

The Highest and Best Use Assessment of an Adaptive Reuse Development
A Former Agere Systems Campus Redevelopment Plan

By

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Submitted to the Department of Architecture in
Partial Fulfillment of the Requirements for the Degree of

Master of Science in Real Estate Development
At the
Massachusetts Institute of Technology

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ABSTRACT:

Fix it up or give it up and start over? This interviews and case studies based research was conducted to determine important factors in a successful adaptive reuse development and applied them to a sizable and well maintained former electronic manufacturing campus in Orlando, Florida. Furthermore, wholesale mart was introduced and studied as the theme of new mixed-use project.

The process of identifying viable alternative uses for the property advances in two stages: (1) characterizing existing buildings and site, in regards to its size, physical features, location and market; (2) comparing demand characteristics of alternative uses and through elimination process arriving at single or mixed-use best use for the property.

The proposed new use of wholesale mart and accompanying trade shows may not be conventional real estate development and falls in the category of regional malls and hospitality amenities, where property management actively engaged in creating synergy and business opportunity for its tenants and customers.

Thesis advisor: Lynn Fisher, Assistant Professor of Real Estate,
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CHAPTER 1 – INTRODUCTION

1.1 MOTIVATION

Fix it up or give it up and start over? The charm and challenge of adaptive reuse development of a sizable site containing well maintained facility of former electronic manufacturing campus is the main questions this thesis seeks to explore. From the perspective of an owner/developer, by utilizing a former Agere Systems facility in Orlando, Florida, a methodology of Highest and Best Use (HBU) assessment is used to assess all design plans and marketability studies, and to evaluate the financial feasibility of various options, phasing, and flexibility. Due to the unique location and market of this property, this industry focused strategic planning also explores new mixes of use and introduces a new market for a wholesale mart/design center/ trade center concept.

Adaptive reuse development refers to conversion of old buildings and site improvements into new uses while retaining historic elements. A successful conversion integrates site and building characteristics with market-based use. This highest and best use assessment of an adaptive reuse development considers three main options to utilize existing buildings and infrastructure.

Option #1 is to reuse the property for similar types of use, capitalizing on useful industrial infrastructures, such as clean rooms. Option #2 is to tear down and start over with a new business park for similar office/industrial use. Option #3 is to either reuse or rebuild a portion or the entire property for non-industrial uses to create a totally new brand for the project.

This last option involves the market analysis and economic evaluation of long term growth potential, vacancy rate and projected rents for new uses, such as design centers, merchandise marts, and trade centers. It also entails forecasting market demand for new construction and/or new uses, along with an assessment of the modifiability of existing buildings to meet these market demands.

1.2 PROPERTY BACKGROUND OVERVIEW

The former Agere Systems property in Orlando, Florida contains a total of twelve buildings ranging in construction completion dates from 1987 to 1999. The property was a “special purpose” electronics manufacturing facility containing 1,374,555 square-feet of Gross Building Area (GBA) on a 206 acre site. Agere vacated the facilities in September 2005, completed decommissioning the plants in November 2006, and sold the property to a local partnership in February 2007.

The site is well located and easily accessible in Central Florida’s tourism, convention, and office industrial distribution hubs. It is situated at the intersection of three major highways - Florida Turnpike, Beach Line Expressway, and John Young Parkway – connecting Orlando International Airport, Disney, Sea World, Universal Studio, downtown Orlando, downtown Kissimmee, Kennedy Space Center, Port Canaveral, beaches, and through the State of Florida. Great synergy converged in its vicinity. Orlando Orange county Convention Center, Ritz Carlton Marriot Resort, Shingle Creek Resort, Orlando Central Business Park, Planet Hollywood headquarters and Darden Restaurant headquarters are all in close proximity.

The property is zoned “I-4 Industrial,” with vested rights to build up to 4.5 million square-feet of buildings at potentially much higher densities if the owner chose to

go through the Development of Regional Impact review process. Only a portion of the property (138 acres) had been developed over the last 20 years, accommodating 1.5 million square-feet of offices, manufacturing plants, clean rooms, chiller plants, wells, water treatment plant, power generators, roadways, and retention ponds. Extensive investigation verifies an environmentally clean site underneath. Approval of a change in zoning to Planned Unit Development (PUD) would permit the subdivision of the remaining undeveloped portion (68 acres) of the property and the redevelopment of the primary parcel for mixed-use commercial, hotel, restaurant, retail, office, and industrial uses.

1.3 METHODOLOGY

The process of identifying vital uses for an adaptive reuse development advances in two stages. The first stage focuses on characterizing the available building stock and site as to structural, constructional, spatial, servicing, operational, and financial functions of the buildings and the environmental, geotechnical, topography, ingress/egress and zoning assessments of the site. This investigation starts with case studies and interviews with developers, planners, architects, engineers, and contractors who specialize in adaptive reuse development of sizable, well-maintained former electronic manufacturing campus.

Projects selected for case study were evaluated in two major categories: (1) innovative reuse and conversion of old facilities, and (2) market leadership in the creation of new uses. Six redevelopment projects were selected for case studies:

- Stone Pointe Center, Reading, Pennsylvania (former “Reading Works” Agere Systems);
- 1600 Osgood Street, North Andover, Massachusetts (former Lucent Technologies);

- The Market at East Broad Street, Columbus, Ohio (former Lucent Technologies);
- Hudson Valley Technology Campus, East Fishkill, New York (former IBM);
- Attleboro Corporate Campus, Attleboro, Massachusetts (former Texas Instruments); and,
- 101 Crawford's Corner Road, Holmdel, New Jersey (former Bell Labs).

