Survey of Emerging Market Conditions

Quarter 3 2007

Published August 30, 2007

Lead Researcher and Analyst

Dr. Wayne R. Archer, Director
University of Florida Bergstrom Center for Real Estate Studies
Professor of Real Estate and Wachovia Fellow - Warrington College of Business

UF Bergstrom Center for Real Estate Studies
Warrington College of Business
UNIVERSITY of FLORIDA

For more information about the survey or the Bergstrom Center for Real Estate Studies, visit our website at www.realestate.ufl.edu.

Executive Summary & Conclusions

With continued news about distress in condominium markets, rising sub-prime foreclosures, and now disruptions in mortgage securities markets, it is no surprise that views of our expert survey respondents have grown more sober. Still, it is important to look carefully; despite the news, for yet another quarter rental real estate markets remain steady. According to our respondents, distress conditions remain limited to condos and existing for-sale housing (not covered in our survey). Equally important, our survey suggests much less concern that is widely perceived for new single family development.

Prominent Findings

Single family development, while at a low level, continues to be regarded as stable by our expert respondents.
Condominium markets continue to be regarded as in poor condition.
Rental markets, including apartments, office, industrial, and retail, continue to be regarded as basically stable and healthy.
The overall outlook for real estate investment has declined somewhat, no doubt reflecting the sobered outlook for housing markets.
The outlook for our respondents' own business continues to decline.
Cap rates, a fundamental indicator of perceived risk in value, have remained remarkably undisturbed by current real estate problems.

The Survey

Our quarterly survey, conducted by the Bergstrom Center for Real Estate Studies, Warrington College of Business Administration, University of Florida, is in its eighth fielding. The total number of participants, at 263, is the most extensive survey of Florida professional real estate analysts and investors conducted on an ongoing basis. It includes respondents representing thirteen urban regions of the state and up to fifteen property types.

General Investment Outlook

The general outlook for investing in property in Florida is mixed and trending toward more caution. After a boost in optimism at the beginning of the year, the drift has been toward a more cautious outlook during the following two quarters.

Single Family & Condominium Development

The market outlook for development of single family residential remains stable, with no expected increase or decline in the rate of absorption. This is in contrast to growing pessimism about condominium absorption. The outlook for new home prices is less stable, with single family prices expected to lag inflation, and condo prices possibly declining. The outlook for investment in single family projects remains mixed, while the outlook for condominium development is poor.

Apartments

Apartment occupancy is expected to remain stable. On the other hand, expectations for rental rate growth have taken a sudden downturn, with growth expected to lag inflation. This is the weakest outlook for rental rates in the last seven quarters. Despite growing caution, the outlook for apartment investment remains mixed.

Industrial

The occupancy outlook for all types of industrial property has become more conservative, tending toward steady state. Still, growth in rental rates is expected to match or exceed inflation. The outlook for investment in industrial properties continues to be mixed, but tends toward positive.

Office

The outlook for office occupancy continues a three quarter decline from expected rises to expected steady state. Expectations for rental rate growth have declined from growth exceeding inflation to growth lagging inflation. The outlook for office investment has declined over two quarters from mixed positive, to mixed negative.

Retail

The outlook for retail occupancy has grown conservative for all retail property, and now is uniformly indicating little change. The outlook for rental rate changes also has grown conservative, expecting increases below the rate of inflation. Similarly, the outlook for retail investment has declined in most cases to mixed negative.

Land Investment

The drift in outlook for land investment is toward caution, but with variation. The outlook for investment in office/retail land, industrial, hospitality or for urban renewal remains mixed to positive while the outlook for unentitled land or residential land is mixed to negative.

Capital Availability

While there are no expected changes in available capital for acquisitions, there is concern that the capital available for development will decrease in the near future.

Cap Rates & Yields

Cap rates and expected all-equity yields have remained remarkably stable in the face of widespread concern in the investment markets. In every property type, though our respondents over the last year have repeatedly reported that they expect cap rates to rise, actual reported cap rates remain unchanged. This outcome is most likely a signal that rental markets are more stable than our respondents had expected.

Own Business Outlook

The survey respondents' perception of their own business' outlook has continued its dramatic decline over the past seven quarters, with another significant decrease this quarter.

Table of Contents

Introduction

The *Survey of Emerging Market Conditions* targets the experienced leadership of Florida's real estate development and investment community to gain insights and market intelligence on matters of fundamental importance to real estate practitioners and policy-makers across Florida. A full report, including comments from respondents and analysis of specific geographic markets, will be available online by early September at www.realestate.ufl.edu.

Methodology

This *Survey* is the only Florida-centered survey of leaders and professional advisors in the real estate industry. It analyzes prospective data to produce extensive forecasting information pertinent to 37 of the state's 67 counties. The survey is administered by the Bergstrom Center for Real Estate Studies at the University of Florida.

With the highly fragmented nature of real estate, no survey can encompass all aspects of the real estate industry. To face this challenge, our *Survey* employs a quarterly sounding from multiple groups of market leaders and professional groups advising them.

Respondents

Our respondent group boasts some of the most impressive credentials in the industry. Members of the 140-member UF Real Estate Advisory Board are some of our most prominent and valuable resources, providing years of experience and unparalleled success in every geographic area of Florida, and in every market type. Other participants include members of the Florida Chapter of the CCIM (Certified Commercial Investment Member) Institute, Society of Industrial and Office Realtors© (SIOR), Appraisal Institute Chapter X, and leadership from the International Council of Shopping Centers (ICSC).

Scope

Like virtually all surveys of investment real estate markets, this survey gathers opinion. Thus, it distills complex judgments, and amounts to a carefully controlled and structured conversation with truly qualified real estate experts. The survey asks questions carefully designed to avoid ambiguities, a major problem in collecting complex information.

The *Survey of Emerging Market Conditions* screens respondents at two levels of refinement to assure truly expert opinions. First, only persons with established real estate credentials are invited to participate. Second, each respondent is asked to respond only for those localities and property types where he or she is an active expert.

The result is that all the data collected can be regarded as authoritative, no matter how small the sample of responses for a property type-locality "cell." (We maintain a minimum of at least four respondents for any market cell to guard against response mistakes.) In short, even data from the least actively covered markets that we report have value as an additional expert opinion. In the more actively reported market cells, our data represent an extraordinary consensus of the experts.

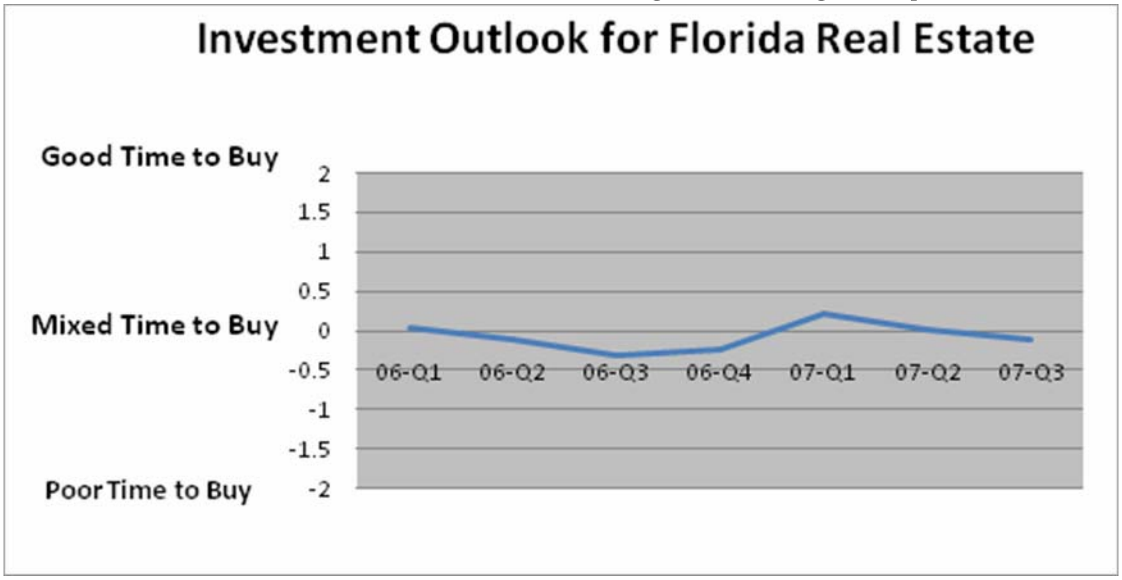
Survey results are anecdotal findings about required returns and investment objectives of owners and investors contemplating acquisitions or deciding about the timing of dispositions. Therefore the survey is a measure of current and prospective market perceptions, including the confidence levels exhibited by leading real estate professionals and market participants. In other words, the *Survey of Emerging Market Conditions* is a report of anticipated returns, business outlook and other forecasting views, rather than an analysis of actual or historical performance. The most valuable benefit for many may be interpretation of survey results over time to better comprehend market trends and shifts.

About the Bergstrom Center

For more than 30 years, the Bergstrom Center for Real Estate Studies at the University of Florida has been cultivating synergy between research, academics, students, and industry leaders who drive the real estate marketplace. The Bergstrom Center supports the UF real estate courses and degree programs housed in the Warrington College of Business Administration's Department of Finance, Insurance, and Real Estate.

Section 1: Overall Investment Outlook

The general outlook for investing in property in Florida, while not negative, is mixed and trending toward more caution. After a boost toward greater optimism at the beginning of the year, the drift has been toward a more cautious outlook during the following three quarters.



Since this investment index is weighted 40 percent on single family and residential condominium development, 40 percent on rental property of all types and 20 percent on undeveloped land, it is at least fifty percent driven by the residential development outlook. Thus, as reported below, its downward trend is not surprising.

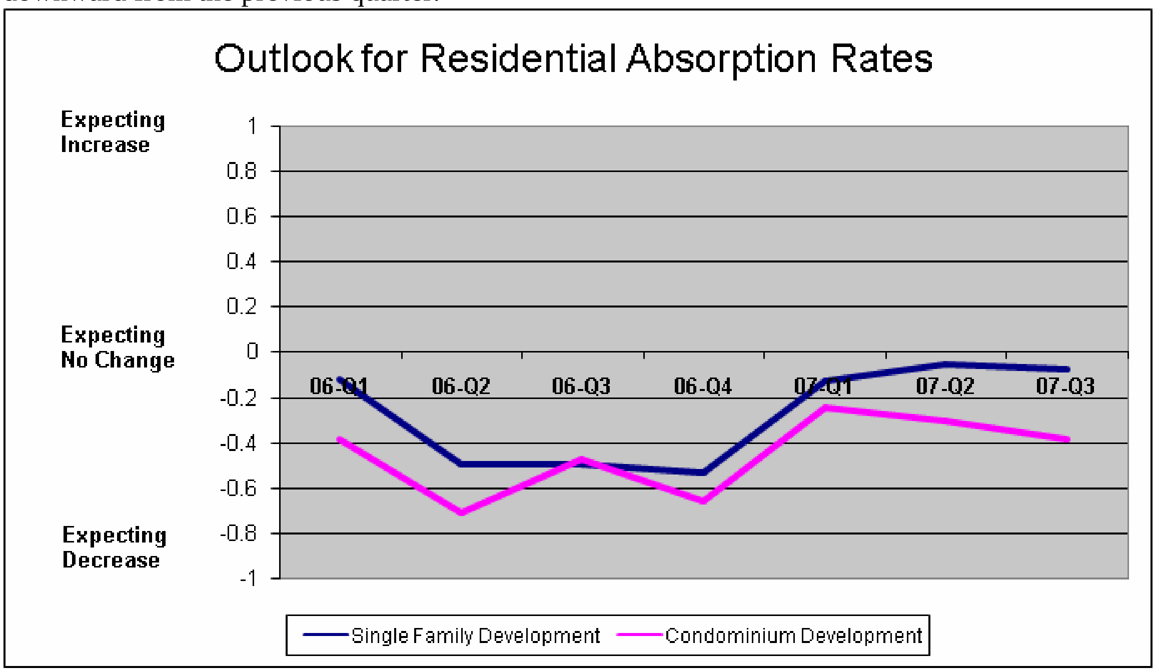
Section 2: Residential Development

Overview

The outlook for development of single family residential remains stable, with no expected improvement or decline in the rate of absorption. This is in contrast with a growing expectation of decline in condominium absorption. However, there is general pessimism about residential prices, with most respondents expecting single family prices to lag inflation. With condominium prices the expectation is even more pessimistic, with many respondents expecting declines. Despite the poor expectation for prices, the outlook for investment in single family development remains mixed, though the outlook for condominium development is poor.

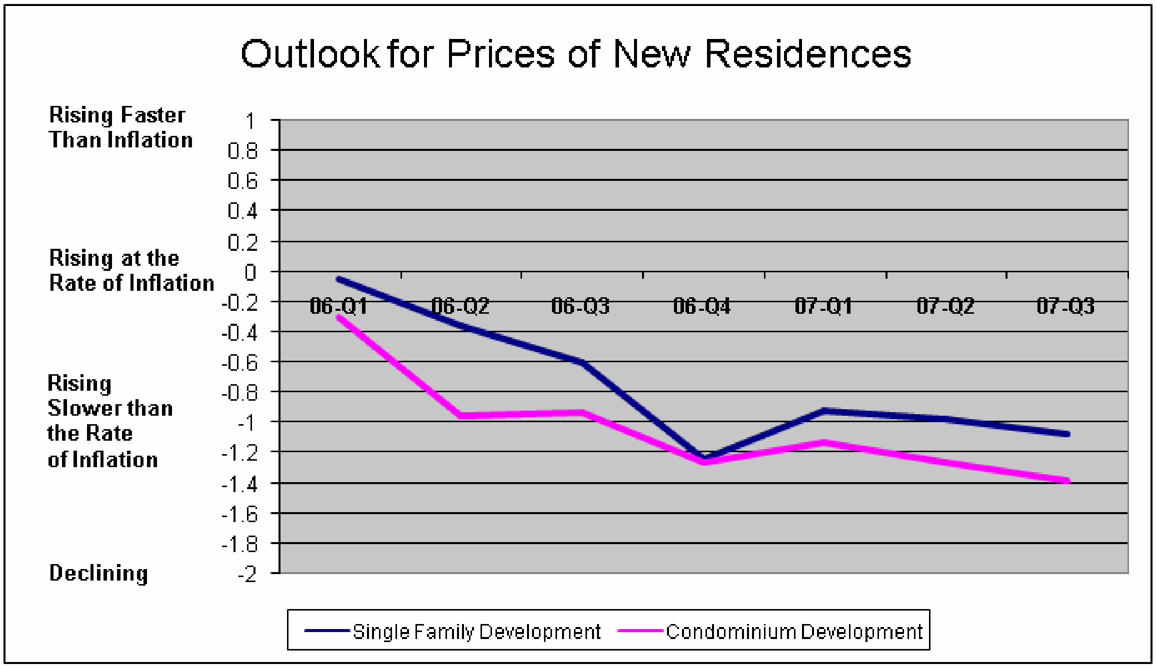
Expected Absorption Rates

Following a notable improvement in the first quarter of 2007, the outlook for residential absorption rates for single family development appears to have leveled off over the last two quarters as a return to neutral expectations appears to be occurring. Not surprisingly, expectations for condo absorption rates are more pessimistic than for single family, and have continued to edge downward from the previous quarter.



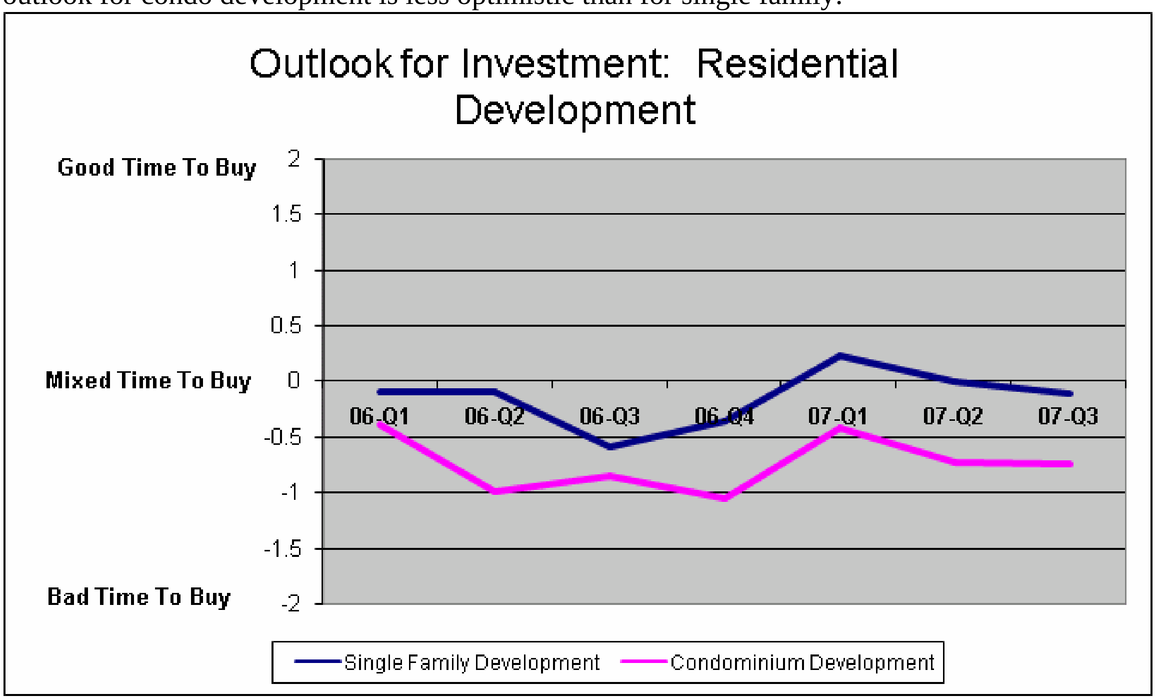
Expected Price Changes

The expectation for new residence prices appears to continue its weakening trend. Despite a notable move toward stability in the first quarter of 2007, expectations have settled for increases that lag inflation. Once again, the outlook for condominium prices is more pessimistic than for single family.



Investment Outlook

Following last quarter's decline, the outlook for investment in residential development appears to have leveled off as neutral expectations appear to be prevailing. As a result, it appears that it is a mixed time to buy, with possible indications that the outlook may continue to decline. Again, the outlook for condo development is less optimistic than for single family.



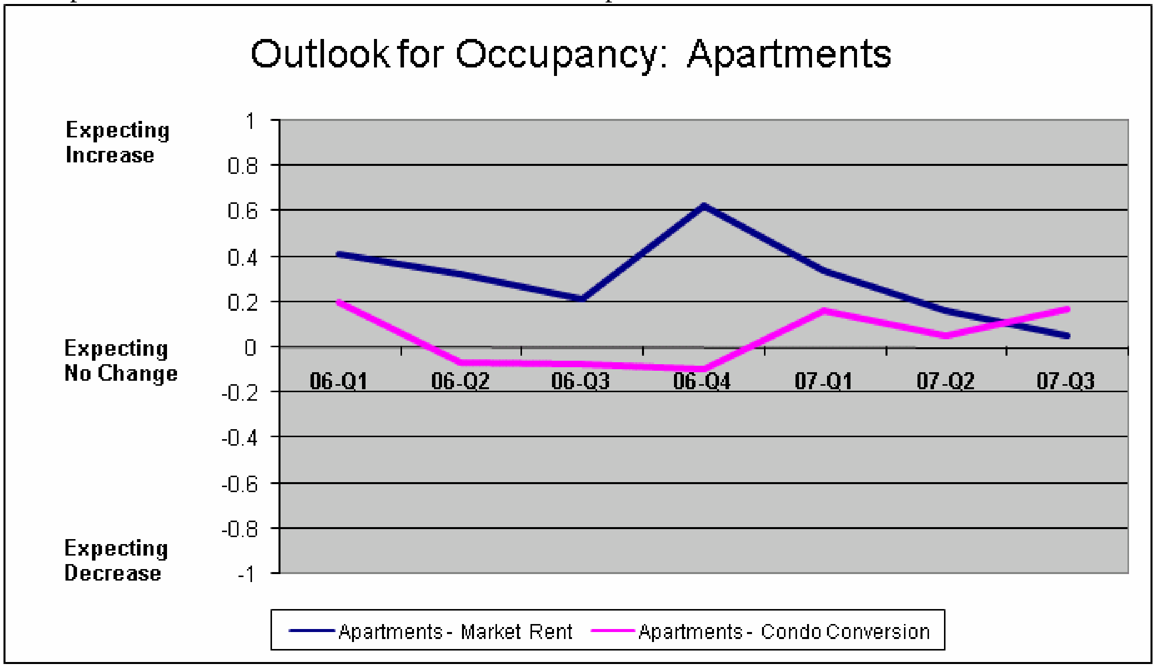
Section 3: Apartments

Overview

The outlook for apartment occupancy has stabilized for both market rent and conversion apartments with a slight leaning toward increased occupancy. On the other hand, expectations for rental rate increases have taken a sudden turn downward, with increases expected to lag inflation, as with apartments for conversion. This is the weakest expectation for market rent apartment rents in the last seven quarters. The outlook for investment in market rent apartments has declined for the second consecutive quarter, but remains mixed to slightly positive. The outlook for investment in conversion apartments has risen for the third consecutive quarter, improving from poor to mixed.

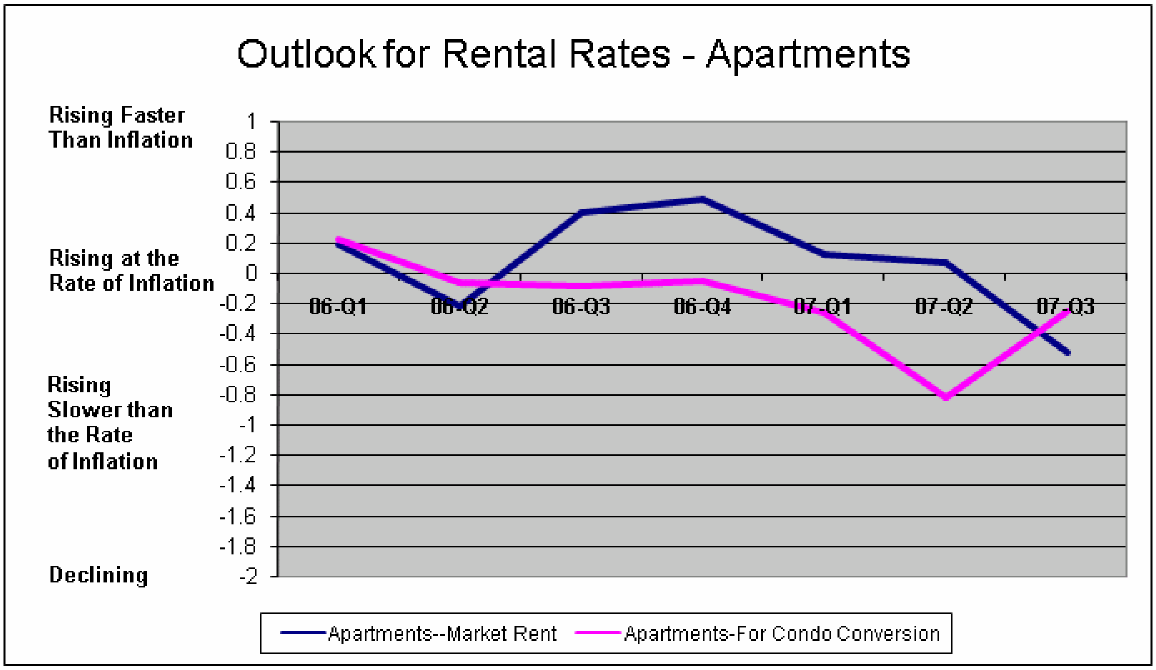
Expected Occupancy

Over the last three quarters, average expectations for market rent apartments have moved away from the positive expectations of rising occupancy observed in the fourth quarter of 2006. Survey respondents appear to be settling towards expectations of no change. Expectations for condo conversion occupancy, on the other hand, appear to have reversed course and are moving in a more positive direction than those for market rent apartments.



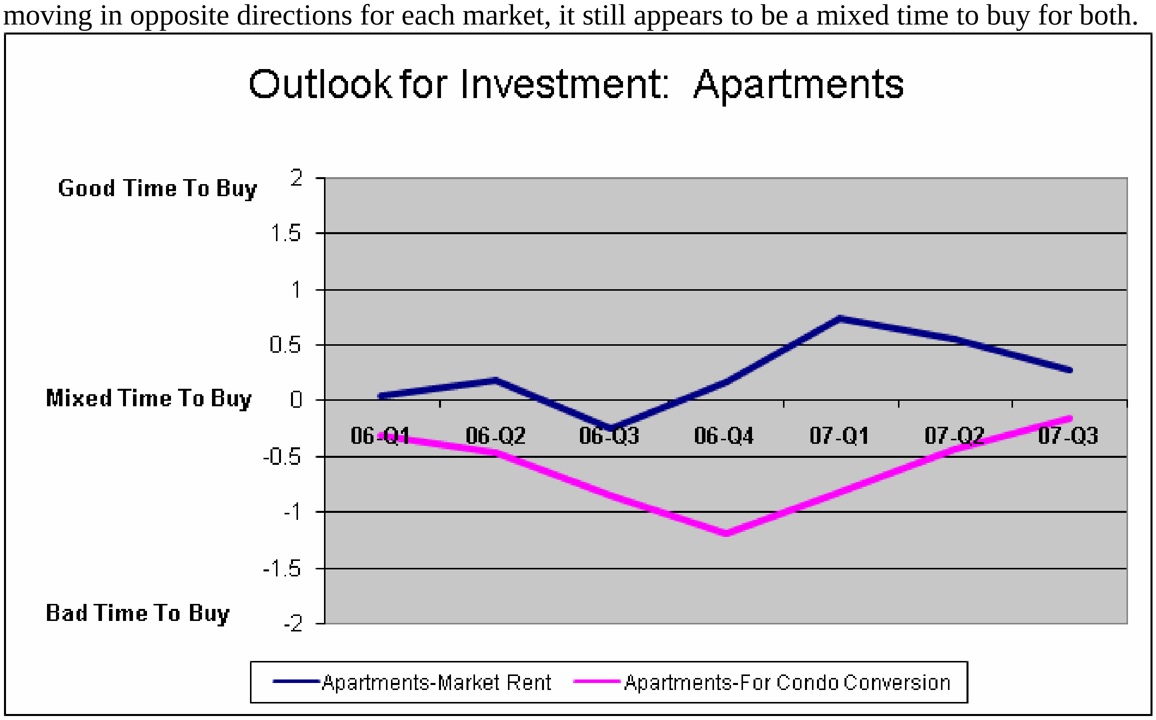
Expected Rental Rates

Expectations for apartment rental rates in Florida have experienced dramatic movements over the past quarter. For apartments considered to be potential condo conversions, expectations of rental rates have experienced a significant increase during the third quarter of 2007. They are now expected to increase at the rate of inflation, a sharp contrast from just a quarter ago. Expectations for market rent apartments, on the other hand, have continued a considerable decline that began three quarters ago. Growth in rental rates for market rent apartments appears to be moving toward rate increases that will lag inflation.



