,984	$40.35
Broward	47,948,815	7.7	7.8	92.2	259,579	301,692	72,000	$20.82
Palm Beach	43,852,469	7.6	7.7	92.3	(800)	(33,351)	246,468	$18.14
Tampa Bay	67,283,648	6.8	8.0	92.0	194,512	343,624	0	$14.35
Orlando	63,029,021	7.1	7.2	92.8	216,069	340,048	121,832	$13.95
Jacksonville	37,725,137	9.3	9.6	90.4	89,026	203,454	235,645	$14.47
Total State of Florida	301,849,105	7.0	7.4	92.6	840,407	1,304,180	2,533,929	$18.56
Total South Florida	133,811,299	6.5	6.5	93.5	340,800	417,054	2,176,452	$24.29
Total North Florida	168,037,806	7.5	8.1	91.9	499,607	887,126	357,477	$14.23

Source: CBRE Research, July 2014

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



Source: CBRE Research, July 2014

Employment

The U.S. labor market appears to be gaining momentum. Total nonfarm payroll jobs increased 288,000 in June 2014 after a 224,000 gain in May and a 304,000 rise in April. The net revision for the prior two months was up 29,000. The consensus forecast for June was for 211,000. April's gain was the first to exceed 300,000 since January 2012. The unemployment rate surprisingly fell to 6.1% from 6.3% in May. Expectations were for 6.3%.

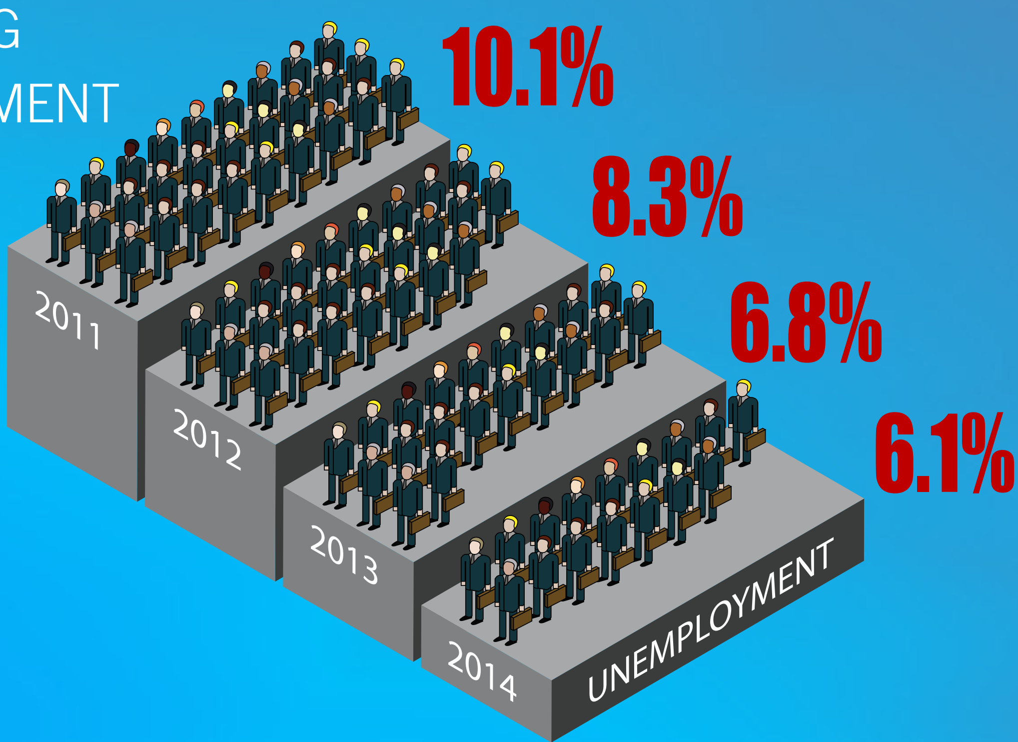
	Prior	Prior Revised	Consensus	Consensus Range	Actual
Nonfarm Payrolls - M/M change	217,000	224,000	211,000	199,000 to 290,000	288,000
Unemployment Rate - Level	6.3 %		6.3 %	6.2 % to 6.3 %	6.1 %
Average Hourly Earnings - M/M change	0.2 %		0.2 %	0.2 % to 0.3 %	0.2 %
Av Workweek - All Employees	34.5 hrs		34.5 hrs	34.5 hrs to 34.6 hrs	34.5 hrs
Private Payrolls - M/M change	216,000	224,000	210,000	195,000 to 285,000	262,000

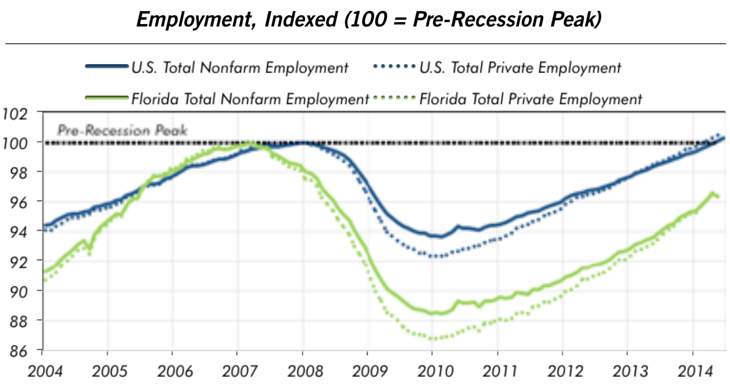
Source: CBRE Research; U.S. Bureau of Labor Statistics; Econoday.com; July 3, 2014

U.S. employment passed its pre-recession peak in May, after six long years, and private employment passed the pre-recession peak in April. The recovery of Florida's labor market has lagged the national recovery. But, looking on the bright side, Florida' employment is continuing to grow at a rate of about 30,000 jobs per month.

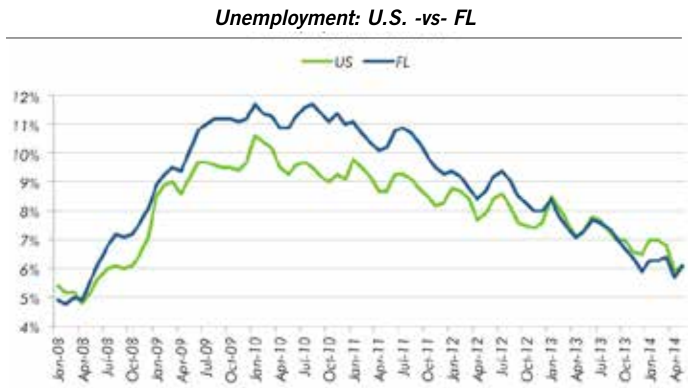
Florida's annual job growth rate has exceeded the nation's rate since April 2012. As of May 2014, Florida added 218,800 jobs year over year, which equates to a 2.9% increase, on a non-seasonally adjusted basis. Florida's unemployment rate fell to 6.1% from 7.3% year over year. By comparison, nationally, jobs increased by 1.4% and unemployment stands at 6.1% compared to the previous year's rate of 7.3%. Florida's unemployment rate has been equal to or below the national rate for 13 consecutive months.

DECREASING UNEMPLOYMENT RATE





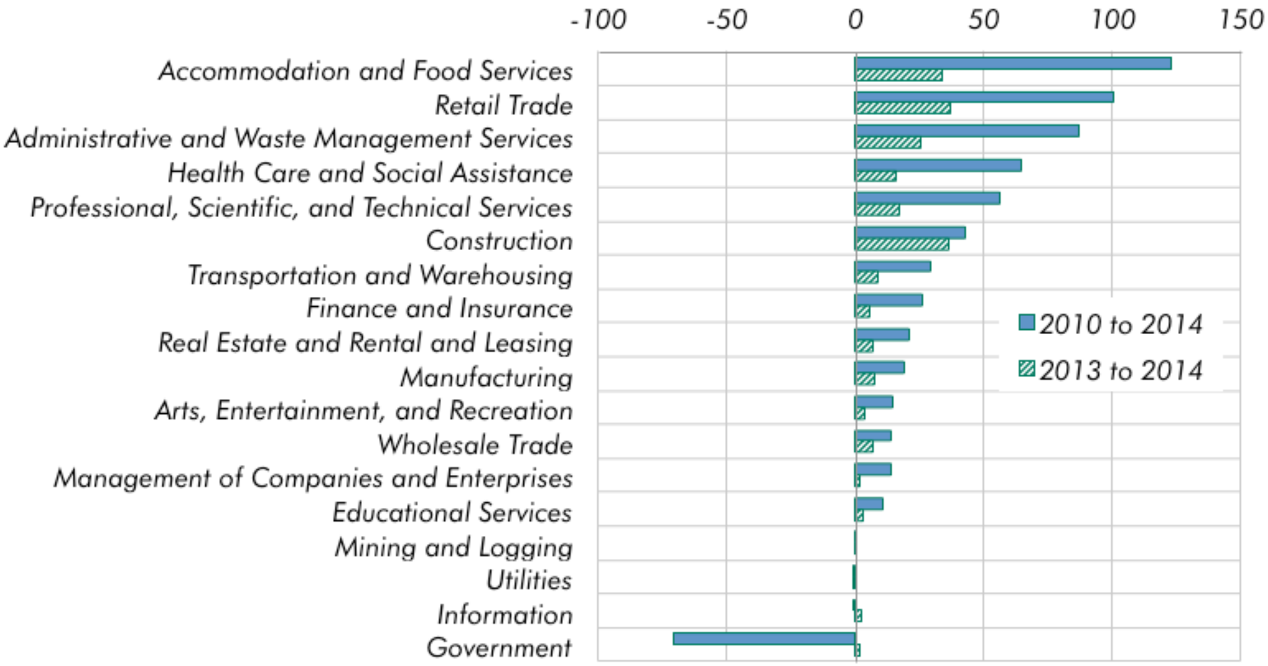
Source: CBRE Research, Bureau of Labor Statistics, July 2014



Source: CBRE Research, Bureau of Labor Statistics, July 2014

There are a couple interesting points to be made about the recovery in Florida's employment since the recession. First, accommodation & food service (123,000), retail (100,400), administrative services (87,300), and healthcare (64,300) have led the post-recession recovery in employment. Second, much of the post-recession recovery has occurred in the last year. Construction employment, in particular, has come back strong over the last year.

Components of Change in Florida Employment (Ths. of Jobs), Through May



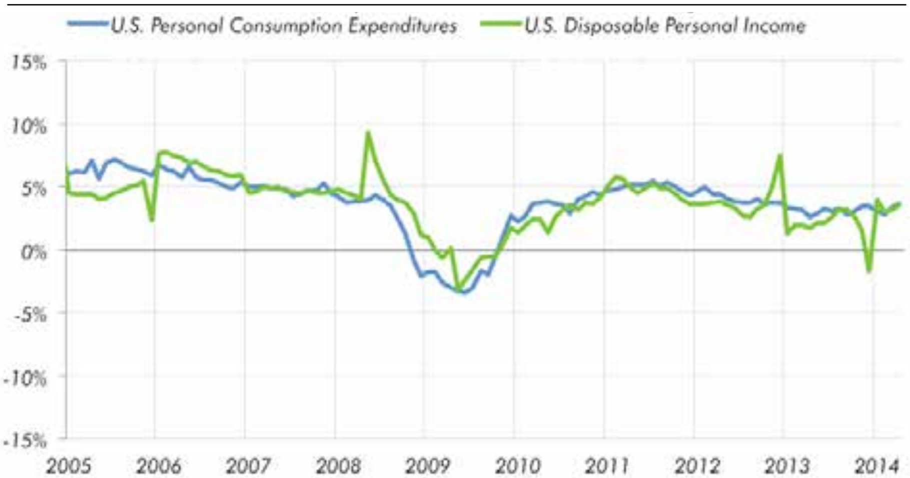
Source: CBRE Research, Bureau of Labor Statistics, July 2014

The public sector has lost more jobs since the recession, by far, than any other sector. Government employment has declined by 70,900 since 2010. Recently, the negative trend appears to have turned around, with 1,600 government jobs created in the last year.

Income and Consumption

Since 2010, income and consumption have been increasing, except for a slight hiccup in income growth at the end of 2013. Consumption has fueled the post-recession economic recovery, and has brought relative economic stability over the last four years. Thus far in 2014 we have seen a trend of increasing consumption growth, which bodes well for the economy in general, and the retail sector in particular.

Income and Expenditures, Year-over-Year Change



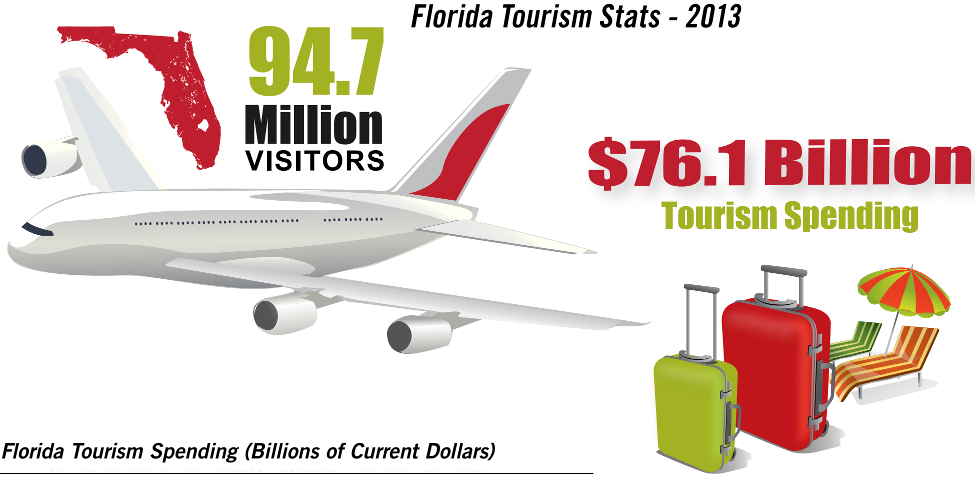
Source: CBRE Research, Bureau of Economic Analysis, Moody's Analytics, July 2014

Retail Sales

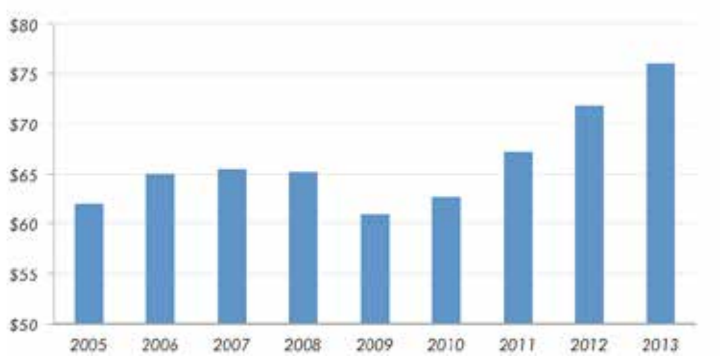
Both U.S. and Florida retail sales have been increasing year over year since early 2010, but since late 2011 growth in Florida sales has been outpacing national retail sales growth.

Florida's strong performance in retail sales received a big assist form record tourism. Florida tourism has been booming for the last three years, reaching record levels in 2012 and 2013. In 2012, tourists spent $71.8 billion in Florida. In 2013, that figure increased to $76.1 billion, and 2014 is turning out to be another record year. In the first quarter of 2014, a record 26.7 million tourists visited Florida, an increase of 524,000 people over Q1 2013. The spike in tourism in the first quarter was probably fed by poor weather elsewhere in the country.

Florida Tourism Stats - 2013



Florida Tourism Spending (Billions of Current Dollars)



Source: CBRE Research, Visit Florida Research, July 2014

Total Value of Retail Sales, Year-over-Year Change

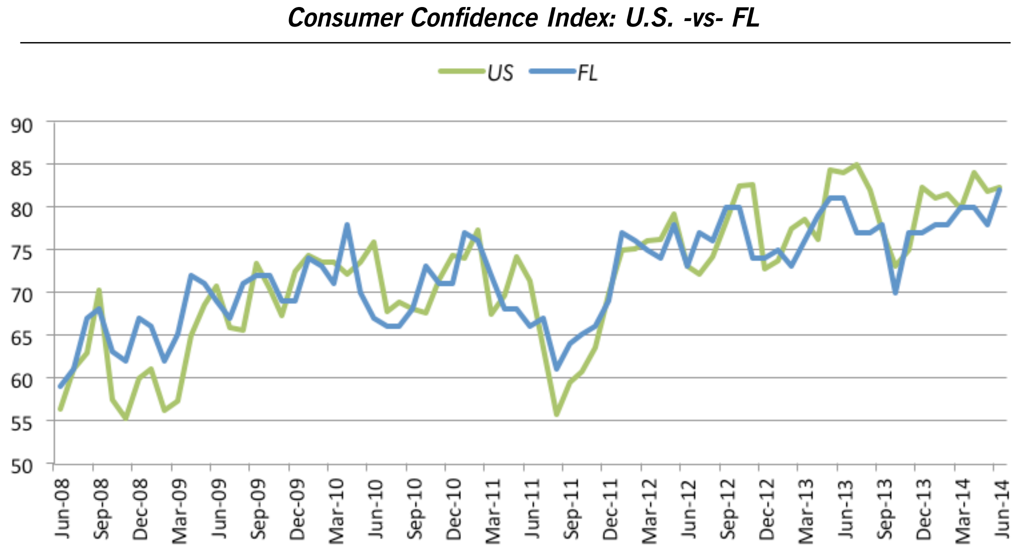
Source: CBRE Research, U.S. Census Bureau, Moody's Analytics, July 2014

ECONOMIC DRIVERS OF FLORIDA RETAIL

Consumer Sentiment

Consumer sentiment among Floridians rose in June by four points to 82, a post-recession high. All five components that make up the index increased. Expectations about personal finances rose four points compared to a year ago to 75, the highest level for this component since the beginning of the recession. Expectations of personal finances one year from now rose five points to 81. Perceptions of U.S. economic conditions over the next year rose seven points to 81, while expectations of U.S. economic conditions over the next five years rose two points to 78. Perceptions as to whether it's a good time to buy big-ticket items, such as a car or appliance, rose four points to 94, also a record for this component since the recession began.

