

MIAMI
Intermodal



BEACH
Feasibility Study

TASK II
TECHNICAL MEMORANDUM
MARKETING ANALYSIS



CITY OF MIAMI BEACH



MIAMI-DADE COUNTY
METROPOLITAN PLANNING ORGANIZATION



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Table of Contents

Miami Beach Intermodal Feasibility Study



TASK II	SUMMARY	1
TASK II-A	LOCATION MAP	3
TASK II-B	GENERAL MARKET OVERVIEW	4
TASK II-C	OFFICE MARKET OVERVIEW	6
TASK II-D	RETAIL MARKET OVERVIEW	9
TASK II-E	HOTEL MARKET OVERVIEW	11
TASK II-F	RESIDENTIAL MARKET OVERVIEW	12
TASK II-G	CONCLUSIONS and DEVELOPMENT POTENTIAL	
	Convention Center Lot	14
	Washington Avenue & 17th Street	15
	5th Street & Alton Road	16



OVERVIEW

As recommended in the Task 1 Feasibility Analysis, the best sites for an intermodal center would be in the City Center area either at the Convention Center lot, The 17th and Washington lot, or to the south at the 5th and Alton site.

This report provides a real estate market assessment of the Miami Beach area as it relates to the integration of commercial and residential real estate development within three potential Intermodal sites to be used by the Electric-wave Shuttle and other modes of transportation. The analysis helps to define the strengths and weaknesses of selected sites and, furthermore, identify the highest and best use purely from a real estate market perspective for joint development of each of the prospective Intermodal properties. While each property may have other uses which provide community or other benefits to Miami Beach, this analysis is exclusively related to identifying the development program which provides the strongest financial return to the City.

The methodology for the market assessment analyzed the current and estimated future demand for key real estate uses, including office, residential, retail and hotel (note: studio/industrial uses were also profiled, however, on a cursory basis). This analysis considered regional economic and demographic trends, inherent strengths and weaknesses of the Miami Beach area, as well as competitive implications of real estate activity in surrounding areas.

The basis for this market analysis is directly related to the selection of three specific sites identified as viable Intermodal hubs, including:

Convention Center Lot

This site is 75,000 square feet (1.7 acres) immediately south of the Convention Center and east of City Hall. The L-shaped property abuts both the Convention Center and Jackie Gleason Theater, and is one block north of Lincoln Road Mall. The site is zoned CPS-2, mixed-use district.

Washington Avenue & 17th Street

This is 280,000 square feet (6.4 acres) and is zoned CCC, convention center district. The site is situated in the southwest quadrant of the Washington Avenue/17th Street intersection, and is positioned well between the Convention Center and Jackie Gleason Theater to the north and Lincoln Road mall to the south.

5th Street & Alton Road

This 87,000 square-foot (2.0 acre) site is zoned CPS-2, a commercial, mixed-use district. The property is situated at the foot of the intersection of I-395 and Alton Road and is surrounded by commercial and residential development. Current zoning permits for a maximum 175,000 square feet of commercial development or 205 residential units, not to exceed a height of 7.5 stories.

The approach to defining the highest and best use development program for each site considers a number of factors that determine viability including:

- **Market Dynamics** – outlines the economic strength of the region (and appropriate submarkets) that will support various real estate uses.
- **Location** – highlights characteristics unique to each site that promotes and/or constrains commercial development including access, compatibility with surrounding uses, and proximity to demand centers and complimentary uses.
- **Physical Characteristics** – highlights notable features that may enhance or impede commercial development with respect to site condition, ingress/egress, exposure and other related features.
- **Development Regulation** - identifies issues (if any) that impact the ability to maximize development opportunities due to existing zoning restrictions and/or governmental regulations.

RECOMMENDATION SUMMARY

Considering the development factors outlined above, and based upon the research and analysis conducted herein, a profile of highest and best use for each site is highlighted on the following page. In summary, our findings indicate:

1. General economic and demographic market conditions impacting all of the proposed Intermodal sites (specifically the South Beach sub-market) support moderate new development of office, retail, rental and studio uses.
2. While the locations of all sites are conducive to at least some type of commercial and/or residential development, the Washington Avenue/17th Street site represents the most desirable location to accommodate

TASK II

Miami Beach Intermodal Feasibility Study



a multitude of commercial uses, including office, rental, retail and hotel. Convention Center also provides the opportunity to accommodate a wide spectrum of uses, including residential and hotel; however, the site is somewhat limited by its size (less than 2 acres). The Alton Road/5th Street site is best suited for development which is limited to apartment rental and studio use.

3. There does not appear to be any physical constraint that would negatively impact near term development such as topography, site configuration/shape and general condition for any of the sites. It is important to note, however, that the Alton Road/5th Street site is impeded by access issues (primarily ingress/egress) stemming from the configuration of the interchange which minimizes the potential for certain uses.

Our findings to the market assessment, along with a more detailed profile of proposed development opportunities, is summarized in Table 1 and incorporated within two primary sections:

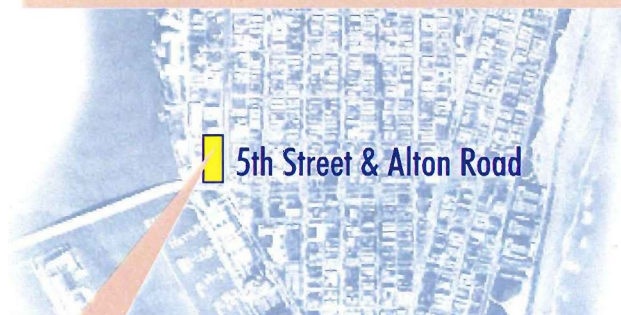
- **General Market Overview** – provides a regional and local profile of Miami Beach's economic, demographic, and/or competitive market characteristics (by real estate use).
- **Conclusions and Development Potential** – outlines the prospective development opportunity (by real estate use) for each site and, furthermore, sets forth the underlying assumptions for the City to evaluate these opportunities.