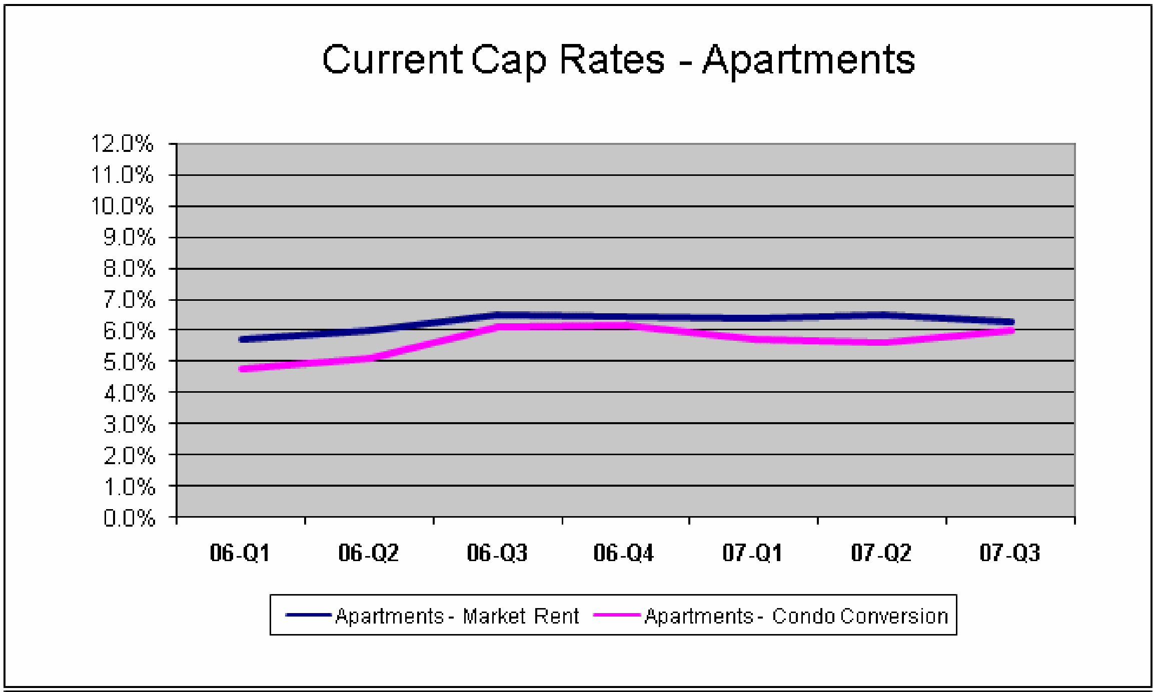
Investment Outlook

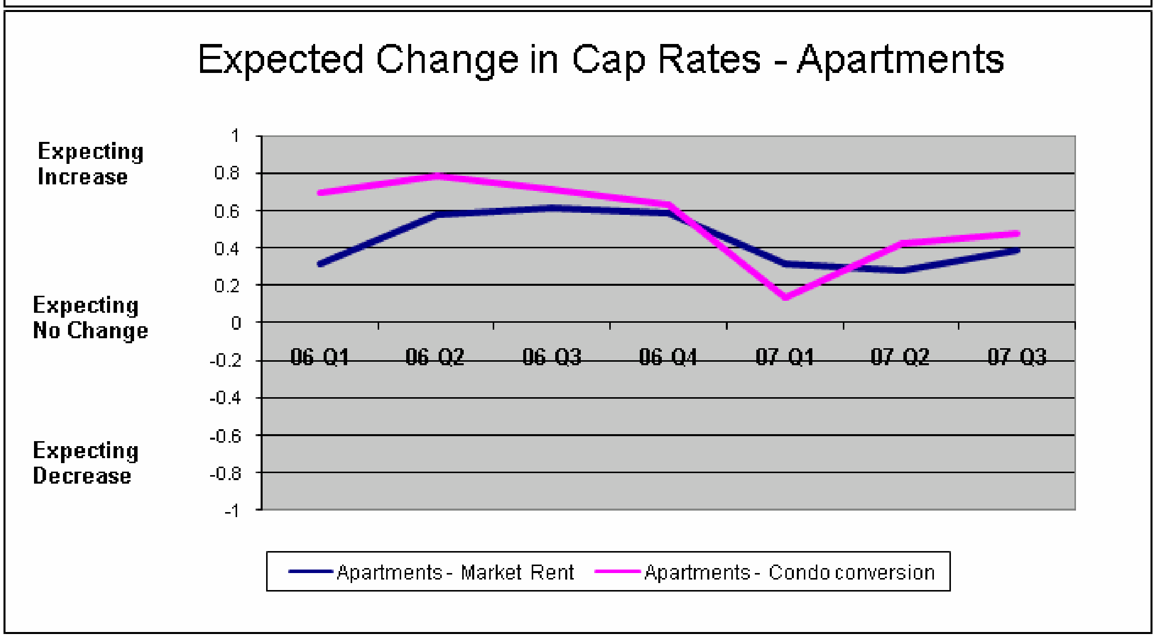
The outlook for apartment investment appears to be converging towards neutral expectations for both market rent apartments and condo conversions. While the outlook for investment in market rent apartments continues to settle towards neutrality, the outlook for potential condo conversions is continuing to rebound from its low in the fourth quarter of 2006. While expectations are moving in opposite directions for each market, it still appears to be a mixed time to buy for both.



Cap Rates

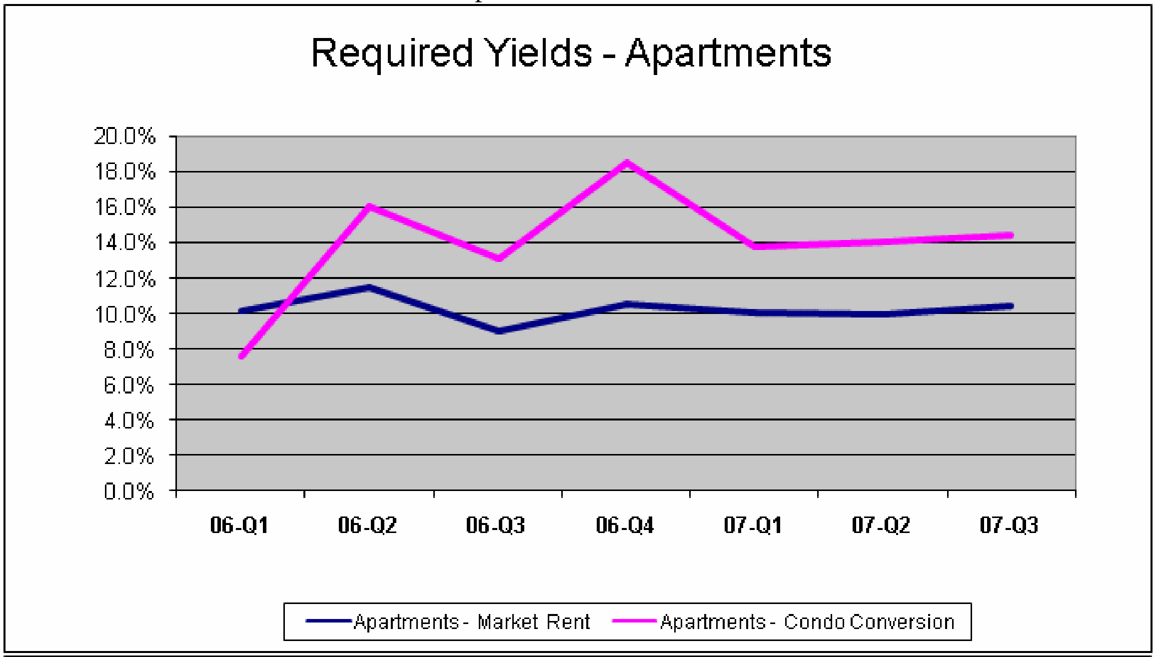
Cap rates are particularly significant as an indicator of fundamental condition in real estate markets. The fact that apartment cap rates in Florida have remained at a relatively low level, with virtually no movement over the past quarter, signals that investors have remained steady in their confidence and risk perceptions of apartments during that time. Despite the relative stability that has been witnessed over the past few quarters, our respondents' expectations still appear to indicate an increase in the future.

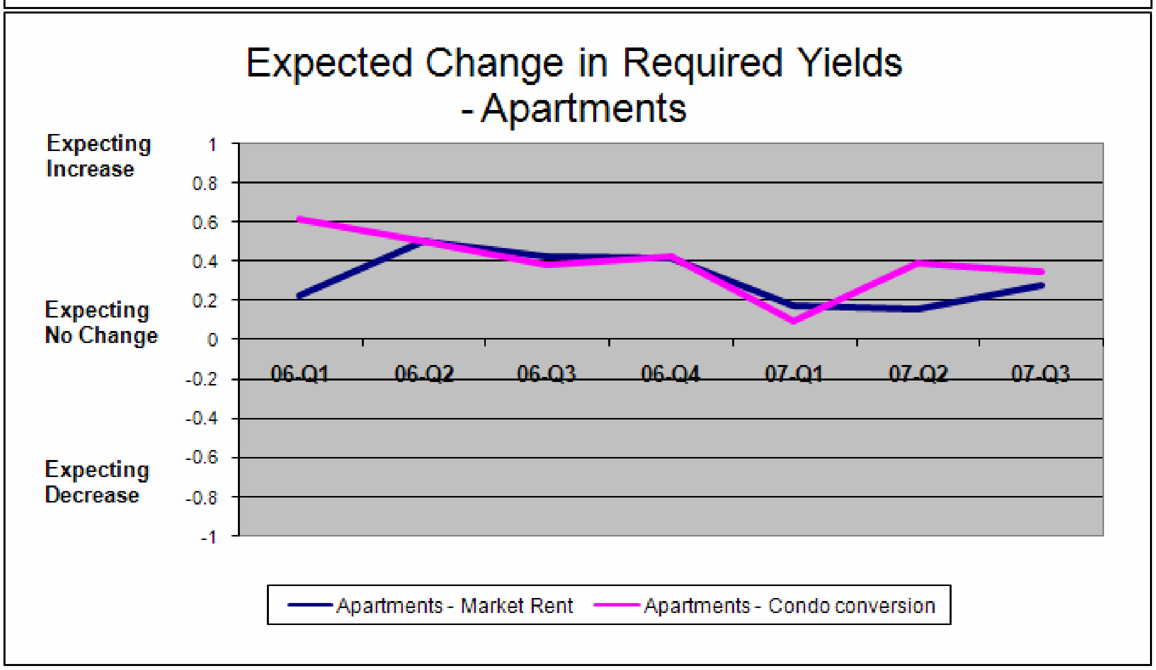




Required Yields

Required yields for condo conversions have understandably run higher than for market rent apartments. However, required yields for both types of apartments appear to have leveled off over the past two quarters, experiencing relatively no change during this time period. Despite apparent stability over the past two quarters, expectations appear to be for yields to increase in the future for condo conversions and market rent apartments.





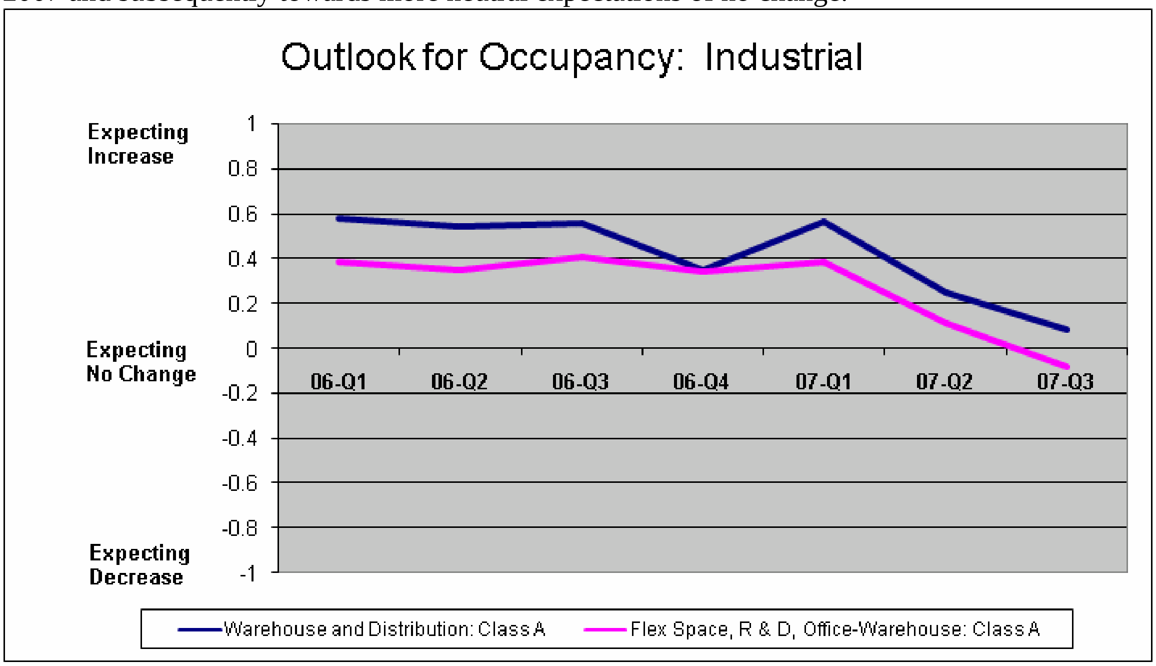
Section 4: Industrial

Overview

The occupancy outlook for all types of industrial property has become more conservative for the second consecutive quarter, falling from a strong expectation of increased occupancy to expecting no change. Still, growth in rental rates is expected to exceed inflation for warehouse and distribution properties, while growth in rental rates is expected to nearly match inflation for flex space, R& D, and for office-warehouse. The outlook for investment in industrial properties continues to be mixed, but tending toward positive.

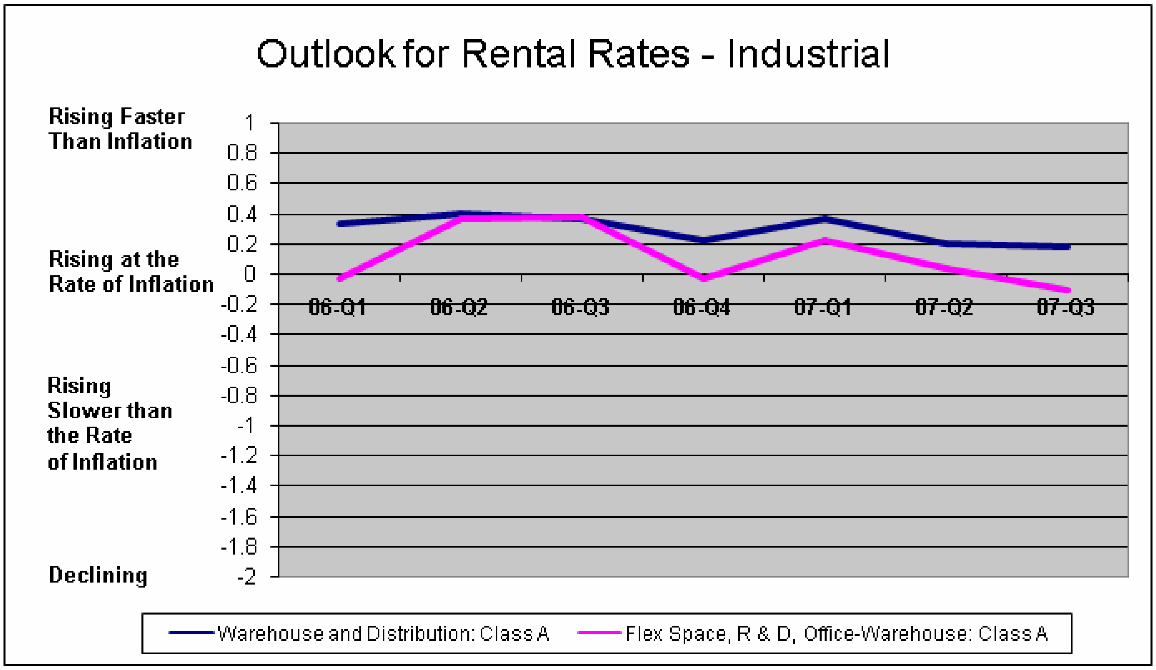
Expected Occupancy

The expectation for industrial occupancy has declined significantly over the last two quarters. There appears to have been a dramatic movement away from the optimism of the first quarter of 2007 and subsequently towards more neutral expectations of no change.



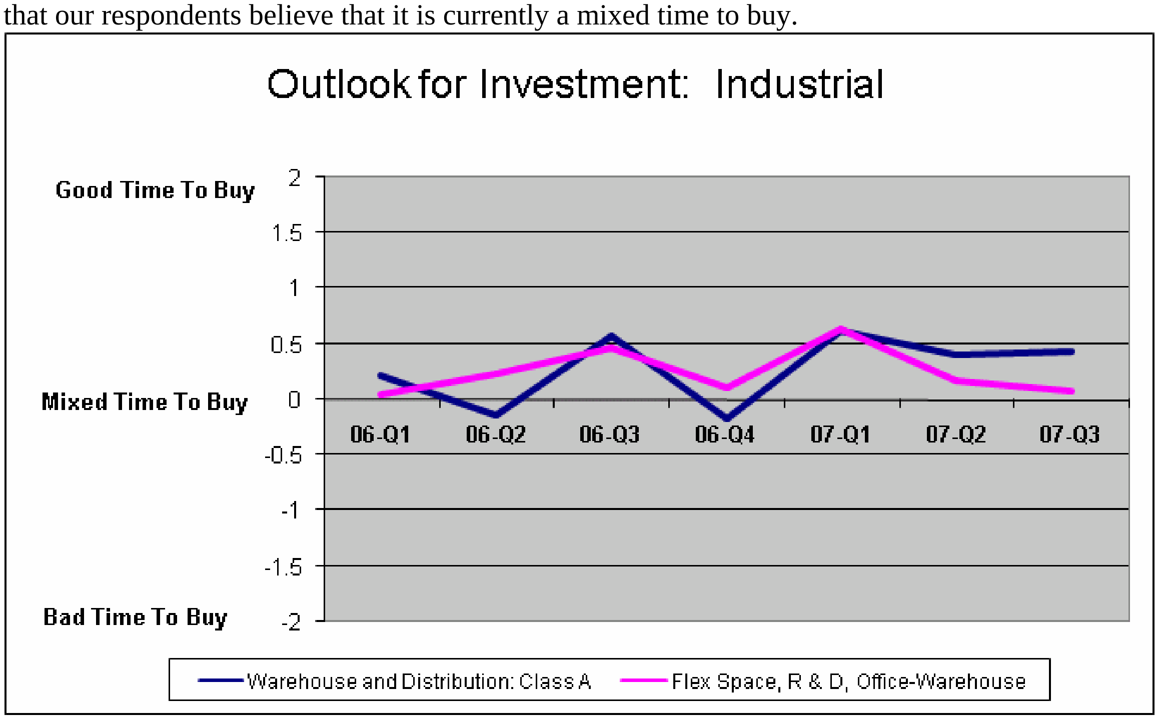
Expected Rental Rates

Expectations for rental rates appear to continue their move towards a neutral outlook. For both types of properties the expectation is for rental rate growth to rise at or close to the rate of inflation.



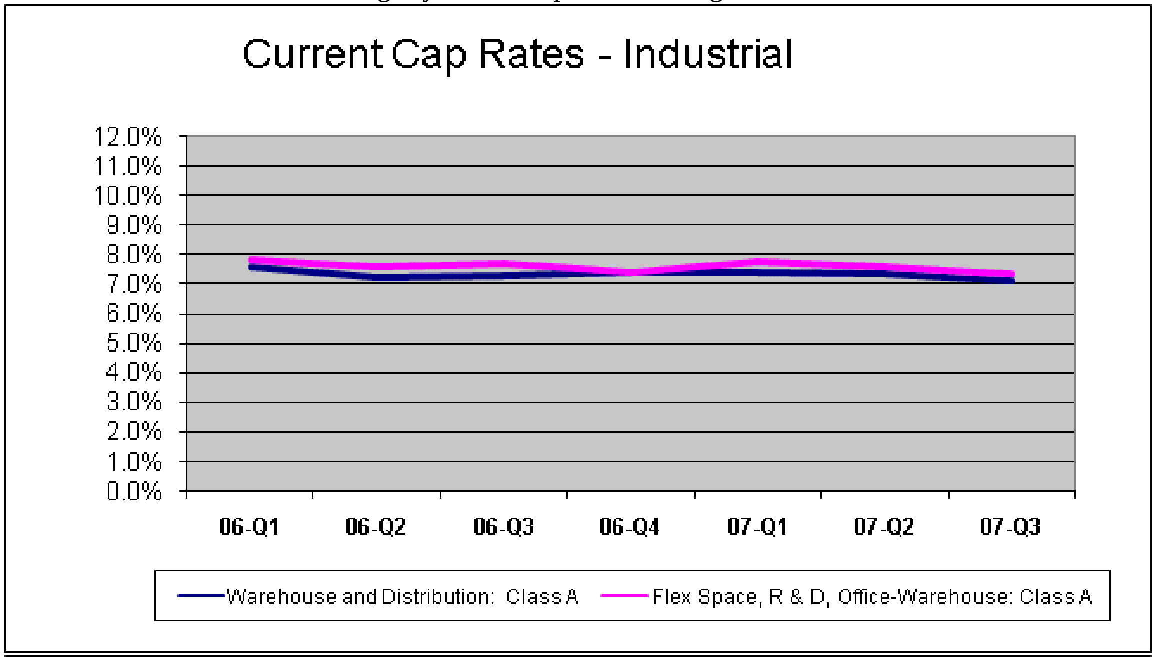
Investment Outlook

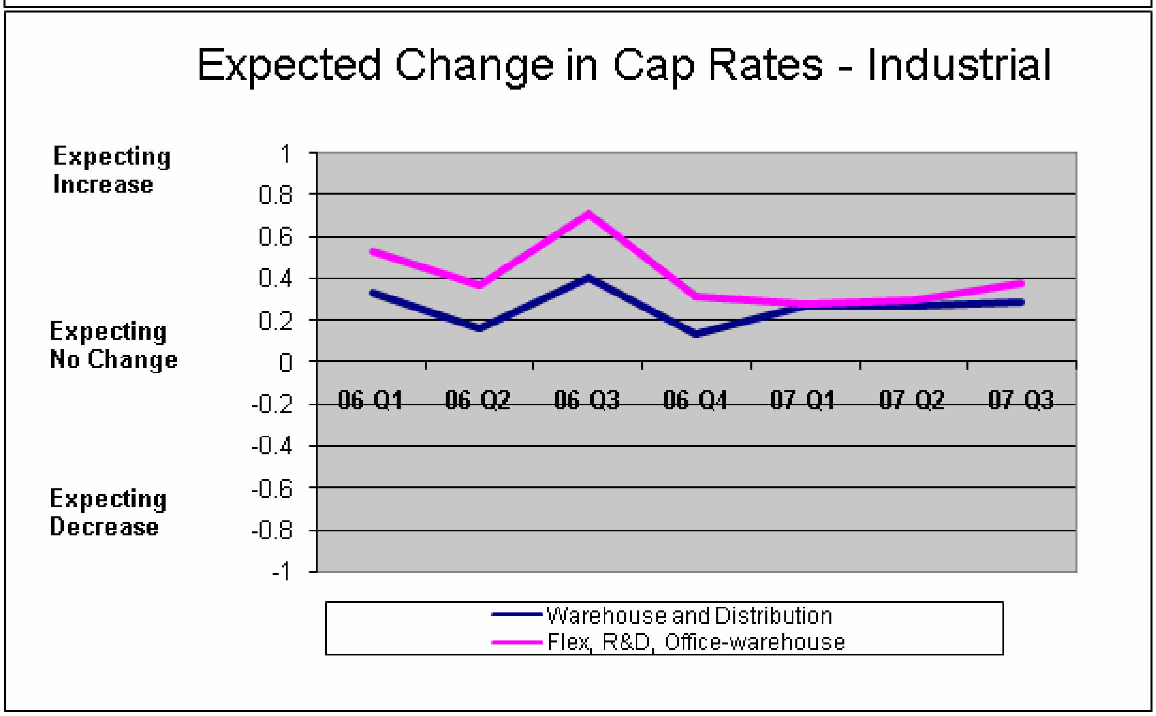
Following a decline in expectations during the previous quarter, it appears that the outlook for investment in industrial property has leveled off at neutral expectations. As a result, it appears that our respondents believe that it is currently a mixed time to buy.