INCREASE IN CONSUMER CONFIDENCE



Source: CBRE Research, University of Florida, University of Michigan, July 2014

Housing Market

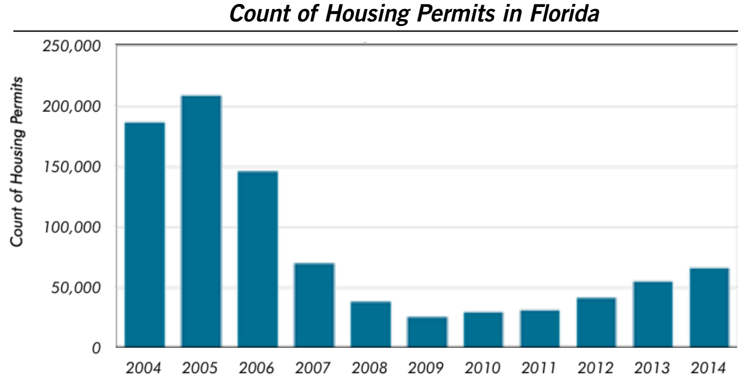
Florida's housing market made steady gains over the past year. During this time period gains in the average sale price and number of sales have slowed compared to the previous year, however the slowed pace of improvement appears to indicate the housing market in Florida is reaching equilibrium. As of May 2014, the number of closed sales had increased 3.6% year over year. Cash sales exhibited a decline over the past year as the market absorbed a significant amount of foreclosure inventory. An additional indicator of the strength of the market is the continued increase of the median and average sale price. Florida's median sale price of $180,000 is affordable compared to the national median of $213,600. The state median sale price increased 4.3% over the past year, similar to the national pace of 4.9%. Sellers in this market continue to benefit from an achieved 93% sale price to list price ratio, a stable rate over the past two years. Currently mortgage interest rates are on the rise, but they are still at historic lows that encourage and support steady growth in Florida home sales.

RISING HOME SALE PRICES

Florida is leading the nation in home sales to international buyers, according to the National Association of Realtor's 2014 Profile of International Home Buying Activity for the 12-month period ending in March 2014. European and Latin American buyers led this trend, accounting for 28% and 26%, respectively, of the foreign purchases. Canadian investors are showing more interest in Florida as well, with the recent purchase of a 9,600-acre track in Venice, Florida, entitled for single family development. Additionally, Canadian buyers are drawn to the state as they seek affordable vacation homes. International home sales and investments will likely continue to contribute to the strength of the Florida housing market.

New home permits are again on the rise in Florida after a significant dip in 2009, but the count remains at just a quarter of the activity seen at the peak of the market in 2005. The rate at which permits are issued is accelerating. The average annual increase in permits was 20% from 2009 to 2013, and 32% from 2011 to 2014. Housing permits are expected to continue to increase at a similar rate for the near term.

Count of Housing Permits in Florida



Source: CBRE Research, U.S. Census Bureau, July 2014

Transportation

Mass transportation has made gains in Florida, particularly in Central Florida, with the arrival of SunRail, the region's first commuter train on May 1, 2014.

SunRail's primary purpose is to be an alternative to driving on Interstate-4, and the line is anticipated to decrease traffic along this corridor. It is being built in two phases. Phase 1 comprises 31 miles with 12 stations along the former CSX Transportation "A" Line connecting Volusia County and Orange County through Downtown Orlando. Phase 1 opened with a two-week free trial period, during which 10,000 passengers rode the line. Daily ridership is expected to average about 4,300 passengers by the end of the first operating year. The extensions proposed for Phase 2 would add a new northern terminus at DeLand and four more stations southward, terminating at Poinciana in Osceola County. It is expected to be fully completed sometime in 2017. The SunRail line will connect to the All Aboard Florida rail line with service to Miami.

All Aboard Florida is an intercity passenger rail project being developed by Florida East Coast Industries that will connect Miami to Orlando with intermediate stations in Fort Lauderdale and West Palm Beach. The service stretches roughly 240 miles and startup costs are estimated at $1.5 billion, with construction set to begin in 2016. All Aboard Florida will be the first privately owned, operated and maintained passenger rail system in the U.S. The Miami terminal will be a hub for transit that will connect to the existing public transportation network. Each station along the route from Miami to Orlando will include retail and restaurant space. The project is expected to stimulate the economic growth of Miami and Orlando, as well as the state as a whole. There has been a growing demand for express intercity passenger rail in the state of Florida for the last 20 years, and the growing numbers of tourists - soon to reach 100 million per year – and Florida residents – more than nine million people within close proximity to the corridor – need and want an easy and convenient way to travel within the state. The commuter rail lines underway in Florida will facilitate enhanced tourist and commuter travel and connectivity. Property owners and developers near rail stations in particular will benefit from higher traffic counts and visibility.

Coming…

Florida's Premier

Express

Passenger

Railway

Source: www.allaboardflorida.com

Overview

Florida's senior population will increase from approximately 3.3 million in 2010 to 5.7 million in 2030 as the baby boom generation retires and many choose to relocate to the state[1]. 2030's seniors will spend more, as a portion of total expenditures, than seniors today on housing debt, student debt and supporting their adult children, and less on entertainment and consumption items. Moreover, if the relationship between the spending habits of today's seniors and boomers is any indication, then spending on entertainment and consumption by today's boomers will decline as they get older, particularly spending on apparel and food away from home.

Fortunately for Florida retailers, the growth in Florida's senior population will more than make up for the collective impact of the decline in individual consumption spending that accompanies aging. Given the differences between baby-boomer and senior spending habits, grocery and senior-related entertainment sectors will fare particularly well, followed by restaurants and apparel. Demand for commercial real estate space that caters to these retailers is poised to increase steadily over the next decade and a half. In addition, demand for medical-related retail space will certainly increase as boomers retire to Florida.

Demographic Trends

The U.S. population will be about 380 million in 2040, and 420 million in 2060[2]. By 2050, the population will be 100 million more than it is today, and, if current trends continue, the South will dominate this growth.

U.S. population growth over the last decade occurred predominantly in the Southern region, which, as defined by the U.S. Census Bureau, stretches from Delaware in the east to Texas in the west. From 2000 to 2010, the U.S. population increased by 27.3 million: 52.4% was in the South; 32.0% in the West; 10.8% in the Midwest; and 6.3% in the Northeast. These regional patterns are projected to continue for the next 30 years, though at a reduced rate of growth.

Florida has and will continue to play a prominent role in the growth of the Southern region. Approximately 1,000 people move to Florida each day, making it the third-fastest-growing state in the country according to 2013 Census estimates, behind only Texas and California. With a population of approximately 19.6 million, Florida is currently passing New York as the third-most-populous state in the country.

Rapid population growth is nothing new in Florida; the state has been among the fastest growing for decades. Between 2000 and 2010, Florida's permanent resident population grew by more than 2.8 million, an increase of 17.6%. Although this increase was not as large as those during prior decades, it was still one of the highest growth rates in the country.

Decade	Growth Rate
1950s	78.7%
1960s	37.1%
1970s	43.6%
1980s	32.7%
1990s	23.5%
2000s	17.6%
2010s (Projection)	13.6%

[1]Florida Demographic Estimating Conference, February 2014 and the University of Florida, Bureau of Economic and Business Research, Florida Population Studies, Bulletin 169, June 2014.
[2]Kotkin, Joel. "The changing demographics of America." The Dallas Morning News 30 July 2010, sec. Opinion.

Fueled by an expanding economy and a booming housing market, population increases from 2003 to 2006 were among the largest in Florida's history. As economic growth stalled and the housing market collapsed later in the decade, population growth declined as well, dropping to its lowest levels in more than 60 years. Population growth has picked up again since 2010, but not nearly to the levels seen ten years ago. Demographers at the Bureau of Economic and Business Research at the University of Florida expect growth to continue to accelerate over the next few years, eventually reaching levels more in line with the historical average[3].

Urbanization

Urbanization is the trend of population growth in city centers. City centers offer centralized services and social opportunities, and the potential to reduce commute times between home and work. Demographers expect that there will be 15 million to 20 million new urban dwellers in the U.S. by 2050[4].

Urbanization is particularly visible in Florida, where net migration is positive and increasing[5]. The populations in the city centers of Florida's largest metropolitan areas grew rapidly from 2000 to 2012. According to U.S. Census data, the population in Orlando's city center grew the most, increasing 34.2% over the period. Tampa's city center had the second-fastest rate of population growth at 14.5%, followed by 14.2% in Miami and then 13.7% in Jacksonville.

Contrary to popular belief, however, the increase in the urban population has not come at the expense of the suburban population. Rather, even as the populations of Florida's city centers have grown considerably, suburban populations (defined in this case as the metro-area populations living outside of the central city) have grown even faster. Over the same period discussed above, the suburban population increased 35.3% in Orlando, 16.2% in Tampa, 15.1% in Miami and 40.9% in Jacksonville. Thus, even as the populations in Florida's city centers continue to grow rapidly, they will account for a decreasing percentage of the state's total population.

This is the case, by and large, for both 20- to 34-year-olds (the current cohort of the "millennial" generation) and 45- to 64-year -olds (the current cohort of the baby boomers). In Orlando, Tampa and Jacksonville, both the 20- to 34-year-old and 45- to 64-year-old populations grew faster in the suburbs than in the city centers. Miami's 20- to 34-year-old population is the lone exception: the number of 20- to 34-year-olds in Miami's city center grew 28.4% from 2000 to 2012, while the number of 20- to 34-year-olds in Miami's suburbs grew just 10.9%.

Population Growth, City Center vs. Suburban

	Area (Sq. Miles)	Total Population			Population: 20-34 years ("Millennials")			Population: 45-64 years ("Baby Boomers")		
		2000	2012	% Δ	2000	2012	% Δ	2000	2012	% Δ
JACKSONVILLE										
City Center	747	735,503	836,507	13.7%	164,598	194,771	18.3%	154,354	218,423	41.5%
Suburbs	1,869	364,988	514,437	40.9%	63,828	84,528	32.4%	92,114	149,953	62.8%
ORLANDO										
City Center	102	185,984	249,525	34.2%	53,858	72,626	34.9%	34,250	49,845	45.5%
Suburbs	3,375	1,458,577	1,974,149	35.3%	305,800	423,813	38.6%	318,547	514,582	61.5%
TAMPA										
City Center	113	303,512	347,650	14.5%	69,822	85,572	22.6%	62,248	86,529	39.0%
Suburbs	2,401	2,092,485	2,432,228	16.2%	362,212	444,002	22.6%	491,096	701,369	42.8%
MIAMI										
City Center	36	362,563	413,864	14.2%	76,773	98,537	28.4%	79,105	105,166	32.9%
Suburbs	1,862	1,890,799	2,177,171	15.1%	405,381	449,420	10.9%	410,219	575,607	40.3%

Source: CBRE Research, Bureau of Labor Statistics, July 2014

[3] "Florida County Population Projections (Free Download)." Bureau of Economic and Business Research. Web. 15 July 2014. <http://www.bebr.ufl.edu/content/florida-county-population-projections>.
[4] Kotkin, "The changing demographics of America."
[5] William H Frey analysis of American Community Survey 3 Year Data for Periods 2007-9 and 2010-12 (released November 14, 2013)

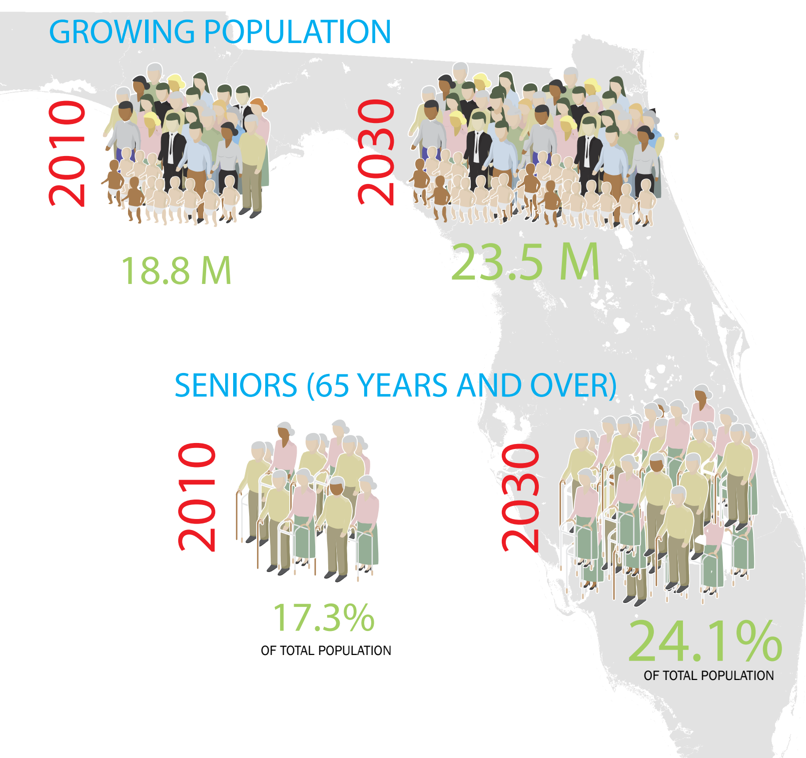
A Destination for Retiring Baby Boomers

Florida has long been a destination for those who seek a quality lifestyle after their working years. Florida ranked fifth nationally in 2010 in terms of the percentage of the population 65 or older, at 17.3%. As baby boomers (born 1946-1964) retire, the 65-plus cohort is expected to rise to 24.1% of Florida's population by 2030[6].

Traditionally, retirees from northern cities east of Chicago have moved to Florida while those from west of Chicago have moved to Arizona. This pattern is expected to continue in the future, though Florida is expected to lose some of its share of migration from New England, New York and Washington, DC, to other states, including Arizona, Nevada, Utah, Colorado, North Carolina, South Carolina and California.

Nonetheless, retiring baby boomers are and will continue to flock to the Sunshine State, due to its warm climate, low taxes, and relatively inexpensive housing.

As many of the densely-populated cities in the Northeast and Midwest are becoming too expensive for the middle class, baby boomers who move for retirement tend to move to less-dense and more-affordable regions. According to demographer Joel Kotkin, the top destinations for aging boomers between 2000 and 2010 were all affordable, generally low-density Sun Belt metros[7].



In first place, Las Vegas, where the boomer population increased 20.2%. Second place went to Tampa-St. Petersburg, up 11.5%; followed by Phoenix, where the boomer population rose 11.3%. Orlando and Jacksonville were also in the top ten.

While Southeast Florida is famous for being a destination for retirees, the flow of seniors to the region has slowed in recent years, thanks partly to competition from other retirement destinations elsewhere in Florida and other states, and partly to reduced mobility as a result of the recession. Instead, recent population growth in Southeast Florida has been dominated by international immigration from the South, predominantly from Mexico, South and Central America and the Caribbean[8]. This has primarily been the case in Miami-Dade County, but is increasingly true of Broward County as well, according to data in the 2010 Census. As prior waves of retirees have been replaced by young families from Latin America and the Caribbean, the median age in Southeast Florida has declined, even as the state as a whole has gotten older.

Moving forward, the trend in Southeast Florida is expected to reverse, as the foreign-born population ages and the baby boomers retire in greater and greater numbers. While the migration of retirees from the north will continue to be concentrated in the Panhandle, northern, central and south-central regions of the state, the number of new arrivals is expected to increase rapidly throughout the state. Thus, while Southeast Florida receives a smaller share of retirees than it has historically, its 65-and-older population will continue to grow rapidly.

Housing prices are a critical factor driving the migration of baby boomers to Florida's low-density, suburban cities. Once-soaring prices in communities such as Orlando and Tampa have now corrected, and, as of March 2014, the ratio of median home price to median annual income in these cities had returned to historical norms, roughly three-and-a-half to one (Orlando: 3.87; Tampa: 3.27)[9]. In contrast, despite some declines, prices in metropolitan areas like New York and Washington, DC, remain above six to one (New York: 6.08; Washington, DC: 7.28). This suggests that many retirees and down-shifting boomers — people still working but able to relocate their jobs — may find cashing out of their more expensive houses in the Northeast and relocating to Tampa, Orlando or Jacksonville an effective way of supplementing often-depleted IRAs. Such a disparity in ratios of home prices to incomes also explains why many boomers are relocating to north and central Florida rather than to the Miami metropolitan area (including Miami-Dade, Broward and Palm Beach Counties), which has a home-price-to-income ratio of 5.55.

[6] Burchell, Robert. "Keynote Session: Demographics, Diversity, and Economics." 2014 Urban Land Institute – Florida Summit. Urban Land Institute of Florida. Walt Disney World Swan Resort, Orlando, FL. 12 June 2014.
[7] Kotkin, Joel. "Where Are The Boomers Headed? Not Back To The City." Forbes 17 Oct. 2013. Web.
[8] Ogburn, Richard . "Demographic and Economic Characteristics of Southeast Florida." South Florida Regional Planning Council. May 2012. Presentation.
[9] "Home Affordability Overview." Home Affordability. Web. July 2014. <http://www.deptofnumbers.com/affordability/>.

Baby Boomer Spending Habits

The Baby Boom generation is generally defined as those individuals that were born during the post-war "baby boom" from 1946 to 1964, which as of 2014 includes individuals 50 to 68 years old[10]. In 2012, the National Center for Policy Analysis (NCPA) undertook a study to identify differences in spending habits between this age cohort and the prior generation, when they were of the same age[11]. The NCPA compared the spending habits of 45 to 64 year olds as reported in the Bureau of Labor Statistics' 2012 Consumer Expenditure Survey, which reflected 2010 data, to the spending habits of 45 to 64 year olds reported in the 1992 survey, which reflected data collected in 1990[12]. The NCPA analysis found that while real incomes for the age group had not changed much over the 20-year period, the portion of disposable income households spent on various goods and services had changed considerably.

Baby boomers spend more on education. From 1990 to 2010, education expenditures increased by 80% for 45 to 54 year olds, and 22% for 55 to 64 year olds. This is not surprising, as the cost of a college education has grown faster than income for decades. A New York Federal Reserve Bank study found that one-third of the nation's student loan debt is held by individuals over the age of 40[13]. Much of this spending is likely a result of baby boomers helping their college-age children with college expenses and loan payments.

Baby boomers spend more on adult children. A recent survey from the National Endowment for Financial Education found that more than half of parents are helping to support their adult children. This support takes the form of living expenses, transportation costs, spending money, medical bills and paying off student debt[14].

Baby boomers spend more on mortgage debt. From 1990 to 2010 the share of expenditures on housing – including principal, mortgage interest, taxes, maintenance and insurance – for the 45 to 64 age group increased about 25%. For older boomers, 55 to 64 year olds, nearly half of this increase was due to an increase in the interest portion of housing expenditures — even though mortgage interest rates have fallen over time. The portion of income they spend on mortgage interest increased 47%, from 4.3% to 6.3%.

As the age of first-time home buyers increased from age 28 in 1985 to age 35 in 2011, the probability that a household will carry mortgage debt into retirement has also increased. Due to the increased availability of home equity loans, many baby boomers who were previously close to paying off their homes are instead refinancing and tapping into their home equity. In light of this, it is not surprising that estimates show that 15% of all baby boomers will not get out of debt in their lifetimes[15].

