

University of Florida



Survey of Emerging Market Conditions

The Florida Real Estate Picture in July

Published August 28, 2006

This report is provided to all invited survey respondents who completed the survey during the July 2006 fielding. For more information about the survey or about the Center, visit our website at <http://www.cba.ufl.edu/fire/realestate/cres/>

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Executive Summary

Today's real estate news is focused on the chill spreading across housing markets, and the threat of condo bubbles bursting. While our survey results from July do not allay this prospect, they paint a different picture for virtually every other investment real estate market. They also reveal important variation in the picture by region.

First, the housing market gloom: Our respondents confirm a growing pessimism about absorption rates and prices for all types of residential real estate development. While perceptions of the condo market are the most pessimistic, with almost 69% of respondents expecting a downturn in absorption rates, the view of single family absorption is nearly as dim with 61% expecting a downturn. There is less unanimity in the gloom for future price changes. While 69% of respondents expect condo prices to lag inflation or decline, only 47% of respondents are so pessimistic about single family prices. The mood of pessimism appears in cap rates as well. Apartment cap rates are the only category that is reported by our respondents as increasing. Not surprisingly, the greatest reported increase – from 5.1% to 6.1% over the previous quarter – was for apartments for condo conversion.

But every other market offers a brighter picture. For example, no other category of investment property is reported to have a significant rise in cap rates, and several have exhibited a small decline. (The largest rise in other cap rates is for Large Retail, with an increase from 6.7 to 6.9%.) Respondents continue to expect cap rates to increase across all properties, as they have for a year, but the increase is not yet manifested as of July.

Expectations for occupancy rates in all types of property (including Market Rent Apartments, but not Apartments for Condo Conversion) are predominantly positive, indicating either no change or an increase in occupancy. Between 85 and 100% of respondents expect stable or improved occupancy in all of these markets.

Optimism for rental rate increases is also strong. For six of eleven property types, at least 80% of respondents expect rental rates to grow at least as fast as inflation. For two other categories at least 70% of respondents expect rates to grow at least as fast as inflation. Only for Apartments for Condo Conversion, Large Retail and Strip Retail are expectations for rental rate growth less sanguine. For four property types expectations actually have improved during the last quarter while four have remained unchanged, and only for three have expectations declined.

The Investment Outlook of respondents has clear differences across property types. For all residential property types it is poor, and has declined noticeably. For retail and hospitality the outlook is doubtful, but steady. But for industrial (Warehouse and Distribution, and Flex Space R & D) the outlook is brighter, and has improved, with over 80 percent of respondents having a neutral or positive assessment. The outlook for the respondents' own business has continued a year-long drift downward.

Investment Outlook also varies across the state. Respondents had the highest percentage of optimistic outlooks for investing in existing properties for Dade County, the Southwest Coast, and for Lakeland-Winter Haven. On the other hand, they had the least optimistic outlook for the Daytona area, Orlando and Tampa-St Pete. Respondents' outlook for development of raw land was less varied. The six strongest were Dade County, Broward County, Palm Beach County, Southwest Coast, Sarasota-Bradenton and Jacksonville.

There also is regional variation in expectations for residential development, both for single family and for condo. Of the regions with sufficient data to report, the weakest expectations for absorption for both types of residential development are Southwest Coast, Treasure Coast, Tampa-St. Pete and Jacksonville. In contrast, the strongest was Orlando.

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Florida Markets:

[Dade County](#)

[Broward County](#)

[Palm Beach County](#)

[Treasure Coast](#)

[Southwest Coast](#)

[Daytona Beach](#)

[Orlando](#)

[Lakeland - Winter Haven](#)

[Tampa – St. Pete](#)

[Sarasota – Bradenton](#)

[Jacksonville](#)

[Gainesville – Ocala](#)

[Pensacola to Tallahassee](#)

What’s on the Minds of Industry Leaders...

Characteristics of Respondents

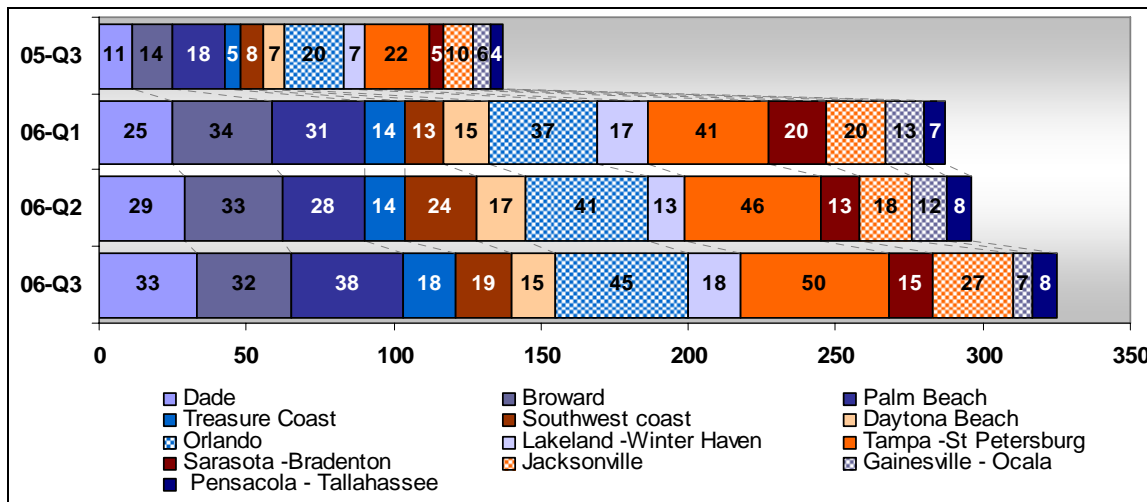
The most significant aspect of the survey respondents is the growth in number. In the course of a year there has been a 300% increase in respondents.

Respondents by Markets of Familiarity

The markets that respondents reported being familiar with are displayed in Chart 1. There is considerable stability in the mix of markets from 05-Q3 to 06-Q3, with these prominent features:

- Respondents have increased significantly in most markets from the previous quarter and the same period last year.
- The Highest percentages of respondents are from the Orlando and Tampa MSAs, followed by Palm Beach County, Broward and Dade.
- Notable increase has occurred with Jacksonville as well.

Chart 1: Respondents by Locations of Familiarity

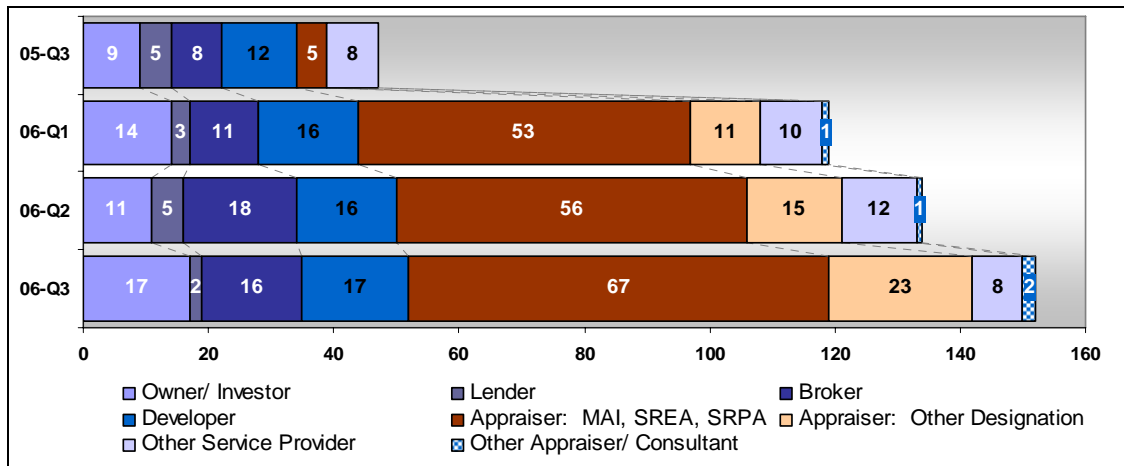


Respondents by Industry Role

The industry roles of respondents are shown in Chart 2. Prominent trends include the following:

- Appraiser participation has dramatically increased, and dominates the respondent by profession category with a total of 60%. This includes 45% with the MAI, SREA or SRPA designation.
- Lender representation has fallen from 11% last year to 1% this quarter.
- While developers comprised 26% of the respondents last year, they only comprise 11% this quarter.

Chart 2: Respondents by Industry Role

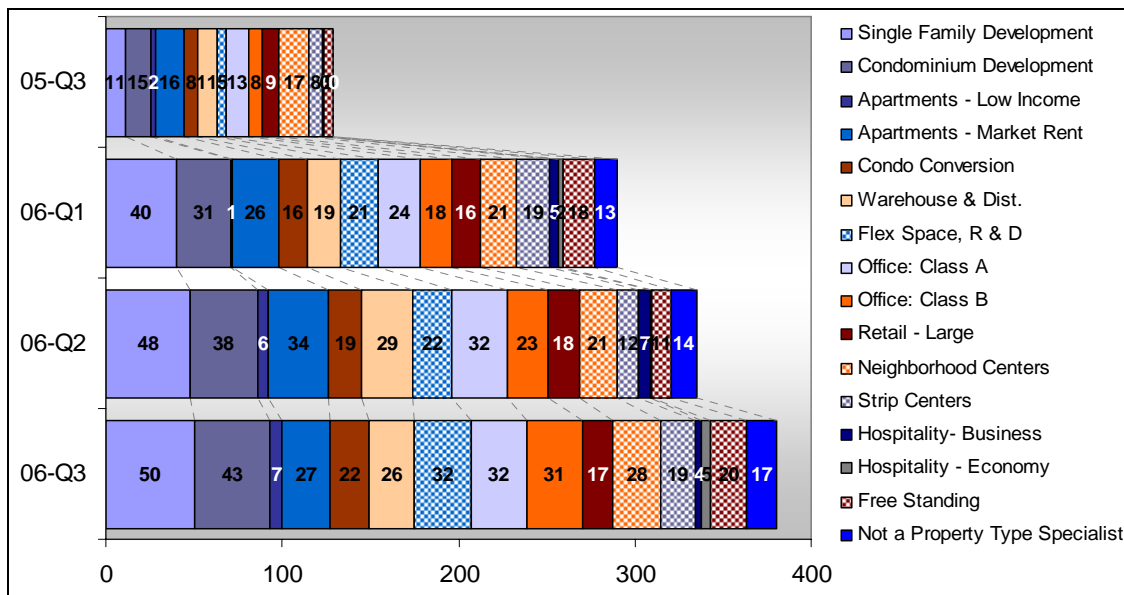


Respondent by Property Type Expertise

The property types for which respondents report familiarity are displayed in Chart 3. Highlights include the following:

- Single Family Residential Development and Residential Condominiums are the two most represented groups.
- Neighborhood Centers have seen a significant decrease in representation on the survey since last year.
- Market-Rent to Luxury Residential Apartments have seen a steady decrease of representation on the survey since last year. Last year they represented 12% of the respondents, this quarter they represent only 7%.
- There is a remarkably even and stable distribution through the year among all property types except low income apartments and hospitality categories.

Chart 3: Respondents by Property Expertise

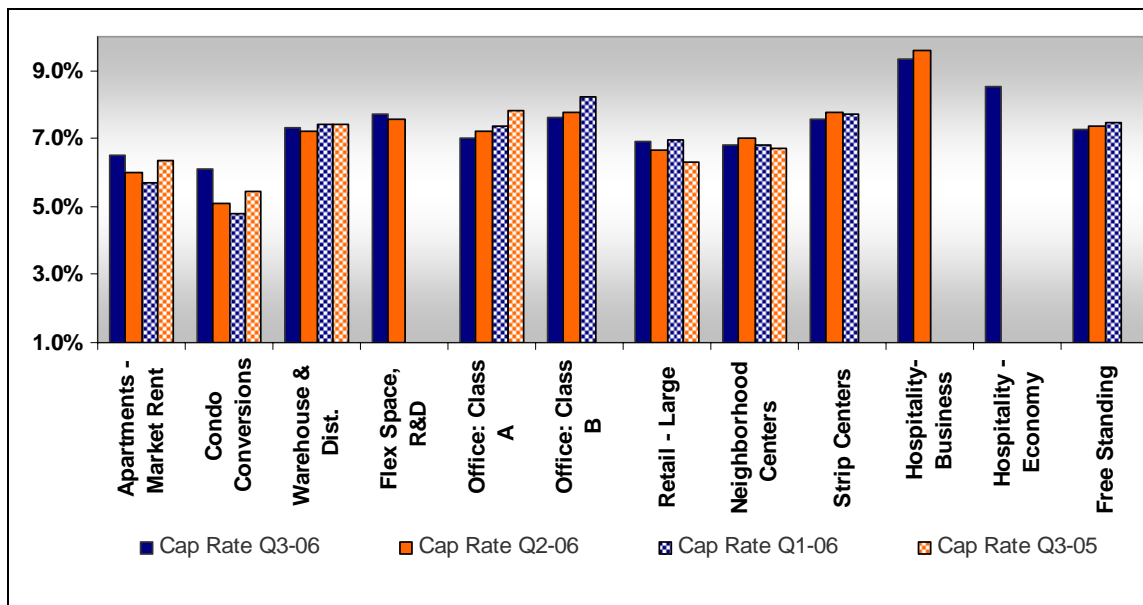


Cap Rates

Cap rates at the Florida level are shown in Chart 4 and Table 1. Highlights include the following:

- Cap rates in the most recent quarter ranged from 6.1% (Apartments for Condo Conversion) to 9.3% (Business Hospitality)
- The residential sector had the lowest cap rates ranging from 6.1% on Condo Conversion to 6.5% on Rental Apartments. Office, Industrial and Retail cap rates were settled around 7%.
- Cap rates have risen steadily from the last quarter in residential. Apartments for Condo Conversion saw an increase from 5.1% to 6.1%. Rental Apartment cap rates increased by 50 basis points to 6.5%.
- Non-residential cap rates contrasted with residential. Generally non-residential cap rates either trended slightly downward or stayed relatively stable. Industrial Sectors raised 10 basis points. In retail, Power Centers saw an increase of 20 basis points to 6.9%. Meanwhile, Neighborhood Centers and Strip Centers saw cap rates decrease by 20 basis points to 6.8 and 7.6 percent respectively. All Hospitality and Free Standing saw a decrease in cap rates.

Chart 4: Reported Cap Rates



Expectations for cap rates are shown in Charts 6a and 6b, and in Table 1. Expectations in the latest quarter are uniformly for increases. This holds among all eleven property categories that are surveyed.

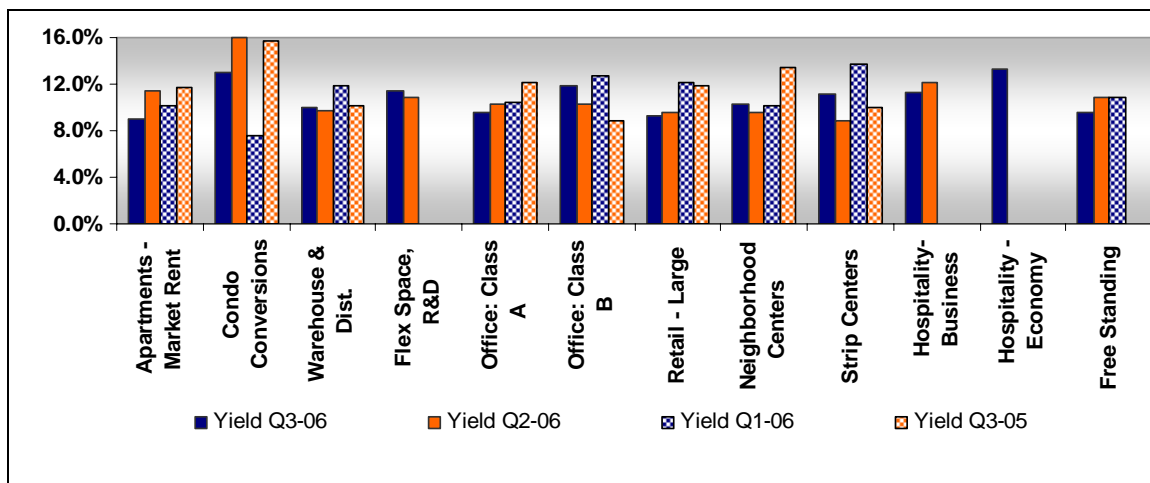
- More than half of all respondents among these eleven property types expect cap rates to continue to rise.
- Only Class A Office and Warehouse and Distribution have seen a moderate expectation for lower cap rates. For Class A Office 8 percent of respondents predict lower cap rates, while 59 percent expect to see higher cap rates. For Warehouse and Distribution these percentages were 12 percent and 52 percent, respectively.

Yields (unlevered)

Yields at the Florida level are reported in Chart 5 and Table 1. Highlights include the following:

- In the most recent quarter the highest required unlevered yields were for Apartments for Condo Conversion (13 percent), Economy Hospitality (13 percent), and Class B Office (12 percent). At the low end of the spectrum was Rental Apartments (9 percent) and Retail Power Centers (9 percent). All other property types fell in the 10 to 11 percent range.
- The only increase in required yield from the last quarter was in the Retail Strip Center and Class B Office categories. All other property types saw a decrease in the required unlevered yield. The most dramatic decreases were in Apartments for Condo Conversion (3 percent decrease) and Rental Apartments (3 percent decrease).

Chart 5: Reported Yields

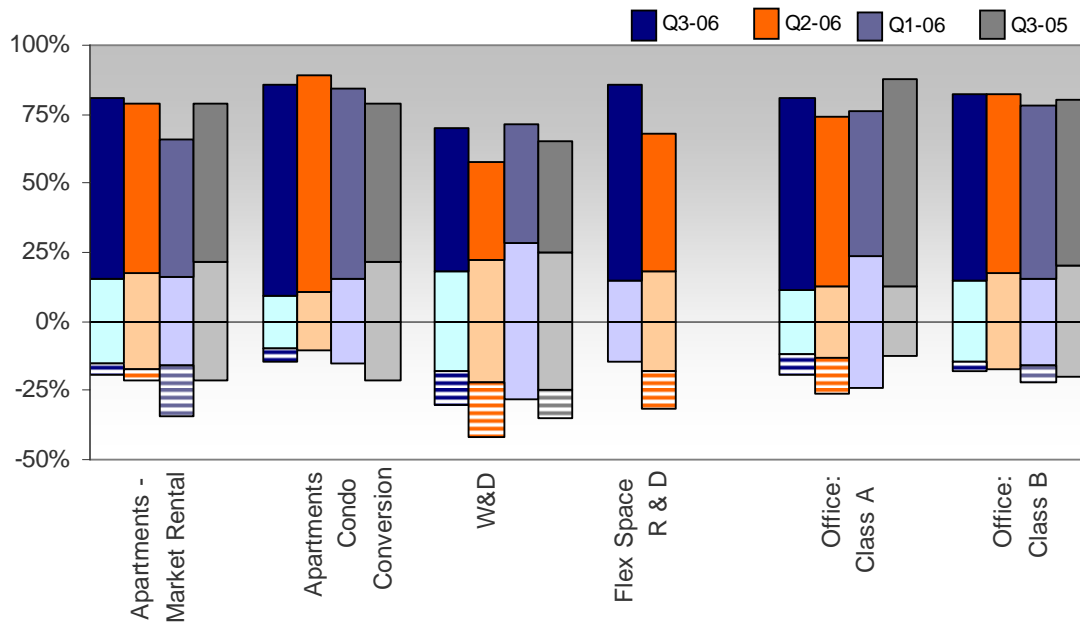


Expectations for yields are reported in Charts 7a and 7b, and in Table 1. The picture is more mixed than with cap rates.