Cap Rates

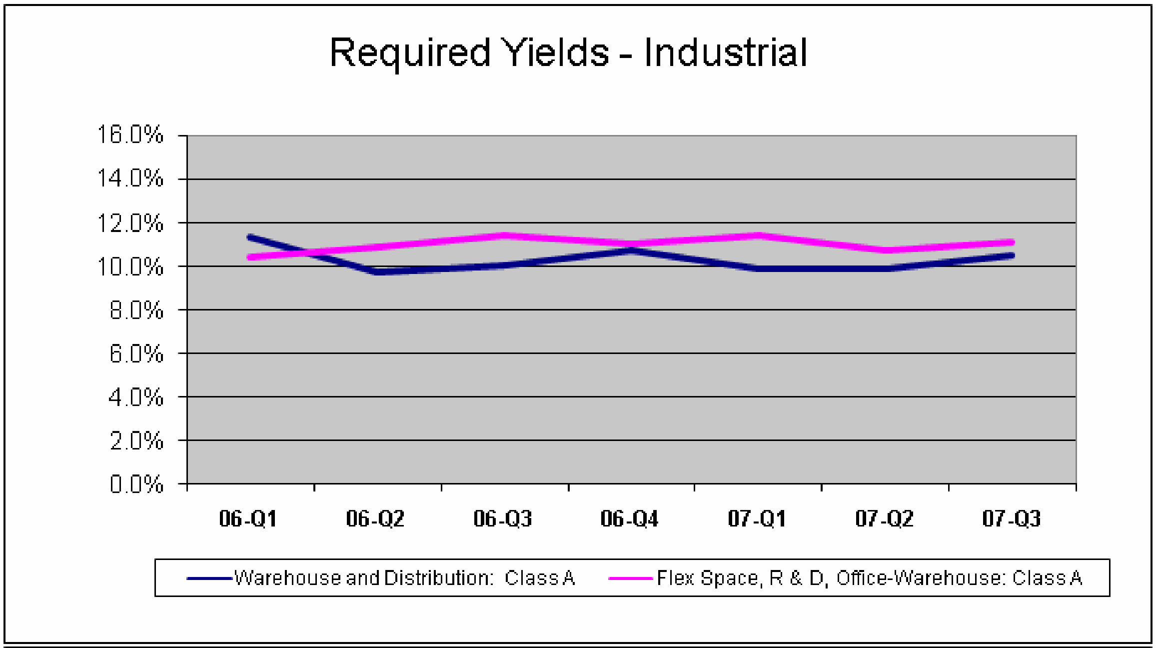
Over the last seven quarters, actual cap rates for industrial properties have remained relatively stable. However, expectations over the same period have not been as consistent. The volatility of expectations in 2006 appears to have stabilized over the first three quarters of 2007, during which the outlook continues to lean slightly toward a positive change.

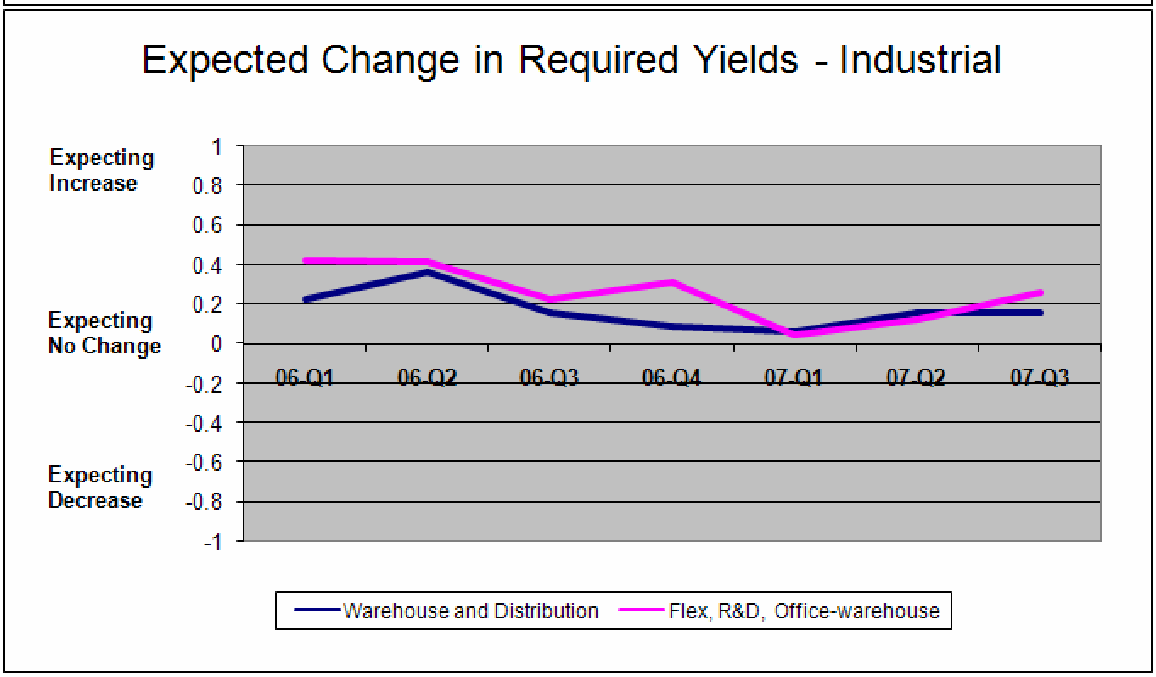




Yields

The overall trend in required yields for warehouse and distribution, as well as Flex, R & D and office-warehouse, appears to be relatively stable over the past seven quarters, though there has been some slight volatility from quarter to quarter. While the expectation for yields changed notably in the first quarter of 2007, declining from strongly expected increases to expected stability, the past two quarters' results indicate a potential upward movement towards future increases.


Required Yields - Industrial
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
06-Q1
06-Q2
06-Q3
06-Q4
07-Q1
07-Q2
07-Q3
Warehouse and Distribution: Class A
Flex Space, R & D, Office-Warehouse: Class A


Expected Change in Required Yields - Industrial
Expecting Increase
Expecting No Change
Expecting Decrease
1
0.8
0.6
0.4
0.2
0
-0.2
-0.4
-0.6
-0.8
-1
06-Q1
06-Q2
06-Q3
06-Q4
07-Q1
07-Q2
07-Q3
Warehouse and Distribution
Flex, R&D, Office-warehouse

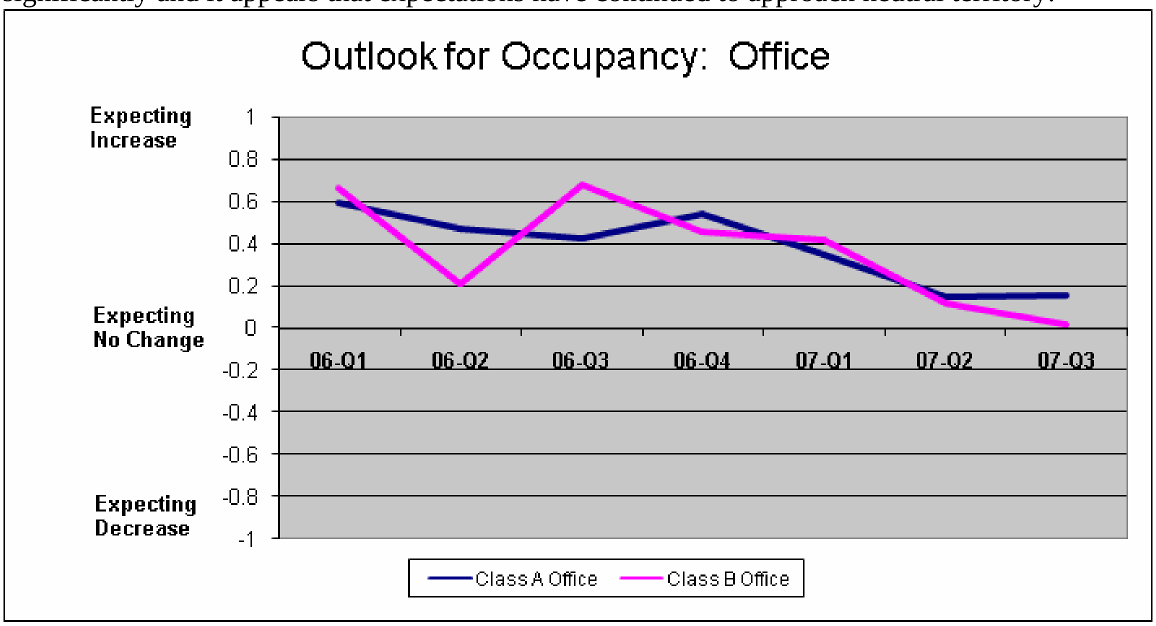
Section 5: Office

Overview

The outlook for office occupancy continues a three quarter move toward conservatism. The expectation is for little change with a slight leaning to increases for Class A. Expectations for rental rate growth have declined from expected growth slightly above inflation to growth slightly below inflation. The outlook for investment in office properties has taken a two quarter decline from positive to mixed, to tending cautious.

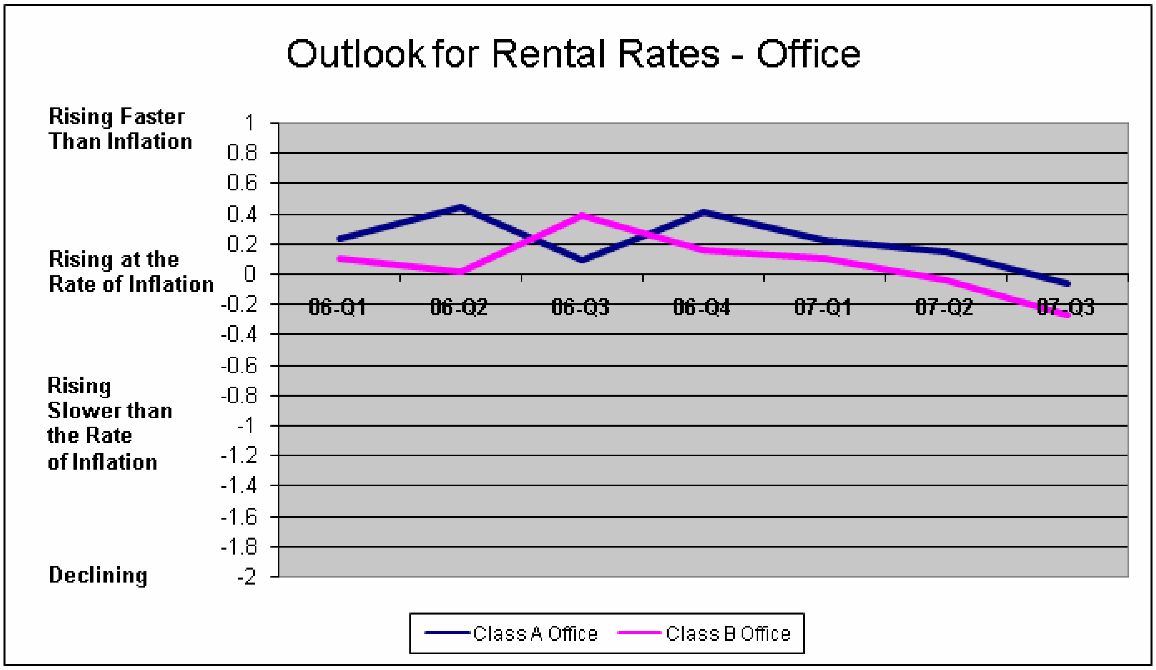
Expected Occupancy

While occupancy expectations for office properties were positive for most of 2006, there has been a dramatic decrease throughout the first three quarters of 2007. Optimism has weakened significantly and it appears that expectations have continued to approach neutral territory.



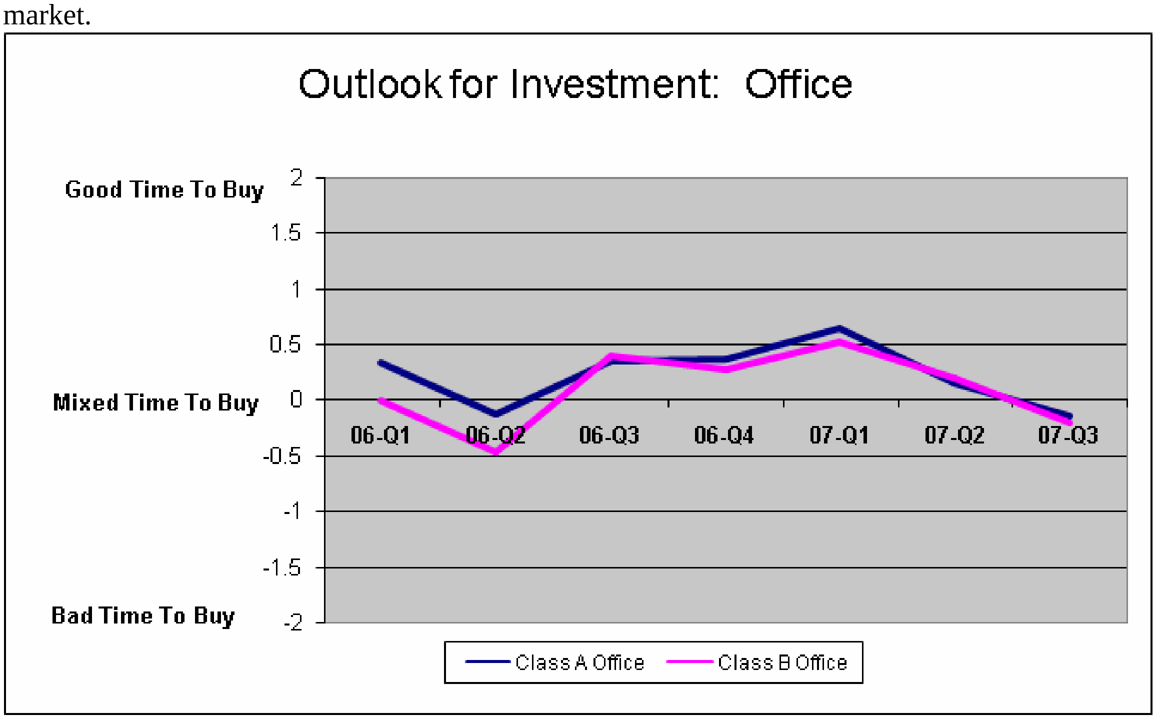
Expected Rental Rates

Expectations for office rental rates have continued to decline from levels reported in late 2006. Previous expectations for rising rental rates have given way to a more neutral view, forecasting rental rate growth to rise at the rate of inflation.



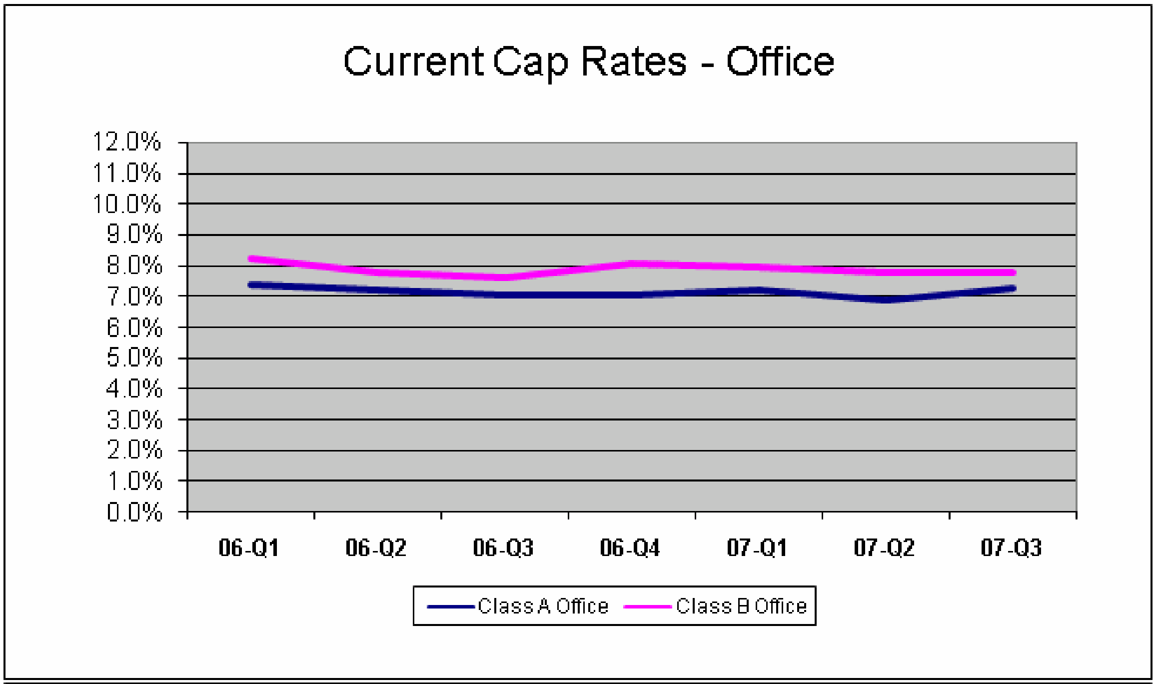
Investment Outlook

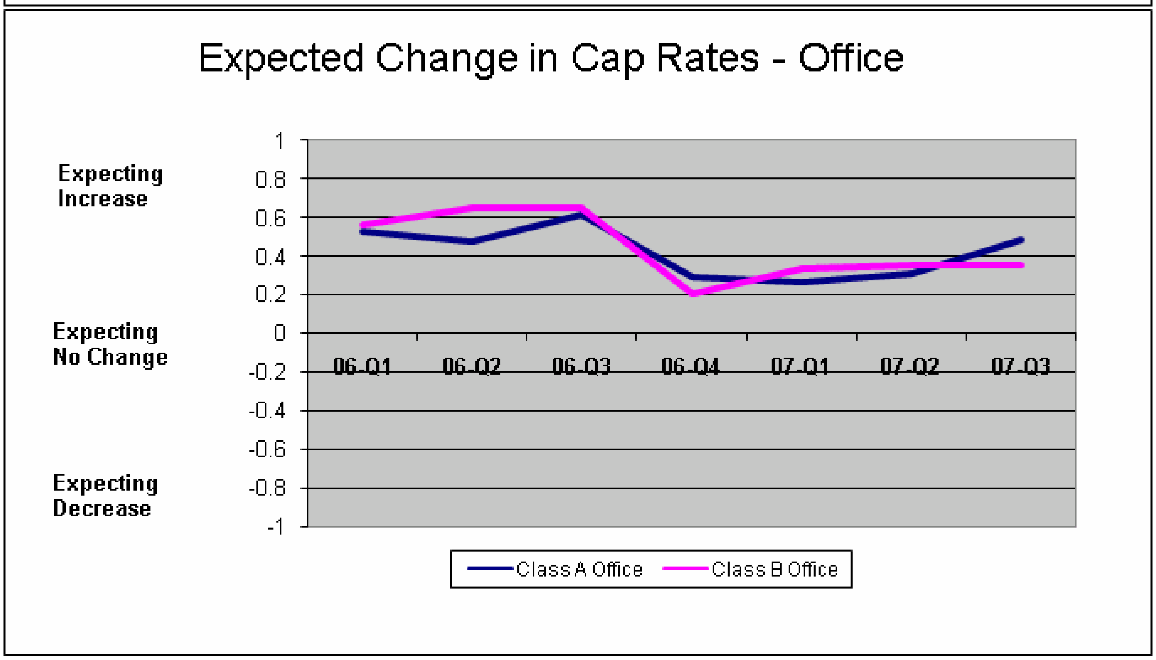
It appears that the outlook for investment in offices has been scaled back as well from those predictions of early 2007. The solid positive expectations for investment that were apparent through the first quarter of 2007 appear to have weakened significantly. Current expectations appear to have reverted back to neutrality, which translates into a mixed time to buy within this market.



Cap Rates

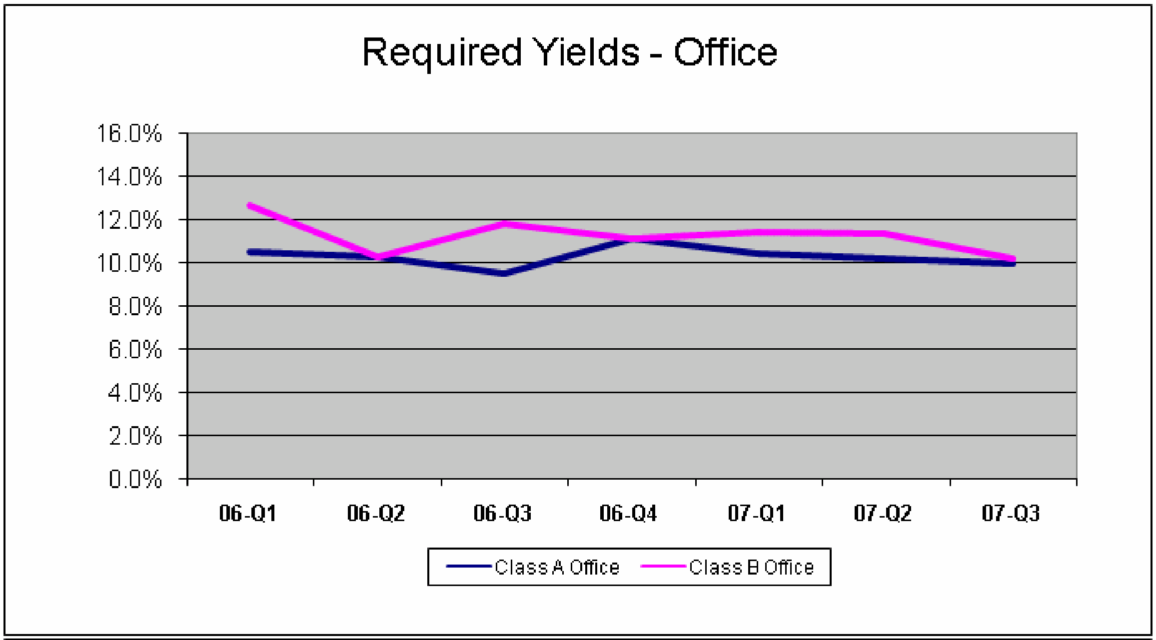
Over the past seven quarters, actual cap rates for offices have remained relatively stable. While expectations have not been as free of volatility over this same period, the past three quarters seem to indicate a more stable picture for Class B offices, and an expected increase in cap rates for Class A offices.

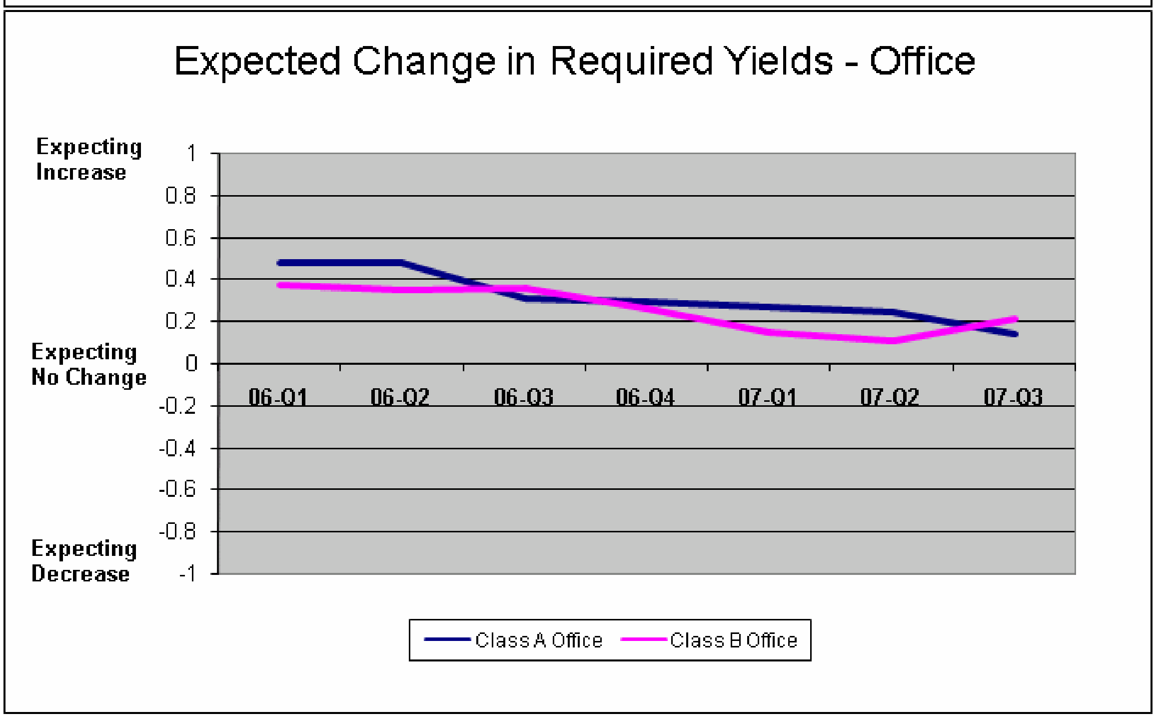




Yields

While perceptions of required yields for offices have shown some volatility throughout 2006, there appears to have been more stability throughout 2007. As might be expected, over this period, Class B yields have been slightly higher than those of Class A, reflecting more perceived risk in Class B. However, the two appear to have converged in the third quarter of 2007. In the first two quarters of 2007, expectations of changes in required yields appeared to exhibit a decreasing trend, gravitating toward a neutral outlook for the future. However, over the past quarter, respondents have shown some indication that required yields for Class B offices may increase in the future.