Baby boomers spend less on entertainment and consumption items. Contrary to popular perception, baby boomers have not increased spending on entertainment or dining out. Rather, their spending on several key consumption categories fell from 1990 to 2010. Food purchases, including spending in restaurants, fell 18% for 45 to 54 year olds and 20% for 55 to 64 year olds. Spending on household furnishings declined nearly one-third for 45 to 54 year olds and one-fourth for 55 to 64 year olds. Clothing expenses showed the steepest decline, falling 42% for 45 to 54 year olds and 70% for 55 to 64 year olds.

Transportation expenditures - including car purchases, maintenance, gas and public transportation – by 45 to 64 year olds has also fallen over the last 20 years. According to the Consumer Expenditure Survey, spending on gasoline and motor oil has increased as a share of transportation expenses, but is offset by declining spending on maintenance and purchases of new and used cars and trucks[16].

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[10] Colby, Sandra L., and Jennifer M. Ortman. "The Baby Boom Cohort in the United States: 2012 to 2060." U.S. Census Bureau Current Population Reports P25-1141. Print.
[11] Villarreal, Pamela. "How Are Baby Boomers Spending Their Money?." National Center for Policy Analysis: Studies / Retirement No. 341. Web. 11 Sept. 2012.
[12] Taking a cue from the Bureau of Labor Statistics, the NCPA's analysis divides the 45 to 64 age cohort into two groups: ages 45 to 54 and ages 55 to 64.
[13] "Quarterly Report on Household Debt and Credit," Federal Reserve Bank of New York, May 31, 2012
[14] "Nearly 60 Percent of Parents Financially Supporting Adult Children," National Endowment for Financial Education, May 2011.
[15] Steve Thompson, "Baby Boomers Drowning in Debt," Annuity News Journal, June 29, 2011.
[16] Bureau of Labor Statistics, Consumer Expenditure Surveys, 1990-2010, U.S. Department of Labor. The Consumer Expenditure Survey divides 45 to 64 year olds into two groups: ages 45 to 54 and ages 55 to 64.

Differences in Spending Habits: Seniors vs. Baby Boomers

As people age, their spending habits change. Clues to how the consumption patterns of today's baby boomers will change as they move into retirement can be found by examining the differences between the current spending habits of boomers (people in the 45 to 64 age cohort) and seniors (people in the 65+ age cohort).

According to the 2012 Consumer Expenditure Survey, seniors spent less on entertainment and consumption than boomers across all categories, but spending in some categories declined more than others[17]. The largest differences in expenditures were in the "apparel and services" and "food away from home" categories, in which seniors spent 44% and 40% less than boomers, respectively. Senior spending on alcoholic beverages and entertainment were both roughly one-third less than spending in these categories by boomers. Seniors spent 25% less than boomers on food at home.

Fortunately for Florida retailers, the growth in Florida's senior population will more than make up for the collective impact of the decline in individual consumption spending that accompanies aging. Given the differences between baby-boomer and senior spending habits, grocery and senior-related entertainment sectors will fare particularly well, followed by restaurants and apparel. Demand for commercial real estate space that caters to these retailers is poised to increase steadily over the next decade and a half. In addition, demand for medical-related retail space will certainly increase as boomers retire to Florida.

[17]"Consumer Expenditures in 2012." BLS Reports (report 1046). www.bls.gov.

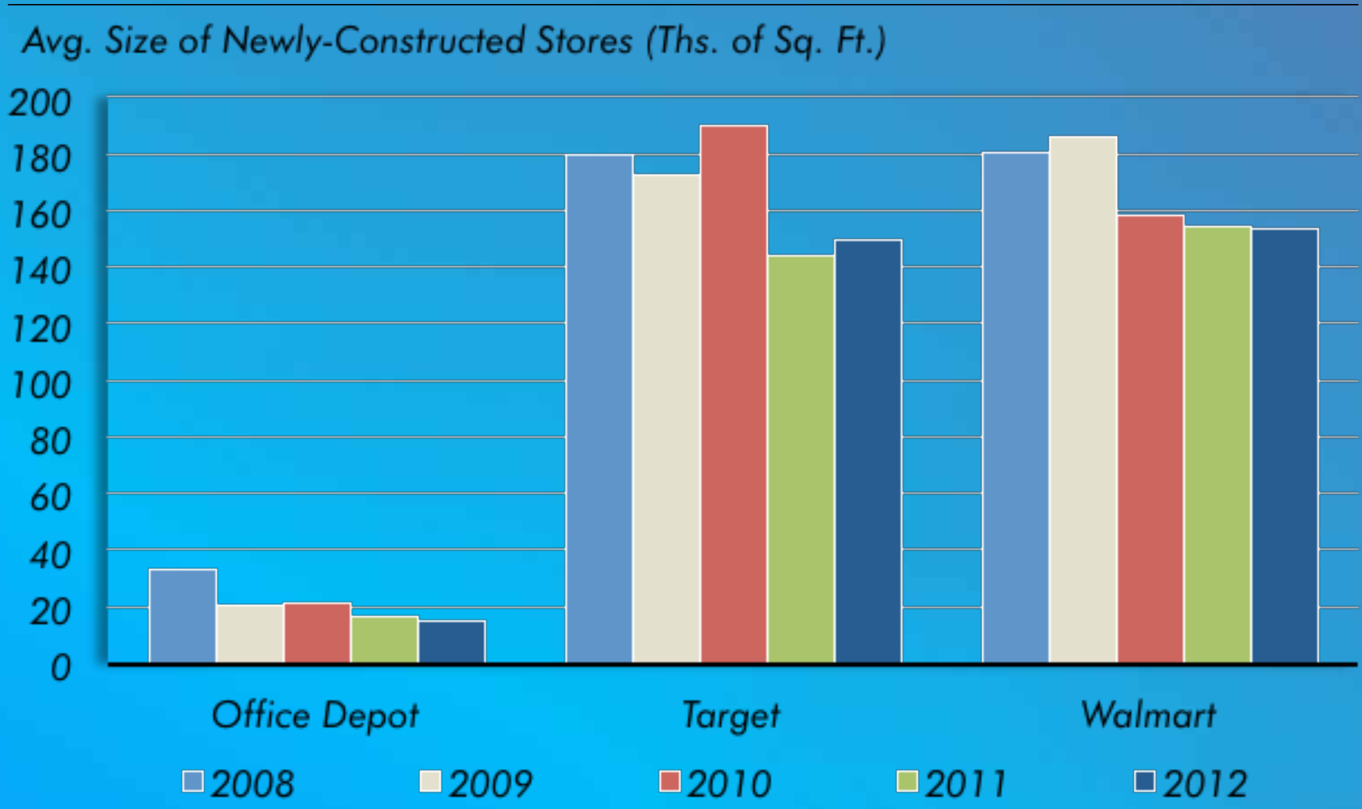
Focus on Urban Centers

Retailers are seeking space in city centers in order to be more accessible to customers. During the housing boom of the last decade, many retailers sought space near suburban (and ex-urban) housing developments in order to be proximate to future residents. Chastened by the recession, retailers are now seeking space close to where their customer base currently lives. This push by retailers to enter urban areas comes with smaller-format stores, focused inventory and omni-channel marketing/delivery. New development is costly in urban areas, as land prices are high and existing properties frequently need to be purchased and demolished in order to build. As a result, not all retailers can afford new development on urban sites, so they are downsizing their formats in order to fit into existing space. Reuse instead of new construction can provide significant savings.

Big box retailers have initiated smaller format stores to penetrate dense urban areas that have higher foot traffic. This is counter to their prior practice 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.

The vacant space left in the wake of downsizing by big box retailers has opened new avenues for the delivery of other services. Anchors such as gyms and health centers are becoming the norm for retail centers. These services bring regular foot traffic, which serves to reduce vacancies and increase sales for inline retailers. Service providers also benefit from this arrangement, as retail locations provide high visibility and easy access for customers.

Diminishing Store Size



Source: CBRE-EA/Dodge Pipeline, Q2 2014.

Mixed-Use Development

The American Planning Association defines mixed-use development as development that blends residential, commercial, cultural, institutional and, where appropriate, industrial uses. Mixed-use development allows for greater housing variety and density; reduces distances between housing, workplaces, retail businesses, and other destinations; encourages more compact development, strengthens neighborhood character; and promotes pedestrian and bicycle-friendly environments[18].

As green space becomes built out, mixed-use projects offer higher-density living and working environments, often in close proximity to transit. Mixed-use development drives the live, work and play dynamic, particularly in urban areas. Over the past ten years, Florida housing has been developed around a community theme with commercial and recreational amenities in close proximity, in particular retail uses. This phenomenon has primarily occurred in suburban areas where lifestyle centers are beginning to dominate the retail landscape. Florida still has a substantial amount of undeveloped land and there will remain an emphasis on these sprawling suburban mixed-use communities. However, in recent years, Florida's urban areas have become attractive, to the millennial generation in particular, and high-density mixed-use projects are becoming more prevalent. Additionally, the remaining land in and around Florida's urban centers is increasingly becoming scarce and more valuable to developers, driving the need for higher-density projects in these areas. City planners recognize the need to move away from single-use zoning and have created zoning districts and future land use plans that require or encourage higher-density mixed-use projects that will sustain urban economic growth into the future.

It is now common to see mixed-use projects in urban areas throughout the State of Florida. However, there are four projects of note currently under construction, or in the planning phase, that will be particularly transformative to the landscape upon completion. Three of these will be located in the Miami market: Brickell City Centre, Miami Worldcenter and the All Aboard Florida Miami Station. The fourth project, located in Orlando, is the I-Drive entertainment complex, which combines the Orlando Eye and the mixed-use I-Shops development.

Brickell City Centre Rendering

Image Courtesy of commons.wikimedia.org/Clayton G - Swire Properties, Inc

[18]https://www.planning.org/nationalcenters/health/mixedusedevelopment.htm

THE CHANGING FACE OF FLORIDA RETAIL


Miami World Center

Brickell City Centre and Miami Worldcenter are significant in scope and brought to the Miami market by development teams from Asia. The two projects will transform Miami's urban landscape in a way few other recent projects have in Florida. Miami is attracting this international investment capital based on its long-term potential as it develops into a world-class hub for culture, technology, trade and finance. Brickell City Center, currently under construction, is located in the center of the Brickell financial district on 9.1 acres. The project will include 5.4 million sq. ft. of office, residential, hotel, retail and entertainment space with two underground parking garages. The project will be easily accessible via the Miami Metromover and Interstate 95.[19]

The Miami Worldcenter will sit on approximately 30 acres between South Beach and the Central Business District. The site sits south of Interstate 395 and east of Interstate 95, providing close access from these transportation routes. Additionally, several Metromover stations and the Metrorail are located along the east and west project boundaries. The Miami Worldcenter is anticipated to be the largest mixed-use development in the U.S. and to include retail, hospitality and residential space. The project is expected to begin construction in Q4 2014 with completion expected late 2016. Bloomingdale's and Macy's have already signed as anchor tenants.[20]


All Aboard Florida Miami Station

Source: allaboardflorida.com

All Aboard Florida is an intercity passenger rail project being developed by Florida East Coast Industries, LLC, that will connect Miami to Orlando with intermediate stations in Fort Lauderdale and West Palm Beach. This will be the first privately owned, operated and maintained passenger rail system in the U.S. The Miami terminal will be a multimodal, mixed-use hub for transit that will connect to the existing public transportation network. The station will occupy approximately nine acres in downtown Miami and two acres in Overtown. The downtown hub will include mixed-use development with residential and office components and a retail concourse. Each station along the route from Miami to Orlando will include retail and restaurant space.[21, 22] The project is expected to stimulate the economic growth of Miami and Orlando, as well as the state as a whole. The impact of tourism and the investment in commercial real estate in these two urban areas, as well as points along the rail route, will be significant.

[19]https://www.planning.org/nationalcenters/health/mixedusedevelopment.htm
[20]http://www.miamiworldcenter.com/
[21]http://www.allaboardflorida.com/facts/miami-station.html
[22]http://www.allaboardflorida.com/files/6.-all-aboard-florida-miami-design-unveiling-release-final-5.28.14.pdf

Orlando's new I-Drive entertainment complex will transform the International Drive experience for visitors and residents alike. The complex includes two sister projects, the Orlando Eye and I-Shops, currently under construction by Unicorp National Development, Inc. The Orlando Eye is being developed on 20 acres between International Drive and Universal Boulevard. The complex will include the Madame Tussauds Wax Museum, Sea Life Aquarium, and a 425-foot-high "Orlando Eye" observation wheel. Retail outparcels and inline space will front International Drive with a resort hotel planned in Phase II. The Orlando Eye is anticipated to open December 2014.[23]

The sister project, I-Shops, is located north of the Orlando Eye at the intersection of International Drive, Sand Lake Road and Universal Boulevard. The project sits on 42 acres with over 680,000 sq. ft. of retail and restaurant space for both small and large-box tenants. The project also includes the redevelopment of the Wyndam Hotel. The I-Drive entertainment complex is well positioned in relation to Orlando's theme parks and residential communities with immediate access to Interstate 4.[24]

Source: www.unicorpusa.com/photo-gallery

Florida has a diverse mix of mixed-use projects in both suburban and urban locations. However, the aforementioned projects are large in scope and have the ability to transform the surrounding communities. These projects will attract a great number of visitors and contribute to Florida's improving economy.

[23]http://assets.bizjournals.com/orlando/pdf/Orlando%20Eye%20presentation.pdf
[24]http://www.unicorpusa.com/sites/default/files/I_Shops_Orlando_Package_10-03-11.pdf

E-Commerce

Consumers have more ways than ever to shop today without ever setting foot inside a store with the use of: smartphones, tablets, social media and apps. The rise of e-commerce is tied to changes in lifestyle and economic conditions, and the emergence of convenience as an overriding factor in purchasing behavior. E-commerce has had an unequivocal influence on brick and mortar retail by shrinking stores, propagating "showrooming" and driving logistics efficiency and inventory optimization. Brick and mortar retailers have had to adapt to an ever-changing model that requires them to be dynamic, efficient and cognizant of the changing retail environment.

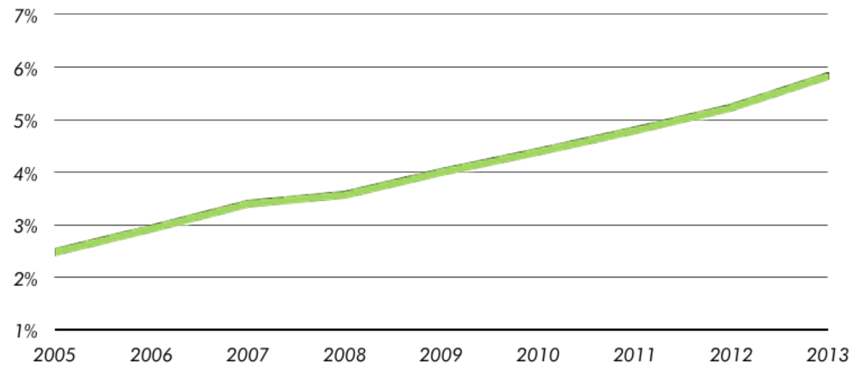
Retailers are increasingly integrating physical stores and websites into omni-channel platforms under unified brands. As a result, retailers need less square footage and fewer physical stores. They have embraced showrooming, encouraging consumers to browse goods at a store, then purchase online.

Retail stores are used both as a place to sell goods and to warehouse them. As consumers increasingly buy goods online, retailers are concluding they do not require as much sale floor space as they once did. With the advent of e-commerce, retailers are no longer holding inventory at their locations. Inventory does not have to sit in the back of the store waiting for a consumer to purchase it. Rather, inventories can be tied to consumer purchasing patterns.

In addition, the consumer is no longer tied to the inventory on hand at a given location. A consumer can view a particular item and either make the purchase at the location or, if that item is not in stock, purchase online. The consumer does not have to leave empty-handed and the retailer does not lose a sale. National retail chains have an underutilized advantage that can give them an edge in the e-commerce realm. Many purely online retailers have next-day shipping and are trying to shorten their delivery time with strategically placed regional warehouses. Retailers with physical locations can achieve that and better with same-day delivery using physical stores as fulfillment centers. Underutilized inventory and employees at their physical stores can be used in the same manner as the warehouses to deliver goods on a timely basis. This is undoubtedly beneficial to a retailer with both an online presence and physical stores. Retailers taking a consumer-centric focus will create brand loyalty and recognition. Capitalizing on an existing platform and optimizing existing resources and inventory is an endeavor worth pursuing.

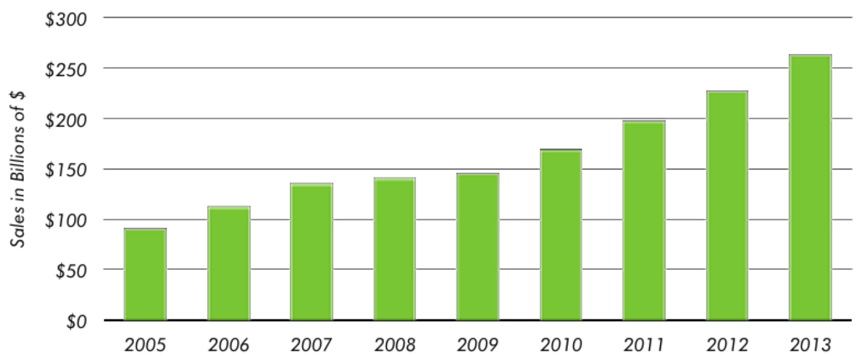
E-commerce's impact has been measurable on the retail environment. Retailers have shrunk store footprints in the face of showrooming. They have had to maximize their logistics and delivery platforms. Following that, they have had to refocus their inventory to match consumer demand. Retailers with an omni-channel platform need to clearly identify and develop capabilities that will create distinct advantages over purely online retailers. Physical retail locations need to be fine-tuned to be showrooms, fulfillment centers and be consumer-centric.

E-Commerce as % of Total U.S. Retail Sales



Source: CBRE Research, U.S. Census Bureau, July 2014

Total U.S. E-Commerce Sales



Source: CBRE Research, U.S. Census Bureau, July 2014

3D Printing

3D printing technology has been around for two decades. However, adoption from industrial use to commercial and eventually greater mass-market personal use has been a recent trend. This was made possible by key technologies, such as the personal computer, high-performance precision motors and new classes of raw materials (plastics and metals).

Staples was the first major retailer to sell 3D printers. Now they have opened 3D print shops inside stores, which have created opportunities for customers to create their designs without investing in their own printer. The use of 3D printers will help with prototyping new products, which will lead to more localized manufacturing and, in turn, help reduce supply chain costs. Companies such as Amazon and Home Depot are also selling 3D printers.

The 3D printing market is set to grow explosively in the next two decades, with 2014 to 2019 marking the beginnings and early innovations in the field. On example of an early pioneer in this space is Mink, a startup 3D printer manufacturer. Mink has demonstrated a printer that lets users choose any color on the web or in the real world and, using simple pre-existing software, print that color into a blush, eye shadow, lip-gloss or any other type of makeup. Looking forward, the advent of 3D printing will allow retailers to create and deliver products in small quantities and see how successful the product introduction is before mass-producing through large-scale manufacturing to meet higher demand. 3D printing will allow retailers to have more product offerings without housing inventory. The consumer and retailer would both benefit from the lower supply chain costs and additional product offerings.

