MARKETABILITY STUDY
TO SUPPORT THE DEVELOPMENT
OF THE

OLF8 MASTER PLAN

BEULAH, FLORIDA

FOR

ESCAMBIA COUNTY

AS OF

AUGUST 21, 2020

WEITZMAN
Real Estate Consultants

Weitzman Associates, LLC
355 Lexington Avenue New York, NY
737 N. Michigan Avenue, Suite 2060 Chicago, IL

File No. 048-20

WEITZMAN
Real Estate Consultants

August 21, 2020

Ms. Terri Berry
Escambia County
Environmental Project Coordinator
Natural Resources Management Department
223 Palafox Place
Pensacola, FL 32502

Re: Marketability Study to Support the OLF8 Master Plan
Beulah, Escambia County, Florida

Dear Ms. Berry:

At your request, Weitzman Associates, LLC is pleased to submit the attached draft marketability study presenting the findings of our research to support the development of a master plan for the OLF8 site in Beulah, Florida, a 640-acre irregular, rectangular plat along the north side of Nine Mile Road, adjacent to the Navy Federal Credit Union campus. We have conducted our study in conjunction with a team of consultants led by DPZ CoDesign.

The purpose of our study is to provide you with an understanding of the market fundamentals that directly affect the likely demand for housing, retail, hospitality, industrial, and office space that may be developed on the site. This study will assist you in making decisions as to how to proceed with the property's planning and development and will provide the necessary research and documentation for use as you continue to plan the project and organize its future development. The study can be relied upon you for the purpose of planning the development and can be distributed for reference purposes to the community and other members of your project team. Our research in completing this study was conducted in April, May, June, July, and August of 2020. Our analysis is subject to the Basic Assumptions and Limiting Conditions contained in the Addenda.

We have thoroughly enjoyed working on this interesting and challenging assignment. As stated above, we have attached a draft of our marketability study, and will update it accordingly over time based on feedback from you, the Escambia County community, DPZ, and other consultants as necessary. We trust that this study will provide a helpful basis for constructive community dialogue, consensus building, and good decision making as you proceed with this development opportunity.

Very truly yours,

WEITZMAN ASSOCIATES, LLC

Peter T. Bazeli, MRICS
Principal and Managing Director

Catherine Tam
Vice President

Joshua Levitt
Vice President

Peter Carle
Senior Associate

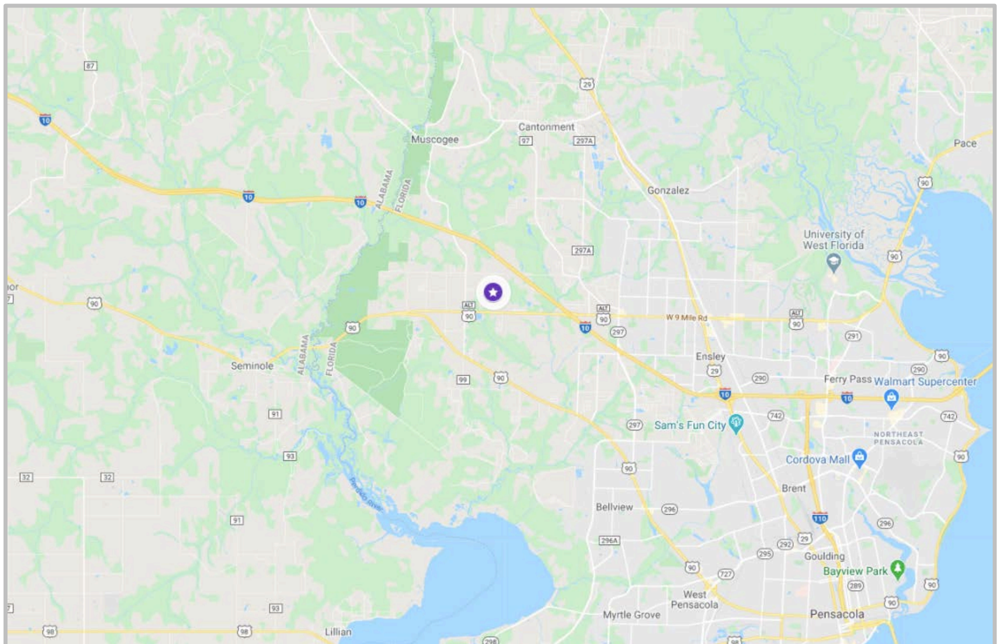
Giovanni Wrobel
Senior Associate

Michael Merwin
Senior Associate

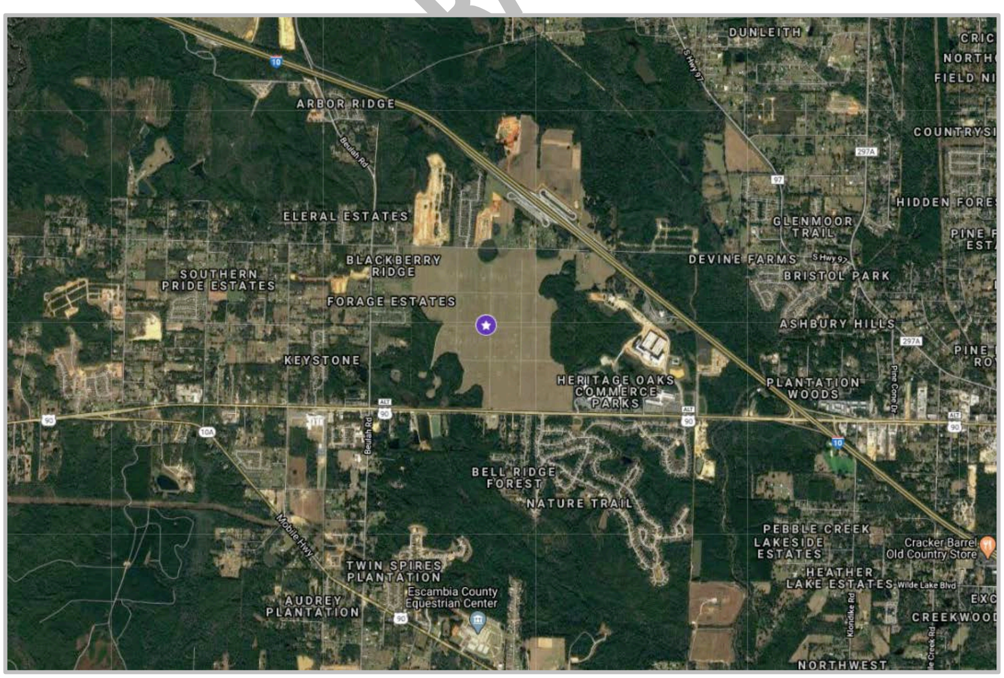
CONTENTS

WEITZMAN
Real Estate Consultants

REGIONAL MAP



NEIGHBORHOOD MAP



INTRODUCTION

Weitzman Associates, LLC has been engaged to independently evaluate the market potential of the prospective mixed-use development of the property known as OLF8 in Beulah, Florida (the "Project"). This study reflects in summary our research, findings, and recommendations for this development. Our work in analyzing the market potential of the site's development during our research has included the following tasks:

- Toured the site, and the project's immediate neighborhood;
- Evaluated market trends for:
  - Both rental housing and for-sale housing;
  - Retail;
  - Office;
  - Hospitality; and
  - Industrial real estate.
- Visited and analyzed comparable properties in Pensacola;
- Interviewed numerous local stakeholders, including the owners or managers of local businesses, developers and retail brokers, and economic development officials;
- Analyzed the local economic and demographic trends;
- Performed demand analyses for all studied real estate uses;
- Produced our recommendations for the Project's achievable rents, sale prices, absorption, and physical characteristics necessary to successfully market and lease the Project; and
- Provided guidance on the development features and amenity programming that will be necessary to attract the target markets to the property.

In addition to the tasks noted above, we have also reviewed the business / industrial parks currently overseen (wholly or in part) by Escambia County in order to determine whether the OLF8 site presents a viable, commercial development opportunity that could generate a minimum of 1,000 "high paying" jobs. We note from the outset that a new commerce park is largely a speculative initiative, but with proper incentives and marketing, the master-planned nature of OLF8 may attract new employers to the market, as well as providing a new home to those expanding within the market.

The following report sets forth the findings of our research, our conclusions, and recommendations for the Project.

PROJECT OVERVIEW

LOCATION AND NEIGHBORHOOD AMENITIES

The 640-acre development site comprises one rectangular (albeit irregular) parcel located along the north side of West Nine Mile Road, immediately west of Interstate 10 in Beulah, Florida in Escambia County, the western most county in the Florida Panhandle. Interstate 10 is a major highway running along the northern part of Florida that extends all the way west to Los Angeles. Nine Mile Road runs east to west along the south edge of the OLF8 site and changes from West Nine Mile Road to East Nine Mile Road on either side of I-10. The site is currently zoned for public use, but we have considered the marketability of the site under the assumption that most real estate uses (except, for example, heavy industrial) would be considered acceptable to local planning authorities and Escambia County.

OLF8 is located along Nine Mile Road immediately west of the Navy Federal Credit Union Corporate Campus, which currently employs approximately 8,700 people and has plans to expand to over 10,000 employees by 2021. Immediately south of OLF8, across Nine Mile Road, is an ongoing 350-unit rental development on a 52-acre development site.

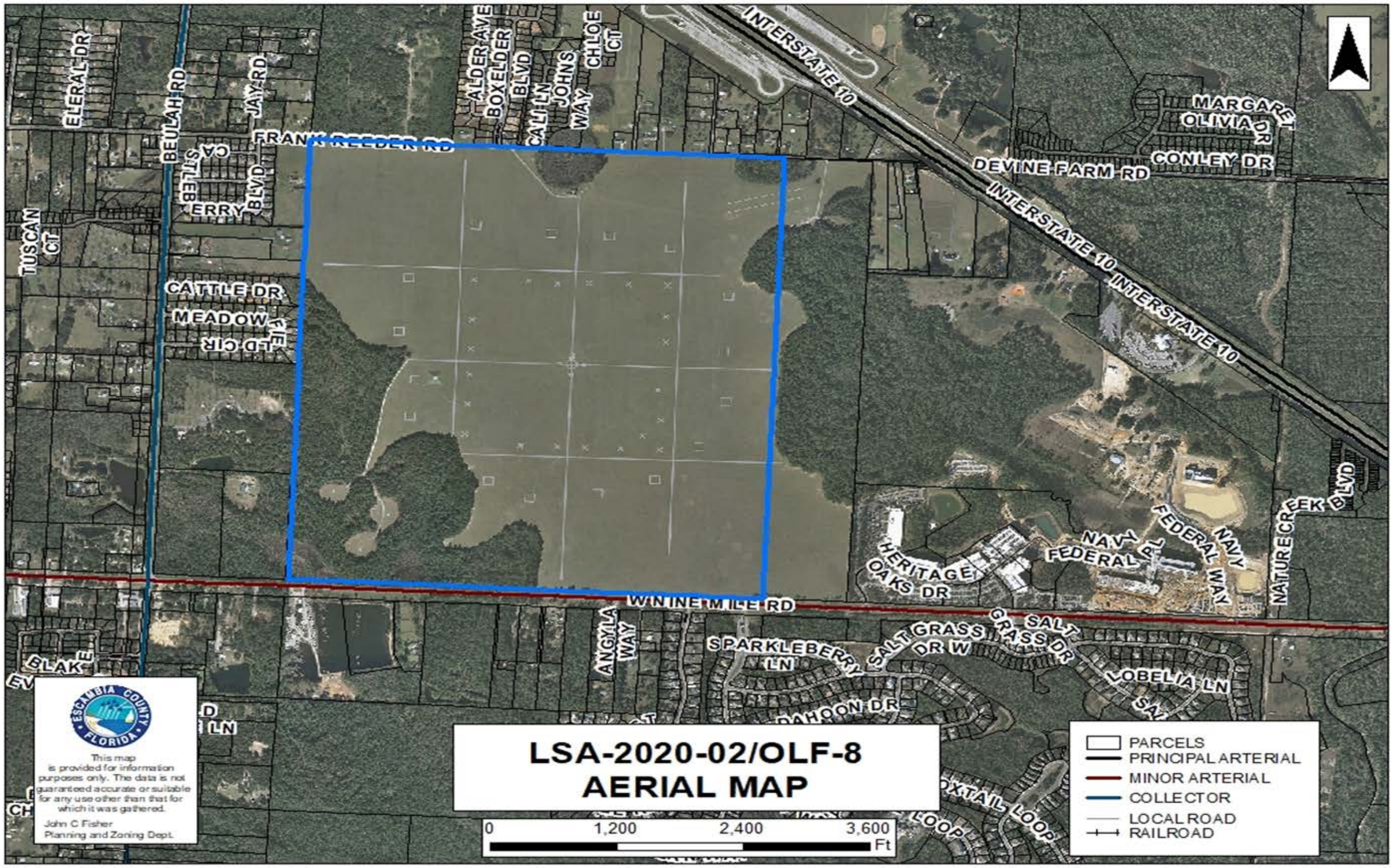
Retail and entertainment destinations are lacking around the development site, with most retail and entertainment situated east of I-10. Downtown Pensacola, the hub of activity in the Pensacola region, is approximately 14 miles south of the site, reachable by car in about 15 minutes.

The site offers convenient access to key transportation corridors in the Pensacola area. The most significant of these is the I-10, which connects to Interstate-110, the major highway connecting downtown Pensacola. Interstate-110 provides relatively quick access to the Pensacola International Airport, which is located approximately 11.4 miles from OLF8 (or about a 17-minute drive). The site is not located near any public transportation options.

To the immediate south of OLF8 is a 650-lot subdivision with single-family homes, called Nature Trail. While there have been a few new residential developments in area in the last year, including the West Woods Apartments, The Crossings at Milestone, and The Pensacola Grand, a "live-work-play," mixed-used development, such as that proposed, does not exist in the outskirts of Pensacola. A live-work-play concept will cater to the needs of households of all ages. Further, other than the retail corridors in downtown Pensacola and the Cordova Mall, high-quality retail is not available in the immediate vicinity of the site or the Navy Federal Credit Union Corporate Campus.

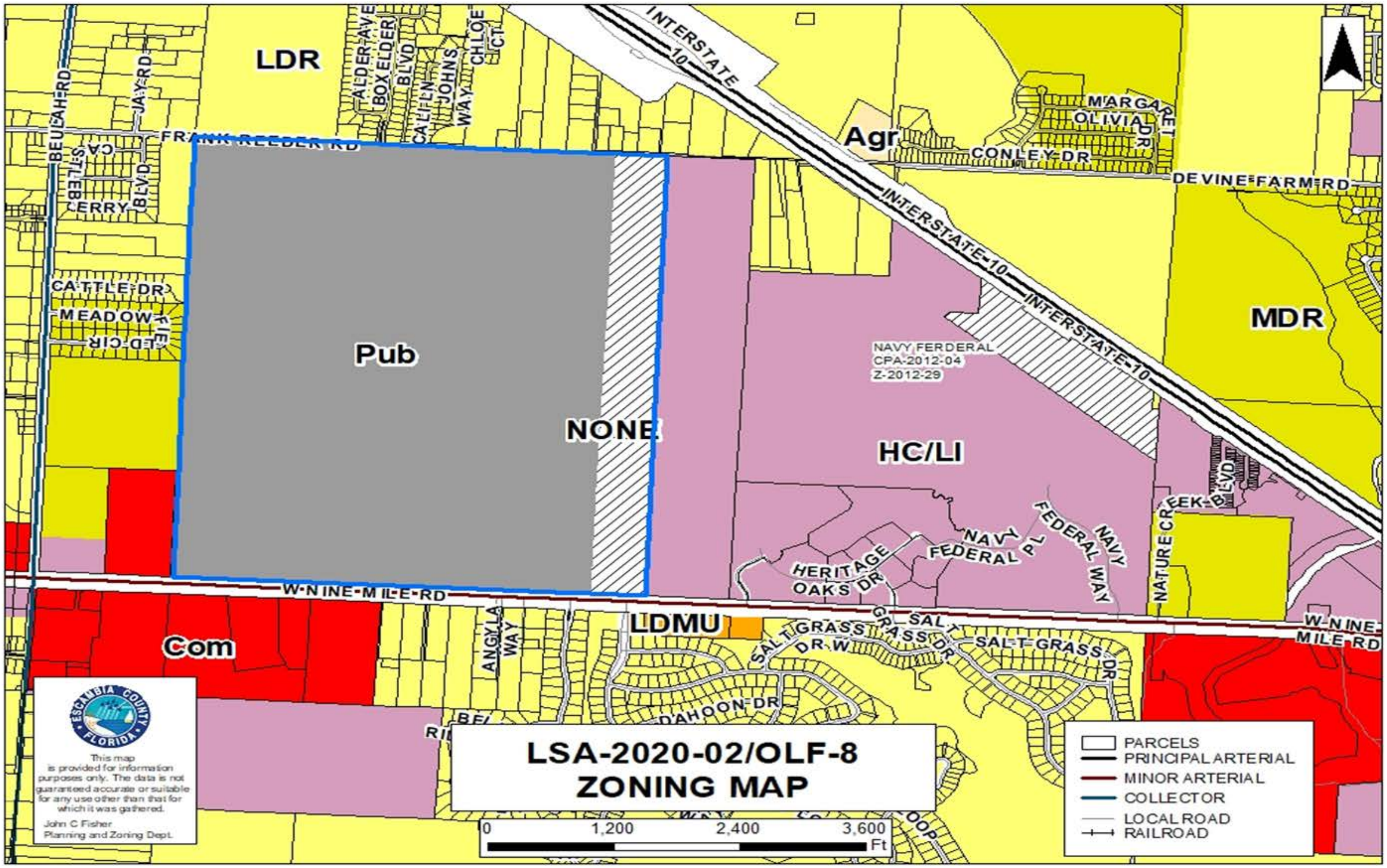
Given its location adjacent to the Navy Federal Credit Union Corporate Campus and 350-unit rental development, the project presents an opportunity to cater to the employees and their families, as well as create a mixed-use environment and retail destination not currently present in the neighborhood. We are optimistic about the residential and retail marketability of the site.

PARCEL MAP


LSA-2020-02/OLF-8
AERIAL MAP
PARCELS
PRINCIPAL ARTERIAL
MINOR ARTERIAL
COLLECTOR
LOCAL ROAD
RAILROAD
0
1,200
2,400
3,600
Ft
This map is provided for information purposes only. The data is not guaranteed accurate or suitable for any use other than that for which it was gathered.
John C Fisher
Planning and Zoning Dept.
ESCAMBIA COUNTY FLORIDA
INTERSTATE 10
DEVINE FARM RD
CONLEY DR
MARGARET
OLIVIA DR
BEULAH RD
JAY RD
ELERAL DR
TUSCAN CIT
CATTLE DR
MEADOW
W NINE MILE RD
NATURE CREEK BLVD
NAVY FEDERAL WAY
HERITAGE OAKS DR
SALT GRASS DR W
SPARKLEBERRY LN
LOBELIA LN
ANGYLA WAY

WEITZMAN
Real Estate Consultants

ZONING MAP



POSITIVE AND CHALLENGING FEATURES OF THE PROSPECTIVE DEVELOPMENT OPPORTUNITY

In an effort to rationalize the market positioning of the prospective residential, retail, office, industrial, and hospitality uses that could be built on the OLF8 sites, we have considered the "pros and cons" that the market will likely perceive when considering the project. The following discussion of positive and challenging attributes of the development provide perspective on the significant selling points of the opportunity that ought to be capitalized upon in designing, and leasing or selling, the property's various components, as well as those less favorable factors that ought to be mitigated during your planning process.

Positive Features of the Development

- **The Power of Scale.** The sheer size of OLF8 is a rare characteristic for any development site. Hundreds of acres of land present an opportunity to develop many different uses on the site, such that residential offerings will not compete with one another, retail can be built with flexible layouts, and commercial / industrial buildings can be spatially separated from other areas. The master plan can pursue a true act of "placemaking," working with a blank slate to create a new, authentic destination.

- **Access and Frontage.** OLF8 has a surplus of frontage along Nine Mile Road, making the site compelling for many retailers. The access to the site provided by Nine Mile Road and I-10 (pending the construction of a northern connection to the site) allow households and commercial end-users to easily reach their destination. Furthermore, these road systems competitively position OLF8 within the region.

- **The Presence of Navy Federal.** The Navy Federal Credit Union's decision to locate in Escambia County has done a tremendous amount to bolster the local workforce, creating opportunities that did not exist before. Furthermore, the presence of Navy Federal has already established the location as a premier destination within the metropolitan area. Thus, OLF8 can be conceived as building upon Navy Federal's investment by further diversifying what can be built in this area of Escambia County. Lastly, the employees of Navy Federal have a great deal of spending potential, which can be captured via new retail businesses

- **Commercial Appeal.** As stated above, OLF8's sheer size makes it possible to include a diverse mix of uses on the site. Today, many significant commercial end-users (from medical providers to manufacturers) prefer to locate in a mixed-use context due to the benefits this provides workers. Complete with recreation, retail, and walkable amenities, OLF8's offerings could be a significant attraction for companies of the future. Furthermore, there is an opportunity for these firms to construct custom-built space, which is less common in other situations.

- **Community Development Potential.** The OLF8 site has the potential to bring what is currently lacking in the area: diverse housing product, communal spaces, attractive retail offerings, and public services. Beulah is a growing community that its current residents enjoy. However, this growth has generated demand that has not been met. OLF8, by providing walkable amenities and retail, can aid in bringing the Beulah community together, thereby further increasing its appeal and value. If deemed necessary, the provision of new public services, such as a fire department and police facility, could satisfy desires of current residents. Furthermore, most housing in the area is traditional single-family, whereas OLF8 could accommodate a varied product mix that would serve the housing needs of a broader range of County residents.

- **Favorable Development Timing and Financial Resources.** Today, we are operating in a low interest rate environment, which aids real estate development due to cheap debt. Thus, this is an excellent time for Escambia County to pursue a large-scale project at OLF8. Furthermore, the ability to access Triumph Funds is a rare asset that Escambia County can tap into to build site infrastructure and thus facilitate the eventual master plan.

- **High Quality of Life.** Escambia County offers a high quality of life that is attractive to many. From the beaches nearby, to Downtown Pensacola, to access to first-rate healthcare services, the Pensacola region has "a lot going for it," particularly in the context of the COVID-19 pandemic that has driven many people away from dense urban settings. Now is an excellent time to "double down" on the region's competitive advantages.

Challenging Aspects of the Development

There are also several challenging factors that must be noted, and taken into consideration as you undertake the development:

- **Congestion Along Nine Mile Road.** Nearly every individual we interviewed in completing this study noted that the traffic congestion along Nine Mile Road is incredibly frustrating. Bringing additional development to this location will only exacerbate this challenge. Thus, it is critical that the master plan consider adept traffic planning, and that a connection to I-10 be constructed at the northern end of the OLF8 site.

- **Speculative Demand for Office, Industrial, and Hotel Uses.** The OLF8 site is not situated in a market context with extant, thriving office, industrial, and hotel developments. While we believe that all of these uses have potential based on our recommendations in the conclusion of the report, OLF8 must be developed thoughtfully and holistically in order to attract the users of these types of developments. Furthermore, Escambia County must engage in a robust marketing effort and provide tax incentives to attract these businesses. Without this marketing effort, demand for these uses is likely to remain speculative.

In summary, it is our opinion that the project site is well-suited for mixed-use development with housing, retail, office, industrial, and hotel space. However, given the pioneering scale of the large-scale development, we recommend taking a cautious approach to defining the development program. There are numerous positive aspects of the development opportunity, but because of the scope and competitive nature of the development, one must proceed with a great focus on design quality and site planning in order to maximize achievable rents and prices. Nevertheless, the prospective positive attributes of the development far outweigh the challenges.

ECONOMIC AND DEMOGRAPHIC OVERVIEW

The OLF-8 site is located in Beulah, Florida, an unincorporated town in Escambia County about 12 miles northwest of downtown Pensacola. Located in northwestern Florida along the Gulf of Mexico, Pensacola is part of Escambia County, within the Pensacola-Ferry Pass-Brent Metropolitan Statistical Area (MSA). Over the next five years, the City of Pensacola, Escambia County and the MSA are all projected to experience healthy population and household growth.

EXECUTIVE SUMMARY

Escambia County and the Pensacola-Ferry Pass-Brent Metropolitan geographies comprise the primary and secondary market areas in which OLF8 is situated. The City of Pensacola is the primary economic and cultural center in this region, however, given that OLF8 is in the far northwest Gonzales / Southwest-Santa Rosa submarket of the Pensacola Metro area and the site spans nearly one contiguous square mile, we have chosen to analyze the larger geographies in which the OLF8 site resides as their economic and demographic characteristics and dynamics are more meaningful to the site's development considerations. Broadly speaking, the subject is situated in a mature, coastal, tertiary market where large institutions and firms such as the Naval Airforce base, the Navy Federal Credit Union, as well as the local medical and leisure and hospitality sectors have outsized impacts on the profile of the economy due to the size of the market and its coastal location, which makes it a national tourist destination. The Pensacola Metro Area and Escambia County are on a modest growth trajectory, which in no small way is exhibited by the development along Nine Mile Road, a major east-west corridor, which demarks the southern boundary of the site and along which Navy Federal Credit Union, the largest employer in area, is in the process of expanding its corporate campus.

DEMOGRAPHIC OVERVIEW

The population of Escambia County is projected to increase steadily over the next five years, growing from 323,927 in 2020 to 336,643 in 2025, or by a compounded annual rate of 0.8%. The number of households is projected to grow at a similar pace over the next five years, at 0.8% compounded annually, increasing from 126,165 in 2020 to 131,065 in 2025. Average household income and median household income are expected to increase significantly over the next five years, with compounded annual increases of 2.2% and 1.3%, respectively. The average household income is expected to grow from $73,600 in 2020 to $81,525 in 2025. The median household income is projected to increase by nearly $3,300, growing from $52,081 in 2020 to $55,340 in 2025.

The population of the Pensacola MSA is projected to grow at a compounded annual rate of 1.1% between 2020 and 2025, from 507,667 to 535,914. The number of households is projected to grow at a similar pace, at 1.1% compounded annually, from 194,521 in 2020 to 205,267 in 2025. Average household income and median household income are expected to increase at compounded annual rates of 2.1% and 1.5%, respectively. The average household income is expected to grow from $80,673 in 2020 to $89,342 in 2025. The median household income is projected to grow from $57,598 in 2020 to $61,822 in 2025. The following tables summarize the aforementioned demographic trends for Escambia County and the MSA as forecast by ESRI, a leading provider of demographic information.

TABLE 1
POPULATION AND HOUSEHOLD TRENDS
ESCAMBIA COUNTY, FL

				Compounded Annual Change	
	2010	2020	2025 Proj.	2010-2020	2020-2025
Population	297,619	323,927	336,643	0.9%	0.8%
Households	116,238	126,165	131,065	0.9%	0.8%
Avg. Household Size	2.41	2.43	2.43	0.1%	0.0%
Avg. Household Income	N/A	$73,600	$81,525	N/A	2.2%
Median Household Income	N/A	$52,081	$55,340	N/A	1.3%

Source: ESRI; compiled by Weitzman Associates, LLC

TABLE 2
POPULATION AND HOUSEHOLD TRENDS
PENSACOLA-FERRY PASS-BRENT, FL MSA

				Compounded Annual Change	
	2010	2020	2025 Proj.	2010-2020	2020-2025
Population	448,991	507,667	535,914	1.3%	1.1%
Households	173,148	194,521	205,267	1.2%	1.1%
Avg. Household Size	2.46	2.49	2.49	0.1%	0.0%
Avg. Household Income	N/A	$80,673	$89,342	N/A	2.1%
Median Household Income	N/A	$57,598	$61,822	N/A	1.5%

Source: ESRI; compiled by Weitzman Associates, LLC

At both the County and MSA level, incomes are the highest among householders between the ages of 45 and 54, while those over the age of 75 or under the age of 25 have the lowest incomes. The 2020 median income in Escambia County for householders between ages 45 and 54 is $63,174 compared to $37,053 for those under 25 and $36,053 for those over 75. In the MSA, the 2020 median income is $73,560 for householders between ages 45 and 54 compared to $39,363 for those under 25 and $38,537 for those over 75. The average income for those between 45 and 54 is $87,305 in the County compared to $47,964 for those under 25 and $55,335 for those over 75. In the MSA, the 2020 average income is $97,281 for householders between ages 45 and 54 compared to $511,037 for those under 25 and $58,293 for those over 75.

At the County level, householders in the 45 to 54 age group are generally projected to grow their incomes at a faster rate than other groups, increasing median income at a projected 2.0% annually through 2025 compared to 1.2% overall and increasing average income at a projected 2.3% compared to 2.1% overall. We note that householders in the 75+ age group have a higher annual average income growth projection, at 2.5%, as do householders between ages 55 and 64 at 2.4%.

In the MSA, median incomes among householders in the 55 and 64 age group are projected to increase at 2.1% annually through 2025 compared to 1.4% overall. Average incomes among householders in this age group are also projected to also increase at 2.5% annually through 2025 compared to 2.1% overall. We also note that the 75+ age group have higher annual average income growth projections than the 45 to 54 age group, at 2.5% and 2.1%, respectively.

The slowest projected annual income growth in the County and MSA is in the under 25 age group. The median income among householders in the under 25 age group is projected to grow 0.8% annually in both the County and MSA. The average income among householders in the under 25 age group is projected to grow 1.6% annually in both the County and MSA.

TABLE 3
HOUSEHOLD INCOME BY AGE

ESCAMBIA COUNTY, FL

	2020	2025 Proj.	Compounded Annual Change 2020-2025
	Median HH Income		% Growth
<25	$37,053	$38,517	0.8%
25-34	$53,365	$56,413	1.1%
35-44	$61,244	$67,480	2.0%
45-54	$63,174	$69,797	2.0%
55-64	$57,244	$62,305	1.7%
65-74	$49,218	$52,425	1.3%
75+	$36,053	$38,385	1.3%
Total	$52,081	$55,340	1.2%
	Average HH Income		% Growth
<25	$47,964	$51,918	1.6%
25-34	$69,383	$75,567	1.7%
35-44	$82,454	$91,537	2.1%
45-54	$87,305	$97,710	2.3%
55-64	$79,465	$89,550	2.4%
65-74	$72,163	$80,642	2.2%
75+	$55,335	$62,502	2.5%
Total	$73,600	$81,525	2.1%

PENSACOLA-FERRY PASS-BRENT, FL MSA

	2020	2025 Proj.	Compounded Annual Change 2020-2025
	Median HH Income		% Growth
<25	$39,363	$41,019	0.8%
25-34	$58,234	$62,501	1.4%
35-44	$71,997	$78,443	1.7%
45-54	$73,560	$79,025	1.4%
55-64	$63,296	$70,208	2.1%
65-74	$52,817	$56,476	1.3%
75+	$38,537	$41,390	1.4%
Total	$57,598	$61,822	1.4%
	Average HH Income		% Growth
<25	$51,037	$55,165	1.6%
25-34	$75,323	$82,705	1.9%
35-44	$91,086	$100,895	2.1%
45-54	$97,281	$107,847	2.1%
55-64	$86,851	$98,059	2.5%
65-74	$76,375	$85,998	2.4%
75+	$58,293	$66,049	2.5%
Total	$80,673	$89,342	2.1%

Source: ESRI; compiled by Weitzman Associates, LLC

In Escambia County, a large majority (66.5%) of households earned less than $75,000 per year in 2020. Over the five years from 2020 to 2025, the number of households earning more than $75,000 is forecast to increase at an annual rate of 0.6%. By 2025, it is estimated that 36.7% of Escambia County's population will earn over $75,000 per year – up from 33.5% in 2020. Households in the broader MSA report higher earnings, with 38.3% of households earning over $75,000 annually in 2020, growing to 41.8% by 2025. Broadly speaking, the share of wealthier households is increasing while less affluent households are decreasing.

The following tables summarize household income for Escambia County and the MSA as of 2020 and as projected for 2025.

TABLE 4
HOUSEHOLD INCOME DISTRIBUTION
ESCAMBIA COUNTY, FL

Household Income	2020	2025 Proj.	Compounded Annual Change 2020-2025
$0 - $14,999	10.4%	9.4%	-0.2%
$15,000 - $24,999	9.5%	8.8%	-0.1%
$25,000 - $34,999	10.6%	9.9%	-0.1%
$35,000 - $49,999	17.2%	16.5%	-0.1%
$50,000 - $74,999	18.8%	18.8%	0.0%
$75,000 - $99,999	13.1%	13.7%	0.1%
$100,000 - $149,999	12.1%	13.3%	0.2%
$150,000 - $199,999	3.4%	4.0%	0.1%
$200,000+	4.9%	5.7%	0.2%

Source: ESRI; compiled by Weitzman Associates, LLC

TABLE 5
HOUSEHOLD INCOME DISTRIBUTION
PENSACOLA-FERRY PASS-BRENT MSA

Household Income	2020	2025 Proj.	Compounded Annual Change 2020-2025
$0 - $14,999	9.1%	8.1%	-0.2%
$15,000 - $24,999	8.4%	7.6%	-0.2%
$25,000 - $34,999	8.9%	8.2%	-0.1%
$35,000 - $49,999	16.0%	15.3%	-0.1%
$50,000 - $74,999	19.2%	19.0%	0.0%
$75,000 - $99,999	13.7%	14.1%	0.1%
$100,000 - $149,999	14.5%	15.9%	0.3%
$150,000 - $199,999	4.3%	5.1%	0.2%
$200,000+	5.8%	6.7%	0.2%

Source: ESRI; compiled by Weitzman Associates, LLC

ECONOMIC OVERVIEW

Overall, employment trends in the Pensacola-Ferry Pass-Brent MSA have been positive in recent years. Led by the Finance Insurance and Real Estate (F.I.R.E.) sector, the Pensacola-Ferry Pass-Brent MSA has shown a positive compounded annual growth rate of 1.37% between 2010 and June of 2020. The F.I.R.E. sector has grown by 5.49% compounded annually over the same time period. During this time, a total of 22,767 jobs were gained.

As of June 2020, employment in the services sectors accounted for 82,600 jobs, or 46.1% of the total employment base; 13.0% of jobs are in the Professional and Business Services sector, 17.1% of jobs are in the Educational and Health Services sector, 12.7% are in the Leisure and Hospitality Services sector, and 3.4% are in the Other Services sector. From 2011 through 2020, these sectors experienced substantial growth: the Professional and Business Services sector increased by 1.13% annually, the Educational and Health Services sector increased by 1.24% annually, the Leisure and Hospitality Services sector increased by 2.02% annually, and the Other Services sector increased by 0.38% annually.

Over the last ten years, the F.I.R.E. sector has seen the fastest rate of employment growth, followed by the Manufacturing sector and the Leisure and Hospitality Services sector, with compounded annual employment growth rates of 5.49%, 2.50%, and 2.38%, respectively. Over the last five years, the F.I.R.E. sector has seen the fastest rate of employment growth, followed by the Mining, Logging, and Construction sector and the Manufacturing sector, with compounded annual employment growth rates of 4.89%, 4.70%, and 2.45%, respectively. Over the last three years, the F.I.R.E. has seen the fastest rate of employment growth, followed by the Manufacturing sector and the Mining, Logging, and Construction sector, with compounded annual employment growth rates of 4.63%, 3.79%, and 2.98%, respectively.

The employment distribution of the Pensacola-Ferry Pass-Brent MSA is led by the Educational and Health Services sector (17.10%), the Trade sector (16.00%), and the Government (15.70%) which combine to account for nearly half (48.76%) of total non-farm employment in the Pensacola-Ferry Pass-Brent MSA. There has been, however, a visible shift in the employment distribution in the Pensacola-Ferry Pass-Brent MSA. Over the last ten years, the F.I.R.E. has gained the largest share of employment distribution, gaining 2.72% of total non-farm employment. The Leisure and Hospitality Services and Information sectors also increased their share of total employment over the last ten years, gaining 1.20% and 0.43% of total employment, respectively.

TABLE 6

EMPLOYMENT TRENDS

PENSACOLA-FERRY PASS-BRENT MSA

Total Employment in Thousands

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (3)
Mining, Logging, and Construction	10.6	9.8	9.4	9.2	9.5	10.0	10.8	11.5	11.7	12.3	12.6
Manufacturing	5.4	5.5	5.6	5.9	6.0	6.1	6.3	6.1	6.5	7.0	6.9
Trade	25.3	25.7	26.0	26.3	26.9	27.7	28.4	29.1	29.5	29.5	28.6
Transportation and Utilities (1)	4.1	4.1	4.0	4.1	4.1	4.0	4.1	4.1	4.2	4.3	4.1
Information	3.1	2.7	2.4	2.3	2.3	2.2	2.1	1.9	1.8	1.7	1.6
F.I.R.E. (2)	8.7	8.7	9.0	9.9	10.7	11.7	12.3	13.0	14.0	14.9	14.8
Professional and Business Services	19.7	21.1	21.3	21.5	21.7	22.4	22.5	22.7	24.3	24.4	23.3
Educational and Health Services	26.7	27.4	27.0	26.6	26.8	27.7	29.3	29.9	30.1	30.9	30.6
Leisure and Hospitality Services	17.9	19.0	19.3	20.3	21.0	21.6	22.9	24.1	24.6	25.8	22.7
Other Services	6.2	5.8	5.7	5.7	6.0	5.8	6.0	6.2	6.3	6.5	6.0
Government	29.0	28.5	28.4	28.0	27.9	28.1	28.3	28.3	28.4	28.6	28.2
Total Non-Farm Employment	156.6	158.2	158.1	159.9	163.0	167.2	172.8	177.0	181.2	185.7	179.4
Annual Change		*1.0%*	*0.0%*	*1.1%*	*1.9%*	*2.6%*	*3.4%*	*2.4%*	*2.4%*	*2.5%*	*-3.4%*

Compounded Annual Change

	2010-2020	2011-2020	2012-2020	2013-2020	2014-2020	2015-2020	2016-2020	2017-2020	2018-2020	2019-2020
Mining, Logging, and Construction	1.7%	2.7%	3.6%	4.5%	4.7%	4.7%	3.8%	3.0%	3.7%	2.4%
Manufacturing	2.5%	2.5%	2.6%	2.2%	2.2%	2.5%	2.3%	3.8%	3.1%	-2.5%
Trade	1.3%	1.2%	1.2%	1.2%	1.0%	0.7%	0.2%	-0.5%	-1.4%	-3.0%
Transportation and Utilities	-0.1%	0.0%	0.3%	0.1%	-0.2%	0.2%	0.2%	-0.3%	-1.0%	-3.9%
Information	-6.6%	-6.0%	-5.2%	-5.7%	-6.3%	-6.8%	-6.8%	-7.1%	-6.6%	-8.4%
F.I.R.E.	5.5%	6.1%	6.5%	6.0%	5.5%	4.9%	4.8%	4.6%	2.8%	-0.3%
Professional and Business Services	1.7%	1.1%	1.1%	1.1%	1.2%	0.8%	0.9%	0.8%	-2.0%	-4.3%
Educational and Health Services	1.4%	1.2%	1.6%	2.0%	2.2%	2.0%	1.1%	0.7%	0.7%	-1.1%
Leisure and Hospitality Services	2.4%	2.0%	2.0%	1.6%	1.3%	1.0%	-0.2%	-2.0%	-3.9%	-11.8%
Other Services	-0.2%	0.4%	0.6%	0.8%	0.1%	0.8%	0.2%	-0.9%	-2.4%	-7.1%
Government	-0.3%	-0.1%	-0.1%	0.1%	0.2%	0.1%	0.0%	-0.1%	-0.2%	-1.2%
Total Non-Farm Employment	1.4%	1.4%	1.6%	1.7%	1.6%	1.4%	0.9%	0.4%	-0.5%	-3.4%

Employment Distribution

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (3)
Mining, Logging, and Construction	6.7%	6.2%	6.0%	5.8%	5.9%	6.0%	6.3%	6.5%	6.4%	6.6%	7.0%
Manufacturing	3.4%	3.5%	3.5%	3.7%	3.7%	3.6%	3.6%	3.5%	3.6%	3.8%	3.8%
Trade	16.1%	16.2%	16.5%	16.5%	16.5%	16.5%	16.4%	16.4%	16.3%	15.9%	16.0%
Transportation and Utilities	2.6%	2.6%	2.5%	2.5%	2.5%	2.4%	2.3%	2.3%	2.3%	2.3%	2.3%
Information	2.0%	1.7%	1.5%	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%	0.9%
F.I.R.E.	5.6%	5.5%	5.7%	6.2%	6.6%	7.0%	7.1%	7.3%	7.7%	8.0%	8.3%
Professional and Business Services	12.6%	13.3%	13.5%	13.5%	13.3%	13.4%	13.0%	12.8%	13.4%	13.1%	13.0%
Educational and Health Services	17.1%	17.3%	17.1%	16.6%	16.4%	16.5%	16.9%	16.9%	16.6%	16.7%	17.1%
Leisure and Hospitality Services	11.5%	12.0%	12.2%	12.7%	12.9%	12.9%	13.2%	13.6%	13.6%	13.9%	12.7%
Other Services	3.9%	3.7%	3.6%	3.6%	3.7%	3.5%	3.5%	3.5%	3.5%	3.5%	3.4%
Government	18.5%	18.0%	17.9%	17.5%	17.1%	16.8%	16.3%	16.0%	15.6%	15.4%	15.7%
Total Non-Farm Employment	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Transportation, Communications and Public Utilities

(2) Finance, Insurance, and Real Estate

(3) Data is provided as of July 2020

Source: The Bureau of Labor Statistics; compiled by Weitzman Associates, LLC

As shown in the previous table, government jobs comprise one of the largest employment sectors in the Pensacola MSA, with the local government employing approximately 29,200 people as of June 2020. According to the Greater Pensacola Chamber of Commerce and the Florida West Economic Development Alliance, the five largest private employers in the Greater Pensacola region, in addition to government services, are Navy Federal Credit Union, Baptist Health Care, Sacred Heart Health Systems, Gulf Power Company, and West Florida Healthcare. The Navy Federal Credit Union currently employs about 8,697 individuals, which is projected to grow to 10,000 by 2021. As of July 2020, Baptist Health Care, Sacred Heart Health Systems and West Florida Healthcare employed an estimated 13,367 people. The five top healthcare and medical centers in the Greater Pensacola region employ over 14,300 people, demonstrating that the healthcare sector is integral to the greater Pensacola economy.

One additional employer of note in Pensacola is ST Engineering. The firm recently opened a new aircraft MRO (manufacturing, repair, and overhaul) facility with approximately 150 employees (some of which are temporary construction jobs). Construction on a second hangar should begin in 2020, and is expected to create an additional 400 jobs with an average salary is $45,000. The City of Pensacola has funded construction of the facilities with assistance from state and federal funds, and owns them. An administrative office houses an additional 200-250 employees.

The Pensacola economy also remains highly impacted by defense industry spending, which had over $6.8 billion in economic impact on Escambia County in 2019 (according to the Florida Defense Factbook of 2020). During that year, the military accounted for over approximately 63,391 jobs in Escambia County. Known as the "Cradle of Naval Aviation", the region is home to the Pensacola Naval Air Station, National Flight Academy, Saufley Field, the National Aviation Museum, Corry Station, Whiting Field, and the Naval Hospital Pensacola.

WEITZMAN
Real Estate Consultants

TABLE 7
LEADING PRIVATE EMPLOYERS IN PENSACOLA, FLORIDA
AS OF JULY 2020

No.	Company	Employees	Industry	Headquarters
1	Navy FederalCredit Union	8,697	Financial ServiceCenter	Vienna, VA
2	Baptist HealthCare	7,347	Healthcare	Pensacola, FL
3	Sacred HeartHealth Systems	4,820	Healthcare	St. Louis,MO
4	Gulf PowerCompany	1,774	Electric Provider	Pensacola, FL
5	AscendPerformanceMaterials	1,288	Manufacturing	Houston, TX
6	West FloridaHealthcare	1,200	Healthcare	Nashville, TN
7	Innisfree Hotels	750	Hospitality	Gulf BreezeFL
8	GE Wind Energy	700	Manufacturing	Fairfield, CT
9	Santa RosaMedical Center	521	Healthcare	Milton, FL
10	Medical CenterClinic	500	Healthcare	Pensacola, FL
21	Jupiter Composites	217	Manufacturing	Denmark
22	West Corporation	200	Business, Processing, Outsourcing	Omaha, NE
23	Overhead Door	186	Manufacturing	Lewisville, TX
24	Synergy Solutions	185	Customer Relationship Management	Phoenix, AZ
25	Buffalo Rock	185	Warehouse/Distribution	Birmingham, AL
26	AppRiver	180	Information Technology	Pensacola, FL
27	Mansfield Industrial	175	Manufacturing	Pensacola, FL
28	ST Engineering Aerospace	163	Aviation MRO	Singapore
29	Landrum Human Resource Comp	142	Human Resources	Pensacola, FL
30	HT Hackney	140	Warehouse/Distribution	Knoxville, TN
31	Lifeguard Ambulance Service	130	Business Services	Gulf Breeze, FL
32	Exxon Mobil	105	Fiberglass products	Cantonment, FL
33	Saltmarsh, Cleaveland, & Gund CPA	104	Certified Public Accountants	Pensacola, FL
34	The Studer Group	100	Private Healthcare Consulting	Pensacola, FL
35	Loomis Armored	100	Transportation	Houston, TX
36	Pegasus Laboratories	100	Manufacturing	Pensacola, FL
37	Lewis Bear Company	100	Warehouse/Distribution	Pensacola, FL
38	V.T. Milcom	90	Warehouse/Distribution	Virginia Beach, VA
39	Taminco	89	Chemical Manufacturing	Allentown, PA
40	Cerex	85	Manufacturing	Cantonment, FL
41	Bell SteelCompany	81	Manufacturing	Pensacola, FL
42	U.S. BlockWindows	76	Block Window Mfg.	Pensacola, FL
43	Global BusinessSolutions, Inc.	68	Information Technology	Pensacola, FL
44	Power Secure	62	Business Services	Wake Forest,NC
45	Avalex	60	Aviation RelatedManufacturing	Pensacola, FL
46	IMS ExpertServices	60	Business Services	Pensacola, FL
47	DAWSManufacturing	60	Manufacturing	Pensacola, FL
	Total:	30,840		

Source: Florida West Economic Development Alliance; compiled by Weitzman Associates, LLC

Unemployment rates peaked throughout the nation between 2008 and 2010 due to widespread job layoffs attributed to the Great Recession. From 2010 through 2019, there was a steady decline in unemployment rates in Pensacola, Escambia County, the Pensacola-Ferry Pass-Brent Metropolitan Statistical Area, the State of Florida, and the United States. The City of Pensacola's unemployment rate decreased from its peak of 8.1% in 2011 to 2.7% in 2019, which is below the corresponding 2019 unemployment rates of Escambia County (3.2%), the Metropolitan Area (3.1%), the State of Florida (3.1%), and the nation (3.7%).

The 2020 unemployment rates in the following table are as of May for the City of Pensacola, Escambia County, the Pensacola MSA, and the State of Florida, and as of June for the nation. We note the local MSA, County, and City level unemployment rates, 6.7%, 7.1%, and 6.8% respectively, are considerably lower than the 8.0% State and 8.5% National unemployment rates.

The unemployment rates for Pensacola, Escambia County, the Pensacola-Ferry Pass-Brent MSA, Florida, and the United States from 2010 through May and June 2020 are presented in the following table.

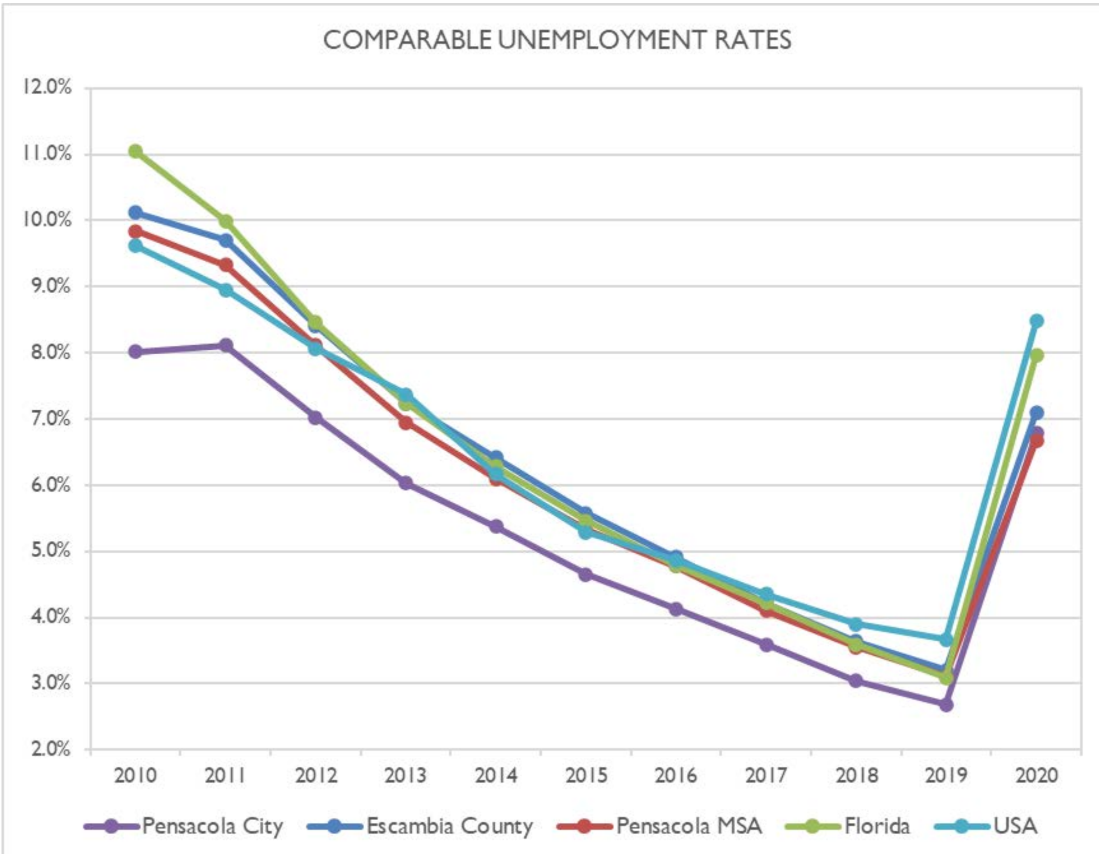
TABLE 8
UNEMPLOYMENT TRENDS
2010 - 2020

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pensacola City (1)	8.0%	8.1%	7.0%	6.0%	5.4%	4.7%	4.1%	3.6%	3.0%	2.7%	6.8%
Escambia County (1)	10.1%	9.7%	8.4%	7.2%	6.4%	5.6%	4.9%	4.2%	3.6%	3.2%	7.1%
Pensacola MSA (1)	9.8%	9.3%	8.1%	6.9%	6.1%	5.3%	4.8%	4.1%	3.6%	3.1%	6.7%
Florida State (2)	11.0%	10.0%	8.5%	7.2%	6.3%	5.5%	4.8%	4.2%	3.6%	3.1%	8.0%
USA (2)	9.6%	9.0%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.5%

(1) Data as of May2020

(2) Data as of June 2020

Source: The Bureau of Labor Statistics; compiled by Weitzman Associates, LLC.



Source: U.S. Bureau of the Census; compiled by Weitzman Associates, LLC

ECONOMIC OUTLOOK

National Economy

Leading up to the coronavirus pandemic (COVID-19), the economic expansion period in the United States was the longest in history after hitting the 10-year mark on July 1, 2019. This economic expansion was fueled by advancements in several industries including technology, science, healthcare, finance, and media. According to the Federal Reserve's review of the national economy released on January 29, 2020, the labor market remained strong and economic activity had been increasing at a modest rate. Unemployment had remained low and employment growth has remained steady. Household spending was rising moderately but business investment and exports remained weak. The prolonged economic expansion period can be attributed to federal tax cuts for corporations, which increased equity valuations, and a long-term negligible federal funds rate, which improved consumer and business borrowing capabilities. However, since March 2020 the coronavirus has caused a recession in the national and global economy.

Optimism, which most investors and consumers had going into 2020, quickly turned to caution as investors rapidly started selling equity positions and coronavirus cases continued to rise at an accelerating pace. As a result of the coronavirus pandemic reaching the United States, the Federal Reserve made an unscheduled lowering of the federal funds rate by 0.5%. According to the Federal Reserve press release dated March 3, 2020, "The fundamentals of the U.S. economy remain strong. However, the coronavirus poses evolving risks to economic activity." Less than one week later, the fast-moving impacts of the coronavirus on the economy prompted the Federal Reserve to lower the rate to zero, with a target of 0.00% to 0.25%; the first time since 2015. The Fed also announced it would begin quantitative easing by buying $700 billion in Treasury and mortgage-backed securities. All three major indexes entered bear-market territory as investors became increasingly concerned that emergency fiscal measures taken by the Federal Reserve and federal governments would not be able to prevent a coronavirus induced recession.

A statement released by the Federal Reserve on July 29, 2020 stated, "The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. Following sharp declines, economic activity and employment have picked up somewhat in recent months but remain well below their levels at the beginning of the year. Weaker demand and significantly lower oil prices are holding down consumer price inflation. Overall financial conditions have improved in recent months, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses. The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term."

Despite the continuously demonstrated strengths of the national economy, there were several indications of slowing growth before the start of the coronavirus outbreak. Geopolitical tensions around the globe have strained various industries within the United States. More specifically, the US-China trade war has dramatically impacted farmers, who previously relied on China's purchasing of U.S. agricultural products. These farmers have to receive billions of dollars in federal aid to keep their businesses afloat. In addition, the "sugar high" of economic benefits attributed to the 2017 federal tax cuts were showing signs of wearing off. Lastly, the main yield curve, which measures the difference between the 2-year and 10-year Treasury note, inverted in August 2019, and again in February 2020, triggering recession warnings. According to data from Credit Suisse dating back more than 40-years, a recession occurs, on average, 22 months following a "2-10 inversion". Nevertheless, the current drop in equity markets and increase in investor caution can be attributed to the Coronavirus pandemic. Until more statistics begin to demonstrate a decline in confirmed cases and deaths, the United States economy is at the grip of the measures taken, such as social distancing, to prevent the spread of the coronavirus.

According to Kevin Thorpe, Chief Economist & Head of Research at Cushman & Wakefield, "Human interaction is baked into Gross Domestic Product." One of the most vital indicators of economic conditions is Gross Domestic Product (GDP). According to the Federal Open Market Committee's forecast from December 11, 2019, the United States' real GDP was expected to continue to grow by 2.0% through 2020. Instead, due to the economic turmoil caused by the pandemic, the US economy shrank by an annualized 5% in the first quarter of 2020, officially marking the end of the longest period of expansion in the country's history. GDP fell by 32.9% in the second quarter of 2020, which is the sharpest quarterly decrease on record. Current projections indicate that GDP growth is expected to be 1.7% and 1.9% in 2021 and 2022, respectively. These projections will likely change depending on whether or not the United States can get the coronavirus under control and manage a safe reopening of the economy. As social distancing measures eventually begin to fade, infection rates decline, and a vaccine is developed, employers will become more confident to open their businesses. However, many of the impacts of COVID-19 are likely to impact consumer behaviors and preferences beyond the pandemic.

An emergency federal stimulus bill has had limited success in mitigating the impacts of the coronavirus, and a second stimulus bill is currently being negotiated. Specific details of the roughly $2.3 trillion committed to the stimulus continue to be released as new policies, such as loan programs, are implemented. Some of the components of the stimulus included stimulus checks sent directly to most Americans, expanded unemployment benefits, temporary student debt relief, bailouts for the airline industry, and a $500 billion small business lending program. As of the fourth quarter of 2019, the Bureau of Economics stated the U.S. real GDP was $21.7 trillion, indicating the ongoing gov't stimulus plan invested approximately 10.6% of real GDP. For comparative purposes, the U.S. real GDP in Q2 2008 was $15.8 trillion whereas the federal stimulus between 2008-2010 was around $1.0 trillion, or less than 6.3% of real GDP. The Senate is now negotiating another $1 trillion coronavirus relief bill as the $600 weekly supplement to state unemployment benefits from the first coronavirus relief bill is set to expire by the end of July 2020. An abrupt ending to this weekly supplement could cause significant harm to the economy as many remain out of work or face poor job security due to the recent surge in coronavirus infections which threaten the reopening of many states' economies. The United States surpassed 4 million report coronavirus cases on Thursday July 23, 2020 and over 143,000 people have died.

Another key indicator of national economic conditions is the unemployment rate. According to the Federal Reserve as of December 2019, the national unemployment rate was at 3.6%, which is historically low. Although low unemployment can be seen as an economic strength, historically low unemployment rates typically precede recessions. Before the coronavirus pandemic, the unemployment rate was projected to remain flat at 3.5% in 2020, followed by an increase to 3.6%, and 3.7% in 2021 and 2022, respectively. The first jobless claims report after the coronavirus reached the United States, dated March 19, 2020, indicated a 33% spike in unemployment claims from the prior week. According to the Bureau of Labor Statistics, the national unemployment rate was reported to be 4.5% in March 2020, rising to 14.4% in April 2020 as more than 20 million unemployment claims were filed. The surge in unemployment was most heavily tied to the service employment sectors as businesses tied to retail and hospitality must reduce payroll to weather the pandemic. In May 2020 the unemployment rate declined to 13.0% and then to 11.2% in June 2020. During this time employers added a combined 7.5 million jobs (after shedding 21 million in March and April) and the economy appeared to be starting a recovery. However, a surge in coronavirus infections in June and July 2020 has caused many states to roll back reopening their economies to slow the rate of infection. Thus, stalling any hopes of a national economic recovery. In fact, initial unemployment claims rose by a seasonally adjusted 109,000 to 1.42 million for the week ended July 18, according to the Labor Department, reversing what had been a steady decline from a peak of 6.9 million unemployment claims in late March. Then again for the second consecutive week in the week ended July 25, initial unemployment claims rose by a seasonally adjusted 12,000 to 1.43 million.

Aside from small businesses, larger retail companies are being significantly impacted. Retailers such as J. Crew and Neiman Marcus have already filed for bankruptcy protection, and others are expected to follow suit. The shift from brick-and-mortar retail to e-commerce was already occurring prior to COVID-19. However, social distancing measures have accelerated this consumer behavior. The full impacts of the coronavirus pandemic on the national economy are on-going and the end of the pandemic remains to be seen. Careful monitoring of the number of positive tests and deaths, state-implemented social distancing policies, and economic metrics may provide some indication of when we can expect a recovery.

Pensacola Economy

According to the Board of Governors of the Federal Reserve System ("FRS") in its July15, 2020 Beige Book Report, the economic conditions brought on by the spread of COVID-19 have remained soft during May and June 2020. Overall, retail sales improved, some restricted tourism activity resumed, and residential real estate improved. However, banking and manufacturing conditions declined further. This has led to a global decline in economic activity in 2020, with economies in the southeast deteriorating from mid-February to late March.

Work environments improved only modestly in various ways across sectors. Some firms slowly recalled workers, while many remained in a holding pattern. Those firms resuming staffing did so at reduced levels and wage rates; some remote workers returned despite reported success with remote arrangements. Reports regarding the unemployment benefit disincentive to resume staffing were mixed.

Discretionary consumer spending in the region improved modestly overall according to respondents. Some noted mixed outlooks and expectations, while others expect sales and margins to improve through the remainder of the year. However, auto sales increased year-over-year and the tourism and hospitality sectors have begun to reopen, though public health measures will likely continue to negatively impact revenue and employment.

Real estate activity improved significantly, due to record low interest rates and pent up demand due to the easing of many public health measures. Affordability is still a major buyer concern despite the favorable financing environment, and many markets report inventory contraction. This limited supply has increased demand for new homes, and 30-day delinquencies increased dramatically, especially in South Florida markets, despite a surge in forbearances. The retail and hospitality commercial real estate sectors reported some signs of stabilization—low-price hotel brands saw increased occupancy driven by steep rate cuts; multifamily reported minor declines in occupancies and increased concessions as well as increased requests for borrower and tenant relief. Investment capital, though readily available, is reportedly still difficult to access given more conservative underwriting standards.

As it relates to the ongoing COVID-19 pandemic's impact on the greater Pensacola economy, the Florida Department of Health reported 6,684 cases of COVID-19 and 76 deaths in Escambia County as of July 24, 2020. Escambia County has tested 58,760, yielding a positive case rate of 11.37%.

"High-contact", which is a term describing businesses that rely on face-to-face interactions in everyday operations, such as retail and leisure and hospitality, have been severely impacted by the governmental restrictions enacted and general health precautions taken to combat the spread of COVID-19 (the exception within these industries being healthcare and other essential businesses). According to the University of West Florida's Haas Center, utilizing research conducted by the St. Louis Federal Reserve bank and data from the U.S. Census and Department of Labor, 31% of all jobs in Escambia County – approximately 47,770 jobs – are considered high-contact industry jobs directly impacted by COVID-19. This compares to 33% of all jobs in the ten western-most Florida counties that make up the Northwest Florida region and 33% of all jobs in the State of Florida.

The Haas Center conducted a survey in March and April of 2020 to study the economic impacts of COVID-19 within Florida. According to their report published May 4, 2020, 61% of survey respondents statewide had cancelled or postponed travel plans, 90% reported reduced spending across many different industry sectors, 24% had already experienced a loss in wages, and another 18% expected a future loss in wages.

The following table shows the median work hours and income lost by industry at the time the survey was conducted, as reported by those 24% of survey respondents statewide that reported lost wages. As detailed in the table, the industries with the highest median hours lost included Professional, Scientific, and Technical Services; Agriculture, Forestry, Fishing and Hunting; Other Services not including Public Administration; and Real Estate/Rental and Leasing – all with 40 work hours reported as lost as of the time of their survey response. The industries with the highest median income lost included Professional, Scientific, and Technical Services ($1,840); Wholesale Trade ($1,820); and Agriculture, Forestry, Fishing and Hunting ($1,000).

TABLE 9

LOST HOURS, HOURLY WAGE, AND MEDIAN INCOME LOST STATEWIDE BY INDUSTRY SURVEY RESPONSES; PUBLISHED MAY 4, 2020			
Industry	Median Hours Lost	Median Hourly Wage	Median Income Lost
Professional, Scientific, and Technical Services	40	$40	$1,840.00
Wholesale Trade	30	$52	$1,820.00
Agriculture, Forestry, Fishing and Hunting	40	$20	$1,000.00
Construction	30	$29	$630.00
Health Care and Social Assistance	30	$22	$615.00
Transportation and Warehousing	30	$20	$595.00
Information	24	$40	$576.40
Other Services (except Public Administration)	40	$17	$480.00
Arts, Entertainment, and Recreation	23	$15	$416.00
Administrative and Support and Waste Management and Remediation Servic	25	$16	$400.00
Educational Services	29	$15	$400.00
Management of Companies and Enterprises	20	$25	$385.00
Real Estate and Rental and Leasing	40	$20	$360.00
Accommodation and Food Services	39	$11	$326.40
Manufacturing	16	$24	$319.20
Retail Trade	24	$13	$300.00
Government	0	$18	$172.80
Finance and Insurance	0	$18	$0.00
Mining, Quarrying, and Oil and Gas Extraction	0	$44	$0.00
Utilities	0	$31	$0.00

Source: UWF Haas Center, Travel and Spending Assessment of Florida Residents During the US COVID-19 Outbreal compiled by Weitzman Associates, LLC

Within the Pensacola-Ferry Pass-Brent MSA, 88% of survey respondents reported reduced spending. Survey respondents living in the MSA reported a 72% reduction in retail spending on average, a 75% reduction in restaurant and bar spending, and an 89% reduction in admissions and entertainment spending. Within the MSA, 24% of respondents reported lost wages as of the date of their survey response, while 20% of respondents reported that they had not yet lost wages, but anticipate losing wages.

Prior to the COVID-19 pandemic, the Pensacola economy had been relatively stable for many years. With the exception of tourism, which has had a difficult first half of the year, the economy remains relatively resilient despite the pandemic due to the influence of the healthcare and military industries in the area. With the presence of the Pensacola Naval Air Station, Eglin Air Force Base, Naval Technical Center (NTC), Corry Station Naval, and Air Station Whiting Field, the military employs over 60,000 people in Escambia County. The sizable military economic impact in the Pensacola region includes not only those employed directly with the military, but also the civilian and defense industry workforce. The counties in Northwest Florida, together, have the greatest number of military-related jobs (approximately 182,449 jobs) compared to all other regions in Florida.

Several improvement projects were completed in the past couple of years prior to the COVID-19 pandemic, such as the $35 million National Flight Academy providing aviation-oriented science, technology, engineering, and mathematics (STEM) classes, the downtown Community Maritime Park and baseball venue, and the $7.7 million reconstruction of the downtown library. Listed below are some of the economic development initiatives throughout the Pensacola region contributing jobs and potential market demand for new real estate development in the market area.

- Port of Pensacola: In April 2012, the State of Florida passed a $3.6 million economic development initiative to fund improvements to the Port's Warehouse 1 and fund Phase II of the Port's shore side utility improvements project. The initiative helped expand infrastructure of the Port to serve more ships, as well as be cleaner and quieter, and generate approximately 100 jobs. Additional projects continue to-date, with the aim of creating and operating cost-effective facilities for marine commerce in order to foster trade and promote economic development and employment. Warehouse 1 is currently occupied by Offshore Inland Marine Services after funding was used to add cranes and expand ceiling heights.

- FDOT Grant for Pensacola International Airport: The Pensacola International Airport is the largest airport between New Orleans and Jacksonville, and offers direct and low-cost flights to major cities like Washington D.C., New York City and Chicago. Having completed a five-year, $82 million terminal expansion project in 2014, the airport accommodates over 1.5 million passengers per year (business, leisure and military) and generates an annual economic impact of over $565 million. In May 2013, the Florida Department of Transportation (FDOT) offered the airport an $11,090,000 matching grant for the development of future facilities and airport infrastructure. Along with providing 50% funding for capital improvements achieved prior to 2016, the grant supports infrastructure for cargo operations and funds support buildings, roads, and vehicles parking at the Airport Commerce Park, creating hundreds of jobs. In addition, ground broke in late 2016 on VT Mobile Aerospace Engineering's new hangar at the Pensacola International Airport. The 173,000 square foot facility, which sits on approximately 19 acres of property at the airport, opened in June 2018 and is expected to add 400 new jobs to the area. Furthermore, in or around April 2018, the Governor announced funding of $4 million from "the Florida Job Growth Grant Fund for the city to develop additional taxiways and infrastructure at the airport, as well as facilities for education and workforce training to support the aviation workforce."

- PALL Life Sciences: PALL Life Sciences (PALL), a research, development and manufacturing facility for filter devices for intravenous (IV) units, blood filtration systems, pharmaceuticals and transfusion medicine, completed a major expansion to its Greater Pensacola facility in 2010. The 150,000 square foot facility employs more than 200 highly skilled scientists and technicians. The Greater Pensacola Chamber of Commerce assisted PALL in obtaining a Qualified Target Industry (QTI) tax refund from the State of Florida and property tax exemption (EDATE) from Escambia County for the investment in their facility, employees and continued growth in the region.

- Navy Federal Credit Union: In 2002, driven by new incentive programs and workforce training assistance, the nation's largest credit union, Navy Federal, chose the Greater Pensacola Area as the site of its first remote customer contact center. The success of this development led to an expansion in services of the contact center to include lending, collections, mortgage loan processing, human resources and information technology. In 2014, the Navy Federal Credit Union announced a large expansion of its current facility and invested an additional $1 billion in the development of an additional one million square feet of office space to its campus in order to accommodate thousands of new employees. The company added 750 new jobs in 2017, with plans to hire even more as it continues to expand its campus. With current employment at over 8,600 people, there are an additional 1,400 new employees that will be hired through 2021.

- Growth of the Information Technology Industry: With the growth of diverse information technology sectors, such as digital media, modeling, simulation and training, photonics/optics and mobile technologies (which comprise over 290 technology companies), the IT industry employs over 3,200 people in Greater Pensacola. AppRiver, LLC, a leading provider of cloud-based cybersecurity solutions based in Gulf Breeze, has grown significantly since its start in 2002, with nearly 200 employees and serving more than 35,000 clients worldwide.

- The Bluffs: In March 2016, FloridaWest, the administrative arm of the Pensacola-Escambia Promotion and Development Commission, announced that it secured $2 million in funding for The Bluffs, an advanced manufacturing project. The Bluffs includes four separate sites, each having a different owner, stretching nearly 6,500 acres along a proposed five-mile corridor just north of Nine Mile Road. The site aims to take advantage of its ideal access to rail, barge, electrical, natural gas and roadways. Minimally, the project expects to recruit 10 companies to occupy 3.9 million square feet of building space. The Bluffs potential job creation is expected to result in more than 15,000 jobs over 20 years with total wages of nearly $3.9 billion.

- ST Engineering: Recently completed at the Pensacola International Airport is a new $46 million, 174,000 square foot aircraft maintenance, repair and overhaul (MRO) hangar. ST Engineering will be servicing aircraft from around the world in this facility, with UPS as its first customer. The facility will employ several hundred people.

- West Main Master Plan: Studer Properties sent out requests for proposal to numerous development companies in April 2020 for projects to build out their over 28-acre collection of residential and retail development sites along West Main Street between South Spring and South Clubbs Streets, adjacent to and interspersed within Vince J. Whibbs Sr. Community Maritime Park.

- Navy Outlying Field 8 (OLF8) Master Plan: Headed by DPZ CoDesign, the master planning process for the development of the former naval training airfield in Beulah began in mid-May 2020 and is expected to take about nine months, after which development can begin in phases. The nearly 640-acre development site is focused on job-creation, and will potentially include residential, retail, office, hotel, and industrial uses.

While the COVID-19 pandemic has harmed the Pensacola economy and stunted the near-term economic outlook nationwide, secondary and tertiary markets like Pensacola are likely to see increased interest in the coming years from households and companies looking to relocate to smaller, less dense cities. Overall, this level of continued economic development activity for a market the size of Pensacola is encouraging. Particularly given that many of these jobs are anticipated to be created in the greater Pensacola area, this presents opportunity to provide new, more urbanized housing choices for these employees.

High-Income Occupations

In order to better understand the industry profile of high-income occupations, we have tabulated occupational data from the Bureau of Labor Statistics with estimated annual earnings above $60,000 in the Pensacola metro area.

The $100,000 and greater income cohort is dominated by Physicians, who earn an estimated average income of $252,410. The $90,000 income cohort is dominated by general and Operations Managers, who earn an estimated average annual income of $90,770. The $80,000 income cohort is dominated by Management Occupations, who earn on average $89,320. The $70,000 income cohort is dominated by Healthcare Practitioners and Technical Occupations. With an estimated annual average income of $75,220, this occupation employs more than 12,500 in the metro area, which is higher than any other high-income occupation. The $60,000 income cohort is dominated by Business and Financial Operations Occupations, who earn an estimated average income of $61,870.

These findings illustrate the importance of three core employment sectors—namely, medicine, finance and professional business services, and business management. Given the potential for a commerce park on the OLF8 site, it is conceivable for this use to cater to a diverse small business sector with relatively high-paying managerial roles. Since this sector, however, is extremely broad and spans a host of employment sectors, the thesis for any such development would largely hinge on the performance of the market's existing inventory of this property type.

The tables below detail the high-income occupational data for the Pensacola metropolitan area.

TABLE 10

PENSACOLA-FERRY PASS-BRENT HIGH EARNING OCCUPATIONS				
Occupation	Annual Mean Wage	Employment	Employment per 1,000 Jobs	Location Quotient
Family Medicine Physicians	$259,650	90	0.481	0.65
Physicians, All Other; and Ophthalmologists, Except Pediatric	$252,410	690	3.874	1.46
Dentists, General	$175,340	170	0.935	1.24
Chief Executives	$152,960	370	2.075	1.48
Architectural and Engineering Managers	$138,380	80	0.467	0.35
Sales Managers	$133,380	240	1.326	0.48
Nurse Anesthetists	$129,980	150	0.87	2.93
Pharmacists	$124,370	340	1.896	0.89
Optometrists	$120,910	80	0.463	1.72
Chemical Engineers	$118,900	N/A	N/A	N/A
Computer Network Architects	$112,340	N/A	N/A	N/A
Industrial Production Managers	$111,730	80	0.433	0.34
Marketing Managers	$111,600	100	0.577	0.32
Veterinarians	$107,780	130	0.733	1.44
Lawyers	$105,690	700	3.923	0.88
Nurse Practitioners	$101,710	230	1.288	0.94
Civil Engineers	$100,520	310	1.745	0.82
Information Security Analysts	$100,060	30	0.183	0.21
Business Teachers, Postsecondary	$100,020	N/A	N/A	N/A
Financial Managers	$98,590	490	2.759	0.62
Computer and Information Systems Managers	$97,470	180	1.01	0.34
Software Developers (2)	$96,560	890	5.03	0.53
Physician Assistants	$96,550	170	0.979	1.2
Industrial Engineers	$95,680	100	0.543	0.27
Medical and Health Services Managers	$95,510	560	3.132	1.16
Purchasing Managers	$95,340	40	0.212	0.43
Database Administrators and Architects	$93,560	100	0.565	0.66
Personal Service Managers (1)	$91,150	330	1.87	0.58
Electronics Engineers, Except Computer	$91,090	110	0.614	0.7
General and Operations Managers	$90,770	2,750	15.466	0.95
Electrical Engineers	$90,700	190	1.074	0.85
Statisticians	$90,320	40	0.241	0.91
Management Occupations	$89,320	7,960	44.803	0.82
Computer Hardware Engineers	$88,880	N/A	N/A	N/A
Personal Financial Advisors	$88,660	150	0.872	0.61
Education Administrators, All Other	$88,430	30	0.172	0.57
Occupational Therapists	$87,790	250	1.393	1.53
Computer Occupations, All Other	$86,260	360	2.054	0.77
Physical Therapists	$83,640	320	1.778	1.12
Radiation Therapists	$83,300	30	0.186	1.53
Natural Sciences Managers	$82,710	30	0.193	0.42
Art, Drama, and Music Teachers, Postsecondary	$82,530	N/A	N/A	N/A
Transportation Inspectors	$81,980	40	0.228	1.11
Nuclear Medicine Technologists	$81,610	50	0.292	2.37
Education Administrators, Kindergarten through Secondary	$81,500	N/A	N/A	N/A
Human Resources Managers	$80,600	150	0.865	0.82
Administrative Services and Facilities Managers	$80,130	310	1.731	0.83

(1) Full occupation title: "Personal Service Managers, All Other; Entertainment and Recreation Managers, Except Gambling; and Managers, All Other"

(2) Full occupation title: "Software Developers and Software Quality Assurance Analysts and Testers"

Source: U.S. Bureau of Labor Statistics, as of May 2019; compiled by Weitzman Associates, LLC

TABLE 11

PENSACOLA-FERRY PASS-BRENT HIGH EARNING OCCUPATIONS				
Occupation	Annual Mean Wage	Employment	Employment per 1,000 Jobs	Location Quotient
Engineers, All Other	$79,810	90	0.494	0.48
Biological Scientists, All Other	$79,200	30	0.179	0.66
Speech-Language Pathologists	$78,450	140	0.769	0.73
Clinical, Counseling, and School Psychologists	$78,110	200	1.149	1.49
Social Scientists and Related Workers, All Other	$77,720	40	0.216	0.94
Aircraft Mechanics and Service Technicians	$76,010	590	3.302	3.64
Architecture and Engineering Occupations	$75,260	2,160	12.182	0.69
Healthcare Practitioners and Technical Occupations	$75,220	12,580	70.854	1.2
Budget Analysts	$75,200	40	0.24	0.68
Mechanical Engineers	$74,900	90	0.515	0.25
Construction Managers	$74,860	350	1.975	0.99
Biological Science Teachers, Postsecondary	$74,620	50	0.292	0.81
Legal Occupations	$74,470	1,530	8.613	1.1
Financial Examiners	$73,980	30	0.176	0.4
Management Analysts	$73,230	1,110	6.266	1.3
Chiropractors	$73,200	60	0.319	1.34
Computer and Mathematical Occupations	$73,020	3,250	18.3	0.59
Detectives and Criminal Investigators	$72,810	150	0.841	1.17
Logisticians	$72,780	90	0.507	0.41
Sales Representatives (3)	$72,210	160	0.88	0.42
Interior Designers	$71,210	N/A	N/A	N/A
Calibration Technologists (4)	$70,520	N/A	N/A	N/A
Transportation, Storage, and Distribution Managers	$70,120	100	0.575	0.64
Captains, Mates, and Pilots of Water Vessels	$69,780	110	0.613	2.7
Real Estate Sales Agents	$68,690	330	1.873	1.69
Financial and Investment Analysts (5)	$68,190	370	2.107	0.68
Architects, Except Landscape and Naval	$67,920	150	0.853	1.18
Network and Computer Systems Administrators	$67,370	330	1.857	0.77
Securities, Commodities, and Financial Services Sales Agents	$67,020	410	2.326	0.78
Insurance Sales Agents	$66,660	390	2.202	0.79
First-Line Supervisors of Police and Detectives	$66,450	220	1.237	1.5
Therapists, All Other	$66,440	N/A	N/A	N/A
First-Line Supervisors of Production and Operating Workers	$66,380	480	2.697	0.63
First-Line Supervisors of Non-Retail Sales Workers	$64,520	310	1.722	1.02
Occupational Health and Safety Specialists	$64,060	100	0.569	0.9
Communications Teachers, Postsecondary	$63,870	40	0.215	1.09
Magnetic Resonance Imaging Technologists	$63,310	100	0.552	2.14
Accountants and Auditors	$63,110	1,320	7.46	0.86
Cost Estimators	$62,850	210	1.162	0.81
Business and Financial Operations Occupations	$61,870	8,240	46.415	0.83
Registered Nurses	$61,870	3,990	22.484	1.11
Advertising Sales Agents	$61,840	140	0.813	0.92
Electrical and Electronic Engineering Technologists and Technicians	$61,630	160	0.88	1.05
Construction and Building Inspectors	$61,370	120	0.688	0.92
Life, Physical, and Social Science Occupations	$61,330	1,130	6.348	0.72
Commercial Pilots	$61,320	210	1.179	4.58
Dental Hygienists	$61,270	N/A	N/A	N/A
Social and Community Service Managers	$61,140	110	0.634	0.59
Elementary School Teachers, Except Special Education	$60,680	N/A	N/A	N/A
Computer Systems Analysts	$60,450	350	1.991	0.5
Producers and Directors	$60,190	60	0.326	0.37
Diagnostic Medical Sonographers	$60,090	90	0.494	1

(3) Full occupation title: "Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products"
(4) Full occupation title: "Calibration Technologists and Technicians and Engineering Technologists and Technicians, Except Drafters, All Other"
(5) Full occupation title:Financial and Investment Analysts, Financial Risk Specialists, and Financial Specialists, All Other
Source: US Bureau of Labor Statistics, as of May 2019; compiled by Weitzman Associates, LLC

Cybersecurity

The growth of the cybersecurity industry, owed in large part to its strong military presence and academic initiatives, the Pensacola region has emerged as one of the top locations in the nation for cybersecurity employment. Both the Department of Homeland Security and the Defense Information Systems Agency, a combat support agency of the Department of Defense, have a presence in Pensacola. Housed within Pensacola's military installations are Department of Defense cybersecurity commands such as the Center for Information Dominance and the Navy Information Operations Center. The Department of Homeland Security is expected to create 200-250 additional cybersecurity jobs this year.

The University of West Florida (UWF) Center for Cybersecurity, launched in 2014, offers multidisciplinary programs and certificates, research opportunities, outreach activities, and industry partnerships. Since 2016, UWF has been designated by the National Security Agency (NSA) and Homeland Security Department (DHS) as a National Center of Academic Excellence in Cyber Defense Education. In 2017, UWF received designation as a Center of Academic Excellence Regional Resource Center for the Southeast Region, serving as one of nine such regional resource centers across the nation. In the spring 2018, the UWF and the NSA announced a partnership allowing students who complete the Joint Cyber Analysis Course (JCAC), overseen by the NSA National Cryptologic School, to earn undergraduate credit hours at UWF. The six-month JCAC course is open to active military housed at the Center for Information Warfare Training at Corry Station in Pensacola.

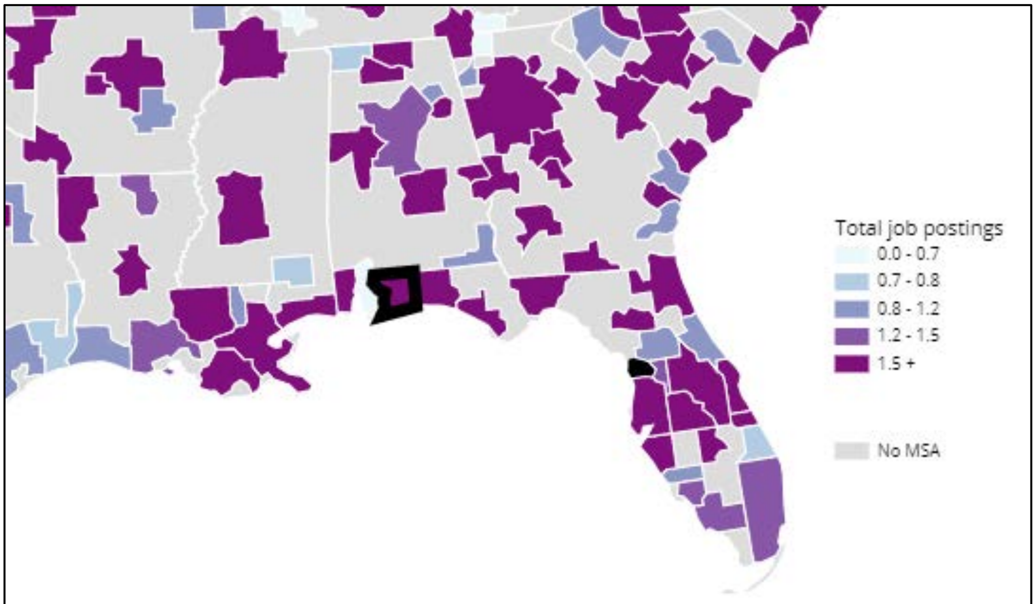
With the goal to better capitalize on the region's cybersecurity resources and advance this industry segment, in 2017, Innovation Strategies prepared a Cybersecurity Strategic Plan Report, commissioned by FloridaWest Economic Development Alliance, for the Pensacola region. The plan serves as a guide to (1) build the region's cybersecurity workforce, (2) strengthen partnership to enhance cybersecurity innovation and economic development, (3) enhance technology infrastructure and optimize cybersecurity business climate, and (4) market the Pensacola region's "Live Coastal, Work Cyber," brand.

In addition to the ongoing initiatives, the region's cyber industry may be further advanced through projects potentially funded through Triumph Gulf Coast, an organization tasked with awarding funds from the $1.5 billion BP 2010 oil settlement for economic development projects across the Florida Panhandle and surrounding regions. In November 2017, during a round of pre-applications to Triumph Gulf Coast, UWF applied for $27.5 million to pay for various components of its UWF Innovation Network, which seeks to bolster workforce training and development in the region, partly by expanding the university's downtown Pensacola locations. At this time, the status of Triumph Gulf Coast funding is uncertain.
According to Cybersecurity Ventures, a leading researcher for the global cyber economy, the cyber security market is anticipated to grow by 12 to 15 percent annually through the year 2021. With its proactive initiatives with regards to the cybersecurity industry, the Pensacola region is well poised to capitalize on the industry's anticipated strong growth over the near term.

