Economic and Real Estate 2009 Outlook

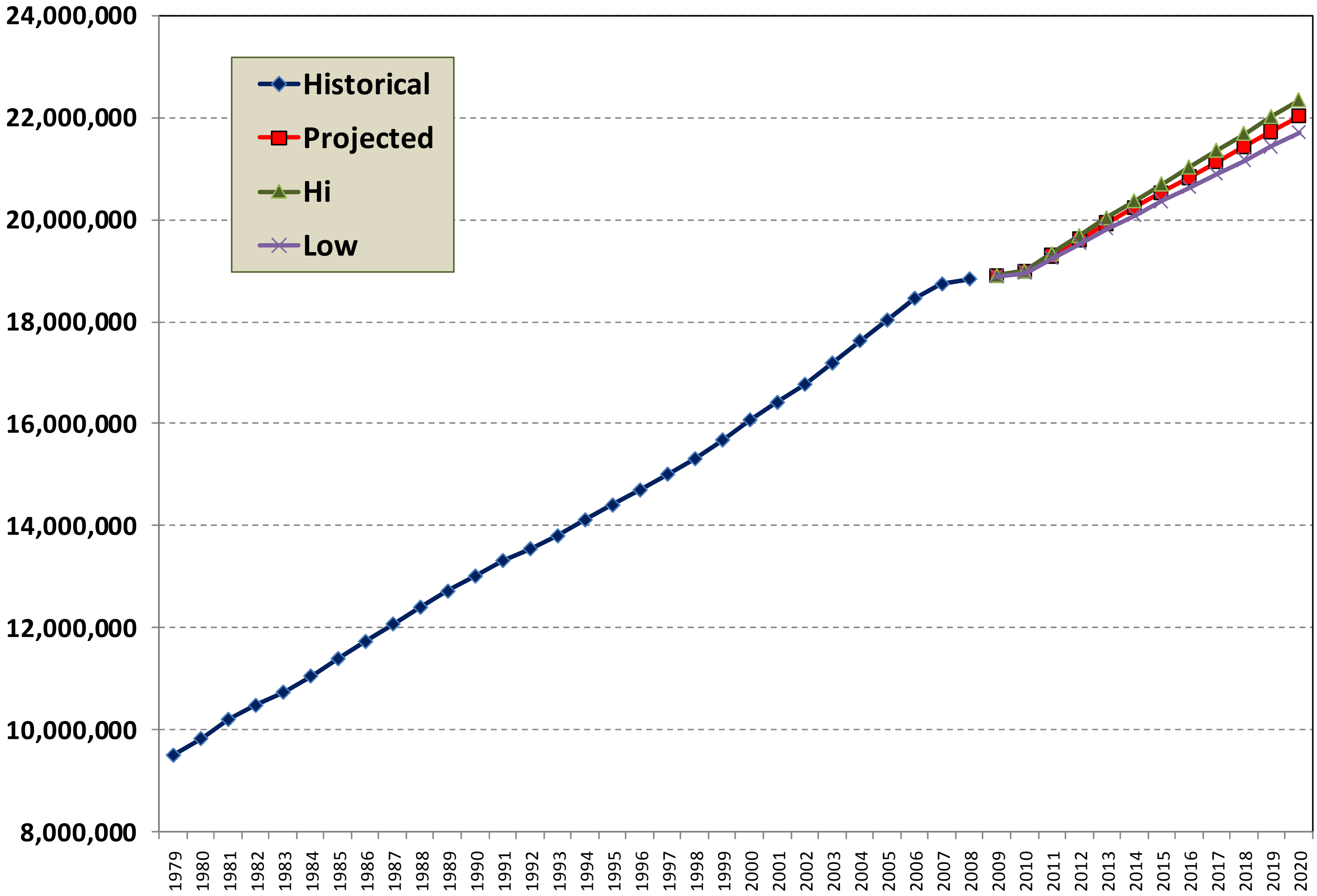
focus | REAL ESTATE ADVISORS

Craig A. Werley
305.441.6438
cwerley@focusadvisors.net

KEY POINTS

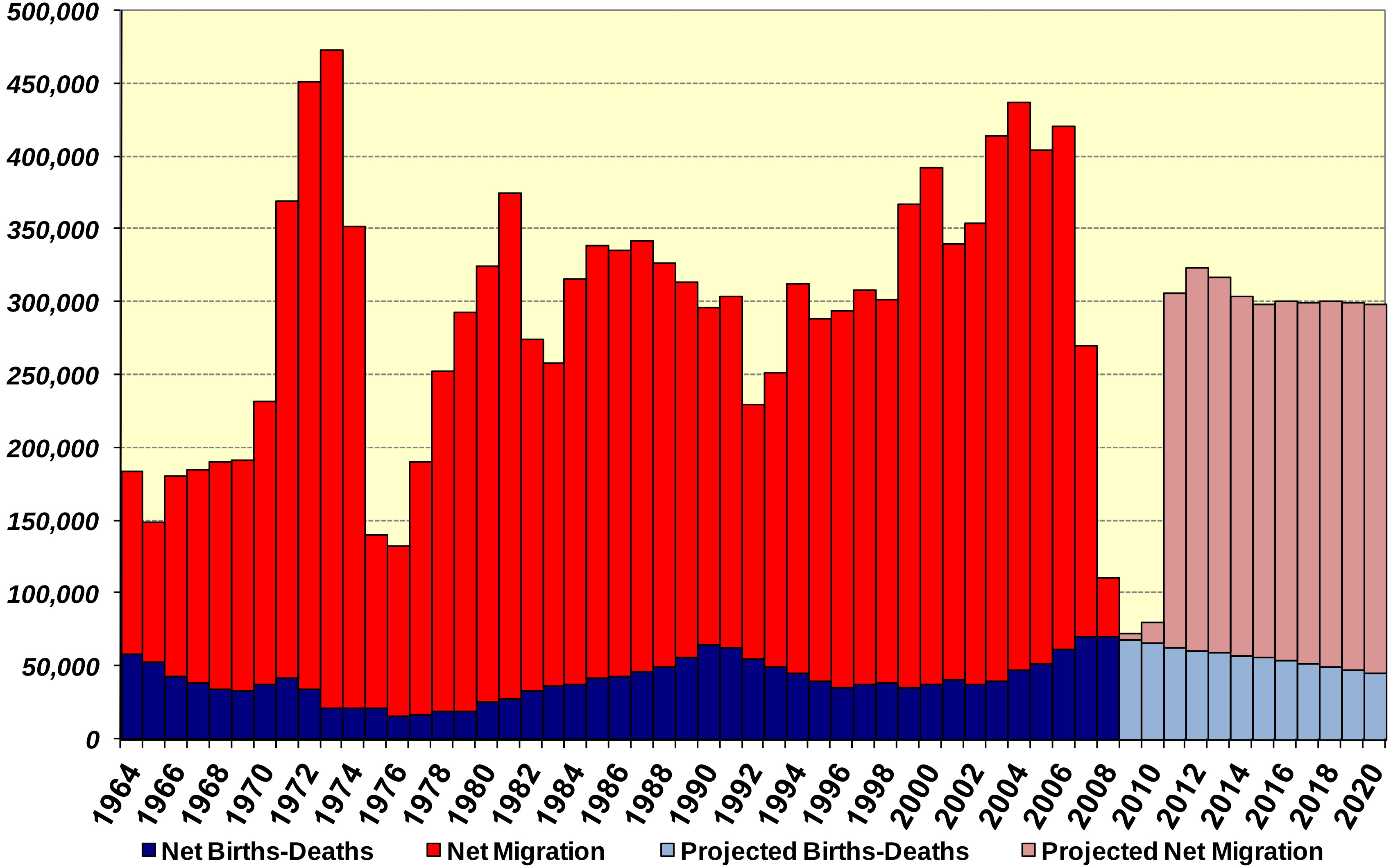
- **Fundamental Market Drivers –** Population - Employment
- **Market Trends & Indicators -**
  - Multifamily
  - Office
  - Retail
  - Other
- **Critical Factors -** influencing recovery prospects and timing

FLORIDA POPULATION GROWTH



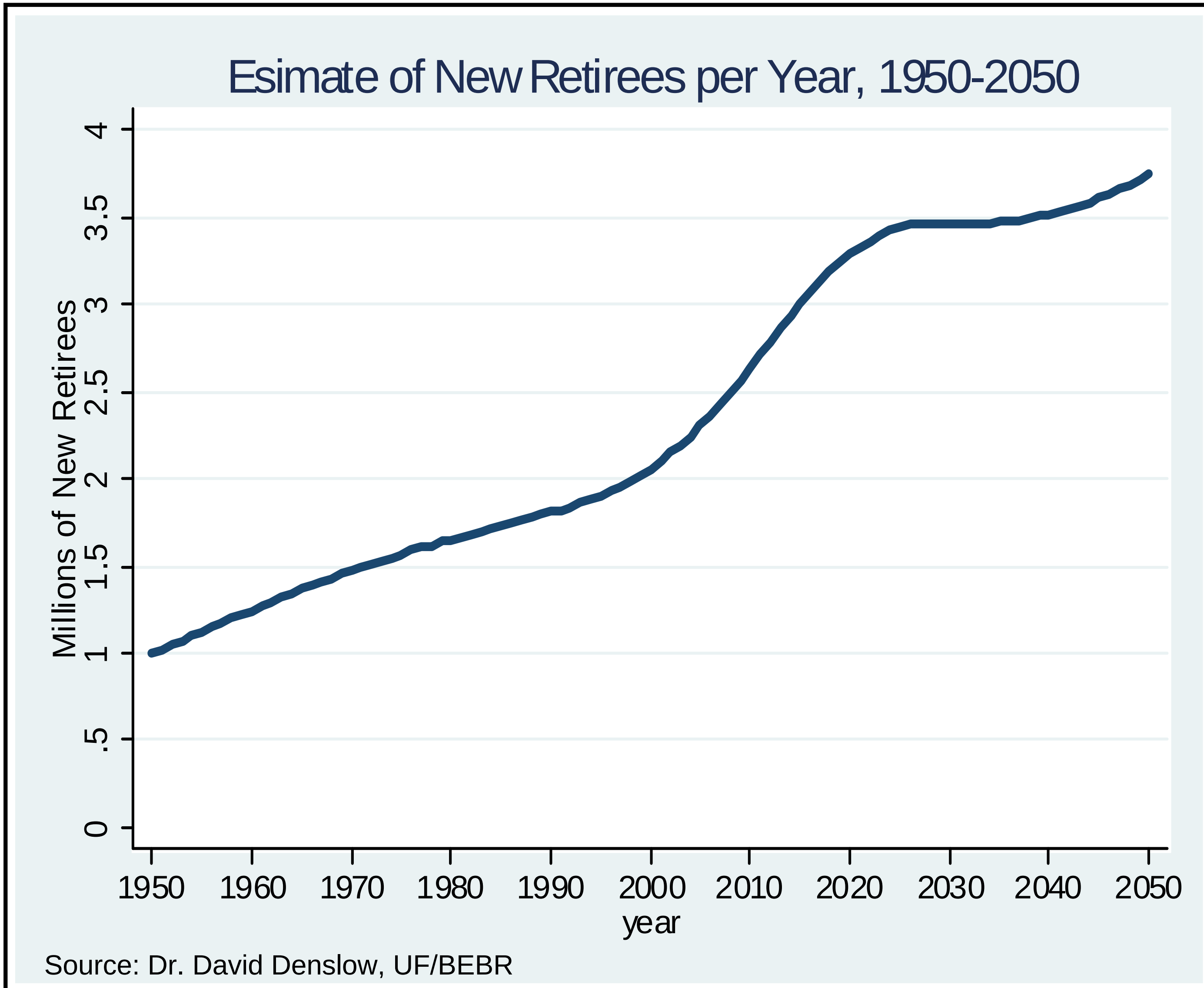
Source: Florida Demographic Estimating Conference, October, 2008; Focus Real Estate Advisors, LLC