National Capital Markets Overview

A remarkable rebound in retail asset prices has occurred in the four quarters ending in Q2 2014, as investors re-embrace the sector. Stable Class-A assets benefit from a scarcity premium and the lack of alternative investments, and Class-B assets benefit from a steadily increasing buyer and lender pool. Investors' appetite for risk has increased, and they are aggressively pursuing properties and markets that lagged in the recovery, narrowing the price and liquidity gap between Class A and Class B assets. Demand for Class C assets is still limited because the pool of interested investors is small, financing options for these assets is limited, and risk-adjusted returns are not particularly attractive.

According to data from Real Capital Analytics, volume in the first five months of 2014 increased 73% compared to the first five months of 2013, the best performance among all property types.[25] Sales volume through May for strip centers was up 31% year over year, while the sales volume for malls and other retail assets was up 110%. As of May 2014, cap rates were trending lower, with both strip centers and the sector as a whole falling 10 bps, while cap rates for malls and other retail asset types fell 20 bps. Nationally, cap rates on retail properties average 6.7%, 25 bps lower than at the start of the year.

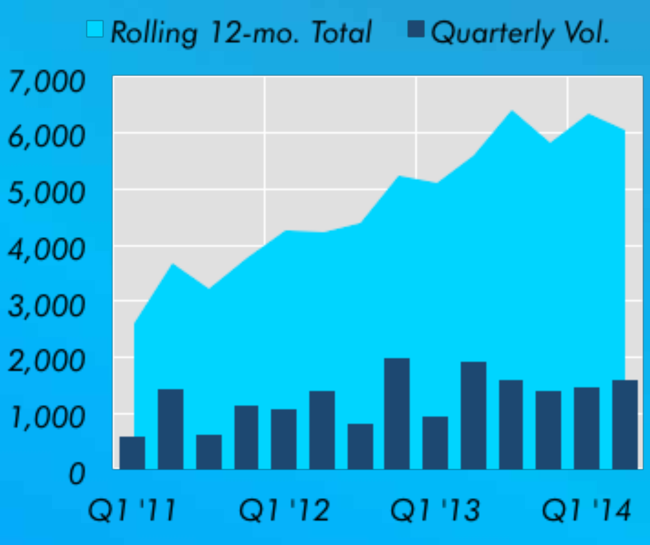
Florida Sales Trends

Florida's investment trends are positive. Florida retail sales during the 12-month period ending June 2014 totaled $6.1 billion, 8% higher than the total as of June 2013. In terms of the number of properties, sales increased 10%.

Recently, the velocity of sales has increased. $1.6 billion in retail sales occurred during Q2 2014 alone, an increase of 9% relative to the prior quarter. The increase in the dollar volume reflects more sales of smaller assets. While the dollar volume increased 9% quarter over quarter, the number of properties sold increased 22% and the total square footage sold declined 9%.

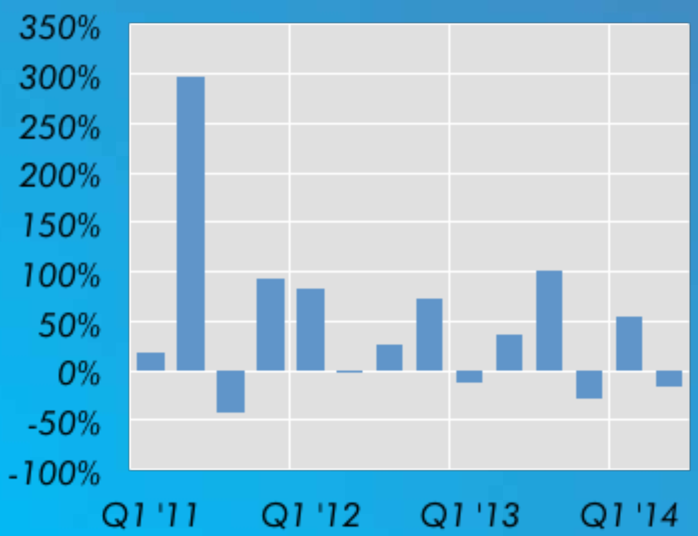
Prices for retail assets in Florida have increased over the last year. The average price per sq. ft. during the 12 months ending June 2014 was $185, an increase of 24% over the average for the 12 months ending July 2013. Florida's 12-month average price per sq. ft. in June 2014 was just slightly less than the national average of $187 for the same period. Prices have increased rapidly in Q2 2014, with the statewide quarterly average price increasing to $281 per sq. ft., an increase of 139% over the first quarter.

Florida Retail Sales by Total $ (mil)



Source: CBRE Research, Real Capital Analytics, July 2014

Year-over-Year Change in Florida Retail Sales (Quarterly $ Vol.)

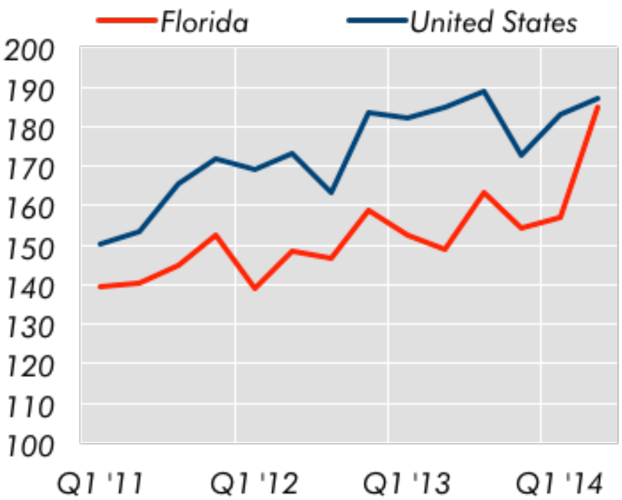


Source: CBRE Research, Real Capital Analytics, July 2014

[25] The information maintained by RCA and presented in this section encompasses markets nationally and includes only properties or portfolios $2.5 million or greater. Readers should note that there is substantial investment activity that falls below this threshold and is not captured in this report.

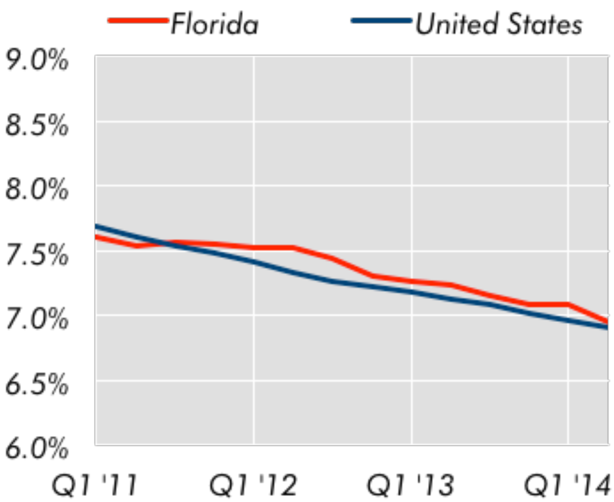
The average cap rate in acquisitions of Florida retail assets is decreasing, reflecting the national trend. Florida's 12-month average cap rate declined 30 bps year over year to 6.95% in June 2014, while the national average declined 22 bps over the same period. The decline in cap rates accelerated in the second quarter. The average cap rate in Florida during Q2 was 6.6

12-Month Average Price ($) Per Sq. Ft.



Source: CBRE Research, Real Capital Analytics, July 2014

Average Cap Rate (Yield)



Source: CBRE Research, Real Capital Analytics, July 2014

Who are the Buyers?

Nationally, institutions are strong buyers of core properties in major markets—solving for unlevered IRR's below 7% for the best Class A offerings. Some institutions are pursuing core in secondary markets. Demand from offshore investors is extremely high, with German, Canadian and Israeli investors notably active, and others emerging. Offshore investors are pursuing both Class A and Class B properties, depending on the preference of the individual investor. REITs are also active buyers, though they have been selective and focused on core assets. Meanwhile, they have been disposing of "non-strategic" assets. Private REITS are raising capital and pursuing stable assets, most successfully in secondary markets and with sub-Class-A properties. Private investors are increasingly active, in part reflecting their emerging ability to compete for solid Class B assets using CMBS and bank debt.

Cross-border investment in Florida's retail market has boomed in 2014, thanks to two large acquisitions by foreign institutional investors. As of June, cross-border investors had acquired roughly $1 billion in retail assets in the state of Florida, versus roughly $271 million for the entirety of 2013. Year to date, cross-border buyers accounted for 25% of acquisitions in the state by dollar volume, versus 5% in 2013 and 7% nationally.

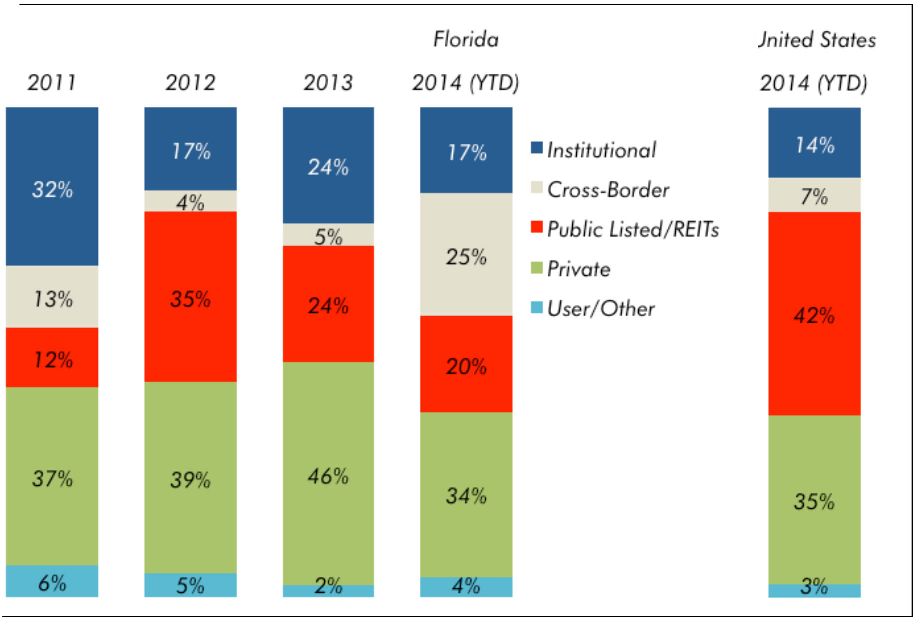
Two acquisitions account for the lion's share of cross-border capital that has entered the Florida retail market this year: Dutch investor APG's purchase of International Plaza in Tampa as part of a joint venture with TIAA-CREF, and Deutsche Bank's acquisition of St. Johns Town Center in Jacksonville.

With yields on U.S. Treasuries near historical lows and foreign property markets offering few investment opportunities and low yields, commercial real estate in Florida has become particularly attractive to foreign investors. Moreover, Florida markets offer a safe, reliable and secure investment environment relative to many foreign markets. Foreign investors tend to focus on prime, Class-A retail properties that they will be able to sell relatively easily when they need to free up capital.

Purchasing prerogatives have changed for South American investors. Previously, Southeast Florida was their primary target area. In recent transactions, these investors have moved beyond the borders of South Florida to look for retail assets in other parts of the state. The West Coast of Florida has seen an influx of South American investors looking for smaller shopping centers. Investors from Venezuela, Paraguay, and Argentina have been actively bidding on unanchored strip shopping centers.

CAPITAL MARKET TRENDS

Buyer Types



Source: CBRE Research, Real Capital Analytics, July 2014

Underwriting Trends

Buyers are focusing on property fundamentals and location in their underwriting. Dominant grocery-anchored centers with a combination of leading tenants, high-income demographics and locations in major metro areas with high barriers to entry are commanding premiums. Buyers are scrutinizing tenants' accounts receivable, health ratios and in-place rents, and paying up for properties with sustainable income and defendable revenue projections.

Downsizing by big box tenants is adding complexity to underwriting. Notable examples include Staples, Office Depot, Office Max, Best Buy, PetSmart, DSW and Old Navy.

Financing Conditions

Financing conditions in the U.S. continue to improve with all capital segments actively engaged, leading to tighter spreads and better terms. However, even though lenders have become more competitive, underwriting remains relatively conservative and occupancies high among the properties financed. Financing options are more limited and expensive for properties that are not yet stabilized.

Despite losing some market share nationally, debt backed by CMBS improved its majority share of originations involving anchored strip centers and regional malls in 2013. As of mid-2014, CMBS-backed debt was available with 70-75% LTV and low-to-mid 4% rates.

Regional and local banks greatly accelerated lending and improved market share to 13% in 2013 from 9% in 2012. They have the highest market share nationally for small unanchored properties, where volume and prices surged last year. Banks are currently the primary source of financing for Class C properties, with many banks requiring recourse for such assets.

Although total origination volume by insurance companies was up in 2013, they lost significant market share. Most of that share was lost in secondary markets. Insurance companies are currently offering 60-65% LTV, high 4% rates, 25- to 30-year amortization for high quality assets, and some interest-only debt at low LTVs.

Five years after the financial crisis that caused $72.1 billion of loan defaults in the retail sector, a third of that total remained outstanding at the end of 2013. Distressed sales are much less of a factor in retail asset markets than they used to be, but they remain significant in some markets. For example, Orlando and Jacksonville recorded declines in aggregate prices during 2013 largely due to a concentration of distressed sales.

What's Next?

While retail investment trends reflect a capital environment that has nearly fully recovered, retail leasing fundamentals nationally have only recently started to improve. Just in recent quarters has vacancy started to ebb and NOIs started to increase, contributing to the stellar price appreciation of retail assets over the last 12 months. Going forward, improvement in the fundamentals as opposed to cap rate compression will be primary drivers of price appreciation in most markets. Fortunately, limited new development will assist in the recovery of rents and occupancy rates. Recent momentum, moderate transaction volume and limited alternatives for yield will likely keep pricing strong in the near future. In the short run, offering activity is projected to be stable to slightly higher, but dominated by sales of non-strategic assets from large portfolios and, to a lesser degree, sales due to high LTV recapitalization requirements.

OUTLOOK FOR FLORIDA'S RETAIL REAL ESTATE MARKETS

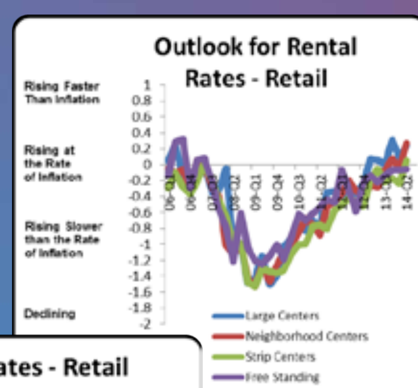
By Timothy S. Becker, CCIM, Director
Kelley A. Bergstrom Center for Real Estate Studies
Department of Finance Insurance & Real Estate
Warrington College of Business Administration, University of Florida

The retail real estate markets in Florida continued their steady improvement through the second quarter of 2014. Improved economic conditions are driving consumers to retail. The unemployment rate for Florida declined to 6.2% in June compared to 7.4% a year ago. This improvement is due to consistent job growth over the past three 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 82, its highest level since June 2007.

Gains in employment and consumer confidence are influencing how real estate experts responded to the 2nd Quarter edition of the UF Bergstrom Center's Survey of Emerging Market Conditions. Respondents continue to project improving fundamentals. Notably, they project increasing occupancy across all retail sectors. Additionally, 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 optimism continues to grow with the outlook at or near survey highs across three of the four sectors. This is being driven in part by the tremendous amount of capital looking for quality properties and the lack of retail development overall. These factors continue the downward trend of cap rates which have declined anywhere from 45 to 75 basis points over the past year.

The optimism for retail real estate should continue to grow over the next year. However, there is still uncertainty that we need to be wary of, including the eventual raising of interest rates, the continued implementation of Dodd-Frank regulations and the coming elections. These issues have the potential to negatively affect the growth and optimism for real estate in general.

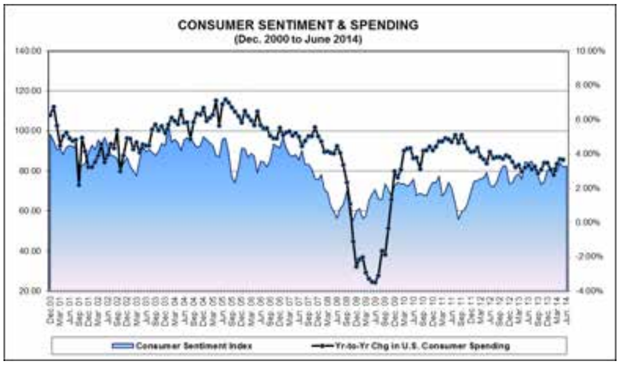


ACADEMIC PERSPECTIVES

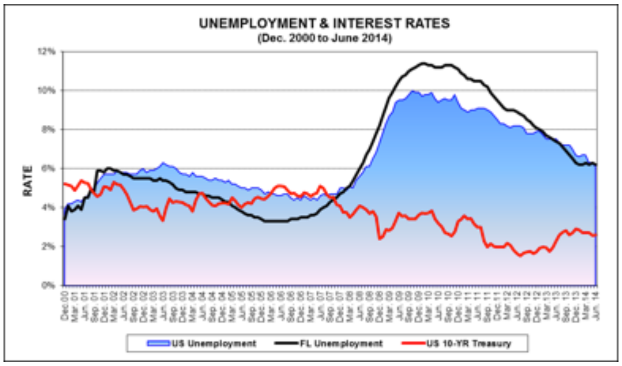
COMMENT ON THE RETAIL PROPERTY MARKET - JULY 2014

By: Dean Gatzlaff, Ph.D.
Mark Bane Professor and Director
Center for Real Estate, Florida State University

The good news in today's economy for the retail real estate market is that unemployment continues to decline and consumer sentiment continues to strengthen, albeit very slowly. The 800-lb gorilla in the room, of course, is whether the economy can strengthen at an increased pace without dramatically driving up interest rates.



Data from the U.S. Bureau of Economic Analysis (BEA) indicate that consumer spending increased at an annual rate of 3.7% in June of 2014. This is up from 2.8% in February. Because consumer spending increases had been slowing since 2011, this is good news should the trend continue. Still, current growth in spending remains substantially below the 5% to 7% figures seen in the early 2000s.