Sample questions for interviews were as follows:

1. How long have you been involved in the adaptive reuse development?
2. What are the projects have you developed?
3. Tell me about your experience in developing these projects.
4. What are the common pitfalls to watch out for in this type of development?
5. What might be the hidden values in an adaptive reuse project?
6. Who are/were in your team of consultants?
7. How do you evaluate different options and phasing? Is there a model you follow?
8. How do you develop new uses, new markets and new master plans?
9. Have you applied green technology? If so, what can you share about its cost and benefit?
10. What is your strategy to master plan a redevelopment?

In the second stage of HBU study, efforts are made to compare the demand characteristics of differing and/or related uses which are further evaluated in terms of suitability with the property's marketability, location characteristics, building character, floor plate dimension, amenities, and transportation impact. Inspired by Las Vegas World Market Center, ten wholesale marts were selected for case studies:

- Las Vegas Market (by World Market Center, LLC & the Related Companies, LP);
- International Home Furnishing Market, High Point, NC (by Merchandise Mart Properties, Inc. and other companies);
- DCOTA, Ft. Lauderdale, FL (by Cohen Brothers Realty Co.);
- International Design Center, Fort Myers, FL (by Miromar Development Corp.);
- Atlanta Decorative Arts Center (by Portman Holdings, LLC)
- Atlanta Americas Mart (by Portman Holdings, LLC);
- Dallas Market Center (by Trammell Crow Company, majority interest purchased by CNL Income Properties, Inc.);
- Chicago Merchandise Mart (by Merchandise Mart Properties, Inc.); and,
- Miami International Merchandise Mart (by South Florida Hotels, Inc.).
- Boston Seaport World Trade Center and Hotel (by Pembroke Real Estate and the Drew company)

Sample questions for interviews were as follows:

1. What is your history in design center/merchandise market development?
2. Tell me about your experience in developing these projects.
3. What are the demographics and amenity requirements for a market center?
4. How do market analysis, leasing, and marketing activities interact?
5. Who are/were in your consulting team and operations team?
6. What are the general lease terms, Common Area Maintenance expenses (CAM), special provisions, and occupancy rates?
7. How do tradeshow fit into permanent exhibits?
8. How to evaluate different options and phasing? Is there a model or template that you use?

9. Have you applied green technology? If so, what can you share about its cost and benefit?
10. Is design center/merchandise market a business opportunity or real estate investment?

1.4 RELEVANCE

As suitable land becomes a scarce commodity for development and escalating energy costs add to modern transportation problems, urban infill redevelopment plays an increasing role in sustainable built environments. Adaptive reuse development of physically deteriorated buildings and functionally obsolete uses provides a solution for urban revitalization and suburban sprawl. This highest and best use study embodies a two-staged model for the efficient utilization of both land and building lifecycles of a sizable and well maintained former electronic manufacturing campus.

Development companies that devote their efforts to the exploration of new and innovative technology and use of property may prove to be the new breed of market leaders. This HBU plans for conversion from an old industrial economy to a new mixed-use economy built around wholesale mart theme.

The adaptation of buildings and sites to different uses will continue to play an important role in ensuring the continued efficient use of real estate stock of communities throughout the world. This thesis offers ideas hoped to be appropriate.

CHAPTER 2 – ADAPTIVE REUSE DEVELOPMENT CASE STUDIES

The first stage of HBU study focuses on characterizing the available building stock and site as to structural, constructional, spatial, servicing, operational, and financial functions of the buildings and the environmental, geotechnical, topography, ingress/egress and zoning assessments of the site. Six similar size and well maintained former electronic manufacturing campus were selected for case studies.

2.1 STONE POINTE CENTER, READING, PENNSYLVANIA (FORMER AGERE SYSTEMS “READING WORKS”)

FORMER AGERE SYSTEMS “READING WORKS”

Reading Works in Muhlenberg Township, Berks County, Pennsylvania, was a key player in manufacturing innovative integrated circuit and optoelectronic equipment for communication and computing devices in the United States and around the world. It started as Western Electric in 1962. By 1985, the 1.3 million square foot (SF) facility on 133 acres of land had a work force of nearly 5,000 and was one of Berks County’s largest industrial employers.

In 2003, Agere built a \$165 million world headquarters building in Hanover, Pennsylvania, and consolidated offices, research and development operations from nearby Allentown, Breinigsville, and Muhlenberg. Agere tried unsuccessfully to sell its plant in Allentown, where the first commercial production line for transistors was set up in 1951. Agere later demolished the manufacturing part of the facility and continues to use the offices and wet labs in the remaining part of

the facility. Agere sold the chip plant and research center in Breinigsville to TriQuint Semiconductor in 2003. The facility, now under different ownership, is a multi-tenant technology park (TEK Park). The Reading Works in Muhlenberg was closed in May, 2003.

TRANSACTIONS AND DEVELOPER

Audubon Land Development of Oaks, in Montgomery County, Pennsylvania bought the abandoned Reading Works in December 2005 for an undisclosed amount and named the project Stone Pointe Center. Agere had asked for \$8 million for the property and the assessment value of the property was lowered to \$9.5 million from \$26.3 million after Agere appealed.