According to data from Cyberseek, which provides data about supply and demand in the cybersecurity job market based on job posting analysis, the Pensacola-Ferry Pass-Brent, FL MSA had a total employed cybersecurity workforce of 1,640 in 2020, and 802 online job listings for cybersecurity-related positions from June 2019 through May 2020. The location quotient, measuring the concentration of cybersecurity job demand in a specific location relative to the national average of 1.0, was several times higher at 6.7.

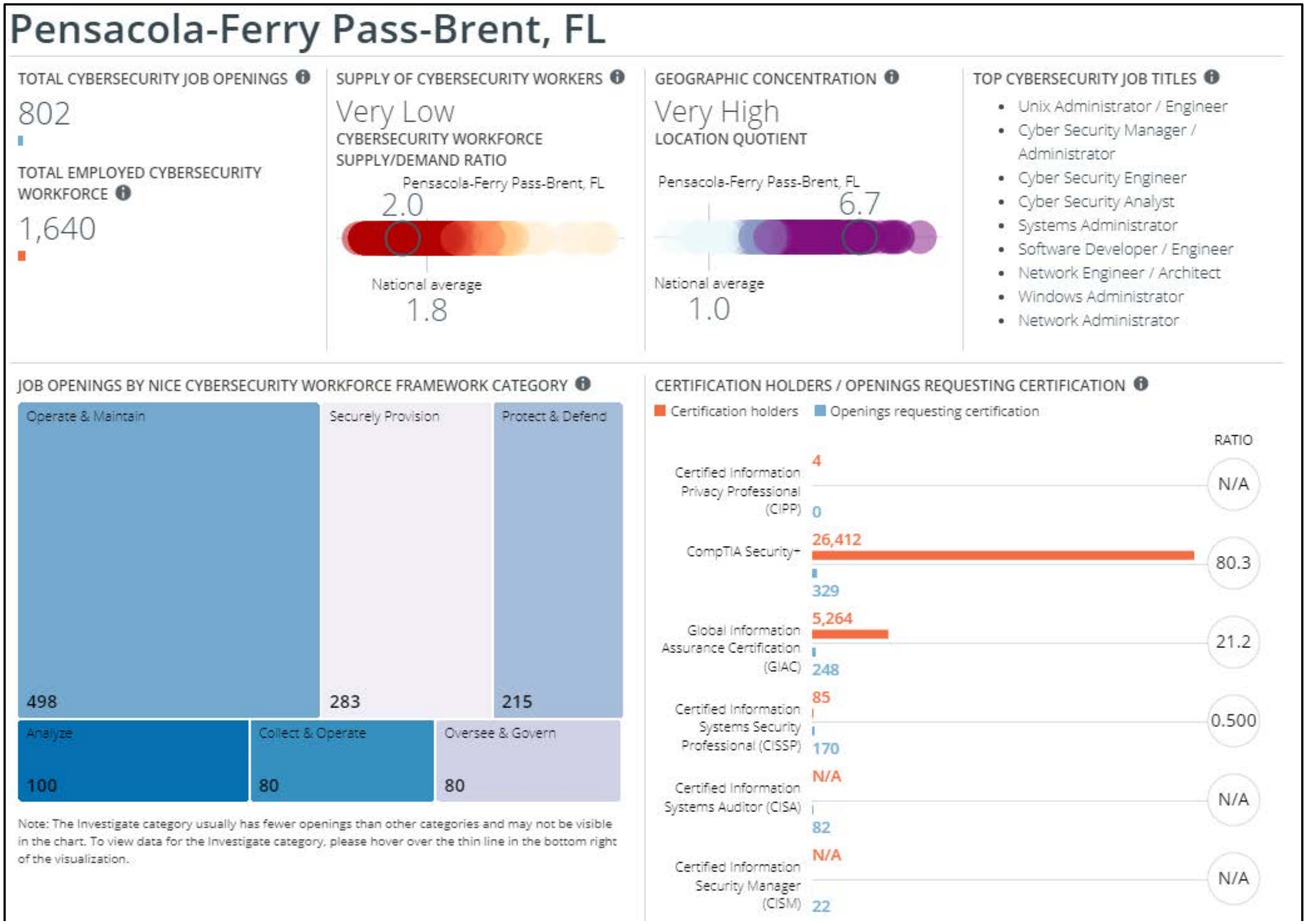
The map below depicts cybersecurity employment demand in the southwest regional metro areas.

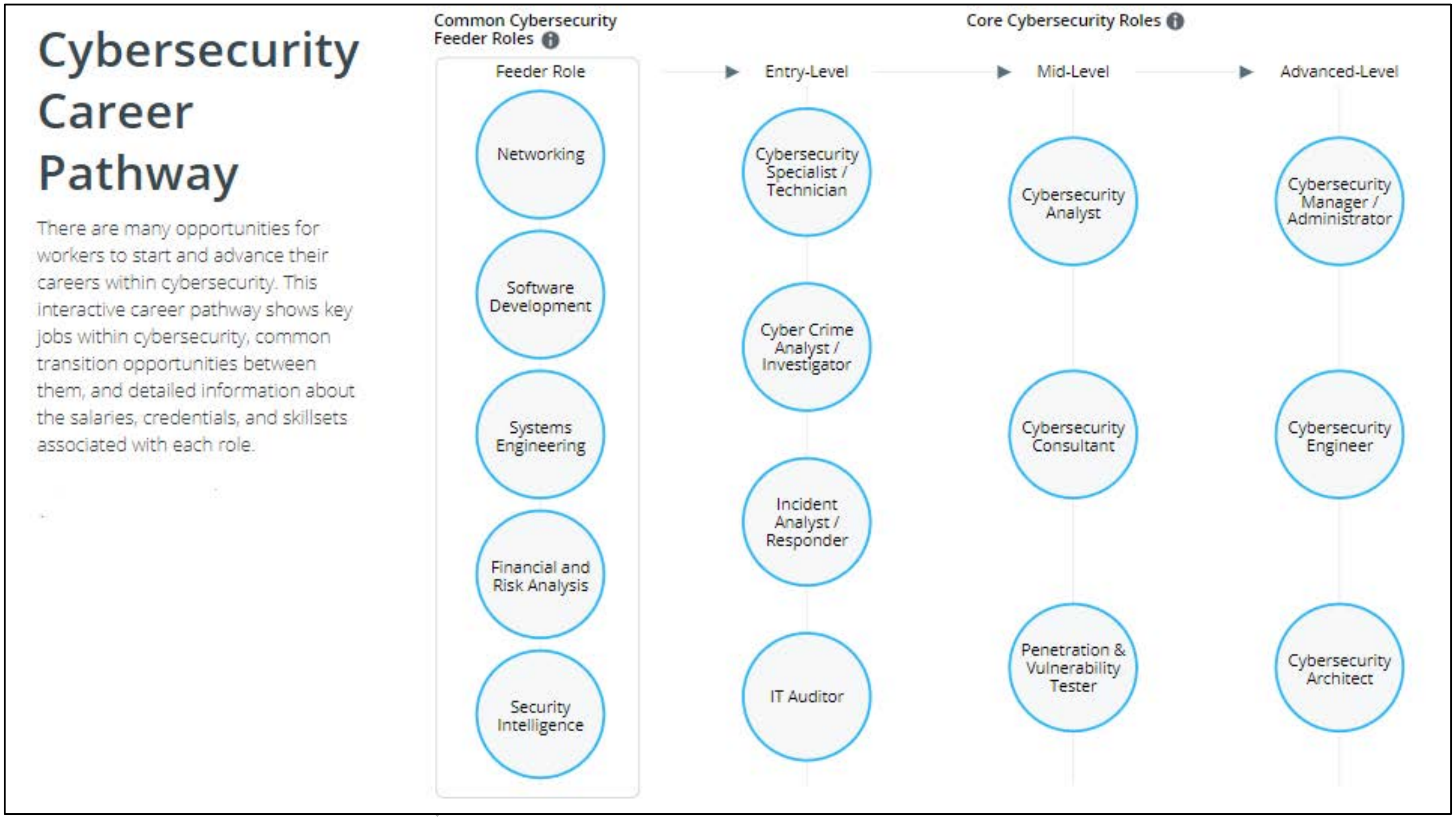
PENSACOLA MSA 2020 CYBERSECURITY LOCATION DEMAND MAP



Source: CyberSeek.org

The infographic below summarizes many salient characteristics of the Pensacola Metro's cybersecurity industry. The Cybersecurity Career Pathway graphic on the following page presents key occupations within cybersecurity. Not shown are the various potential and common pathways from the feeder and entry-level roles through to the advanced-level positions. National open position estimate ranges for each of the four tiers as well as salary ranges are summarized below. Data in these images were sourced from Cyberseek.org as of July 2020.


Pensacola-Ferry Pass-Brent, FL
TOTAL CYBERSECURITY JOB OPENINGS
802
TOTAL EMPLOYED CYBERSECURITY WORKFORCE
1,640
SUPPLY OF CYBERSECURITY WORKERS
Very Low
CYBERSECURITY WORKFORCE SUPPLY/DEMAND RATIO
Pensacola-Ferry Pass-Brent, FL
2.0
National average
1.8
GEOGRAPHIC CONCENTRATION
Very High
LOCATION QUOTIENT
Pensacola-Ferry Pass-Brent, FL
6.7
National average
1.0
TOP CYBERSECURITY JOB TITLES
Unix Administrator / Engineer
Cyber Security Manager / Administrator
Cyber Security Engineer
Cyber Security Analyst
Systems Administrator
Software Developer / Engineer
Network Engineer / Architect
Windows Administrator
Network Administrator
JOB OPENINGS BY NICE CYBERSECURITY WORKFORCE FRAMEWORK CATEGORY
Operate & Maintain
498
Securely Provision
283
Protect & Defend
215
Analyze
100
Collect & Operate
80
Oversee & Govern
80
Note: The Investigate category usually has fewer openings than other categories and may not be visible in the chart. To view data for the Investigate category, please hover over the thin line in the bottom right of the visualization.
CERTIFICATION HOLDERS / OPENINGS REQUESTING CERTIFICATION
Certification holders
Openings requesting certification
RATIO
Certified Information Privacy Professional (CIPP)
4
0
N/A
CompTIA Security+
26,412
329
80.3
Global Information Assurance Certification (GIAC)
5,264
248
21.2
Certified Information Systems Security Professional (CISSP)
85
170
0.500
Certified Information Systems Auditor (CISA)
N/A
82
N/A
Certified Information Security Manager (CISM)
N/A
22
N/A



	Feeder Roles	Entry-Level	Mid-Level	Advanced-Level
Open Position Lower Bound	37,368	915	15,386	6,582
Open Position Upper Bound	1,421,028	10,421	33,432	60,325
Salary Lower Bound	N/A	$85,000	$91,000	$99,000
Salary Upper Bound	N/A	$95,000	$104,000	$131,000

Escambia School District Overview

Given that a significant portion of the residential target markets for the proposed development will likely include families, it is important to assess the quality of the Escambia County School District and the schools serving the submarket area. Further, demand for commercial space among employers willing to create high-paying jobs in the County would be attracted by the strength of the schools available to their employees, enabling them to be an employer of choice within their industry or in the local market area. Thus, the potential success of a commerce component at OLF8 is aided by strong and high-quality public educational facilities.

The OLF8 site is located in the Escambia County School District and is served by Beulah Elementary School, Middle School, and the Academy of Science as well as Pleasant Grove Elementary School and Pine Forest High School. The Escambia School district ranks in the 37th percentile in the 2018-19 Florida Depart of Education annual School Grade report, and carries a B letter grade.

In 2018, the Escambia County School District completed construction of the $45 million, 205,000 square foot Beulah Middle School, admitting its first class of sixth, seventh, and eighth grade students last year. The new school can accommodate up to 1,200 students, and is part of the district's 2020 initiative, which emphasizes flexible learning spaces and technology-assisted coursework. The development site lies within the attendance zone of Beulah Middle School.

Beulah Middle School Aerial Photo

Source: Morette Company

At the county level, the local area schools, other than Pine Forest High School, are performing at a level comparable to the average Escambia elementary and middle schools. Although Pine Forest High School is currently performing at a level below its peer schools, the construction of the new middle school and the 2020 initiative shows the district's dedication to and investment in the betterment of the education offered and should be a strong driver for young families moving to the area. Anecdotally, industry contacts have highlighted a positive trend and developments in K-12 education.

RENTAL APARTMENT MARKET ANALYSIS

Weitzman Associates has researched the rental apartment market in Pensacola in support of its determination of the appropriate product recommendations, pricing, and absorption assumptions that should be utilized in underwriting a potential rental housing development at the OLF8 site.

EXECUTIVE SUMMARY

Based on our research of the rental housing market, our findings are summarized as follows:

- **The Pensacola apartment market is a high-performance market from a rent growth perspective, achieving rent growth over the past several years that surpassed that of far larger apartment markets.** The Pensacola apartment market saw asking rent grow 5.8% and effective rent grow 6.7% in 2018, a high watermark among ten years of strong rent growth. Asking rent grew an average of 3.1% compounded annually between 2009 and 2019 while effective rent grew an average of 3.2% compounded annually.

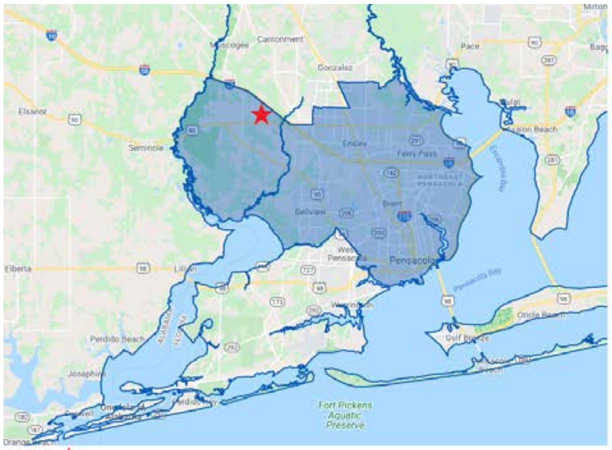
- **The most competitive rental housing properties to OLF8 are West Woods Haven and the future Inspire Apartments.** Both West Woods Haven and Inspire are within close proximity of the OLF8 site, and are likely to compete with proposed rental housing at OLF8 from a locational perspective, as they are also very convenient to Interstate 10 and the Navy Federal campus. West Woods Haven has the most modern unit features among the existing rental comparables, but will likely be perceived as comparably less modern than Inspire and new rental housing at OLF8. The success of Inspire will be important to monitor as it relates to the consideration of rental housing at OLF8, as Inspire will likely be the first modern apartment development on Nine Mile Road that is west of Interstate 10.

- **Demand for rental housing remains strong in Pensacola. However, there are a significant number of apartment projects at various stages of the planning process.** There appears to be strong demographic support for rental housing at OLF8 if it is designed appropriately. However, based on our review of Escambia County Development Review Committee records, it should be noted that there are at least approximately 13 apartment projects currently in various stages of the planning process. Although it is unlikely that the entirety of the proposed inventory additions will actually get built, we recommend a cautious approach in designing and underwriting potential rental housing at the OLF8 site.

RENTAL APARTMENT MARKET OVERVIEW

In order to inform the development program for the OLF8 master plan, we have analyzed data compiled by CoStar, which tracks trends in the multifamily rental market. CoStar divides the market into "Pensacola" and "Southwest Pensacola." We have combined the two market areas as they more-closely comprise the trade areas relevant to the OLF8 site, which is expected to draw demand from a relatively large geographic area. Characterized by decreasing vacancy in recent years, and consistent rent growth, the Pensacola market appears healthy and supportive of sustained growth. The following data summarize the historical and present rental apartment market trends in the Pensacola area as of June 2020.

COSTAR – PENSACOLA



COSTAR – SOUTHWEST PENSACOLA

Key: ★ **OLF8**
Source: CoStar

Overall inventory in the multifamily market in the defined areas has increased relatively modestly since 2008, having grown at a compounded annual rate of 1.1% from 2008 to June 2020 or from an estimated 11,640 units in 2008 to nearly 12,800 units as of June 2020, per the table on the following page. Inventory growth has accelerated in the last few years, with 464 units added to the market in 2017, or 3.9% growth year-over-year, and 570 units added to the market in 2018, or 4.6% growth year-over-year.

TABLE 12

PENSACOLA & SW PENSACOLA ALL INVENTORY SUPPLY AND DEMAND					
Year	Inventory			Absorption	Under Construction
	No. of Units	Additions	Percent Growth		
2008	11,370	-	-	249	184
2009	11,554	184	1.6%	388	240
2010	11,554	0	0.0%	126	240
2011	11,794	240	2.1%	94	0
2012	11,786	-8	-0.1%	322	0
2013	11,786	0	0.0%	151	0
2014	11,760	-26	-0.2%	93	0
2015	11,760	0	0.0%	82	498
2016	11,760	0	0.0%	-199	806
2017	12,224	464	3.9%	520	570
2018	12,794	570	4.7%	519	0
2019	12,794	0	0.0%	119	0
YTD	12,794	0	0.0%	1	350
2020	12,793	-1	0.0%	-142	-
2021	12,787	-6	0.0%	-51	-
2022	13,198	411	3.2%	209	-
2023	13,341	143	1.1%	223	-
2024	13,502	161	1.2%	216	-

(1) Shaded values are projected

Source: CoStar; compiled by Weitzman Associates, LLC

The market has experienced strong asking rent growth over the last several years, reflecting an average annual growth rate of 3.5% between 2014 and 2019. The average asking rent for all product types has risen from approximately $819 per unit per month in 2014 to $1,011 by the end of 2019. CoStar forecasts that the average asking rent will decrease significantly to $929 per unit per month by the end of 2020. The vacancy rate rose to 7.1% in 2016 (which corresponded with slower asking rent growth during the same period) but decreased to an estimated 6.4% in 2017. Vacancy remained near this level at 6.5% through 2018 before decreasing to 5.5% as of year-end 2019. The vacancy rate is projected to steadily rise over the next few years, but is expected to remain below historical double digit highs, which were last seen in 2011.

TABLE 13

PENSACOLA & SW PENSACOLA ALL INVENTORY SUPPLY AND DEMAND							
Year	Vacancy Rate	Asking Rent			Effective Rent		
		Per Unit	Percent Growth	Per Square Foot	Per Unit	Percent Growth	Per Square Foot
2008	13.2%	$773	-	$0.80	$766	-	$0.79
2009	11.3%	$744	-3.9%	$0.76	$737	-3.8%	$0.76
2010	10.1%	$754	1.4%	$0.78	$748	1.6%	$0.77
2011	11.2%	$764	1.4%	$0.79	$757	1.2%	$0.78
2012	8.4%	$781	2.2%	$0.80	$776	2.4%	$0.80
2013	7.1%	$806	3.2%	$0.83	$799	3.0%	$0.82
2014	6.1%	$819	1.6%	$0.84	$802	0.4%	$0.82
2015	5.4%	$858	4.7%	$0.88	$849	5.9%	$0.87
2016	7.1%	$880	2.6%	$0.91	$867	2.1%	$0.89
2017	6.4%	$918	4.3%	$0.95	$902	4.1%	$0.93
2018	6.5%	$971	5.8%	$1.00	$962	6.7%	$0.99
2019	5.5%	$1,011	4.0%	$1.04	$1,006	4.6%	$1.04
YTD	5.5%	$1,028	1.7%	$1.06	$1,025	1.8%	$1.05
2020	6.6%	$929	-8.1%	$0.96	$926	-8.0%	$0.96
2021	7.0%	$1,016	9.4%	$1.05	$1,013	9.4%	$1.05
2022	8.3%	$1,040	2.4%	$1.07	$1,037	2.4%	$1.07
2023	7.6%	$1,051	1.0%	$1.08	$1,048	1.0%	$1.08
2024	7.1%	$1,058	0.7%	$1.09	$1,055	0.7%	$1.09

(1) Shaded values are projected

Source: CoStar; compiled by Weitzman Associates, LLC

As of June 2020, there were approximately 12,800 units between the two submarkets with a weighted average vacancy rate of 5.5%. The average asking rent in the Pensacola submarket (as defined by CoStar) is $1,044 per unit per month and $970 per unit per month in the Southwest Pensacola submarket. According to CoStar, there is one multi-family project (350 units) currently under construction in the Pensacola submarket and no units under construction in the Southwest Pensacola submarket. However, there are a number of multi-family developments being planned, as discussed later in this section.

TABLE 14

PENSACOLA KEY INDICATORS – YEAR-TO-DATE AS OF JUNE 2020							
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr. Units
4 & 5 Star	1,910	3.5%	$1,296	$1,293	-2	0	350
3 Star	5,421	4.9%	$1,033	$1,029	16	0	0
1 & 2 Star	2,612	6.9%	$784	$783	0	0	0
Total	9,943	5.2%	$1,044	$1,041	14	0	350

Source: CoStar; compiled by Weitzman Associates, LLC.

TABLE 15

SOUTHWEST PENSACOLA KEY INDICATORS – YEAR-TO-DATE AS OF JUNE 2020							
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr. Units
4 & 5 Star	108	1.9%	$1,363	$1,358	0	0	0
3 Star	1,724	5.6%	$1,021	$1,018	-1	0	0
1 & 2 Star	1,019	8.9%	$826	$825	-5	0	0
Total	2,851	6.7%	$970	$968	-6	0	0

Source: CoStar; compiled by Weitzman Associates, LLC.

Breaking the inventory down by type, 4- & 5-star product comprise only 15.7% of the market as of June 2020. As of June, there were 2,018 units of 4- & 5-star product. According to CoStar, 464 new units were delivered to the market in 2017, increasing 4- & 5-star product inventory by 38.3%. In 2018, 342 new units were added to the inventory, a 20.4% increase year-over-year.

We note that 4- & 5-star product is a categorization made by CoStar and equates roughly to Class A apartments. Nevertheless, only Southtowne in Downtown Pensacola is consistent with what would be considered Class A in the rest of the region, and therefore the 4- & 5-star classifications are relative to the market. New construction, garden-style properties are considered 5-star, although this is only because they represent what is typical at the highest levels of the greater Pensacola market. Therefore, it is important to consider the trends in this context.

TABLE 16

PENSACOLA & SW PENSACOLA 4&5 STAR INVENTORY SUPPLY AND DEMAND				
	Inventory			
Year	No. of Units	Additions	Percent Growth	Absorption
2008	788	-	-	-5
2009	972	184	23.4%	167
2010	972	0	0.0%	10
2011	1,212	240	24.7%	206
2012	1,212	0	0.0%	50
2013	1,212	0	0.0%	15
2014	1,212	0	0.0%	-17
2015	1,212	0	0.0%	11
2016	1,212	0	0.0%	-3
2017	1,676	464	38.3%	402
2018	2,018	342	20.4%	395
2019	2,018	0	0.0%	8
YTD	2,018	0	0.0%	-6
2020	2,018	0	0.0%	-30
2021	2,018	0	0.0%	-8
2022	2,434	416	20.6%	250
2023	2,583	149	6.1%	215
2024	2,750	167	6.5%	173

(1) Shaded values are projected

Source: CoStar; compiled by Weitzman Associates, LLC

Average asking rent growth was strong in 2018 for 4- & 5-star products, growing an estimated 3.9% from an average of $1,198 per unit per month in the prior year to $1,244 per unit per month at year end. The average asking rent grew to $1,289 per unit per month in 2019, or 3.6% growth over 2018, and has increased by 0.8% to $1,300 per unit per month in 2020. Rent growth is expected to decrease by nearly 9% by year to $1,175 by end 2020, which CoStar previously projected to deliver a relatively modest 1.3% increase in asking rents. The last time average asking rent decreased on an annual basis was in 2009, when, per unit monthly asking rent was $946 on average compared to $981 in the prior year. CoStar projects average asking rents for 4- & 5-star products will quickly recover in 2021 to $1,286 per unit per month and to $1,310 per unit per month by 2022, however, vacancy is also projected to be nearly 11%.

TABLE 17

PENSACOLA & SW PENSACOLA
4&5 STAR INVENTORY
SUPPLY AND DEMAND

Year	Vacancy Rate	Asking Rent			Effective Rent		
		Per Unit	Percent Growth	Per Square Foot	Per Unit	Percent Growth	Per Square Foot
2008	10.0%	$1,034	-	$0.97	$1,023	-	$0.96
2009	9.8%	$993	-3.9%	$0.94	$983	-3.9%	$0.93
2010	8.7%	$1,002	0.9%	$0.95	$996	1.3%	$0.94
2011	9.7%	$1,017	1.5%	$0.96	$1,004	0.9%	$0.95
2012	5.6%	$1,052	3.5%	$1.00	$1,046	4.1%	$0.99
2013	4.4%	$1,079	2.5%	$1.03	$1,071	2.4%	$1.02
2014	5.8%	$1,103	2.2%	$1.05	$1,057	-1.3%	$1.00
2015	4.9%	$1,140	3.3%	$1.08	$1,130	6.9%	$1.08
2016	5.1%	$1,161	1.9%	$1.10	$1,153	2.1%	$1.10
2017	7.5%	$1,198	3.2%	$1.14	$1,174	1.8%	$1.12
2018	3.6%	$1,244	3.9%	$1.19	$1,232	5.0%	$1.17
2019	3.1%	$1,289	3.6%	$1.23	$1,287	4.4%	$1.23
YTD	3.5%	$1,300	0.8%	$1.24	$1,296	0.7%	$1.24
2020	4.6%	$1,175	-8.9%	$1.12	$1,172	-8.9%	$1.12
2021	5.0%	$1,286	9.5%	$1.23	$1,284	9.6%	$1.22
2022	10.9%	$1,310	1.8%	$1.25	$1,307	1.7%	$1.25
2023	7.7%	$1,320	0.8%	$1.26	$1,317	0.8%	$1.26
2024	7.1%	$1,327	0.5%	$1.27	$1,324	0.5%	$1.26

(1) Shaded values are projected

Source: CoStar; compiled by Weitzman Associates, LLC

Pensacola Development Pipeline

According to CoStar, there is only one multi-family project currently under construction in the Pensacola submarket and no projects under construction in the Southwest Pensacola submarket. The 350-unit Inspire Apartments is currently under development at 3811 West Nine Mile Road, which we note is less than one mile east of the OLF8 site on the south side of Nine Mile Road. Developed by The Dawson Company, Inspire Apartments will feature 350 rental apartments ranging from an average size of 668 square feet for one-bedroom units to 1,170 square feet for three-bedroom units. Pricing, as reported by CoStar, will range from an average of $1,362 per month for one-bedroom units to $1,980 per month for three-bedroom units. Inspire Apartments is expected to reach completion in March 2022. An additional several hundred apartments is planned in a second phase to the Inspire property, but it not yet under construction.

Savoy Place; Source: livesavoypensacola.com

Not reported by CoStar is the 24-unit Savoy Place apartment project currently under construction at 301 North Devilliers Street. Although small in scale, the project is developed by Studer Properties, who also developed Southtowne, and as such is highly anticipated. Savoy Place will feature loft-style one- and two-bedroom floor plans. One-bedroom units are advertised as being 535 square feet in size, while two-bedroom units are advertised in two sizes: 820 and 920 square feet. Pricing starts at $985 per unit per month for one-bedrooms and $1,395 per unit per month for two-bedroom units. Amenities will include reserved off-street parking, elevator and ADA access, a community garden area, an outdoor fire pit, and a Kenmore grilling station. Units are pet-friendly and will feature in-unit washers and dryers, granite countertops, smart home technology, and balconies in select units. Savoy Place is advertising a Fall 2020 opening. Prospective residents are able to get on a waitlist for an available unit today for a refundable $100 deposit.

Residential development in Pensacola is expected to remain dominated by single-family home building into the foreseeable future, although long-term trends suggest multifamily rentals will become increasingly relevant to residents of small and large cities alike. The following table shows notable proposed apartment projects that are still in the permit application process, according to Escambia County Development Review Committee records. Although project details are limited at present, including scale and potential competitive position, the following proposed projects provide a near-term perspective on the future multifamily development pipeline. We note that the second phase to the Inspire Apartments project was not found in our review of permit application records, but is an additional proposed project in the multifamily development pipeline

TABLE 18

NOTABLE DEVELOPMENT APPLICATIONS AND MEETINGS - ESCAMBIA COUNTY 2019 - 2020			
Project Name	**Project Address**	**Application Status**	**County Meeting Date**
Magnolia Square Apartments	2879 Olive Rd	Final DRC Application	7/15/2020
Magnolia Square Apartments	2879 Olive Rd	Initial DRC Applications	6/17/2020
Woodlands Apartments	8221 Pitman Ave	Pre Application Meeting	3/25/2020
Pathstone Apartments	3411 W Nine Mile Rd	Initial DRC Applications	2/5/2020
Sorrento Road Apartments	10605 Sorrento Rd	Pre Application Meeting	2/5/2020
Nine Mile Apartments	1559 W Nine Mile Rd	Initial DRC Application	12/18/2019
Johnson Ave Apartments	2425 E Johnson Ave	Initial DRC Application	12/11/2019
Highway 98 Apartments	7201 Highway 98 West	Pre-Application Meeting	12/4/2019
Union Point Apartments	Nine Mile Rd	Initial DRC Application	10/23/2019
Commercial/Residential Development	6400 Blk Hwy 29	Pre-Application Meeting	10/9/2019
Pathstone Apartments	3411 W Nine Mile Rd	Pre-Application Meeting	8/28/2019
Untreiner Apartments	8900 Blk Untreiner Ave	Initial DRC Application	7/24/2019
Fairfield Apartments	4710 W Fairfield Dr	Final DRC Application	6/26/2019
Blue Angel Multi-Family	7000 Blue Angel Pkwy	Pre-Application Meeting	6/12/2019
Coast Road Apartments	50 Coast Road	Pre-Application Meeting	5/15/2019

Escambia County Development Review Committee; compiled by Weitzman Associates, LLC

While the impact of the coronavirus pandemic on the economy could impede or delay new development initiatives, the rental apartment market is likely to be less impacted than other major asset classes such as hotels, retail, and office buildings. Nevertheless, it is unlikely that the entirety of the proposed inventory additions will actually get built.

COMPARABLE RENTAL PROPERTIES

In order to frame the market for the proposed development, we have profiled several properties that represent the mix of available rental options within the vicinity of the OLF8 site. Three of the eight properties profiled were built before 2017, three were completed in 2017, and two were completed in 2018. Of the eight properties profiled, one is not very comparable to the subject Project – Southtowne is located in Downtown Pensacola and serves a different renter profile than is expected to rent at OLF8. Nevertheless, we have included Southtowne because it demonstrates the upper-end of what is currently possible in the Pensacola market. Of the seven properties excluding Southtowne, all are relatively comparable from a locational perspective – though we believe the OLF8 site possesses the best location among the properties profiled, excluding Southtowne – but are inferior from a quality perspective. All of the properties, we note, are east of I-10. The OLF8 site, on the other hand, is west of I-10 and within a short walking or biking distance of the Navy Federal Credit Union Corporate Campus. Further, the complete master plan will likely have accessory uses on-site including dining, shopping, and entertainment, and will be among the newest developments in the area. It is important to note that we envision a well-designed project at the OLF8 site as being capable of achieving materially higher rents than the existing comparable properties located east of I-10.

Profiles of Comparable Properties

Source: Apartments.com

The ***West Woods Haven*** is located at 3202 W. Nine Mile Road, approximately 1.8 miles east of OLF8, just across Interstate 10 on Nine Mile Road. The development was built as two phases. The first is a three-story, 136-unit complex that was delivered in 2016. The second phase has 132 units. The second phase was completed in October 2017. The combined phases are collectively 97.0% occupied. In September 2019, West Woods Haven was sold by BFT Development to Broadstone Real Estate for $47,000,000, or $175,373 per unit and a reported cap rate of 5.03%. The property offers one- to three-bedroom apartments ranging in average size from 860 to 1,441 square feet. Monthly rents range from an average of $1,123 for a one-bedroom unit to $1,530 for a three-bedroom unit. Garages are available to rent for $115 per month. The property offers a "Hometown Hero Discount" for military, fire, law enforcement, and EMT personnel.

Unit features include ¾" granite countertops, patios, laminate wood-look flooring, stainless steel appliances, in-suite washer/dryers, and dark wood cabinetry. Community amenities include an outdoor pool, a clubroom with a billiards table, a fitness center, a children's playroom, a small business center, a dog park, a car wash center, and a fire pit.

The following table is a summary of the West Woods Haven apartment unit types and estimated rental rates:

TABLE 19

Property	Year Built	Stories	Est. Occupancy	Unit Types		Avg. Sq. Ft.	Avg. Asking Rent	Avg. Rent per Sq. Ft. per Mo.
West Woods Haven	2017	3	97.0%	One Bed	102	860	$1,123	$1.31
3202 W. Nine Mile Rd.				Two Bed	146	1,185	$1,344	$1.13
				Three Bed	20	1,441	$1,530	$1.06
					268	1,080	$1,274	$1.18

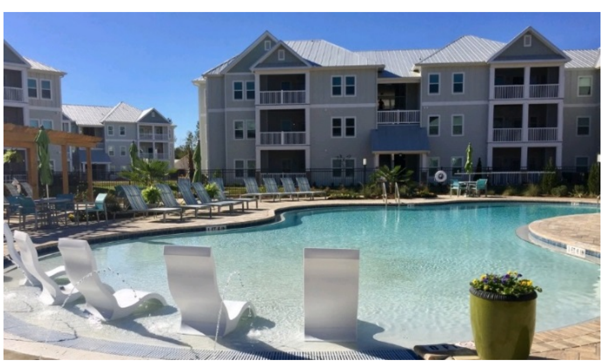
Source: CoStar; compiled by Weitzman Associates, LLC

According to historical data from CoStar, overall asking rent grew at a strong pace in 2019 before leveling out in 2020. Overall asking rent per square foot per month grew from $1.14 in the first quarter of 2019 to $1.19 in the same quarter of 2020, averaging approximately 1.1% growth quarter-over-quarter. As of June 11, 2020, overall asking rent per square foot per month at the West Woods Haven apartments is $1.18, representing a decline of approximately -0.9% from first quarter. Vacancy has remained low since the first quarter of 2019, creeping up slightly in recent quarters. The overall vacancy rate at the property was 3.2% in first quarter 2020, up from 1.1% in the first quarter of 2019. The vacancy rate was reported by CoStar at 3.0% as of June 11, 2020.

TABLE 20

Property	Overall Avg. Unit Size		Overall Average Property Rent and Vacancy 1Q19	2Q19	3Q19	4Q19	1Q20	2Q20 QTD
West Woods Haven	1,080	Rent per Sq. Ft.	$1.14	$1.16	$1.17	$1.19	$1.19	$1.18
3202 W. Nine Mile Rd.		Growth (Q/Q)	-	1.8%	0.9%	1.7%	0.0%	-0.9%
		Growth (Y/Y)	-	-	-	-	4.4%	1.6%
		Vacancy	1.1%	1.6%	2.1%	2.7%	3.2%	3.0%

Source: CoStar; compiled by Weitzman Associates, LLC



Source: Apartments.com

The Crossings at Milestone was completed in 2017 and has an estimated occupancy of 95.0%. The 240-unit property is located at 1431 West Nine Mile Road, approximately 3.9 miles east of OLF8. The property offers one- to three-bedroom apartments ranging in average size from 720 to 1,384 square feet for three-bedroom units. Monthly rents range from an average of $1,068 for a one-bedroom unit to upwards of $1,470 for a three-bedroom unit. There is an additional charge of $25 per month for units with better views. The property also offers Active Military Duty and other Preferred Employer discounts.

Unit features include stainless steel appliances, patios or balconies, washers/dryers available for rent ($45 per month), laminate countertops, and carpet and laminate wood-look flooring. Property amenities include a salt water pool, a fitness center, a playground, a business center, a clubhouse, a barbeque and picnic area, and private garage parking for rent ($115 per month).

The following table is a summary of The Crossings at Milestone unit types and estimated rental rates:

TABLE 21

Property	Year Built	Stories	Est. Occupancy	Unit Types		Avg. Sq. Ft.	Avg. Asking Rent	Avg. Rent per Sq. Ft. per Mo.
The Crossings at Milestone	2017	3	95.0%	One Bed	96	720	$1,068	$1.48
1431 W. Nine Mile Rd.	(Apr.)			Two Bed	96	1,157	$1,300	$1.12
				Three Bed	48	1,384	$1,470	$1.06
					240	1,028	$1,241	$1.21

Source: CoStar; compiled by Weitzman Associates, LLC

Rent at The Crossings at Milestone increased notably in the third quarter of 2019 before leveling out in the fourth quarter of 2020. Overall asking rent per square foot per month grew from $1.17 in the first quarter of 2019 to $1.21 in the same quarter of 2020, averaging approximately 0.8% growth quarter-over-quarter. As of June 11, 2020, overall asking rent at The Crossings at Milestone remains at $1.21 per square foot per month according to CoStar, representing effectively no change in average rent since the fourth quarter of 2019. Vacancy has increased since the first quarter of 2019, from 2.1% to 5.1% in the first quarter of 2020. The vacancy rate was reported at 5.0% as of June 11, 2020.

TABLE 22

Property	Overall Avg. Unit Size		Overall Average Property Rent and Vacancy					
			1Q19	2Q19	3Q19	4Q19	1Q20	2Q20 QTD
The Crossings at Milestone	1,028	Rent per Sq. Ft.	$1.17	$1.18	$1.21	$1.21	$1.21	$1.21
1431 W. Nine Mile Rd.		Growth (Q/Q)	-	0.9%	2.5%	0.0%	0.0%	-0.2%
		Growth (Y/Y)	-	-	-	-	3.4%	2.4%
		Vacancy	2.1%	2.5%	2.2%	2.7%	5.1%	5.0%

Source: CoStar; compiled by Weitzman Associates, LLC

Source: Apartments.com

The ***Avalon Apartments***, built in 2008, contains 276 units. Located at 8800 Pine Forest Road, the property is approximately 3.2 miles east southeast of OLF8. The property has an estimated occupancy of 92.0%. The property offers one- to three-bedroom apartments ranging in average size from 827 to 1,386 square feet for three-bedroom units. The monthly rents range from an average of $1,086 for a one-bedroom unit to $1,395 for a three-bedroom unit.

Unit features include black appliances, laminate wood-look flooring plus carpet and tile flooring, patios and balconies, storage units, and laminate countertops. Community amenities include a basketball court, a clubroom with a billiards table, a business center, a dog park, a fitness center, laundry facilities, a playground, an outdoor pool, a putting green, and a tanning salon.

The following table is a summary of the Avalon Apartments' unit types and estimated rental rates:

TABLE 23

Property	Year Built	Stories	Est. Occupancy	Unit Types		Avg. Sq. Ft.	Avg. Asking Rent	Avg. Rent per Sq. Ft. per Mo.
Avalon Apartments	2008	3	92.0%	One Bed	114	827	$1,086	$1.31
8800 Pine Forest Rd.				Two Bed	108	1,158	$1,265	$1.09
				Three Bed	54	1,386	$1,395	$1.01
					276	1,066	$1,217	$1.14

Source: CoStar; compiled by Weitzman Associates, LLC

According to historical data from CoStar, overall asking rent at the Avalon Apartments has been somewhat volatile since the first quarter of 2019. Overall asking rent per square foot per month grew from $1.10 in the first quarter of 2019 to $1.14 in the immediately following quarter. Overall asking rent decreased to $1.12 per square foot per month by the fourth quarter of 2019 and has since rebounded to $1.14. The overall vacancy rate increased steadily over the same period, increasing from 4.8% in first quarter of 2019 to 8.0% as of June 11, 2020.

TABLE 24

Property	Overall Avg. Unit Size		Overall Average Property Rent and Vacancy 1Q19	2Q19	3Q19	4Q19	1Q20	2Q20 QTD
Avalon Apartments	1,066	Rent per Sq. Ft.	$1.10	$1.14	$1.13	$1.12	$1.14	$1.14
8800 Pine Forest Rd.		Growth (Q/Q)	-	3.6%	-0.9%	-0.9%	1.8%	0.1%
		Growth (Y/Y)	-	-	-	-	3.6%	0.1%
		Vacancy	4.8%	6.1%	6.2%	6.3%	7.8%	8.0%

Source: CoStar; compiled by Weitzman Associates, LLC

Source: Apartments.com

The Pensacola Grand and ***Parkside Grand*** have the largest units out of all the comparable properties. The Pensacola Grand, located at 9091 Airway Drive, was completed in August 2017 and has 224 units. Parkside Grand, located at 9095 Airway Drive, was completed in November 2018 and added an additional 228 units. Both phases are approximately 6.5 miles east of OLF8, and have a combined estimated occupancy of 99.8% The property offers one- to three-bedroom apartments ranging in average size from 1,233 square feet a one-bedroom unit to 1,852 for a three-bedroom unit. Average monthly rents range from $1,055 for a one-bedroom unit to $1,550 for a three-bedroom unit. There is a $95 fee, in addition to rent, for 200 channels of AT&T U-Verse television, AT&T internet, and pest control. Corporate apartments are available with a minimum six-month lease.

Unit features include carpet and tile flooring, black appliances, walk-in closets, garbage disposal, washer/dryer hookups/rentals, patio storage, granite countertops and dark wood cabinetry. Community amenities include an outdoor saltwater pool and kiddie pool, a business center, a dog park, a sauna, a recreation room and clubhouse, a playground, a fitness center, a media room, tanning beds, barbeque grills, and a car wash station. There is also a large retaining pond surrounded by forest that will allow many units at the property to have a more pleasant view than those units facing the recreational fields along Nine Mile Road.

The following table is a summary of The Pensacola Grand and Parkside Grand's unit types and asking rental rates:

TABLE 25

Property	Year Built	Stories	Est. Occupancy	Unit Types		Avg. Sq. Ft.	Avg. Asking Rent	Avg. Rent per Sq. Ft. per Mo.
Parkside Grand	2018	3	99.6%	One Bed	24	1,233	$1,170	$0.95
9095 Airway Dr.	(Nov.)			Two Bed	96	1,668	$1,420	$0.85
				Three Bed	108	1,852	$1,550	$0.84
					228	1,709	$1,455	$0.85
The Pensacola Grand	2017	2	100.0%	One Bed	32	1,253	$1,055	$0.84
9091 Airway Dr.	(Aug.)			Two Bed	128	1,525	$1,245	$0.82
				Three Bed	64	1,536	$1,295	$0.84
					224	1,489	$1,232	$0.83

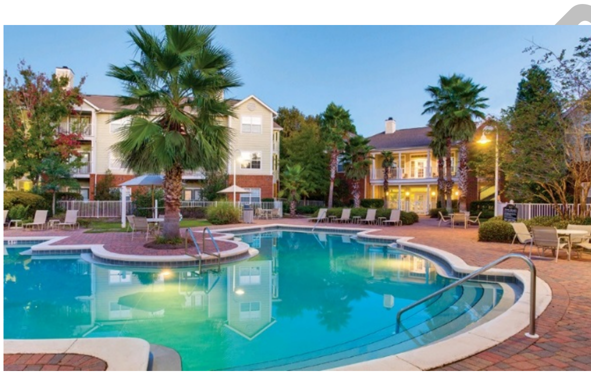
Source: CoStar; compiled by Weitzman Associates, LLC

Since the first quarter of 2019, rents at Parkside Grand increased overall while rents at the Pensacola Grand decreased. The overall asking rent at Parkside Grand, the newer of the two properties, grew from $0.80 per square foot per month in the first quarter of 2019 to $0.85 in the same quarter of 2020, while the overall asking rent at the Pensacola Grand fell from $0.91 to $0.83 over the same period. This appears to be a balancing of rents between the neighboring properties as Parkside Grand leased up in 2019. As of June 11, 2020, overall asking rents at both properties are effectively unchanged from the first quarter of 2020, with the newer Parkside Grand maintaining a $0.02 premium on a per square foot per month basis over the older Pensacola Grand, despite Parkside Grand featuring a larger average unit size. Both properties have experienced exceedingly low vacancy rates following stabilization. The overall vacancy rate at Parkside Grand was reported by CoStar at 0.4% as of June 11, 2020, while the overall vacancy rate at the Pensacola Grand was reported at 0.0%.

TABLE 26

Property	Overall Avg. Unit Size		Overall Average Property Rent and Vacancy 1Q19	2Q19	3Q19	4Q19	1Q20	2Q20 QTD
Parkside Grand	1,709	Rent per Sq. Ft.	$0.80	$0.80	$0.80	$0.81	$0.85	$0.85
9095 Airway Dr.		Growth (Q/Q)	-	0.0%	0.0%	1.3%	4.9%	0.2%
		Growth (Y/Y)	-	-	-	-	6.3%	6.4%
		Vacancy	56.4%	3.0%	1.1%	0.7%	0.5%	0.4%
The Pensacola Grand	1,489	Rent per Sq. Ft.	$0.91	$0.92	$0.92	$0.88	$0.83	$0.83
9091 Airway Dr.		Growth (Q/Q)	-	1.1%	0.0%	-4.3%	-5.7%	-0.3%
		Growth (Y/Y)	-	-	-	-	-8.8%	-10.1%
		Vacancy	4.8%	4.5%	1.8%	0.0%	0.0%	0.0%

Source: CoStar; compiled by Weitzman Associates, LLC



Source: Apartments.com

Governors Gate is a two-phase development, completed in 2003. There are 444 units in total. Current occupancy is estimated at 95.5%. Located at 1600 Governor's Drive, the property is approximately 8.1 miles east southeast of OLF8. The unit mix includes one- to three-bedroom units ranging in average size from 783 for one-bedroom units to 1,258 square feet for three-bedroom units. The monthly rents range from an average of $1,064 for a one-bedroom unit to $1,456 for a three-bedroom unit.

Due to the large number of units, the community amenities are extensive. The two pools feature waterscapes and arbors, plus there is also a wading pool and lap pool. Residents also enjoy access to a tennis court, two car care centers, two clothing care centers, two fitness centers, a dog park, guest suites, and terraced, landscaped grounds with barbeque and picnic areas. The units offer living rooms with large picture windows, kitchens with white appliances and laminate countertops, and spacious walk-in closets. In addition, select units feature wood burning fireplaces, French doors opening onto private patios or balconies, garden tubs with separate walk-in showers, and attached or detached private garages. Washer/dryers are not included with the units, but can be rented for a monthly fee of $40.

The following table is a summary of the Governor's Gate unit types and estimated rental rates:

TABLE 27

Property	Year Built	Stories	Est. Occupancy	Unit Types		Avg. Sq. Ft.	Avg. Asking Rent	Avg. Rent per Sq. Ft. per Mo.
Governors Gate	2003	3	95.5%	One Bed	128	783	$1,064	$1.36
1600 Governors Dr.				Two Bed	248	1,109	$1,222	$1.10
				Three Bed	68	1,258	$1,456	$1.16
					444	1,038	$1,212	$1.17

Source: CoStar; compiled by Weitzman Associates, LLC

According to historical data from CoStar, overall asking rent at Governors Gate has been volatile since the first quarter of 2019. Overall asking rent per square foot per month grew from $1.09 in the first quarter of 2019 to $1.17 in the immediately following quarter. Overall asking rent decreased to $1.14 per square foot per month by the fourth quarter of 2019 and has since rebounded to $1.17. The overall vacancy rate was also somewhat volatile over the same period, decreasing from 4.7% in the first quarter of 2019 to 1.6% in the third quarter of 2019 before increasing again to 5.2% in the first quarter of 2020. As of June 11, 2020, the vacancy rate at Governors Gate was reported by CoStar at 4.5%.

TABLE 28

Property	Overall Avg. Unit Size		Overall Average Property Rent and Vacancy 1Q19	2Q19	3Q19	4Q19	1Q20	2Q20 QTD
Governors Gate	1,038	Rent per Sq. Ft.	$1.09	$1.17	$1.16	$1.14	$1.18	$1.17
1600 Governors Dr.		Growth (Q/Q)	-	7.3%	-0.9%	-1.7%	3.5%	-1.0%
		Growth (Y/Y)	-	-	-	-	8.3%	-0.2%
		Vacancy	4.7%	1.9%	1.6%	2.9%	5.2%	4.5%

Source: CoStar; compiled by Weitzman Associates, LLC

Source: Apartments.com

The Crossings at Nine Mile Road is a 240-unit apartment community (with approximately twenty units within each three-story building) built in 2010, located at 9100 Baldridge Drive, approximately 8.2 miles east of OLF8. The property offers one- to three-bedroom apartments ranging in average size from 730 to 1,384 square feet for three-bedroom units. The average asking rents range from $1,029 to $1,501 per month, and the property is currently 97.9% occupied.

Units feature nine-foot high ceilings, stainless steel appliances, patios or balconies, washers/dryers, laminate countertops, and carpet and wood-look laminate flooring. Community amenities include a clubhouse (which features a kitchen), a dog park, a fitness center, a business center, a courtyard with barbeque grills, and picnic areas.

The following table is a summary of The Crossings at Nine Mile Road's unit types and estimated rental rates:

TABLE 29

Property	Year Built	Stories	Est. Occupancy	Unit Types		Avg. Sq. Ft.	Avg. Asking Rent	Avg. Rent per Sq. Ft. per Mo.
The Crossings at Nine Mile	2010	3	97.9%	One Bed	84	730	$1,029	$1.41
9100 Baldridge Dr.				Two Bed	120	1,157	$1,301	$1.12
				Three Bed	36	1,384	$1,501	$1.08
					240	1,042	$1,236	$1.19

Source: CoStar; compiled by Weitzman Associates, LLC

According to historical data from CoStar, overall asking rent at The Crossings at Nine Mile Road has grown modestly since the first quarter of 2019. Overall asking rent per square foot per month grew from $1.17 in the first quarter of 2019 to $1.19 in the same quarter of 2020, averaging approximately 0.4% growth quarter-over-quarter. As of June 11, 2020, overall asking rent at The Crossings at Nine Mile Road remains at $1.19 per square foot per month according to CoStar, representing effectively no change in average rent since first quarter. Vacancy has been somewhat volatile since the first quarter of 2019. The overall vacancy rate increased from 2.0% in the first quarter of 2019 to 4.9% in the fourth quarter of 2019. The vacancy rate decreased to 1.3% in the first quarter of 2020 and has since increased slightly to 2.1% as of June 11, 2020.

TABLE 30

Property	Overall Avg. Unit Size		Overall Average Property Rent and Vacancy					
			1Q19	2Q19	3Q19	4Q19	1Q20	2Q20 QTD
The Crossings at Nine Mile	1,042	Rent per Sq. Ft.	$1.17	$1.18	$1.18	$1.18	$1.19	$1.19
9100 Baldridge Dr.		Growth (Q/Q)	-	0.9%	0.0%	0.0%	0.8%	-0.3%
		Growth (Y/Y)	-	-	-	-	1.7%	0.5%
		Vacancy	2.0%	1.9%	3.3%	4.9%	1.3%	2.1%

Source: CoStar; compiled by Weitzman Associates, LLC

Southtowne – Profile of Top-Tier Downtown Rental Product

Southtowne is located at 101 E Romana Street in downtown Pensacola, approximately 12.4 miles southeast of OLF8. Replacing the old Pensacola News Journal building, Southtowne is a relatively new apartment complex and retail center in downtown Pensacola that completed construction in February 2018. It is an upscale development that is also affordable and attractive to millennials, young professionals, and older adults that want to live and enjoy downtown Pensacola. As noted, Southtowne is not a true comparable property to OLF8, but is included because it demonstrates the upper-end of what is currently possible in the Pensacola market. In December 2019, Southtowne was sold by the developer and owner, Studer Properties, to BH Management Services for $60,630,000, or $235,000 per unit.

The property offers studio to three-bedroom apartments. Studio units average 584 square feet in size and have an average asking rent of $1,079 per month. One-bedroom units average 721 square feet and have an average asking rent of $1,499 per month. Two-bedroom units average 1,053 square feet and have an average asking rent of $1,812 per month. Three-bedroom units average 1,394 square feet and have an average asking rent of $2,843 per month.

The units have nine-foot ceilings and are finished with vinyl plank flooring in common areas, plush carpet in bedrooms, and tiled bathroom floors. Kitchens have granite countertops, complemented by wood cabinets and stainless refrigerator, electric ranges, microwave hood and dishwasher. Southtowne offers its residents great amenities such as a multi-level parking garage, courtyard with fire pit and outdoor kitchens, poolside terrace and outdoor swimming pool, rooftop lounge with terrace, yoga studio, fitness center, easy access to the local YMCA, game room, coffee bar, and business center. The property is now stabilized, achieving an absorption pace of approximately 32 units per month over eight months of leasing. The current estimated occupancy rate is 100%.

TABLE 31

Property	Year Built	Stories	Est. Occupancy	Unit Types		Avg. Sq. Ft.	Avg. Asking Rent	Avg. Rent per Sq. Ft. per Mo.
Southtowne	2018	6	100.0%	Studio	28	584	$1,079	$1.85
101 E. Romana St.	(Feb.)			One Bed	109	721	$1,499	$2.08
				Two Bed	109	1,053	$1,812	$1.72
				Three Bed	12	1,394	$2,843	$2.04
					258	878	$1,648	$1.88

Source: CoStar; compiled by Weitzman Associates, LLC

As noted, Southtowne achieved an absorption pace of approximately 32 units per month over eight months of leasing. Since reaching stabilization, the property has performed strongly from a rent growth and vacancy perspective. According to historical data from CoStar, overall asking rent has grown consistently every quarter, from $1.81 per square foot per month in the first quarter of 2019 to $1.86 in the same quarter of 2020, averaging approximately 0.7% growth quarter-over-quarter. As of June 11, 2020, overall asking rent per square foot per month at Southtowne is $1.88, representing growth of approximately 1.0% from first quarter. Vacancy has remained exceedingly low since the first quarter of 2019, ebbing and flowing only slightly overall through unit turnover. The overall vacancy rate at the property was 0.1% in first quarter 2020 and was reported by CoStar at 0.0% as of June 11, 2020.

TABLE 32

Property	Overall Avg. Unit Size		Overall Average Property Rent and Vacancy 1Q19	2Q19	3Q19	4Q19	1Q20	2Q20 QTD
Southtowne	878	Rent per Sq. Ft.	$1.81	$1.82	$1.83	$1.85	$1.86	$1.88
101 E. Romana St.		Growth (Q/Q)	-	0.6%	0.5%	1.1%	0.5%	1.0%
		Growth (Y/Y)	-	-	-	-	2.8%	3.2%
		Vacancy	1.6%	1.8%	1.9%	0.8%	0.1%	0.0%

Source: CoStar; compiled by Weitzman Associates, LLC

RENTAL COMPARABLES CONCLUSION

The majority of existing rental product in the area was built over 25 years ago. Only a handful of properties have been delivered in the last five years or so, and of those newer buildings, their features and amenities are mostly inferior to those likely to be proposed for OLF8. With the exception of Southtowne, all of the properties profiled are located next to or near Nine Mile Road. OLF8, West Woods Apartments, and Avalon Apartments are also near I-10, making those properties more attractive to residents that commute for work. With the exception of Southtowne, all of the properties profiled are garden-style apartments with similar resort-style amenities, including outdoor pools, playgrounds, dog parks and car care centers.

Of the properties closest to the OLF8 site, the West Woods Apartments is likely the most direct competitor. The West Woods Apartments have the most modern unit features of the rental comparables located near Nine Mile Road, but still have old, coil-style stovetops. The next two closest properties both have outdated unit features such as laminate countertops and outdated cabinets.

Rental product built on OLF8 should be able to achieve generally higher rents than the comparables located near Nine Mile Road due to a higher quality product, superior location, and amenity offerings (both on-property and in the development as a whole).

The following tables present a summary of the rental properties profiled, their unit types, estimated monthly rents, unit features and community amenities, followed by tables summarizing the comparables by unit type.

TABLE 33

RENTAL MARKET SURVEY
PENSACOLA, FL

	Property	Year Built	Stories	Est. Occupancy	Unit Types		Avg. Sq. Ft.	Avg. Asking Rent	Avg. Rent per Sq. Ft. per Mo.	Unit Features	Amenities
1	Southtowne 101 E. Romana St.	2018 (Feb.)	6	100.0%	Studio	28	584	$1,079	$1.85	Granite countertops with undermount kitchen sicks, wood cabinets, wood-inspired plank flooring, carpeted bedrooms, tiled bathroom floors, 9' ceilings, walk-in closets, stainless steel refrigerator with ice maker, ceramic cooktops, stainless steel microwave hood & dishwasher, washer/dryer	Multi-level parking garage, courtyard patio with fire pit & outdoor kitchen, out door pool with poolside terrace, covered café patio, electric car charging stations, fitness room, yoga studio, game room, rooftop lounge, WiFi in all common areas, rooftop terrace with view of the bay.
					One Bed	109	721	$1,499	$2.08		
					Two Bed	109	1,053	$1,812	$1.72		
					Three Bed	12	1,394	$2,843	$2.04		
						258	878	$1,648	$1.88		
2	West Woods Haven 3202 W. Nine Mile Rd.	2017	3	97.0%	One Bed	102	860	$1,123	$1.31	Granite countertops, patios, wood-like plank flooring, stainless steel appliances, dark wood cabinetry, walk-in closets, garbage disposal, washer/dryer, storage rooms	Outdoor pool, clubroom with billiards table, fitness center, children's playroom, small business center, dog park, car wash center, ping pong table, fire pit
					Two Bed	146	1,185	$1,344	$1.13		
					Three Bed	20	1,441	$1,530	$1.06		
						268	1,080	$1,274	$1.18		
3	The Crossings at Milestone 1431 W. Nine Mile Rd.	2017 (Apr.)	3	95.0%	One Bed	96	720	$1,068	$1.48	Stainless steel appliances, patios/balconies, washer/dryers (available), laminate countertops, carpet and wood-look laminate flooring	Salt water pool, fitness center, playground, business center, clubhouse, bbq and picnic area, private garage parking
					Two Bed	96	1,157	$1,300	$1.12		
					Three Bed	48	1,384	$1,470	$1.06		
						240	1,028	$1,241	$1.21		
4	Avalon Apartments 8800 Pine Forest Rd.	2008	3	92.0%	One Bed	114	827	$1,086	$1.31	Black appliances, a/c, laminate wood-look flooring, carpet and tile flooring, patios/balconies, storage rooms, microwaves, laminate	Basketball court, clubroom with billiards table, business center, dog park, fitness center, laundry facilities, playground, outdoor pool, putting green and tanning salon
					Two Bed	108	1,158	$1,265	$1.09		
					Three Bed	54	1,386	$1,395	$1.01		
						276	1,066	$1,217	$1.14		
5	Parkside Grand 9095 Airway Dr.	2018 (Nov.)	3	99.6%	One Bed	24	1,233	$1,170	$0.95	Carpet and tile flooring, black appliances, walk-in closets, granite countertops, dark wood cabinetry	Outdoor pool, business center, dog park, sauna, clubhouse, playground, fitness center, garage parking, car wash center
					Two Bed	96	1,668	$1,420	$0.85		
					Three Bed	108	1,852	$1,550	$0.84		
						228	1,709	$1,455	$0.85		
6	The Pensacola Grand 9091 Airway Dr.	2017 (Aug.)	2	100.0%	One Bed	32	1,253	$1,055	$0.84	Carpet and tile flooring, black appliances, walk-in closets, granite countertops, dark wood cabinetry	Outdoor pool, business center, dog park, sauna, recreation room, clubhouse, resident lounge, playground, fitness center, media room, tanning salon, bbq grills, car wash
					Two Bed	128	1,525	$1,245	$0.82		
					Three Bed	64	1,536	$1,295	$0.84		
						224	1,489	$1,232	$0.83		
7	Governors Gate 1600 Governors Dr.	2003	3	95.5%	One Bed	128	783	$1,064	$1.36	Wifi and cable included, choice of balcony/patio/great room, granite countertops in select units, washer/dryer hook ups, storage space, fireplaces in select units, carpet and tile flooring, vaulted ceilings and crown moulding in select units, white appliances, laminate countertops	Two pools plus a lap pool, two dry cleaners, two fitness centers, tennis court, two business centers, dog park, bbq and picnic area, two car wash centers, guest suites
					Two Bed	248	1,109	$1,222	$1.10		
					Three Bed	68	1,258	$1,456	$1.16		
						444	1,038	$1,212	$1.17		
8	The Crossings at Nine Mile 9100 Baldridge Dr.	2010	3	97.9%	One Bed	84	730	$1,029	$1.41	Stainless steel appliances, patios/balconies, washer/dryers (available), laminate countertops, carpet and wood-look laminate flooring	Outdoor pool, dog park, fitness center, clubhouse, business center, bbq grills and picnic area
					Two Bed	120	1,157	$1,301	$1.12		
					Three Bed	36	1,384	$1,501	$1.08		
						240	1,042	$1,236	$1.19		

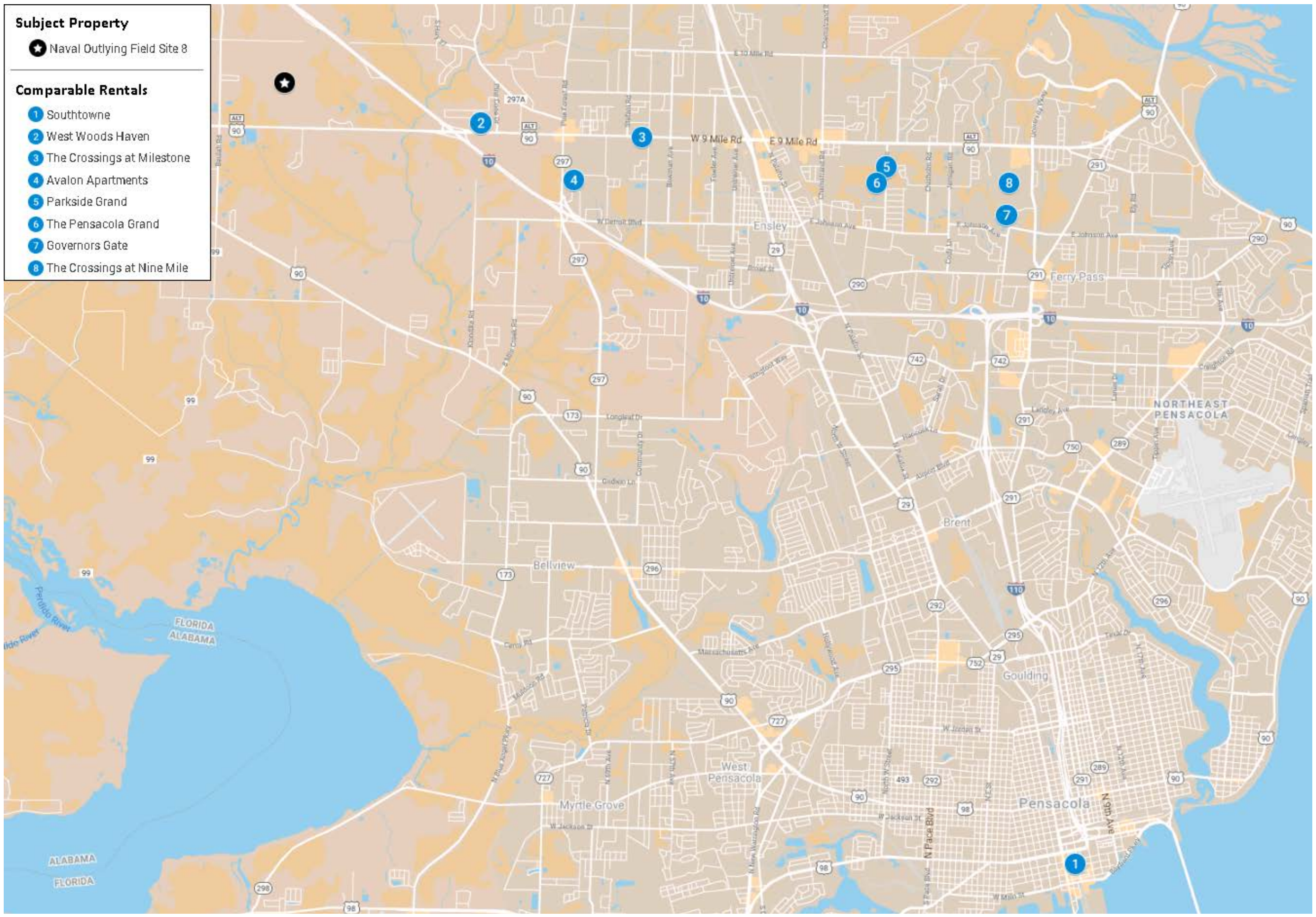
Source: CoStar; compiled by Weitzman Associates, LLC

TABLE 34

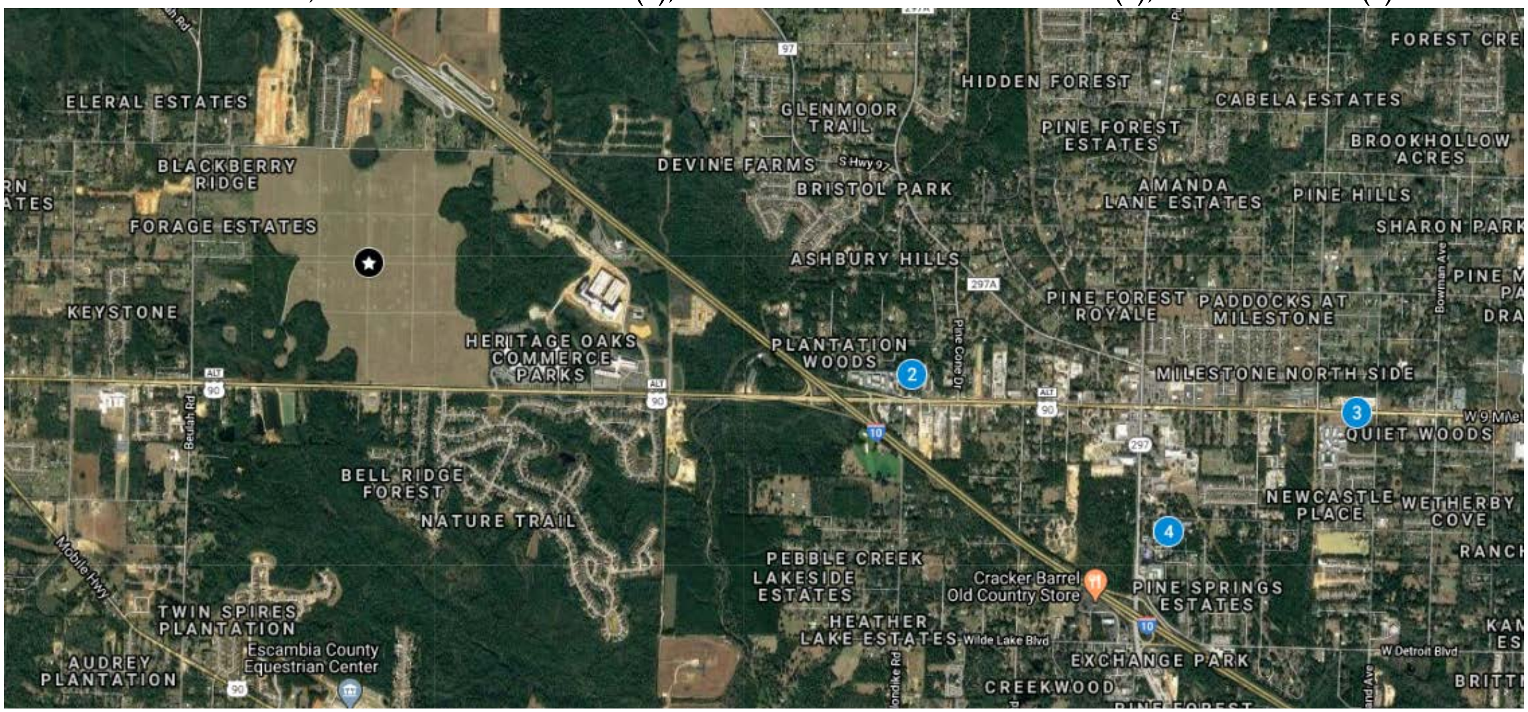
	RENTAL MARKET SURVEY BY UNIT TYPE PENSACOLA, FL				
	Property	Unit Types	Sq. Ft.	Avg. Rent	Avg. Rent PSF
1	Southtowne	One Bed	721	$1,499	$2.08
2	West Woods Haven	One Bed	860	$1,123	$1.31
3	The Crossings at Milestone	One Bed	720	$1,068	$1.48
4	Avalon Apartments	One Bed	827	$1,086	$1.31
5	Parkside Grand	One Bed	1,233	$1,170	$0.95
6	The Pensacola Grand	One Bed	1,253	$1,055	$0.84
7	Governors Gate	One Bed	783	$1,064	$1.36
8	The Crossings at Nine Mile	One Bed	730	$1,029	$1.41
	Mean		**891**	**$1,137**	**$1.34**
	Median		**805**	**$1,077**	**$1.34**
	Min		**720**	**$1,029**	**$0.84**
	Max		**1,253**	**$1,499**	**$2.08**
1	Southtowne	Two Bed	1,053	$1,812	$1.72
2	West Woods Haven	Two Bed	1,185	$1,344	$1.13
3	The Crossings at Milestone	Two Bed	1,157	$1,300	$1.12
4	Avalon Apartments	Two Bed	1,158	$1,265	$1.09
5	Parkside Grand	Two Bed	1,668	$1,420	$0.85
6	The Pensacola Grand	Two Bed	1,525	$1,245	$0.82
7	Governors Gate	Two Bed	1,109	$1,222	$1.10
8	The Crossings at Nine Mile	Two Bed	1,157	$1,301	$1.12
	Mean		**1,252**	**$1,364**	**$1.12**
	Median		**1,158**	**$1,301**	**$1.11**
	Min		**1,053**	**$1,222**	**$0.82**
	Max		**1,668**	**$1,812**	**$1.72**
1	Southtowne	Three Bed	1,394	$2,843	$2.04
2	West Woods Haven	Three Bed	1,441	$1,530	$1.06
3	The Crossings at Milestone	Three Bed	1,384	$1,470	$1.06
4	Avalon Apartments	Three Bed	1,386	$1,395	$1.01
5	Parkside Grand	Three Bed	1,852	$1,550	$0.84
6	The Pensacola Grand	Three Bed	1,536	$1,295	$0.84
7	Governors Gate	Three Bed	1,258	$1,456	$1.16
8	The Crossings at Nine Mile	Three Bed	1,384	$1,501	$1.08
	Mean		**1,454**	**$1,630**	**$1.14**
	Median		**1,390**	**$1,486**	**$1.06**
	Min		**1,258**	**$1,295**	**$0.84**
	Max		**1,852**	**$2,843**	**$2.04**

Source: CoStar; compiled by Weitzman Associates, LLC

MAP OF COMPARABLE PROPERTIES



MAP OF OLF8, WEST WOODS HAVEN (2), THE CROSSINGS AT MILESTONE (3), AND AVALON (4)



FOR-SALE HOUSING MARKET ANALYSIS

Weitzman Associates has researched the for-sale housing market in Pensacola in support of its determination of the appropriate product recommendations, pricing, and absorption assumptions that should be utilized in underwriting a potential for-sale development at the OLF8 site. While the project is most likely to be a higher density development, we have analyzed residential sale data derived from the Pensacola Association of Realtors MLS for various types of for-sale housing, including detached single-family homes, attached townhomes and condominium properties, for all of Escambia County and Santa Rosa County.[1] It is important to understand the overall for-sale housing trends that provide the context into which for-sale housing at the site might be developed.

EXECUTIVE SUMMARY

Based on our research of the for-sale market, our findings are summarized as follows:

- **2019 was the best year since 2003 for residential home sales in Escambia and Santa Rosa Counties.** A record 9,825 homes were sold at an average price of approximately $263,612.

- **The most competitive for-sale developments are Nature Creek and Antietam.** Nature Creek is a newly developed townhome development within close proximity of the OLF8 site, and has the most robust amenity offering in our competitive set of properties. Antietam is a newly developed single-family home development within close proximity of the OLF8 site. Antietam offers a limited amenity package and market standard home finishes (stainless steel appliances, luxury vinyl tile flooring, and granite countertops).

- **There is a significant amount of for-sale housing units in the development pipeline.** Based on our research of submitted and approved development applications, there are approximately 2,396 units of for-sale housing approved for development in Escambia and Santa Rosa Counties, and there are 692 units of for-sale housing pending development approval. In total, there are 3,088 units of for-sale housing in the development pipeline.

FOR-SALE MARKET OVERVIEW

In the years leading up to the housing boom in the mid-2000s, the annual average sales price of homes sold in Escambia and Santa Rosa Counties increased from $150,040 in 2003 to between $206,330 and $208,370 in 2005 to 2007. The annual median sales price during this period also increased, consistently increasing from $117,900 in 2003 to $164,000 in 2007, indicating an increasing number of transactions among higher priced homes. The number of annual sales grew from 7,473 sales in 2003 to 8,083 sales in 2005.

[1] However, it is noted that in our residential market analysis, we excluded from consideration modular, manufactured and mobile homes.

While the average sales price continued to increase to a peak in 2007, at $208,761, transaction volume declined by over 31% from 2004 to 2007, with a total of 5,540 sales occurring during the year. The number of listings, however, remained elevated at 20,150, resulting in a greater difference between the listing inventory and sales activity.

With the recession setting in, the number of annual transactions declined further to a low of 4,335 sales in 2008, and remained depressed within the 4,380 to 4,606 range over the following three years through 2011. Meanwhile, the annual average sales price decreased consistently from $208,761 in 2007 to $162,351 in 2010, before slightly rebounding to $168,328 in 2011. The decline in construction activity helped stabilize the market, and the number of active listings fell to 12,528 listings during the course of 2011. The median sales price during the period also declined from $164,000 in 2007 to $135,000 in 2011.

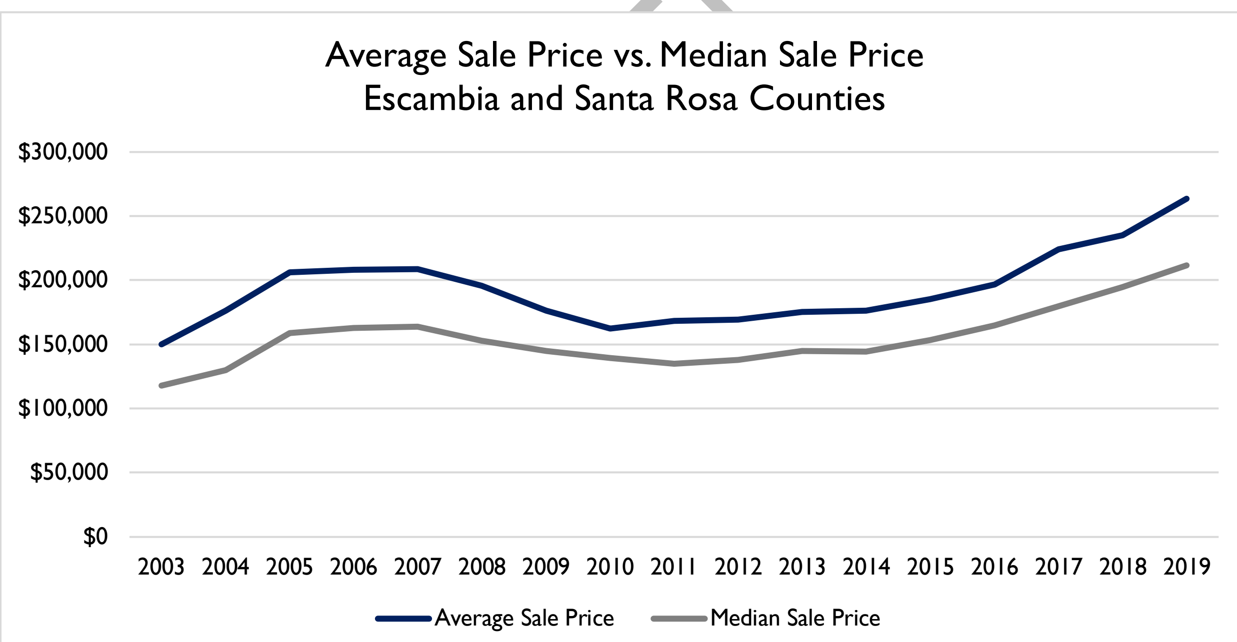
The Pensacola area housing market, which had not experienced the high level of construction and transaction activity that occurred in other Florida markets, was able to rebound from the recession more quickly. After stabilizing in 2011, the for-sale market has significantly improved over the past eight years, with the average sales price continually increasing to reach a high of $263,612 in 2019. Similarly, the median sales price increased to a high of $211,666 in 2019. The number of annual sales also reached a high of 9,825 sales in 2019.

The following table and charts illustrate the residential for-sale housing trends in Escambia and Santa Rosa Counties from 2003 to 2019.

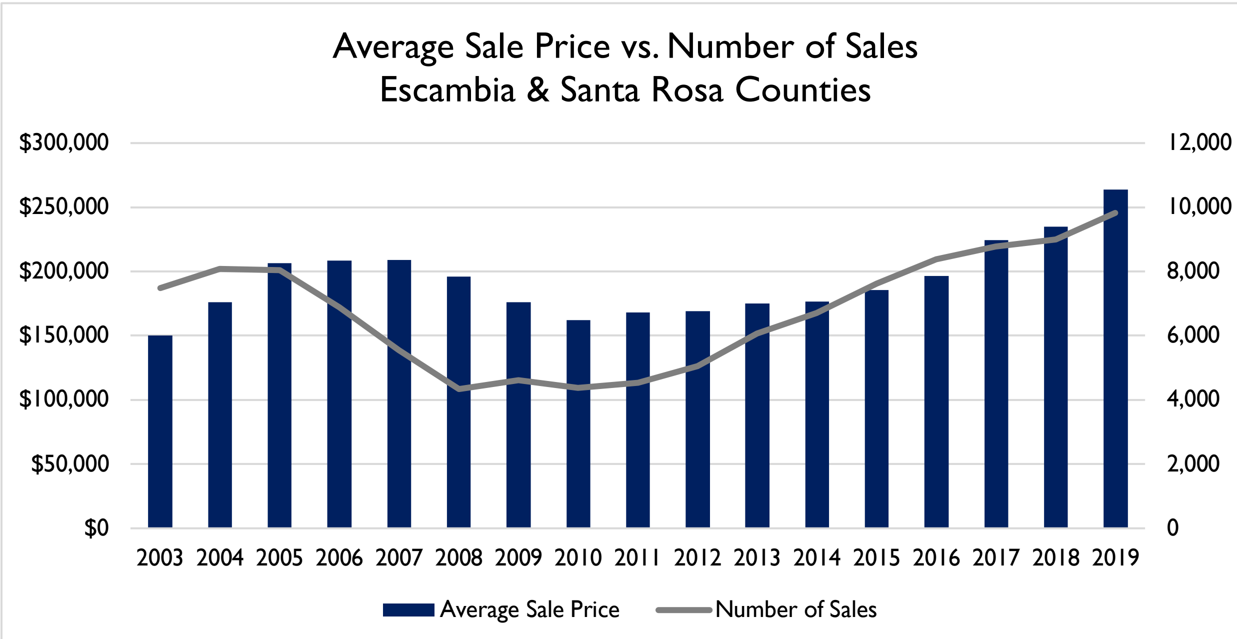
TABLE 35

RESIDENTIAL SALE TRENDS ESCAMBIA AND SANTA ROSA COUNTIES							
Year	Sales	% Chg	Total Sales Volume	Average Sales Price	% Chg	Median Sales Price	% Chg
2003	7,473	-	$1,121,245,583	$150,040	-	$117,900	-
2004	8,083	8%	$1,424,257,469	$176,204	17%	$130,000	10%
2005	8,037	-1%	$1,658,276,210	$206,330	17%	$159,000	22%
2006	6,891	-14%	$1,435,878,024	$208,370	1%	$163,000	3%
2007	5,540	-20%	$1,156,538,348	$208,761	0%	$164,000	1%
2008	4,335	-22%	$849,519,639	$195,968	-6%	$153,000	-7%
2009	4,606	6%	$812,176,732	$176,330	-10%	$145,000	-5%
2010	4,380	-5%	$711,096,845	$162,351	-8%	$139,385	-4%
2011	4,538	4%	$763,871,699	$168,328	4%	$135,000	-3%
2012	5,057	11%	$855,328,533	$169,138	0%	$138,000	2%
2013	6,071	20%	$1,062,896,356	$175,078	4%	$145,000	5%
2014	6,709	11%	$1,184,430,363	$176,544	1%	$144,391	0%
2015	7,627	14%	$1,413,985,250	$185,392	5%	$153,450	6%
2016	8,373	10%	$1,647,301,713	$196,740	6%	$164,900	7%
2017	8,784	5%	$1,970,282,942	$224,304	14%	$180,000	9%
2018	9,004	3%	$2,115,682,010	$234,971	5%	$195,000	8%
2019	9,825	9%	$2,589,991,380	$263,612	12%	$211,666	9%

Source: Pennsacola Association of Realtors; compiled by Weitzman Associates, LLC.



Source: Pensacola Association of Realtors MLS; compiled by Weitzman Associates, LLC



Source: Pensacola Association of Realtors MLS; compiled by Weitzman Associates, LLC

Overall, we have a positive outlook for the for-sale housing market in Pensacola. All of the key factors are trending positive in the housing market, with sales prices and transactions increasing. In 2019, for the first time ever, the median and average pricing being achieved by predominately single-family homes was above $200,000. This is a significant achievement for the Pensacola housing market. However, the effects of COVID-19 on the economy and housing market could cause a steep decline in pricing and sales activity in 2020 compared to 2019 levels. That being said, if the pandemic is brought under control, there remains the possibility that the pandemic may lead to an increase in demand for for-sale housing as people flee more densely populated areas in search of their own homes with more space. We must keep the chances of significant price fluctuations in mind when considering the marketability of for-sale units at OLF-8. It may take a few years for the housing market to recover back to 2019 levels.

COMPARABLE FOR-SALE HOUSING PROPERTIES

In reviewing the current market for for-sale housing options at the project site, we have focused our analysis on the few comparable for-sale housing properties in and around the OLF-8 site. The following discussion presents an overview of the comparable communities. We first considered recently developed or currently under construction for-sale housing projects in and around the market area that have recently completed or are presently engaged in a developer sellout process. Specifically, we identified four townhome developments ranging in size from 18 to 210 units, and five single-family home developments ranging in size from 120 to 669 units.

We note that this comparables analysis does not include communities located in Downtown Pensacola or Pensacola Beach, as these markets have completely different drivers of demand for housing. The beach is a second home and tourism market, and the downtown market specifically caters to demand from those wishing to live in a walkable higher-density urban environment. The demand for housing at OLF-8 will be primarily driven by those seeking a more affordable primary home in a less dense environment. The definition of pricing for this market will be largely dictated by other housing options in northwest and northeast Pensacola; away from the downtown area and Pensacola Beach.

NEW DEVELOPMENT FOR-SALE COMPARABLES

Townhomes – Key Comparable Profile

Nature Creek is a 210-unit townhome development located along Nature Creek Boulevard in Pensacola, Florida, approximately two miles southeast of OLF-8. Nature Creek was built in 2019 by DC Homes Pensacola.

Amenity features at Nature Creek include a resort style pool with landscaping, a 4,000 square foot clubhouse with flatscreen TVs and a fireplace, a game room with pool table and shuffleboard, a fitness center, a poker room, a resident lounge with a full kitchen, a poolside gazebo with shaded grilling area, a half-court basketball court, an outdoor shuffleboard, pool volleyball, a children's playground, and a dog park.

The residences at Nature Creek feature 9' ceilings, double vanity sinks in the master bathroom, granite countertops, a laundry room, a balcony (select units), 36" stainless side-by-side refrigerator, ceiling fans in all bedrooms, luxury vinyl tile flooring in living areas, carpeted bedrooms, hurricane resistant construction, a one-car garage, walk-in closet (master bedroom), central HVAC, and glass windows and doors.