In addition, it is important to note that consumer sentiment has generally trended upward and unemployment rates have persistently declined, both nationally and regionally, over the last five years. More recently, June 2013 to June 2014, unemployment rates dropped from 7.3% to 6.1% nationally and 7.3% to 6.2% in Florida. These are the lowest unemployment levels since the middle of 2008. Of course, the growth in employment has been fueled by interest rate declines, which had tracked downward for several years. This changed course in April of 2013 when rates began to rise and eventually rose about 120 bps to reach 2.9% in December, 2013. Ten-year treasuries have since tailed off to just fewer than 2.5% today.

Research indicates that REIT market performance can provide leading information regarding the movement of values of the underlying property assets held by REITs and the overall property market, in general. Led by the apartment property sector, YTD figures for 2014 indicate that the real estate asset class is one of the strongest performing public equities, with total YTD returns of nearly 15.3% compared to 7.1% in the overall stock market.

FTSE NAREIT - Average Annual Returns by REIT Property Type

Holding Period	U.S. Comm. RE	U.S. Retail	U.S. Office	U.S. Apartment	U.S. Stock (S&P)
10-Yr	12.6%	13.0%	11.3%	14.7%	7.8%
5-Yr	22.9%	25.4%	21.2%	25.3%	18.8%
2-Yr	11.7%	11.6%	11.7%	7.0%	22.6%
1-Yr	13.0%	13.2%	16.1%	12.2%	24.6%
YTD	15.3%	15.1%	16.7%	21.6%	7.1%

Looking closer at the retail REITs, we see that free-standing retail has led the sector since the 2008 decline; however, performance of REITs with interests in regional malls has been especially strong. The spike in interest rates slowed retail property investment performance across the sector in 2013, but performance has since rebounded.

In summary, we see a slow growth retail market that continues to expect improved growth in consumer spending resulting from further declines in unemployment, while being highly sensitive to the possibility of interest rate increases.

THE CAPITAL AND DEAL MARKETS
Record-high fundamentals. What will it mean?

By: Joshua Harris, Ph.D., CAIA
Director, Dr. P. Phillips Institute for Research and Education in Real Estate
Dr. P. Phillips School of Real Estate, University of Central Florida

On the first Friday of June 2014, something very important occurred that received relatively little praise or mention of its true economic relevance; that event was the US Bureau of Labor Statistics release of the May 2014 statistics showing employment had reached an all-time high (See exhibit 1). Merge this with the record-setting level of retail sales (its recovery from recession actually occurred in 2011, see exhibit 2), and one must conclude that broad level of economic health in this nation is actually quite good, despite what television pundits have to say. Thus, the obvious question is: what will this mean to the retail real estate investment marketplace?

Retail real estate appears to be responding well as PPR/Prudential Real Estate Investors reports that physical net absorption of retail space is occurring at its fastest pace since the recession. Many "boxes" are getting re-let with new anchors that once again have the confidence to expand and feel the pressure to not loose key footholds to competitors. Further, still very low relative rates of new construction are helping to keep the supply/demand balance in check. Hence, I predict that this trend will likely persist for many years to come assuming the economy remains on track.

Real estate investors also appear more optimistic as 2013 sales of retail properties were 10% higher than 2012, according to CoStar. Interestingly this was less than the growth of office, multifamily and industrial properties that have appeared to continually catch institutional investors' eyes more intently in recent years. Still, cap rates of most categories of retail properties sit in the low 7% range, right near the cap rates of CBD office properties, according to Integra Realty Resources indicating that retail is not "cheap" by any standards. Will retail properties become the next darling of the institutional buyers?

Interestingly, some very unique types of retail properties already have found popularity. Those deemed "high street retail" which effectively equates to retail centers and malls in highly affluent areas with great location (think: best of the best) and high-credit-rated, tenant-anchored (including single-tenant and some grocery-anchored neighborhood centers). These properties are deemed to have long-term staying power with a relatively high likelihood of rental rate increases over the long term. More broadly, many neighborhood centers, power centers, strip centers and most regional malls are still deemed relatively more risky, as many large anchor tenants are still at risk of mass or targeted store closings with fewer and fewer replacement tenants looking.

Going forward, this persistently low interest rate environment should, along with the improved property/economic fundamentals, create more and more demand for investments in retail properties. In fact, a consensus forecast survey conducted by the Urban Land Institute and the major accounting firm EY predicted increasing commercial property transaction volume with a record high coming in 2016. Retail properties will likely be an increasingly larger share of that volume in the coming years as the economy grows and unemployment continues to fall.

How does our home state look? Florida continues to be one of the best positioned states in the country in terms of job growth and population growth, a powerful combination that should lead to increased demand for retail space and even growth in retail rental rates. This economic boom is coming from many factors including global trade, relocations and expansions by large firms (Hertz moving to Estero for example), resurgence of the retirement boom (The Villages near Ocala is set to sell out by 2017), and of course the ever-growing tourist sector.

Have these trends already had an impact on the state's retail property market? Yes, Florida hosts several markets where large, established out-of-state retailers are aggressively entering and opening stores (Wawa and Trader Joe's for example). I believe this trend will continue meaning very positive results for Florida retail landlords in the future. In fact, retail property values could move much faster in Florida than the nation as a whole given the data observed.

Exhibit 1: Retail Sales Continue To Set Record Highs

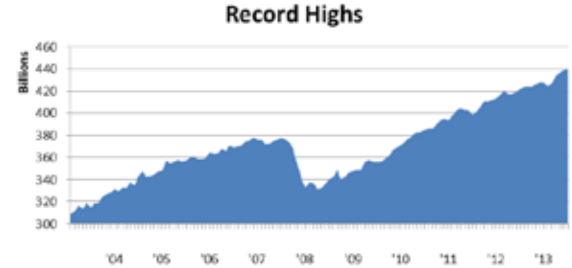
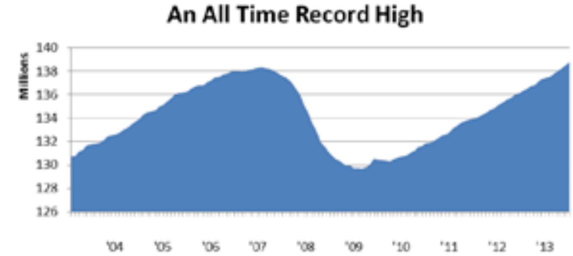


Exhibit 2: Employment in America Just Set An All Time Record High



ACADEMIC PERSPECTIVES

GROSS SALES IN FLORIDA :: 2002-2014

By: Jessica Rutherford, Ph.D. and Ronald Rutherford, Ph.D.
Department of Finance
College of Business, University of South Florida

USF UNIVERSITY OF SOUTH FLORIDA

This report highlights annual trends over 2002-2014 in Florida Gross Sales across four out of 85 categories tracked by the state of Florida Department of Revenue (DOR). The four categories are: General Merchandise Stores, Apparel and Accessory Stores, Lumber and Building Materials Dealers, and Lease or Rental of Commercial Real Property. These four categories reflect trends in retail and the general real estate market in Florida. In 2012 and 2013, these four categories accounted for more than 17 percent of total Gross Sales in Florida. All four categories experienced positive growth during 2013.[1]

Overall, the results suggest that retail sales in Florida are robust; that the growth rate of new construction is slowly recovering; and total active commercial real estate leases remain at levels we experienced before the recession.

The largest category selected is General Miscellaneous Merchandise Stores (GMMS) that now includes a prior category: "Department Stores." GMMS had approximately $111 billion in Gross sales in 2013. GMMS from 2002-2007 increased, with 2008 essentially the same as 2007. There was a small decline in 2009 and 2010 before the start of another upward trend in 2011. Apparel & Accessory Stores (AAS) show a similar pattern, but at about 13% the dollar value of GMMS.

This second graph shows the same categories, but provides the percent change by year for each of the categories. The recession is evident for 2008 and 2009, with GMMS still negative in 2010, but with positive growth returning in 2010 for AAS. These graphs suggest that retail experienced a shallow recession with a return to pre-recession level of gross sales during 2011. The same general trends are evident when sales are adjusted by population (not shown on graph).

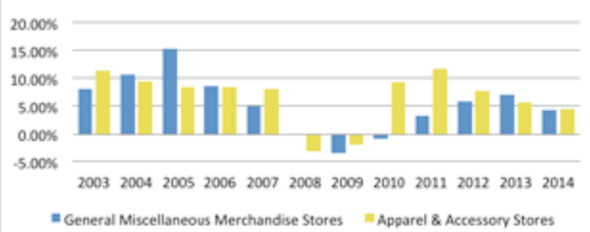
What does all this mean for the future of retail sales growth? In short, there is evidence that we are in a period of positive growth in retail sales. Retail sales are considerably larger than the pre-recession levels by a factor of 6% (or 1% growth per year) for GMMS, and approximately 25% (or 3.8% growth per year) for AAS.

The second set of categories examined in Graph 3 relate to Construction and Real Estate Leasing. An improvement in Construction is key to the broader economic recovery. Gross sales for Lumber and Other Building Material Dealers (LOBMD) are highly correlated with Construction activity. In Graph 3, LOBMD declined from a high of $25 billion in 2006 to a low of $14 billion in 2010. Current 2013 levels are at $17 billion, leaving us about 32% below the peak or at a level slightly larger than the 2003 level of gross sales for LOBMD.

The Lease or Rental of Commercial Real Property (LRCRP) reflects a different aspect of the real estate market and the economy in general. While we had steep declines in values for both commercial and residential properties, it appears that Gross Sales and Taxable Sales for LRCRP remained stable throughout the recession. The trend reaches a high in 2009-2010 with a slight drop in 2011 and 2012, and reaching a new high in 2013. The data does not reveal whether tenants expected a turnaround and thus held their lease or if new leases were negotiated and signed.

Graph 1: Two Categories of Florida Gross Sales in Billions of Dollars 2002-2014, *2014 is estimated*

Graph 2: Percent Change in Two Categories of Florida Gross Sales 2002-2014, *2014 is estimated*



Graph 3: Two Categories of Florida Gross Sales in Billions of Dollars 2002-2014, *2014 is estimated*

[1] The data is the annualized Gross Sales by "Kind Code" associated with Florida Sales Tax Receipts, (Forms 9 & 10). See: http://dor.myflorida.com/dor/taxes/colls_from_7_2003.html
[2] See: http://dor.myflorida.com/dor/forms/current/gt800016.pdf. There is a sales tax of 6% due on the total rent to use or occupy commercial real estate.

Provided by:
Ivy Z Greaner – Lennar Commercial
ICSC Florida Government Relations Chair
ivy.greaner@lennarcommercial.com

Florida Legislative Session

The 2014 Legislative Session was a busy one, although not as productive as we would have liked. Of the 1,812 bills filed, only 264 passed the Legislature. These are the fewest bills filed and passed in a decade. The Legislature agreed on a record $77 billion budget that includes $3 billion in reserves and $500 million in tax cuts. The budget process was aided by $1.2 billion in surplus revenue. The Legislature passed low THC medicinal marijuana as well as in-state tuition for illegal immigrants. They did not act on more controversial issues like gambling, pension reform, revisiting stand your ground laws or considering some of the more controversial health care reform proposals.

Specific to tax relief, the majority of the $500 million was invested in a reduction in the vehicle registration fees ($395 million). The focus of the remaining $105 million was on sales tax holidays including a three-day back-to-school sales tax holiday (Aug. 1-3), a sales tax holiday on energy-efficient appliances (Sept. 21-23), and a sales tax holiday on hurricane preparedness supplies. Left out of any tax relief was both a reduction in the sales tax on commercial leases as well as a reduction in the communications services tax on cable and phone bills. These issues were primarily left out due to their large fiscal impacts.

Summarized below are some of the key legislation that were considered during the 2014 session:

Reduction in the Sales Tax on Commercial Leases
SB 176 by Sen. Hukill (R-Port Orange) – HB 11 by Rep. Steube (R-Sarasota)

These bills attempt to reduce the sales tax on commercial leases. The Senate bill lowers the sales tax by 1%. The House bill lowers the tax by 1% per year until the tax is completely phased out. Governor Scott's budget included $104 million set aside to reduce this tax by approximately 0.5%.

What a reduction in the sales tax on commercial leasing currently costs the State of Florida in tax revenue:

- 1 cent = $235.4 million recurring
- 0.5 cent = $117.7 million recurring
- 0.25 cent = $58.9 million recurring
- 0.125 cent = $29.4 million recurring
- 0.0625 cent = $14.7 million recurring

This legislation did not become law during the 2014 Legislative Session. We worked hard to have some reduction in the sales tax on commercial leases included into the $105 million tax reduction package to no avail. Some legislators felt that the cost of reducing this tax was so high that even a small reduction would have no tangible impact in the market and therefore not worth the investment. The $105 million tax relief package, HB 5601, includes various sales tax holidays, sales tax exemptions, and other various tax policies both permanent and temporary.

E-Fairness
HB 857 by Rep. Rouson (D-St. Petersburg) – Streamlined Sales and Use Tax Agreement
HB 217 by Rep. Rehwinkle-Vasalinda (D-Tallahassee) – Streamlined Sales and Use Tax Agreement
SB 818 by Sen. Margolis (D-Miami) – Streamlined Sales and Use Tax Agreement
SM 196 by Sen. Margolis (D-Miami) – Marketplace Fairness Act of 2013

Three of these bills attempt to align Florida with the Streamline Sales Tax Agreement. Senate Memorial 196 encourages the U.S. House of Representatives to pass the Marketplace Fairness Act of 2013. SM 196 was voted down by the Florida Senate and HB 857, HB 217 and SB 818 never received a hearing in any committee during the 2014 Legislative Session.

GOVERNMENT RELATIONS UPDATES

Growth Management – Longboat Key Glitch
SB 374 by Sen. Detert (R-Venice) and Rep. Boyd (R-Bradenton)

This bill is intended to fix a glitch in the growth management law related to Longboat Key. The legislation removes from law the requirement that the initiative or referendum affect more than five parcels of land. The bill prohibits initiative or referendum processes for any local comprehensive plan amendment or map amendment, unless the initiative or referendum process is expressly authorized by specific language in a local government charter and in effect on June 1, 2011. SB 374 passed the Florida Senate by a vote of 35-0 and the House of Representatives by a vote of 117-0.

Growth Management – Transportation Impacts
HB 7023 by Rep. Hutson (R-Palm Coast)

This legislation is the economic development package. It includes language that extends certain building permits issued by DEP, a water management district, or a local government for a period of two years. It also includes language relating to DRIs by exempting certain Dense Urban Land Use from aggregation requirements. HB 7023 passed the Senate by a vote of 38-0 and the Florida House of Representatives by a vote of 113-0.

Developments of Regional Impact
SB 372 by Sen. Galvano (R-Bradenton) – HB 241 by Rep. Gaetz (R-Shalimar)

This bill reduces the minimum population and density requirements for counties to qualify as a dense urban land area. It would designate an additional seven counties and 20 municipalities as dense urban land areas. The bill exempts any DRI-exempt development from the DRI aggregation criteria. This legislation did not become law during the 2014 Legislative Session.

Environmental Regulations
SB 1496 by Sen. Simpson (R-Trilby) – HB 703 by Rep. Patronis (R-Panama City)
This legislation is a comprehensive and controversial environmental regulation glitch bill that makes multiple changes to environmental permitting laws. This legislation did not become law during the 2014 Legislative Session.

Development Exactions
SB 1310 by Sen. Evers (R- Pensacola) – HB 1077 by Rep. Perry (R-Gainesville)
This legislation prohibits local governments from imposing development exactions on private property. This is legislation from the Florida Homebuilders Association that Doug Buck spoke to ICSC members about during our annual Fly-in. This legislation did not become law during the 2014 Legislative Session.

ICSC Federal Legislative Update
The current ICSC priorities at the Federal level include internet sales tax fairness.[26] Additionally, we continue to track 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.

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, DC. 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.

[26] To read an op-ed in favor of "e-fairness", follow this link: http://triblive.com/opinion/featuredcommentary/6298521-74/fairness-tax-businesses#ixzz38TZ8kzyc

MARKET SNAPSHOTS

- MIAMI-DADE COUNTY
- BROWARD COUNTY
- PALM BEACH COUNTY
- TAMPA BAY MSA
- ORLANDO MSA
- JACKSONVILLE MSA
- NAPLES MSA (COLLIER COUNTY)
- CAPE CORAL-FORT MYERS MSA (LEE COUNTY)
- PORT ST. LUCIE MSA (MARTIN AND ST. LUCIE COUNTIES)
- NORTH PORT-BRADENTON-SARASOTA MSA (SARASOTA AND
- MANATEE COUNTIES)
- LAKELAND-WINTER HAVEN MSA (POLK COUNTY)
- OCALA MSA (MARION COUNTY)
- GAINESVILLE MSA (ALACHUA AND GILCHRIST COUNTIES)
- PANAMA CITY-LYNN HAVEN-PANAMA CITY BEACH (BAY COUNTY)
- PENSACOLA-FERRY PASS-BRENT MSA (ESCAMBIA AND SANTA ROSA COUNTIES)
- TALLAHASSEE MSA (GADSDEN, JEFFERSON AND LEON COUNTIES)
- DELTONA-DAYTONA BEACH-ORMOND BEACH MSA (VOLUSIA COUNTY)
- PALM BAY-MELBOURNE-TITUSVILLE MSA (BREVARD COUNTY)

STATS AT A GLANCE

Occupancy:	96.1%
Leasing Rate:	$40.35 NNN
Population:	2,641,834
Unemployment:	7.6%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

MIAMI DADE COUNTY

MARKET SNAPSHOTS

HIGHLIGHTS[27]

- Bal Harbour Shops announced plans to add a third anchor store, Barneys New York, while current anchors, Saks Fifth Avenue and Neiman Marcus, have announced plans to expand within the luxury shopping complex. Macy's and Bloomingdale's have signed as anchor tenants at Miami Worldcenter. Brickell City Centre has yet to announce anchor tenants.

- All Aboard Florida revealed the renderings of the Downtown Miami train station which is being designed by Skidmore, Owings & Merrill and Zyscovich Architects. The station will feature tracks elevated 50 feet above the street with retail below, signature angled V-shaped columns designed to capture the light and nearly three million sq. ft. of residential, commercial, office, retail and parking.

- 720 Lincoln Road sold during the quarter for an astonishing $34.5 million, or $4,969 per sq. ft. The 6,943-sq.-ft store is currently leased to American Apparel and Caché.

- 818 Lincoln Road sold for $34.5 million, or $4,119 per sq. ft. The 8,375 sq. ft. building, built in 1935, was last sold in 1993 for $335,000 and is home to Brazilian artist Romero Britto's South Beach gallery.

- Aventura-based developer, Triarch Investment Group, acquired a 23,221-sq.-ft. retail building at 666 71st Street in Miami Beach for $2.8 million. Triach also owns One Turnberry Place and Aventura Town Plaza.