FLORIDA ANNUAL POPULATION CHANGE



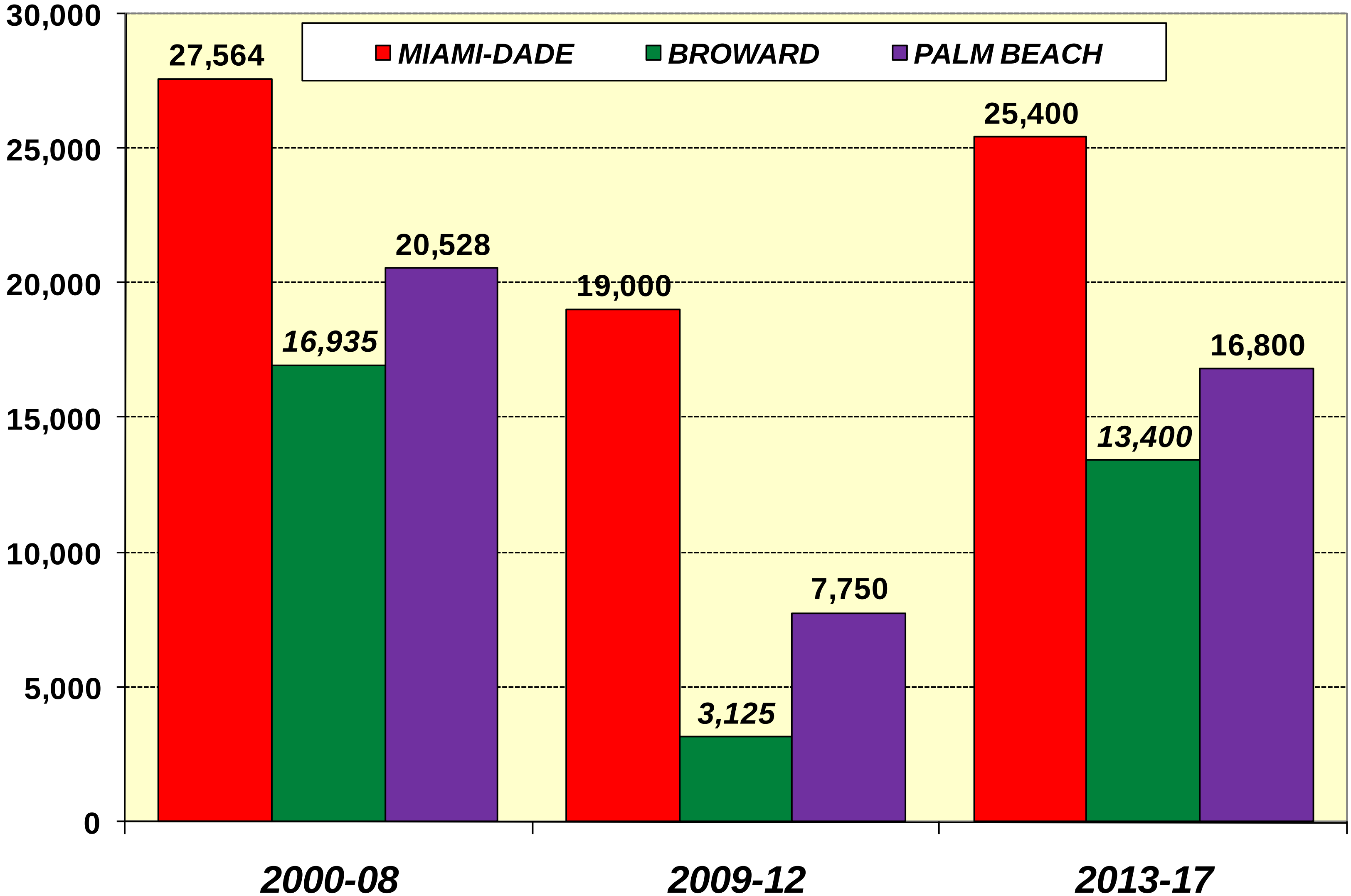
Source: Florida Demographic Estimating Conference, October, 2008

RETIREMENT POPULATION GROWTH



focus REAL ESTATE ADVISORS

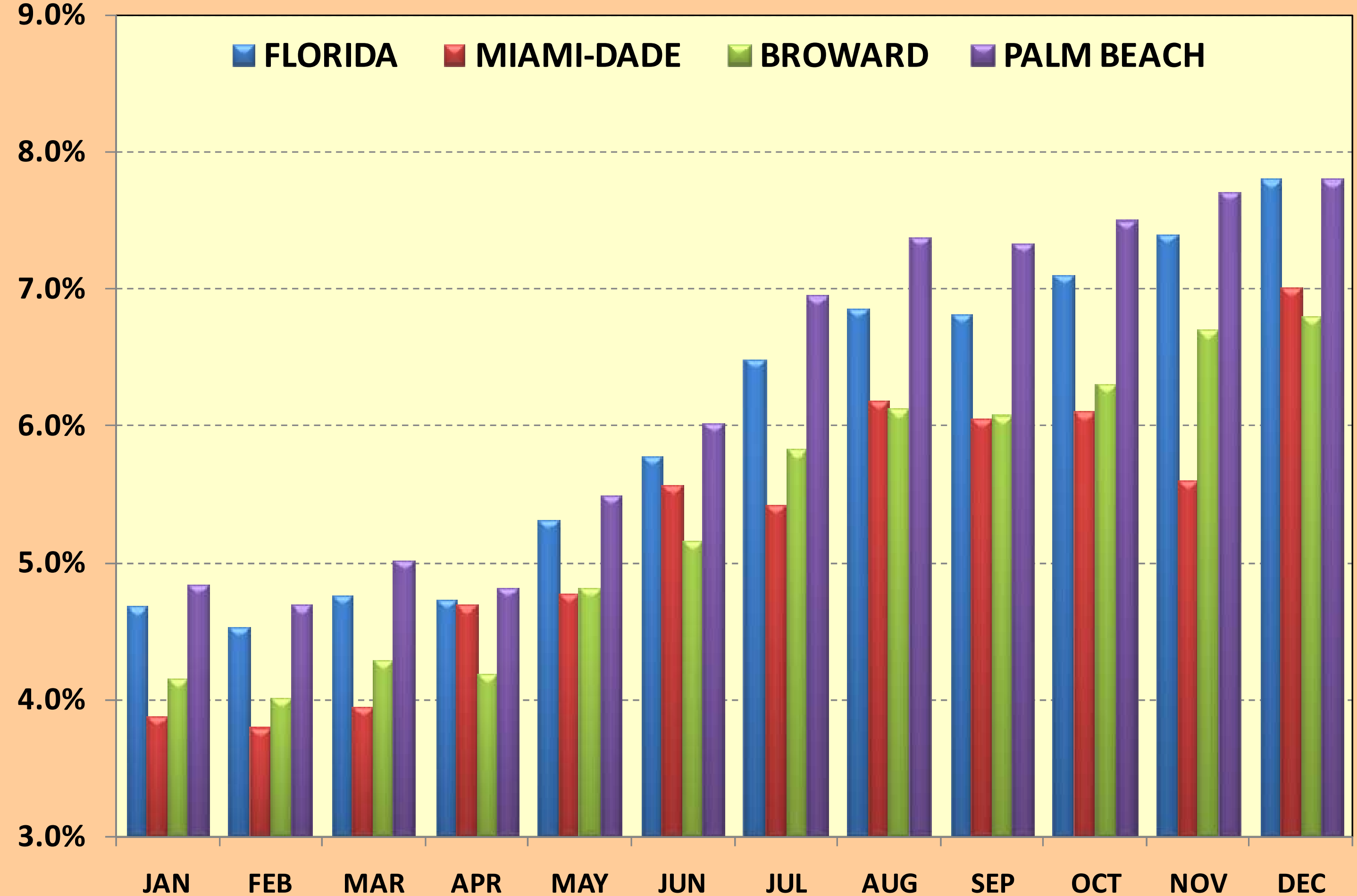
AVERAGE ANNUAL POPULATION CHANGE – SE FLA