- For only five property types do the majority of respondents expect yield increases.
- Meanwhile, for seven property types, between ten and twenty percent of respondents expect decreases.
- The strongest expectations for increases are Business Hospitality (67 percent) and Neighborhood Retail Centers (58 percent).

Chart 6a

Cap Rate Expectations



% of Respondents Expecting Increase
 % of Respondents w/ Neutral Expectations
 % of Respondents Expecting Decrease

Chart 6b

Cap Rate Expectations

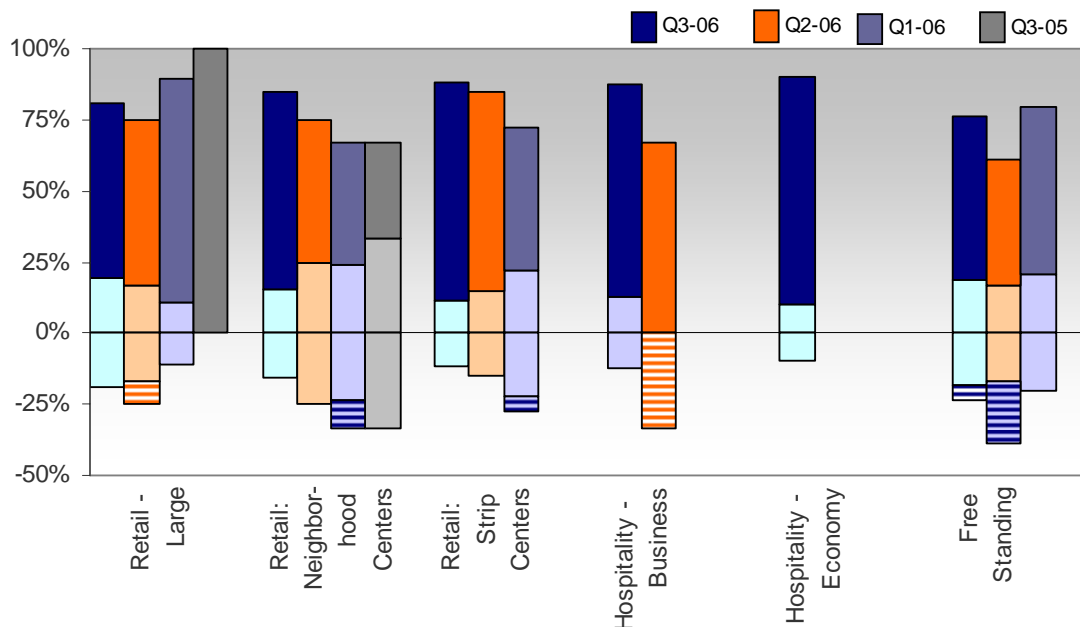


Chart 7a

Yield Expectations

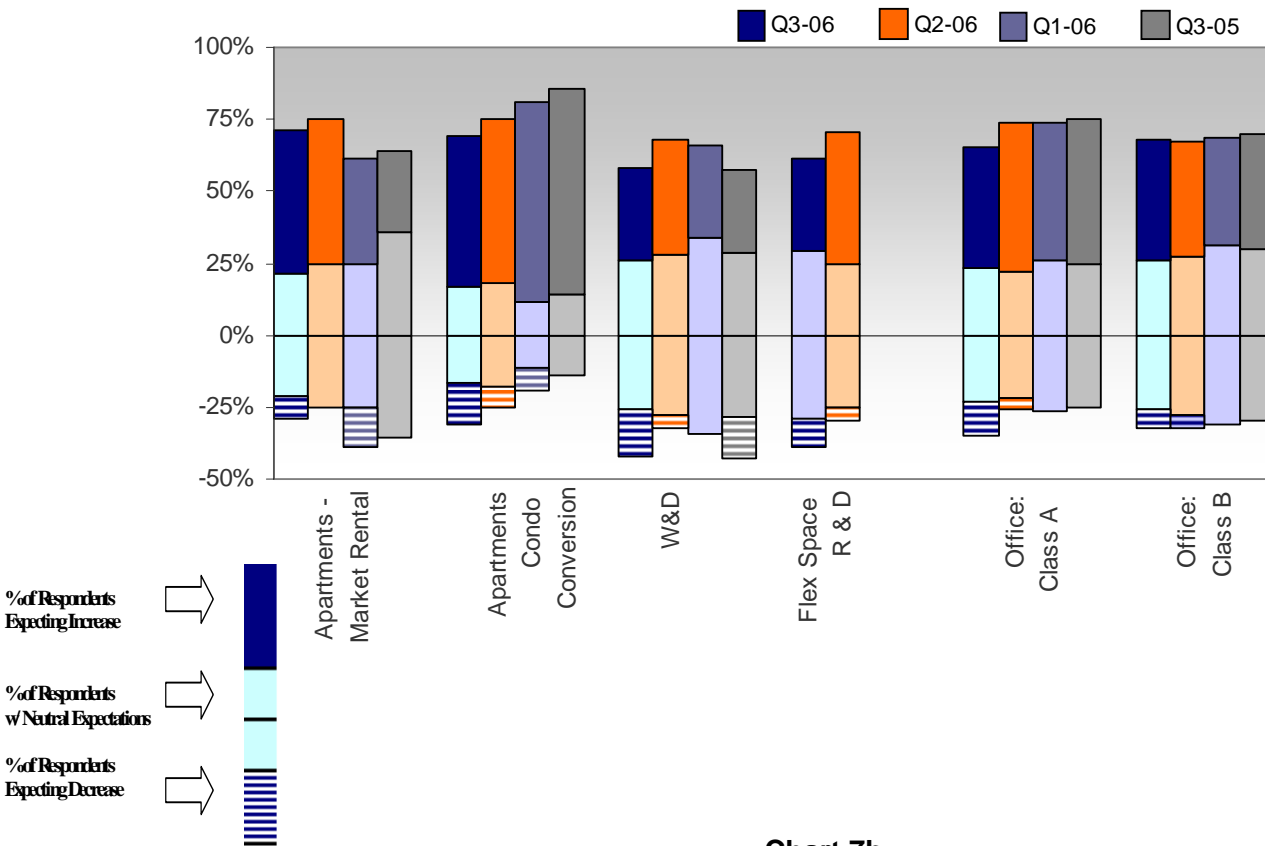


Chart 7b

Yield Expectations

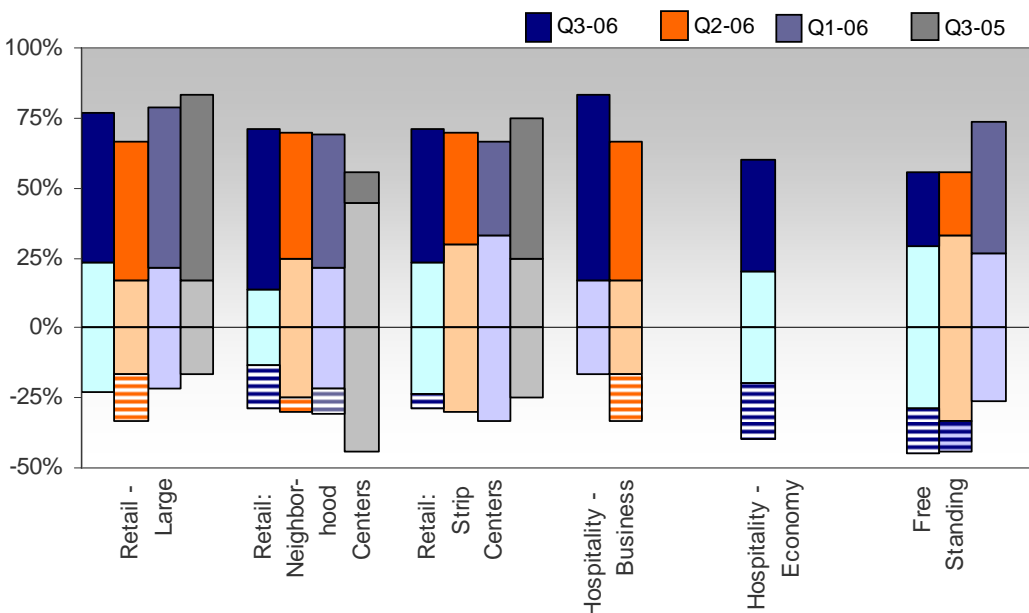


Table 1: Cap Rates and Yields

Florida	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neigh- bor- hood Centers	Strip Centers	Hospitality Business	Hospitality Economy	Free Standing
Cap Rates												
Q3-06												
Q3-06 Value	6.5%	6.1%	7.3%	7.7%	7.0%	7.6%	6.9%	6.8%	7.6%	9.3%	8.5%	7.3%
Percent Expecting Rise	65%	76%	52%	71%	69%	68%	62%	69%	76%	75%	80%	58%
Percent Expecting Fall	4%	5%	12%	0%	8%	3%	0%	0%	0%	0%	0%	5%
Q2-06												
Q2-06 Value	6.0%	5.1%	7.2%	7.6%	7.2%	7.8%	6.7%	7.0%	7.8%	9.6%		7.4%
Percent Expecting Rise	61.5%	78.6%	36.0%	50.0%	60.9%	65.0%	58.3%	50.0%	70.0%	66.7%		44.4%
Percent Expecting Fall	3.8%	0.0%	20.0%	13.6%	13.0%	0.0%	8.3%	0.0%	0.0%	33.3%		22.2%
Q1-06												
Q1-06 Value	5.7%	4.8%	7.4%		7.4%	8.2%	7.0%	6.8%	7.7%			7.5%
Percent Expecting Rise	50.0%	69.2%	43.0%		52.4%	62.5%	78.6%	42.9%	50.0%			58.8%
Percent Expecting Fall	18.2%	0.0%	0.0%		0.0%	6.3%	0.0%	9.5%	5.6%			5.9%
Q3-05												
Q3-06 Value	6.4%	5.4%	7.4%		7.8%	0.0%	6.3%	6.7%				
Percent Expecting Rise	57.1%	57.1%	40.0%		75.0%	60.0%	100.0%	33.3%				
Percent Expecting Fall	0.0%	0.0%	10.0%		0.0%	0.0%	0.0%	0.0%				
Yields												
Q3-06												
Q3-06 Value	9.0%	13.1%	10.0%	11.5%	9.5%	11.9%	9.3%	10.2%	11.1%	11.3%	13.3%	9.5%
Percent Expecting Rise	50.0%	52.4%	32.0%	32.3%	42.3%	41.9%	53.8%	57.7%	47.4%	66.7%	40.0%	26.3%
Percent Expecting Fall	7.7%	14.3%	16.0%	9.7%	11.5%	6.5%	0.0%	15.4%	5.3%	0.0%	20.0%	15.8%
Q2-06												
Q2-06 Value	11.5%	16.0%	9.7%	10.9%	10.3%	10.3%	9.6%	9.6%	8.9%	12.2%		10.8%
Percent Expecting Rise	50.0%	57.1%	40.0%	45.5%	52.2%	40.0%	50.0%	45.0%	40.0%	50.0%		22.2%
Percent Expecting Fall	0.0%	7.1%	4.0%	4.5%	4.3%	5.0%	16.7%	5.0%	0.0%	16.7%		11.1%
Q1-06												
Q1-06 Value	10.2%	7.6%	11.9%		10.5%	12.7%	12.1%	10.1%	13.7%			10.8%
Percent Expecting Rise	36.4%	69.2%	32.0%		47.6%	37.5%	57.1%	47.6%	33.3%			47.1%
Percent Expecting Fall	13.6%	7.7%	0.0%		0.0%	0.0%	0.0%	9.5%	0.0%			0.0%
Q3-05												
Q1-06 Value	11.7%	15.7%	10.1%		12.1%	8.9%	11.8%	13.4%	10.0%			
Percent Expecting Rise	28.6%	71.4%	28.6%		50.0%	40.0%	66.7%	11.1%	50.0%			
Percent Expecting Fall	0.0%	0.0%	14.3%		0.0%	0.0%	0.0%	0.0%	0.0%			

Occupancy Rate Expectations

Occupancy rate expectations are reported in Charts 8a and 8b. They are broadly quite positive, as detailed below:

- Expectations for occupancy generally remain positive, nearly equal to the last quarter. Over forty percent of respondents expect an occupancy increase. In ten out of eleven property types there is a positive outlook for the future. With business hospitality properties there were few respondents, however all of them are expecting occupancy rates to increase. Besides this, and with a larger response base, the most positive outlook was with Class B Offices at 68%.
- The most notable improvements in expected occupancy since the last quarter are also with Class B Offices, where the percent of respondents expecting an increase has risen from 28 to 68 percent.
- Although rental apartments still have a positive outlook for the future, the percentage of positive predictions fell from 65 to 40 percent. The most notable decline in expected occupancy is with Apartments for condo conversion, where the percent of respondents expecting an increase fell from 29 to 17 percent. This was the only property type with a negative outlook.
- Overall, our respondents still have a positive outlook for future occupancy rates. Compared to quarter 3 of last year, the general outlook is only slightly less positive except for apartments for condo conversion.
- The most positive occupancy outlook trends have been for Warehouse and Distribution, Class B Office and Strip Retail, where expectations have actually drifted upward from a year earlier.

Chart 8a

Expected Occupancy Rates

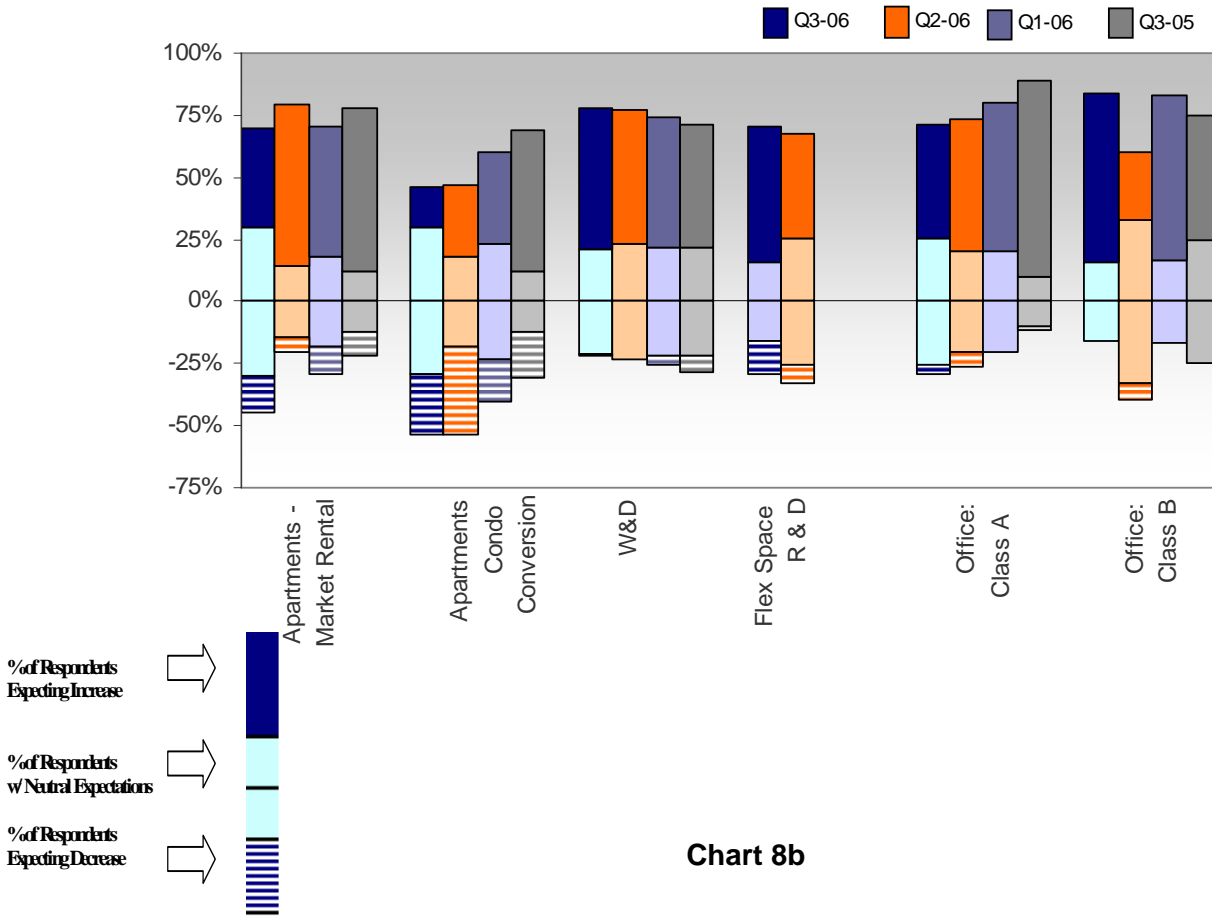
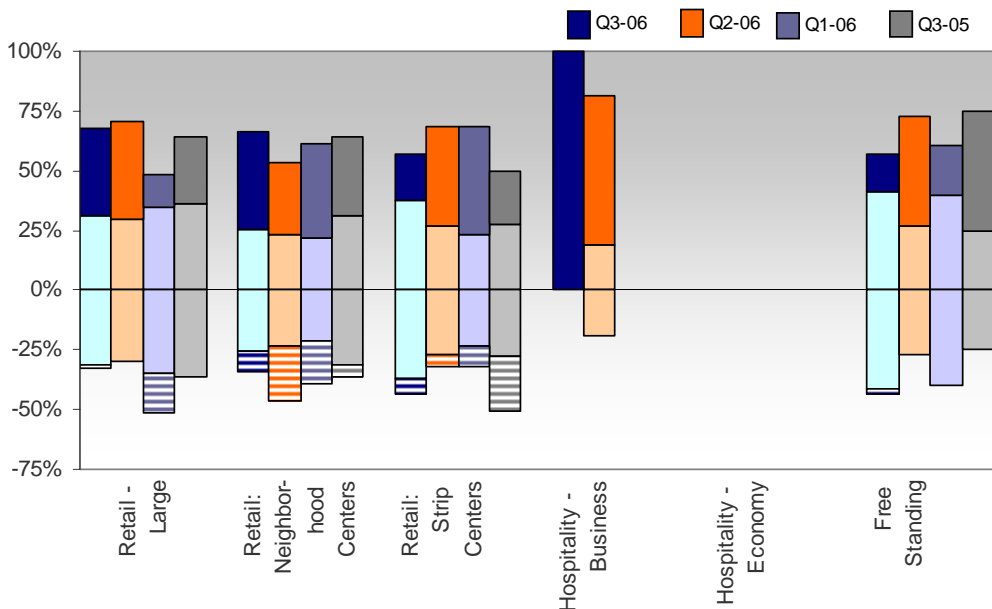


Chart 8b

Expected Occupancy Rates



Rental Rate Expectations

Rental rate expectations are reported in Charts 9a and 9b. Expectations for rental rate increases are more mixed and divergent than for occupancy, as detailed below:

- For six property types, at least 80 percent of respondents expect rental rate growth to match or exceed inflation and for two additional property types, at least 70 percent of respondents are this optimistic.
- In general, the expectations for future rental rates are a change that is either equal to inflation (36% of respondents) or exceed inflation (41% of respondents).
- Altogether, expectations for rental rate growth have increased for four property types, remained much the same for four property types, and declined for three.
- However, similar to the last survey, expectations for rental rate increases have moved in mixed ways. Compared to the last quarter there have been more respondents who either see rates exceeding *or* lagging inflation. This trend is an indication of increased disagreements on the direction of future rental rates.
- Residential apartments for condo conversion had the greatest amount of respondents expecting rental rates to decline (16%). For this property type, along with Class A Offices, and all types of retail, about 1/3 of respondents expect rental rates to either lag inflation or decline.
- On the other hand, for Rental Apartments, all types of Industrial, Class B Offices, and Freestanding Single Tenant Retail, the expectation is for rental rates to either meet or exceeded inflation
- Since last quarter, the most negative shifts for expected rental rates have been for Large Retail centers, Strip Retail and Class A Office. Conversely, Class B Offices have seen a positive trend since last quarter's report.