Retail sales have increased in Miami, due in part to increased tourism and visitor spending as well as sound levels of job creation. Healthy leasing activity during Q2 2014 is helping the average vacancy rate to decline to an all-time low, decreasing to 3.9%, 20 basis points lower than Q1 2014. The average asking rate climbed to $40.35 per sq. ft. in Q2 2014, $0.97 higher than Q1 2014 and $5.31 higher year over year.

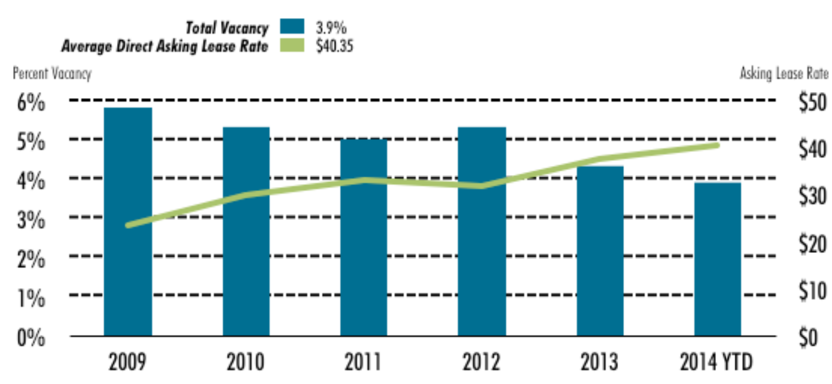
Home to over 2.5 million residents, welcoming over 14 million visitors annually, serving as headquarters to over 1,000 multinational corporate offices and the largest concentration of domestic and international banks south of New York City—Miami is a center of worldwide business, making it one of the most desirable destinations for international, high-profile, luxury retailers. The rush of new businesses and residents into the area is making Miami's lack of quality retail space apparent. The result is a surge of eleven new developments with over 1.9 million sq. ft. currently under construction, in addition to numerous planned projects estimated at close to 2 million sq. ft.

Investor demand for Miami retail assets continues to boost prices as foreign and out-of-state capital becomes more accessible. The rising confidence in the growing economy is providing greater liquidity and enhancing the investors' ability to obtain loans. Several significant sales occurred during Q2 2014, with some properties fetching record price tags. Investment activity during Q2 2014 totaled $35 million, a slight increase from Q1 2014. The largest transaction of Q2 2014 was the sale of the Doral retail center, Shoppes at MICC, for $19.4 million. Another sizable transaction was the sale of Plaza del Rey Shopping Center, located in the West Miami submarket, which sold for $11.6 million.

Millions of sq. ft. of retail are either under construction or in the planning stages in Miami. Developers are initiating a wave of new construction and expansions to long-standing malls such as Aventura Mall and Bal Harbour Shops. Mega-developments such as Brickell City Centre, Miami Worldcenter and All Aboard Florida, all in the urban core, alone will bring over 1.5 million sq. ft. of retail space in the coming years, with the redevelopment of the Design District bringing an additional 160,000 sq. ft. of retail space to the urban core. Top luxury brand names from around the world are making Miami home; market experts agree that Miami has "arrived" and is a luxury brand in its own right.

[27] Market analyses are based on retail centers of 30,000 sq. ft. and greater, excluding malls and outlet malls.

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



Source: CBRE Research, 2Q2014

MARKET STATISTICS

Submarket	Building sq. ft.	Direct Vacancy (%)	Total Vacancy (%)	Total Occupancy (%)	Q2 2014 Net Absorption	2014 Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Aventura/Sunny Isles	2,253,974	2.6	2.6	97.4	4,410	6,406	0	$32.29
Carol City/Opa Locka	1,831,506	3.4	3.4	96.6	(965)	(1,365)	53,000	$18.53
Central Miami	1,004,865	3.5	3.5	96.5	2,895	2,085	50,000	$22.33
Coral Gables	4,894,537	3.3	3.3	96.7	19,383	47,225	54,000	$38.54
Cutler Bay	1,131,998	6.8	6.8	93.2	(256)	(6,515)	0	$22.12
Doral/Medley	1,723,874	1.9	2.0	98.0	17,642	10,485	417,000	$25.98
Downtown/Brickell	1,359,349	0.8	3.2	96.8	(4,000)	(4,000)	602,000	$25.00
East Kendall	4,543,464	6.7	6.7	93.3	4,279	(16,416)	0	$34.41
Hialeah	4,989,645	2.8	2.8	97.2	14,725	42,025	70,000	$20.19
Homestead	2,700,462	1.7	1.7	98.3	3,808	12,508	0	$14.83
Miami Beach	1,333,066	3.0	3.0	97.0	(2,190)	3,376	0	$192.50
Miami Lakes	1,280,316	3.9	3.9	96.1	3,228	3,028	0	$25.81
Miami Shores	1,921,136	8.8	8.8	91.3	7,829	8,483	150,000	$76.07
North Miami	2,019,270	4.4	4.4	95.6	3,110	33,612	0	$18.92
West Kendall	4,562,744	3.0	3.1	96.9	258	(19,526)	47,900	$25.67
West Miami	4,459,809	4.0	4.0	96.0	7,865	27,302	414,084	$25.22
Total Market	42,010,015	3.8	3.9	96.1	82,021	148,713	1,857,984	$40.35
Total Before Free Standing	37,329,186	4.2	4.3	95.7	82,021	148,713	1,386,984	$40.35
Free Standing	4,680,829	0.3	0.3	99.7	0	0	471,000	-
Shopping Centers	31,114,307	4.1	4.2	95.8	74,560	112,672	584,984	$26.18
Mixed Use	6,214,879	4.8	4.8	95.2	7,461	36,041	802,000	$98.83

Source: CBRE Research, 2Q2014


818 Lincoln Road

Source: CoStar


720 Lincoln Road

Source: CoStar


Miami Design District

MARKET SNAPSHOTS

BROWARD COUNTY

STATS AT A GLANCE

Occupancy:	92.2%
Leasing Rate:	$20.82 NNN
Population:	1,841,236
Unemployment:	5.2%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

HIGHLIGHTS

- Fort Lauderdale was given the 2014 All American City award by the National Civic League, which recognizes cities across the country for community-based problem solving and civic engagement efforts. One of the major initiatives highlighted was the redevelopment of Flagler City in the Downtown area.
- A 20-year, $1.6 billion plan was approved to update the Port Everglades Master/Vision Plan, which anticipates over four million cruise passengers moving through the port.
- Trader Joe's will open at 1590 N. Federal Highway, within the Office Depot plaza.
- Riverside Square, 104,241-sq.-ft. neighborhood center located at 8100-8268 Wiles Road, sold for $118 per sq. ft.
- University Marketplace, a 125,704-sq.-ft. retail center located at 8300 Pines Boulevard, sold for $99 per sq. ft. The property was 90% leased at the time of the sale.
- West Lake Commons, a 70,650-sq.-ft., Publix-anchored retail development located at 1700-1722 Sheridan Street, was delivered to the Hollywood submarket.

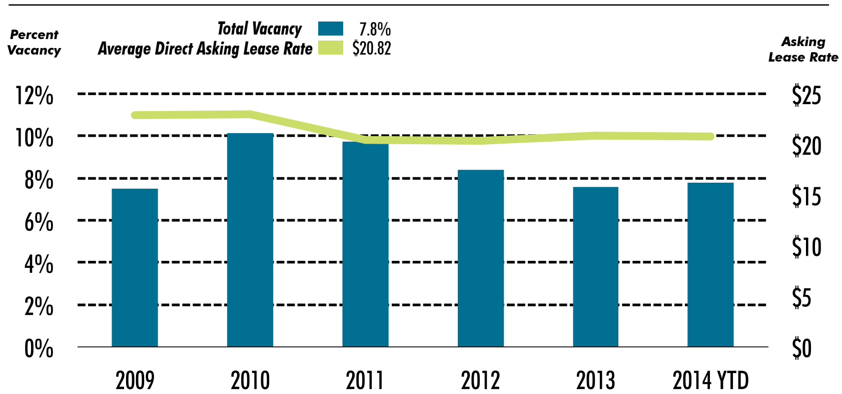
Broward County has seen modest year-over-year increases in tenant activity, stabilizing rental rates and declines in its overall vacancy rate thanks to continued improvement in the housing sector and growth in the labor market. Leasing activity remained steady during the first half of 2014, with favorable conditions forecasted to remain in effect during the rest of the year. The county's overall asking lease rate registered $20.82 in Q2 2014. The overall vacancy rate decreased 20 bps quarter over quarter and 40 bps year over year to 7.8%.

Retail development is spurred by job and population growth. Broward County continues to be a business-friendly environment and remains attractive to companies seeking to take advantage of the incentive programs offered. The county has seen resurgence in retail construction with several projects planned or under construction. Deer Creek Commons, located in Northeast Broward County, has over 70,000 sq. ft. of space currently under construction. Whole Foods plans to construct a 40,000-sq.-ft. store in the Central East submarket, which is slated to open in 2014. Walmart Stores purchased 2.4 acres adjacent to one of their existing locations, as the city recently approved the firm's request to expand the existing store to 170,859 sq. ft.

Steady growth in rental rates and low vacancy rates, combined with growing interest among local and regional tenants, have spurred investors and developers to increase the number of retail properties on the market. A notable transaction during Q2 2014 was the sale of the Sunshine State Portfolio, a portfolio consisting of five grocery-anchored neighborhood retail centers totaling 347,478 sq. ft., to Phillips Edison-ARC Shopping Center REIT Inc. for $64 million. Two of the properties were located in Broward County. Park View Square, a 70,471-sq.-ft. Winn-Dixie-anchored center located at 17051-17173 Miramar Parkway, Miramar, sold for $14.5 million. West Creek Commons, a 58,537-sq.-ft. Publix anchored center, located at 4760 W. Hillsboro Boulevard, Coconut Creek, sold for $12.5 million.

Favorable conditions are forecasted to remain in effect during 2014 as the labor market recovers and the housing sector continues to show improvement. Tenant demand for quality space in well-anchored, high-traffic centers is projected to increase. Power centers continue to absorb large gyms and fitness centers, which has helped when bookstores, consumer electronics and office supply stores are either closing their doors or shrinking their platform.

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



Source: CBRE Research, 2Q2014

MARKET STATISTICS

Submarket	Building sq. ft.	Direct Vacancy (%)	Total Vacancy (%)	Occupancy (%)	Q2 2014 Net Absorption	2014 Net Absorption YTD	Under Construction	Avg Dir Asking Lse Rate (NNN)
Central East Broward	5,853,784	5.0	5.0	95.0	71,378	84,534	0	$16.97
Central West Broward	9,099,204	12.4	12.4	87.6	27,274	30,292	0	$18.73
Northeast Broward	5,757,862	4.2	4.6	95.4	12,250	20,987	72,000	$19.07
Northwest Broward	9,031,252	8.8	8.8	91.2	41,307	66,337	0	$18.58
Southeast Broward	5,283,043	11.7	11.7	88.3	92,155	79,522	0	$31.11
Southwest Broward	12,923,670	4.9	5.0	95.0	15,215	20,020	0	$21.44
Total Market	**47,948,815**	**7.7**	**7.8**	**92.2**	**259,579**	**301,692**	**72,000**	**$20.82**
Total Before Freestanding	**43,327,044**	**8.4**	**8.5**	**91.5**	**188,929**	**231,042**	**72,000**	**$20.83**
Shopping Centers	40,339,060	7.6	7.7	92.3	196,214	235,327	72,000	$18.49
Mixed-Use	2,987,984	18.9	18.9	81.1	(7,285)	(4,285)	0	$31.87
Free Standing	4,621,771	1.5	1.5	98.5	70,650	70,650	0	$20.47

Source: CBRE Research, 2Q2014

Flagler Village
(Developed by Related Cos.)

MARKET SNAPSHOTS

HIGHLIGHTS

- Six multifamily projects totaling 1,661 units and three hotels totaling 457 rooms have been approved for Downtown East Boca Raton. These projects are expected to create vitality and drive demand for commercial space downtown.
- Retailers entering and/or expanding their presence in the market include Trader Joe's, Walmart, Baskin-Robbins and Urban Outfitters.
- Biotest Pharmaceuticals Corp., a biomedical science company based in Boca Raton, expanded into 19,600 sq. ft. at the former Capital Lighting space in Royal Palm Beach. The plasma collection center is expected to bring approximately 50 new jobs to the area.
- University Village, a planned project in Boca Raton, is approved for 252,000 sq. ft. of retail space, 126,000 sq. ft. of office space and 420 residential units.
- Fresh Market will open its fifth Palm Beach County location in Jupiter, leasing 20,500 sq. ft.
- Joseph's Market is planning to open smaller footprint stores for its new food-to-go satellite concept.

Retail market fundamentals continue to improve as retailers express their desire to enter or expand into the Palm Beach County market. The overall Palm Beach County retail market is 92.3% occupied. The market is holding steady from Q2 2013, dipping 30 bps to a current total vacancy rate of 7.7%.

Currently, there is 246,468 sq. ft. of inventory under construction within the Palm Beach County retail market. A notable development is Linton Place, a 130,000-sf.-ft. lifestyle center located at the southeast corner of Federal Highway and Linton Boulevard in Delray Beach, which is slated for completion in Q3 2014. Signed leases include both Trader Joe's and Stein Mart.

STATS AT A GLANCE

Occupancy:	92.3%
Leasing Rate:	$18.14 NNN
Population:	1,377,598
Unemployment:	5.9%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

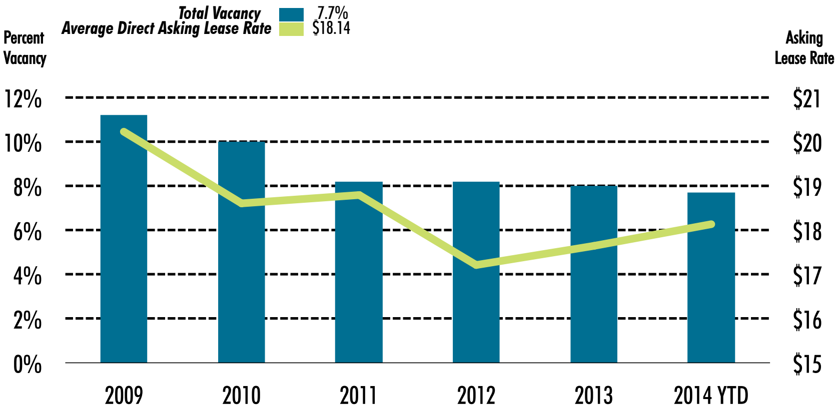
PALM BEACH COUNTY

Investment activity continues across Palm Beach County as stabilizing market fundamentals create value for owners of high-quality retail properties. Year to date, there were seven retail investment sale transactions, for a total of 830,256 sq. ft. with a dollar volume of over $232 million. Three retail investment sale transactions were reported in Q2 2014, for a total of 509,925 sq. ft. with a dollar volume over $58 million. A notable transaction during Q2 2014, Elion Partners purchased Jupiter Reserve for $15.5 million, or approximately $360 per sq. ft., from Pebb Enterprises. The 43,172-sq.-ft. shopping center was 93.6% occupied at the time of sale. Tenants include Petco, Vitamin Shoppe and LabCorp of America.

The retail sector has improved in terms of vacancy over the past several years as a result of rising consumer confidence and pent-up demand for goods and services. The market is expected to maintain its momentum through 2014. Higher spending on consumer goods led to improved occupancy and supports the increasing optimism about the staying power of the retail recovery. These signs show consumers are feeling more confident about their own economic well-being, which bodes well for retail.


Palm Beach Skyline

Image Courtesy of en.wikipedia.org



MARKET STATISTICS

Submarket	Building sq. ft.	Direct Vacancy (%)	Total Vacancy (%)	Occupancy (%)	2014 Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Boca Raton	6,973,532	4.2	4.2	95.8	(17,571)	0	$25.40
Delray Beach	3,908,722	8.5	8.5	91.5	19,400	184,968	$21.45
Boynton Beach/Lantana	6,335,182	7.5	7.6	92.4	(15,646)	0	$16.10
Lake Worth	5,049,582	11.2	11.2	88.8	14,064	0	$14.40
Royal Palm Beach/Wellington	4,881,595	8.2	8.7	91.4	3,208	61,500	$18.47
West Palm Beach	7,014,371	7.2	7.2	92.8	(29,857)	0	$15.98
Palm Beach	756,079	3.5	3.5	96.5	6,429	0	$22.05
North Palm Beach	6,050,158	8.8	8.9	91.2	(1,913)	0	$19.11
Jupiter	2,883,248	7.6	7.6	92.4	(11,465)	0	$16.71
Total Market	**43,852,469**	**7.6**	**7.7**	**92.3**	**(33,351)**	**246,468**	**$18.14**
Total Before Freestanding	**38,000,442**	**8.9**	**8.9**	**91.0**	**(26,326)**	**246,468**	**$18.26**
Shopping Centers	34,600,451	9.3	9.3	90.7	(70,184)	184,968	$17.93
Mixed-Use	3,399,991	3.7	3.7	96.2	43,858	61,500	$26.94
Freestanding	5,852,027	0.2	0.2	99.8	(7,025)	0	$11.21

Source: CBRE Research, 2Q2014


Worth Avenue Retail

Image Courtesy of en.wikipedia.org

MARKET SNAPSHOTS

HIGHLIGHTS

- Gramercy Property Trust has purchased a 50% stake in a 67- property portfolio consisting of retail and office properties, a majority of which are Bank of America locations. The REIT now owns 100% of the portfolio valued at $395 million.
- Sales of small businesses continue to increase, indicating healthy demand for these assets. According to BizBuySell's "Insight Report," over half of the transactions closed nationally in Q1 2014 were retail locations.
- MegaBus has established routes out of Tampa to Miami and Orlando. According to a company spokesman, the new routes are expected to bring 142,000 travelers through the Tampa station in year one.

STATS AT A GLANCE

Occupancy:	92%
Leasing Rate:	$14.35 NNN
Population:	2,886,350
Unemployment:	6.1%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

TAMPA BAY MSA

The Tampa Bay retail market continues to exhibit positive momentum. The market saw a slight decrease in rents in Q2 2014. The average asking rate declined $0.07 per sq. ft. from $14.42 in Q1 2014 to $14.35 in Q2 2014. Mixed-use properties continue to raise rents. Vacancy rates remained relatively unchanged across the Tampa Bay retail market. Second quarter vacancy stood at 8.0%.

In 2014, much of the activity in the region has been focused on redevelopment. These redevelopments included remodels, expansions and relocations of grocery stores (primarily Publix), and the rehabilitation of older, existing centers. The 50-year-old Tri-City Plaza in Largo is just one example of these revitalization projects currently underway. At least six projects are currently planned for the Tampa Bay retail market, totaling over 831,900 sq. ft. Of the six proposed properties, five are slated to break ground in Hillsborough County.