TABLE 1
City of Miami Beach
Intermodal Facility
Highest & Best Use Profile

Site	Office	Retail	Hotel	Residential	Studio/ Industrial
17TH STREET & WASHINGTON AVE.	150,000 to 200,000 sq.ft. \$28 to \$32 per sq.ft., fsg	10,000 to 15,000 sq.ft. (transit retail) \$32 to \$36 per sq.ft., net	125- to 150-room limited service (business hotel) \$130 to \$150 ADR	N/A	N/A
CONVENTION CENTER	50,000 to 100,000 sq.ft. \$25 to \$28 per sq.ft., fsg	2,000 to 5,000 sq.ft. (transit retail) \$26 to \$30 per sq.ft., net	75- to 100-room limited services (business hotel) \$130 to \$150 ADR	100- to 125-unit Rental (mixed income) \$700 to \$900 per month (two bedroom)	N/A
ALTON ROAD & 5TH STREET	N/A	1,500 to 3,000 sq.ft. (transit retail) \$24 to \$28 per sq.ft., net	N/A	150- to 200-unit Rental (mixed income) \$700 to \$900 per month (two-bedroom)	Music/Film Studio

TASK II-A Potential Intermodal Center Location Map

Miami Beach Intermodal Feasibility Study





In order to identify the highest and best development use for each, an economic and demographic overview of Miami Beach and the surrounding metropolitan area was conducted. Noting that the City of Miami Beach Economic Development Department has prepared a comprehensive economic profile of the area, the objective of this section is to summarize and highlight the vital characteristics that may influence commercial real estate development on the Intermodal sites.

POPULATION

The City of Miami Beach is Dade County's most unique urban area. Situated on an island the city is nearly built out and has densities that are higher than the remainder of the county. Population in Miami Beach is currently 96,000± residents. The City has experienced a modest 0.5± percent average annual growth during the past five years, which is slightly lower than that of Miami-Dade County (0.9± percent) during the same period. Specific to South Beach, where the recommended sites are located, the current resident base is approximately 40,000, or nearly 45 percent of the City's total population.

Unique to Miami Beach, however, in comparison to other municipalities throughout the County, is the inclusion of the seasonal resident base that adds roughly 110,000 persons to the population base. Therefore, during peak season (defined as January through April) Miami Beach

has a population closer to 200,000 persons. These seasonal residents comprise a balanced mix of foreign visitors (Latin America and Europe) and US residents primarily from the Northeast (and to a lesser extent the Mid-west). Miami beach is one of the major economic engines that drives Miami Dade County.

Miami Beach's Hispanic population represents the largest proportion of residents, comprising nearly 55,000 persons, or more than 55 percent of the total population. This particular population segment is expected to increase by 13.5 percent during the next five years and, furthermore, is assumed to be evenly distributed throughout South, Middle and North Beach.

In contrast to the City's previous image as a "retirement" destination, the area's median age declined from 65 years of age in 1980 to 43 years of age in 1999. Accordingly, growth among the number of residents under the age of 14, which continues to represent the strongest growing resident segment, increased from 12 percent of the population in 1990 to 21 percent of the population in 1999.

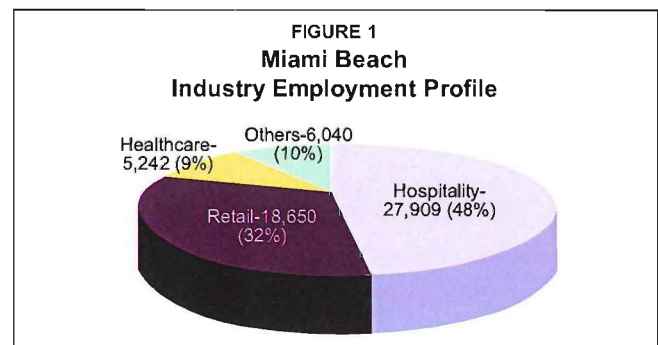
The presence and growth of a variety of households from multiple ethnic backgrounds and the younger orientation of the City continue to provide the dynamic environment which encourages investment and services to attract dynamic interest from other areas of the US and world. The population profile is illustrated in Table 2

TABLE 2 City of Miami Beach Population Profile	
"PRIMARY" RESIDENT POPULATION	
1995:	92,000
1999:	96,000
%CAGR:	5%
TOTAL POPULATION (including seasonal residents)	
1999:	200,000
MEDIAN AGE	
1999:	43.6 years
0-14 years:	21%
15-24 years:	8%
25-44 years:	21%
45-64 years:	24%
65+ years:	26%
POPULATION	
Hispanic:	57%
White:	38%
African American	3%
Other	2%

Source: City of Miami Beach; Florida Statistical Abstract 1999

EMPLOYMENT

There are approximately 60,000 daily workers in Miami Beach, roughly 50 percent of which are based in South Beach. While employment is distributed among a variety of industries, the predominate industries include hospitality, retail trade and healthcare, as shown in Figure 1 and Table 2:



Source: City of Miami Beach



TABLE 3
City of Miami Beach
Largest Employers

Mt. Sinai Medical Center	2,776
City of Miami Beach	1,650
Fontainebleau Hilton	1,200
South Shore Hospital	850
Leow's Miami Beach	800
Miami Heart Institute	768
Publix Supermarkets	760

Source: City of Miami Beach

The area's labor force has remained relatively stable during the past few years. Unemployment actually decreased from an 8.5 percent in 1995 to an estimated 6.5 percent presently.

This growth in employment is, to a large extent, attributed to the growth in the entertainment industry, as well as financial services and brokerage firms, which have been relocating from areas outside of Miami. Notably, LNR Inc., a public traded real estate investment and management firm, is planning to move its headquarters into Lincoln Place, occupying more than 60,000 square feet in the new development.

Although entertainment is not the largest industry sector in the area, it is anticipated to provide a significant source of demand for Miami Beach during the next few years. While the metropolitan Miami area has steadily attracted the entertainment industry during the past few years, Miami Beach has captured the largest single concentration of entertainment industry business within the region. Entertainment firms locating in Miami Beach during the past few several years include USA Broadcasting (170 employees), Sony Music International (170 employees), Estefan Enterprises (180 employees), Yupi.com (225 employees), as well as other prominent "mid-size" (100 to 200 employees) entertainment companies.