The developer/owner, Audubon Land Development of Oaks, is affiliated with Audubon Land Development in Norristown, Pennsylvania. Leasing and management of the property is done through its subsidiary, Stone Pointe Management Corp. Audubon Land Development Corporation is a family owned and operated business with more than 40 years of development, building and management experience. Audubon Land affiliates have built more than 3,000 homes in eastern Pennsylvania, as well as many commercial facilities including apartment complexes, the Audubon Square Shopping Center, the 422 Business Center, the Marketplace at Oaks and Regal Cinema.

THE NEW STONE POINTE CENTER

The Pennsylvania Department of Community Economic Development includes the now named Stone Pointe Center, which includes the Greater Reading Expo Center, as part of the Greater Reading Keystone Innovation Zone. Stone Pointe Center is marketed as “a state of the art business center, with more than one million square

feet of available space for office, manufacturing and distribution; a facility with high-tech infrastructure and easy access to transportation; a convenient location near Reading, Pennsylvania, with professional on-site management to support your business.”

Property descriptions include:

- Overview: Stone Pointe Center is a 1,077,000 sq. ft., fully air-conditioned facility on 133 acres, adjacent to the Eleventh St. exit of the Warren St. Bypass (Rt. 12) in Muhlenberg Township.
- Office System: 269,000 sq. ft., 3-story office section featuring glass enclosed lobby, open administrative areas, private offices and cafeteria
- Main Flex Space: 709,000 sq. ft.
- Detached Warehouse: 43,000 sq. ft.
- Detached Flex Space: 28,000 sq. ft.

GREATER READING EXPO CENTER

Part of the facility, 350,000 square-feet (250,000 square-feet inside space), has been transformed into the Greater Reading Expo Center. In July 2006, Urban Expositions, a Georgia-based trade show company, inaugurated it with the 10th Annual Philadelphia Gift Show. A company press release called the event, with an expected 1,400 booths, the largest regional gift show in the country. Some of the other shows scheduled for the facility include the Great Train Expo, Bead Fest Philadelphia, Greater Philadelphia Pet Expo, Great America Guitar Show, Sports Card & Memorabilia Show, Home & Garden Show, and the Greater Reading Sport, Travel & Outdoors Show.

According to the Greater Reading Convention & Visitors Bureau, a typical expo center with a steady stream of shows generates about \$150 million annually for the

local economy. Muhlenberg Township waived a 10% amusement tax on Expo Center admissions in 2007 to help establish the center. The township estimates future Expo Center revenues at \$50,000 per year.

The initial success and promising future of the Greater Reading Expo Center can be attributed in part to the closing of nearby expo centers in Lehigh and Montgomery counties as well as to the facility's amenities, which include 250,000 square-feet of inside space, 13 loading docks, ample parking, several auditoriums and meeting rooms, and a full-service cafeteria.

2.2 1600 OSGOOD STREET, NORTH ANDOVER, MASSACHUSETTS (FORMER LUCENT "MERRIMACK VALLEY WORKS PROPERTY")

FORMER LUCENT "MERRIMACK VALLEY WORKS PROPERTY"

At its peak, the Merrimack Valley Works building employed close to 13,000 workers. The plant was the largest manufacturing space in the region, started in 1956, first for Western Electric, then AT&T and, finally, Lucent Technologies. The building has been a driving force in the regional economy. Until cutbacks and layoffs at the plant had forced a recalculation of its assessed property value in 2003, Lucent had ranked as the town's leading taxpayer for decades. Two million square-feet across 30 permanent and temporary buildings are situated on 169 acres of land. An estimated 1,200 Lucent Technologies production, managerial, clerical and research personnel occupied about ten percent of the 1.5 million-square-foot plant, when Lucent sold the property September, 2003.

TRANSACTIONS AND DEVELOPER

An investors group led by an Andover developer, Ozzy Properties, Inc. purchased the massive Lucent Merrimack Valley Works Property for \$13.86 million in September 2003. According to the group's manager, Orit Goldstein¹, this purchase quadrupled the commercial real estate she managed at that time. Ozzy Properties owns and operates close to 500,000 square-feet of commercial space in two redeveloped mills: Heritage Place, 439 S. Union St., Lawrence; and Dundee Park, Dundee Park Drive, Andover.

THE NEW 1600 OSGOOD STREET

In July 2005, the developer unveiled plans to turn the dormant industrial site into a bustling new community that would include 650 condominiums and apartments, restaurants, a commuter rail stop and a sports complex as well as commercial space for offices and manufacturing. Company officials estimated the transformation would take about ten years.²

The company began considering a housing component for the property as part of its pursuit of a new commuter rail station. Company officials deem this necessary to reestablish a thriving business community there given the State of Pennsylvania requirement of at least 650 high density housing units to be situated within one-quarter of a mile of any new station. The complex could also add more than 310 affordable units to the town's total to exceed the State mandated 10 percent threshold. The housing component would be constructed on the old softball fields.³

1. Lawrence Eagle Tribune 9.3.03

2. Lawrence Eagle Tribune 7.26.05

3. Boston.com News 11.14.04

In January, 2005, Northern Essex Community College announced that the State has approved its plan to lease a 23-room worker training facility at the sprawling former Merrimack Valley Works. Under the plan, the College will create a training center for continuing education, computer training, business and professional development courses. They will implement this on 30,000 square-feet of mezzanine level space leased for them by the state Division of Capital Asset Management for \$240,000 a year, or about \$8 per square-foot. Among the other agencies moving in to share the space the CPE Institute for Accountants; the State Regional Training Center, Entrepreneurial Training Program, and Division of Continuing Education business and professional development programs; as well as community partners such as the Lee Institute for Real Estate, Salem State College's Small Business Development Center, the Massachusetts Manufacturing Extension Partnership, and the Coast Guard Auxiliary.