Chart 9a

Expected Future Rental Rates

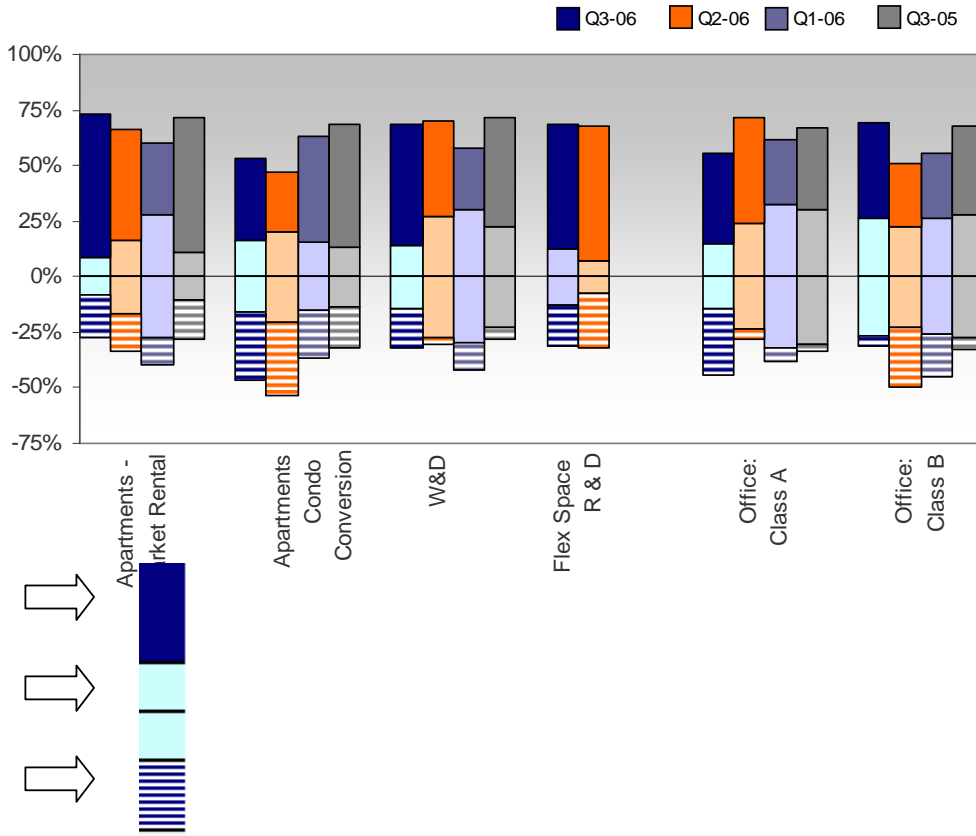
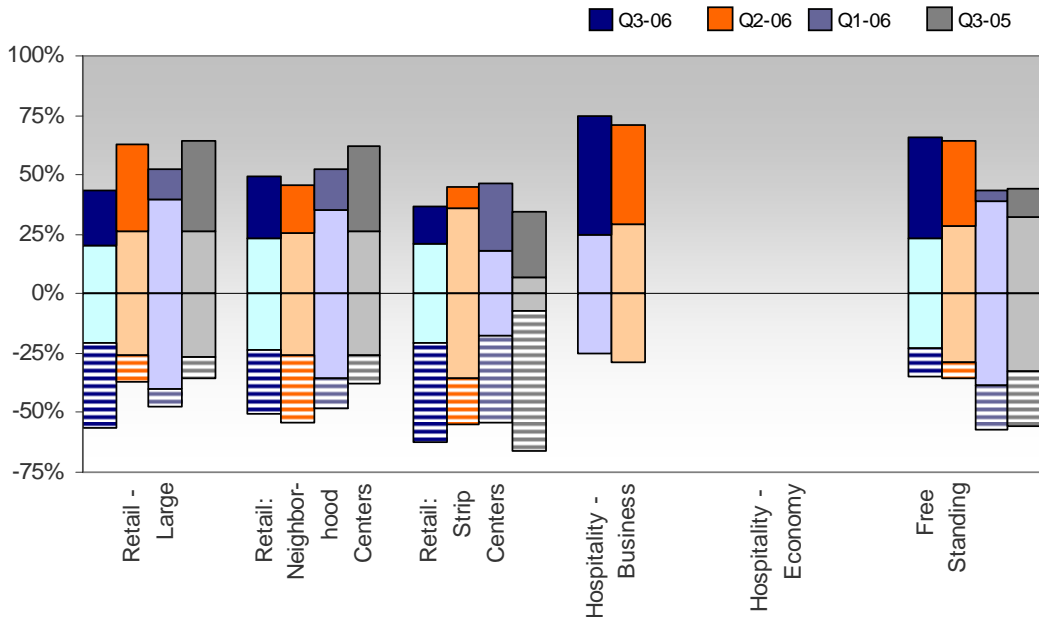


Chart 9b

Expected Future Rental Rates



Residential Development Absorption Rates and Price Changes

Residential absorption rates are shown in Chart 10 for single family and condo. Expected price changes are shown in Chart 11. The contrast between the outlook for residential development and the expectations for existing rental real estate is striking. While condo markets are viewed with slightly more pessimism than single family, both have seen clear declines in outlook.

- Expectations for a decline in absorption rates have continued for the second consecutive quarter. 61 percent of respondents expect a decline in Single Family Development absorption rates, while 69 percent expect a decrease in Condominium absorption rates. Only 12 percent of respondents expect an increase in Single Family Development absorption rates, while only 21 percent expect an increase in Condominium absorption rates.
- Price changes parallel the absorption rate expectations. In Singly Family Development, 24 percent of respondents expect a decline in price, 23 percent expect prices to lag inflation, 40 percent expect price to keep pace with inflation, while only 11 percent expect price to exceed inflation. For Condominiums 38 percent of respondents expect a decline in price, 31 percent expect price to lag inflation, 16 percent expect price to keep pace with inflation, and only 14 percent expect price to exceed inflation.
- Respondents clearly see condominium markets as something apart from other real estate markets. While the outlook for most rental markets is positive to mixed, and while single family residential is viewed as facing a downturn, the condominium market is viewed as facing a distinctly sharper decline.

Chart 10

Residential Development Absorption Rate Changes

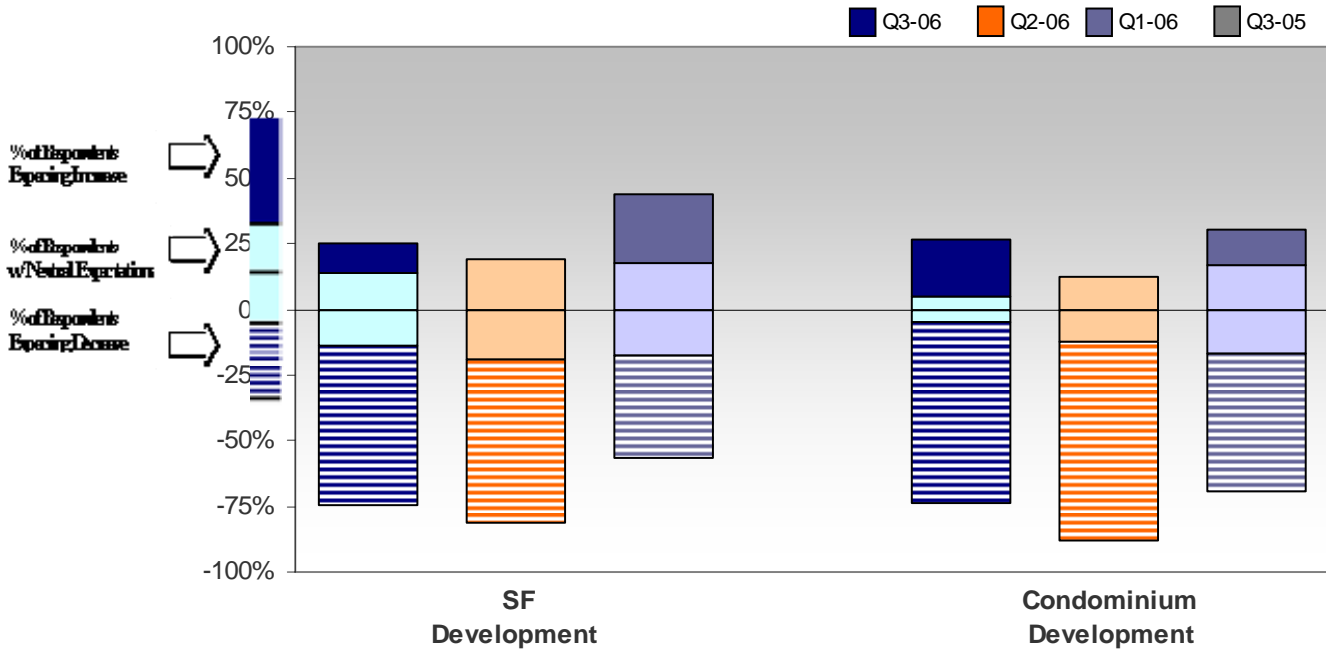
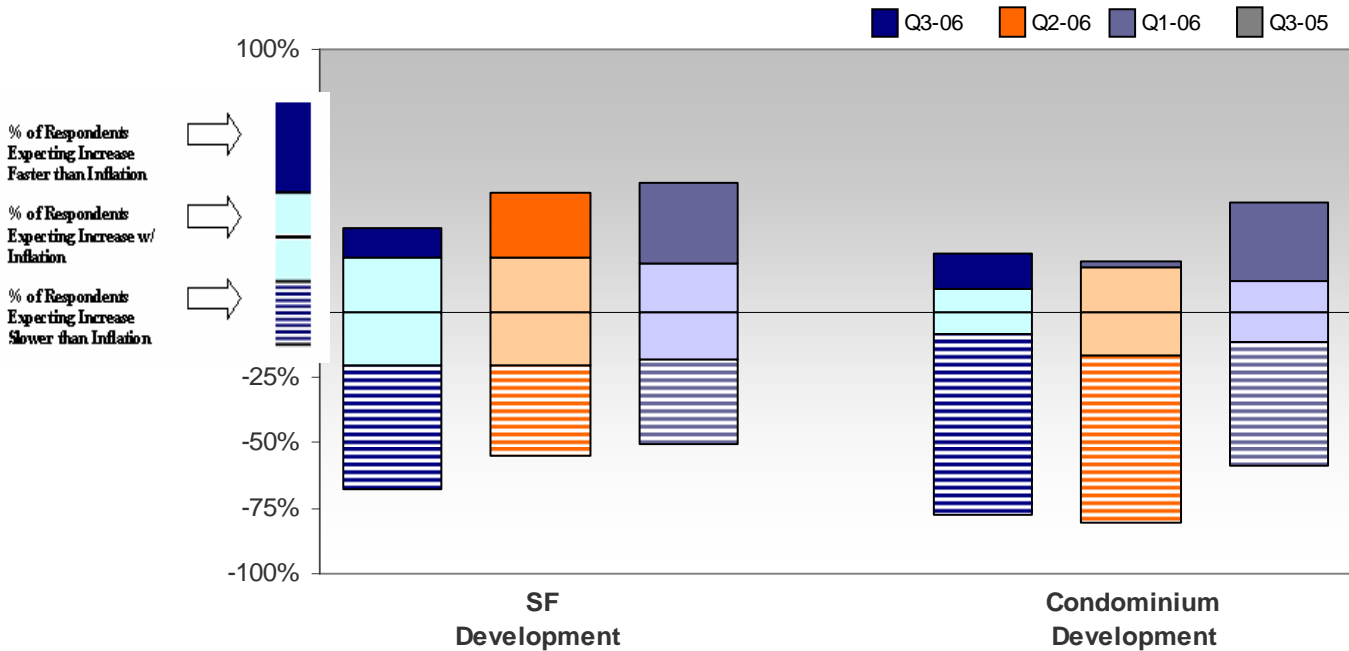


Chart 11

Residential Development Price Changes



Outlook for Investing in Existing Properties

The outlook for investing in existing properties is reported in Charts 12a and 12b. Though it is broadly pessimistic and trending more so, there are mixed patterns across properties, as detailed below:

- Similar to last quarter, the outlook for investment properties is pessimistic. In 8 of 15 property categories, more respondents rated the outlook below neutral than did in the previous quarter. These categories include all types of residential and all forms of retail except Free Standing. This result is an indicator of growing caution in the market.
- Compared to last quarter, the overall outlook has grown *more* pessimistic.
- The most negative outlook is for residential condo development and condo conversion properties.
- On the other hand, not all outlooks are bad. There is a significantly increased percentage of optimistic outlooks for industrial, office and large retail properties. The largest gain since last year's survey has been in industrial properties.
- The Hospitality outlook also has seen a marked move in the last quarter toward optimism.
- The retail outlook, on the whole, been rather steady across all property types.

Chart 12a

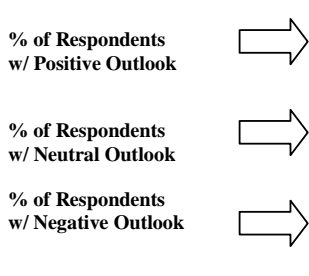
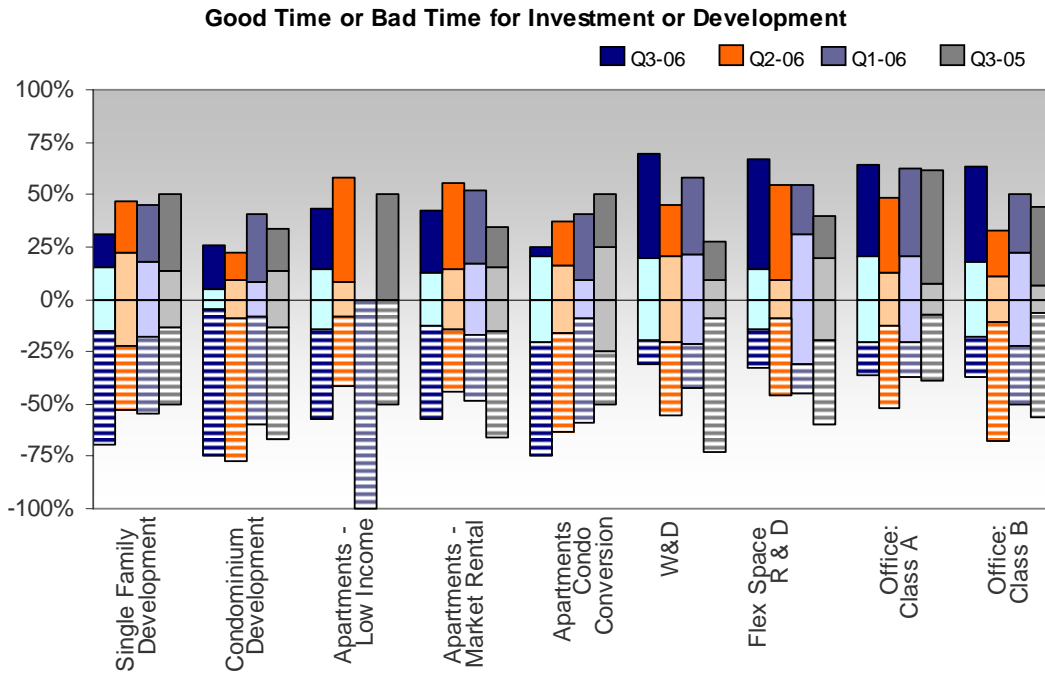
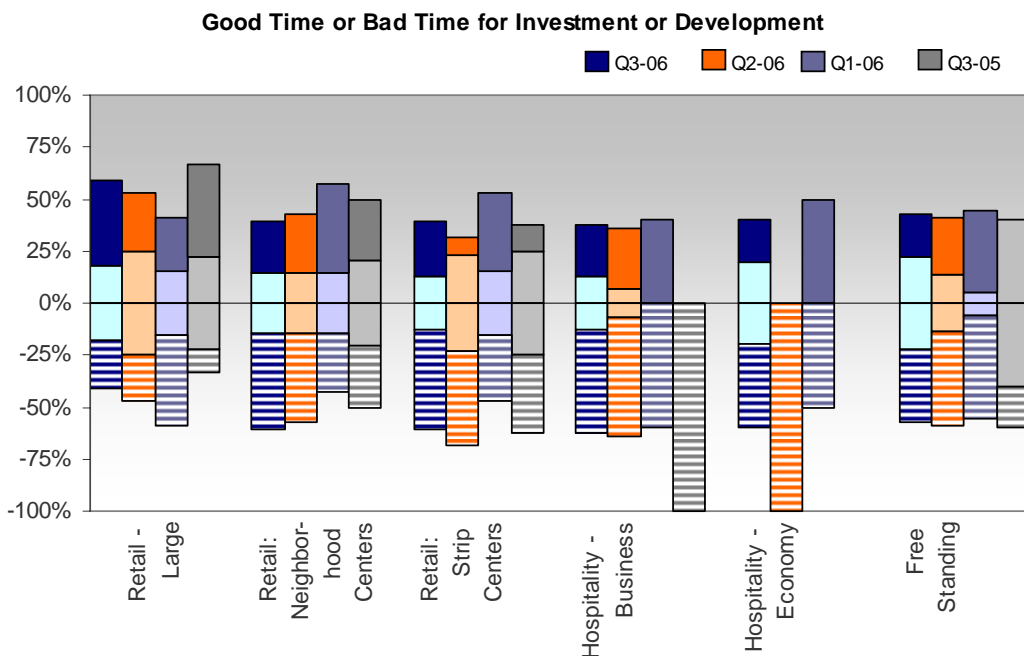


