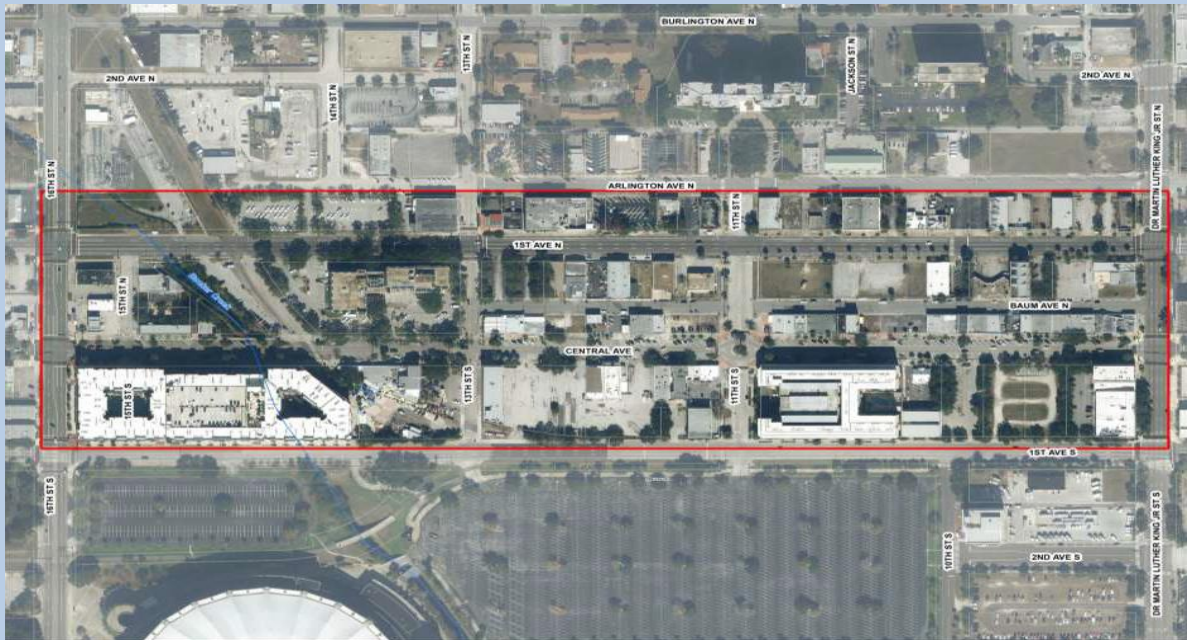




THE EDGE DISTRICT IMPROVEMENT PLAN ECONOMIC & MARKET ASSESSMENT

February 2016



PREPARED BY:

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PREPARED FOR:



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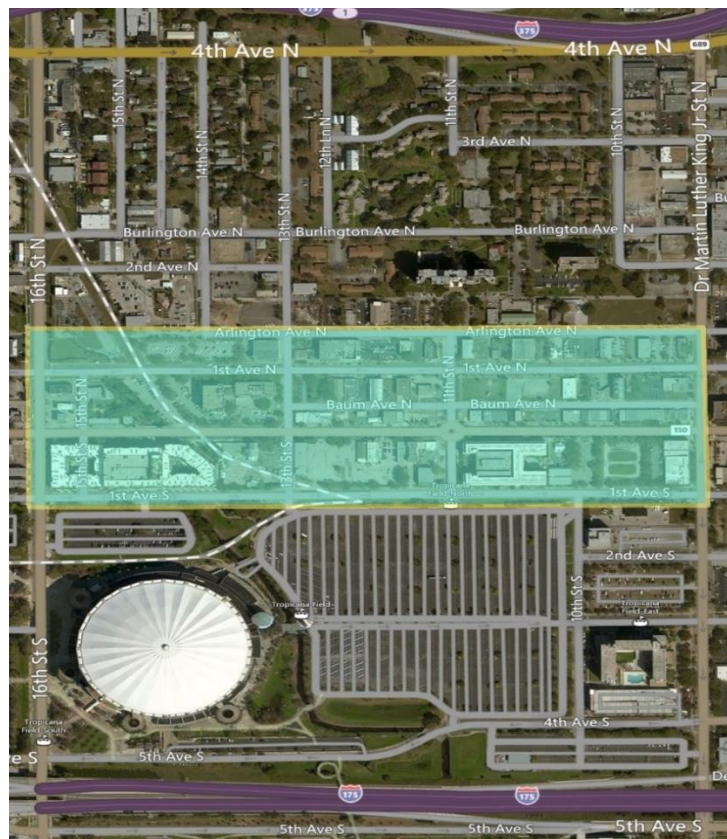
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Executive Summary

Overview

Lambert Advisory (Lambert) was engaged by AECOM to provide economic, market and strategic consulting services associated with The EDGE District (EDGE) Improvement Plan. The EDGE represents an approximate seven block-wide (16th Street Dr. Martin Luther King Jr. Street N) by four block (1st Avenue S to 1st Avenue N) area that generally corresponds to the western EDGE of Downtown St. Petersburg, with Tropicana Field to the south.

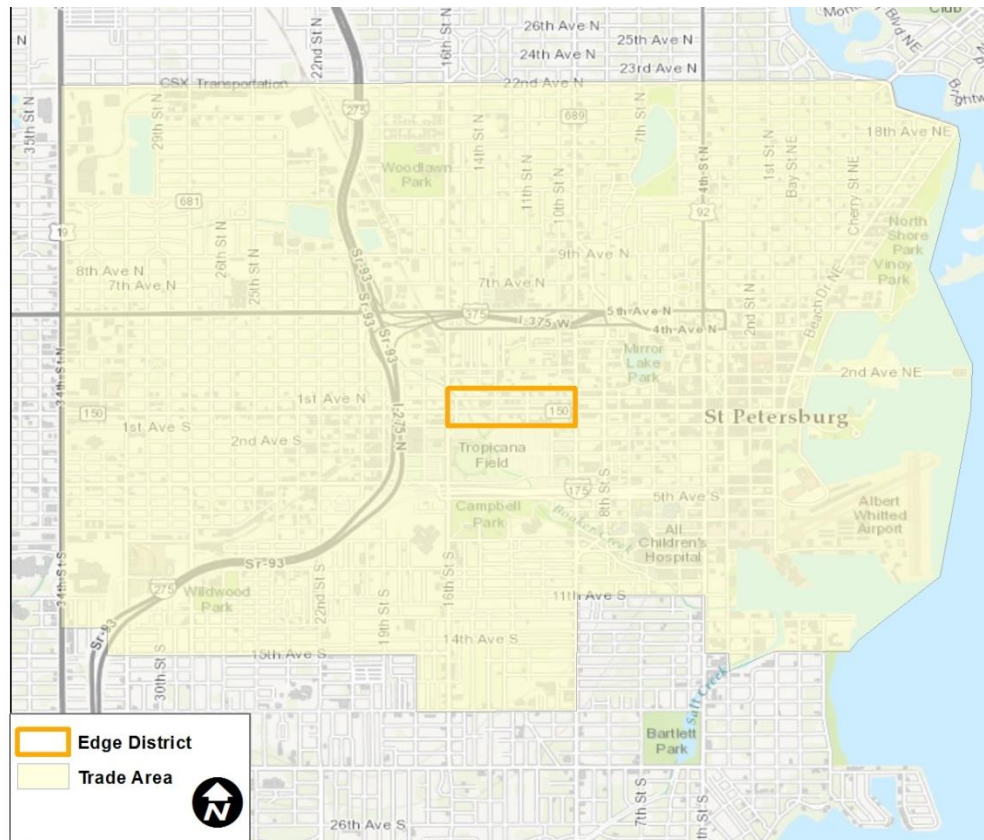
Figure 1: The EDGE Boundary Map



Demographic and lifestyle changes continue to impact the revitalization of Downtowns across the nation, and Downtown St. Petersburg has been the beneficiary of significant residential, commercial, and cultural investment that started before the *Great Recession* and continuing thereafter. Notably, the EDGE District has a unique opportunity to realize its own revitalization, which has already started to a large extent. The work completed as part of this scope of services represents an independent and comprehensive evaluation of economic and market conditions that will help guide strategic redevelopment and investment initiatives within the EDGE. The economic analysis assesses regional market conditions that then narrow into a more focused

evaluation of the EDGE’s Trade Area - a geographic area that encompasses the EDGE and serves as the basis for evaluating key real estate market supply and demand factors impacting the area’s redevelopment potential. A detailed discussion of the Trade Area is provided in Section 1 of this report, with a boundary map as follows:

Figure 2: The EDGE Trade Area Map



Additionally, and a part of the analysis herein, Lambert will complete a high-level baseline analysis of fiscal (ad valorem tax) benefits to the City of St. Petersburg and the EDGE (in the form of a potential Business Improvement District) based upon prospective future redevelopment from near-term potential redevelopment within the EDGE. Note, the fiscal analysis will be completed as part of the last phases of the Improvement Plan, and provided as an Addendum to this document.

The objective of this phase of the EDGE economic, market and real estate report is to provide the City, the EDGE Business District Association, and its planning team with a level of economic and market information and analysis needed to help it guide redevelopment and revitalization of the EDGE. Moreover, the document serves as a source of information to help residents, businesses, community stakeholders, and the City (and Intown West CRA) officials in making recommendations or decisions on matters relating to economic development.

Specific to the economic, market and strategic analysis herein, the analysis is intended to:

- ✓ Identify the EDGE's existing economic base;
- ✓ Identify the market potential for future redevelopment within the EDGE; and,
- ✓ Identify redevelopment and investment strategies for the EDGE that can be used to guide the physical and regulatory planning process.

Positive economic growth within the City of St. Petersburg during the next several years depends in part on the success of its eastern sector (including Downtown and surrounding areas), which is positioned and envisioned to become a vibrant residential, business and entertainment activity center. Furthermore, we acknowledge that there has been considerable public discussion regarding Tropicana Field and the potential relocation of the Tampa Bay Rays; however, given the level of uncertainty at this point, the analysis herein considers operations of the stadium will remain as is, though we recognize that whatever happens during the long term will have an impact on the EDGE District. In any case, the City has a vested interest in the EDGE and its planning efforts.

The Executive Summary herein provides an overview of the major conclusions and findings in the body of the report, and preliminary insight into recommendations as to how the EDGE's planning team, in conjunction with the resident and business community, can accelerate the pace of revitalization in the EDGE. Noteworthy, there are three principal conclusions or findings that drive the recommendations for the study area:

1. Existing market demand and growth for the foreseeable future is adequate to support sustained improvement in the retail, restaurant, and entertainment market within the EDGE's core area, as well as supporting residential, and office uses over the longer term.
2. The City is committed to ongoing improvement initiatives and investments in the streetscape, and corridor/transportation infrastructure that serve as the foundation for the EDGE revitalization.
3. Despite current investment to date, there continues to be a number of challenges to investment in the EDGE; some based on perceptions of the area, some financial in nature, and others principally requiring a refocus of existing resources. The City and EDGE Business District Association can play a role in mitigating a number of these hindrances.

The body of this report provides the detail supporting the assessment market conditions and trends impacting redevelopment and investment in the EDGE. The remainder of this summary provides an overview of conclusions associated with the underlying market conditions and support for the EDGE improvement plan, as well as preliminary recommendations based on these findings and conclusions. As noted above, a detailed discussion (and maps) of the study area boundaries, retail trade area boundaries, and other relevant geographies is provided in Section 1 of this report.

ii. Market Conclusions and Estimates of Demand

- **Population Trends (Section 2):** The City of St. Petersburg experienced a modest loss in population from 2000 (248,232) to 2010 (244,769), but an increase to 256,681 in 2015;¹ or an average annual growth rate of 1.0 percent during the past five years. Specific to the Trade Area, the population also declined from 37,264 in 2000 to 35,839 in 2010. Unfortunately, BEBR does not provide 2015 estimates at the Census Block/Tract level; however, the 2009-2013 ACS population is 35,509, which indicates a very small decline from 2010 and provides a solid indication of a shift to positive growth through 2015 similar to that of the County and City. Based on the Pinellas County Planning Department projections, the County is projected to experience an average annual population growth of 0.8 percent through 2035. Therefore, in light of recent and foreseeable housing development activity within the City and more specifically the Downtown St. Petersburg core area (which bounds the EDGE to the east), we estimated population growth for the Trade Area to be at a minimum the same pace as that of the County for the next 10 to 20 year period; or an average annual growth of 365± residents.

Information from ACS 2013 indicates that the Trade Area has a median age of 40.9 years, which is slightly lower than the City (41.8) and notably lower than the County (46.6). The Trade Area is also made up of a smaller, majority renter-occupied household base. Future planning efforts for the EDGE should continue to capitalize on the group, particularly as it looks to creative and innovative employment and entertainment opportunities.

- **Income and Employment Trends (Section 2):** The Trade Area reported a median household income of \$38,843 according to the latest figures from the ACS. This is lower than the median household income of Pinellas County (\$45,535) and the City (\$45,044). In terms of per capita income, which is a key indicator for retail trade expenditure, the Trade Area has a per capita income of \$27,926 which is only modestly lower than both the County and City.

The Trade Areas private employment has seen a modest increase since the *Great Recession*. Healthcare and Social Services has posted relatively strong gains during the past 10+ years, while the financial sectors have actually experienced a modest loss. While more than 30,000± persons are privately employed within the Trade Area, less than 20 percent both live and work within the Trade Area. This presents a focus for strategic planning to increase the capture of this existing demand base.

- **Residential Market (Section 3):** Following years of declining conditions after the US “housing bust” in 2007/8, there appear to be tangible signs of sustained housing market growth. Specific to the multifamily sector (rental and for-sale), this is evidenced by the fact that County-wide permitting activity has increased for each of the past three years, apartment rental rates and occupancies are near record high levels, and condominium sale prices are on a steady incline. Specific to the condominium market, the City is on a four-year positive upswing from an average price of less than \$80,000 to current levels above \$120,000. However, current levels remain well below the market peak of nearly \$160,000 in 2006/7. Downtown St. Petersburg, on the other hand, is experiencing more robust growth. After falling to an average price of

¹ According to University of Florida Bureau of Economic and Business Research (BEBR)

\$474,469 in 2011, pricing has trended up to \$632,780, equal to an average of \$335 per square foot, in 2015 – though still below the \$689,000 average price in 2007/8. Regardless, there are more than 400 condominium/townhome units under construction or in planning within the Downtown area, and it is estimated that more than 60 percent of the demand is second home and/or investor based.

Regarding the rental market, Lambert’s analysis of the rental apartment market includes a survey of the newest market-rate rental apartment projects in Downtown St. Petersburg. There were five projects surveyed, combining for 1,665 units. Three of these projects, combining for 960 units, are stabilized, including Modera 235, Beacon 430 and the Fusion 1560 located in the EDGE District. The two other projects are under construction including, the Hermitage and 330 3rd Street South. In all, the occupancy of the stabilized properties is approximately 95 percent, with average rental rates in the mid to upper \$1.80 per square foot range (more than 50 percent higher than the regional rental market).

From a broader perspective, there has been a fundamental shift in housing demand over the past five to six years that has led to increased demand for rental housing, while demand for for-sale housing has been flat and only improving marginally over the past two years. The shift has been facilitated by a combination of factors including:

- The recession and collapse of the housing market in 2008, which has contributed to an increase in the rental of single family homes and other traditional for-sale housing, mostly by three and 4+ person family households;
- The advent of the Millennial population (“Gen Y”), which is among the strongest cohorts for renter households; and,
- Increase in the popularity of urban-style rental communities in urban and some suburban locations with consumers/renters attracted to a lifestyle that these projects provide including, walkable services, shopping and entertainment and/or shortened commute time to employment centers.

Section 4 provides a detailed profile of the methodology for evaluating demand for market rate multifamily housing within the EDGE Trade Area. There is estimated demand for a total 350 to 450 multifamily (market rate) housing units solely from resident growth during the next 5± year period in the Trade Area beyond that of what is currently in late planning stages or under construction. It is important to recognize that the estimates herein are for “primary” residents, as opposed to second home/investor. While we believe the EDGE may certainly be positioned to attract second home and/or investors, we believe the initial demand (and perhaps most desirable) is from residents who want to live in a unique and lively community. As such, we acknowledge that the demand during the next five years or so may exceed the estimates above; especially, if we consider the potential for the EDGE to attract more than its fair share of housing demand (or existing residents in the market seeking to relocate in this up and coming district). However, at this

point, we maintain a relatively conservative approach during the short term to ensure that redevelopment planning is closely tied to economic and market realities.

- **Retail Market (Section 4):** Nearly five years after the depths of the economic downturn, which had the local and national retail market in a fragile state, the market continues to improve in select areas of the county. Overall, the County is experiencing relatively low vacancy at nearly 8 percent; however, the average quoted triple net (NNN) rental rate remains at a relatively soft \$14 per square foot. South Pinellas reports average rental rates even lower at \$13 per square foot.

As part of the analysis of retail supply, Lambert conducted a comprehensive inventory of retail in various commercial nodes around the Downtown St. Petersburg/EDGE area. There is approximately 1.0 million square feet collectively in these areas, and the rents mostly range from \$18 per square foot to nearly \$40 per square foot and occupancy above 90 percent. We also identified major shopping centers and “big box” retail outside of the Downtown/EDGE area, but within the Trade Area to gain perspective on competing retail shopping nodes in the South Pinellas County submarket relative to the Downtown St. Petersburg/EDGE Districts.

As it relates specifically to the EDGE, one would be hard pressed to argue the fact that the district has created a unique environment certainly within South Pinellas County – if not the entire County. The EDGE has continued to evolve as an eclectic area that has largely grown in the restaurant/bar segmentation, with added support from boutique retail and the arts. However, with this investment trend comes challenges of other sorts; namely, lease rate escalation occurs rapidly, and largely at the peril of small, local businesses. This is increasingly taking place in the EDGE where, based on a sampling of retail listings in the EDGE Trade Area along with interviews with several retail brokers, it is estimated that lease rates in the submarket have increased from as low as \$12 per square foot (NNN) following the recession to \$18 per square foot (NNN) for older, lower quality space, and more than \$25 to \$30 per square foot for new leases depending on landlord improvements and concessions. Whether or not it is viewed fortunately or unfortunately (depending upon varying personal/business perspectives), this is often the result of community revitalization. Therefore, it is in the hands of the community and its stakeholders to positively manage the growth that effectively and fairly serves their needs and desires.