As a key comparable to the OLF8 site, we have outlined the following reasons why OLF8 should be able to outperform Nature Creek:

- Nature Creek is set far back from Nine Mile Road and therefore is not visible to people driving by the development. In fact, the only visibility Nature Creek has from a major thoroughfare is from Interstate 10 of which Nature Creek is directly adjacent.

- Nature Creek is directly adjacent to Interstate 10 and their appears to be little or no buffer and noise mitigation to limit noise pollution from the highway.

- The floorplans at Nature Creek are undesirable. Residents enter their front door into a dark cavernous space due to their being only one small window or no window at all at the front ground-floor level of each home. Furthermore, residents enter into a dark space and must walk through a long hallway, which is essentially unusable square footage, to reach the rear kitchen and living area. The following are grade level floorplans of each residence at Nature Creek which illustrate the dark entryways with unusable square footage of each home.



- The amenities at Nature Creek will not be built until 80 units have been sold. Per our discussion with the sales team, they expect to have 42 homes sold by January with the remaining 38 lots under contract. Therefore, Phase 2 would not begin until sometime in 2021. The unbuilt amenities, especially the pool, are likely to be a dealbreaker for some prospective purchasers.

Based upon records from the Escambia County Property Appraiser, 12 units ranging from 1,554 to 1,800 square feet, sold between May 2019 and June 2020 for $201,800 to $249,600, or from $129 to $139 per square foot. The following table summarizes the sales performance at Nature Creek.

TABLE 36

NATURE CREEK						
Address	**Sale Price**	**SF**	**PSF**	**BR**	**BA**	**Sale Date**
9841 Nature Creek Boulevard	$201,800	1,554	$130	3.0	2.5	9/13/19
9640 Nature Creek Boulevard	$214,900	1,554	$138	3.0	2.5	9/6/19
9817 Nature Creek Boulevard	$217,400	1,554	$140	3.0	2.5	5/28/20
9829 Nature Creek Boulevard	$217,900	1,638	$133	3.0	2.5	9/11/19
9652 Nature Creek Boulevard	$223,200	1,638	$136	3.0	2.5	5/8/19
9837 Nature Creek Boulevard	$224,900	1,638	$137	3.0	2.5	4/15/20
9648 Nature Creek Boulevard	$224,900	1,638	$137	3.0	2.5	10/24/19
9644 Nature Creek Boulevard	$224,900	1,638	$137	3.0	2.5	9/27/19
9833 Nature Creek Boulevard	$225,000	1,638	$137	3.0	2.5	6/11/20
9636 Nature Creek Boulevard	$239,900	1,800	$133	3.0	2.5	11/26/19
9845 Nature Creek Boulevard	$239,900	1,800	$133	3.0	2.5	9/20/19
9825 Nature Creek Boulevard	$249,600	1,800	$139	3.0	2.5	9/20/19
Average	**$225,358**	**1,658**	**$136**	**3.5**	**2.5**	

Source: Escambia County Property Appraiser; compiled by Weitzman Associates, LLC.

Mossy Oaks Villas is an 18-unit townhome development located at Mossy Oaks Villas Circle in Pensacola, Florida, approximately 12 miles southeast of OLF-8. Mossy Oaks Villas was built in 2018 and there are no amenities.

The residences at Mossy Oaks Villas feature luxury vinyl tile flooring in the living areas and carpeted bedrooms, granite countertops, ceiling fans in the bedrooms, a double vanity sink in the master bathroom, a walk-in closet in the master bedroom, a 1-car garage, central HVAC, and stainless steel appliances.

Based on our review of records from the Escambia County Property Appraiser, there have been 15 townhome sales at Mossy Oaks Villas for an average price of $202,153 or $116 per square foot. The following table summarizes the sales at Mossy Oaks Villas.

TABLE 37

MOSSY OAKS VILLAS

Address	Sale Price	SF	PSF	BR	BA	Sale Date
3500 Mossy Oak Villas Cir	$210,000	1,738	$121	3.0	3.0	1/15/20
3502 Mossy Oak Villas Cir	$200,000	1,738	$115	3.0	3.0	11/27/19
3504 Mossy Oak Villas Cir	$203,000	1,738	$117	3.0	3.0	11/14/19
3505 Mossy Oak Villas Cir	$199,900	1,738	$115	3.0	3.0	6/11/20
3506 Mossy Oak Villas Cir	$201,800	1,738	$116	3.0	3.0	5/24/19
3507 Mossy Oak Villas Cir	$206,000	1,738	$119	3.0	3.0	4/20/20
3508 Mossy Oak Villas Cir	$200,000	1,738	$115	3.0	3.0	2/28/19
3510 Mossy Oak Villas Cir	$201,000	1,738	$116	3.0	3.0	6/17/19
3511 Mossy Oak Villas Cir	$205,000	1,738	$118	3.0	3.0	11/22/19
3512 Mossy Oak Villas Cir	$198,900	1,738	$114	3.0	3.0	7/16/19
3513 Mossy Oak Villas Cir	$207,700	1,738	$120	3.0	3.0	11/15/19
3514 Mossy Oak Villas Cir	$200,100	1,738	$115	3.0	3.0	12/30/19
3515 Mossy Oak Villas Cir	$204,000	1,738	$117	3.0	3.0	3/30/20
3516 Mossy Oak Villas Cir	$189,900	1,738	$109	3.0	3.0	4/15/20
3517 Mossy Oak Villas Cir	$205,000	1,738	$118	3.0	3.0	3/30/20
Average	$202,153	1,738	$116	3.0	3.0	

Source: Escambia County Property Appraiser and Zillow; compiled by Weitzman Associates, LLC.

Note: Bedroom and bathroom counts based on estimates and developer floorplans of similar units due to incomplete data.

Maple Oaks West is a townhome and single-family home development located approximately 12 miles east of OLF-8 and was built in 2018. There are no amenities at Maple Oaks West.

The townhomes at Maple Oaks West feature granite countertops, fenced backyards, a patio, central HVAC, stainless steel appliances, washer and dryer hookups, luxury vinyl tile flooring in the living areas and carpeted bedrooms.

Based on our review of records from the Escambia County Property Appraiser and data from Zillow, we have identified six townhome sales from the last 24 months at Maple Oaks West. These six townhomes sold for an average of $117,867 or $112 per square foot. The following table summarizes these sales.

TABLE 38

MAPLE OAKS WEST

Address	Sale Price	SF	PSF	BR	BA	Sale Date
10492 River Birch Drive	$133,000	1,050	$127	2.0	1.0	1/15/20
10480 River Birch Drive	$116,300	1,050	$111	2.0	1.0	5/7/18
10486 River Birch Drive	$112,000	1,050	$107	2.0	1.0	2/12/18
10487 River Birch Drive	$115,200	1,050	$110	2.0	1.0	4/27/18
10493 River Birch Drive	$114,900	1,050	$109	2.0	1.0	5/9/18
10498 River Birch Drive	$115,800	1,050	$110	2.0	1.0	5/14/18
Average	$117,867	1,050	$112	2.0	1.0	

Source: Escambia County Property Appraiser and Zillow; compiled by Weitzman Associates, LLC.

Note: Bedroom and bathroom counts based on estimates and developer floorplans of similar units due to incomplete data.

Saufley Field Townhomes is a two-story, 48-unit residential townhome development located along Royal Port Circle in Pensacola, Florida, approximately eight miles of OLF-8. Saufley Field Townhomes was completed in August 2017 by 68Ventures and D.R. Horton.

The residences at Saufley Field Townhomes feature luxury vinyl tile flooring, stainless steel appliances, double vanity sink (master bathroom), central HVAC, granite countertops, ceiling fans, laminate countertops, and carpeted bedrooms. There are no amenities at Saufley Field Townhomes.

Based upon records from the Escambia County Property Appraiser, a total of 45 units averaging 1,520 square feet have sold from $149,900 to $171,900 or from $98 to $113 per square foot. The following table summarizes the sales activity at Nature Creek.

TABLE 39

SAUFLEY FIELD TOWNHOMES						
Address	**Sale Price**	**SF**	**PSF**	**BR**	**BA**	**Sale Date**
6004 Royal Port Court	$149,900	1,520	$99	3.0	2.5	3/25/19
6017 Royal Port Court	$149,900	1,520	$99	3.0	2.5	12/6/18
6020 Royal Port Court	$149,900	1,520	$99	3.0	2.5	3/8/19
6024 Royal Port Court	$149,900	1,520	$99	3.0	2.5	3/5/19
6025 Royal Port Court	$149,900	1,520	$99	3.0	2.5	11/16/18
6045 Royal Port Court	$149,900	1,520	$99	3.0	2.5	1/9/19
6048 Royal Port Court	$149,900	1,520	$99	3.0	2.5	1/31/19
6005 Royal Port Court	$150,000	1,520	$99	3.0	2.5	11/2/18
6008 Royal Port Court	$150,000	1,520	$99	3.0	2.5	6/3/19
6052 Royal Port Court	$150,400	1,520	$99	3.0	2.5	3/22/19
6016 Royal Port Court	$150,900	1,520	$99	3.0	2.5	2/21/19
6057 Royal Port Court	$151,000	1,520	$99	3.0	2.5	12/20/18
6036 Royal Port Court	$152,900	1,520	$101	3.0	2.5	2/28/19
6056 Royal Port Court	$152,900	1,520	$101	3.0	2.5	5/8/19
6053 Royal Port Court	$153,000	1,520	$101	3.0	2.5	12/28/19
6080 Royal Port Court	$153,000	1,520	$101	3.0	2.5	6/27/19
6000 Royal Port Court	$153,800	1,520	$101	3.0	2.5	6/14/19
6044 Royal Port Court	$153,900	1,520	$101	3.0	2.5	3/1/19
6076 Royal Port Court	$153,900	1,520	$101	3.0	2.5	7/3/19
6081 Royal Port Court	$153,900	1,520	$101	3.0	2.5	6/7/19
6012 Royal Port Court	$154,900	1,520	$102	3.0	2.5	8/6/19
6072 Royal Port Court	$154,900	1,520	$102	3.0	2.5	6/26/19
6073 Royal Port Court	$154,900	1,520	$102	3.0	2.5	6/10/19
6077 Royal Port Court	$154,900	1,520	$102	3.0	2.5	6/4/19
6040 Royal Port Court	$155,700	1,520	$102	3.0	2.5	6/14/19
6069 Royal Port Court	$156,500	1,520	$103	3.0	2.5	6/24/19
6090 Royal Port Court	$156,700	1,520	$103	3.0	2.5	8/26/19
6091 Royal Port Court	$156,700	1,520	$103	3.0	2.5	8/22/19
6060 Royal Port Court	$157,000	1,520	$103	3.0	2.5	3/15/19
6068 Royal Port Court	$157,000	1,520	$103	3.0	2.5	7/10/19
6028 Royal Port Court	$158,000	1,520	$104	3.0	2.5	5/10/19
6088 Royal Port Court	$159,000	1,520	$105	3.0	2.5	1/15/19
6089 Royal Port Court	$159,000	1,520	$105	3.0	2.5	10/15/19
6084 Royal Port Court	$159,900	1,520	$105	3.0	2.5	6/26/19
6085 Royal Port Court	$159,900	1,520	$105	3.0	2.5	5/23/19
6037 Royal Port Court	$164,000	1,520	$108	3.0	2.5	10/26/18
6021 Royal Port Court	$164,900	1,520	$108	3.0	2.5	9/21/18
6001 Royal Port Court	$165,000	1,520	$109	3.0	2.5	7/30/19
6029 Royal Port Court	$165,000	1,520	$109	3.0	2.5	7/31/18
6032 Royal Port Court	$165,000	1,520	$109	3.0	2.5	1/13/20
6041 Royal Port Court	$165,000	1,520	$109	3.0	2.5	5/28/20
6013 Royal Port Court	$165,700	1,520	$109	3.0	2.5	11/2/18
6064 Royal Port Court	$165,700	1,520	$109	3.0	2.5	6/27/19
6033 Royal Port Court	$171,900	1,520	$113	3.0	2.5	10/26/18
6061 Royal Port Court	$171,900	1,520	$113	3.0	2.5	9/10/18
Average	**$156,622**	**1,520**	**$103**	**3.0**	**2.5**	

Source: Escambia County Property Appraiser; compiled by Weitzman Associates, LLC.

Detached Single-Family

Nature Trail is a 659-lot single-family home development located at 8775 Foxtail Loop in Pensacola, located directly across Nine Mile Road from the OLF8 site. Nature Trail was built in 2015 and features homes built by Classic Homes of Pensacola, ParsCo, Paragon Pensacola, Classic Home Builders, and Mack Custom Homes, among others.

The amenity features at Nature Trail include 375 acres of conservation land, miles of walking trails, and a 6,000 square foot community center with a lounge, swimming pool, tennis courts, playground, and fitness center.

Nature Trail features a collection of three- to five-bedroom homes that are one- to two-stories. Many homes are custom built, and include features such as cathedral ceilings, granite or quartz countertops, formal dining rooms, five-fixture master bathrooms, oak hardwood flooring, gas fireplaces, stainless steel appliances, tiled bathrooms, walk-in closets, ceiling fans, covered or screened in porches, and large backyards – some with pools.

Based on records form the Escambia County Property Appraiser and Zillow, we found 25 homes that sold at Nature Trail in the last seven months. These homes sold for an average of $447,040 or $156 per square foot. The following table summarizes these sales.

TABLE 40

NATURE TRAIL						
Address	Sale Price	SF	PSF	BR	BA	Sale Date
8745 Rush Lane	$290,000	1,847	$157	3.0	2.0	6/24/20
6031 Dahoon Drive	$310,000	1,750	$177	3.0	2.0	12/18/19
8720 Salt Grass Drive	$318,900	2,589	$123	5.0	3.0	12/18/19
5932 Dahoon Drive	$335,000	2,142	$156	4.0	2.0	7/14/20
8525 Salt Grass Drive	$348,500	2,450	$142	3.0	3.0	7/10/20
5622 Lobelia Lane	$350,000	2,585	$135	4.0	3.0	3/2/20
8446 Rose Mallow Way	$375,000	3,052	$123	5.0	3.0	12/23/19
5537 Silverbell Court	$379,900	2,319	$164	4.0	3.0	12/12/19
5832 Swoard Fern Way	$382,000	2,212	$173	4.0	3.0	6/15/20
8585 Salt Grass Drive	$405,000	2,660	$152	4.0	3.0	2/26/20
8494 Foxtail Loop	$410,000	2,643	$155	5.0	3.0	12/31/19
8420 Foxtail Loop	$415,000	2,780	$149	4.0	2.0	4/2/20
5700 Sparkleberry Lane	$416,000	2,937	$142	4.0	3.0	5/22/20
8873 Marsh Elder Drive	$425,000	2,682	$158	3.0	2.0	2/18/20
8739 Spider Lily Way	$429,000	2,619	$164	4.0	3.0	3/18/20
8158 Foxtail Loop	$442,500	2,953	$150	5.0	3.0	4/28/20
8772 Foxtail Loop	$485,000	2,675	$181	4.0	3.0	7/13/20
8714 Salt Grass Drive	$485,000	4,258	$114	6.0	4.0	2/6/20
5612 Lobelisa Lane	$499,000	2,735	$182	4.0	3.0	7/20/20
8537 Foxtail Loop	$519,900	2,870	$181	4.0	3.0	7/2/20
8352 Foxtail Loop	$547,000	2,931	$187	4.0	3.0	12/12/19
5621 Lobelia Lane	$575,000	3,707	$155	5.0	5.0	7/10/20
8775 Spider Lily Way	$632,000	3,680	$172	4.0	3.0	3/23/20
8840 Spider Lily Way	$674,400	3,664	$184	5.0	4.0	4/1/20
8652 Foxtail Loop	$726,900	5,048	$144	5.0	4.0	7/24/20
Average	**$447,040**	**2,872**	**$156**	**4.2**	**3.0**	

Source: Escambia County Property Appraiser and Zillow; compiled by Weitzman Associates, LLC.

Huntington Creek is a 120-lot single-family home development located at 7571 Mobile Highway in Pensacola, Florida, approximately two miles south of OLF-8. Huntington Creek was built in 2014 and features homes built by Westerheim Properties, Classic Homebuilders, Arthur Rutenberg Homes, and Truland Homes.

The Amenity features at Huntington Creek include miles of walking trails, horseback riding trails, and private access to an adjacent county park with a playground and tennis courts.

The residential lots at Huntington Creek have an average width of 90 feet and provide enough space for pools and porches in addition to a single-family home. Based on our review of records from the Escambia

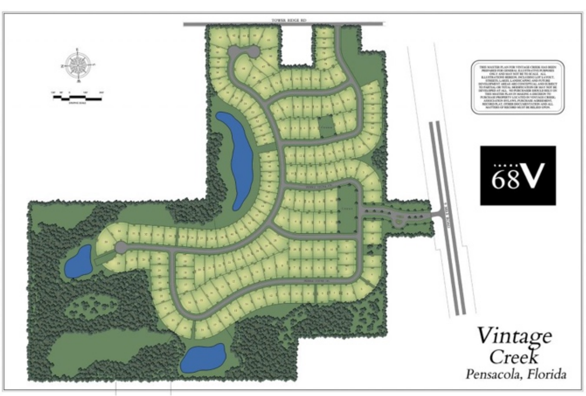
County Property Appraiser, 20 homes have sold at Huntington Creek over the last 12 months. These homes sold for an average of $413,274 or $134 per square foot. The following table summarizes these sales from the last 12 months.

TABLE 41

HUNTINGTON CREEK						
Address	**Sale Price**	**SF**	**PSF**	**BR**	**BA**	**Sale Date**
8072 Thoroughbred Road	$265,000	2,167	$122	4.0	2.0	6/17/20
7956 Huntington Creek Blvd	$289,900	1,999	$145	3.0	3.0	4/30/20
5859 Huntington Creek Blvd	$346,700	2,190	$158	3.0	3.0	5/26/20
7952 Huntington Creek Blvd	$355,800	3,127	$114	5.0	3.0	9/4/19
5955 Huntington Creek Blvd	$356,300	2,643	$135	3.0	3.0	2/25/20
5856 Huntington Creek Blvd	$365,000	2,687	$136	4.0	3.0	10/11/19
6064 Huntington Creek Blvd	$368,000	3,584	$103	4.0	4.0	1/15/20
6038 Huntington Creek Blvd	$374,900	3,445	$109	4.0	4.0	1/27/20
6041 Huntington Creek Blvd	$379,000	3,545	$107	5.0	4.0	2/27/20
6030 Huntington Creek Blvd	$392,175	3,088	$127	5.0	3.0	10/23/19
5917 Huntington Creek Blvd	$397,000	2,794	$142	3.0	3.0	11/26/19
6009 Huntington Creek Blvd	$423,900	3,095	$137	5.0	4.0	10/23/19
5852 Huntington Creek Blvd	$434,200	3,090	$141	5.0	3.0	8/15/19
6041 Huntington Creek Blvd	$435,000	2,520	$173	4.0	3.0	10/22/19
6005 Huntington Creek Blvd	$440,000	3,614	$122	4.0	4.0	1/3/20
6043 Huntington Creek Blvd	$472,400	2,763	$171	3.0	3.0	7/30/19
5920 Huntington Creek Blvd	$489,000	2,942	$166	4.0	3.0	9/12/19
6047 Huntington Creek Blvd	$501,300	3,923	$128	5.0	4.0	10/22/19
6036 Huntington Creek Blvd	$589,900	4,592	$128	5.0	5.0	1/22/20
6017 Huntington Creek Blvd	$590,000	3,664	$161	5.0	4.0	2/28/20
Average	$413,274	3,074	$134	4.2	3.4	

Source: Escambia County Property Appraiser; compiled by Weitzman Associates, LLC.

Note: Bedroom and bathroom counts based on estimates and developer floorplans of similar units due to incomplete data.



Vintage Creek is a 161-lot single-family home development located at 9415 Pebble Stone Drive in Pensacola, Florida, approximately three miles southwest of OLF-8. Vintage Creek was built in 2017 by D.R Horton and 68Ventures.

Amenity features at Vintage Creek include a pool, a clubhouse, a children's playground, and a gated entrance to the property.

The residences at Vintage Creek feature luxury vinyl tile flooring, granite countertops, stainless steel GE appliances, central HVAC, carpeted bedrooms, dual vanity sink (master bathroom), walk-in closets (master bedroom), a 2-car garage, and a covered porch.

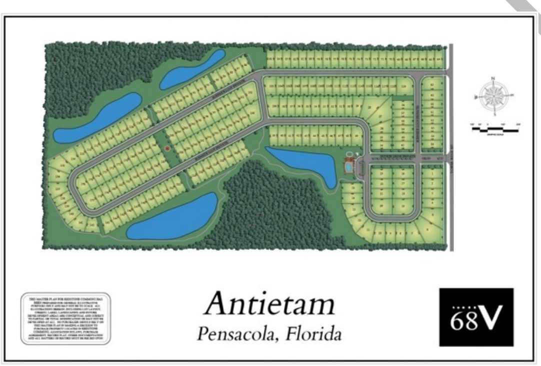
Based on data from Zillow, 13 homes have sold at Vintage Creek over the last 12 months at an average of $380,096 or $118 per square foot. The following table summarizes these sales.

TABLE 42

VINTAGE CREEK

Address	Sale Price	SF	PSF	BR	BA	Sale Date
7961 Stream Ridge Road	$289,900	2,306	$126	4.0	3.0	4/20/20
8043 Stream Ridge Road	$341,100	2,785	$122	4.0	4.0	8/2/19
8032 Stream Ridge Road	$363,800	3,113	$117	5.0	3.0	1/10/20
8051 Stream Ridge Road	$366,800	3,113	$118	5.0	3.0	11/20/19
8039 Stream Ridge Road	$368,375	3,113	$118	5.0	3.0	7/29/19
8063 Stream Ridge Road	$368,800	3,076	$120	5.0	3.0	12/2/19
850 Stream Ridge Road	$375,800	3,047	$123	5.0	3.0	2/18/20
8008 Stream Ridge Road	$381,000	3,127	$122	5.0	3.0	5/25/20
9587 Pebble Stone Drive	$387,000	3,126	$124	5.0	3.0	6/7/20
9206 Oak Crest Drive	$388,800	3,113	$125	5.0	3.0	9/18/19
9466 Pebble Stone Drive	$399,975	3,038	$132	5.0	3.0	7/22/19
9491 Pebble Stone Drive	$454,900	4,425	$103	5.0	4.0	3/30/20
9527 Pebble Stone Drive	$455,000	4,425	$103	5.0	4.0	6/3/20
Average	$380,096	3,216	$118	4.8	3.2	

Source: Zillow; compiled by Weitzman Associates, LLC.



Antiem is a 199-lot single-family home development located at 9800 Tower Ridge Road in Pennsacola, Florida, approximately 2.5 miles west of OLF-8. Phase 1 with 61 homes was completed in May 2018 and Phase 2 with 58 lots should be completed in August 2020. Antietam is being built by 68Ventures and D.R. Horton.

The amenity features at Antiem will include a pool, a clubhouse, a children's playground, and miles of walking trails.

The residences feature luxury vinyl tile flooring throughout, granite countertops, stainless steel appliances, kitchen islands with bar seating, walk-in closets (master bedroom), dual vanity sinks (master bedroom), ceiling fans, and a covered porch.

Based on our review of records from the Escambia County Property Appraiser, we have found 25 sales at Antietam that sold for an average of $265,516 or $109 per square foot. The following table summarizes these sales at Antietam.

TABLE 43

ANTIETAM						
Address	Sale Price	SF	PSF	BR	BA	Sale Date
7576 Burnside Loop	$237,900	2,138	$111	3.0	2.0	7/30/19
7577 Burnside Loop	$259,900	2,441	$106	4.0	3.0	1/15/19
7580 Burnside Loop	$238,900	2,109	$113	3.0	2.0	11/21/19
7581 Burnside Loop	$239,900	1,923	$125	3.0	2.0	4/16/19
7584 Burnside Loop	$229,900	1,918	$120	3.0	2.0	9/10/19
7585 Burnside Loop	$220,000	1,764	$125	2.0	2.0	5/24/19
7588 Burnside Loop	$234,900	2,072	$113	3.0	2.0	7/19/19
7589 Burnside Loop	$234,500	2,038	$115	3.0	2.0	3/27/20
7616 Burnside Loop	$299,900	2,659	$113	4.0	4.0	8/28/19
7612 Burnside Loop	$319,900	3,017	$106	5.0	4.0	9/30/19
7607 Burnside Loop	$279,900	2,639	$106	4.0	4.0	1/24/20
7603 Burnside Loop	$330,500	3,080	$107	5.0	4.0	9/26/19
7620 Burnside Loop	$316,000	3,099	$102	5.0	4.0	6/27/19
7624 Burnside Loop	$277,500	2,621	$106	4.0	4.0	10/28/19
7628 Burnside Loop	$329,700	3,099	$106	5.0	4.0	3/29/19
7632 Burnside Loop	$317,900	3,099	$103	5.0	4.0	6/1/20
7636 Burnside Loop	$279,900	2,639	$106	4.0	4.0	3/20/20
7640 Burnside Loop	$331,800	3,099	$107	5.0	4.0	3/30/20
7675 Burnside Loop	$244,900	2,521	$97	4.0	4.0	3/29/19
7669 Burnside Loop	$220,000	1,896	$116	3.0	2.0	7/12/19
7679 Burnside Loop	$232,900	2,198	$106	3.0	2.0	7/17/19
7680 Burnside Loop	$251,100	2,056	$122	3.0	2.0	8/19/19
7681 Burnside Loop	$251,600	2,332	$108	4.0	3.0	9/16/19
7684 Burnside Loop	$232,000	2,209	$105	3.0	2.0	8/2/19
7685 Burnside Loop	$226,500	2,106	$108	3.0	2.0	9/26/19
Average	$265,516	2,431	$109	3.7	3.0	

Source: Escambia County Property Appraiser; compiled by Weitzman Associates, LLC.

Note: Bedroom and bathroom counts based on estimates and developer floorplans of similar units due to incomplete data.

Deer Run is a 379-lot single-family home development located at 11191 Beulah Road in Pensacola, Florida, approximately two miles northwest of OLF-8. The first phase (The Preserve at Deer Run) of Deer Run was completed in 2018 with 77 homes. Phase 2 (The Sanctuary at Deer Run) will consist of the remaining 302 homes. Deer Run is being developed by D.R Horton.

Amenity features at Deer Run include a resort style pool, and a clubhouse.

The residences at Deer Run feature luxury vinyl tile flooring, granite countertops, stainless steel appliances, central HVAC, carpeted bedrooms, ceiling fans, double vanity sinks (master bathroom), walk-in closet (master bedroom), a laundry room, and a covered porch.

Based on our review of records from the Escambia County Property Appraiser, we have found 25 sales at Deer Run that sold for an average of $269,958 or $99 per square foot. The following table summarizes these sales at Deer Run.

TABLE 44

DEER RUN

Address	Sale Price	SF	PSF	BR	BA	Sale Date
3509 White Tail Lane	$216,500	1,786	$121	4.0	2.0	3/29/2019
11108 Booner Circle	$217,000	1,999	$109	3.0	2.0	3/29/2019
11126 Booner Circle	$224,900	2,060	$109	3.0	2.0	6/29/2018
3515 White Tail Lane	$230,000	2,020	$114	3.0	2.0	3/29/2019
3300 Milo Court	$230,300	1,981	$116	3.0	2.0	11/29/2018
3508 White Tail Lane	$231,900	2,080	$111	3.0	2.0	3/29/2019
3502 White Tail Lane	$246,500	3,079	$80	5.0	3.0	3/29/2019
11140 Booner Circle	$252,900	2,273	$111	4.0	2.5	9/28/2018
11158 Booner Circle	$252,900	2,415	$105	4.0	3.5	9/21/2018
11132 Booner Circle	$257,000	2,621	$98	4.0	3.5	9/14/2018
11170 Booner Circle	$257,900	2,680	$96	4.0	3.5	8/24/2019
3503 White Tail Lane	$258,500	2,687	$96	4.0	3.5	7/11/2019
11102 Booner Circle	$263,000	2,685	$98	4.0	3.5	10/4/2018
3514 White Tail Lane	$265,457	2,995	$89	5.0	3.0	5/31/2019
11114 Booner Circle	$265,900	2,685	$99	4.0	3.5	11/27/2018
3305 Milo Court	$269,400	2,572	$105	4.0	3.5	9/28/2018
3312 Milo Court	$270,000	2,664	$101	4.0	3.5	4/29/2019
11146 Booner Circle	$310,000	3,513	$88	5.0	3.0	2/19/2019
11164 Booner Circle	$310,000	3,438	$90	5.0	3.0	3/25/2019
11152 Booner Circle	$314,900	3,522	$89	5.0	3.0	1/17/2019
3306 Milo Court	$316,300	3,089	$102	5.0	3.0	9/26/2019
3313 Milo Court	$316,300	2,938	$108	5.0	3.0	11/15/2019
3318 Milo Court	$319,900	3,478	$92	5.0	3.0	5/15/2019
3319 Milo Court	$325,000	3,608	$90	5.0	3.0	5/8/2019
11176 Booner Circle	$326,500	3,419	$95	5.0	3.0	2/15/2019
Average	$269,958	2,731	$99	4.2	2.9	

Source: Escambia County Property Appraiser; compiled by Weitzman Associates, LLC.

Note: Bedroom and bathroom counts based on estimates and developer floorplans of similar units due to incomplete data.

<u>For-sale Housing Development Pipeline</u>

Based on our research of development applications in both Escambia and Santa Rosa County, we have identified approximately 42 for-sale housing developments with 2,396 units that are planned have been approved for development. In addition, we identified 12 developments with 692 units that have been proposed for development and are pending application approval. In total, there could be approximately 3,088 for-sale housing units brought to the market in Escambia and Santa Rosa Counties over the next couple of years. We identify which developments are planned and proposed for development in the following table.

TABLE 45

ESCAMBIA AND SANTA ROSA COUNTIES FOR-SALE DEVELOPMENT PIPELINE				
Development	**Address**	**City**	**Units**	**Plans Approved**
Planned				
Woodland Hills	2400 Blk Highway 29	Pensacola	316	4/8/20
Parkwood Commons Phase 2	5285 Parkside Drive	Pace	158	8/8/19
Heather's Place Phase 2	6071 Redberry Drive	Gulf Breeze	141	9/12/19
Turtle Creek Subdivision	2100 Blk Highway 29	Cantonment	139	5/13/20
Hammocks Subdivision	Hust Hammock Road	Pensacola	98	3/25/20
Redfish Harbour PUD	Innerarity Point Road	Pensacola	92	4/22/20
Cambria Phase 1	Guinevere Lane	Milton	92	5/9/19
Bridlewood Phase 3	7465 Steeplechase Boulevard	Pensacola	91	6/10/20
Kaheeley Ridge Phase 1	11975 Beulah Road	Pensacola	86	5/20/20
Arbor Place Phase 1	5910 Danbury Blvd,	Pace	85	10/24/19
Woodlands Phase 1	4320 Village Oak Lane	Pace	77	1/10/19
Brylington Manor	Klondike Road	Pensacola	74	2/26/20
Tidwell Master Plan	909 West Kingsfield Road	Cantonment	68	2/26/20
Katie Ridge	5576 Caden Court	Pace	65	8/22/19
Embers Ridge	3565 Godwin Lane	Bellview	62	1/22/20
Birch Run	9811 Rebel Road	Pensacola	55	4/8/20
Bentley Oaks Phase 2	1700 Bright Leaf Circle	Cantonment	54	5/13/20
Hawks Landing Phase 3	Hawks Landing Circle	Pace	52	7/25/19
Kissimmee Pointe	1180 Bronson Road	Pensacola	50	6/10/20
Ashland Heights Phase 2	8549 Ashland Avenue	Pensacola	49	1/22/20
Sabal Place	7815 Sabra Drive	Pensacola	47	6/10/20
Smith Station Townhomes	807 West Kingsfield Road	Cantonment	46	6/17/20
Kaheeley Ridge Phase 2	11975 Beulah Road	Pensacola	44	5/20/20
Kirkwood Subdivision	200 West Kingsfield Road	Cantonment	42	4/8/20
Queens Gate	1529 Ora Drive	Pensacola	40	4/22/20
Robinson Estates Phase 1	3976 Amble Way	Pace	34	10/10/19
Sunset Pines	2080 Bergren Road	Gulf Breeze	30	6/27/19
Brookhaven Phase 2	Devine Farms Road	Cantonment	28	5/27/20
Paisleigh Place	8365 Bowman Avenue	Pensacola	25	4/8/20
Avallanas Estates	8901 Fowler Avenue	Pensacola	24	1/22/20
Madelyn Woods	10307 Tanton Road	Pensacola	22	5/20/20
Kayless Landing	8565 Bowman Avenue	Pensacola	21	4/1/20
Kassandra Estates	2211 River Birch Road	Gulf Breeze	20	10/24/19
Stephen's Landing	1860 Sunrise Drive	Navarre	17	8/22/19
Nature's Cove Estates Phase 1	Gulf Breeze, FL	Gulf Breeze	17	10/10/19
Pebble Brook	Pawnee Drive	Navarre	11	6/27/19
Airway Trace	9095 Airway Drive	Pensacola	6	3/4/20
Waycross Minor Subdivision	500 Waycross Avenue	Pensacola	5	3/25/20
Griffith Estates East	Kingsfield Road	Pensacola	5	4/29/20
Heather Drive Minor Subdivision	9843 Heather Drive	Cantonment	3	3/4/20
Griffith Estates West	305 Kingsfield Road	Cantonment	3	4/29/20
Williams Minor Subdivision	1979 Tate Road	Cantonment	2	4/29/20
Total	**42**		**2,396**	
Proposed				**Initial DRC Application Date**
Monarch Place	Monarch Lane	Pensacola	137	3/25/20
Bentley Oaks Phase 3	1700 Bright Leaf Circle	Cantonment	82	1/29/20
Cardinal Cove Subdivision	7200 Hillburn Road	Pensacola	81	4/29/20
Sweetbarb Estates	Klondike Road	Pensacola	69	2/5/20
Nautical Landing Subdivision	6000 Blk Milkview Road	Bellview	65	4/15/20
Graystone Estates Phase 3	Nowalk Road	Cantonment	61	1/22/20
McKenzie Ridge Phase 2	909 West Kingsfield Road	Cantonment	52	6/3/20
Westpoint Place Subdivision	500 South Fairfield Drive	Pensacola	46	6/10/20
Isabella Subdivision	13500 Johnson Beach Road	Pensacola	41	4/1/20
Mahogany Woods	293 Roberts Road	Cantonment	37	4/22/20
McKenzie Ridge Phase 1	909 West Kingsfield Road	Cantonment	16	4/8/20
Mills Lake Minor Subdivision	Beullah Road	Pensacola	5	4/22/20
Total	**12**		**692**	
Grand Total	**54**		**3,088**	

Sources: Escambia County Development Review Committee, Santa Rosa County Development Services; compiled by Weitzman Associates, LLC.

FOR-SALE HOUSING COMPARABLES CONCLUSION

There are several examples of new construction townhome and single-family for-sale product within close proximity to OLF-8. We have profiled all of the comparable communities that serve to frame the market for the OLF8 site, although in our view, the best comparables are Nature Creek, Nature Trail, and Antietam.

Nature Creek is the only highly amenitized townhome development in our competitive set. The development launched for sales in 2019 and so far has sold 24 units with another 18 under contract according to the sales team. The development benefits from its location along West 9 Mile Road and its close proximity to Navy Federal Credit Union. Due to its close proximity to the OLF8 site, we believe the OLF8 site should be positioned to achieve similar if not higher pricing than Nature Creek. The OLF8 site should benefit from a superior finish quality, comparable amenity package, as well as more efficient and well-designed floorplans which would enhance the pricing per square foot.

Nature Trail is similar in size to the OLF8 site and its location directly across Nine Mile Road from OLF8 makes it a direct comparable. Nature Trail has 659 single-family homes on large lots and with luxurious finishes such as hardwood floors, quartz and granite countertops, large backyards - some of which feature pools. Nature Trail also has a more robust amenity offering than most single-family subdivisions in the market area. However, many of the homes in Nature Trail were built in 2015. When OLF8 comes to market it will be able to offer new construction homes and a more robust amenity, retail, and wellness offering than Nature Trail which should position OLF8 to achieve a pricing premium.

Antietam is one of the more amenitized single-family development offerings in our competitive set. That being said, Antietam only offers residents a pool, clubhouse, and children's playground. Therefore, the amenity programming of the OLF8 site should position it higher than Antietam. Additionally, Antietam's unit finishes are standard in the market and therefore the OLF8 site will have no problem competing in terms of finish quality. We believe the OLF8 site can achieve a pricing premium compared to Antietam with thoughtful design and modern amenities.

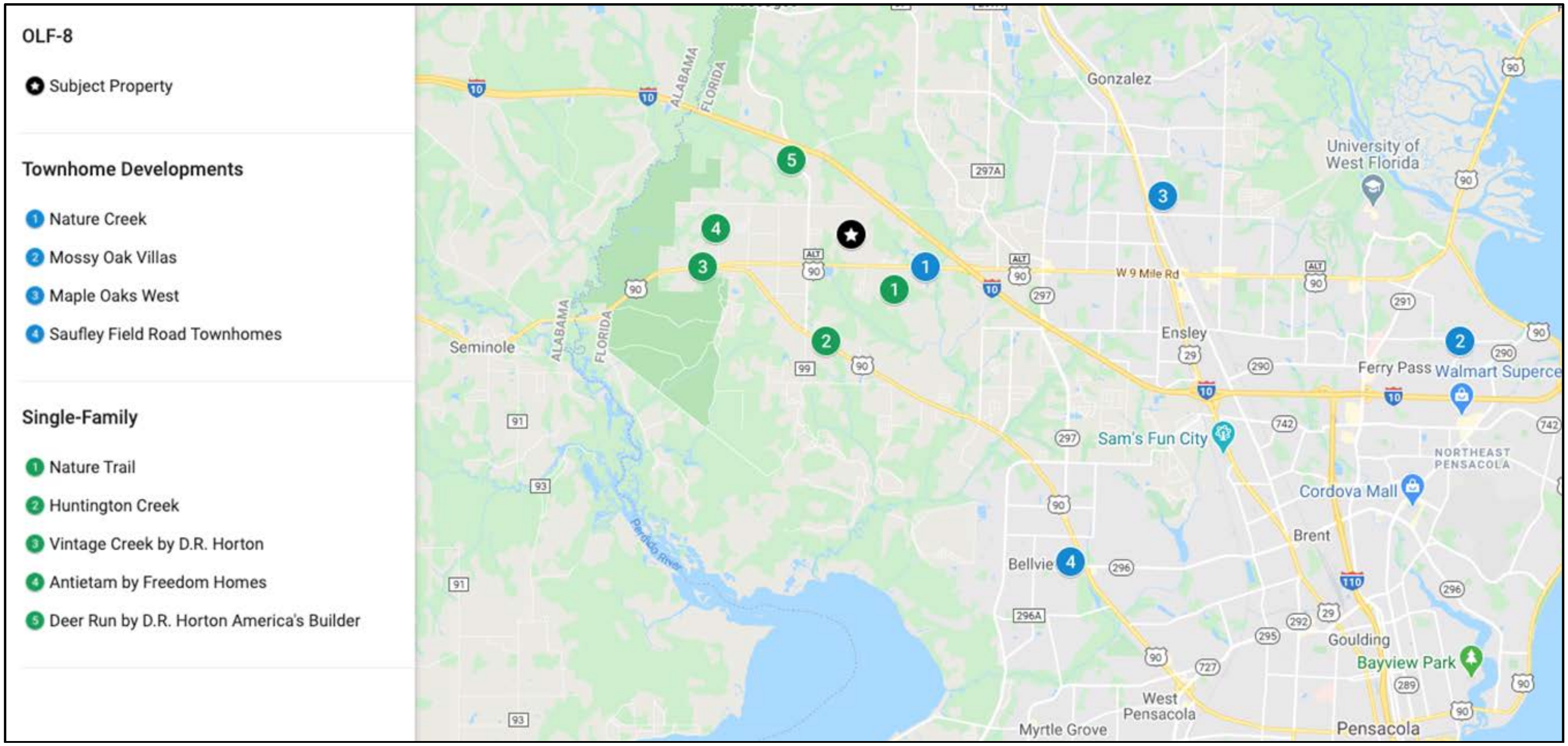
The following table summarizes the recent sales activity at the comparable properties identified herein. A map of the new development for-sale comparables follow.

TABLE 46

FOR-SALE HOUSING COMPARABLES SUMMARY																
	TWO-BEDROOM UNITS				THREE-BEDROOM UNITS				FOUR-BEDROOM UNITS				FIVE-BEDROOM UNITS			
Development	Units	Avg. Price	Avg. SF	Avg. PSF	Units	Avg. Price	Avg. SF	Avg. PSF	Units	Avg. Price	Avg. SF	Avg. PSF	Units	Avg. Price	Avg. SF	Avg. PSF
Townhomes																
Nature Creek	-	-	-	-	12	$225,358	1,658	$136	-	-	-	-	-	-	-	-
Mossy Oaks West	-	-	-	-	15	$202,153	1,738	$116	-	-	-	-	-	-	-	-
Maple Oaks Villas	6	$117,868	1,050	$112	-	-	-	-	-	-	-	-	-	-	-	-
Saufley Field Townhomes	-	-	-	-	45	$156,622	1,520	$103	-	-	-	-	-	-	-	-
Total / Wt. Avg.	**6**	**$117,868**	**1,050**	**$112**	**72**	**$177,564**	**1,588**	**$111**								
Single-Family																
Nature Trail	-	-	-	-	4	$343,375	2,182	$157	13	$445,754	2,703	$165	7	$503,243	3,379	$149
Huntington Creek	-	-	-	-	5	$372,460	2,478	$150	7	$390,986	2,994	$131	8	$458,284	3,516	$130
Vintage Creek	-	-	-	-	-	-	-	-	2	$315,500	2,546	$124	11	$391,841	3,338	$117
Antietam	1	$220,000	1,764	$125	11	$234,409	2,060	$114	7	$270,514	2,550	$106	6	$324,300	3,082	$105
Deer Run	-	-	-	-	5	$226,820	2,028	$112	10	$256,400	2,507	$102	10	$305,086	3,308	$92
Total / W. Avg.	**1**	**$220,000**	**1,764**	**$125**	**25**	**$277,936**	**2,157**	**$128**	**39**	**$349,239**	**2,669**	**$130**	**42**	**$392,759**	**3,335**	**$117**

Source: Escambia County Property Appraiser and Zillow; compiled by Weitzman Associates, LLC.

MAP OF FOR-SALE HOUSING COMPARABLES



Source: Google Maps; compiled by Weitzman Associates, LLC

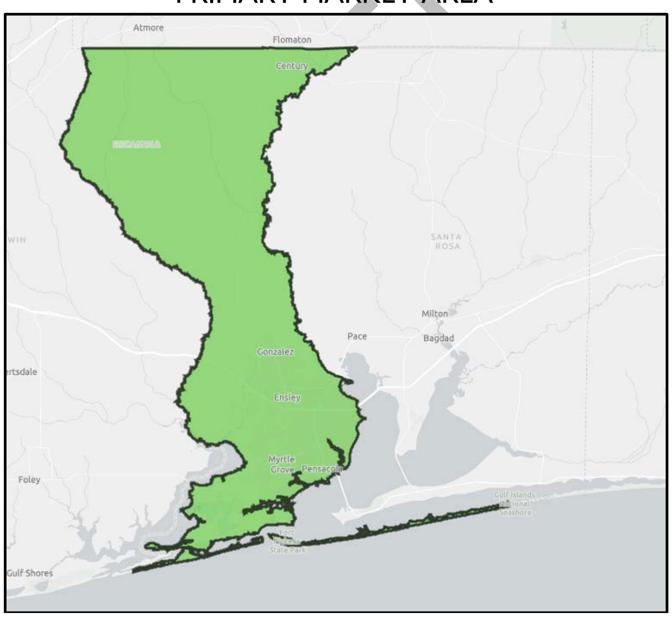
HOUSING DEMAND ANALYSIS

<u>RENTAL HOUSING DEMAND</u>

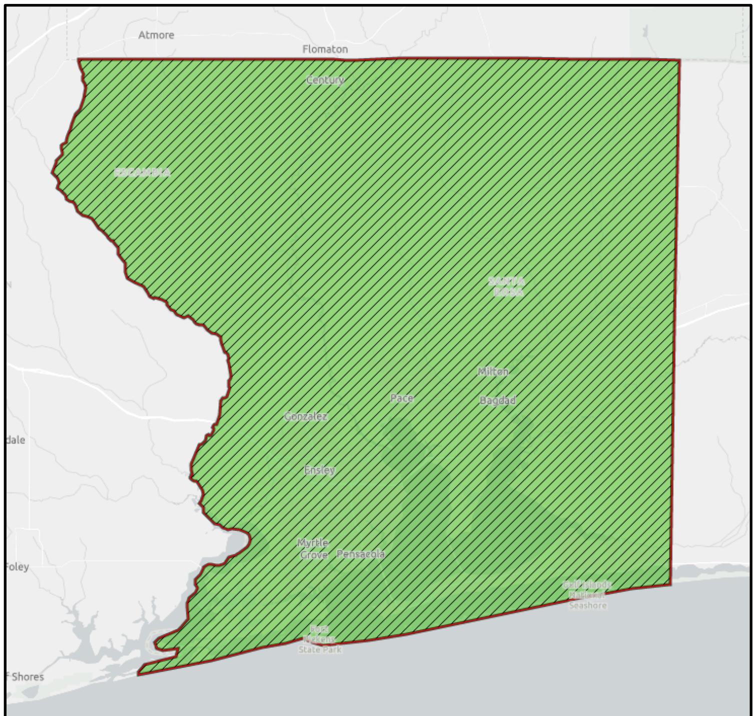
We have attempted to quantify the depth of demand for a potential rental development at the OLF8 site in the greater Pensacola area. This task is accomplished by: (1) estimating the underlying demand for rental housing in the market area; (2) projecting the annual absorption of the housing units at the development; and (3) estimating the percent of total demand that the project must capture in order to achieve the projected level of absorption. Not only does this analysis provide a significant test of overall project marketability and ease of market entry for the homes, but it is an additional quantifying factor in determining the development and investment risk associated with absorption.

We have defined the Primary Market Area from which we believe most of the demand for housing in downtown Pensacola will come. The Primary Market Area comprises all of Escambia County, and the Secondary Market Area comprises all of the Pensacola Metropolitan Statistical Area. We believe that the vast majority of demand for the proposed development will come from households presently living in the Primary Market Area, as those renters who are most likely to choose the housing location are those who already live nearby. The following maps show each defined market area.

PRIMARY MARKET AREA



SECONDARY MARKET AREA



Based upon demographic statistics published by ESRI, a leading GIS and demographics firm, and the U.S. Census Bureau, we have examined the number of households estimated to be seeking housing within the market areas who meet the target market criteria for rental housing at the subject property. We believe the project will attract households earning between $35,000 and $149,999, with a majority of tenants possessing household incomes between $35,000 and $74,999. We have used these income criteria to quantify the number of qualified renter households in the market areas. According to ESRI's analysis, there are a total of 77,220 income-qualified households presently living in the Primary Market Area. In the Secondary Market Area, there are 123,587 households earning between $35,000 and $149,999.

Many of the residents of the proposed development will be renting by choice, having perhaps sold a larger single-family home and not being interested in the costs of ownership at their stage in life. Nevertheless, to be conservative, our analysis considers only those households presently renting. This is particularly conservative because we believe that there is an ongoing structural shift taking place in the United States toward rental housing, whereby otherwise financially qualified households are choosing to rent instead of buying, and in many respects, like a significant portion of the senior community and empty nesters, have no interest in homeownership even if they have the financial means. This trend has been accelerated somewhat by the recently passed tax legislation, which disincentivizes home ownership in many states with higher real estate and state and local income taxes. ESRI regularly publishes data related to housing tenure. The most recent data indicate that 35.8% of all households in the Primary Market Area rent their homes. This ratio is 29.4% in the Secondary Market Area. Applying these ratios to their respective number income qualified homes for both market areas allows us to estimate the total number homes that are both renter and income-qualified. Thus, we have estimated that there are totals of 26,873 households in

Escambia County, and 36,335 in the Pensacola MSA, that are renter and income-qualified households. We note that we believe additional support for rental housing at OLF8 will come from those who presently own a home.

The calculation for determining household demand is based upon several components: internal mobility within a market area (a household changing their housing situation within the market), the anticipated household growth constituting new households coming from outside the market area, and new households being created within the market area. A conservative estimated internal mobility rate of 25.0% was applied to determine annual internal demand, effectively quantifying the number of renter households annually that are likely to change their housing situation. This is based loosely on the fact that the turnover rate at typical apartment communities throughout the United States is 35% to 50% depending on the market circumstances. Therefore, we have estimated a turnover rate of 25%. We acknowledge that this is quite conservative due to the typical turnover at apartment communities in the periphery of Pensacola, where turnover is often above 70%. It is therefore conservative to forecast that at least one in four tenants will consider changing housing in any given year. Overall, the total internal mobility indicated that 6,718 existing income-qualified households in Primary Market Area would seek new housing in any given year, while this number grows to 9,084 in the Secondary Market (which includes the Primary Market Area).

We then quantified the number of new income-qualified households projected to be created within each Market Area, which is based upon the projected annual household growth rates among our target households. In the Primary Market Area, the household growth rate is projected to be 1.1% annually. The rate is 1.3% in the Secondary Market Area as a whole. These rates are reflective of a growing community with growing incomes. These growth rates present an estimated 301 and 484 new renter households annually in each market area, respectively.

Based upon household growth and internal mobility within each market area, among households meeting our target criteria, we are able to measure the potential number of qualified households seeking rental housing in any given year. This is then compared with several scenarios of total annual absorption at the development in order to gauge the portion of the potential demand that the project must capture in order to be absorbed by the market readily. Based upon our experience, resulting capture rates should be approximately 7.0% or less in order for the development to be readily absorbed in the market. Those developments requiring a capture rate of approximately 10.0% or more tend to have a more difficult time entering the market.

As shown in the following table, there are estimated to be 7,019 income-qualified households seeking new rental housing in the Primary Market Area during any given year. In the Secondary Market Area, there are projected to be 9,567 qualified households seeking new rental housing in any given year. We note that among households earning between $35,000 and $74,999, the expected income range of the majority of tenant households, there are estimated to be 4,006 households seeking new rental housing in the Primary Market Area and 5,142 households in the Secondary Market Area seeking new rental housing in any given year. Projecting absorption scenarios at the rates of twenty, twelve, and eight units leased per month, the resulting capture rates, given the estimated annual qualified housing demand, indicate demographic support for the project's absorption at a pace of up to twenty units per month, if relying solely on demand from the Primary Market Area. The capture rate in the Primary Market Area is 3.4% at an absorption pace of twenty units per month. If relying also on demand from the Secondary Market Area, the demographics support absorption at a pace exceeding twenty units per month, with the capture rate at this level being only 2.5%.

There is significant demographic depth of demand among renter households earning incomes between $35,000 and $149,999, and assuming that the subject property can capture market awareness and gain the interest of the majority of renter households that may be seeking housing in any given year, it is likely that the project will be able to capture more than its fair share of market demand.

TABLE 47

RENTAL HOUSING DEMAND ANALYSIS Households Earning between $35,000 and $149,999 Annually by Household Income, 2020 Estimate		
	PRIMARY MARKET AREA Escambia County	**SECONDARY MARKET AREA** Pensacola MSA
Total Households		
$35,000 - $49,999	21,646	31,188
$50,000 - $74,999	23,739	37,422
$75,000 - $99,999	16,584	26,688
$100,000 - $149,999	15,251	28,289
Total Income Qualified Households	77,220	123,587
Ratio of Rental Households	34.8%	29.4%
Total Renter Households	26,873	36,335
Household Mobility Rate	25%	25%
Total Estimated Internal Mobility	6,718	9,084
Annual Household Growth Rate (2020-2025)	1.1%	1.3%
Annual Household Growth	301	484
Total Housing Demand	**7,019**	**9,567**
Projected Annual Capture Rate @ 96 Units per Year (8 Units per Month)	1.4%	1.0%
Projected Annual Capture Rate @ 144 Units per Year (12 Units per Month)	2.1%	1.5%
Projected Annual Capture Rate @ 240 Units per Year (20 Units per Month)	3.4%	2.5%

Source: ESRI; American Community Survey projections by Weitzman Associates, LLC

Rental Housing Demand Scenario Analysis

As previously discussed in the rental apartment market analysis section and displayed again in the following table, there are several multifamily projects currently in the planning process. While it is uncertain how many of the following projects will actually be built, especially given the ongoing economic uncertainties, it is important to consider the impact of potential supply saturation on capture rates in the unlikely event that a large number of superior competitive apartments deliver concurrently with a proposed OLF8 apartment development.

TABLE 48

NOTABLE DEVELOPMENT APPLICATIONS AND MEETINGS - ESCAMBIA COUNTY
2019 - 2020

Project Name	Project Address	Application Status	County Meeting Date
Magnolia Square Apartments	2879 Olive Rd	Final DRC Application	7/15/2020
Magnolia Square Apartments	2879 Olive Rd	Initial DRC Applications	6/17/2020
Woodlands Apartments	8221 Pitman Ave	Pre Application Meeting	3/25/2020
Pathstone Apartments	3411 W Nine Mile Rd	Initial DRC Applications	2/5/2020
Sorrento Road Apartments	10605 Sorrento Rd	Pre Application Meeting	2/5/2020
Nine Mile Apartments	1559 W Nine Mile Rd	Initial DRC Application	12/18/2019
Johnson Ave Apartments	2425 E Johnson Ave	Initial DRC Application	12/11/2019
Highway 98 Apartments	7201 Highway 98 West	Pre-Application Meeting	12/4/2019
Union Point Apartments	Nine Mile Rd	Initial DRC Application	10/23/2019
Commercial/Residential Development	6400 Blk Hwy 29	Pre-Application Meeting	10/9/2019
Pathstone Apartments	3411 W Nine Mile Rd	Pre-Application Meeting	8/28/2019
Untreiner Apartments	8900 Blk Untreiner Ave	Initial DRC Application	7/24/2019
Fairfield Apartments	4710 W Fairfield Dr	Final DRC Application	6/26/2019
Blue Angel Multi-Family	7000 Blue Angel Pkwy	Pre-Application Meeting	6/12/2019
Coast Road Apartments	50 Coast Road	Pre-Application Meeting	5/15/2019

Escambia County Development Review Committee; compiled by Weitzman Associates, LLC

As shown in the previous table, there are at least approximately 13 apartment projects currently in some stage of the planning process, as well as the proposed second phase to the Inspire Apartments (not listed in the table). As previously noted, details for these projects are limited at present, including scale and potential competitive position. In an effort to test the true depth of demand that currently exists for rental housing in the Pensacola market, we have assumed an unlikely hypothetical scenario in which seven (approximately half) of these planned projects are developed, begin leasing at an overlapping time period, and are superior to a hypothetical OLF8 apartment development in the sense that new apartments at OLF8 are unable to compete for the same target households as the competitive properties. If we also assumed that the seven competitive properties each delivered 275 units to the market, which is the approximate average scale of our profiled comparable rental properties, there would be approximately 1,925 fewer target households in each market area for new apartments at OLF8 to compete for.

As detailed in the following table, even with 1,925 fewer target households in each market area, the resulting capture rates, given the estimated annual qualified housing demand, still indicate demographic support for the project. If relying solely on demand from the Primary Market Area, the project's absorption continues to be supported up to a pace of approximately twenty units per month, as the capture rate in this scenario is estimated at 4.7%. If relying also on demand from the Secondary Market Area, the capture rate at this level of absorption is 3.1%.

TABLE 49

RENTAL HOUSING DEMAND SCENARIO 1,925 Less Target Households Capture Rate Impact		
	PRIMARY MARKET AREA Escambia County	**SECONDARY MARKET AREA** Pensacola MSA
Total Housing Demand	**7,019**	**9,567**
Less: New Competitive Units	1,925	1,925
Remaining Housing Demand	**5,094**	**7,642**
Projected Annual Capture Rate @ 96 Units per Year (8 Units per Month)	1.9%	1.3%
Projected Annual Capture Rate @ 144 Units per Year (12 Units per Month)	2.8%	1.9%
Projected Annual Capture Rate @ 240 Units per Year (20 Units per Month)	4.7%	3.1%

Source: ESRI; American Community Survey projections by Weitzman Associates, LLC

FOR-SALE HOUSING DEMAND

We have also attempted to quantify the depth of demand for a potential for-sale housing development at the subject property. This utilizes the same methodology and market areas as in the rental housing demand analysis, although a few assumptions regarding the target demographic are different.

We believe households from a higher income demographic (i.e. those earning $75,000 or more annually) will be attracted to a for-sale housing component of the project assuming unit pricing is appropriate and mortgage financing is readily obtainable.

In the same way that we only considered current renters in the rental housing demand analysis, this for-sale housing demand analysis includes only those households who presently own a home in each of the previously defined market areas. Of the 42,238 income-qualified households presently living in the Primary Market Area, ESRI estimates that 51.2% are current homeowners. Of the 74,652 income-qualified households presently living in the Secondary Market Area, ESRI estimates that 57.4% are current homeowners. This translates to an estimated 21,626 income-qualified owner households in the Primary Market Area and 42,850 income-qualified owner households in the Secondary Market Area.

Internal mobility is markedly different for homeowners than for renters. According to the 2019 Annual Social and Economic Supplement to the Current Population Survey, provided by the Census, approximately 4.9% of homeowners in the US moved between 2018 and 2019, about one-fourth the number of renters that moved during the same period. Using this logic, we have applied an estimated internal mobility rate of 7.0% to determine annual internal demand within the defined local market areas, effectively quantifying the number of owner households annually that are likely to change their housing situation. Overall, the total internal mobility indicated that 1,514 existing income-qualified households in Primary Market Area would seek new housing in any given year, while this number grows to 3,000 in the Secondary Market (which includes the Primary Market Area).

We then quantified the number of new income-qualified households projected to be created within each Market Area using the method as used in the rental housing demand analysis. The number of owner households earning incomes within our targeted range is projected to increase by an estimated 2.6%, or by 567 households, each year in the Primary Market Area and by 2.8%, or by 1,215 households, each year in the Secondary Market Area.

Based upon household growth and internal mobility within each market area, among households meeting our target criteria, we are able to measure the total potential number of qualified households seeking housing in any given year. As in the rental housing demand analysis, this is then compared with several scenarios of total annual absorption at the development in order to gauge the portion of the potential demand that the project must capture in order to be absorbed by the market readily. Resulting capture rates of approximately 7.0% or less indicate the potential for relatively easy absorption by the market.

As shown in the following table, there are estimated to be 2,081 income-qualified owner households seeking new housing in Primary Market Area during any given year. In the Secondary Market Area, there are projected to be 4,215 qualified households seeking new housing in any given year.

Applying lower absorption scenarios than in the rental housing demand analysis, at the rates of 96, 48, and 24 units sold per year, the resulting capture rates given the estimated annual qualified housing demand are low and support absorption at these levels. The capture rates are 4.6%, 2.3%, and 1.2% at absorption rates of 96, 48, and 24 units per year, respectively, in the Primary Market Area. These capture rates are acceptable and suggest that an absorption rate up to eight units per month (96 per year) could theoretically be supported by the Primary Market Area alone. The capture rates in the Secondary Market Area are even more favorable at no more than 2.3%.

The following table summarizes our demand analysis calculations in the for-sale housing scenario.

TABLE 50

FOR-SALE HOUSING DEMAND ANALYSIS All Households Earning above $75,000 Annually by Household Income, 2020 Estimate		
	PRIMARY MARKET AREA Escambia County	**SECONDARY MARKET AREA** Pensacola MSA
Total Households		
$75,000 - $99,999	16,584	26,688
$100,000 - $149,999	15,251	28,289
$150,000 - $199,999	4,227	8,360
$200,000 +	6,176	11,315
Total Income Qualified Households	42,238	74,652
Ratio of Owner Households	51.2%	57.4%
Total Owner Households	21,626	42,850
Household Mobility Rate	7%	7%
Total Estimated Internal Mobility	1,514	3,000
Annual Household Growth Rate (2020-2025)	2.6%	2.8%
Annual Household Growth	567	1,215
Total Housing Demand	**2,081**	**4,215**
Projected Annual Capture Rate @ 24 Units per Year (2 Units per Month)	1.2%	0.6%
Projected Annual Capture Rate @ 48 Units per Year (4 Units per Month)	2.3%	1.1%
Projected Annual Capture Rate @ 96 Units per Year (8 Units per Month)	4.6%	2.3%

Source: ESRI; American Community Survey projections by Weitzman Associates, LLC

FOR-SALE HOUSING DEMAND SCENARIO ANALYSIS

Using a similar methodology as in our rental housing demand scenario analysis, we have attempted to test the true depth of demand that currently exists for for-sale housing in the Pensacola market by assuming an unlikely scenario in which a great number of superior competitive for-sale housing projects are developed in a similar time period to a hypothetical for-sale housing development on the OLF8 site.

As previously discussed in the for-sale housing market analysis section, there are estimated to be approximately 3,088 for-sale housing units at various stages of the development pipeline. In this hypothetical scenario, we have assumed that approximately half (1,550) of these planned units are developed and begin to sell at an overlapping time period, and are superior to a hypothetical OLF8 for-sale housing development in the sense that new housing units at OLF8 are unable to compete for the same target households as the competitive units. In this scenario, there would be approximately 1,550 fewer target households in each market area for new for-sale housing units at OLF8 to compete for.

As detailed in the following table, with 1,550 fewer target households in each market area, the resulting capture rates, given the estimated annual qualified housing demand, indicate demographic support for the project's absorption between approximately two and four units sold per month, if relying solely on demand from the Primary Market Area, as the resulting capture rates at this pace are between 4.5% and 9.0%, respectively. While this is less than in our base demand analysis, we note that the demographics support absorption at a pace of up to approximately eight units sold per month or more, the same as in our base demand analysis, if relying also on demand from the Secondary Market Area. The resulting capture rate at this pace is approximately 3.6% in this scenario.

TABLE 51

FOR-SALE HOUSING DEMAND SCENARIO 1,550 Less Target Households Capture Rate Impact	PRIMARY MARKET AREA Escambia County	SECONDARY MARKET AREA Pensacola MSA
Total Housing Demand	**2,081**	**4,215**
Less: New Competitive Units	1,550	1,550
Remaining Housing Demand	**531**	**2,665**
Projected Annual Capture Rate @ 24 Units per Year (2 Units per Month)	4.5%	0.9%
Projected Annual Capture Rate @ 48 Units per Year (4 Units per Month)	9.0%	1.8%
Projected Annual Capture Rate @ 96 Units per Year (8 Units per Month)	18.1%	3.6%

Source: ESRI; American Community Survey projections by Weitzman Associates, LLC

RETAIL MARKET ANALYSIS

Weitzman Associates has researched the retail market in Pensacola in support of its determination of the appropriate product recommendations, pricing, and absorption assumptions that should be utilized in underwriting a potential retail development at the OLF8 site.

EXECUTIVE SUMMARY

Based on our research of the retail market, our findings are summarized as follows:

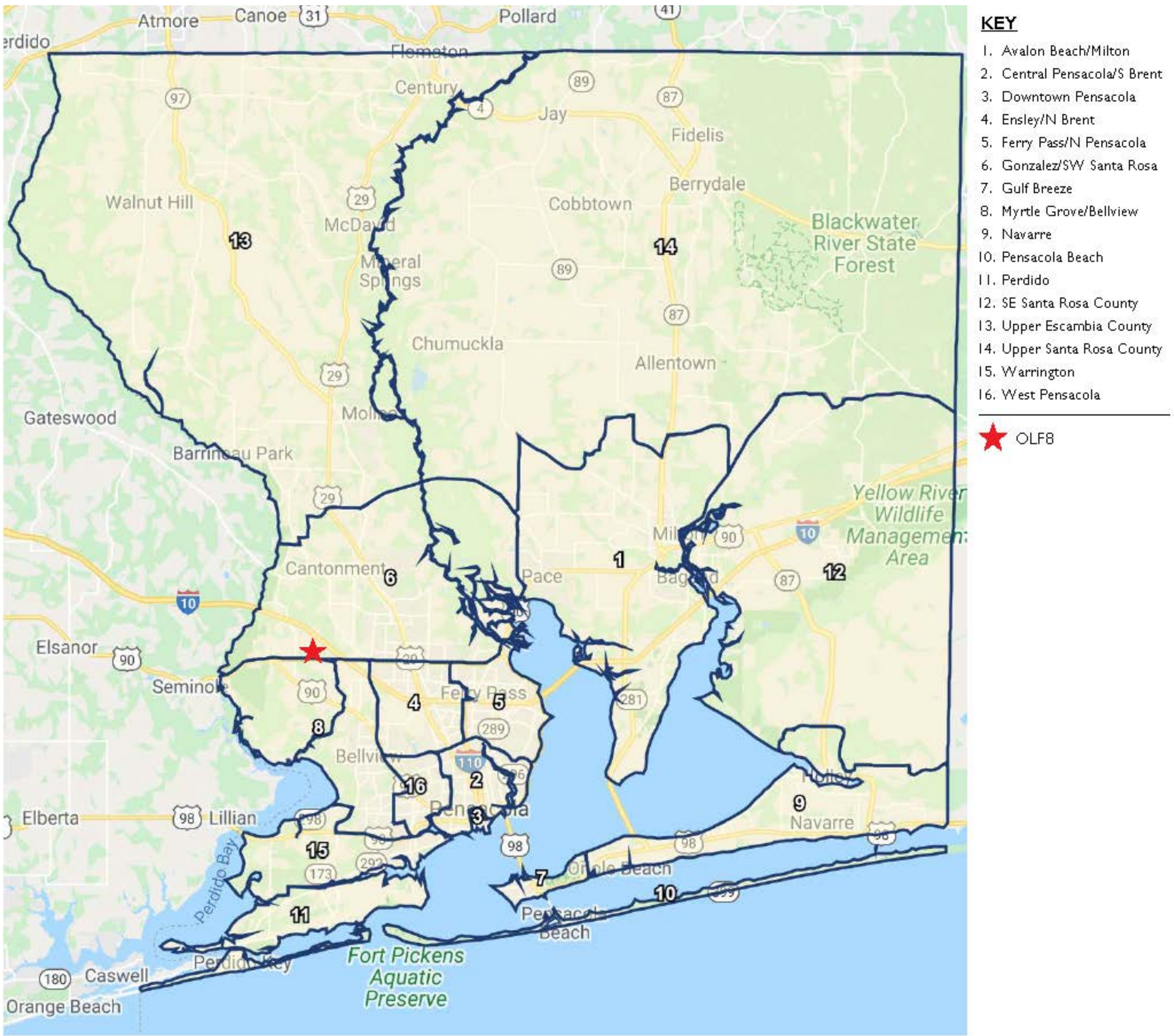
- **Rental rates are near the market average in nearby submarkets, while vacancy rates are below average.** Retail rental rates average $13.20 per square foot per year in the Gonzalez/SW Santa Rosa submarket and $13.31 per square foot per year in the Myrtle Grove/Bellview submarket as of June 2020, according to CoStar – which are both near the current market average of $14.00. Retail vacancy rates average 2.1% in the Gonzalez/SW Santa Rosa submarket and $1.4% in the Myrtle Grove/Bellview submarket compared to the current market average of $3.4%.

- **There is strong support for retail uses at OLF8.** There is currently very limited retail surrounding the Navy Federal campus, which is adjacent to OLF8. Precedent for an array of retail uses surrounding the Pensacola campus is set by the dense retail offerings surrounding the Navy Federal headquarters in Vienna, Virginia. We note that there is retail planned in immediate area of OLF8 and the Pensacola Navy Federal campus, including a Publix-anchored development on the southeast corner of Nine Mile and Beulah roads as well as an undetermined amount of retail space proposed as a part of future phases of the Inspire Apartments development project at 3811 West Nine Mile Road. Nevertheless, it is evident from our research that there is significant opportunity at OLF8 to offer necessity-based retail and consumer services to Navy Federal employees as well as on-site and nearby residents. Evolving consumer preferences and COVID-19 will influence the types of destination-based retail that can succeed at OLF8.

RETAIL MARKET OVERVIEW

CoStar breaks up the Pensacola retail market into 16 submarkets as shown on the following map. The OLF8 site is in submarket six (6) of the defined area, known as the Gonzalez/SW Santa Rosa retail submarket, near the boundary of submarket eight (8), known as Myrtle Grove/Bellview.

MAP OF PENSACOLA RETAIL SUBMARKETS



Source: CoStar

<u>PENSACOLA RETAIL SUBMARKETS</u>

According to CoStar, overall retail space in the Pensacola market has grown every year since 2008, increasing by approximately 1.8 million square feet from 2008 to 2020 year-to-date, representing a compounded annual growth rate of 0.5%. Over the past eleven years, inventory additions have exceeded 75,000 square feet every year except once, in 2010, when net inventory increased by 72,274 square feet. The largest net inventory increase in the past eleven years occurred in 2008, when 588,920 square feet of retail space was added to inventory. Approximately 291,629 square feet of retail space was added in 2018, the largest addition since 2008.

From 2008 to 2020 year-to-date, net absorption was mostly positive and often greater than the magnitude of inventory additions. Inventory increased approximately 1.8 million square feet since 2008 (as mentioned), while total net absorption was around 2.2 million square feet.

Net inventory growth has slowed in 2020 and is projected by CoStar to remain at reduced levels through 2021, coinciding with negative absorption projections in 2020 and 2021. However, the supply of and demand for new retail space is expected to return to near-historical levels by 2022 and remain at near historical levels through 2024.

The following table outlines historical annual inventory and net absorption trends from 2008 and projected through 2024.

TABLE 52

PENSACOLA MARKET OVERALL SUPPLY & DEMAND					
	Inventory			Net Absorption	
Year	Sq. Ft	Growth Sq. Ft	Growth Percent	Sq. Ft	Percent of Inventory
2008	28,833,419	588,920	-	578,107	2.0%
2009	29,100,676	267,257	0.9%	(158,312)	-0.5%
2010	29,172,950	72,274	0.2%	16,204	0.1%
2011	29,321,091	148,141	0.5%	226,402	0.8%
2012	29,465,685	144,594	0.5%	333,431	1.1%
2013	29,569,247	103,562	0.4%	279,841	0.9%
2014	29,695,308	126,061	0.4%	186,598	0.6%
2015	29,841,120	145,812	0.5%	67,760	0.2%
2016	29,973,795	132,675	0.4%	592,255	2.0%
2017	30,262,843	289,048	1.0%	92,272	0.3%
2018	30,554,472	291,629	1.0%	328,678	1.1%
2019	30,635,839	81,367	0.3%	123,703	0.4%
YTD	30,661,951	26,112	0.1%	75,122	0.2%
2020	30,669,461	33,622	0.1%	(180,196)	-0.6%
2021	30,728,668	59,207	0.2%	(31,930)	-0.1%
2022	30,841,988	113,320	0.4%	202,672	0.7%
2023	30,993,997	152,009	0.5%	182,477	0.6%
2024	31,126,622	132,625	0.4%	134,137	0.4%

(1) Shaded values are projected

Source: Costar; compiled by Weitzman Associates, LLC

Retail inventory growth is concentrated in north and east submarkets outside of downtown Pensacola. The Ferry Pass/N Pensacola submarket (5 on the previous map) experienced the most deliveries in the market over the past 12 months, followed by the Avalon Beach/Milton (submarket 1), Upper Santa Rosa County (14) and Navarre (9) submarkets. The Myrtle Grove/Bellview submarket (8) has the most retail space under construction, followed by the Avalon Beach/Milton (1) and Central Pensacola/S Brent (2) submarkets.

The following table summarizes inventory and construction in the 16 submarkets that make up the Pensacola retail market.

TABLE 53

PENSACOLA AREA, RETAIL TRENDS
SUBMARKET INVENTORY

Submarket	Inventory No. of Buildings	Inventory Sq. Ft in Thousands	Inventory Percent of Market	12 Month Deliveries No. of Buildings	12 Month Deliveries Sq. Ft. in Thousands	12 Month Deliveries Percent of Market	Under Construction No. of Buildings	Under Construction Sq. Ft. in Thousands	Under Construction Percent of Market
Avalon Beach/Milton	463	4,005	13.1%	2	13	0.3%	1	6	0.2%
Central Pensacola/S Brent	628	3,957	12.9%	0	0	0%	1	5	0.1%
Downtown Pensacola	156	1,032	3.4%	0	0	0%	0	-	-
Ensley/N Brent	428	3,361	11.0%	0	0	0%	0	-	-
Ferry Pass/N Pensacola	458	6,732	22.0%	3	15	0.2%	0	-	-
Gonzalez/SW Santa Rosa	253	1,695	5.5%	3	6	0.4%	0	-	-
Gulf Breeze	52	666	2.2%	0	0	0%	0	-	-
Myrtle Grove/Bellview	184	1,257	4.1%	0	0	0%	1	62	4.9%
Navarre	282	2,552	8.3%	2	8	0.3%	0	-	-
Pensacola Beach	31	268	0.9%	0	0	0%	0	-	-
Perdido	44	465	1.5%	0	0	0%	0	-	-
SE Santa Rosa County	19	91	0.3%	0	0	0%	0	-	-
Upper Escambia County	43	275	0.9%	0	0	0%	0	-	-
Upper Santa Rosa County	21	136	0.4%	1	9	6.7%	0	-	-
Warrington	123	1,241	4.0%	0	0	0%	1	4	0.3%
West Pensacola	434	2,923	9.5%	0	0	0%	0	-	-

*Shaded sections indicate most relevant / proximate submarkets to subject site

Source: CoStar; compiled by Weitzman Associates, LLC

Overall retail asking rents in the Pensacola market decreased from $13.46 per square foot in 2008 to $12.22 in 2011 at a compounded annual rate of -3.17% before increasing every year through 2019. Retail asking rates were $14.00 per square foot on average as of year-end 2019, representing a compounded annual growth rate of 1.87% since 2011. Vacancy rates trended downward from a 2010 peak of 6.67%, decreasing an average of 0.58% per year to 3.18% in 2016. The overall retail vacancy rate increased in 2017 to 3.80%, but has since fallen to 3.24% as of June 2020.

Retail asking rent growth has slowed on average in 2020 and is projected by CoStar to decrease by 12.64% by year-end compared to the 2019 average. Rents are projected to recover in 2021 and surpass 2019 levels by 2022. The average retail vacancy rate is projected to increase in 2020 and 2021 to a peak of 4.40% in 2021 before beginning to trend downward again.

The following table summarizes overall rent and vacancy trends for the Pensacola retail market from 2008 and projected to 2024.

TABLE 54

PENSACOLA MARKET
OVERALL RENT & VACANCY

	Gross Asking Rent		Vacancy		
Year	Per Sq. Ft	Percent Growth	Sq. Ft	Percent	Percent Change
2008	$13.46	-	1,463,159	5.07%	-
2009	$12.87	-4.38%	1,888,728	6.49%	1.42%
2010	$12.41	-3.57%	1,944,798	6.67%	0.18%
2011	$12.22	-1.53%	1,765,744	6.02%	-0.64%
2012	$12.30	0.65%	1,576,907	5.35%	-0.67%
2013	$12.44	1.14%	1,400,628	4.74%	-0.61%
2014	$12.69	2.01%	1,340,091	4.51%	-0.22%
2015	$12.98	2.29%	1,419,845	4.76%	0.25%
2016	$13.23	1.93%	953,063	3.18%	-1.58%
2017	$13.57	2.57%	1,149,839	3.80%	0.62%
2018	$13.84	1.99%	1,084,720	3.55%	-0.25%
2019	$14.00	1.16%	1,042,384	3.40%	-0.15%
YTD	$14.00	0.00%	993,374	3.24%	-0.16%
2020	$12.23	-12.64%	1,257,243	4.10%	0.70%
2021	$13.84	13.16%	1,351,300	4.40%	0.30%
2022	$14.17	2.38%	1,258,234	4.08%	-0.32%
2023	$14.28	0.78%	1,221,266	3.94%	-0.14%
2024	$14.29	0.07%	1,212,841	3.90%	-0.04%

(1) Shaded values are projected

Source: Costar; compiled by Weitzman Associates, LLC

Retail rents are highest on average in and near the urban core, as is expected in any metropolitan area, with the Downtown Pensacola submarket (3) commanding the highest asking rent, followed by Gulf

Breeze (7), Perdido (11) and Ferry Pass/N Pensacola (5) submarkets. The lowest asking rents on average are found in the West Pensacola (16) and Upper Escambia County (14) submarkets. Retail asking rents across the 16 submarkets that make up the Pensacola market ranged from $10.54 (West Pensacola) to $17.78 per square foot (Downtown Pensacola).

Average retail rent growth over the past 12 months was strongest in the Gulf Breeze submarket (7), followed by the Pensacola Beach (10), Perdido (11) and Navarre (9) submarkets. Rent growth was weakest in the SE Santa Rosa County (12) and Upper Santa Rosa County (14) submarkets. Only one submarket, SE Santa Rosa County (12), saw negative retail rent growth over the past 12 months, whereas nearly two-thirds (10 out of 16) of the submarkets that make up the Pensacola retail market experienced a decline in average asking rents on a quarterly basis. Annual retail rent growth over the past 12 months ranged from -0.9% (SE Santa Rosa County) to +1.9% (Gulf Breeze).

The following table summarizes average asking rents and rent growth in the 16 submarkets that make up the Pensacola retail market.

TABLE 55

PENSACOLA AREA, RETAIL TRENDS
SUBMARKET RENT

Submarket	Gross Asking Rent Per Sq. Ft.	12 Month Asking Rent Growth Percent	Annualized Quarterly Rent Growth Percent
Avalon Beach/Milton	$12.26	0.5%	-0.5%
Central Pensacola/S Brent	$11.50	0.4%	-2.5%
Downtown Pensacola	$17.78	0.5%	-0.2%
Ensley/N Brent	$12.48	0.8%	0.2%
Ferry Pass/N Pensacola	$17.44	0.9%	-0.7%
Gonzalez/SW Santa Rosa	$13.20	0.6%	-1.5%
Gulf Breeze	$17.65	1.9%	4.4%
Myrtle Grove/Bellview	$13.31	0.7%	0.3%
Navarre	$16.52	1.0%	1.0%
Pensacola Beach	$16.06	1.8%	3.9%
Perdido	$17.46	1.1%	0.1%
SE Santa Rosa County	$13.14	-0.9%	-2.6%
Upper Escambia County	$11.31	0.6%	-0.4%
Upper Santa Rosa County	$13.75	0.1%	-0.7%
Warrington	$11.86	0.7%	-0.1%
West Pensacola	$10.54	0.8%	-1.0%

*Shaded sections indicate most relevant / proximate submarkets to subject site

Source: CoStar; compiled by Weitzman Associates, LLC

The Perdido (11), Downtown Pensacola (3) and Myrtle Grove/Bellview (8) submarkets had the lowest vacancy rates on average at 0.2%, 0.9% and 1.4%, respectively. The Central Pensacola/S Brent (2), Avalon Beach/Milton (1), and Gulf Breeze (7) submarkets had the highest vacancy rates on average at 6.6%, 5.7% and 5.7%, respectively.

Absorption over the past 12 months was highest in the Avalon Beach/Milton (1) and Ferry Pass/N Pensacola (5) submarkets on a square foot basis, at 107,273 and 53,887 square feet, respectively. Upper Santa Rosa County (14) had the highest absorption relative to the submarket's total inventory, at 7.2%, followed by the Avalon Beach/Milton (1) submarket, at 2.7%.

The following table summarizes vacancy rates and absorption in the 16 submarkets that make up the Pensacola retail market.

TABLE 56

PENSACOLA AREA, RETAIL TRENDS
SUBMARKET VACANCY & NET ABSORPTION

	Vacancy		12 Month Absorption	
Submarket	Sq. Ft	Percent	Sq. Ft	Percent of Inventory
Avalon Beach/Milton	230,214	5.7%	107,273	2.7%
Central Pensacola/S Brent	259,864	6.6%	-63,772	-1.6%
Downtown Pensacola	8,927	0.9%	6,872	0.7%
Ensley/N Brent	105,578	3.1%	-23,514	-0.7%
Ferry Pass/N Pensacola	167,378	2.5%	53,887	0.8%
Gonzalez/SW Santa Rosa	36,388	2.1%	2,897	0.2%
Gulf Breeze	38,278	5.7%	-7,065	-1.1%
Myrtle Grove/Bellview	17,532	1.4%	3,143	0.3%
Navarre	37,029	1.5%	36,831	1.4%
Pensacola Beach	-	-	0	0.0%
Perdido	896	0.2%	11,855	2.6%
SE Santa Rosa County	-	-	0	0.0%
Upper Escambia County	12,756	4.6%	-12,756	-4.6%
Upper Santa Rosa County	-	-	9,707	7.2%
Warrington	20,185	1.6%	9,419	0.8%
West Pensacola	58,349	2.0%	2,049	0.1%

*Shaded sections indicate most relevant / proximate submarkets to subject site

Source: CoStar; compiled by Weitzman Associates, LLC

According to CoStar, between 2009 and 2019 there were 1,600 retail property transactions in the Pensacola market. The number of transactions for retail properties in Pensacola has trended upwards since 2009. There were 48 and 68 retail property transactions in 2009 and 2010, respectively. Sales velocity increased to a range of 129 to 153 deals per year between 2011 and 2013, and increased further from 2014 to 2019, when velocity ranged from 177 to 187 deals per year – with the exception of 2017, when there were 145 transactions.

Last year (2019) saw the most retail property transactions in the time period analyzed, with 187 deals. Sales volume in 2019 totaled approximately $169.9 million, second only to 2018, when a total of $177.1 million transacted in the market. Average sale price per retail property was highest in 2018, at $1,246,505. The sale price per square foot was higher in 2019, however, at an average of $127.3 per square foot compared to $102.6 per square foot in 2018. According to CoStar, the average retail sale price was $138.5 per square foot year-to-date as of June 2020.

The market-priced retail capitalization rate in the Pensacola market has trended downward since 2009, but has increased slightly in recent years after reaching a historical low of 7.8% between 2015 and 2017. The market-priced retail cap rate is 8.2% as of June 2020, according to CoStar. This retail cap rate trend is supported by the recorded sales during this time period, decreasing from a recent high average of 9.7% in 2010 to a low average of 5.9% in 2014. The average sale-derived cap rate has since increased to 7.6% as of 2019, according to CoStar, and averages 7.2% year-to-date as of June 2020. The sale-derived retail cap rate was 6.7% nationally as of June 2020, according to CoStar, while the market-priced cap rate was 7.2%. Retail cap rates in the Pensacola market are projected to increase to an estimated 8.9% by 2021 before beginning to trend downward again through 2024.

The largest transaction in the Pensacola market over the last 12 months, as reported by CoStar, was Santa Rosa Commons at 4701-4805 US Highway 90 in Pace. The 138,785 square foot shopping center sold to Stirling Properties for $27,715,000 on September 17, 2019 – or approximately $200 per square foot. The property, which consists of five adjoining parcels and retail buildings, was constructed between 2006 and 2008. The property had an occupancy rate of approximately 98% at the time of sale and yielded a cap rate of 7.28%. National tenants include Publix, Petsmart, Chili's, and T.J. Maxx.