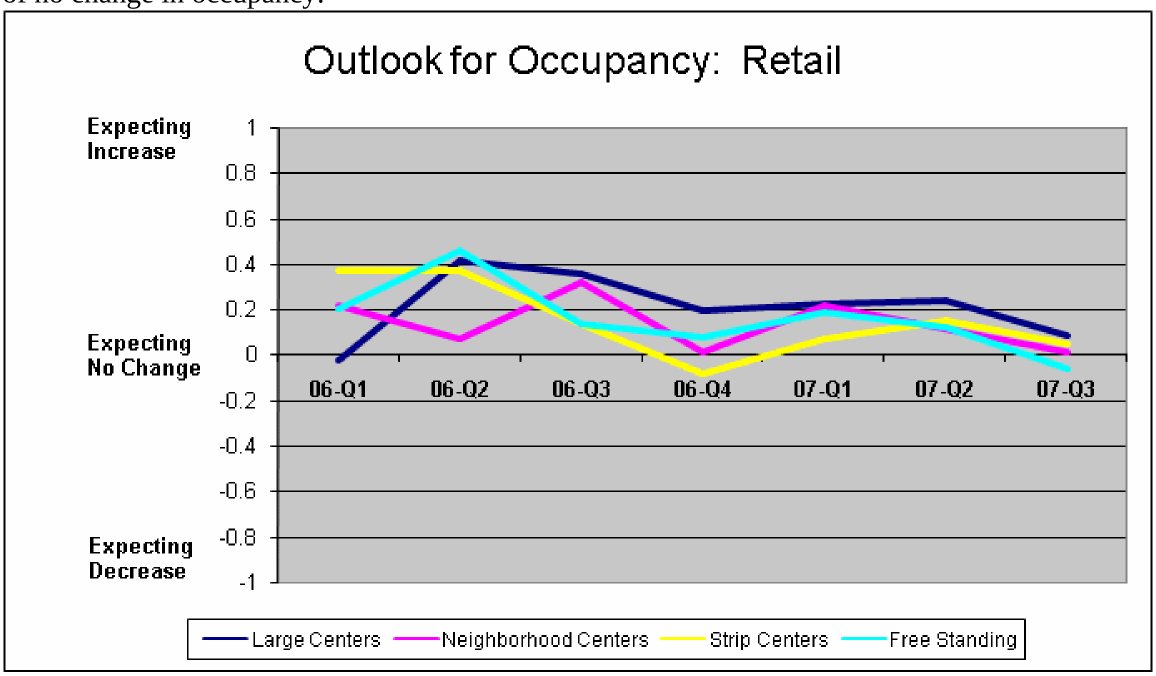
Section 6: Retail

Overview

The outlook for retail occupancy, previously leaning toward increases, has become more conservative for all retail property types. The outlook now is uniformly for no change in occupancy. The outlook for rental rate changes similarly has become more conservative; where the expectation previously had risen to increases at the rate of inflation, it has dropped back to expecting increases below the rate of inflation. In similar fashion, the outlook for retail investment has become more cautious. Where it had been mixed to positive, it is now mixed to negative for all retail property types except free-standing retail. In the latter case the outlook continues to be mixed to positive.

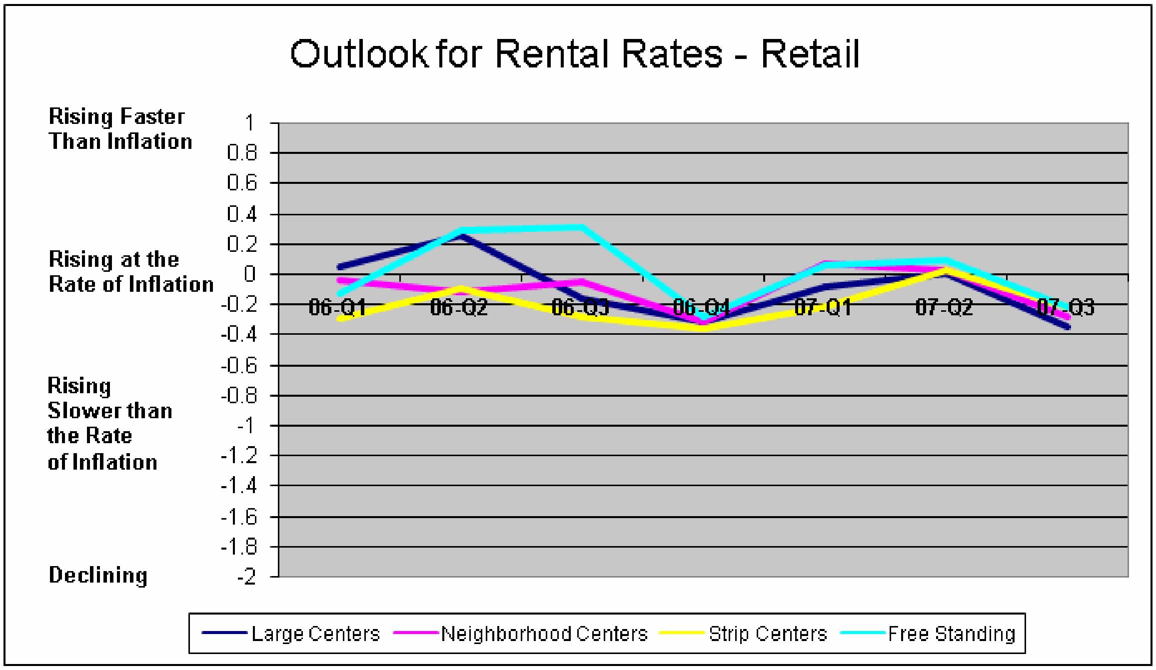
Expected Occupancy

For all four types of retail — large centers, neighborhood centers, strip centers and free standing — the outlook for occupancy has been fairly volatile since early 2006. However, it appears that over the past quarter the outlook for each type of retail continues to settle towards an expectation of no change in occupancy.



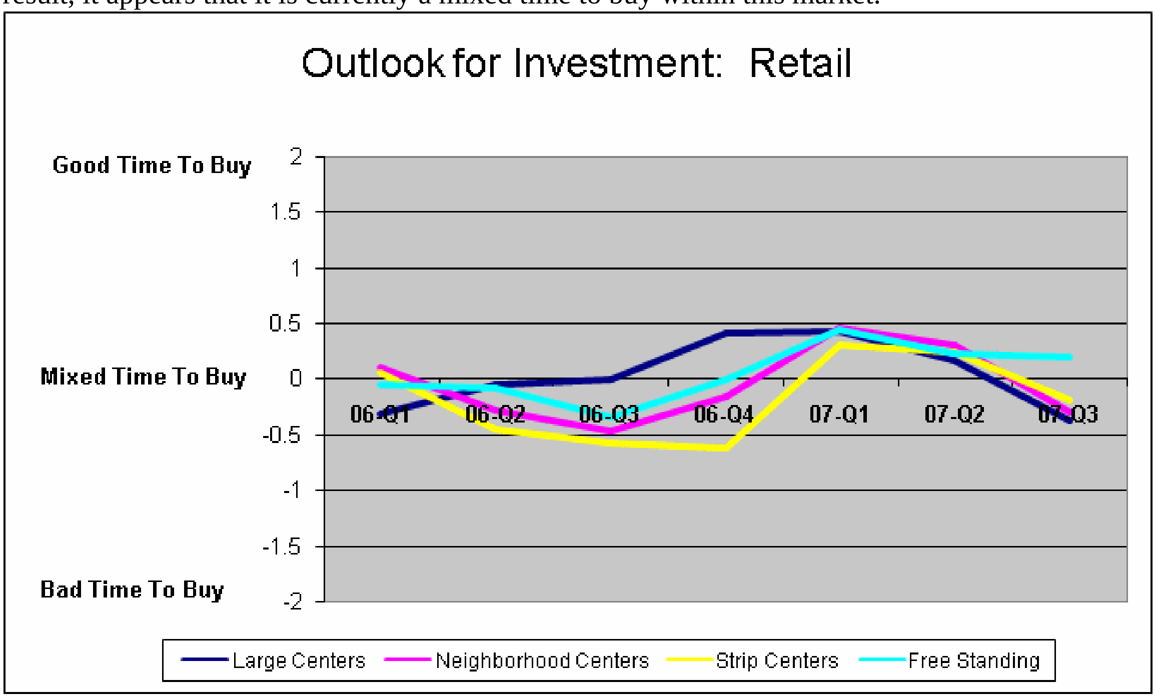
Expected Rental Rates

While expected rental rates for retail had been mixed throughout 2006, there appeared to be a consistent expectation for rental rates to increase at the rate of inflation. However, in the third quarter of 2007, the outlook appears to have weakened and is moving towards rate increases that lag inflation for all retail types.



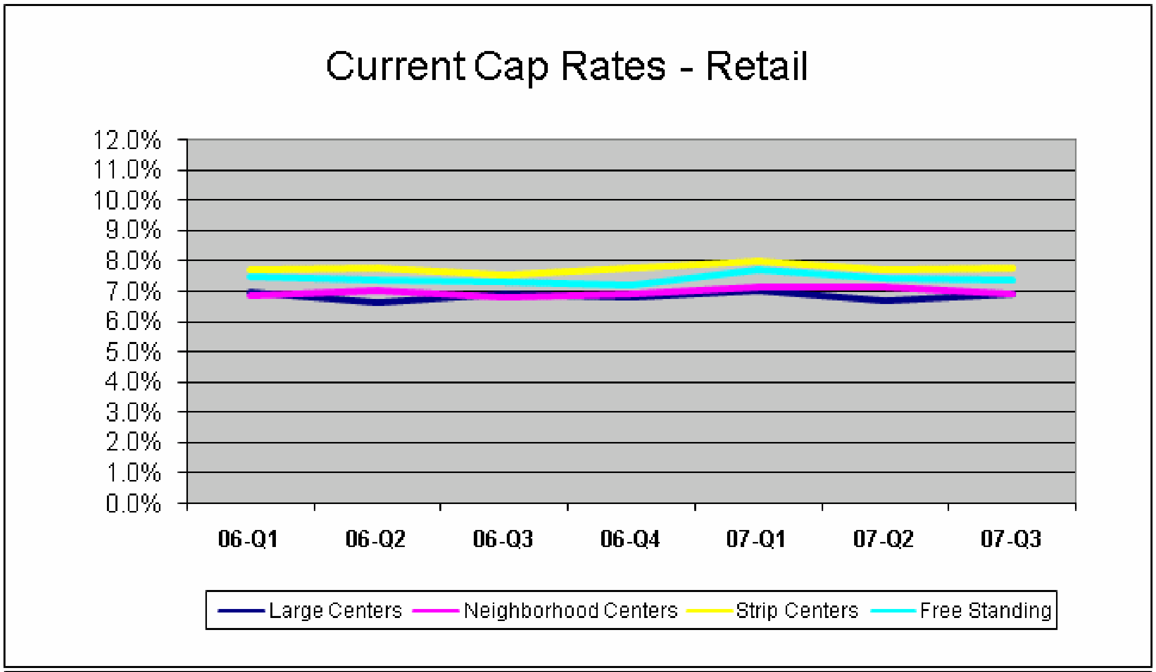
Investment Outlook

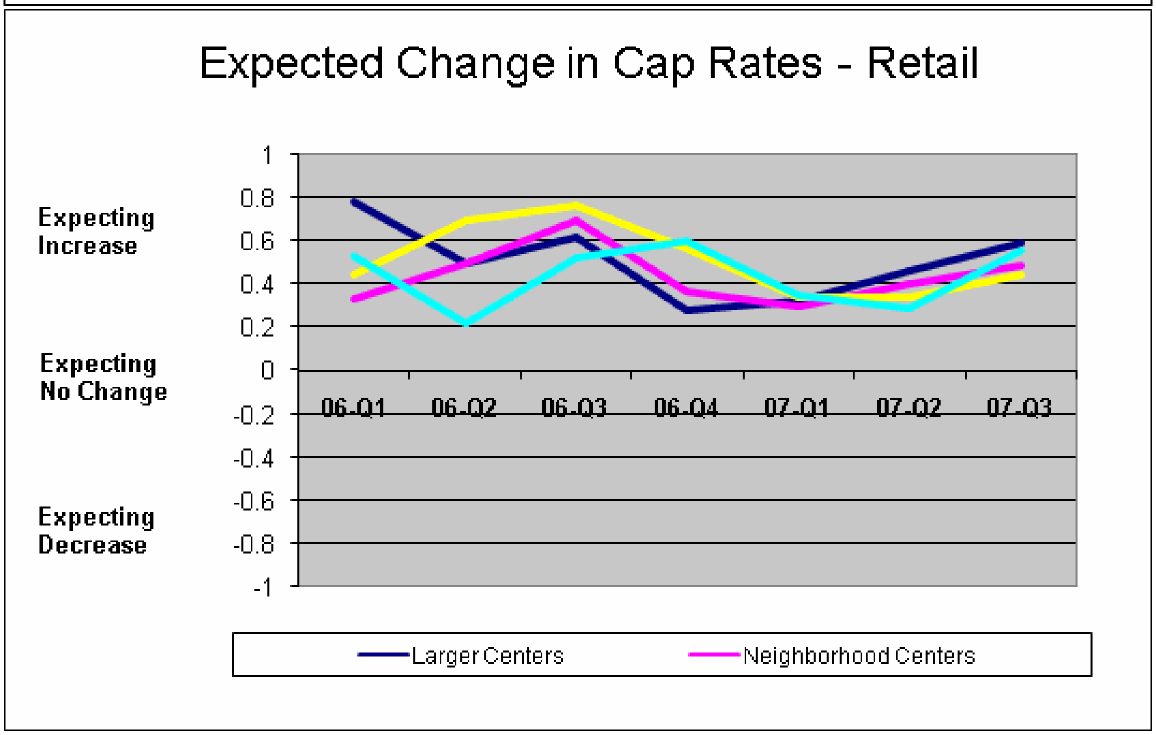
Despite the optimistic rebound that occurred in the second half of 2006, the investment outlook has continued to weaken for all four retail types and appears to have reverted to neutrality. As a result, it appears that it is currently a mixed time to buy within this market.



Cap Rates

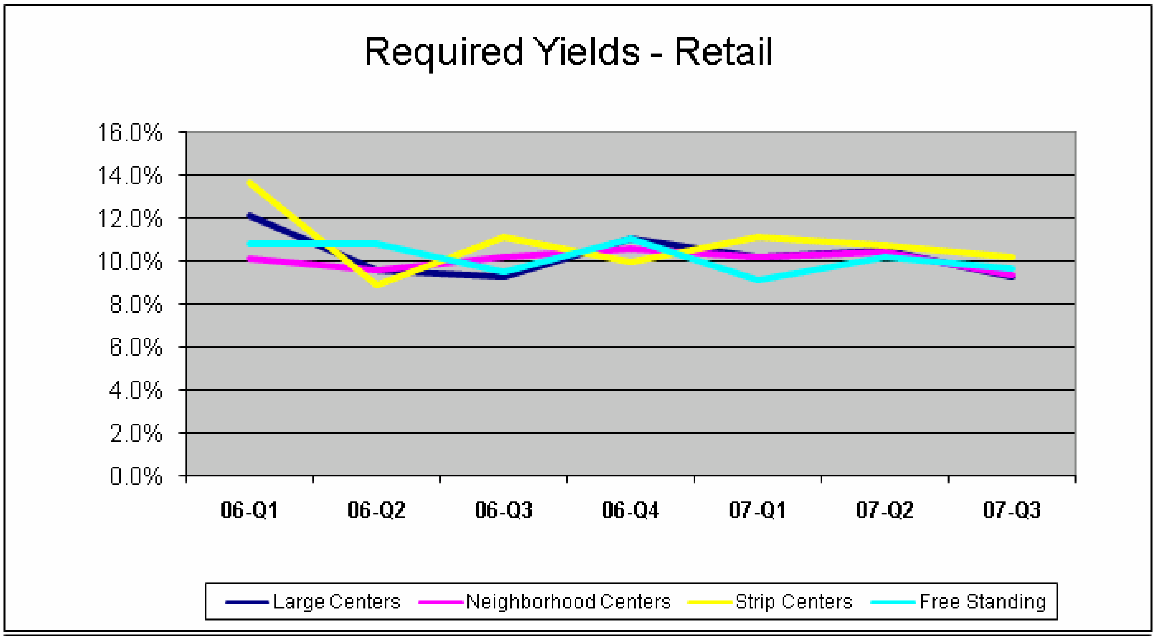
Over the past seven quarters, expected changes in cap rates have experienced a great deal of volatility. Despite these fluctuations, results from the first three quarters of 2007 have shown strengthening support for all retail cap rates to increase. However, actual cap rates have remained virtually constant throughout the year.

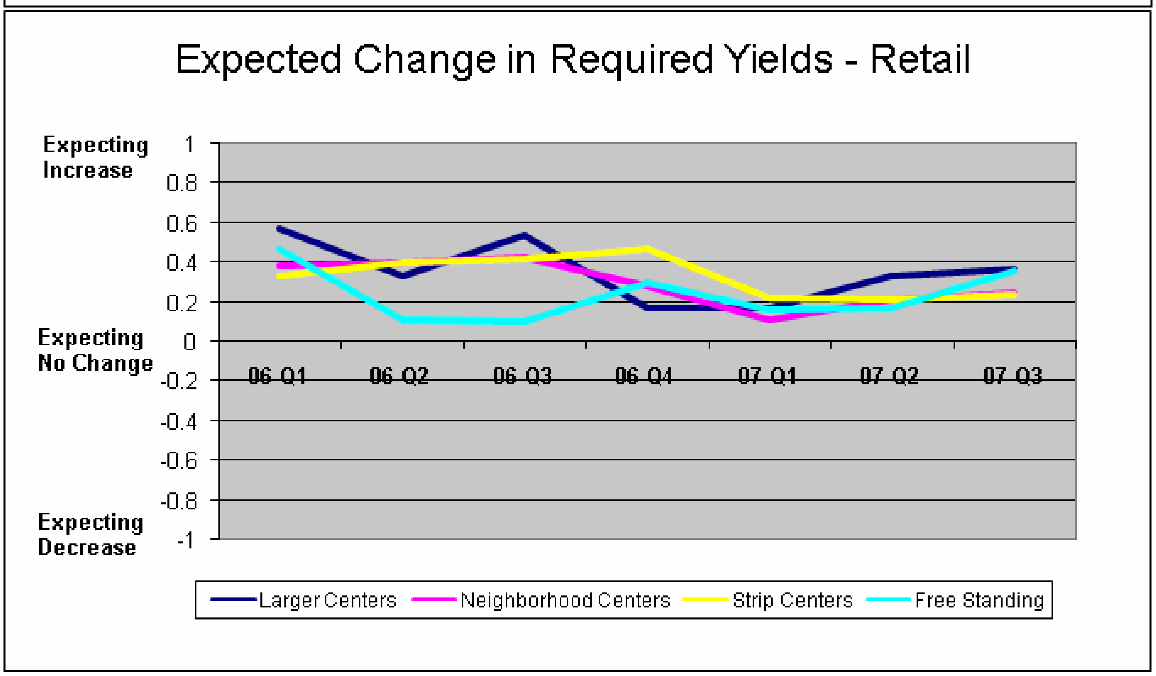




Yields

Though required retail yields appear to have been quite volatile throughout 2006, 2007 has produced a more consistent pattern. Required yields over the past three quarters appear to have leveled off around ten percent. While expectations of yield changes have been just as volatile over this same time period, they presently indicate a sentiment of future increases.


Required Yields - Retail
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
06-Q1
06-Q2
06-Q3
06-Q4
07-Q1
07-Q2
07-Q3
Large Centers
Neighborhood Centers
Strip Centers
Free Standing


Expected Change in Required Yields - Retail
Expecting Increase
Expecting No Change
Expecting Decrease
1
0.8
0.6
0.4
0.2
0
-0.2
-0.4
-0.6
-0.8
-1
06 Q1
06 Q2
06 Q3
06 Q4
07 Q1
07 Q2
07 Q3
Larger Centers
Neighborhood Centers
Strip Centers
Free Standing

Section 7: Outlook for Investment in Undeveloped Land

Overview

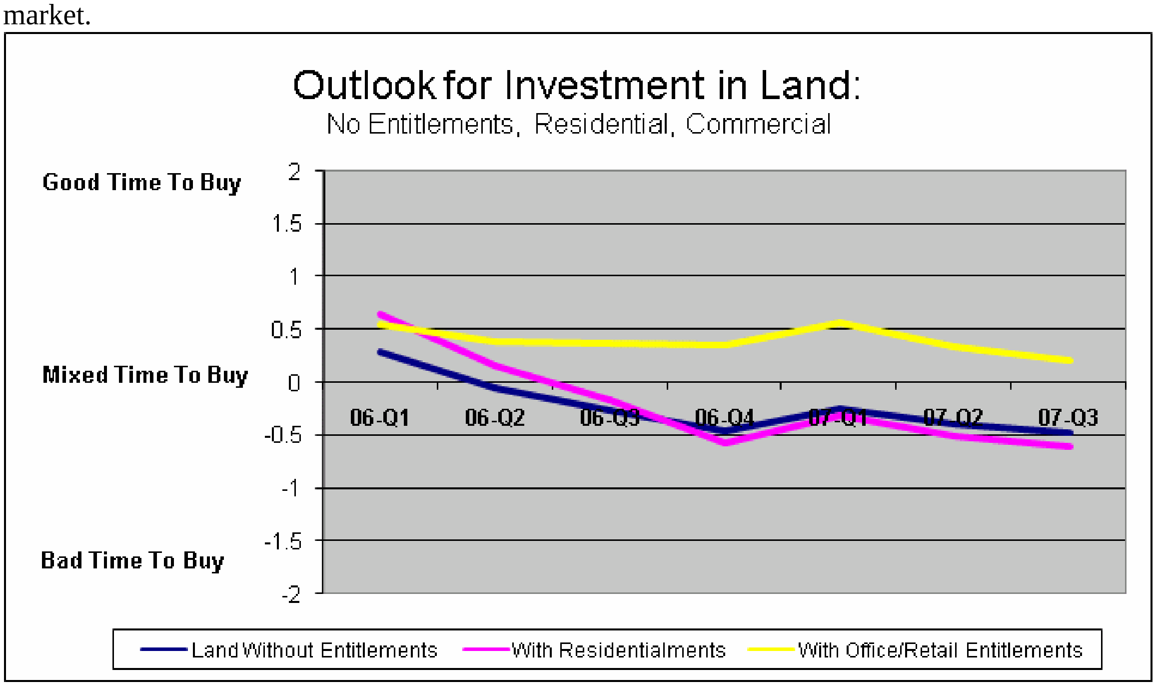
The drift in outlook for investment in land is toward greater caution. However, there is variation in the level. The outlook for investment in office/retail land, industrial, hospitality or for urban renewal remains mixed to positive while the outlook for unentitled land or residential land is mixed to negative.

Land Without Entitlements or with Residential Entitlements

The outlook for investment in land without entitlements or with residential entitlements has continued to weaken throughout 2007. Despite indication of an improved outlook in the first quarter of 2007, the following two quarters have signaled that a downward trend may resume. Currently, it remains a mixed time to buy within this market.

Land With Office or Retail Entitlements

While the outlook for investment in land with office or retail entitlements remained positive and steady throughout 2006, it appears that it has weakened over the first three quarters of 2007. Expectations appear to be reverting to neutrality, thus making it a mixed time to buy within this market.



Land with Hospitality Entitlements

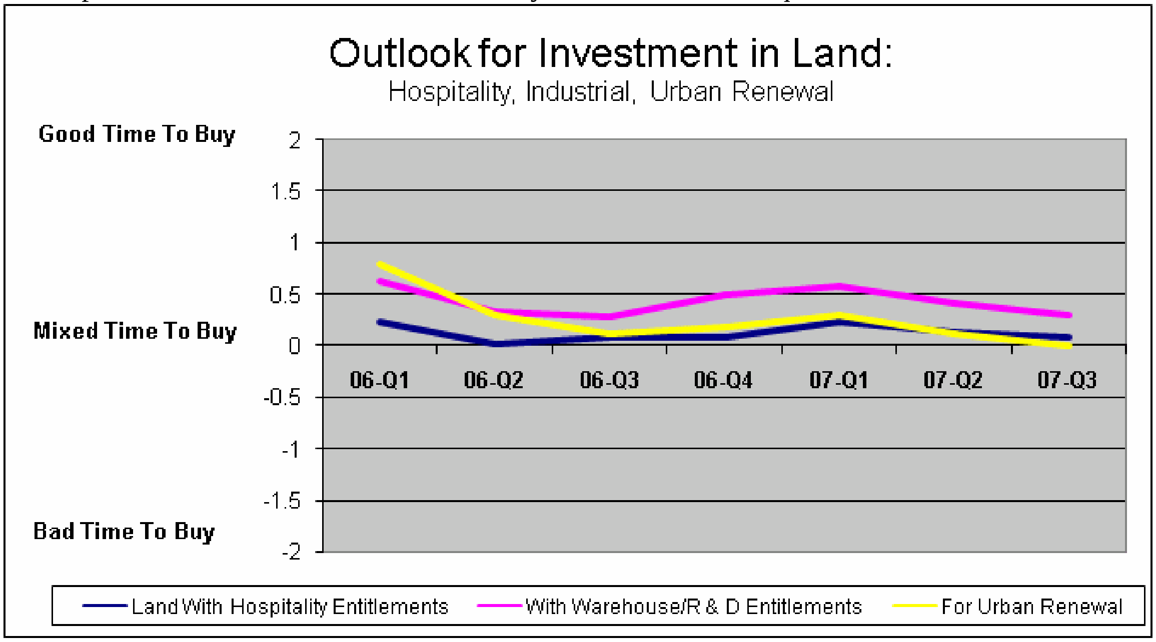
The outlook for land with hospitality entitlements appears to have remained neutral over the past seven quarters. It appears that the present quarter's results reinforce that it is a mixed time to buy within this market.

Land with Entitlements for Warehouse or R & D

While fairly volatile throughout 2006, the outlook on land with entitlements for warehouse or R&D appears to be settling toward neutrality in the third quarter of 2007. Thus, it appears that it remains a mixed time to buy within this market.