Chart 12b



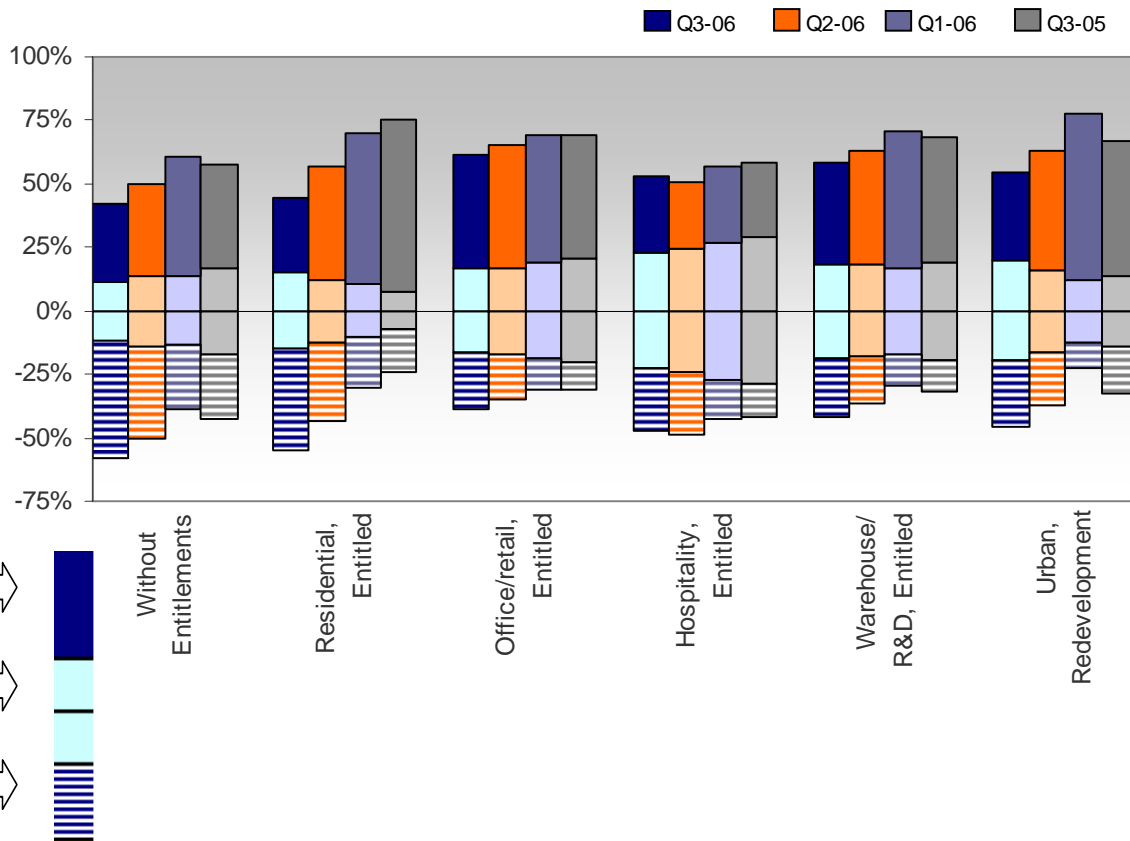
Outlook for Investing in Undeveloped Land

The outlook for investing in raw land is reported, for six land scenarios, in Chart 13. While it generally is trending pessimistically, there are some exceptions, as noted below:

- As opposed to the negative outlook for the acquisition of existing property market, the outlook assessment for development of land is more neutral.
- Not surprisingly, the most positive outlook assessments are for land with office/retail entitlements and warehouse/R&D entitlements.
- Since the last quarter, the outlook has been shifting negatively for all land types *except* for land entitled for hospitality. The greatest negative outlook shift has occurred for land entitled for residential, and land entitled for Unentitled Land.
- Compared to last year, all types of land types have a more pessimistic outlook than the current quarter.

Chart 13

Good Time or Bad Time for Development of Land

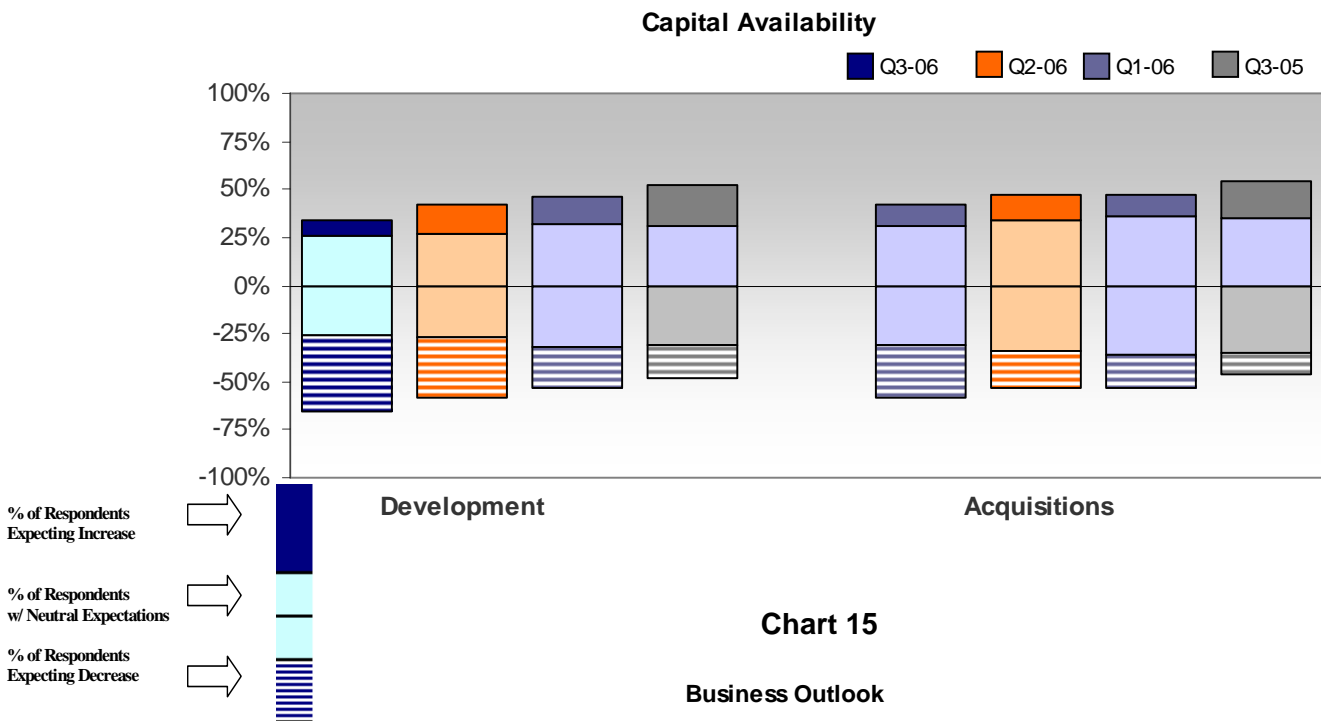


Outlook for Capital Availability and Business of the Respondent

The outlook for capital availability is reported in chart 14 for both development and investment in existing properties. The outlook for the respondent's own business is reported in Chart 15. All of these outlooks have shown a steady, gradual decline over the course of the last year, as detailed below:

- Although most respondents expect availability of capital to remain unchanged, there has been a growing trend the last couple of quarters for expecting slightly **less** development and acquisition capital. Since quarter three of last year, the percentage of respondents who expect capital availability to be less has grown from 17 to 39 percent for development and 11 to 27 percent for acquisitions.
- Outlook for the respondent's own business has fallen slightly (7.5 vs. 7.7), since the last quarter and has declined from 8.4 in the third quarter of 2005.

Chart 14

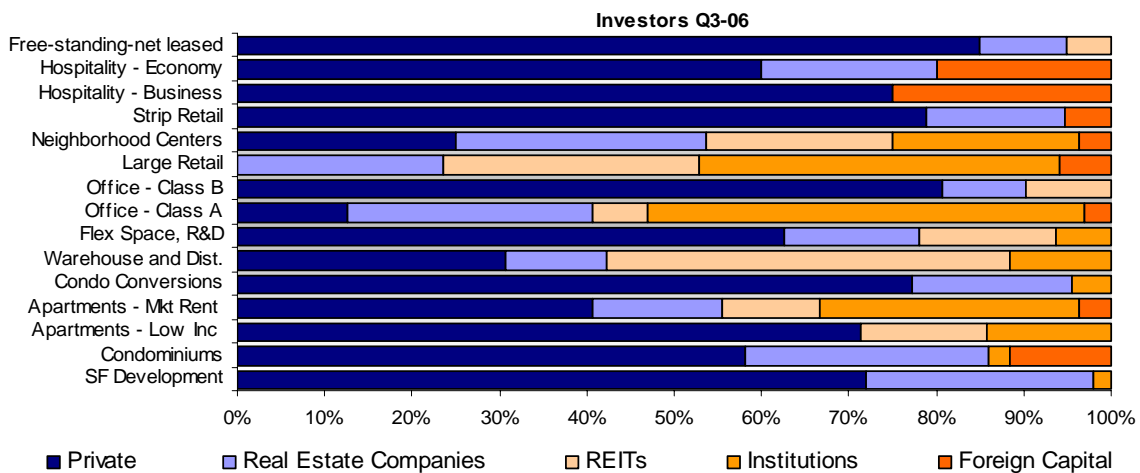


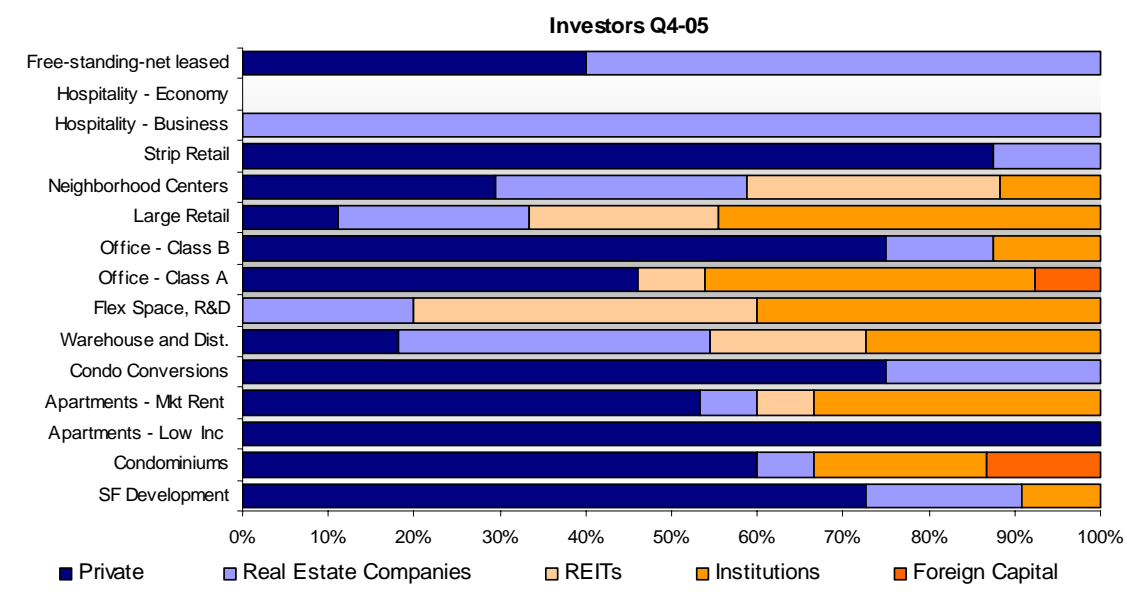
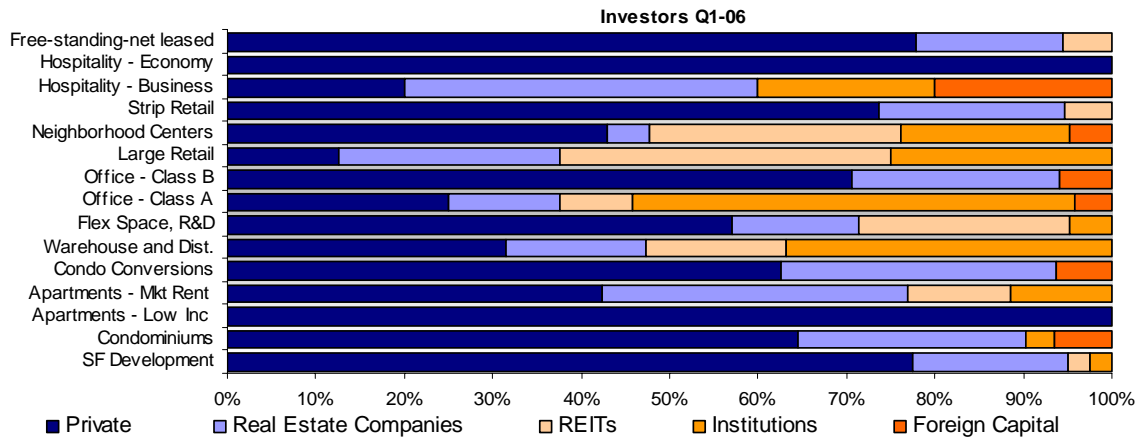
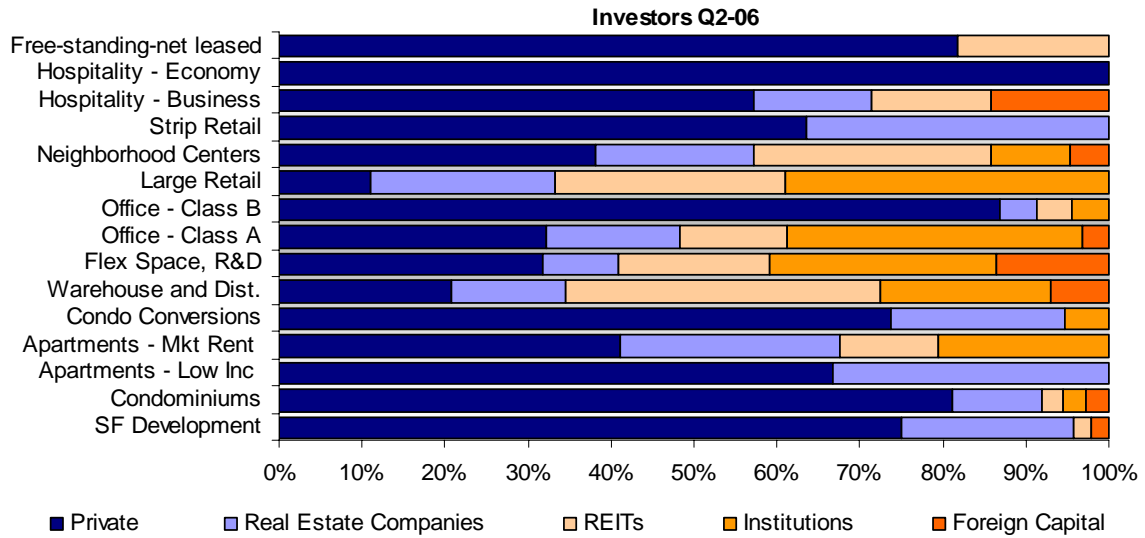
Buyers of Properties in Florida

The dominant buyers of fifteen property types, as perceived by respondents, are reported in Charts 16a – 16d. Broadly, private investors dominate in all quarters, with considerable stability in the pattern. However, variation is evident, as noted below:

- Private investors are reported as the predominant investor group for eleven of fifteen property types. For ten property types over half of respondents identified private investors as the dominant investor group.
- The most significant exceptions to private investor dominance include, Large Retail, Class A Office, and Warehouse and Distribution.
- For Large Retail, respondents most frequently identified Institutions as the dominant investor group, but with many respondents indicating either real estate companies or REITs as a player as well.
- For Class A Office, once again, institutions are the dominant buyer with a much larger share of respondent votes compared to last quarter
- For Office and Warehouse and Distribution, respondents most frequently reported REITs as the dominant investor group.
- Since last quarter there has been almost no change in the amount of respondents that view Real Estate Companies as the dominant investor type. However, there has been a slight decrease in both the perceptions of REIT and Private investment. Conversely, there has been slight growth in the amount of respondents that view Institutions and Foreign capital as the dominant investor group.

Charts 16a-d: Buyers of Property in Florida (Q3-06 to Q4-05)





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**Addendum to the
Survey of Emerging Market Conditions**

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This report is provided to all invited survey respondents who completed the survey during the July 2006 fielding. For more information about the survey or about the Center, visit our website at <http://www.cba.ufl.edu/fire/realestate/cres/>

The Insurance Crisis

Florida's insurance crisis was, by July, a leading concern of our respondents. Below are representative comments of UF Real Estate Advisory Board members and others indicating the magnitude and breadth of the problem. Their comments reveal in detail the far-reaching implications of the problem.

“The real estate market is in the early stages of turmoil mostly caused by the unexpected dramatic increases in insurance rates during the past three months. If rents are increasing at or slightly higher than inflation (much lower than the insurance increases), the net cash flows of the properties will be affected causing in some cases lack of enough cash flows to cover debt service - this is more acute in income restricted properties in which rents are set by the government and who are less receptive to adjust rents in order to compensate for increase costs.”

***Richard C. Ahrens**, Principal, Ahrens Companies; *Lake Park, Florida*

“We have an insurance crisis and Tallahassee is not doing enough! We are seeing apartment building insurance that was \$250 per unit increase to \$1200-\$1400 per unit, a 560% increase in one year, if you can get insurance. For office and retail, we are seeing insurance premiums rise from \$.20 -.35 per \$100 of insured value to \$2- \$3, over 15 times last years premium. With those numbers and few landlords being able to pass through insurance costs, the profitability and ultimately the value of commercial properties has plummeted. The reason premiums are skyrocketing is that reinsurance companies, the companies that cover the risk after deductibles for insurance companies, don't want to take on any more losses after the past few years in gulf states. Is there hope? Yes. If we have a normal hurricane year with moderate loses, other insurance companies will see the exorbitant premiums being charged to commercial property owners and come to Florida salivating, which will create competition. As a consequence, rates in a year or two will settle back down to normal. Please call your legislative rep and give him/her an ear full, we need state action now.”

***Steven Ekovich**, Manager, Marcus & Millichap; *Tampa, Florida*

“Insurance costs and availability will affect development, lending and acquisition activity, despite strong market conditions. Rising rates will affect cap rates, but a portion of the effect will be negated by the anticipation for rental rates rising in excess of inflation.”

***Albert G. Rex**, President, Carey Kramer Company; *Weston, Florida*

“...We have witnessed a 300% increase in our portfolio insurance coverage...”

***Mitchell C. Rice**, CEO, RMC Property Group; *Tampa, Florida*

“...huge concern over rising insurance costs which is impeding all property types throughout Florida. Cost of insurance has gone up 5X or more in a year, which will have a huge negative impact on rents and property values. Windstorm insurance for new high-rise is not available to fully cover the risk, forcing developers/banks to underwrite part of the risk. Bonding is becoming difficult to obtain, with sureties

refusing to provide unconditional bonds. All of these issues are slowing the sales and construction activity in Florida.”

***Ted Starkey**, Sr. VP, Wachovia Bank; *Tampa, Florida*

“...The single biggest issue from my point of view is the lack of reinsures for the casualty insurance market. This current crisis isn't purely a real estate industry concern but one that reaches across our entire state economy. Public and private leaders will have to solve this problem together in a proactive manner as opposed to sitting back and hoping for better weather. This could be the single biggest variable affecting capital flows into our state and industry for the foreseeable future.”

***Jim Stine**, Chief Investment Officer, Stiles Corporation; *Ft Lauderdale, Florida*

“...Lenders are requesting insurable values on every appraisal, deals are dying because insurance quotes are so high or insurance can't be obtained at all. One client was quoted \$2.00 psf for insurance, which is similar to tax rates. Lenders are more cautious, especially on condo conversions and new construction, especially luxury residential of all types.”