At the end of 1999, the entertainment industry employed roughly 1,900 people in Miami Beach, representing an increase of nearly 50 percent over the industry's employment two years prior. This translates to roughly 290 square feet of space per employee, which is within the range of office space/employee for the metro-Miami area reported to be 225 to 300+ square feet per employee.

Based upon industry surveys and reports conducted by the City of Miami Beach, the industry intends to continue expanding during the next three to five years, adding as much as 1,500+ employees during the period. While entertainment was a secondary source of demand in the past, the impact from this particular industry is anticipated

to become a primary driver of economic/employment demand. Table 4 illustrates growth trends in the entertainment industry.

TABLE 4
City of Miami Beach
Entertainment Industry Employment

	1997	1998	1999
Employment	1,300	1,450	1,890
% Annual Increase	--	12%	30%
Est. Sq.Ft.	425,000	490,000	550,000
% Annual Increase	--	15%	13%
Avg. Sq.Ft./Employee	--	335	289

Source: City of Miami Beach

INCOME

Median household income for the City of Miami Beach is currently \$38,500, which represents 2.3% percent annual increase over the 1990 median income of \$30,000. Household income growth is projected to continue to an estimated \$44,000 by 2002. Most importantly, income disparity among the population continues to narrow, as the number of households with incomes below \$15,000 decreased by 2,500+ and the number above \$75,000 increased 1,700+ since 1990. In general, the City of Miami Beach clearly represents a solid middle class population base with a median household income profile that is higher than the Miami-Dade region (\$33,800 in 1999).

The higher income profile of residents, particularly in South Beach, has put pressure on both residential sales and rents as well as improved the retail climate. Additionally, as growth occurs among higher income households, business owners and investors, the more likely these entrepreneurs will establish their businesses and focus investment in the City.

Overall, the economic and demographic characteristics in Miami Beach have been strong with a positive forecast for continued growth during the next few years. In particular, South Beach will maintain its position as one of the region's economic engines, adequately supporting moderate long-term development.



OFFICE CHARACTERISTICS

Miami Beach's commercial office inventory comprises more than 1.6 million square feet of space. This represents a mix of Class A, B and C quality buildings situated throughout South, Middle and North Beach.

Currently, the Miami Beach office market has a vacancy of roughly 9 percent, with South Beach reporting an 8± vacancy; however, a considerable portion of the available office inventory is located in older buildings commonly categorized as Class B and C, or in buildings that have been recently renovated and are considered to be in a lease-up mode. Table 5 illustrates office market profile.

CLASS A PROJECTS

From a City-wide perspective, Miami Beach has less than five Class A-type projects. Three Class A buildings are located in South Beach and comprise a total 200,000± square feet, identified as:

404 Washington Building

Built in 1995, the 58,000 square foot building is fully leased, with rates as high as \$40 per square foot, gross.

Sony Music Building (Lincoln Road)

Although built in 1932, the 70,000 square foot building was completely rehabilitated in 1996 and is regarded as a Class A structure. The facility is nearly fully leased, with rents reportedly as high as \$35 per square foot, net of electric.

1688 Meridian Building

Completed renovations in late 1999, including upgrades to the building's fiber optics to attract technology-based users. The property, which was recently purchased by a Starwood subsidiary, has signed leases to tenants such as Yupi.com, Sony Pictures, and EMI Music. The 80,000 square foot building is 96 percent occupied, with lease rates generally ranging from \$23 to \$32 per square foot, net of electric.

TABLE 5
City of Miami Beach
Office Market Profile (by Area)
Buildings Larger than 30,000 sq. ft.

	<i>Property</i>	<i>Address</i>	<i>Yr. Built</i>	<i>Total S.F.</i>	<i>% Occ.</i>	<i>Quoted Rate</i>
NORTH BEACH	City National Bank Bldg.	300 71st Street	1971	58,000	98%	\$14
	Sub-Total			58,000	98%	
MIDDLE BEACH	Midtown Center	333 Arthur Godfrey Road	1975	6,000	75%	\$20
	Sheridan Center	400 Arthur Godfrey Road	1987	67,300	93%	\$23
	801 Arthur Godfrey Bldg.	801 41st Street	1969	40,000	100%	
	Jefferson Plaza	300 Arthur Godfrey Road	1990	47,600	91%	\$23
	Roosevelt Center	4014 Chase Avenue	1985	32,000	44%	\$15
	Sub-total			192,900	85%	
SOUTH BEACH	Lincoln Building	350 Lincoln Road	1946	52,000	100%	\$18
	Lincoln Plaza	407 Lincoln Road	1955	123,000	100%	\$20
	420 Building	420 Lincoln road	1940	235,000	87%	\$22
	Sony Music Bldg.	605 Lincoln Road	1932	70,000	100%	
	Sun Trust	1111 Lincoln Road	1970	142,000	100%	
	1674 Meridian	1674 Meridian Avenue	1959	50,000	84%	\$20
	Meridian Center	1680 Meridian Avenue	1957	60,000	75%	
	1688 Meridian Bldg.	1688 Meridian Avenue	1960	90,000	96%	\$26
	The Professional Tower	1680 Michigan Avenue	1966	82,000	66%	\$25
	404 Washington Avenue	404 Washington Avenue	1995	58,700	100%	\$40
	1253 Building	1253 Washington Avenue	1939	72,000	100%	
	Sub-Total			1,034,700	92%	
	TOTAL			1,285,600	91%	



RENOVATED CLASS A PROJECTS

Increasing demand from entertainment and financial services during the past few years has placed pressure on the need for Class A-type space. As a result, several buildings have undergone (or are presently in the process of) major renovations, the most notable of which include:

420 Lincoln Road Building

The building represents 235,000 square feet of space, including ground floor retail. With renovations nearly complete, the property is 87 percent occupied and is achieving rates in excess of \$25 per square foot, net.

The Professional Tower Building

Situated at 1680 Michigan Avenue, is completing renovations to both common area and offices in an attempt to attract entertainment and technology tenants. The 80,000 square foot building is currently 70± percent occupied, with rates ranging from \$22 to \$26, full-service.

Meridian Center

Located at 1680 Meridian Avenue, the building is proceeding with cosmetic and physical renovation, specifically targeting entertainment and technology tenants.