The following table displays sales trends for the overall retail market in Pensacola from 2009 to June 2020 year-to-date. In addition, it includes market pricing trends from 2009 and projected to 2024.

TABLE 57

PENSACOLA MARKET OVERALL SALES								
	Completed Transactions						Market Pricing Trends	
Year	Deals	Volume in Millions	Turnover	Average Price	Average Price/Sq. Ft.	Average Cap Rate	Price per Sq. Ft.	Cap Rate
2009	48	$19.7M	0.7%	$480,850	$106.5	8.9%	$83.4	9.10%
2010	68	$31.2M	2.4%	$568,033	$53.8	9.7%	$84.8	9.00%
2011	129	$103.5M	5.2%	$1,173,768	$103.3	8.0%	$88.0	8.70%
2012	145	$73.2M	3.4%	$834,689	$100.3	9.5%	$94.9	8.40%
2013	153	$82.7M	2.9%	$714,721	$131.5	7.4%	$96.2	8.40%
2014	177	$148M	8.2%	$1,110,074	$91.2	5.9%	$109.0	7.90%
2015	178	$137.8M	8.7%	$942,033	$64.5	7.1%	$113.9	7.80%
2016	186	$122.9M	4.8%	$962,063	$120.9	7.2%	$117.2	7.80%
2017	145	$98.5M	3.7%	$1,026,326	$120.2	7.2%	$119.8	7.80%
2018	184	$177.1M	6.4%	$1,246,505	$102.6	7.4%	$118.6	8.00%
2019	187	$169.9M	4.8%	$1,091,306	$127.3	7.6%	$117.3	8.20%
YTD	69	$37.8M	1.2%	$751,930	$138.5	7.2%	$117.1	8.20%
2020	-	-	-	-	-	-	$98.6	8.80%
2021	-	-	-	-	-	-	$99.2	8.90%
2022	-	-	-	-	-	-	$111.6	8.50%
2023	-	-	-	-	-	-	$112.3	8.50%
2024	-	-	-	-	-	-	$111.5	8.60%

(1) Shaded values are projected

Source: Costar; compiled by Weitzman Associates, LLC

As a supplement to CoStar-reported market data, we have conducted our own primary market research in order to gauge the health of the overall retail market and the opportunities for OLF8 to introduce new space into the Pensacola market. Overall, we observed strong occupancy throughout the market and a significant lack of retail/dining/entertainment options within the immediate vicinity of the site. The nearest retail to the Project site is located approximately three miles to the east where West Nine Mile Road meets Pine Forest Road. At that location is a Publix Grocery and Liquor Store, Walmart Neighborhood Market, Walgreens, Wendy's, Starbucks, and other dining establishments (which, we note, are primarily fast-food). The main retail and entertainment destination in Pensacola is along North Palafox Street south to Palafox Place where residents and visitors will find retail boutiques, casual and fine dining establishments, as well as entertainment venues for art, culture, music and theater. Another shopping destination in Pensacola is Cordova Mall, which will be discussed in more detail below.

As part of our research, we undertook a review of retail inventory around OLF8 and the general Pensacola market. We also reviewed rental rates of current space for lease in the Pensacola market and interviewed multiple commercial brokers from leading local firms including Beck Partners and NAI Pensacola.

MAJOR SHOPPING CENTERS IN PENSACOLA

As a starting point for our review of the market, we identified all of the major shopping centers within a 30-minute radius of OLF8. These destinations are presently where the market has the greatest variety of shops and services available to them. Throughout Pensacola, these shopping centers define the market for modern multi-tenant retail.

1. Palm Creek Plaza: Palm Creek Plaza is an older retail strip center located at W. Nine Mile Road and N. Klondike Road, approximately 2.4 miles east of OLF8. The Plaza has ten retail spaces occupied by a dentist's office, an ice cream shop, University Lending Group and Herbs & Things, among others.

2. Pine Forest Center & Pine Forest Commons: These two small retail strip centers are located along W. Nine Mile Road at Pine Forest Road, approximately 3.0 miles east of OLF8. There appear to be nine retail spaces between both retail centers. Tenants include an orthodontist, dentists' offices, Mystic Nails Spa, StateFarm Insurance and Color My World Hair & Nail Salon.

3. Plaza North Shopping Center: Located at 3 W. Nine Mile Road, next to Ensley Square, Plaza North Shopping Center is an 81,848 square foot strip shopping center with retail tenants such as Tractor Supply Company, KFC, Kings Buffet and Sami Nail.

4. Ensley Square: Ensley Square is a 62,361 square foot strip center located at the intersection of North Palafox Street and East Nine Mile Road, east of US Highway 29, at 2 E. Nine Mile Road. Retail tenants at the center include Firehouse Subs, Goodwill, Harbor Freight, and Ritchey's Liquor. The center is within close proximity of a prominent retail corridor, which features a Walmart Super Center, Home Depot, and other major big box retailers.

5. Palafox Square: Located approximately 5.4 miles from OLF8, Palafox Square has retailers like Sally Beauty, Cricket Wireless and GameStop, and is located near Office Depot and a Walmart Supercenter.

6. University Town Plaza: One of the newer shopping centers in Pensacola, University Town Plaza opened in 2014. Located at 7171 North Davis Highway in Pensacola, the Plaza is approximately 8.7 miles from OLF8. With around 668,000 square feet of retail space, tenants include JCPenney, Academy Sports + Outdoors, and Burlington.

7. Village Oaks: Built in 1985, the property offers slightly less than 195,000 square feet of retail space. Among the 30 or so retail spaces, tenants include PetSmart, Cato Fashions, and Bealls.

8. Pensacola Square: Pensacola Square was built in 1988 and renovated in 1995. It is a strip shopping center located at 6235 North Davis Highway. Tenants include Big Lots, Hobby Lobby, and Petland, among others.

9. Ferry Pass Plaza: The Plaza is an 115,198 square foot strip mall located at 8102 North Davis Highway. Tenants include Dollar Tree, Dirt Cheap, and Santino's Pizza & Grinders.

10. Forest Oaks Shopping Center: Forest Oaks Shopping Center, built in 1990 and renovated in 2010, is an 110,345 square foot strip shopping center with tenants such as Dollar General, Cycle Gear, Sky Zone and H&R Block.

11. Town & Country Plaza: Built in 1957, this plaza is one of the city's oldest shopping centers. Located at 3300 North Pace Boulevard, it is approximately 10.8 miles from OLF8. Among the 40 retail spaces are tenants such as Citi Trends, Beauty Town, Magic Nails, Will & Way, and more. It contains around 245,835 square feet of retail space.

12. Cordova Commons: Cordova Commons was built five years ago in 2012, contains approximately 169,486 square feet of retail space, and over 14 different retailers. Tenants include The Fresh Market, Petco, DSW, Marshalls and Kirkland's.

13. Eastgate Plaza: Eastgate Plaza is located at 6901 N. 9th Avenue and contains 186,427 square feet of retail space. The property completed a multi-million dollar renovation in 2016. Tenants include Winn-Dixie, Pensacola Fitness and Guitar Center.

14. Cordova Mall: With approximately 858,000 square feet of retail space, Cordova Mall is the largest shopping center in the Pensacola area. Originally built in 1971, the mall was renovated in 2009. The mall has over 120 stores including major retailers such as Dillard's, Dick's Sporting Goods, Best Buy, World Market, and Belk. The mall also has a number of restaurants.

15. Belvedere Park Plaza: Belvedere Park Plaza is a retail strip center located at 6895 N. 9th Avenue. The center underwent a renovation in 2004 and comprises approximately 125,690 square feet. Tenants include Pet Supermarket, Chow Tyme and Dollar Tree.

16. Fairfield Village: Located at 8187 West Fairfield Drive, Fairfield Village is a neighborhood retail center that features 72,000 square feet of retail space and includes tenants such as Grocery Outlet, Subway, and Dirt Cheap.

In total, these shopping centers constitute over 3,144,931 net rentable square feet of existing major retail shopping center space in the market. The information on the shopping centers listed are summarized in the table on the following page.

WEITZMAN
Real Estate Consultants

TABLE 58

RETAIL CENTERS
PENSACOLA, FL

	Center	Distance To Site	Year Built/Reno	Sq. Ft. (approx.)	No. of Stores/Spaces	Description
1	Palm Creek Plaza W. Nine Mile Rd @ N Klondike Rd	2.4	unknown	unknown	10	Dentist, ice cream shop, University Lending Group, Herbs & Things, etc.
2	Pine Forest Center/Commons W. Nine Mile Rd @ Pine Forest Rd	3.0	unknown	unknown	9	Mystic Nails Spa, StateFarm Insurance, Color My World Hair & Nail Salons, dentists/orthodontist
3	Plaza North Shopping Center 3 W. Nine Mile Road	5.4	unknown	81,848	13	Stores include Tractor Supply, KFC, Sami Nail, Kings Buffet
4	Ensley Square 2 E. Nine Mile Road	5.4	unknown	62,361	12	Stores include Goodwill, Firehouse Subs, Harbor Freight, Ritchey's Liquor
5	Palafox Square 8935 Pensacola Boulevard	5.4	unknown	17,150	9	Stores include Sally Beauty, GameStop, Cricket Wireless
6	University Town Plaza 7171 N. Davis Highway	8.7	2014	668,023	unknown	Outdoor mall includes stores such as JCPenney, Academy Sports & Outdoors, Burlington.
7	Village Oaks 6601 N. Davis Highway	8.7	1985	194,701	~30	Stores include PetSmart, Cato Fashions, and Bealls
8	Pensacola Square 6235 N. Davis Highway	10.2	1988 / 1995	237,867	18	Big Lots, Hobby Lobby, Petland,etc.
9	Ferry Pass Plaza 8102 N. Davis Highway	10.2	unknown	115,198	13	Stores include Dollar Tree, Dirt Cheap, and Santino's Pizza & Grinders
10	Forest Oaks Shopping Center 5007 N. Davis Highway	10.7	1990 / 2010	110,345	unknown	Stores include Dollar General, Cycle Gear, Sky Zone, H&R Block
11	Town & Country Plaza 3300 N. Pace Boulevard	10.8	1957	245,835	40	Stores include Citi Trends, Beauty Town, Magic Nails, Will & Way, etc.
12	Cordova Commons 1901 Airport Boulevard	11.3	2012	169,486	14+	Stores include The Fresh Market, Petco, DSW, Marshalls and Kirkland's
13	Eastgate Plaza 6901 N. 9th Avenue	11.7	2016 (reno)	186,427	~31	Stores include Winn-Dixie, Pensacola Fitness, Guitar Center
14	Cordova Mall 5100 N. 9th Avenue	11.9	1971 / 2009	858,000	120+ stores	Cordova Mall is the largest and most upscale shopping center in the Pensacola area. Anchored by Belk, Dillard's, Dick's Sporting Goods, Best Buy, Bed Bath and Beyond and World Market, Cordova Mall also features more than 120 specialty stores including LOFT, Chico's, Jos. A Bank, Sephora, The Buckle and Old Navy. Romano's Macaroni Grill, Panera Bread, Red Robin and Moe's Southwest Grill are some of the dining
15	Belvedere Park Plaza 6895 N. 9th Avenue	11.9	2004 (reno)	125,690	6+	Stores include Pet Supermarket, Chow Tyme, Dollar Tree
16	Fairfield Village 8187 W. Fairfield Drive	12.1	unknown 2009	72,000	~6	Stores include Grocery Outlet, Subway, Dirt Cheap

Source: Field survey & online sources; compiled by Weitzman Associates, LLC

PENSACOLA RETAIL SURVEY

As noted, Weitzman studied retail immediately surrounding the development site and the nearby areas, but did not focus on the downtown retail market as it is not directly competitive with the Project's location. Our survey of the Pensacola retail market revealed low vacancy and an active level of leasing. Our observations were confirmed by interviews or discussions we had with multiple local brokers.

The following table summarizes spaces currently available for lease as found during our retail market survey and as advertised by Beck Partners. The lowest asking rents per square foot per year were advertised at 805-B North Fairfield Drive, where rates were offered as low as $1,050 per month on a modified gross lease basis, equating to approximately $12.60 per square foot per year. We note that the lowest asking rents per square foot per year on a triple net basis were offered at $16.00, at Pine Forest Commons. The highest asking rents per square foot per year were found at 1617 East Nine Mile Road, where asking rents are advertised at $35.00. We note that the second-highest asking rents were found at the Publix-anchored retail development currently under construction at the southeast corner of Nine Mile and Beulah Roads, approximately one mile west of OLF8. Not-yet-complete retail spaces at this comparable property, which is the newest and closest comparable to OLF8, are currently offered at $33.00 per square foot per month. Among all spaces reviewed (excluding those not offered on a triple net basis), the average and median asking rents per square foot per year are $24.45 and $24.00, respectively.

WEITZMAN
Real Estate Consultants

TABLE 59

	RETAIL SPACE FOR LEASE PENSACOLA, FL				
	Address	Sq.Ft.	Asking Rent Per Sq. Ft. /Yr.	Lease Type	Building Type
Best Comparables - Closest to Subject Site:					
1	Nine Mile Rd & Beulah Rd Pensacola, FL	1,200 - 1,400	$33.00	NNN	New Publix-anchored Shopping Center
2	Shoppes at Milestone 2160 W Nine Mile Rd Pensacola, FL	1,330	$21.50	NNN	Publix-anchored Shopping Center
3	Pine Forest Commons 2101 W Nine Mile Rd Pensacola, FL	4,000	$16.00	NNN	Restaurant
4	Pine Forest Corners 6705 Pine Forest Rd Pensacola, FL	1,200 - 1,600	$18.00	NNN	Retail
Brent/Goulding/Cordova Mall Area:					
5	1617 E Nine Mile Rd Pensacola, FL	1,500	$35.00	NNN	Retail
6	Univ. Town Plaza 7171 Davis Hwy Pensacola, FL	1,446 - 1,840	$32.00	NNN	Open Air Retail
7	5912 N Davis Hwy Pensacola, FL	4,000	$25.00	NNN	Restaurant
Downtown Pensacola:					
8	320 E Cervantes St Pensacola, FL	1,217	$1,450/space/mo.	MG	Retail
9	420 S Palafox St Pensacola, FL	1,243	$24.00	NNN	Downtown Retail
10	Retail at Southtowne 125 Intendencia St Pensacola, FL	1,341	$24.00	NNN	Downtown Retail
11	The Shops at Southtowne 101 E Romana St Pensacola, FL	2,159 - 4,674	$24.00	NNN	Downtown Retail
West of Downtown on/near Route 98:					
12	805-B N Fairfield Dr Pensacola, FL	1,000	$1,050/space/mo.	MG	Retail
13	Blue Angel Crossing 26 Blue Angel Pkwy Pensacola, FL	1,050 - 4,550	$16.50	NNN	Winn-Dixie-anchored Shopping Center

Source: Field survey & Beck Partners (teambeck.com); compiled by Weitzman Associate, LLC

Navy Federal "Retail Desert"

In an attempt to highlight the retail and consumer services desert in which the Pensacola Navy Federal Credit Union campus currently sits, and thus the development opportunity that exists at OLF8 to bring these uses to area residents and to Navy Federal employees, we have further narrowed our retail survey by reviewing the closest "necessity" retail businesses to the corporate campus.

In conducting our review of retail in the area, we defined "necessity" retail as six tenant categories: (1) food & beverage; (2) banks and ATMs; (3) medical providers; (4) health and wellness tenants, such as gyms; (5) convenience retail, such as delicatessens and pharmacies; and (6) early education and day care for children.

Because the opportunity to serve the retail needs of Navy Federal employees is significant, it will be important to tailor some of the retail development at OLF8 to the needs of these employees. For this reason, we have conducted our review from the perspective of a Navy Federal employee, considering their current options to satisfy these various needs.

On-site amenities at the Navy Federal campus include:

- A company credit union branch, where all employees have full membership status.
- Multiple gyms with group classes. Gyms are free to employees, but are modestly equipped.
- A health center (infirmary).
- Three lunch cafeterias. Plus, food trucks are hosted on-campus daily.
- Three convenience kiosks with miscellaneous personal care items, snacks and coffee.
- Pharmacy delivery service.
- On-campus shuttle service between buildings.

In general, these amenities represent the bare minimum market expectation for a corporate campus of this size. It is clear with this amenity program that Navy Federal is relying on the private, for-profit marketplace to fill in the gaps in supply that exist at their campus.

As shown on the following map, there is currently no retail in the immediate vicinity of Navy Federal's offices besides the limited amenities offered on-campus. With the exception of a small convenience retail area near the Beulah Road intersection, all retail on West Nine Mile Road is east of I-10 and more than 1.5 miles away from the corporate campus. For Navy Federal employees, there are no off-campus retail businesses currently within walking or biking distance from the campus.

- The nearest convenience retail business, as mentioned, is a Tom Thumb gas station and convenience store, approximately 1.5 miles west of the campus – or about a four minute drive without traffic.
- The nearest pharmacy is Jackson-Pace Pharmacy, approximately 2.8 miles east of the campus, or ten minutes by car.

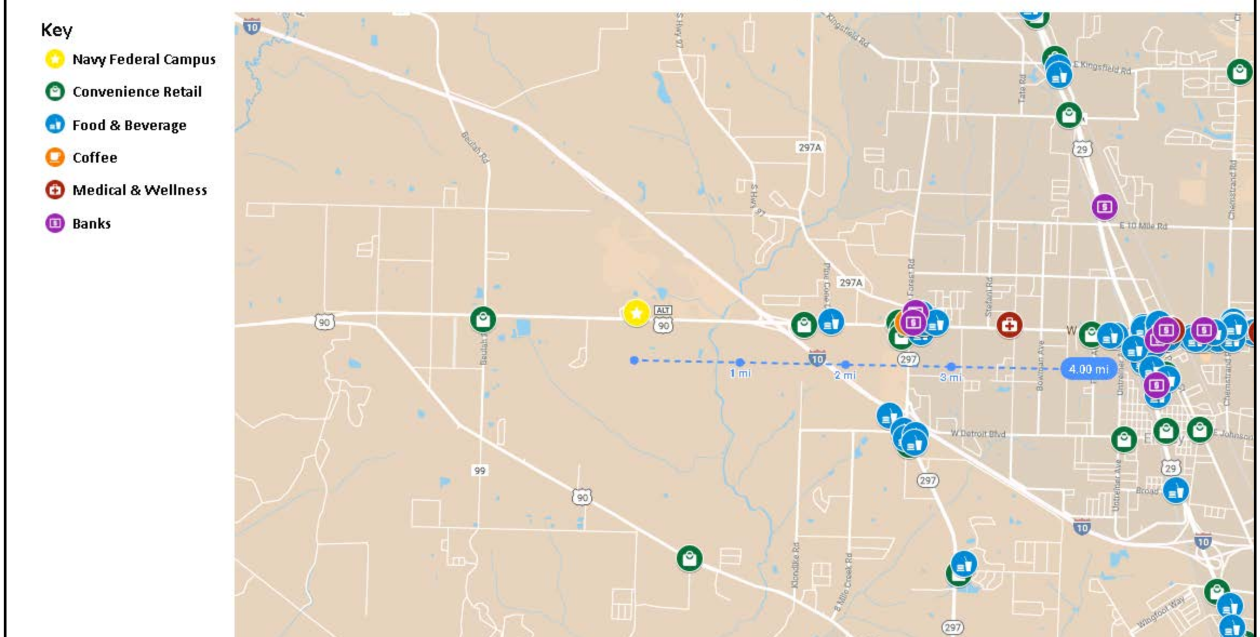
- Besides the cafeterias on-campus, the nearest quick-service lunch option is Subway, approximately 1.6 miles east of the campus, or five minutes by car.
- The nearest drinking establishment is The Shack, approximately 1.9 miles east and a six minute drive.
- The nearest coffee shop is Starbucks, just over 2.8 miles east and an eleven minute drive.
- While there are no upscale restaurants nearby, there are a number of casual sit-down restaurants east of I-10, the closest of which is Petrella's Italian Café – just over 2.8 miles east and an eleven minute drive.
- Besides the Navy Federal Credit Union branch and ATM on-campus, the nearest bank is Synovus Bank, just under 2.8 miles east and a nine minute drive.

While there is effectively no retail in the immediate vicinity of the Navy Federal campus at present, it is important to note that there is some retail currently proposed and under construction. There is a 48,387 square foot grocery store development with an additional 13,800 square feet of complementary retail shops under construction on the southeast corner of Nine Mile and Beulah roads, across the street from the Tom Thumb gas station and convenience store, approximately one mile west of OLF8. Developed by Blackwater Real Estate of Birmingham, the project will be anchored with a Publix supermarket and is expected to reach completion in early 2021. There is also an undetermined amount of retail space proposed as a part of future phases of the 350-unit Inspire Apartments development project at 3811 West Nine Mile Road, just east of OLF8 on the opposite side of the Navy Federal Campus and across Nine Mile Road. It is not reported how much retail space is proposed at the Inspire Apartments site.

Overall, additional retail development will likely benefit proposed retail at OLF8, especially with the presence of a popular grocery chain like Publix, as it will draw traffic west of I-10 past OLF8. Furthermore, such developments will likely spur continued housing growth and interest at OLF8 by creating the perception of greater access to modern, newly constructed retail in the area.

It is evident from our research that there is significant opportunity at the development site to offer retail and consumer services to Navy Federal employees. Retail businesses at the site, if designed effectively, would be walkable from the Navy Federal campus and more convenient than all present options. This is a strong competitive advantage for the site and would be viewed favorably by employees that have limited time for lunch.

Distribution of "Necessity" Retail Near Pensacola Navy Federal



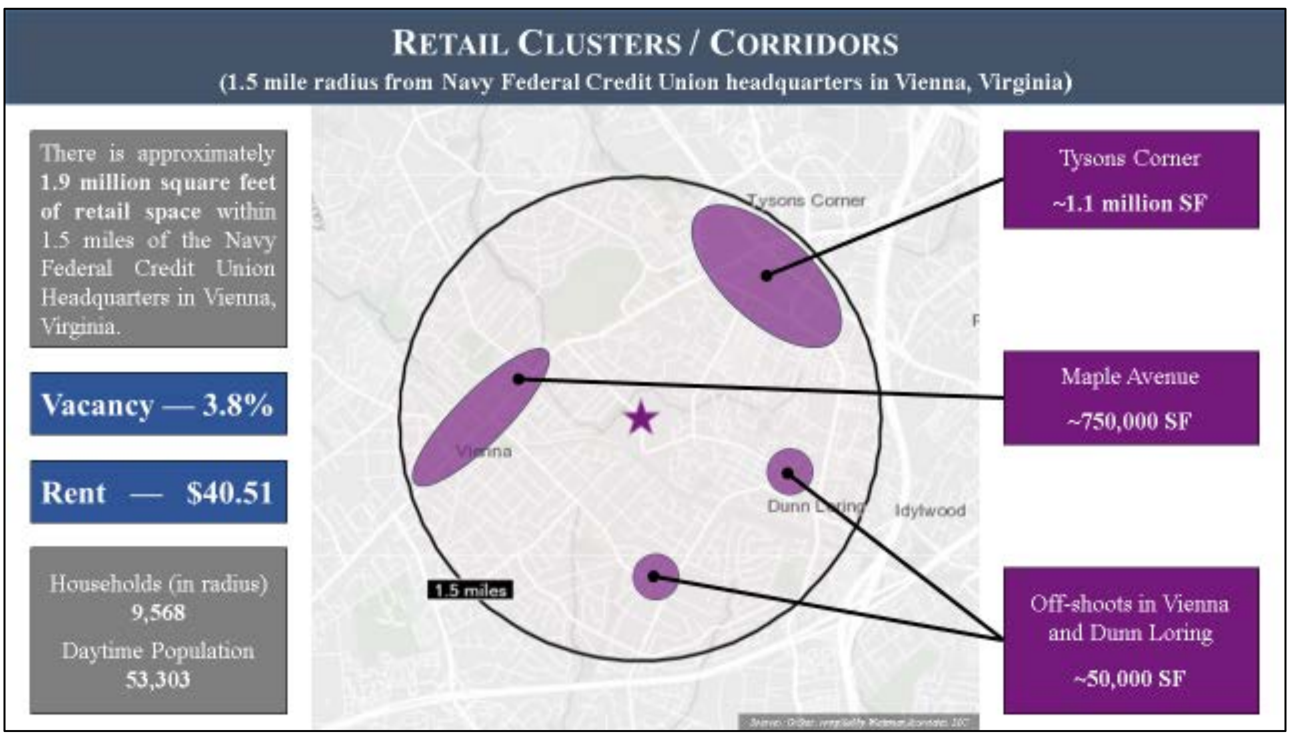
<u>CASE STUDY: RETAIL SURROUNDING THE NAVY FEDERAL CREDIT UNION HEADQUARTERS IN VIENNA, VIRGINIA</u>

As part of a prior study of the retail market in Pensacola, we conducted a survey reviewing existing "necessity" retail surrounding the Navy Federal Credit Union headquarters in Vienna, Virginia. The purpose of this survey was to document the underserved nature of the Pensacola Navy Federal campus by comparing it to the campus in Vienna, which is not underserved from a retail services perspective. The Vienna Navy Federal campus is 1 million square feet of space within the Vienna Tech Park, just over one mile southwest of Tysons Corner, Virginia. In conducting our review of retail in the area, we defined "necessity" retail as six tenant categories:

- Food & Beverage, with a particular focus on well-known franchises;
- Banks and ATMs;
- Medical providers;
- Health and wellness tenants, such as gyms;
- Convenience retail, such as delicatessens and pharmacies; and
- Early education and day care for children.

We decided upon this categorization based on our knowledge of and experience with corporate office parks across the United States, the owners of which have allocated considerable financial resources in recent years to incorporate housing and retail in order to upgrade their marketability for prospective office tenants. The rationale behind this is that the modern workforce seeks convenient places to shop, live, and eat, such that isolated, single-use office parks are quickly becoming obsolete.

When conducting our survey of necessity retail surrounding the Vienna Navy Federal headquarters, we limited our search parameters to a 1.5 mile radius of the key office properties. This tight study area restricted our survey to tenants within a very close, convenient distance from office workers. According to ESRI Business Analyst at the time of our survey, there were approximately 40,000 daytime workers and 10,000 households within 1.5 miles of the office park. Furthermore, according to CoStar, there were approximately 1.9 million square feet of retail space in the area at the time of our survey, mostly concentrated along Maple Avenue in Vienna, and in Tysons Corner. Retail vacancy was low (3.8%) and rents were approximately $40 per square foot, as shown in the following map.



Food & Beverage

Within a 1.5 mile radius of the Navy Federal headquarters in Virginia, there were 142 food and beverage outlets at the time of our survey. The most prevalent franchises in the area included Starbucks (four locations), McDonald's (three locations), and Subway (three locations), in addition to Peet's Coffee, Dunkin' Donuts, Cava Grill, Chipotle, Panera, Taco Bell, and Wendy's, all of which had two locations in the area.

Banks and ATMs

There were 26 bank branches and 42 automated teller machines (ATMs) within a 1.5 mile radius of the Vienna Navy Federal headquarters at the time of our survey. The most prevalent bank in the area was United Bank with three locations, followed by Bank of America, BB&T, Capital One, PNC, Suntrust, TD, and Manufacturers & Traders Trust, all of which had two locations in the area.

Medical providers

There were 171 medical providers within a 1.5 mile radius of the Vienna Navy Federal headquarters at the time of our survey. The most prevalent type of medical practice in the area was dentistry, of which there were 60 groups. There were 54 groups described as physicians and surgeons, which ranged from family medicine to cardiology practices. Specialist groups in the area included 12 chiropractors, eight physical therapists, seven optometrists and ophthalmologists, six psychologists and psychotherapists, six acupuncturists, five diagnostic imaging centers, five medical laboratories, and four podiatrists, among other groups.

Health and wellness

There were 88 businesses within a 1.5 mile radius of the Vienna Navy Federal headquarters at the time of our survey that provide an array of services related to health, wellness, beauty and fitness. There were 42 businesses classified as barbers or beauty salons, 12 massage businesses, 11 manicurists, nine spas, and six fitness businesses, among others.

Convenience retail

Within a 1.5 mile radius of the Navy Federal headquarters, there were 20 convenience-oriented retail outlets at the time of our survey that include pharmacies, traditional convenience stores, and delicatessens. The most prevalent franchises in the area included 7-eleven (four locations), CVS (three locations), and Walgreens (two locations).

Early education and day care

There were 11 facilities within a 1.5 mile radius of the Vienna Navy Federal headquarters at the time of our survey that provide early education and day care services for children, the majority of which were preschools.

RETAIL TRADE AREA ANALYSIS

The objective of this section is to evaluate the strength and depth of the retail market for the Project. The methodology involves: (1) defining the appropriate trade areas for the site; (2) analyzing existing and proposed competition; (3) quantifying the retail sales potential in the trade areas; and, (4) estimating the site's share of total retail sales potential. The results of this analysis provide a barometer as to the measure of market share of the retail use in a trade area.

Delineation of the Trade Areas

A trade area is defined as the principal geographic source of demand for retail development. The delineation of the trade area is subjective; it takes into account driving distances from the site, the location of existing and proposed competition, and the site's proximity to natural barriers such as mountains, rivers or bridges, among other important considerations.

In our consideration of the variety of retail uses potentially marketable at OLF8, we have utilized a multilevel approach that divides the study area by determined retail groupings. The predominant retail grouping, which we believe will present the strongest element of retail demand at OLF8, consists of necessity-based retail types. The subsidiary retail grouping consists of destination-based retail types. In accordance with our understanding of consumer behavior, the necessity-based retail grouping employs relatively smaller geographic trade areas than the destination-based retail grouping. In other words, we used a larger geographic area in our analysis of destination retail, which – as the name suggests – typically draws demand from great distances by virtue of the unique retail offering; and a smaller geographic area in our analysis of necessity retail, which typically draws demand from short distances by virtue of the convenience it provides to consumers.

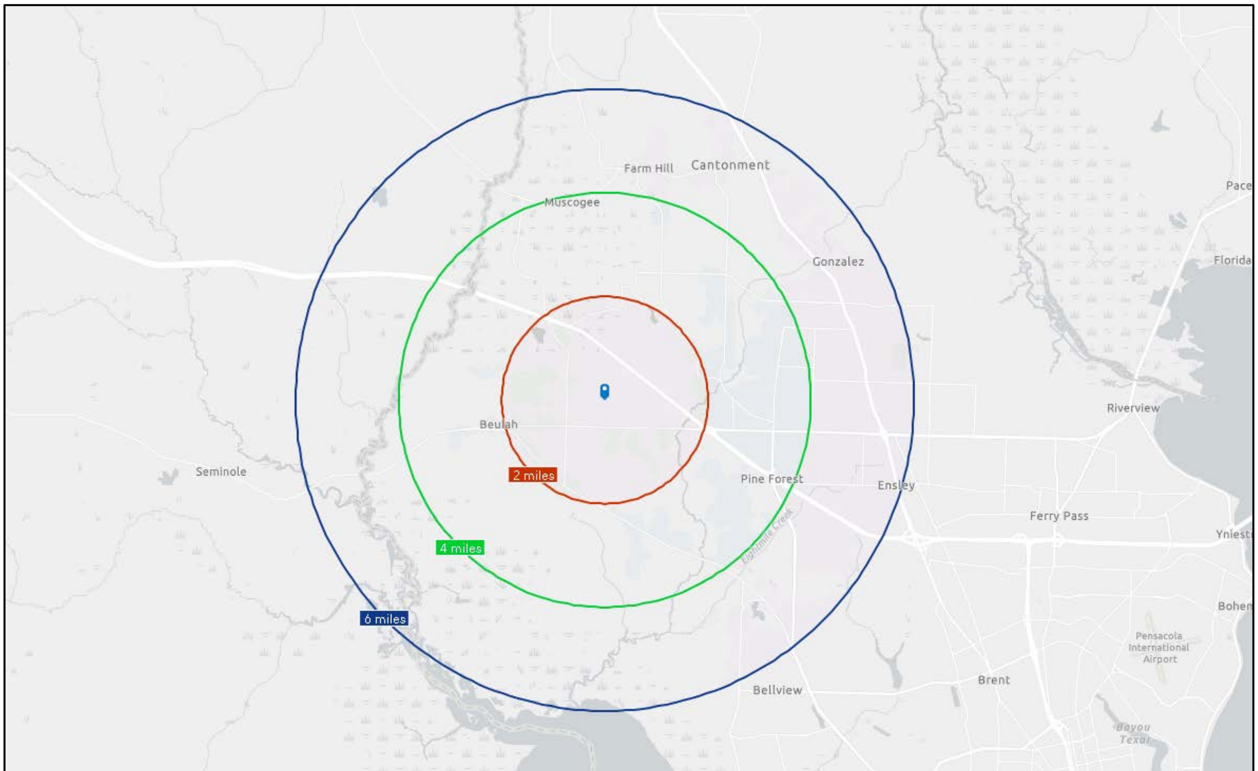
NECESSITY-BASED RETAIL TRADE AREA ANALYSIS

Necessity-Based Retail Trade Areas

We have determined that the predominant trade areas for OLF8 include consumers who reside within the greater Pensacola area and particularly those who reside within a relatively short distance from OLF8. In our identification of appropriate trade areas for the necessity-based retail grouping, we considered drive-time estimations from ESRI, the geospatial data provider, as is common when quantifying retail demand. However, given the relatively short distances analyzed and the opportunity at the OLF8 site to connect roadways and improve transportation infrastructure, we have determined that the use of concentric radii best represents the true trade areas for necessity-based retail at OLF8. We note that our delineated trade areas for the destination-retail grouping, discussed later in this report, utilize drive-time estimations – as immediate connections to the site are less consequential when analyzing larger study areas.

It is our opinion that households residing within a six-mile radius will potentially consider OLF8 for necessity-based retail shopping, dining and entertainment. Households within a two-mile, four-mile and six-mile radius of the site delineate the Primary A, Secondary A, and Tertiary A Retail Markets.

MAP OF POTENTIAL NECESSITY-BASED RETAIL DEMAND AREAS



In 2020 to date, households within the Primary A Retail Market had average household expenditures of $91,464 or approximately 84.5% of their average household income. Households within the Secondary A Retail Market had average household expenditures of $77,212 (approximately 85.2% of their average household income) and households within the Tertiary A Retail Market had average household expenditures of $70,407 (approximately 85.7% of their average household income). Presumably, a significant portion of these expenditures were made with the use of consumer credit or other debt resources. It is estimated that in 2020 more than $1.45 billion in total expenditures were spent by households living within a six-mile radius of the Project. Total household income in this area was estimated to be over $1.69 billion in 2020. These expenditures included healthcare and other non-traditional retail sales.

Traditional retail expenditures (specifically, clothing, food and personal care items) make up between approximately 27.1% and 27.5% of all consumer expenditures in OLF8's necessity-based retail trade areas, according to 2020 estimates. These specific expenditures were estimated to total approximately $24,784, $21,149 and $19,378 per household on average within the Primary A, Secondary A, and Tertiary A Retail Markets, respectively, in 2020.

In an effort to examine those retail categories that dominate traditional retail expenditures within each trade area, we categorized (designated by color) those specific types of expenditures that fall within five main categories: a) Food, Beverage and Entertainment; b) Apparel and Accessories; c) Personal Care and Services; d) Electronics and Home Furnishings; and, e) General Merchandise.

Of the total approximate $24,784 spent on average per household on traditional retail products and services in the Primary A Retail Market, approximately 61.5% was spent on Food, Beverage and Entertainment, 10.1% on Apparel & Accessories, 5.4% on Personal Care & Services, 17.2% on Electronics & Home Furnishings, and 5.8% on General Merchandise. The following table summarizes these expenditures by necessity-based retail trade area, as estimated for 2020.

TABLE 60

CONSUMER EXPENDITURES - 2020						
	Primary A		Secondary A		Tertiary A	
	2 Miles		4 Miles		6 Miles	
Population	5,178		22,997		54,583	
Households	1,873		8,745		20,591	
Avg. HH Income	$108,252		$90,641		$82,177	
Median HH Income	$87,841		$71,539		$62,958	
Total Avg. HH Budget Expenditures	$91,464		$77,212		$70,407	
Total HH Budget Expenditures in Area	$171,311,960		$675,217,104		$1,449,745,389	
Traditional Retail Expenditure Category	$ Exp.	% Tot.	$ Exp.	% Tot.	$ Exp.	% Tot.
Food at Home	$6,174	6.75%	$5,319	6.89%	$4,891	6.95%
Food Away from Home	$4,361	4.77%	$3,699	4.79%	$3,396	4.82%
Alcoholic Beverages	$761	0.83%	$617	0.80%	$555	0.79%
Entertainment & Recreation	$3,941	4.31%	$3,338	4.32%	$3,040	4.32%
Men's Apparel	$486	0.53%	$404	0.52%	$368	0.52%
Women's Apparel	$900	0.98%	$756	0.98%	$688	0.98%
Children's Apparel	$367	0.40%	$307	0.40%	$285	0.40%
Footwear	$554	0.61%	$464	0.60%	$427	0.61%
Watches & Jewellery	$137	0.15%	$116	0.15%	$107	0.15%
Other Apparel Products & Services	$65	0.07%	$55	0.07%	$49	0.07%
Nonprescription Drugs	$180	0.20%	$158	0.21%	$146	0.21%
Prescription Drugs	$447	0.49%	$395	0.51%	$361	0.51%
Eyeglasses & Contact Lenses	$120	0.13%	$100	0.13%	$91	0.13%
Personal Care Products	$589	0.64%	$497	0.64%	$459	0.65%
Computers and Hardware for Home Use	$182	0.20%	$152	0.20%	$140	0.20%
Other Computer Software & Accessories	$37	0.04%	$31	0.04%	$28	0.04%
TV/Video/Audio Equipment & Services	$1,388	1.52%	$1,210	1.57%	$1,113	1.58%
Household Furnishings & Equipment	$1,733	1.90%	$1,446	1.87%	$1,306	1.86%
Housekeeping Supplies	$913	1.00%	$791	1.02%	$729	1.04%
Pets	$837	0.91%	$732	0.95%	$674	0.96%
School Books & Supplies	$167	0.18%	$142	0.18%	$130	0.19%
Smoking Products	$445	0.49%	$419	0.54%	$395	0.56%
TOTAL TRADITIONAL RETAIL EXPENDITURES	$24,784	27.1%	$21,149	27.4%	$19,378	27.5%
Food, Beverage & Entertainment	$15,237	61.5%	$12,973	61.3%	$11,882	61.3%
Apparel & Accessories	$2,509	10.1%	$2,101	9.9%	$1,923	9.9%
Personal Care & Services	$1,336	5.4%	$1,151	5.4%	$1,057	5.5%
Electronics & Home Furnishings	$4,254	17.2%	$3,631	17.2%	$3,316	17.1%
General Merchandise	$1,448	5.8%	$1,292	6.1%	$1,200	6.2%

Source: ESRI; compiled by Weitzman Associates, LLC

Necessity-Based Retail Market Potential

In analyzing the current retail market within the trade areas, we reviewed the potential for necessity-based retail uses by looking at current demand and supply of various good and services. Retail Potential represents potential demand for the good or service in the market area, while Retail Sales represent how much of the demand is being satisfied in the market area. Over- or undersupply of the good or service is reflected in the Retail Gap – a negative Retail Gap signifies oversupply, whereas a positive Retail Gap signifies undersupply. If a good or service is undersupplied, an opportunity exists to capture the unmet demand.

As can be seen in the following chart, within a two-mile radius of the site there is an indicated undersupply in all traditional retail store types. Within a four-mile radius, there is an indicated undersupply in all traditional retail store types except for building material, garden equipment, and supply stores – as is also true of the six-mile radius. Although there appears to be opportunity to create a wide assortment of retail store types at OLF8, we note that an indicated undersupply does not necessarily mean every traditional retail store type will be successful at this location. Many retailers, particularly those that are not necessity-based stores, compete within a larger market than is measured by the define trade areas. Thus, supply from outside the trade area may be satisfying excess demand within the trade area.

WEITZMAN
Real Estate Consultants

TABLE 61

SUMMARY OF RETAIL GROUP SUPPLY & DEMAND - 2020

Store Group	Demand	Supply	Demand / Supply Spread	Leakage / Surplus Factor
PRIMARY A RETAIL MARKET AREA - 2 MILE RADIUS				
Total Retail Trade and Food & Drink	$60,677,335	$4,252,834	$56,424,501	86.9
Total Retail Trade	$54,861,676	$4,252,834	$50,608,842	85.6
Total Food & Drink	$5,815,659	$0	$5,815,659	100.0
Building Material, Garden Equip & Supply Stores	$4,107,821	$0	$4,107,821	100.0
Furniture & Home Furnishings Stores	$2,018,430	$0	$2,018,430	100.0
Food & Beverage Stores	$9,483,766	$0	$9,483,766	100.0
Grocery Stores	$8,612,858	$0	$8,612,858	100.0
Specialty Food Stores	$395,219	$0	$395,219	100.0
Beer, Wine & Liquor Stores	$475,689	$0	$475,689	100.0
Health & Personal Care Stores	$3,671,056	$456,068	$3,214,988	77.9
Clothing & Clothing Accessories Stores	$2,724,709	$0	$2,724,709	100.0
Sporting Goods, Hobby, Book & Music Stores	$1,346,895	$0	$1,346,895	100.0
Food Services & Drinking Places	$5,815,659	$0	$5,815,659	100.0
Special Food Services	$104,876	$0	$104,876	100.0
Drinking Places - Alcoholic Beverages	$484,614	$0	$484,614	100.0
Restaurants/Other Eating Places	$5,226,169	$0	$5,226,169	100.0
SECONDARY A RETAIL MARKET AREA - 4 MILE RADIUS				
Total Retail Trade and Food & Drink	$288,978,392	$95,723,556	$193,254,836	50.2
Total Retail Trade	$261,710,716	$80,083,338	$181,627,378	53.1
Total Food & Drink	$27,267,676	$15,640,218	$11,627,458	27.1
Building Material, Garden Equip & Supply Stores	$19,416,999	$23,497,869	($4,080,870)	(9.5)
Furniture & Home Furnishings Stores	$9,468,703	$1,942,571	$7,526,132	66.0
Food & Beverage Stores	$45,286,968	$20,939,843	$24,347,125	36.8
Grocery Stores	$41,171,869	$20,623,947	$20,547,922	33.3
Specialty Food Stores	$1,887,513	$0	$1,887,513	100.0
Beer, Wine & Liquor Stores	$2,227,586	$0	$2,227,586	100.0
Health & Personal Care Stores	$17,701,017	$7,168,604	$10,532,413	42.4
Clothing & Clothing Accessories Stores	$12,734,195	$671,880	$12,062,315	90.0
Sporting Goods, Hobby, Book & Music Stores	$6,307,561	$815,032	$5,492,529	77.1
Food Services & Drinking Places	$27,267,676	$15,640,218	$11,627,458	27.1
Special Food Services	$481,825	$0	$481,825	100.0
Drinking Places - Alcoholic Beverages	$2,237,413	$556,951	$1,680,462	60.1
Restaurants/Other Eating Places	$24,548,438	$15,083,267	$9,465,171	23.9

(Table Continued)

TERTIARY A RETAIL MARKET AREA - 6 MILE RADIUS

Total Retail Trade and Food & Drink	$656,763,402	$468,331,060	$188,432,342	16.7
Total Retail Trade	$595,187,154	$413,967,096	$181,220,058	18.0
Total Food & Drink	$61,576,248	$54,363,964	$7,212,284	6.2
Building Material, Garden Equip & Supply Stores	$43,498,395	$80,099,084	($36,600,689)	(29.6)
Furniture & Home Furnishings Stores	$21,362,919	$6,895,436	$14,467,483	51.2
Food & Beverage Stores	$103,135,565	$78,390,483	$24,745,082	13.6
Grocery Stores	$93,856,352	$74,145,304	$19,711,048	11.7
Specialty Food Stores	$4,303,053	$2,043,175	$2,259,878	35.6
Beer, Wine & Liquor Stores	$4,976,159	$2,202,004	$2,774,155	38.6
Health & Personal Care Stores	$40,169,389	$34,305,168	$5,864,221	7.9
Clothing & Clothing Accessories Stores	$28,569,766	$4,174,794	$24,394,972	74.5
Sporting Goods, Hobby, Book & Music Stores	$14,266,741	$4,977,021	$9,289,720	48.3
Food Services & Drinking Places	$61,576,248	$54,363,964	$7,212,284	6.2
Special Food Services	$1,079,788	$52,866	$1,026,922	90.7
Drinking Places - Alcoholic Beverages	$4,912,442	$1,289,249	$3,623,193	58.4
Restaurants/Other Eating Places	$55,584,018	$53,021,850	$2,562,168	2.4

Source: ESRI; compiled by Weitzman Associates, LLC

To the immediate east of OLF8 is the Navy Federal Credit Union campus, which as of 2020 employed approximately 8,600 people. Although a portion of the demand from Navy Federal employees is likely captured by ESRI's household expenditure estimates, it is likely that a significant portion is not captured. We have attempted to measure the added demand impact from the employee population using supplemental data from the International Council of Shopping Centers' (ICSC) 2012 "Office-Worker Retail Spending in a Digital Age" report.

Given that this trade area analysis focuses on necessity-based goods and services, a retail grouping that would naturally serve the one-site and nearby employee population, our analysis of Navy Federal focuses on the reported average suburban office worker expenditures for six necessity-based retail categories: fast food/deli/lunch eateries, full-service restaurants, grocery stores, drug stores, personal care, and personal services. As shown in the following table, the average expenditure by a suburban office worker for retail goods and services in the vicinity of their office ranges from $4.97 (Personal Services) to $21.58 (Grocery Stores) per worker per week nationwide in January 2012 dollars. After inflating this amount to June 2020 dollars and annualizing the estimate across a 50 week work year, as assumed in the ICSC report, we estimate the existing 8,600 Navy Federal employees create approximately $7.7 million per year in fast food restaurant demand, $6.4 million in full-service restaurant demand, $10.6 million in grocery store demand, $3.7 million in drug store demand, $2.8 million in personal care goods demand and $2.4 million in personal services demand.

TABLE 62

POTENTIAL RETAIL DEMAND FROM NAVY FEDERAL EMPLOYEES				
	2012		2020	
	Spent per Week	Spent per Year(2)	Spent per Week(1)	Spent per Year(2)
Fast Food/Deli/Lunch Eateries	$15.80	$790	$17.97	$899
Full-Service Restaurants	$13.06	$653	$14.85	$743
Grocery Stores	$21.58	$1,079	$24.55	$1,227
Drug Stores	$7.60	$380	$8.64	$432
Personal Care	$5.76	$288	$6.55	$328
Personal Services	$4.97	$249	$5.65	$283
Total Necessity Retail	$68.77	$3,439	$78.22	$3,911
Approximate Number of Employees at the Pensacola Navy Federal campus				8,600
Estimated Annual Expenditure from Navy Federal Employees, per Category				
Fast Food/Deli/Lunch Eateries				$7,727,507
Full-Service Restaurants				$6,387,421
Grocery Stores				$10,554,406
Drug Stores				$3,717,029
Personal Care				$2,817,117
Personal Services				$2,430,741
Total Estimated Annual Expenditure from Navy Federal Employees (Retail Sales Potential)				**$33,634,220**

(1) Expenditure estimates adjusted for inflation using the Bureau of Labor Statistics CPI Inflation Calculator (data.bls.gov)
(2) Annualization assumes 50 week work year per the International Council of Shopping Centers
Source: International Council of Shopping Centers "Office Worker Retail Spending in a Digital Age," 2012, suburban spending; projections by Weitzman Associates, LLC

Although we note that some of this demand is already captured by ESRI's household expenditure estimates by virtue of office workers living in the same market area as their work, it is extremely likely that a significant portion of retail demand from office workers is not represented in ESRI's data, especially in smaller trade areas. Furthermore, it is also likely that an accentuation of unmet demand will come from office workers, including those that live within the market areas, as there is currently very little supply around the Navy Federal campus. This is supported by a key finding in the ICSC study, which states that the more ample the retail, restaurant and services offerings in the vicinity of the office building, the higher the spending by office workers. While it is difficult to pinpoint the exact net impact to the retail gap from Navy Federal employees, we attempt to quantify the total combined retail sales potential from both residents and employees in the next section.

Necessity-Based Retail Demand Analysis

The necessity-based retail demand analysis is presented in the table following this discussion. The objective of this analysis is to quantify the demand for necessity-based retail space in the delineated trade area so as to estimate the site's capture rate of total demand. The capture rate analysis helps to establish the competitive position of the site and identifies the relative degree of investment risk in these assets.

The demand analysis involves two main steps: (1) we estimate the Total Retail Sales Potential (RSP) and the total RSP for each selected store group that we believe to be a good fit for the tenant mix at the subject property; and (2) we undertake a capture rate analysis that tells us what portion of the retail sales potential must be captured by the development in order to achieve sales at a level that is likely to be viable for a prospective retail tenant; this measures the ease of market entry and helps to establish the degree of investment risk in the project.

The steps in projecting the retail sales potential in a trade area are as follows:

- Project Total Personal Income – this is accomplished by multiplying average household income times the number of households residing in the trade area. Total personal income was estimated to be $202.8 million in the Primary A Retail Market, $792.7 million in the Secondary A Retail Market, and $1.692 billion in the Tertiary A Retail Market.

- Project Disposable Personal Income – disposable personal income is calculated by applying the estimated disposability factor (i.e. the portion of total personal income remaining after payment of taxes) to total personal income. The disposable income ratio was estimated to be 84.5% in the Primary A Retail Market, 85.2% in the Secondary A Retail Market, and 85.7% in the Tertiary A Retail Market. This provides total disposable personal income of $171.3 million in the Primary A Retail Market, $675.2 million in the Secondary A Retail Market, and $1.450 billion in the Tertiary A Retail Market.

- Project Total Retail Sales Potential from Residents – this projection is made by estimating the percentage of total disposable personal income, among households residing in the trade areas, that is channeled into retail sales. Based upon the consumer expenditures discussed previously (see Table 14), where the ratios of all household expenditures dedicated to retail goods and services was estimated to be 27.1% in the Primary A Retail Market, 27.4% in the Secondary A Retail Market and 27.5% in the Tertiary A Retail Market, the resulting retail sales potential from residents in each trade area is estimated at $46.4 million, $184.9 million, and $399.0 million, respectively.

- Project Total Retail Sales Potential from Residents for Selected Store Groups – we then estimate the portion of total retail sales in a trade area that is channeled into the necessity-based store groups (Food, Beverage and Entertainment; Personal Care & Services; and General Merchandise) that could potentially be part of the subject development by reviewing historical ratios for the county. In the Primary A, Secondary A, and Tertiary A trade areas, the percentages are estimated at 69.8%, 69.8% and 69.9%, respectively, as displayed in the following table. Based on our projections, the retail sales potential for the selected necessity-based store groups is approximately $32.4 million from residents within the Primary A Retail Market, $129.2 million from residents within the Secondary A Retail Market, and $278.8 million from residents within the Tertiary A Retail Market.

TABLE 63

% OF TRADITIONAL RETAIL ALLOCATED TO TENANT MIX AT SUBJECT SITE

	Primary A 2 Miles			Secondary A 4 Miles			Tertiary A 6 Miles		
	$ Exp.	% Tot.		$ Exp.	% Tot.		$ Exp.	% Tot.	
Total Avg. HH Budget Expenditures	$91,464	---		$77,212	---		$70,407	---	
TOTAL TRADITIONAL RETAIL EXPENDITURES	$24,784	27.1%		$21,149	27.4%		$19,378	27.5%	
Traditional Retail Expenditure Category	$ Exp.	% Tot.	% Allocation	$ Exp.	% Tot.	% Allocation	$ Exp.	% Tot.	% Allocation
Food, Beverage & Entertainment	$15,237	61.5%	61.5%	$12,973	61.3%	61.3%	$11,882	61.3%	61.3%
Personal Care & Services	$1,336	5.4%	5.4%	$1,151	5.4%	5.4%	$1,057	5.5%	5.5%
General Merchandise	$1,448	5.8%	2.9%	$1,292	6.1%	3.1%	$1,200	6.2%	3.1%
			69.8%			**69.8%**			**69.9%**

Source: ESRI; compiled by Weitzman Associates, LLC

- Project Additional Retail Sales Potential from Office Workers – as explored in the previous section and displayed in Table 16, this is accomplished by first estimating the number of office workers at the Navy Federal campus, and estimating the total expenditures made on relevant retail goods and services by this group in one year. Based on information from the International Council of Shopping Centers' 2012 "Office-Worker Retail Spending in a Digital Age" report, the estimated average annual retail expenditure by suburban office workers on necessity retail goods and services is $3,911 per worker. The resulting retail sales potential from the approximate 8,600 office workers at the Pensacola Navy Federal campus is therefore projected at $33.6 million as of June 2020. Because a portion of the retail sales potential from office workers is already counted in our estimation of retail sales potential from area residents, we have mitigated for potential double-counting by only considering a portion of office worker demand in each market area. We assume that 40% of Navy Federal employees live outside of the Primary A Retail Market, and thus have applied 40% of the office worker retail sales potential to the Primary A Retail Market for the OLF8 site. This is supported by data from ESRI, which estimates the resident population of the Primary A Retail Market at 5,178, roughly 60% the size of the Navy Federal employee population. Therefore, the assumption that at least 40% of Navy Federal employees live outside of the Primary A Market Area is a conservative approach, especially when considering that ESRI's population statistics include those outside of the labor force. Similarly, we assume that 20% of Navy Federal employees live outside of the Secondary A Retail Market and no employees (0%) live outside of the Tertiary A Retail Market. These assumptions also account for the potential boost in spending coming from those that both live and work in close vicinity. Based on these assumptions, the total projected retail sales potential from Navy Federal employees, beyond that which is already accounted for in demand projections from residents, is +$13.5 million in the Primary A Retail Market, +$6.7 million in the Secondary A Retail Market, and +$0 in the Tertiary A Retail Market.

- Project Total Combined Retail Sales Potential – adding together the total residential retail sales potential and the retail sales potential from Navy Federal office workers provides an estimate of the total consumer expenditures available to retailers located within each trade area that tenants at the project site could conceivably compete for. The total combined retail sales potential for necessity-based goods and services is estimated to be $45.9 million in the Primary A Retail Market, $135.9 million in the Secondary A Retail Market, and $278.8 million in the Tertiary A Retail Market.

The next step in our retail demand analysis involves projecting the total retail sales by estimating the average sales per square foot that would likely be achievable at OLF8. Comparing the total retail sales potential at the site for the selected tenant groups to the aggregate annual retail sales using an estimated range of 40,000 to 80,000 square feet of necessity-based retail space at the site, provides an estimate of the site's market share percentage. If the necessity-based retail at the site relies only on demand that currently exists within the Secondary A Market (which is demand coming from within a four-mile radius of the site), the capture rates indicate that the necessity-based retail component could be as large as approximately 60,000 square feet. If the necessity-based retail relies on demand that currently exists within the Tertiary A Market (which is demand coming from within a six-mile radius), the capture rates indicate that the necessity-based retail component could be as large as approximately 80,000 square feet.

We note that the potential for thousands of new households on the OLF8 site, which would itself only represent a portion of the natural growth of Beulah, will contribute significantly more demand for all retail uses at OLF8 that is not captured by current demographics.

TABLE 64

ESTIMATED ADDITIONAL DISPOSABLE PERSONAL INCOME FROM NEW RESIDENTS
OUTLYING FIELD SITE EIGHT
PENSACOLA, FLORIDA

	Phase 1	Phase 2	Phase 3
Estimated Total OLF8 Households after each Phase	**600**	**1,200**	**1,950**
Estimated Additional Personal Income per Market Area			
at an average Household Income of $60,000	$36,000,000	$72,000,000	$117,000,000
at an average Household Income of $80,000	$48,000,000	$96,000,000	$156,000,000
at an average Household Income of $100,000	$60,000,000	$120,000,000	$195,000,000
Total Estimated Additional Disposable Personal Income per Market Area			
at $60,000 HH Income, 85.0% Disposibility Factor	$30,600,000	$61,200,000	$99,450,000
at $80,000 HH Income, 85.0% Disposibility Factor	$40,800,000	$81,600,000	$132,600,000
at $100,000 HH Income, 85.0% Disposibility Factor	$51,000,000	$102,000,000	$165,750,000

Source: Weitzman Associates

Factoring in the retail needs from new OLF8 households, necessity-based retail at the site could be much larger. If the necessity-based retail at the site relies on demand that exists within the Secondary A Market, as well as that which come from new OLF8 households, the necessity-based retail component could easily be as large as approximately 80,000 square feet (compared to the approximate 60,000 square feet supported by the current demographics of the Secondary A Market). If the necessity-based retail can rely on demand that exists within the Tertiary A Market, as well as that which come from new OLF8 households, the necessity-based retail component could easily be as large as approximately 100,000 square feet – or more, if also considering the additional growth of the surrounding area.

The following table details our Retail Trade Area Demand Analysis for necessity-based goods and services at OLF8, based on current demographics (we note that this does not include additional disposable personal income from new OLF8 residents).

TABLE 65

TRADE AREA ANALYSIS - DEMAND ANALYSIS NECESSITY-BASED GOODS AND SERVICES OUTLYING FIELD SITE EIGHT PENSACOLA, FLORIDA			
RETAIL SALES POTENTIAL FROM RESIDENTS	**Primary A Retail Market (2 Mile Radius)**	**Secondary A Retail Market (4 Mile Radius)**	**Tertiary A Retail Market (6 Mile Radius)**
Population	5,178	22,997	54,583
Households	1,873	8,745	20,591
Average Household Income	$108,252	$90,641	$82,177
Total Personal Income (TPI)	$202,755,996	$792,655,545	$1,692,106,607
Disposability Factor (%)	84.5%	85.2%	85.7%
Total Disposable Personal Income (DPI)	$171,311,960	$675,217,104	$1,449,745,389
Percent of DPI Channeled into Traditional Retail Sales (1)	27.1%	27.4%	27.5%
Total Residential Retail Sales Potential (RSP)	**$46,419,776**	**$184,948,180**	**$399,011,986**
% Allocated to Necessity-Based Retail Tenant Mix at Subject Site	69.8%	69.8%	69.9%
Total Residential RSP at Subject Site	**$32,397,656**	**$129,169,028**	**$278,775,784**
ADDITIONAL RETAIL SALES POTENTIAL FROM NAVY FEDERAL OFFICE WORKERS			
Approximate Number of Employees at the Navy Federal campus	8,600	8,600	8,600
Estimated Annual Necessity Retail Expenditure per Employee (2)	$3,911	$3,911	$3,911
Total Office Worker Retail Sales Potential (RSP)	**$33,634,220**	**$33,634,220**	**$33,634,220**
Percent of Employees Estimated to Live Outside Market Area	40.0%	20.0%	0.0%
Total Office Worker RSP at Subject Site	**$13,453,688**	**$6,726,844**	**$0**
Total Combined RSP at Subject Site	**$45,851,344**	**$135,895,872**	**$278,775,784**

Subject Site Market Share:

Aggregate Annual Retail Sales

	[---------- Sales Per Sq. Ft. ----------]		
	$150	$200	$250
40,000 square feet @	$6,000,000	$8,000,000	$10,000,000
60,000 square feet @	$9,000,000	$12,000,000	$15,000,000
80,000 square feet @	$12,000,000	$16,000,000	$20,000,000

[$150 in sales p.s.f.]	**Market Share % at 40,000 square feet**	**13.1%**	**4.4%**	**2.2%**
	Market Share % at 60,000 square feet	**19.6%**	**6.6%**	**3.2%**
	Market Share % at 80,000 square feet	**26.2%**	**8.8%**	**4.3%**
[$200 in sales p.s.f.]	**Market Share % at 40,000 square feet**	**17.4%**	**5.9%**	**2.9%**
	Market Share % at 60,000 square feet	**26.2%**	**8.8%**	**4.3%**
	Market Share % at 80,000 square feet	**34.9%**	**11.8%**	**5.7%**
[$250 in sales p.s.f.]	**Market Share % at 40,000 square feet**	**21.8%**	**7.4%**	**3.6%**
	Market Share % at 60,000 square feet	**32.7%**	**11.0%**	**5.4%**
	Market Share % at 80,000 square feet	**43.6%**	**14.7%**	**7.2%**

(1) Traditional retail includes: Food/Beverage/Entertainment, Apparel & Accessories, Personal Care & Services, Electronics & Home Furnishings, and General Merchandise

(2) Necessity retail includes: Fast Food/Deli/Lunch Eateries, Full-Service Restaurants, Grocery Stores, Drug Stores, Personal Care, and Personal Services

Source: ESRI; International Council of Shopping Centers "Office Worker Retail Spending in a Digital Age," 2012, suburban spending; projections by Weitzman Associates, LLC

Based upon our demographic research of each of the three trade areas, as discussed in the previous section of this report, the total dollar volume of consumer expenditures estimated to have been spent in

2020 on necessity-based retail goods and services, which are believed to be appropriate for the subject property, was approximately:

- $45.9 million by households and office workers within the Primary A Retail Market;
- $135.9 million by households and office workers within the Secondary A Retail Market; and
- $278.8 million by households and office workers within the Tertiary A Retail Market.

The dollar volume of consumer expenditures estimated to have been spent in 2020 on the types of necessity-based retail goods and services recommended for the subject property represents only a portion of the sales estimated in the Tertiary A Retail Market, thus the capture rates for the site are reasonable. Based upon this depth of consumer demand for the necessity-based goods and services we believe to be appropriate for the site, we have estimated the percentage of this demand that retail tenants of the subject would need to capture in order to achieve average sales ranging from $150 to $250 per square foot. We have assumed a range of $150 to $250 per square foot based upon our research in the market, our review of comparable retail centers, and our discussions with knowledgeable retail brokers. For a demand projection, using a range of sales per square foot enables us to determine the likelihood that a retail center can achieve sales at this level based upon its capture of trade area demand.

The next step in our demand analysis is to evaluate the portion of retail expenditures that must be captured by the subject property's tenants in order to achieve sales of $150 to $250 per square foot, on average. At the lowest scenario (i.e., $150 in sales per square foot and 40,000 square feet of retail), necessity-based retail tenants would collectively experience retail sales volume of $6.0 million annually. At the highest scenario (i.e. $250 in sales per square foot and 80,000 square feet of retail), necessity-based retail tenants would collectively experience retail sales volume of $20.0 million annually.

In our previous work on retail projects across the country, we have found that a similar capture rate principle applies to retail space as we have found to apply to residential space. Generally, retail developments in a market like Pensacola must capture approximately 10.0% or less of total trade area demand in order for its tenants to achieve sales at the assumed level typically achieve a fairly easy entry to the market. Those developments that, because of their size or because the viable sales requirements are too high, must capture more than 10.0% of projected retail consumer expenditures tend to represent a higher degree of investment risk.

As shown in the demand analysis, necessity-based retailers in a 40,000, 60,000 or 80,000 square foot commercial center at the subject property would need to capture 13.1%, 19.6% or 26.2%, respectively, of estimated trade area demand within the Primary A Retail Market in order to achieve sales of $150 per square foot on average. While this indicates that these sizes of a retail development would experience difficult market entry should underwriting rely primarily on that market area, the general lack of retail businesses around OLF8, as well as the additional demand for necessity-based retail goods and services from new residents at OLF8, make these capture rates more encouraging. Furthermore, as soon as trade area demand is expanded out to a four-mile radius, retailers at an 40,000, 60,000 or 80,000 center would need to capture 7.4%, 11.0% or 14.7%, respectively, of trade area demand in order to achieve the highest level of sales per square foot analyzed of $250 per square foot, indicating relatively easier market entry when considering that broader market. The capture rates drop even further when considering demand within a six-mile radius of OLF8, with capture rates of no more than 7.2%.

DESTINATION RETAIL TRADE AREA ANALYSIS

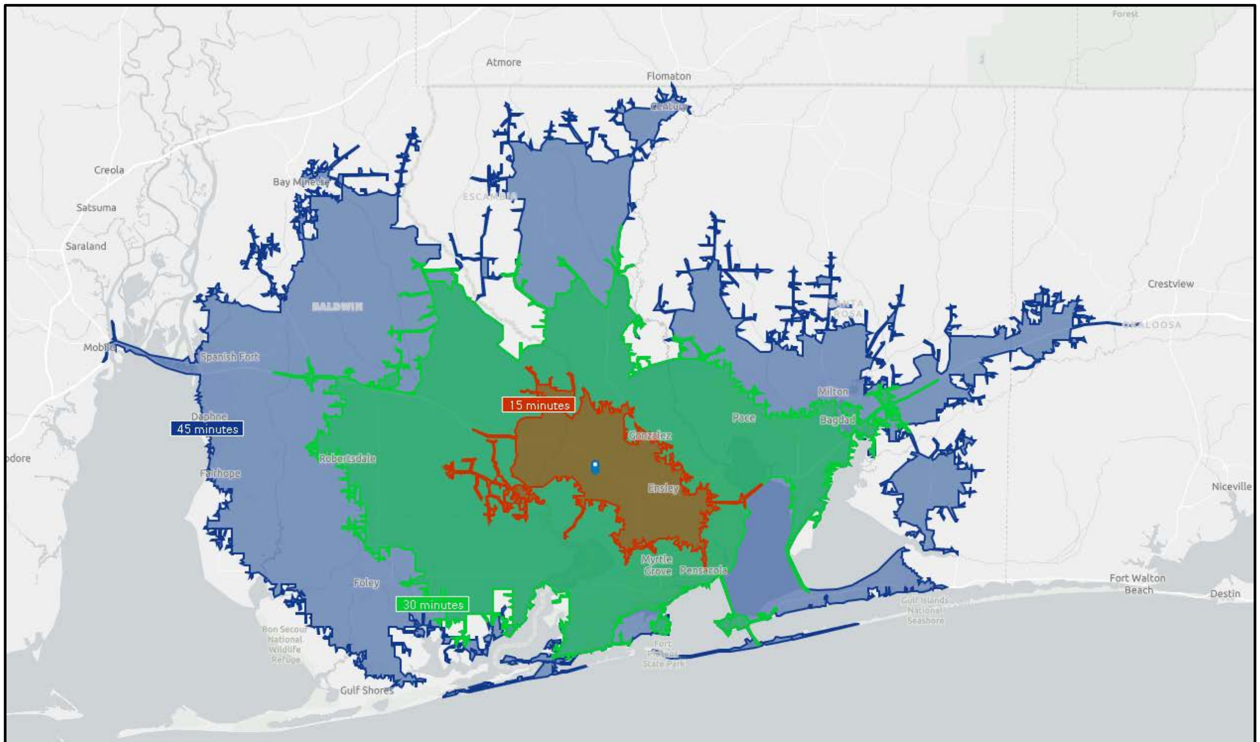
As discussed in the beginning of this section, we have taken a multilevel approach in our exploration of the viability of retail uses at OLF8 by separating our analysis into groupings of retail types that we consider to be necessity-based and that which we consider to be destination-based.

Although we believe necessity-based retail that serves nearby residents and employees will present the strongest element of retail demand at OLF8 – and therefore should be the central consideration when designing a retail component at the property – there appears to be additional demand at this location for destination-based retail uses. Using a similar methodology as in our necessity-based retail trade area analysis, we have attempted to quantify the demand for destination-based retail uses within relatively larger trade areas.

Destination Retail Trade Areas

We have determined that the subsidiary trade areas for OLF8 encompass a wide geographic area that include consumers residing within and slightly beyond the greater Pensacola area. It is our opinion that households residing within up to a 45-minute drive from OLF8 will potentially consider OLF8 for destination retail shopping, dining and entertainment. Households within a 15-minute, 30-minute and 45-minute drive from OLF8 delineate the Primary B, Secondary B, and Tertiary B Retail Markets.

MAP OF POTENTIAL DESTINATION RETAIL DEMAND AREAS



In 2020 to date, households within the Primary B Retail Market had average household expenditures of $62,617 or approximately 86.4% of their average household income. Households within the Secondary B Retail Market had average household expenditures of $64,696 (approximately 86.5% of their average household income) and households within the Tertiary B Retail Market had average household expenditures of $68,887 (approximately 86.3% of their average household income). It is estimated that in 2020 more than $16.54 billion in total expenditures were spent by households living within a 45-minute drive from the Project. Total household income in this area was estimated to be over $19.17 billion in 2020. As noted previously, these expenditures included healthcare and other non-traditional retail sales.

In our necessity-based retail trade area analysis, we began our analysis with an examination of all traditional retail expenditures. Given our hypothesis that destination-based uses will present an element of retail demand that is secondary to necessity-based uses – a belief supported in our exploration of destination-based retail market potential, discussed later – we have taken a selective approach in this trade area analysis by examining only those retail expenditures characterized as being destination-oriented. The selected expenditures include shopping, dining and entertainment activities that are recreational in nature and often engaged in for the positive experience that they provide beyond the base utility of the good or service. In other words, we solely focus on activities that people engage in for fun, including going out for a meal or drink; going to a show, movie, museum or other attraction; and going shopping for apparel.

The selected retail expenditures make up approximately 8.6% of all consumer expenditures in OLF8's destination-based retail trade areas, according to 2020 estimates. These specific expenditures were estimated to total approximately $5,380, $5,590 and $5,943 per household on average within the Primary B, Secondary B, and Tertiary B Retail Markets, respectively, in 2020. Food away from home made up the largest proportion of these expenditures, with an average household spend of $3,041 annually in the Primary B Retail market, followed by women's apparel ($611), alcoholic beverages ($484), and footwear ($388). The following table summarizes these expenditures by destination-based retail trade area, as estimated for 2020.

TABLE 66

DESTINATION-BASED RETAIL GOODS AND SERVICES EXPENDITURES - 2020

	Primary B 15 Minutes		Secondary B 30 Minutes		Tertiary B 45 Minutes	
Population	98,654		377,639		617,342	
Households	37,076		148,897		240,074	
Avg. HH Income	$72,434		$74,800		$79,857	
Median HH Income	$53,544		$53,349		$56,727	
Total Avg. HH Budget Expenditures	$62,617		$64,696		$68,887	
Total HH Budget Expenditures in Area	$2,321,603,093		$9,633,067,113		$16,538,090,473	
Selected Destination-Based Retail Expenditure Category	$ Exp.	% Tot.	$ Exp.	% Tot.	$ Exp.	% Tot.
Food, Beverage & Entertainment						
Food Away from Home	$3,041	4.86%	$3,160	4.88%	$3,361	4.88%
Alcoholic Beverages	$484	0.77%	$503	0.78%	$537	0.78%
Tickets to Theatre/Operas/Concerts	$61	0.10%	$64	0.10%	$68	0.10%
Tickets to Movies	$43	0.07%	$46	0.07%	$49	0.07%
Tickets to Parks or Museums	$25	0.04%	$26	0.04%	$28	0.04%
Apparel & Accessories						
Men's Apparel	$329	0.52%	$343	0.53%	$363	0.53%
Women's Apparel	$611	0.98%	$633	0.98%	$673	0.98%
Children's Apparel	$258	0.41%	$268	0.41%	$284	0.41%
Footwear	$388	0.62%	$404	0.62%	$426	0.62%
Watches & Jewelry	$95	0.15%	$99	0.15%	$105	0.15%
Other Apparel Products & Services	$43	0.07%	$46	0.07%	$49	0.07%
TOTAL SELECTED RETAIL EXPENDITURES	$5,380	8.6%	$5,590	8.6%	$5,943	8.6%

Source: ESRI; compiled by Weitzman Associates, LLC

Destination Retail Market Potential

Using the same methodology as in our necessity-based retail analysis, we reviewed the potential for destination-based retail uses by looking at current demand and supply of various good and services. As detailed in the following chart, within a 15-minute drive of OLF8 there is an indicated undersupply in specialty food stores; beer, wine and liquor stores; clothing and clothing accessories stores; and special food services. Within a 30-minute drive of OLF8, there remains an indicated undersupply in specialty food stores; beer, wine and liquor stores; and clothing and clothing accessories stores. Health and personal care stores also appear to be undersupplied at the 30-minute driving radius. Within a 45-minute drive of OLF8, food and beverage stores appear to be undersupplied, including specialty food and grocery stores.

TABLE 67

SUMMARY OF RETAIL GROUP SUPPLY & DEMAND - 2020				
Store Group	Demand	Supply	Demand / Supply Spread	Leakage / Surplus Factor
PRIMARY B RETAIL MARKET AREA - 15 MINUTE DRIVE				
Total Retail Trade and Food & Drink	$1,066,404,644	$2,064,144,077	($997,739,433)	(31.9)
Total Retail Trade	$967,144,375	$1,907,108,970	($939,964,595)	(32.7)
Total Food & Drink	$99,260,269	$157,035,107	($57,774,838)	(22.5)
Building Material, Garden Equip & Supply Stores	$68,171,527	$165,045,631	($96,874,104)	(41.5)
Furniture & Home Furnishings Stores	$34,156,989	$47,327,353	($13,170,364)	(16.2)
Food & Beverage Stores	$169,216,283	$180,201,416	($10,985,133)	(3.1)
Grocery Stores	$154,130,644	$170,827,890	($16,697,246)	(5.1)
Specialty Food Stores	$7,077,415	$4,573,188	$2,504,227	21.5
Beer, Wine & Liquor Stores	$8,008,224	$4,800,337	$3,207,887	25.0
Health & Personal Care Stores	$65,428,719	$95,835,092	($30,406,373)	(18.9)
Clothing & Clothing Accessories Stores	$45,962,489	$29,936,860	$16,025,629	21.1
Sporting Goods, Hobby, Book & Music Stores	$22,973,842	$44,117,182	($21,143,340)	(31.5)
Food Services & Drinking Places	$99,260,269	$157,035,107	($57,774,838)	(22.5)
Special Food Services	$1,723,285	$208,218	$1,515,067	78.4
Drinking Places - Alcoholic Beverages	$7,701,515	$7,995,954	($294,439)	(1.9)
Restaurants/Other Eating Places	$89,835,469	$148,830,935	($58,995,466)	(24.7)
SECONDARY B RETAIL MARKET AREA - 30 MINUTE DRIVE				
Total Retail Trade and Food & Drink	$4,437,403,487	$5,767,235,978	($1,329,832,491)	(13.0)
Total Retail Trade	$4,020,243,707	$5,128,695,662	($1,108,451,955)	(12.1)
Total Food & Drink	$417,159,780	$638,540,315	($221,380,535)	(21.0)
Building Material, Garden Equip & Supply Stores	$278,575,285	$479,550,737	($200,975,452)	(26.5)
Furniture & Home Furnishings Stores	$143,032,257	$205,940,566	($62,908,309)	(18.0)
Food & Beverage Stores	$699,388,869	$763,338,246	($63,949,377)	(4.4)
Grocery Stores	$637,131,354	$702,972,007	($65,840,653)	(4.9)
Specialty Food Stores	$29,004,239	$28,297,007	$707,232	1.2
Beer, Wine & Liquor Stores	$33,253,276	$32,069,232	$1,184,044	1.8
Health & Personal Care Stores	$269,727,676	$269,170,263	$557,413	0.1
Clothing & Clothing Accessories Stores	$190,060,467	$170,590,519	$19,469,948	5.4
Sporting Goods, Hobby, Book & Music Stores	$98,293,917	$112,533,507	($14,239,590)	(6.8)
Food Services & Drinking Places	$417,159,780	$638,540,315	($221,380,535)	(21.0)
Special Food Services	$6,806,735	$22,143,824	($15,337,089)	(53.0)
Drinking Places - Alcoholic Beverages	$31,078,067	$59,712,191	($28,634,124)	(31.5)
Restaurants/Other Eating Places	$379,274,977	$556,684,301	($177,409,324)	(19.0)

(Table Continued)

TERTIARY B RETAIL MARKET AREA - 45 MINUTE DRIVE				
Total Retail Trade and Food & Drink	$7,574,664,346	$9,077,399,923	($1,502,735,577)	(9.0)
Total Retail Trade	$6,861,143,587	$8,070,649,283	($1,209,505,696)	(8.1)
Total Food & Drink	$713,520,758	$1,006,750,640	($293,229,882)	(17.0)
Building Material, Garden Equip & Supply Stores	$475,778,176	$748,280,488	($272,502,312)	(22.3)
Furniture & Home Furnishings Stores	$244,670,879	$306,086,143	($61,415,264)	(11.2)
Food & Beverage Stores	$1,159,183,181	$1,122,239,150	$36,944,031	1.6
Grocery Stores	$1,057,865,936	$1,013,910,404	$43,955,532	2.1
Specialty Food Stores	$46,753,736	$45,180,876	$1,572,860	1.7
Beer, Wine & Liquor Stores	$54,563,508	$63,147,870	($8,584,362)	(7.3)
Health & Personal Care Stores	$450,939,551	$459,741,584	($8,802,033)	(1.0)
Clothing & Clothing Accessories Stores	$305,373,193	$345,038,628	($39,665,435)	(6.1)
Sporting Goods, Hobby, Book & Music Stores	$180,291,420	$194,045,374	($13,753,954)	(3.7)
Food Services & Drinking Places	$713,520,758	$1,006,750,640	($293,229,882)	(17.0)
Special Food Services	$9,874,462	$23,575,012	($13,700,550)	(41.0)
Drinking Places - Alcoholic Beverages	$44,586,412	$74,062,066	($29,475,654)	(24.8)
Restaurants/Other Eating Places	$659,059,885	$909,113,563	($250,053,678)	(15.9)

Source: ESRI; compiled by Weitzman Associates, LLC

Destination Retail Demand Analysis

The destination-based retail demand analysis is presented in the table following this discussion. Similar to the necessity-based retail demand analysis, the objective of this analysis is to quantify the demand for destination-based retail space in the delineated trade area so as to estimate the site's capture rate of total demand. As noted, the capture rate analysis helps to establish the competitive position of the site and identifies the relative degree of investment risk in these assets.

The method used in estimating the total annual demand for destination retail like that which would be offered at OLF8 requires similar steps as in our necessity-based retail demand analysis conducted and described earlier in this report. As applied in the table following this discussion, these steps are as follows:

- Project Total Personal Income – total personal income was estimated to be $2.686 billion in the Primary B Retail Market, $11.137 billion in the Secondary B Retail Market, and $19.172 billion in the Tertiary B Retail Market.

- Project Disposable Personal Income – by applying disposability factors of between 86.3% and 86.5% to total personal income in each trade area, total disposable personal income was estimated to be $2.322 billion in the Primary B Retail Market, $9.633 billion in the Secondary B Retail Market, and $16.538 billion in the Tertiary B Retail Market.

- Project Total Retail Sales Potential – as discussed previously and displayed in the destination-based retail goods and services expenditures table (Table 16), the ratios of all household expenditures dedicated to those selected retail goods and services that, if designed effectively, could be widely viewed as destinations in and of themselves, were estimated to be 8.6% across the Primary B, Secondary B, and Tertiary B Retail Markets. Applied to the total disposable personal income in each trade area, the resulting retail sales potential for the selected retail uses is estimated at $199.5 million, $832.4 million, and $1.427 billion, respectively. We note that we did not consider additional destination-based retail sales potential generated by nearby office workers, as we assume all reside within the study areas. However, per ICSC findings previously discussed, it is reasonable to assume that the nearby employee population would add further support to all retail uses at OLF8. Furthermore, we also note that we did not consider additional destination-based retail sales potential generated by new residents at OLF8, although this will also add further support to all retail uses at OLF8.

As performed in the necessity-based retail demand analysis, we then project the total retail sales by estimating the average sales per square foot that would likely be achievable at OLF8. Comparing the total retail sales potential at the site for the selected tenant groups to the aggregate annual retail sales using an estimated range of 60,000 to 100,000 square feet of destination retail space at the site, provides an estimate of the site's market share percentage. If the destination-based retail at the site relies only on demand within the Primary B Market (which is demand coming from within a 15-minute drive of the site), the capture rates indicate that the destination retail component could be as large as approximately 60,000 square feet. If the destination retail is able to rely upon demand extending to the encompassing Tertiary B Market (which is demand coming from within a 45-minute drive), the capture rates indicate that the destination retail component could be much larger and upwards of approximately 100,000 square feet or more.

As noted in our necessity-based retail demand analysis, the potential for thousands of new households on the OLF8 site, which would itself only represent a portion of the natural growth of Beulah, will contribute significantly more demand for all retail uses at OLF8 that is not captured by current demographics. Factoring in the retail needs from new OLF8 households, destination retail at the site could be much larger. If the destination-based retail at the site relies on demand that exists within the Primary B Market, as well as that which come from new OLF8 households, the destination-based retail component could easily be as large as approximately 80,000 square feet (compared to the approximate 60,000 square feet supported by the current demographics of the Primary B Market). If the destination-based retail can rely on demand that exists within the Tertiary B Market, as well as that which come from new OLF8 households, the necessity-based retail component could easily be as large as approximately 100,000 square feet – or more, if also considering the additional growth of the surrounding area.

As shown in the following table, destination-oriented retailers in a 60,000, 80,000 or 100,000 square foot commercial center at the subject property would need to capture 4.5%, 6.0% or 7.5%, respectively, of estimated trade area demand within the Primary B Retail Market in order to achieve sales of $150 per square foot on average. While these capture rates indicate that this scale of retail development would experience a relatively easy market entry, the broad competitive nature of destination retail makes market entry potentially more challenging. In other words, operating in a large trade area naturally results in a greater magnitude of supply, including competitive supply with potentially superior locational attributes such as water adjacency and cultural externalities. This broad competitive landscape will likely make capturing demand for destination-based retail uses comparably more difficult, especially considering OLF8's location and characteristics.

The following table details our Retail Trade Area Demand Analysis for destination-based goods and services at the project site.

TABLE 68

TRADE AREA ANALYSIS - DEMAND ANALYSIS
SELECTED DESTINATION-BASED GOODS AND SERVICES
OUTLYING FIELD SITE EIGHT
PENSACOLA, FLORIDA

RETAIL SALES POTENTIAL	Primary B Retail Market (15 Minute Radius)	Secondary B Retail Market (30 Minute Radius)	Tertiary B Retail Market (45 Minute Radius)
Population	98,654	377,639	617,342
Households	37,076	148,897	240,074
Average Household Income	$72,434	$74,800	$79,857
Total Personal Income (TPI)	$2,685,562,984	$11,137,495,600	$19,171,589,418
Disposability Factor (%)	86.4%	86.5%	86.3%
Total Disposable Personal Income (DPI)	$2,321,603,093	$9,633,067,113	$16,538,090,473
Percent of DPI Channeled into Selected Destination-Based Retail Sales (1)	8.6%	8.6%	8.6%
Total Retail Sales Potential for Selected Destination Retail Uses	**$199,458,869**	**$832,393,789**	**$1,426,694,962**

Subject Site Market Share:

Aggregate Annual Retail Sales

	[Sales Per Sq. Ft.]		
	$150	$200	$250
60,000 square feet @	$9,000,000	$12,000,000	$15,000,000
80,000 square feet @	$12,000,000	$16,000,000	$20,000,000
100,000 square feet @	$15,000,000	$20,000,000	$25,000,000

[$150 in sales p.s.f.]	**Market Share % at 60,000 square feet**	**4.5%**	**1.1%**	**0.6%**
	Market Share % at 80,000 square feet	**6.0%**	**1.4%**	**0.8%**
	Market Share % at 100,000 square feet	**7.5%**	**1.8%**	**1.1%**
[$200 in sales p.s.f.]	**Market Share % at 60,000 square feet**	**6.0%**	**1.4%**	**0.8%**
	Market Share % at 80,000 square feet	**8.0%**	**1.9%**	**1.1%**
	Market Share % at 100,000 square feet	**10.0%**	**2.4%**	**1.4%**
[$250 in sales p.s.f.]	**Market Share % at 60,000 square feet**	**7.5%**	**1.8%**	**1.1%**
	Market Share % at 80,000 square feet	**10.0%**	**2.4%**	**1.4%**
	Market Share % at 100,000 square feet	**12.5%**	**3.0%**	**1.8%**

(1) Selected destination-based retail categories include: Food Away from Home, Alcoholic Beverages, Tickets to Theatre/Operas/Concerts, Tickets to Movies, Tickets to Parks or Museums, and Apparel & Accessories.

