

MIAMI, FL

3rd Quarter Market Report



OVERVIEW:

The 3rd Quarter was marked by the first significant step toward normalcy. Prospects stopped looking and started leasing; investors started buying on a limited basis and the overall mood began to improve. As the quarter closed, a sense of modest optimism accelerated as the shift was about to occur in Washington.

Investment: Deep-pocket investor activity accelerated with large transactions in multiple categories. Cap rates for true trophy assets fell below 7% and in some cases below 6%. Investors with long hold periods acquired these trophies expecting strong rental growth as the economy improves. The remaining asset classes have cap rates of 8% - 10%.

Retail: The retail market did not suffer from overbuilding over the last five years. Thus, it shifted from an abnormal condition of full occupancy to a more typical 10% vacancy. Rents have dropped, principally due to reduced sales levels per sq. ft. versus excess inventory. The market seems to have stabilized. As economic growth resumes, sales per sq. ft. will grow and rents will follow.

Industrial: Overall vacancy rates dropped by almost 1% in the last 9 months to 9.3%; there is limited new construction and large blocks of space are being rented. Absorption should increase through year-end as the US and Latin America economies improve. Major projects underway are: the Port of Miami (to offer docking for super freighters that will traverse the soon-to-be widened Panama Canal) and at the Miami International Airport - to increase capacity.

Office: This sector is the weak link. As the economy improves, it is driven by increased productivity, not job growth. Expectations are job growth will not resume until mid-2011. Vacancy rates will remain constant or increase in the CBD/Brickell submarkets; 1 million sq. ft. of new Class-A space was delivered this quarter. Save for a few submarkets, occupancy rates will remain at current high levels or drift higher and rents will remain at low levels or drift lower.

PRIME RENTS

OFFICE			RETAIL			INDUSTRIAL/WAREHOUSE		
Location	US\$/m ² /mo.	Trend	Location	US\$/m ² /mo.	Trend	Location	US\$/m ² /mo.	Trend
Miami	36.60	Stable	Miami	25.20	Stable	Miami	6.80	Stable

PRIME YIELDS (NET RENT/PURCHASE PRICE) %

Office	Trend
7%	Down
Retail	Trend
6.75%	Down
Industrial/Warehouse	Trend
7.5%	Down

KEY TRANSACTIONS

- Baptist Health Systems purchased 117,458 SF Town & Country Corporate Center for corporate HQ for \$22,900,000.
- AMB Properties purchased 890,000 SF Palmetto Distribution Center from TA Associates Realty for \$66,750,000. Sale included two vacant land parcels.
- Mayfair in the Grove sold by lender Deutsche Bank to a Whalou Properties Management subsidiary for \$37,800,000. Sale price is a 29% reduction from the bank's loan balance and a 42% reduction from the last recorded sales price.
- Terrazas River Park a 324-unit property along the Miami River was acquired by Wood Partners and AREA Property Partners from lender for \$44,000,000 or \$136,000 per unit. It represents a 48% reduction from the loan balance.

COUNTRY STATISTICS

Area - Country (Km ²)	9,826,675
Area - State (Km ²)	170,304
Population (Country)	308,009,689
Population (State/Florida)	18,328,340
Capital (Country)	Washington, DC
Capital (State)	Tallahassee
Population (Miami, USA)	5,412,212

PRINCIPAL LEASE TERMS

Lease Length (YRS)	3-10 years
Rent Paid	Monthly
Rent Reviews	End of Term
Indexation	Annual/CPI
Repairs & Maintenance	
Landlord	Structural
Tenant	Maintenance

PRINCIPAL BUSINESS TAXES

VAT	None
Transfer Tax	None

ECONOMY

Current Currency	USD
GDP (Trillion)	\$14,441
GDP/Capita	\$47,440
GDP Growth (forecast 2010)	2.90%
Inflation	1.60%
Interest Rate (Prime Rate)	3.25%
Unemployment Rate	10.2%

Conversion USD\$1.00 = USD\$ 1.00