The Lincoln

The Lincoln is a 120,000 square-foot office project proposed to be developed on City-owned land (encumbered by a ground lease) on the southeast corner of 17th Street and Michigan Avenue. The building will include 38,000 square feet of retail space as well as a 700-car parking garage. The development, which offers security, cable and fiber optics, is estimating office rents to be \$30 to \$35 per square foot, net of electric.

555 Washington

555 Washington represents a proposed project by Scott Robbins (and leased by Cushman & Wakefield) situated on the northeast corner of Washington Avenue and 5th Street. The project, which is reportedly in plan/design review, offers 50,000 square feet of office and 17,000 square feet of ground floor retail. Office rents will be in the range of \$33 per square foot, net of electric.

In addition to the above projects, Equity One (a Miami-based Real Estate Investment Trust) has expressed plans to develop 50,000+ square feet of Class A office space on a one-half acre site situated directly west of City Hall. The proposed project abuts their existing 30,000 square foot building to the south and remains in the conceptual stage.

PROPOSED DEVELOPMENT

As importantly is the current pipeline of new, proposed developments that will be offering more than 300,000 square feet of total office space. These properties are in various stages of the planning and/or development process and include:

Lincoln Place

Lincoln Place represents a joint development between Comras Company and LNR Property developed on City-owned land (encumbered by a ground lease). The proposed project, situated on the northeast corner of Washington Avenue and 16th Street, comprises 100,000 square feet of office, 30,000 square feet of retail and 600 parking spaces. Construction is planned to commence in Fall 2000, as the building will feature security, cable and fiber optics with office rents estimated to be \$28 to \$33 per square foot, net of electric. Accordingly, LNR has reportedly committed to occupy nearly 60,000 square feet.

OFFICE DEMAND

Assuming that the proposed new inventory is built-out within the next three to five years, the supply of existing Class A office space within the South Beach market would increase by as much as 50 percent.

Therefore, in an effort to understand the opportunity for developing office space within the proposed Intermodal facility, we have prepared an office demand analysis projected within a five-year time period as outlined above.

Table 6 provides an analysis of office demand for South Beach predicated upon projected office employment growth. As profiled within the preceding economic (employment) analysis, the entertainment industry alone is anticipating as much as 1,500 new jobs during the next few years, or an average annual increase of roughly 300 per employees per year. Therefore, projecting office employment growth in a range from 150 to 500 employees per year (which includes all industry sectors), and assuming a conservative industry-based ratio of 225 square feet of office space per

TASK II-C



Miami Beach Intermodal Feasibility Study

employee, Miami Beach is in a position to absorb 350,000 to more than 500,000 square feet of new space during the next five years. Given the existing strength in the office market today, and considering the 300,000+ square feet of space currently planned, there is conceivable shortfall

of up to 200,000 square feet of space during the next five years. Accordingly, given the types of industries locating in the area it is likely that the average square feet per employee is actually higher than 225 square feet because of a greater presence of senior and executive level staff.

TABLE 6
South Beach
Estimated Office Demand
Five-Year Projections

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
<i>Estimated Office Employment Growth</i>						
<i>Estimate</i>	300	300	300	300	300	1,500
<i>Aggressive</i>	500	500	500	500	500	2,500
<i>Estimate Sq.Ft. Growth (@225 sq.ft./employee)</i>						
<i>Estimate</i>	67,500	67,500	67,500	67,500	67,500	337,500
<i>Aggressive</i>	112,500	112,500	112,500	112,500	112,500	562,500

Source: Lambert Advisory



PRIMARY ECONOMIC DRIVERS FOR RETAIL

Miami Beach's retail market is quite strong, particularly in the South Beach area. This is attributed to three primary economic drivers:

1. Miami Beach attracts the largest share of tourism activity in Dade County, which is primarily attributed to the lure of South Beach which had an estimated 7.0 million total visitors in 1998, or roughly 70 percent of all visitors to the County. South Beach's visitor base, which generates more than \$11.0 billion to the area's economy, has a higher expenditure profile and is quite diverse in terms of domestic/international mix:
2. The area's resident base, as previously illustrated, continues to strengthen in terms of both population and income (see Table 7). This particular trend is anticipated to continue as new construction, particularly among the luxury condominium sector, is anticipated to remain on a steady growth pattern for at least the next few years (further supported in the following sections).

TABLE 7 Visitor Profile South Beach	
Number of Visitors	6,870,000
Median Age	42
Expenditure Per Person	\$1,327
%Resident - US/Non-US	56%/44%
%Capture Overnight Visitors	50%

Source: City of Miami Beach

3. Office investment in the City is providing a large number of daytime workers to support retail in the South Beach area. Estimates are that office workers spend as much as \$1,300 per year on retail goods in establishments surrounding their place of employment.

SOUTH BEACH RETAIL NODES

South Beach's retail market is characterized by five distinct nodes, each uniquely positioned within the market. These include:

Lincoln Road

Lincoln Road represents a pedestrian corridor extending east-west between 16th & 17th Streets from Collins Avenue to Alton Road. During the past few years,

Lincoln Road has undergone significant rehabilitation and repositioning, with the City providing \$16 million for improvements. Once the mainstay of local retailers, Lincoln Road is beginning to attract major national tenants including Gap, Pottery Barn, Banana Republic, Mayor's Jeweler, Victoria Secret and William-Sonoma.

Rental rates on Lincoln Road generally range from \$35 to \$70 per square foot, net. The lower end of the rental range comprises space along the eastern portions of the mall, while premium rates reaching as high as \$70 per square foot, net are situated in the central and western portion of the corridor – the area where most of the "brands" have initially entered and the location of the 18-screen Regal theater. Although a specific survey of occupancy has not been completed, the Lincoln Road Mall is estimated to be 90 percent occupied.