Based upon Lambert’s retail trade area model (the methodology and assumptions of which are discussed in detail in Section 4), retail demand from resident expenditure which accounts for inflow and outflow demand factors is estimated to be 1.5 million square feet. This appears to be generally in line with total retail inventory estimated for the trade area as set forth above considering the profile of major retail nodes and large-scale retailers. As such, the EDGE’s 140,000± square feet of retail space comprises approximately 8 to 10 percent of total supply in the trade area. Based upon the retail trade model, retail demand within trade area is estimated to increase roughly 255,000 square feet during the next 5+ years; however, a portion of this net new retail demand presumes absorption of existing vacant space, as well as support for a reposition of existing tenants that may shift out of the market as rental rates increase to more stabilized levels. Irrespective, the EDGE will likely capture its proportionate share of future retail demand and, as a matter of

fact, the EDGE's ability to capture current and future retail demand is not so much from a lack of demand or expenditure potential, but instead related to other issues, such as the limited availability of sizable parcels for (re)development. Accordingly, the mix of retail categories (i.e., the proportion of restaurant and entertainment space, shoppers goods space, etc.) implied by these estimates should be taken into consideration as the EDGE and its planning team formulates and refines its strategic priorities. At the same time, elements of the comparable/competitive retail market must be considered as well.

- **Office Market (Section 5):** Pinellas County comprises approximately 13 million square feet of space, nearly two-thirds of which was built before 1990. The St. Petersburg CBD (Downtown area) comprises a total 2.21 million square feet, equal to 17 percent. The vacancy rate for office space in the county as of the 2nd Quarter 2015 is at 17 percent and range from 8 percent in the St. Petersburg CBD, to 27 percent collectively in the surrounding South Pinellas submarket (excluding the St. Petersburg CBD). The average asking lease rate for all of Pinellas is at \$18.43 per square foot, Full Service (FS) and ranges from \$16.96 per square foot (FS) in the South Pinellas submarket to \$23.34 per square foot (FS) in the St. Petersburg CBD. As of the 2nd Quarter 2015, net absorption of office space, year-to-date, in Pinellas County was at nearly 165,000 square feet, of which 54,285 square feet (+33 percent) was absorbed in the St. Petersburg CBD. This is an integral factor considering that the CBD comprises less than 15 percent of the County's total office inventory, but during the recent past has been able to capture more than 30 percent of the office absorption.

As detailed in Section 5, the Downtown St. Petersburg CBD office submarket is forecast to have demand for roughly 240,000 to 500,000 square feet during the next 5± years. It is important to note that the demand outlined herein does not necessarily translate directly into supportable or viable office development particularly, for the CBD. This is due in part to the fact that: a.) the surrounding office market has significant levels of vacancy which, whether or not directly competitive, will have some impact on the overall market; and, b.) the focus of new development (and therefore premium land value) has been on residential uses; as such, the cost to build large amounts of office space given increasing land costs and construction costs tests the limits of financial viability; especially, given that office lease rates overall remain somewhat volatile. Nonetheless, over time, office demand and performance will push to levels supporting new development within the CBD, and the EDGE will be in a great position to capture at least some of this demand. Naturally, FIRE (Finance, Insurance and Real Estate) and Business Services sectors are likely to remain the strongest demand sectors for the CBD given the area's current composition; however, the EDGE can put itself in a position to target other specific office-using sectors such as technology and information sectors which are relatively high growth sectors in the region. Notably, there is a strong emerging trend among the shared work space/co-working space that is moving beyond the traditional "executive office suite" and into more creative and collaborative working environments.

- **Hotel:** Despite economic instability during the past several years, the St. Petersburg/Clearwater visitor market is as robust as ever. The region has steadily increased its visitor base from 4.9 million in 2009 (following the recession) to a record high of 5.9 million in 2014, and the visitor market continues to broaden beyond the heavily relied upon Midwest US market.

Pinellas County's total hotel inventory comprises more than 9,000 hotel rooms among more than 174 hotel properties.² Since peak period in 2007 before the recession, occupancy remained in the low 70 percent range while average daily rates (ADR) dropped from \$100 in 2007 to less than \$60 in 2009 and 2010. However, according to the CVB, occupancy rates steadily increased to nearly 75 percent in 2014 while ADR nearly doubled to \$120.

There are approximately 2,100 rooms among 28 hotel properties in the St. Petersburg area (not including the beaches). Approximately one-third of the room inventory is defined as Upper Upscale including the Vinoy, Birchwood and Hilton. Roughly 20 percent of the market is Upscale/Upper Midscale represented by brands such as Hampton, Courtyard, Indigo and Staybridge. The remaining 45± percent of rooms inventory is considered mid-scale or economy, which primarily comprises small independent and budget hotels. Staybridge and Courtyard are the only new development within the Downtown St. Petersburg market in the past 10 years; though, two new projects were recently announced: ONE Hotel (174 rooms), which will be part of the new condominium development managed by Hyatt; and, The Galaxy (100 rooms).

In the effort to better understand the opportunity for new hotel product within the EDGE District, Lambert has discussed market conditions and opportunities with a select group of hotel development companies and industry analysts to identify performance thresholds for new hotel development. Although difficult to ascertain at this stage of the process (in the absence of design, building, and land cost assumptions) there is consensus that as the comparable/competitive market steadily approaches an ADR of \$130± and occupancy remains above 75± percent, the addition to supply is potentially warranted. Based upon the broader hotel market conditions as summarized above, the Downtown St. Petersburg market has apparently approached that territory, as evidenced by the announcement of new supply. At this point, the opportunity for a full service/Upper Upscale property within the EDGE is not recommended for the foreseeable future. However, during the next few years, as the new hotel development stabilizes, the opportunity to support a smaller select service hotel within the EDGE District may be warranted. Especially, the opportunity to attract a boutique style property (whether flagged by recognized brands such as Aloft or Element, or an independent operator) which would benefit tremendously from the restaurant and retail activity within its immediate surrounds, while at the same time providing easy access to Downtown and the beaches.

Based upon the analysis above, the near to mid-term term potential development options for the Trade Area primarily targets residential (rental) housing, retail office, and/or hotel development. To that, the EDGE is well positioned to capture a portion of the demand for various uses given its location and accessibility. However, the estimate of demand for the EDGE to this point (and as set forth below) does not indicate or represent financial feasibility in the absence of any detailed programming, design, cost and regulatory requirements that need to be vetted for any proposed development. Furthermore, the opportunity to support potential demand for certain development types (ie. residential, office and hotel) and/or density will likely require that adequate dedicated and available on-site parking be included in the program – as discussed further below. The following is a summary of demand by use for the Trade Area, along with a preliminary capture rates for the EDGE District.

² STR, a global leader in hotel data resource

Figure 3: The EDGE Trade Area & District – Summary of Estimated Demand by Use (Estimated 5± year Period)

Use	Trade Area Demand	The EDGE District
Residential	350-450 Multifamily Units	150-225 Rental Apartments (Market Rate at \$1.75± per sq.ft.; or, Mixed Income)
Office	240,000 to 500,000± square feet	20,000 to 40,000 square feet (\$26-\$28 per sq.ft., 92% Stabilized Occ.)
Hotel	125 to 175 room select service	100-125 room select service (ADR - \$130±; 75% Stabilized Occupancy)
Retail	225,000 to 275,000 square feet	40,000-60,000 square feet (Heavily dependent upon size, configuration of development parcel)

iii. Strategic Planning Input

Based upon the analysis summarized above, we highlight some key opportunities and challenges that arise from the economic and market analysis and, therefore, serve to help guide the EDGE District planning process. It is important to recognize that the district’s history and Main Street Program’s has been beneficial in using its past to promote future revitalization. Historic preservation is part of the EDGE’s unique character and desire in future planning. As such, balancing redevelopment with historic preservation will be an important element of the capital improvement planning process. Following is a summary of key strategic considerations:

Managing Land Constraints: As outlined above, we have derived estimates of demand (by use) for the foreseeable future (or 5± years) for the EDGE. Theoretically, this demand can increase two-fold or more during a ten year time frame; particularly, if the initial phases of redevelopment and infrastructure improvement are successfully implemented. However, the district is challenged at this point by site constraints; or, a lack of large/aggregated properties that can adequately support development of critical mass. Based upon the planning teams profile of the EDGE District, most parcels owned and/or controlled by a single person/entity is less than one-half acre. To that, there are only a handful of parcels comprising more than 1.5 acres. This has significant implications for redevelopment of scale; especially, for certain uses where on-site parking is important such as residential, office and hotel. The cost of vertical construction, including garage parking, places considerable challenges on the financial viability of development. This is not to say that this cannot be dealt with effectively, considering the 1010 Central development was built on less than 2 acres.

All the while, there are a number of long-time existing property owners and newly interested property owner/investors that appear to be coordinating on potential acquisition or joint development structures to amass larger parcels of land. Naturally, the *capital* market environment will push these potential private acquisitions/development forward, but the timing is completely up to the private sector. Unless the City and/or other public agency provides funding incentives (ie. direct capital, adjustment to zoning requirements, and/or fast-track permitting) to entice the private sector to hasten the process. To this, the City is in control of one of the largest contiguous parcels in the EDGE which is the existing Police Headquarters site. As we understand, the Police building will be relocated to a site just north of the EDGE and the current Headquarters site may be available for redevelopment. This presents the City with a tremendous opportunity to control and implement a large-scale redevelopment plan through a public/private partnership. Therefore, creating a prospective redevelopment plan for the Police Headquarters site should be evaluated thoroughly as part of the Improvement Plan process.

Continue Efforts to Broaden Uses – Presently, the EDGE is largely defined by restaurant/bar segmentation, though Fusion and 1010 Central provide a base of residential, with an additional smattering of boutique retail, arts, and office. As summarized above, there is solid demand for primary resident market rate multi-family housing. At this point, given the strength of the rental market, we believe rental development is a strong near-term opportunity for the EDGE and should be encouraged.

The regional and Downtown St. Petersburg office market largely comprises the professional services (ie. legal) and FIRE, though there should potentially be at least some shift to technology in greater scale than exists today considering that the region anchors the Florida High Tech Corridor and it has become a center for Data Analytics. To an extent, the opportunity to attract the technology and information sector (regarded to be “creative class”), will occur within buildings that offer open space, which is often done by converting warehouse-type space. But, as noted above, there is an increasing demand for leasing activity that is being driven by the Co-working or Shared-workspace concept. The shared workspace concept model is generally an adaptation of the Executive Suites office model that started to expand in the 1990’s in conjunction with the technology boom. The concept continues to grow, and is evolving into more of a mix of social and business gathering for a group of people who work independently, but are interested in the collaboration that can happen from working with people who may share similar interests and talents within the same space. Regus is among the largest providers of the co-working space in the US, but is still considered to have a more traditional executive suite format. CoCreative, on the other hand, is more of an accelerator and incubator center and recently opened in Tampa (just south of TPA and west of Downtown). Although still in its infancy from a regional perspective, the growing trend in shared workspace is expected to continue and have a positive impact on leasing activity in the local and regional office market, for which EDGE potentially serves well.

In terms of hotel, there is a strong opportunity to capitalize on the expanding visitor market. The area has strong location and accessibility features, and the existing base of entertainment and dining only provides added support for this use. As noted above, the vision is not that of a large-scale full-service hotel; rather, a boutique that works in tandem with the EDGE’s culture and diversity. For example, Freehand Miami is a

regarded as a boutique hotel and hostel with rooms ranging from a private suite to a room with eight twin size bunk beds. The hotel is eclectic, very clean and well managed. The Freehand has a created a unique niche with its Broken Shaker Bar, a highly touted bar serving handcrafted cocktails. Citizen M is another boutique hotel operator that has recently entered the US market and caters to younger, tech-savvy business travelers that are price conscious. These types of boutique hotels characterize the independence and culture that the EDGE continues to cultivate, and the opportunity and/or interest from these groups are currently being explored.

Lastly, based upon feedback from the stakeholder meetings, it is evident that the community desires a grocery store, or business that can provide adequate convenience and food shopping items. The newly built Publix at 700 Central will likely support the needs of the surrounding community, including the EDGE. However, there may be an opportunity to incorporate a specialty food store into the area once additional residential housing is built.

Support the Existing Base of Local Business – The EDGE’s Trade Area is relatively stable, though it does comprise pockets of underutilized commercial development. With more than 250,000 square feet of space demanded within the retail trade area during the next 5± years portends well for a stronger market overall. Specific to the EDGE, the area’s core along Central Avenue is considered to be vibrant and active, though improvement continues along Baum and 1st Avenues (North and South). The area continues to be affected by physical challenges considering that a number of buildings are older, smaller buildings with narrow street frontage and longer depths that does not serve many retailers well; particularly, established local, regional and/or national tenants that have strict requirements for the store’s physical layout. Additionally, the scattering of vacant lots that are not well maintained add to the challenges, and there are a number of property and business owners that have simply chosen not to enhance their property and/or street presence, creating makeshift store, advertising and/or window displays that detract from a level of sophistication and appeal that is important to creating a successful urban shopping and entertainment environment. Importantly, these challenges are not unique to the EDGE.

In spite of the challenges the EDGE has created a niche market in its food and arts scene, and the bulk of which is supported by local business. The area has a true eclectic mix and one that is relatively balanced. However, there has been a recent wave of investment in the area and, with it, an increase in commercial rental rates. Whether or not it is viewed favorably or unfavorably (depending upon varying personal/business perspectives), this is often the result of community revitalization. Therefore, the City, EDGE, and community stakeholders may seek to explore further opportunities to encourage the continued growth of local business need to positively manage the growth that effectively and fairly serves their needs and desires. This distinct and unique culture can play an integral role in future planning for the area, particularly if the City can assist in the influence of local tenant mix.

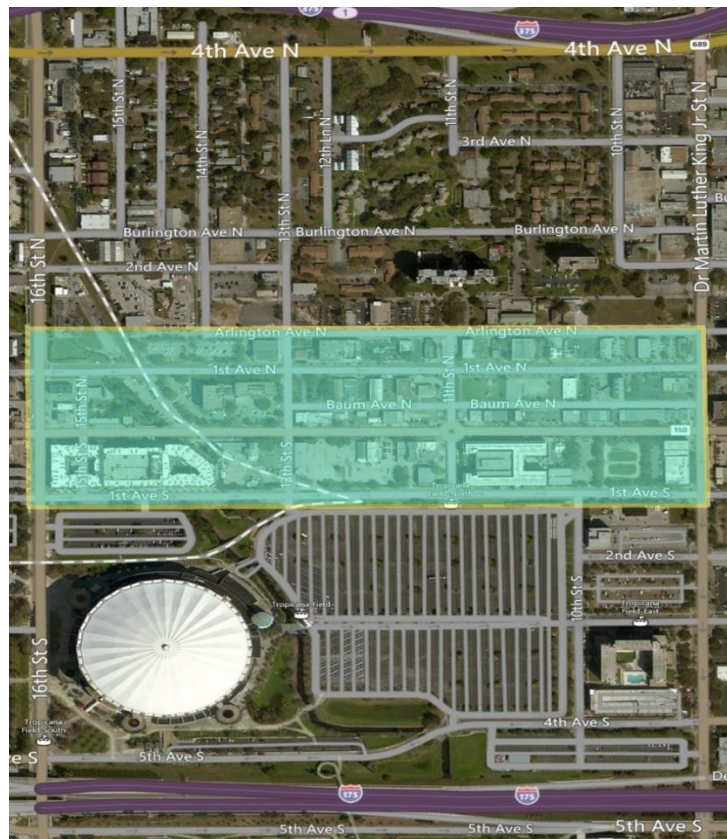
Establishing the Results of the Parking Study – An independent parking study was recently completed for the EDGE, as parking is perceived by many residents, businesses and community stakeholders to be a serious issue. The EDGE planning team has evaluated the results of the study and will be integrating certain findings

and recommendations into the Improvement Plan. The results of the economic and market findings should help to establish and guide some of the strategic initiatives surrounding the parking recommendations. But, the key is to ensure that any investment in public parking effectively serves to mitigate whatever problem/shortfall that has been identified, and serve the broadest range of business/uses possible.

Section 1: Study Boundaries and Definitions

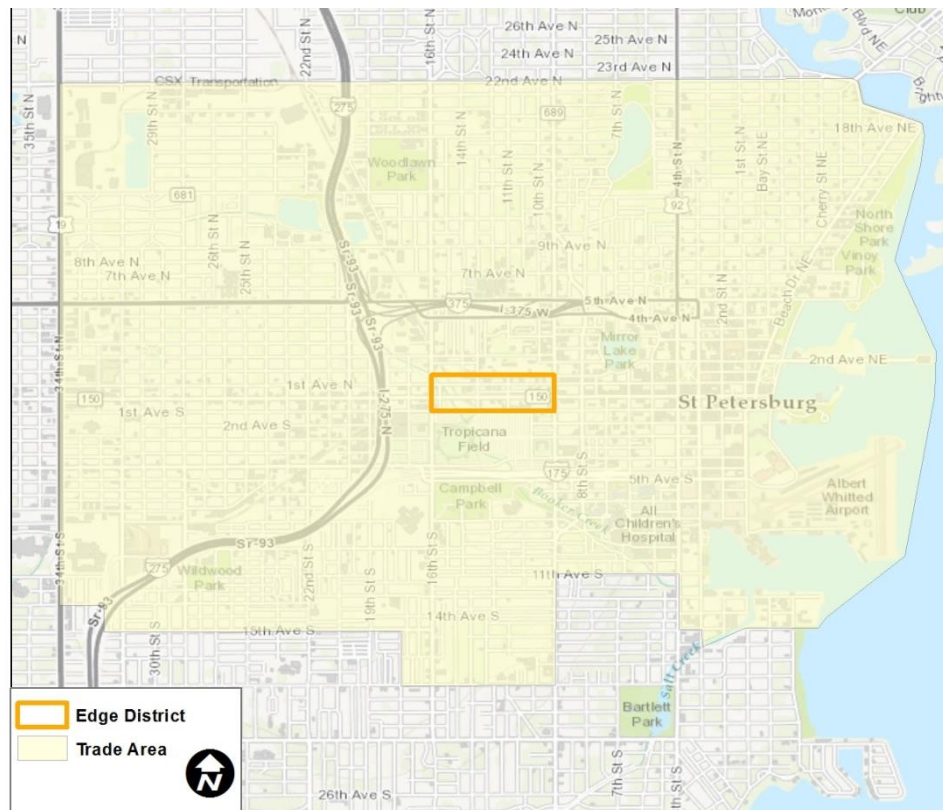
As the basis for evaluating the market potential and real estate development opportunities for The EDGE District, Lambert examined demographic, economic, and real estate market trends and forecasts (both residential and commercial) for several geographic areas including Pinellas County at the broadest range, narrowing into small geographies/submarkets; and, specifically, The EDGE Trade Area (and also referred to herein as Trade Area), which is discussed in detail further below. The geographic boundary for the EDGE District is provided in the following map and generally bounded to the east by Dr. MLK North, to the west by 16th Street N, to the north by 1st Avenue N and to the south by 1st Avenue S.