Ann McCarthy, Appraisal Institute

“As the Fed raises rates, the cost of money increases and tends to slow the market; however I believe the high cost of insurance and property taxes will have more of a deleterious effect on the market than the increasing interest rates. I am already seeing potential buyers choosing to move further inland to avoid the high cost of insurance. In the long run I believe we will see a loss of jobs locally as more potential employers leave the coastal areas and relocate to areas having lower insurance and property taxes.”

John Priller, Appraisal Institute

“CMBS activity seems to have slowed some, perhaps partially in response to concerns over rising insurance costs, which are in turn adversely affecting debt-service coverage and consequently loan amounts.”

Scott Tew, Appraisal Institute

“Perhaps the most pressing issue affecting Florida real estate is the rising costs of property insurance. With recent updates to wind-damage forecast models, loss estimates have tripled/quadrupled. Insurance companies have begun pulling out of Florida, and those who write policies will expect very high premium levels. Unless the State or Federal government can provide relief (similar to the terrorism insurance issues in the NE), rising CAM costs, will either drive tenants out of business or cause base rental rates to stagnate or drop.”

Wayne Miller, Appraisal Institute

*UF Real Estate Advisory Board member

Growing Residential & Land Inventories

Builders beginning to divest land inventories

The second greatest concern of respondents is the state of the housing market. There is widespread apprehension about growing inventories, especially for condominiums. A wide range of implications are revealed by the perspectives from CRES board members and others, expressed below.

“I expect the slow down in single family to continue through next year-worsening in the second half because of competition from speculators, tougher qualifying, high pricing and an increase in delinquencies. The condo market is in a severe downturn because of the dominance of the speculative buyer. I expect significant price reductions along with walk-aways from contracts in the second half. I do not see significant recovery for several years.”

***Lewis Goodkin**, President, PriceWaterhousecoopers/Goodkin Research; *Miami, Florida*

“The overbuilding of condominiums in South Florida will finally have an impact as the next 18 months will reflect a decline in the sales price and the number of units sold. The West Coast of Florida, Naples, etc will see an additional slowdown over the next 12 months due to overbuilding and inflated prices. Single-family sales will also decline, but at a much lower rate than Condominiums. Rents will decline, as investors who bought their new condominiums will not be able to resell their units as quickly as they anticipated. Others have speculated that the increase in the number of unused condominiums will lower the rents for existing apartment complexes. Until the coverage of unused units is consumed and in use, rents will go down for the medium to expensive condominiums and apartment rental units. The commercial market place is expected to continue at the same pace as there is no major overbuilding in South Florida at the present time.”

***Stephen Wayner**, Vice President, Bayview Financial Exchange Services; *Coral Gables, Florida*

“The real estate market in Tampa has clearly slowed from an investor/ buyer perspective as they wait to see how economic forces are going to affect prices for all categories. However, general supply and demand factors remain positive for most property types in terms of occupancies, rents, etc.”

***Randall Reid**, Owner/President, Viridian Development LLC; *Tampa, Florida*

“...The housing market seems to have recently become saturated due to the excessive amount of new construction occurring in the County from say 2004-06 primarily.”

Arthur Pollard, Appraisal Institute

“The panhandle is currently overbuilt with new residential properties, and, as a result, many of the larger building companies are lowering prices in order to move their inventory. The amount of available inventory has almost doubled over the past two years while residential sales have remained fairly constant. In my market there is currently a 9-month supply of listed properties based on current absorption. We still have a lot of new people coming into the area. They range from retirees to military personnel. The problem that I see is that many of the blue-collar workers and lower income families are

being priced out of the market. If the cost of home ownership continues to rise I fear that we may see a real labor shortage as workers move on to locations having more affordable housing. We are already experiencing labor shortages in the fast food and hotel industries.”

John Priller, Appraisal Institute

“Infrastructure is struggling around Tampa (particularly to the north in Pasco County) to handle all of the new growth in housing. It will likely take a few years for Pasco County to come to grips with the explosion in development there. The Tampa market continues to be strong and it is likely that residential prices will remain steady overall (with a small drop in prices on new homes), and to then start to increase slowly after a 1 to 2 year flat period. Commercial growth is pacing residential growth and should continue steadily over the coming years.”

Steven Nystrom, Appraisal Institute

“As previously funded projects, pre-leased or pre-sold are completed there will likely be a glut of available product when tenants and buyers balk at previously committed to amounts. I expect this to increase the available inventory and stagnate growth in rents and create a potential for REO property and foreclosures.”

Robert Dunham, Appraisal Institute

“It looks like demand is getting very soft in that market and most builders are living off of their backlogs at the moment, with fewer new deals being signed up. In my opinion, a prolonged downturn in the traditional single-family market could have a substantial negative impact on the Florida commercial real estate market in general.”

Scott Tew, Appraisal Institute

*UF Real Estate Advisory Board member

Property Taxes and Save-Our-Homes Amendment

A continuing concern of respondents is property taxes and the effect of the Save Our Home Amendment upon housing markets. Below are representative comments.

“I believe that the 3% cap on homestead properties will have to be rescinded soon as there is a growing disparity in the amount of taxes long time residents pay and the amount new comers pay. The system is flawed and unfair. It is not equitable and should be abolished ASAP. Furthermore the cap on residential properties puts a greater burden on commercial/investment properties resulting in much higher taxes for commercial/industrial enterprises. Also the very people we want to keep; i.e., the working classes are being priced out of the rental market as landlords pass on the higher taxes to the tenants.”

John Priller, Appraisal Institute

Tax burden is choking development, which lacks infrastructure - a deadly combination. The market will stabilize over the next 18-months with a dramatic shake out of speculators.

Name withheld

Economic & market conditions appear to be stable as interest rates increase, but remain very competitive. Local property taxes & insurance are having an adverse impact on marketability and will impact tenant occupant's ability to pay spiking expenses going forward.

Stuart Lieberman, Appraisal Institute

“The tax assessments have entered an area where new buyers may be able to afford a home but cannot afford the taxes. The Save Our Homes Amendment while helping to keep taxes low for those of us living in a home long term, has in the past kept the number of listings low as there is no incentive to move when your taxes may triple or more. The large number of listings is now due to the number of late investors in the market who cannot sustain their mortgage and taxes.”

Name withheld

Affordable Housing

Respondents are concerned about the effect of recent house price rises upon housing affordability. Below are sample comments.

“...Affordable housing is already an issue. The topic of density is rarely discussed but should be. Commissioners believe that smaller housing on postage stamp lots will allow more affordable housing but this has not proved to be true. The acre estate sized lot has been replaced with the 1/4 acre estate sized lot with the more typical detached home building site being about 5,000 square feet. The concession gained from developers is larger green areas, preserve and wetland areas within planned communities. With this concession they are allowed to cram more people into smaller spaces.”

Timm Delehanty, Appraisal Institute

“1031 exchanges have forced investors to be desperate to close deals on alternative properties quickly. NNN deals are almost like stock deals- properties are purchased sometimes without even having inspected them. Water supply and environment don't seem major concerns, but lack of quality schools continues to keep companies from relocating here. Quality of life issues and lack of affordable housing continue to do the same.”

Ann McCarthy, Appraisal Institute

“Work force housing is going to play a more significant part in development approval in the next several years.”

Daniel Hrabko, Appraisal Institute

“...As employment and net immigration increases a back to normal market for housing will unfold. Higher interest rates and real estate taxes along with higher insurance premiums will put a strain on occupancy costs. Work force housing is the number one issue and challenge for the public and private sector to address. Public transportation is the next biggest issue for the urban core. Water supply needs could become a crisis if the Lake Belt Plan is not funded. The Inexperienced will be in trouble along with the speculator and the imprudent lender/investor.”

Michael Cannon, Appraisal Institute

Land and Construction Costs

A continuing concern of respondents is costs. Below are comments revealing a variety of the implications.

“The capital availability will be affected by the continued increase in raw commodity costs, which in turn may drive increased inflation and then will result in higher interest rates. If interest rates increase and development slows than this may bring commodities and interest rates back down.”

***Richard C. Ahrens**, Principal, Ahrens Companies; *Lake Park, Florida*

“As noted earlier, the cost and availability is a major issue. New construction costs and higher interest rates have created significant affordability issues for housing and materially affected economics for new commercial development in spite of relatively healthy vacancy rates and absorption.”

***Scott I. Peek, Jr.**, Managing Partner, Pinnacle Realty Advisory; *Tampa, Florida*

“The market conditions in Florida for real estate development right now are awfully tricky. Construction costs continue to increase (up 30%)...”

***Mitchell C. Rice**, CEO, RMC Property Group; *Tampa, Florida*

“The big issue we are seeing is the rise in construction costs...”

Albert Livingston, CCIM

“Water supply in Lakeland is not good. Today the city will not promise you water or sewer. This will have a negative effect on development. It's like a newspaper without ink. Now you are really looking at holding expensive land longer before starting construction. It's getting more expensive along with the construction costs increasing rental rates will have to climb. Existing properties become more valuable.”

J. Ruthven, SIOR

*UF Real Estate Advisory Board member

Jacksonville

- Cap rates are slightly higher than state average (0.23 percentage points higher) and range from 5.9% (condo conversion) to 8.1% (flex space\R&D, Strip centers)
- Strip centers and large retail have the biggest comparative difference to state wide averages for the same property type. Cap rates are 0.53 and 0.49 percentage points higher than statewide averages respectively.
- Cap rates have fallen slightly since last quarter. Since that time, the largest falls in cap rates were for both Office A and B properties.
- Jacksonville yields are much lower than the statewide average by 1.18 percentage points. Yields range from 8.02% (free standing single tenant net leased) to 12.4% (condo conversion)
- Yields have on average gained about 0.2 percentage points from last quarter. The survey respondents expect them to continue to rise in the near future.
- On average, the future investment outlook is neutral, although this value is heavily brought down by the negative expectations for condo conversion (17% positive to 83% negative). The outlook remains positive for Office A and B properties, large retail, and strip centers.
- On average, the outlook for land development is neutral. Similar to statewide expectations, land with commercial entitlements has the most positive outlook (44% positive to 15% negative). Since last quarter land with residential entitlements has gone from a positive outlook to a neutral outlook.
- Future occupancy expectations are still positive (on average 47% positive to 3% negative) and in line with state wide averages. All property types have positive expectations except for freestanding single tenant net leased.
- Rental rate increase expectations are neutral, as opposed to the positive statewide expectations outlook. Rental rates are expected to grow faster than inflation for: Office B, Market Rental Apartments, and Flex Space/R&D.
- Single-family developments and condominium developments both have very strong expectations for lower occupancy rates. Similarly the expectations for rental rate increases are poor. For both single-family developments and condominium developments, rental rate increases are expected to grow slower than inflation.

Table 12a

Jacksonville Outlook for Land Development	Apartment - Market Rental	Table 12b Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates Jacksonville	Land without Furniture	Land with Residential	Land with Commercial	Land with Hospitality	Land with Industrial	Land for Retail				
Q3-06										
Q3-06 Value	6.7	5.9	7.3	8.1	7.4	7.6	7.4	7.1	8.1	7.4
Percent Expecting Rise	75%		40%	40%	60%	40%	20%	56%		
Percent Expecting Fall	0%		0%	0%	10%	0%	0%	0%		
Q2-06										
Q2-06 Value	6.5	5.4	7.8	8.1	7.8	8.4	7.2	7.5	8.2	7.6
Percent Expecting Rise	75%	100%	0%	33%	50%	100%	50%	50%	100%	50%
Percent Expecting Fall	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Q1-06										
Q1-06 Value	6.1	5.0	7.8	8.0	7.6	8.3	7.2	7.2	8.1	
Percent Expecting Rise										
Percent Expecting Fall										
Yields										
Q3-06										
Q3-06 Value	8.2	12.4	9.1	10.0	8.3	10.4	8.1	8.8	10.0	8.0
Percent Expecting Rise	63%		20%	20%	40%	40%	20%	56%		
Percent Expecting Fall	0%		0%	0%	10%	0%	0%	0%		
Q2-06										
Q2-06 Value	10.1	12.2	8.0	9.6	8.9	9.9	8.5	8.2	7.5	7.9
Percent Expecting Rise	75%	100%	0%	33%	0%	0%	50%	50%	100%	50%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Q1-06										
Q1-06 Value	9.5	7.1	9.8	9.3	9.5	11.8	11.5	9.8	13.5	
Percent Expecting Rise										
Percent Expecting Fall										
R.E. Companies Investment Outlook	13%		33%			67%				
REITS			17%							
Q3-06										
Fair to Good	17%	17%	13%		40%	60%	40%	40%	33%	33%
Bad to Poor	33%	83%	50%		0%	20%	20%	40%	17%	33%
Private Buyers	40%	80%	40%	33%	33%	25%	100%	25%	50%	50%
Q2-06										
Fair to Good	38%	17%	33%							25%
Bad to Poor	13%	50%	0%							25%
Foreign Buyers										
Q1-06										
Fair to Good										
Bad to Poor										

Jacksonville

Table 12d

Jacksonville	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher	63%		40%	80%	70%	60%	33%	33%		0%
Lower	0%		0%	0%	0%	0%	0%	0%		20%
Q2-06										
Higher	67%									
Lower	0%									
Q1-06										
Higher					83%			20%		
Lower					0%			0%		
Rental Rate Increases										
Q3-06										
Faster than Inflation	25%		0%	40%	30%	40%	33%	22%		40%
Slower than Inflation	13%		60%	20%	30%	20%	33%	44%		40%
Q2-06										
Faster than Inflation	50%									
Slower than Inflation	0%									
Q1-06										
Faster than Inflation					33%			60%		
Slower than Inflation					17%			0%		

Table 12e

Jacksonville	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	0%	17%
Lower	83%	83%
Q2-06		
Higher	13%	0%
Lower	38%	83%
Q1-06		
Higher		
Lower		
Future Price Increases		
Q3-06		
Faster than Inflation	17%	33%
Slower than Inflation	67%	50%
Q2-06		
Faster than Inflation	50%	50%
Slower than Inflation	25%	33%
Q1-06		
Faster than Inflation		
Slower than Inflation		

Pensacola to Tallahassee

Table 14a

Pensacola to Tallahassee	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	7.6	6.8	8.2			8.5				
Percent Expecting Rise	100%									
Percent Expecting Fall	0%									
Q2-06										
Q2-06 Value	6.0					7.9		7.0	7.7	7.1
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value		5.7		8.7	8.3	9.0	7.9	7.9	8.9	8.2
Percent Expecting Rise										
Percent Expecting Fall										
Yields										
Q3-06										
Q3-06 Value	8.9	13.2	9.8			11.2				
Percent Expecting Rise	75%									
Percent Expecting Fall	0%									
Q2-06										
Q2-06 Value	9.9					9.8		8.1	7.3	7.8
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value		5.9		8.1	8.3	10.6	10.3	8.6	12.3	8.6
Percent Expecting Rise										
Percent Expecting Fall										
Investment Outlook										
Q3-06										
Fair to Good			25%							
Bad to Poor			25%							
Q2-06										
Fair to Good										
Bad to Poor										
Q1-06										
Fair to Good										
Bad to Poor										

Table 14b

Outlook for Land Development

Pensacola to Tallahassee	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	13%	50%	0%	25%	0%	25%
Bad to Poor	50%	13%	25%	25%	25%	25%
Q2-06						
Fair to Good	25%	25%	13%	13%	38%	38%
Bad to Poor	50%	38%	38%	50%	25%	13%
Q1-06						
Fair to Good	43%	43%	43%	0%	57%	29%
Bad to Poor	14%	14%	0%	29%	0%	0%

Table 14c

Investors by Property Type

Pensacola to Tallahassee	Single Family Dev.	Condo Dev.	Apartments Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	100%	100%		100%	100%			100%				
R.E. Companies												
REITs			25%									
Institutions			50%									
Foreign Buyers			25%									
Q2-06												
Private Buyers	100%		33%									
R.E. Companies												
REITs			33%									
Institutions			33%									
Foreign Buyers												
Q1-06												
Private Buyers	100%	50%		50%		100%	50%	100%		100%		100%
R.E. Companies		50%		50%							100%	
REITs									100%			
Institutions							50%					
Foreign Buyers												

Pensacola to Tallahassee

Table 14d

Pensacola to Tallahassee	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
<i>Future Occupancy</i>										
Q3-06										
Higher	25%									
Lower	25%									
Q2-06										
Higher										
Lower										
Q1-06										
Higher										
Lower										
<i>Rental Rate Increases</i>										
Q3-06										
Faster than Inflation	25%									
Slower than Inflation	0%									
Q2-06										
Faster than Inflation										
Slower than Inflation										
Q1-06										
Faster than Inflation										
Slower than Inflation										

Table 14e

Pensacola to Tallahassee	Single Family Development	Condominium Development
<i>Future Absorption Rates</i>		
Q3-06		
Higher		
Lower		
Q2-06		
Higher	0%	
Lower	50%	
Q1-06		
Higher		
Lower		
<i>Future Price Increases</i>		
Q3-06		
Faster than Inflation		
Slower than Inflation		
Q2-06		
Faster than Inflation	33%	
Slower than Inflation	67%	
Q1-06		
Faster than Inflation		
Slower than Inflation		

Table 13a

Gainesville-Ocala Outlook for Land Development	Apartment - Market Rental	Table 13b Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates	Land without Furniture	Land with Residential	Land with Commercial	Land with Hospitality	Land with Industrial	Land for Urban				
Q3-06										
Q3-06 Value	7.4	6.7	8.1	8.9	8.2	8.4	8.2		8.9	8.2
Percent Expecting Rise										
Percent Expecting Fall										
Q2-06										
Q2-06 Value	6.3	5.2	7.6	8.0	7.6	8.2	7.0	7.3	8.0	7.5
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	5.5	4.4	7.2	7.4	6.9	7.7		6.5	7.5	6.9
Percent Expecting Rise										
Percent Expecting Fall										
Yields										
Q3-06										
Q3-06 Value	10.0	14.2	10.9	11.8	10.0	12.2	9.9		11.8	9.8
Percent Expecting Rise										
Percent Expecting Fall										
Q2-06										
Q2-06 Value	10.5	12.7	8.5	10.0	9.4	10.4	8.9	8.7	7.9	8.4
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	9.9	7.5	10.2	9.7	9.9	12.2		10.1	13.9	10.2
Percent Expecting Rise										
Percent Expecting Fall										
R.E. Companies Investment Outlook			20%					33%	33%	
Q3-06										
Fair to Good										
Bad to Poor										
Private Buyers	50%	67%	40%			33%	50%		50%	100%
Q2-06										
Fair to Good										
Bad to Poor										
Foreign Buyers										
Q1-06										
Fair to Good										
Bad to Poor										

Gainesville – Ocala

Table 13d

Gainesville-Ocala	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher										
Lower										
Q2-06										
Higher 80%										
Lower 0%										
Q1-06										
Higher										
Lower										
Rental Rate Increases										
Q3-06										
Faster than Inflation										
Slower than Inflation										
Q2-06										
Faster than Inflation 0%										
Slower than Inflation 20%										
Q1-06										
Faster than Inflation										
Slower than Inflation										

Table 13e

Gainesville-Ocala	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher		
Lower		
Q2-06		
Higher		
Lower		
Q1-06		
Higher 67%		
Lower 17%		
Future Price Increases		
Q3-06		
Faster than Inflation		
Slower than Inflation		
Q2-06		
Faster than Inflation		
Slower than Inflation		
Q1-06		
Faster than Inflation 0%		
Slower than Inflation 50%		

Daytona Beach Area

- Cap Rates are lowest in Condo Conversion and Apartment Sectors at 5.9 and 6.6 percent.
- Cap Rates are highest in Flex Space and Strip Centers (8.1 percent)
- Yields are highest in Condo Conversion(13.1 percent)
- Yields are lowest in Apartments and Large Retail (8.8 percent)
- The outlook for land development is negative for land without entitlements. There is no consensus on the outlook for other sectors of land development.
- Future Occupancy and Rental Rate Increases cannot be determined due to insufficient information.

