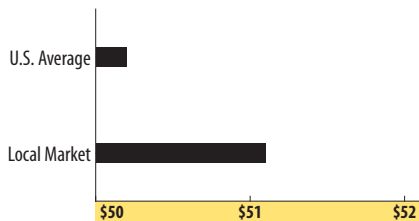


***Jacksonville's real estate investment market has been marked by uncertainty.  
The outlook for 2009 is not very positive.***

### Median Household Income

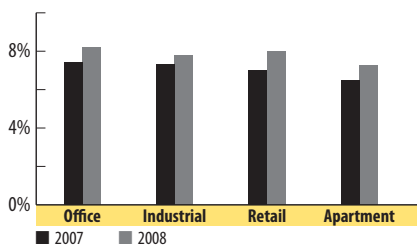
2008 (in Thousands)



Source: Claritas

### Average Capitalization Rate

Closed Sales



Source: Real Capital Analytics

### Retail

The opening of the River City Marketplace has been the catalyst for growth in the Northside submarket. The continued development of this project will provide an excellent opportunity to supply the existing residential base in the Northside. The job market has been affected by the economic downturn, but there are hopes that the arrival of Mitsui O.S.K. will prime Jacksonville for a quick recovery.

Expect overall rental rates to see a moderate decline, especially in second and third-generation spaces. Rental rates for new space have remained consistent ranging from \$24 to \$30 per square foot. The higher range of these rates are due to recent additions in the St. John's Town Center, one of the most successful retail developments in Jacksonville. Landlords have become flexible on their lease terms and have increased tenant improvement allowances.

There has been a slowdown or postponement of owner-built properties; expect to see more of the same during the upcoming year. The suburban markets will fare better than the downtown retail markets in 2009.

### Investment

Most market fundamentals are still strong but excesses from the previous 5 to 6 year cyclical boom have investors and lenders attempting to re-price their risk.

The relaxing of the underwriting standards of home sales and the pooling of home loans and other risky Mortgage Backed Securities (MBS) led to overbuilding and speculation. Lenders vastly underestimated the volatility of these loans and securities. The resulting increase in the default rate has resulted in a liquidity crunch as banks have had to tighten lending standards across the entire spectrum of loans.

Commercial real estate loan delinquency rates have increased slightly but remain near historic lows. The CMBS markets have all but disappeared further tightening underwriting standards. Though debt is constrained it is available but loan-to-value ratios are down and debt-coverage ratios are rising closer to historical norms. Simply put, all property types are being re-priced and realistic sellers are discounting properties.

While 2009 will be a slow year for investment sales, many investors that remained on the sidelines during the previous few years are slowly coming back to the market. Retail will be the hardest hit sector as consumers curtail spending and retailers cut expansion plans. No markets or sectors will be unscathed as the "trickle down" effect hits industrial and office as well.

### Key Investment Transactions

2008

Buyer	Seller	Property Type	Property Name	Size (SF)	Sale Price (millions)
Flagler	Jackson-Shaw	Industrial	Tradeport	994,380	\$72.1
Sikon Construction	West Point Meadows	Retail	Point Meadows	130,000	\$26.6
EQR-Cape House II	Cape House Properties	Multifamily	Cape House	236,081	\$26.0
Cabot	General Motors	Industrial	Gran Bay Pkwy	358,816	\$19.4
Harts Rd Jax	CW Partners	Multifamily	Harts Road	206,243	\$11.8