

9. RCLCO Needs Assessment



RESIDENTIAL AND OFFICE NEEDS ANALYSES

RIVER CROSS

Seminole County, Florida

Prepared for River Cross Land Company

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ABOUT RCLCO



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OBJECTIVES

River Cross Land Company (Client) is currently planning the development of a mixed-use community on approximately 672 total acres located off of County Road 419 in Seminole County, Florida currently being referred to as River Cross (Subject Site). The project is planned to include 520 single family homes, 270 townhomes, 80 estate homes, 500 apartments, and up to 1.43 million square feet of office space as well as some retail and hotel uses.

River Cross Land Company (Client) engaged RCLCO to complete a needs analysis for the planned River Cross community (Subject Site) to determine the unmet demand for future residential and office uses in Seminole County in order to better understand how the subject site will be able to fulfill this need. To this end, RCLCO utilized future population growth as provided by the Office of Economic and Demographic Research (EDR) in order to estimate the need for new residential parcels within Seminole County through the horizon year of the County's current comprehensive plan (2027) as well as over a 20-year outlook (2038). In addition, RCLCO utilized future employment growth as provided by Moody's Analytics for the Orlando MSA in order to estimate the fair share of new office demand within Seminole County over the next 20 years.

Seminole County, Florida

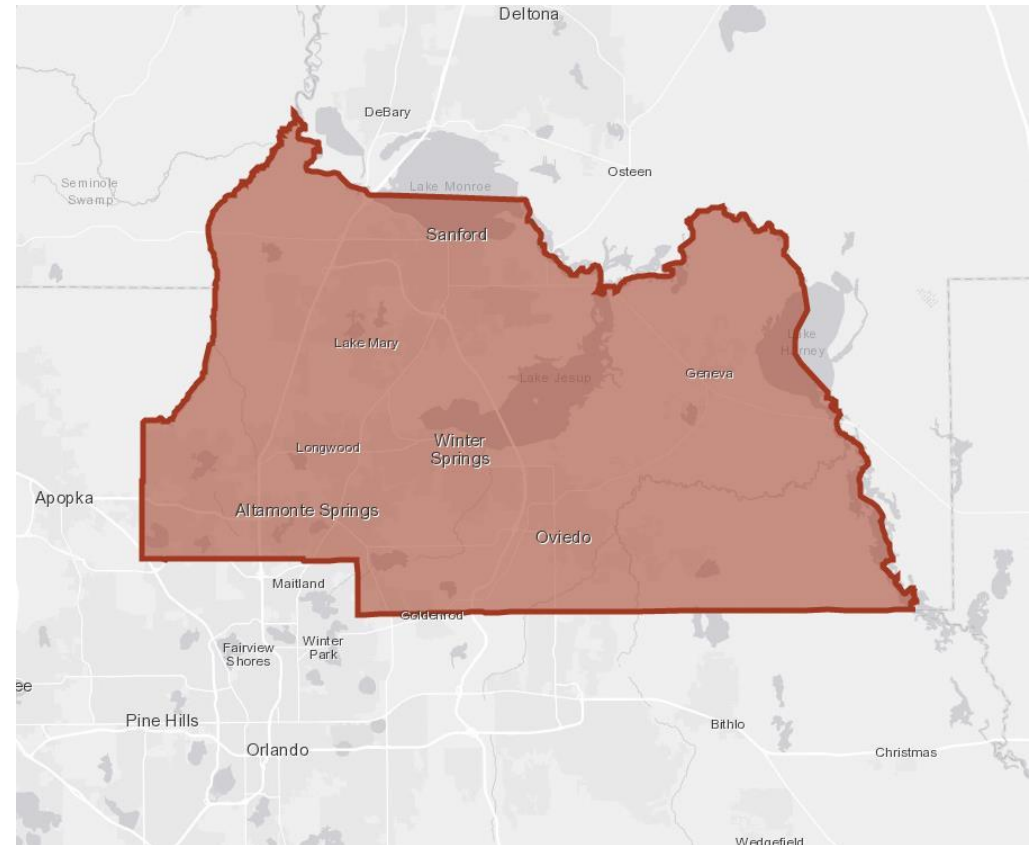


IMAGE SOURCE: ESRI Business Analyst

SEMINOLE COUNTY NEEDS ANALYSIS: RESIDENTIAL



In order to understand the need for new residential housing product in Seminole County, RCLCO performed a Needs Analysis taking into account the current amount of parcels zoned for residential use in Seminole County according to the Property Appraiser's office as compared to forecasted population according to the Office of Economic and Demographic Research through the current horizon year of the county's comprehensive plan (2027) as well as over a 20-year period. By 2027, the population of Seminole County is projected to increase by over 55,000 people. After removing the percentage of the population in group quarters (prisons, military barracks, etc.), this indicates total population growth of 54,645 individuals. With an average household size of 2.51, Seminole County is set to grow by nearly 22,000 new households by 2027. According to data provided by the Seminole County Property Appraiser, there are currently 7,299 vacant parcels zoned for residential development in the county. After taking this into account, this leaves an unmet demand of 14,472 residential parcels in Seminole County. Over the course of the next 20 years (from 2018 to 2038), this residential demand grows to nearly 33,000.