Table 7a

Daytona Beach Area	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	6.6	5.9	7.2	8.1	7.4	7.6	7.3	7.1	8.1	7.4
Percent Expecting Rise										
Percent Expecting Fall										
Q2-06										
Q2-06 Value	6.2	5.1	7.5	7.9	7.5	8.1	7.0	7.2	7.9	7.4
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	6.5	5.4	8.2	8.5	8.0	8.8	7.6	7.6	8.6	7.9
Percent Expecting Rise										
Percent Expecting Fall										
Yields										
Q3-06										
Q3-06 Value	8.8	13.1	9.7	10.7	8.9	11.1	8.8	9.5	10.7	8.7
Percent Expecting Rise										
Percent Expecting Fall										
Q2-06										
Q2-06 Value	11.5	13.6	9.4	11.0	10.3	11.3	9.8	9.6	8.8	9.3
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	9.7	7.3	9.9	9.5	9.6	11.9	11.6	9.9	13.6	9.9
Percent Expecting Rise										
Percent Expecting Fall										
Investment Outlook										
Q3-06										
Fair to Good	0%						25%			
Bad to Poor	100%						50%			
Q2-06										
Fair to Good										
Bad to Poor										
Q1-06										
Fair to Good										
Bad to Poor										

Table 7b

Outlook for Land Development

Daytona Beach Area	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	13%	27%	20%	27%	33%	20%
Bad to Poor	53%	27%	13%	33%	20%	13%
Q2-06						
Fair to Good	35%	47%	47%	18%	47%	41%
Bad to Poor	18%	24%	6%	12%	6%	18%
Q1-06						
Fair to Good	53%	60%	33%	20%	47%	47%
Bad to Poor	7%	13%	13%	20%	7%	13%

Table 7c

Investors by Property Type

Daytona Beach Area	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	75%	50%	33%	100%	33%	100%	25%	100%		67%	50%	100%
R.E. Companies	25%	50%	33%		33%		25%				50%	
REITs							25%		100%			
Institutions			33%		33%							
Foreign Buyers							25%					
Q2-06												
Private Buyers	40%		50%	100%	25%		50%	100%		33%	50%	
R.E. Companies	60%		17%				25%				50%	
REITs			17%		25%							
Institutions			17%		50%	33%	25%			33%		
Foreign Buyers						67%				33%		
Q1-06												
Private Buyers	75%	67%	100%	50%		50%	100%	50%		50%	100%	50%
R.E. Companies	25%	33%		50%		25%		50%				
REITs					100%	25%			100%			50%
Institutions										50%		
Foreign Buyers												

Daytona Beach Area

Table 7d

Daytona Beach Area	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher					25%					
Lower					0%					
Q2-06										
Higher	50%		75%		50%				25%	
Lower	17%		0%		25%				0%	
Q1-06										
Higher										
Lower										
Rental Rate Increases										
Q3-06										
Faster than Inflation					25%					
Slower than Inflation					50%					
Q2-06										
Faster than Inflation	50%		75%		75%				75%	
Slower than Inflation	17%		0%		0%				0%	
Q1-06										
Faster than Inflation										
Slower than Inflation										

Table 7e

Daytona Beach Area	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	25%	
Lower	75%	
Q2-06		
Higher	0%	
Lower	80%	
Q1-06		
Higher	20%	
Lower	20%	
Future Price Increases		
Q3-06		
Faster than Inflation	50%	
Slower than Inflation	50%	
Q2-06		
Faster than Inflation	40%	
Slower than Inflation	20%	
Q1-06		
Faster than Inflation	40%	
Slower than Inflation	40%	

Orlando

- Cap rates are only slightly less than state average (0.13 percentage points less) and range from 5.6% (condo conversion) to 7.7% (flex space/R&D, strip centers)
- Required yields are slightly lower as well, running 0.07 percentage points under the statewide average. Yields range from 9.13% (free standing single tenant net leased) to 13.5% (condo conversion)
- Compared to statewide levels the biggest difference in cap rates and yields were both for condo conversion (-0.54 & +0.46 percentage points respectively).
- Cap rates are expected to rise. Expectations of increases exceed 50 percent for all but one property type. Warehousing & distribution is completely split between positive and negative expectations. Nearly all respondents believe cap rates will rise for market rental apartments, and condo conversion.
- Expectations for yields are only slightly more mixed, still strongly toward increases.
- The outlook for investment in existing property has changed slightly compared to the neutral investment outlook statewide. Although last quarter the survey respondents were also neutral for the Orlando market, the expectations have on average now become slightly more negative.
- The outlook for investments is still positive for office B and large retail properties. Neighborhood centers have also flip-flopped from strongly negative to strongly positive since the last quarter.
- The outlook for investing in raw land in Orlando also is quite mixed. The outlook is neutral or only slightly positive for most property types. Land with commercial entitlements has the most positive outlook (49% positive to 11% negative). The average outlook has become slightly more negative since the last quarter yet compared to the statewide average, the outlook for investing in raw land is still slightly more positive
- Occupancy expectations are positive for all the property types reported except condo conversions. The most notable outlook is the 87.5 % positive outlook for warehouse and distribution. This is also above the statewide expectations of this property type.
- Consistent with occupancy expectations, rental rates generally are expected to grow faster than inflation. Only for free standing-single tenant-net-leased properties does the percent of respondents expecting rental rates to lag inflation exceed those expecting rental rates to outstrip inflation. The expectations for Orlando rental rates are also slightly lower than the statewide expectations.
- Comparing the Orlando market to statewide average, the greatest difference between expectations for rental rate increases occurred in retail strip centers.

Orlando

- The outlook for single-family absorption is neutral, yet this is a positive shift compared to last quarter. The outlook for condominium development absorption is negative, yet not as bad as the previous quarter's outlook.
- The survey respondents expect rental rates to lag inflation for both single family and condominium developments. Compared to last quarter, this outlook is more negative.

Table 8a

Orlando Area	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	6.3	5.6	6.9	7.7	7.1	7.3	7.0	6.8	7.7	7.1
Percent Expecting Rise	83%	86%	38%	71%	50%	64%	63%	71%	50%	67%
Percent Expecting Fall	0%	0%	38%	0%	8%	0%	0%	0%	0%	0%
Q2-06										
Q2-06 Value	6.0	4.9	7.3	7.6	7.3	7.9	6.7	7.0	7.7	7.1
Percent Expecting Rise	73%	100%	50%	80%	73%	67%	67%	56%	50%	33%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Q1-06										
Q1-06 Value	5.7	4.6	7.5	7.7	7.2	8.0	6.9	6.8	7.8	7.1
Percent Expecting Rise	44%	67%	50%	50%	50%	33%	88%	43%	38%	20%
Percent Expecting Fall	-11%	0%	0%	0%	0%	0%	0%	-14%	-13%	0%
Yields										
Q3-06										
Q3-06 Value	9.3	13.5	10.2	11.1	9.4	11.5	9.2	9.9	11.1	9.1
Percent Expecting Rise	83%	71%	25%	14%	33%	27%	50%	50%	50%	17%
Percent Expecting Fall	8%	0%	38%	14%	17%	0%	0%	29%	0%	17%
Q2-06										
Q2-06 Value	11.0	13.2	8.9	10.5	9.8	10.9	9.4	9.1	8.4	8.8
Percent Expecting Rise	55%	67%	38%	60%	45%	33%	56%	44%	17%	0%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	11%	11%	0%	0%
Q1-06										
Q1-06 Value	9.6	7.2	9.8	9.4	9.5	11.9	11.5	9.8	13.5	9.8
Percent Expecting Rise	44%	67%	50%	50%	50%	33%	88%	43%	38%	20%
Percent Expecting Fall	-11%	0%	0%	0%	0%	0%	0%	-14%	-13%	0%
Investment Outlook										
Q3-06										
Fair to Good	0%	0%	8%	0%	50%	71%	42%	55%	33%	21%
Bad to Poor	70%	100%	50%	50%	0%	14%	17%	9%	22%	43%
Q2-06										
Fair to Good	33%	20%	36%		13%	60%	50%	17%	30%	44%
Bad to Poor	25%	60%	36%		25%	0%	25%	67%	30%	33%
Q1-06										
Fair to Good	22%	40%	40%	17%	14%	20%	20%	100%	33%	29%
Bad to Poor	44%	60%	30%	50%	14%	0%	30%	0%	44%	29%

Orlando

Table 8b

Outlook for Land Development

Orlando Area	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	36%	31%	49%	27%	33%	36%
Bad to Poor	33%	31%	11%	22%	18%	16%
Q2-06						
Fair to Good	37%	49%	54%	22%	46%	49%
Bad to Poor	34%	22%	12%	24%	15%	17%
Q1-06						
Fair to Good	59%	57%	57%	32%	54%	59%
Bad to Poor	14%	19%	11%	14%	11%	5%

Table 8c

Investors by Property Type

Orlando Area	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	70%	50%	42%	88%		71%	17%	91%		36%	100%	83%
R.E. Companies	30%	25%	17%		13%		17%		22%	21%		17%
REITs			8%		75%	14%	8%	9%	22%	33%		
Institutions		25%	25%	13%	13%	14%	58%		56%	21%		
Foreign Buyers			8%							7%		
Q2-06												
Private Buyers	50%	60%	14%	100%	13%	40%	33%	100%	20%	44%	50%	67%
R.E. Companies	42%		36%		13%		17%		20%		50%	
REITs		20%	14%		25%		8%		20%	33%		33%
Institutions		20%	36%		38%	40%	42%		40%	22%		
Foreign Buyers	8%				13%	20%						
Q1-06												
Private Buyers	67%	80%	60%	50%		40%	20%	33%	11%	29%	88%	60%
R.E. Companies	33%	20%	30%	50%	14%	60%	20%	67%	11%			20%
REITs					29%				44%	29%	13%	20%
Institutions			10%		57%		60%		33%	43%		
Foreign Buyers												

Orlando

Table 8d

Orlando Area	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher	42%	13%	88%	71%	75%	73%	50%	29%	17%	17%
Lower	17%	25%	13%	0%	0%	0%	10%	14%	0%	17%
Q2-06										
Higher	71%		63%	60%	67%		60%	44%	33%	
Lower	0%		0%	20%	17%		0%	11%	0%	
Q1-06										
Higher	71%	60%	75%		75%		33%	33%	33%	
Lower	0%	0%	0%		0%		0%	0%	17%	
Rental Rate Increases										
Q3-06										
Faster than Inflation	8%	38%	25%	29%	25%	27%	50%	50%	67%	17%
Slower than Inflation	8%	13%	13%	0%	8%	9%	20%	29%	0%	33%
Q2-06										
Faster than Inflation	21%		63%	0%	42%		80%	56%	67%	
Slower than Inflation	7%		0%	20%	0%		0%	11%	17%	
Q1-06										
Faster than Inflation	57%	40%	25%		25%		83%	83%	50%	
Slower than Inflation	0%	0%	25%		13%		0%	0%	33%	

Table 8e

Orlando Area	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	40%	25%
Lower	40%	50%
Q2-06		
Higher	17%	0%
Lower	67%	80%
Q1-06		
Higher	0%	0%
Lower	29%	75%
Future Price Increases		
Q3-06		
Faster than Inflation	20%	0%
Slower than Inflation	40%	75%
Q2-06		
Faster than Inflation	42%	40%
Slower than Inflation	25%	60%
Q1-06		
Faster than Inflation	43%	25%
Slower than Inflation	29%	25%

Lakeland – Winter Haven

- Cap rates are slightly higher than state average (0.24 percentage points higher) and range from 6.0% (condo conversion) to 8.1% (flex space\ R&D)
- Strip centers and large retail have the biggest comparative difference, both having cap rates about 0.5 percentage points higher than state averages for the same property type.
- Lakeland-Winter Haven yields are also slightly higher than the statewide average by 0.16 percentage points. Yields range from 9.35% (free standing single tenant net leased) to 13.7% (condo conversion)
- The outlook for land development is neutral. Compared to last quarter, the expectations were also neutral, except there seems to be an even stronger neutral expectation this quarter. Similar to statewide expectations, land with commercial entitlements has the most positive outlook (39% positive to 11% negative).

Lakeland – Winter Haven

Table 9a

Lakeland-Winter Haven	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	6.7	6.0	7.3	8.1	7.4	7.7	7.4	7.2	8.1	7.4
Percent Expecting Rise				50%		75%			60%	
Percent Expecting Fall				0%		0%			0%	
Q2-06										
Q2-06 Value		5.1	7.5	7.8	7.4	8.0		7.1	7.8	7.3
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	5.8	4.7	7.5	7.7	7.3	8.0	6.9	6.9	7.8	7.2
Percent Expecting Rise										
Percent Expecting Fall										
Yields										
Q3-06										
Q3-06 Value	9.5	13.7	10.4	11.3	9.6	11.8	9.4	10.1	11.3	9.4
Percent Expecting Rise				25%		25%			60%	
Percent Expecting Fall				0%		0%			0%	
Q2-06										
Q2-06 Value		14.2	10.0	11.6	10.9	11.9		10.2	9.4	9.9
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	11.9	9.5	12.2	11.7	11.9	14.2	13.9	12.1	15.9	12.2
Percent Expecting Rise										
Percent Expecting Fall										
Investment Outlook										
Q3-06										
Fair to Good					75%	60%	50%	50%		25%
Bad to Poor					0%	0%	25%	25%		75%
Q2-06										
Fair to Good										
Bad to Poor										
Q1-06										
Fair to Good										
Bad to Poor										

Table 9b

Outlook for Land Development

Lakeland-Winter Haven	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	22%	28%	39%	17%	28%	28%
Bad to Poor	17%	33%	11%	22%	17%	11%
Q2-06						
Fair to Good	38%	38%	46%	23%	46%	46%
Bad to Poor	46%	54%	38%	46%	38%	31%
Q1-06						
Fair to Good	47%	53%	59%	35%	65%	65%
Bad to Poor	24%	24%	12%	6%	12%	12%

Table 9c

Investors by Property Type

Lakeland-Winter Haven	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	100%		33%	100%		80%		50%			100%	100%
R.E. Companies			67%		25%		50%	25%	33%	50%		
REITs					75%	20%	25%	25%	33%	33%		
Institutions							25%		33%	25%		
Foreign Buyers												
Q2-06												
Private Buyers	50%				20%	50%	40%	100%		67%	33%	
R.E. Companies	25%										67%	
REITs					40%	25%				33%		
Institutions					20%		60%					
Foreign Buyers	25%				20%	25%						
Q1-06												
Private Buyers	75%		100%		60%	60%	50%	75%		33%	67%	100%
R.E. Companies	25%			100%		20%	25%	25%	33%	17%	33%	
REITs					20%	20%	25%		67%	33%		
Institutions					20%		25%			17%		
Foreign Buyers												

Lakeland – Winter Haven

Table 9d

Lakeland-Winter Haven	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher			75%	60%	25%	75%		50%	20%	
Lower			0%	0%	0%	0%		25%	20%	
Q2-06										
Higher			60%	50%	20%					
Lower			0%	0%	20%					
Q1-06										
Higher				50%					75%	
Lower				0%					0%	
Rental Rate Increases										
Q3-06										
Faster than Inflation			0%	20%	25%	50%		25%	60%	
Slower than Inflation			0%	0%	25%	0%		25%	20%	
Q2-06										
Faster than Inflation			80%	25%	100%					
Slower than Inflation			0%	25%	0%					
Q1-06										
Faster than Inflation				75%					75%	
Slower than Inflation				0%					0%	

Table 9e

Lakeland-Winter Haven	Single Family Condominium Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher		
Lower		
Q2-06		
Higher	50%	
Lower	25%	
Q1-06		
Higher		
Lower		
Future Price Increases		
Q3-06		
Faster than Inflation		
Slower than Inflation		
Q2-06		
Faster than Inflation	25%	
Slower than Inflation	25%	
Q1-06		
Faster than Inflation		
Slower than Inflation		

Tampa – St. Petersburg

- Cap rates are slightly higher than state average (0.16 percentage points higher) and range from 5.9% (condo conversion) to 8.0% (flex space\ R&D)
- Strip centers and large retail have the biggest comparative difference to state wide averages for the same property type. Cap rates are 0.45 and 0.41 percentage points higher than statewide averages respectively.
- Cap rates have risen slightly since last quarter and market respondents strongly suggest that they will continue to rise.
- Tampa – St-Pete yields are slightly lower than the statewide average by 0.33 percentage points. Yields range from 8.88% (free standing single tenant net leased) to 13.3% (condo conversion)
- Yields have on average fallen about 0.3 percentage points from last quarter, although the survey respondents expect them to rise in the near future.
- On average, the future investment outlook is slightly negative, although still very neutral in many areas. The most negative outlooks are for market rental apartments, condo conversion, and Flex Space/R & D. The most positive outlook (although only slightly positive) is for office properties and large retail.
- On average, the outlook for land development is neutral. Similar to statewide expectations, land with commercial entitlements has the most positive outlook (39% positive to 11% negative). Compared to last quarter, the overall outlook has become slightly more negative and expectations are also slightly below state averages.
- Future occupancy expectations are still positive (on average 35% positive to 11% negative) and in line with state wide averages. All property types have positive expectations except for condo conversion and strip centers.
- Rental rate increase expectations are also positive, at similar levels to statewide expectations. Rental rates are expected to grow faster than inflation for: Office B, Large Retail, Neighborhood Centers, Strip Centers, and Free Standing Single Tenant Net Leased.
- Single-family developments and condominium developments both have very strong positive expectations for lower occupancy rates. Similarly the expectations for rental rate increases are poor. For both single-family developments and condominium developments, rental rate increases are expected to grow slower than inflation.