Ocean Drive

The Ocean Drive retail corridor is predominately occupied by restaurants, nightclubs, and bars primarily geared toward tourism. However, two newer notable developments have added more traditional retail: 1.) Il Villaggio and Ocean Steps. Il Villaggio comprises approximately 15,000 square feet of space on the ground level of the condominium project and includes tenants such as Haagen Daas, Starbucks and Hugo Boss design showroom; and, 2.) Ocean Steps represents a 50,000 square foot retail center on the ground level of 1500 Ocean Drive condominiums and is anchored by Billboard Live, a 35,000 square foot entertainment venue with a café, dance club, retail stores and studio. Rents for the Ocean Drive retail generally range from \$50 to \$60 per square foot, with rates as high as \$80 per square foot.

Collins Avenue

Collins Avenue, primarily between 6th and 9th Street, has been revived into a thriving retail corridor anchored by a number of national chains including Armani Exchange, Gap, Banana Republic, Kenneth Cole, Limited Express and Urban Outfitters. The area, which has limited vacancy, achieves rents ranging from \$50 to \$65 per square foot. There is a proposed project currently in the conceptual stages for retail a retail complex on the northwest corner of Collins Avenue and 5th Street.



Washington Avenue

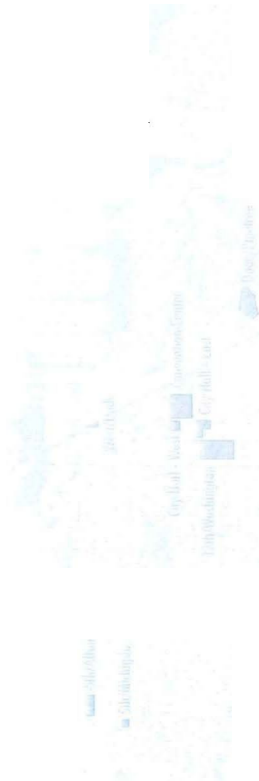
Washington Avenue represents a retail corridor stretching north/south from 4th to 15th Street. The corridor is home to several local businesses ranging from pizza and sub shops to T-shirt stores and tattoo parlors. The area is considered to be in poor condition compared to other retail sectors, experiencing higher turnover and vacancy and rental rates generally ranging from \$18 to \$25 per square foot, net. Noteworthy, though, is the fact that the area should anticipate new investment as the City prepares to improve the infrastructure and the development of Lincoln Place inevitably provides considerable enhancements. The Anchor Shops, a 21,500 square foot retail complex across from the Loew's Hotel, has already contributed

to the area and is achieving rents as high as \$35 per square foot.

Alton Road

Retail along Alton Road, mostly from 12th to 17th Street, provides neighborhood shops and services including Eckerd's, Blockbuster, and boutique grocery. Rents are generally in the range of \$30 per square foot.

Overall, the South Beach retail market is strong, with increasing demand from national tenants. This trend is expected to continue, supported in large part by the expanding office market as well as continued growth in tourism and residential development.





PAST TRENDS IN UPSCALE RESORTS

As recently as 1992, Miami Beach had only two upscale resort properties, both of which are situated in Middle Beach: The Fountainbleau Hilton (1,200-rooms) and The Eden Roc (349-rooms). However, during the past eight years, there has been more than a dozen notable renovations to predominately classic Deco/boutique hotels, the majority of which are located in South Beach. Improvements to these boutique hotels added nearly 1,000 rooms South Beach's higher-end hotel market. In addition, the Loew's Hotel, which was developed as a Convention hotel, added 800 rooms of luxury product in 1999. Based upon a high-level hotel survey, South Beach comprises roughly 1,800-rooms of upscale product which, based upon published reports, achieve average daily rates generally ranging from \$150 to \$200 and occupancies ranging from 65 percent to 75 percent.

FUTURE PLANNED UPSCALE RESORTS

Presently, the Miami Beach hotel market is preparing for tremendous expansion. This boom is part of a regional (County-wide) explosion of hotel development that is anticipating more than 5,000 new rooms from 2000 to 2002. South Beach, in particular, is anticipating the addition of roughly five new resort facilities consisting of more than 1,600 rooms. Some of the most notable projects include:

Ritz Carlton

A conversion of the DiLido Hotel on Lincoln Road and Collins Avenue, the luxury hotel will offer 385-rooms and 20,000 square feet of function space targeting business and leisure visitors. The property plans to open August 2001.

South Beach Marriott Resort

With a planned "soft" opening in October, the beach-front resort situated south of 5th Street comprises 236-rooms and approximately 6,000 square feet of conference space.

Shore Club Resort

This is a proposed 324-room resort on Collins Avenue and 19th Street.

Royal Palm Crown Plaza

The Royal Palm Crown Plaza is designated a convention hotel facility being developed by Don Peebles. The property is located just south of the Loew's and construction has started on the 424-room resort with anticipated opening in mid-2001.

"W" Hotel

Starwood Hotels plans to convert the Ritz Plaza into a 80-room boutique "W"-brand hotel targeting business and leisure. Plans have not yet been submitted; however, submission is reported to be imminent.

In accordance with several hospitality industry professionals, the level of supporting demand for significant growth among the luxury resort/hotel market in South Beach may be debatable. This stems from the fact that the region is bracing for an inundation of new luxury supply particularly in Downtown Miami (JW Marriott, Four Seasons, and Mandarin), Coconut Grove (Ritz Carlton), and Key Biscayne (Ritz Carlton).

It is important to note, however, that all of the new/proposed developments are luxury projects. As such, there is limited new development in three- to four-star hotels that may be geared to a specific segment of business, convention, and tourism demand. Therefore, the opportunity to develop a small to mid-size, quality (limited-service) facility is likely warranted in South Beach. Establishing the exact extent of demand for this proposed development as well as achievable occupancy and rate require additional investigation.

Miami Beach comprises a diverse mix of residential property ranging from relatively low-density single family "suburban" neighborhoods, to high-density condominium and rental projects situated in the urban core. However, as the availability of developable land becomes increasingly scarce, new development has been concentrated in the high-density condominium and rental projects. Accordingly, more than \$1 billion has been invested in new construction and rehabilitation in the past ten years.

For this analysis, we focused on the demand for rental and condominium development in South Beach, summarized as follows:



RENTAL MARKET

As recently as five years ago, the rental market in South Beach was dominated by either smaller (ie. 8+ to 20+ unit buildings) Deco-style buildings concentrated in the area's central district, or older high-rise along West Avenue.