Figure 4: The EDGE Location Map



The EDGE is located centrally within the Trade Area, as illustrated below. From a technical definition, the Trade Area is conceptualized as a “probability surface,” which represents the likelihood of customer patronage. The creation of this area is based on variables such as distance, attractiveness and competition. As it applies to a larger area such as the EDGE District (as opposed to a single site), there may be variations in trade area definition among different businesses in the district. As discussed further below, these variations are mitigated to the extent possible by inflow/outflow factors applied to the retail trade model.

Figure 5: The EDGE District Trade Area Map



Additionally, historic data, estimates, and projections for the broad range of information in this market study – demographics, income, residential and commercial real estate, among others – are available based on varying geographies. Demographic information, for instance, is most widely available for the set hierarchy of US Census geographies. Residential real estate and property valuation data, on the other hand, is available from the Pinellas County Property Appraiser’s (PCPA) data. Commercial real estate data (office and retail) is available from CBRE and Cushman & Wakefield, and hotel data from STR – all resources are globally recognized industry research firms. Importantly, the research and data collection for rental housing, office, retail and hotel is further supported by Lambert’s independent field research.

For these reasons, different sections of this study refer to multiple and/or different geographic areas (e.g. County, Trade Area, Downtown St. Petersburg Office Submarket) based on different geographic definitions. These areas are listed below, by section of this report, and shown graphically and defined in more detail in each respective section.

- **Section 2, Demographic and Economic Profile**, refers to a variety of different areas, based on political boundaries and Census geographies: Pinellas County, City of St. Petersburg, The EDGE Trade Area, as data permits. For the purposes of demographic and economic analysis, the Trade Area is defined by 12 Census Tracts.

- **Section 3, Residential Market Analysis**, utilizes data for residential rental and sales data for Pinellas County based upon data gathered from PCPA, housing industry reports for the region, and a survey of rental properties within and immediately surrounding the Trade Area.
- **Section 4, Retail Market Analysis**, represents retail supply and demand trends within Pinellas County with a specific focus on the Trade Area. This area is the primary area from which The EDGE will draw resident, visitor and worker expenditure. Trade area analysis provides the foundation for: understanding the geographic extent and characteristics of retail patronage; assessing performance spatially; performing competitive analysis; evaluating market penetration and market gap analysis; and, target marketing. Defining the Trade Area may be viewed differently among various businesses, stakeholders, and/or residents; therefore, it is important to note that the Trade Area is regarded as a primary area for expenditure capture and, for this, the *Lambert Advisory Retail Trade Model* takes into account expenditures by residents outside of the Trade Area (or commonly referred to as secondary and/or tertiary Trade Areas) by utilizing inflow factors – discussed in detail within Section 4. Furthermore, it is recognized that the EDGE’s positioning as a unique destination with a unique mix business will draw business from beyond the primary trade area.
- **Section 5, Office Market Analysis**, considers office market trends in Pinellas County, but focuses intently on the supply and demand activity within the Downtown St. Petersburg submarket, which is one of the larger office submarkets in Pinellas County.
- **Section 6, Hotel Market Analysis**, refers to the St. Petersburg/Clearwater visitor area (as defined by the Convention and Visitor’s Bureau), and narrows the focus to hotel performance trends within a select set of comparable/competitive properties to The EDGE.

Section 2: Economic and Demographic Profile

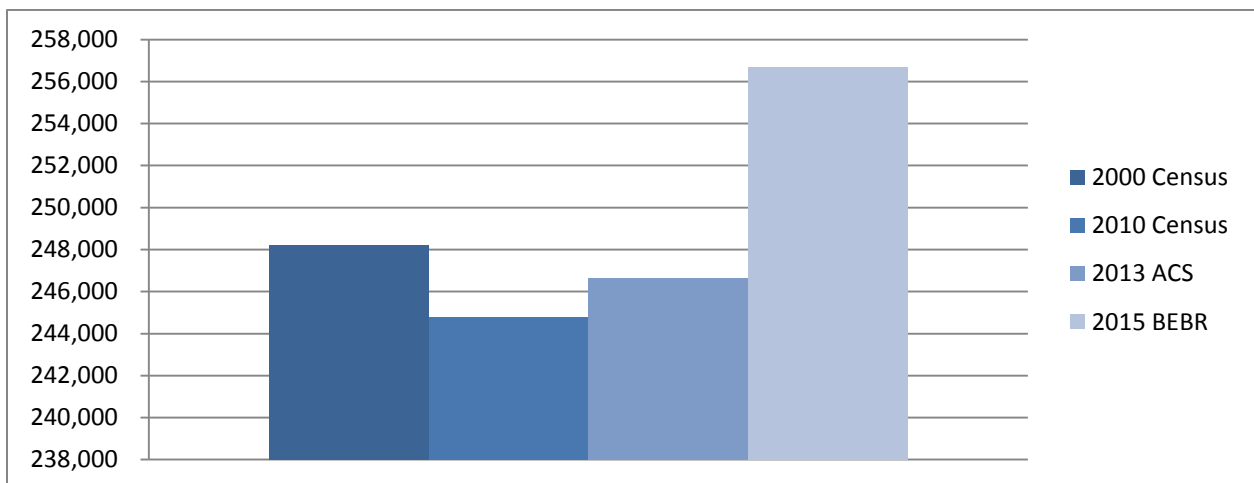
As a basis for evaluating market potential and opportunities for The EDGE District, Lambert examined population, household and economic trends and forecasts for several geographic areas – Pinellas County, City of St. Petersburg, and The EDGE Trade Area. The demographic and economic profile herein focuses on those variables that “drive” demand for residential, retail, hotel and office uses within the Trade Area (and estimates of which are found in the following sections of this report). The demand drivers include population and household growth trends, household income growth, employment trends and real estate market trends.

2A: Population

Based upon 2010 US Census data, Pinellas County experienced a marginal decline in population from 921,842 residents in 2000 to 916,542 residents in 2010. However, according to estimated 2015 population from the University of Florida’s Bureau of Economic and Business Research (BEBR), the County has an estimated 2015 population of 944,971, or an average annual growth rate of 0.6 percent during the past five years. The City of St. Petersburg followed relatively the same growth pattern with a modest loss in population from 2000 (248,232) to 2010 (244,769), but an increase to 256,681 in 2015; or an average annual growth rate of 1.0 percent during the past five years. The following image illustrates the City’s growth pattern from 2000 to 2010, as well as the estimates from the 2013 ACS³ and BEBR’s 2015 population estimate.

Figure 6: City of St. Petersburg - Population Counts and Estimates

Source: US Census; BEBR



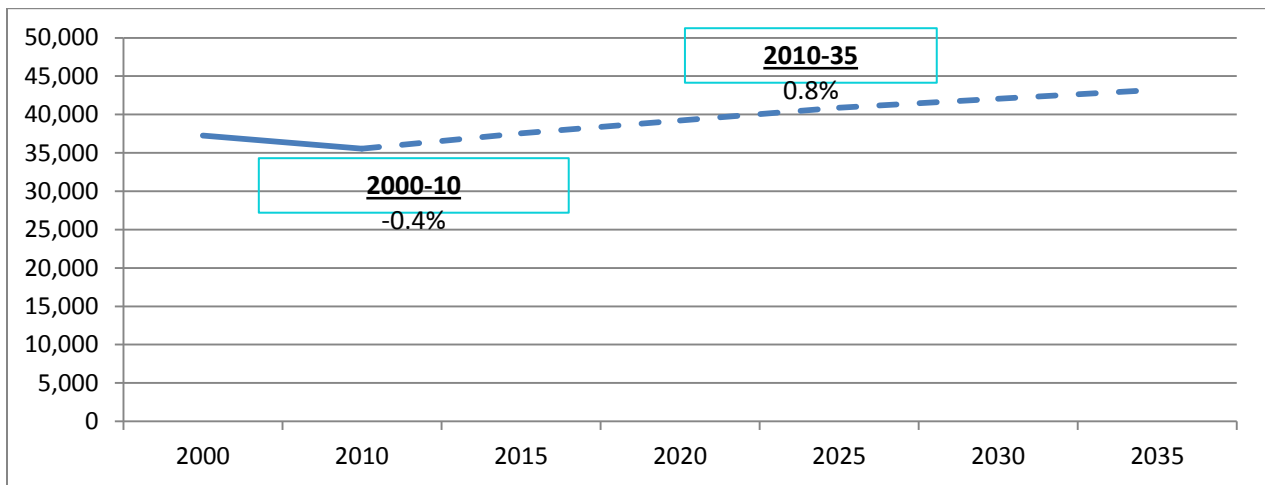
Specific to the Trade Area, population also declined from 37,264 in 2000 to 35,839 in 2010. Unfortunately, BEBR does not provide 2015 estimates and the Census Block/Tract level; however, the 2009-2013 ACS population is 35,509, which indicates a very small decline from 2010 and provides a solid indication of a shift to positive growth through 2015 similar to that of the County and City.

³ American Community Survey (Census.gov) represents the Census’ estimated average population for the 5 year period from 2009 to 2013

Based on the Pinellas County Planning Department projections, the County is projected to experience an average annual population growth of 0.8 percent through 2035. However, in light of recent and foreseeable housing development activity within the City and more specifically the Downtown St. Petersburg area (which bounds the EDGE to the east), we estimated population growth for the Trade Area to grow at a slightly faster pace than that of the County for the next 10 to 20 year period (or 1.0 percent as discussed further in Section 3 below).

Figure 7: Trade Area Historical Population Growth and Population Projection

Sources: US Census, Pinellas County



2B: Population Characteristics

For more detailed household data such as household size, housing tenure, income and age, the most recent available data at the County, City and Trade Area level is from ACS 2009-2013 (or referred to herein as ACS 2013). Information from ACS 2013 indicates that the Trade Area has a median age of 40.9 years old in 2010, which is slightly lower than the City (41.8) and notably lower than the County (46.6).

Figure 8: County, City and Trade Area Demographic Profile

Sources: US Census, American Community Survey

	Pinellas County		St. Petersburg		EDGE Trade Area	
	2000 Census	2009-2013 ACS	2000 Census	2009-2013 ACS	2000 Census	2009-2013 ACS
Population	921,482	920,015	248,232	246,642	37,264	35,509
Households	414,968	401,708	109,663	105,040	17,728	16,693
Average Household Size	2.17	2.24	2.2	2.29	1.98	2.02
Owner/Renter	70.8%/29.2%	67%/33%	63.5%/36.5%	60.5%/39.5%	40.2%/59.8%	43.2%/56.8%
Median Household Income	\$37,111	\$45,535	\$34,597	\$45,044	\$28,829	\$38,843
Per Capita Income	\$23,497	\$29,262	\$21,107	\$27,972	\$17,848	\$27,926
Median Age	43	46.6	39.3	41.8	41.2	40.9

Between the years 2000 and ACS 2013, the household growth trend in the Trade Area mirrored that of the population trend. The number of total households in the Trade Area declined from 17,728 total households in 2000, to 16,693 households in ACS 2013. It is important to note, however, that household growth is anticipated to grow in tandem with projected population during the next several years.

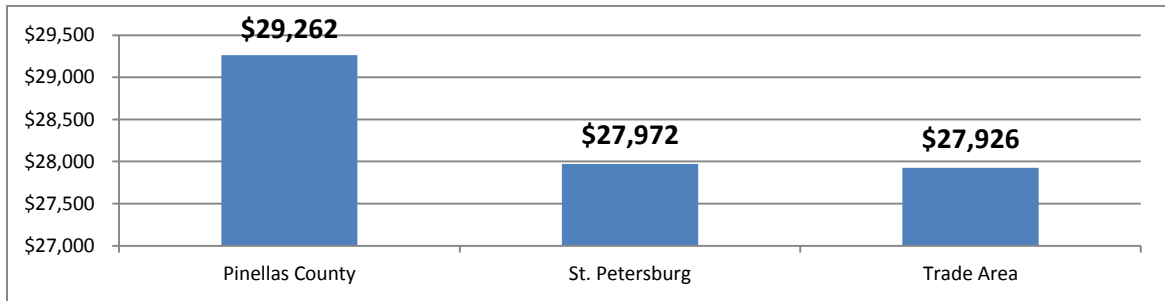
The household tenure for the Trade Area according to ACS 2013 figures expresses that 43 percent of all households in the Trade Area are owner occupied, as opposed to 57 percent of the households being renter occupied. The rate of homeownership in the Trade Area falls well below that of the County overall, which reports a homeownership rate of 63.5 percent, and the City as well at 60.5 percent.

As part of our demographic and economic profile, Lambert analyzed household and per capita income, which represents a critical element of retail and housing demand as it indicates the amount and nature of expenditure potential in a given market.

As detailed in the Figure above, the Trade Area reported a median household income of \$38,843 according to the latest figures from the ACS. This is notably lower than the median household income of Pinellas County (\$45,535) and the City (\$45,044).

Figure 9: County, City and Trade Area Per Capita Income – ACS 2013

Sources: US Census, American Community Survey



In terms of per capita income, the Trade Area has a per capita income of \$27,926 which is only modestly lower than both the Count and City due in large part to the smaller household size of residents within the Trade Area. However, as a result of new development during the past several years and, particularly Downtown, the Trade Area’s per capita income has achieved relatively strong historic growth which is expected to continue during the next few years.

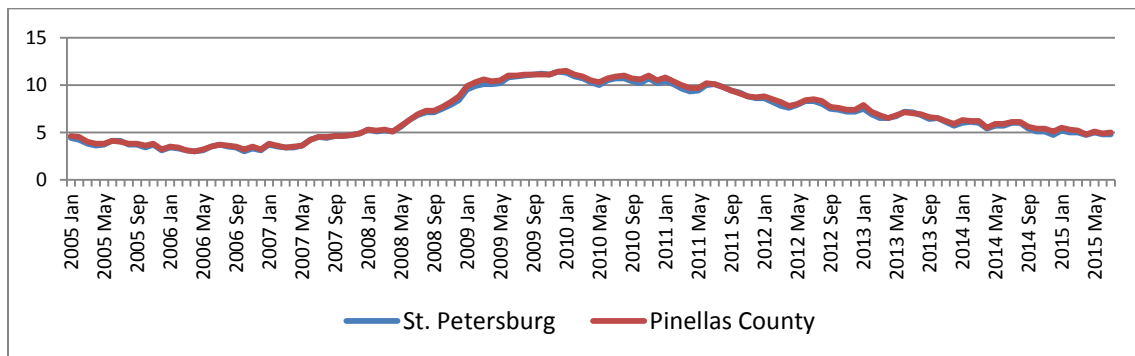
2C: Employment Overview

Development strategies rely heavily upon employment and employment growth. From a broad perspective, labor trends among certain employment sectors in Pinellas County, including employment and unemployment, have a notable impact on office demand.

As highlighted below unemployment locally, regionally and nationally experienced a sharp rise during the period following the recession, but are now starting to show signs of a steady sustained decline. Following peak periods after the *Great Recession*, both the County and City have been experiencing a gradual decline from unemployment levels above 10 percent to a current 5.0 and 4.8 percent level currently.

Figure 10: Historical Unemployment Statistics

Sources: Florida Department of Economic Opportunity, Bureau of Labor Statistics

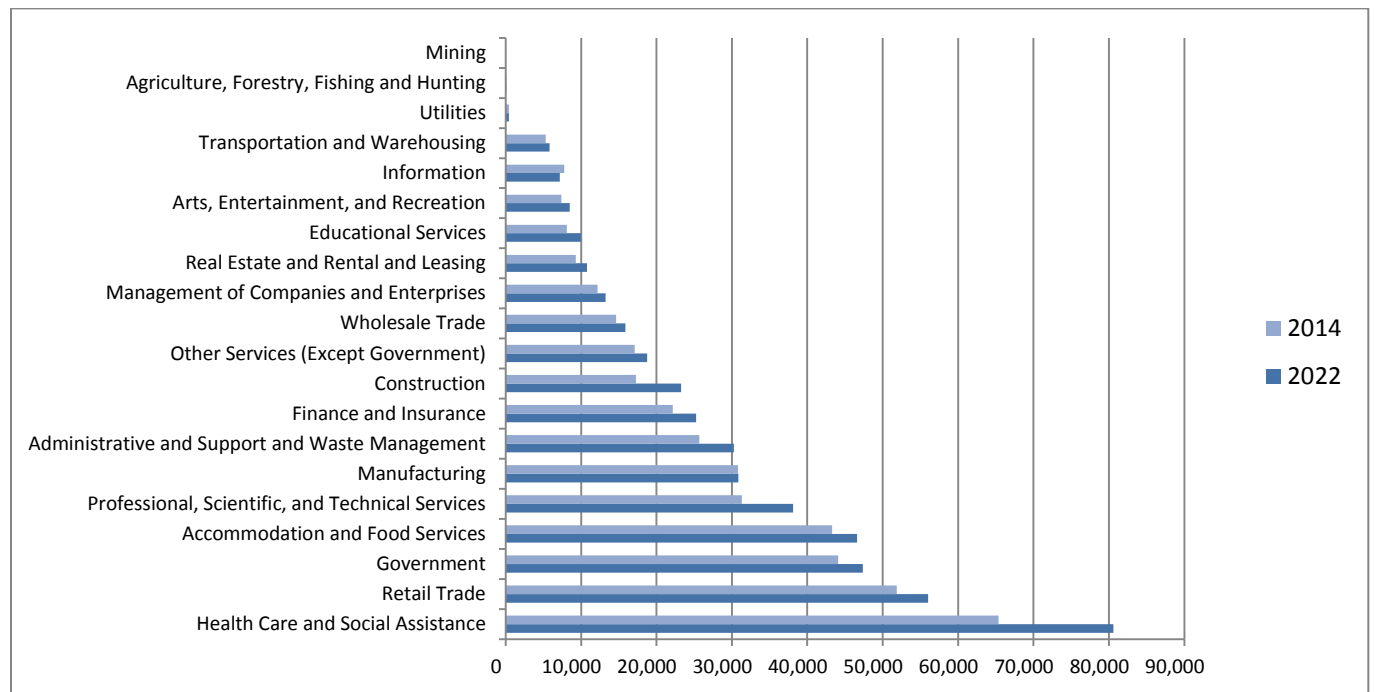


In terms of labor force, Pinellas County experienced relatively strong employment growth from 2001 to 2007. The County’s total employment increased from 425,000 in 2001 to 437,000 in 2007; or, an average annual growth of more than 2,400 jobs (0.7 percent growth per annum)⁴. However, following the recession in 2007, Pinellas County’s employment base fell significantly in both 2008 (to 420,000) and 2009 (to 391,000). In 2010, the decline continued, but at a notably slower pace (to 380,000). However, by the end of the second quarter of 2015 (the latest employment data available), Pinellas County’s employment actually moved up to 404,000, which signifies that a low-point has been reached and a turn to positive job growth is underway.