This analysis indicates that without the addition of new residentially zoned land, Seminole County will be unprepared for the household growth forecast for the region. Indeed, without proper planning for new residential land, Seminole County may be at a economic disadvantage as new households, new jobs, and new opportunities pass over to other regions of the Orlando metropolitan area. At buildout, River Cross would represent less than 10% of the total demand for new residential space by the 2027 horizon year of the current comprehensive plan.

As currently envisioned, the planned River Cross development would be one of the only active large-scale master-planned communities in Seminole County. RCLCO defines Master-Planned Communities (MPCs) as being developed from a comprehensive plan by a master developer, incorporating a variety of housing types, sizes, and prices, with shared common space, amenities, and a vital public realm. Beyond the built environment, MPCs differentiate themselves from typical suburban subdivisions in that they provide a means for interaction among neighbors and foster an environment which can include educational opportunities, neighborhood shopping and services, and even employment centers to complement the residential neighborhoods. As such, true MPCs have the ability to drive buyer demand beyond typical suburban subdivisions and other housing options, particularly when employment centers and other commercial development is planned. Based on the current concept plan for River Cross, RCLCO would define the proposed community as a true MPC which would have an ability unique to other communities in the area to draw new households to Seminole County.

Unmet Residential Demand through Horizon Year (2018-2027) and 20-Year Outlook (2018-2038); Seminole County

	Current Year: 2018	County Plan Horizon Year: 2027	HORIZON YEAR NEED: 2018-2027	20-Year Outlook: 2038	20-YEAR NEED: 2018-2038
Population Seminole County ¹	457,650	512,719	55,069	559,068	101,418
(-) Group Share at 0.77% of Population ²	3,524	3,948	424	4,305	781
(=) Non-Group Total County Population	454,126	508,771	54,645	554,763	100,637
(x) Average Household Size ²	2.51	2.51		2.51	-
(=) Total Households Seminole County	180,927	202,698	21,771	221,021	40,094
(-) All Vacant Residential Parcels ³			7,299		7,299
= Unmet Residential Demand			14,472		32,795

¹2017 Seminole County Population provided by the Office of Economic and Demographic Research Population Projections

²ESRI Business Analyst

³Vacant Residential Parcels as represented by the Seminole County All-Parcel File provided by the Seminole County Property Appraiser. These include the following DOR categories: Vacant Residential, Vacant Townhome, Vacant Condo, Vacant Multifamily, Vacant Res Cross County Line, and PUD Under Construction

SEMINOLE COUNTY NEEDS ANALYSIS: OFFICE



In order to understand the need for new office space in Seminole County, RCLCO utilized a statistical forecast of demand which takes into account employment growth in the greater Orlando-Kissimmee-Sanford, FL MSA (Orlando MSA). This growth is then translated into projected office space requirements, based on an average of 151 square feet of office space needed per employee. The office space projections for the Orlando MSA are then further segmented into Seminole County specific demand, which has historically absorbed about 25% of the MSA's office growth. Based on this fair share capture of annual office space demanded within the Orlando MSA, Seminole County will require an additional 2.26 million square feet of office space by 2027 as shown in the chart below. By 2037, this demand grows to over 4.5 million square feet. The planned River Cross community addresses this need for new office space within Seminole County with the addition of 1.43 million square feet of office space over the next 20 years, which represents about 30% of the cumulative demand for office within Seminole County over the same time period. Without this additional space, Seminole County may be underprepared for the future growth in regional employment, forcing development into other Counties within the Orlando MSA.

Need for New Office Space; Seminole County; 2018-2027

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
ORLANDO MSA										
Employment Projections ¹	1,299,330	1,341,206	1,363,847	1,378,756	1,411,005	1,439,063	1,465,831	1,490,666	1,511,383	1,530,966
Jobs Added		41,876	22,641	14,909	32,249	28,058	26,768	24,835	20,717	19,583
Office Employment Projections ¹	332,265	344,181	349,307	352,481	362,294	370,870	379,045	386,877	393,673	400,119
Office Percent of Total		26%	26%	26%	26%	26%	26%	26%	26%	26%
Annual Office Employment Growth		10,746	5,799	3,812	8,280	7,231	6,922	6,446	5,396	5,118
SF of Office Space Added Per Employee ²		151	151	151	151	151	151	151	151	151
Estimated Office Absorption in MSA (SF)		1,623,000	876,000	576,000	1,250,000	1,092,000	1,045,000	973,000	815,000	773,000
SEMINOLE COUNTY										
County Fair Share Capture of MSA Absorption ³		25%	25%	25%	25%	25%	25%	25%	25%	25%
Total Annual Estimated Demand in County (SF)		405,750	219,000	144,000	312,500	273,000	261,250	243,250	203,750	193,250
Total Cumulative New Office Demand		405,750	624,750	768,750	1,081,250	1,354,250	1,615,500	1,858,750	2,062,500	2,255,750