Land for Urban Renewal

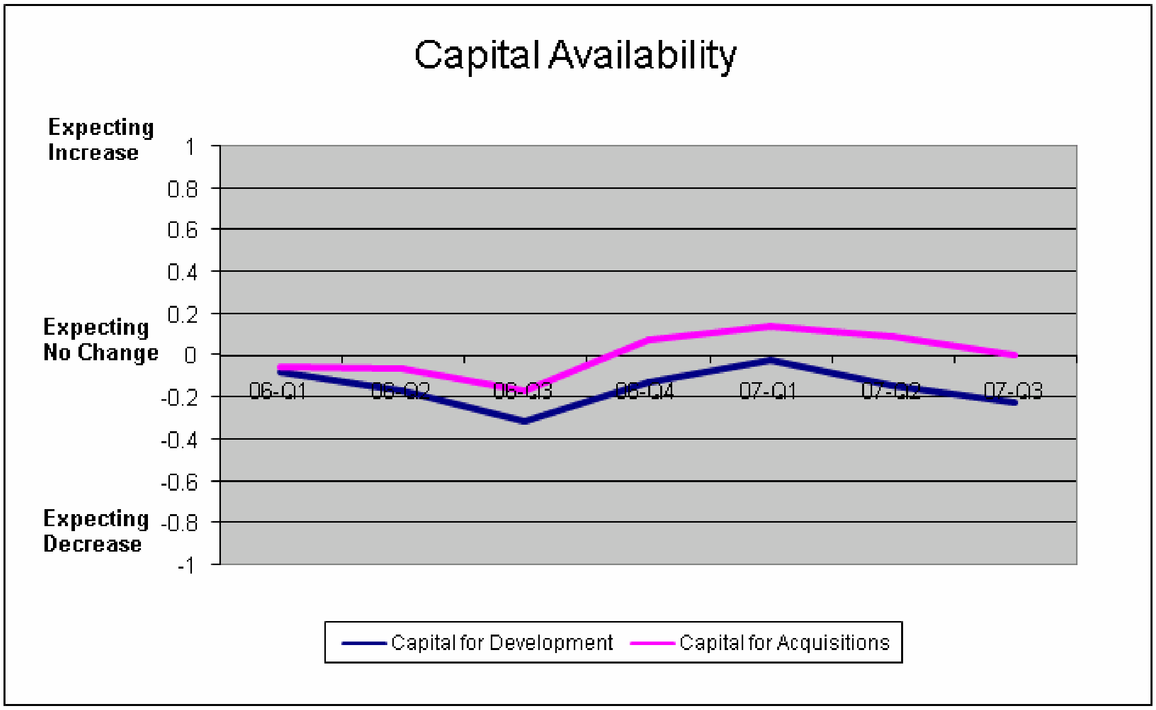
While 2006 exhibited a weakening outlook for investment in land for urban renewal, it appears that expectations have leveled off at neutrality over the first three quarters of 2007.



Section 8: Business and Capital Availability Outlook

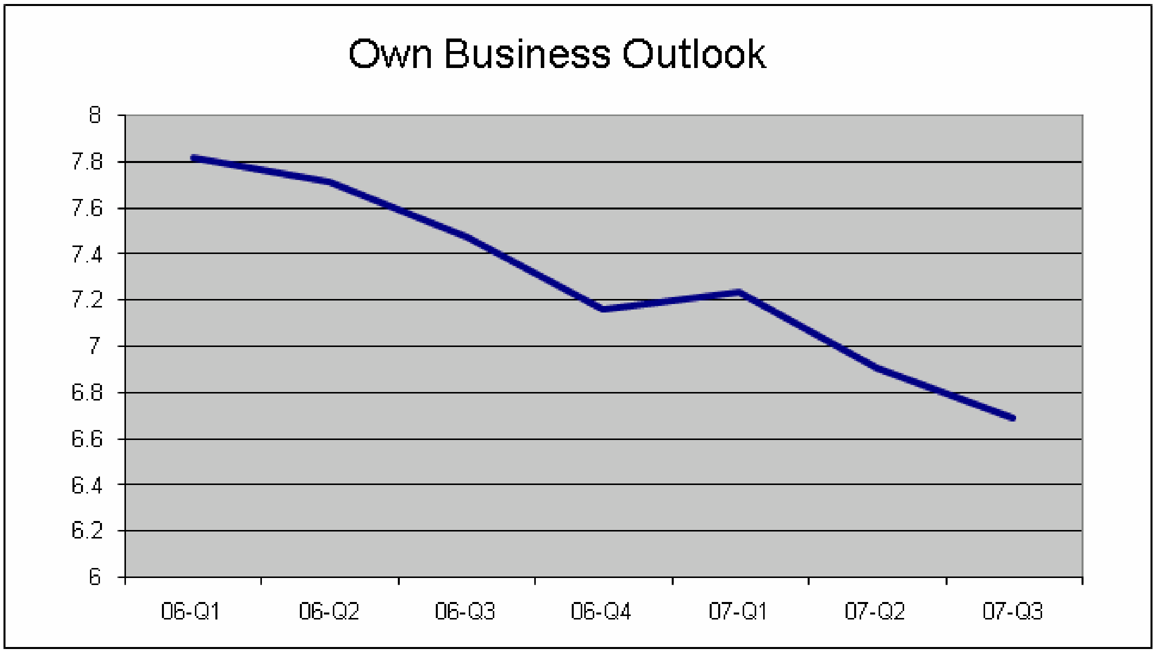
Capital Availability

There continues to be some volatility in expectations of capital availability. For the third quarter of 2007, it appears that there are no expected changes in available capital for acquisitions, but there does appear to be some sentiment that the capital available for development may decrease in the near future.



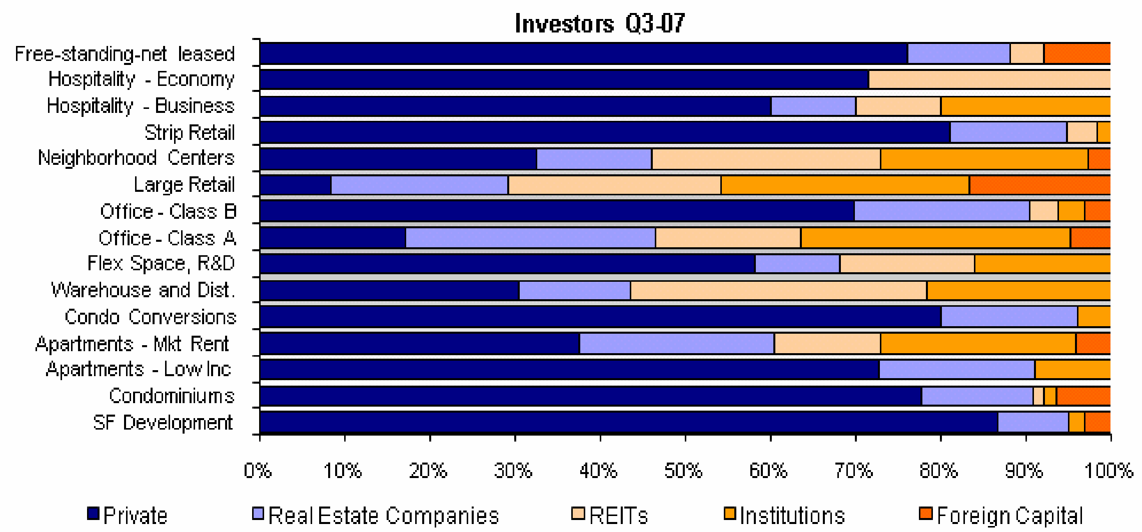
Outlook of Own Business

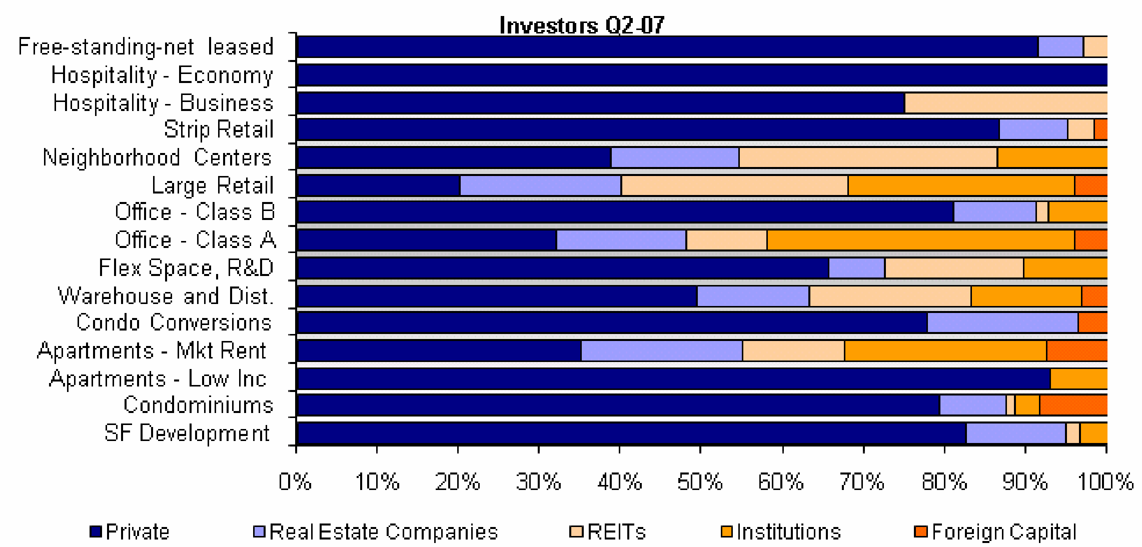
The survey respondents' perception of their own business' outlook has continued its dramatic decline over the past seven quarters, yet again experiencing a significant decrease in the latest quarter.


Own Business Outlook
8
7.8
7.6
7.4
7.2
7
6.8
6.6
6.4
6.2
6
06-Q1
06-Q2
06-Q3
06-Q4
07-Q1
07-Q2
07-Q3

Section 9: Dominant Investors

Respondents indicated which of five investor groups they perceived to be the most active for their types of property. For ten of fifteen property types, private investors were the most dominant. The exceptions included large retail and neighborhood retail centers, market rent apartments, warehouse and distribution, and Class A offices. REITs were perceived to be the most active in the two retail categories previously mentioned, as well as in warehouse and distribution. Institutional investors played a large part in Class A offices and were also notable in the other four categories not dominated by private investors. Foreign investment was perceived to remain limited, though it did show growth from the previous quarter in large retail.

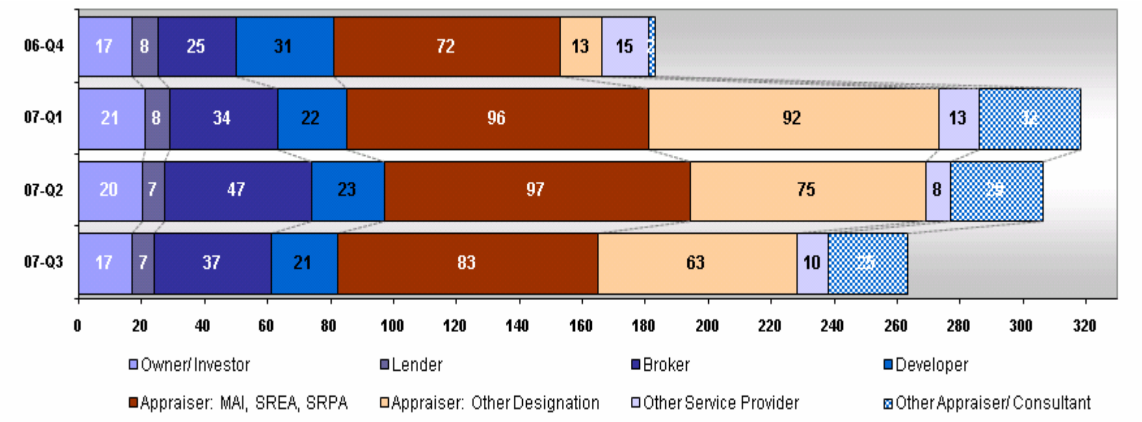




Section 10: Characteristics of Survey Respondents

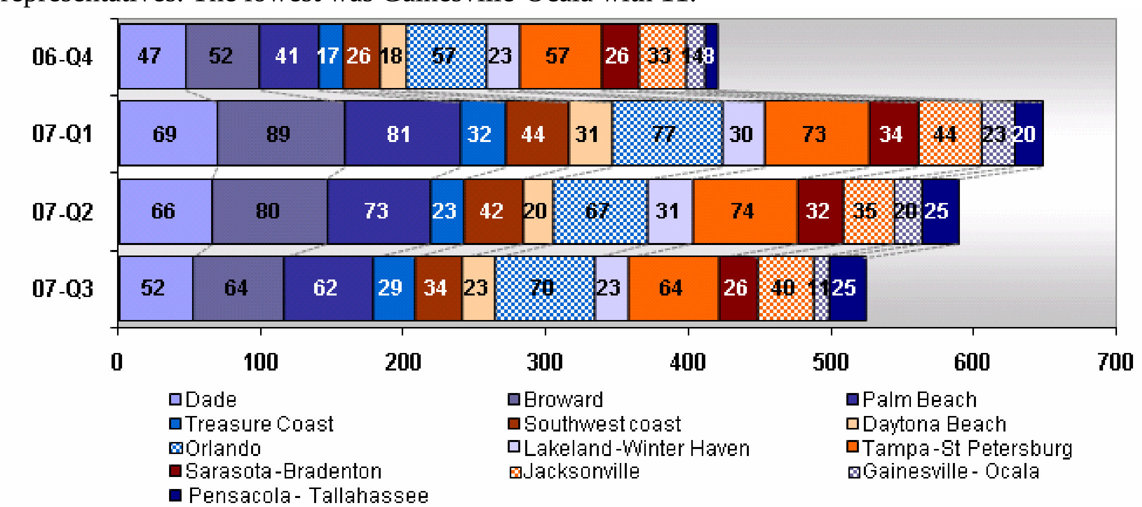
In the latest survey, approximately 55 percent of the 263 respondents reported being an appraiser, over half with designations of MAI, SREA or SRPA. The next largest groups, representing about eighteen percent and twelve percent of respondents respectively, were brokers and consultants.

Profession of Respondents



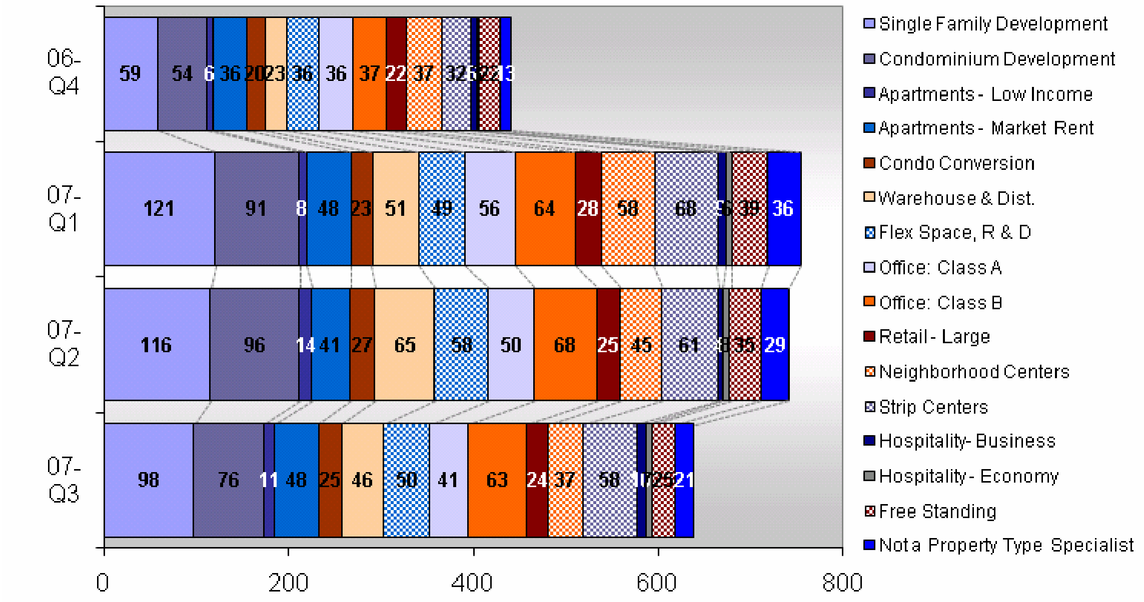
Markets of Familiarity

Each respondent selected up to four regional markets with which they are familiar. Altogether, in the latest survey these choices accumulated to 523 observations. Every region, with the exception of Gainesville-Ocala, was represented by a minimum of 20 observers, with five of the regions having over 50 observers. The highest number of responses was for the Broward market with 70 representatives. The lowest was Gainesville-Ocala with 11.



Property Types of Familiarity

Each respondent selected up to three property types with which they were familiar. Altogether, 640 selections were made in the latest survey round. Single family development was selected by 98 respondents while condominium development was selected by 76. Nine property types were selected by at least 30 respondents, and four more had at least 20 respondents.



Section 11: Details of Cap Rates, Yields & Expected Changes

Table 1 summarizes estimates of cap rates and yields for twelve property types over the last four quarters of the survey. In addition, it shows the distribution of expectations for changes in each reported cap rate and yield. For expectations, the table reports the percent of respondents expecting each cap rate and yield to either rise or fall in the future. Excluded from this table is the percentage of respondents whom are expecting no change. This third percentage can be computed as 100 less the two percentages reported. Since prior sections discuss the content of Table 1, further comment is not given here. The table is simply provided as a reference to facilitate application of the survey results.

Table 1: Detailed Cap Rates, Yields and Expectations for Change

Florida	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	Hospitality Business	Hospitality Economy	Free Standing
Cap Rates												
Q3-07												
Q3-07 Value	6.3%	6.0%	7.1%	7.4%	7.3%	7.8%	6.9%	6.9%	7.8%	8.8%	9.3%	7.4%
Percent Expecting Rise	44.7%	56.5%	33.3%	40.0%	48.6%	40.3%	59.1%	51.4%	48.3%	25.0%	33.3%	56.0%
Percent Expecting Fall	6.4%	8.7%	4.4%	2.0%	0.0%	4.8%	0.0%	2.7%	3.4%	0.0%	0.0%	0.0%
Q2-07												
Q2-07 Value	6.5%	5.6%	7.4%	7.6%	6.9%	7.8%	6.7%	7.1%	7.7%	10.0%	11.4%	7.4%
Percent Expecting Rise	33.3%	46.2%	31.7%	31.0%	37.8%	36.9%	50.0%	42.9%	37.3%	66.7%	28.6%	31.4%
Percent Expecting Fall	5.1%	3.8%	4.8%	1.7%	6.7%	1.5%	4.2%	2.4%	3.4%	33.3%	28.6%	2.9%
Q1-07												
Q1-07 Value	6.4%	5.7%	7.4%	7.8%	7.2%	8.0%	7.1%	7.1%	8.0%	9.9%	10.6%	7.7%
Percent Expecting Rise	38.3%	31.8%	31.3%	29.8%	32.7%	39.7%	36.0%	33.3%	41.2%	25.0%	50.0%	40.5%
Percent Expecting Fall	6.4%	18.2%	4.2%	2.1%	5.8%	6.3%	4.0%	3.5%	7.4%	0.0%	0.0%	5.4%
Q4-06												
Q4-06 Value	6.4%	6.1%	7.4%	7.4%	7.0%	8.1%	6.8%	6.9%	7.8%	9.4%	10.5%	7.2%
Percent Expecting Rise	58.8%	68.4%	27.3%	40.0%	35.5%	31.4%	33.3%	40.0%	59.4%	50.0%	100.0%	60.0%
Percent Expecting Fall	0.0%	5.3%	13.6%	8.6%	6.5%	11.4%	5.6%	2.9%	3.1%	25.0%	0.0%	0.0%
Yields												
Q3-07												
Q3-07 Value	10.5%	14.5%	10.5%	11.1%	10.0%	10.2%	9.3%	9.4%	10.2%	11.7%	13.0%	9.6%
Percent Expecting Rise	34.0%	43.5%	15.6%	28.0%	21.6%	22.6%	40.9%	27.0%	29.3%	25.0%	33.3%	40.0%
Percent Expecting Fall	6.4%	8.7%	0.0%	2.0%	8.1%	1.6%	4.5%	2.7%	5.2%	0.0%	0.0%	4.0%
Q2-07												
Q2-07 Value	10.0%	14.1%	9.9%	10.8%	10.2%	11.4%	10.5%	10.4%	10.7%	13.7%	13.0%	10.2%
Percent Expecting Rise	23.1%	38.5%	20.6%	17.2%	28.9%	16.7%	37.5%	28.6%	26.7%	66.7%	42.9%	20.0%
Percent Expecting Fall	7.7%	0.0%	4.8%	5.2%	4.4%	6.1%	4.2%	7.1%	5.0%	0.0%	0.0%	2.9%
Q1-07												
Q1-07 Value	10.1%	13.8%	9.9%	11.4%	10.4%	11.4%	10.2%	10.2%	11.1%	10.6%	13.5%	9.1%
Percent Expecting Rise	21.3%	27.3%	12.5%	14.9%	30.8%	19.0%	25.0%	21.4%	23.5%	37.5%	16.7%	18.9%
Percent Expecting Fall	4.3%	18.2%	6.3%	10.6%	3.8%	4.8%	8.3%	10.7%	1.5%	12.5%	16.7%	2.7%
Q4-06												
Q4-06 Value	10.6%	18.5%	10.7%	11.1%	11.1%	11.1%	11.1%	10.6%	10.0%	11.3%	11.0%	11.0%
Percent Expecting Rise	50.0%	47.4%	13.6%	31.4%	35.5%	25.7%	27.8%	34.3%	46.9%	75.0%	100.0%	30.0%
Percent Expecting Fall	8.8%	5.3%	4.5%	0.0%	6.5%	0.0%	11.1%	5.7%	0.0%	0.0%	0.0%	0.0%

Section 12: Industry Leaders' Comments

The UF *Survey of Emerging Market Conditions* receives input from a number of leaders and professionals in Florida's real estate industry. The following comments come from members of the UF Real Estate Advisory Board, leadership from the International Council of Shopping Centers (ICSC), as well as membership of the Appraisal Institute's Region X, SIOR/NAREIT, and CCIM.

Capital Markets

In a response to the subprime residential mortgage market, lenders have tightened lending standards. However the market is still actively searching and willing to fund good commercial projects.

"There seems to be more capital available, but it has become tougher to get."
— Robert Strickland, CCIM, *Tampa, Florida*

"There is still a lot of money in the system. However, banks are being more cautious and developers cannot get pre-sale requirements for some projects. While interest rates are still historically low, developers will continue to build if banks will give them the money."
Name Withheld

"There has been a tightening of credit requirements at all levels, some of it reflecting growing concern that the slowdown will not abate anytime soon, but rather, will extend well into 2008 and possibly into 2009 as far as Florida is concerned."
—Walter Dozier, *Vero Beach, Florida*

"Pressure will be on the Federal Reserve to raise interest rates during the next 12 months to counter inflation. The recent credit boom is coming to an end with consumer spending expected to continue to decline. Investment in real estate as a whole will also decline as capital sources begin to dry up."
Name Withheld

"Lenders can still lend and just as high in the capital stack, but it will just cost more, significantly more. Interest only strips are much more restricted. Mezzanine debt is so expensive that equity is becoming attractive, and is stepping up to fill the gap. Debt markets are overreacting to the subprime issue, punishing non-related sectors."
— Nathan Collier, Principal & Chairman, The Paradigm Group, *Gainesville, Florida*
UF Real Estate Advisory Board member

"The subprime meltdown has caused a dramatic increase in the cost of capital for apartments. Rates are up (as a function of both spreads and base index rising) and underwriting terms have tightened dramatically."
— Andy Hogshead, Director of Acquisitions, The Paradigm Group, *Gainesville, Florida*
UF Real Estate Advisory Board member

"Capital markets are continuing to look for ways to direct the flow of funds into real estate."
— James Izzo, Managing Principal, The 1220 Group, *Gainesville, Florida*
UF Real Estate Advisory Board member

"The most acute changes have to do with the recent shake up in the CMBS market. Over the course of a few months spreads have widened, underwriting has become more conservative and amortization has worked its way back into the market. This is resulting in higher borrowing costs and lower loan proceeds, which creates downward pressure on prices. We have not seen any meaningful changes on the equity side of the capital markets, but believe there could be negative implications if the residential downturn becomes deeper and institutional losses are greater than expected.
— David Moret, Executive Vice President, Continental Real Estate Companies, *Coral Gables UF Real Estate Advisory Board member*

Economic and Market Activity

Economic analysis is split between residential and commercial properties. While many respondents noted the excess supply of residential properties in some areas of Florida, the consensus is for strong commercial prospects. Respondents feel that Income producing properties are in strong demand and continue to be viable investment opportunities. At the macroeconomic level, there appears to be growing concern about the general economic health of the United States and corresponding effects on the real estate market.

"The cost of living in Palm Beach County is going to have a direct effect on vacancies and rental rates. The addition of increasing interest rates will create adjustments in value to PBC."
— Duane Bennet, CCIM, Sperry Van Ness, *West Palm Beach, Florida*

"Commercial and industrial sectors have remained very strong in both sales and leasing. The industrial/commercial leasing market is strong enough to support higher lease rates associated with new construction. In fact, lease rates for both industrial and commercial are trending upward for new and existing buildings. Occupancy rates in the market as a whole are very high as well."
— Nolan Galloway, CCIM, SIOR, Gus Galloway Realty, *Ocala, Florida*

"Income properties are in great demand with cap rates declining over the past three years by perhaps two to three and a half points on small multitenant retail stores. Demand for vacant land has dropped, unless it is well located with a commercial zoning and concurrency in place. Residential land, in three years, has basically gone from bidding wars to no virtually no market."
— Ray Moore, CCIM, GVA Advantis

"The commercial property economy is good in South Florida, vacancies are at historical lows. Replacement costs are higher than existing product and rents are rising. There is not much available land for development but a few high end residential downtown projects may not be built, which will create opportunities to change the uses of these parcels."
Name Withheld

"Cost and values have grown significantly and threaten to slow growth due to a sense that Florida is no longer a viable economic alternative. Cost of insurance and thus operating costs are key threats especially for the mid to small investor/ owner. Much of the regions natural resources are in question perhaps making future development a bigger challenge."
— Moses Salcido, SIOR, Panattoni Development Co., *Orlando, Florida*

"A very interesting trend has occurred pertaining to overall rates (cap rates). Even though interest rates have risen over the last 18 months, overall rates have remained relatively steady with decreases noted in some property types."
Name Withheld

"My main concern is the extent of debt responsibility assumed in the past several years by the average citizen and their ability to continue to meet their obligations."
Name Withheld

"Many Florida property owners would like to move up, downsize or just move to some other property; however, if they do, then their taxes are going to go up. Therefore, not many people are even contemplating a move. It is really hurting the real estate market. The properties that are priced correctly sell in a normal three to six months marketing time."
J. Lasseter, Lasseter Appraisal Co., *Daytona Beach, Florida*

"The subprime mess will continue to drag on the bond market and economy as a whole. High gas prices, real estate taxes and property insurance premiums will exacerbate the situation. Interest rates are bound to begin increasing next year as the Fed has to continue to attract foreign investment to keep huge account deficit afloat."
Name Withheld

"Investors are returning to the market and underwriting on income in place, not anticipated income, as the risk for future increases is less certain than prior years. The focus is on existing tenants, with no added premium for purported upside or conversion potential, etc."
Name Withheld

"Florida is dealing with issues typical of a high growth state - cost of living / affordability and strains of infrastructure. For the real estate industry, of particular concern is movement to restrict development via hometown democracy and also how much of the tax burden will be passed on to the development community to cover shrinking local budgets. Overall, housing continues to correct and income property markets remain strong. Job growth continues to be a positive. Florida is beginning to take a lead in green or environment friendly development and utility issues."
— Ted Starkey, Senior Vice President, Wachovia Bank, *Tampa, Florida*
UF Real Estate Advisory Board member

Tax and Insurance

Tax and Insurance policy continues to be at the forefront of the residential market. Many respondents commented on how the Save Our Homes initiative could possibly be restricting the ability of households to change residences. The commercial real estate community continues to worry that residential tax reductions will be recuperated through increased taxation of commercial properties.