The developer is also targeting pharmaceutical, biotechnology, medical device and high-tech manufacturing as potential tenants. Merrimack Valley is already home to several medical sector companies, including Smith & Nephew and Wyeth, and the industry is poised for growth.

The remaining rentable 1.2 million square-feet of building contain flexible floor plates for easy subdivision and expeditious marketing; vigorous and flexible infrastructure for limitless installation options and rapid turnaround; abundant utilities and ample HVAC to fulfill tall requirements; and redundant systems to eliminate downtime.

Currently the building is configured for a single user. The following projects are in process to re-configure the building for a multi-tenant commercial complex:

- New entrances at the North and South walls
- Handicapped accessible entrances and elevators

- Campus improvements to soften the appearance of intense security and improve perimeter appearance
- Sizeable common areas including an atrium space and breezeways
- Connections from office building to manufacturing floor for contiguous corporate layouts
- New loading docks and shipping/receiving areas

Building amenities include:

- 169 acre site with over 40 acres of parking
- 300 seat auditorium
- Full service 500 seat cafeteria
- 150 seat private executive dining room
- Multi-media conference rooms
- Strong sense of campus
- Building security
- Floor loads up to 500 lbs/sq. ft.
- Flexible space
- High floor to floor interior space
- Laboratory & MEP services available
- Fully automated utilities with built in redundancies
- Nearly 50 MVA of clean power in two separate feeds

2.3 THE MARKET AT EAST BROAD STREET, COLUMBUS, OHIO (FORMER LUCENT TECHNOLOGIES COLUMBUS WORKS)

FORMER LUCENT "COLUMBUS WORKS PLANT" ON EAST BROAD STREET

The 252-acre Lucent Technologies manufacturing complex on East Broad Street in Columbus Ohio has a 450,000 square-foot office building and 1.4 million square-feet of plants, where 1,200 production and research-and-development staff still produce cellular transmission equipment. At its peak in August, 2000, the company employed 5,500 employees there. There is surplus land of about 158 acres in the complex.¹

TRANSACTIONS AND DEVELOPER

In December 2003, Continental Real Estate Cos., through its affiliate Continental 6200 E. Broad LLC, purchased the complex for \$14 million. It immediately flipped 92 acres on the complex's north end to builder M/I Schottenstein Homes Inc. for \$7 million, according to Jacqueline Haines Associates' research. Continental also sold 43 acres of the complex to adjacent Mount Carmel Health System for \$11 million.

The deal called for Lucent to lease back the campus' 1.4 million-square-foot plant for five years with a second five-year option. According to a telephone interview with Mr. Frank Kass, chairman of Continental Real Estate Cos., Lucent has since renewed its lease for another five years. Lucent also leased back the 450,000 square-foot office building at 6200 E. Broad St. for a year. After that, the Continental partnership sold that seven-acre parcel to Mount Carmel.

In addition, Continental split off 25 acres in the southeast edge of the Lucent property with plans to develop it into a retail shopping center by its own retail team. Cincinnati-based Provident Bank financed the transaction through a mortgage for as much as \$16 million, according to the Franklin County Recorder's office.

1. Columbus Biz Journal 12.22.03

Continental had to work out road improvements to handle traffic and file rezoning plans for the retail, hospital and residential parcels.

Continental Real Estate Cos. is a prominent full-service national developer based in Columbus, Ohio. Its stronghold, Continental Retail Development, with the support from other divisions of Continental - in particular, Continental Leasing, Continental Retail Service and Continental Building Systems - has a development record of over one billion dollars of retail property including lifestyle centers, power centers and neighborhood grocery-anchored centers.

THE NEW MARKET AT EAST BROAD STREET

According to telephone interview with Mr. Frank Kass, Continental has secured a cinema as the anchor tenant for the 25-acre Market at East Broad Street shopping center. Typically, cinema is the biggest draw of shopping center traffic, followed by bookstores and restaurants. Location and demographics are the most important factors that contribute to a successful project. Market demand and size of the property dictates phasing. Continental has redeveloped numerous adaptive reuse properties, with the largest by far being the Homestead Waterfront Steel Plant in Pittsburgh. Impediments in the feasibility of a redevelopment project are avoided by thorough environmental assessment and geotechnical investigation.

2.4 HUDSON VALLEY TECHNOLOGY CAMPUS, E. FISHKILL, NEW YORK (FORMER WEST CAMPUS OF IBM HUDSON VALLEY RESEARCH PARK)

FORMER IBM HUDSON VALLEY RESEARCH PARK WEST CAMPUS

IBM's former corporate campus has more than one million square feet of space in three office buildings and a semiconductor manufacturing plant on 160 acres of

land. In 2003, IBM opened a \$300 million chip plant across the street from its previous location and vacated the facility built in 1990's.¹

TRANSACTIONS AND DEVELOPER

In April 2006, Preferred Real Estate Investments, Inc. (PREI) bought the IBM Hudson Valley West Campus for \$20 million and planned up to \$400 million worth of improvements. The property has a capacity for an additional 600,000 square-feet of buildings.