Source: ESRI; projections by Weitzman Associates, LLC

In conclusion to our demand analyses, it appears that more than enough consumer demand currently exists in the trade area to support a retail development at the Property up to a total of approximately 100,000 square feet with an assumption of $250 per square foot in sales. There appears to be enough current demand for necessity-based retail space consisting of up to approximately 40,000 square feet as well as destination-based retail space consisting of up to approximately 60,000 square feet. The capture rates under the most aggressive scenario rise to 7.5% at the high-end for destination retail at this size and 21.8% at the high-end for necessity-based retail at this size. Although a current capture rate of 21.8% at the high-end for necessity-based retail is relatively high, the thousands of proposed future residents living on-site, coupled with the significant lack of retail currently in the area, indicates that a retail component at the Project could achieve relatively easy market entry. Relatively low capture rates are required to achieve sales of $150 per square foot as well as $200 per square foot among core retail groups under both analyses.

As noted in both retail demand analyses, the potential for thousands of new households on the OLF8 site, which would itself only represent a portion of the natural growth of Beulah, will contribute significantly more demand for all retail uses at OLF8 that is not captured by current demographics. Factoring in the retail needs from new OLF8 households, eventual total consumer demand would likely support a retail development at the Property up to a total of approximately 180,000 square feet or larger. Overall, this analysis indicates strong demand from permanent residents and Navy Federal employees. As noted, it is likely that with the development of the residential component to the project – with thousands of eventual households – and with enhanced future job creation at Navy Federal and other area employers that are not likely included in the household growth projections, additional retail space developed on the site could easily be absorbed over time.

HOTEL MARKET ANALYSIS

INTRODUCTION

To analyze the potential for hotel development on the OLF8 site, we reviewed hotel market conditions on a national, regional, and local basis, and prepared a projection of stabilized hotel occupancy and average daily rate (ADR) for a proposed hotel development on the site. In consideration of the project location and surrounding neighborhood, including the nearby Navy Federal Credit Union campus, we believe that an upscale, 3 to 3+ star, nationally branded, select-service hotel with approximately 100 rooms would be most appropriate for hotel development on the site. The analysis of the market potential for such a proposed hotel begins with an overview of national hotel market trends, including analysis of the recent impacts from the ongoing coronavirus pandemic and forecasts for eventual recovery. We then analyzed recent trends of the regional hotel market in Escambia County, followed by a review of the occupancy, ADR, and revenue per available room (RevPAR) trends of a defined competitive set within the local market. The local competitive market analysis then serves as the framework for our stabilized occupancy and ADR projections for the proposed hotel at OLF8. We have organized the analysis as follows:

1. An Executive Summary of findings;
2. An overview of the National Hotel Market;
3. An overview of the Escambia County Hotel Market;
4. An analysis of the Trends of the defined Competitive Hotel Market, including analysis of the Monthly and Day of Week Trends, and Profiles of the Competitive Hotels;
5. A Competitive Hotel Supply and Demand Analysis; and
6. A Projection of Stabilized Occupancy and Average Daily Rate for the Proposed Hotel at OLF8.

EXECUTIVE SUMMARY

- **National Hotel Market Overview.** Prior to the coronavirus pandemic, the national hotel market had been performing relatively well. There was continued growth in hotel RevPAR from 2010 to 2019, although the rate of growth had slowed in recent years and notably decelerated over the past year in 2019. Owing to the coronavirus pandemic, which essentially halted most travel nationally and globally, there has been a severe negative impact on the national hotel market since March 2020. While there remains much uncertainty, national hotel forecasts published by PWC and CBRE Hotels reflect a relatively swift market recovery over the next several years. However, the negative lodging impacts from the coronavirus pandemic and ensuing recovery will vary by market and property type, with drive-to, low-density leisure destinations, such as Pensacola, likely to be quicker to recover.

- **Escambia County Hotel Market Overview.** Based upon STR data derived from Visit Pensacola, the existing hotel inventory in Escambia County as of March 2020 was comprised of 84 hotel properties with a total of 7,932 rooms. From 2015 to 2019, Escambia County's average hotel RevPAR increased at an average compounded annual growth rate of 4.6%, compared to a corresponding national average compounded annual growth rate of 2.4%, reflecting the relative strength of the Escambia County hotel market.

  Based upon our review of Escambia County's hotel inventory as derived from STR, 33.3% of the County's hotels are classified by STR as economy class, 12.9% % are classified as midscale class, 30.6% are classified as upper midscale class, 13.7% are classified as upscale class, 5.6% (two hotels) are classified as upper upscale class, and 3.9% (one hotel) is classified as luxury class. At the top end of the class spectrum, the three upper upscale and luxury hotels are all located in Pensacola Beach. The closest concentration of hotels to the OLF8 development site is approximately four miles to the southeast around the intersection of Interstate 10 and Pine Forest Road. Of the 12 hotels in this area, six are classified as upper midscale class, one is classified as midscale class, and five are classified as economy class. Additionally, a new Courtyard by Marriott, which is considered upscale class, is currently under construction on Nine Mile Road, just east of I-10, approximately two miles east of the OLF8 site.

- **Competitive Set Hotel Market Trends.** The defined competitive set consists of six upper midscale class, limited- service hotels: a Fairfield Inn and Suites, a Hampton Inn, a Home2 Suites, a Holiday Inn Express & Suites, a Country Inn & Suites, and a Best Western Plus. The Fairfield Inn and Suites and Home2 Suites recently opened in September 2019 and February 2020, respectively. After a positive trend of growth over the years from 2015 to 2017, RevPAR in the competitive set remained relatively stable in 2018, and declined in 2019 as the September opening of the Fairfield Inn & Suites had a negative impact on the competitive market's occupancy. The competitive hotel market has continued to decline thus far in 2020, with further negative impact from the opening of the Home2 Suites in February, followed by the severe negative impact resulting from the coronavirus pandemic.

- **Monthly and Day of Week Trends.** For the competitive market, the summer months of June and July typically represent the peak season, followed by the preceding spring months of March to May. The slowest months are generally the winter months of December and January.

  Reflective of the leisure demand in the market, the highest occupancy, ADR, and RevPAR levels are typically achieved on Friday and Saturday nights. Tuesday and Wednesday nights are also relatively strong, as commercial demand from business travelers typically peaks during the mid-week. As in most hotel markets, Sunday nights are the weakest in terms of occupancy and RevPAR.

- **Competitive Hotel Supply and Demand Analysis.** To project market occupancy over the next several years, we performed a competitive supply and demand analysis. In our competitive supply analysis, we included the six competitive hotels totaling 425 rooms. We also included in our competitive supply analysis the 124-room Courtyard by Marriott currently under construction along Nine Mile Road just east of I-10; we assumed this hotel opens as of March 1, 2021. For the purpose of our analysis, we have assumed that the proposed subject hotel on the OLF8 site, with 100 rooms, will open on January 1, 2024.

  Reflecting the impact from the coronavirus pandemic, we project the competitive hotel market's base annual hotel demand to decline by -10.0% in 2020, before recovering with annual growth of 40.0% in 2021, 20.0% in 2022, 5.0% in 2023 and 2024, and 3.5% in the years thereafter. Furthermore, we project that the new Courtyard by Marriott and the proposed hotel on the OLF8 site will induce (i.e. attract into the market) 40% of their room nights. Based upon the competitive supply and demand analysis, we have estimated a stabilized competitive market occupancy rate of approximately 74% in 2026.

- **Projection of Stabilized Occupancy and Average Daily Rate for the Proposed Hotel at OLF8.** Assuming an upscale, 3 to 3+ star, nationally branded, select-service hotel with approximately 100 rooms, we project three years to reach stabilized occupancy, with projected penetration rates of 90% in the first full year of operations in 2024, increasing to 95% in 2025 and a stabilized 100% penetration as of 2026. Based upon our analysis, we project the proposed hotel's stabilized occupancy rate at 74.0%.

  Based upon the average ADR of the competitive set, as well as an analysis of average ADR levels of comparable moderately upscale select service hotels in other areas of Pensacola, we estimate the proposed hotel's positioned average daily rate at $130 in 2019 dollars. In consideration of recent trends including the impact from the ongoing coronavirus pandemic, we project an average annual ADR decline of -13.0% in 2020. Thereafter, ADR is projected to recover with annual growth of 6.0% in 2021 and 2022, 4.0% in 2023, and a stabilized 3.0% in the years thereafter. The proposed OLF8 hotel's projected occupancy rate, ADR, and RevPAR through the first stabilized year, as projected by Weitzman Associates, are summarized in the following table.

PROJECTED OCCUPANY AND ADR OLF 8 MASTER PLAN			
			Stabilized
Projection Year Ending 12/31	2024	2025	2026
Projected ADR	$136.00	$140.08	$144.28
Projected Occupancy	63.0%	69.0%	74.0%
Projected RevPAR	$85.68	$96.66	$106.77
% Change	---	*12.8%*	*10.5%*

Source: Projections by Weitzman Associates, LLC

- **Potential Hotel Development Timing.** For a proposed hotel on the OLF8 site, we assumed a January 1, 2024 opening date for projection purposes, but recommend that any potential hotel development on the site should be considered for a latter phase of development. The current coronavirus pandemic has had a severe negative impact on the hotel market and the length and extent of any eventual recovery remains to be seen. The local competitive hotel market has also been impacted by new supply, which will increase further with the opening of the Courtyard by Marriott currently under construction just two miles from the OLF8 site. Furthermore, consideration should be given to the other uses that may be developed on the OLF8 site, as any significant commercial or healthcare component will likely drive additional hotel demand, for which an on-site hotel would be well positioned to capture. A hotel development on the OLF8 site will not be a catalyst for additional growth, and should rather be considered as a potential complimentary use, which would be best tailored after knowing the other primary uses to be developed on the OLF8 site.

NATIONAL HOTEL MARKET OVERVIEW

According to data from STR, following a fairly significant decline in 2008-2009 during the Great Recession, the national lodging industry continued to improve over the ten years thereafter from 2010 to 2019. The national hotel occupancy rate recovered with continued occupancy growth from a low of 54.6% in 2009 to 66.1% reached in both 2018 and 2019. There has been continued ADR (average daily rate) growth over the past nine years since 2011, although the rate of growth slowed in recent years and notably decelerated over the past year in 2019. Primarily driven by growth in ADR, annual RevPAR (revenue per available room, calculated as occupancy x ADR) increased by 3.1% in 2016, 2.9% in 2017, 2.8% in 2018, and 0.9% in 2019. In 2019, the national lodging market posted an average occupancy of 66.1% (unchanged from 2018), ADR of $131.11, and RevPAR of $86.66.

TABLE 69

NATIONAL HOTEL TRENDS: 2007 - MAY 2020								
Year	Demand *% Chg*	Supply *% Chg*	Occupancy	*% Chg*	ADR	*% Chg*	RevPAR	*% Chg*
2007	*0.7%*	*1.2%*	62.8%	*-0.5%*	$104.30	*6.6%*	$65.54	*6.1%*
2008	*-2.5%*	*2.4%*	59.8%	*-4.8%*	$107.37	*2.9%*	$64.23	*-2.0%*
2009	*-6.2%*	*2.8%*	54.6%	*-8.8%*	$98.16	*-8.6%*	$53.55	*-16.6%*
2010	*7.3%*	*1.7%*	57.6%	*5.6%*	$98.03	*-0.1%*	$56.45	*5.4%*
2011	*4.6%*	*0.4%*	60.0%	*4.2%*	$101.76	*3.8%*	$61.05	*8.1%*
2012	*2.7%*	*0.3%*	61.4%	*2.4%*	$106.06	*4.2%*	$65.14	*6.7%*
2013	*1.9%*	*0.5%*	62.3%	*1.4%*	$110.06	*3.8%*	$68.53	*5.2%*
2014	*4.0%*	*0.6%*	64.4%	*3.4%*	$115.21	*4.7%*	$74.16	*8.2%*
2015	*2.5%*	*0.9%*	65.4%	*1.5%*	$120.42	*4.5%*	$78.71	*6.1%*
2016	*1.5%*	*1.4%*	65.4%	*0.1%*	$124.07	*3.0%*	$81.16	*3.1%*
2017	*2.4%*	*1.7%*	65.9%	*0.7%*	$126.82	*2.2%*	$83.54	*2.9%*
2018	*2.4%*	*2.0%*	66.1%	*0.4%*	$129.92	*2.4%*	$85.92	*2.8%*
2019	*2.0%*	*2.0%*	66.1%	*-0.1%*	$131.11	*0.9%*	$86.66	*0.9%*
Average Annual Compounded Change:								
2007 - 2019				*0.4%*		*1.9%*		*2.4%*
2015 - 2019				*0.3%*		*2.1%*		*2.4%*
				Y-O-Y Chg		*Y-O-Y Chg*		*Y-O-Y Chg*
Jan-20			55.1%	*0.8%*	$126.06	*1.4%*	$69.47	*2.2%*
Feb-20			62.2%	*0.2%*	$130.78	*1.4%*	$81.33	*1.7%*
Mar-20			39.4%	*-42.3%*	$110.66	*-16.5%*	$43.54	*-51.9%*
Apr-20			24.5%	*-63.9%*	$73.23	*-44.4%*	$17.93	*-79.9%*
May-20			33.1%	*-51.7%*	$79.57	*-39.9%*	$26.35	*-71.0%*
YTD May 2020			43.3%	*-32.7%*	$112.27	*-13.8%*	$48.61	*-42.0%*

Source: STR (as derived from STR and PWC); compiled by Weitzman Associates, LLC

Prior to the negative impact from the coronavirus pandemic, the current 2020 year started relatively strong with continued year-over-year RevPAR growth of 2.2% in January and 1.7% in February (owing to growth in the earlier part of the month). However, with the rising pandemic in the U.S. and ensuing decline in travel, RevPAR has significantly declined year-over-year by -51.9% in March, -79.9% in April, and -71.0% in May. Overall year-to-date through May 2020, occupancy declined by -32.7%, ADR declined by -13.8%, and RevPAR declined by -42.0% compared to the same period last year in 2019.

National Hotel Market Forecast - PWC

PWC's latest forecast for the national hotel market, published in May 2020, estimates for the year 2020 annual declines of -41.4% in occupancy (to 38.7%) and -19.9% in ADR (to $105.02), for an overall decline of -53.1% in RevPAR (to $40.66). We note that as of late-2019, prior to the emergence of the coronavirus pandemic, PWC had previously forecasted modest RevPAR growth of 0.5% in 2020.

As the economy continues to open back up and temporarily closed hotels reopen, PWC projects the national hotel market to partially rebound in 2021 with growth of 49.9% in occupancy (to 58.1%) and 10.6% in ADR (to $116.81), for an overall rebound of 65.9% in RevPAR (to $67.44).

The historical 2019 performance of the national hotel market and PWC's most recent forecast for the next two years in 2020 and 2021 are outlined in the following table.

TABLE 70

NATIONAL HOTEL FORECAST (PWC)								
Year	Demand *% Chg*	Supply *% Chg*	Occupancy	*% Chg*	ADR	*% Chg*	RevPAR	*% Chg*
2019	*2.0%*	*2.0%*	66.1%	*-0.1%*	$131.11	*0.9%*	$86.66	*0.9%*
Forecast:								
2020F	*-45.9%*	*-7.6%*	38.7%	*-41.4%*	$105.02	*-19.9%*	$40.66	*-53.1%*
2021F	*62.1%*	*8.1%*	58.1%	*49.9%*	$116.18	*10.6%*	$67.44	*65.9%*

Source: STR; Bureau of Economic Analysis; IHS-Markit (forecast released May 2020); MHC Construction Analysis System; PwC; compiled by Weitzman Associates, LLC

As outlined in the following table, the higher priced luxury and upper upscale chain scale classes are forecast to have greater occupancy and RevPAR declines in 2020, followed by greater rebounds in 2021. For the national luxury segment, PWC forecasts annual declines of -58.0% in occupancy, -6.1% in ADR, and -60.5% in RevPAR in 2020, followed by occupancy growth of 100% coupled with a continued ADR decline of -1.5%, for overall RevPAR growth of 97.0%, in 2021. Similarly, for the national upper upscale segment, PWC forecasts annual declines of -55.4% in occupancy, -14.2% in ADR, and -61.7% in RevPAR in 2020, followed by occupancy growth of 91.1% coupled with a continued ADR decline of -0.3%, for overall RevPAR growth of 90.4%, in 2021. We note that while ADR is forecast to continue to decline in 2021 for the luxury and upper upscale chain scale segments, it is projected to partially rebound with positive growth in 2021 for all other chain scale segments.

TABLE 71

NATIONAL HOTEL FORECAST BY CHAIN SCALE (PWC) PERCENTAGE CHANGE FROM PRIOR YEAR										
	2020					2021				
Chain scale	Demand	Supply	Occupancy	ADR	RevPAR	Demand	Supply	Occupancy	ADR	RevPAR
Luxury	(66.9)	(21.2)	(58.0)	(6.1)	(60.5)	150.2	25.1	100.0	(1.5)	97.0
Upper Upscale	(62.6)	(16.2)	(55.4)	(14.2)	(61.7)	131.8	21.3	91.1	(0.3)	90.4
Upscale	(51.4)	(4.7)	(49.0)	(13.6)	(55.9)	83.3	11.1	65.0	7.0	76.6
Upper Midscale	(45.4)	(2.7)	(43.9)	(12.8)	(51.1)	66.9	7.7	55.0	8.1	67.5
Midscale	(26.6)	(3.0)	(24.4)	(10.9)	(32.6)	30.2	6.4	22.3	7.8	31.8
Economy	(23.6)	(3.4)	(21.0)	(9.1)	(28.2)	26.6	3.9	21.9	7.3	30.8
Independent		(11.3)	(41.3)	(17.6)	(51.7)	52.3	3.2	47.6	1.4	49.6
US Total	**(45.9)**	**(7.6)**	**(41.4)**	**(19.9)**	**(53.1)**	**62.1**	**8.1**	**49.9**	**10.6**	**65.9**

Source: PwC, based on STR data; compiled by Weitzman Associates, LLC

National Hotel Market Forecast - CBRE

Similar to PWC, CBRE is forecasting a recovery in the national hotel market starting in 2021. Per its latest forecast, published in May 2020, CBRE is projecting for the year 2020 annual declines of -38.0% in occupancy and -22.5% in ADR, for an overall decline of -51.9% in RevPAR. It is noted that prior to the emergence of the coronavirus pandemic, CBRE had previously forecasted a -0.1% RevPAR decline in 2020.

While a significant and unprecedented RevPAR decline is forecasted for 2020, a relatively quick recovery is also forecasted with RevPAR projected to fully recover by 2023. The historical 2019 performance of the national hotel market and CBRE's most recent forecast for the next four years from 2020 to 2023 (reflecting the significant downturn and subsequent recovery from the current coronavirus pandemic) is outlined in the following table. Following the forecasted -51.9% decline in 2020, RevPAR is forecast to recover with growth of 48.4% in 2021 and 29.3% in 2022, followed by more moderate projected growth of 8.7% in 2023.

TABLE 72

NATIONAL HOTEL FORECAST (CBRE)

	Occupancy	*% Chg*	ADR	*% Chg*	RevPAR	*% Chg*
2019	66.1%	*0.0%*	$131.11	*0.9%*	$86.73	*0.9%*
Forecast:						
2020F	41.0%	*-38.0%*	$101.67	*-22.5%*	$41.67	*-51.9%*
2021F	55.9%	*36.3%*	$110.69	*8.9%*	$61.83	*48.4%*
2022F	65.0%	*16.4%*	$122.93	*11.1%*	$79.95	*29.3%*
2023F	66.6%	*2.4%*	$130.47	*6.1%*	$86.92	*8.7%*

Source: Forecast by CBRE Hotels, Historical Data from STR (May 2020); compiled by Weitzman Associates, LLC

We note that both the PWC and CBRE forecasts are premised upon the expectation of improvement during the latter half of 2020, and a relatively strong economic recovery starting in 2021. However, a significant amount of uncertainty remains, particularly in light of the recent upswing in the number of coronavirus cases in many parts of the country, including Florida, and the threat of a “second wave” of infections.

The negative lodging impacts from the coronavirus pandemic and ensuing recovery will vary by market and property type. While drive-to, low-density leisure destinations will likely be quicker to recover, gateway cities typically hosting travelers from afar, however, will generally experience greater, prolonged negative impacts. As noted by CBRE Hotels, the greatest impact will be in "gateway cities that cater to international and business travelers, and that accommodate large groups for conventions and conferences." Additionally, compared to economy and midscale class properties, higher-end luxury, upper upscale, and upscale class properties will on average be more negatively impacted given their greater dependency on group, business, and international visitations.

<u>ESCAMBIA COUNTY HOTEL MARKET OVERVIEW</u>

According to STR data derived from Visit Pensacola, as of March 2020, Escambia County was home to 84 hotel properties with a total of 7,932 rooms. The defined "beach" area has 9 hotels with a total 1,555 rooms, and the defined "inland" area has 68 hotels with a total of 5,742 rooms.

The critical hotel market metric, RevPAR (revenue per available room, calculated as occupancy x average daily rate), has steadily increased in Escambia County over the past several years. From 2015 to 2019, RevPAR in Escambia County increased by 19.6%, from $67.45 to $80.67, equating to an average compounded annual growth rate of 4.6%. In comparison, the corresponding national RevPAR growth over the same period was lower at 2.4%, which speaks to the relative strength of Escambia County's hotel market. From 2018 to 2019, the Escambia County hotel occupancy rate increased 2.6% to 68.5% and average daily rate (ADR) increased 0.9% to $117.85, for overall RevPAR growth of 3.5% to $80.67. Reflecting the negative impact from the coronavirus pandemic and stay-at-home orders beginning in March, the most recent year-to-date statistics for the first quarter of 2020 for the Escambia County hotel market reflects year-over-year declines of -15.8% in occupancy, -6.9% in ADR, and -21.6% in RevPAR.

The beach area commands significantly higher ADR and occupancy than inland hotels and the rest of Escambia County. In 2019, the beach hotels achieved an average occupancy of 74.8% and an ADR of $191.84, for an overall RevPAR of $143.41. In contrast, the inland hotels (accounting for 74.2% of the county's room count supply) achieved an average occupancy of 65.9% and an ADR of $94.88, for an overall RevPAR of $62.54, in 2019. Consistent with overall county trends, the beach and inland hotel markets experienced year-over-year RevPAR declines of -26.8% and -20.6%, respectively, in the first quarter of 2020 as travel significantly declined in March due to the coronavirus pandemic.

Hotel market metrics for Escambia County from 2015 to year-to-date through March 2020 are summarized in the following table.

TABLE 73

ESCAMBIA COUNTY HOTEL MARKET PERFORMANCE
2015 - YTD March 2020

	Calendar Year					CAGR	YTD March	
	2015	2016	2017	2018	2019	2015-2019	2019	2020
ESCAMBIA COUNTY								
Supply	2,770,106	2,769,663	2,761,654	2,797,662	2,823,230		688,034	711,400
% Change	*---*	*0.0%*	*-0.3%*	*1.3%*	*0.9%*	*0.5%*	*---*	*3.4%*
Demand	1,772,095	1,836,418	1,843,361	1,866,957	1,932,611		445,940	388,389
% Change	*---*	*3.6%*	*0.4%*	*1.3%*	*3.5%*	*2.2%*	*---*	*-12.9%*
Occupancy	64.0%	66.3%	66.7%	66.7%	68.5%		64.8%	54.6%
% Change	*---*	*3.6%*	*0.7%*	*0.0%*	*2.6%*	*1.7%*	*---*	*-15.8%*
ADR	$105.44	$109.03	$111.97	$116.82	$117.85		$99.19	$92.37
% Change	*---*	*3.4%*	*2.7%*	*4.3%*	*0.9%*	*2.8%*	*---*	*-6.9%*
RevPAR	$67.45	$72.29	$74.74	$77.96	$80.67		$64.29	$50.43
% Change	*---*	*7.2%*	*3.4%*	*4.3%*	*3.5%*	*4.6%*	*---*	*-21.6%*
INLAND								
Supply	2,180,631	2,179,415	2,135,866	2,096,346	2,095,920		516,870	516,870
% Change	*---*	*-0.1%*	*-2.0%*	*-1.9%*	*0.0%*	*-1.0%*	*---*	*0.0%*
Demand	1,365,024	1,404,344	1,391,713	1,363,470	1,381,570		329,417	280,113
% Change	*---*	*2.9%*	*-0.9%*	*-2.0%*	*1.3%*	*0.3%*	*---*	*-15.0%*
Occupancy	62.6%	64.4%	65.2%	65.0%	65.9%		63.7%	54.2%
% Change	*---*	*2.9%*	*1.1%*	*-0.2%*	*1.3%*	*1.3%*	*---*	*-15.0%*
ADR	$85.34	$87.92	$91.17	$94.16	$94.88		$85.28	$79.68
% Change	*---*	*3.0%*	*3.7%*	*3.3%*	*0.8%*	*2.7%*	*---*	*-6.6%*
RevPAR	$53.42	$56.65	$59.40	$61.24	$62.54		$54.35	$43.18
% Change	*---*	*6.0%*	*4.9%*	*3.1%*	*2.1%*	*4.0%*	*---*	*-20.6%*
BEACH								
Supply	562,100	557,078	547,520	561,886	564,108		136,784	139,950
% Change	*---*	*-0.9%*	*-1.7%*	*2.6%*	*0.4%*	*0.1%*	*---*	*2.3%*
Demand	387,436	408,253	392,143	393,365	421,706		88,382	73,994
% Change	*---*	*5.4%*	*-3.9%*	*0.3%*	*7.2%*	*2.1%*	*---*	*-16.3%*
Occupancy	68.9%	73.3%	71.6%	70.0%	74.8%		64.6%	52.9%
% Change	*---*	*6.3%*	*-2.3%*	*-2.3%*	*6.8%*	*2.1%*	*---*	*-18.2%*
ADR	$175.45	$181.11	$186.81	$194.76	$191.84		$147.34	$131.72
% Change	*---*	*3.2%*	*3.1%*	*4.3%*	*-1.5%*	*2.3%*	*---*	*-10.6%*
RevPAR	$120.93	$132.73	$133.79	$136.35	$143.41		$95.20	$69.64
% Change	*---*	*9.8%*	*0.8%*	*1.9%*	*5.2%*	*4.4%*	*---*	*-26.8%*

Source: STR (as derived from Visit Pensacola); compiled by Weitzman Associates, LLC

We also reviewed the recent hotel performance of various market areas within Escambia County, as prepared by STR and derived from Visit Pensacola. The six defined market areas are Downtown, Airport, Pine Forest (located closest to the OLF8 site), Westside/Perdido, PNS Beach, and UWF (University of West Florida). By market area, in the first quarter of 2020, occupancy rates ranged from a low of 49.2% in the Pine Forest area to a high of 60.8% in the Airport area, while ADR ranged from a low of $59.41 in the Pine Forest area to a high of $124.97 in the Beach area.

Similarly, in the first quarter of 2019, occupancy rates ranged from a low of 52.8% in the Pine Forest area to a high of 73.6% in the Airport area, while ADR ranged from a low of $64.56 in the Pine Forest area to a high of $140.22 in the Beach area.

While the Airport area has the highest occupancy, the Beach area has by far the highest ADR and RevPAR levels, followed by Downtown Pensacola. In contrast, the more rural Pine Forest area, to which the subject development site is located closest, has the lowest occupancy, ADR, and RevPAR levels. The first quarter 2020 and 2019 hotel performance by market area is outlined in the following table.

TABLE 74

ESCAMBIA COUNTY HOTEL MARKET PERFORMANCE - BY MARKET AREA
YTD March 2020

	Year-to-Date March						*Percent Chg from YTD March 2019*							
	Occ %		ADR		RevPAR					*Room*	*Room*	*Room*	Sample	
Market Area	2020	2019	2020	2019	2020	2019	*Occ*	*ADR*	*RevPAR*	*Rev*	*Avail*	*Sold*	Properties	Rooms
Downtown+	53.3	64.1	$114.70	$117.99	$61.18	$75.64	*-16.8*	*-2.8*	*-19.1*	*-19.1*	*0.0*	*-16.8*	5	612
Airport+	60.8	73.6	$91.47	$93.95	$55.58	$69.19	*-17.5*	*-2.6*	*-19.7*	*-15.7*	*4.9*	*-13.4*	16	1,675
Pine Forest+	49.2	52.8	$59.41	$64.56	$29.24	$34.09	*-6.8*	*-8.0*	*-14.2*	*-14.3*	*-0.1*	*-6.9*	5	474
Westside/Perdido	51.7	63.0	$78.83	$82.09	$40.72	$51.68	*-18.0*	*-4.0*	*-21.2*	*-11.5*	*12.4*	*-7.8*	14	1,068
PNS Beach+	52.9	64.1	$124.97	$140.22	$66.13	$89.88	*-17.4*	*-10.9*	*-26.4*	*-25.0*	*1.9*	*-15.8*	10	1,461
UWF+	57.7	68.2	$75.02	$78.34	$43.27	$53.47	*-15.5*	*-4.2*	*-19.1*	*-19.1*	*0.0*	*-15.5*	6	680

Source: STR (as derived from Visit Pensacola); compiled by Weitzman Associates, LLC

ESCAMBIA COUNTY HOTEL MARKET INVENTORY

Based upon our review of data from STR, the existing hotel market in Escambia County is currently comprised of 82 hotel properties with a total of 7,783 rooms. This inventory includes:

- 35 properties, with a total of 2,595 rooms (or 33.3% of the County total), that are classified by STR as economy class hotels; this set includes a number of independent motels located across the city, as well as economy hotel chains such as Days Inn, Red Roof Inn, and Extended Stay America, among others.

- 11 properties, with a total of 1,003 rooms (or 12.9% of the County total), that are classified by STR as midscale class hotels.

- 23 properties, with a total of 2,380 rooms (or 30.6% of the County total), that are classified by STR as upper midscale class hotels; this set includes a Country Inn & Suites, a Holiday Inn Express & Suites, a Hampton Inn, a Fairfield Inn & Suites, and a Home2Suites by Hilton, which recently opened in February of 2020, within the subject zip code area 32526.

- 10 properties, with a total of 1,068 rooms (or 13.7% of the County total), that are classified by STR as upscale class hotels. Two of the hotels are located in Downtown Pensacola, another two of the hotels are located in Pensacola Beach, and the remaining six upscale hotels are located within zip code area 32504, which includes the Cordova Mall, Sacred Heart Hospital, and Pensacola International Airport.

- Two properties, with a total of 437 rooms (or 5.6% of the County total), that are classified by STR as upper upscale class hotels, and just one 300-room hotel (3.9% of the County total) that is classified by STR as luxury class. These three hotels at the top end of the class spectrum are all located in Pensacola Beach.

The breakdown of the Escambia County hotel inventory by class is displayed in the following table.

TABLE 75

ESCAMBIA COUNTY HOTEL INVENTORY BY CLASS						
Hotel	**Location**	**Zip Code**	**Class (1)**	**Rooms**	**Aff Date**	**Open Date**
Sole Inn & Suites	Pensacola	32501	Economy	45	Jul 2020	Jun 1975
Mona Lisa Motel	Pensacola	32506	Economy	15	Jun 1966	Jun 1966
Lyon's Motel	Pensacola	32503	Economy	20		
Relax Inn	Pensacola	32505	Economy	21	May 1958	May 1958
Budget Inn	Pensacola	32501	Economy	26		
Civic Inn North	Pensacola	32514	Economy	29	Jun 1985	Jun 1985
Pensacola Motor Lodge	Pensacola	32505	Economy	30	Apr 1932	Apr 1932
Executive Inn	Pensacola	32505	Economy	36	Nov 1984	Nov 1984
Budget Inn	Pensacola	32514	Economy	38	Jun 1969	Jun 1969
Mayfair Motel	Pensacola	32506	Economy	40	Jun 1990	Jun 1990
Motel 6 Pensacola - N.A.S.	Pensacola	32506	Economy	41	Sep 2017	Jul 1997
Super 8 Pensacola West	Pensacola	32506	Economy	50	Jun 2019	Jun 1972
Pensacola Inn	Pensacola	32504	Economy	58	Aug 2015	Sep 1985
Pensacola Inn & Suites	Pensacola	32505	Economy	59	Jun 2019	Jun 1998
Americas Best Value Inn & Suites Pensacola	Pensacola	32505	Economy	60	Feb 2007	Jun 1988
Western Inn	Pensacola	32506	Economy	67	Jun 2005	Jun 1965
Super 8 Pensacola	Pensacola	32526	Economy	69	Jan 2019	May 1998
Red Roof Inn & Suites Pensacola	Pensacola	32506	Economy	70	Jun 2016	May 2001
Red Roof Inn Pensacola Fairgrounds	Pensacola	32526	Economy	74	Mar 2010	Feb 1996
Super 6	Pensacola	32504	Economy	80	Sep 2011	May 1983
Regency Inn Pensacola	Pensacola	32505	Economy	80	Feb 2019	Jun 1968
Days Inn Pensacola West	Pensacola	32526	Economy	93	May 2013	Oct 1995
Garden Inn & Suites	Pensacola	32534	Economy	96	May 2008	Jun 1973
Days Inn Pensacola Historic Downtown	Pensacola	32501	Economy	98	Jun 1962	Jun 1962
Extended Stay America Pensacola - University Mall	Pensacola	32504	Economy	101	Sep 1997	Sep 1997
At Home Inn	Pensacola	32505	Economy	104	Dec 2012	Jun 1966
Red Roof Inn Pensacola	Pensacola	32504	Economy	108	Oct 1982	Oct 1982
Motel 6 Pensacola West	Pensacola	32505	Economy	115	Oct 2005	Jun 1975
Key West Inn Pensacola	Pensacola	32505	Economy	118	Oct 2011	Jan 1986
Homestay Lodge	Pensacola	32514	Economy	120	Mar 1999	Mar 1999
WoodSpring Suites Pensacola Northeast	Pensacola	32514	Economy	120	Sep 2016	Mar 2006
OYO Hotel Pensacola I-10 & Hwy 29	Pensacola	32505	Economy	121	Dec 2019	Jun 1972
WoodSpring Suites Pensacola Northwest	Pensacola	32534	Economy	121	Oct 2016	Dec 2007
Suburban Extended Stay Hotel Naval Base Area Pensacola	Pensacola	32507	Economy	129	Sep 1999	Sep 1999
Queen Mary Inn	Pensacola	32514	Economy	143	Jul 2011	Jun 1985
Economy			35 Properties	2,595	Rooms	
				33.3%	of Total	
New World Inn	Pensacola	32501	Midscale	15	May 2020	Jun 1983
Paradise Inn Hotel	Pensacola	32561	Midscale	55	May 2005	Jun 1997
Quality Inn Pensacola West I-10	Pensacola	32534	Midscale	62	May 2013	Oct 2000
Mainstay Suites Pensacola	Pensacola	32504	Midscale	64	Mar 2011	Jun 1985
Candlewood Suites Pensacola University Area	Pensacola	32514	Midscale	95	Nov 2016	Nov 2016
Quality Inn NAS Corry	Pensacola	32506	Midscale	100	Oct 2008	Sep 1985
Ashton Inn & Suites	Pensacola	32507	Midscale	103	Nov 2003	Nov 2003
Baymont Inn & Suites Pensacola	Pensacola	32504	Midscale	108	Oct 2010	May 1985
Best Western Beachside Resort	Pensacola Beach	32561	Midscale	130	Jan 2019	Jun 1991
Quality Inn & Suites University Area Pensacola	Pensacola	32504	Midscale	133	May 2017	Feb 1981
Quality Inn & Suites Pensacola Bayview	Pensacola	32504	Midscale	138	Dec 2010	Jun 1985
Midscale			11 Properties	1,003	Rooms	
				12.9%	of Total	

WEITZMAN
Real Estate Consultants

(Continued)

ESCAMBIA COUNTY HOTEL INVENTORY BY CLASS						
Hotel	**Location**	**Zip Code**	**Class (1)**	**Rooms**	**Aff Date**	**Open**
Pensacola Grand Hotel	Pensacola	32502	Upper Midscale	210	Jul 2020	Jun 1984
Luxury Suites	Pensacola	32505	Upper Midscale	50	Jun 2001	Jun 2001
Best Western Plus Blue Angel Inn	Pensacola	32534	Upper Midscale	56	Feb 2011	Mar 2007
Fairfield Inn Pensacola I 10	Pensacola	32504	Upper Midscale	62	May 1995	May 1995
Country Inn & Suites Pensacola West	Pensacola	32526	Upper Midscale	63	Sep 2008	Sep 2008
Holiday Inn Express & Suites Pensacola W I 10	Pensacola	32526	Upper Midscale	64	Jun 2006	Jun 2006
Holiday Inn Express & Suites Pensacola West Navy Base	Pensacola	32506	Upper Midscale	73	Aug 2009	Aug 2009
Hampton Inn Pensacola I 10 Pine Forest Road	Pensacola	32526	Upper Midscale	75	Dec 2014	Dec 2014
Holiday Inn Express Pensacola Beach	Pensacola Beach	32561	Upper Midscale	76	Jun 2020	Jun 1989
Home2 Suites by Hilton Pensacola I-10 Pine Forest Road	Pensacola	32526	Upper Midscale	80	Feb 2020	Feb 2020
Hampton by Hilton Inn & Suites Pensacola I-10 North at University Tow	Pensacola	32504	Upper Midscale	85	Jul 2005	Jul 2005
Fairfield Inn & Suites Pensacola West I-10	Pensacola	32526	Upper Midscale	87	Sep 2019	Sep 2019
Hampton by Hilton Inn & Suites Pensacola/Gulf Breeze	Gulf Breeze	32561	Upper Midscale	90	May 2013	May 2013
TownePlace Suites Pensacola	Pensacola	32504	Upper Midscale	97	Feb 2008	Feb 2008
Holiday Inn Express Pensacola Downtown	Pensacola	32502	Upper Midscale	106	Dec 2017	Dec 2017
Home2 Suites by Hilton Pensacola I -10 At North Davis Hwy	Pensacola	32514	Upper Midscale	106	Sep 2017	Sep 2017
Holiday Inn Pensacola University Area	Pensacola	32514	Upper Midscale	114	Mar 2008	Mar 2008
Comfort Inn Pensacola University Area	Pensacola	32514	Upper Midscale	115	Nov 2003	Mar 1994
Clarion Inn Pensacola	Pensacola	32505	Upper Midscale	120	Jun 2017	Nov 1983
Hampton by Hilton Inn Pensacola-Airport Cordova Mall	Pensacola	32504	Upper Midscale	126	Jan 1998	Jan 1998
La Quinta Inns & Suites Pensacola	Pensacola	32514	Upper Midscale	130	Feb 1985	Feb 1985
Hampton by Hilton Inn Pensacola Beach	Pensacola Beach	32561	Upper Midscale	189	Apr 2006	Jul 1995
Holiday Inn Resort Pensacola Beach Gulf Front	Pensacola Beach	32561	Upper Midscale	206	Feb 2011	Feb 2011
Upper Midscale		23	Properties	2,380	Rooms	
				30.6%	of Total	
Residence Inn Pensacola Downtown	Pensacola	32502	Upscale	78	Aug 1998	Aug 1998
Residence Inn Pensacola Airport/Medical Center	Pensacola	32504	Upscale	86	Aug 2019	Aug 2019
Courtyard Pensacola	Pensacola	32504	Upscale	90	Aug 1997	Aug 1997
Surf & Sand Hotel	Pensacola Beach	32561	Upscale	100	May 2018	May 1995
SpringHill Suites Pensacola	Pensacola	32504	Upscale	106	Aug 2013	Aug 2013
Homewood Suites by Hilton Pensacola Airport Cordova Mall	Pensacola	32504	Upscale	107	Jan 2003	Jan 2003
SpringHill Suites Pensacola Beach	Pensacola Beach	32561	Upscale	117	Jun 2020	Jul 2002
Courtyard Pensacola Downtown	Pensacola	32502	Upscale	120	Jul 2007	Jul 2007
Hyatt Place Pensacola Airport	Pensacola	32504	Upscale	127	Apr 2013	Apr 2013
Hilton Garden Inn Pensacola Airport Medical Center	Pensacola	32504	Upscale	137	Mar 2010	Mar 2010
Upscale		10	Properties	1,068	Rooms	
				13.7%	of Total	
Margaritaville Beach Hotel Pensacola	Pensacola Beach	32561	Upper Upscale	162	Apr 2017	Jun 2010
Hilton Pensacola Beach	Pensacola Beach	32561	Upper Upscale	275	Jul 2007	Mar 2003
Upper Upscale		2	Properties	437	Rooms	
				5.6%	of Total	
Portofino Island Resort & Spa	Pensacola Beach	32561	Luxury	300	Jun 2003	Jun 2003
Luxury		1	Properties	300	Rooms	
				3.9%	of Total	
Pensacola Total		82	Properties	7,783	Rooms	

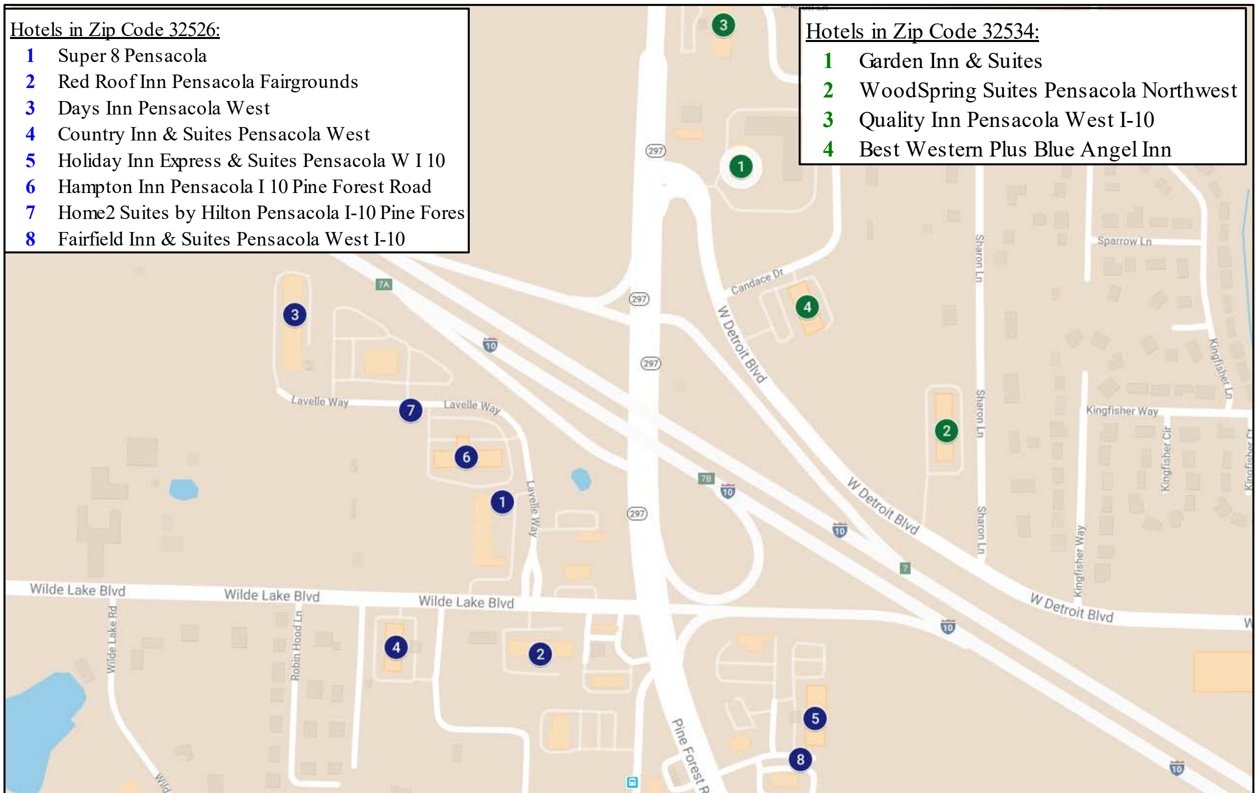
(1) Class as designated by STR

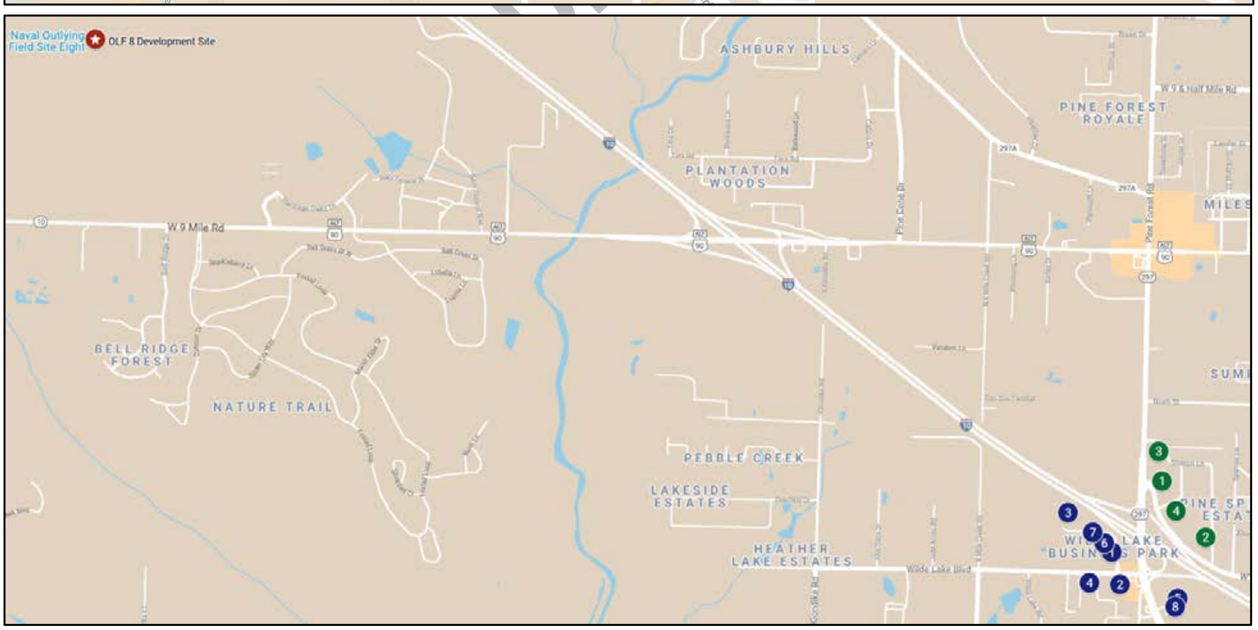
Source: STR; compiled by Weitzman Associates, LLC

Within Escambia County, the largest hotel concentration by zip code area is in zip code 32504 (with 1,813 rooms, or 23.3% of the County total), which includes the Cordova Mall, Sacred Heart Hospital, and Pensacola International Airport in northeast Pensacola, followed by zip code 32561 (with 1,700 rooms, or 21.8% of the County total), primarily corresponding to Pensacola Beach.

The closest concentration of hotels to the OLF8 development site is approximately four miles to the southeast around the intersection of Interstate 10 and Pine Forest Road. Based on data derived from STR, there are eight hotels with a total of 605 rooms within the subject zip code area 32526, which includes the area south of Interstate 10, and an additional four hotels with a total of 335 rooms within adjacent zip code area 32534, which includes the area north of Interstate 10. Of the 12 hotels in this area (which account for all of the hotels within the two respective zip codes), six are classified as upper midscale class, one is classified as midscale class, and five are classified as economy class. These hotels are shown in the following map.

HOTELS IN ZIP CODES 32526 & 32534





The full breakdown of Escambia County hotels sorted by zip code area is displayed in the following table.

TABLE 76

ESCAMBIA COUNTY HOTEL INVENTORY
BY ZIP CODE

Hotel	Location	Zip Code	Class (1)	Rooms	Aff Date	Open Date
Sole Inn & Suites	Pensacola	32501	Economy	45	Jul 2020	Jun 1975
Budget Inn	Pensacola	32501	Economy	26		
Days Inn Pensacola Historic Downtown	Pensacola	32501	Economy	98	Jun 1962	Jun 1962
New World Inn	Pensacola	32501	Midscale	15	May 2020	Jun 1983
Pensacola Grand Hotel	Pensacola	32502	Upper Midscale	210	Jul 2020	Jun 1984
Holiday Inn Express Pensacola Downtown	Pensacola	32502	Upper Midscale	106	Dec 2017	Dec 2017
Residence Inn Pensacola Downtown	Pensacola	32502	Upscale	78	Aug 1998	Aug 1998
Courtyard Pensacola Downtown	Pensacola	32502	Upscale	120	Jul 2007	Jul 2007
Lyon's Motel	Pensacola	32503	Economy	20		
Pensacola Inn	Pensacola	32504	Economy	58	Aug 2015	Sep 1985
Super 6	Pensacola	32504	Economy	80	Sep 2011	May 1983
Extended Stay America Pensacola - University Mall	Pensacola	32504	Economy	101	Sep 1997	Sep 1997
Red Roof Inn Pensacola	Pensacola	32504	Economy	108	Oct 1982	Oct 1982
Mainstay Suites Pensacola	Pensacola	32504	Midscale	64	Mar 2011	Jun 1985
Baymont Inn & Suites Pensacola	Pensacola	32504	Midscale	108	Oct 2010	May 1985
Quality Inn & Suites University Area Pensacola	Pensacola	32504	Midscale	133	May 2017	Feb 1981
Quality Inn & Suites Pensacola Bayview	Pensacola	32504	Midscale	138	Dec 2010	Jun 1985
Fairfield Inn Pensacola I 10	Pensacola	32504	Upper Midscale	62	May 1995	May 1995
Hampton by Hilton Inn & Suites Pensacola I-10 North at Univer	Pensacola	32504	Upper Midscale	85	Jul 2005	Jul 2005
TownePlace Suites Pensacola	Pensacola	32504	Upper Midscale	97	Feb 2008	Feb 2008
Hampton by Hilton Inn Pensacola-Airport Cordova Mall	Pensacola	32504	Upper Midscale	126	Jan 1998	Jan 1998
Residence Inn Pensacola Airport/Medical Center	Pensacola	32504	Upscale	86	Aug 2019	Aug 2019
Courtyard Pensacola	Pensacola	32504	Upscale	90	Aug 1997	Aug 1997
SpringHill Suites Pensacola	Pensacola	32504	Upscale	106	Aug 2013	Aug 2013
Homewood Suites by Hilton Pensacola Airport Cordova Mall A	Pensacola	32504	Upscale	107	Jan 2003	Jan 2003
Hyatt Place Pensacola Airport	Pensacola	32504	Upscale	127	Apr 2013	Apr 2013
Hilton Garden Inn Pensacola Airport Medical Center	Pensacola	32504	Upscale	137	Mar 2010	Mar 2010
Relax Inn	Pensacola	32505	Economy	21	May 1958	May 1958
Pensacola Motor Lodge	Pensacola	32505	Economy	30	Apr 1932	Apr 1932
Executive Inn	Pensacola	32505	Economy	36	Nov 1984	Nov 1984
Pensacola Inn & Suites	Pensacola	32505	Economy	59	Jun 2019	Jun 1998
Americas Best Value Inn & Suites Pensacola	Pensacola	32505	Economy	60	Feb 2007	Jun 1988
Regency Inn Pensacola	Pensacola	32505	Economy	80	Feb 2019	Jun 1968
At Home Inn	Pensacola	32505	Economy	104	Dec 2012	Jun 1966
Motel 6 Pensacola West	Pensacola	32505	Economy	115	Oct 2005	Jun 1975
Key West Inn Pensacola	Pensacola	32505	Economy	118	Oct 2011	Jan 1986
OYO Hotel Pensacola I-10 & Hwy 29	Pensacola	32505	Economy	121	Dec 2019	Jun 1972
Luxury Suites	Pensacola	32505	Upper Midscale	50	Jun 2001	Jun 2001
Clarion Inn Pensacola	Pensacola	32505	Upper Midscale	120	Jun 2017	Nov 1983
Mona Lisa Motel	Pensacola	32506	Economy	15	Jun 1966	Jun 1966
Mayfair Motel	Pensacola	32506	Economy	40	Jun 1990	Jun 1990
Motel 6 Pensacola - N.A.S.	Pensacola	32506	Economy	41	Sep 2017	Jul 1997
Super 8 Pensacola West	Pensacola	32506	Economy	50	Jun 2019	Jun 1972
Western Inn	Pensacola	32506	Economy	67	Jun 2005	Jun 1965
Red Roof Inn & Suites Pensacola	Pensacola	32506	Economy	70	Jun 2016	May 2001
Quality Inn NAS Corry	Pensacola	32506	Midscale	100	Oct 2008	Sep 1985
Holiday Inn Express & Suites Pensacola West Navy Base	Pensacola	32506	Upper Midscale	73	Aug 2009	Aug 2009

(Continued)

ESCAMBIA COUNTY HOTEL INVENTORY BY ZIP CODE						
Hotel	Location	Zip Code	Class (1)	Rooms	Aff Date	Open Date
Suburban Extended Stay Hotel Naval Base Area Pensacola	Pensacola	32507	Economy	129	Sep 1999	Sep 1999
Ashton Inn & Suites	Pensacola	32507	Midscale	103	Nov 2003	Nov 2003
Civic Inn North	Pensacola	32514	Economy	29	Jun 1985	Jun 1985
Budget Inn	Pensacola	32514	Economy	38	Jun 1969	Jun 1969
Homestay Lodge	Pensacola	32514	Economy	120	Mar 1999	Mar 1999
WoodSpring Suites Pensacola Northeast	Pensacola	32514	Economy	120	Sep 2016	Mar 2006
Queen Mary Inn	Pensacola	32514	Economy	143	Jul 2011	Jun 1985
Candlewood Suites Pensacola University Area	Pensacola	32514	Midscale	95	Nov 2016	Nov 2016
Home2 Suites by Hilton Pensacola I -10 At North Davis Highwa	Pensacola	32514	Upper Midscale	106	Sep 2017	Sep 2017
Holiday Inn Pensacola University Area	Pensacola	32514	Upper Midscale	114	Mar 2008	Mar 2008
Comfort Inn Pensacola University Area	Pensacola	32514	Upper Midscale	115	Nov 2003	Mar 1994
La Quinta Inns & Suites Pensacola	Pensacola	32514	Upper Midscale	130	Feb 1985	Feb 1985
Super 8 Pensacola	Pensacola	32526	Economy	69	Jan 2019	May 1998
Red Roof Inn Pensacola Fairgrounds	Pensacola	32526	Economy	74	Mar 2010	Feb 1996
Days Inn Pensacola West	Pensacola	32526	Economy	93	May 2013	Oct 1995
Country Inn & Suites Pensacola West	Pensacola	32526	Upper Midscale	63	Sep 2008	Sep 2008
Holiday Inn Express & Suites Pensacola W I 10	Pensacola	32526	Upper Midscale	64	Jun 2006	Jun 2006
Hampton Inn Pensacola I 10 Pine Forest Road	Pensacola	32526	Upper Midscale	75	Dec 2014	Dec 2014
Home2 Suites by Hilton Pensacola I-10 Pine Forest Rd	Pensacola	32526	Upper Midscale	80	Feb 2020	Feb 2020
Fairfield Inn & Suites Pensacola West I-10	Pensacola	32526	Upper Midscale	87	Sep 2019	Sep 2019
Garden Inn & Suites	Pensacola	32534	Economy	96	May 2008	Jun 1973
WoodSpring Suites Pensacola Northwest	Pensacola	32534	Economy	121	Oct 2016	Dec 2007
Quality Inn Pensacola West I-10	Pensacola	32534	Midscale	62	May 2013	Oct 2000
Best Western Plus Blue Angel Inn	Pensacola	32534	Upper Midscale	56	Feb 2011	Mar 2007
Paradise Inn Hotel	Pensacola	32561	Midscale	55	May 2005	Jun 1997
Best Western Beachside Resort	Pensacola Beach	32561	Midscale	130	Jan 2019	Jun 1991
Holiday Inn Express Pensacola Beach	Pensacola Beach	32561	Upper Midscale	76	Jun 2020	Jun 1989
Hampton by Hilton Inn & Suites Pensacola/Gulf Breeze	Gulf Breeze	32561	Upper Midscale	90	May 2013	May 2013
Hampton by Hilton Inn Pensacola Beach	Pensacola Beach	32561	Upper Midscale	189	Apr 2006	Jul 1995
Holiday Inn Resort Pensacola Beach Gulf Front	Pensacola Beach	32561	Upper Midscale	206	Feb 2011	Feb 2011
Surf & Sand Hotel	Pensacola Beach	32561	Upscale	100	May 2018	May 1995
SpringHill Suites Pensacola Beach	Pensacola Beach	32561	Upscale	117	Jun 2020	Jul 2002
Margaritaville Beach Hotel Pensacola	Pensacola Beach	32561	Upper Upscale	162	Apr 2017	Jun 2010
Hilton Pensacola Beach	Pensacola Beach	32561	Upper Upscale	275	Jul 2007	Mar 2003
Portofino Island Resort & Spa	Pensacola Beach	32561	Luxury	300	Jun 2003	Jun 2003
Escambia County Total			82 Properties	7,783 Rooms		

(1) Class as designated by STR

Source: STR; compiled by Weitzman Associates, LLC

Based upon the data from STR, of the existing Escambia County hotel market supply, 55.5% of the room inventory was built before 2000, while 25.7% of the room inventory was added from 2000 to 2009 and 18.8% has been built over the past ten years since 2010. Of the 13 hotels which have opened since 2010, one hotel (in Pensacola Beach) is classified as upper upscale class, four are classified as upscale (all located within zip code area 32504), seven are classified as upper midscale, and one is classified as midscale. The most recent hotel additions include two midscale class hotels located near the Interstate 10 / Pine Forest

Road interchange within zip code 32526: a Home2Suites by Hilton which opened in February 2020, and a Fairfield Inn & Suites which opened in September 2019.

The age distribution of the hotels in Escambia County is summarized in the following table.

TABLE 77

HOTEL AGE DISTRIBUTION
ESCAMBIA COUNTY, FL

Year Opened	Hotels	Rooms	% of Total
Before 2000	51	4,323	55.5%
2000 - 2004	8	1,084	13.9%
2005 - 2009	10	913	11.7%
2010 - 2014	7	903	11.6%
Since 2015	6	560	7.2%
Total	82	7,783	100.0%

Source: STR; compiled by Weitzman Associates, LLC

New Hotel Supply

The six-story, 124-room Courtyard by Marriott – Pensacola West is currently under construction along the north side of Nine Mile Road, just east of I-10, approximately two miles east of the OLF8 site. The upscale-class, select-service hotel will feature Courtyard's signature "The Bistro" fast casual restaurant and approximately 1,500 square feet of meeting space. The hotel, which is being developed by Southern Ventures, is scheduled to open in the first quarter of 2021.

Within Escambia County, another hotel property currently under construction is the 109-room Home2Suites by Hilton Gulf Breeze, located within zip code 32561.

COMPETITIVE HOTEL MARKET ANALYSIS

For potential hotel development on the OLF8 site, we believe that a moderately upscale, select-service hotel concept would be most appropriate. As discussed previously, the existing hotel inventory in this area of Escambia County is primarily characterized by economy and mid-scale class hotels, although it is noted that the new Courtyard by Marriott currently under construction on Nine Mile Road near I-10 will introduce a comparable moderately upscale, select-service hotel to the market. With a differentiated quality level superior to most of the existing market, we believe that a moderately upscale, select-service hotel at OLF8 could be well positioned to effectively compete with the upper midscale class hotels in the area. However, we are also of the opinion that anything above moderately upscale, including a full-service hotel concept, could be more challenging, given the limited amount of commercial demand in the market and the overall price sensitivity of the market. For the purpose of our competitive market analysis and projections, we have assumed the development of a moderately upscale, select-service hotel on the OLF8 site.

In evaluating the market potential for such a proposed hotel use, we analyzed the historical occupancy, average daily rate (ADR), and revenue per available room (RevPAR) trends of a competitive set consisting of the six upper midscale class hotels (as designated by STR) located closest to the OLF8 site at the Interstate 10 and Pine Forest Road interchange. These hotels are primarily limited-service and extended-stay hotels generally offering limited, if any, dining options (typically just complimentary breakfast) and little to no meeting space. Geographically, the competitive set includes the five upper midscale class hotels located within the zip code area 32526 (south of I-10), and one upper midscale class hotel located within neighboring zip code 32534 (north of I-10).

Competitive Set Analysis

The competitive set is comprised of a total of six hotels totaling 425 rooms. The competitive set includes a Fairfield Inn and Suites, a Hampton Inn, a Home2 Suites, a Holiday Inn Express & Suites, a Country Inn & Suites, and a Best Western Plus.

The hotels comprising the competitive set are relatively newer hotels, with the oldest hotel being the Holiday Inn Express & Suites, which opened in 2006. Overall, of the six hotels comprising the competitive set, three opened between 2006 and 2008, one opened in 2014, one opened in 2019, and the newest hotel, a Home2 Suites, opened in February 2020. The six competitive hotels range in size from 56 rooms (at the Best Western Plus Blue Angel Inn) to 87 rooms (at the Fairfield Inn & Suites).

The performance of the competitive hotel market reflected strong positive growth, particularly in occupancy, from 2015 to 2017, and remained relatively stable in 2018. Overall, average occupancy increased from 72.0%

in 2015 to a relatively strong 81.2% achieved in both 2017 and 2018. In 2019, however, with the addition of the 87-room Fairfield Inn & Suites in September, occupancy declined to an annual average of 76.4%. Meanwhile, ADR increased at a modest pace, increasing in each of the past four years at an average annual compounded growth rate of 1.2%. With growth in both occupancy and ADR, RevPAR increased from $79.12 in 2015 to $92.87 in 2018. However, in 2019 with the addition of the Fairfield Inn & Suites, which had a negative impact on occupancy, RevPAR declined by -5.3% to $87.99.

The most recent year-to-date statistics through May 2020 reflect the further negative impact from the competitive market addition of the 80-room Home2 Suites in February, followed by the severe negative impact from the coronavirus pandemic, which has noticeably impacted travel throughout the United States since March. From year-to-date through May 2019 to year-to-date through May 2020, occupancy has decreased by -43.8% and ADR has decreased by -10.8%, together contributing to a -49.9% decline in RevPAR.

The competitive hotel trends from 2015 to year-to-date through May 2020 are outlined in the following table.

TABLE 78

HOTEL MARKET PERFORMANCE
COMPETITIVE SET

	2015	2016	2017	2018	2019	Avg Annual Chg 2015-2019	Year-to-date May 2019	Year-to-date May 2020
Supply (Rooms)	257	257	258	258	287		258	409
--% Change	----	0.0%	0.3%	0.1%	11.3%	2.8%	----	58.4%
Occupancy	72.0%	77.2%	81.2%	81.2%	76.4%		82.3%	46.2%
--% Change	----	7.2%	5.3%	0.0%	-5.9%	1.5%	----	-43.8%
ADR	$109.91	$110.78	$113.39	$114.35	$115.15		$112.69	$100.56
--% Change	----	0.8%	2.4%	0.8%	0.7%	1.2%	----	-10.8%
RevPAR	$79.12	$85.48	$92.09	$92.87	$87.99		$92.72	$46.49
--% Change	----	8.0%	7.7%	0.8%	-5.3%	2.7%	----	-49.9%

Set includes: Name	Rooms (per STR)	Affiliation Date	Open Date
Hampton Inn Pensacola I 10 Pine Forest Road	75	Dec-14	Dec-14
Fairfield Inn & Suites Pensacola West I-10	87	Sep-19	Sep-19
Home2 Suites by Hilton Pensacola I-10 Pine Forest Road	80	Feb-20	Feb-20
Holiday Inn Express & Suites Pensacola W I 10	64	Jun-06	Jun-06
Country Inn & Suites Pensacola West	63	Sep-08	Sep-08
Best Western Plus Blue Angel Inn	56	Feb-11	Mar-07
Total	425		

Source: STR; compiled by Weitzman Associates, LLC

Seasonality (Monthly Trends)

An analysis of the occupancy and ADR trends on a monthly basis for the competitive market reveals that the summer months of June and July typically represent the peak season, followed by the preceding spring months of March to May.

In 2019, the occupancy over the five months from March to July ranged from 85.9% to 93.8%. In 2018, the occupancy range over these five months was a bit wider at 80.8% to 93.8%. In both 2018 and 2019, occupancy exceeded 90% in two out of the twelve months (in June and July in 2018 and in March and June in 2019). We also note that in 2018, October was a relatively strong month with a monthly occupancy rate of 87.0%. In 2019, however, presumably impacted to a large degree by the addition of the Fairfield Inn & Suites, the October occupancy rate was much lower (at 64.9%).

With generally consistent strong occupancy rates less influenced by any rate discounting, the month of July is typically the strongest month in terms of ADR, followed by the month of June. In 2018, the highest monthly RevPAR was $134.01 in July, followed by $125.16 in June. Similarly, the highest monthly RevPAR levels in 2019 were also in July and June, with June taking the top spot at $136.44, followed closely by July at $133.62.

The weakest months are typically the winter months of December and January. Overall, in 2018, the RevPAR of the competitive market ranged from a low of $65.72 (in January) to a high of $134.01 (in July); occupancy ranged from 71.2% (in December) to 93.8% (in June), while ADR ranged from $89.37 (in January) to $146.58 (in July). In 2019, which was impacted by new supply as of September, the RevPAR of the competitive market ranged from a low of $61.82 (in November) to a high of $136.44 (in June); occupancy ranged from 61.1% (in September) to 93.8% (in June), while ADR ranged from $90.81 (in January) to $149.51 (in July).

The monthly occupancy, ADR, and RevPAR trends of the competitive hotel market from January 2018 to May 2020 are outlined in the following table. As displayed in the table, reflecting the negative impacts from supply growth and most recently from the current coronavirus pandemic, the competitive hotel market's occupancy and RevPAR levels have continually registered year-over-year declines over the past nine months of the reporting period since September 2019.

TABLE 79

MONTHLY HOTEL MARKET PERFORMANCE
COMPETITIVE SET

	2018			2019			*Percent Change 2018 - 2019*			2020			*Percent Change 2019 - 2020*		
Month	Occ	ADR	RevPAR	Occ	ADR	RevPAR	*Occ*	*ADR*	*RevPAR*	Occ	ADR	RevPAR	*Occ*	*ADR*	*RevPAR*
Jan	73.5%	$89.37	$65.72	68.6%	$90.81	$62.26	*-6.8%*	*1.6%*	*-5.3%*	57.6%	$89.89	$51.77	*-16.0%*	*-1.0%*	*-16.8%*
Feb	78.9%	$95.92	$75.67	78.9%	$91.59	$72.31	*0.1%*	*-4.5%*	*-4.4%*	56.4%	$97.27	$54.85	*-28.6%*	*6.2%*	*-24.1%*
Mar	87.6%	$114.99	$100.73	91.6%	$119.79	$109.73	*4.6%*	*4.2%*	*8.9%*	45.0%	$109.46	$49.26	*-50.9%*	*-8.6%*	*-55.1%*
Apr	82.9%	$117.90	$97.78	85.9%	$121.08	$104.02	*3.6%*	*2.7%*	*6.4%*	21.4%	$96.30	$20.60	*-75.1%*	*-20.5%*	*-80.2%*
May	80.8%	$123.18	$99.51	86.2%	$131.93	$113.67	*6.7%*	*7.1%*	*14.2%*	53.1%	$107.21	$56.93	*-38.4%*	*-18.7%*	*-49.9%*
Jun	93.8%	$133.40	$125.16	93.8%	$145.53	$136.44	*-0.1%*	*9.1%*	*9.0%*	---	---	---	---	---	---
Jul	91.4%	$146.58	$134.01	89.4%	$149.51	$133.62	*-2.2%*	*2.0%*	*-0.3%*	---	---	---	---	---	---
Aug	73.7%	$110.94	$81.78	82.7%	$116.35	$96.22	*12.2%*	*4.9%*	*17.7%*	---	---	---	---	---	---
Sep	74.6%	$103.27	$77.00	61.1%	$106.36	$64.98	*-18.1%*	*3.0%*	*-15.6%*	---	---	---	---	---	---
Oct	87.0%	$117.74	$102.47	64.9%	$101.17	$65.65	*-25.4%*	*-14.1%*	*-35.9%*	---	---	---	---	---	---
Nov	78.9%	$107.52	$84.85	63.4%	$97.48	$61.82	*-19.6%*	*-9.3%*	*-27.1%*	---	---	---	---	---	---
Dec	71.3%	$96.13	$68.51	67.0%	$97.47	$65.34	*-5.9%*	*1.4%*	*-4.6%*	---	---	---	---	---	---
Year	81.2%	$114.35	$92.87	76.4%	$115.15	$87.99	*-5.9%*	*0.7%*	*-5.3%*	---	---	---	---	---	---

Source: STR; compiled by Weitzman Associates, LLC

Day of Week Trends

The strongest nights in terms of hotel occupancy, ADR, and RevPAR for the competitive hotel market are typically Friday and Saturday, reflective of strong leisure demand in the market. Tuesday and Wednesday nights are also relatively strong, which is indicative of the commercial demand base that typically peaks during the mid-week with business travel typically occurring during the middle of the week. As in most hotel markets, Sunday nights are the weakest in terms of occupancy and RevPAR; ADR is also typically lower on Sunday nights.

For the competitive market, in the trailing twelve months through May 2019, average occupancy ranged from a low of 66.1% on Sunday nights to a high of 90.4% on Saturday nights (with an annual average of 81.8%), ADR ranged from a low of $102.42 on Sunday nights to a high of $129.28 on Saturday nights (with an annual average of $115.84), and RevPAR ranged from a low of $67.69 on Sunday nights to a high of $116.91 on Saturday nights (with an annual average of $94.80).

In the trailing twelve months through May 2020, average occupancy ranged from a low of 49.1% on Sunday nights to a high of 68.1% on Saturday nights (with an annual average of 60.0%), ADR ranged from a low of $100.74 on Sunday nights to a high of $121.26 on Saturday nights (with an annual average of $110.74), and RevPAR ranged from a low of $49.48 on Sunday nights to a high of $82.62 on Saturday nights (with an annual average of $66.46).

The competitive hotel market's average occupancy, ADR, and RevPAR trends by day of week, over the past three trailing twelve-month periods from June 2017 to May 2020, is outlined in the following table.

WEITZMAN
Real Estate Consultants

TABLE 80

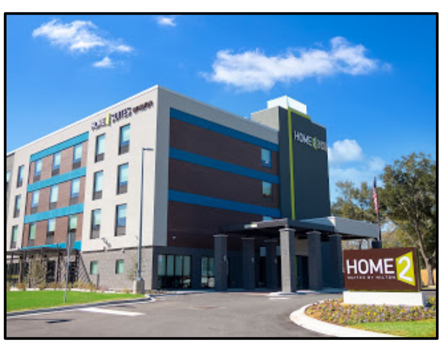
DAY OF WEEK HOTEL MARKET PERFORMANCE: June 2017 - May 2020 COMPETITIVE SET								
	Sun	**Mon**	**Tue**	**Wed**	**Thu**	**Fri**	**Sat**	**Total Year**
Occupancy								
Jun 17 - May 18	64.4%	77.1%	83.1%	82.4%	79.4%	86.6%	86.7%	80.0%
Jun 18 - May 19	66.1%	77.3%	83.7%	85.1%	81.1%	89.0%	90.4%	81.8%
Jun 19 - May 20	49.1%	57.5%	59.4%	60.3%	59.9%	65.9%	68.1%	60.0%
3 Yr Avg	58.6%	69.2%	73.7%	74.3%	72.1%	79.1%	80.3%	72.5%
ADR								
Jun 17 - May 18	$103.80	$107.35	$108.16	$107.65	$108.12	$124.68	$125.77	$112.74
Jun 18 - May 19	$102.42	$109.33	$111.80	$111.79	$112.57	$128.21	$129.28	$115.84
Jun 19 - May 20	$100.74	$106.19	$107.65	$107.31	$108.10	$119.59	$121.26	$110.74
3 Yr Avg	$102.29	$107.62	$109.23	$108.96	$109.60	$124.18	$125.38	$113.11
RevPAR								
Jun 17 - May 18	$66.83	$82.75	$89.94	$88.70	$85.86	$107.96	$109.09	$90.15
Jun 18 - May 19	$67.69	$84.49	$93.58	$95.11	$91.27	$114.17	$116.91	$94.80
Jun 19 - May 20	$49.48	$61.02	$63.93	$64.74	$64.74	$78.84	$82.62	$66.46
3 Yr Avg	$59.99	$74.51	$80.54	$80.96	$79.00	$98.17	$100.62	$81.97

Source: STR; compiled by Weitzman Associates, LLC

COMPETITIVE HOTELS PROFILES

The ***Hampton Inn & Suites Pensacola / I-10 Pine Forest Road*** is located at 8021 Lavelle Way. The four-story, 75-room, limited-service hotel opened in December 2014. The guestrooms have either two queen beds or one king bed. Standard guestroom amenities include complimentary WiFi, LCD television, desk, mini-refrigerator, microwave, and coffee maker. Studio suites feature a separate living area with sleeper sofa. Hotel features and amenities include a complimentary breakfast area, a fitness center, an outdoor pool, a business center, and a 672 square foot meeting room.

The ***Fairfield Inn & Suites Pensacola West I-10*** is located at 150 Loblolly Lane. The four-story, 87-room, limited-service hotel opened in September 2019. Standard guestrooms include king rooms measuring 312 square feet and double queen rooms measuring 381 square feet. There are 18 suites, with either one king bed or two queen beds, plus a separate living area with sofa bed, measure 475 square feet. Standard guestroom amenities include complimentary WiFi, desk with ergonomic chair, mini-refrigerator, microwave, coffee maker, and 55-inch LCD television. Hotel features and amenities include complimentary hot breakfast, a 24-hour fitness center, an indoor pool, a 545 square foot meeting room, and a 207 square foot boardroom.



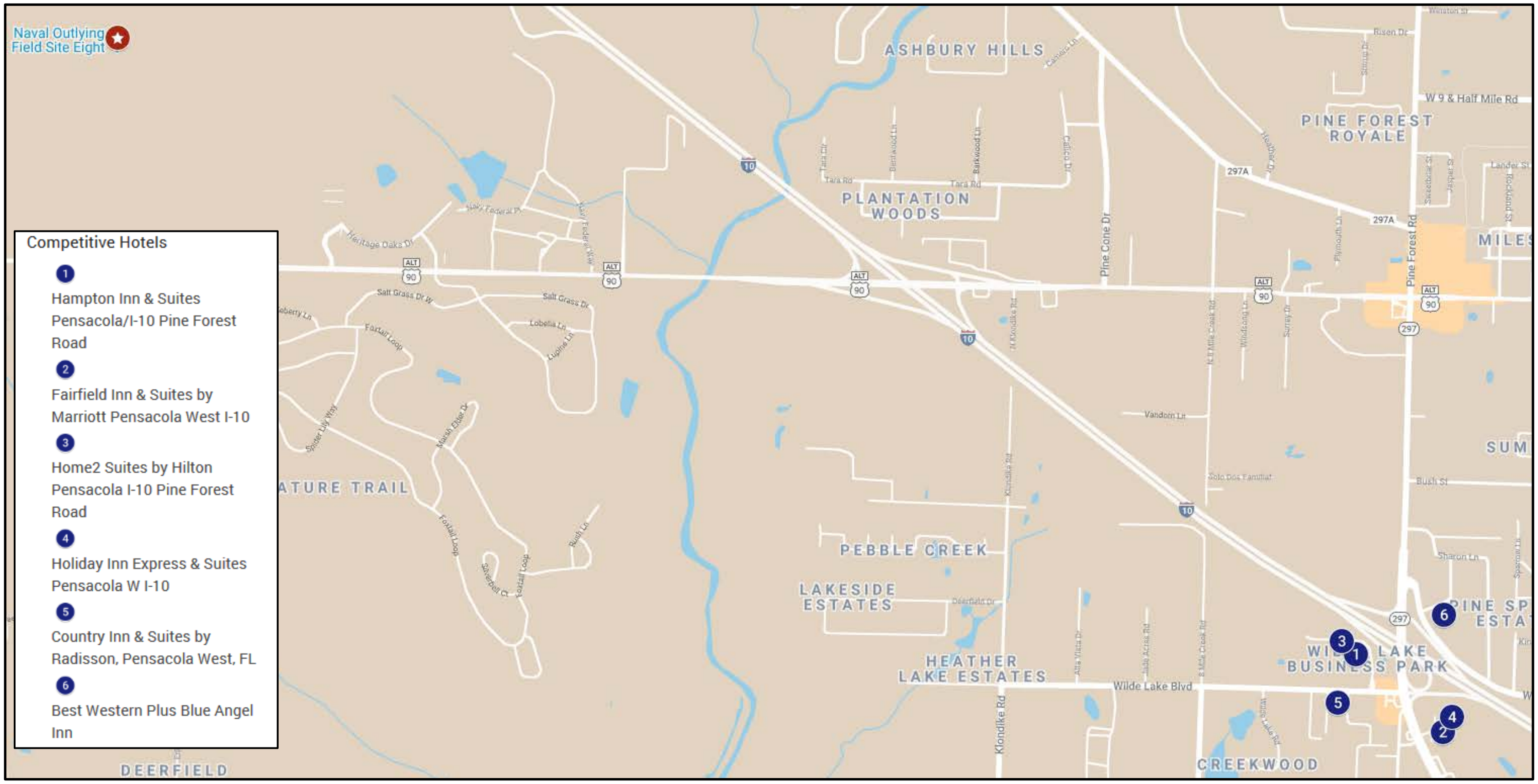
The ***Home2 Suites Pensacola I-10 Pine Forest Road*** is located at 8041 Lavelle Way. The four-story, 80-room, all-suite extended-stay hotel recently opened in February 2020. The guestroom inventory consists of studio suites with one king bed or two queen beds, and one-bedroom suites with one king bed; all suites also include a queen-sized sofa bed. Standard guestroom amenities and features include complimentary WiFi, 42" LCD television, granite counter tops/vanities, and a kitchen area with a full-size refrigerator, microwave, sink, dishwasher, and coffee maker. Induction burner cooktops are also available on a complimentary basis from the front desk. Hotel features and amenities include complimentary hot breakfast, a combined fitness and laundry facility, an outdoor pool, and a business center.

The ***Holiday Inn Express & Suites Pensacola W I-10*** is located at 130 Loblolly Lane. The three-story, 64-room, limited-service hotel opened in 2006. Standard guestrooms feature two queen beds or one king bed. The room inventory also includes larger guest suites having a separate sitting area with a sleeper sofa. Standard guestroom amenities include complimentary WiFi, 42-inch television, work desk, mini refrigerator, microwave and coffee maker. Hotel features and amenities include complimentary hot breakfast, complimentary coffee service in the lobby, a fitness center, an indoor pool, a business center, guest laundry facilities, and a 750 square foot meeting room.

The ***Country Inn & Suites Pensacola West*** is located at 2607 Wilde Lake Boulevard. The four-story, 63-room, limited-service hotel opened in 2008. The guestroom inventory consists of standard rooms with one king bed (400 square feet) or two queen beds (375 square feet); 400-square-foot studio suites with one king bed and sleeper sofa; 425-square-foot one bedroom suites with one queen bed, one king bed, or two queen beds, and a separate living room with sleeper sofa; 425-square-foot whirlpool king suites; and 425-square-foot extended-stay suites with private bedroom with king bed, a separate living room, and a kitchenette. Standard guestroom amenities include complimentary WiFi, cable television, work desk, refrigerator, microwave, and coffee maker. Hotel features and amenities include complimentary hot breakfast, a fitness center, an indoor pool, and a 588 square foot meeting room.

The ***Best Western Plus Blue Angel Inn*** is located at 2390 W. Detroit Boulevard. The three-story, 56-room, limited-service hotel opened in 2007 and has been affiliated with Best Western since 2011. The standard guestrooms have either two queen beds or one king bed and a sofa bed. The guestroom inventory also includes studio suites with either two queen beds or two king beds and seating area with sofa bed. Standard guestroom amenities include complimentary WiFi, 42-inch LCD television, desk/work area, refrigerator, microwave and coffee maker. Hotel features and amenities include complimentary hot breakfast, an exercise facility, an outdoor pool, and a business center.

MAP OF COMPETITIVE HOTELS



Projection of Hotel Occupancy and Average Daily Rate

Competitive Supply Analysis

For potential hotel use as part of a mixed-use development on the OLF8 site, we propose a 3 to 3+ star, select-service hotel commensurate with the "upscale" class as designated by STR. The mid-brand flag would be commensurate with brands such as Marriott's Courtyard, AC Hotels, and aloft brands, Hyatt's Hyatt House and Hyatt Place brands, and Hilton's Hilton Garden Inn brand. We have assumed a hotel size of 100 rooms.

The total existing competitive supply of six upper midscale class hotels totals 425 rooms. We note that reflecting the partial year openings of the 87-room Fairfield Inn & Suites, which opened in September 2019, and the 80-room Home2 Suites, which opened in February 2020, the average annual room count was 287 rooms in 2019 and will increase to 418 room in 2020, before reaching the full 425 count room in 2021.

In addition to the proposed hotel on the OLF8 site, we have factored into our competitive supply analysis the 124-room Courtyard by Marriott currently under construction along Nine Mile Road just east of I-10; we have assumed that this hotel opens as of March 1, 2021. For the purpose of our hotel analysis, we have assumed that the proposed subject hotel, with 100 rooms, would open as of January 1, 2024. We note that any other potential competitive supply increases over the long-term have been factored into our projection of stabilized occupancy. The following table outlines the projected competitive room supply through the year 2026.

TABLE 81

COMPETITIVE SUPPLY ANALYSIS

	Total Rooms		2019	2020	2021	2022	2023	2024	2025	2026
Existing Competitive Supply:										
Total Rooms	425		287	418	425	425	425	425	425	425
Total Room Nights Per Year	155,125		104,784	152,692	155,125	155,125	155,125	155,125	155,125	155,125
Proposed Additions to Competitive Supply:										
PROPOSED SUBJECT HOTEL	100	(1)	-	-	-	-	-	100	100	100
Proposed Courtyard by Marriott	124	(2)			103	124	124	124	124	124
Total Rooms	224		-	-	103	124	124	224	224	224
Total Room Nights Per Year			-	-	37,717	45,260	45,260	81,760	81,760	81,760
Total Available Room Nights			104,784	152,692	192,842	200,385	200,385	236,885	236,885	236,885
% Change				45.7%	26.3%	3.9%	0.0%	18.2%	0.0%	0.0%

(1) Projected opening on 1/1/2024
(2) Projected opening on 3/1/2021

Source: Projections by Weitzman Associates, LLC

Competitive Demand Analysis

As discussed previously, impacted by supply growth, the competitive hotel market occupancy declined from an annual average of 81.2% achieved in both 2017 and 2018 to 76.4% in 2019. Furthermore, reflecting continued supply growth along with the severe negative impact from the coronavirus pandemic, year-to-date statistics through May 2020 reflect an occupancy decline of -43.8% over the same period in 2019. We note that this occupancy decline was a result of an -11.0% decline in demand coupled with a 58.4% increase in supply.