According to the Florida Department of Economic Opportunity (FDEO), Pinellas County is projected to add more than 57,622 jobs from 2014 to 2022 (7,200 per year), a growth rate of 1.5 percent average annually. While the County’s strong employment growth forecast is presumed to represent a trend to steady economic growth from a recent low point, there still remains some uncertainty within the regional, national and global economy that may naturally impact the timing and/or pace of employment recovery. Regardless, the County (and City) continue to implement economic initiatives to encourage growth and positive trends are forecast over the next several years.

Figure 11: Pinellas County Total Employment Projections (2014-2022)

Sources: Florida Department of Economic Opportunity



Specific to office employment, which is a key factor in determining office space demand within The EDGE District, the County is projected to add 20,600 office jobs between 2014 and 2022 (or an average of roughly

⁴ Based upon FDEO and represents average monthly employment during the respective year.

2,500 jobs annually). The following table summarizes the estimated office employment growth for the Pinellas County.

Figure 12: Pinellas County Office Employment Projections (2014-2022)

Sources: Florida Department of Economic Opportunity

				Total	Avg. Annual
		<u>2014</u>	<u>2022</u>	Change	Change
Code	Industry Sector				
115	Support Activities for Ag. & Forestry	43	45	2	1.0%
42, 428, 488	Wholesale Trade, Support Transportation	14,642	15,874	1,465	1.7%
515, 517, 518, 519, 52, 53, 54, 55, 561	Telecom, Data, Info Serv., FIRE, Management	105,102	121,750	16,648	1.9%
61	Education Services	8,102	9,964	1,862	2.6%
813	Membership Associations	<u>8,323</u>	<u>9,033</u>	<u>710</u>	<u>1.4%</u>
	Total	137,839	158,526	20,687	1.8%

According to the most recent data from the US Census Center for Economic Studies (2013), there are 33,338 persons privately employed and working within the Trade Area. This represents a loss of more than 5,000 jobs from a decade prior. The largest employment sectors currently in the Trade Area include Health Care and Social Assistance (37.3 percent), Accommodations and Food Services (10.8 percent), Professional, Scientific, and Technical Services (7.8 percent) and Arts, Entertainment and Recreation (5.8 percent).

Figure 13: The EDGE Trade Area – Employment Characteristics (2002 and 2013)

Sources: US Census On the Map

Industry	2013		Industry	2002	
	Count	%Total		Count	%Total
Health Care and Social Assistance	12,450	37.3%	Health Care and Social Assistance	10,450	27.1%
Accommodation and Food Services	3,591	10.8%	Administration & Support, Waste Management and Remediation	7,193	18.6%
Professional, Scientific, and Technical Services	2,565	7.7%	Information	4,292	11.1%
Arts, Entertainment, and Recreation	2,241	6.7%	Finance and Insurance	3,885	10.1%
Finance and Insurance	1,930	5.8%	Professional, Scientific, and Technical Services	3,033	7.9%
All Other Sectors	10,561	31.7%	All Other Sectors	9,741	25.2%
Totals	33,338	100.0%	Totals	38,594	100.0%

As shown above, Healthcare and Social Service had the largest growth within the Trade Area between 2002 and 2013. The Information sector declined significantly from 11.1 percent of total employment to less than 6 percent during the past decade. Finance and Insurance, which has a notable impact on the office market, also declined significantly during the past several years.

While roughly 33,300 persons are employed within the Trade Area, very few people both live and work within the Trade Area. According to data from the US Census Center for Economic Studies (2013), 92 percent, or 30,600 of the persons employed in the Trade Area lived outside of it. Only 2,700 people, or 8 percent of persons employed in the Study Area also lived there. It is also worth noting that there are 81 percent of people who live in the EDGE Trade Area and must travel outside the Trade Area for work. The following table summarizes the inflow/outflow of private job employees for the Trade Area. These are all very important factors in evaluating the potential redevelopment strategy for the area in the short and long term.

Figure 14: Inflow/Outflow of Private Job Employees, The EDGE Trade Area, 2013

Source: US Census OnTheMap



2D: Transportation Overview

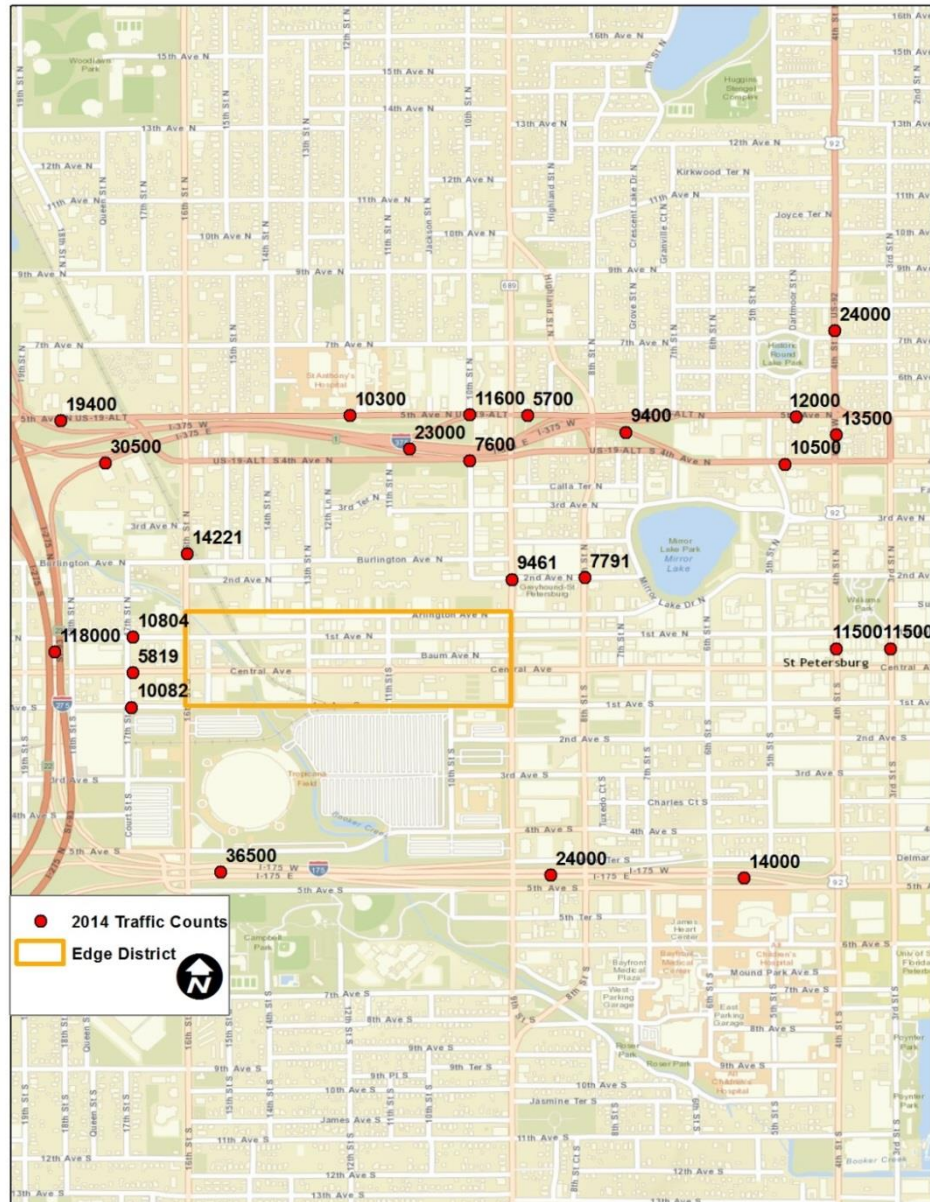
As illustrated below, The EDGE District is generally bounded (within a few blocks) of I-375 to the north, I-275 to the west, and I-175 to the south. I-275 is the region's primary north/south highway and the Pinellas County Metropolitan Planning Organization (MPO) reports nearly 120,000 average daily traffic count (ADT) within the vicinity of the EDGE District. I-175 and I-375 are essential the east/west connectors that report 30,500 and 36,500 ADT. While these highways deliver significant volume of traffic to the area, traffic volume diminishes significantly within the interior roadways, including the main corridors within and immediately surrounding the EDGE. According to MPO, 9th Street North (MLK Boulevard) has 9,500 ADT north of Central Avenue and reports more than 12,300 along MLK Boulevard south of Central Avenue (note: the exact station location is not provided by MPO and, therefore, not depicted in the map below). The 1st Avenue North at 17th Street (just west of the EDGE boundary) reports 10,800 ADT and 1st Avenue South (and 17th Street) with 10,000 ADT. Central Avenue and 17th Street has a reported 5,800 ADT.⁵ Typically, unless there are several thousand residences and/or workers within the immediate area (i.e., walking distance), this level of traffic is generally below the requirements of many retail establishments; particularly, the larger discount stores (ie. Target), grocery/convenience stores, and chain/branded restaurants which require ADT thresholds above 20,000 at a minimum. This is more clearly illustrated by the dynamics behind commercial development along other surrounding commercial corridors such as 4th Street North and Tyrone/Crossroads area that have traffic counts in excess of 20,000 ADT. Noteworthy, though, is the fact that there is roughly 25,000± ADT collectively along the streets within and/or immediately surrounding the EDGE District. While the vehicular traffic will support ongoing commercial development within the EDGE, we recognize that the district's commercial activity will be heavily supported by its surrounding resident, worker, and visitor base and the potential for growth will be

⁵ The traffic figures stated herein are directly from FDOT, and the City and/or County may have updated figures and/or assessment based upon their own internal counts.

driven by its positioning as a vibrant and active destination, with a broad range of uses including residential, retail, office, and hotel. Again, a key benefit for the EDGE is that it is more than adequately served by major thoroughfares that can provide relatively easy access for residents, shoppers, and visitors that will be attracted to the district from far reaching areas.

Figure 15: Average Daily Traffic Counts – The EDGE District and Surrounding Area

Source: Pinellas County MPO – 2015 Study



2E: Economic and Demographic Conclusions

Based upon the economic and demographic profile above, following is a summary of key findings for the EDGE and its Trade Area :

- The region and Trade Area actually experienced a decline in population from 2000 to 2010. However, there is a clear indication of a shift to positive growth during the past 5 years. Moreover, regional and local population growth is projected to continue at a steady pace during the next several years. Furthermore, and as discussed in more detail in following sections, the Downtown St. Petersburg core is experiencing significant growth with new and planned residential development.
- The Trade Area has notably higher proportion of renter households compared to the broader region, which provides a strong indication of the type of housing the EDGE may seek to attract in terms of new development.
- The Trade Area's median HH income is lower than surrounding region; however, per capita income is in line with region and is anticipated to strengthen. Furthermore, given its proximity, the EDGE can potentially benefit greatly from the considerably higher than average income base residing within the Downtown area; especially, households within new development.
- The Trade Areas private employment has seen a modest increase since the *Great Recession*. Healthcare and Social services has posted relatively strong gains during the past 10+ years, while the financial sectors have actually experienced a modest loss.
- In spite of the recent and ongoing new housing development in the Downtown area, approximately 80 percent of workers in broader Trade Area live outside of it, which we believe represents a strong opportunity for future housing growth in the Trade Area and EDGE specifically.

Section 3: Residential Supply and Demand Analysis

3A: Residential Supply Analysis

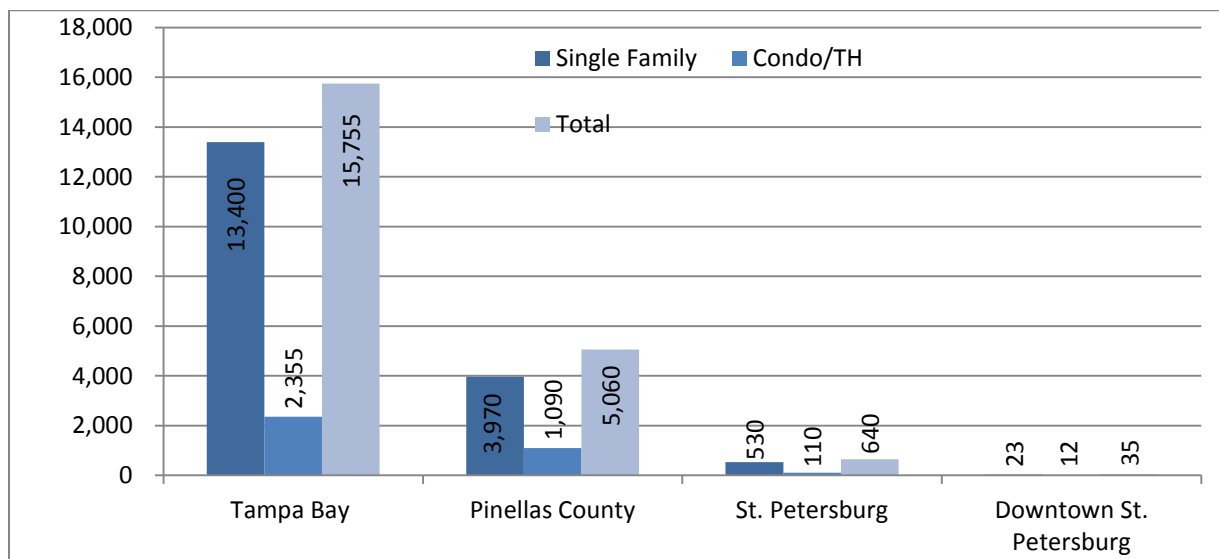
The analysis of the residential market impacting the EDGE District focused on supply and demand of single family, multifamily condominiums/townhomes, and rental markets. This section addresses the supply of for-sale and rental housing including age of inventory, listings, occupancy and pricing. Importantly, Lambert conducted a significant amount of field work including a survey of select new construction condominium/townhome projects in and around the EDGE District, as well as rental housing communities.

General Housing Market Conditions

The impact of the “housing bubble” bursting and the “Great Recession” on the housing market is well documented. Florida, in particular, was significantly impacted and since 2008/2009 and along with Nevada, has had the dubious honor of having the highest number of foreclosures in the nation. In the four-county Tampa Bay area (Hernando, Hillsborough, Pasco and Pinellas), foreclosures soared to $\pm 100,000$ from 2009 to 2012, with Pinellas County comprising approximately $\pm 35\%$ of the total. From 2012 to the 3rd Quarter 2015, the number of foreclosures in the Tampa Bay Area declined significantly. Nonetheless, according to RealtyTrac, as of the 3rd Quarter 2015, there are still 15,755 foreclosures in the Tampa Bay area, of which $\pm 32\%$, equal to $\pm 6,500$, are in Pinellas County. Of the $\pm 6,500$ foreclosures in Pinellas, approximately $\pm 22\%$, equal to $\pm 1,460$ foreclosures are in St. Petersburg. However, there are only 35 foreclosures in Downtown St. Petersburg (33701 Zip Code), reflecting the attraction of downtown among new home buyers and investors, as well as the considerable development of new development of rental housing.

Figure 16: Foreclosures in Tampa Bay, Pinellas County, St. Petersburg & Downtown St. Petersburg 3rd Quarter 2015

Source: RealtyTrac, Zillow; Lambert Advisory

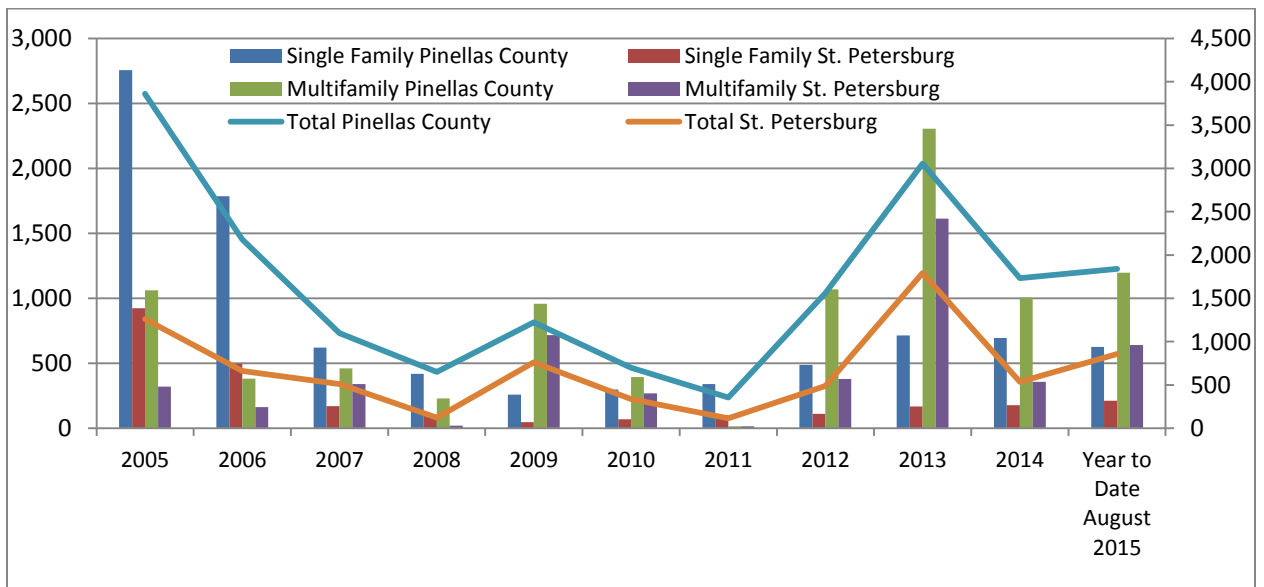


The following figure displays residential building permit trends in Pinellas County and the City of St. Petersburg from 2005 to August 2015. A review on the trends reflects the impact the recession had on the local housing market. Thus, in 2005, there were 3,861 residential building permits issued in the county. By 2011 the number of residential permits issued declined by 90.8 percent to 355. The biggest decline during this time was for multifamily. Accordingly, in 2005, 1,062 multifamily building permits were issued. By 2011, the number of multifamily permits issued was down by 98.9 percent, registering 14 for the year. However, the number of multifamily permits issued rebounded significantly to 1,068 in 2012, then jumping up again to 2,305 in 2013. There were 1,006 multifamily permits issued in 2014 and 1,196 through August 2015.