"I am concerned with the uncontrollable cost in real estate taxes and insurance. Local governments are looking for other sources of tax revenue and are looking to the commercial properties to offset some on tax losses from residential properties."
— Duane Bennet, CCIM, Sperry Van Ness, *West Palm Beach, Florida*

"Major concerns will be the continued high level of property taxes, despite recent legislation at the state level to deal with the higher taxes. In addition, the growing numbers of Floridians who cannot afford to buy and own residential real estate and who are leaving the state. The local markets in most states cannot sustain themselves on only in-migration of retirees or on increases of employment in the service sectors alone. Florida cannot sustain itself on minimum wage workers and three-month-a-year retiree residents."
— Walter Dozier, *Vero Beach, Florida*

"U.S. and Florida tax policies need to be monitored closely as well as availability and affordability of casualty lines of insurance. Obviously, the Citizens Insurance initiative is too bogged down by bureaucracy to be effective, while private insurers are allowed to pick and choose the lines they offer. This, combined with property taxes, will have a continued significant effect on risk rates associated with all forms of real estate."
— Gregory Johnson, OMNI Realty Group, P.A., *Palm Harbor*, *Florida*

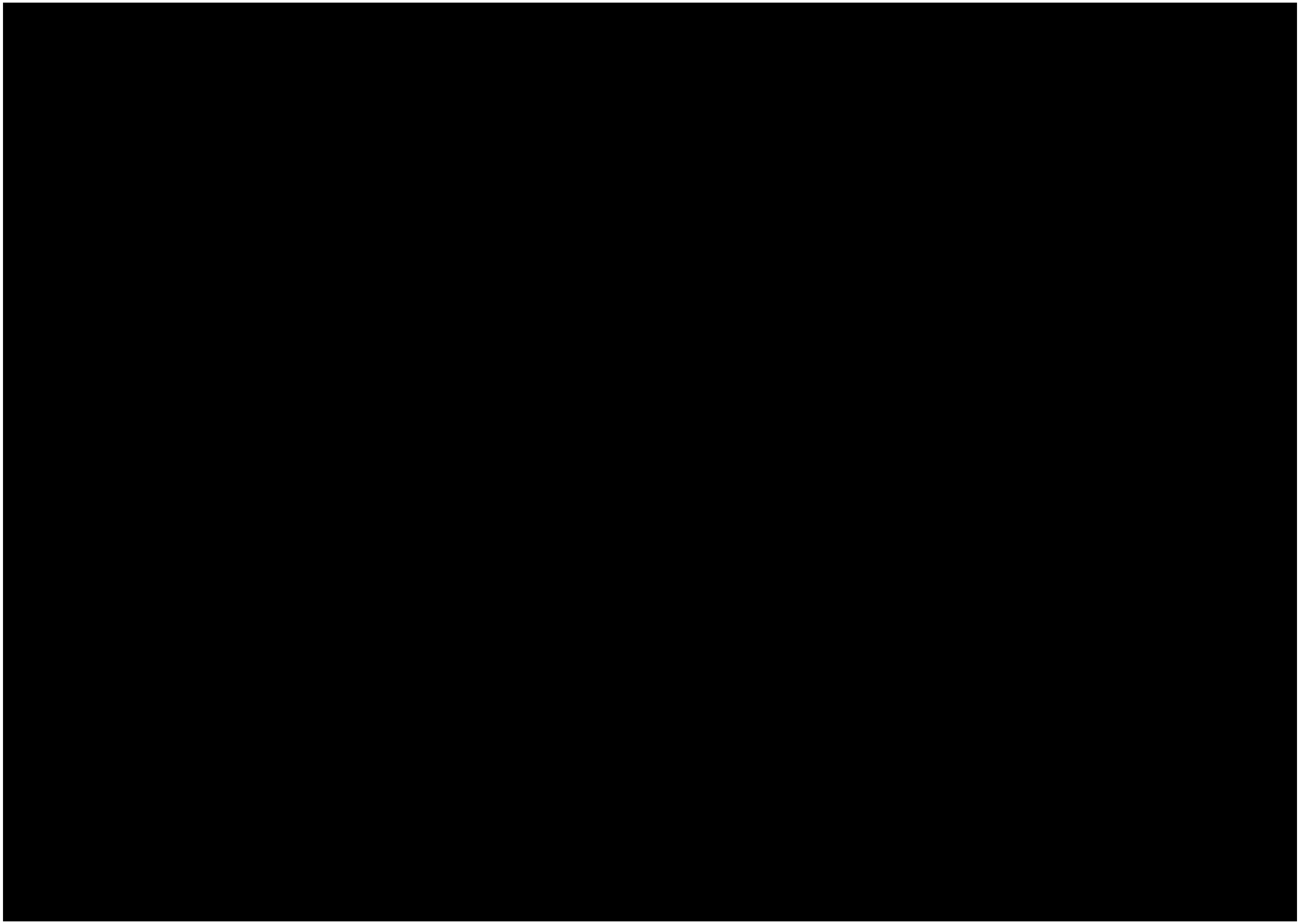
"It is imperative that Florida re-structure the real estate tax (assessment) laws. Homestead portability will have a positive impact on the real estate market. However it is also necessary to restrict local budget increases."
— Thomas Osteen, Osteen Appraisal Services, Inc., *Ft. Pierce, Florida*

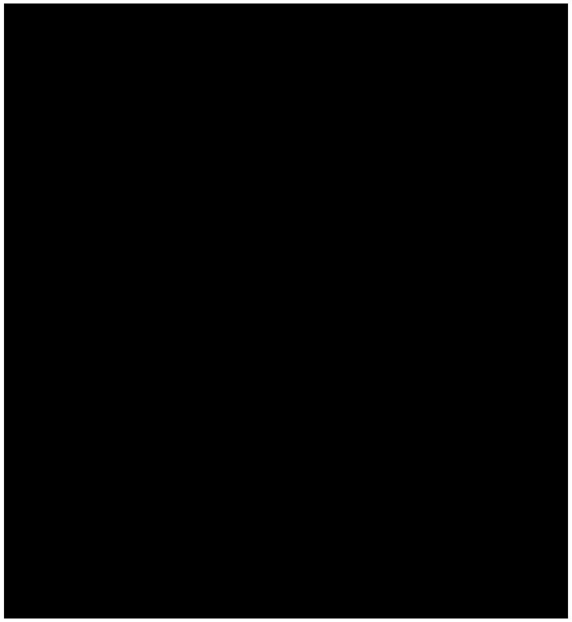
"I think that the state legislature missed an opportunity to provide some meaningful and necessary property tax changes. Portability of the Save-Our-Homes assessment savings would have invigorated residential sales, allowing older folks to down-size and growing families to move up. Everyone is still trapped in their home, unable to afford the increased tax burden that purchasing a new home at current values and assessments entails."
Name Withheld

"Hazard insurance will, in my opinion, have a dampening effect on property values. With the pending roll-back on residential taxes, I expect the county property appraisers' offices will become more aggressive in the assessment of non-residential real estate and non-homesteaded residential real estate."
Name Withheld

Treasure Coast

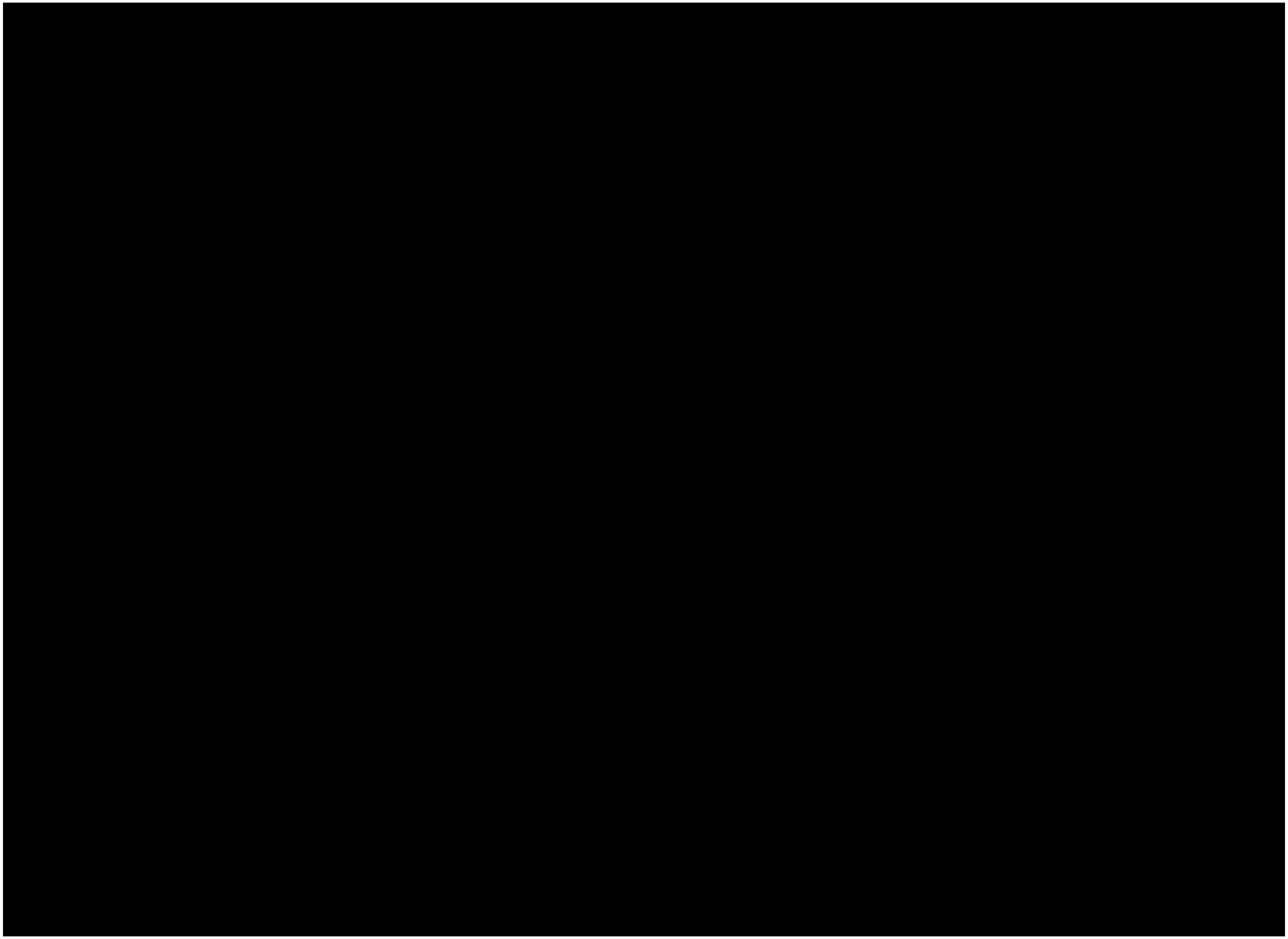
- Cap Rates in the Treasure Coast area are, on average, lower than that of the state (0.33 percentage points) and range from 6.0% (**Condo Conversion**) to 7.9% (**Strip Centers**)
- Cap rates have remained relatively stable over the past quarter, with the largest changes being seen in **Flex Space** (**-**0.26% change) and **Condo Conversion** (+0.29% change).
- Cap rate outlooks are primarily neutral to positive this quarter, with **Free Standing, Large Retail,** and **Condo Coversion** having the most respondent support for increases.
- Required yields for the Treasure Coast area are higher, on average, than that of the state, 12.1% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 16.1% and lowest for **Large Retail** and **Neighborhood Centers** at 11.0%.
- The largest shifts in required yields occurred in **Warehouse and Dist.** (+2.26% change) and **Flex Space** (+2.18% change).
- For available property types, the investment outlook is neutral to negative. Results for **Apartments** and **Flex Space** indicate a more negative outlook than its counterparts.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for **Land with Residential Entitlements** and **Land without Entitlements**.
- For available property types, sentiment on future occupancy is mixed. Respondents indicate that **Apartments** and **Condo Conversion** are the most likely to witness occupancy rate increases while **Flex Space** and **Office: Class B** are more likely to see occupancy decreases.
- For available property types, rental rates are expected to increase at a rate that is slower than inflation, with the exception being **Strip Centers** for which survey opinion is mixed.
- Future absorption rates are expected to be neutral to lower in **Single Family** and **Condominium Development**.
- Future price increases are expected to be slower than inflation in both **Single Family** and **Condominium Development**.





Broward County

- Cap rates in Broward County are, on average, lower than the rest of the state (6.43% compared to 7.40%) and range from 5.4% (**Condo Conversion**) to 7.2% (**Office: Class B**).
- Cap rates fell this quarter, with the largest changes in **Flex Space** (-0.68% change) and **Warehouse and Dist.** (-0.65% change).
- Cap rate outlooks are again mixed this quarter, with **Condo Conversion** and **Large Retail** showing the most potential for future rate increases. However, most respondents indicate a neutral to positive expectation for future movements.
- Required yields for Broward County are, on average, lower than that of the state, 10.46% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 14.5% and lowest for **Neighborhood Centers** at 9.3%.
- The largest shifts in required yields occurred in **Office: B** (-0.81% change) and **Neighborhood Centers** (-.74% change)
- The investment outlook across property types is also mixed, with the most notable information being conveyed in the **Condo Conversion** and **Large Retail** sectors. The investment outlook for both **Condo Conversion** and **Large Retail** is negative.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlooks occur for **Land with Residential Entitlements**.
- In Broward Country, future occupancy rates are mixed across property types, with the exception of **Office: A**, for which respondents indicate a potential higher occupancy rate.
- On average, rental rates are expected to increase either at the rate of inflation or faster than inflation across property types.
- Future absorption rates are expected to be lower in **Single Family** and **Condominium Development**.
- Future price increases are expected to be slower than inflation in **Single Family** and **Condominium Development**



[redacted]

Dade County

- Cap rates in Dade County, on average, are lower than that of the state (0.98 percentage points) and range from 5.4% (**Condo Conversion**) to 7.2% (**Strip Centers**)
- Over the past quarter, cap rates have dropped with **Flex Space** (-.6 percentage points) and **Warehouse and Dist.** (-0.58 percentage points) representing the largest changes.
- Cap rate outlooks are again mixed this quarter, with **Condo Conversion** and **Large Retail** showing the most potential for future rate increases. However, most respondents indicate a more neutral expectation for future movements.
- Required yields for Dade County (10.55%) are, on average, slightly lower (.27 percentage points) than required yields throughout the state (10.83%).
- Required yields have risen, on average, over the last quarter from 10.0% to 10.55%.
- The largest shifts in required yields occurred in **Warehouse and Dist.** (1.25% change) and **Flex Space** (1.16% change)
- The investment outlook across property types is also mixed, with the most notable information being conveyed in the **Condo Conversion** and **Large Retail** sectors. The investment outlook for both **Condo Conversion** and **Large Retail** can be viewed as neutral to negative.
- On average, the investment outlook for **Land Development** is neutral for this quarter. However, respondents indicate a more negative view for **Land with Residential Entitlements**
- Occupancy rates in Dade County are generally mixed across property types.
- On average, rental rates are expected to increase either at the rate of inflation or faster than inflation.
- Future absorption rates are expected to be lower in both **Single Family** and **Condominium Development**.
- Future price increases are expected to occur slower than inflation in both **Single Family** and **Condominium Development.**

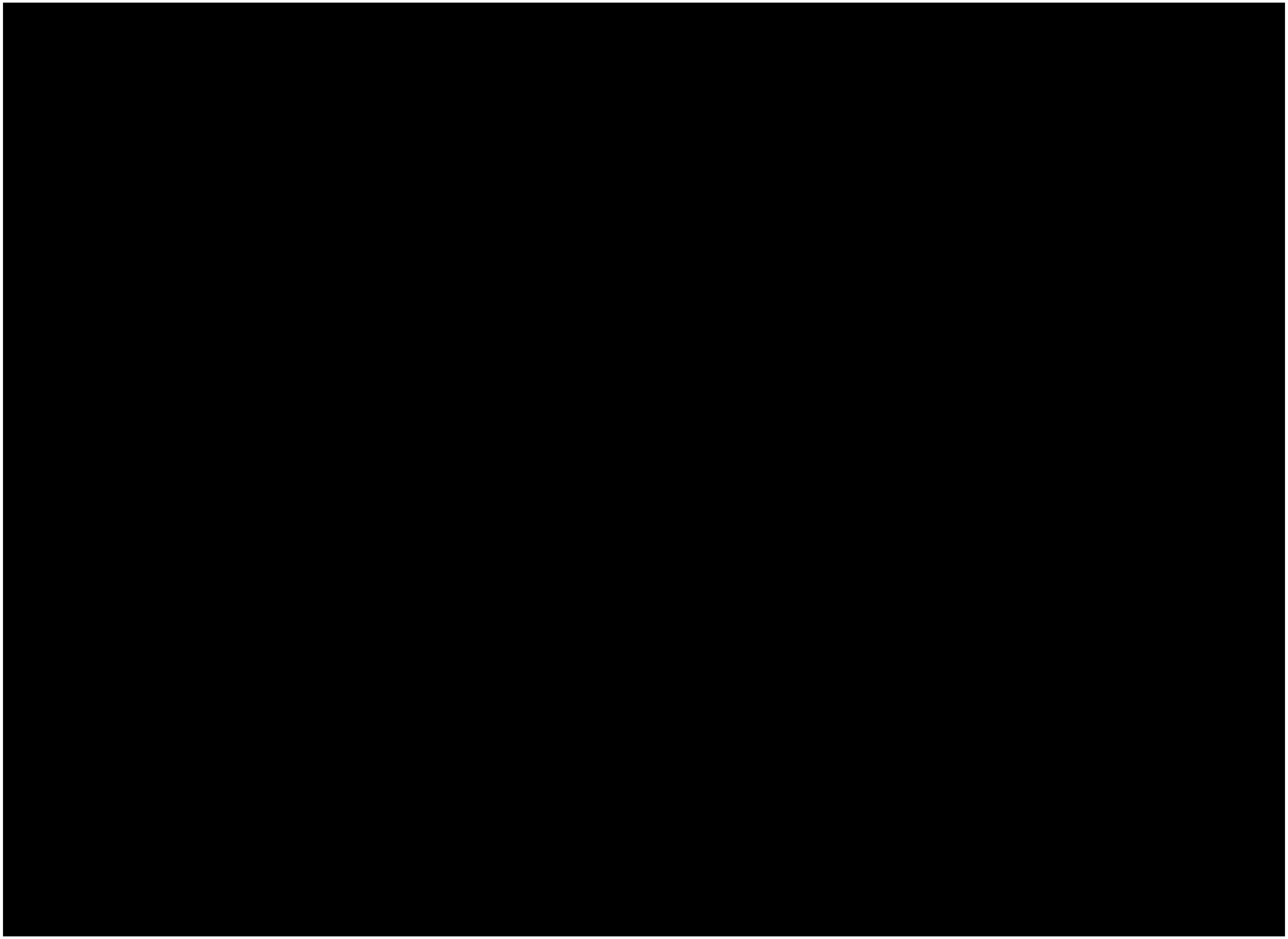


Table 2b

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
Q3-07						
Fair to Good	23%	15%	29%	31%	35%	35%
Bad to Poor	42%	62%	17%	15%	15%	25%
Q2-07						
Fair to Good	21%	21%	42%	35%	48%	33%
Bad to Poor	45%	55%	21%	20%	15%	27%
Q1-07						
Fair to Good	29%	20%	43%	30%	41%	35%
Bad to Poor	32%	45%	17%	20%	20%	25%

Table 2c

Investors by Property Type

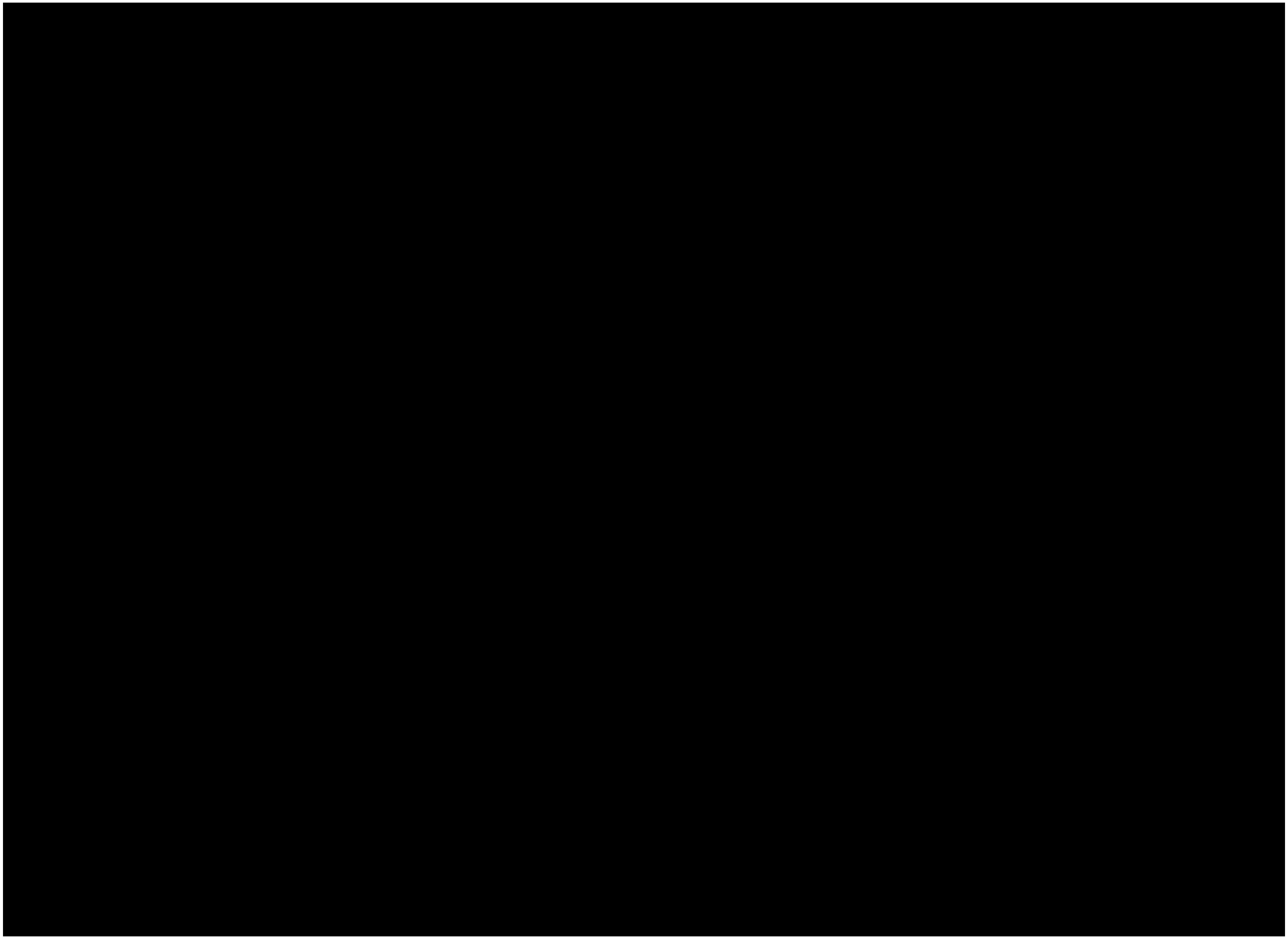
Dade County	Single Family Dev.	Condo Dev.	Apartments - Market Rental	Condo Conversion	Warehouse and Dist.	Flex Space, R & D	Office: Class A	Office: Class B	Retail - Large	Neighbor-hood Centers	Strip Centers	Free Standing
Q3-07												
Private Buyers	73%	47%	44%	88%	8%	43%		44%	13%	27%	71%	
R.E. Companies	7%	13%	13%	13%	17%		27%	33%	13%	18%	29%	100%
REITs		7%	13%		58%	43%	18%	11%	25%	17%		
Institutions	7%		25%		17%	14%	45%	11%	25%	45%		
Foreign Buyers	13%	33%	6%				9%		25%			
Q2-07												
Private Buyers	75%	70%	33%	83%	38%	50%	29%	55%	13%	38%	73%	100%
R.E. Companies	17%	7%		17%	13%	8%	14%	9%	25%	13%	18%	
REITs	4%		22%		19%	17%	14%		38%	17%		
Institutions	4%	4%	33%		25%	25%	43%	36%	13%	38%		
Foreign Buyers		19%	11%		6%				13%		9%	
Q1-07												
Private Buyers	92%	76%	58%	71%	17%	20%	8%	44%	10%	33%	90%	67%
R.E. Companies	4%	5%		14%	42%		15%	33%		13%	10%	
REITs			8%		17%	60%	15%	11%	50%	17%		33%
Institutions	4%	5%	33%		25%		54%		40%	33%		
Foreign Buyers		14%		14%		20%	8%	11%				

[redacted]

[redacted]

Daytona Beach Area

- Cap rates in Daytona Beach are, on average, lower than that of the state (0.29 percentage points) and range from 6.1% (**Condo Conversion**) to 7.9% (**Strip Centers**)
- Cap rates changes have been mixed across property types during the last quarter, with the largest movements occurring in **Flex Space** (-0.23% change) and **Condo Conversion** (+0.33% change).
- Cap rate outlooks are primarily expected to rise, with **Large Retail** and **Office: Class B** having the most support for a rate increase.
- Required yields for Daytona Beach are, on average, lower than that of the state, 9.89% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 13.9% and lowest for **Neighborhood Centers** at 8.7%.
- Required yields have decreased across all property types over the past quarter. The largest shifts occurred in **Office: Class B** (**-**1.50% change) and **Neighborhood Centers** (-1.42% change).
- For available property types, the investment outlook is neutral to negative. However, one exception is **Apartments,** for which a positive outlook is being reported.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for **Land without Entitlements** while the most positive outlook occurs for **Land with Industrial Entitlements**.
- Future occupancy expectations are mixed across available property types. Respondents indicate that **Apartments** and **Neighborhood Centers** are expecting neutral to positive occupancy rate changes while, **Office: Class B** is expecting neutral to negative changes.
- For available property types, rental rate expectations are mixed as well. Respondents indicate that **Apartments**, **Neighborhood Centers,** and **Strip Centers** are expecting rental rate increases to be at a rate that is faster than inflation, while **Condo Conversion** and **Office: Class B** expect rental rate increases to occur slower than inflation.
- Future absorption rate expectations are uncertain in **Single Family Development** and **Condominium Development**.
- Future price increases are expected to be slower than inflation in both **Single Family** and **Condominium Development**.