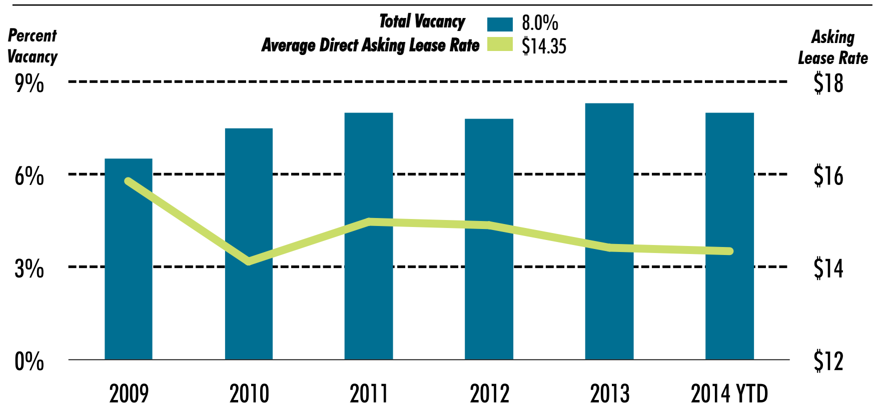
Nine properties in the Tampa Bay market sold for over $53.7 million in the second quarter at an average price of $85 per sq. ft. Of the assets that traded in Q2 2014, the most notable of these investment sales was the $12.8 million sale of the Shoppes of Apollo Beach, totaling 109,756 sq. ft., to Publix Supermarkets.

There are definite signs of growth in the Tampa Bay retail market in 2014. Tightening vacancies, spurred by an improving economy, has left the Tampa Bay retail market in much better condition than it was one year ago. Additionally, a lack of Class A inventory has forced investors to seek value-add opportunities in B- and C-level centers. We expect this lack of inventory to spur additional new developments in the next year or two. Look for continued growth in activity, especially in the medical/retail ("medtail") sector, in the Tampa Bay retail market throughout 2014 and beyond.


Tampa Bay Skyline

Image Courtesy of en.wikipedia.org

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



Source: CBRE Research, 2Q2014

MARKET STATISTICS

Submarket	Building sq. ft.	Direct Vacancy (%)	Total Vacancy (%)	Occupancy (%)	Q2 2014 Net Absorption	2014 Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Southwest Hillsborough	3,648,159	5.8	7.5	92.5	(4,685)	16,895	0	$22.66
Northwest Hillsborough	11,421,399	4.9	6.6	93.4	147,411	176,285	0	$14.34
Northeast Hillsborough	4,978,796	5.4	6.3	93.7	(25,601)	48	0	$12.67
Southeast Hillsborough	9,430,835	8.2	9.0	91.0	(2,937)	9,247	0	$14.10
South Hillsborough	2,150,099	6.3	6.3	93.7	(1,050)	18,108	0	$14.81
Hillsborough County	**31,629,288**	**6.2**	**7.3**	**92.7**	**113,138**	**220,583**	**0**	**$14.39**
South Pinellas	8,188,612	6.5	8.7	91.3	7,150	16,876	0	$13.87
Mid-Pinellas	8,313,014	6.2	7.4	92.6	17,658	32,083	0	$13.10
North Pinellas	6,047,328	6.3	7.6	92.4	16,707	8,949	0	$15.91
Pinellas County	**22,548,954**	**6.3**	**7.9**	**92.1**	**41,515**	**57,908**	**0**	**$14.24**
Pasco East	5,829,147	5.1	5.3	94.7	(7,560)	(15,302)	0	$17.34
Pasco West	7,276,259	12.0	13.4	86.6	47,419	(80,435)	0	$12.15
Pasco County	**13,105,406**	**8.9**	**9.8**	**90.2**	**39,859**	**(65,133)**	**0**	**$14.44**
Total Market	**67,283,648**	**6.8**	**8.0**	**92.0**	**194,512**	**343,624**	**0**	**$14.35**
Total Before Free Standing	**55,158,812**	**7.6**	**8.8**	**91.2**	**47,162**	**193,701**	**0**	**$14.53**
Shopping Centers	54,117,430	7.6	8.8	91.2	44,793	179,049	0	$14.28
Free Standing	12,124,836	2.8	4.4	95.6	147,350	149,923	0	$9.40
Mixed-Use	1,041,382	10.8	10.8	89.2	2,369	14,652	0	$27.17

Source: CBRE Research, 2Q2014

Tampa Channel District

Image Courtesy of en.wikipedia.org

MARKET SNAPSHOTS

STATS AT A GLANCE

Occupancy:	92.8%
Leasing Rate:	$13.95 NNN
Population:	2,277,066
Unemployment:	5.7%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

ORLANDO MSA

HIGHLIGHTS

- The state of Florida drew a record number of visitors in Q2 2014, with 26.7 million traveling to the Sunshine State, an increase of 2% over Q2 2014.
- Lake Nona sees a building boom. The medical city is embarking on its next stage of development, including a lineup of office, hotel and retail buildings to support the community's medical school, hospitals and research centers.
- EMMI LLC, a Georgia-based company, is negotiating a deal that would allow the development of a $360 million to $390 million, 13.7-mile elevated magnetic-levitation passenger train system linking the region's busy Orange County Convention Center to the Orlando International Airport.
- SunRail trains are now transporting passengers from Volusia County to Seminole and Orange Counties. The SunRail commuter station locations are providing opportunities for more retail development.

Orlando has one of the fastest-growing economies in Florida. The retail market is expected to continue its trend of modest and steady gains. The total vacancy rate for the Orlando retail market held steady with the previous quarter at 7.2%, which is 80 bps below the total vacancy rate recorded in Q2 2013. In Q2 2014, the average asking rental rate was $13.95 sq. ft.

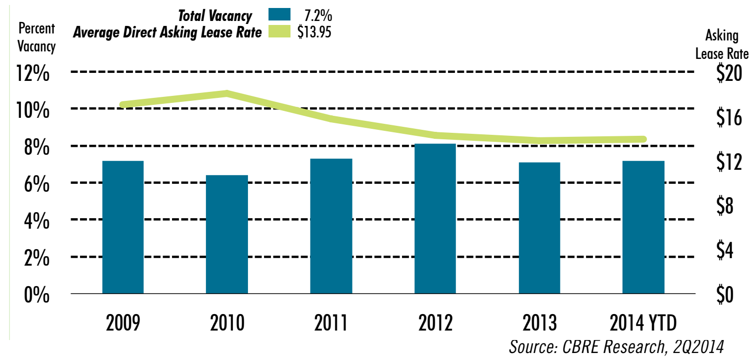
The sounds of progress can be heard as Downtown Disney is transformed into Disney Springs. The ongoing three-year project is creating a unique destination to treat guests to shopping, dining and entertainment; doubling the number of shops, restaurants and other venues to more than 150 establishments. Site work has started on a 68-acre, 427,000-sq.-ft. shopping center known as The Crosslands, located along Osceola Parkway and Orange Blossom Trail near a proposed SunRail Stop. The $60 million center on the Osceola-Orange County border is expected to create about 600 temporary jobs. The Crosslands already has 11 tenants signed, as well as multiple letters of intent from potential tenants. Anchors include: a 62,000-sq.-ft. sporting goods store; a 55,000-sq.-ft. Hobby Lobby; a 46,000-sq.-ft. Marshalls and a 35,000-sq.-ft. Havertys.

The Northwest Orange County and Seminole County submarkets were the only submarkets with notable sales activity during Q2 2014. In Northwest Orange County, the 53,916-sq.-ft., single tenant, former Service Merchandise property was purchased by Highland Lakes 1 LLC for $1.2 million or $22.26 per sq. ft. The space was vacant at the time of sale. In the same submarket, the 64,688-sq.-ft. Parkway Plaza on John Young Parkway sold to The Jaffe Corporation for $8.5 million or $132.00 per sq. ft. The highest-priced sale occurred in the Seminole County submarket, when the 100,002-sq.-ft. Lake Mary Village center sold for $27 Million or $270.00 per sq. ft. Also in Seminole County, the 105,380-sq.-ft. Boulevard Plaza was purchased by Branch Properties for $11.5 million or $110.00 per sq. ft.

Orlando's tourist attractions will ensure that the metro area retains its advantage over other Florida tourism markets and that the industry will continue to be the most significant job generator in the metro area. Increased tourism, the healthcare build-out in Lake Nona and the SunRail are generating thousands of job opportunities. Areas around the SunRail stops will benefit from increased foot traffic and exposure. In-migration, strong housing demand, and a thriving tourism industry will increase Orlando's appeal as a location for future retail development and expansion.

Orlando Skyline

Image Courtesy of en.wikipedia.org



MARKET STATISTICS

Submarket	Building sq. ft.	Direct Vacancy (%)	Total Vacancy (%)	Occupancy (%)	Q2 2014 Net Absorption	2014 Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
NE Orange County	5,220,711	9.7	9.7	90.3	(27,056)	(27,041)	0	$14.37
NW Orange County	8,691,348	8.5	8.5	91.5	91,750	43,211	0	$10.36
Osceola County	9,433,687	5.4	5.4	94.6	43,789	110,072	0	$16.25
Seminole County	15,710,019	7.4	7.4	92.6	55,796	123,312	70,775	$13.28
SE Orange County	8,186,105	9.1	9.1	90.9	44,193	98,890	0	$17.69
SW Orange County	15,787,151	5.2	5.5	94.5	7,597	(6,081)	51,057	$15.98
Total Market	63,029,021	7.1	7.2	92.8	216,069	342,363	121,832	$13.95
Total Before Free Standing	50,175,761	7.9	8.0	92.0	216,069	293,392	70,775	$13.79
Shopping Canters	49,020,450	7.6	7.8	92.2	211,749	299,249	70,775	$13.72
Mixed-Use	1,155,311	17.1	17.1	82.9	4,320	(5,857)	0	$16.18
Free Standing	12,853,260	4.2	4.2	95.8	0	48,971	51,057	$16.22

Source: CBRE Research, 2Q2014

Disney Springs - Planned

Source: www.insidethemagic.net

JACKSONVILLE MSA

STATS AT A GLANCE

Occupancy:	90.7%
Leasing Rate:	$14.47 NNN
Population:	1,396.613
Unemployment:	5.8%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

HIGHLIGHTS

- Nordstrom will hire 400 employees and transfer 30 existing managers prior to opening the first Jacksonville location in the St. Johns Town Center in Q3 2014.
- The St. Augustine submarket posted the highest average asking lease rate of $19.70 per sq. ft., while also closing Q2 2014 with the lowest overall vacancy of 5.3%.
- The St. Johns Town Center, a target location for retailers, will be welcoming at least 6 tenants new to the Jacksonville market in the second half of 2014.
- Fast-causal restaurants such as Chipotle, Tijuana Flats, Firehouse Subs, Corner Bakery Café, and Panera are expanding their presence in Jacksonville after minimal activity during the recession.

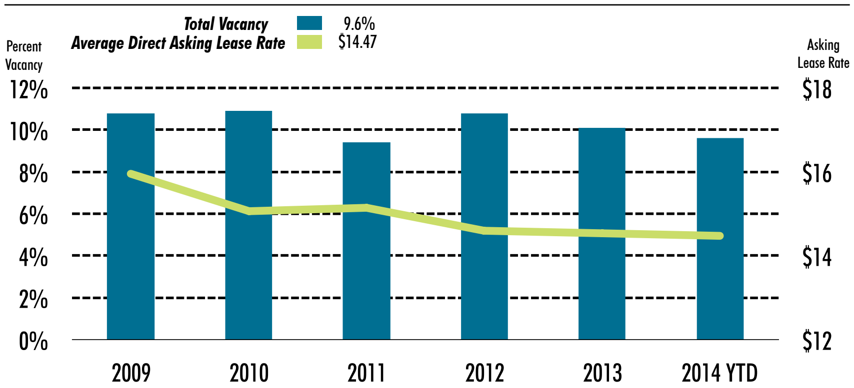
Jacksonville closed Q2 2014 with a total vacancy rate of 9.6%, which is 90 bps lower than Q2 2013. This represents a steady and sure recovery as retail accelerates because of consumer confidence. Additionally, the increasing presence of fast-casual restaurants both in Jacksonville and nationally will boost demand for smaller retail space, which is expected to promote growth in the market.

Retail development continued to progress throughout Q2 2014, as several projects broke ground and many neared completion. Numerous developments were pre-leased, leaving little remaining available space. The strong pre-leasing activity speaks to the strength of the demand for retail space in the Jacksonville market.

Investment sale activity increased in the Jacksonville retail market in Q2 2014 as several notable sales were executed. A notable transaction during Q2 2014 was by Phillips Edison-American Realty Capital (ARC), which purchased Deerwood Lake Commons and St. Johns Commons from Invesco Real Estate as part of a portfolio of five grocery-anchored properties. Deerwood Lake Commons, a 67,000 sq. ft. neighborhood center located in the Southside submarket, had a purchase price allocation of $12 million or $178 per sq. ft.

As the Jacksonville retail market continues to grow, development of new centers and investment sales show confidence in the market and point to improving market fundamentals. Growing demand for retail space in Jacksonville has sparked new development as well as renovation of older shopping centers. Another upcoming trend that could play a role in strengthening the retail market, especially near the downtown area, is the development of mixed-use projects that offer housing, retail, and restaurants.

Jacksonville Skyline



MARKET STATISTICS

Submarket	Building sq. ft.	Direct Vacancy (%)	Total Vacancy (%)	Occupancy (%)	Q2 2014 Net Absorption	2014 Net Absorption	Under Construction	Avg Dir Asking Lse Rate (NNN)
Arlington	2,126,348	12.5	12.5	87.5	346	9,967	0	$11.20
Baymeadows/Avenues	1,844,842	6.8	6.8	93.2	(641)	9,396	0	$15.18
Beaches	2,362,438	12.6	12.6	87.4	14,168	5,898	27,775	$16.90
Intracoastal West	2,635,510	4.9	6.6	95.1	8,214	7,141	0	$15.31
Mandarin	3,345,250	5.7	5.7	94.3	30,572	62,350	0	$17.05
Northside	5,418,467	11.3	11.3	88.7	(11,444)	(29,879)	0	$12.59
Orange Park	4,538,753	8.9	8.9	91.1	19,591	85,572	0	$14.31
Regency	2,030,739	14.5	14.5	85.5	(7,144)	(4,949)	0	$15.33
Southside	5,218,464	10.4	10.4	89.6	(4,895)	11,511	158,000	$14.56
St. Augustine	2,730,470	4.8	5.3	95.2	47,904	39,468	0	$19.70
Westside	5,473,856	9.3	10.3	90.7	(7,645)	6,979	49,870	$12.82
Total Market	**37,725,137**	**9.3**	**9.6**	**90.7**	**89,026**	**203,454**	**235,645**	**$14.47**
Total Before Free Standing	**33,100,105**	**10.3**	**10.6**	**89.7**	**89,026**	**203,454**	**235,645**	**$14.47**
Shopping Centers	30,470,105	11.1	11.5	88.9	90,627	206,655	77,645	$14.45
Mixed-Use	2,630,000	0.2	0.2	99.8	(1,601)	(3,201)	158,000	$27.75
Free-Standing	4,625,032	2.2	2.2	97.8	0	0	0	N/A

Source: CBRE Research, 2Q2014


Florida State University Campus

"Fsu from 22nd" by UkrNole 485 at English Wikipediaorg/wiki

MARKET SNAPSHOTS

HIGHLIGHTS

- Construction continues on Hacienda Lakes; retail and medical planned
- Inventory of developable parcels has become limited as housing construction increases

STATS AT A GLANCE

Occupancy:	93.82%
Leasing Rate:	$17.45NNN
Population:	341,015
Unemployment:	5.4%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

NAPLES MSA (COLLIER COUNTY)

Collier County is excelling in all counts: tourism, housing activity, and new retail opportunities. Studies show an increase in hotel visitation, especially by European visitors, of 10% year over year.[28] Occupancy increased by 3.8% since last year with total spending up by 12.7%, showing Collier still is one of the top places to visit in Florida.

Job growth is another important driver of demand in Collier County's retail market. Unemployment in the county declined by 1.3%, beating state and national averages, and giving Collier the third-lowest unemployment rate among Florida counties, according to the U.S. Bureau of Labor Statistics. The housing market remains strong, with new home starts jumping 36% from Q1 2014. Housing starts in Collier County have risen for nineteen consecutive quarters.[29] This year, home sale closings increased 5%, the median home price increased 15%, inventory decreased 14%, and average days on market increased 41%.[30]

As the supply of vacant, developable lots becomes limited, new projects are being planned farther and farther south. Esplanade at Hacienda Lakes started construction last year, featuring 443 Mediterranean-inspired villas and single-family homes surrounded by 30 lakes and conservation areas. Home prices start in the high $200s and range to the mid-$400s. Esplanade is a part of a larger community within Hacienda Lakes that will eventually include 1,300 more homes, retail, office, and medical components, 135 hotel rooms, and a public school. Another project, the Isles of Collier Preserve, covers 2,400 acres, with half dedicated to nature preserves and the other half dedicated to 1,600 lots for single-family homes starting in the high $400s.

Source: napleschamber.org

[28] Collier Visitor Website
[29] MetroStudy
[30] The Naples Area Board of Realtors

MARKET SNAPSHOTS

HIGHLIGHTS

- Hertz Global relocated its headquarters from New Jersey to Lee County
- Housing lots are being sold upon the start of construction

All signs are showing Lee County is heading in the right direction. In tourism, the visitation rate increased 6.2% and total spending increased 2.3% year over year.[31] Southwest International Airport observed a 3.8% increase in the number of passengers from the same period last year.[32] Construction of a bypass from the airport to Interstate 75 appears to be on schedule for completion in Spring 2015. The project will alleviate traffic on Daniels Parkway and Alico Road.

Housing construction is trending upward, with annual starts up 20% and move-ins up 39% year over year. Housing prices continue to increase, reaching above $400,000, due to an increase in the prices of land, labor, and materials. Demand is healthy, leaving just 0.7 months of supply on the market, which essentially means every house has been sold once it is under construction.

STATS AT A GLANCE

Occupancy:	91.12%
Leasing Rate:	$12.55 NNN
Population:	666,647
Unemployment:	5.8%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

CAPE CORAL-FORT MYERS MSA (LEE COUNTY)

Lee County continues to show that it has it all: the livable, workable environment that attracts new-to-market businesses. Hertz Global Holdings, the rental car giant, is relocating its corporate headquarters from Bergen County, New Jersey, to Estero, Florida, bringing at least 700 new jobs paying an average of $102,000 a year. The 300,000-sq.-ft. headquarters is under construction at the southeast corner of U.S. Tamiami Trail and Williams Road, with an expected opening in early 2015. Hertz's relocation is expected to bring $300 million per year to the local economy, according to an Economic Impact Study from Florida Gulf Coast University, and may lead to the building of more schools in Lee County.