Rents in these building generally ranged from \$0.90 to \$1.10 per square foot.

However, during the past few years, the area's rental market experienced a transformation, most notably:

The Floridian

This 250+ unit bay-front high-rise was built in 1997 and quickly reached 90 percent occupancy with rates ranging from \$1,500 to over \$3,000 per month (or \$1.50+ to \$2.00+ per square foot).

Forte Towers

Forte Towers, a 1,700 unit bay front complex built more than 25 years ago, was purchased by Charles E. Smith Companies (an apartment REIT). Following a \$25 million rehabilitation program, Forte Towers increased rents from the \$1.10 per square foot range to more than \$1.40 per square foot, with current rents generally ranging from \$1,000+ for a one-bedroom unit to \$1,700+ for a two-bedroom unit. The complex is reportedly more than 97 percent occupied.

Grand Flamingo

Formerly Morton Towers, this 1,200-unit complex located on the bay was purchased by AIMCO – the nation's largest apartment owner/operator. The new owner recently completed a major renovation to the South Tower and is achieving rents in the \$1.35 to \$1.50 per square foot range, or \$1,000 for a one-bedroom unit and \$1,600+ for a two-bedroom unit. Renovation to the North Tower is nearing completion; additionally, construction recently commenced on a new 32-story tower.

Rehabilitation and new construction to South Beach's rental market has placed increasing pressure on the supply of moderately priced rental housing – supply that is seriously needed for existing residents and families employed in moderate to low-wage service jobs. This issue is further compounded by the fact that existing rental inventory in the older, Art Deco buildings continues to slowly diminish as historic buildings are renovated and converted to condominiums.

CONDOMINIUM MARKET

Condominium construction and sales (new and re-sales) continue to flourish in Miami Beach. While all areas of Miami Beach continue to experience solid growth, the South Beach area offers the bulk of newly developed condominium projects. Specifically, the area south of 5th Street is anticipating the development of nearly 1,400 new units. A profile of some of the major projects include:

Continuum

The Continuum is a two-phase condominium development located on the southern tip of South Pointe. The project plans 800 total units within a luxury resort-style setting and offers floor plans ranging in size from 1,550 to 4,800 square feet. Currently under development, the first phase of the Continuum is reportedly more than 75 percent sold, supported by a sales pace of 25 to 30 units per month. Base pricing begins in the \$500,000 range and exceeds \$2.8 million for premium units, or \$375 to \$700 per square foot. The buyer profile comprises a mix of primary, second home US resident (predominately Northeast US), and foreign (South American).

Murano

The Murano is a 189-unit condominium development located just south of the Miami Beach Marina. The project represents a luxury condominium community and offers floor plans ranging in size from 1,400 to 2,100 square feet. Currently under development, the project is more than 85 percent sold, supported by a sales pace of 15 to 20 units per month since marketing started one year ago. Base pricing begins in the \$300,000 range and exceeds \$730,000 for premium units, or \$280 to \$365 per square foot. The buyer profile comprises a mix of primary (single professionals and couples), second home US residents (predominately Northeast US), and foreign (South American).

Roney Palace

Roney Palace is a 1,100 unit community currently undergoing a major conversion/repositioning. There are approximately 560 condominium units, with the remaining inventory designated for a hotel program. Condominium units range in size from 660 to 1,600 square feet, with prices ranging from roughly \$130,000 to \$360,000 (or \$180 to \$215 per square foot). Since sales commenced in Fall of 1997, the project is approximately 40 percent sold, with an average sales pace of 5 to 8 units per month. The buyer profile is



generally characterized by entry level primary residents, retirees and foreign owners.

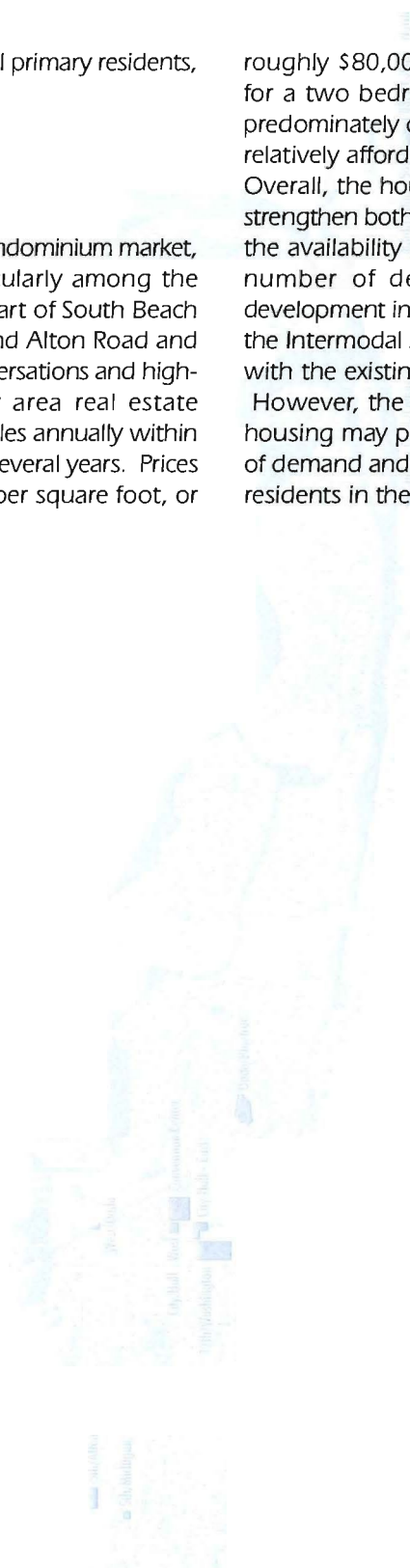
SMALLER CONDOMINIUMS

In addition to sales activity in the new condominium market, re-sale activity remains strong, particularly among the smaller Deco-style complexes in the heart of South Beach (between 5th Street and 15th Street and Alton Road and Washington Avenue). Based upon conversations and high-level sales information provided by area real estate professionals, there is more than 120 sales annually within this defined area alone during the past several years. Prices generally ranging from \$120 to \$150 per square foot, or

roughly \$80,000 for a one-bedroom unit and \$110,000 for a two bedroom unit. Buyers in this specific market predominately comprise young, primary residents seeking relatively affordable housing in the area.