As reflected in Table XX ("Monthly Hotel Market Performance, Competitive Set") presented previously in the report, the year-over-year monthly competitive market occupancy declines from 2019 to 2020 accelerated from -16.0% in January to -28.6% in February (the month in which the Home2 Suites opened), -50.9% in March, and -75.1% in April, before falling to -38.4% in May as stay-at-home orders were lifted and a level of travel resumed.

In consideration of recent trends and the national lodging forecasts by CBRE Hotels and PWC as presented previously in the report, we project the competitive hotel market's base annual hotel demand to decline by -10.0% in 2020, before recovering with annual growth of 40.0% in 2021, 20.0% in 2022, 5.0% in 2023 and 2024, and 3.5% in the years thereafter. The projected base demand growth does not include induced demand, which is projected separately as detailed in the following paragraph.

In addition, we believe that with their differentiated product offerings and unique locations within the market, the Courtyard by Marriott currently under construction and the proposed hotel development on the OLF8 site will both induce a portion of their own demand into the competitive market by virtue of their new product offerings. This induced demand, representing new demand that is attracted into the market, includes a component of previously unaccommodated demand (due to supply constraints) that can be accommodated by the new supply. The induced demand from the new Courtyard by Marriott and proposed subject hotel has been projected separately from base demand. Specifically, we have assumed that both hotels will induce 40% of their room nights.

TABLE 82

INDUCED HOTEL DEMAND CALCULATION			
		Percent	Rm Night
New Room Supply	Rooms	Induced	Induced
PROPOSED SUBJECT HOTEL	100	40%	14,600
Proposed Courtyard by Marriott	124	40%	18,104
Total	224		32,704

Source: Projections by Weitzman Associates, LLC

The following table outlines the phase-in of projected induced demand, based upon the projected opening dates of the new hotel supply.

TABLE 83

INDUCED HOTEL DEMAND PHASE-IN	2020	2021	2022	2023	2024	2025	2026
PROPOSED SUBJECT HOTEL	-	-	-	-	14,600	14,600	14,600
Proposed Courtyard by Marriott	-	15,087	18,104	18,104	18,104	18,104	18,104
Total Induced Room Nights	-	15,087	18,104	18,104	32,704	32,704	32,704

Source: Projections by Weitzman Associates, LLC

As illustrated in the following table, we project the competitive market occupancy to fall by -38.2% to 47.2% in the year 2020, and recover over the three years thereafter to reach 72.5% in 2023. With the projected opening of the proposed hotel on the OLF8 site as of the start of the following year, however, the competitive market occupancy is projected to decline to the low 70% range in 2024, and gradually increase thereafter. For the purpose of this hotel analysis, we have estimated a stabilized competitive market occupancy rate of approximately 74% as of 2026.

TABLE 84

COMPETITIVE HOTEL DEMAND ANALYSIS	Actual	Projected						
	2019	2020	2021	2022	2023	2024	2025	2026
TOTAL MARKET DEMAND								
Total Gross Demand	80,068	72,061	100,886	121,063	127,116	133,472	138,143	142,978
Base Growth Over Previous Year		-10.0%	40.0%	20.0%	5.0%	5.0%	3.5%	3.5%
Plus: Induced / Unsatisfied Demand	-	-	15,087	18,104	18,104	32,704	32,704	32,704
TOTAL MARKET DEMAND	80,068	72,061	115,972	139,167	145,220	166,176	170,847	175,682
Growth Over Previous Year		-10.0%	60.9%	20.0%	4.3%	14.4%	2.8%	2.8%
ANNUAL SUPPLY (room nights)	104,784	152,692	192,842	200,385	200,385	236,885	236,885	236,885
% Change		45.7%	26.3%	3.9%	0.0%	18.2%	0.0%	0.0%
MARKET OCCUPANCY	**76.4%**	**47.2%**	**60.1%**	**69.4%**	**72.5%**	**70.2%**	**72.1%**	**74.2%**
% Change		-38.2%	27.4%	15.5%	4.3%	-3.2%	2.8%	2.8%

Source: Projections by Weitzman Associates, LLC

We recognize that the estimated stabilized competitive market occupancy rate of 74% is below recent levels achieved over the past four years from 2016 to 2019, but believe the lower estimate is warranted given the new hotel supply that is projected for the market. Even prior to the negative impact resulting from the coronavirus pandemic, it appears that the recent additions of the Fairfield Inn & Suites and Home2Suites were having a depressing impact on the competitive market occupancy, which will be further impacted by the addition of the new Courtyard by Marriott and, potentially, a new hotel on the OLF8 site.

Occupancy Projection

Assuming an upscale, 3 to 3+ star, nationally branded, select-service hotel with approximately 100 rooms, we project the proposed subject hotel's stabilized market penetration at 100%. A penetration factor equal to 100% implies that the hotel is accommodating exactly its fair share of demand. While the proposed subject hotel's competitive position will be enhanced by its comparatively higher quality level and desirable location within a vibrant mixed-use development, by the same token we project its occupancy penetration to be constrained by its comparatively higher rate positioning, as projected further below.

We project approximately three years to reach the stabilized penetration rate, with projected penetration rates of 90% in the first full year of operations in 2024, increasing to 95% in 2025 and a stabilized 100% penetration as of 2026.

TABLE 85

HOTEL OCCUPANCY PROJECTION PROPOSED SUBJECT HOTEL AT OLF8	2019	2020	2021	2022	2023	2024	2025	2026
Annual Room Nights Available	104,784	152,692	192,842	200,385	200,385	236,885	236,885	236,885
Daily Rooms Available - Subject	-	-	-	-	-	100	100	100
Annual Room Nights - Subject	-	-	-	-	-	36,500	36,500	36,500
Fair Share of Demand - Subject	0.0%	0.0%	0.0%	0.0%	0.0%	15.4%	15.4%	15.4%
TOTAL DEMAND								
Total Demand	80,068	72,061	115,972	139,167	145,220	166,176	170,847	175,682
Fair Share of Demand	-	-	-	-	-	25,605	26,325	27,070
Penetration Rate	---	---	---	---	---	**90.0%**	**95.0%**	**100.0%**
Demand Captured	---	---	---	---	---	23,044	25,008	27,070
Estimated Occupancy						63.1%	68.5%	74.2%
Projection Year Ending 12/31						2024	2025	2026
Estimated Occupancy (Rounded)						**63.0%**	**69.0%**	**74.0%**
								Stabilized

Source: Projections by Weitzman Associates, LLC

Based upon our analysis, we project the proposed subject hotel's stabilized occupancy rate at 74.0%.

Average Daily Rate (ADR) Projection

As discussed previously in this report, the competitive hotel market achieved an average daily rate (ADR) of $115.15 in 2019. Based upon the competitive hotel market ADR and an analysis of average ADR levels of comparable moderately upscale select service hotels in other areas of Pensacola (such as the Cordova / Airport area where such hotels are more prevalent), we estimate the proposed hotel's positioned average daily rate at $130 in 2019 dollars. This average daily rate positioning is approximately 12.9% above the competitive set's ADR of $115.15 achieved in 2019.

Over the past four years from 2015 to 2019, ADR of the competitive set has grown at an average annual compounded rate of 1.2%. Reflecting the negative impact from the coronavirus pandemic, year-to-date statistics through May 2020 reflect a year-over-year ADR decline of -10.8%. As reflected in Table XX ("Monthly Hotel Market Performance, Competitive Set") presented previously in the report, following year-over-year ADR growth of 6.2% in February 2020 (the month in which the Home2 Suites opened), in the months thereafter the competitive market registered year-over-year ADR declines of -8.6% in March, -20.5% in April and -18.7% in May. Assuming an approximate -15.0% year-over-year ADR decline for the balance of the year, we project an average annual ADR decline of -13.0% in 2020. Thereafter, ADR is projected to recover with annual growth of 6.0% in 2021 and 2022, 4.0% in 2023, and a stabilized 3.0% in the years thereafter. Under these projections, the positioned ADR is projected to reach and surpass the level achieved in 2019 by the year 2023, and is projected at roundly $136 as of the year 2024, in the proposed hotel's projected first year of operations.

The following table presents the projected average daily rate over the first three years of operations, assuming a hotel opening date as of January 1, 2024.

TABLE 86

HOTEL AVERAGE DAILY RATE PROJECTION PROPOSED SUBJECT HOTEL AT OLF8	Positioned 2019	2019	2020	2021	2022	2023	2024	2025	2026
Projected ADR	$130.00	$130.00	$113.10	$119.89	$127.08	$132.16	$136.13		
% Growth			-13.0%	6.0%	6.0%	4.0%	3.0%		
Projection Year Ending 12/31							2024	2025	2026
Projected ADR (First Year Rounded)							**$136.00**	**$140.08**	**$144.28**
% Growth							3.0%	3.0%	3.0%

Source: Projections by Weitzman Associates, LLC

Hotel Market Analysis Conclusion

The proposed subject hotel's projected occupancy rate, average daily rate, and RevPAR through the first stabilized year, as projected by Weitzman Associates, are summarized in the following table.

TABLE 87

PROJECTED OCCUPANY AND ADR OLF 8 MASTER PLAN Projection Year Ending 12/31	2024	2025	Stabilized 2026
Projected ADR	$136.00	$140.08	$144.28
Projected Occupancy	63.0%	69.0%	74.0%
Projected RevPAR	$85.68	$96.66	$106.77
% Change	---	*12.8%*	*10.5%*

Source: Projections by Weitzman Associates, LLC

With its location almost adjacent to the Navy Federal Credit Union campus, a proposed hotel on the OLF8 site would be well positioned to capture any hotel demand from Navy Federal. However, we note that Navy Federal does not appear to be a significant generator of hotel demand. According to a company representative, Navy Federal's presence generates an estimated 250 to 300 hotel room nights per year, approximately half of which are currently accommodated at hotels in Downtown Pensacola or in the beach area. Even if all of this demand were to be accommodated within the competitive market, it would be a very small fraction of total demand. Furthermore, there is reportedly not much demand from Navy Federal for hotel meeting space, as Navy Federal typically hosts events on its own campus.

We also note that while we assumed a January 1, 2024 opening date for a proposed hotel on the OLF8 site for projection purposes, we recommend that any hotel development should be considered for a latter phase of development, particularly in consideration of the current impact that the coronavirus pandemic has had on the hotel market and the uncertainty with regards to the length and extent of the expected recovery, as well as the recent and new hotel supply that has and will continue to impact the local competitive market. It will be important to continue to monitor the performance of the local competitive hotel market, especially upon the addition of the new Courtyard by Marriott – Pensacola West which is scheduled to open in the first quarter of 2021. Furthermore, consideration should be given to the other uses that may be developed on the OLF8 site, as any significant commercial or healthcare component will likely drive additional hotel demand, for which an on-site hotel would be well positioned to capture. A hotel development on the OLF8 site will not be a catalyst for additional growth, and should rather be considered as a potential complimentary use, which would be best tailored after knowing the other primary uses to be developed on the OLF8 site.

OFFICE MARKET ANALYSIS

EXECUTIVE SUMMARY

Weitzman does not advise including a significant office component at this time on the OLF8 site. Given the market and submarket profile, current performance, and evolving trends spurred by the ongoing public health and economic crisis, we recommend any office use in the initial development phases would be relatively modest (20,000 to 50,000 square feet, $20-30 per square foot) and would be designed to complement the anticipated primary residential, retail, and recreational uses. Unless the development team is able to secure a partnership with from a large corporate client such as a public or private defense, medical, or technology interest, the market is simply not strong enough to support a large, speculative office development at this time.

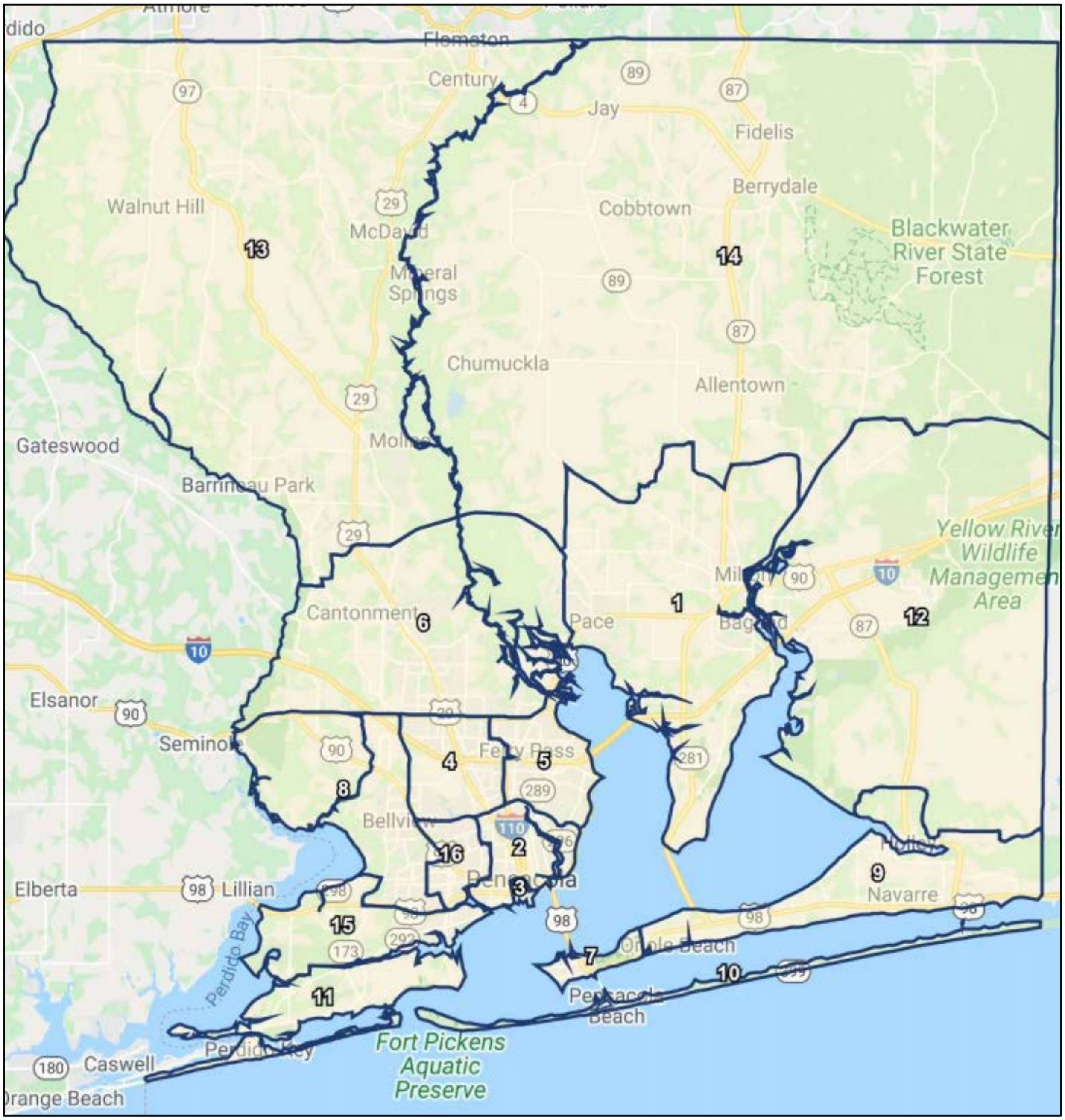
INTRODUCTION

OLF8 is situated in the Gonzalez / Southwest Santa Rosa office submarket. The sections below detail the market and submarket's performance, and survey representative traditional office and medical office buildings, as well as recent sales and lease surveys in the Pensacola Metro Area.

PENSACOLA METRO AREA OFFICE MARKET

As of the second quarter of 2020, the Pensacola Metro Area's 4- and 5-star office market had approximately 259,000 square feet of space. Across all classes, the submarkets with the largest share of office space are Central Pensacola / South Brent (23.7% of inventory), Ferry Pass / North Pensacola (20.4% of inventory), Downtown Pensacola (20.6% of inventory), and Gonzalez / Southwest Santa Rosa (12.6%). Thus, the majority of metro area's office-space is to the northeast and south of Pensacola. Within the past months, new inventory increased by approximately 358,000 square feet of office space, or approximately 18.4% of the entire inventory. New deliveries in the metro area have been dominated by the Gonzales / Southwest Santa Rosa submarket. The addition of 4820 W. Nine Mile Rd, a 354,842 square foot building on Navy Federal Credit Union's campus, which is adjacent to OLF8 and accounts for more than 18% submarket's entire inventory.

PENSACOLA METRO ARA SUBMARKET MAP



Source: CoStar

The following tables provide an overview of office inventory and net absorption trends in the Pensacola Metro Area, in addition to a breakdown of inventory, 12-month deliveries, and construction activity for the 16 office submarkets as of June 2020.

TABLE 88

PENSACOLA METRO AREA OFFICE SUBMARKET
SUBMARKET INVENTORTY

		Inventory			12 Month Deliveries			Under Construction		
No.	Submarket	Buildings	Sq. Ft. ('000s)	Market SF (%)	Buildings	Sq. Ft. ('000s)	Market (%)	Buildings	Sq. Ft. ('000s)	Market SF (%)
1	Avalon Beach/Milton	216	874	5.6%	0	0	0.0%	0	-	-
2	Central Pensacola/S Brent	548	3,710	23.7%	0	0	0.0%	0	-	-
3	Downtown Pensacola	282	3,225	20.6%	1	2	0.1%	0	-	-
4	Ensley/N Brent	167	810	5.2%	0	0	0.0%	0	-	-
5	Ferry Pass/N Pensacola	377	3,192	20.4%	1	6	0.2%	1	50	1.6%
6	Gonzalez/SW Santa Rosa	108	1,974	12.6%	2	358	18.1%	1	730	37.0%
7	Gulf Breeze	46	344	2.2%	0	0	0.0%	0	-	-
8	Myrtle Grove/Bellview	50	235	1.5%	0	0	0.0%	0	-	-
9	Navarre	110	554	3.5%	0	0	0.0%	0	-	-
10	Pensacola Beach	8	26	0.2%	0	0	0.0%	0	-	-
11	Perdido	18	116	0.7%	0	0	0.0%	0	-	-
12	SE Santa Rosa County	5	15	0.1%	0	0	0.0%	0	-	-
13	Upper Escambia County	9	50	0.3%	0	0	0.0%	0	-	-
14	Upper Santa Rosa County	2	12	0.1%	0	0	0.0%	0	-	-
15	Warrington	48	155	1.0%	0	0	0.0%	0	-	-
16	West Pensacola	104	364	2.3%	0	0	0.0%	0	-	-

Source: CoStar; compiled by Weitzman Associates, LLC

As of year-to-date 2020, the average office asking rent in the Pensacola Metro Area reached $20.40 per square foot per year, a ten year marginally penultimate level. The overall vacancy rate has been generally declining since 2010 at an average -0.50% per year. However, due to large, pending deliveries and the uncertainty surrounding the ongoing Coronavirus Pandemic, CoStar expects the vacancy rate to increase to 6.9% by year end 2020, before stabilizing to 5.5% by 2021. The overall vacancy rate for the Pensacola Metro Area declined from 8.9% in 2010 to 3.8% as of June 2020. The table on the following page outlines the historical and projected average gross asking rent and vacancy rate trends of the Pensacola Metro Area office market.

TABLE 89

PENSACOLA METRO AREA OFFICE SUBMARKET OVERALL SUPPLY & DEMAND					
	Inventory			Net Absorption	
Year	Sq. Ft.	Growth (SF)	Growth (%)	Sq. Ft.	Inventory (%)
2008	13,907,605	106,091	0.8%	75,237	0.5%
2009	14,183,495	275,890	2.0%	172,749	1.2%
2010	14,279,093	95,598	0.7%	76,713	0.5%
2011	14,556,670	277,577	1.9%	349,791	2.4%
2012	14,554,552	-2,118	0.0%	183,126	1.3%
2013	14,494,250	-60,302	-0.4%	-119,860	-0.8%
2014	14,562,111	67,861	0.5%	245,395	1.7%
2015	14,551,443	-10,668	-0.1%	-121,220	-0.8%
2016	14,637,916	86,473	0.6%	340,772	2.3%
2017	15,040,297	402,381	2.7%	354,313	2.4%
2018	15,034,320	-5,977	0.0%	126,725	0.8%
2019	15,650,625	616,305	4.1%	523,556	3.3%
YTD	15,655,281	4,656	0.0%	113,913	0.7%
2020	16,349,566	698,941	4.5%	315,785	1.9%
2021	16,333,003	-16,563	-0.1%	215,233	1.3%
2022	16,516,422	183,419	1.1%	199,538	1.2%
2023	16,874,174	357,752	2.2%	324,782	1.9%
2024	17,243,168	368,994	2.2%	355,787	2.1%

Source: CoStar; compiled by Weitzman Associates, LLC

TABLE 90

PENSACOLA METRO AREA OFFICE SUBMARKET OVERALL RENT & VACANCY					
	Gross Asking Rent		Vacancy		
Year	Per Sq. Ft.	Growth (%)	Sq. Ft.	Percent	Percent Change
2008	$19.54	-1%	1,140,517	8.2%	
2009	$18.19	-7%	1,245,454	8.8%	0.6%
2010	$17.05	-6%	1,264,339	8.9%	0.1%
2011	$15.37	-10%	1,192,125	8.2%	-0.7%
2012	$15.68	2%	1,006,881	6.9%	-1.3%
2013	$16.13	3%	1,066,439	7.4%	0.4%
2014	$16.63	3%	888,905	6.1%	-1.3%
2015	$17.56	6%	999,457	6.9%	0.8%
2016	$18.34	5%	691,958	4.7%	-2.1%
2017	$19.54	7%	740,026	4.9%	0.2%
2018	$20.15	3%	607,324	4.0%	-0.9%
2019	$20.48	2%	703,486	4.5%	0.5%
YTD	$20.40	0%	594,229	3.8%	-0.7%
2020	$19.03	-7%	1,120,885	6.9%	2.4%
2021	$20.08	6%	890,429	5.5%	-1.4%
2022	$20.56	2%	875,608	5.3%	-0.2%
2023	$20.78	1%	909,881	5.4%	0.1%
2024	$20.87	0%	924,392	5.4%	0.0%
				2010-YTD Avg. Change:	*-0.5%*

Source: CoStar; compiled by Weitzman Associates, LLC

As of year-to-date 2019, average asking rents per square foot in the Pensacola Metro submarkets ranged from $16.36 in Ensley/North Brent to $24.96 in Upper Santa Rosa County, according to Costar. Costar's mapping situates the OLF-8 site in Gonzalez/SW Santa Rosa submarket, which currently supports asking rent of $21.92. The submarkets with the highest year-over-year rent growth were Central Pensacola/South Brent and Navarre.

TABLE 91

PENSACOLA METRO AREA OFFICE SUBMARKET SUBMARKET RENT TRENDS			
	Gross Asking Rent	12 Month Asking Rent	Annualized Quarterly Rent
Submarket	Per Sq. Ft.	Growth (%)	Growth (%)
Avalon Beach/Milton	$19.34	0.1%	-0.8%
Central Pensacola/S Brent	$18.76	0.3%	-0.9%
Downtown Pensacola	$24.02	-0.3%	-1.1%
Ensley/N Brent	$16.36	0.2%	-0.9%
Ferry Pass/N Pensacola	$19.40	0.1%	-0.8%
Gonzalez/SW Santa Rosa	$21.92	1.1%	-0.9%
Gulf Breeze	$23.18	0.2%	-0.2%
Myrtle Grove/Bellview	$17.21	0.1%	-1.1%
Navarre	$18.76	0.3%	-0.6%
Pensacola Beach	$21.45	0.1%	-0.4%
Perdido	$21.69	1.1%	-0.1%
SE Santa Rosa County	$20.10	0.1%	-0.5%
Upper Escambia County	$19.62	0.1%	-0.6%
Upper Santa Rosa County	$24.96	0.1%	-1.3%
Warrington	$16.67	0.1%	-1.1%

Source: CoStar; compiled by Weitzman Associates, LLC

The vacancy rate for the office properties within the Gonzalez/SW Santa Rosa submarket, where the OLF-8 site is located, is the lowest, at 0.9%, of the 13 recorded submarkets. The metro area's overall average vacancy is 4.40% as of June 2020. The vacancy rates, 12-month net absorption, and gross asking rents per square foot for the Pensacola submarkets are summarized in the following table.

TABLE 92

PENSACOLA METRO AREA OFFICE SUBMARKET SUBMARKET VACANCY & NET ABSORPTION				
	Vacancy		12 Month Absorption	
Submarket	Sq. Ft.	Percent	Sq. Ft.	Inventory (%)
Avalon Beach/Milton	33,192	3.8%	31,592	3.6%
Central Pensacola/S Brent	172,624	4.7%	26,092	0.7%
Downtown Pensacola	167,002	5.2%	2,220	0.1%
Ensley/N Brent	73,216	9.0%	-58,850	-7.3%
Ferry Pass/N Pensacola	85,607	2.7%	8,474	0.3%
Gonzalez/SW Santa Rosa	17,616	0.9%	374,673	19.0%
Gulf Breeze	5,205	1.5%	1,239	0.4%
Myrtle Grove/Bellview	10,353	4.4%	-8,153	-3.5%
Navarre	7,663	1.4%	-7,663	-1.4%
Pensacola Beach	-	-	0	0.0%
Perdido	5,500	4.8%	1,632	1.4%
SE Santa Rosa County	1,480	9.7%	0	0.0%
Upper Escambia County	1,750	3.5%	0	0.0%
Upper Santa Rosa County	-	-	0	0.0%
Warrington	8,981	5.8%	180	0.1%

Source: CoStar; compiled by Weitzman Associates, LLC

The Pensacola Metro Area has experienced office property sales in excess of $305 million since 2012 with an average price of $98.30 per square foot in 2019. Between 2018 and 2019, office sales decreased by 30%, from $66.1 million to $46.5 million. As of June 2020, there were 29 deals with a transaction volume of $12.5 million; the average price per square foot for the transactions was $70.68 per square foot. The historical and forecasted office sale trends in the Pensacola Metro Area are outlined in the following table.

TABLE 93

PENSACOLA METRO AREA OFFICE SUBMARKET OVERALL SALES								
	Completed Transactions						Market Pricing Trends	
Year	Deals	Volume ($M)	Turnover	Average Price	Average Price/Sq. Ft.	Average Cap Rate	Price per Sq. Ft.	Cap Rate
2009	37	$8.3M	1.1%	$286,439	$66.90	0.0%	$80.90	10.8%
2010	37	$10.3M	1.5%	$363,032	$67.15	-	$90.78	9.8%
2011	58	$8.5M	2.6%	$237,494	$63.44	9.3%	$95.22	9.4%
2012	67	$17.3M	3.1%	$365,401	$54.31	7.0%	$96.88	9.2%
2013	71	$26.3M	2.7%	$481,888	$76.39	4.5%	$102.27	8.9%
2014	69	$34.5M	2.8%	$650,082	$91.88	8.5%	$109.70	8.7%
2015	96	$35.9M	4.1%	$492,439	$69.68	10.0%	$112.19	8.7%
2016	103	$49.4M	5.0%	$686,815	$84.95	9.5%	$117.73	8.6%
2017	85	$34.1M	4.3%	$807,624	$93.20	9.1%	$123.20	8.5%
2018	108	$66.1M	4.7%	$961,404	$111.74	9.0%	$126.22	8.7%
2019	100	$46.5M	3.8%	$729,706	$98.30	12.0%	$127.23	8.8%
YTD	29	$12.5M	1.4%	$720,965	$70.68	9.0%	$128.21	8.9%
2020	-	-	-	-	-	-	$114.53	9.4%
2021	-	-	-	-	-	-	$114.81	9.4%
2022	-	-	-	-	-	-	$124.20	9.1%
2023	-	-	-	-	-	-	$125.57	9.1%
2024	-	-	-	-	-	-	$125.48	9.2%

Source: CoStar; compiled by Weitzman Associates, LLC

Gonzalez-Southwest Santa Rosa Office Submarket

The overall inventory in the Gonzalez-Southwest Santa Rosa office submarket, where the OLF-8 site is located, saw punctuated growth from 2008 and 2019, with large additions in 2009, 2011, 2017, and 2019. As of June 2019, there was a total of 1.97 million square feet of office space, and between 2016 and June 2020 this inventory grew by approximately 788,900 square feet, which was entirely comprised of additions to Navy Federal Credit Union's new campus.

TABLE 94

GONZALEZ-SOUTHWEST SANTA ROSA OFFICE SUBMARKET
OVERALL SUPPLY & DEMAND

	Inventory			Net Absorption	
Year	Sq. Ft.	Growth (SF)	Growth (%)	Sq. Ft.	Inventory (%)
2008	787,697	4,500	0.6%	103,257	13.1%
2009	948,029	160,332	20.4%	121,484	12.8%
2010	948,029	-	0.0%	-37,063	-3.9%
2011	1,184,654	236,625	25.0%	245,315	20.7%
2012	1,184,654	-	0.0%	110,997	9.4%
2013	1,184,654	-	0.0%	23,033	1.9%
2014	1,184,654	-	0.0%	16,660	1.4%
2015	1,184,654	-	0.0%	-14,140	-1.2%
2016	1,184,654	-	0.0%	13,805	1.2%
2017	1,384,654	200,000	16.9%	201,776	14.6%
2018	1,383,654	-1,000	-0.1%	-7,273	-0.5%
2019	1,974,933	591,279	42.7%	517,095	26.2%
YTD	1,973,533	-1,400	-0.1%	65,100	3.3%
2020	2,670,793	695,860	35.2%	357,879	13.4%
2021	2,610,630	-60,163	-2.3%	231,315	8.9%
2022	2,790,273	179,643	6.9%	131,170	4.7%
2023	3,137,163	346,890	12.4%	279,197	8.9%
2024	3,494,842	357,679	11.4%	333,074	9.5%

Source: CoStar; compiled by Weitzman Associates, LLC

As of June 2020, office asking rents reached $21.37 per square foot according to CoStar, slightly lower than the peak-level achieved in 2019. Asking rent for office space in the submarket has generally been growing over the last seven years. The asking rent for the office submarket is projected to decrease by 7.3%, to $20.45 per square foot, by year-end 2020, though by 2024 asking rents are expected to reach $22.11 per square foot. In 2010 vacancy reached a peaked at 17.3%, before falling to 0.4% in 2014, and has since climbed to 4.33% in 2019 and currently sits at 0.9%. Vacancy is projected to increase to 15.8%

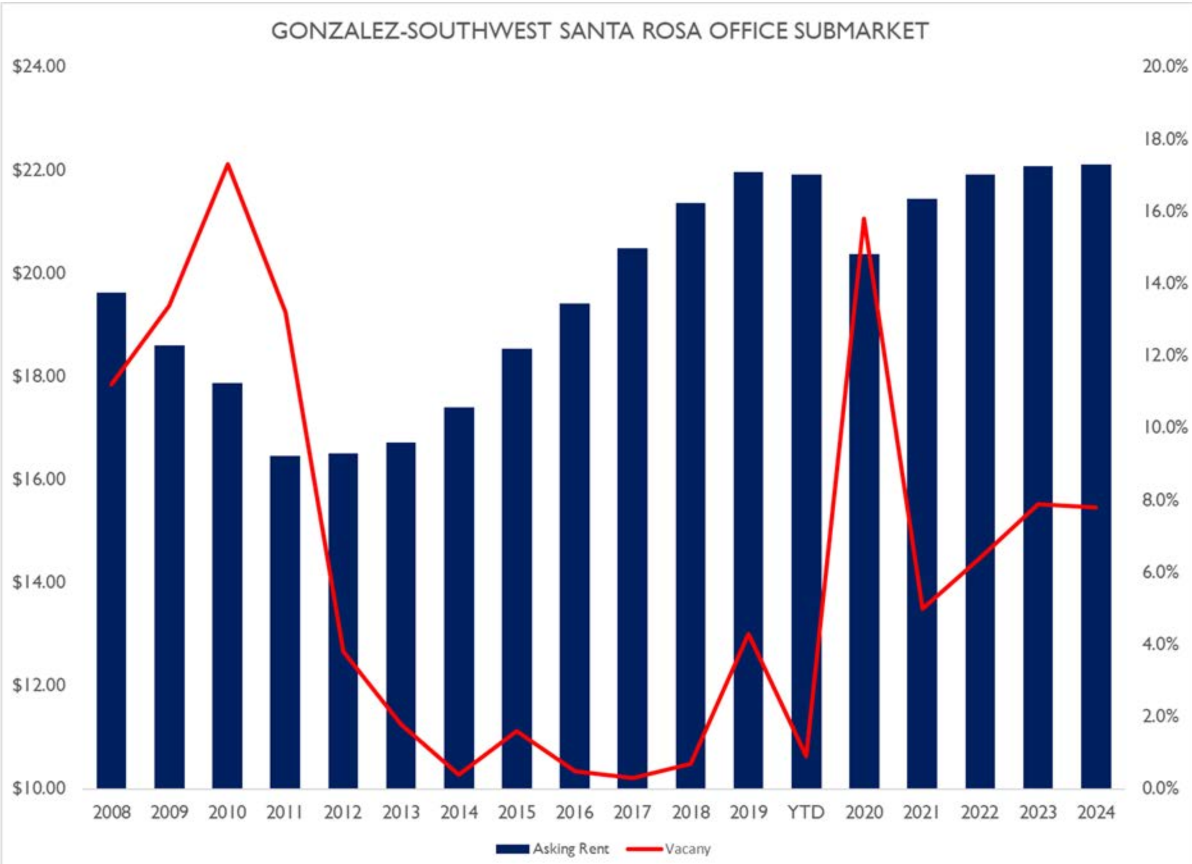
by year-end 2020 though by 2024 it is projected to fall to 7.8%. The overall vacancy rate has varied dramatically due to the market's low inventory and large Navy Federal Credit Union's new campus deliveries, which have likely skewed CoStar's vacancy calculations, as these buildings are owner occupied, built-to-suit. The following table outlines the historical and projected average gross asking rent and vacancy rate trends of the Gonzalez-Southwest Santa Rosa office submarket.

TABLE 95

GONZALEZ-SOUTHWEST SANTA ROSA OFFICE SUBMARKET
OVERALL RENT & VACANCY

	Gross Asking Rent		Vacancy		
Year	Per Sq. Ft.	Growth (%)	Sq. Ft.	Percent	Percent Change
2008	$19.63	-0.1%	88,569	11.2%	-12.7
2009	$18.60	-5.2%	127,417	13.4%	2.2%
2010	$17.87	-4.0%	164,480	17.3%	3.9%
2011	$16.46	-7.9%	155,790	13.2%	-4.2%
2012	$16.50	0.3%	44,793	3.8%	-9.4%
2013	$16.72	1.3%	21,760	1.8%	-1.9%
2014	$17.40	4.0%	5,100	0.4%	-1.4%
2015	$18.54	6.6%	19,240	1.6%	1.2%
2016	$19.42	4.7%	5,435	0.5%	-1.2%
2017	$20.49	5.5%	3,659	0.3%	-0.2%
2018	$21.37	4.3%	9,932	0.7%	0.5%
2019	$21.97	2.8%	84,116	4.3%	3.5%
YTD	$21.92	-0.2%	17,616	0.9%	-3.4%
2020	$20.37	-7.3%	422,195	15.8%	11.5%
2021	$21.45	5.3%	130,879	5.0%	-10.8%
2022	$21.91	2.2%	179,507	6.4%	1.4%
2023	$22.08	0.8%	247,374	7.9%	1.5%
2024	$22.11	0.1%	272,156	7.8%	-0.1%

Source: CoStar; compiled by Weitzman Associates, LLC



Source: CoStar; compiled by Weitzman Associates, LLC

The Gonzalez/Southwest Santa Rosa submarket has experienced office sales in excess of $7 million between 2014 and 2019 with an average price of $76 per square foot. As of year-to-date 2020, there have been no transactions and the market's average capitalization rate from 2019, when there were six transactions, remains at 8.2% according to CoStar. The market price for the office properties in the Gonzalez/Southwest Santa Rosa office submarket grew from $38.31 per square foot to $99.09 per square foot between 2014 and 2019, and is projected to grow to $178.70 per square foot by 2024. The market-level capitalization rate is expected to remain stabilized around 8.5% within the same period.

The historical office sale trends within the Gonzalez/Southwest Santa Rosa office submarket are outlined in the following table.

TABLE 96

GONZALEZ-SOUTHWEST SANTA ROSA OFFICE SUBMARKET OVERALL SALES								
	Completed Transactions						Market Pricing Trends	
Year	Deals	Volume	Turnover	Average Price	Average Price/Sq. Ft.	Average Cap Rate	Price per Sq. Ft.	Cap Rate
2009	2	$335K	0.8%	335,000	$74.44	-	$114.37	10.0%
2010	-	-	-	-	-	-	$129.55	9.1%
2011	3	$326.6K	0.4%	108,867	$72.82	-	$139.07	8.6%
2012	3	$384K	0.8%	192,000	$66.21	-	$140.69	8.5%
2013	-	-	-	-	-	-	$146.35	8.3%
2014	2	$70K	0.3%	70,000	$38.31	-	$155.09	8.0%
2015	1	0	0.1%	-	-	-	$162.91	8.0%
2016	4	$98.5K	0.7%	98,500	$80.47	-	$171.10	7.9%
2017	4	0	1.7%	-	-	-	$176.91	7.8%
2018	1	$422K	0.4%	422,000	$84.43	-	$181.12	8.0%
2019	6	$6.6M	3.8%	1,618,450	$99.09	-	$181.99	8.2%
YTD	-	-	-	-	-	-	$183.71	8.2%
2020	-	-	-	-	-	-	$163.27	8.7%
2021	-	-	-	-	-	-	$163.59	8.7%
2022	-	-	-	-	-	-	$177.30	8.4%
2023	-	-	-	-	-	-	$179.09	8.4%
2024	-	-	-	-	-	-	$178.70	8.5%

Source: CoStar; compiled by Weitzman Associates, LLC

Pensacola Metro Area Submarket Comparable Lease Transactions

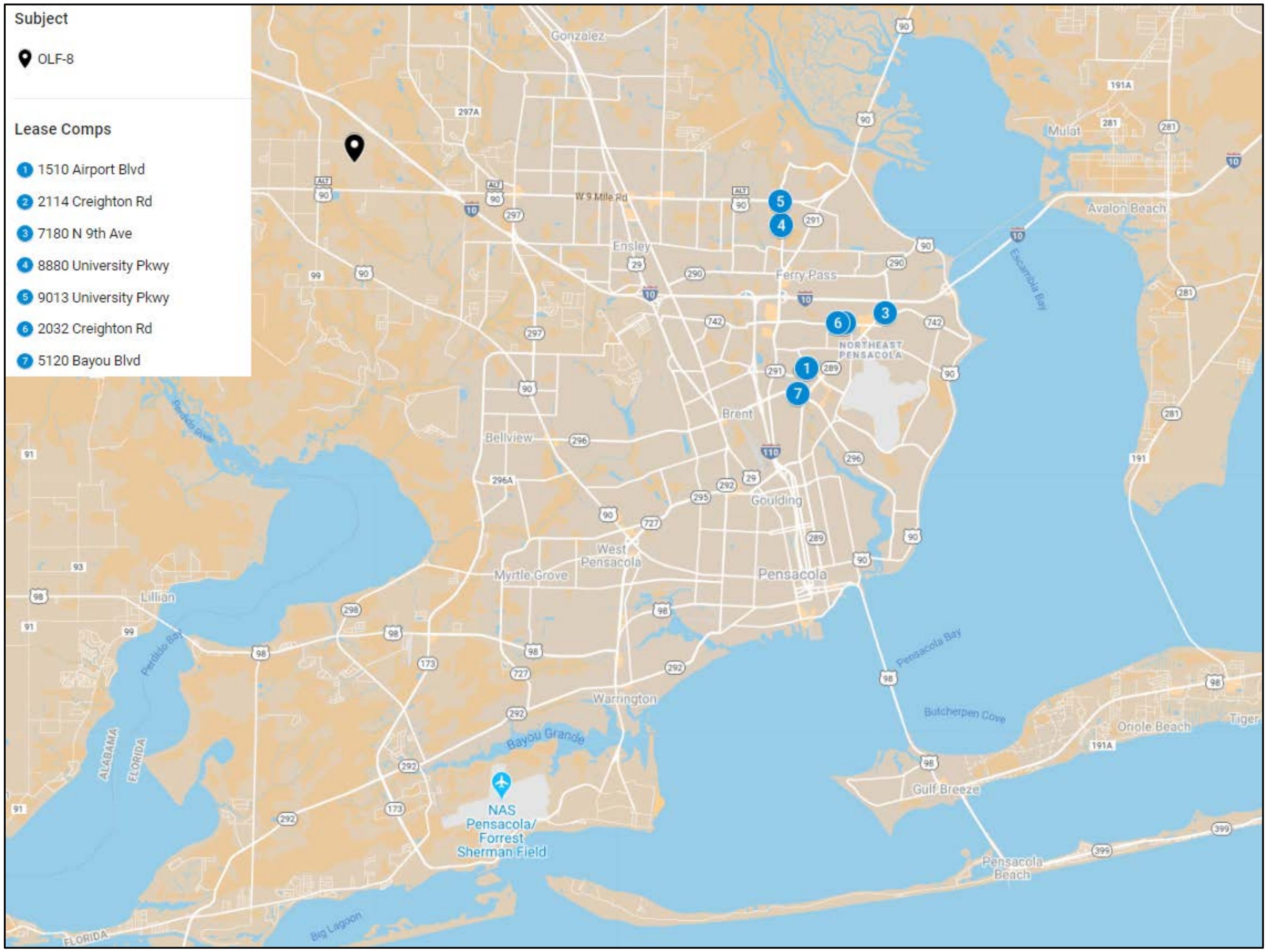
We have summarized recent lease transactions at office properties rated 3-star or above by Costar within the Pensacola Metro Area within the past two and half years. Overall, there were 15 comparable lease transactions recorded between November 2018 and March 2020; all of the leased spaces were transacted at Class-B office properties. The asking rents for the comparable leases ranged from $12.00 per square foot per year to $25.00 per square foot per year. The size of the leased office spaces ranged from 1,200 square feet at 9013 University Parkway in Ferry Pass and 12,111 square feet at 7180 N 9th Ave in Ferry Pass.

TABLE 97

PENSACOLA METRO AREA OFFICE LEASE SURVEY													
Address	City / Submarket	Built	Class	Tenant	SF Leased	Floor	Sign Date	Lease Type	Start Date	Expiration	Term	Rent	Type
1510 Airport Blvd	Pensacola / Ferry Pass	2007	B	AES	1,232	1st	3/1/2020	New	Mar-20	Mar-23	3 Yr	$17.95/nnn	Effective
2114 Creighton Rd	Pensacola / Ferry Pass	2020	B	PT Solutions	6,056	1st	1/1/2020	New	May-20	-	-	$25.00/nnn	Effective
7180 N 9th Ave	Pensacola / Ferry Pass	2009	B	US IRS	12,111	1st	8/1/2019	New	Aug-20	Jul-29	10 Yr	$26.72/FS	Effective
8880 University Pky	Pensacola / Ferry Pass	2003	B	Bradford Health Services	3,300	1st	3/1/2018	New	Jun-18	May-21	3 Yr	$18.75/nnn	Effective
9013 University Pky	Pensacola / Ferry Pass	2006	B	-	1,200	1st	3/22/2019	New	Nov-19	-	-	$16.00/fs	Asking
2032 Creighton Rd	Pensacola / Ferry Pass	2007	B	-	2,567	1st	2/11/2019	New	Mar-19	-	-	$12.00/nnn	Asking
5120 Bayou Blvd	Pensacoal / Ferry Pass	1971	B	-	2,789	1st	11/7/2018	New	Dec-18	-	-	$13.00/nnn	Asking

Source: CoStar; compiled by Weitzman Associates, LLC

MAP OF COMPARABLE LEASE TRANSACTIONS



Pensacola Metro Area Notable Office Sale Transactions

We have selected eight office sale transactions within the Pensacola Metro Area office market recorded between January 2018 and June 2020. The prices per square foot for the transacted properties range from $28.52 per square foot to $172 per square foot. In addition, the properties are evenly distributed between Class B and C, and present a range of vintages built between 1905 and 2019.

The details for each sale transaction have been summarized in the table on the following page, including the information about the property being sold, the buyer and seller's company, the sale price, and the sale conditions.

TABLE 98

PENSACOLA METRO AREA NOTABLE SALE TRANSACTIONS													
Address	City	Submarket	Built	Class	Size	Buyer	Seller	Date	Price	Price / SF	Vacancy	Floors	Parking
3670 N L St	Pensacola	Central Pensacola/S Brent	1972	C	82,145	GFLC Investments LLC	JTS Capital Realty LLC	6/15/2020	$3,000,000	$36.52	100%	2	365
139 Government St	Pensacola	Downtown Pensacola	1905	C	5,100	Dell Harold L	Suzzanne Blankenship	5/12/2020	$875,000	$171.57	100%	2	65
6479 Caroline St	Milton	Avalon Beach	1959	B	10,440	Wiscaver Investment Corp	United Way of Santa Rosa County, Inc.	2/28/2020	$1,175,000	$112.55	100%	1	40
21 N New Warrinton Rd	Pensacola	West Pensacola	1978	C	21,205	Meraki Solar, LLC	Mo' Money Associates, Inc.	2/12/2020	$1,325,000	$62.49	100%	2	85
5022 W Fairfield Dr	Pensacola	Myrtle Grove/Bellview	2004	B	6,900	A-1 Water & Dump Truck Svc	Justin Loftin	2/7/2020	$650,000	$94.20	100%	1	30
6400 W St	Pensacola	Ensley/N Brent	1984	C	12,024	Escambia County	Gulf Coast Specialties Inc.	12/20/2019	$1,580,000	$121.40	0%	1	1099
5550 Heritage Oaks Dr	Pensacola	Gonzalez/SW Santa Rosa	2003	B	59,067	Navy Federal Credit Union	Escambia County	12/17/2019	$4,278,800	$72.44	100%	1	324
120 W Government St	Pensacola	Downtown Pensacola	2019	B	25,026	G Squared Pensacola LLC	Pensacola Redevelopment Agency	1/8/2018	$720,000	$28.77	100%	2	3

Source: CoStar; Escambia County Tax Assessor, compiled by Weitzman Associates, LLC

PENSACOLA METRO AREA COMPARABLE OFFICE PROPERTIES

Based on the office market statistics provided by CoStar, there have been limited additions of new inventory during recent years, particularly within the Class-A category. Therefore, we have selected and profiled six Class-B and one Class-A office property in the Pensacola Metro Area with similar sizes, locations and building conditions to be the most comparable properties to the prospective office development at OLF-8.

4810 W Nine Mile Rd / 5530 Heritage Oaks Drive Building 5 & 6 is the latest office development included in the master plan to expand the Navy Federal Credit Union's headquarters. The project contains 200,000 square feet of Class-A office space, which will be entirely occupied by the Navy Federal Credit Union as a call center. The construction of Building 5 will be followed by construction of Building 6, which will also contain 165,000 square feet of office space. Based on information from Newcomb & Boyd Consultants and Engineers, the final phase of the master plan will include a 490,000-square-foot Building 7, a 156,000-square-foot Building 8, another 156,000-square-foot building with amenities, two 2,380-car parking decks and an expansion of the central equipment plant. Navy Federal Credit Union is the largest employer in the metro area. The retail banking firm is headquartered in Vienna, Virginia and decided to expand its workforce in Beulah, Florida in order to achieve a lower cost of living for its employees in a more business friendly market. NFCU's growing campus represent some of the largest, newest, and most luxurious office properties in the entire metro Pensacola office market.

2156 W Nine Mile Rd is a Class-B office property located in Cantonment, approximately 3.5 miles east of the subject property. The 2-story property was built in 2019 and contains a total of 36,437 square feet of office space. The property was developed for Ascension Sacred Heart's Rehabilitation at Milestone physical therapy clinic.

2420 South Highway 29 is a Class-B office property located in Cantonment approximately 6 miles northeast of the subject property. The 2-story, 21,679 square foot property was built in 1968 and was renovated in 2007. No space at the property is currently available for lease, and Pensacola Metro Treatment Center, which provides opiate addiction recovery services, is the only listed tenant.

5101 12th Avenue is a Class-B office property located in Pensacola, approximately 13 miles southeast of the subject property. The 2-story property was built in 2006 and contains 23,663 square feet of office space with 26 parking spaces and a 2nd story balcony/breezeway. No space at the property is currently available for lease, and current tenants include Real Estate Counselors Inc (3,000 SF), Kazak Realty (1,000 SF), Catherine Alford (1,000 SF), and Ameriprise Financial Services Inc (750 SF). The property's tenant profile is representative of Pensacola office market in that it is primarily comprised of small business service tenants, occupying small properties with modest finishes.

375 Muscogee Rd is a Class-B office property located in Cantonment, approximately 12 miles northeast of the subject property. The 2-story property was built in 1980 and contains 23,286 square feet of office space. No space at the property is currently available for lease, and current tenants include Specialty Minerals Inc., a paper pigmentation producer occupying 1,400 square foot suite, and Applied Technical Services, an engineering and chemical testing firm occupying a 200 square foot suite.

<u>NFCU Heritage Oaks Campus Master Plan</u>

Given the comparable size and proximity of the neighboring Navy Federal Credit Union Heritage Oaks campus, it is important to understand its outsized impact on the market. In 2002, driven by new incentive programs and workforce training assistance, the nation's largest credit union, Navy Federal, chose the Greater Pensacola Area as the site of its first remote customer contact center. The success of this development led to an expansion in services of the contact center to include lending, collections, mortgage loan processing, human resources and information technology. In 2014, the Navy Federal Credit Union announced a large expansion of its current facility and invested an additional $1 billion in the development of an additional one million square feet of office space to its campus in order to accommodate thousands of new employees. The company added 750 new jobs in 2017, with plans to hire even more as it continues to expand its campus. With current employment at over 8,600 people, there are an additional 2,000 to 3,000 new employees that will be hired through 2021. When complete the final campus will consist of eight structures ranging approximately between 150,000 and 770,000 square feet

The image below depicts the ongoing campus development plan.

Source: Pensacola Journal News, 201

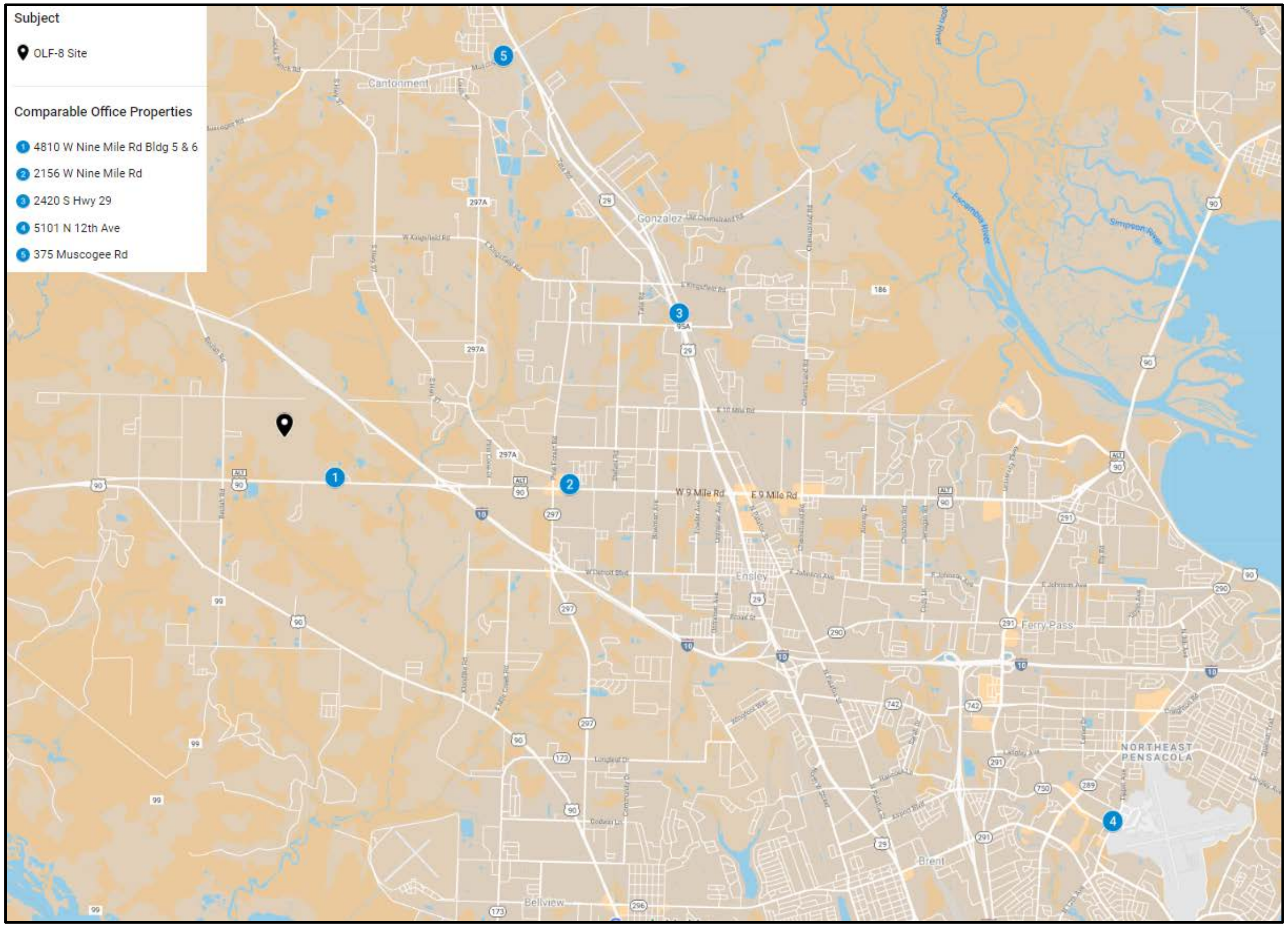
TABLE 99

PENSACOLA METRO SUBURBAN OFFICE SURVEY												
Address	City	Submarket	Built	Class	Size	Available SF	Vacancy %	Parking	Stories	Construction	Owner	Notes
1. 4810 W Nine Mile Rd - Bldg	Pensacola	Gonzalez/SW Santa Rosa	2017	B	200,000	-	-	N/A	6	Steel	Navy Federal Credit Union	
1. 4810 W Nine Mile Rd - Bldg	Pensacola	Gonzalez/SW Santa Rosa	2017	B	200,000	-	-	N/A	3	Steel	Navy Federal Credit Union	
2. 2156 W Nine Mile Rd	Cantonment	Gonzalez/SW Santa Rosa	2019	B	36,437	-	-	N/A	2	N/A	Greenhut Construction Co.	
3. 2420 S. Highway 29	Cantonment	Gonzalez/SW Santa Rosa	1968	B	21,679	-	-	N/A	2	N/A	Instrument Control Service	2007 Renovation
4. 5101 12th Ave	Pensacola	Ferry Pass/N Pensacola	2006	B	23,663	-	-	26	2	Wood Frame	JS Shirk & Associates Inc	2nd floor balcony
5. 375 Muscogee Rd	Cantonment	Gonzalez/SW Santa Rosa	1980	B	23,286	-	-	100	2	Reinforced Concrete	International Paper Company	
VARIOUS PROPERTIES FOR INFORMATIONAL PURPOSES ONLY												
4810 W Nine Mile Rd	Pensacola	Gonzalez/SW Santa Rosa	2019	B	354,842	-	-	N/A	6	Steel	Navy Federal Credit Union	
4810 W Nine Mile Rd	Pensacola	Gonzalez/SW Santa Rosa	2019	A	730,000	-	-	N/A	6	Steel	Navy Federal Credit Union	Under construction
6720 Mobile Hwy	Pensacola	Myrtle Grove/Bellview	2010	C	10,513	-	-	76	1	Wood Frame	N/A	Apostolic Life United Pentecostal Church
5501 Heritage Oaks Dr	Pensacola	Gonzalez/SW Santa Rosa	2011	B	236,625	-	-	N/A	3	N/A	Navy Federal Credit Union	
5149 9th Ave	Pensacola	Ferry Pass/N Pensacola	1970	C	48,261	-	-	450	3	Steel	Sacred Heart Health System Inc	300 covered spaces
5111 N 12th Ave	Pensacola	Ferry Pass/N Pensacola	1991	C	22,136	-	-	65	1	Masonry	Fairchild Pensacola LP	
2114 Airport Blvd	Pensacola	Ferry Pass/N Pensacola	1986	B	71,888	3,066	4.30%	112	1	Masonry	B&L Investments LLC	Asking $14.00/NNN
2190 Airport Blvd	Pensacola	Ferry Pass/N Pensacola	1989	B	25,000	8,970	35.90%	112	1	Masonry	Joseph G Buehler	Asking $14.00/NNN
5120 Bayou Blvd	Pensacola	Ferry Pass/N Pensacola	1971	B	20,743	-	-	90	2	Masonry	Trudy White	Unit B Sold on May 31, 2018 for $100,000 ($35.86/SF)
5130 Bayou Blvd	Pensacola	Ferry Pass/N Pensacola	1979	C	22,948	-	-	40	2	Masonry	Sacred Heart Health System Inc	
5150 Bayou Blvd	Pensacola	Ferry Pass/N Pensacola	1977	C	28,540	-	-	65	2	Masonry	Sacred Heart Health System Inc	
5192 Bayou Blvd	Pensacola	Ferry Pass/N Pensacola	1997	C	35,096	-	-	137	3	Masonry	Trustees of the Internal Improvement Trust Fund	
5020 Commerce Park Cir	Pensacola	Ensley/N Brent	1997	C	20,113	-	-	135	1	Masonry	Pointe Project Llc	
5401 Corporate Woods Dr	Pensacola	Ferry Pass/N Pensacola	1986	B	46,000	-	-	145	1	Masonry	Joseph G Buehler	
6190 N Davis Hwy	Pensacola	Ferry Pass/N Pensacola	1997	B	23,100	-	-	70	2	Masonry	Robert C Harbour	
3754 Highway 90	Pace	Avalon Beach/Milton	2005	B	55,000	15,583	28.30%	277	3	Steel	Healthpeak Properties, Inc.	Asking $23.50/FS
7280 Plantation Rd	Pensacola	Ferry Pass/N Pensacola	1983	C	21,486	-	-	140	4	Masonry	Robert Bergeron	Sold on Jul 28, 2016 for $275,000 ($12.80/SF)
7282 Plantation Rd	Pensacola	Ferry Pass/N Pensacola	1989	C	37,831	4,369	11.55%	24	4	Steel	Robert Bergeron	Sold on Aug 1, 2016 for $2,350,000 ($62.12/SF)

Source: CoStar; compiled by Weitzman Associates, LLC

WEITZMAN
Real Estate Consultants

MAP OF COMPARABLE OFFICE PROPERTIES



PENSACOLA METRO AREA COMPARABLE MEDICAL PROPERTIES

There is a significant medical office presence in the Pensacola Metro Area, particularly along the Nine Mile Road commercial corridor. Given the relatively strong performance of this sector in the overall economy and the abundance of developable space at OLF8, which could potentially accommodate a medical use, we have surveyed below representative medical properties along the Nine Mile Road commercial corridor.

9310 E Nine Mile Rd, which is approximately 9.7 miles east of the subject in the Ensley / N Brent submarket, is an 88,113 square foot, Class-B, single story rehabilitation center. The property, which was built in 2019, is owned and occupied by Omega Healthcare Investors, Inc. This property is one of the newest medical deliveries, outside of the major hospital networks in the metro area, and is representative of the market's general characteristics in that it is a single occupant/owner occupied, built-to-suit, low lying building with modest finishes and specifications.

1190 E Nine Mile Rd, which is approximately 7.3 miles east of the subject in the Gonzalez / Southwest Santa Rosa submarket, is an 11,892 square foot, Class-B, single story rehabilitation center. The property, which was built in 1994, is occupied by West Florida Medical Group, an outpatient care provider with two other locations in the metro area. Though this property is significantly older than the others it is significantly larger than more recent deliveries, and is still very much representative of the market's general characteristics in that it is a single occupant, low lying building with modest finishes and specifications.

1921 E Nine Mile Rd, which is approximately 8.9 miles east of the subject in the Ferry Pass / North Pensacola submarket, is a 5,916 square foot, Class-B, single story rehabilitation center. The property, which was built in 2006, is occupied by Gilmore Chiropractic, an alternative medicine provider. This property is one of the newer medical deliveries, outside of the major hospital networks in the metro area, and is representative of the market's general characteristics in that it is a single occupant, low lying building with modest finishes and specifications.

400 Milestone Blvd, which is approximately 3.3 miles east of the subject in the Gonzalez / Southwest Santa Rosa submarket, is an 11,892 square foot, Class-B, single story rehabilitation center. The property, which was built in 1996, currently completely vacant, though it was previously occupied by Sacred Heart. Though this property is significantly older than the others it is significantly larger than more recent deliveries, and is still very much representative of the market's general characteristics in that it is a single occupant, low lying building with modest finishes and specifications.

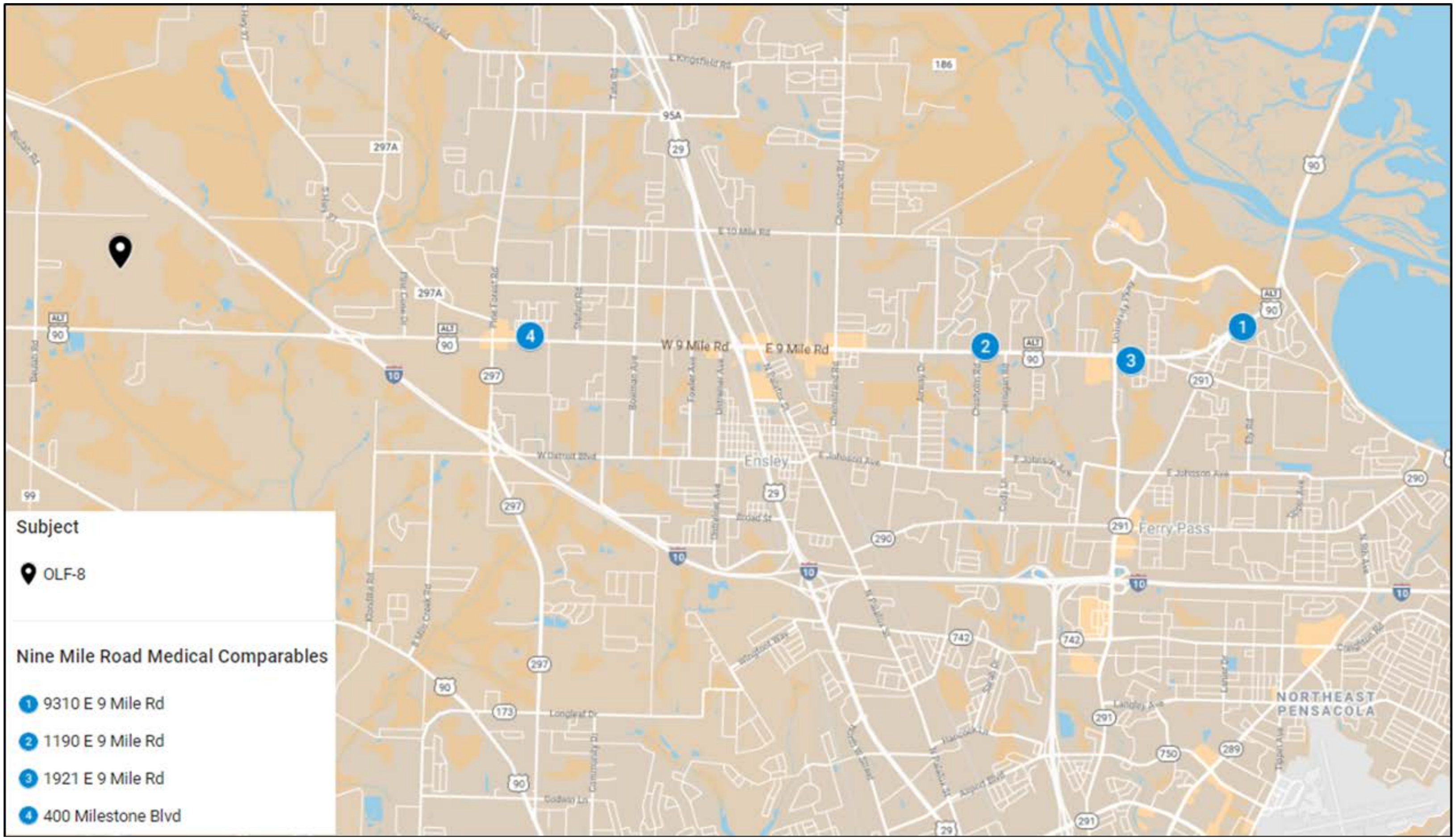
5016 Grande Dr is a two-story, Class B spec medical office building, and is the only medical office property CoStar currently lists as under construction. The property is located near Sacred Heart Hospital in the Ferry Pass / North Pensacola submarket. The property, which is approximately 12 miles southeast of the subject, will contain a single office suite on each floor (6,835 SF, $20/NNN, with a 1-5-year term on the first floor, and 5,470 SF, $19.50/NNN, with a 1-5-year term on the second floor). Delivery is anticipated by winter 2021.

TABLE 100

No.	Address	City	Submarket	Year Built	Star Rating	Size	Available SF	Vacancy %	Parking Ratio	Notes
NINE MILE ROAD MEDICAL PROPERTIES PENSACOLA METRO AREA										
1	9310 Fowler Ave	Pensacola	Ensley/N Brent	2019	4	88,113	-	0.0%		
2	1190 E Nine Mile Rd	Pensacola	Gonzalez/SW Santa Rosa	1994	3	11,892	-	0.0%	7.57	
3	1921 E Nine Mile Rd	Pensacola	Ferry Pass/N Pensacola	2006	3	5,916	-	0.0%	9.13	
4	400 Milestone Blvd	Cantonment	Gonzalez/SW Santa Rosa	1996	3	5,852	5,852	100.0%	6.84	
VARIOUS PROPERTIES FOR INFORMATION PURPOSES ONLY										
5	9400 University Pky	Pensacola	Gonzalez/SW Santa Rosa	2000	3	118,957	-	0.0%	3.63	Baptist Medical Park
6	9290 Baldridge Dr	Pensacola	Ferry Pass/N Pensacola	2005	3	5,569	-	0.0%	5.93	
7	1421 E Nine Mile Rd	Pensacola	Ferry Pass/N Pensacola	2000	2	4,497	-	0.0%	7.11	
8	321 E Nine Mile Rd	Pensacola	Ensley/N Brent	1988	2	4,292	-	100.0%	5.82	
9	35 Newport St	Cantonment	Gonzalez/SW Santa Rosa	2003	3	3,612	-	0.0%	6.37	
10	1259 W 9 Mile Rd	Pensacola	Ensley/N Brent	1991	2	2,988	-	0.0%	6.02	
11	185 Crossville St	Cantonment	Gonzalez/SW Santa Rosa	2000	2	2,765	-	0.0%	7.23	
12	466 E Nine Mile Rd	Pensacola	Gonzalez/SW Santa Rosa	1990	2	2,518	-	0.0%	3.97	
13	1730 E Nine Mile Rd	Pensacola	Gonzalez/SW Santa Rosa	1960	2	2,404	-	0.0%	5.82	
14	24 E Nine Mile Rd	Pensacola	Gonzalez/SW Santa Rosa	1973	2	1,635	-	0.0%	4.28	
15	2322 Copter Rd	Pensacola	Ferry Pass/N Pensacola	1956	2	903	-	0.0%	9.97	

Source: CoStar; compiled by Weitzman Associates, LLC

MAP OF COMPARABLE NINE MILE ROAD MEDICAL PROPERTIES



OFFICE DEMAND ANALYSIS

We have attempted to quantify the depth of demand for new office space in the market to determine its appropriateness as a potential component of the development opportunity at the OLF-8 site. This task is accomplished by: (1) estimating the underlying demand for Class A and Class B office space in the market area; and (2) comparing projected demand to existing vacant office space of a quality comparable to the proposed development opportunity.

We have defined the market area for office space as the entirety of the Pensacola Metro Area, as this is from where we anticipate the majority of demand would come from. However, we believe additional demand would likely come from employers not presently in the Pensacola Metro Area that may be looking to expand operations into the area. According to Oxford Economics estimates reported by CoStar, there are approximately 163,000 office-using jobs currently in the Pensacola Metro Area. The forecasted employment growth over the next five years varies across sectors and is estimated to have a weighted average of 0.51% per year. The fastest growth is anticipated in the Trade sector, at 1.01% annual growth, while the Government sector is expected to shrink, by about 0.01% each year. In total, approximately 835 Pensacola Metro Area jobs are estimated to be created each year.

In our determination of how employment growth will impact the demand for office space like that which could be offered at the proposed development site, we have made assumptions about the relevance of each employment sector. The following table details the projected employment growth in each sector as well as these assumptions of relevance. For example, OLF8 is likely not suitable for finance firms as well as leisure and hospitality firms– thus, we assume that 10% of jobs created in those sectors in any given year will be seeking office space like that which could be offered at the OLF8 site. Across all employment sectors, we assume that around 32% of newly created jobs will be seeking relevant office space in the market area in any given year. This results in 267 jobs created each year that we assume would require office space like that which could potentially be offered at the proposed development site.

TABLE 101

PENSACOLA METRO OFFICE DEMAND ANALYSIS PROJECTED EMPLOYMENT GROWTH					
Trade	2020 Jobs	Proj. Annual Growth	Est. New Annual Jobs	Est % Applicable	Est. Relevant New Annual Jobs
Manufacturing	6,000	0.66%	40	20%	8
Trade, Retail Trade, Transportation & Utilities	26,000	1.01%	262	15%	39
Financial Activities	13,000	0.83%	107	10%	11
Government	26,000	-0.01%	(2)	25%	0
Natural Resources, Mining & Construction	11,000	0.58%	64	20%	13
Education & Health	31,000	0.09%	29	75%	21
Professional & Business Services	21,000	0.68%	144	75%	108
Information	1,000	0.06%	1	50%	0
Leisure & Hospitality	23,000	0.72%	165	10%	16
Other Services	5,000	0.53%	27	20%	5
Total Employment	163,000	0.51%	835	32%	267

Source: Oxford Economics, CoStar; estimates by Weitzman Associates, LLC

We then took this estimate of relevant jobs created in any given year in Pensacola Metro Area and applied assumptions for how much office space would likely be needed for each new employee. We provide a range of between 225 and 325 square feet per employee based on trends in similar office markets. The results give an indication of the likely range of demand for office space that exists in Pensacola Metro Area in any given year.

When considering the inclusion of an office component at a development site, it is necessary to consider the current competitive supply in the market. Although outside of the market we believe newly built office space in Pensacola Metro Area would compete very effectively against the existing supply, we have taken a conservative approach in our analysis and have included vacant office space rated 4 Star or 5 Star by CoStar. This rating is approximately equivalent to the vacant supply of Class A and Class B properties. According to CoStar, there are currently 33,876 square feet of vacant office space rated 4 or 5 Stars in the Pensacola Metro Area. Assuming vacancies are competitive with the potential development, this suggests the market is currently undersupplied by approximately 26,000 square feet to 53,000 square feet. Although this is a relatively small undersupply for all of the Pensacola Metro Area, the exceedingly low current vacancy rate of 3.8% and general lack of leading-quality supply suggest that a prospective office component at the proposed development site could still be readily absorbed by the market if designed properly.

The following table details our office demand analysis.

TABLE 102

PENSACOLA METRO OFFICE DEMAND ANALYSIS PROJECTED OLF-8 SITE DEMAND CAPTURE ESTIMATE			
Estimated New Annual Relevant Office Jobs	267		
Estimated Office Space Per Employee	Low	Mid	High
	225	275	325
Total Office Demand in SF	60,155	73,522	86,890
Less Current Vacant Space (4& 5 Star)	33,873		
Current Undersupply (Oversupply)	Low	Mid	High
	26,282	39,649	53,017

Source: Oxford Economics, CoStar; estimates by Weitzman Associates, LLC

OFFICE MARKET ANALYSIS CONCLUSION

The Pensacola Metro office market is primarily defined by the following characteristics—a mature, tertiary market, on a modest growth/revitalization trajectory, but with a highly fragmented submarket, inventory, and tenant profile. Given the small size of the market, large office additions are typically build-to-suit developments, and so, any significant traditional office or medical use on the site would very likely need to be designed around the specification of a partnering corporate client. Despite the planning team's efforts to solicit corporate interest both within and without the market, we have been unsuccessful in identifying any viable user. The market's tenant profile is significantly bifurcated between small proprietorships, occupying largely single-tenant, modest properties even when newly built, and the handful of large institutional level firms, some of whom have a national presence. Also, given the location of the development on the far northwest periphery of the metro area, it lacks the centrality needed for multitenant office developments.

Furthermore, the current economic dislocation, and particularly the uncertain state of tenant and end user preferences upon the abatement of the pandemic containment measures, makes for particularly challenging times for planning a large office development in such a small market, and without first securing a reliable anchor occupant.

Despite these challenges, given a property the size of the subject would require several years of planning and phasing even in stable market circumstances, we remain confident, the site and other planned uses would be amenable to a large, Class-A office complex, comparable to the NFCU structures currently rising adjacent to the OLF8 site.

Until such a partner is identified and, or current market conditions significantly improve, we can only recommend a relatively modest (20,000 to 50,000 square foot, $20-30/NNN), low-rise (1-3 floor) office component for the initial development phase. Though we are also confident in the viability of a medical use on the site, particularly given the anticipated need for medical services in the immediate area as residential developments and infrastructure projects continue west along Nine Mile Road and radially north and south from OLF8, any significant medical use would not be viable for the very same reasons as a large spec office development. It is conceivable the highly-centralized, comprehensive, "one-roof-hospital" service model to healthcare begins to reverse in the next decade to address the pandemic related challenges to deliver non-emergent care during a public health crisis. As such, it will be essential to carefully study how industry standards and patient preferences evolve before designing and building both next generation office space and medical facilities alike.

INDUSTRIAL MARKET ANALYSIS

In support of understanding the underlying market potential of the OLF8 site, Weitzman has conducted an industrial real estate market analysis. This report section outlines key market data that facilitate an understanding of the local industrial market, such as rent and vacancy patterns, and comparable properties. Furthermore, we have supplemented our analysis with data provided by the FloridaWest Economic Development Alliance regarding commerce parks in Escambia County, as well as interviews with knowledgeable brokerage professionals in the area.

EXECUTIVE SUMMARY

Stable Metro Area Market Fundamentals. The Pensacola Metro Area's industrial market has experienced declining vacancy (currently 5.7%) and increasing rent (currently $6.50 per square foot) in recent years. Inventory has increased modestly, but a pattern of low or negative net absorption over the past several years suggests that the introduction of new industrial space is a risky proposition.

Lack of an Established Submarket. The Gonzalez / SW Santa Rosa industrial submarket, where the OLF site is located, has experienced challenging market fundamentals over the past several years. While rent has increased dramatically to $6.18 per square foot, vacancy has also increased substantially to 9.9%, and net absorption over the past 12 months was negative, resulting in the loss of over 120,000 square feet of occupied space. While the location of the OLF8 site within the submarket is attractive (particularly due to its proximity to Interstate 10 and markets to the west in Alabama), the submarket is not established. Therefore, we deem the proposition of future industrial construction within the submarket a risky proposition.

Scattered Leasing Trends. Since the beginning of 2018, there have been 17 industrial lease transactions in the Pensacola Metro Area for 5,000 square feet or more. Notably, none of them is in close proximity to the OLF8 site. The average tenant leased about 18,000 square feet, and only two of the transactions were for above 40,000 square feet. Rents ranged widely from $4.00 to $8.00 per square foot, resulting in a weighted average rent of $5.32 per square foot. Overall, the transactions were somewhat erratic, though all of them were made in Class B buildings, and most were for warehouse / distribution space. This suggests that the profile of tenants seeking large blocks of space are few and far between, and that those active in the market are satisfied with leasing space in older, Class B buildings.

Mixed Success of Industrial Commerce Parks. The industrial commerce parks of Escambia County profiled in this report have had varied degrees of success. Knowledgeable real estate professionals in the area note that Ellyson Industrial Park is the only "meaningful" campus in Escambia, which is reflected by its low vacancy rate. However, OLF8 is in a far more favorable location to develop a new commerce park. Based on the precedent industrial parks, about 100 acres of land could generate 1,000 new jobs on site, though the jobs may not be "high paying." The county would need to install infrastructure, create a strong marketing campaign, offer tax incentives, and provide free / inexpensive land to achieve this goal.

Questionable Demand for New Industrial Space. Our industrial demand analysis concludes that there is an oversupply of industrial space throughout Escambia County, particularly given the existing vacancies among 3-Star properties that could be upgraded to attract new tenants. However, there is evidence of tenants that considered locating in Escambia County recently but who ultimately selected neighboring Santa Rosa County. Providing that the recommendations listed in the previous bullet point are enacted, Escambia County could be successful in attracting similar tenants in the future.

PENSACOLA METRO AREA INDUSTRIAL MARKET OVERVIEW

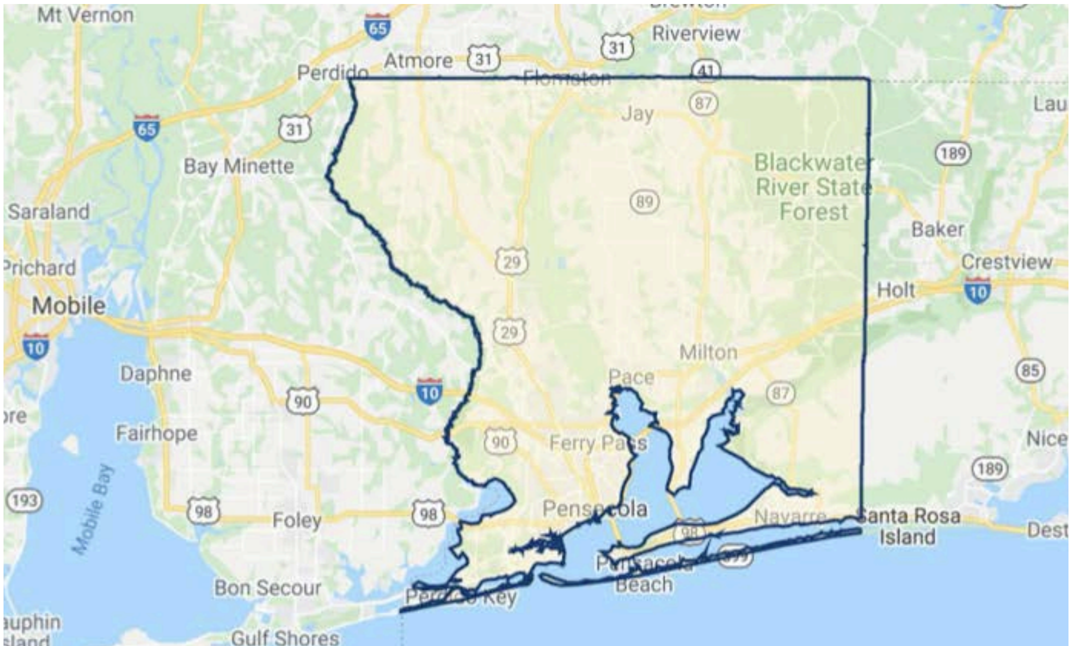
The Pensacola Metropolitan Area's industrial market, as defined by CoStar, is comprised of Escambia and Santa Rosa Counties. CoStar further divides the market into 15 submarkets. Maps delineating market and submarket boundaries are displayed on the following page.

As of the second quarter of 2020, the Pensacola Metro Area's industrial market had approximately 18.9 million square feet of industrial space. Overall, the largest industrial submarkets are Central Pensacola / South Brent (29.6% of inventory, or 342 buildings), Ferry Pass / North Pensacola (18.5% of inventory, or 132 buildings), Ensley / North Brent (14.4% of inventory, or 192 buildings), and Gonzalez / SW Santa Rosa (11.2% of inventory, or 120 buildings), where the OLF8 site is located. Thus, the majority of market's industrial space is located within the City of Pensacola, and to the north / northeast. We note that current inventory is primarily dominated by "Logistics" warehouses, constituting 11.6 million square feet of space, or about 60% of existing space. "Specialized" and "Flex" industrial space comprise 5.6 million and 1.7 million square feet, respectively.

Within the past 12 months, new inventory increased by approximately 70,000 square feet of industrial space, the majority of which (40,000 square feet) stems from a single project in the Gonzales / SW Santa Rosa submarket located at 475 South Highway 29, which is fully leased to a metals distribution company. Net absorption has been negative each year since 2017, despite a strong absorption (over 624,000 square feet) in 2016. From 2015 through 2019, total net absorption was just over 60,000 square feet, averaging about 12,000 square feet per year.