PREI was founded by Michael O'Neil in 1992 to redevelop distressed properties. Throughout its history, it has executed a wide spectrum of projects that add up to the development of more than 25 million square-feet of commercial real estate and the acquisition of 3500 acres, with an accumulative transaction value of more than \$2 billion. It specializes in seeking undervalued properties overlooked by institutional investors and converting abandoned properties and empty industrial plants into mixed-use projects. Highlighted projects include former Bell Labs, National Commerce Park, the Wharf at Rivertown, and the Florida quarries.

THE NEW HUDSON VALLEY TECHNOLOGY CAMPUS

The developer hopes to lure a company that wants to partner with IBM, now located across the street in the new facility. East Fishkill is home to numerous high-tech companies specializing in the semiconductor, biotechnology, and aerospace industries. Situated between New York City and Albany, the area is fast becoming a highly desirable location for companies in nanotechnology R&D. The facility is also located within a New York State Empire Zone, offering exceptional state and local tax incentive programs.

1. Wall Street Journal 1.26.06

Notable features of the facility include: one 400,000 square-foot building with Class 1-10,000 square-foot clean room; two 213,000 square-foot Class A office buildings with raised flooring, ideal for corporate headquarters and data centers; and a 100,000 square-foot Class A conference/amenities center.

According to telephone interview with Miguel Pena, Project Manager of the Hudson Valley Technology Campus, all of the buildings will be saved for reuse because of the relatively new construction. Most importantly, the existing 100,000 to 400,000 square-foot buildings are the perfect size to meet current market demands of smaller and more efficient space.

2.5 ATTLEBORO CORPORATE CAMPUS, ATTLEBORO, MASSACHUSETTS (FORMER TEXAS INSTRUMENTS MANUFACTURING CAMPUS)

FORMER TEXAS INSTRUMENTS SENSORE AND CONTROL DIVISION

The former Texas Instrument (TI) manufacturing campus employed about 1,200 employees within 20 buildings totaling 966,000 square-feet on a 261 acre campus. The company operated on the site since 1959 and as TI's business changed, so did their needs for this campus. Today, TI retains most of its workforce, but occupies only about 370,000 square-feet on campus.

TRANSACTIONS AND DEVELOPER

In December 2005, Preferred Real Estate Investments, Inc. (PREI) purchased the TI campus for \$24 million. This is one of the many redevelopment projects PREI has undertaken.

THE NEW ATTLEBORO CORPORATE CAMPUS

Since purchase of TI campus, PREI has been selling and leasing parcels separately, but retains the management of roadways, grounds and leased buildings. PREI also has plans to rezone part of the campus for residential use.

PREI constructed a new 220,000 square-foot build-to-suit business center to lease to TI for 20 years. The construction cost was \$29 million, of which TI contributed \$7 million. TI also leases back a 148,000 square-foot facility for ten years to fulfill its manufacturing requirements.¹

In April 2006, Bristol Community College bought a 36,000 square-foot building for \$1.2 million. As of June 2007, the estimated \$3 to 4 million of proposed renovation work on the building has been stalled, pending PREI's performance in disconnecting the utilities and constructing a permanent separation wall.²

Also as of June 2007, the original plan for Toll Brothers, a Pennsylvania home building company, to build 35 single family homes, 102 townhouses, and two 90 and 144 condominium units has been put on hold.

The remaining assets on the site are being marketed for lease or for sale. There is 650,000 square-feet of space available in six buildings. These facilities have access to infrastructure, including abundant and redundant power, rail service, public water and sewer, and on-site industrial waste water treatment facility. YMCA occupies 28,200 square-feet of space

1. The Sun Chronicle 1.14.05

2. The Sun Chronicle 6.9.07

2.6 101 CRAWFORD'S CORNER ROAD, HOLMDEL, NEW JERSEY (FORMER BELL LABS, LUCENT TECHNOLOGIES)

ORIGINALLY BELL LABS, FORMER LUCENT TECHNOLOGIES

The Lucent Technologies Holmdel facility was originally designed by world famous architect Eero Saarinen for Bell Laboratories in the 1960's. For more than 40 years it was home to the work of several Nobel laureates and was the birthplace of many of the most important communications technologies in history, including the cell phone. The 475-acre historically significant campus design and pastoral landscape is a beauty that has fostered world changing technological innovation for nearly five decades. At the main entrance, the site features a historic 60-foot "transistor" shaped water tower erected by Bell Labs, gracing a majestic tree-lined drive to the main building site.¹

With additions over the years, the original 500,000 square-foot building has evolved into an extensive 1.9 million square-feet. At its zenith, the lab housed more than 6,500 jobs. The Bell Labs property, currently owned by Lucent Technologies, is the town's largest tax ratable base, bringing in what amounts to nearly 20 percent of the township's annual budget.

The existing infrastructure has an above average level of services, including dual electric power feeds capable of handling 22.4 MVA each for an approximate total of 45 MVA at peak usage, dual fiber-optic feeds, three emergency generators, multiple UPS systems, five 1,200 ton chillers, and a dedicated sewer line to the regional treatment plant.