Source: U.S. Census; Florida BEBR; Focus Real Estate Advisors, LLC

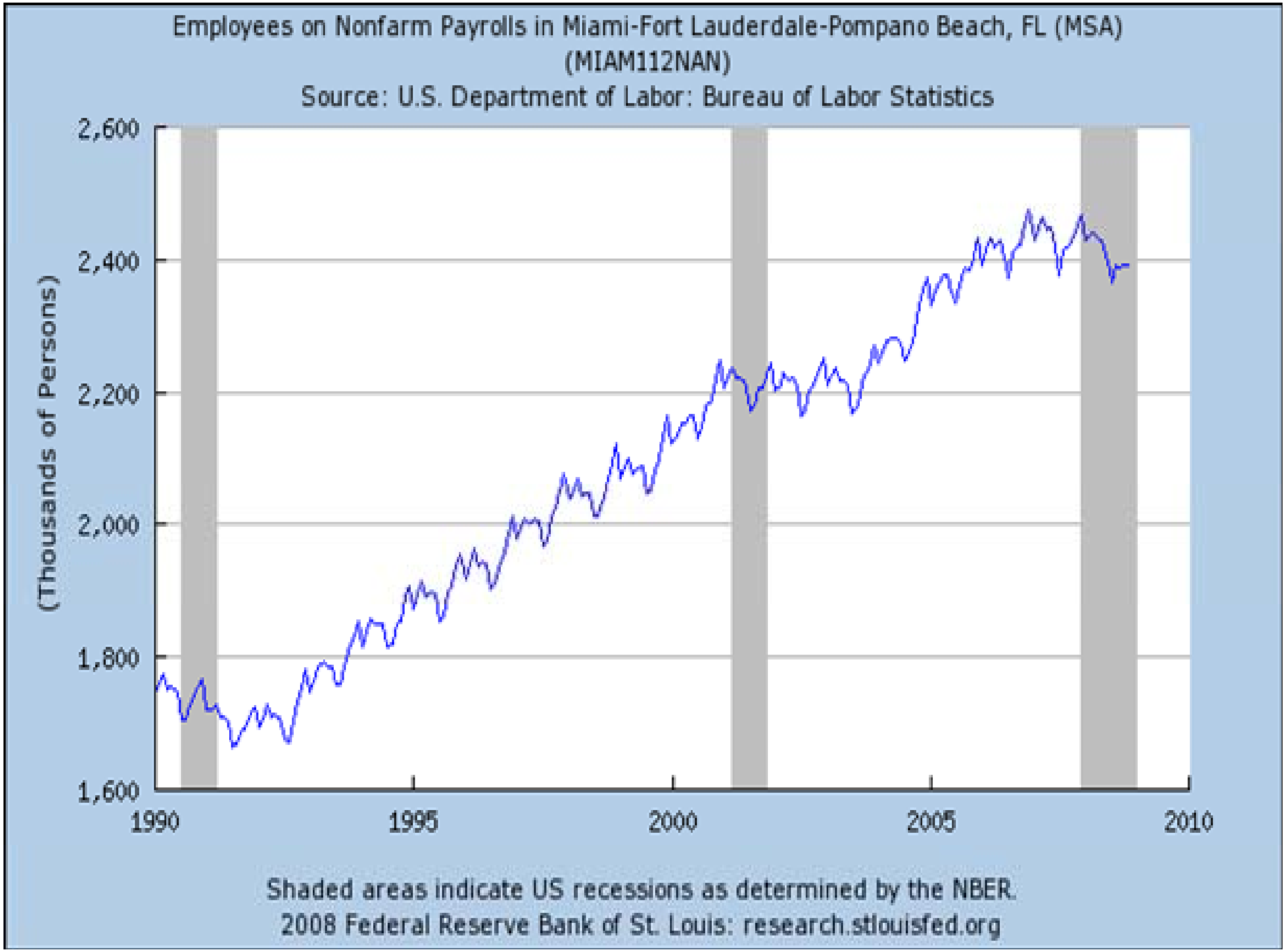
focus REAL ESTATE ADVISORS

UNEMPLOYMENT RATES/TRENDS
FLORIDA/SE FLORIDA COUNTIES 2008



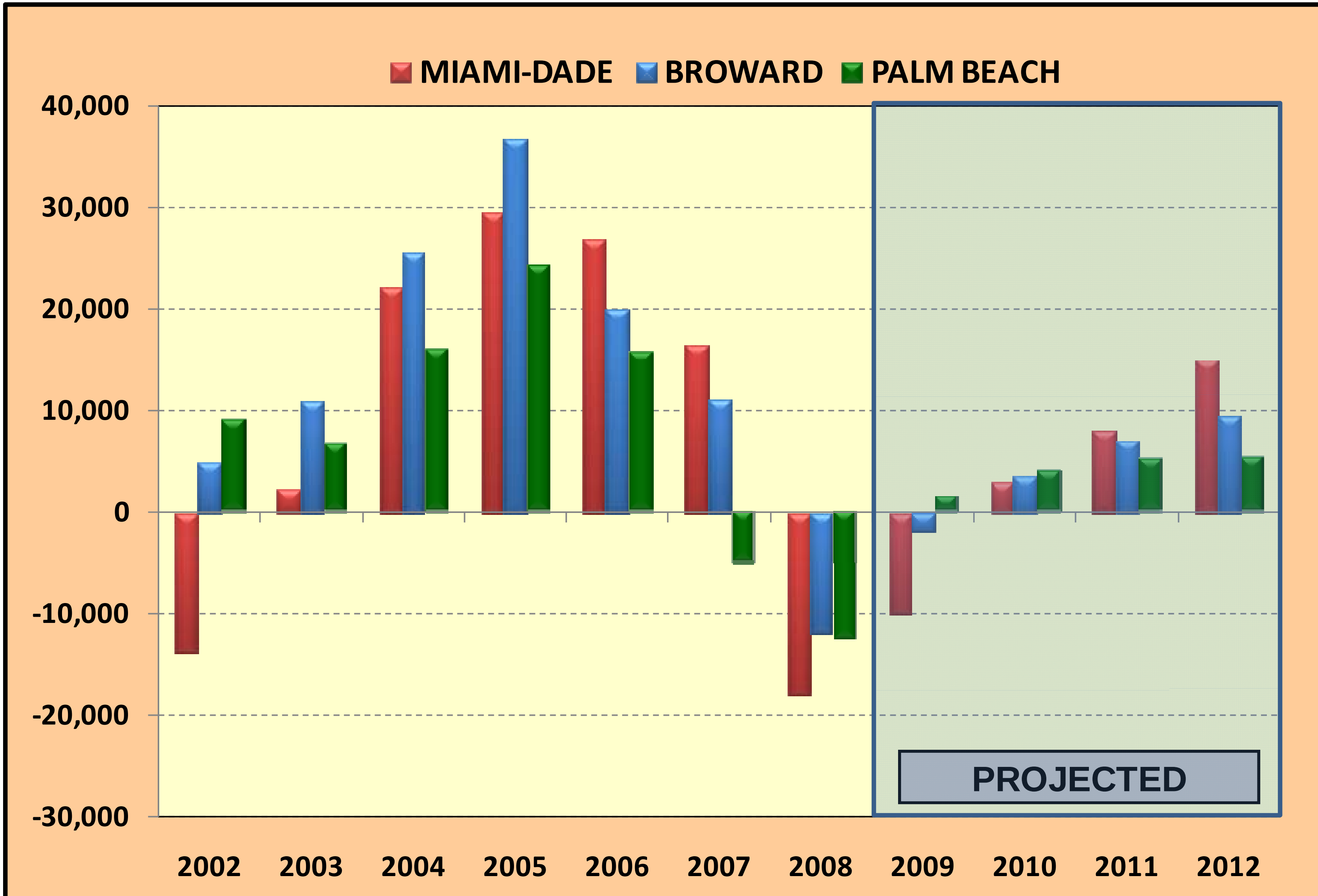
Source: State of Florida, Agency for Workforce Innovation, LAUS; Focus Real Estate Advisors, LLC.