Need for New Office Space; Seminole County; 2028-2037

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
ORLANDO MSA										
Employment Projections ¹	1,552,800	1,576,672	1,599,936	1,621,959	1,643,495	1,665,692	1,688,529	1,710,675	1,732,018	1,753,653
Jobs Added	21,834	23,872	23,264	22,023	21,536	22,197	22,837	22,146	21,343	21,635
Office Employment Projections ¹	407,642	416,120	424,513	432,880	441,439	450,442	460,008	469,757	479,192	488,489
Office Percent of Total	26%	26%	27%	27%	27%	27%	27%	27%	28%	28%
Annual Office Employment Growth	5,732	6,300	6,173	5,878	5,785	6,003	6,222	6,081	5,905	6,027
SF of Office Space Added Per Employee ²	151	151	151	151	151	151	151	151	151	151
Estimated Office Absorption in MSA (SF)	866,000	951,000	932,000	888,000	873,000	906,000	939,000	918,000	892,000	910,000
SEMINOLE COUNTY										
County Fair Share Capture of MSA Absorption ³	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Total Annual Estimated Demand in County (SF)	216,500	237,750	233,000	222,000	218,250	226,500	234,750	229,500	223,000	227,500
Total Cumulative New Office Demand	2,472,250	2,710,000	2,943,000	3,165,000	3,383,250	3,609,750	3,844,500	4,074,000	4,297,000	4,524,500

¹ Employment Projections based on data provided by Moody's Analytics

² Office square feet per worker based on data provided by CoreNet Global

³ Fair Share Capture based on Seminole County historical office net absorption as a percent of Orlando MSA according to CoStar data

SOURCES: Moody's Analytics; CoStar; RCLCO

CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will grow at a stable and moderate rate to 2020 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when an economic and real estate upturn will end.

With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

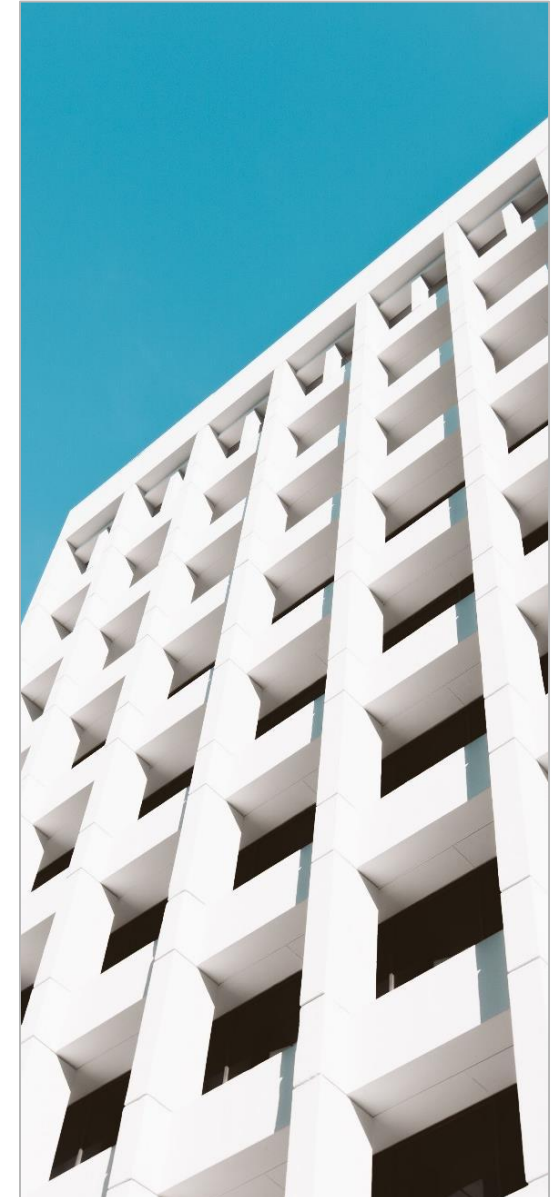
As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- ▶ Economic, employment, and household growth
- ▶ Other forecasts of trends and demographic and economic patterns, including consumer confidence levels
- ▶ The cost of development and construction
- ▶ Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).



GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

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