1. The New York Times 9.20.06

TRANSACTIONS AND DEVELOPER

Preferred Real Estate Investments, Inc. (PREI) signed a contract to purchase Bell Labs Holmdel facility in March 2006 and has since completed environmental tests and preliminary plans for the property as well as held numerous town meetings. Closing and final plans are expected to be complete in August, 2007.¹

THE NEW 101 CRAWFORD'S CORNER ROAD

The community's goals for the redevelopment of the former Bell Labs include the preservations of the site at or as close to its current level of development; preservation of the significant architecture associated with the Bell Labs; and the retention of its tax ratable base. Michael O'Neill, founder and CEO of Preferred Real Estate Investments, Inc., said that depending on market demand, he expects the property to become a commercial campus of three to five smaller buildings that will likely serve as data centers for financial companies, house pharmaceutical companies and hopefully serve as the world headquarters for a company looking to reside in New Jersey. There will be no additional build-out. "Our goal is to keep our development for less than what was there," O'Neill said.

O'Neill pledged "We will go forward with this purchase and will develop on this site." The company does not work with outside investors and promised no surprises or outside influences. O'Neill offered another guarantee to help cement the future of the Bell Labs property as the aesthetically open and organic site it has been for 40 years. "No retail, no industrial," O'Neill said. "And when we're done, we'll take the rest off the land and deed-restrict it." This deed restriction would most likely place the leftover land in an open space easement.

1. Independent 7.5.06

PREI also announced that it would be hedging its bets on developing the site by adding some housing along the periphery, probably 300 to 350 stand-alone units especially for people age 55 and over,. It argues that residential units would bridge the gap between the \$3.2 million in taxes Bell Labs currently brings to the town and the amount that would be expected with smaller buildings on the property. So far, county officials and residents oppose any residential development on the site.

In the beginning, PREI said it could not find a way to convert the dinosaur 1.9 million square-foot Bell Labs building into a modern corporate office and thought they would have to take it down. As soon as word got out in June 2006 that the 44-year-old building in Holmdel would be demolished, scientists around the country – and around the world – set the internet humming with anguished reactions.

Now, PREI has come up with a plan to peel back some of the more recent additions to the original building, which pioneered the mirrored-glass façade, and preserve the original 500,000 square-foot Phase I of the Saarinen structure. The vaulted atrium lobby and the glass exterior would be saved – although the glass itself would have to be replaced with modern panels.

This new plan has been greeted joyfully by most local officials and by 50 members of the National Academy of Sciences, who in July 2006 wrote a letter to Mr. O’Neill, Governor and Mayor of Holmdel to plead for preservation of “part of the science heritage of all mankind.” Many of the signers of that letter once worked in the lab. They included Arno Penzias and Robert Wilson, winners of the Nobel Prize in physics in 1978 for their work that helped to lead to the development of the “Big Bang” theory of the origins of the universe; Calvin Quate, inventor of the atomic microscope; Robert Dynes, president of the University of California; and Jocelyn

Bell Burnell, one of Bell's most renowned female scientists, now a professor at Oxford.

Two back sections of the existing building would be demolished under the new plan. The ground floors of the sections, however, would be retained to become part of an underground parking area with a park-like plaza on top. The plaza would be flanked by two new buildings situated slightly behind the stripped existing building. "That created the possibility for a single tenant to occupy a campus-like setting for three different headquarters buildings. The original building and two new buildings will total 1.5 million square-feet of office space and will encircle an existing pond and have exceptional views of three expansive lakes on the property.

The site will also feature a helipad, an open-air greenscape plaza, an expansive central café, more than 4,500 surface and underground parking spaces, and three points of entry. The site offers an opportunity for a world-class global headquarters, just 40 miles south of New York City, less than an hour to Manhattan by car and 20 minutes by helicopter.

2.7 ADAPTIVE REUSE DEVELOPMENT CASE STUDIES SUMMARY

Four main themes recurred throughout the six case studies and they may very well be the deciding factors of the success of an adaptive reuse development.

1) All properties in the case studies have well-maintained, some even fairly new, equipments, fixtures and facilities. However, these are very specialized and usually pervasive features, and not easily convertible to meet the requirements of other uses, new codes, or different technologies. It seems all these electronics plants have been diligent in keeping environment clean, so there are no serious environmental problems on these sites. This makes these sites very desirable on

one hand because environmental clean up costs are expected to be low, but on the other hand, much of the infrastructure and technology are for uses are rapidly being transitioned to other countries and are no longer in demand in the U.S.

2) All of these electronics campus were originally planned for vast expansions. However, modern manufacturing operation and storage logistics have been requiring less and less space, and as a result, roughly 50% of the campus remains surplus land. With carefully planned subdivision and execution of various development phases and options, they all possess the critical mass to achieve a vibrant mixed-use development.

3) It seems all case study developments, with the exception of Lucent Technologies in Columbus, were counted among the largest employers in their respective local economies at one time or another. As manufacturing jobs moved offshore, the closing of these plants had major impact on the local population, employment, income and tax base. This makes the redevelopment of the property to any types of use difficult, but the good news is that local government and communities normally have the desire to see the site redeveloped and provide opportunities for public-private cooperation. Developers frequently turn to governmental incentive programs for industry and real estate development, and lobby for road improvements, mass transportation and rail station to assist in redevelopment projects.