Residential building permit trends in St. Petersburg followed a similar path as that for the county, with the total number of permits declining by 91%, from 1,260 in 2005 to 114 in 2011. Since 2011 and again similar to the county, multifamily permits have made the strongest comeback, with approximately 3,000 multifamily permits issued from to 2012 August 2015, representing more than 50 percent of the multifamily permits issued in the county over this time period. Moreover, the 1,614 multifamily permits issued in 2013, was the largest annual number of multifamily permits issued in the city in last 10+ years. To that, the disproportionate share of multi-family housing development within Downtown has impacted multi-family development trends in both the City and County. In regard to the EDGE District’s trade area, there were 37 single family permits issued in 2015. Accordingly, there were 370 multi-family permits issued in the trade area, or more than 30 percent for the City’s total for the period.

Figure 17: Residential Building Permit Trends, Pinellas County and St. Petersburg, 2005 to August 2015

Source: US Census Bureau



Based on the latest data from the American Community Survey, there are 127,713 housing units in St. Petersburg, of which 16.8 percent, equal to 21,405 are located in the EDGE Trade Area. As is displayed in the

figure below, the EDGE Trade Area has a higher share of multifamily units in buildings of 20 units or more compared the city of a whole, while the city has a higher share of single-family detached units.

Figure 18: Units in Structure St. Petersburg and the EDGE Trade Area

Source: American Community Survey (ACS) 2009-2013

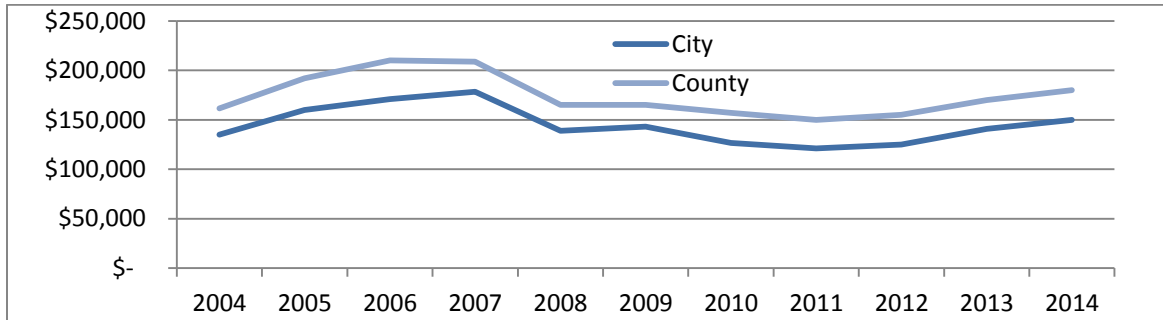
Number of Housing Units by Number of Units in Structure 2009-2013				
	Trade Area		St. Petersburg	
<i>Number of Units in Structure/ Type of Unit</i>	<i>Number Of Units</i>	<i>% of Total Units</i>	<i>Number of Units</i>	<i>% of Total Units</i>
1, detached	9,420	44.00%	74,412	58.30%
1, attached	586	2.70%	3,101	2.40%
2	1,494	7.00%	3,825	3.00%
3-4	1,450	6.80%	5,501	4.30%
5-9	1,511	7.10%	6,497	5.10%
10-19	1,293	6.00%	10,014	7.80%
20 or more	5,401	25.20%	20,514	16.10%
Mobile Home	116	0.50%	3,679	2.90%
Other	134	0.60%	143	0.10%
Total:	21,405	100%	127,713	100%

For-sale Housing

The figure below presents for-sale single family housing price trend comparison for Pinellas County and the City of St. Petersburg. The graphic shows the impact of the recession in both the county and city, with the average price of a single-family home in the county declining by 28.6 percent, from a peak of \$210,000 in 2007 to \$150,000 in 2011. In St. Petersburg, the average price of a single family home peaked at \$178,500 in 2007, before declining by 32 percent to \$121,000 in 2011. The average price for a single family home has increased in the both the county and city since 2011, with the average price in the county increasing by 20 percent (6.3% annual average growth) to \$180,000 in 2014; and by 24 percent (7.4% annual average) to \$150,000 in St. Petersburg.

Figure 19: Single Family Average Price Trends - Pinellas County and St. Petersburg, 2004-2014

Source: Shimberg Center for Housing Studies

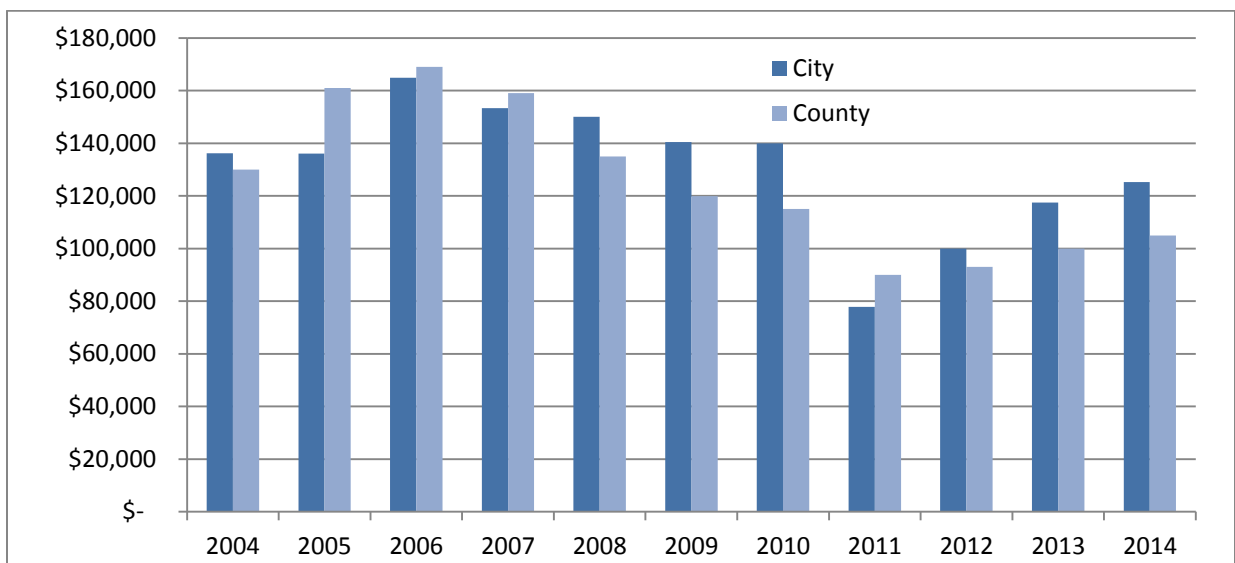


The Figure below presents for-sale condominium sales trends comparison for Pinellas County and the City of St. Petersburg. The graphic shows the average price of a condominium in the county peaking at \$169,000 in 2006, before declining by 46.7 percent to \$90,000 in 2011. Since 2011 the average price has increased by 16.7 percent to \$105,000, still well below the peak of \$169,000 in 2006.

In St. Petersburg, the average price of a condominium also peaked in 2006, at \$164,900, before declining by 53 percent to \$77,900 in 2011. Since 2011, the average price for a condominium in St. Petersburg increased by 61 percent to \$125,250 in 2014, though still below the peak average price of \$164,900 in 2006.

Figure 20: Condominium Average Price Trends - Pinellas County and St. Petersburg, 2004-2014

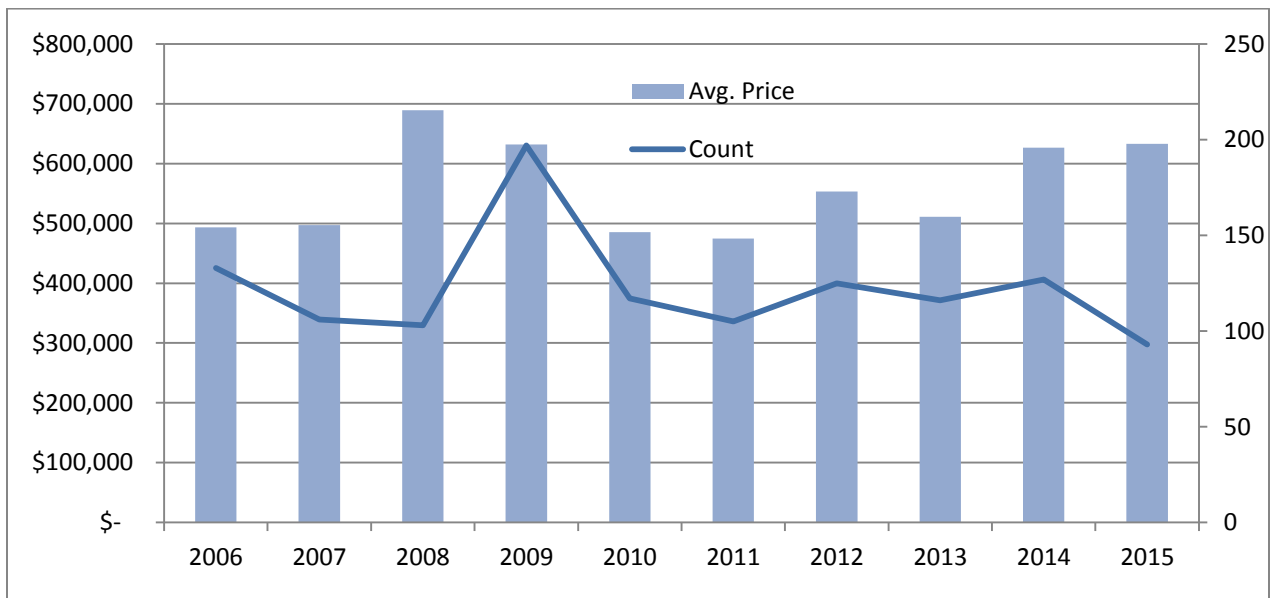
Source: Shimberg Center for Housing Studies



Despite the recession, condominium sales in Downtown St. Petersburg (33701 zip code) have remained fairly steady, ranging from 103 to 197 sales annually from 2006 to 2014, and averaging 125 sales per year over the reporting period. The average sale price of a condominium in Downtown St. Petersburg during this time period peaked at \$689,261 in 2008, declined by 31.2% to \$474,469 in 2011 and has generally trended up since 2011. In August of 2015, the average sale price of a condominium in Downtown St. Petersburg was \$632,780, equal to an average of \$335 per square foot for an average unit size of 1,890 square feet.

Figure 21: Condominium Sales Trends - Downtown St. Petersburg, 2006-2015

Source: PCPA

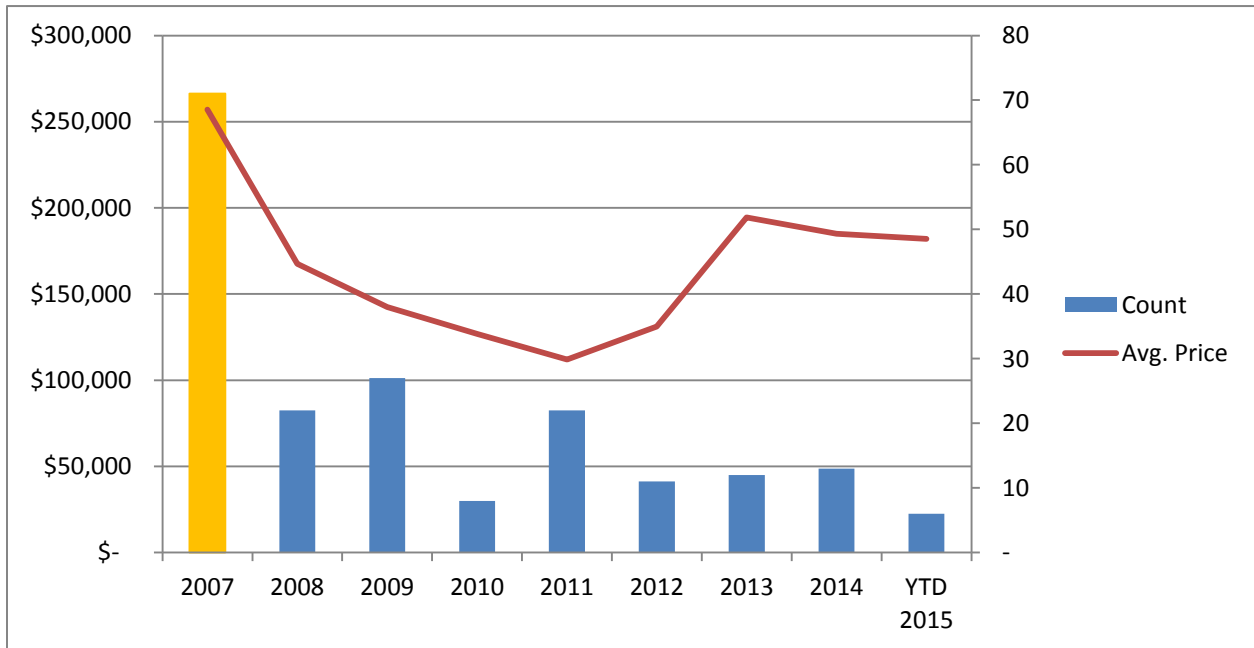


The steady sales of condominiums in Downtown St. Petersburg are due in part to relatively large demand from the second home and/or investor markets. According to data from the Pinellas County Property Appraiser, 40 percent of the condominium units in Downtown are homesteaded, while 60 percent are non-homestead.

In addition to condominium sales in all of Downtown St. Petersburg, we isolated sales trends for the 1010 Central condominiums located in the EDGE District. The 112-unit condominium was built in 2007. There were 71 sales in the 1st year at an average price of \$257,041. There have been 121 sales since 2007, including 80 re-sales. The average price of unit at the property declined by 56.4 percent to \$112,004 in 2011, but has since increased by 63 percent to \$182,083 as of August 2015.

Figure 22: Condominiums Sales Trends - 1010 Central Condominiums

Source: PCPA



As part of the research effort for this analysis Lambert identified several new condominium projects planned for Downtown St. Petersburg. Following is a summary of each project:

Recently Completed

The Rowland – is a six-story, 20-unit condominium development located at 146 Fourth Ave. NE. Unit range in size from 1,700 to 2,200 square feet and priced from \$600,000 (\$353/sq. ft.) to \$800,000 (\$364/sq. ft.). The project reportedly sold-out in six months.

Pre- Construction sales

The **Renaissance City Homes** will feature 4 luxury townhomes with 3,000+ square feet of living area, four bedrooms/five baths and a three-car garage. Units are priced between \$2.2 and 2.4 million (\pm 725/sq. ft.) The project is located at 502 Beach Drive.

The Salvador is located at 2nd Street and 5th Avenue South (address will be 199 Dali Boulevard). The project will be 13 stories, with 47 units and feature one & two-bedroom units ranging in size from 964 to 1,810 square feet and priced from \$350,000 to \$590,000 (\$325 to \$365 per sq. ft.) The project is reportedly 50% sold out.

One St. Petersburg – located at 100 1st Ave. N. this project will be 41-stories and feature 253 condominium residences, a 174-room hotel and ground floor retail. Condominium unit floor plans will be two- and three-bedrooms, ranging in size from 1,450 sq. ft. to 3,900 sq. ft. and priced from the \$600,000's to over a \$1.0 million.

318 Delmar Terrace South – features five townhomes with 3-bedrooms/3.5 baths, and a 2-car garage. Each unit has approximately 2,673 square feet of living area and priced at \$750,000 (\$280/sq. ft.)

The Bliss – located at 176 4th Ave. NE, is a 30-unit condominium project with 14-stories over parking, The average unit is 2,140 square feet, features 3-bedrooms 2.5/baths and priced from \$749,000 (\$350/sq. ft.) to \$1,339,900 (\$626/sq. ft.). Reportedly, all but 2 units are sold.

Proposed Announced Projects

The proposed projects are based upon information provided by the City, with our follow up survey. Given the level of activity occurring in the Downtown area, any updates during the course of the study process will be provided accordingly.

Unnamed Project – an 8-story, 17-unit project is planned for a site at 8th Street and 4th Avenue S, next to the Orion Condominiums. The project will feature 2-bedroom/2 & 2.5-bath floor plans ranging in size from 1,100 to 1,400 square feet and priced from \$300,000 to \$450,000 (\$273 to \$321 per square foot).

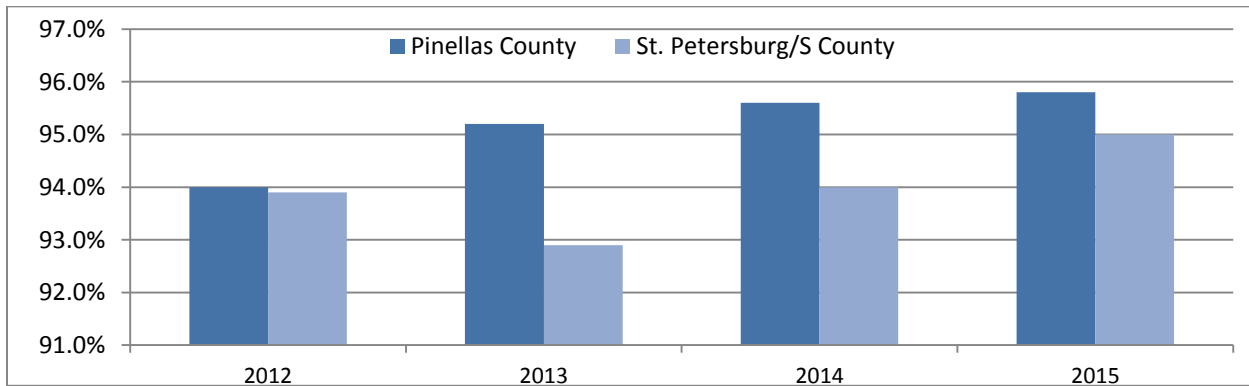
Rental Apartment Market

The analysis of the rental apartment market is based on an order of magnitude and includes a summary analysis of market trends for Pinellas County with comparisons for St. Petersburg/South County and then filters down to analysis of competitive rental apartment projects in the EDGE District Trade area.