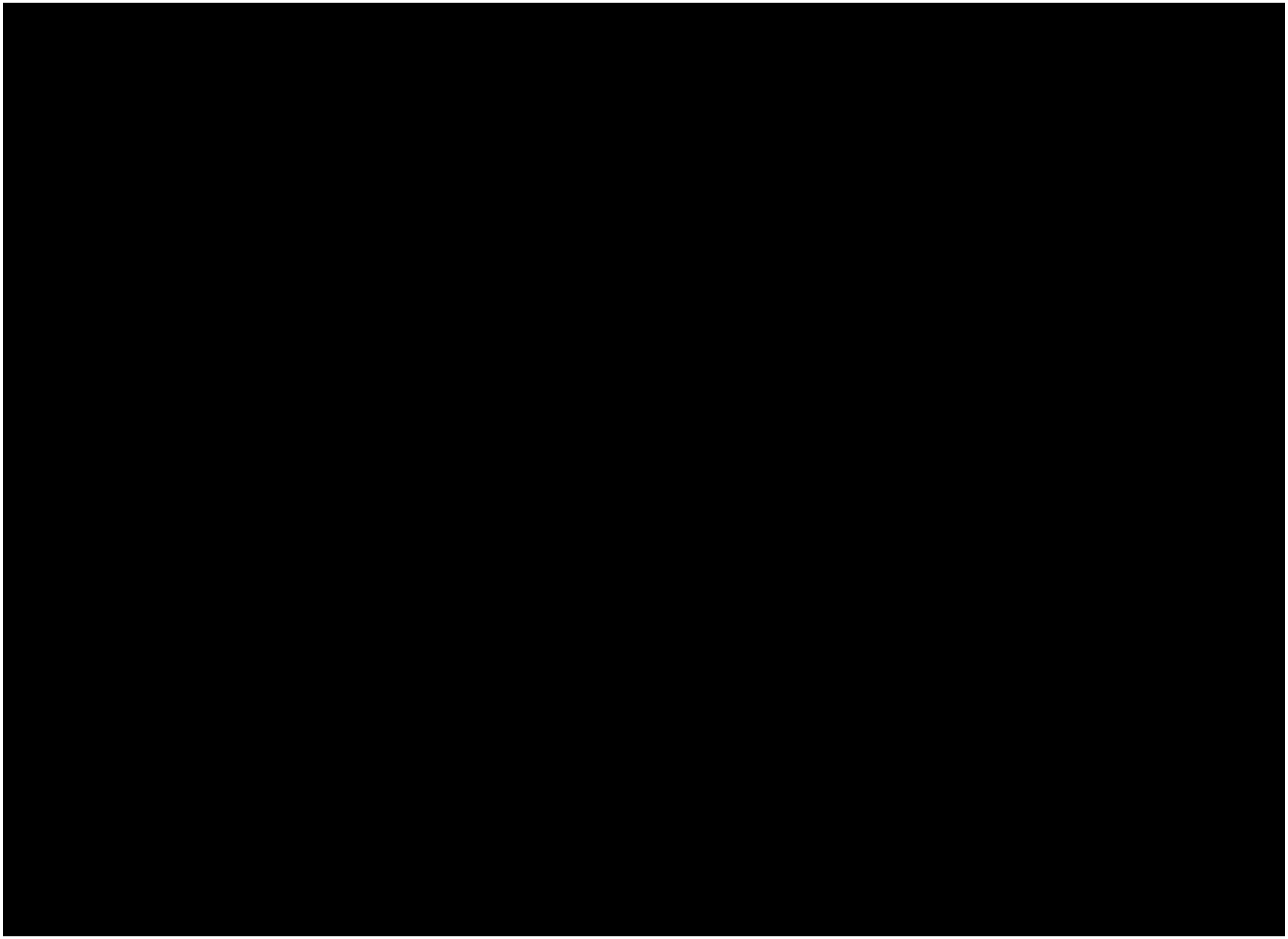


[redacted]

[redacted]

Jacksonville

- Cap rates in Jacksonville are, on average, slightly higher than that of the state (0.05 percentage points) and range from 6.4% (**Condo Conversion**) to 8.2% (**Office: Class B**)
- Cap rates have increased across all property types over the last quarter, with the largest changes being seen in **Condo Conversion** (+0.81% change) and **Office: Class A** (+0.70% change).
- The outlook for future changes in cap rates is neutral to positive this quarter. The most significant respondent support for cap rate increases appears to be occurring in **Apartments** and **Free Standing**.
- Required yields for Jacksonville are, on average, lower than that of the state, 9.86% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 13.9% and lowest for **Neighborhood Centers** at 8.7%.
- The largest shifts in required yields occurred in **Office: Class B** (-0.81% change) and **Neighborhood Centers** (-0.74% change).
- The investment outlook is neutral to positive across most property types this quarter. **Warehouse and Dist.** and **Neighborhood Centers** have the most respondent support for a positive outlook. **Strip Centers** is the one property type for which respondents indicate a neutral to negative outlook.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most neutral to negative outlook occurs for **Land with Residential Entitlements** while the most neutral to positive outlooks occur for **Land with Industrial Entitlements**.
- For most property types, future occupancy rates are expected to either remain neutral or increase. One exception is **Strip Centers**, for which respondents indicate a neutral to negative movement in rates.
- For most available property types, rental rates are expected to increase either at the rate of inflation or faster than inflation. The most consistent respondent support for increases in rental rates that are faster than the rate of inflation occurs for the **Warehouse and Dist.**
- Future absorption rates are expected to remain neutral or increase for **Single Family** and remain neutral or decrease for **Condominium Development.**
- Respondents expect future prices to increase at a rate slower than inflation for both **Single Family** and **Condominium Development.**

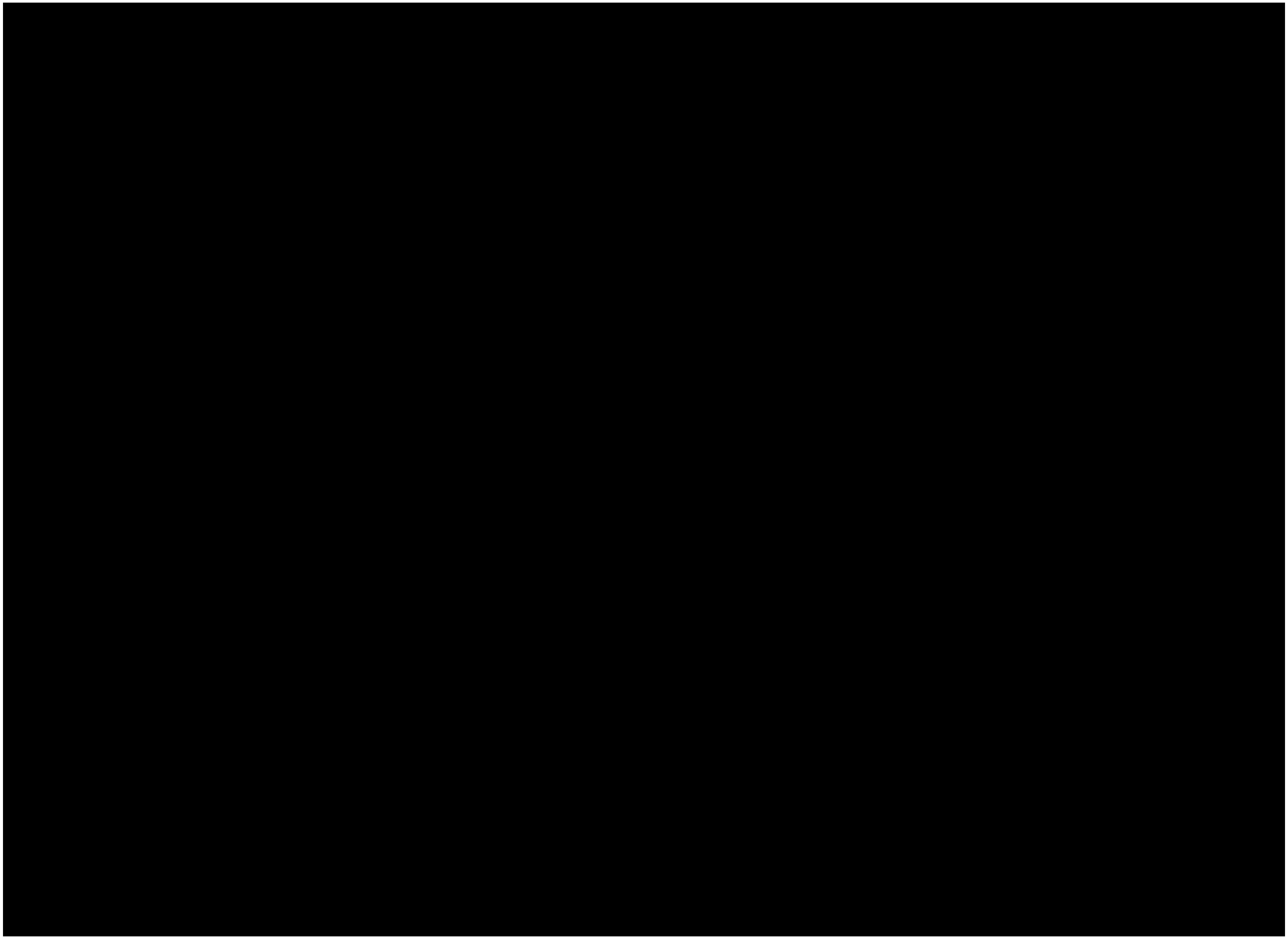


[redacted]

[redacted]

Lakeland-Winter Haven

- Cap Rates in Lakeland-Winter Haven are, on average, lower than that of the state (0.32 percentage points) and range from 6.0% (**Condo Conversion**) to 7.8% (**Strip Centers**)
- For available property types, cap rates fell over the last quarter, with the largest changes occurring in **Warehouse and Dist.** (-0.46% change) and **Flex Space** (-0.48% change).
- Cap rate outlooks are neutral to positive this quarter, with **Large Retail, Condo Conversion,** and **Neighborhood Centers** having the most respondent support for increases in cap rates.
- Required yields for Lakeland-Winter Haven are, on average, lower than that of the state, 9.97% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 13.9% and lowest for **Neighborhood Centers** 8.7%.
- For available property types, required yields have decreased over the past quarter. The largest shifts occurred in **Office: B** (-1.44% change) and **Neighborhood Centers** (-1.36% change).
- For available property types, the investment outlook is neutral to positive. The most positive respondent support occurs for **Flex Space.** However, **Neighborhood Centers** is an exception as it is reporting a neutral to negative outlook.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for **Land without Entitlements** while the most positive outlooks occur for **Land with Commercial Entitlements**.
- For available property types, future occupancy expectations are primarily neutral to positive.
- For available property types, rental rates are expected to increase either at the rate of inflation or faster than inflation. One exception is **Office: Class B** for which respondents believe that rental rates are expected increase at a rate slower than inflation.
- Future absorption rates are expected to remain at current levels in **Single Family Development**. Sufficient information is not available for **Condominium Development**.
- Future price increases are expected to be slower than inflation for **Single Family**. Sufficient information is not available for **Condominium Development**.



[redacted]

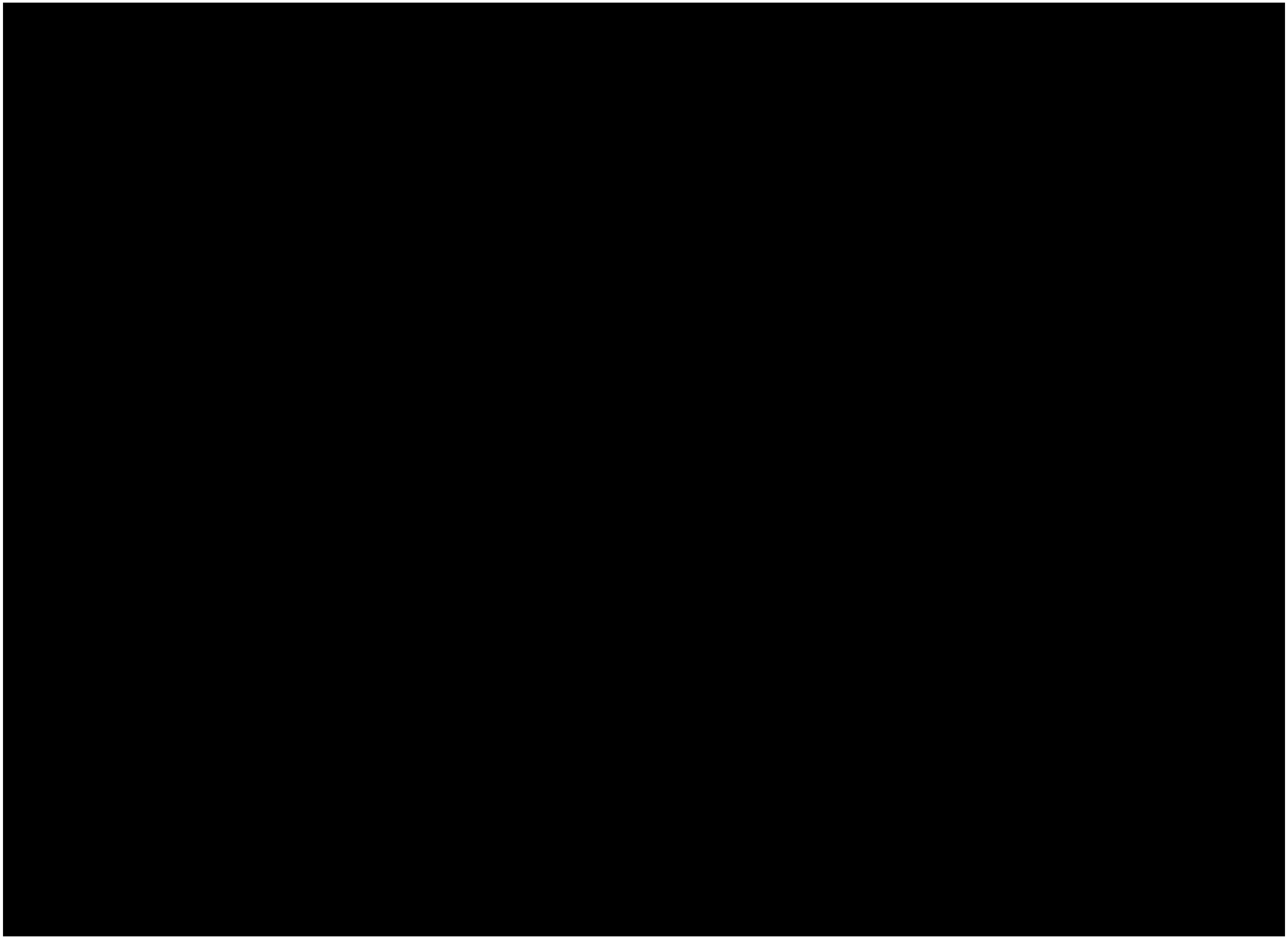
[redacted]

[redacted]

[redacted]

Gainesville-Ocala

- Cap rates in Gainesville-Ocala are, on average, higher than that of the state (0.05 percentage points) and range from 6.4% (**Condo Conversion**) to 8.2% (**Office: Class B**)
- For available property types, cap rates decreased over the last quarter, with the largest changes occurring in **Warehouse and Dist.** (-0.69% change) and **Flex Space** (-0.71% change).
- For available property types, cap rates are expected to increase across property types. Respondents indicate the most support for rate increases in **Office: Class A, Large Retail,** and **Neighborhood Centers.**
- Required yields for Gainesville-Ocala are, on average, slightly lower than that of the state, 10.42% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 14.4% and lowest for **Large Retail** and **Neighborhood Centers** at 9.2%.
- For available property types, required yields decreased over the past quarter. The largest shifts occurred in **Office: Class B** (-1.44% change) and **Neighborhood Centers** (-1.37% change).
- Data is unavailable for the investment outlook in this region.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for **Land without Entitlements** while opinions on its counterparts remain neutral to positive.
- Expectations are for future occupancy rates to either remain neutral or increase for **Strip Centers**. Data is unavailable for other property types.
- Respondents indicate that rental rates are expected to increase either at the rate of inflation or faster than inflation for **Strip Centers**. Data is unavailable for other property types.
- Future absorption rates are expected to be increase in **Single Family Development.** Sufficient data is not available for **Condominium Development**.
- Future price increases are expected to occur at a rate faster than inflation in **Single Family Development.** Sufficient data is not available for **Condominium Development**.

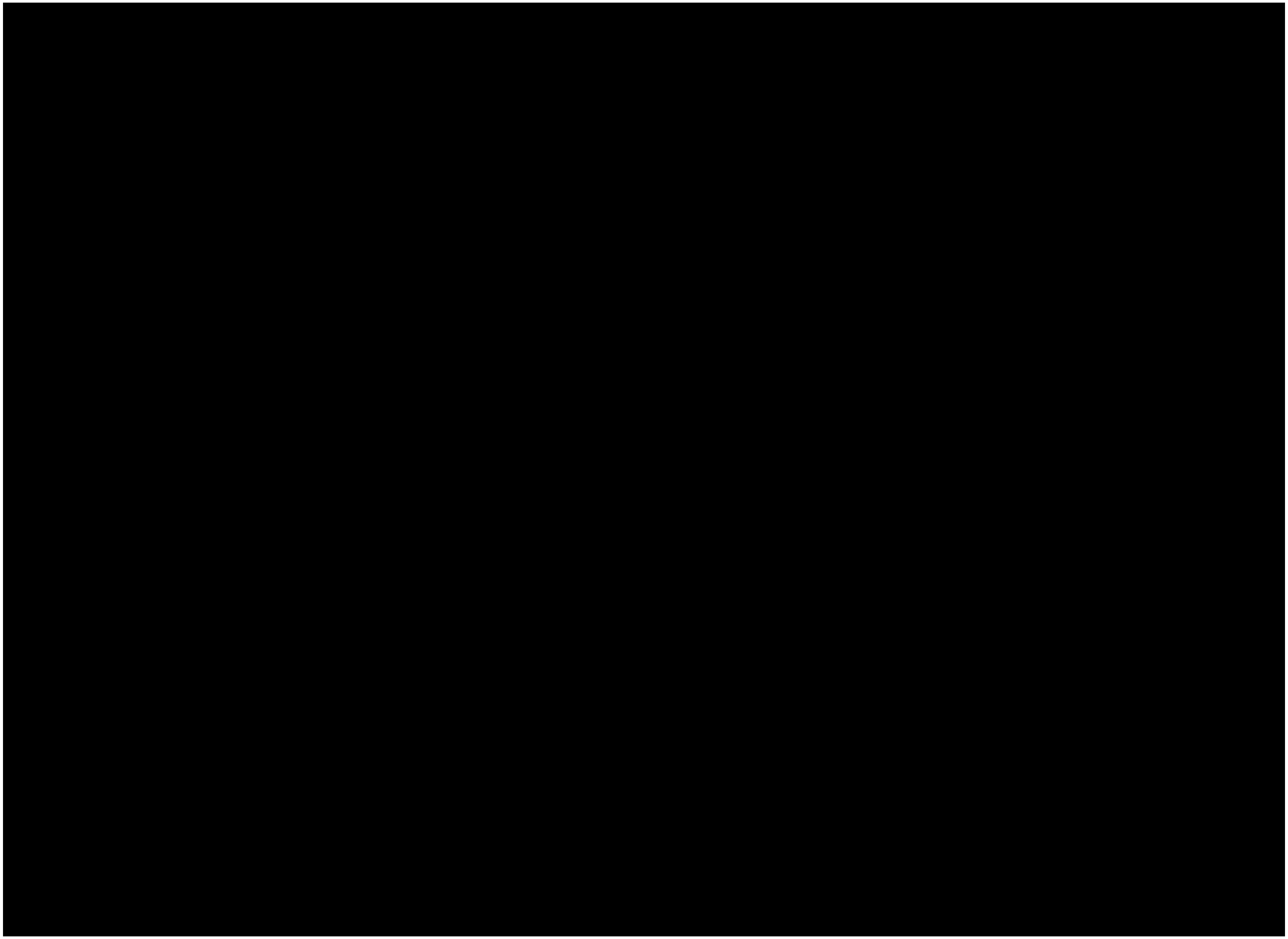


[redacted]

[redacted]

Pensacola-Tallahassee

- Cap rates in Pensacola-Tallahassee are, on average, higher than that of the state (0.34 percentage points) and range from 6.7% (**Condo Conversion**) to 8.5% (**Strip Centers**)
- The largest changes in cap rates over the past quarter have occurred in **Condo Conversion** (+0.31% change) and **Flex Space** (-0.24% change).
- For available property types, respondents expect cap rates to remain neutral or increase. The most support for expectations of a cap rate increase occurs for **Condo Conversion**.
- Required yields for Pensacola-Tallahassee are, on average, lower than that of the state, 9.64% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 13.5% and lowest for **Neighborhood Centers** at 8.3%.
- For available property types, required yields have decreased significantly over the past quarter. The largest shifts occurred in **Office: Class B** (-4.88% change) and **Neighborhood Centers** (-4.80% change).
- For available property types, the investment outlook is mixed. **Apartments** have the most respondent support for a positive outlook, while **Office: Class B** and **Strip Centers** appear to have a more neutral to negative expectation. Data is unavailable for other property types.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most neutral to negative outlook occurs for **Land without Entitlements**.
- For available property types, respondents indicate that they expect future occupancy rates to remain neutral. Data is only available for three property types.
- Rental rates are expected to increase at a rate that is slower than inflation for **Office: Class B**. Respondents are uncertain in their expectations for **Apartments** and **Strip Centers,** however. Data is only available for three of the property types.
- Future absorption rates are expected to be lower for **Single Family Development** and **Condominium Development**.
- Future price increases are expected to occur at a rate slower than inflation for both **Single Family** and **Condominium Development**.

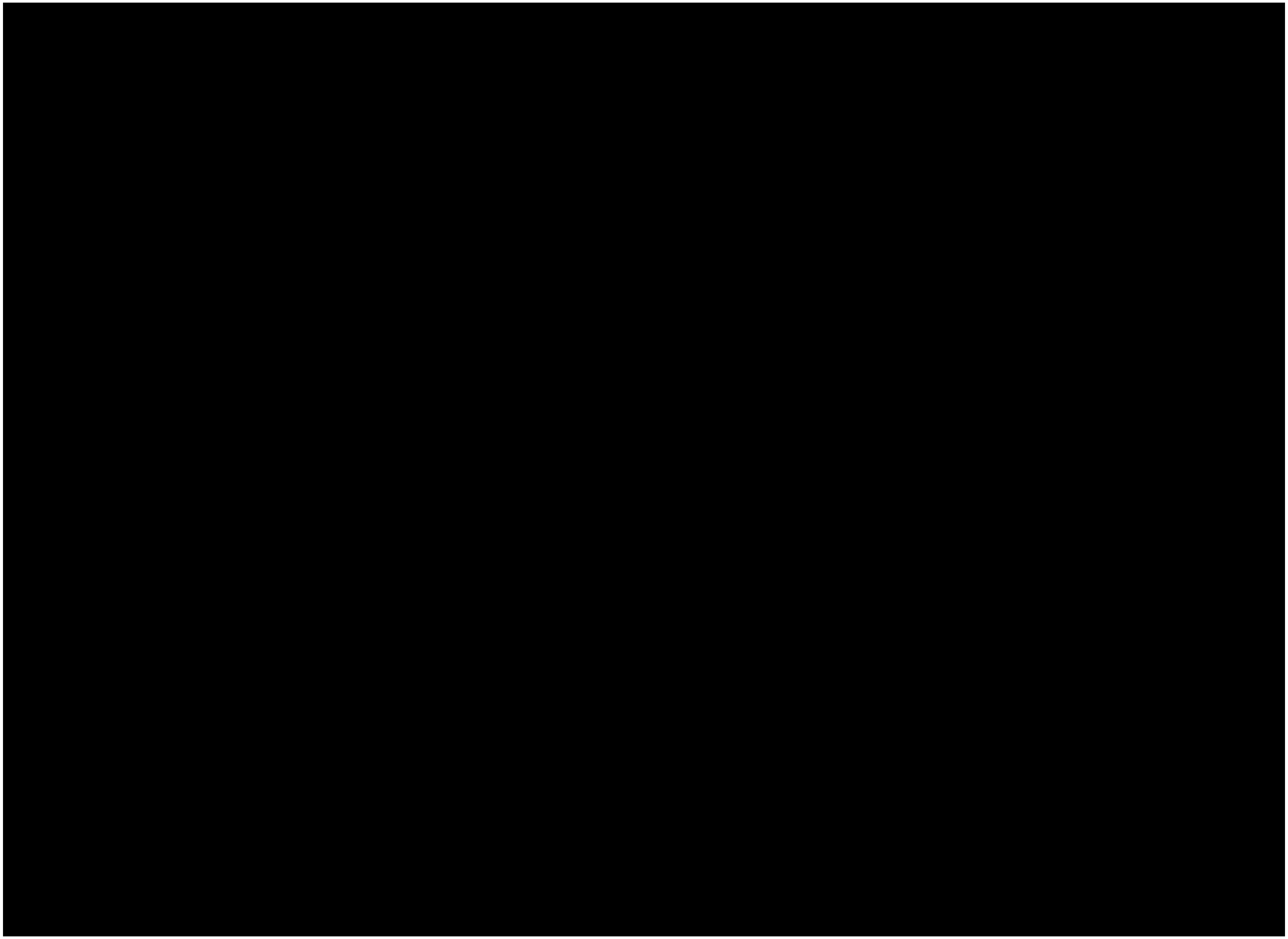


[redacted]

[redacted]

Orlando Area

- Cap Rates in Orlando are, on average, lower than that of the state (0.64 percentage points) and range from 5.7% (**Condo Conversion**) to 7.5% (**Office: Class B** and **Strip Centers**)
- For most property types, cap rates have fallen slightly over the past quarter, with the largest changes being seen in **Flex Space** (-0.42% change) and **Warehouse and Dist.** (-0.40% change).
- Cap rate outlooks appear to be in favor of increasing rates, with **Condo Conversion, Large Retail,** and **Strip Centers** having the most respondent support.
- Required yields for Orlando are, on average, lower than that of the state, 10.26% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 14.3% and lowest for **Neighborhood Centers** at 9.1%.
- The largest shifts in required yields occurred in **Warehouse and Dist.** (+1.13% change) and **Flex Space** (-1.04% change).
- The investment outlook is mixed across property types. Noteworthy is respondent support in favor of a positive outlook for **Flex Space,** and indication of a negative outlook for **Condo Conversion** and **Strip Centers**.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for **Land with Residential Entitlements** while the most positive outlooks occur for **Land with Industrial Entitlements**.
- Future occupancy expectations are primarily neutral across property types, with one exception being **Condo Conversion,** for which expectations are neutral to negative.
- For the majority of property types reported, rental rates are expected to increase either at the rate of inflation or faster than inflation. **Large Retail** is the one property type that respondents feel may experience an increase in rental rates that is slower than inflation.
- Future absorption rate expectations are uncertain in **Single Family** and **Condominium Development.**
- Future price increases are expected to be slower than inflation in both **Single Family** and **Condominium Development**.