4) A variety of alternate uses are possible due to the typically good location and proper scale for mixed use projects. The former Lucent Technologies “Columbus Works Plant” on East Broad Street capitalized on its adjacency to a hospital and employment centers, as well as on local demand for housing and town centers. Other developers have used innovative knowledge and skill to transform old facilities into an expo center, educational facility, sport complex, modern offices and plants, depending on the location and ensuing market demand.

CHAPTER 3 – SUBJECT SITE: AGERE SYSTEMS CAMPUS, ORLANDO, FL

3.1 LOCATION AND AMENITY

The former Agere Systems campus (Property) address is 9333 South John Young Parkway, Orlando, Florida. Situated at the intersection of three major highways – Florida’s Turnpike, Beach line Expressway, and John Young Parkway, it is well located and easily accessible by Central Florida’s tourism, convention, and office industrial distribution hubs.

TRANSPORTATION

Florida’s Turnpike is a major north-south highway connecting Miami and the state capital of Tallahassee. Beach Line Expressway, through connecting Interstate 4, is a major east-west highway serving Port Canaveral and Kennedy Space Center, Orlando International Airport and Tampa Bay area. Interstate 4 is an east-west highway run from Daytona Beach to St. Petersburg Beach. The three highways converge in Central Florida and form a golden triangle around the site.

In addition, John Young Parkway which has interchanges that intersect both Beach Line Expressway and Interstate 4 provides local access to Osceola, Seminole, and Lake Counties. Together these three highways connect the Site in Orlando to the entire state of Florida and through numerous entry ports, to the rest of the world.

OFFICE/INDUSTRIAL HUB

Part of the original 6,575-acre Orlando Central Park, Inc. development, a subsidiary of Lockheed Martin Properties, the Property sits at the southwest gateway to a meticulously master planned business park with mixed land uses ranging from offices, research and development, warehouse/distribution, retail and commercial support services and tourist commercial. Since it was established in 1963, Orlando Central Park has attracted nearly 400 companies, many of them counted among the Fortune 500. AT&T, DaimlerChrysler, Hewlett Packard, BMW, Pepsi-Cola Bottling Company, Darden Restaurants and Wal-Mart are among its tenants. Orlando Central Park is the largest business park in Central Florida. It is located in the center of the local community, and the State highway system.

TOURISM/CONVENTION DESTINATION

The Property guards the east entry to the world's largest tourism/convention hub from Orlando International Airport, just eight miles away. Amenities within a three-mile radius of the Property include: the seven million square-foot Orange County Convention Center with 2.2 million square-feet of exhibition space; the Ritz Carlton-Marriot Golf Resort; Shingle Creek Golf Resort; Wet and Wild Water Park; Florida Mall, Central Florida's largest mall; Belz Factory Outlet Mall, and numerous hotels, restaurants, gift shops, and entertainment venues along Orlando's famed International Drive. Walt Disney World, Sea World and Universal Studio, are all within a five-mile of the Property, as are the upscale Mall at the Millennia, as well as golf communities where the Arnold Palmer Bay Hill PGA Tour and Tavistock Isleworth-Lake Nona Invitational are held every year. Within a 10-mile radius and easily accessible by area's convenient transportation network, are business and technology centers in Downtown Orlando, the Airport area, and the new University of Central Florida Medical School / Burnham Research Institute of Biotechnology node.

The Property's majority owner, Tavistock Group, was instrumental in bringing the medical school and R&D firms to Central Florida.

ASSESSMENT OF LOCATION AND AMENITY

Due to its size and unique position at the crossroad of business/industry and convention/tourism, the Property presents an opportunity for an innovative and vibrant mixed-use project.

3.2 PROPERTY DESCRIPTION

The former Agere Systems property contains a total of twelve buildings constructed over a period of time ranging from 1985 to 1999. The Property is a "special purpose" former electronics manufacturing facility that contains 1,374,555 square-feet of gross building area on a 205.54-acre site.

AGERE SYSTEMS

In 1984 the Bell System broke up into the various Baby Bell operating companies and AT&T. As a result of this Bell System divestiture, AT&T set up an operation on the subject Property in Orlando, Florida. In 1996 AT&T restructured and AT&T Technology Systems (a division of AT&T Technologies) became Lucent Technologies.

In 2000, Lucent Microelectronics and Optoelectronics were reorganized as Agere Systems with the intention of being spun off as an independent company. Five years later, the last USA-based Agere manufacturing plant in Orlando, which once employed 1,800 individuals, was closed on September 30, after 20 years of semiconductor manufacturing. Agere Systems still has plants in Singapore and

Thailand, and operates sales offices and research and development facilities throughout the world. Its key centers are in Ascot, UK; Bangalore, India; San Jose, California; Shanghai, China; and Singapore. World headquarters are in Lehigh Valley, Pennsylvania.

After extensive efforts to sell the facility to another technology industry user have failed, Agere offered the property to the general market through the bid process in May, 2006. The current Owner entered into contract to purchase the property in September and in December, Agere announced that it would be bought by LSI Logic Corporation of Milpitas, California, in an all-stock transaction. This merger was officially approved by shareholders of both companies on March 29, 2007, one month after the transaction of the Property closed in February, 2007.