METRO EMPLOYMENT – NON-FARM PAYROLLS



Source: Dr. David Denslow, UF/BEBR

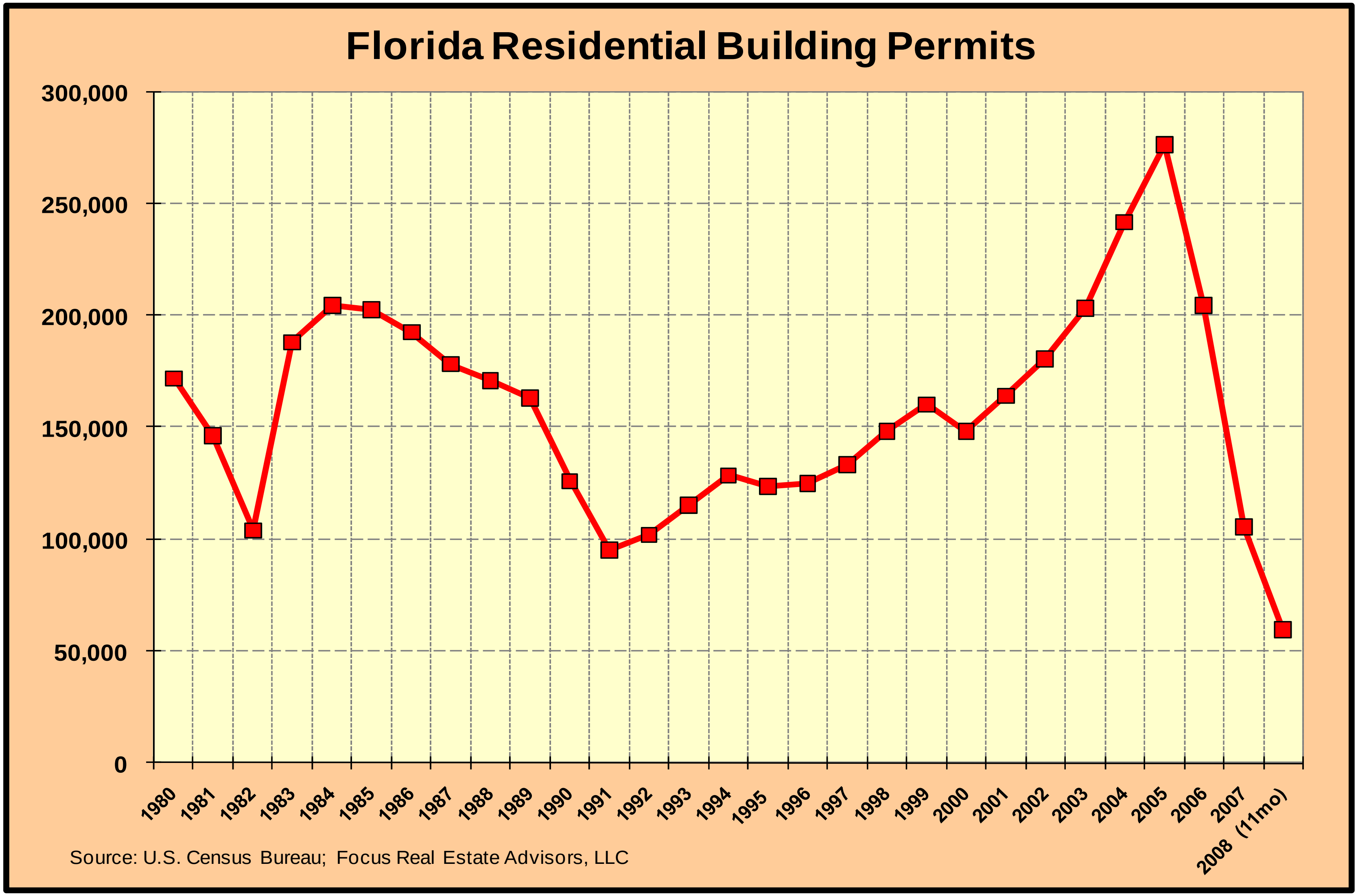
EMPLOYMENT TRENDS/PROJECTIONS



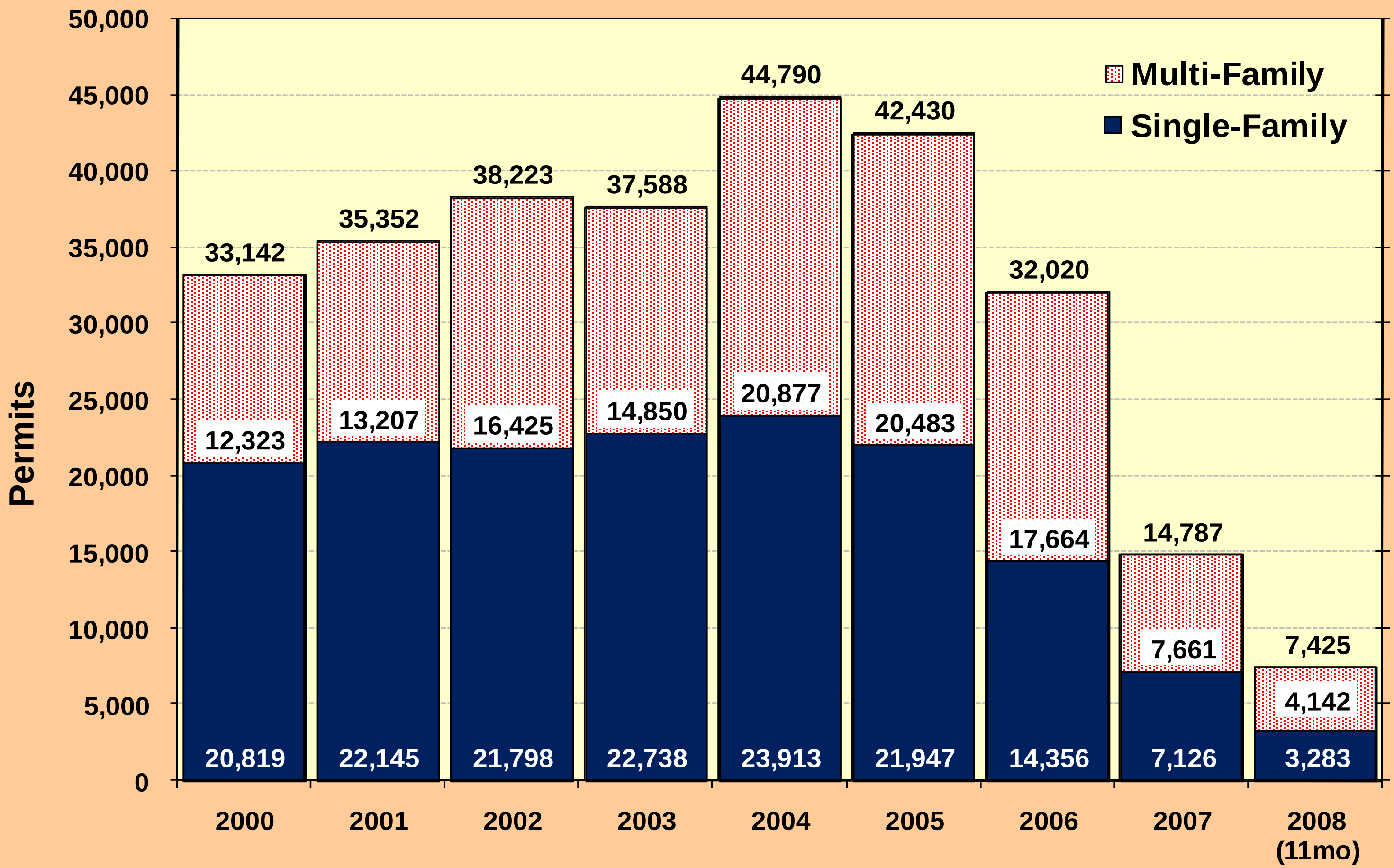
RESIDENTIAL MARKET SNAPSHOT

- Construction
- Foreclosure Activity
- Sales Trends

FLORIDA RESIDENTIAL CONSTRUCTION

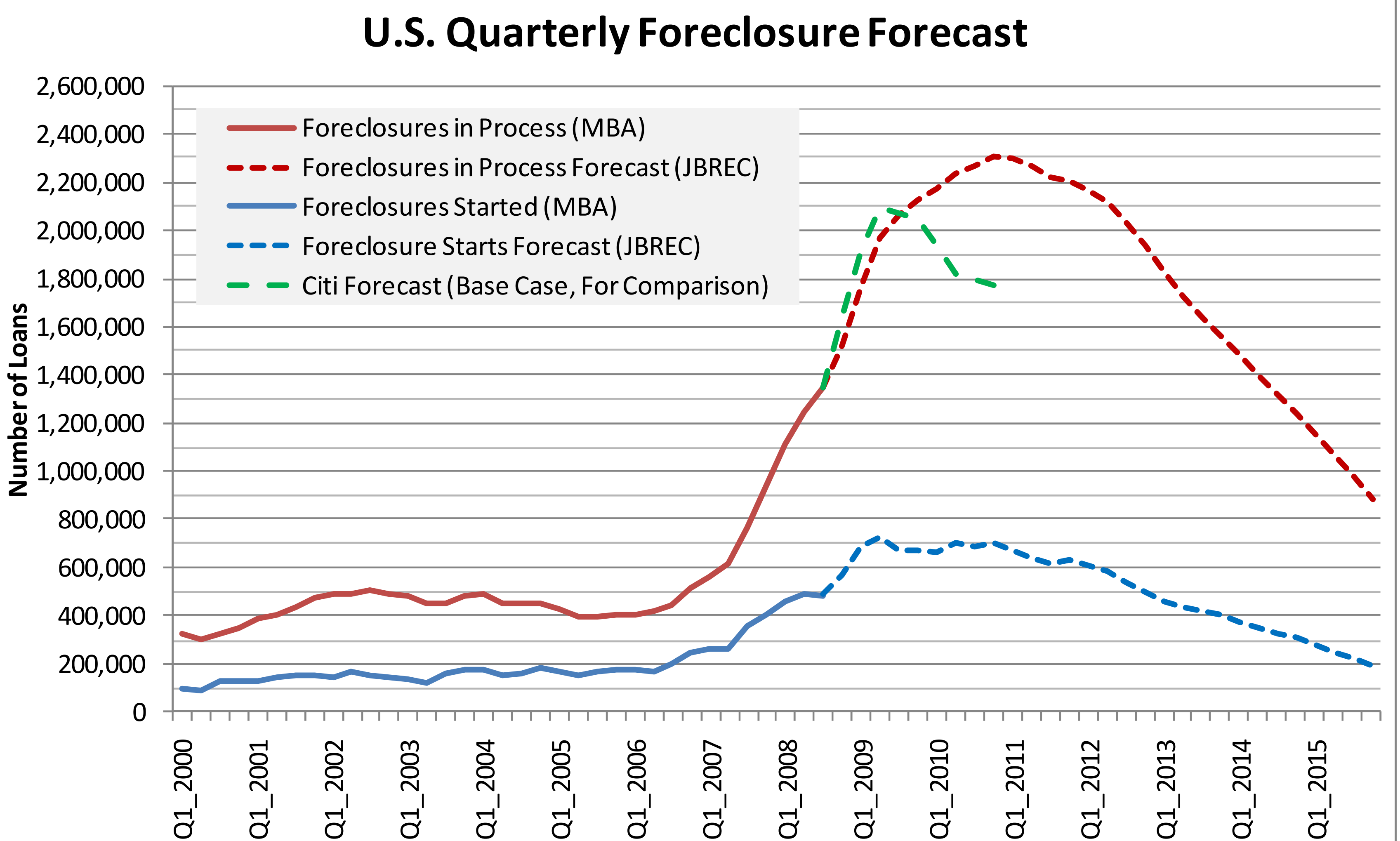


RESIDENTIAL BUILDING PERMITS BY TYPE
TRI-COUNTY AREA



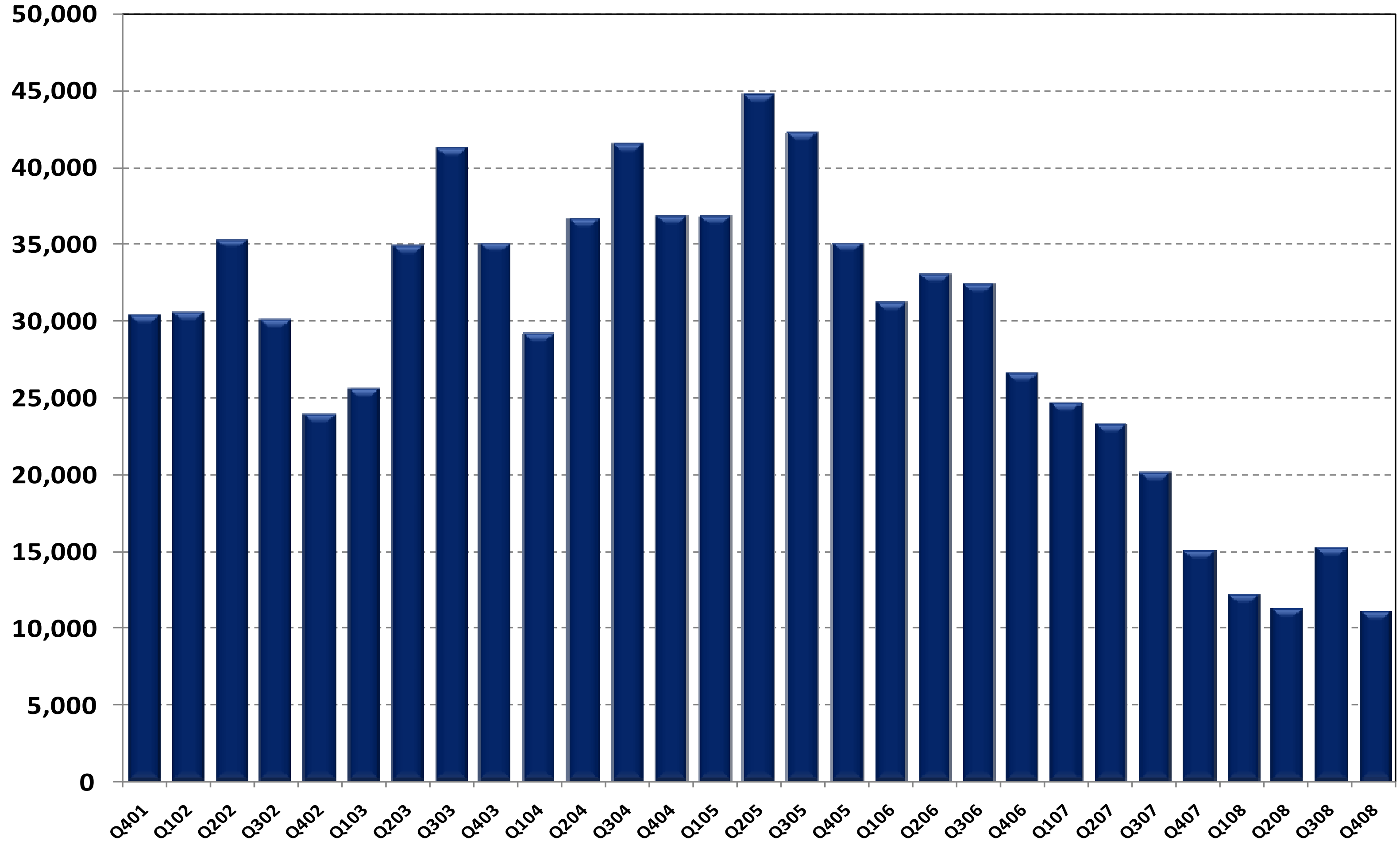
Source: U.S. Census, C-40 Reports; Focus Real Estate Advisors, LLC

NATIONAL FORECLOSURE FORECAST



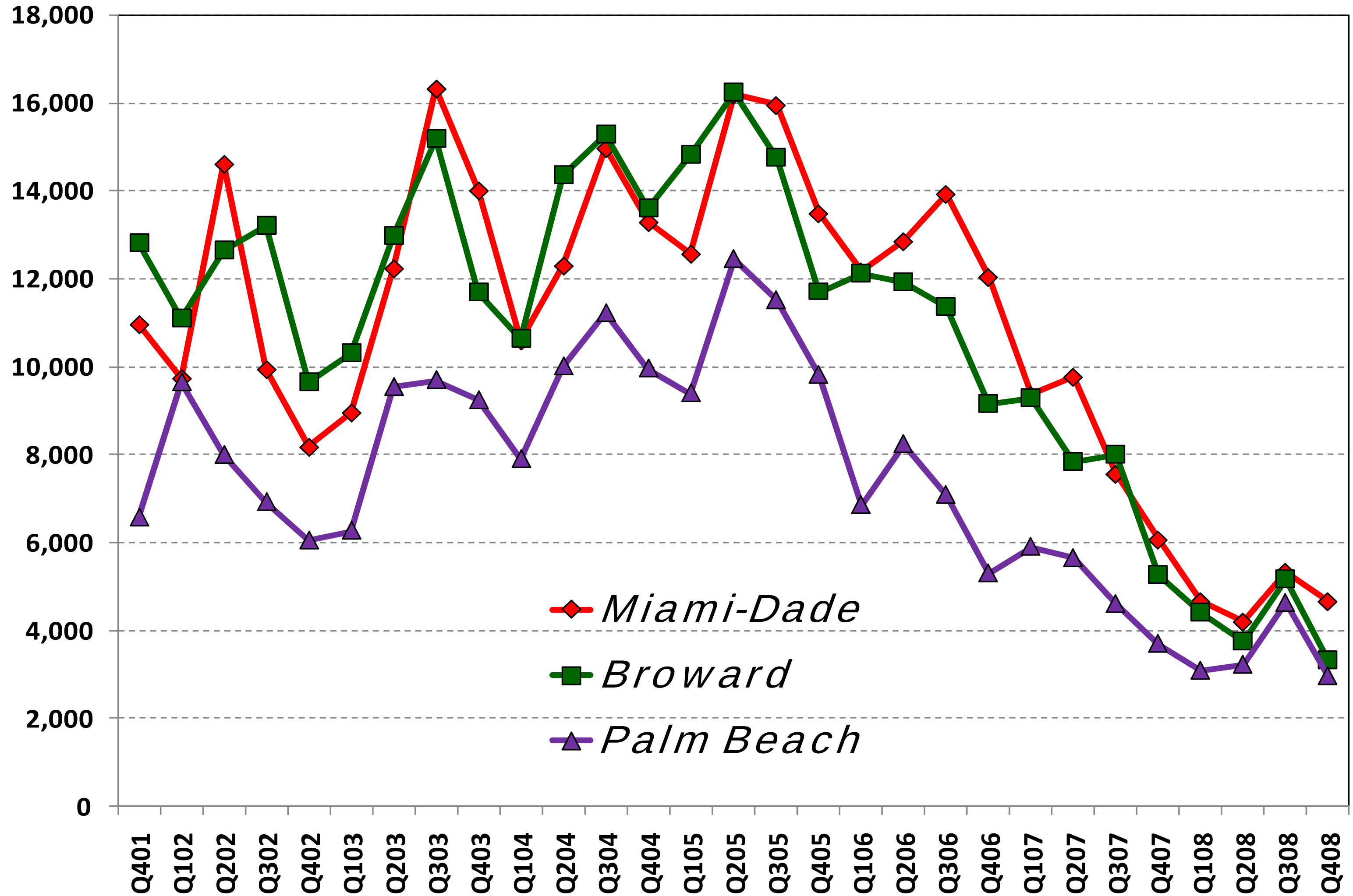