Overall, the housing market in South Beach continues to strengthen both in the for-sale and rental market. Although the availability of land continues to diminish, there are a number of desirable sites available for continued development in the upscale residential sector. To this end, the Intermodal sites will not be able to effectively compete with the existing and planned for-rent or for-sale market.

However, the opportunity, to provide moderate priced housing may prove to be an opportunity given the level of demand and pressure on middle and moderate income residents in the area.





The economic, demographic and real estate market conditions profiled herein provides support for the identification of highest and best uses that may be integrated into the proposed Electric-wave Intermodal facility. Each of the three prospective sites, identified by the Corradino Group, comprise differing characteristics and unique features that either promote or constrain various development opportunities. Based upon critical development factors including market dynamics, location, physical characteristics and development regulation, we have devised a program from a market and financial perspective of highest and best use for each site, as follows:

Convention Center Lot

MARKET DYNAMICS

The market dynamics support a multitude of uses at the Convention Center site; however, the optimal uses include office, retail, hotel and residential. Considering the site size, the proposed development program includes:

Office

Based upon existing market conditions, and considering the projected demand for office space, a 50,000 to 100,000 square-foot development is deemed viable for this site.

Retail

The 1,500 to 3,000 square feet of retail development proposed for this site represents support for the office development and transit retail uses.

Hotel

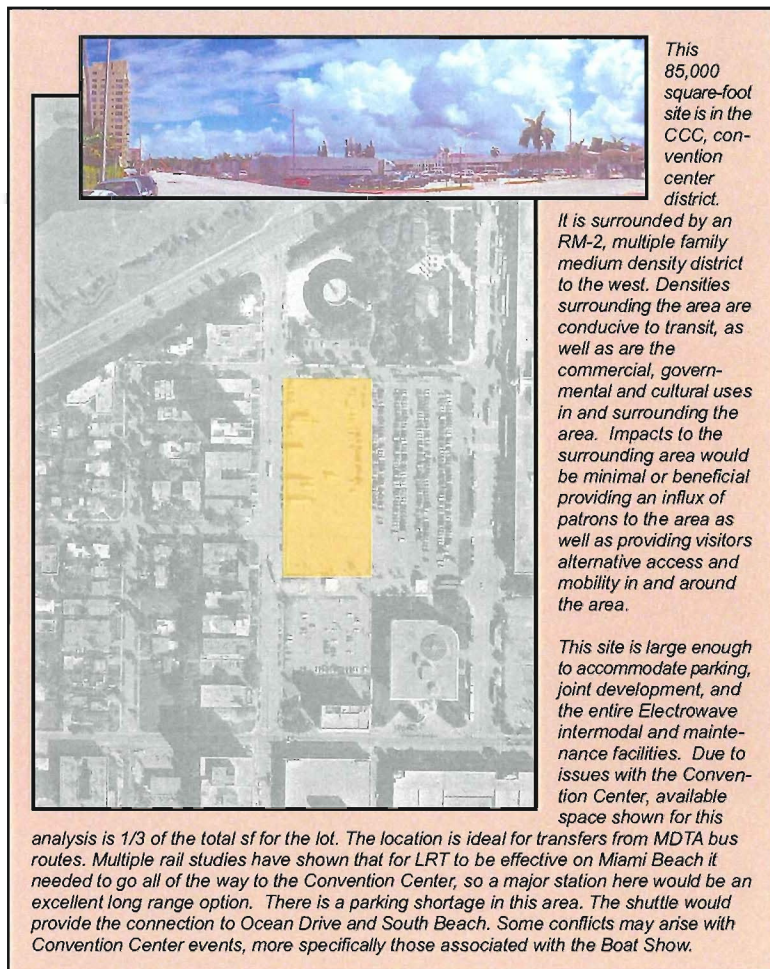
A quality, limited service hotel targeting business, convention and leisure travel may be possible. Further study for this use is recommended.

Residential

Given the demand for moderately priced new rental housing, this particular sight may be well suited to accommodate a 75- to 100-unit complex.

LOCATION

The Convention Center site is a desirable location to accommodate office, limited retail and hotel use. Proximity to



Lincoln Road and surrounding hotel projects, access to major roadways, and exposure to a major intersection promotes Class B+ office development as a strong opportunity for this site. The opportunity for limited service hotel is enhanced by its proximity to surrounding office development and the Convention Center. Although to a lesser extent, the site is also adequate for moderate rental housing given its proximity to surrounding hotel, retail and service employment.

PHYSICAL CHARACTERISTICS

The appears to be in "ready-to-build" condition, with no apparent restrictions to ingress/egress.

TABLE 8
CONVENTION CENTER LOT
Highest & Best Use

Use	Density	Rates
Office	50,000 to 100,000 sq.ft.	\$25 to \$28/sq.ft., gross
Retail	1,500 to 3,000 sq.ft.	\$26 to \$30/sq.ft., net
Hotel	100 to 125 room (business)	\$130 to \$150 ADR
Residential	75 to 100 units (rental)	\$700 to \$900/PUM
Studio/Industrial	N/A	N/A



Washington Avenue & 17th Street

MARKET DYNAMICS

The market dynamics support a multitude of uses at the site; however, the optimal uses include office, retail, and hotel. Considering the site's size, the proposed development program includes:

Office

Based upon existing market conditions, and considering the projected demand for office space, a 150,000 to 200,000 square-foot development is deemed viable for this site.

Retail

The 10,000 to 15,000 square feet of retail development proposed for this site represents support for the office development and transit related retail.