Fort Myers Downtown Skyline

Image Courtesy of en.wikipedia.org

[31]Davidson-Peterson Associates
[32]Lee County Port Authority

MARKET SNAPSHOTS

PORT ST. LUCIE MSA
(MARTIN & ST. LUCIE COUNTIES)

STATS AT A GLANCE

Occupancy:	90.22%
Leasing Rate:	$11.59 NNN
Population:	440,829
Unemployment:	7.1%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

HIGHLIGHTS

- Martin Health System opened in December with 30,000 total visits expected this year
- Port of Fort Pierce has been selected as the transport hub for over two billion gallons of fuel products

Martin and St. Lucie counties have lagged behind other tertiary markets, but are showing signs of improvement this year. Martin Health System opened in December 2013 after 15 years of planning and is expected to have approximately 30,000 visits to its emergency department, 6,000 patient admissions and 1,500 births by the end of this year. In addition to emergency care, the hospital offers general and specialized medical care, general and specialized surgical services, an intensive care unit, labor and delivery services, and a neonatal intensive care unit. The six-floor structure was designed to allow expansion as needed in the future, with an eventual total capacity of 300 beds. It is expected that Martin Health System will set a precedent for more healthcare providers to move to Martin County.

The unemployment rate in Martin County is above the state and national rates, but has declined by 1.8% compared to last year, the largest improvement of all tertiary markets in Florida. Last September, Florida Fuel Connection decided to use Port of Fort Pierce's existing rail and port infrastructure to safely transport over two billion gallons of fuel products, as the port can more efficiently distribute such products than the existing supply options in the state. This project will produce roughly 200 jobs during construction and 75 permanent positions to operate the terminals and distribution system.


Port of Fort Pierce

Image Courtesy of en.wikipedia.org

HIGHLIGHTS

- Benderson Park to host 2017 World Rowing Championships
- University Town Center grand opening set for October, Bass Pro Shoppes passed on site

STATS AT A GLANCE

Occupancy:	93.71%
Leasing Rate:	$13.75 NNN
Population:	730,133
Unemployment:	5.7%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

NORTH PORT-BRADENTON-SARASOTA MSA (SARASOTA & MANATEE COUNTIES)

The Sarasota and Bradenton markets have shown steady improvement in housing activity, job growth, and retail development. Housing continues to expand eastward into Lakewood Ranch, while infill development continues throughout Sarasota. The inventory of homes under construction in Sarasota increased by 28% compared to last year.[33] Both Manatee and Sarasota County have seen months of supply of vacant developed lots decrease as housing starts have increased dramatically in the past 12 months.

The North Port-Bradenton-Sarasota labor market has shown resilience throughout the recession and continues to demonstrate stability. Over the last year, 3,000 jobs have been added, partially from the construction and preparation of the new mall. The market's unemployment rate remains under the state and national rates.

Benderson Park has been selected to host the 2017 World Rowing Championships, the sport's biggest event outside of the Olympics, with 42,000 rowers, coaches, and support staff expected to attend. This event will generate roughly $25 million in economic activity for Southwest Florida and will support the tourism economy by attracting sports tourists and international travelers.

The Grand opening of University Town Center, a 900,000-sq.-ft. regional mall in Sarasota, is set for October 2014. Developer Taubman and its partners spent roughly $315 million on the mall, which will be anchored by Dillard's, Macy's, and Saks Fifth Avenue. The mall's retail space is over 90% leased, with tenants including a combination of upscale fashion and lifestyle retailers. The mall is expected to fill the gap in high-end retail between Tampa and Naples. Meanwhile, Bass Pro Shops has passed on University Town Center and is awaiting approval to build a new location at the northeast corner of Interstate 75 and Fruitville Road. If approved by the County Commission, development is slated for 2016.

Nathan Benderson Park

Image Courtesy of en.wikipedia.org

[33]MetroStudy

MARKET SNAPSHOTS

LAKELAND-WINTER HAVEN MSA (POLK COUNTY)

STATS AT A GLANCE

Occupancy:	96.43%
Leasing Rate:	$11.06 NNN
Population:	623,327
Unemployment:	6.7%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

HIGHLIGHTS

- Two major projects approved to address overcrowding of schools
- Florida Polytechnic University to open in August

Overall, Polk County's economy has been steady, with many projects fueling growth. Tourism in the county will benefit from the expansion of Streamsong Golf Resort, which recently showcased a 216-room lodge and had 17,000 room nights booked through the end of the year as of February.

While the unemployment rate in Polk County is higher than the rates for the state and nation, it has decreased by 1.4% compared to May last year and should continue to get better as Amazon's one-million-sq.-ft. facility is completed and 500 positions are filled. On top of that, an eight-million-sq.-ft. industrial park will be constructed in the next five years, which will increase construction jobs and potentially create a few thousand permanent jobs. The proposed development will be near the newly-constructed intermodal facility opened in April.

The 11.3% upswing in overall housing closings and 20% increase year over year in average home price in January created positive reinforcement for the economy.[34] This improvement is partially credited to the increase in the baby boomer population, with nearly 25% of Polk's 2013 population growth comprised of boomers, up 13.3% from 2007. As housing construction continues linearly on U.S. Highway 27 and overcrowding of surrounding schools becomes apparent, two major projects have been expedited. Horizons Elementary School's expansion in Davenport will start later this year and is expected to be completed in time for the 2015-2016 school year. A new K-8 school will be constructed thereafter, north of Interstate 4, at a budgeted cost of $42.5 million. The school is expected to alleviate overcrowding in several existing schools, where student commutes currently exceed 20 miles.

In July, the $100-million Florida Polytechnic University welcomed its first 500 students. The university, which focuses on science, technology, engineering, and mathematics, includes a five-story, 209-bed residential building to be completed by mid-August.


Florida Polytechnic University

Source: www.floridapolytechnic.org

[34] Builder Online

OCALA MSA (MARION COUNTY)

STATS AT A GLANCE

Occupancy:	91.13%
Leasing Rate:	$10.28 NNN
Population:	342,686
Unemployment:	7.0%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

HIGHLIGHTS

- Job growth despite high unemployment rate
- New tourism sector to build momentum for growth

Marion County's main attractions remain its low cost of living and high agricultural appeal. Although the unemployment rate is higher than the state and national rates, it is among the top counties nationwide for job growth according to Forbes. The housing market in the southwest quadrant of the county has grown, boosting the economy on College Road near Interstate 75. In the retail market, Wal-Mart opened a new store in 2013 and Publix relocated from College Rd to a nearby site with better street access.

While Ocala/Marion County has been attracting equestrian businessmen and tourists for years, another sector is now gaining in interest among tourists: agritourism. Agritourism refers to the seasonal activities within agriculture, such as picking berries. The most recent economic impact study conducted by the Institute of Food and Agricultural Services at the University of Florida reports that there are 28,000 jobs in agriculture in Ocala/Marion County that account for $1.17 billion in revenues for agricultural-related businesses. As the agritourism sector picks up, it could become an important driver for Marion's economy.

Ocala Equestrian

Source: www.ocalamarion.com

MARKET SNAPSHOTS

GAINESVILLE MSA (ALACHUA & GILCHRIST COUNTIES)

STATS AT A GLANCE

Occupancy:	93.89%
Leasing Rate:	$13.56 NNN
Population:	267,049
Unemployment:	4.9%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

HIGHLIGHTS

- New technology companies expanding to Gainesville are strengthening the job market
- UF expanding Shands Cancer Hospital, adding 800 jobs
- Celebration Pointe attracts Bass Pro Shops for 2016

Gainesville is thriving, with rapid job growth and the second-lowest unemployment rate in Florida. Gainesville continues to attract new and innovative companies to the area. Since MindTree announced it was coming to Gainesville back in 2012 and creating 400 jobs, more innovative companies have followed suit. Optym, a global developer of planning and scheduling software for the transportation and logistics industry, announced in April that it will expand its operations in Gainesville, creating 100 new jobs over the next four years and spending nearly $5 million on capital improvements. Other companies that have announced permanent relocation to Gainesville include Azalea Health, 160over90, Mobiquity, and Nanotherapeutics.[35]

The University of Florida announced in August 2013 that it will expand the UF Shands Cardiovascular and Neuroscience Hospital, adding an estimated of 240 beds, 18 operating rooms, intensive care units, and outpatient facilities. Construction is expected to begin at the end of this year, and to be completed by Fall 2017. The expansion will create 800 new construction jobs and 700-800 staff jobs once opened.

Home sales grew year over year in Gainesville, with overall housing closings increasing 2.8% from last year. Foreclosure and REO closings increased by 2.8%, with a decline in foreclosure closings offset by an increase in REO closings.[36]

In May, Bass Pro Shops announced that they will be coming to Gainesville in 2016 to anchor Celebration Pointe, a one-million-sq.-ft. mixed-used project with half a mile visibility on Interstate 75 and access to Archer Road. Bass Pro Shops will be 80,000 sq. ft., and the rest of the center will include about 1,000 townhomes, condos and apartments; a hotel; 300,000 sq. ft. of retail and office space; and 100 acres of conservation land. The project will also feature a bridge over Interstate 75 to connect to the northern expansion of Butler Plaza, a major regional center. With the initial phase to start by the third quarter of 2015, Gainesville can expect a robust increase in retail activity over the next few years.


Shands Cancer Hospital

Image Courtesy of en.wikipedia.org

Downtown Gainesville

Source: www.gainesvilleconnect.com

[35]Gainesville Area Chamber of Commerce
[36]MetroStudy

PANAMA CITY-LYNN HAVEN-PANAMA CITY BEACH (BAY COUNTY)

STATS AT A GLANCE

Occupancy:	95.46%
Leasing Rate:	$11.23 NNN
Population:	171,903
Unemployment:	5.6%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

HIGHLIGHTS

- Medical device integration company expanding, giving market a new niche
- Pier Park North has opened many stores, corridor will drive market

Bay County is showing strength in tourism, employment, and retail activity. Visitors during spring break bring up to $101 million per year to Panama City, and this figure is expected to increase in coming years.[37]

Employment is expected to increase as companies expand into the market. iSirona, which provides solutions for medical device integration, will expand its existing headquarters in downtown Panama City, creating 300 new jobs over the next three years and generating $2.25 million in capital investment. Opened in 2008, the firm helps hospitals chronicle patient data by syncing device data with electronic records. Its expansion may attract other companies in the medical technology sector to the region. Eastern Shipbuilding Group added 400 jobs this year as they prepare to build two new sub-sea construction vessels to be used by the offshore oil industry in the Gulf of Mexico. The Port of Panama City handled 1.4 million tons of waterborne cargo in 2012, which created a total of 10,863 jobs directly and indirectly generated by port activities.

Retail occupancy is high and lease rates are stable in Bay County compared to the rest of the tertiary markets, mainly due to the dominance of regional and community centers that have very little small shop spaces inline. Pier Park North is making great progress and has already opened anchors Dick's Sporting Goods, Michael's, Bed Bath & Beyond, and Ross Dress for Less. A new Wal-Mart Supercenter was opened last year and Pier Park Mall remains strong in this market. Once Pier Park North is fully constructed and Pier Park West becomes an active development, this corridor will become the main shopping site in Bay County and possibly throughout the panhandle.

Panama City Beach

Image Courtesy of en.wikipedia.org

Pier Park North

Source: CoStar

[37] Wall Street Journal

MARKET SNAPSHOTS

HIGHLIGHTS

- Navy's Blue Angel air show attracts record number of visitors
- Expansions in major companies fuel economy

Pensacola has shown positive signs in tourism and the job market. Tourist visits to Pensicola increased 12% year over year as of January 2014.[38] This year's Blue Angel air show set a record with over 81,000 vehicles traveling to Pensacola Beach from Wednesday through Saturday.

The economies of Pensacola and Santa Rosa are driven mostly by the manufacturing sector and the military. As employment has increased in these sectors, the unemployment rate in the region has been lower than the state and national rates. A new manufacturing facility for the Port of Pensacola will create 200 jobs and bring $52 million in capital investment to the city in the near future. The facility will be located in downtown Pensacola and is slated to open by the third quarter of 2015.

Image Courtesy of en.wikipedia.org

Two F-A-18A Hornets assigned to the U.S. Navy Blue Angels flight demonstration team, perform at the Blue Angels' Homecoming Air Show in Pensacola, Fla

STATS AT A GLANCE

Occupancy:	93.92%
Leasing Rate:	$10.40 NNN
Population:	459,801
Unemployment:	5.9%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

PENSACOLA-FERRY PASS-BRENT MSA (ESCAMBIA & SANTA ROSA COUNTIES)

Navy Federal Credit Union, one of the major employers in Pensacola, announced in 2013 that it intended to expand its existing support center, creating 1,500 jobs and $200 million of capital investments. The firm has been offered $6 million in incentives to deliver the project by 2016. This news has brought new housing development to Beulah and downtown Pensacola. In addition, one of Santa Rosa's local manufacturers is being purchased by global defense and aerospace giant Lockheed Martin, demonstrating the competitiveness of the market and its attractiveness to national and multinational corporations.[39]

National Naval Aviation Museum

Image Courtesy of en.wikipedia.org

Port of Pensacola

Source: www.portofpensacola.com

[38] Visit Pensacola Reports
[39] The Press Democrat

MARKET SNAPSHOTS

HIGHLIGHTS

- Gaines Street development leverages traffic of FSU football fans
- Slow job growth does not affect retail sustainability

STATS AT A GLANCE

Occupancy:	95.53%
Leasing Rate:	$13.14 NNN
Population:	343,523
Unemployment:	5.5%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

TALLAHASSEE MSA
(GADSEN, JEFFERSON & LEON COUNTIES)

The Tallahassee metropolitan area retail market has benefitted through the years from the presence of universities and government institutions, and the area's dynamic city center. Lately, many residential and hotel units have been built near Florida State University's Doak Campbell Stadium as part of the Gaines Street development. The project is intended to capitalize on the nearly 83,000 football fans that come to the area on home game weekends and is expected to be completed by the start of the 2014 season in September. The mixed-used project includes 31,000 sq. ft. of retail space, roughly 70% of which is already occupied. In January, Urban Outfitters opened an 18,000-sq.-ft. store, bringing a contemporary look to College Town.

Thought the unemployment rate in Tallahassee is lower than state and national rates, and among the lowest rates in the state, job growth is decreasing slightly. Over the last three years, the month of December has had the most significant drop in area payrolls, thanks to students leaving the university for the holiday vacation. Nonetheless, retail occupancy remains high and lease rates stable, which are good indicators of the retail market's durability moving forward.

FSU Doak Campbell Stadium

Image Courtesy of en.wikipedia.org

MARKET SNAPSHOTS

HIGHLIGHTS

- An $812-million mixed-use project is planned near the International Speedway Corporation
- Two new hotel projects are to be completed in 2016
- Residential construction permits have increased and the first apartment complex since 2011 is opening soon

STATS AT A GLANCE

Occupancy:	93.66%
Leasing Rate:	$12.79 NNN
Population:	503,155
Unemployment:	6.0%

Source: CBRE Research, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Q2 2014

DELTONA-DAYTONA BEACH-ORMOND BEACH MSA (VOLUSIA COUNTY)

Volusia County has many reasons to celebrate as it continues to grow in all counts and to beat state and national unemployment rates. As the Daytona International Speedway continues its "Daytona Rising" renovation, the International Speedway Corporation (ISC) is planning to build its One Daytona project, which will offer a mix of hotels, shops, restaurants, loft apartments, a movie theater, and a grocery store across the street from the racetrack. Bass Pro Shops and Cobb Theaters already have signed leases to anchor One Daytona, which, according to an impact study, will generate 4,200 permanent jobs upon completion.

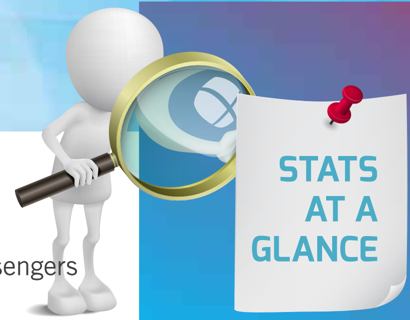
Two large hotel projects are slated for the beaches. Investors from Russia announced last October that they will build two towers of 26 and 29 stories, respectively, in a 12-million-sq.-ft. complex with 14,000 sq. ft. of retail space fronting Atlantic Avenue at street level, 502 hotel rooms and 120 condominiums. Four hundred new jobs will be created at completion. A Hard Rock Hotel is being developed on a 10-acre oceanfront parcel, with 250 guest rooms and 99 condominiums planned. Assuming the market remains robust, construction on both projects could begin by year's end with completion expected in 2016. These two hotel projects will benefit greatly from the well-received SunRail light rail line, opened in May, that connects Volusia, Seminole, Orange, and Osceola counties.

Construction activity in Volusia County is off to the strongest start in years. Three hundred forty eight residential construction permits were issued in the first quarter, the most since Q1 2007 according to building permit data collected by the county's Economic Development Division. White Palm Apartment, the first new apartment complex in Port Orange since 2011, is opening soon with 306 units in a 10-building complex.

Daytona International Speedway

Image Courtesy of en.wikipedia.org

MARKET SNAPSHOTS



Occupancy:	92.85%
Leasing Rate:	$11.20 NNN
Population:	553,017
Unemployment:	6.6%

Source: Sembler Research, Florida Office of Economic and Demographic Research, U.S. Bureau of Labor Statistics, Q2 2014

PALM BAY-MELBOURNE-TITUSVILLE MSA (BREVARD COUNTY)

HIGHLIGHTS

- Positive trends in hotel occupancy and cruise passengers
- MC Assembly to keep its footprint in Melbourne, keeping 540 jobs
- Northrop Grumman to add 300 jobs in 2015

Brevard County has shown strength in tourism and job growth this year. Hotel occupancy has increased 20.2% year over year and cruise passengers passing through Port Canaveral have increased 7.1% for multi-day cruises and 22.2% for single-day cruises, compared to 2013. Traffic at Melbourne International Airport has increased 4% year over year.

Although the county's unemployment rate is higher than state and national rates, it has decreased by 1.4% compared to May 2013. Major technology firms have announced their desire to relocate and build businesses in the county. MC Assembly, an international provider of turnkey manufacturing solutions to original equipment manufacturers, will keep 540 jobs in Brevard County in a new 135,000-sq.-ft. facility to be completed by January 2015. As one of the largest employers in the county, the local annual direct impact of wages paid to MC Assembly's employees approaches $20 million.

Northrop Grumman, a leading global security company, elected to expand in Melbourne in 2013. The company plans to create 1,800 jobs with an average annual salary of $100,000, well above Brevard County's current average wage of $44,000. The expansion will be broken down into two phases, with 300 jobs created by the end of 2015 and 1,500 jobs created thereafter.

Cape Canaveral Air Force Station Launch Complex

Image Courtesy of en.wikipedia.org

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