Sources: Mortgage Bankers Association for history, John Burns Real Estate Consulting for forecasts

QUARTERLY HOME SALES – TRI-COUNTY AREA (Q401 – Q408)



Source: Public Record; Focus Real Estate Advisors, LLC

QUARTERLY HOME SALES – BY COUNTY (Q401 – Q408)



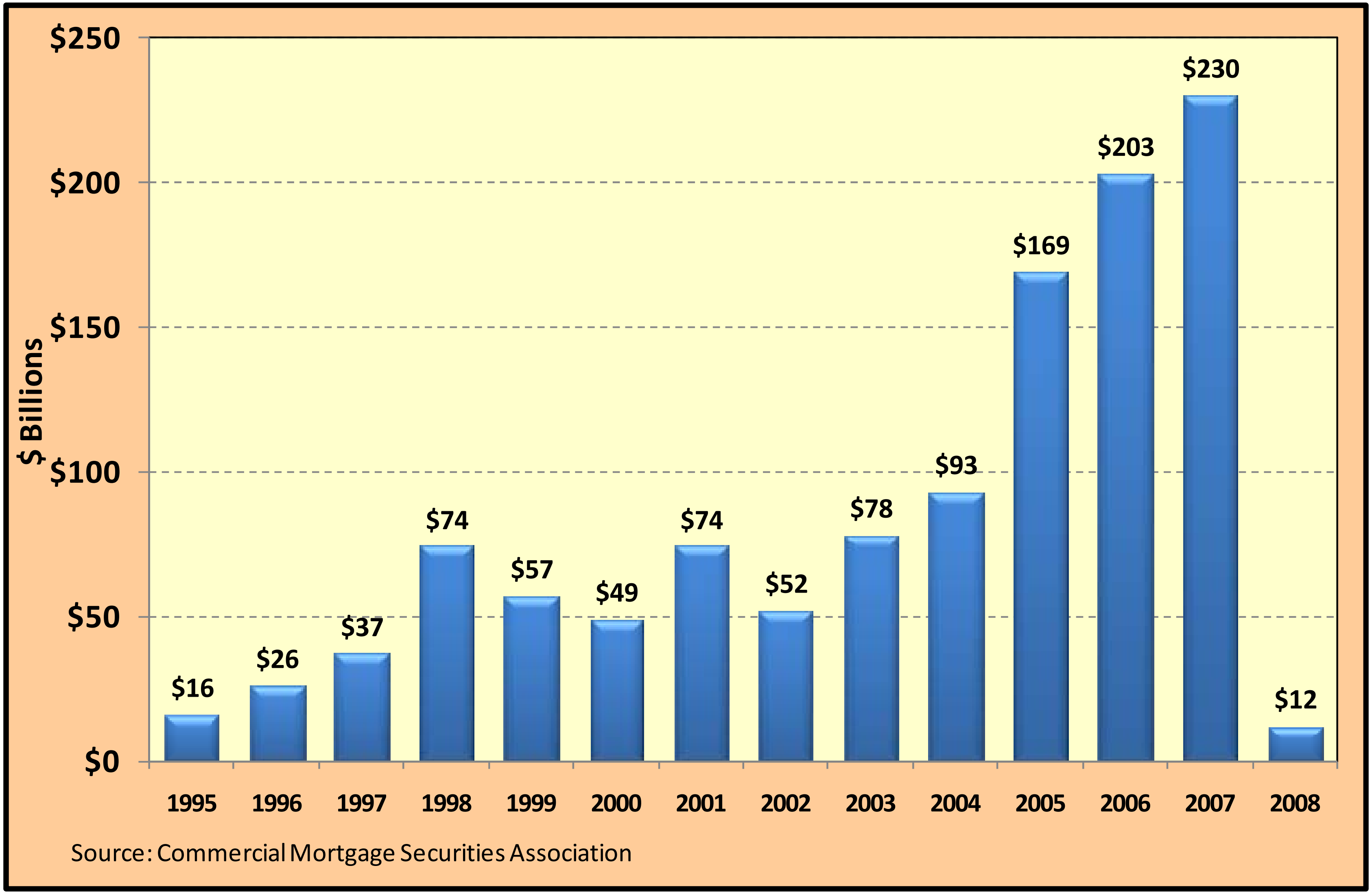
Source: Public Record; Focus Real Estate Advisors, LLC

focus REAL ESTATE ADVISORS

COMMERCIAL REAL ESTATE

- **Credit Issues**
- **National Perspective**
- **Market Cycle Positioning – SE FLA**
  - Multifamily
  - Office
  - Retail
  - Industrial
  - Other
- **Sector Performance Trends & Outlook**