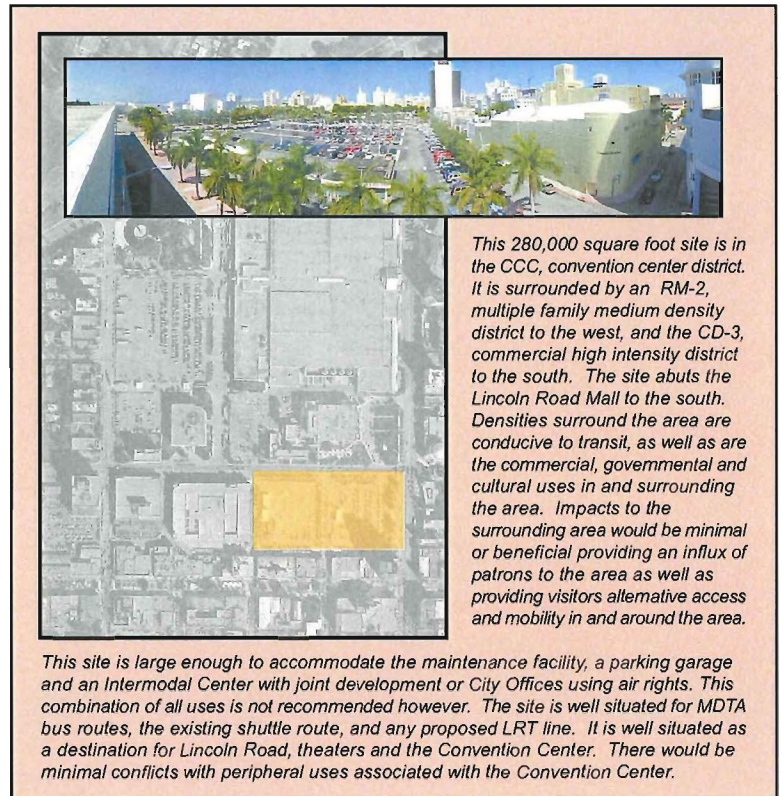
Hotel

A quality, limited service hotel targeting business, convention and leisure travel is deemed possible. Further study for this use is recommended.

While residential and/or studio development may be warranted for the area, the use does not maximize the site's potential relative to other uses.

LOCATION

The Washington Avenue/17th Street site represents the most desirable location to accommodate office, limited retail and hotel use. Proximity to Lincoln Road and



surrounding hotel projects, access to major roadways, and exposure to a major intersection promotes office development as the strongest opportunity for this site. Accordingly, exposure along Washington Avenue will help support limited retail development. The opportunity for limited service hotel is enhanced by its proximity to surrounding office development and the Convention Center.

PHYSICAL CHARACTERISTICS

The appears to be in "ready-to-build" condition, with no apparent restrictions to ingress/egress.

TABLE 9
WASHINGTON AVENUE & 17th STREET
Highest & Best Use

Use	Density	Rates
Office	150,000 to 200,000 sq.ft.	\$28 to \$32/sq.ft., gross
Retail	10,000 to 15,000 sq.ft.	\$32 to \$36/sq.ft., net
Hotel	125 to 150 room (business)	\$130 to \$150 ADR
Residential	N/A	N/A
Studio/Industrial	N/A	N/A



5th Street & Alton Road

MARKET DYNAMICS

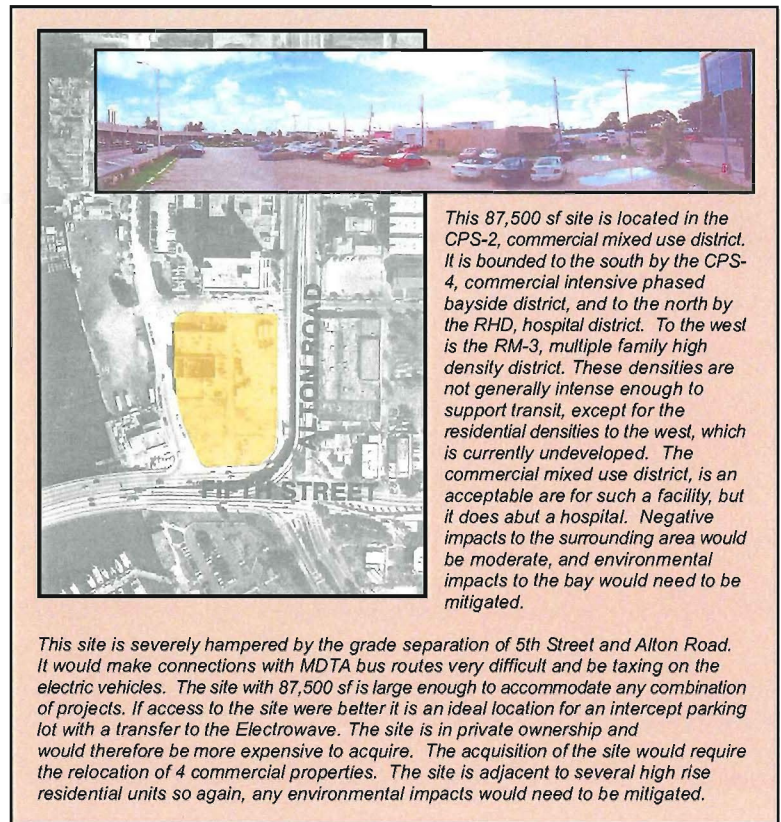
The market dynamics support a number of uses at the 5th Street site; however, the optimal uses include residential and movie/recording studio. Considering the site size and the issues surrounding the site's physical characteristics, the proposed development program includes:

Residential

Given the demand for moderately priced new rental housing, this particular site may be well suited to accommodate a 150 to 200-unit complex.

Studio

Reportedly, the Estefan organization is planning to develop the site with recording studios. Considering the surrounding uses and access limitations, as well as existing demand, development of a studio is reasonable.



LOCATION

The site's surrounding area, access issues and distance from supporting commercial uses limits the desirability for office and/or retail development. Conversely, the site is well suited for recording studio space, which has a lower employment density.

PHYSICAL CHARACTERISTICS

The appears to be in "ready-to-build" condition. However, ingress/egress to the site is considered difficult given the placement of the on/off ramp to I-195 and connectivity to the site from Alton Road.

TABLE 10
5th STREET & ALTON ROAD
Highest & Best Use

Use	Density	Rates
Office	N/A	N/A
Retail	N/A	N/A
Hotel	N/A	N/A
Residential	150 to 200 units (rental)	\$700 to \$900/PUM
Studio/Industrial	To be determined	To be determined