Table 10a

Tampa-St Pete	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	6.6	5.9	7.2	8.0	7.3	7.6	7.3	7.1	8.0	7.3
Percent Expecting Rise	80%	75%	60%	67%	63%	90%	50%	73%	80%	33%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	17%
Q2-06										
Q2-06 Value	6.0	4.9	7.3	7.7	7.3	7.9	6.7	7.0	7.7	7.2
Percent Expecting Rise	58%	83%	43%	80%	63%	67%	86%	44%	50%	50%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Q1-06										
Q1-06 Value	5.6	4.5	7.3	7.5	7.0	7.8	6.7	6.6	7.6	7.0
Percent Expecting Rise	36%	60%	33%	75%	50%	80%	67%	44%	44%	63%
Percent Expecting Fall	-27%	0%	0%	0%	0%	-20%	0%	-11%	0%	0%
Yields										
Q3-06										
Q3-06 Value	9.0	13.3	9.9	10.8	9.1	11.3	9.0	9.7	10.9	8.9
Percent Expecting Rise	60%	75%	40%	33%	43%	60%	38%	64%	60%	17%
Percent Expecting Fall	13%	0%	20%	33%	14%	10%	0%	9%	20%	33%
Q2-06										
Q2-06 Value	11.5	13.7	9.5	11.1	10.4	11.4	9.9	9.7	8.9	9.4
Percent Expecting Rise	50%	50%	57%	80%	75%	67%	71%	56%	50%	25%
Percent Expecting Fall	0%	17%	0%	0%	0%	0%	14%	0%	0%	25%
Q1-06										
Q1-06 Value	10.8	8.4	11.0	10.6	10.8	13.1	12.8	11.0	14.8	11.1
Percent Expecting Rise	36%	60%	33%	75%	50%	80%	67%	44%	44%	63%
Percent Expecting Fall	-27%	0%	0%	0%	0%	-20%	0%	-11%	0%	0%
Investment Outlook										
Q3-06										
Fair to Good	0%	8%	13%	0%	33%	29%	36%	20%	27%	25%
Bad to Poor	58%	83%	56%	50%	0%	14%	18%	30%	27%	42%
Q2-06										
Fair to Good	14%	14%	27%	13%	22%	40%	36%	14%	22%	33%
Bad to Poor	43%	79%	40%	50%	22%	40%	36%	57%	33%	44%
Q1-06										
Fair to Good	22%	25%	38%	40%	29%	40%	30%	17%	20%	33%
Bad to Poor	44%	38%	31%	40%	29%	20%	20%	50%	40%	33%

Table 10b

Outlook for Land Development

Tampa-St Pete	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	26%	24%	32%	22%	20%	26%
Bad to Poor	32%	30%	22%	24%	24%	22%
Q2-06						
Fair to Good	35%	39%	46%	22%	41%	46%
Bad to Poor	39%	33%	13%	26%	17%	15%
Q1-06						
Fair to Good	51%	56%	44%	32%	51%	61%
Bad to Poor	20%	17%	20%	17%	20%	15%

Table 10c

Investors by Property Type

Tampa-St Pete	Single Family Dev.	Condo Dev.	Apartments Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	75%	67%	44%	75%		86%	9%	80%	17%	60%	83%	
R.E. Companies	25%	25%	13%	13%			9%	20%	18%	42%	40%	
REITs			13%		100%	14%	18%		36%	33%	17%	
Institutions		8%	25%	13%			64%		45%	25%		
Foreign Buyers			6%									
Q2-06												
Private Buyers	64%	79%	27%	75%		40%	9%	71%	22%	56%	50%	80%
R.E. Companies	29%	14%	27%	25%	22%	20%	18%	14%	22%		50%	
REITs	7%		13%		67%	20%	18%	14%	22%	33%		20%
Institutions		7%	33%		11%		55%		33%	11%		
Foreign Buyers						20%						
Q1-06												
Private Buyers	100%	63%	54%	60%	43%	40%		83%	20%	44%	78%	78%
R.E. Companies		25%	31%	40%	14%	20%	20%	17%	20%	11%	11%	22%
REITs			8%		14%	40%	10%		40%	33%	11%	
Institutions		13%	8%		29%		70%		20%	11%		
Foreign Buyers												

Table 10d

Tampa-St Pete	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher	44%	13%	67%	29%	64%	40%	45%	33%	20%	0%
Lower	13%	25%	0%	14%	9%	0%	0%	8%	40%	0%
Q2-06										
Higher	80%	13%	56%	60%	73%		33%	22%	25%	
Lower	0%	38%	0%	20%	9%		0%	11%	0%	
Q1-06										
Higher	44%		100%	80%	86%		20%	50%	50%	
Lower	0%		0%	0%	0%		0%	0%	17%	
Rental Rate Increases										
Q3-06										
Faster than Inflation	13%	25%	17%	29%	18%	60%	55%	50%	60%	50%
Slower than Inflation	13%	25%	33%	29%	18%	20%	27%	25%	40%	17%
Q2-06										
Faster than Inflation	27%	25%	78%	20%	55%		89%	89%	75%	
Slower than Inflation	7%	25%	0%	40%	0%		0%	0%	25%	
Q1-06										
Faster than Inflation	33%		40%	80%	57%		80%	100%	67%	
Slower than Inflation	11%		20%	0%	0%		0%	0%	17%	

Table 10e

Tampa-St Pete	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	0%	8%
Lower	92%	83%
Q2-06		
Higher	7%	0%
Lower	64%	100%
Q1-06		
Higher	14%	14%
Lower	29%	43%
Future Price Increases		
Q3-06		
Faster than Inflation	17%	17%
Slower than Inflation	75%	75%
Q2-06		
Faster than Inflation	36%	29%
Slower than Inflation	64%	64%
Q1-06		
Faster than Inflation	14%	29%
Slower than Inflation	57%	43%

Sarasota-Bradenton

- Cap rates are slightly lower than state average (0.17 percentage points lower) and range from 5.6% (condo conversion) to 7.7% (flex space/ R&D, strip centers)
- Compared to state wide property averages, the most notable difference in cap rates are for condo conversion in which Sarasota – Bradenton properties are at levels 0.58 percentage points below state condo conversion cap rate.
- Yields are much higher than the statewide average by 1.32 percentage points. Yields range from 10.52% (free standing single tenant net leased) to 14.9% (condo conversion)
- The outlook for land development is positive or neutral for all development types except land with residential entitlements

Table 11a

Sarasota-Bradenton Outlook for Land Development	Apartment - Market Rental	Table 11b Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates	Land without Furniture	Land with Residential	Land with Commercial	Land with Hospitality	Land with Industrial	Land for Urban				
Q3-06										
Q3-06 Value	6.3	5.6	6.9	7.7	7.0	7.3	7.0	6.8	7.7	7.0
Percent Expecting Rise								83%		
Percent Expecting Fall								0%		
Q2-06										
Q2-06 Value	6.0	4.9	7.3	7.7	7.3	7.9	6.8	7.0		7.2
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	5.5	4.4	7.2	7.4	6.9	7.7	6.6	6.5	7.5	6.9
Percent Expecting Rise										
Percent Expecting Fall										
Yields										
Q3-06										
Q3-06 Value	10.7	14.9	11.6	12.5	10.8	12.9	10.6	11.3	12.5	10.5
Percent Expecting Rise								50%		
Percent Expecting Fall								33%		
Q2-06										
Q2-06 Value	12.7	14.8	10.6	12.2	11.5	12.5	11.1	10.8		10.5
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	12.4	10.0	12.7	12.2	12.4	14.7	14.4	12.6	16.4	12.7
Percent Expecting Rise										
Percent Expecting Fall										
R.E. Companies Investment Outlook		20%	40%			25%		50%		
Q3-06										
Fair to Good			0%				75%		25%	33%
Bad to Poor			100%				25%		50%	67%
Private Buyers	100%	80%	40%	50%	67%	60%	25%	100%	20%	14%
Q2-06										
Fair to Good										
Bad to Poor										
Foreign Buyers									14%	
Q1-06										
Fair to Good										
Bad to Poor										

Table 11b

Outlook for Land Development

Sarasota-Bradenton	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	40%	27%	67%	40%	27%	40%
Bad to Poor	40%	47%	20%	20%	20%	13%
Q2-06						
Fair to Good	31%	38%	31%	0%	54%	54%
Bad to Poor	46%	15%	15%	15%	15%	15%
Q1-06						
Fair to Good	40%	60%	60%	25%	60%	75%
Bad to Poor	30%	25%	15%	10%	15%	10%

Table 11c

Investors by Property Type

Sarasota-Bradenton	Single Family Dev.	Condo Dev.	Apartments Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	100%	100%	75%	100%		100%		50%		17%	100%	100%
R.E. Companies			25%					50%		50%		
REITs					100%		25%		25%	50%		
Institutions							75%		75%	17%		
Foreign Buyers												
Q2-06												
Private Buyers	100%	80%	40%				25%			50%		100%
R.E. Companies		20%	40%									
REITs							25%			50%		
Institutions			20%				50%					
Foreign Buyers												
Q1-06												
Private Buyers	100%	80%	40%	50%	67%	60%	25%	100%	20%	14%	60%	100%
R.E. Companies		20%	20%	50%					20%	14%	40%	
REITs						40%	25%		20%	57%		
Institutions			40%		33%		50%		40%			
Foreign Buyers										14%		

Sarasota-Bradenton

Table 11d

Sarasota-Bradenton	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher	50%				75%		50%	83%		25%
Lower	25%				25%		0%	17%		0%
Q2-06										
Higher	60%				50%			25%		
Lower	0%				0%			25%		
Q1-06										
Higher	50%			60%	50%				25%	
Lower	0%			0%	0%				25%	
Rental Rate Increases										
Q3-06										
Faster than Inflation	0%				25%		25%	50%		50%
Slower than Inflation	25%				25%		50%	17%		0%
Q2-06										
Faster than Inflation	0%				75%			75%		
Slower than Inflation	20%				0%			0%		
Q1-06										
Faster than Inflation	25%			80%	100%				25%	
Slower than Inflation	0%			0%	0%				25%	

Table 11e

Sarasota-Bradenton	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher		
Lower		
Q2-06		
Higher		0%
Lower		60%
Q1-06		
Higher	50%	
Lower	25%	
Future Price Increases		
Q3-06		
Faster than Inflation		
Slower than Inflation		
Q2-06		
Faster than Inflation		40%
Slower than Inflation		60%
Q1-06		
Faster than Inflation	50%	
Slower than Inflation	25%	

Treasure Coast

- Cap rates for Apartments (5.5 percent) and Condo Conversion (4.8 percent) are well below average when compared to the state. These are also the lowest Cap Rates in the region.
- The Highest Cap Rates are in Strip Center and Flex Space (7.0 Percent)
- Overall yields are much higher in the region than statewide. The highest yields are seen in Condo Conversion (15.2 percent)
- Land development outlook is positive for Hospitality and Industrial.
- Rental Rates are expected to increase slower than inflation in the Single Family Development and Condominium sectors.

Treasure Coast

Table 5a

Treasure Coast	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	5.5	4.8	6.2	7.0	6.3	6.5	6.3	6.0	7.0	6.3
Percent Expecting Rise		50%						100%	75%	
Percent Expecting Fall		25%						0%	0%	
Q2-06										
Q2-06 Value	6.0	4.9	7.3	7.7	7.3		6.8	7.0	7.7	
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	5.8	4.7	7.5	7.7	7.2		6.9	6.8	7.8	7.2
Percent Expecting Rise										
Percent Expecting Fall										
Yields										
Q3-06										
Q3-06 Value	11.0	15.2	11.9	12.8	11.1	13.2	10.9	11.6	12.8	10.8
Percent Expecting Rise		25%						75%	50%	
Percent Expecting Fall		50%						25%	0%	
Q2-06										
Q2-06 Value	14.1	16.2	12.0	13.6	12.9		12.4	12.2	11.5	
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	9.8	7.4	10.0	9.6	9.7		11.8	10.0	13.7	10.1
Percent Expecting Rise										
Percent Expecting Fall										
Investment Outlook										
Q3-06										
Fair to Good	17%	17%		25%	75%	50%				0%
Bad to Poor	67%	67%		50%	25%	50%				75%
Q2-06										
Fair to Good										
Bad to Poor										
Q1-06										
Fair to Good										
Bad to Poor										

Table 5b

Outlook for Land Development

Treasure Coast	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	22%	22%	33%	33%	44%	17%
Bad to Poor	56%	50%	33%	22%	28%	33%
Q2-06						
Fair to Good	21%	29%	29%	14%	14%	29%
Bad to Poor	43%	36%	14%	14%	14%	14%
Q1-06						
Fair to Good	50%	43%	36%	21%	29%	43%
Bad to Poor	7%	14%	7%	14%	0%	7%

Table 5c

Investors by Property Type

Treasure Coast	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	50%	50%		50%	75%	100%		100%		25%	50%	100%
R.E. Companies	50%	50%		50%			100%			25%	25%	
REITs					25%				67%	25%		
Institutions			100%							25%		
Foreign Buyers									33%		25%	
Q2-06												
Private Buyers	75%	100%	60%									
R.E. Companies	25%		40%							75%		
REITs										25%		
Institutions												
Foreign Buyers												
Q1-06												
Private Buyers	75%	40%		25%	100%	33%				40%		100%
R.E. Companies	25%	60%		50%		33%		50%	50%		100%	
REITs							100%			40%		
Institutions				25%		33%		50%	50%			
Foreign Buyers										20%		

Table 5d

Treasure Coast	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher		25%	50%	75%				50%	0%	
Lower		50%	0%	25%				0%	0%	
Q2-06										
Higher	80%							0%		
Lower	0%							25%		
Q1-06										
Higher								50%		
Lower								25%		
Rental Rate Increases										
Q3-06										
Faster than Inflation		25%	25%	0%				25%	25%	
Slower than Inflation		50%	0%	25%				25%	75%	
Q2-06										
Faster than Inflation	60%							0%		
Slower than Inflation	40%							75%		
Q1-06										
Faster than Inflation								75%		
Slower than Inflation								25%		

Table 5e

Treasure Coast	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	0%	0%
Lower	83%	83%
Q2-06		
Higher	0%	20%
Lower	100%	80%
Q1-06		
Higher	25%	0%
Lower	75%	50%
Future Price Increases		
Q3-06		
Faster than Inflation	33%	17%
Slower than Inflation	67%	83%
Q2-06		
Faster than Inflation	0%	20%
Slower than Inflation	75%	80%
Q1-06		
Faster than Inflation	25%	0%
Slower than Inflation	0%	75%

Palm Beach County

- Cap rates in Palm Beach County are below average when compared to the rest of the state. Each sector is below the state average, with no sector falling below 70 basis points from the statewide numbers.
- The smallest cap rates are in the Condo Conversion (5.2 percent) and Apartment (5.9 percent) markets.
- The highest Cap rates are 7.3 percent in Flex Space and Strip Centers.
- Yields for retail are a few hundred basis points lower than the statewide average. Otherwise, Yields in Palm Beach County are on par with yields for the rest of the state.
- The highest yields are in Condo Conversion (13.7 percent), Flex Space and Strip Centers (11.3 percent)
- The lowest yields are in Large Retail (9.4 percent) and Free Standing (9.3 percent)
- The investment outlook is negative for: Residential Apartment, Condo Conversion and Flex Space.
- The investment outlook is positive for all Office and Retail sectors.
- The outlook for land development is positive for Hospitality, Commercial, Industrial and Urban Redevelopment.
- The outlook for land development is negative for Land without entitlements and Land with Residential entitlements.
- Occupancy rates are expected to rise in all sectors except Condo Conversion, where there is no consensus.
- Rental rates are expected to increase faster than inflation in all sectors except Warehouse, Free Standing and Class A office.
- Future Occupancy is expected to decrease in both Single Family Development and Condominium.
- Future Rental Rates are expected to increase faster than inflation for Single Family Development, but slower than inflation for Condominium.

Table 4a

Palm Beach County	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	5.9	5.2	6.5	7.3	6.6	6.9	6.6	6.4	7.3	6.6
Percent Expecting Rise	38%	88%	63%	64%	90%	71%	67%	78%	75%	60%
Percent Expecting Fall	13%	13%	0%	0%	0%	14%	0%	0%	0%	20%
Q2-06										
Q2-06 Value	5.8	4.8	7.2	7.5	7.1	7.8	6.6	6.9	7.6	7.0
Percent Expecting Rise	60%	100%	50%	60%	57%	80%	50%	43%	100%	0%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Q1-06										
Q1-06 Value	5.5	4.4	7.2	7.4	7.0	7.7	6.6	6.6	7.6	6.9
Percent Expecting Rise	80%	83%	50%	60%	67%	67%	100%	43%	100%	100%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Yields										
Q3-06										
Q3-06 Value	9.5	13.7	10.3	11.3	9.5	11.7	9.4	10.1	11.3	9.3
Percent Expecting Rise	50%	75%	25%	27%	60%	29%	67%	78%	75%	40%
Percent Expecting Fall	0%	25%	13%	0%	0%	14%	0%	0%	0%	20%
Q2-06										
Q2-06 Value	11.2	13.3	9.1	10.7	10.0	11.0	9.6	9.3	8.6	9.0
Percent Expecting Rise	80%	80%	63%	60%	71%	80%	50%	43%	100%	0%
Percent Expecting Fall	0%	0%	13%	20%	14%	0%	0%	0%	0%	0%
Q1-06										
Q1-06 Value	9.3	7.0	9.6	9.1	9.3	11.6	11.3	9.6		9.6
Percent Expecting Rise	80%	83%	50%	60%	67%	67%	100%	43%	100%	100%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Investment Outlook										
Q3-06										
Fair to Good	0%	18%	38%	0%	38%	73%	50%	57%	50%	22%
Bad to Poor	63%	73%	38%	63%	25%	0%	0%	14%	17%	22%
Q2-06										
Fair to Good	14%	0%	67%	0%	20%	20%	22%	20%	25%	25%
Bad to Poor	29%	71%	33%	83%	40%	60%	22%	80%	0%	38%
Q1-06										
Fair to Good	13%	8%	20%	29%	50%	20%	50%	33%	20%	29%
Bad to Poor	75%	75%	50%	57%	33%	40%	33%	33%	60%	43%

Table 4b

Outlook for Land Development

Palm Beach County	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	32%	26%	55%	39%	53%	45%
Bad to Poor	42%	47%	24%	21%	21%	26%
Q2-06						
Fair to Good	43%	43%	50%	39%	43%	39%
Bad to Poor	29%	32%	18%	21%	14%	25%
Q1-06						
Fair to Good	32%	42%	45%	26%	39%	58%
Bad to Poor	29%	23%	16%	23%	13%	16%

Table 4c

Investors by Property Type

Palm Beach County	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	63%	27%	25%	63%	25%	45%		71%		11%	75%	100%
R.E. Companies	25%	36%		25%		36%	40%	14%	17%	22%	25%	
REITs			13%		50%	9%	10%	14%	33%	13%		
Institutions	13%	9%	63%	13%	25%	9%	50%		33%	44%		
Foreign Buyers		27%							17%			
Q2-06												
Private Buyers	57%	71%	33%	67%	20%	20%	11%	100%		50%		
R.E. Companies	43%		50%	17%	20%		22%		25%	38%		
REITs					30%	20%	11%		25%	13%		
Institutions			17%	17%	20%	60%	44%		50%			
Foreign Buyers		14%			10%		11%					
Q1-06												
Private Buyers	88%	58%	30%	71%	33%	80%	17%	50%	20%	43%	67%	100%
R.E. Companies	13%	33%	50%	14%	17%		33%		20%		17%	
REITs					17%	20%			20%	43%	17%	
Institutions			20%		33%		33%		40%			
Foreign Buyers		8%		14%			17%	50%		14%		

Table 4d

Palm Beach County	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher	25%	29%	50%	45%	50%	67%	17%	22%		20%
Lower	13%	29%	0%	9%	10%	0%	0%	0%		0%
Q2-06										
Higher	67%	17%	50%	80%	78%		25%	38%		
Lower	17%	50%	0%	0%	0%		0%	0%		
Q1-06										
Higher	71%	20%	60%	50%	100%		0%	50%	20%	
Lower	14%	20%	0%	0%	0%		25%	17%	0%	
Rental Rate Increases										
Q3-06										
Faster than Inflation	38%	43%	13%	36%	20%	50%	83%	44%		20%
Slower than Inflation	0%	14%	25%	0%	30%	0%	17%	33%		20%
Q2-06										
Faster than Inflation	50%	50%	40%	40%	22%		0%	38%		
Slower than Inflation	0%	50%	10%	0%	0%		50%	25%		
Q1-06										
Faster than Inflation	71%	20%	60%	50%	40%		50%	67%	40%	
Slower than Inflation	0%	0%	0%	25%	0%		25%	17%	40%	

Table 4e

Palm Beach County	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	25%	36%
Lower	75%	64%
Q2-06		
Higher	14%	14%
Lower	57%	71%
Q1-06		
Higher	0%	11%
Lower	88%	78%
Future Price Increases		
Q3-06		
Faster than Inflation	50%	18%
Slower than Inflation	38%	64%
Q2-06		
Faster than Inflation	29%	43%
Slower than Inflation	29%	57%
Q1-06		
Faster than Inflation	25%	11%
Slower than Inflation	38%	67%

Broward County

- Cap rates are lower for most sectors when compared to the state averages. The lowest cap rates are seen in Condo Conversion (5 percent) and Residential Apartments (5.7 percent)
- The highest cap rates within Broward County are Flex Space and Strip Centers (7.2 percent)
- The highest yields are expected in the Condo Conversion Sector at 13.7 percent, while the lowest yields are expected in Free Standing (9.4 percent) and Residential Apartments (9.5 percent)
- Yields are very similar to the state averages, with no sector being outside the range of 100 basis points.
- The investment outlook for Broward County is positive for the following sectors: Warehouse, Office Class B, Retail: Large, Neighborhood and Strip Center.
- The investment outlook is negative for: Residential Apartments, Condo Conversion, Flex Space, Office Class A and Free Standing.
- The prospects for land development are positive for: Hospitality, Commercial, Industrial and Urban Redevelopment.
- The prospects for land development are negative for land without entitlements and land with residential entitlements.
- Future occupancy rates are expected to be higher in all sectors.
- In only two sectors (Office Class A and Strip Centers) are rental rates not expected to increase with inflation.
- Future occupancy is expected to be lower in Residential and Condominium development.
- Rental Rates are expected to increase below the mark of inflation for Residential and Condominium development.