CMBS ANNUAL VOLUME



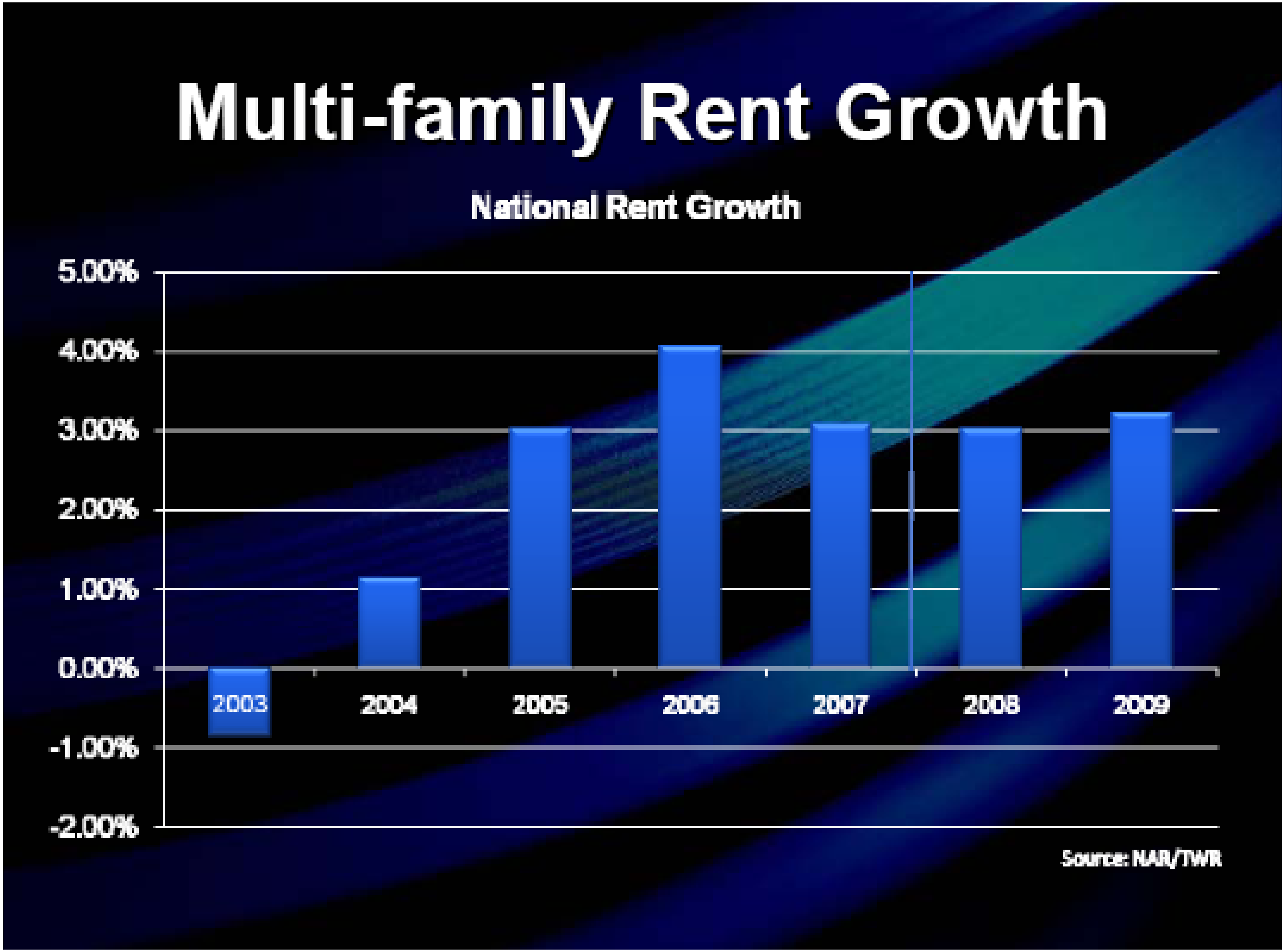
U.S. Commercial Market

- **Commercial Real Estate – in a slowdown**
  - Demand is decreasing – Lower level of transactions. Supply has been increasing from new construction.
  - Vacancy Rates rising across all markets. Rent Growth slowing, still positive in most markets and most property types.
  - Financing: a major issue.
- **U.S. investment in new properties--remain well below levels of last two years. Modest rise in vacancy rates.**
  - Office vacancy rates: 12.5% in 2007; 13.5% in 2008; 15% in 2009? .
  - Industrial vacancy rates: 9.4% in 2007; 10.0% in 2008; 11% in 2009?
  - Retail vacancy rates: 9.2% in 2007; 9.9% in 2008; 11% or more in 2009?
  - Multi-family vacancy rates: 5.4% in 2007; 5.5% in 2008; 6% in 2009?
  - Capital Markets / Financing – Impacting markets: Assumptions and seller financing of increased importance; Wall Street financing ended. Limited and expensive financing options

Source: Jed Smith, Managing Director, Quantitative Research, NAR

Office Vacancy Rate

Source: Jed Smith, Managing Director, Quantitative Research, NAR



Source: Jed Smith, Managing Director, Quantitative Research, NAR

Commercial Summary

- Commercial real estate fundamentals have been relatively strong—but are subject to recession.
- Commercial real estate accounts for about 6% of GDP.
- $400 billion of CRE debt matures by the end of 2009.
- Two largest sources of CRE debt financing are banks and CMBS.
- Banks are not lending and CMBS market is closed.
- Lending terms, when available, are very expensive, and assets cannot be sold.
- Seller financing of increasing importance.
- Mark to Market Issues.

Source: Jed Smith, Managing Director, Quantitative Research, NAR

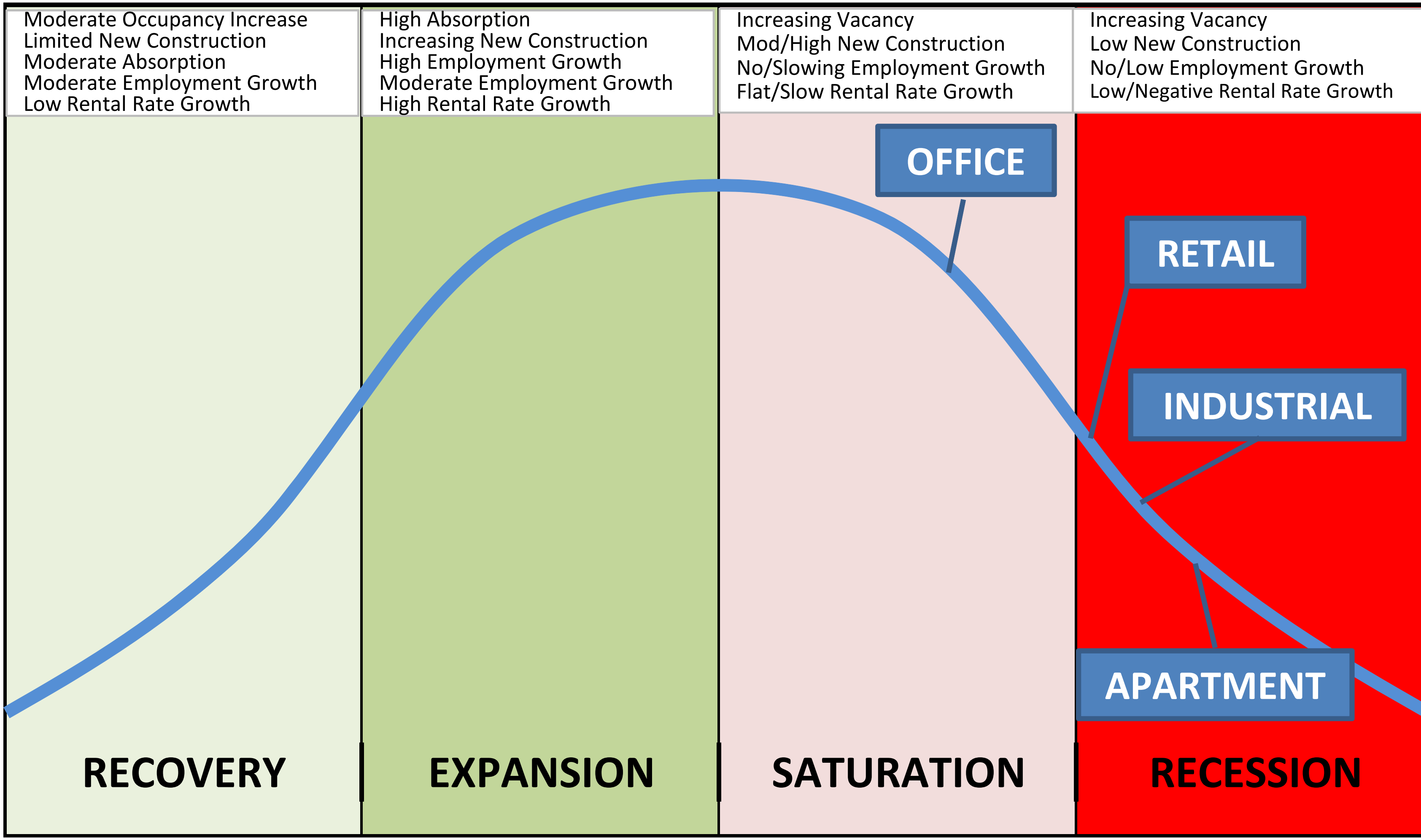
Commercial Market Outlook

- **Retail**
  - Consumer spending – appears headed down to necessities.
  - Store closings – apparel & home entertainment top list.
  - Space availability increases.
  - As recession continues, potentially a big issue.
- **Multi-Family**
  - Moderate growth ahead.
  - Foreclosures increase rental demand – consumers move from 'owners' to 'renters'.
  - Supply pipeline – possible overhang in condos.
  - Wider variations among markets.