The following tables provide an overview of industrial inventory and net absorption trends in the Pensacola Metro Area, in addition to a breakdown of inventory, 12-month deliveries, and construction activity for the Pensacola Metro Area industrial submarkets as of June 2020. \

PENSACOLA INDUSTRIAL MARKET MAP

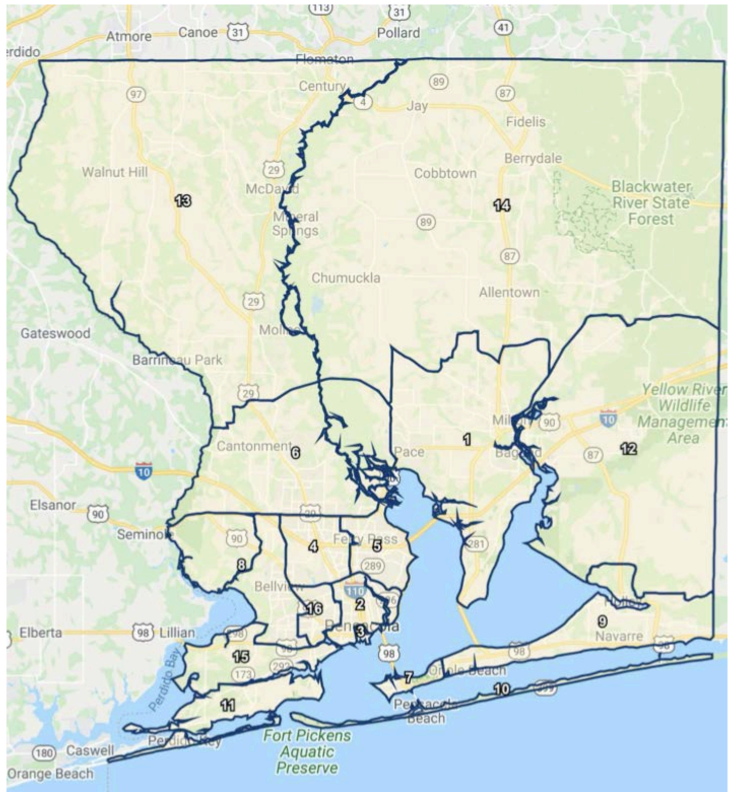


Source: CoStar

DRAFT

PENSACOLA INDUSTRIAL SUBMARKETS MAP

1. Avalon Beach / Milton
2. Central Pensacola / S Brent
3. Downtown Pensacola
4. Ensley / N Brent
5. Ferry Pass / N Pensacola
6. Gonzalez / SW Santa Rosa
7. Gulf Breeze
8. Myrtle Grove / Bellview
9. Navarre
10. Perdido
11. SE Santa Rosa County
12. Upper Escambia County
13. Upper Santa Rosa County
14. Warrington
15. West Pensacola



Source: CoStar

TABLE 103

PENSACOLA METRO AREA INDUSTRIAL MARKET OVERALL SUPPLY & DEMAND					
	Inventory			Net Absorption	
Year	Sq. Ft.	Growth (SF)	Growth (%)	Sq. Ft.	Inventory (%)
2008	18,445,719	284,953	1.6%	604,479	3.3%
2009	18,626,735	181,016	1.0%	-739,644	-4.0%
2010	18,657,041	30,306	0.2%	-157,178	-0.8%
2011	18,650,363	-6,678	0.0%	485,490	2.6%
2012	18,647,163	-3,200	0.0%	4,189	0.0%
2013	18,622,781	-24,382	-0.1%	577,657	3.1%
2014	18,625,963	3,182	0.0%	339,128	1.8%
2015	18,534,203	-91,760	-0.5%	-318,675	-1.7%
2016	18,685,424	151,221	0.8%	624,573	3.3%
2017	18,705,624	20,200	0.1%	-31,058	-0.2%
2018	18,783,996	78,372	0.4%	-176,510	-0.9%
2019	18,788,996	5,000	0.0%	-37,794	-0.2%
YTD	18,854,396	65,400	0.3%	-177,840	-0.9%
2020	18,853,424	64,428	0.3%	-367,957	-2.0%
2021	18,855,530	2,106	0.0%	-120,729	-0.6%
2022	18,870,161	14,631	0.1%	-34,658	-0.2%
2023	18,887,729	17,568	0.1%	15,738	0.1%
2024	18,903,685	15,956	0.1%	11,226	0.1%

Source: CoStar; compiled by Weitzman Associates, LLC

TABLE 104

PENSACOLA METRO AREA INDUSTRIAL MARKET SUBMARKET INVENTORTY									
	Inventory			12 Month Deliveries			Under Construction		
Submarket	Buildings	Sq. Ft. ('000s)	Market (%)	Buildings	Sq. Ft. ('000s)	Market (%)	Buildings	Sq. Ft. ('000s)	Market (%)
Avalon Beach/Milton	69	791	4.2%	0	0	0.0%	0	-	-
Central Pensacola/S Brent	342	5,527	29.6%	1	20	0.4%	0	-	-
Downtown Pensacola	20	522	2.8%	0	0	0.0%	0	-	-
Ensley/N Brent	192	2,690	14.4%	1	5	0.2%	0	-	-
Ferry Pass/N Pensacola	132	3,457	18.5%	0	0	0.0%	0	-	-
Gonzalez/SW Santa Rosa	120	2,100	11.2%	1	40	1.9%	0	-	-
Gulf Breeze	1	5	0.0%	0	0	0.0%	0	-	-
Myrtle Grove/Bellview	41	359	1.9%	0	0	0.0%	0	-	-
Navarre	76	494	2.6%	0	0	0.0%	0	-	-
Perdido	6	30	0.2%	0	0	0.0%	0	-	-
SE Santa Rosa County	25	637	3.4%	1	5	0.7%	0	-	-
Upper Escambia County	6	415	2.2%	0	0	0.0%	0	-	-
Upper Santa Rosa County	4	41	0.2%	0	0	0.0%	0	-	-
Warrington	30	194	1.0%	0	0	0.0%	0	-	-
West Pensacola	118	1,405	7.5%	0	0	0.0%	0	-	-

Source: CoStar; compiled by Weitzman Associates, LLC

As of year-to-date 2020, the average industrial asking rent in the Pensacola Metro Area reached the highest level on record at $6.50 per square foot per year. From 2010 to the present, rent has grown from $4.92, reflecting overall growth of 32%, or annual growth of approximately 2.8%. Overall, the vacancy rate has been generally declining since 2010 at an average rate of -0.65% per year, resulting in a vacancy rate of 5.7% today. Based on historical patterns, CoStar projects that vacancy will increase to above 7% over the next several years due to potential deliveries. The following table outlines the historical and projected average gross asking rent and vacancy rate trends of the Pensacola Metro Area industrial market.

TABLE 105

PENSACOLA METRO AREA INDUSTRIAL MARKET
OVERALL RENT & VACANCY

	Gross Asking Rent		Vacancy		
Year	Per Sq. Ft.	Growth (%)	Sq. Ft.	Percent	Percent Change
2008	$5.29	-2.3%	1,161,148	6.3%	-1.9%
2009	$5.08	-4.0%	2,081,808	11.2%	4.9%
2010	$4.92	-3.1%	2,269,292	12.2%	1.0%
2011	$4.85	-1.4%	1,777,124	9.5%	-2.6%
2012	$4.84	-0.3%	1,769,735	9.5%	0.0%
2013	$4.96	2.4%	1,167,696	6.3%	-3.2%
2014	$5.11	3.1%	831,750	4.5%	-1.8%
2015	$5.30	3.8%	1,058,665	5.7%	1.2%
2016	$5.50	3.9%	585,313	3.1%	-2.6%
2017	$5.77	4.8%	636,571	3.4%	0.3%
2018	$6.13	6.3%	787,453	4.2%	0.8%
2019	$6.38	4.2%	830,247	4.4%	0.2%
YTD	$6.50	1.8%	1,073,487	5.7%	1.3%
2020	$6.05	-5.2%	1,262,748	6.7%	2.3%
2021	$6.65	9.9%	1,386,008	7.4%	0.7%
2022	$6.88	3.5%	1,435,444	7.6%	0.3%
2023	$7.00	1.7%	1,437,010	7.6%	0.0%
2024	$7.08	1.1%	1,441,336	7.6%	0.0%

Source: CoStar; compiled by Weitzman Associates, LLC

As of year-to-date 2020, average asking rents per square foot in the Pensacola Metro industrial submarkets ranged from $3.87 in Upper Escambia County to $10.39 in Navarre, according to Costar. Costar's mapping situates the OLF-8 site in Gonzalez/SW Santa Rosa submarket, which supports asking rents of $6.18 per square foot per year. Rent in the submarket has grown by 5.9% over the past year. Asking rent data organized by industrial submarket are displayed in the following table.

TABLE 106

PENSACOLA METRO AREA INDUSTRIAL SUBMARKETS SUBMARKET RENT TRENDS			
Submarket	Gross Asking Rent Per Sq. Ft.	12 Month Asking Rent Growth (%)	Annualized Quarterly Rent Growth (%)
Avalon Beach/Milton	$6.96	3.5%	15.4%
Central Pensacola/S Brent	$5.94	3.8%	8.3%
Downtown Pensacola	$5.40	-6.5%	4.4%
Ensley/N Brent	$7.13	3.8%	15.5%
Ferry Pass/N Pensacola	$7.05	4.0%	12.0%
Gonzalez/SW Santa Rosa	$6.18	5.9%	118.4%
Gulf Breeze	$7.00	3.4%	-1.9%
Myrtle Grove/Bellview	$7.33	3.6%	10.5%
Navarre	$10.39	3.9%	28.3%
Perdido	$8.79	3.5%	-8.7%
SE Santa Rosa County	$5.61	3.6%	2.6%
Upper Escambia County	$3.87	4.0%	-9.0%
Upper Santa Rosa County	$5.15	3.5%	-2.1%
Warrington	$7.08	3.5%	17.4%
West Pensacola	$6.34	3.8%	4.2%

Source: CoStar; compiled by Weitzman Associates, LLC

The vacancy rate for the industrial properties within the Gonzalez / SW Santa Rosa submarket, where the OLF8 site is located, is currently about 10.4%, reflecting nearly 220,000 vacant square feet of space. Vacancy rates range from 0% to 31.5% throughout the submarkets. Most submarkets have experienced negative net absorption over the past 12 months, resulting in a loss of nearly 400,000 square feet of occupied space. Vacancy rates and 12-month net absorption for the Pensacola industrial submarkets are summarized in the following table.

WEITZMAN
Real Estate Consultants

TABLE 107

PENSACOLA METRO AREA OFFICE SUBMARKET SUBMARKET VACANCY & NET ABSORPTION				
	Vacancy		12 Month Absorption	
Submarket	Sq. Ft.	Percent	Sq. Ft.	Inventory (%)
Avalon Beach/Milton	24,600	3.1%	-11,600	-1.5%
Central Pensacola/S Brent	348,649	6.3%	-128,309	-2.3%
Downtown Pensacola	164,500	31.5%	-52,500	-10.1%
Ensley/N Brent	110,031	4.1%	-52,117	-1.9%
Ferry Pass/N Pensacola	119,300	3.5%	-10,180	-0.3%
Gonzalez/SW Santa Rosa	218,598	10.4%	-123,302	-5.9%
Gulf Breeze	-	-	0	0.0%
Myrtle Grove/Bellview	-	-	0	0.0%
Navarre	-	-	5,123	1.0%
Perdido	-	-	0	0.0%
SE Santa Rosa County	11,137	1.7%	-6,050	-0.9%
Upper Escambia County	-	-	0	0.0%
Upper Santa Rosa County	-	-	0	0.0%
Warrington	1,840	0.9%	12,300	6.3%
West Pensacola	33,332	2.4%	-22,636	-1.6%

Source: CoStar; compiled by Weitzman Associates, LLC

The Pensacola Metro Area has experienced industrial property sales in excess of $200 million since 2009 with an average price of $55.17 per square foot in 2019. The year 2019 set the record for the highest sales volume, $40.2 million spread over 50 transactions. As of June 2020, there were 23 deals with a transaction volume of $22.8 million; the average price per square foot for the transactions was $50.90. The historical and forecasted industrial sale trends in the Pensacola Metro Area are outlined in the following table.

TABLE 108

PENSACOLA METRO AREA INDUSTRIAL MARKET OVERALL SALES								
	Completed Transactions						Market Pricing Trends	
Year	Deals	Volume ($M)	Turnover	Average Price	Average Price/Sq. Ft.	Average Cap Rate	Price per Sq. Ft.	Cap Rate
2009	28	$6.7M	2.3%	$321,181	$22.08	-	$28.66	10.0%
2010	23	$18.8M	4.0%	$1,252,880	$27.20	12.1%	$29.24	9.7%
2011	22	$6.6M	2.0%	$442,720	$37.05	-	$29.78	9.5%
2012	43	$11.3M	3.1%	$343,239	$22.17	10.0%	$31.03	9.3%
2013	33	$15.4M	4.0%	$570,745	$22.13	-	$33.44	8.9%
2014	44	$14M	3.5%	$388,717	$30.16	-	$36.16	8.6%
2015	32	$9.3M	2.5%	$373,710	$31.51	9.4%	$39.50	8.3%
2016	51	$10M	2.5%	$277,745	$33.69	-	$42.63	8.1%
2017	58	$12.2M	3.3%	$467,479	$37.32	-	$45.26	8.0%
2018	65	$33.6M	5.5%	$780,966	$41.61	8.8%	$50.24	7.8%
2019	50	$40.2M	4.3%	$980,977	$55.17	6.7%	$54.10	7.7%
YTD	23	$22.8M	2.5%	$1,266,121	$50.90	8.7%	$55.78	7.7%
2020	-	-	-	-	-	-	$49.60	8.2%
2021	-	-	-	-	-	-	$51.04	8.2%
2022	-	-	-	-	-	-	$56.25	7.9%
2023	-	-	-	-	-	-	$57.13	7.9%
2024	-	-	-	-	-	-	$57.36	8.0%

Source: CoStar; compiled by Weitzman Associates, LLC

Gonzalez / SW Santa Rosa Industrial Submarket

The OLF8 site is located in the Gonzalez / SW Santa Rosa industrial submarket, as defined by CoStar. The submarket's industrial inventory has remained relatively stable since 2008, maintaining at least 2 million square feet of space and having grown by about 2%. About half of existing inventory is constituted by "Logistics" space. Inventory decreased by about 10,000 square feet in 2018, then increased by 40,000 in 2020. Total net absorption from 2015 to today has been negative, resulting in a loss of 120,000 square feet of leased space, or a loss of 20,000 square feet per year on average. Historic and projected inventory and net absorption trends for the Gonzalez / SW Santa Rosa industrial submarket are displayed in the following table.

TABLE 109

GONZALEZ / SOUTHWEST SANTA ROSA INDUSTRIAL SUBMARKET OVERALL SUPPLY & DEMAND					
	Inventory			Net Absorption	
Year	Sq. Ft.	Growth (SF)	Growth (%)	Sq. Ft.	Inventory (%)
2008	2,062,085	74,251	3.7%	318,301	15.4%
2009	2,062,085	0	0.0%	-473,390	-23.0%
2010	2,070,515	8,430	0.4%	-12,506	-0.6%
2011	2,070,515	0	0.0%	52,320	2.5%
2012	2,070,515	0	0.0%	93,425	4.5%
2013	2,070,515	0	0.0%	173,352	8.4%
2014	2,070,515	0	0.0%	195,220	9.4%
2015	2,070,515	0	0.0%	-58,200	-2.8%
2016	2,070,515	0	0.0%	-8,500	-0.4%
2017	2,070,515	0	0.0%	32,859	1.6%
2018	2,059,887	-10,628	-0.5%	-50,926	-2.5%
2019	2,059,887	0	0.0%	-62,441	-3.0%
YTD	2,099,887	40,000	1.9%	26,869	1.3%
2020	2,099,599	39,712	1.9%	20,091	1.0%
2021	2,100,800	1,201	0.1%	-10,632	-0.5%
2022	2,108,103	7,303	0.3%	-3,560	-0.2%
2023	2,117,409	9,306	0.4%	11,185	0.5%
2024	2,126,488	9,079	0.4%	12,649	0.6%

Source: CoStar; compiled by Weitzman Associates, LLC

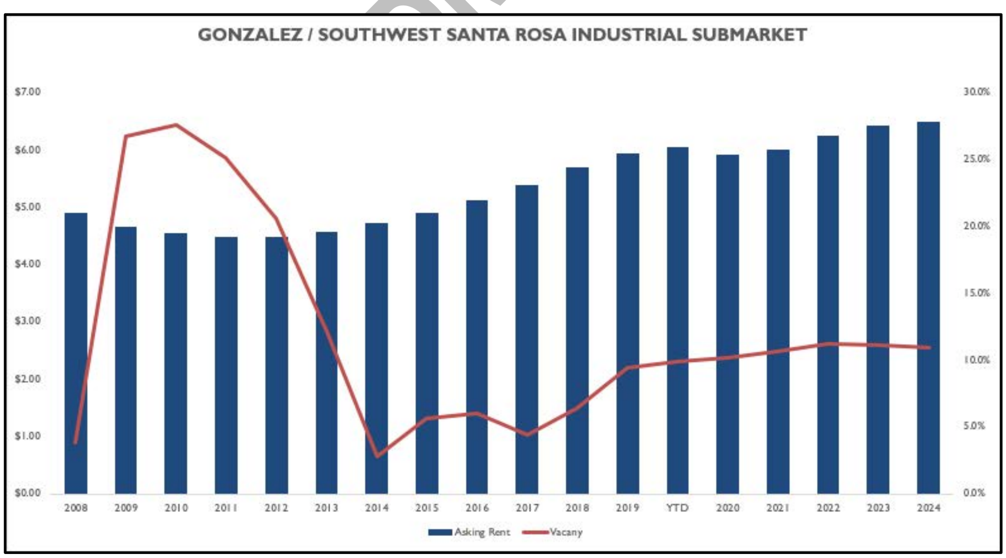
As of June 2020, industrial asking rents reached $6.05 per square foot per year in the Gonzalez / SW Santa Rosa Submarket, according to CoStar, the highest level on record. Asking rent for the industrial space in the submarket has steadily grown from $4.48 in 2012 to $5.95 in 2019, reflecting 4.1% compounded annual growth. Industrial asking rents in the submarket are projected to continue growing by 7.4%, to $6.50 per square foot, by year-end 2024.

In 2008, industrial vacancy in the Gonzalez / SW Santa Rosa submarket was just 3.8%. However, due to negative net absorption in excess of 470,000 square feet experienced in 2009, vacancy was above 20% through 2012. Currently, vacancy sits at just under 10% in the submarket, but it is projected to increase slightly to over 10 or 11 percent over the next few years. The following table outlines the historical and projected average gross asking rent and vacancy rate trends of the Gonzalez / SW Santa Rosa industrial submarket.

TABLE 110

GONZALEZ / SOUTHWEST SANTA ROSA INDUSTRIAL SUBMARKET OVERALL RENT & VACANCY					
	Gross Asking Rent		Vacancy		
Year	Per Sq. Ft.	Growth (%)	Sq. Ft.	Percent	Percent Change
2008	$4.90	-2.0%	77,452	3.8%	-12.4%
2009	$4.67	-4.7%	550,842	26.7%	23.0%
2010	$4.54	-2.6%	571,778	27.6%	0.9%
2011	$4.48	-1.4%	519,458	25.1%	-2.5%
2012	$4.48	0.0%	426,033	20.6%	-4.5%
2013	$4.57	2.0%	252,681	12.2%	-8.4%
2014	$4.72	3.2%	57,461	2.8%	-9.4%
2015	$4.90	3.9%	115,661	5.6%	2.8%
2016	$5.13	4.5%	124,161	6.0%	0.4%
2017	$5.38	4.9%	91,302	4.4%	-1.6%
2018	$5.70	6.0%	131,600	6.4%	2.0%
2019	$5.95	4.5%	194,041	9.4%	3.0%
YTD	$6.05	1.7%	207,172	9.9%	0.4%
2020	$5.93	-0.4%	213,662	10.2%	0.8%
2021	$6.00	1.2%	225,556	10.7%	0.6%
2022	$6.26	4.4%	236,496	11.2%	0.5%
2023	$6.42	2.4%	234,713	11.1%	-0.1%
2024	$6.50	1.3%	231,224	10.9%	-0.2%

Source: CoStar; compiled by Weitzman Associates, LLC



Source: CoStar; compiled by Weitzman Associates, LLC

The Gonzalez / SW Santa Rosa submarket has experienced industrial sales in excess of $36 million between 2009 and the present, 65% of which occurred in 2019 and year-to-date 2020. Thus far in 2020, 3 transactions have occurred totaling deal volume of $11.4 million, reflecting that industrial space in the submarket is currently trading at nearly $57 per square foot at a capitalization rate of 7.5%. In fact, sales prices per square foot have grown tremendously from $24.15 in 2010 to $49.43 in 2019, which equates to growth of 109%. Concurrently, capitalization rates fell from 10.5% to 7.6% over the same time period, indicating the increasing value of industrial properties in the submarket. Both sales prices and capitalization rates are projected to continue along their historical trends. The historical industrial sale trends within the Gonzalez / SW Santa Rosa industrial submarket are outlined in the following table.

TABLE 111

GONZALEZ / SOUTHWEST SANTA ROSA INDUSTRIAL SUBMARKET
OVERALL SALES

	Completed Transactions						Market Pricing Trends	
Year	Deals	Volume	Turnover	Average Price	Average Price/Sq. Ft.	Average Cap Rate	Price per Sq. Ft.	Cap Rate
2009	-	-	-	-	-	-	$23.63	10.5%
2010	3	$2.4M	9.8%	789,167	$11.69	12.1%	$24.15	10.2%
2011	1	$200K	0.3%	200,000	$28.57	-	$24.60	10.0%
2012	3	$1.4M	6.2%	481,133	$11.29	-	$26.00	9.6%
2013	5	$3.8M	10.6%	763,100	$17.46	-	$29.29	9.0%
2014	12	$1.9M	11.4%	277,500	$25.35	-	$32.08	8.7%
2015	2	$360K	0.7%	180,000	$24.58	-	$34.90	8.3%
2016	7	$2M	3.9%	325,683	$32.75	-	$37.54	8.1%
2017	5	$765K	3.3%	255,000	$25.79	-	$39.70	8.0%
2018	1	0	0.3%	-	-	-	$44.67	7.8%
2019	5	$12.2M	10.7%	2,444,470	$55.57	-	$49.43	7.6%
YTD	3	$11.4M	9.5%	3,785,000	$56.89	7.5%	$51.40	7.5%
2020	-	-	-	-	-	-	$48.57	7.9%
2021	-	-	-	-	-	-	$48.68	7.7%
2022	-	-	-	-	-	-	$52.79	7.5%
2023	-	-	-	-	-	-	$54.71	7.4%
2024	-	-	-	-	-	-	$55.55	7.4%

Source: CoStar; compiled by Weitzman Associates, LLC

Pensacola Metro Area Submarket Comparable Lease Transactions

We have summarized recent lease transactions at industrial properties rated Class A and B by CoStar that were signed between January 1, 2018 and the present day and were for at least 5,000 square feet. Overall, there were 17 comparable lease transactions recorded between January 2018 and June 2020; all of the leased spaces were transacted at Class-B industrial properties. The asking rents for the comparable leases ranged from $4.00 per square foot per year to $8.00 per square foot per year. The size of the leased industrial spaces ranged from 5,000 square feet at 9900 North Old Palafox Highway to 60,650 square feet at 7502 Sears Boulevard. Most leases had terms of 2 or 3 years, and most were signed on a NNN (triple net) basis. Notably, only two of the lease transactions are located in the Gonzalez / SW Santa Rosa submarket, and all are situated to the east and south of the OLF8 site.

The lease transactions are summarized in the following table, and displayed on the map on the following page.

TABLE 112

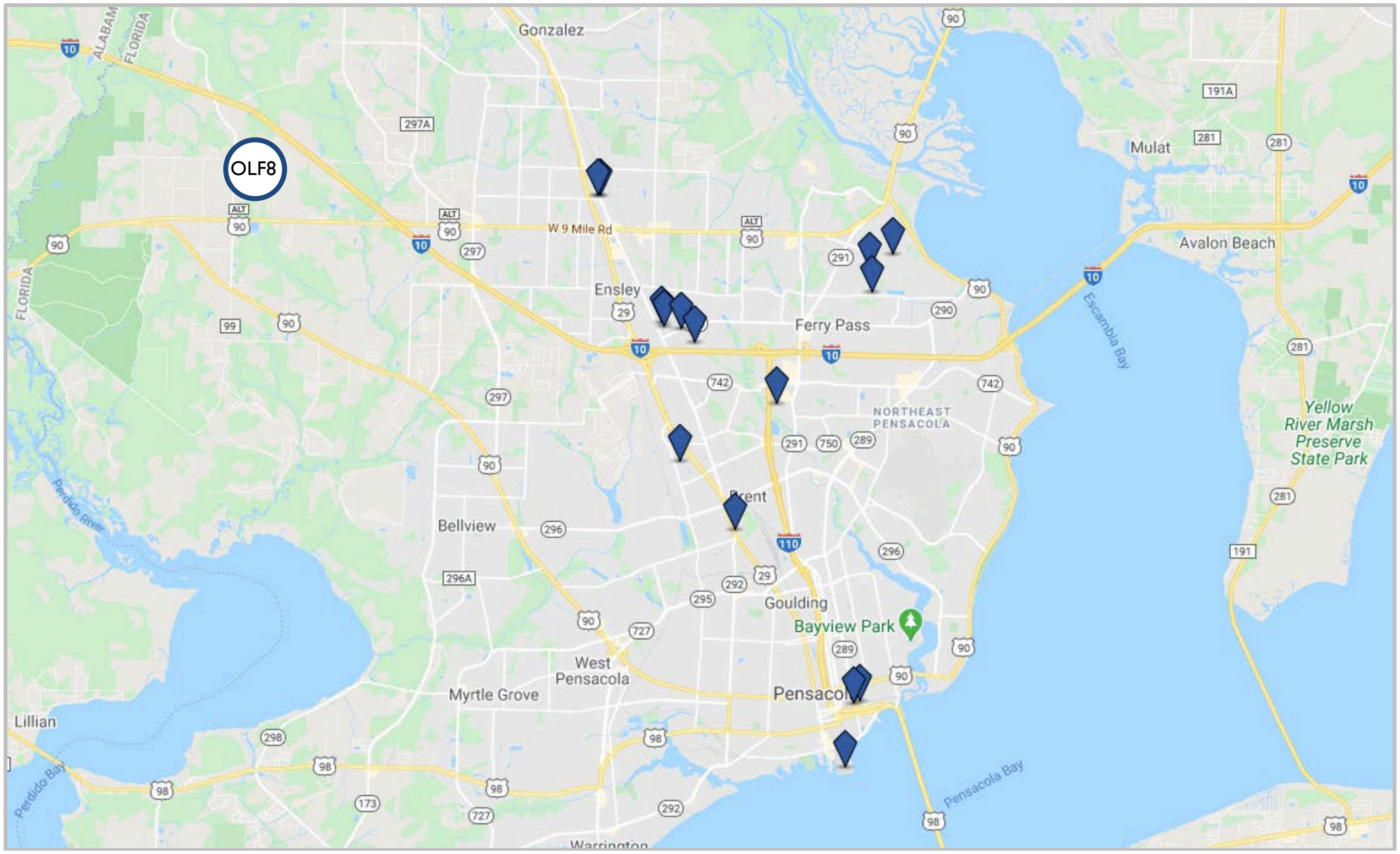
PENSACOLA METRO AREA INDUSTRIAL LEASE SURVEY
JANUARY 2018 - PRESENT; AT LEAST 5,000 SQUARE FEET

Address	Submarket	Built	Class	Tenant	SF Leased	Sign Date	Lease Type	Start Date	Term	Rent
3190 E Johnson Avenue	Ferry Pass / N Pensacola	1988	B	-	15,000	May-20	New	Aug-20	5 yrs.	$5.95/NNN
3375 Copter Road	Ferry Pass / N Pensacola	2000	B	Timberline Packaging Materials	20,000	Jan-20	Renewal	Feb-20	3 yrs.	$4.35/NNN
8040 N Palafox Street	Ensley / N Brent	1996	B	-	15,000	Nov-19	New	Feb-20	-	$6.00/MG
7502 Sears Boulevard	Ensley / N Brent	2000	B	Blue Wind Technologies	60,650	Nov-19	New	Nov-20	3 yrs.	$4.25/NNN
3375 Copter Road	Ferry Pass / N Pensacola	2000	B	-	15,000	Aug-19	New	Nov-19	3 yrs.	$4.50/NNN
6243 N Davis Highway	Ferry Pass / N Pensacola	1988	B	-	20,050	Aug-19	New	Nov-19	-	$4.95/NNN
8792 Ely Road	Ferry Pass / N Pensacola	1987	B	-	15,000	Aug-19	New	Nov-19	-	$6.25/NNN
40 E Nine One Half Mile Road	Gonzalez / SW Santa Rosa	2005	B	Kaycan Ltd	10,000	Aug-19	New	Oct-19	-	$5.75/NNN
550 Heinberg Street	Central Pensacola / S Brent	1975	B	-	14,504	Jul-19	New	Jul-19	2 yrs.	$4.95/NNN
175 E Olive Road	Ensley / N Brent	2013	B	Tesla, Inc.	11,900	Apr-19	New	Apr-19	2 yrs.	$6.06/MG
700 S Barracks Street		1986	B	-	41,500	Apr-19	New	Apr-19	-	$6.00/NNN
8038 N Palafox Street	Ensley / N Brent	2009	B	Comfort Systems USA	25,000	Mar-19	New	Dec-19	7 yrs.	$6.00/NNN
112 Industrial Boulevard	Ensley / N Brent	2009	B	-	6,000	Nov-18	New	Jan-19	36 yrs.	$8.00/FS
440 Heinberg Street	Central Pensacola / S Brent	1978	B	-	5,152	Nov-18	New	Dec-18	-	$5.85/MG
25 Mason Lane	Central Pensacola / S Brent	2017	B	-	10,000	Sep-19	New	Oct-18	-	$6.60/NNN
9900 N Old Palafox Highway	Gonzalez / SW Santa Rosa	1996	B	-	5,000	Apr-18	New	May-18	-	$6.50/NNN
3375 Copter Road	Ferry Pass / N Pensacola	2000	B	-	15,000	Mar-18	New	Apr-18	-	$4.00/NNN

Source: CoStar; compiled by Weitzman Associates, LLC

WEITZMAN
Real Estate Consultants

MAP OF COMPARABLE LEASE TRANSACTIONS



Pensacola Metro Area Notable Industrial Sale Transactions

We have selected and profiled 21 industrial sale transactions within the Pensacola Metro Area recorded over the last 5 years. The properties were all rated at least three (out of five) stars by CoStar, and are at least 10,000 square feet in size. The prices per square foot for the transacted properties range from $9.86 per square foot to $136.41 per square foot, reflecting an average sale price of $40.47 per square feet. The majority of the properties are classified as Class B and C, though several are considered Class A buildings. The properties also represent a range of vintages – the average year of construction is 1991. Notably, 5 of the transactions are within the Gonzalez / SW Santa Rosa submarket, where the OLF8 site is located. Sale conditions range significantly, from portfolio deals, to sale-leaseback deals, to purchases made by the in-place tenant(s).

The details for each sale transaction have been summarized in the table on the following page, including the information about the property being sold, the buyer and seller's company, the sale price, and the sale conditions.

Pensacola Metro Area Industrial Property Pipeline

We have identified three properties, one of which is under construction and two of which are proposed, that constitute the pipeline of new industrial properties in the Pensacola Metro Area. The first, located at 8765 Ely Road adjacent to Ellyson Industrial Park, would comprise 50,000 square feet and is scheduled for completion in 2021. The two proposed properties, located at 580 East Burgess Road and 8606 Fowler Road, would comprise 8,000 and 100,000 square feet, respectively. Both would operate as warehouses.

TABLE 113

PENSACOLA METRO AREA NOTABLE INDUSTRIAL SALE TRANSACTIONS LAST 5 YEARS; 3 - 5 STAR PROPERTIES; AT LEAST 10,000 SF																
Address	City	Submarket	Built	Class	Size	Type	Buyer	Seller	Date	Price	Price / SF	Condition	Actual Cap Rate	Tenancy	Loading Docks	Parking Spaces
165 Chaseville St	Pensacola	West Pensacola	2005	C	14,300	Warehouse	Ryan N Meyer	Bet Enterprises Llc	4/24/20	$875,000	$61.19		9.80%	Single	1	
10020 N Palafox St	Pensacola	Gonzalez/SW Santa Rosa	1970	C	180,684	Distribution	The Ninigret Group, L.C.	SCIP 10020, LLC	4/9/20	$10,250,000	$56.73	1031 Exchange	7.50%	Multi	17	25
4601 McCoy Dr	Pensacola	Central Pensacola/S Brent	1972	B	107,844	Distribution	AIC Ventures		1/28/20	$2,500,000	$23.18	Bulk/Portfolio Sale,Sale Leaseback		Single		25
10020 N Palafox St	Pensacola	Gonzalez/SW Santa Rosa	1970	C	180,684	Distribution	IPCP, LLC	Coleman World Group	12/30/19	$8,954,848	$49.56	Bulk/Portfolio Sale,Sale Leaseback		Multi	17	25
3300 Bill Metzger Ln	Pensacola	Ferry Pass/N Pensacola	2000	B	66,680	Manufacturing	L N M Marine	Blazer Boats Inc	10/24/19	$2,275,029	$34.12			Single	1	46
206 Stumpfield Rd	Pensacola	Ensley/N Brent	2019	A	104,000	Distribution	Cox, Jonathan J	Pensacola Wheels Llc	4/5/19	$8,524,212	$81.96	Investment Triple Net	6.74%	Single	3	40
5030 Commerce Park Cir	Pensacola	Ensley/N Brent	1997	C	35,430	Warehouse	Segal Associates of New Jersey, L.P.	Lunt Enterprises, Inc.	12/12/18	$2,020,146	$57.02		8.08%	Multi	1	49
7502 Sears Blvd	Pensacola	Ensley/N Brent	2000	B	60,650	Distribution	Michael J Noland	7502 Sears LLc	7/17/18	$4,424,900	$72.96		8.00%	Multi	7	16
440 Heinberg St	Pensacola	Central Pensacola/S Brent	1978	B	11,736			Heroman Patrick S	6/14/18	$500,000	$42.60			Multi	2	6
206 Stumpfield Rd	Pensacola	Ensley/N Brent	2019	A	104,000	Distribution	Pensacola Wheels llc	G & J Dev Llc	5/10/18	$1,150,400	$11.06			Single	3	40
5316 Davis Hwy	Pensacola	Ferry Pass/N Pensacola	1984	B	105,870	Warehouse	Angela Ribar	Lois Panhandle LLC	4/20/18	$3,750,000	$35.42			Multi		50
6303 Da Lisa Rd	Milton	Avalon Beach/Milton	1993	C	15,000	Warehouse	David W & Fredrika V Cox	Sutton Properties, LLC	9/1/17	$1,299,974	$86.66			Single		
6141 Mobile Hwy	Pensacola	Myrtle Grove/Bellview	2008	B	10,540	Distribution		FF Landlord 2 LLC	3/31/17	$1,437,765	$136.41	Bulk/Portfolio Sale,Zero Cash Flow Investment		Single	18	35
8052 Armstrong Rd	Milton	SE Santa Rosa County	1988	C	77,400	Distribution		Southland Holding Inc	1/26/17	$1,500,000	$19.38			Single		100
3720 Pace Blvd	Pensacola	Central Pensacola/S Brent	1988	B	12,800	Warehouse	Network Cabling Services, Inc.	Charles W Edwards	10/14/16	$525,000	$41.02			Single		10
1620 Success Dr	Cantonment	Gonzalez/SW Santa Rosa	2008	A	33,750	Warehouse	Jerry T Webb	Biddle Family Trust 2005	8/5/16	$810,000	$24.00			Multi	1	30
1995 Hollywood Ave	Pensacola	West Pensacola	2001	C	30,182	Warehouse	Homerun Holdings DBA QMotion	Oren International Inc	3/28/16	$1,350,000	$44.73			Single		20
5600 Industrial Blvd	Milton	SE Santa Rosa County	1982	C	32,600	Distribution	Pensacola Stevedore Company Inc	Terhaar & Cronley Property Co	11/5/15	$1,180,000	$36.20	Purchase By Tenant		Single		2
3301 Bill Metzger Ln	Pensacola	Ferry Pass/N Pensacola	1996	B	52,845	Warehouse	Anton Selkowitz	Vfc Properties 14 Llc	8/21/15	$1,475,000	$27.91			Multi		6
15 E Quintette Rd	Cantonment	Gonzalez/SW Santa Rosa	1957	B	126,763				Under Contract	$1,250,000	$9.86					
410 Washington St	Cantonment	Gonzalez/SW Santa Rosa	1978	B	39,863	Manufacturing			Under Contract	$750,000	$18.81			Multi	5	25

Source: CoStar; compiled by Weitzman Associates, LLC

PENSACOLA METRO AREA COMPARABLE INDUSTRIAL PROPERTIES

We have profiled several industrial properties within the Pensacola Metro Area market that we view as being relevant to what could be eventually developed on the OLF8 site. There have been limited new additions to the market in recent years; thus, we have selected properties ranked as 4- or 5-Star by CoStar, regardless of the year they were constructed.

206 Stumpfield Road is a Class-A industrial property located in Pensacola, approximately 8 miles southeast of the OLF8 site in the Ensley / N Brent submarket. The 1-story property was built in 2019 and contains a total of 104,000 square feet of industrial space with 40 parking spaces, 16 loading docks, and 30'5" ceiling heights. The property is fully-occupied by American Tire Distributors as a distribution facility, benefiting from its close proximity to Pensacola Boulevard and I-10. The reported asking rent for the property was $6.25 per square foot per year on a triple net basis. American Tire Distributors employs approximately 50 people at the property.

101 Stone Boulevard is a Class B industrial property located in Cantonment, approximately 6 miles northeast of the OLF8 site in the Gonzalez / SW Santa Rosa submarket. The 2-story property was built in 1986 and contains 165,050 square feet of space, along with 257 parking spaces. The property is owned and occupied by Chemco Services as a distribution facility. The building's proximity to Highway 29 provides ample access to the region's vehicular systems.

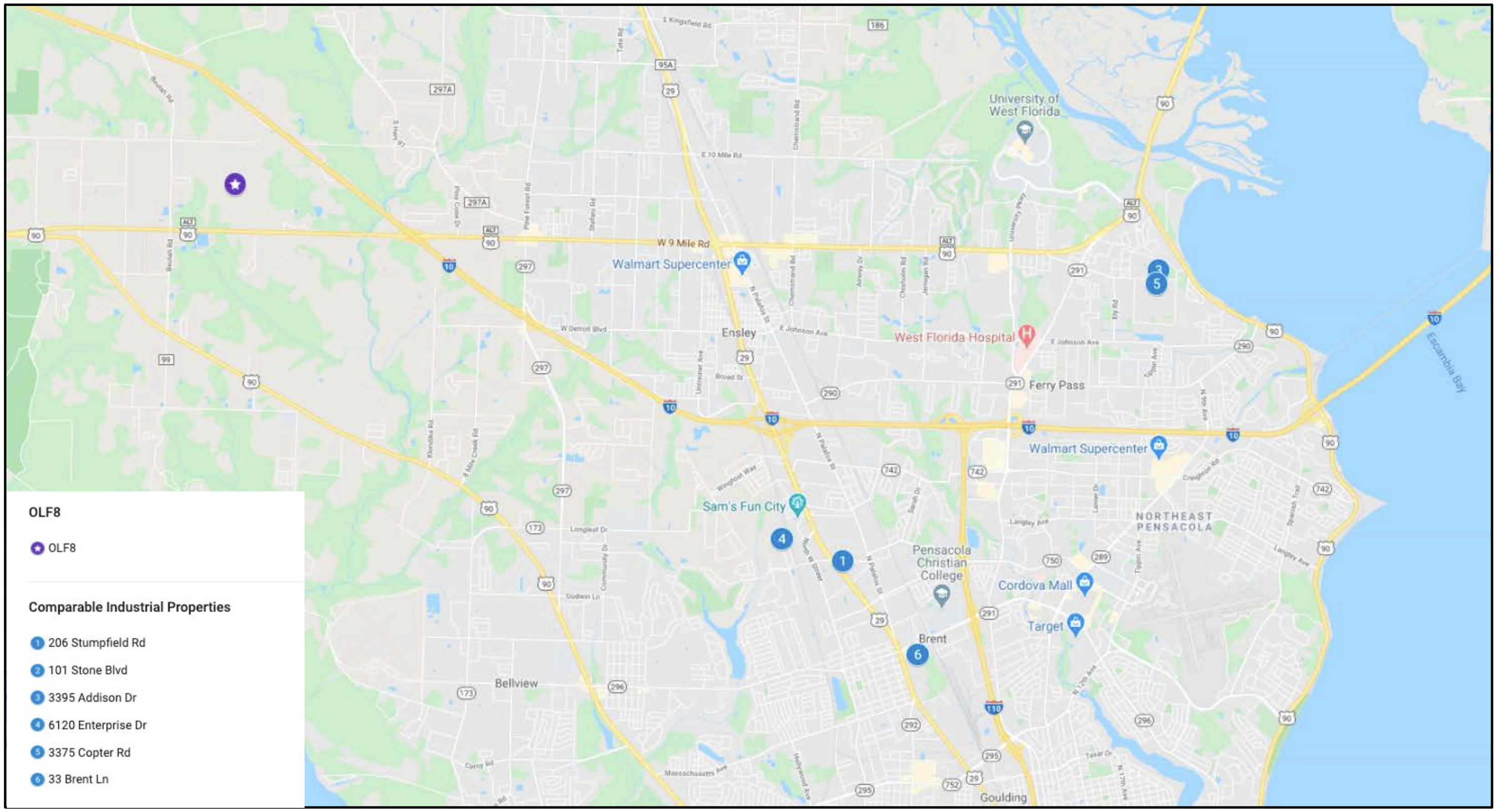
3395 Addison Drive is a Class A industrial property located in Pensacola, approximately 10 miles east of the OLF8 site in the Ferry Pass / N Pensacola submarket. Notably, the property is situated in the Ellyson Industrial Park. The 1-story building was built in 2002 and contains 423,352 square feet of space, along with 343 parking spaces. It has numerous loading docks, and 30' ceiling heights. The property is fully-occupied by QMotion Advanced Shading Systems, a company that manufactures and distributes customized shades for a variety of real estate users. The building is in close proximity to Nine Mile Road and Scenic Highway, yielding strong access to the region's road systems.

6120 Enterprise Drive is a Class C industrial property located in Pensacola, approximately 5 miles southeast of the OLF8 site in the Ensley / N Brent submarket. The 1-story property was built in 2004 and contains 94,139 square feet of industrial space with 300 parking spaces, 6 loading docks, and 18' ceiling heights. Owned and occupied by the Lewis Bear Company, a major distributer of Anheuser-Busch products throughout the region. According to CoStar, the building sits on a 21.87 square foot lot and houses 170 employees. The building has strong access to Pensacola Boulevard and I-10.

3375 Copter Road is a Class B industrial property located in Pensacola, approximately 10 miles east of the OLF8 site in the Ferry Pass / N Pensacola submarket. Notably, the property is situated in the Ellyson Industrial Park. The 1-story property was built in 2000 and contains 75,000 square feet of space. Situated on a 5-acre lot, the property features 42 parking spaces, 15 loading docks, and 20' ceiling heights. Approximately 25,000 square feet is occupied by the building's owner, Daws Manufacturing Company, whereas the remaining 50,000 square feet is are occupied by three tenants: Timberline packaging Materials (20,000 square feet), Pace Runners Inc (15,000 square feet), and US Installation Group (15,000 square feet). The building is primarily used as a warehouse / distribution facility. The building is in close proximity to Nine Mile Road and Scenic Highway, yielding strong access to the region's road systems.

33 Brent Lane is a Class C industrial property located in Pensacola, approximately 9 miles southeast of the OLF8 site. The property is known as the "Pensacola Center Showroom," as its space is used for both warehousing and showroom purposes. The 1-story property was built in 1992 (renovated in 2004) and contains 102,923 square feet of space. Situated on a 9.54-acre lot, the building features 300 parking spaces, 4 loading docks, and 24' ceiling heights. The building is occupied by 6 tenants: Access Florida (48,000 square feet), ProSource (15,682 square feet), Fastenal (15,130 square feet), Bath Fitter (8,000) square feet, Apria Healthcare (8,000 square feet), and RJ Young (7,911 square feet).

MAP OF COMPARABLE INDUSTRIAL PROPERTIES



THE BUSINESS AND INDUSTRIAL PARKS OF ESCAMBIA COUNTY

In addition to our analysis of the Pensacola industrial marketplace, we have reviewed data regarding Escambia County's business and industrial parks. The majority of the data were supplied by the FloridaWest Economic Development Alliance, which oversees much of the planning (and ownership) of the parks' underlying land. In addition to FloridaWest, we spoke with knowledgeable members of the local brokerage community to supplement our market research. We provide profiles of several business parks below.

Bell-Heritage Oaks Commerce Park

The Bell-Heritage Oaks Commerce Park is located directly adjacent to the OLF8 site on Nine Mile Road. It is the home of the Navy Federal Credit Union, which initially purchased 63 acres of land from Escambia County in 2003. Subsequently, the campus has been built out further, such that today is accommodates approximately 8,700 employees. Navy Federal plans to expand its employee headcount to 10,000 within the next couple of years. The site is comprised of 300 acres of land, of which 175 acres is usable / occupied. Thus, at current build-out, the commerce park's development has resulted in the creation of **50 jobs per occupied acre**.

AERIAL VIEWS OF BELL-HERITAGE OAKS COMMERCE PARK

Source: Google Maps

Ellyson Industrial Park

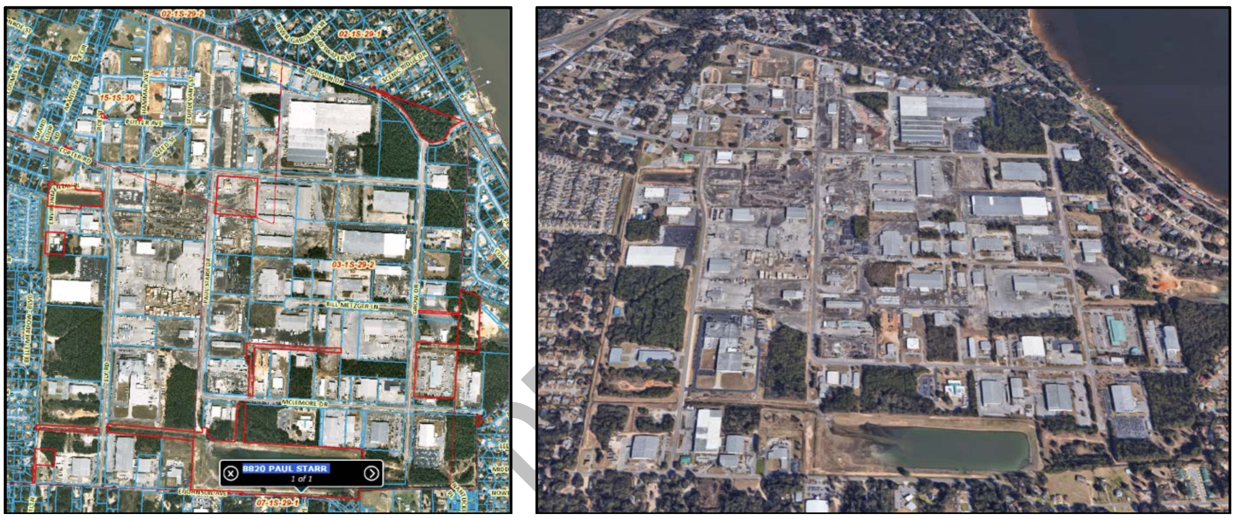
Ellyson Industrial Park is located approximately 10 miles east of the OLF8 site along Nine Mile Road. The park is comprised of 673.2 acres, of which 567.7 acres are usable and occupied. The site is a former United States Navy base and training field, up until the 1970s. Since then, the site has been redeveloped to accommodate a range of industrial and businesses uses, and has attracted tenants such as the University of West Florida. The park currently has 74 industrial properties (according to CoStar), which comprise over 2.4 million square feet of space (inclusive of over 70,000 square feet of supporting office space), over

3,300 parking spaces, and close to 300 loading docks. The average building was built 30 years ago and contains about 32,800 square feet.

Currently available spaces at Ellyson Industrial Park are listed with asking rents of approximately $5.50 per square foot per year. Currently, about 90,000 square feet is available to be leased, equating to a low vacancy rate of 3.7%. Over the past year, 81,200 square feet of space were leased via 7 transactions, resulting in a weighted average rent of $6.54. Some of the newer tenants include Timberline Packaging Materials and Emerald Cost Office Supplies, and most leases were for 3 year terms.

The businesses located within Ellyson Industrial Park employ approximately 3,600 employees, equating to **6 jobs per occupied acre of land.** Over 123 companies occupy the park.

AERIAL VIEWS OF ELLYSON INDUSTRIAL PARK

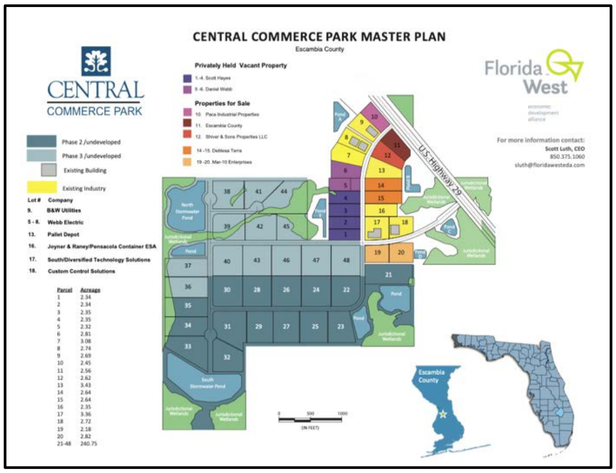


Source: Google Maps; FloridaWest Economic Development Alliance

Central Commerce Park

Central Commerce Park is located approximately 7 miles northeast of the OLF8 site, proximate to Highway 29. The park is comprised of 338.3 acres of land, of which only ~24 acres are usable / occupied. The vast majority of Central Commerce Park (98%) is privately owned. The site has significant topographical variances, which makes development challenging. The park currently features 4 industrial buildings totaling nearly 80,000 square feet, 61 parking spaces, and a few loading docks. The buildings were all built in 2007 or 2008, and they are fully occupied. Some of the companies that lease or own space in Central Commerce Park include Pallet Depot, Custom Control Solutions, and ESA South. There is still significant acreage that could be developed, but multiple private owners have resulted in slow progress. The park currently employs about 40 employees, equating to **2 jobs per usable / occupied acre.**

SITE PLAN AND AERIAL VIEW OF CENTRAL COMMERCE PARK



Source: Google Maps; FloridaWest Economic Development Alliance

The Bluffs Industrial Campus

The Bluffs Industrial Campus is located approximately 8 miles east of the OLF8 site, situated on the western bank of the Escambia River. The campus is comprised of 2,115 acres, of which about 1,200 acres are usable. The land is split between public and private ownership. Entities such as ECUA (the Emerald Coast Utilities Authority) and Ascend own substantial acreage. The site, due to its available infrastructure, and proximity to water, barge, and rail access, is a suitable location for heavy industrial development. Exxon Mobile currently operates a facility at the Bluffs. Once fully built-out, the campus is projected to accommodate about 830 employees, equating to about **1.4 jobs per occupied acre**.

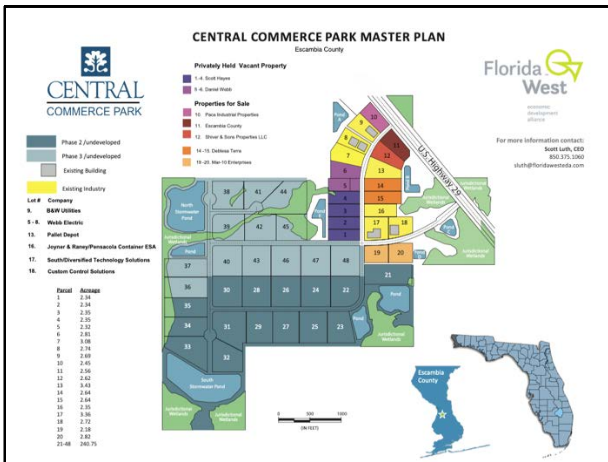
AERIAL VIEWS OF THE BLUFFS INDUSTRIAL CAMPUS

Source: Google Maps

Century Industrial Park

Century Industrial Park is located approximately 31 miles northeast of the OLF8 site, situated adjacent to Interstate 29 in the City of Century. The campus is comprised of 127.5 acres, of which 27.3 acres are occupied and another 87.4 acres are vacant / usable. The 27.3 occupied acres are owned by two companies and eight public entities. The two private companies are the Century Center for Rehabilitation and Healing and Century Millworks. The vacant 87.4 acres have the potential to be recombined to create larger lots. However, the site's location has resulted in a lack of interest from the private sector. The park supports about 140 employees, equating to **5 employees per occupied acre.**

SITE PLAN AND AERIAL VIEW OF CENTURY INDUSTRIAL PARK

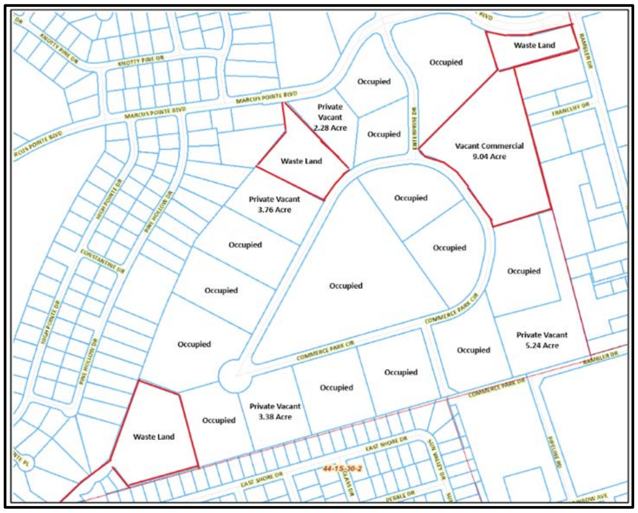


Source: Google Maps; FloridaWest Economic Development Alliance

Marcus Pointe Commerce Park

Marcus Pointe Commerce Park is located approximately 8 miles southeast of the OLF8 site, situated adjacent to Interstate 29 in Brent, Florida. The park is comprised of 137.2 acres, of which 78.8 acres are occupied and an additional 14.5 acres are available. Escambia County was instrumental in developing the park in the early 2000s, and still owns approximately 35 acres within it. The park currently has 8 buildings on it, most of which are office buildings that were built in the 1990s. The buildings comprise approximately 196,000 square feet of space, along with nearly 1,200 parking spaces. One property (5031 Commerce Park Drive) is currently vacant. Some of the park's current tenants include West Corporation (a telemarketing firm), Folkers Window Company, Hill Systems (a fire protection supplier), Staples, and a rubber products manufacturer. Marcus Pointe Commerce Park currently supports about 1,340 employees, equating to **17 employees per occupied acre.**

SITE PLAN AND AERIAL VIEW OF MARCUS POINTE COMMERCE PARK



Source: Google Maps; FloridaWest Economic Development Alliance

On the following pages we present a table outlining key statistics regarding the business and industrial parks outlined above, as well as a map showing their locations in relation to the OLF8 site. We note that, in the aggregate, these business parks have resulted in the creation of **10 jobs per usable acre.** However, some parks achieve a far higher job creation target, which we believe the OLF8 site could mimic. Thus, providing that the appropriate real estate product is built, and Escambia County undertakes additional initiatives such as marketing and tax incentive programs, **OLF8 could potentially generate up to 20 new jobs per usable acre.**

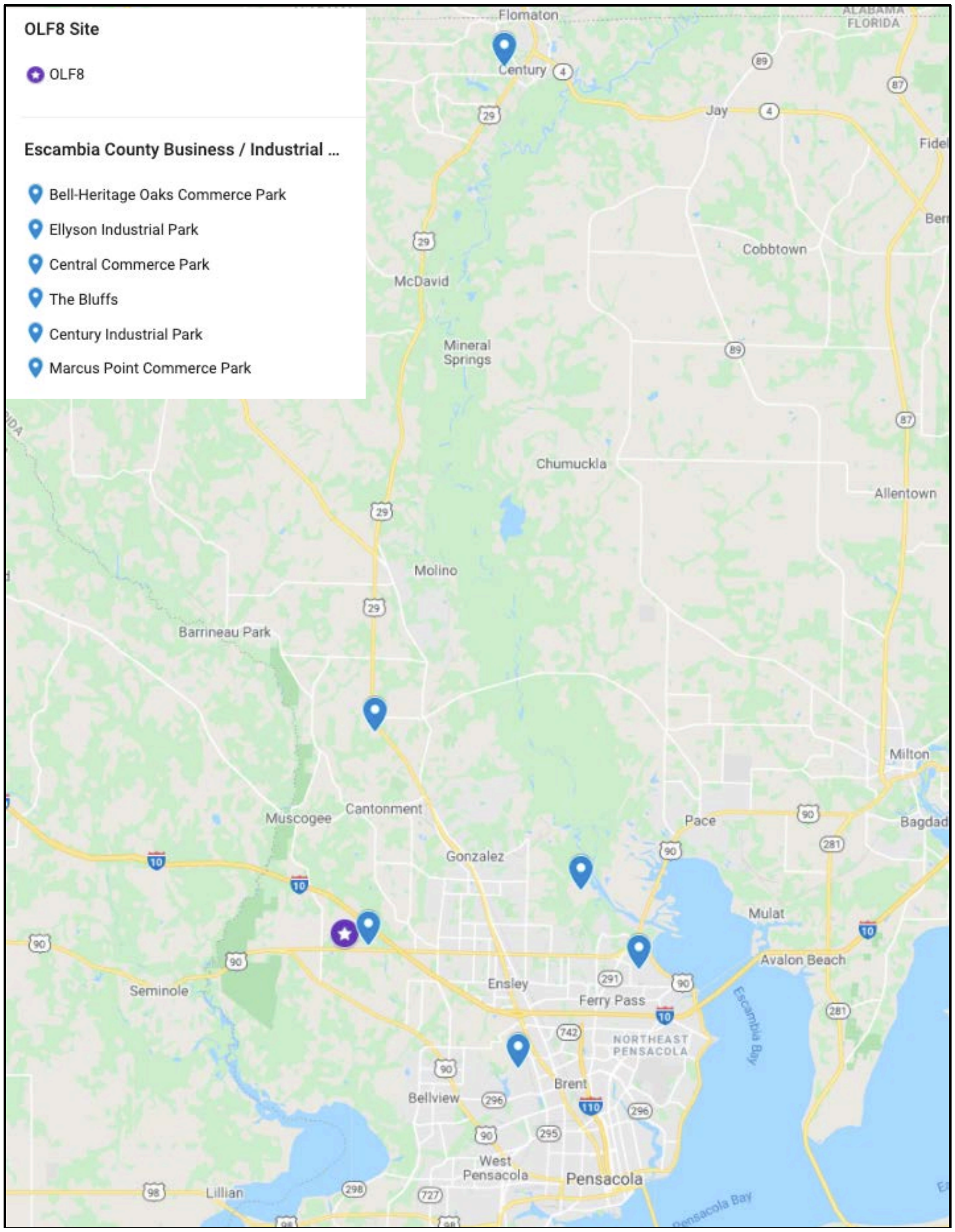
WEITZMAN
Real Estate Consultants

TABLE 114

Escambia County - Business/Industrial Park Inventory												
Park Name	Total Park Acreage	Non-Usable / Reserved Acreage	Occupied Acreage	Available Acreage Public	% Available Public	Available Acreage Private	% Available Private	Number of Companies	Number of Jobs	Jobs per Usable Acre	Estimated Annual Payroll
Bell -Heritage Oaks Commerce Park	300.0	125.0	175.0	0.0	0%	0.0	0%	1	8,700	49.7	$ 348,000,000
Ellyson Industrial Park	673.2	57.7	567.7	3.9	1%	44.0	7%	123	3,600	6.3	$ 144,000,000
Central Commerce Park	338.3	284.0	21.1	2.7	1%	30.5	9%	3	40	1.9	$ 1,600,000
The Bluffs, Northwest Florida's Industrial Campus	2,115.0	596.0	600.0	588.0	28%	331.0	**16%**	1	830	1.4	$ 33,200,000
Century Industrial Park	127.5	12.7	27.3	87.4	69%	0.0	0%	2	140	5.1	$ 5,600,000
Marcus Point Commerce Park	137.2	20.7	78.8	14.5	11%	23.3	17%	12	1,340	17.0	$ 53,600,000
Total	**3,691.2**	**1,096.1**	**1,469.9**	**696.5**	**19%**	**428.8**	**12%**	**142.0**	**14,650**	**10.0**	**$ 586,000,000**

Source: FloridaWest Economic Development Alliance; compiled by Weitzman Associates, LLC

MAP OF ESCAMBIA COUNTY BUSINESS / INDUSTRIAL PARKS



Insights Gathered from Interviews regarding Escambia County's Business Parks / OLF8

In addition to the profiles of Escambia County's business and industrial parks described above, we have gained additional insights regarding the parks' performance (and OLF8's potential development) from a variety of sources including the FloridaWest Economic Development Alliance and local brokerage professionals, as follows:

Some industrial parks have been hindered from achieving cohesive development patterns due to fragmented public / private land ownership. The presence of multiple stakeholders hinders comprehensive visioning and ultimate end-user attraction. Some owners may have bought land "on spec," and their value expectations are out of sync with the market, thus preventing progress either through property sales or construction. However, from a topographical standpoint, OLF8 is in a better situation than other vacant parcels, though it is still likely challenged by road infrastructure. A northern connection to Interstate 10 is essential if a business park is to be constructed on the site. Some large (developed and undeveloped) parcels owned by the County have topographical challenges, such as elevation changes and wetlands. Existing infrastructure (such as train tracks) also present challenges.

Escambia County has had trouble attracting a major distribution center (such as one operated by Amazon) due to the lack of highway interchanges at key locations. Ellyson Industrial Park is likely the only "meaningful" commerce park in the County, due to its offerings and access.

The COVID-19 pandemic has resulted in larger deals being pursued by sophisticated companies being "put on hold," while smaller, local players remain active. Generally, there are very few existing options in the market for tenants seeking 40,000 square feet or more, and these tenants are few and far between at that. However, the growth of the aerospace / aviation industry in Mobile, Alabama could present an opportunity for second- and third-tier manufacturers and suppliers to select the OLF8 site as a location to setup businesses. There is also an opportunity for cybersecurity firms and healthcare companies to (re)locate to OLF8.

In order to attract significant tenants to OLF8, Escambia County would need to (i) install infrastructure on the site, (ii) offer free / inexpensive land, and (iii) provide tax incentives.

INDUSTRIAL DEMAND ANALYSIS

We have attempted to quantify the depth of demand for new industrial space in the market to determine its appropriateness as a potential component of the development opportunity at the OLF-8 site. This task is accomplished by: (1) estimating the underlying demand for Class A and Class B industrial space in the market area; and (2) comparing projected demand to existing vacant industrial space of a quality comparable to the proposed development opportunity.

We have defined the market area for industrial space as the entirety of the Pensacola Metro Area, as this is where we anticipate a majority of demand would come. However, we believe additional demand would likely come from employers not presently in the Pensacola Metro Area that may be looking to expand operations into the area. According to Oxford Economics estimates reported by CoStar, there are approximately 163,000 jobs currently in the Pensacola Metro Area. The forecasted employment growth over the next five years varies across sectors and is estimated to have a weighted average of 0.51% per year. The fastest growth is anticipated in the Trade sector, at 1.01% annual growth, while the Government sector is expected to shrink, by about 0.01% each year. In total, approximately 835 Pensacola Metro Area jobs are estimated to be created each year.

In our determination of how employment growth will impact the demand for industrial space like that which could be offered at on the OLF8 site, we have made assumptions about the relevance of each employment sector. The following table details the projected employment growth in each sector as well as these assumptions of relevance. For example, the subject site is likely not suitable for leisure and hospitality firms – thus, we assume that 0% of jobs created in those sectors in any given year will be seeking industrial space like that which could be offered at the subject site. Across all employment sectors, we assume that around 37% of newly created jobs will be seeking relevant industrial space in the market area in any given year. This results in 309 jobs created each year that we assume would require industrial space like that which could potentially be offered at the proposed development site.

TABLE 115

PENSACOLA METRO INDUSTRIAL DEMAND ANALYSIS
PROJECTED EMPLOYMENT GROWTH

Trade	2020 Jobs	Proj. Annual Growth	Est. New Annual Jobs	Est % Applicable	Est. Relevant New Annual Jobs
Manufacturing	6,000	0.66%	40	100%	40
Trade, Retail Trade, Transportation & Utilities	26,000	1.01%	262	50%	131
Financial Activities	13,000	0.83%	107	10%	11
Government	26,000	-0.01%	(2)	10%	0
Natural Resources, Mining & Construction	11,000	0.58%	64	75%	48
Education & Health	31,000	0.09%	29	25%	7
Professional & Business Services	21,000	0.68%	144	30%	43
Information	1,000	0.06%	1	60%	0
Leisure & Hospitality	23,000	0.72%	165	0%	0
Other Services	5,000	0.53%	27	10%	3
Total Employment	163,000	0.51%	835	37%	309

Source: Oxford Economics, CoStar; estimates by Weitzman Associates, LLC

We then took this estimate of relevant jobs created in any given year in Pensacola Metro Area and applied assumptions for how much industrial space would likely be needed for each new employee. At the low-end, industrial space requires approximately 500 square feet per employee, whereas it requires 1,000 square feet per employee at the high-end. The results give an indication of the likely range of demand for industrial space that exists in Pensacola Metro Area in any given year.

When considering the inclusion of an industrial component at a development site, it is necessary to consider the current competitive supply in the market. Although we believe newly built industrial space in Pensacola Metro Area would compete very effectively against the existing supply, we have taken a conservative approach in our analysis and have included vacant industrial space rated 3-, 4-, or 5-Stars by CoStar. This rating is approximately equivalent to the vacant supply of Class A and Class B properties.

According to CoStar, there are currently 480,439 square feet of vacant industrial space rated 3-, 4-, or 5-Stars in the Pensacola Metro Area. Assuming vacancies are competitive with the potential development, this suggests the market is currently oversupplied by approximately 171,000 to 326,000 square feet. This is a high degree of oversupply, particularly because 3-Star properties can often be renovated to compete with newly built ones (there is precedent for this in the market). Additionally, net industrial absorption has been negative or minimally positive throughout Pensacola over the last several years, which does not suggest that an industrial development would be successful at the OLF8 site.

The following table details our industrial demand analysis.

TABLE 116

PENSACOLA METRO INDUSTRIAL DEMAND ANALYSIS PROJECTED OLF-8 SITE DEMAND CAPTURE ESTIMATE			
Estimated New Annual, Relevant Industrial Jobs	309		
Estimated Square Footage per Industrial Employee	Low	Mid	High
	500	667	1000
Total Industrial Demand in SF	154,564	206,188	309,128
Less Current Vacant Space (3, 4, & 5 Star Properties)	480,439		
Current Undersupply (Oversupply)	Low	Mid	High
	(325,875)	(274,251)	(171,311)

Source: Oxford Economics, CoStar; estimates by Weitzman Associates, LLC

Despite the results of the analysis presented above, we believe it is important to note that there have been several recent incidents of industrial tenants that have approached Escambia County looking for space, but have ultimately committed to locating in neighboring Santa Rosa County instead. These 8 companies committed to a total of over 1 million square feet of space and the creation of nearly 850 jobs. Notably, however, the average wage of the jobs the companies have committed to create would be less than $45,000, which falls far short of the $60,000 salary threshold required to access Triumph funds to support the development of OLF8. Thus, there is evidence that a new commerce park on the OLF8 site could be successfully leased-up, but it is unlikely that this would result in the creation of "high paying jobs." The 8 individual deals are summarized in the following table.

TABLE 117

COMMITTED SANTA ROSA PROJECTS THAT PASSED OVER ESCAMBIA COUNTY (2019 - PRESENT)					
Company Type	**Square Feet Required**	**Acreage Required**	**Number of Jobs Created**	**Average Wage per Job**	**Capital Investment**
Beverage Distributor	190,500	35	182	$41,000	$20,000,000
Food Distributor	350,000	50	400	$46,000	$50,000,000
Medical Device Distributor	100,000	8	90	$53,000	$6,000,000
Food Distributor	25,000	5	30	$41,000	$3,000,000
Manufacturing / Distribution	20,000	3	50	$41,000	$1,000,000
Metal Manufacturing	25,000	5	10	$41,000	$600,000
Energy Manufacturing	200,000	40	50	$41,000	$20,000,000
Consumer Goods Distribution	150,000	15	35	$42,000	$15,000,000
TOTAL	**1,060,500**	**161**	**847**	**$37,842,000**	**$115,600,000**
AVERAGE	**132,563**	**20**	**106**	**$44,678**	**$14,450,000**

Source: Confidential; compiled by Weitzman Associates, LLC

Industrial Market Analysis Conclusion

The Pensacola Metro Area's industrial market has remained relatively stable over the past several years. Declining vacancy and increasing asking rents are indicative of increasing demand for the asset class. However, despite these positive trends, net absorption patterns have been weak, and the local real estate community is cautious about introducing a sizable industrial program to the OLF8 master plan. That being said, OLF8 is well-positioned for the development of an industrial commerce park, providing that access to Interstate 10 can be accommodated on the northern portion of the site. Based on local precedent, we note that, depending on the tenant profile of the park, every one acre of land could result in the generation of 20 jobs. Thus, we conclude that:

- 100 acres of land could be sufficient to create 2,000 jobs on the OLF8 site.
- This will likely only succeed if built along with a compelling mixed-use program.
- This is contingent upon the site receiving direct access to Interstate 10, the installation of infrastructure on-site, tax incentives, and free / inexpensive land for future end-users.
- To remain conservative, the development should be underwritten to achieve rents of $6 per square foot per year with a vacancy allowance of 10%.
- We note that a commerce park is likely not the most marketable use of the land – it is quite speculative. Though the goal of creating at least 1,000 jobs to access Triumph funds could be achievable, the site's future zoning must be flexible to allow the county to correct course should this endeavor fail.

AGRIHOOD PLACEMAKING CONCEPT

Weitzman is intrigued by the possibility of both creating an authentic destination appeal as well as uniting the myriad uses of the subject site by incorporating a local food and agricultural concept into the proposed development. As such we have examined three existing examples of how this local food concept appears in the market.

Ever'man Cooperative Grocery & Café is an organic food store with two locations: on West Garden Street in downtown Pensacola and, more recently, on Nine Mile Road – approximately seven miles east of OLF8. Ever'man is akin to Whole Foods in that they strive to offer wholesome, organic, and healthy alternatives to what is found at conventional grocery stores. Furthermore, the Ever'man Educational Center is located on the same property as their downtown store location and is a meeting space which is used for holistic healing, yoga, support groups, and other educational seminars. The educational center space also provides a complete commercial grade kitchen and video system which supports cooking classes of up to 45 people. Among the numerous cooking classes currently offered at Ever'man are "Cooking with Honey" and "Gardening in the Gulf Coast." Both classes are led by Becca Fritschle, local organic gardener and beekeeper, and emphasize the use of locally grown ingredients while also educating on the local agricultural industry.

Perfect Plain Brewing Company is a craft brewery in downtown Pensacola. Inspired by the history of Pensacola, Perfect Plain sources ingredients from local farmers and aims to provide a product that is unique and distinct to the area. Since opening their Garden Street taphouse in late 2017, Perfect Plain has expanded by launching a similarly local-inspired cocktail lounge behind their taphouse and are in the process of expanding again by launching a wood-cellar beer program concept next door.

Joe Patti's is a celebrated local seafood market that is a leading and culturally-significant tourist destination in Pensacola. Located at 524 South B Street, approximately 12.5 miles southeast of OLF8, Joe Patti's not only supplies restaurants and residents with high-quality locally-sourced seafood, they also connect visitors of their market with the history of the Gulf Coast fishing industry.

These existing retailers demonstrate proven market penetration for a local food concept to be leveraged in the proposed development. As such we have conducted a thorough analysis of projects incorporating agriculture and local food production to compliment other land uses.

Agrihood Case Study Analysis

In order to further explore potential development opportunities, we have analyzed a set of agrihood developments that we believe could serve as inspiration for the OLF8 site. Development trends suggest that agrihood developments are gaining popularity and have become a highly feasible alternative to more traditional rental and for-sale master planned communities. The strengthening interest in these types of developments is the result of a growing understanding that sustainable development anchored by gardens or farms and green space can lead to multiple benefits for individuals, the community, and the performance of real estate. While we are not recommending a true agrihood be developed at the OLF8 site, we believe there are elements of agrihoods such as a focus on preserving green space, fresh produce, and wellness amenities that would strengthen OLF8's marketability by introducing a new and compelling product to the market.

In 2018, the Urban Land Institute (ULI) conducted a study on the growing trend of agrihood development. In that study they found that agrihoods offer proven financial, health, and environmental benefits to residents, the surrounding communities, and to the stakeholders of each project. In particular, the study found the benefits of agrihoods to be the following:

- **Agrihoods present a competitive edge.** 73% of United States residents consider access to fresh, healthy foods to be a top or high priority when deciding where to live. Interviews with agrihood project leaders show that including food-production spaces in residential or mixed-use developments can be less expensive to build and operate than certain other amenities like golf courses.

- **Agrihoods promote health and social interaction.** A community farm can be the centerpiece of a development, and associated programing and educational opportunities can foster community social ties. Additionally, farms provide residents with access to fresh produce which supports a healthy lifestyle.

- **Agrihoods can support an attractive return on investment.** Many studies find as much as a 15 to 30 percent increase in the value of properties adjacent to parks and open space which can include working farms.

- **Agrihoods can provide environmental benefits.** By clustering development around working farms, developers and communities can conserve productive farmland and green space.

- **Agrihoods create jobs and support the local economy.** By growing and selling locally, food dollars are spent within the community and jobs are provided for farmers and educational programs can be provided for aspiring farmers.

In order to understand the marketable elements of agrihoods that could inspire the development features of the OLF8 site, we have profiled three agrihood case studies in the United States. The goal of this exercise is to understand the design choices, amenity features, and unit mix of successful agrihood developments.

Agrihood Case Studies

Serenbe
(Chattahoochee Hills, Georgia)

Serenbe in Chattahoochee Hills, Georgia is a 1,400-acre master planned agrihood with 353 homes and over 700 residents. Serenbe's land was discovered by Steve and Marie Lupo Nygren back in 1991 and the first home at Serenbe was built in 2004. Serenbe is one of the most successful and well regarded agrihoods in the United States. The community has won numerous awards including the Urban Land Institute Inaugural Sustainability Award, the Atlanta Regional Commission "Development of Excellence" award, and EarthCraft named Serenbe the "Development of the Year"

The master plan for Serenbe divides the community into four hamlets that are inspired by English villages. In these hamlets, buildings are clustered along serpentine-like roads and fitted to the undulations of the landscape. The purpose of this arrangement is to reduce land disturbances and preserve over 70% of Serenbe's land as green space.

Agriculture

Serenbe features a 25-acre certified organic farm with over 300 varieties of vegetables, herbs, flowers, and fruits. All of their produce is distributed within 40 miles of the farm through a CSA, the Serenbe Farmer's market, and local restaurants. Serenbe Farm offers public, private, and school farm tours to educate participants on the principles of organic farming, equipment and cultivation, composting, pest and disease control, and crop rotation. Serenbe Fee farms offers an apprenticeship program for aspiring farmers wanting to learn how to grow high quality produce on small acreage throughout the seasons. Residents may volunteer to work at the farm on Wednesdays and Thursdays.

Amenities

Serenbe provides an extensive selection of services and amenities for its residents which creates an almost all-inclusive lifestyle at Serenbe. For residents interested in the arts there is the Artist Residency Program, The Art Farm (center for the arts), The Ballog (artisanal market), the Chatt Hills Gallery (art gallery), Gault Designs, Inc. (steel design and activation), the Serenbe Institute (institute for Art, Culture, & the

Environment), the Serenbe Playhouse (professional theatre), and the Terminus Modern Ballet. Educational amenities include Acton Academy (ages 3-6, and elementary), The Art Farm, Camp Serenbe (children's camp), and Little Acorn Learning Center (ages 6 months to 10 years old). Serenbe promotes a healthy and active lifestyle through multiple fitness amenities which include a gym and cycling studio, an indoor cycling studio, physical therapists, a bike shop, Serenbe Yoga, and The Stables at Serenbe (horse stables). When residents get hungry, they can go to Bamboo Juices, Blue Eyed Daisy (café), The Farmhouse at Serenbe (farm-to-table restaurant), The General Store, Halsa (vegetable forward restaurant), and The Hill (restaurant). For those looking to do some shopping they can choose from the Hamlin (lifestyle clothing brand), Honeycomb Consignment, and Resource (home goods). In addition, the fitness amenities, wellness amenities at Serenbe include The Brainery (chiropractor), Dr. Prescribed (medicinal cannabis), The Organic South (Digestive Health), Southern Integrative and Environmental Medicine (holistic medicine), and the Spa at Serenbe.

Residences

There are 353 homes at Serenbe that consist of a mix of cottages, townhomes, live-work condominiums, empty lots for custom construction, estate homes, and farmettes. The cottages and townhomes have two- to five-bedrooms and range from 1,245 to 4,102 square feet. The live-work condominiums are located in buildings with commercial space on the ground floor and residential space on the second and third floors. Live-work condominiums have one- to three-bedrooms and range from 800 to 1,400 square feet. The farmettes are 5-20 acres plots designed to accommodate a family home, a large vegetable garden, farm animals, horse pastures, and a barn. The estates are a premium offering at Serenbe and feature four or more bedrooms and bathrooms, and up to 6,000 square feet of living space.

The following table is a benchmarking matrix for the residential offering at Serenbe.

TABLE 118

PROPERTY	RESIDENCE TYPES	PRICE	MONTHLY HOA	BR	BA	PR	SF	KITCHEN FINISHES	BATHROOM FINISHES	LIVING AREA FINISHES	CEILING HEIGHT	OTHER FEATURES/NOTES
Serenbe	Cottages and Townhomes	$400-$950K	Cottage - $1,335, Townhome - $1,130	2-5	2-4	Yes	1,245 - 4,102	Limestone countertops, stainless steel EnergyStar appliances, kitchen island w/ bar seating, undermounted sink, tile backsplash, gas range	Subway Tile, walk-in showers,	Hardwood Floors, transitional style trim, wood or metal stair railings	10'	BOSH Geothermal Heating & Cooling, solid core interior doors
	Livework	$750K	$1,027	2-4	2-3	No		Limestone countertops, stainless steel EnergyStar appliances, kitchen island w/ bar seating, undermounted sink, tile backsplash, gas range		Wood-plank flooring, tiled bathrooms, tiled kitchen backsplash, undermounted kitchen sink, stainless steel appliances		Commercial space on the main level with residential space on the floors above.
	Estates	$1.49-$1.89M	$1,541	4+	4+	Yes	- - -					
	Farmettes	$350-$650K (land)	$1,541									Farmettes are 5-20 acre lots designed to accomate a family home, large vegetable garden, farm animals, horse pastures, barn or other outbuildings.
	Lease / Monthly Rental	$2,000-$5,000 per month	-									People have the option to lease cottages, townhomes, and livework spaces. There is no multi-family product - these appear to be investor owned properties that are being rented out.

Southlands
(Tsawwassen, British Columbia)

Southlands is a 530-acre agrihood being developed by Century Group outside of Vancouver in Tsawwassen, British Columbia. The community is bordered by Centennial Beach and Boundary Bay Regional Park.

The Southlands Farm encompasses 80% of Southlands 530 acres, making it one of the largest community owned farms in North America. Approximately 275 acres of the farm are conventional organic crops, and another 50 acres make up the Southlands Community Farm.

Residents at Southlands will enjoy a brand-new sustainable community with an appreciation on how to grow food, prepare it, and know where it comes from. The market district will provide a place for residents to gather at restaurants, shop at artisanal stores, purchase fresh produce at the Farmers' Market, and learn new farming techniques at the demonstration gardens. Additional residential amenities include an outdoor amphitheater that will host summer concerts, movie nights, food festivals, and long-table dinners.

Prospective residents at Southland will get to choose from a residential offering that includes townhomes, estate cottages, country flats, and cottages surrounding common courtyards. Sales begin in Fall 2020.

Arden
(Wellington, Florida)

Arden in Wellington, Florida, is a master-planned agrihood with 2,000 homes and a five-acre farm that was developed by Freehold Communities. In 2019, Arden won the Grand Award for Masterplan Community of the Year at the Southeast Building Conference Aurora Awards. Arden takes advantage of its location in Palm Beach County by offering residents resort like amenities that they can use throughout the year. Arden has six residential neighborhoods: The Paired Villa Collection, The Arcadia Collection, The Homestead Collection, The Providence Collection, The Stanton Collection, and The Estate Collection. The whole community is connected by 20 miles of walking and biking trails that weave through every neighborhood. Nearly every home at Arden overlooks a park, greenway or nature trail.

Amenities

Arden offers its residents a large selection of amenities and activities. The Clubhouse features a fitness center, private exercise studio, an outdoor patio, a resort-style pool that flows over two levels, and private cabanas. Inside the Clubhouse is The Hub which has a tea and coffee bar for residents to meet and socialize. The Arden Room offers indoor and outdoor entertainment for casual meetings or private parties.

Clubhouse & Pool

Agrihood

Arden Club Room

Residences

There are 2,000 single-family homes at Arden that are spread across six neighborhoods. Homes cost anywhere from the mid $300,000s to mid $600,000s. The Paired Villa Collection is built by D.R. Horton, Lennar Homes built The Arcadia, Homestead, Providence, and Stanton Collections. The Estate Collection is built by Kenco Communities. The following images represent each home type:

The Paired Villa Collection

The Arcadia Collection

The Homestead Collection

The Providence Collection

The Stanton Collection

The Estate Collection

The following table is a benchmarking matrix for the residential offering at Arden.

TABLE 119

PROPERTY	RESIDENCE TYPES	PRICE	MONTHLY HOA	BR	BA	PR	SF	KITCHEN FINISHES	BATHROOM FINISHES	LIVING AREA FINISHES	CEILING HEIGHT	OTHER FEATURES/NOTES
Arden	Paired Villa Collection	$350K+		3	2	No	1,836 - 1,921	Granite countertops, stainless steel appliances, tiled floors, subway tile backsplash, kitchen island w/bar seating	Tiled floors, double vanity sinks (MB)	Tiled floors	10'	Impact resistant windows
	The Arcadia Collection	$350K+		4-6	3.5-4.5	Yes	1,611 - 2,379	Granite countertops, stainless steel appliances, tiled floors, subway tile backsplash, kitchen island w/bar seating	Double-vanity (MB)	Tiled floors		
	The Homestead Collection	$450K+		3-5	2-4	No	2,197 - 2,957	Granite countertops, stainless steel appliances, tiled floors, tile backsplash, kitchen island w/ bar seating	Tiled flooring, separate tub and glass enclosed shower (MB)	Wood-plank flooring, carpet in bedrooms		Walk-in closets, guest suite
	The Providence Collection	$400K+		4-6	3.5-4.5	Yes	2,200 - 2,868	Granite countertops, stainless steel appliances, tiled floors, tile backsplash, kitchen island w/ bar seating	Tiled flooring, separate tub and glass enclosed shower (MB)	Wood-plank flooring		
	The Stanton Collection	$450K+		3-5	3-4	No	2,631 - 3,555	Granite Countertops, stainless steel appliances, kitchen island w/ bar seating, shaker style cabinets	Tiled flooring, granite countertops, glass-enclosed shower with stone tile flooring and subway tile walls, shaker style cabinets	Tiled floors and wood-plank flooring throughout, carpet in bedrooms		Some homes include a pool and spa, outdoor patio and seating area
	The Estate Collection	$600K+		4-6	3.5-4.5	Yes	3,178 - 4,250	Mable countertops, stainless steel appliances, undermounted sinks, kitchen island w/ bar seating	Marble floors, free-standing tub, granite countertops	wood-plank flooring		Some homes include a pool and spa, outdoor patio and seating area

Source: Arden.com; compiled by Weitzman Associates, LLC.

Agrihood Case Studies Conclusion

These case studies feature enough comparability in scale and should serve as inspiration for OLF8's potential programming. Serenbe is the clear gold standard for agrihood development, and it features an impressive and well programmed residential and commercial components that are interwoven to enhance its overall offering. Serenbe has an impressive offering of restaurants, retail, and wellness features that we believe should serve as an inspiration to the programming of the OLF8 site. Southlands is most comparable to the OLF8 site in terms of size and it features a commercial component (Market District) that is highly marketable and could serve as an inspiration to OLF8. The public gathering spaces at Southlands should serve as an inspiration for OLF8. Although Arden is significantly larger than the OLF8 site, we believe it is an important case study because it is a successful agrihood in Florida. Arden offers a strong range of amenities and has well programmed green space that enhances its marketability.

TARGET MARKETS

Conventional Rental and For-Sale Housing Target Market

Weitzman Associates believes demand will come from a broad array of demographic profiles, many of which primarily be drawn to the quality and location of the development as well as the variety of mixed uses and amenities located on-site. We anticipate the Project will primarily attract families, seniors, students, military and medical personnel, professional singles and couples interested in living near their place of work, college, and/or child's school.

EXPECTED HOUSEHOLD TYPES *RENTAL AND FOR-SALE HOUSING* TARGET MARKET	
Families Professional singles Professional couples Permanent military personnel Medical personnel Seniors Students	
Rental Housing Annual Income Range	\$35,000 to \$149,999
For-Sale Housing Annual Income Range	\$75,000 and Above

Source: Weitzman Associates, LLC

We expect there will be a wide range in age among the residents of any housing development in this location, with both prospective renters and homebuyers of all backgrounds viewing the proposed development as a quality housing option at a good value. We expect a significant component of demand for both for-sale and rental housing at the Project to come from professional singles, couples and families interested in living near the Navy Federal Credit Union campus to be close to work. We expect younger singles and couples to view the project as a quality housing option available near their place of employment or school yet not too far from downtown Pensacola. Older residents, including managerial-level transfers to the Navy Federal campus as well as retirees, will also likely be drawn to the development for its location and quality. Families that want to be in a "kid-friendly" environment near their children's schools will likely be drawn to the development, seeing the Project as part of a safe, bucolic community that enables them to live within the school district that has the newest schools in the area.