Table 3a

Broward County	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neigh- bor- hood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	5.7	5.0	6.4	7.2	6.5	6.7	6.5	6.2	7.2	6.5
Percent Expecting Rise	50%	100%	60%	57%	90%	57%	80%	100%	67%	
Percent Expecting Fall	0%	0%	20%	0%	0%	14%	0%	0%	0%	
Q2-06										
Q2-06 Value	5.6	4.5	7.0	7.3	6.9	7.5	6.4	6.6	7.3	6.8
Percent Expecting Rise	60%	83%	44%	33%	50%	60%	50%	33%	100%	0%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Q1-06										
Q1-06 Value	5.5	4.4	7.2	7.4	6.9	7.7	6.6	6.5	7.5	6.9
Percent Expecting Rise	82%	71%	40%	80%	50%	100%	100%	43%	100%	100%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Yields										
Q3-06										
Q3-06 Value	9.5	13.7	10.4	11.3	9.6	11.8	9.4	10.1	11.3	9.4
Percent Expecting Rise	50%	60%	20%	29%	70%	29%	80%	100%	67%	
Percent Expecting Fall	0%	20%	40%	0%	0%	14%	0%	0%	0%	
Q2-06										
Q2-06 Value	10.8	12.9	8.7	10.3	9.6	10.6	9.2	8.9	8.2	8.6
Percent Expecting Rise	100%	67%	56%	33%	63%	40%	50%	50%	100%	0%
Percent Expecting Fall	0%	0%	11%	17%	13%	20%	17%	0%	0%	0%
Q1-06										
Q1-06 Value	9.8	7.4	10.1	9.6	9.8	12.1	11.8	10.1	13.8	10.1
Percent Expecting Rise	82%	71%	40%	80%	50%	100%	100%	43%	100%	100%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Investment Outlook										
Q3-06										
Fair to Good	0%	18%	50%	0%	20%	71%	60%	71%	60%	29%
Bad to Poor	57%	73%	33%	60%	40%	0%	10%	14%	20%	43%
Q2-06										
Fair to Good	13%	0%	43%	0%	18%	33%	20%	40%	25%	29%
Bad to Poor	25%	67%	43%	86%	55%	50%	40%	60%	25%	29%
Q1-06										
Fair to Good	30%	7%	17%	38%	60%	17%	43%	50%	20%	29%
Bad to Poor	50%	79%	58%	50%	20%	17%	43%	0%	60%	43%

Table 3b

Outlook for Land Development

Broward County	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	34%	28%	53%	41%	50%	47%
Bad to Poor	44%	47%	25%	19%	19%	19%
Q2-06						
Fair to Good	36%	39%	45%	36%	39%	39%
Bad to Poor	33%	33%	18%	24%	15%	21%
Q1-06						
Fair to Good	41%	50%	50%	35%	44%	65%
Bad to Poor	26%	24%	12%	18%	12%	15%

Table 3c

Investors by Property Type

Broward County	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	86%	36%	33%	80%	20%	29%	10%	100%		14%	83%	100%
R.E. Companies	14%	36%		10%		43%	40%		20%	29%	17%	
REITs			17%		20%	14%			20%	14%		
Institutions		9%	50%	10%	60%	14%	50%		40%	29%		
Foreign Buyers		18%							20%			
Q2-06												
Private Buyers	50%	78%	14%	71%	18%		10%	80%	13%	57%		
R.E. Companies	50%		57%	14%	18%		30%		13%	29%		
REITs					36%	33%	10%		38%	14%		
Institutions			29%	14%	18%	50%	40%	20%	38%			
Foreign Buyers		11%			9%	17%	10%					
Q1-06												
Private Buyers	70%	57%	42%	75%	40%	67%	14%	25%		43%	80%	100%
R.E. Companies	20%	29%	42%	13%	20%		14%	50%	20%		20%	
REITs						33%	14%		20%	43%		
Institutions	10%		17%		40%		43%		60%			
Foreign Buyers		14%		13%			14%	25%		14%		

Table 3d

Broward County	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher	50%	33%	60%	29%	70%	83%	40%	29%	20%	
Lower	0%	11%	0%	0%	0%	0%	0%	14%	0%	
Q2-06										
Higher	86%	14%	82%	83%	80%		13%	29%		
Lower	14%	57%	0%	17%	0%		0%	14%		
Q1-06										
Higher	63%	17%	25%	25%	100%			50%	25%	
Lower	13%	33%	0%	0%	0%			17%	0%	
Rental Rate Increases										
Q3-06										
Faster than Inflation	33%	33%	40%	57%	20%	33%	60%	57%	20%	
Slower than Inflation	0%	22%	0%	0%	20%	0%	20%	29%	60%	
Q2-06										
Faster than Inflation	43%	43%	36%	33%	10%		38%	43%		
Slower than Inflation	0%	43%	9%	0%	10%		25%	29%		
Q1-06										
Faster than Inflation	50%	17%	25%	75%	40%			67%	25%	
Slower than Inflation	13%	17%	0%	25%	0%			17%	50%	

Table 3e

Broward County	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	29%	36%
Lower	57%	55%
Q2-06		
Higher	13%	11%
Lower	50%	67%
Q1-06		
Higher	0%	9%
Lower	50%	73%
Future Price Increases		
Q3-06		
Faster than Inflation	29%	18%
Slower than Inflation	43%	64%
Q2-06		
Faster than Inflation	13%	22%
Slower than Inflation	38%	56%
Q1-06		
Faster than Inflation	13%	9%
Slower than Inflation	38%	73%

Dade County

- Across the board cap rates are well below the state averages. On average the cap rates in Dade County are 100 to 150 basis points lower than the state.
- The lowest cap rates are in the Condo Conversion (5.1 Percent) and residential apartment markets (5.8 percent).
- The highest cap rates are in Strip Centers and Flex Space, both 7.2 percent.
- Yields are on par with the state averages in almost every sector. The trend is for Dade County yields to be slightly lower than that of the state.
- The sectors with 100 basis point differences in yield expectations are Office Class A & B and Free Standing.
- The investment outlook in Dade County is negative for Condo Conversion, Apartment, Flex Space and Free Standing
- The investment outlook is positive for all Office and Retail sectors.
- Land Development outlook is negative for Land without entitlements and land with residential entitlements.
- Land Development outlook is positive for Land with: Hospitality, Commercial, Industrial and Urban Redevelopment entitlements.
- Future occupancy rates are expected to be higher in all segments except Free Standing.
- Rental rates are expected to increase beyond inflation for all sectors except Strip Centers and Condo Conversion.
- Occupancy rates are expected to decrease in both Single Family Development and Condominium.
- Rental Rates for Condo Conversion are expected to increase slower than inflation.

Table 2a

Dade County	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	5.8	5.1	6.4	7.2	6.5	6.8	6.5	6.3	7.2	6.5
Percent Expecting Rise	33%	100%	67%	57%	90%	50%	60%	100%	80%	
Percent Expecting Fall	0%	0%	17%	0%	0%	17%	0%	0%	0%	
Q2-06										
Q2-06 Value	5.5	4.5	6.9	7.2	6.8	7.4	6.3	6.6	7.3	
Percent Expecting Rise	33%	67%	50%	20%	50%	50%	63%	40%	100%	
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Q1-06										
Q1-06 Value	5.6	4.5	7.3	7.5	7.1	7.9	6.7	6.7	7.7	7.0
Percent Expecting Rise	86%	60%	40%	80%	57%	100%	100%	40%	100%	100%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Yields										
Q3-06										
Q3-06 Value	8.7	13.0	9.6	10.6	8.8	11.0	8.7	9.4	10.6	8.6
Percent Expecting Rise	33%	56%	33%	43%	80%	33%	60%	100%	80%	
Percent Expecting Fall	0%	11%	33%	0%	0%	17%	0%	0%	0%	
Q2-06										
Q2-06 Value	11.4	13.5	9.3	10.9	10.2	11.2	9.7	9.5	8.7	
Percent Expecting Rise	67%	67%	63%	20%	63%	25%	63%	60%	100%	
Percent Expecting Fall	0%	0%	13%	20%	13%	25%	13%	0%	0%	
Q1-06										
Q1-06 Value	9.2	6.8	9.4	9.0	9.1	11.5	11.2	9.4	13.1	9.4
Percent Expecting Rise	86%	60%	40%	80%	57%	100%	100%	40%	100%	100%
Percent Expecting Fall	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Investment Outlook										
Q3-06										
Fair to Good	0%	20%	50%	0%	33%	71%	45%	67%	60%	29%
Bad to Poor	60%	70%	50%	56%	33%	0%	9%	17%	0%	43%
Q2-06										
Fair to Good	0%	0%	50%	14%	20%	40%	11%	25%	20%	17%
Bad to Poor	40%	71%	50%	71%	50%	40%	44%	75%	20%	33%
Q1-06										
Fair to Good	29%	9%	14%	33%	60%	20%	43%	50%	20%	20%
Bad to Poor	57%	82%	43%	50%	20%	20%	29%	0%	60%	40%

Table 2b

Outlook for Land Development

Dade County	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	27%	27%	48%	36%	48%	45%
Bad to Poor	42%	42%	18%	9%	12%	18%
Q2-06						
Fair to Good	38%	48%	52%	38%	45%	45%
Bad to Poor	38%	31%	10%	17%	7%	21%
Q1-06						
Fair to Good	44%	52%	60%	36%	56%	68%
Bad to Poor	20%	20%	8%	20%	12%	16%

Table 2c

Investors by Property Type

Dade County	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	60%	30%	50%	78%	17%	43%	9%	100%		29%	100%	75%
R.E. Companies	40%	40%		22%		43%	36%		20%	29%		25%
REITs			17%			33%			40%	17%		
Institutions			33%			50%	14%	55%	40%	29%		
Foreign Buyers		30%										
Q2-06												
Private Buyers	80%	71%	33%	71%	20%		11%	75%	10%	50%		
R.E. Companies	20%		17%	14%	20%	20%	22%		20%	33%		
REITs			17%		30%	20%	22%		40%	17%		
Institutions			33%	14%	20%	40%	33%	25%	30%			
Foreign Buyers		14%			10%	20%	11%					
Q1-06												
Private Buyers	86%	55%	29%	83%	40%	60%	14%	50%		60%	100%	100%
R.E. Companies	14%	27%	57%		20%	20%	14%		20%			
REITs						20%	14%		60%	40%		
Institutions			14%		40%		43%		20%			
Foreign Buyers		18%			17%		14%	50%				

Table 2d

Dade County	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher	50%	38%	67%	43%	64%	80%	60%	29%	50%	0%
Lower	17%	13%	0%	0%	0%	0%	0%	14%	0%	25%
Q2-06										
Higher	50%	14%	80%	60%	89%		30%	17%		
Lower	17%	57%	0%	20%	0%		0%	33%		
Q1-06										
Higher	60%	0%	50%	50%	100%		50%	60%		
Lower	40%	50%	0%	0%	0%		25%	20%		
Rental Rate Increases										
Q3-06										
Faster than Inflation	33%	25%	33%	29%	27%	60%	40%	71%	0%	50%
Slower than Inflation	0%	25%	0%	0%	18%	0%	20%	14%	50%	25%
Q2-06										
Faster than Inflation	33%	43%	40%	40%	0%		40%	33%		
Slower than Inflation	33%	43%	10%	20%	11%		20%	50%		
Q1-06										
Faster than Inflation	40%	0%	25%	50%	33%		50%	40%		
Slower than Inflation	40%	25%	0%	25%	0%		25%	20%		

Table 2e

Dade County	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	20%	33%
Lower	60%	67%
Q2-06		
Higher	0%	0%
Lower	50%	71%
Q1-06		
Higher	0%	11%
Lower	57%	78%
Future Price Increases		
Q3-06		
Faster than Inflation	40%	33%
Slower than Inflation	40%	67%
Q2-06		
Faster than Inflation	0%	0%
Slower than Inflation	50%	86%
Q1-06		
Faster than Inflation	29%	11%
Slower than Inflation	43%	78%

Southwest Coast

- Cap Rates are lowest in the Apartment and Condo Conversion Sectors at 6.3 percent and 5.5 percent.
- The Highest Cap Rates are in the Flex Space and Strip Center Sectors.
- Yields are highest in Condo Conversion (13.6 percent) and Strip Center (11.2 percent)
- The lowest yields are in Apartments and Large Retail (9.3 percent).
- The outlook for Land Development is positive for Hospitality, Commercial, Industrial and Urban Redevelopment.
- The outlook for Land Development is negative for Land without entitlements or land with residential entitlements.
- Both future occupancy and rental rates have a negative outlook in the Single Family Development and Condominium Sectors.

Table 6a

Southwest Coast	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Cap Rates										
Q3-06										
Q3-06 Value	6.3	5.5	6.9	7.7	7.0	7.2	7.0	6.7	7.7	7.0
Percent Expecting Rise			25%					60%	50%	0%
Percent Expecting Fall			0%					0%	0%	25%
Q2-06										
Q2-06 Value	5.8	4.7	7.1	7.4	7.1		6.5	6.8	7.5	6.9
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	5.6	4.5	7.3	7.5	7.1	7.9	6.7	6.7	7.7	7.0
Percent Expecting Rise										
Percent Expecting Fall										
Yields										
Q3-06										
Q3-06 Value	9.3	13.6	10.2	11.2	9.4	11.6	9.3	10.0	11.2	9.2
Percent Expecting Rise			25%					40%	33%	0%
Percent Expecting Fall			0%					20%	0%	25%
Q2-06										
Q2-06 Value	11.9	14.0	9.8	11.4	10.7		10.2	10.0	9.2	9.7
Percent Expecting Rise										
Percent Expecting Fall										
Q1-06										
Q1-06 Value	12.3	9.9	12.5	12.1	12.2	14.5	14.2	12.5	16.2	12.5
Percent Expecting Rise										
Percent Expecting Fall										
Investment Outlook										
Q3-06										
Fair to Good	22%	25%			75%					60%
Bad to Poor	44%	63%			25%					20%
Q2-06										
Fair to Good	22%	9%	38%				17%		33%	40%
Bad to Poor	44%	82%	38%				67%		33%	40%
Q1-06										
Fair to Good										
Bad to Poor										

Table 6b

Outlook for Land Development

Southwest Coast	Land without Entitlements	Land with Residential Entitlements	Land with Commercial Entitlements	Land with Hospitality Entitlements	Land with Industrial Entitlements	Land for Urban Redevelopment
Q3-06						
Fair to Good	32%	26%	47%	37%	26%	37%
Bad to Poor	58%	47%	16%	11%	16%	16%
Q2-06						
Fair to Good	21%	29%	42%	21%	38%	29%
Bad to Poor	38%	29%	21%	25%	25%	25%
Q1-06						
Fair to Good	46%	69%	62%	38%	62%	62%
Bad to Poor	31%	8%	8%	8%	15%	8%

Table 6c

Investors by Property Type

Southwest Coast	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighborhood Centers	Strip Centers	Free Standing
Q3-06												
Private Buyers	67%	75%	67%	100%	75%	100%	33%	100%			83%	100%
R.E. Companies	33%	25%					67%		33%	40%		
REITs					25%					40%		
Institutions			33%						67%			
Foreign Buyers											17%	
Q2-06												
Private Buyers	78%	82%	50%	33%			17%		17%	40%		
R.E. Companies	22%	9%	38%	33%			17%		33%			
REITs			13%				33%		17%	40%		
Institutions				33%			33%		33%	20%		
Foreign Buyers												
Q1-06												
Private Buyers	100%	75%	50%	50%	33%	100%		100%	25%	40%	67%	100%
R.E. Companies		25%	50%	50%	33%				25%	20%	33%	
REITs									25%	40%		
Institutions					33%		100%		25%			
Foreign Buyers												

Table 6d

Southwest Coast	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor- hood Centers	Strip Centers	Free Standing
Future Occupancy										
Q3-06										
Higher			25%					20%	33%	25%
Lower			0%					0%	0%	0%
Q2-06										
Higher	25%				33%		50%	20%		
Lower	0%				0%		0%	20%		
Q1-06										
Higher										
Lower										
Rental Rate Increases										
Q3-06										
Faster than Inflation			75%					60%	50%	75%
Slower than Inflation			0%					20%	17%	0%
Q2-06										
Faster than Inflation	13%				17%		50%	80%		
Slower than Inflation	38%				0%		17%	0%		
Q1-06										
Faster than Inflation										
Slower than Inflation										

Table 6e

Southwest Coast	Single Family Development	Condominium Development
Future Absorption Rates		
Q3-06		
Higher	11%	13%
Lower	78%	88%
Q2-06		
Higher	0%	0%
Lower	78%	91%
Q1-06		
Higher		
Lower		
Future Price Increases		
Q3-06		
Faster than Inflation	11%	13%
Slower than Inflation	89%	88%
Q2-06		
Faster than Inflation	22%	36%
Slower than Inflation	78%	64%
Q1-06		
Faster than Inflation		
Slower than Inflation		