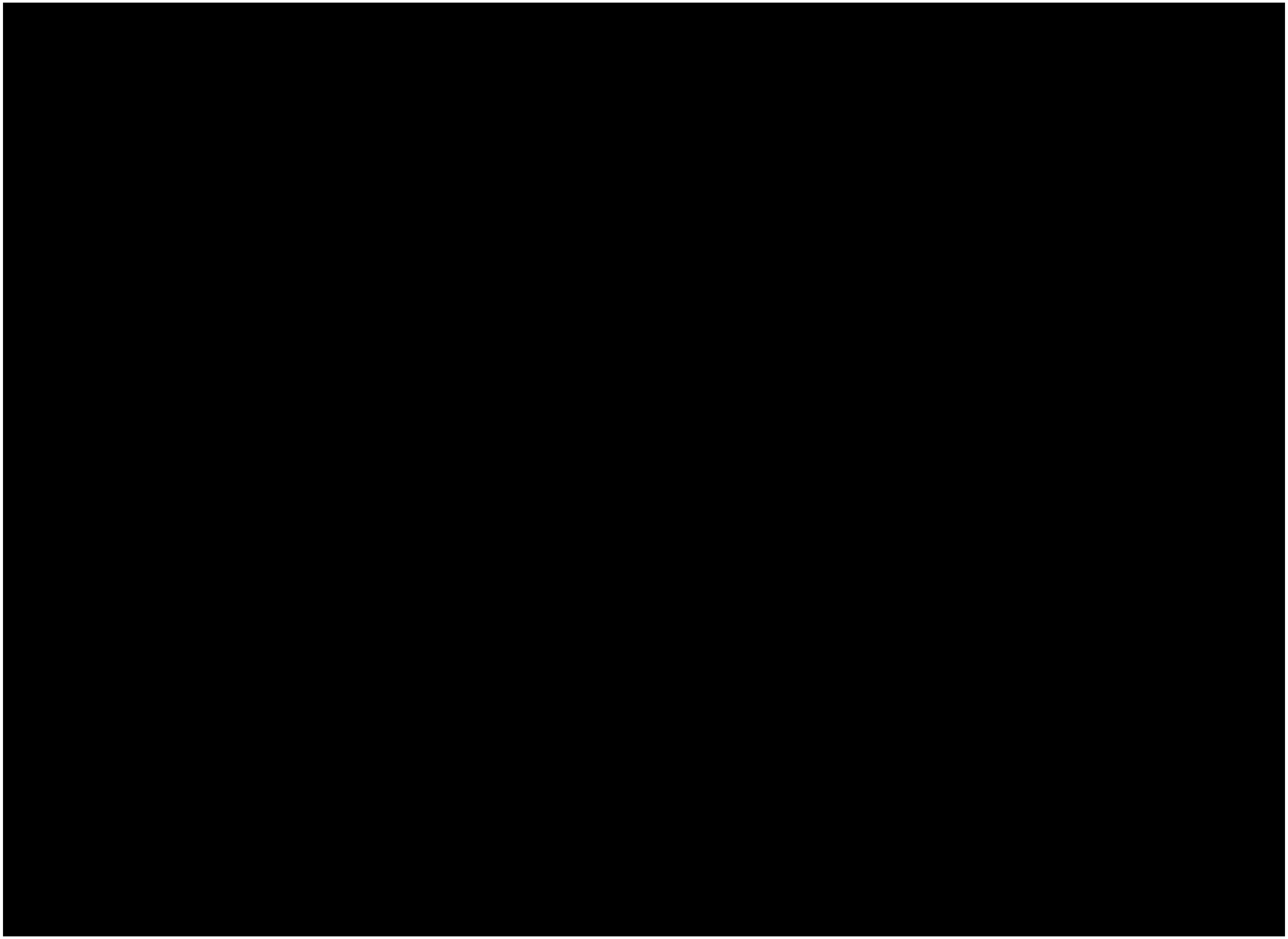


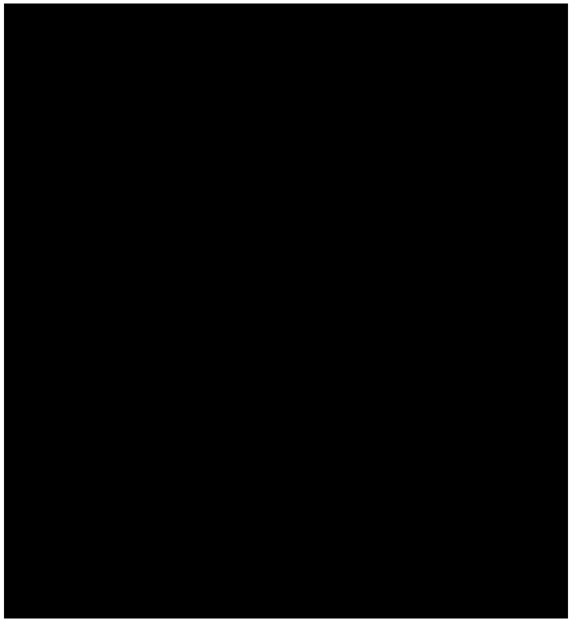
[redacted]

[redacted]

Palm Beach County

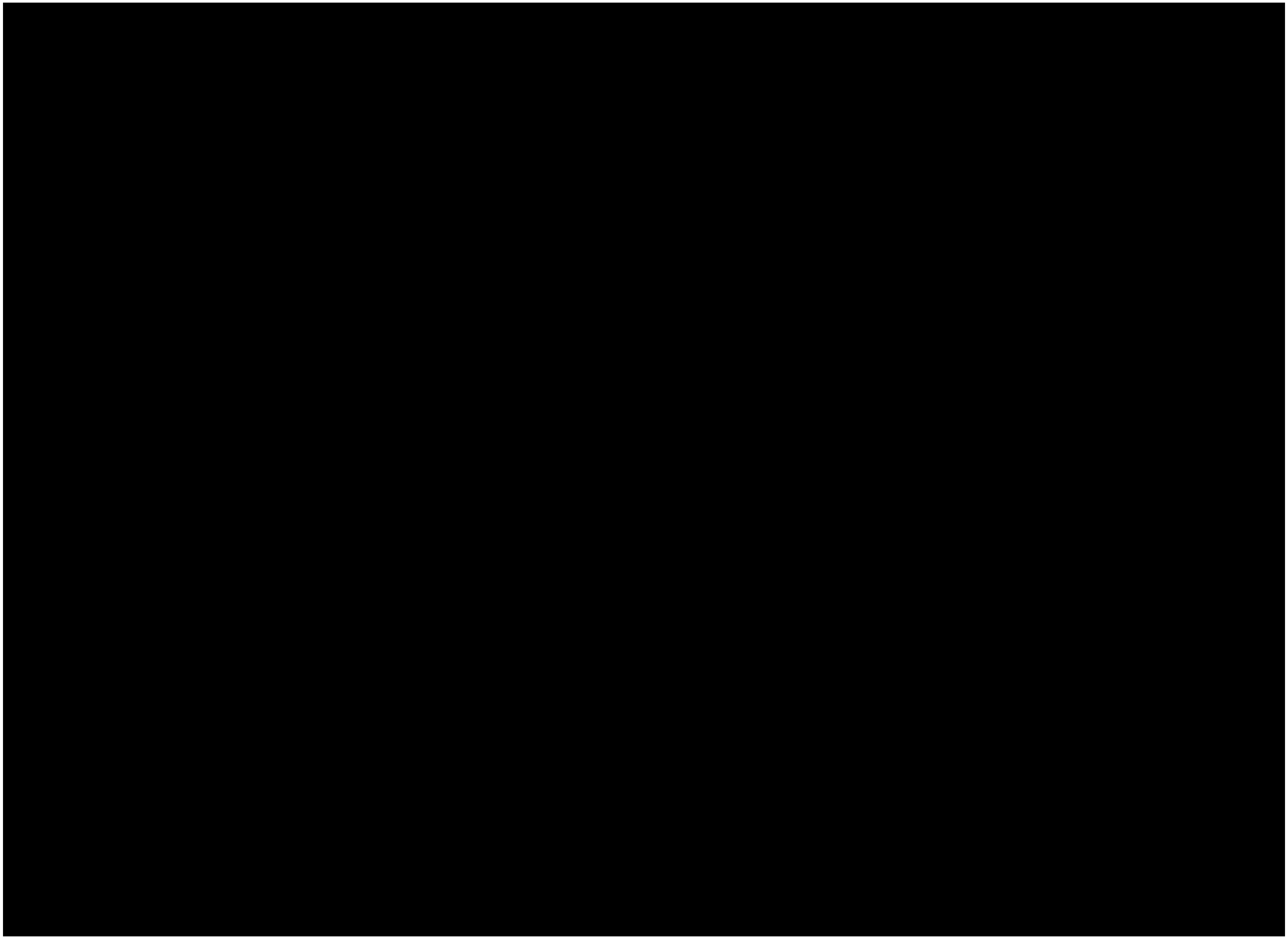
- Cap Rates in Palm Beach County are, on average, lower than that of the state (0.77 percentage points) and range from 5.6% (**Condo Conversion**) to 7.4% (**Office: Class B and Strip Centers**)
- Cap rates have fallen for most property types, with the largest changes being seen in **Flex Space** (-0.49% change) and **Warehouse and Dist.** (-0.47% change).
- Cap rate outlooks are primarily neutral to positive this quarter, with **Large Retail** and **Neighborhood Centers** having the most respondent expectation for increases.
- Required yields for Palm Beach County are, on average, slightly higher than that of the state, 10.93% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 15.0% and lowest for **Large Retail** and **Neighborhood Centers** each at 9.8%.
- The largest shifts in required yields occurred in **Flex Space** (+.87% change) and **Warehouse and Dist.** (+0.96% change).
- The investment outlook is mixed across property types. Most notable, however, are results for **Large Retail** and **Office: Class A** that indicate a move towards a more negative outlook.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for **Land with Residential Entitlements**.
- On average, future occupancy rates are mixed across property types. However, results for **Office: Class A** and **Flex Space** indicate potential decreases in future occupancy.
- On average, rental rates are mixed across property types. Noteworthy, however, is the data reported for **Apartments**, which indicates that rental rates may increase at a rate that is slower than inflation, and the results for **Office: Class A**, which convey rental rate increases that may be faster than inflation.
- Future absorption rates are expected to be lower in **Single Family** and **Condominium Development**.
- Future price increases are expected to be slower than inflation in both **Single Family** and **Condominium Development**.





Sarasota-Bradenton

- Cap rates in the Sarasota-Bradenton area are, on average, lower than that of the state (0.30 percentage points) and range from 6.1% (**Condo Conversion**) to 7.9% (**Strip Centers**)
- Changes in cap rates were mixed across property types, with the largest changes occurring in **Flex Space.** (-0.25% change) and **Condo Conversion** (+0.31% change).
- Cap rate outlooks appear to be positive for the majority of property types, with **Condo Conversion** and **Neighborhood Centers** having the most respondent support for rate increases.
- Required yields for Sarasota-Bradenton are, on average, considerably lower than that of the state, 9.71% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 13.8% and lowest for **Large Retail** and **Neighborhood Centers** at 8.6%.
- Required yields decreased across all reported property types during the last quarter. The largest shifts occurred in **Office: Class B** (-2.62% change) and **Neighborhood Centers** (-2.55% change).
- The investment outlook for this quarter is mixed across available property types. Worth noting is that **Neighborhood Centers** have significant respondent support for a negative outlook.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for **Land with Residential Entitlements** while the most neutral to positive outlook occurs for **Land with Commercial Entitlements**.
- For available property types, future occupancy expectations appear to remain neutral.
- For available property types, rental rate expectations are mixed. Respondents report that rental rates are expected to increase faster than the rate of inflation for **Warehouse and Dist.** and slower than the rate of inflation for **Large Retail**.
- Future absorption rate expectations are neutral to negative for **Single Family** and negative for **Condominium Development.**
- Respondents indicate that future prices will increase at a rate slower than inflation for both **Single Family** and **Condominium Development.**



[redacted]

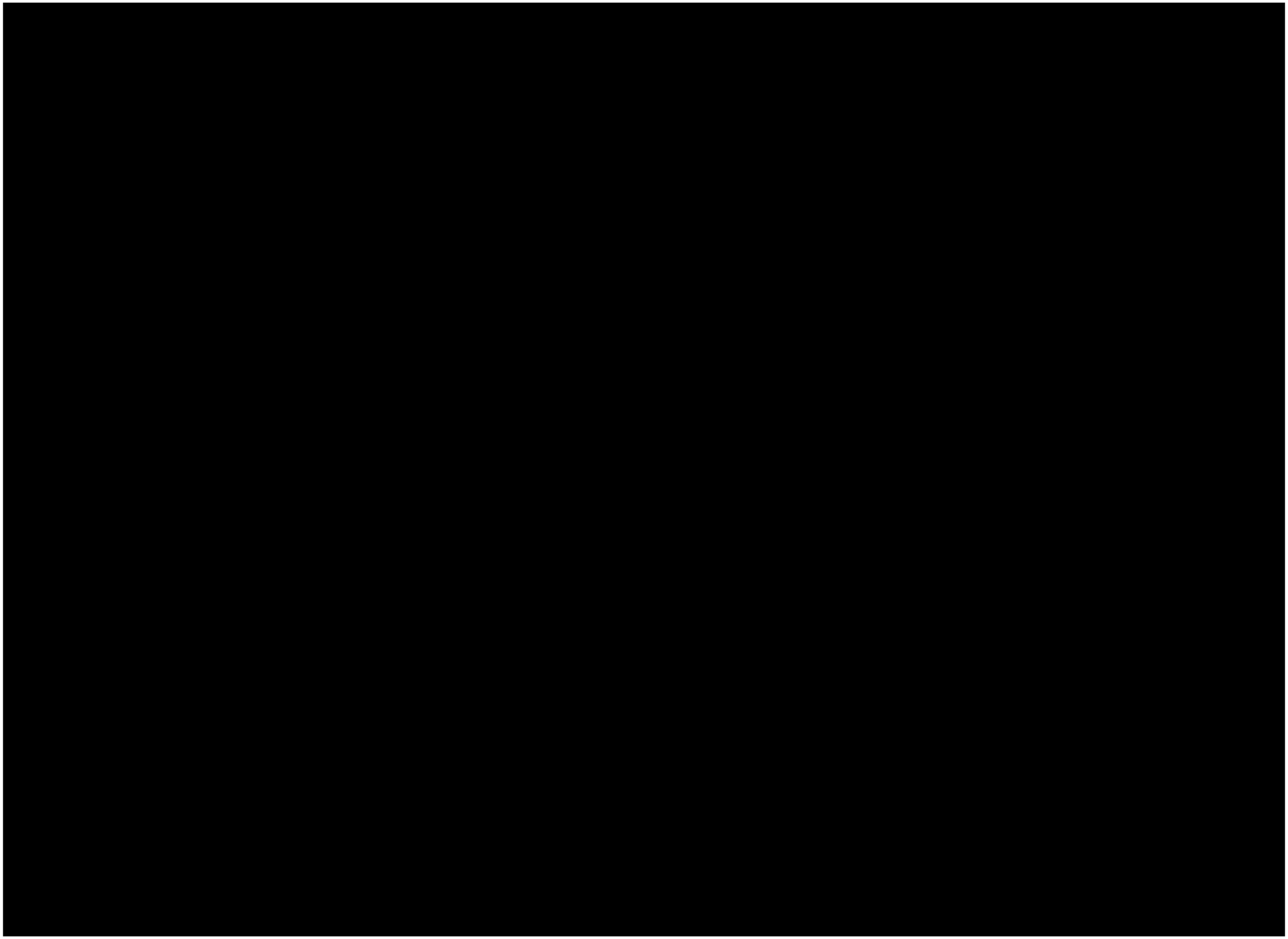
[redacted]

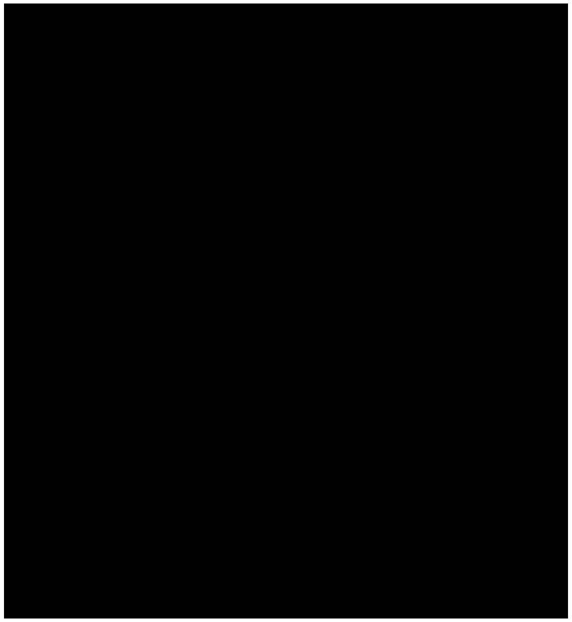
[redacted]

[redacted]

Southwest Coast

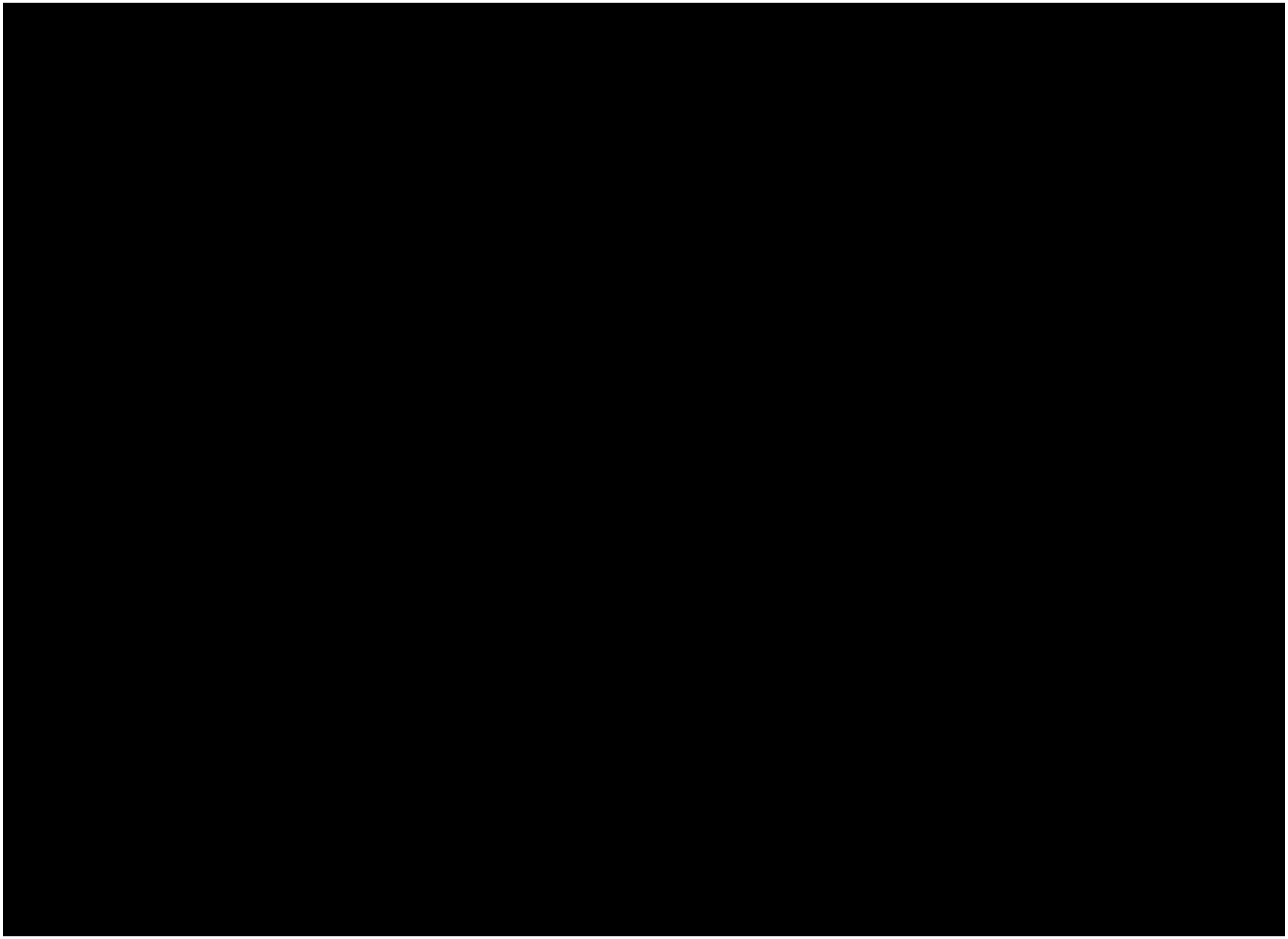
- Cap Rates in the Southwest Coast area are, on average, lower than that of the state (0.64 percentage points) and range from 5.7% (**Condo Conversion**) to 7.5% (**Office: Class B** and **Strip Centers**)
- Cap rates have decreased across most property types during the last quarter, with the largest changes being seen in **Warehouse and Dist.** (-0.45% change) and **Flex Space** (-0.47% change).
- Cap rate outlooks are significantly positive this quarter, with **Condo Conversion** and **Office: A** having the most respondents support for rate increases.
- Required yields for the Southwest Coast area are lower, on average, than that of the state, 10.14% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 14.2% and lowest for **Large Retail** and **Neighborhood Centers** at 9.0%.
- The largest shifts in required yields occurred in **Office: B** (-2.3% change) and **Neighborhood Centers** (+2.22% change).
- The investment outlook is mixed across property types, with one exception being **Warehouse and Dist.,** which appears to have a more positive outlook than its counterparts.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for Land with Residential Entitlements and Land without Entitlements, while the other classifications are neutral to positive.
- Future occupancy expectations are neutral to negative across property types, with the most significant support for occupancy decreases occurring for **Office: Class B**.
- Rental rate expectations are mixed across property types. **Warehouse and Dist., Office: Class B,** and **Free Standing** show the most respondent support for increases in rental rates that are to occur faster than the rate of inflation, while **Office: Class A** data indicates the potential for rental rate increases that are slower than the rate of inflation.
- Future absorption rates are expected to be lower for **Single Family Development** and **Condominium Development.**
- Future price increases are expected to occur at a rate slower than inflation in both **Single Family** and **Condominium Development**.





Tampa-St Petersburg

- Cap rates in the Tampa-St. Petersburg area are, on average, lower than that of the state (0.32 percentage points) and range from 6.1% (**Condo Conversion**) to 7.9% (**Strip Centers**)
- Cap rates have increased across all property types during the last quarter, with the largest changes occurring in **Condo Conversion** (+0.59% change) and **Office: Class A** (+0.49% change).
- Cap rate outlooks are neutral to positive this quarter, with **Condo Conversion** having the most respondent support rate increases.
- Required yields for Tampa-St. Petersburg are lower, on average, than that of the state, 10.23% compared to 10.83% statewide.
- Required yields are highest for **Condo Conversion** at 14.3% and lowest for **Large Retail** and **Neighborhood Centers,** each at 9.1%.
- The largest shifts in required yields occurred in **Warehouse and Dist.** (+0.96% change) and **Flex Space** (+0.87% change).
- The investment outlook is mixed across property types this quarter. **Condo Conversion** has the strongest respondent support for a positive outlook.
- The outlook for **Land Development** is again mixed across several classifications. It appears that the most negative outlook occurs for **Land with Residential Entitlements** and **Land without Entitlements** while the most neutral to positive outlook occurs for **Land with Commercial Entitlements.**
- For most property types, future occupancy expectations are primarily neutral. However, there appear to be neutral to negative expectations for the **Large Retail** and neutral to positive expectations for **Condo Conversion** that are worth noting.
- For the majority of property types, rental rates are expected to increase either at or above the rate of inflation. The most respondent support for increases in rental rates that are faster than the rate of inflation occur for **Condo Conversion** and **Flex Space.**
- Future absorption rates are expected to remain at current levels in **Single Family** and **Condominium Development.**
- Future price increases are expected to occur at a rate that is slower than inflation in both **Single Family** and **Condominium Development**.



[redacted]

[redacted]