As stated, we expect the Project's location, west of I-10 and adjacent to one of the largest concentrations of employees in state of Florida, to generate strong interest from employees of Navy Federal Credit Union. As part of our past research, we interviewed senior Human Resources executives with Navy Federal. Among the 1,071 hires made during 2016 for the Pensacola operations center, 68% of the employees were Generation Y (born during the 1980s and early 1990s), and 29% were Generation X (born between the mid-1960s and early 1980s). Very few employees were older in age, categorized as Baby Boomers.

As stated, the location of the site and the proposed design will likely attract households from income brackets as low as $35,000. The average entry-level annual income for Navy Federal employees is between $35,000 and $37,000, according to Navy Federal's HR executives. Approximately 42% of the workforce at Navy Federal is employed in the contact center, where starting compensation is approximately $35,000. Approximately 300 employees at Navy Federal are tech support positions, which are not management level, but are more highly compensated. Therefore, the potential target market can extend from entry-level employees to the high-earning managers at the Navy Federal Credit Union offices. New households moving from other cities also present a strong potential source of demand, and Navy Federal has increased its hiring from neighboring states during recent years, in addition to relocating employees to Pensacola from its Vienna, Virginia headquarters.

Because we view the project as being able to attract residents of all ages, we believe the main difference between the target markets for rental apartments versus for-sale product will be the ability to make a downpayment and the ability to obtain mortgage financing. In the rental scenario, we anticipate that renter households earning $35,000 to $149,999 annually should be targeted as viable prospects for the development, with a majority of tenants possessing household incomes between $35,000 and $74,999. We note that we believe that households earning higher incomes (even beyond $149,999) will also choose to rent at the property due to the fact that rental housing provides a low-commitment and low-responsibility residential experience for households who believe this lifestyle may be attractive to them, which is an increasingly popular trend nationwide. In the for-sale scenario, we believe that targeted household incomes generally will be above $75,000.

In summary, we believe the design and location of the development, with its variety of mixed uses and amenities located on-site, as well as its proximity to the Navy Federal Credit Union campus and other employers, will attract households of all kinds looking for a well-located, quality housing option at a good value.

RETAIL TARGET MARKETS

The most likely retailers that would be interested in opening a location at the Project include those servicing the on-site residential component, the nearby employee population, those that are destinations in and of themselves, and those that are seeking new, top-of-market space that does not currently exist west of I-10. Furthermore, we reiterate the importance of the "agrihood" inspiration for OLF8, which will attract retailers that are not national chains, but rather are local and authentic.

There is strong potential for food and beverage businesses to target employees from Navy Federal Credit Union as the site borders the campus to the immediate west and can easily be reached during an employee's lunch hour. Quality restaurants that are able to handle large volumes of customers effectively and efficiently are strong candidates for tenancy at the site. Similarly, restaurants that are able to offer fast delivery would be desirable to the Navy Federal employee population and nearby residents alike, as they minimize reliance on cars and curtail parking congestion.

Navy Federal's HR executives highlighted that the workforce at Navy Federal is a 24/7 operation, with several hundred people working overnight, and with others getting off of work shifts throughout the evening hours. This creates an opportunity to service these employees not just during the workday hours, but throughout the evening hours as well, beyond demand for retail services inherent in the residential component itself.

In our prior experience with retail space that serves both a daytime worker population as well as an evening residential population, the nature of the retail can be more diverse because it serves a broader array of wants and needs within the market. Further, because Navy Federal's workforce is a 24/7 operation, there will be consumer demand for necessities at all hours of the day, in supplement to the demand from residents on the site. There will be large numbers of employees leaving Navy Federal at concentrated times throughout the day and night, representing a prime, staggered flow of market demand for the retail on the site. We believe there are several distinct types of demand for retail at the site:

- Evening and weekend demand from nearby residents – with hundreds of households residing in the site's residential communities, as well as the residents living in nearby neighborhoods, the evening and weekend demand for retail goods and services will seek all of the previously mentioned uses, but will also seek retail that takes a longer amount of time to patronize. Certainly, grocery and personal care shopping, fitness, and dining options will be in demand for customers who have both limited and unlimited time available. However, full service restaurants and bars, with outdoor seating, will be in greater demand in the evening and weekend periods. There is also potential support for targeting clothing, sporting goods, pet supply, and jewelry retailers.

- Daytime demand from Navy Federal employees – these workers will seek fast casual dining options at the Project, suitable for a quick lunch in close proximity to their employment. They will also seek out convenience retail, such as a drug store, bank, grocery store, hair salons, dry cleaning, and general merchandise retailers. Many workers will seek to run errands, go to the gym, or visit medical professionals during their breaks from work, and the project will be capable of meeting these needs.

- Evening and overnight demand from Navy Federal employees – with shifts ending every hour overnight, workers at Navy Federal will be leaving their jobs and may want to stop to eat dinner, have drinks, have an off-site team building or coworker happy hour outing, go grocery shopping, go to the gym, or pick up some necessities late at night or at odd hours. Businesses such as a pharmacy with 24-hour operations will be in demand, as will full-service restaurants and bars staying open late.

The project's retailers will not be limited to attracting a daytime office worker population, as is the case in many business districts and downtown areas. Often, the retail located within a major employment district is dependent entirely on the workers who are there during the day, and if there is not a robust residential population there in the evenings and weekends, the retailers close during those hours. The types of retail in this context are often restricted to quick lunch spots, after work drink bars, coffee shops, banks and convenience retailers. In stark contrast, this Project will benefit from a very strong on-site residential population that can walk from their homes into the retail environment, and from nearby residential enclaves for which the project will be the most conveniently accessible retail node in the area.

In our view, restaurants, coffee shops, bars and a small grocer/food market are critical anchors to the retail component at the Project. These will serve not only the residents and nearby employees, but also the broader community as a whole, and represent an important placemaking component to the retail.

The second tier of targeted retail includes an array of recreational uses that further add a sense of place to the retail component and establish OLF8 as a welcoming village rich with boutique shopping, dining, and entertainment. In addition to the restaurants and food and beverage outlets envisioned as serving the on-site and nearby residents and employees, we believe a branded experiential restaurant perceived as a destination in and of itself will be an important inclusion that helps to increase awareness and activate all other uses at the site. In our opinion, outdoor entertainment and recreation uses are strong considerations for this same reason, and should include an open-air multipurpose amphitheater equipped for movie screenings, live music and theatrical performances, as well as public and private events. We note that an outdoor entertainment venue like an amphitheater or drive-in is a particularly attractive use at present given current health and social distancing considerations; they are also typically relatively inexpensive to operate. We also believe several carefully selected boutique retailers would further benefit public awareness of OLF8 as not only a convenient place for nearby residents and employees to shop for necessities, but also a widely-appealing destination for many in the greater Pensacola area to shop, eat, and play.

Additional retailers that should be considered include convenience uses such as a pharmacy, florist, dry cleaners, pet supply, insurance and real estate offices, financial services tenants, urgent care, and medical offices.

Sufficient parking and well-hidden loading facilities will be important to attract all of the types of tenants mentioned above.

OFFICE / INDUSTRIAL TARGET MARKETS

As noted earlier in the report, it is not entirely clear which office and industrial tenants would be compelled to lease space at OLF8. We recognize that there may be professional services firms that would consider the site due to its proximity to Navy Federal and the business opportunities this presents. Certain consulting firms and law firms may find the site, due to all its offerings, an appealing place to set up shop. In particular, the COVID-19 pandemic has created a great deal of ambiguity regarding the future of office space. The past "fad" of the "open office" has likely ended, such that businesses will require expansive spaces with amenities and retail offerings. Based on national trends, it is clear that there is often a preference for "live, work, play" environments when companies are selecting their offices, particularly in suburban / rural contexts. It is also possible that government / public sector entities would be interested in OLF8. Furthermore, medical tenants (from independent medical practices to large hospital systems) may be drawn to OLF8 early on as it is a "blank slate" opportunity to build new space that accounts for newly embraced public health standards. The cybersecurity industry also has a great deal of growth potential in Escambia County.

The industrial market is, likewise, a challenging proposition for OLF8, but the site certainly has its merits. Regionally speaking, it is further west than the other commerce parks in Escambia County, thus providing closer proximity to Alabama and other destinations. It is possible that, for example, second- and third-tier manufacturers / suppliers for the aerospace industry would be drawn to OLF8 because it is close to I-10 and thereby Mobile, where companies such as Airbus have a large presence. Providing a connection to I-10 is built at the northern end of the site, OLF8 would also make sense as a location for distribution centers, though we note that these centers generate few jobs. Unless there is a *significant* spatial separation between the industrial buildings and the residential offering to the south, we do not recommend heavy industrial uses for OLF8.

As stated, the branding of a new commerce park will be crucial to support its eventual lease-up and stabilization. Conceiving a portion of the OLF8 site as a replica of other commerce parks in Escambia County may be the incorrect approach. Furthermore, traditional manufacturing sectors likely will not generate sufficient demand, and industrial uses such as distribution centers generate only a few, low-paying jobs. Instead, OLF8 can be branded as an "innovation campus," a place for cutting-edge companies that support key, modern industries. For example, there could be smaller engineering and technology firms that support the aerospace industry that would embrace the proposition of leasing Class A space in an exciting, mixed-use context. Medical and cybersecurity professionals may also similarly appreciate this draw – industries that produce high-paying jobs.

DEVELOPMENT RECOMMENDATIONS

Based upon our market research, experience with similar developments, and knowledge of Escambia County, we have developed a recommended approach to planning the uses and the phasing of a future mixed-use development on the OLF8 site. Our recommendations are made with the intention of establishing the site as a mixed-use development that provides a unique atmosphere that will serve to attract demand from broad market areas, provides diverse and appealing housing options, much needed retail businesses catering to both households and local employees, entertainment amenities currently lacking along West Nine Mile Road, and a commerce component for future office and industrial tenants that can bring new jobs to the area. Drawing inspiration from "agrihoods" for the residential, retail, and hospitality components of the project will help to position the development as a unique, desirable offering that currently does not exist in the region, and yet could have a cultural authenticity and a strong identity that resonates well with the market. We have recommended a diverse residential product mix to appeal to wide range of households, further broadening the appeal of the development. Ultimately, we conservatively project that it may take as long as fifteen to twenty years to fully build out and stabilize the OLF8 project, although it is very possible that it will take less time. Accelerated performance and price growth could be achieved via a concerted marketing effort that the project will be able to capitalize on to gain top-of-mind recognition in the region.

The first phases of development will be critical exercises to establish new benchmarks for both residential space and commercial uses along Nine Mile Road, while establishing a baseline from which future phases can be designed and developed with greater refinement and placemaking features. Thus, while we have made recommendations for the total amount of space that should be forecasted now to be built, with specific underwriting assumptions for the first phase extrapolated to future phases in general, the total scope of development may (and likely should) change as future phases are planned and designed. The OLF8 site's zoning will have to be fully reimagined in order to facilitate the appropriate mix of uses. Furthermore, the zoning should be as flexible as possible, should certain initiatives (specifically, a new commerce park) struggle to gain momentum.

We are generally optimistic about the opportunity to build a new mixed-use development on the OLF8 site that contributes to Escambia County's profile as a desirable place to live, work, and play, but that also creates a complementary locale to neighboring institutions, namely Navy Federal Credit Union. While a short drive from Downtown Pensacola and Pensacola Beach, OLF8 is inherently *not* situated within an urban context, and therefore must be conceptualized to be a destination in its own right. While Downtown Pensacola is the "organic" shopping, dining, residential, and entertainment area of the region, OLF8 has the opportunity to be envisioned from scratch. The site can become a new "node" or northern "bookend" for the region, planned to incorporate all the key ingredients that compel people to choose to live, work, and visit. This is essential for a new commerce park to succeed, as it can become a location where employers *choose* to locate due to all that OLF8 has to offer. The following discussion summarizes our recommended approach to developing the project.

PHASING

We have formulated a proposed development and phasing program for the OLF8 site based upon an estimated and conceptual development size of 1,900 housing units (1,200 rental units, 700 for-sale units), 187,500 square feet of restaurant, retail and entertainment space, and 600,000 square feet of industrial and/or office space. We believe that a project of this scale should be built in at least three phases, based upon our sense of the timing necessary to absorb the space, the necessary critical mass of uses that should be developed and occupied first in order to build momentum into future phases, and the need to establish important pricing and rent benchmarks early so as to adapt the development plans as the project moves beyond its early offerings. We have also included a fourth phase that includes a 100-key hotel. The success of the hotel will be contingent upon (a) the successful sell-out / lease-up of the residential and retail components of OLF8, and (b) the creation of a bustling commerce component. In tandem, these components of the project will support the hotel by generating new demand for hospitality space on the OLF8 site.

Phase 1

The first phase should include approximately 700 units, of which 400 would be for-sale homes. The rental apartments in this phase can be projected to be absorbed over 24 months, and the for-sale homes over 107 months. We also recommend approximately 60,000 square feet of retail space in the first phase, 50,000 of which would be developed in the context of a mixed-use residential neighborhood, distributed as follows:

- Specialty grocery store: 10,000 SF;
- Neighborhood retail, such as a pharmacy, convenience store, and dry cleaner, built on the ground floor of rental apartment developments: 10,000 SF;
- Restaurants, bars, and dining, also built on the ground floor of rental apartment developments: 10,000 SF;
- Experiential retail, oriented toward indoor/outdoor merchandising and recreation, such as a craft brewery, a distillery, a wine bar, and farm-to-table dining with vast, outdoor patio areas: 10,000 SF; and
- Additional convenience retail and services, potentially including a childcare center, a wine shop, professional services, or a co-working destination: 10,000 SF.

We note that generally all of the retail in the first phase of development, and throughout the project's phases, should be built at the ground floor of residential structures, except where the massing possibilities present a tiered approach toward the retail and residential components. For example, food venues should feature additional expansive multi-level outdoor space to facilitate a rooftop bar experience and ground level outdoor dining, where possible. In addition to conventional retail tenant offerings, and drawing inspiration from agrihoods, the retail at OLF8 should be curated to allow for the intersection of locally produced food and beverages, its preparation by venues that are regionally authentic, the sale of fresh food, and educational and programmatic opportunities to learn about the natural and agricultural benefits to living and working in the area. Centering the retail experience around food, and its local connections, will in turn bolster the marketing appeal of all other components of the development. This means placing an emphasis on unique offerings (rather than, for example, fast food establishments) that are authentically tied to the local culture of Escambia County.

The remaining 10,000 square feet of retail would be built in conjunction with the first phase of OLF8's commerce park, which would feature 300,000 square feet of industrial and/or office space, most likely developed in multiple buildings occupied by multiple employers, rather than one large user. The commerce component has the strongest opportunity in being marketed toward smaller, more entrepreneurial users who are entering the market or who are growing within it, and who can be convinced to invest in an OLF8 location due to the quality of work/life balance for their employees. The retail would be oriented toward convenience and F&B for the future employees who would work in the park's buildings.

It is critical that the first phase of the development act as a successful catalyst that will generate excitement for future phases of the project. As such, Phase 1 should have a more accessible residential rent and for-sale pricing structure than future phases. We believe it will be most advantageous to develop the residential components and the 50,000 square feet of retail towards the southern end of the site, while the 300,000 square feet of industrial / office space (with 10,000 square feet of retail) should be built on the northern end of the site, pending the construction of a vehicular connection to Interstate 10.

Phase 2

The second phase of the OLF8 development would include 300 rental units and 300 for-sale units, though they would command a higher price point than those built in Phase 1. Phase 2 should include approximately 55,000 square feet of retail, likely of a similar makeup to that of Phase I (pending its lease-up and stabilization). The second phase of the commerce park would include 150,000 square feet of industrial / office space, also based on the success, or lack thereof, of Phase I.

Phase 3

The third phase of the OLF8 development would include 200 rental units and 200 for-sale units. Phase 2 should include approximately 55,000 square feet of retail, likely of a similar makeup to that of Phase I (pending its lease-up and stabilization). Phase 3 should include approximately 67,500 square feet of retail space, though more of it should be built into the commerce park. The third phase of the commerce park would include another 150,000 square feet of industrial / office space.

Phase 4

The fourth phase of the OLF8 development would include its final residential offering: 300 rental apartments. Additionally, providing that the commerce park experiences successful occupancy in the first three phases of the project, and the unique market positioning of the master plan captures market attention, we recommend the construction of a 100-key, select-service hotel. Based on current market conditions, building a new hotel at this time is likely a risky endeavor, given lack of demand for hospitality product at the OLF8 site. The hotel would likely only be feasible if the businesses residing in the commerce park generate substantial demand, and the successful placemaking of this development creates a multitude of reasons for people to visit the site.

The analysis conducted by Weitzman of residential rents, unit mixes, and other factors is intended to inform Phase 1 of the project. At a later date, and as development progresses, Escambia County should conduct an updated marketability study to effectively plan the details of future phases, based on both changing market conditions and the performance of Phase 1. However, from a programmatic standpoint, and based upon our market research in this report, we believe that the level of development and distributed uses by phase is well-supported.

We present a table breaking down our phasing plan on the following page.

WEITZMAN

Real Estate Consultants

TABLE 120

WEITZMAN'S RECOMMENDED PHASING SCHEDULE
OLF8 MASTER PLAN

Phase	Traditional Residential Rental (Units)	Loft Rental Apartments (Units)	Two-Flat Townhomes (Rental Units)	Two-Flat Townhomes (For-Sale Units)	For-Sale Townhomes (Units)	Serviced For-Sale Patio Homes (Units)	For-Sale Cottages (Units)	For-Sale Single-Family Homes (Units)	Retail (Square Feet)	Industrial / Office (Square Feet)	Hotel (Keys)	Rental Absorption (Months)	For-Sale Absorption (Months)
Phase 1	200 units	100 units	50 units	50 units	100 units	100 units	100 units	0 units	60,000 SF	300,000 SF	0 keys	24 months	93 months
Phase 2	200 units	100 units	50 units	50 units	100 units	0 units	0 units	100 units	55,000 SF	150,000 SF	0 keys	24 months	67 months
Phase 3	200 units	0 units	0 units	0 units	0 units	0 units	0 units	100 units	67,500 SF	150,000 SF	0 keys	16 months	27 months
Phase 4	300 units	0 units	0 units	0 units	0 units	0 units	0 units	0 units	0 SF	0 SF	100 keys	24 months	0 months
TOTAL (UNITS / SQUARE FEET)	**900 units**	**200 units**	**100 units**	**100 units**	**200 units**	**100 units**	**100 units**	**200 units**	**182,500 SF**	**600,000 SF**	**100 keys**		

Source: Projections by Weitzman Associates, LLC

Note: The two phaes of Two-Flat Townhomes are each 50 buildings, but each building has two units: one that is owned and occupied by the buyer, and a second that the buyer would rent out as an income-producing property.

Rental Apartments

Conventional Unit Mix and Achievable Rents

We have formulated recommended unit mixes for the conventional rental apartments, shown in the following tables and based upon a total rental offering of approximately 900 units. It is our opinion that this quantity of units developed on site would be readily absorbed by the market. The project would need to be massed to allow for sufficient open views, parking, and vehicular access. However, we note that a significant portion of the site should be preserved as open space for the enjoyment of residents. This will contribute significant opportunities to develop recreation areas, walking and biking trails, wooded areas, and community gardens. Ultimately, given Navy Federal's expansion, other economic growth in the area, and the potentially complementary mixed-use development proposed for the northern portions of the Nine Mile Road Town Center site, we believe that the development of a competitively-priced rental apartment development will be marketable at the site.

We have distributed recommended unit mixes among approximately 900 conventional rental apartments, which is set for demonstration purposes. The average unit size of the recommended unit mix is 923 square feet per unit.

We have targeted an average unit size that is accommodating to an array of households while maintaining design efficiencies that maximize the utility of the apartments within a small footprint. We have recommended studio units averaging 525 square feet. One-bedroom unit types are recommended in two average sizes: one type averaging 700 square feet and the other type averaging 800 square feet. The two bedroom unit types are also recommended in two average sizes: one type with just one shared bathroom and one type with two bathrooms. For many households renting at this price level, two bathrooms are a luxury and therefore, the expenditure for a larger apartment with a secondary bath is not always worthwhile. Given that these households are often seeking to save money and simply require the basics of two bedrooms, many are pleased to share a bath if it means spending materially less on rent. We have included, however, a larger two-bedroom unit featuring two bathrooms for households that require these facilities. The two bedroom homes range from an average of 900 square feet for the one-bathroom type to 1,050 square feet for the two-bathroom type. We have also included a three-bedroom home type averaging 1,225 square feet in size. Our recommended unit mix is outlined in the following tables.

WEITZMAN
Real Estate Consultants

TABLE 121

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED RENTS - PHASE 1a OLF8 SITE, PENSACOLA MID-LINE RENTS AS OF JULY 2020						
Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Monthly Rent	Average Monthly Rent PSF	Average Monthly Rent PSF
Alcove Studio	13	6%	525	$1,000	$1.90	$22.86
One Bedroom / One Bathroom	25	13%	700	$1,275	$1.82	$21.86
One Bedroom / One Bathroom	38	19%	800	$1,400	$1.75	$21.00
Two Bedrooms / One Bathroom	38	19%	900	$1,500	$1.67	$20.00
Two Bedrooms / Two Bathrooms	63	31%	1,050	$1,750	$1.67	$20.00
Three Bedrooms / Two Bathrooms	25	13%	1,225	$2,000	$1.63	$19.59
Total / Wt. Avg.	**200**	**100%**	**920**	**$1,563**	**$1.71**	**$20.55**

Source: Weitzman Associates, LLC.

TABLE 122

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED RENTS - PHASE 2a OLF8 SITE, PENSACOLA MID-LINE RENTS AS OF JULY 2020						
Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Monthly Rent	Average Monthly Rent PSF	Average Monthly Rent PSF
Alcove Studio	13	6%	525	$1,000	$1.90	$22.86
One Bedroom / One Bathroom	25	13%	700	$1,275	$1.82	$21.86
One Bedroom / One Bathroom	38	19%	800	$1,400	$1.75	$21.00
Two Bedrooms / One Bathroom	38	19%	900	$1,500	$1.67	$20.00
Two Bedrooms / Two Bathrooms	63	31%	1,050	$1,750	$1.67	$20.00
Three Bedrooms / Two Bathrooms	25	13%	1,225	$2,000	$1.63	$19.59
Total / Wt. Avg.	**200**	**100%**	**920**	**$1,563**	**$1.71**	**$20.55**

Source: Weitzman Associates, LLC.

TABLE 123

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED RENTS - PHASE 3a OLF8 SITE, PENSACOLA MID-LINE RENTS AS OF JULY 2020						
Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Monthly Rent	Average Monthly Rent PSF	Average Monthly Rent PSF
Alcove Studio	13	6%	525	$1,000	$1.90	$22.86
One Bedroom / One Bathroom	25	13%	700	$1,275	$1.82	$21.86
One Bedroom / One Bathroom	38	19%	800	$1,400	$1.75	$21.00
Two Bedrooms / One Bathroom	38	19%	900	$1,500	$1.67	$20.00
Two Bedrooms / Two Bathrooms	63	31%	1,050	$1,750	$1.67	$20.00
Three Bedrooms / Two Bathrooms	25	13%	1,225	$2,000	$1.63	$19.59
Total / Wt. Avg.	**200**	**100%**	**920**	**$1,563**	**$1.71**	**$20.55**

Source: Weitzman Associates, LLC.

TABLE 124

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED RENTS - PHASE 4a OLF8 SITE, PENSACOLA MID-LINE RENTS AS OF JULY 2020						
Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Monthly Rent	Average Monthly Rent PSF	Average Monthly Rent PSF
Alcove Studio	19	6%	525	$1,000	$1.90	$22.86
One Bedroom / One Bathroom	38	13%	700	$1,275	$1.82	$21.86
One Bedroom / One Bathroom	56	19%	800	$1,400	$1.75	$21.00
Two Bedrooms / One Bathroom	56	19%	900	$1,500	$1.67	$20.00
Two Bedrooms / Two Bathrooms	93	31%	1,050	$1,750	$1.67	$20.00
Three Bedrooms / Two Bathrooms	38	13%	1,225	$2,000	$1.63	$19.59
Total / Wt. Avg.	**300**	**100%**	**920**	**$1,562**	**$1.71**	**$20.55**

Source: Weitzman Associates, LLC.

We have recommended that the rental units range in rent between an average of $1,000 among the studio apartments to an average of $1,750 among the larger two-bedroom units. The three-bedroom units should be underwritten at $2,000 per month. Overall, the units are positioned at an average of approximately $1,562 per month, or $20.55 per square foot per year. The recommended rents are affordable on average for households earning between $40,000 and $80,000 annually.

The rents assume the inclusion of one surface parking space per unit. A second parking space could be rented to tenants at the cost of $25 per space per month after stabilization. This remains quite reasonable in the market, yet creates additional revenue derived from many of the apartments that will require more parking spaces than the allocation. The competition in this area generally does not charge for surface parking, and thus, the notion of paying extra for parking may cause some resistance during lease-up. These rents are also recommended as being representative of an average view from an average floor height in the building. Units with better or worse views will achieve commensurate higher or lower rents than the average we have recommended. Overall, the average rents should be utilized for underwriting purposes until such a time as the building is designed, where a full rent model should be prepared to price every home based upon its unique characteristics.

Because we have communicated our rent recommendations in July 2020 dollars, we recommend underwriting quarterly rent increases beginning in the first quarter of occupancy at the rate of 0.75% per quarter through stabilization and continuing at 0.75% per quarter thereafter. While we also recommend, to be conservative, assuming a lease-up incentive equivalent to one-month free rent, we note that it may be possible to avoid offering this at all or only on some units that prove to be more challenging to lease.

These recommended rents are well-positioned in the market, and supported by our demographic analysis, as well as the success of comparable apartment communities in the market. We believe these rents are achievable and very marketable given the product we have recommended and access to employment and highway transportation. The project should be well-received by the market as a good value option, accessibly priced while still providing a new and quality housing option. Our demand analysis indicates that the rents are supportable with the income levels that exist in the market.

The apartments can be efficiently designed to present the best value to the market. Typical renters in a market like Pensacola pay very little attention to rent on a per square foot basis. They only care about the monthly chunk rent they must pay to live in an apartment and community. Thus, while the studio and one-bedroom units are higher on a per square foot basis, the more efficient design that is possible for this unit type versus typical plans with wasted space available in the market, the average rent is recommended as being fairly close to what is already being achieved in new, but less efficiently designed comparables.

Affordability

We have performed an analysis of the affordability of the recommended unit mix and rents for the typical rental apartments at the OLF8 site, which is summarized in the following table. Our analysis assumes that 30% of a household's gross income is dedicated to rent, although this is conservative because many rental properties are likely to allow a tenant to rent an apartment that costs as much as 40% of their gross household income. This affordability analysis demonstrates that the average recommended rental apartment unit should be affordable for households earning approximately $62,500 annually. The least expensive units would be affordable for households earning $40,000 on average, while the most expensive homes would be affordable for households earning $80,000 on average. The affordability analysis presents an estimate by unit type of the minimum income necessary to comfortably afford to rent an apartment at the project.

TABLE 125

AFFORDABILITY COMPARISON
PROPOSED CONVENTIONAL RENTAL UNIT MIXES
OLF8 SITE

	Studio	1 BR / 1 BA	1 BR / 1 BA	2 BR / 1 BA	2 BR / 2 BA	3 BR / 2 BA	Average
Average Unit Sq. Ft.	525	725	800	900	1,050	1,225	920
Average Rent PSF	$1.90	$1.76	$1.75	$1.67	$1.67	$1.63	$1.70
Overall Average Monthly Rent	$1,000	$1,275	$1,400	$1,500	$1,750	$2,000	$1,563
Total Annual Housing Payment	$12,000	$15,300	$16,800	$18,000	$21,000	$24,000	$18,750
Required Annual Income [1]	$40,000	$51,000	$56,000	$60,000	$70,000	$80,000	$62,500

Source: Weitzman Associates, LLC

Assumptions:

[1] Required Annual Income assumes 30% of pre-tax income is devoted to housing

Loft Apartments

The loft apartments are proposed to be built over occupied retail space, which is inherently important to their marketability. The market position of these homes will rely on a more active and interactive lifestyle, including work-from-home features, and a walkable environment. These lofts feature higher ceilings than the conventional apartments, and the through-unit configuration is enhanced further by large outdoor spaces with each home. Dens are proposed as alcoves, allowing for at-home workspaces.

We have targeted an average unit size that is spacious and competitive with the local rental market. We have recommended one-bedroom units averaging 875 square feet. The two-bedroom unit types are recommended in two average sizes, one with just one shared bathroom and one type with two bathrooms. Two bathrooms are a luxury for many households, and these renters are not generally willing to pay extra rent for a second bathroom when the second bedroom is primarily used as a home office or guest room. Further, in young family households, the expenditure for a larger apartment with a secondary bathroom is not always worthwhile, given that these households are often seeking to save money and simply require the basics of two bedrooms, and are pleased to share a bath if it means spending materially less on rent. We have included, however, a larger two-bedroom unit featuring two bathrooms for households that require these facilities. The two-bedroom homes range from an average of 1,000 square feet for the one-bathroom type to 1,200 square feet for the two-bathroom type. Our recommended rental unit mix is outlined in the following tables.

TABLE 126

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED RENTS - PHASE 1b OLF8 SITE, PENSACOLA MID-LINE RENTS AS OF JULY 2020						
Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Monthly Rent	Average Monthly Rent PSF	Average Monthly Rent PSF
One Bedroom / 1 Bath + Den	20	20%	875	$1,600	$1.83	$21.94
Two Bedrooms / 1 Bath + Den	20	20%	1,000	$1,800	$1.80	$21.60
Two Bedrooms / 2 Baths + Den	60	60%	1,200	$2,100	$1.75	$21.00
Total / Wt. Avg.	**100**	**100%**	**1,095**	**$1,940**	**$1.78**	**$21.31**

Source: Weitzman Associates, LLC.

TABLE 127

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED RENTS - PHASE 2b OLF8 SITE, PENSACOLA MID-LINE RENTS AS OF JULY 2020						
Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Monthly Rent	Average Monthly Rent PSF	Average Monthly Rent PSF
One Bedroom / 1 Bath + Den	20	20%	875	$1,600	$1.83	$21.94
Two Bedrooms / 1 Bath + Den	20	20%	1,000	$1,800	$1.80	$21.60
Two Bedrooms / 2 Baths + Den	60	60%	1,200	$2,100	$1.75	$21.00
Total / Wt. Avg.	**100**	**100%**	**1,095**	**$1,940**	**$1.78**	**$21.31**

Source: Weitzman Associates, LLC.

We have recommended that the rental units range in rent between an average of $1,600 among the one-bedroom apartments to an average of $2,100 among the larger two-bedroom units. Overall, the units are positioned at an average of approximately $1,940 per month, or $21.31 per square foot per year. The recommended rents are affordable on average for households earning between $64,000 and $84,000 annually.

The rents assume the inclusion of one surface parking space per unit. A second parking space could be rented to tenants at the cost of $25 per space per month after stabilization. This remains quite reasonable in the market, yet creates additional revenue derived from many of the apartments that will require more parking spaces than the allocation. The competition in this area generally does not charge for surface parking, and thus, the notion of paying extra for parking may cause some resistance during lease-up. These rents are also recommended as being representative of an average view from an average floor height in the building. Units with better or worse views will achieve commensurate higher or lower rents than the average we have recommended. Overall, the average rents should be utilized for underwriting purposes until such a time as the building is designed, where a full rent model should be prepared to price every home based upon its unique characteristics.

Because we have communicated our rent recommendations in July 2020 dollars, we recommend underwriting quarterly rent increases beginning in the first quarter of occupancy at the rate of 0.75% per quarter through stabilization and continuing at 0.75% per quarter thereafter. While we also recommend, to be conservative, assuming a lease-up incentive equivalent to one-month free rent, we note that it may be possible to avoid offering this at all or only on some units that prove to be more challenging to lease.

These recommended rents are well-positioned in the market, and supported by our demographic analysis, as well as the success of comparable apartment communities in the market. We believe these rents are achievable and very marketable given the product we have recommended and access to employment and highway transportation. The project should be well-received by the market as a good value option, accessibly priced while still providing a new and quality housing option. Our demand analysis indicates that the rents are supportable with the income levels that exist in the market.

Affordability

We have performed an analysis of the affordability of the recommended unit mix and rents for the loft rental apartments at the OLF8 site, which is summarized in the following table. Our analysis assumes that 30% of a household's gross income is dedicated to rent, although this is conservative because many rental properties are likely to allow a tenant to rent an apartment that costs as much as 40% of their gross household income. This affordability analysis demonstrates that the average recommended rental apartment unit should be affordable for households earning approximately $77,600 annually. The least expensive units would be affordable for households earning $64,000 on average, while the most expensive homes would be affordable for households earning $84,000 on average. The affordability analysis presents an estimate by unit type of the minimum income necessary to comfortably afford to rent an apartment at the project.

TABLE 128

AFFORDABILITY COMPARISON
PROPOSED LOFT APARTMENT UNIT MIXES
OLF8 SITE

	1 BR / 1 BA	2 BR / 1BA	2 BR / 2 BA	Average
Average Unit Sq. Ft.	875	1,000	1,200	1,095
Average Rent PSF	$1.83	$1.80	$1.75	$1.77
Overall Average Monthly Rent	$1,600	$1,800	$2,100	$1,940
Total Annual Housing Payment	$19,200	$21,600	$25,200	$23,280
Required Annual Income [1]	$64,000	$72,000	$84,000	$77,600

Source: Weitzman Associates, LLC

Assumptions:

[1] Required Annual Income assumes 30% of pre-tax income is devoted to housing

Rental Apartment Design, Amenities, and Services

The project design should allow for easy phasing of construction and lease-up, with tightly programmed outdoor green and recreation spaces interspersed between the residential structures, and the buildings designed to allow for the maximum number of residential units to face the natural areas of the site. We have noted that at Pensacola Grand, the fastest units to lease have been those that do not face another building, and instead have exposure to either the swimming pool and retention pond, or the wooded border of the site. Due to the size of the OLF8 site, we firmly believe this represents an opportunity to orient the residential buildings towards open view exposures as much as possible, providing both privacy and a pleasant view.

The architectural style should be derived from the type of architecture found in historic buildings throughout the region, but with a more contemporary use of stone and wood on the exterior. By no means should the project be designed with very traditional architecture, such as that which is prevalent at the nearby new garden-style apartment communities. Generally, each residential building's design should include a convenient location for a resident to pull a car near to an entry to the building, and load and unload groceries or packages.

Given the phased nature of the project and the scale of the residential offering, we believe the development of a central clubhouse facility would be provide a focal point for amenities and service. While we recommend using electronic key fobs to enter each residential building, and to access facilities throughout the property, there should be residential services available in the clubhouse during normal business hours and on weekends at the leasing center. We recommend that each residential building feature a lobby attendant during two shifts per day, allowing for residents to have access to lobby service during peak times as well as during the evening hours. While some may not deem this service to be necessary, this feature would enhance the marketability of each building where it was provided, prospectively supporting higher prices and rents, as well as absorption. The lobby attendant should have a direct line of sight to all key points of security, most importantly the front door and the elevators of each building. Out of sight of the main lobby of each residential building should be the mail room with shredder, a Luxer (or similar) automated package room, and cold storage. Each residential building will require on-site management available to handle the day-to-day management of the property and the staff, although there should also be a central master association office handling oversight of the entire development's care and maintenance. The management office for each larger residential building should be located at the ground floor within close proximity to the lobby area, and leasing staff for any rental apartment building can be housed along with the management team. A double door entry vestibule should be accessible with electronic key fob during times that the lobby attendant is not on duty.

Each residential building should include its own private amenities to include a resident lounge and co-working environment with adjacent outdoor entertaining space, and a spacious gym. This lounge should feature a private board room with serving counter, several small private work rooms with four-topper tables, wireless printing, and a Starbuck's coffee center.

There should be a large resort style swimming pool with four outdoor kitchens, and mature landscaping. Two of the outdoor kitchens could be located alternatively on a rooftop amenity terrace. The pool environment should feature multiple types of outdoor seating, a double-sided monumental fireplace (not a fire pit) so that different groups of people can sit on either side of it without impeding on each other's space, and an outdoor cabana with covered lounge seating groups, outdoor television, and serving counter that can be reserved for private events.

A spacious gym, ideally two levels with a double-height area, should open onto the pool environment, and there should be a children's playroom located adjacent to the gym with direct visibility between the two areas.

The size of the OLF8 site represents an important consideration in planning the site, and extracting value from this space for marketing purposes. The greenspace could incorporate a combination of recreational fields, although these types of spaces often appear harsh and empty when not in use. We note that Pensacola Grand has an outdoor recreational complex on one entire side of the property, with chain link fencing, bleachers, and lighting. It is not appealing.

Rental Apartment Unit Finishes and Features

We recommend including the laundry appliances in each apartment, as the absence of this inclusion in the market is without merit. We believe something as simple as the inclusion of laundry appliances in the rent will be perceived as part of the service culture of the building, driving demand.

We are recommending ceiling heights starting at 9'0" for the rental apartments. Some select units may feature higher ceilings, in key locations within each building that provide for expansive views. We recommend that all entry and interior doorways be 8'0" in height, and that the entry to each home is recessed from the corridor into a lighted niche. All units should be entered utilizing electronic key fob rather than a metal key, which is less secure. The apartments should include vinyl plank flooring in all living areas, including bedrooms. Baths should include porcelain large format tile throughout, with matching tub and shower surrounds. Italian-manufactured flat panel wood veneer and lacquer cabinetry, and stone counters should be included throughout the apartments and condominiums, with ¾" thick counters in the apartments. Stainless steel appliances by Whirlpool or similar should be included throughout the residential offerings.

Combination tubs and showers should be provided in all secondary baths, as well as in larger one-bedrooms and two-bedroom / one-bath homes where young children will sometimes reside. The studio apartments and smaller one-bedroom units should feature a shower stall only. Linen closets should be provided near to every bath.

Surface mounted light fixtures throughout the home are sufficient, and recessed lighting is not necessary. Leviton rocker panel switches with dimmers in entertaining spaces should be provided as the standard switching mechanism.

Our programmatic guidelines and interior finish recommendations are summarized in the following tables

TABLE 129

PROGRAMMATIC GUIDELINES - RENTAL							
Phase	Product Type	Count	Configuration	Outdoor Space	Main Level Ceilings	Elevator	Shared Pool, Gym, Amenities
1a	Conventional Rental Apartments	200	3-Story	Balconies, except Studio and Sm. 1 BR	9'0	X	
2a	Conventional Rental Apartments	200	3-Story	Balconies, except Studio and Sm. 1 BR	9'0	X	
3a	Conventional Rental Apartments	200	3-Story	Balconies, except Studio and Sm. 1 BR	9'0	X	
4a	Conventional Rental Apartments	300	3-Story	Balconies, except Studio and Sm. 1 BR	9'0	X	
1b	Loft Aparments	100	3-Story Over Retail, Through-Units	Large balconies or terraces	10'6"	X	
2b	Loft Aparments	100	3-Story Over Retail, Through-Units	Large balconies or terraces	10'6"	X	

Source: Weitzman Associates, LLC

WEITZMAN
Real Estate Consultants

TABLE 130

INTERIOR FINISHES - RENTAL									
Phase	Product Type	Count	Flooring	Kitchen Cabinetry	Appliances	Plumbing Fixtures	Bathroom Finishes	Closets	Lighting
1a	Conventional Rental Apartments	200	Engineered vinyl plank	Textured Melamine	GE/Whirlpool, Stainless	Moen or American Standard	Porcelain tile, 3/4" quartz, tub/shower in one-bath homes, walk-in shower in Studios and all second baths.	Adjustable white wire system on wall-mounted tracks	Surface mounted fixtures and switched outlets. Levitan rocker panel switches with dimmer.
2a	Conventional Rental Apartments	200	Engineered vinyl plank	Textured Melamine	GE/Whirlpool, Stainless	Moen or American Standard	Porcelain tile, 3/4" quartz, tub/shower in one-bath homes, walk-in shower in Studios and all second baths.	Adjustable white wire system on wall-mounted tracks	Surface mounted fixtures and switched outlets. Levitan rocker panel switches with dimmer.
3a	Conventional Rental Apartments	200	Engineered vinyl plank	Textured Melamine	GE/Whirlpool, Stainless	Moen or American Standard	Porcelain tile, 3/4" quartz, tub/shower in one-bath homes, walk-in shower in Studios and all second baths.	Adjustable white wire system on wall-mounted tracks	Surface mounted fixtures and switched outlets. Levitan rocker panel switches with dimmer.
4a	Conventional Rental Apartments	300	Engineered vinyl plank	Textured Melamine	GE/Whirlpool, Stainless	Moen or American Standard	Porcelain tile, 3/4" quartz, tub/shower in one-bath homes, walk-in shower in Studios and all second baths.	Adjustable white wire system on wall-mounted tracks	Surface mounted fixtures and switched outlets. Levitan rocker panel switches with dimmer.
1b	Loft Aparments	100	Engineered vinyl plank	Textured Melamine	GE/Whirlpool, Stainless	Moen or American Standard	Porcelain tile, 3/4" quartz, tub/shower in one-bath homes, walk-in shower in all second baths.	Adjustable white wire system on wall-mounted tracks	Surface mounted fixtures, or track lighting, and switched outlets. Levitan rocker panel switches with dimmer.
2b	Loft Aparments	100	Engineered vinyl plank	Textured Melamine	GE/Whirlpool, Stainless	Moen or American Standard	Porcelain tile, 3/4" quartz, tub/shower in one-bath homes, walk-in shower in all second baths.	Adjustable white wire system on wall-mounted tracks	Surface mounted fixtures, or track lighting, and switched outlets. Levitan rocker panel switches with dimmer.

Source: Weitzman Associates, LLC

Note: Brands are meant to illustrate quality level, and not a specific recommended brand of fixture or appliance.

Phasing and Absorption

Based upon our demand analysis, there appears to be sufficient market depth for rental apartment units developed at the site. We found that sufficient underlying market demand in the Primary Markey Area would support absorption of Phases 1a, 2a, and 3a conventional rental units at an average rate of 12.5 units per month. We project that each phase would take approximately 16 months to reach full lease-up. Based on this level of absorption, Phase 3 would take 24 months to reach full lease-up.

We recommend to start marketing the Loft Apartments approximately six months after the start of leasing for the Phase 1a rental units. The market should support the leasing of the Loft Apartments at a rate of 5.88 units per month and take 17 months to reach full lease-up.

Our phasing recommends that marketing for the next phase begins once the preceding phase is near or has reached stabilization. Therefore, we recommend launching Phase 2 rental units once Phase 1 has reached 79% lease-up. Given the compelling mixed use nature of the development, its scale, and its ability to phase construction and leasing, we believe that the project will be capable of capturing more than its fair share of rental demand. However, we believe that it is reasonable to be cautious about underwriting absorption pace at the recommended rent levels given that they are a premium to the existing product that exists in the immediate market area. It is our opinion that you should project absorption at a pace averaging six units per month over the life of the lease-up effort in all phases, recognizing that absorption will fluctuate with availability of selection, seasonality, and other factors. We also note that the lease rollover in initial phases of development will create competition for subsequent phases, and therefore the orchestration of the marketing and leasing program should be planned strategically by a qualified institutional-level leasing and management firm with experience on projects as large as the subject development. We recommend coming to market in the spring on a pre-leasing basis, and aggressively marketing during the months of April, May, June, July, and August.

<u>For-Sale Homes</u>

Unit Mix and Achievable Sale Prices

We have formulated recommended unit mixes for the for-sale components of OLF8 which are shown in the following tables and based upon a total for-sale offering of approximately 1,000 units. It is our opinion that this quantity of units developed on site would be readily absorbed by the market. As previously noted, the project would need to be massed to allow for sufficient open views, parking, vehicular access, and private outdoor space. We believe the site has a great opportunity to incorporate multiple types of for-sale homes with services and amenities that will make the project a unique offering in Pensacola.

We have distributed recommended unit mixes among a hypothetical 1,000 for-sale units, which is set forth for demonstration purposes. We believe that developing the for-sale component in three phases could be readily marketed and absorbed. Thus, the unit mix here could be extrapolated to a modestly smaller or larger project size. In our proposed mix, we have recommended 200 two-flat townhomes at an average of 2,040 square feet; 200 townhomes at an average of 1,750 square feet; 100 patio homes at an average of 1,600 square feet; 100 cottage homes at an average of 2,000 square feet; and 400 single-family homes at an average of 2,560 square feet.

Two-Flat Townhomes

The two-flat townhomes should be built in semi-attached, three-story configurations with undulating footprints and private outdoor areas. These units should feature an owner unit and a rental unit (investor unit). The owner unit should be a two-story space at grade and feature a rear yard and garage. The walk-up rental unit should be on the third story of the building. The two-flat townhomes should be designed to be converted into single-family townhomes if a buyer does not want (at the time of purchase or at a later date) to have the investor unit, and seeks instead to make this unit part of the living space. These types of homes appeal to a wide range of buyers, who seek the security of rental income to help pay their mortgage or to provide an income stream in retirement. Therefore, these types of units are appealing to both young families and retirees. The ability for a young family to grow into the investor unit by simply combining it into their living space provides for a compelling product. Our recommended unit mix, which accounts for the investor (rental) unit, includes a total of 120 two-bedroom two-bathroom owner / one-bedroom one-bathroom rental units at an average of 1,900 square feet, and 80 three-bedroom 2.5-bathroom owner / two-bedroom one-bathroom rental units at an average of 2,250 square feet. We have recommended the townhomes range in price between an average of $235,000 among the two-bedroom owner units to an average of $275,000 among the three-bedroom owner units. This recommended pricing is affordable for households earning between $60,213 and $70,621 annually. These prices are in July 2020 dollars. We recommend underwriting pricing increases of 2.0% annually beginning in 2021. The following tables summarize our recommended unit mix for the two-flat townhomes.

TABLE 131

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 1c
OLF8 SITE
MID-LINE ASKING PRICES AS OF JULY 2020

Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
2 BR / 2 Bath Owner, 1 BR / 1 BA Rental	60	60%	1,900	$235,000	$124
3 BR / 2.5 Bath Owner, 2 BR / 1 BA Rental	40	40%	2,250	$275,000	$122
Total / Wt. Avg.	**100**	**100%**	**2,040**	**$251,000**	**$123**

Source: Weitzman Associates, LLC.

TABLE 132

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 2c
OLF8 SITE
MID-LINE ASKING PRICES AS OF JULY 2020

Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
2 BR / 2 Bath Owner, 1 BR / 1 BA Rental	60	60%	1,900	$235,000	$124
3 BR / 2.5 Bath Owner, 2 BR / 1 BA Rental	40	40%	2,250	$275,000	$122
Total / Wt. Avg.	**100**	**100%**	**2,040**	**$251,000**	**$123**

Source: Weitzman Associates, LLC.

Townhomes

The townhomes should be built in semi-attached, two-story configurations with undulating footprints and private outdoor areas. Our recommended unit mix includes a total of 50 two-bedroom, two-bathroom units at an average of 1,400 square feet and 100 three-bedroom, 2.5 bathroom units at an average of 1,700 square feet. We have also recommended 50 four-bedroom three-bathroom units at an average of 2,200 square feet. We have recommended the townhomes range in price between an average of $180,000 among the two-bedroom units to an average of $260,000 among the four-bedroom units. Overall, the units are positioned at an average of approximately $215,000 or $123 per square foot per year. This recommended pricing is affordable for households earning between $45,788 and $67,205 annually. These prices are in July 2020 dollars. We recommend underwriting pricing increases of 2.0% annually beginning in 2021. The following tables summarize our unit mix recommendations for the townhomes.

TABLE 133

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 1d
OLF8 SITE
MID-LINE ASKING PRICES AS OF JULY 2020

Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
Two Bedrooms / 2 Bathrooms	25	25%	1,400	$180,000	$129
Three Bedrooms / 2.5 Bathrooms	50	50%	1,700	$210,000	$124
Four Bedrooms / 3 Bathrooms	25	25%	2,200	$260,000	$118
Total / Wt. Avg.	**100**	**100%**	**1,750**	**$215,000**	**$123**

Source: Weitzman Associates, LLC.

TABLE 134

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 2d
OLF8 SITE, PENSACOLA
MID-LINE ASKING PRICES AS OF JULY 2020

Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
Two Bedrooms / Two Bathrooms	25	25%	1,400	$165,000	$118
Three Bedrooms / 2.5 Bathrooms	50	50%	1,700	$195,000	$115
Four Bedrooms / Three Bathrooms	25	25%	2,200	$245,000	$111
Total / Wt. Avg.	**100**	**100%**	**1,750**	**$200,000**	**$115**

Source: Weitzman Associates, LLC.

Patio Homes

We have recommended 100 patio homes with front-yard maintenance covered by their HOA fees. These homes should be semi-detached 1.5 story configurations with an undulating footprint and private patio areas. We have recommended 40 two-bedroom two-bathroom homes at an average of 1,300 square feet and 60 three-bedroom three bathroom homes at an average of 1,800 square feet. We have recommended that the serviced patio homes range in price between an average of $195,000 among the two-bedroom homes to an average of $250,000 among the three-bedroom homes. Overall, these homes are positioned at an average of approximately $228,000 or $143 per square foot per year. This recommended pricing is affordable on average for households earning between $48,304 to $62,728 annually. These prices are in July 2020 dollars. We recommend underwriting price increases of 2.0% annually beginning in 2021. The following table summarizes our unit mix recommendations for the serviced patio homes.

TABLE 135

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 1e OLF8 SITE MID-LINE ASKING PRICES AS OF JULY 2020					
Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
Two Bedrooms / Two Bathrooms	40	40%	1,300	$195,000	$150
Three Bedrooms / Three Bathrooms	60	60%	1,800	$250,000	$139
Total / Wt. Avg.	**100**	**100%**	**1,600**	**$228,000**	**$143**

Source: Weitzman Associates, LLC.

Cottages

We have recommended 100 cottage homes which should be built in detached two- to three-story configurations in small lots that back up to natural areas and feature private rear exposures and a private entrance. Our recommendations include 25 two-bedroom 2.5 bathroom homes for an average of 1,600 square feet; 50 three-bedroom 3.5 bathroom homes for an average of 2,000 square feet; and 25 four-bedroom 4.5 bathroom homes for an average of 2,400 square feet. We have recommended the cottages range in price from $250,000 for the two-bedroom homes to $325,000 for the four-bedroom homes. Overall, the cottages are positioned at an average of $291,250 or $147 per square foot per year. This recommended pricing is affordable on average for households earning between $61,528 to $81,907 annually. These prices are in July 2020 dollars. We recommend underwriting pricing increases of 2.0% annually beginning in 2021.

TABLE 136

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 1f OLF8 SITE MID-LINE ASKING PRICES AS OF JULY 2020					
Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
Three Bedrooms / 2.5 Bathrooms	25	25%	1,600	$250,000	$156
Three Bedrooms / 3.5 Bathrooms	50	50%	2,000	$295,000	$148
Four Bedrooms / 3.5 Bathrooms	25	25%	2,400	$325,000	$135
Total / Wt. Avg.	**100**	**100%**	**2,000**	**$291,250**	**$147**

Source: Weitzman Associates, LLC.

Single-Family Homes

The single-family homes are the most luxurious offering at the OLF8 project. These homes should be detached two-story configurations on 10,000 to 20,000 square foot lots that provide private outdoor space and if possible, private rear exposures. Our single-family home recommendations consists of four-unit types. We have recommended 100 three-bedroom 2.5-bathroom homes at an average of 1,800 square feet; 120 three-bedroom 2.5-bathroom homes at an average of 2,200 square feet; 140 four-bedroom 3.5-bathroom homes at an average of 3,000 square feet, and 40 five-bedroom 3.5-bathroom homes at an average of 4,000 square feet. We have recommended the single-family homes range in price between an average of $275,000 for the smallest three-bedroom homes to $525,000 for the five-bedroom homes. Overall, the single-family homes are positioned at an average of $364,000 or $144 per square foot per year. This recommended pricing is affordable on average for households earning between $67,921 and $133,049 annually. These prices are in July 2020 dollars. We recommend underwriting pricing increases of 2.0% annually beginning in 2021.

We note that the average recommended pricing should be utilized for underwriting purposes until such a time as the units are designed, where a full pricing model should be prepared for every home based upon its unique characteristics. The following tables summarize the unit mixes and pricing for the townhomes and single-family homes.

TABLE 137

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 1g
OLF8 SITE
MID-LINE ASKING PRICES AS OF JULY 2020

Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
Three Bedroom / 2.5 Bathrooms	25	25%	1,800	$275,000	$153
Three Bedrooms / 2.5 Bathrooms	30	30%	2,200	$325,000	$148
Four Bedrooms / 3.5 Bathrooms	35	35%	3,000	$415,000	$138
Five Bedrooms / 3.5 Bathrooms	10	10%	4,000	$525,000	$131
Total / Wt. Avg.	**100**	**100%**	**2,560**	**$364,000**	**$144**

Source: Weitzman Associates, LLC.

TABLE 138

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 2e
OLF8 SITE
MID-LINE ASKING PRICES AS OF JULY 2020

Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
Three Bedroom / 2.5 Bathrooms	25	25%	1,800	$275,000	$153
Three Bedrooms / 2.5 Bathrooms	30	30%	2,200	$325,000	$148
Four Bedrooms / 3.5 Bathrooms	35	35%	3,000	$415,000	$138
Five Bedrooms / 3.5 Bathrooms	10	10%	4,000	$525,000	$131
Total / Wt. Avg.	**100**	**100%**	**2,560**	**$364,000**	**$144**

Source: Weitzman Associates, LLC.

TABLE 139

WEITZMAN'S RECOMMENDED UNIT MIX AND PROJECTED PRICING - PHASE 3b
OLF8 SITE
MID-LINE ASKING PRICES AS OF JULY 2020

Unit Type	# of Units	Unit Mix	Avg. Sq. Ft.	Average Asking Price	Average Asking Price PSF
Three Bedroom / 2.5 Bathrooms	50	25%	1,800	$275,000	$153
Three Bedrooms / 2.5 Bathrooms	60	30%	2,200	$325,000	$148
Four Bedrooms / 3.5 Bathrooms	70	35%	3,000	$415,000	$138
Five Bedrooms / 3.5 Bathrooms	20	10%	4,000	$525,000	$131
Total / Wt. Avg.	**200**	**100%**	**2,560**	**$364,000**	**$144**

Source: Weitzman Associates, LLC.

Affordability

We have performed an analysis of the affordability of the recommended unit mix and pricing for the for-sale units at the OLF8 project, which are summarized in the following tables. Our analysis assumes that purchasers will make a 25% down payment and finance their purchase with a 30-year fixed conservative interest rate. The real estate taxes are estimated to be 1.4% of the purchase price and Homeowners Association Fees are estimated to be $0.15 per square foot per month. Our income requirements assume 30% of a household's gross income is dedicated to housing costs. This affordability analysis demonstrates that the least expensive for-sale units would be affordable for households earning $45,788 on average, while the most expensive homes would be affordable for households earning $133,049 on average. The affordability analysis presents an estimate by unit type of the minimum income necessary to comfortably purchase a home at the OLF8 project. The following tables present our affordability analysis for every recommended type of for-sale product at OLF8.

TABLE 140

TWO-FLAT TOWNHOMES
AFFORDABILITY ANALYSIS AS OF JULY 2020

	Two Bedrooms / Two Bathrooms	Three Bedrooms / 2.5 Bathrooms	Average
Average Unit Sq. Ft.	1,900	2,250	2,040
Average Price per Sq. Ft.	$124	$122	$123
Overall Average Price	$235,000	$275,000	$251,000
Mortgage Percentage	75%	75%	75%
Amount of Mortgage	$176,250	$206,250	$188,250
Assumed Interest Rate	5.00%	5.00%	5.00%
Projected Monthly Mortgage	$946	$1,107	$1,011
Real Estate Taxes	$274	$321	$293
HOA Maintenance	$285	$338	$306
Total Monthly Housing Payment	$1,505	$1,766	$1,609
Total Annual Housing Payment	$18,064	$21,186	$19,313
Required Annual Income	$60,213	$70,621	$64,376

Source: Weitzman Associates, LLC

Assumptions:
1) Downpayment is assumed to be 25%
2) Financing is assumed to be 30-year fixed, conservative interest rate
3) Real Estate Taxes are estimated to be 1.4% of purchase price.
4) Homeowners Association Fees are estimated to be $0.15 psf per month
5) Required Annual Income assumes 30% of pre-tax income is devoted to housing

TABLE 141

TOWNHOMES AFFORDABILITY ANALYSIS AS OF JULY 2020				
	Two Bedrooms / Two Bathrooms	Three Bedrooms / 2.5 Bathrooms	Four Bedrooms / Three Bathrooms	Average
Average Unit Sq. Ft.	1,400	1,700	2,200	1,750
Average Price per Sq. Ft.	$129	$124	$118	$123
Overall Average Price	$180,000	$210,000	$260,000	$215,000
Mortgage Percentage	75%	75%	75%	75%
Amount of Mortgage	$135,000	$157,500	$195,000	$161,250
Assumed Interest Rate	5.00%	5.00%	5.00%	5.00%
Projected Monthly Mortgage	$725	$845	$1,047	$866
Real Estate Taxes	$210	$245	$303	$251
HOA Maintenance	$210	$255	$330	$875
Total Monthly Housing Payment	$1,145	$1,345	$1,680	$1,991
Total Annual Housing Payment	$13,737	$16,146	$20,162	$23,897
Required Annual Income	$45,788	$53,820	$67,205	$79,658

Source: Weitzman Associates, LLC

Assumptions:

1) Downpayment is assumed to be 25%
2) Financing is assumed to be 30-year fixed, conservative interest rate
3) Real Estate Taxes are estimated to be 1.4% of purchase price.
4) Homeowners Association Fees are estimated to be $0.15 psf per month
5) Required Annual Income assumes 30% of pre-tax income is devoted to housing

TABLE 142

PATIO HOMES AFFORDABILITY ANALYSIS AS OF JULY 2020	Two Bedrooms / Two Bathrooms	Three Bedrooms / 2.5 Bathrooms	Average
Average Unit Sq. Ft.	1,300	1,800	1,600
Average Price per Sq. Ft.	$150	$139	$143
Overall Average Price	$195,000	$250,000	$228,000
Mortgage Percentage	75%	75%	75%
Amount of Mortgage	$146,250	$187,500	$171,000
Assumed Interest Rate	5.00%	5.00%	5.00%
Projected Monthly Mortgage	$785	$1,007	$918
Real Estate Taxes	$228	$292	$266
HOA Maintenance	$195	$270	$240
Total Monthly Housing Payment	$1,208	$1,568	$1,424
Total Annual Housing Payment	$14,491	$18,818	$17,088
Required Annual Income	$48,304	$62,728	$56,959

Source: Weitzman Associates, LLC

Assumptions:

1) Downpayment is assumed to be 25%
2) Financing is assumed to be 30-year fixed, conservative interest rate
3) Real Estate Taxes are estimated to be 1.4% of purchase price.
4) Homeowners Association Fees are estimated to be $0.15 psf per month
5) Required Annual Income assumes 30% of pre-tax income is devoted to housing

TABLE 143

COTTAGES AFFORDABILITY ANALYSIS AS OF JULY 2020	Three Bedrooms / 2.5 Bathrooms	Three Bedrooms / 3.5 Bathrooms	Four Bedrooms / 3.5 Bathrooms	Average
Average Unit Sq. Ft.	1,600	2,000	2,400	2,000
Average Price per Sq. Ft.	$156	$148	$135	$146
Overall Average Price	$250,000	$295,000	$325,000	$291,250
Mortgage Percentage	75%	75%	75%	75%
Amount of Mortgage	$187,500	$221,250	$243,750	$218,438
Assumed Interest Rate	5.00%	5.00%	5.00%	5.00%
Projected Monthly Mortgage	$1,007	$1,188	$1,309	$1,173
Real Estate Taxes	$292	$344	$379	$340
HOA Maintenance	$240	$300	$360	$300
Total Monthly Housing Payment	$1,538	$1,832	$2,048	$1,812
Total Annual Housing Payment	$18,458	$21,983	$24,572	$21,749
Required Annual Income	$61,528	$73,275	$81,907	$72,496

Source: Weitzman Associates, LLC

Assumptions:

1) Downpayment is assumed to be 25%
2) Financing is assumed to be 30-year fixed, conservative interest rate
3) Real Estate Taxes are estimated to be 1.4% of purchase price.
4) Homeowners Association Fees are estimated to be $0.15 psf per month
5) Required Annual Income assumes 30% of pre-tax income is devoted to housing

TABLE 144

SINGLE-FAMILY AFFORDABILITY ANALYSIS AS OF JULY 2020	Two Bedrooms / Two Bathrooms	Three Bedrooms / Three Bathrooms	Four Bedrooms / Four Bathrooms	Five Bedrooms / Four Bathrooms	Average
Average Unit Sq. Ft.	1,800	2,200	3,000	4,000	2,200
Average Price per Sq. Ft.	$153	$148	$138	$131	$132
Overall Average Price	$275,000	$325,000	$415,000	$525,000	$290,000
Mortgage Percentage	75%	75%	75%	75%	75%
Amount of Mortgage	$206,250	$243,750	$311,250	$393,750	$217,500
Assumed Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%
Projected Monthly Mortgage	$1,107	$1,309	$1,671	$2,114	$1,168
Real Estate Taxes	$321	$379	$484	$613	$338
HOA Maintenance	$270	$330	$450	$600	$330
Total Monthly Housing Payment	$1,698	$2,018	$2,605	$3,326	$1,836
Total Annual Housing Payment	$20,376	$24,212	$31,260	$39,915	$22,031
Required Annual Income	$67,921	$80,707	$104,201	$133,049	$73,437

Source: Weitzman Associates, LLC

Assumptions:
1) Downpayment is assumed to be 25%
2) Financing is assumed to be 30-year fixed, conservative interest rate
3) Real Estate Taxes are estimated to be 1.4% of purchase price.
4) Homeowners Association Fees are estimated to be $0.50 psf per month
5) Required Annual Income assumes 30% of pre-tax income is devoted to housing

For-Sale Unit Finishes and Features

The townhomes and single-family homes should have ceiling heights of at least 9'. The townhomes should have rear patio areas with adjoining yard space and the single-family homes should have large outdoor spaces suitable for setting up a swing set or other types of play areas for children. We are recommending all of the for-sale units feature either engineered vinyl plank or engineered wood plank flooring throughout the living areas and bedrooms and stone or porcelain tile in the bathrooms, 1-1/4" quartz or natural stone countertops, kitchen islands with bar seating, and stainless steel appliances. Laundry rooms should be included in every home and ceiling fans should be included in every bedroom.

Limited millwork throughout each home is important, but should be basic. Base molding and trim can be designed in a simple, contemporary style that is relatively inexpensive when manufactured out of MDF, although it makes the appropriate impression inside of the home. It is important for the market to feel that each room was considered fully in the design process, and that even understated finish details were thought through. The market must feel that the project offers value in quality for the price. Inexpensive features that contribute to an overall impression of quality can go a long way toward achieving maximum pricing and absorption.

Dual sink vanities and separate tubs and showers should be provided in all master bathrooms. Combination tubs and showers and single sink vanities can be provided in all secondary baths. Linen closets should be provided near to every bathroom. Walk-in closets should be provided in every master bedroom.

Surface mounted light fixtures throughout the home are sufficient, and recessed lighting is not necessary. Leviton rocker panel switches with dimmers in entertaining spaces should be provided as the standard switching mechanism. The following tables summarize our programmatic and unit finish guidelines for the for-sale product at OLF8.

TABLE 145

PROGRAMMATIC GUIDELINES - FOR-SALE							
Phase	Product Type	Count	Configuration	Outdoor Space	Main Level Ceilings	Signing Privileges	Shared Pool, Gym, Amenities
1c	Two-Flat Townhomes	100	Detached 3-story with owner at grade and walk-up rental on top floor, garage	Rear yard	9'0"	X	
2c	Two-Flat Townhomes	100	Detached 3-story with owner at grade and walk-up rental on top floor, garage	Rear yard	9'0"	X	
1d	Townhomes	100	Semi-attached, 2-3 stories, slightly offfset. Main floor master suite.	Large private rear patios and adjoining yard space	9'0"	X	
2d	Townhomes	100	Semi-attached, 2-3 stories, slightly offfset. Main floor master suite.	Large private rear patios and adjoining yard space	9'0"	X	
1e	Serviced Patio Homes	100	Semi-attached, 1.5 stories, offset with private feeling entries. Main floor master suite	Large rear patios	9'6"	X	
1f	Cottages	100	Detached on small lots, 2-3 stories, backing up to natural areas. Main floor master suite.	Expansive outdoor garden and patio areas	9'6"	X	
1g	Single-Family	100	Detached on lots ranging from 10,000 sf to 20,000 sf that back up to natural areas, 2-3 stories. Main floor master suite.	Expansive outdoor garden and patio areas	10'0"	X	
2e	Single-Family	100	Detached on lots ranging from 10,000 sf to 20,000 sf that back up to natural areas, 2-3 stories. Main floor master suite.	Expansive outdoor garden and patio areas	10'0"	X	
3b	Single-Family	200	Detached on lots ranging from 10,000 sf to 20,000 sf that back up to natural areas, 2-3 stories. Main floor master suite.	Expansive outdoor garden and patio areas	10'0"	X	

Source: Weitzman Associates, LLC

Note: The two phaes of Two-Flat Townhomes are each 50 buildings, but each building has two units: one that is owned and occupied by the buyer, and a second that the buyer would rent out as an income-producing property.

TABLE 146

INTERIOR FINISHES - FOR-SALE									
Phase	Product Type	Count	Flooring	Kitchen Cabinetry	Appliances	Plumbing Fixtures	Bathroom Finishes	Closets	Lighting
1c	Two-Flat Townhomes	100	Engineered vinyl plank	Lacquer and Veneer	KitchenAid or LG	Kohler	Porcelain tile, 1-1/4" quartz, five fixture master baths, walk-in shower only in second baths.	Shelf and Rod	Surface mounted fixtures, plus limited recessed lighting in select locations. Switched outlets. Levitan rocker panel switches with dimmer.
2c	Two-Flat Townhomes	100	Engineered vinyl plank	Lacquer and Veneer	KitchenAid or LG	Kohler	Porcelain tile, 1-1/4" quartz, five fixture master baths, walk-in shower only in second baths.	Shelf and Rod	Surface mounted fixtures, plus limited recessed lighting in select locations. Switched outlets. Levitan rocker panel switches with dimmer.
1d	Townhomes	100	Engineered vinyl plank	Lacquer and Veneer	KitchenAid or LG	Kohler	Porcelain tile, 1-1/4" quartz, five fixture master baths, walk-in shower only in second baths.	Shelf and Rod	Surface mounted fixtures, plus limited recessed lighting in select locations. Switched outlets. Levitan rocker panel switches with dimmer.
1g	Single-Family	100	Engineered wood plank	Lacquer and Veneer	Bosch or Dacor	Kohler	Stone tile in Master Baths, 1-1/4" natural stone or quartz in all baths, five fixture master baths, walk-in shower only in second baths.	Shelf and Rod	Surface mounted fixtures, plus recessed lighting in select locations for pathway lighting and art walls. Switched outlets. Levitan rocker panel switches with dimmer.
2e	Single-Family	100	Engineered wood plank	Lacquer and Veneer	Bosch or Dacor	Kohler	Stone tile in Master Baths, 1-1/4" natural stone or quartz in all baths, five fixture master baths, walk-in shower only in second baths.	Shelf and Rod	Surface mounted fixtures, plus recessed lighting in select locations for pathway lighting and art walls. Switched outlets. Levitan rocker panel switches with dimmer.
3b	Single-Family	200	Engineered wood plank	Lacquer and Veneer	Bosch or Dacor	Kohler	Stone tile in Master Baths, 1-1/4" natural stone or quartz in all baths, five fixture master baths, walk-in shower only in second baths.	Shelf and Rod	Surface mounted fixtures, plus recessed lighting in select locations for pathway lighting and art walls. Switched outlets. Levitan rocker panel switches with dimmer.

Source: Weitzman Associates, LLC

Note: Brands are meant to illustrate quality level, and not a specific recommended brand of fixture or appliance.

Note: The two phaes of Two-Flat Townhomes are each 50 buildings, but each building has two units: one that is owned and occupied by the buyer, and a second that the buyer would rent out as an income-producing property.

For-Sale Amenities

As shown in our programmatic guidelines, we have recommended that the two-flat townhomes and regular townhomes have access to their own amenity area. For the remainder of the for-sale units, we have recommended two dedicated amenity areas for the serviced patio homes, cottages, and single-family homes. The serviced patio homes and cottages should share an amenity area and the single-family homes should share a premium residential amenity offering.

The two-flat townhomes and regular townhomes will share a central clubhouse, swimming pool, and gym complex, sized appropriately for the scale of the townhome components.

The serviced patio homes and cottages will similarly share a private swimming pool environment, plus a gym and an indoor/outdoor clubhouse and lounge facility that is sized appropriately for the scale of the townhome components.

The single-family homes will share a private swimming pool environment, a gym, and an indoor/outdoor clubhouse and lounge facility. We recommend that the single-family amenity facilities are designed to a higher level of luxury than the other amenity programs found throughout the residential components.

For-Sale Absorption

Based upon our demand analysis, there appears to be sufficient market depth for for-sale units developed at the OLF8 site. We found that sufficient underlying market demand in the market area would support the absorption of the Phase 1c two-flat townhomes and regular Phase 1d townhomes at an average rate of 3.57 and 3.03 units per month, respectively. Phase 1e of the serviced patio homes should be absorbed at a rate of 2.78 units per month. The Phase 1f cottages and Phase 1g single-family homes should be absorbed at rates of 2.63 and 2.5 units per month, respectively. We have projected that Phases 1 will take 81 months of marketing to be fully absorbed.

We recommend to start marketing Phase 2 homes once Phase 1 is approximately 50% sold. Similarly, marketing for Phase 3 should not begin until Phase 1 80% sold and Phase 2 is 50% sold.

Given the compelling mixed use nature of the project, its scale, and its ability to phase construction and sales, we believe that the project will be capable of capturing more than its fair share of market demand. However, we believe that it is reasonable to remain cautious about underwriting absorption pace at the recommended pricing levels given that they are a premium to existing product in the immediate market area. It is our opinion that you should project absorption of the for-sale units at a pace of 3.7 units per month over the life of the sell-out effort in all phases, recognizing that absorption will fluctuate with availability of selection, seasonality, and other factors. We recommend coming to market in the spring on a pre-sale basis and aggressively marketing during the months of April, May, June, July, and August.

CONCLUSION

As summarized in this report, Weitzman is optimistic that the OLF8 master plan could result in a thriving, mixed-use development that creates a new, special locale within Escambia County. Regionally, the County is growing, and has numerous competitive advantages over other markets. The critical opportunity presented by OLF8 is that it is a blank slate, a "tabula rasa," that can be fully conceptualized from scratch. Furthermore, there is enough land available to implement a master plan with flexible zoning such that the County can "test the market" and change course should certain components of the development (the commerce park, in particular) fail to meet expectations. The quality of the planning effort to define the project will be of critical importance, as will be the curation of retail spaces to ensure that the most compelling tenant mix is achieved, rather than the tenant mix simply willing to pay the highest rent levels. As stated previously, the implementation of the "agrihood" concept will be important in order to create an authentic, locally-inspired brand for OLF8.

Ultimately, we believe that the OLF8 site has the potential to house a broad array of people, both those who already live in Escambia County, and others who may be compelled to move there for a variety of reasons. While the office and industrial components of the development are more speculative, the site's sheer size presents a compelling opportunity that the County can market to end-users who desire custom-built space in a location that would appeal to their workers. An omnichannel marketing effort is crucial to achieve this goal, as is the County's undertaking of installing infrastructure on the site and providing tax incentives to attract businesses.

We recommend completing updates to this marketability study once the master planning effort has determined the basic features of the site, and there is greater clarity on the allowable density to be developed. We also recommend updates as the actual development proceeds, in order to refine the projected development scope, product features and achievable revenue. We look forward to the potential to continue our work with you and other stakeholders in this project, and to seeing the culmination of your efforts to facilitate this exciting development initiative.

WEITZMAN
Real Estate Consultants

ADDENDA

WEITZMAN
Real Estate Consultants

EXHIBIT A

BASIC ASSUMPTIONS AND LIMITING CONDITIONS

BASIC ASSUMPTIONS AND LIMITING CONDITIONS

This report has been solely prepared for the client identified in the letter of transmittal and throughout the report. It is to be expressly utilized by the client for the purposes so stated, and no reliance is to be placed on this report for any other purposes. This report may not be utilized in conjunction with any securitized transaction without the express permission of Weitzman Associates, LLC. The rights to any information contained in this report, unless furnished by outside sources, are exclusively those of Weitzman Associates, LLC. This report must be read in its entirety and neither all nor portions of this report may be reproduced, published or shown to other parties without the express written authorization of Weitzman Associates, LLC.

This marketability assessment was conducted between May and July 2020.

The date to which the opinions expressed in this report apply is set forth in the letter of transmittal. The signatories assume no responsibility for economic or physical factors occurring at some later date, which may affect the opinions herein stated. Any aberrations and/or dramatic changes of prevailing economic conditions as of the date of analysis may impact our conclusions.

No opinion is intended to be expressed for legal matters or those that would require specialized investigation or knowledge beyond that ordinarily employed by the real estate profession, although such matters may be discussed in the report.

Data relative to the size of the units were taken from sources considered reliable. Maps, plats, graphics and exhibits if included herein, are for illustration purposes only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.

The signatories of this report represent that they have no current or contemplated interest in any properties within the market study area covered by this report.

The rendering of this report does not presume the right of expert testimony or attendance in court or at any other hearing, unless financial, scheduling and other arrangements are made therefore a reasonable time in advance by mutual written agreement. All fees and costs (at the customary rates charged by Weitzman Associates, LLC for litigation and non-litigation services) for any such attendance or other participation as an expert or in court, at any hearing or in connection with any discovery related to this report or the services provided by Weitzman Associates, LLC hereunder shall be paid by the client herein identified if and to the extent same shall not be fully paid by any other person or entity.

Disclosure of the contents of this market study report and/or its use is governed by the Bylaws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report especially any conclusions, the identity of the consultants or firm with which they are connected, or any reference to the Appraisal Institute or the MAI designation shall be disseminated to the public through advertising media, public relations media, sales media, news media, or any other public means of communication without the prior written consent and approval of the consultants. As previously mentioned, this document may not be utilized for any reporting in conjunction with a securitization transaction without the express written permission of Weitzman Associates, LLC.

This report constitutes a complete report, transmitted in summary report format and complies with The Uniform Standards of Professional Practice of The Appraisal Foundation for a complete report. This study has been prepared in conformity with and subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. As a summary report, this report does not include full discussions of the data, reasoning, and analyses that were used in the study's process to develop the consultant's opinions. Full documentation has been retained in our files.

The marketability analysis was conducted by Peter T. Bazeli, Joshua Levitt, Catherine Tam, Peter Carle, Giovanni Wrobel, and Michael Merwin between May and July 2020.

EXHIBIT B

CERTIFICATION OF CONSULTANTS

CERTIFICATION OF CONSULTANTS

We hereby certify that Weitzman Associates, LLC was engaged to undertake a marketability study for the proposed development at the OLF8 Site in Beulah, Florida.

Neither Weitzman Associates, LLC nor we have any present or contemplated future interest in the real estate in any of the markets that have been analyzed in this report.

We have no personal interest or bias with respect to the subject matter of the report or the parties involved.

To the best of our knowledge and belief the statements of fact contained in this marketability study, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.

This marketability study report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analysis, opinions and conclusions contained in this report.

The marketability analysis was conducted by Peter T. Bazeli, Joshua Levitt, Catherine Tam, Peter Carle, Giovanni Wrobel, and Michael Merwin between May and July 2020.

Our fee for this marketability analysis is not contingent upon the conclusions reported or upon anything else other than the delivery of this report.

This marketability analysis has been made in conformity with and is subject to the requirements of The Uniform Standards of Professional Practice of The Appraisal Foundation. It is also subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

The Appraisal Institute conducts a program of continuing education for its designated members. Members who meet the minimum standards of this program are awarded periodic educational certification. As of the date of this report, Marilyn Kramer Weitzman has completed the requirements under the continuing educational program of the Appraisal Institute.

WEITZMAN ASSOCIATES, LLC

Peter T. Bazeli, MRICS
Principal and Managing Director

Catherine Tam
Vice President

Joshua Levitt
Vice President

Peter Carle
Senior Associate

Giovanni Wrobel
Senior Associate

Michael Merwin
Senior Associate

EXHIBIT C

QUALIFICATIONS OF THE CONSULTANT

PROFESSIONAL QUALIFICATIONS
PETER T. BAZELI, MRICS

EDUCATION:

Bradley University 1998

Foster College of Business Administration
Peoria, Illinois
Bachelor of Science degree
Concentration in Marketing

EMPLOYMENT:

WEITZMAN ASSOCIATES, LLC
New York, New York
Real Estate specialists providing advice and counsel to those engaged in evaluating, buying, selling, leasing, financing, or developing real estate.

Principal and Managing Director June 2016 – Present
Senior Vice President October 2004 – June 2016

DRAPER AND KRAMER, INCORPORATED
Chicago, Illinois
Privately-held real estate firm engaged in the acquisition, financing, development, and management of commercial and residential property nationwide.

Assistant Vice President 2000-2004
Responsibilities within the Development Group aiding in the acquisition, financing, development, and marketing of large-scale residential properties in Chicago, Miami and Boston.

Retail Leasing Broker 2000
Provided retail leasing and brokerage services on a portfolio totaling more than 1 million square feet.

Senior Research Analyst 1998-2000
Performed market feasibility, underwriting, and general real estate analysis services for the firm and its clients.

MEMBERSHIP:

Urban Land Institute
Member, Royal Institute of Chartered Surveyors (MRICS Designation)
Guest Lecturer – Cornell University, Northwestern University, Taubman College of Architecture and Urban Planning at the University of Michigan, NYU Schack Institute of Real Estate, Bradley University.

PROFESSIONAL QUALIFICATIONS

JOSHUA A. LEVITT

EDUCATION: B.A., Amherst College
M.U.P, Harvard University
(Master's in Urban Planning; Concentrations in Real Estate Development and Environmental Planning)

EMPLOYMENT: *WEITZMAN ASSOCIATES, LLC, New York, NY*
Real Estate Consultants

Vice President

Real estate specialists, providing advice and counsel to those engaged in evaluation, buying, selling, leasing, financing, or developing real estate. The services provided by the firm include acquisition and disposition counseling, regional economic analysis, market research, due diligence, development planning, appraisals and expert testimony.

MCR, New York, NY
National Hotel Owner-Operator; Private Equity

Associate

Large owner-operator of hotels across the United States specializing in Marriott / Hilton select-service properties, and independent hotels in New York City, including the TWA Hotel at JFK Airport and the High Line Hotel in Manhattan.

HR&A ADVISORS, INC., New York, NY
Real Estate and Economic Development Consultants

Analyst

National real estate consulting firm specializing in structuring public-private partnerships and developing economic development strategies.

PROFESSIONAL QUALIFICATIONS

CATHERINE M. TAM

EDUCATION: B.S., Cornell University 1996
School of Hotel Administration
Concentration in Finance

EMPLOYMENT: WEITZMAN ASSOCIATES, LLC *(formerly known as The Weitzman Group, Inc.)*
New York, NY 2001-Present
Vice President
Real estate specialist, providing advice and counsel to those engaged in evaluation, buying, selling, leasing, financing, or developing real estate.

STARWOOD HOTELS AND RESORTS, White Plains, NY 2001
Manager, Development
Researched markets throughout North America and the Caribbean, for the purpose of projecting cash flows for new hotel development and existing hotel acquisitions. Structured various deal models and analyzed investment returns.

HVS INTERNATIONAL, Mineola, NY 1996-2001
Senior Associate
Completed appraisal, market studies, feasibility analysis, and other related consulting work for the hospitality industry.

PROFESSIONAL QUALIFICATIONS

PETER R. CARLE

EDUCATION:

Bachelors of Science in Business Administration — 2016
Concentration in Finance
Western Washington University
Bellingham, Washington, USA

EMPLOYMENT:

WEITZMAN ASSOCIATES, LLC
Chicago, Illinois, USA

Senior Associate — 2019-Present
Associate — 2018-2019

Real Estate specialists providing service and counsel to those engaged in evaluating, buying, selling, leasing, financing or developing real estate.

BANK OF THE PACIFIC
Bellingham, Washington, USA

Commercial Credit Analyst — 2016-2018

Community bank providing capital for business expansion, inventory, equipment, commercial real estate and more.
Mr. Carle assisted commercial lenders by providing in-depth financial analysis to reach insightful credit recommendations.

PROFESSIONAL QUALIFICATIONS

GIOVANNI A.M. WROBEL

EDUCATION:

Master of Public Policy — 2015
Concentration in Municipal Finance
University of Chicago – Irving B. Harris School of Public Policy
Chicago, Illinois USA

Bachelors of Arts — 2013
Political Science, Public Policy
University of Chicago
Chicago, Illinois, USA

EMPLOYMENT:

WEITZMAN ASSOCIATES, LLC
Chicago, Illinois, USA

Senior Associate — 2019-Present

Real Estate specialists providing service and counsel to those engaged in evaluating, buying, selling, leasing, financing or developing real estate.

TRICAP RESIDENTIAL GROUP
Chicago, Illinois, USA

Senior Acquisition Analyst — 2018-2019

Value-add multifamily developer, owner, and operator
Mr. Wrobel assisted the Tricap Acquisition team by screening and underwriting potential investments as well as supporting the due diligence and closing process.

DRAPER & KRAMER
Chicago, Illinois, USA

Senior Acquisition Analyst — 2016-2018

FHA Lending Group
Mr. Wrobel assisted the Draper & Kramer FHA Lending Group by underwriting properties for HUD's various loan programs and by supporting the due diligence and closing process.

<u>PROFESSIONAL QUALIFICATIONS</u>
MICHAEL MERWIN

EDUCATION:	Bachelor of Arts in Economics	Boulder, CO
	University of Colorado Boulder	*2009-2013*
EMPLOYMENT:	WEITZMAN ASSOCIATES, LLC	New York, NY
	Senior Associate	*December 2018-Present*

Real Estate specialists providing service and counsel to those engaged in evaluating, buying, selling, leasing, financing or developing real estate.

CORCORAN SUNSHINE MARKETING GROUP	New York, NY
Research Analyst	*October 2017 – December 2018*
Project Assistant	*February 2016 -October 2017*
Onsite Sales Coordinator	*November 2015 – February 2016*

Corcoran Sunshine Marketing Group is the recognized leader in the planning, design, marketing and sale of new residential development in New York City. As a member of Corcoran Sunshine's research team, Mr. Merwin analyzed historical city-wide residential sales data to: identify areas of under- and over-supply in the residential real estate market; track various historical trends in the local real estate market; and produce data-driven research to allow clients to make informed decisions on property acquisition, development, and pricing.

BOSTON PROPERTIES	Cambridge, MA
Property Management Coordinator	*June 2014 – November 2015*

Assist Property Management in promoting, establishing and maintaining positive relations with the tenants and with the day-to-day operations of a 3 million square foot Class A office portfolio.