Based on data from Bay Area Apartment Association, occupancy rates in both Pinellas County and the St. Petersburg/South County submarket are at or above 95%. Rental apartment occupancy rates for all of Pinellas have increased year over year from 2012 to 2015, while occupancy rates in the St. Petersburg/South County submarket dipped to 92.9 percent in 2013, before climbing to 95 percent in 2015.

Figure 23: Rental Apartment Market Occupancy Trends - Pinellas County and South County Submarket

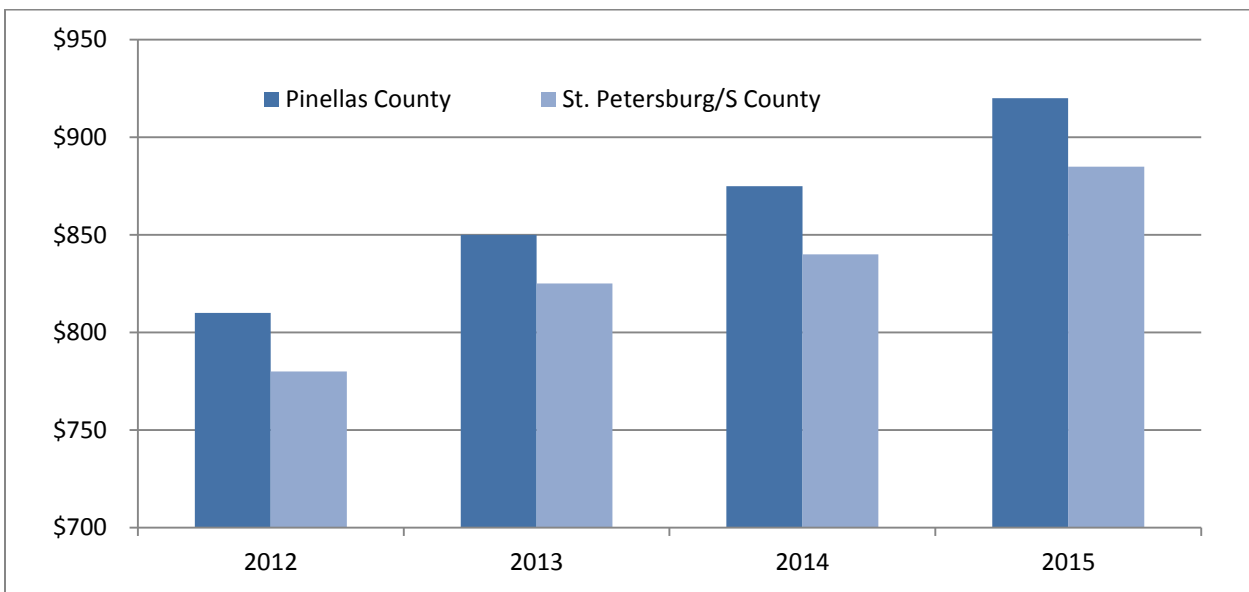
Source: Bay Area Apartment Association



The following figure displays average base rental rate trends for Pinellas County and the St. Petersburg/South County submarket from 2012 to 2015. The average base rent in the county has trended three to four percent higher than that for the submarket, with rents increasing by ± 5 percent for both the county and the submarket over the three-year reporting period. Thus far in 2015, the average base rent in the county is at \$920 in Pinellas County and at \$885 in the St. Petersburg/South County submarket.

Figure 24: Rental Apartment Market Rental Rate Trends - Pinellas County and the St. Petersburg/S County Submarket

Source: Bay Area Apartment Association



Below is a snapshot comparison of unit mix and occupancy rate by unit type for Pinellas County and the St. Petersburg/South County submarket. Thereafter, the figure presents a snap shot comparing unit size, average base rent and average base rent per square foot.

Figure 25: Market Snap Shot Comparisons - Comparison of Unit Mix and Occupancy by Unit Type (Pinellas County and St. Petersburg/S County Submarket - As of the 1st Quarter 2015)

Sources: Tampa Bay Area Apartment Association; Lambert Advisory

Submarket	Unit Mix by Percent			Percent Occupied			
	1 BR	2 BR	3 BR	1 BR	2 BR	3 BR	All Units
St. Petersburg/S. County	65.00%	30.00%	5.00%	95.1%	95.1%	92.8%	95.0%
Pinellas County Overall	54.00%	36.00%	10.00%	95.9%	95.6%	94.8%	95.8%

Figure 26: Market Snap Shot Comparisons - Comparisons of Average Size, Base Rent and Base Rent/Sq. Ft. - Unit Type for Pinellas County and St. Petersburg/S County Submarket (As of the 1st Quarter 2015)

Sources: Tampa Bay Area Apartment Association; Lambert Advisory

Submarket	Average Unit Size Sq. Ft.				Average Monthly Rent				Average Rent Per SF			
	1 BR	2 BR	3 BR	All Units	1 BR	2 BR	3 BR	All Units	1 BR	2 BR	3 BR	All Units
St. Petersburg/S. County	705	1,047	1,299	827	\$797	\$1,057	\$1,234	\$885	\$1.13	\$1.01	\$0.95	\$1.07
Pinellas County Overall	686	1,114	1,297	893	\$796	\$1,114	\$1,180	\$920	\$1.16	\$1.00	\$0.91	\$1.03

Lambert’s analysis of the rental apartment market also includes a survey of the newest market rate rental apartment projects in Downtown St. Petersburg. There were five projects surveyed, combining for 1,665 units. Three of projects, combining for 960 units, are stabilized, including Modera 235, Beacon 430 and the Fusion 1560 located in the EDGE District. The two other projects are under construction including, the Hermitage and 330 3rd Street South. Furthermore, Lambert is aware of Urban Style Flats located at 310 10th Street South, just south of the EDGE District. A former senior housing complex, this 481-unit rental apartment complex was not included in the survey as it has smaller units (average size 432 square feet compared to 886 square feet among the projects in the study group) and much lower base rent (average base rent of \$772 compared to \$1,675 a month among the five projects in the study group). The majority if units are rented by student and many come fully furnished.

The figure below presents a summary of unit mix, occupancy, average unit size, average base rent and average base rent per square feet by unit type for all five projects combined. Based on the averages in the summary profile, unit sizes for the projects in Downtown St. Petersburg are comparable to that for Pinellas County and the St. Petersburg/South County submarket, however, base rents are 80 to 90 percent higher.

Figure 27: Summary of Select Comparable/Competitive Rental Profile - Downtown St. Petersburg

Source: MyRentComps.com; Lambert Advisory

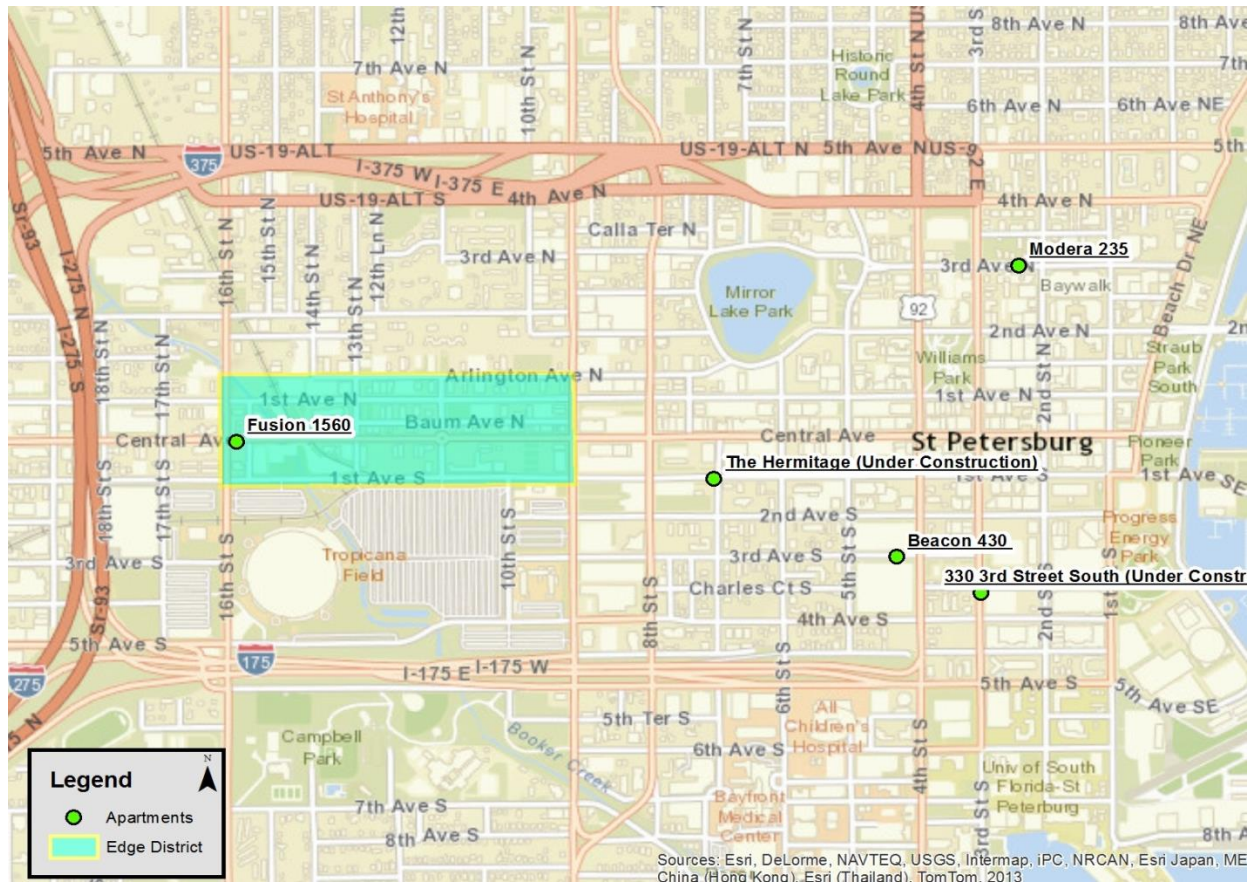
		Unit Mix				Unit Occupancy (excludes projects UC)									
		Studio	1-Brdm	2-Brdms	3-Brdms	Studio	1-Brdm	2-Brdms	3-Brdms	All Units					
		6.0%	52.0%	39.0%	3.0%	89.4%	95.6%	90.2%	100.0%	93.2%					
Average Unit Size Sq. Ft.					Average Unit Base Rent					Average Unit Base Rent/Sq. Ft.					
Studio	1-Brdm	2-Brdms	3-Brdms	All Units	Studio	1-Brdm	2-Brdms	3-Brdms	All Units	Studio	1-Brdm	2-Brdms	3-Brdms	All Units	
556	725	1,114	1,332	886	\$1,162	\$1,415	\$2,039	\$2,427	\$1,675	\$2.09	\$1.95	\$1.83	\$1.82	\$1.89	

Below is a profile of each of the five projects in the competitive study group followed by a map showing the location of each project.

Figure 28: Competitive Profile of Class A Rental Apartments - Downtown St. Petersburg, As of September 2015

Source: MyRentComps.com; Lambert Advisory

Project Name	Location	Year Built	Ftrs.	Total Units	Floor Plans	Unit SF-Range	Unit SF-Avg.	Vac. Units	Current Occp.%	Base Rent-Range	Base Rent Avg.	Base Rent Per SF-Range	Base Rent Per SF-Avg.	Notes
Beacon 430	430 3rd Ave. S 33701	2014	4	326	Studio, 1, 2 & 3 Bdrms.	582-1,360	882	43	86.81%	\$1,191-\$2,344	\$1,681	\$1.72-\$2.09	\$1.91	Under Contract at +\$265,000/unit
Modera 235	235 3rd Ave. N 33701	2014	7	309	Studio, 1, 2 & 3 Bdrms.	493-1,205	808	15	95.15%	\$1,195-\$2,405	\$1,680	\$1.59-\$2.42	\$2.08	-
Fusion 1560	1560 Central Ave. 33705	2010	3/4	325	Studio, 1 & 2 Bdrms.	563-1,178	862	7	97.85%	\$1,085-\$2,150	\$1,564	\$1.77-\$1.93	\$1.81	-
The Hermitage- New Construction	700 1st Ave. S 33701	2016	8	348	Studio, 1 & 2 Bdrms.	529-1,259	895	348	0.00%	\$1,100-\$2,245	\$1,679	\$1.76-\$2.08	\$1.87	Rents expected to increase ±5% at pre-leasing
330 3rd Street South-NC	330 3rd Street S 33701	2016	18	357	1,2 & 3 Bdrms.	703-1,375	969	357	0.00%	\$1,294-\$2,450	\$1,764	\$1.50-\$1.95	\$1.82	Being marketed as condos at ±\$300,000/unit
Totals/Avg All Projects (1)		-	-	1,665	-	493-1,375	886	65	93.23%	\$1,085-\$2,450	\$1,675	\$1.50-\$2.42	\$1.89	-



3B: Residential Demand Analysis

From a broader perspective, there has been a fundamental shift in housing demand over the past five to six years that has led to increased demand for rental housing, while demand for for-sale housing has been flat and only improving marginally over the past two years. The shift has been facilitated by a combination of factors including:

- The recession and collapse of the housing market in 2008, which has contributed to an increase in the rental of single family homes and other traditional for-sale housing, mostly by three and 4+ person family households.
- The advent of the Millennial population (“Gen Y”), which nationally is estimated at 75-80 million, rivaling the size of the “baby boom” generation. The Millennial population generally coincides with the 15-34 year old age group born between 1984 and 2002. As of the 2010 Census there were 41.06 million people in the U.S. between 25 and 34 years old, the prime renter household years. This number is expected to increase by 8.4 percent to 44.5 million over the next ten years as the 15-24 year old age group moves into the prime renter household years.

- There has been an increase in the popularity of urban style rental communities in urban and some suburban locations with consumers/renters attracted to a lifestyle that these projects provide including, walkable services, shopping and entertainment and/or shortened commute time to employment centers. This new urban style product is typically three to six stories with elevators and includes a full complement of state-of-the-art amenities and upgraded interior unit finishes. Units are generally smaller and higher priced than traditional garden style walk-up rental apartments. The new urban style product is popular among the Millennial population, but has also attracted a cross section of middle and higher income renters in all age groups.

In the effort to identify the level of demand for residential development expected to occur during the next few years within the Trade Area, we consider the economic, demographic, and overall housing market and economic conditions as outlined in this section as well as in preceding sections. The demand analysis methodology herein is used to identify the broader parameters of residential demand that support potential housing demand within the broader region and locally, and has been prepared in the effort to provide order of magnitude estimates of future housing demand.

The methodology for evaluating demand considers historical population growth trends and projections for the region; however, household growth activity in the Trade Area is a very important part of this analysis considering it is the broader market from which the district will draw demand; particularly middle and upper middle income households that will be able to afford new market rate housing.

A summary of the key demand assumptions follows:

Household Growth: Based upon population projections outlined in Section 2 above, the Trade Area's household growth is projected to grow at approximately 1.0 percent per annum for the next five to ten year period.

Household Income: Based upon US Census data, approximately 45 percent of all households in the Trade Area have annual household income greater than \$45,000, a minimum threshold considered to adequately support monthly payments required to underwrite new, market rate multi-family/condominium housing development; or, minimum average monthly housing payment estimated to be in the range of \$1,300 to \$1,500.

Multi-family Units: The housing demand for the Study Area considers propensity of demand for mid- to higher density multi-family housing that provides the critical mass needed to encourage a dynamic, mixed-use area. Based upon US Census housing data for the Trade Area, roughly 55 percent of all dwelling units are multifamily. Importantly, for this analysis, we assume that the proportion of multifamily development will continue to outpace single family development given current and near-term trends, and therefore we apply a modest increase to the model.

Based upon the assumptions above, and detailed in the housing demand model in the Appendix, there is estimated to be approximately 350 to 450 new households with incomes greater than \$45,000 within the Trade Area during the next 5± years from population growth alone. It is important to recognize that the estimates herein are for “primary” residents. Obviously, we recognize the amount of condominium development planned within the Downtown area alone far exceeds this demand. However, it is critical to point out that, according to PCPA, roughly 60 percent of condominium owners in the Downtown area are non-Homestead properties; or, an indication of second home and/or investor units.

Figure 29: Summary of Multifamily (Market Rate) Housing Demand – Trade Area (2015 to 2020)

Source: US Census; Lambert Advisory

	2015	2016	2017	2018	2019	2020	Change
Population	35,509	35,864	36,223	36,585	36,951	37,320	1,811
Total Households	16,603	16,769	16,937	17,106	17,277	17,450	847
Persons per HH	2.1	2.1	2.1	2.1	2.1	2.1	
<i>% Study Area HH w/Income > \$45K (Future Demand)</i>	45%	45%	45%	45%	45%	45%	
No. HH with Income > \$45,000	7,471	7,546	7,622	7,698	7,775	7,852	381
% MF Dwelling	55.0%	55.0%	55.0%	56.0%	56.0%	57.0%	
Total Demand for New MF Dwelling Units	4,109	4,150	4,192	4,311	4,354	4,476	367

While we believe the EDGE may certainly be positioned to attract second home and/or investors, we believe the initial demand (and perhaps most desirable) is from residents who want to live in a unique and lively community. As such, we acknowledge that the demand during the next five years or so may exceed the estimates above; especially, if we consider the potential for the EDGE to attract more than its fair share of housing demand (or existing residents in the market seeking to relocate in this up and coming district). However, at this point, we maintain a relatively conservative approach during the short term to ensure that redevelopment planning is closely tied to economic and market realities.

Section 4: Retail Supply and Demand Analysis

4A: Retail Supply Analysis

This section of the study presents and analysis of retail supply and demand in Pinellas County and then narrows to Downtown St. Petersburg and the EDGE District. The analysis of retail supply, which follows, is based on secondary sources of data and information including, the Pinellas County Property Appraiser, CB Richard Ellis (CBRE) Real Estate Marketview Report for the Tampa Bay Area and Loopnet. Additionally, Lambert conducted a sample survey of retail listings in Downtown St. Petersburg and the EDGE District and identified significant shopping centers and “big box” retail in the south Pinellas submarket showing their location in relation to Downtown St. Petersburg and the EDGE District.

According to CBRE, there is an estimated 22.3 million square feet of retail space in Pinellas County. Of this total, 8.2 million square feet, equal to 36.8 percent, is located in the South Pinellas submarket. The vacancy rate for retail in the county is at 7.3 percent and ranges from 6.4 percent in the Mid-Pinellas submarket to 7.7 percent in North and South Pinellas. Asking lease rates range from \$13.00 per square foot (NNN) in the South Pinellas submarket to \$15.48 per square foot (NNN) in the North Pinellas submarket. The average asking lease rate for all of Pinellas is at \$14.42 per square foot (NNN).