Source: Jed Smith, Managing Director, Quantitative Research, NAR

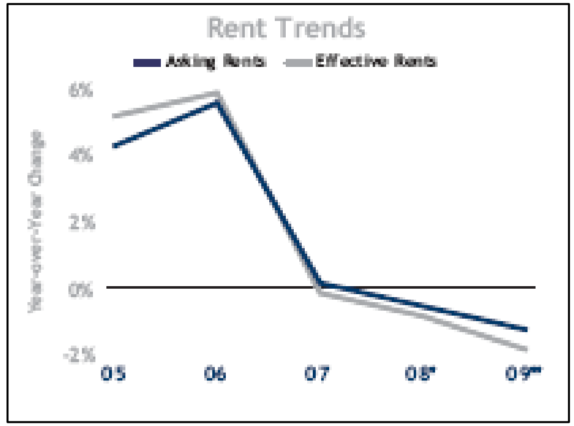
MARKET CYCLE POSITION – MAJOR SECTORS

SOUTHEAST FLORIDA TRI-COUNTY METRO AREA

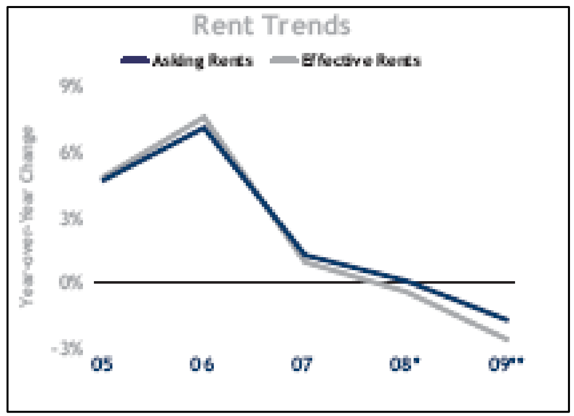


MF-RENTAL RATE TRENDS

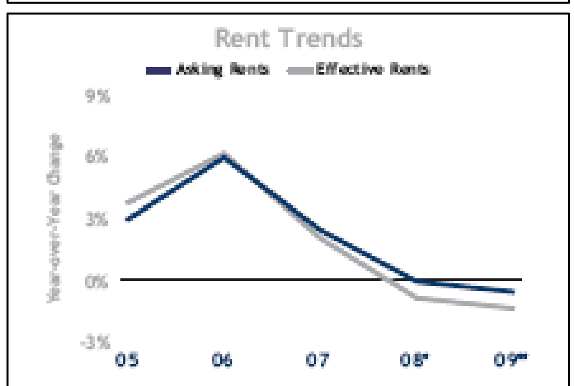
PALM BEACH



BROWARD

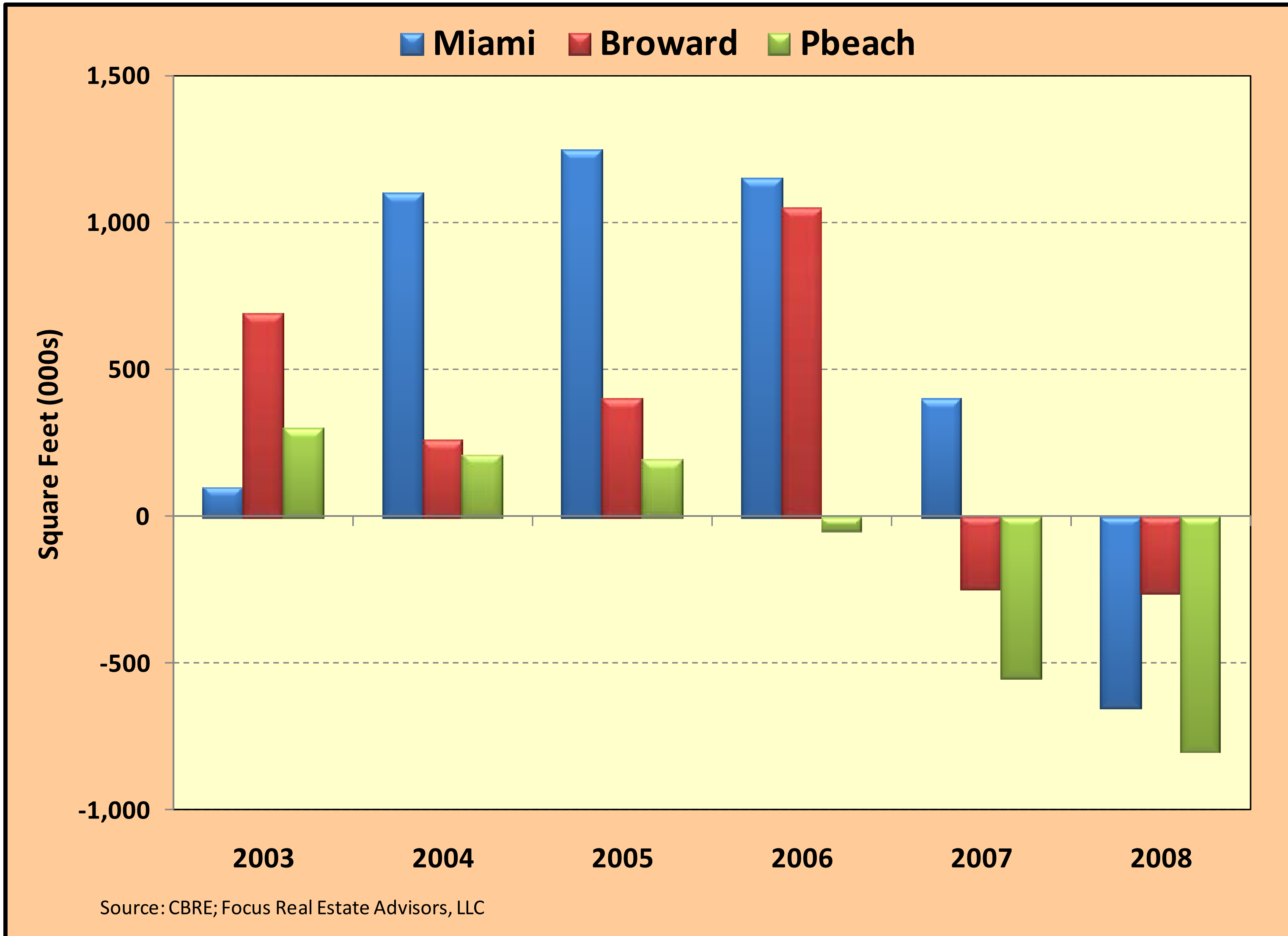


MIAMI-DADE



Source: Marcus & Millichap

OFFICE SPACE ABSORPTION TREND
METRO COUNTIES



PERFORMANCE OUTLOOK – MAJOR SECTORS

	MIAMI-DADE Amount	MIAMI-DADE % Chg	BROWARD Amount	BROWARD % Chg	PALM BEACH Amount	PALM BEACH % Chg
Apartment						
Rents	$1,039	-1.3 - -1.5%	$1,025	-2.5--3.0%	$1,021	-1.5--2.0%
Vacancy	6.6%	1.1-1.5%	7.9%	1.1-1.5%	9.9%	1.2-1.5%
Office						
Rents	$26.05	-1.0 - -2.0%	$21.44	-1.9--2.5%	$19.55	-1.3--1.5%
Vacancy	11.6%	2.5 - 3.5%	12.1%	3.4 - 4.0%	15 - 20%	3.0 - 5.0%
Retail						
Rents	$21.77	-0.8 - -1.5%	$17.00	-1.4 - -2.0%	$20.26	-1.9 - -2.5%
Vacancy	6.0%	1.0 - 3.0%	8.6%	2.0 - 3.0%	9.1%	1.9 - 2.5%
Industrial						
Rents	$8.40	-1.0 - -1.5%	$8.24	-1.5 - -2.0%	$7.91	-1.0 - -1.5%
Vacancy	7.9%	1.5 - 2.0%	7.3%	1.5 - 2.0%	8.6%	1.5 - 2.5%

Sourc: Marcus & Millichap; CBRE; Focus Real Estate Advisors, LLC

Market Rating

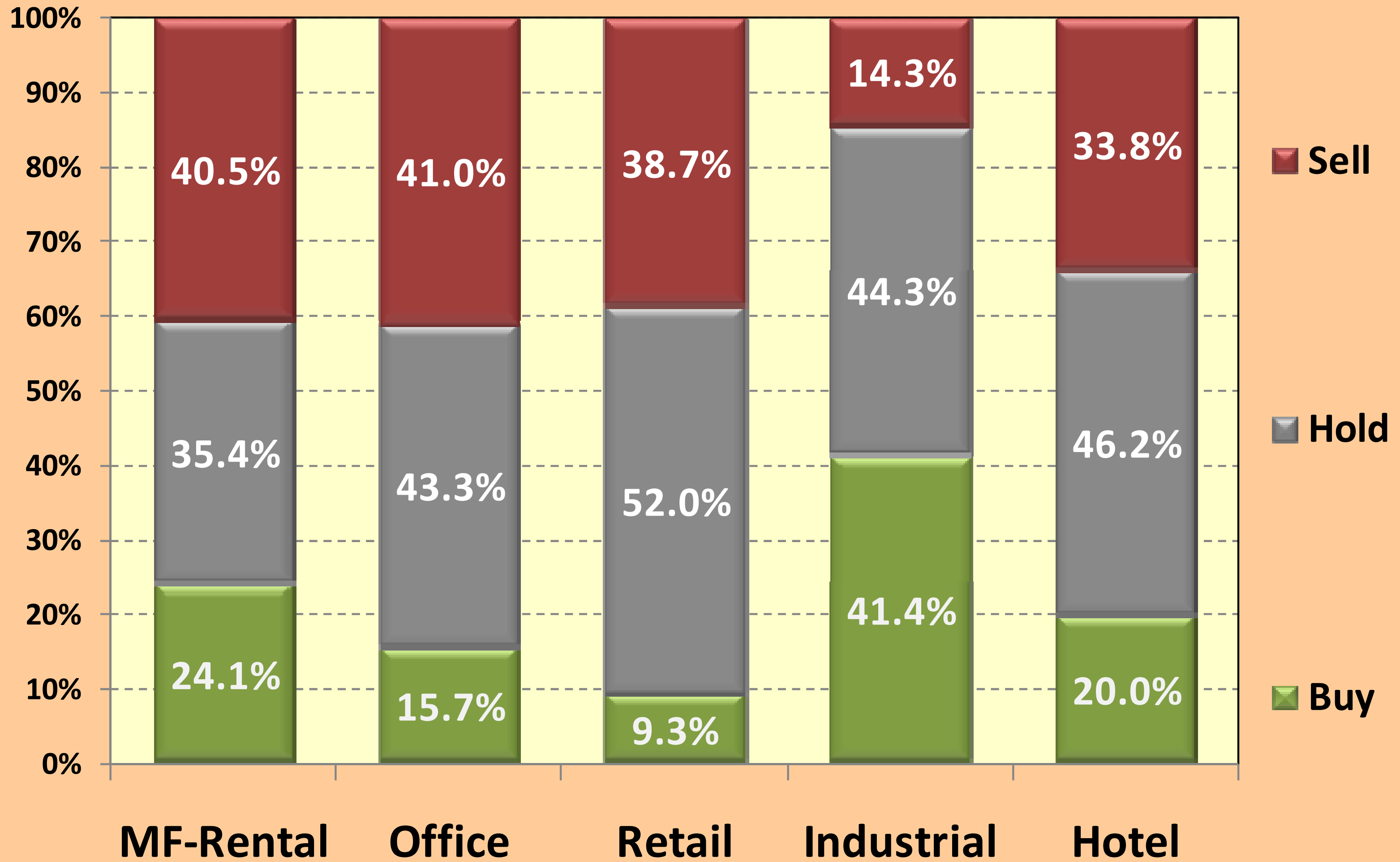
Tri-County Metropolitan Area

➢ Multifamily (Rental) Investment	4.24	34th
➢ Multifamily (Rental) Development	1.68	49th
➢ Homebuilding	2.13	49th

Abysmal	Fair	Excellent
1	5	9

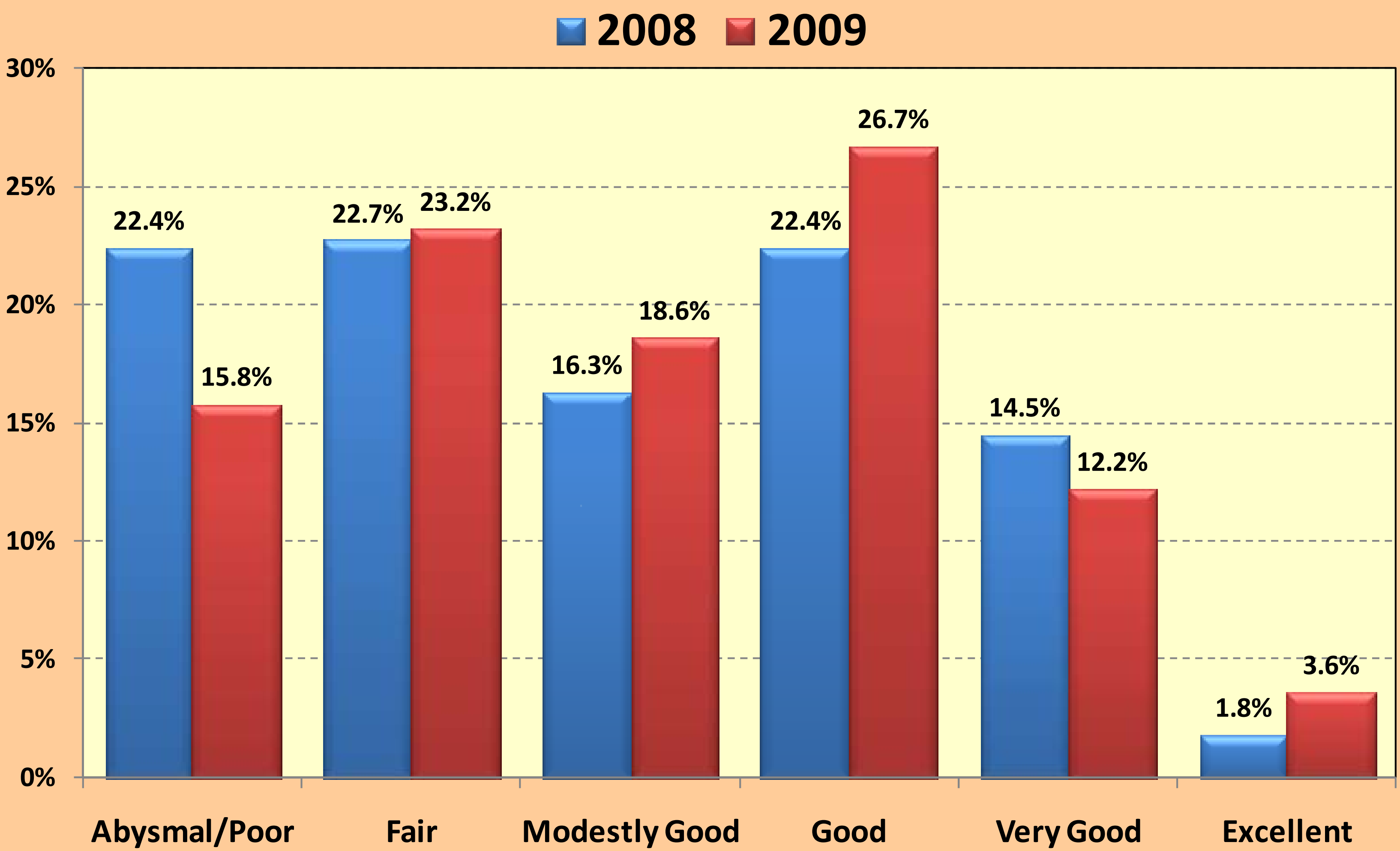
Source: Emerging Trends 2009, ULI, PWC.

REAL ESTATE INDUSTRY PROFESSIONALS
PERSPECTIVE ON METRO COMMERCIAL SECTORS



Source: Emerging Trends 2009, ULI,PWC

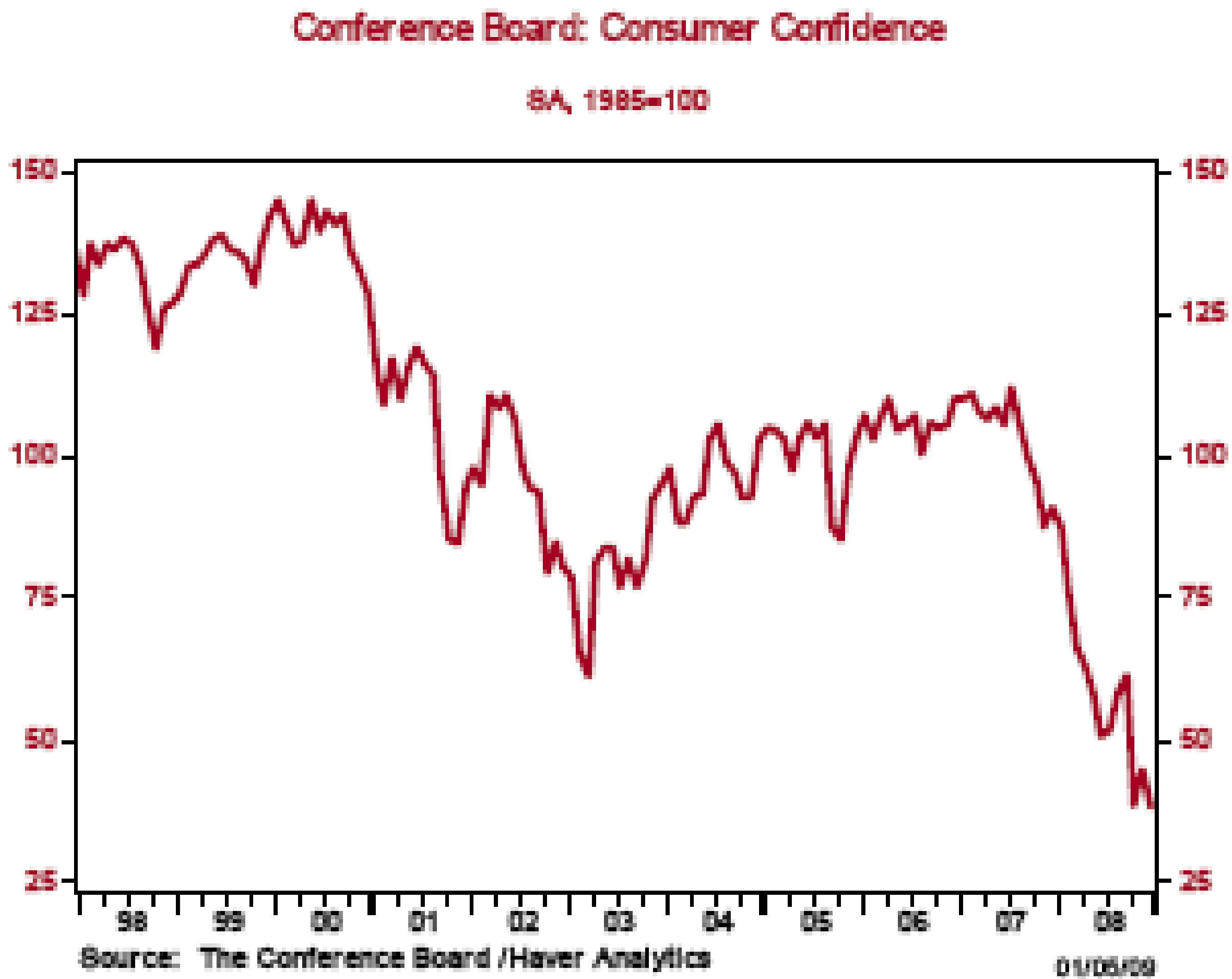
REAL ESTATE INDUSTRY EXECUTIVES'
PROFITABILITY OUTLOOK 2009



Source: Emerging Trends 2009, ULI,PWC

focus | REAL ESTATE ADVISORS

CONSUMER CONFIDENCE



ISSUES & OUTLOOK

- OBAMA, OBAMA, OBAMA
  - Credit Market Actions
  - Stimulus Program – Scope / Timing
- Global Economic Conditions
  - Tourism, Trade, Finance
- Housing affordability – In-migration
- Demand / Supply Fundamentals
- Property Assessment / Tax Adjustment
- Uncertainty & Distress
- Writedowns
- Rising Cap Rates

2009 Commercial RE To Do's

- Re-examine Highest & Best Use
- Review Entitlement-Planning Approvals
- Creative Alternative Use Opportunities (i.e. Retail Space to other business services/non-commercial uses)