As of the 2nd Quarter 2015, net absorption of retail space year-to-date in Pinellas County was at 27,599 square feet and included net absorption of 16,255 square feet in South Pinellas and 12,284 in North Pinellas. Mid-Pinellas has a negative net absorption of 904 square feet year-to-date.

Figure 30: Retail Market Overview for Pinellas County

Sources: CBRE; Lambert Advisory

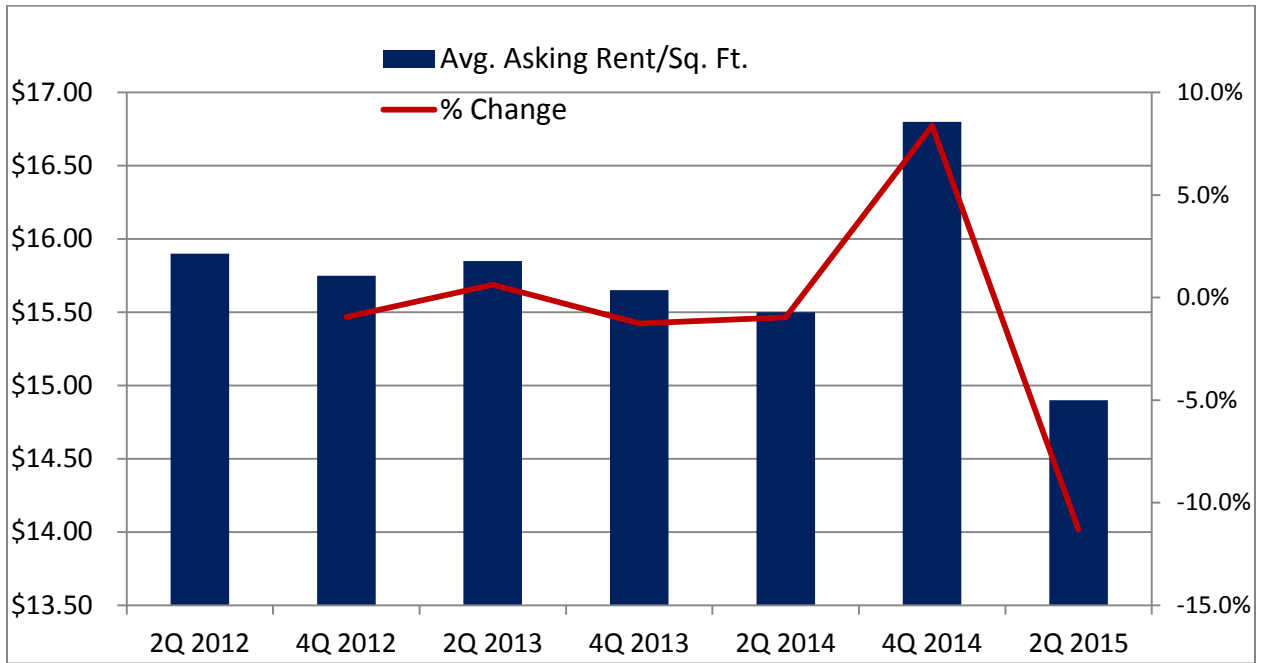
Submarket	Sq.Ft.	% Vacant	YTD Net Absorp. (SF)	Asking Lease Rate	Under Construct
South Pinellas	8,195,000	7.70%	16,255	\$13.00	44,000
Mid-Pinellas	8,100,000	6.40%	-940	\$14.69	0
North-Pinellas	5,980,000	7.70%	12,284	\$15.48	0
Total	22,275,000	7.30%	27,599	\$14.42	44,000

Rental rate trends in the market from 2nd Quarter 2012 to 2nd Quarter 2015 are presented below. As is displayed in the graphic, rental rates were fairly stagnant from 2012 to 2014, fluctuating between \$15.50 and \$15.90 over the two-year period. The average asking lease rate jumped up 8.4% from \$15.50 in the 2nd Quarter 2014 to \$16.80 in the 4th Quarter of the year. However, in the 2nd Quarter of 2015, they declined by 11.3% to \$14.90.

According to brokers we interviewed, the lackluster performance of lease rates in the market reflects the lingering impact of the recession, but also the lack of available quality retail space.

Figure 31: Pinellas County Rental Rate Trends - 2Q 2012 to 2Q 2015

Sources: CBRE; Lambert Advisory



As part of the analysis of retail supply, Lambert conducted a comprehensive inventory of retail in Downtown St. Petersburg/EDGE Trade Area. The Trade Area was segmented into sub-districts or nodes corresponding to concentrations of retail by location within Downtown. The estimates of inventory are based on data from the Pinellas County Property Appraiser.

There is approximately 1.09 million square feet in Downtown St. Petersburg /EDGE Trade Area. Below is a map of the Downtown St. Petersburg/EDGE Trade Area segmented by node/sub-district. Thereafter, estimates of the inventory of retail space in each node/sub-district are presented in a table. In addition to the retail inventory in Downtown St. Petersburg/the EDGE Trade Area, Lambert identified an estimated +350,000 square feet along the Central Avenue corridor leading out of downtown (Grand Central District) from 16th Street, west to 34th Street (US Highway 19) and +489,000 square feet along the 4th Street corridor from 5th Avenue N, north to 38th Avenue N.

Map Code	Area/Node	Retail Sq.Ft.
1	Beach	119,400
2	East Core	180,100
3	West Core	141,200
4	The Edge	141,000
5	Downtown North Sectors	323,000
5A	NDT Sector A	230,100
5B	NDT Sector B	56,800
5C	NDT Sector C	34,300
6	Downtown South Sectors	184,800
6A	SDT Sectors A	107,400
6B	SDT Sectors B	77,400
6C	SDT Sectors C	Tropicana Field
	Total	1,089,500
	4th Street Corridor	489,000
	Central Avenue Corridor	350,000

Figure 34: Sample Survey of Retail Listings - Downtown/St. Petersburg/EDGE Trade Area

Address	Downtown District	Available Sq. Ft.	Min./Max Space Avail. Sq. Ft.	Avg. Asking Rents	CAM Type
Shoppes on the Park	3	770	770	\$25.00	MG
624 1st Ave S.	3	3,960	N/A	\$15.00	MG
660 1st Ave N	3	1,500	750-2,300	\$25.00	FS
Fusion 1560 Retail	4-The Edge	3,200	1,000-2,200	\$20.00	NNN
Star Plaza	4-The Edge	5,520	1,120-4,400	\$12.00	NNN
1029 Central Ave	4-The Edge	2,800	1,400	\$18.00	N/A
923 Central Ave	4-The Edge	1,200	1,200	\$18.00	N/A
957 Central Ave	4-The Edge	2,800	1,400	\$18.00	N/A
Plaza Tower & Courtyard Shops	5A	20,513	1,900-5,850	\$18.00-\$21.00	FS
Sundial	5A	7,000	1,500-3,000	\$40.00	NNN
Sundial Mid-Core Garage	5A	11,000	11,000	\$14.22	NNN
523-533 4th Street N	5A	2,499	579-4,836	\$21.00-\$25.00	NNN
290 9th Street N	5C	8,676	1,200-7,276	\$12.00	MG
Total/Avg.		71,438		\$19.13	

The following figure presents a map of major shopping centers and “big box” retail in St. Petersburg/South County submarket. The survey group was reviewed to gain perspective on competing retail shopping nodes in the South Pinellas County submarket relative to the Downtown St. Petersburg/EDGE Trade Area.

Figure 35: Map of Major Shopping Centers and “Big Box” Retail - South Pinellas County

Sources: Pinellas County Property Appraiser; Lambert Advisory



Map Code	Name	Map Code	Name
1	Sun Dial	11	Shoppes at Park Place
2	Jannus Landing	12	Home Depot
3	University Village	13	Walmart Super Center
4	Publix (UC)	14	Home Depot
5	NE Shopping Center	15	Lowe's
6	Publix	16	Walmart Super Center
7	Fresh Market	17	Tyrone Square Mall
8	Central Plaza Shoppes	18	Crosswinds
9	Walmart	19	Crossroads
10	Gateway Mall	20	Target
		21	Walmart

As it relates specifically to the EDGE, it would be hard pressed to argue the fact that the district has created a unique environment certainly within South Pinellas County – if not the entire County. The EDGE has continued to evolve as an eclectic area that has largely grown in the restaurant/bar segmentation, with added support from boutique retail and the arts. The addition of new mid-density residential development only enhanced the area’s vibrancy. The business growth trend continues today, with some of the more recent activity comprising a number of dining, retail and services including but not limited to:

Figure 36: Sample of New Business Growth within The EDGE (12- 24 months)

Source: The EDGE Business Association

DINING ENTERTAINMENT

- Blue Goose Bar
- Green Bench Brewing
- The Amsterdam
- The Bends
- Enigne 9
- Edge of 9
- Pinot's Palette
- Enigma
- Bodega
- Brooklyn South
- Red Mesa Mercado
- Flying Pig
- King's Street Food Counter

RETAIL/PROFESSIONAL

- Ashe Couture Boutique
- Bodho Basics
- Classic Tattoos
- Destiny Adoption
- Integrative Counsel
- Leslie Curran Gallery
- Magnolia Lane Boutique
- Plain Jane
- Shift St. Pete
- St. Petersburg Eye Care Specialists
- Playfull Terapy
- Brentwood Photography
- Flop Flop Quilt Shop

Additionally, Bavarro, Pizza Box, Hawkers Asian Street Fare, and two as yet unnamed restaurants at 1027 Central and 911 Central are set to open in early 2016.

As with many successful “grass-roots” community revitalizations throughout the State (and nationally for that matter), comes the interest of larger investment/development players. These entities often times bring the added capital necessary to make substantial improvements to an otherwise aging stock of buildings. In most regards, this is viewed as a positive redevelopment event. However, with this investment trend comes challenges of other sorts; namely, lease rate escalation occurs rapidly, and largely at the peril of small, local businesses. This is increasingly taking place in the EDGE where, based upon a sampling or retail listings in the EDGE Trade Area and interviews with several retail brokers, estimated lease rates have increased from as low as \$12.00 per square foot (NNN) following the recession to \$18.00 per square foot (NNN) for older, lower quality space, and more than \$25.00 to \$30.00 per square foot for new leases depending on landlord improvements and concessions. Whether or not it is viewed fortunately or unfortunately (depending upon varying personal/business perspectives), this is often the result of community revitalization. Therefore, it is in the hands of the community and its stakeholders to positively manage the growth that effectively and fairly serves their needs and desires.

In sum, the broader regional retail market is experiencing relatively strong occupancy following the economic downturn of a few years ago, although lease rates remain somewhat sensitive given the ups and downs of the past few quarters. Accordingly, the South Pinellas retail market is fairly well served among a number of commercial corridors, as well as a regional mall, “big box” discount stores and anchor grocery stores. The Downtown area is ushering in a relatively invigorating retail segment as large scale residential development continues to evolve. Nonetheless, the EDGE District itself is seeing a wave of new commercial activity, the most abundant of which is the restaurant/bar segment. Considering the conditions in the regional and local retail market, the next step of the process is to understand the demand side to assess future growth and identify potential retail opportunities that can support on-going redevelopment and investment within the EDGE.

4B: Retail Demand Analysis

As discussed in Section 1, Lambert has defined the EDGE’s Trade Area based upon boundaries considered to represent the area from which we believe businesses will draw patrons for food and beverage establishments, local stores and boutiques, and specialty businesses on a regular basis. While retail trade area boundaries are ordinarily defined by drive times, the boundaries set forth herein consider drive time, proximity to surrounding competitive commercial nodes, and have clear delineation around Census Block Groups to allow for comprehensive economic and demographic analyses.

As noted, defining the Trade Area may be viewed differently among various businesses, stakeholders, and/or residents; therefore, it is important to note that the Trade Area is regarded as a primary area for expenditure capture and, for this, the *Lambert Advisory Retail Trade Model* takes into account expenditures by residents outside of the Trade Area (or commonly referred to as secondary and/or tertiary Trade Areas) by utilizing inflow factors. We have estimated demand for the current year (2015) and for a five year period through 2020.

Local residents’ expenditures are the primary potential driver of demand for retailers within the EDGE’s retail trade area. Although utilizing large amounts of data from a variety of sources, the way the retail trade model derives the estimated space demand is actually quite simple. The methodology is described in detail below.

Total Personal Income – In 2014, there are nearly 35,500 residents in the retail trade area with per capita income of approximately \$28,000 (distinct from average household income), which yields \$290 million in total personal income.

Total Non-Auto Retail Expenditure – An estimate of non-automobile retail expenditure for the Trade Area is made by multiplying the Total Personal Income by the percent of income that is spent on non-auto retail purchases in a given year. The percent of household income spent on non-auto retail purchases was derived from the Department of Commerce 2012-2013 Consumer Expenditure Survey (Southern Region), which is both region- and income cohort-specific based upon data from the Department of Commerce, and residents are estimated to spend 29 percent of their income on non-auto related retail goods.

Expenditure by Store Type – Non-auto expenditure by store type for the market area is estimated using the percentage of total non-auto store sales by store type for the State of Florida (as a proportion of total non-auto sales) based on an analysis of the 2012 Census of Retail Trade. County level data is available to some degree but

many retail categories are not separable due to the fact that the Census Bureau maintains limits on how much data is provided at the county level for categories where there are only a few competitors.

Primary Market Area Retention – This is estimated based upon fieldwork and experience, and is an estimate of the degree of leakage which may occur from the EDGE by store type. Most merchandise categories have relatively low retention rates due to the size of the Trade Area and the fact that there is considerable retail development within surrounding retail nodes as highlighted above.

Percent Sales Inflow from Secondary Market – While there is resident expenditure leakage from the Trade Area there is also inflow from residents that live outside the bounds of the Trade Area. This is accounted for in the resident model. However, additional inflow demand will come from non-resident daytime workers in the area, which are also accounted for in the model and into specific segment models detailed below.

Sales per Square Foot – The sales per square foot figures are estimated for stores in the Trade Area based on interviews and other sources of information, including but not limited to the Urban Land Institute’s Dollars & Cents of Shopping Centers.

Warranted Square Feet – Is calculated using the following formula: Net Sales Potential (by category)/ Sales per Square Foot (by category)

Non-Retail Space – Is calculated assuming that there is an additional 10-15 percent of “retail” space demanded in traditional retail space that is utilized for non-retail uses such as doctor’s offices, hair salons, or other personal services.

Figure 37: The EDGE – Retail Trade Area Estimated Retail Demand (by Category)

Source: Lambert Advisory

	2015	2020	Change
Estimated Population	35,509	36,952	1,443
Per Capita Income	\$27,926	\$31,596	\$3,670
Total Retail Expenditure Potential	\$287,571,057	\$338,584,569	\$51,013,512
Expenditure Potential by Category			
Food Services & Drinking Places	\$109,365,873	\$128,766,773	\$19,400,900
Shoppers Goods	\$156,162,609	\$183,864,990	\$27,702,381
Convenience Goods	\$116,130,157	\$134,170,005	\$18,039,847
Sales per Square Foot by Category			
Food Services & Drinking Places	\$395	\$395	\$0
Shoppers Goods	\$308	\$308	\$0
Convenience Goods	\$354	\$354	\$0
Supportable Square Footage by Category			
Food Services & Drinking Places	276,876	325,992	49,116
Shoppers Goods	506,913	596,836	89,924
Convenience Goods	359,888	417,078	57,190
plus: Building Material & Garden Equipment	137,721	162,377	24,656
plus: Non-Retail Space (Services)	192,210	225,342	33,133
Total Supportable Retail Space	1,473,607	1,727,625	254,018

Based upon the retail trade area model, retail demand from resident expenditure (which accounts for inflow and outflow demand factors) is estimated to be 1.5 million square feet. This appears to be generally in line with total retail inventory estimated for the 1.8 million square foot Trade Area as set forth in Figure 33 above considering the profile major retail nodes and large-scale retailers. As such, the EDGE’s 140,000+ square feet of retail space comprises approximately 8 to 10 percent of total supply in the trade area.

As highlighted in the figure above, Food Services and Drinking Places category includes restaurants and bars and accounts for nearly 20 percent of total retail demand. The Shoppers Goods category includes clothing, accessories, general merchandise, and miscellaneous goods such as sporting goods, books, toys, office supplies, art, fabric/sewing materials, and souvenirs (in the range of 30 percent of total retail demand). The Convenience category, which accounts for 20 to 25 percent of total square footage demand, includes pharmacy, personal care products, and supermarket spending (e.g., groceries, cosmetics, prescription drugs, and optical goods).⁶ Building materials and other non-retail services comprise the balance of demand.

Based upon the retail trade model, retail demand within trade area is estimated to increase roughly 255,000 square feet by 2020; however, a portion of this net new retail demand presumes absorption of existing vacant space, as well as support for a reposition of existing tenants that may shift out of the market as rental rates increase to more stabilized levels. Regardless, the EDGE will likely capture its proportionate share of future retail demand and, as a matter of fact, the EDGE’s ability to capture current and future retail demand is not so

⁶ Percentages are rounded; therefore, they do not add to 100%

much from a lack of demand or expenditure potential, but instead related to other issues, such as the limited availability of sizable parcels for (re)development.

Importantly, the mix of retail categories (i.e., the proportion of restaurant and entertainment space, shoppers goods space, etc.) implied by these estimates should be taken into consideration as the EDGE and its planning team formulates and refines its strategic priorities. At the same time, elements of the comparable/competitive retail market must be considered as well.

Section 5: Office Supply and Demand Analysis

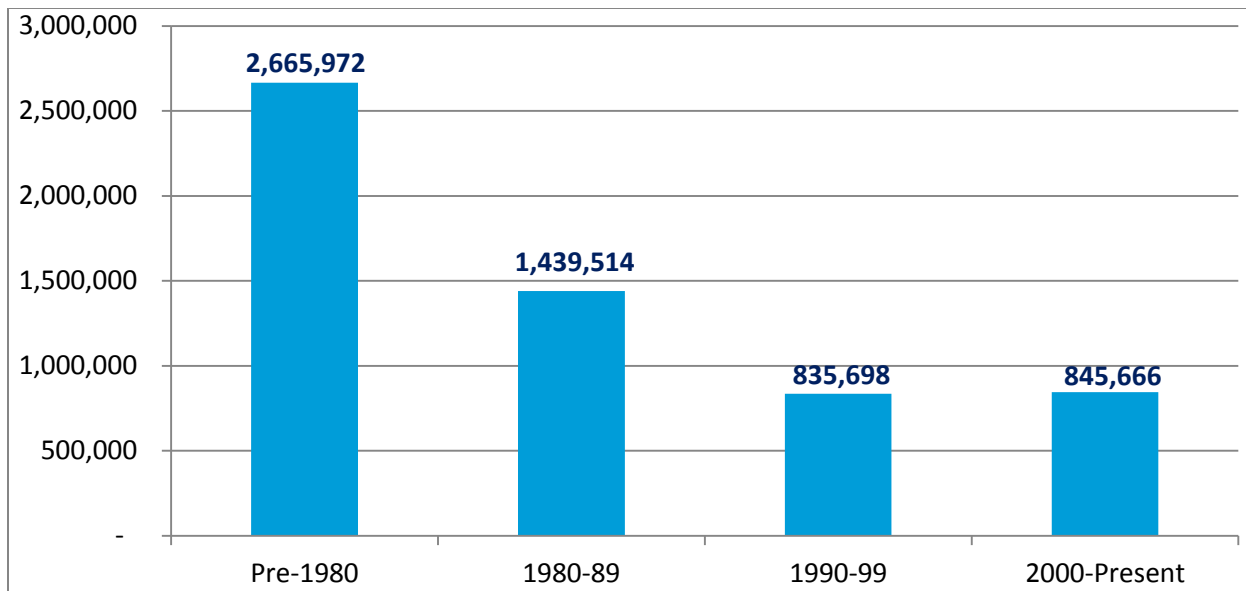
5A: Office Supply Analysis

The office market analysis includes an overview of the performance characteristics of the office market by major submarket in Pinellas County, including the St. Petersburg CBD. A graphic showing the historical delivery of office space in the CBD is provided along with a map showing the location of significant office buildings.

CBRE tracks office market trends in the Tampa Bay Area including Pinellas County. The analysis is based on speculative office buildings that are 30,000 square feet or greater among buildings that have space available to lease. It does not include build-to-sit buildings or government services office buildings. Based on these parameters, CBRE estimates that there is approximately 12.9 million square feet of office space in Pinellas County. Accordingly, it is estimated that South Pinellas County comprises roughly 6 million square feet of office space. Based upon data abstracted from PCPA, and as illustrated below, more than two-thirds of the south County office inventory was built before 1990. More recent, approximately 845,666 square feet was delivered from the year 2000 to the present.

Figure 38: South Pinellas County Office Space Delivery Trends (Sq. Ft.)

Source: Pinellas County Property Appraiser



The St. Petersburg CBD (Downtown area) comprises a total 2.21 million square feet, equal to 17 percent. The vacancy rate for office space in the county as of the 2nd Quarter 2015 is at 17 percent and ranges from 8.1 percent in the St. Petersburg CBD, to 27 percent collectively in the surrounding South Pinellas submarket (excluding the ST. Petersburg CBD).

The average asking lease rate for all of Pinellas is at \$18.43 per square foot, Full Service (FS) and ranges from \$16.96 per square foot (FS) in the South Pinellas submarket to \$23.34 per square foot (FS) in the St. Petersburg CBD.

As of the 2nd Quarter 2015, net absorption of office space, year-to-date, in Pinellas County was at nearly 165,000 square feet, of which 54,285 square feet (+33 percent) was absorbed in the St. Petersburg CBD. This is an integral factor considering that the CBD comprises less than 15 percent of the County’s total office inventory, but during the recent past has been able to capture more than 30 percent of the office absorption. We consider this trend as part of our demand analysis below.

Figure 39: Office Market Overview for Pinellas County

Sources: CBRE; Lambert Advisory

Submarket	Sq.Ft.	% Vacant	YTD Net Absorp. (SF)	Asking Lease Rate (FS)	Under Construct.
<i>St. Pete CBD</i>	<i>2,206,000</i>	<i>8.10%</i>	<i>54,285</i>	<i>\$23.34</i>	<i>0</i>
South Pinellas	3,984,000	27.00%	59,700	\$16.96	0
Mid-Pinellas	3,941,000	14.20%	45,528	\$19.54	0
North-Pinellas	5,057,000	20.20%	58,714	\$17.41	0
Total	12,987,000	17.10%	164,994	\$18.43	0

Overall, net absorption in the CBD over the past 18 months is estimated at 189,250 square feet, equal to a monthly average of 10,515 square feet. While this is a relatively healthy absorption compared to trends during and immediately following the recession, it is important to note that most lease transactions have been for smaller spaces; notably, only three leases greater than 5,000 square feet county-wide. This is highly indicative of the characteristics of office leasing within this market (and other major metropolitans in Florida overall), whereby the office market is dominated by smaller businesses. This becomes a relevant factor when planning for new office development, and is actually a positive characteristic for potential development within the EDGE in terms of providing a strong supporting use to a mixed use development. In other words, planning for a large scale office development is likely not to be recommended, as the CBD itself has only ten buildings that are larger than 100,000 square feet.

Figure 40: Significant Office Building in the St. Petersburg CBD ($\geq 100,000$ Sq. Ft.)

Source: Pinellas County Property Appraiser; Lambert Advisory



5B: Office Demand Analysis

To get a basic understanding of future office market demand that will drive the potential for new office development in the EDGE, Lambert applied an office demand model that examines projected office demand related employment growth set against an office demand per employee ratio derived from the Building Managers and Owners Association (BOMA). The analysis commences with projected office employment growth. As previously noted, office demand related employment in Pinellas County is estimated to increase by roughly 2,500 average annually during next several years; or an estimated 10,500 to 12,500 office jobs from 2015 to 2020.

According to BOMA, among other industry benchmark indicators, the office space per employee ratio in Pinellas County is in the range of $230 \pm$ square feet per employee. Based upon the 10,500 to 12,500 office employment demand over a five-year projection period, then multiplying this range by 230 square feet per employee, results in net demand for new office space in Pinellas County estimated to range between 2.4 and 2.8 million square feet over the next $5 \pm$ years. However, as noted above, the County's office vacancy is more than 17 percent and a significant portion of future demand will apply to stabilizing the market overall; or, an estimated 750,000 to 800,000 square feet of space to be absorbed to get closer to a stabilized 90 percent market occupancy.

Referencing the historic capture rate and trends above for the St. Petersburg CBD as it relates to Pinellas County, and applying a capture rate ranging between 15 and 20 percent of the County's total demand over the

projection period, the CBD office submarket is forecast to have demand for roughly 240,000 to 500,000 square feet during the next 5± years.

Figure 41: Office Demand Projections for the Downtown St. Petersburg CBD

Source: CBRE; Lambert Advisory

	Historical	Trending
Estimated County Office Job Growth (2015 to 2020)	10,500	12,500
Sq.Ft. Office Net Demand @ 230± sf per employee	2,400,000	2,800,000
Market-wide Absorption to Reach Stabilization (or reduce vacancy from 17% to 11%)	775,000	775,000
Net County Sq.Ft. Demand (a/f Stabilization)	1,625,000	2,025,000
% CBD/EDGE Submarket Capture	15%	25%
Submarket Total Potential - Office Demand (Sq.Ft.)	240,000	500,000

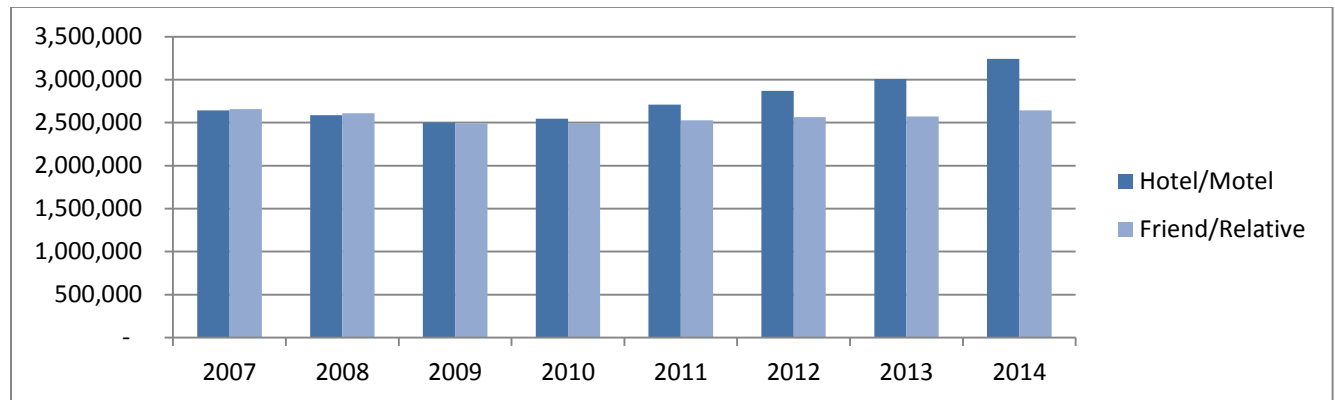
It is important to note that the demand outlined herein does not necessarily translate directly into supportable or viable office development, particularly, for the CBD. This is due in part to the fact that the focus of new development (and therefore premium land value) has been on residential uses. As such, the cost to build large amounts of office space given increasing land costs and construction costs tests the limits of financial viability; especially, given that office lease rates overall remain somewhat volatile. Nonetheless, over time, office demand and performance will push to levels supporting new development within the CBD, and the EDGE will be in a great position to capture at least some of this demand. Naturally, FIRE (Finance, Insurance and Real Estate) and Business Services sectors are likely to remain the strongest demand sectors for the CBD given the area’s current composition; however, the EDGE can put itself in a position to target other specific office using sectors such as technology and information sectors which are relatively high growth sectors in the region. Notably, there is a strong emerging trend among the shared work space/co-working space that is moving beyond the traditional “executive office suite” and into more creative and collaborative working environments.

Section 6: Hotel Supply and Demand Analysis

The Tampa Bay Area in general is a national (and international) visitor destination and the St. Petersburg area gets its fair share of this demand. According to the St. Petersburg/Clearwater Convention and Visitors Bureau (CVB), Pinellas County has steadily increased its visitor base from 4.9 million in 2009 (following the recession) to a record high of 5.9 million in 2014.

Figure 42: St. Petersburg/Clearwater Visitor Growth Trends

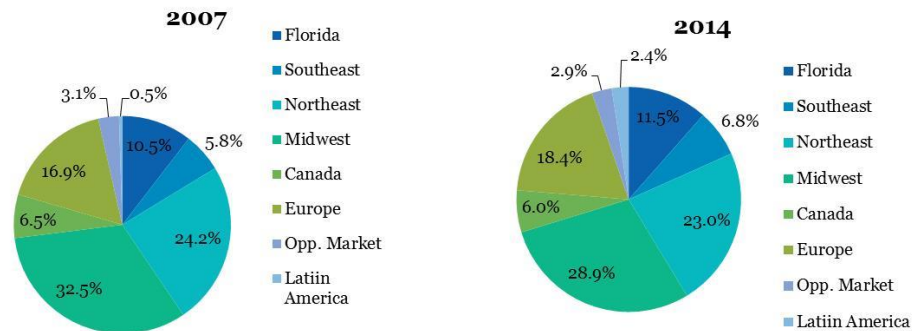
Source: St. Petersburg/Clearwater CVB



The visitor profile has changed considerably as well during the past several years. As shown in the figure below, the Midwest US continues to dominate the region’s visitor origin; however, it has lost proportional ground from 2007 to 2014 – from 32 percent share to 28 percent share. In contrast, the European market has picked up from 16 percent to 18 percent share, and the Latin America market (though still very small) has increased from 0.5 percent to nearly 2.5 percent; or, a 250 percent increase in its visitor base. Naturally, fluctuations in visitor origin often occurs with periodic weather cycles for US visitors (ie. unusually warm winter in the Midwest typically causes travel to the south to decline) and currency cycles for international visitors (ie. monetary valuation), it is apparent that St. Petersburg/Clearwater is broadening its visitor base which can have positive implications for the hospitality industry; particularly, in areas like St. Petersburg where the arts and culture draw from around the world.

Figure 43: St. Petersburg/Clearwater Visitor Original (2007 vs. 2014)

Source: St. Petersburg/Clearwater CVB



In addition to the broadening visitor dynamics to the area, St. Petersburg/Clearwater has a relatively strong visitor profile, namely median household income of \$117,000, and visitors staying within the region an average of 5.8 nights.

Figure 44: St. Petersburg/Clearwater – Summary Visitor Profile (2014)

Source: St. Petersburg/Clearwater CVB

Category	Metric
Expenditure Breakdown (Person/Trip)	\$2,112
<i>Accommodations</i>	<i>\$1,002</i>
<i>Food/Entertainment</i>	<i>\$813</i>
<i>Retail Purchase</i>	<i>\$297</i>
Average Length of Stay	5.8 nights
Median HH Income	\$117,000
Average Party Size	2.8 persons

These general visitor characteristics portend well for St. Petersburg and, certainly, for an area such as the EDGE that presents a unique destination to attract demand for retail, restaurants, and potential hotel (and the focal point of the discussion below).

6A: Hotel Supply Overview

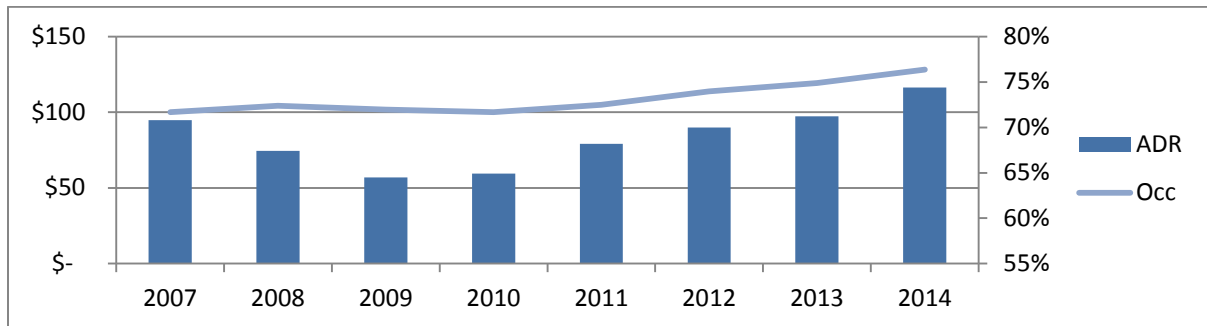
The St. Petersburg hotel submarket (which is generally defined by southern Pinellas County) hotel inventory comprises more than 9,000 hotel rooms among more than 174 hotel properties.⁷ Since peak period in 2007 before the recession, occupancy remained in the low 70 percent range while average daily rates (ADR) dropped

⁷ STR, a global leader in hotel data resource

from \$100 in 2007 to less than \$60 in 2009 and 2010. However, according to the CVB, occupancy rates steadily increased to nearly 75 percent in 2014 while ADR nearly doubled to \$120.

Figure 45: St. Petersburg/Clearwater Hotel Trends (2007 to 2014)

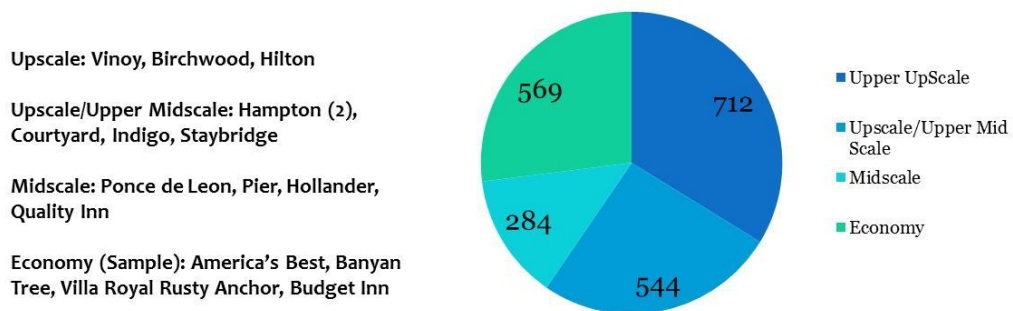
Source: St. Petersburg/Clearwater CVB



According to STR, there are approximately 2,100 rooms among 28 hotel properties in the Downtown St. Petersburg area (not including the beaches). The following chart illustrates the general characteristics of the hotel inventory within the Downtown area. Approximately one third of the room inventory is defined as Upper Upscale including the Vinoy, Birchwood and Hilton. Roughly 20 percent of the market is Upscale/Upper Mid-scale represented by brands such as Hampton, Courtyard, Indigo and Staybridge. The remaining 45± percent of rooms inventory is considered mid-scale or economy, which primarily comprises small independent and budget hotels.

Figure 46: Downtown St. Petersburg Hotel Profile

Source: STR



There Vinoy (361 rooms) and Hilton (333 rooms) represent the only two properties with more than 130 rooms. The Courtyard (128 rooms and built in 2006) and Staybridge (119 rooms and built in 2014) were the only two hotels built in the area within the past ten years. In general, full service hotel development nationally is seeing limited new development, except for in the largest metropolitan areas or prime resort locations. However, Downtown St. Petersburg recently announced ONE Hotel (174 rooms), which will be part of the new condominium development and managed by Hyatt. The Galaxy (100 rooms) is another new hotel planned for the Downtown area.

6B: Hotel Demand Analysis

In the effort to better understand the opportunity for new hotel product within the EDGE District, Lambert has discussed market conditions and opportunities with a select group of hotel development companies and industry analysts to identify performance thresholds for new hotel development. Although difficult to ascertain at this stage of the process (in the absence of design, building and land cost assumptions) there is consensus that as the comparable/competitive market steadily approaches an ADR of \$130+ and occupancy remains above 75± percent, the addition to supply is potentially warranted. Based upon the broader hotel market conditions as summarized above, the Downtown St. Petersburg market has apparently approached that territory, as evidenced by the announcement of new supply. At this point, the opportunity for a full service/Upper Upscale property within the EDGE is not recommended for the foreseeable future. However, during the next few years, as the new hotel development stabilizes, the opportunity to support a smaller select service hotel within the EDGE District is considered to be warranted. Especially, the opportunity to attract a boutique style property (whether flagged by recognized brands such as Aloft or Element) or an independent operator which would benefit tremendously from the restaurant and retail activity within its immediate surrounds, while at the same time providing easy access to Downtown and the beaches.