LAND AND GEOTECHNICAL CHARACTERISTICS

The Property has a gross area of 205.54 acres. Deducting 10.88 acres designated as class 2 wetland areas, and a 2.46-acre buffer area, yields a net useable area of 192.2 acres. The 138-acre main parcel is developed on 78 acres with buildings, structures, and roadways and two retention ponds totaling 48 acres. Undeveloped surplus land accounts for 68 acres.

Comprehensive environmental assessment has presented a generally clean site, except for an isolated one acre area in the far northeast corner that shows some trace of pesticide reminiscent of pre-development ranch operations some 50 years ago. Agere has agreed to resolve the issue and monitor the affected area for five years after closing.

Agere sold two parcels to Eastgroup Properties LP, the property owner south of the site: nine acres in 2003 and 32 acres in 2005. The transactions led to some

problems later on due to Eastgroup's aggressive development plans that ultimately overburdened their shared retention pond.

EXISTING IMPROVEMENTS

Building Name	Size	Description
Building 30	759,417 SF	Two-story, combination office, manufacturing areas, mechanical infrastructure, clean room, labs, cafeteria and auditorium
Building 31	304,057 SF	Two -story, combination office, manufacturing areas, mechanical infrastructure and clean room
Building 40	33,436 SF	Manufacturing and office area; powerhouse for buildings 30,31 offices, and 60
Building 41	41,095 SF	Waste water treatment facility and clean water generation
Building 43	5,610 SF	Chemical storage
Building 43A	2,650 SF	Chemical storage
Building 44	2,600 SF	Distribution facility
Building 45	950 SF	Chemical Distribution
Building 47	30,200 SF	CUB- Utility buildings
Building 49	2,560 SF	Water reclamation for CMP building 31
Building 60	71,950 SF	Shipping/receiving area, storage, manufacturing and office
Building 61	120,000 SF	Office and manufacturing areas
	1,374,525 SF	Approximate total area

UTILITIES

- Water Orlando Utilities Commission (OUC)
- Sewer Orange County
- Power Progress Energy
- Fiber Optic Communications Sprint

TECHNICAL STATUS OF FACILITY

In the most succinct terms:

- Agere's semiconductor manufacturing equipment is no longer at the site.
- In December 2006, in conjunction with their professional consultants, Agere completed the process of decommissioning the operational plant and related facilities.
- The clean rooms could be made operational again but would require some investment.
- The plant operating utilities are still operational onsite. Utilities include onsite compressed dry air, steam, water chillers, cooling towers, power, glycol chillers and a variety of segregated waste stream management systems.
- Dedicated industrial waste water treatment facilities are also on-site.

PHYSICAL CONDITIONS OF FACILITY

The physical condition of the facility is generally very good. Roof and exterior walls are eight to 20 years old and have been well maintained. There are two minor roof leaks and a third leak that appears to be water intrusion from an exterior wall floor. The Property has full 24/7 security in place provided by the constant

patrol by six security personnel of the fully fenced campus perimeter, and 50+ cameras in and around the buildings and site.

Incoming power is provided by three 69kV overhead transmission lines, though the utility company has removed two substation transformers due to decreased demand. The substation steps down the 69kV to 12.47kV for primary underground distribution throughout the site. It appears that all of the electrical distribution gear is in excellent condition and very well maintained. Each building is served by redundant sources of power. However, due to the additions and changes over the years, some of the buildings' utilities are interconnected. Building 61's power is fed from building 31, and buildings 31 and 60 are fed from a common power loop. Should there be any demolition, renovation, or leasing to separate tenants, power loop would need to be rewired for independent operation.

Building 41 contains an industrial waste water treatment plant that has been completely decommissioned. The plant also treats storm water from roof drains because of the possible contaminated exhaust from the roof area. The plant does not process sanitary sewage, which has always been disposed through a separate system of lines and lift stations to the Orange County Treatment Plant on Sand Lake Road.

3.3 FEATURES AND FIXTURES ASSESSMENT

3.3.1 ADAPTIVE REUSE OF CLEAN ROOMS

Clean rooms are extremely expensive facilities, costing millions of dollars to build and operate. It is therefore very important to assess the feasibility of the adaptive reuse of clean rooms, especially when there is a contemplated change in the use

of the mother facility. Since semiconductor manufacturing is a sunset industry in the U.S., there is no current market for semiconductor clean rooms. On the other hand, because Orlando is going to soon have a new medical school and a possible biotechnology industry hub, the Owner hired consultants to assess the existing clean rooms' potential use as pharmaceutical clean rooms for the biotechnology manufacturing industry.

Clean rooms are classified by (1) number of particles 0.5 μ or greater per cubic foot; and (2) number of viable particles per 10 cubic feet. Pharmaceutical clean rooms are typically Class 100 with significant Class 1,000 or 10,000 support spaces. Small Class 100 areas, typically provided by individual laminar flow hoods are used for sterile filtration of the final products; Class 10,000 within purification areas; and Class 100,000 within fermentation areas.

Currently, there are three Class 1 clean rooms, constructed in 1994, 1996, and 1999, and two Class 10 clean rooms constructed in 1985 and 2000; together, they total 130,800 square feet of clean rooms housed in two buildings on site. Merely from the standpoint of classification, these clean rooms on Agere campus exceed and could meet the standard for pharmaceutical or biotechnology applications.

However, the semiconductor manufacturing processes carried out on the Agere Property required very specific clean room design, materials, and personnel flows. Because many of the processes used toxic chemicals, acids, and heavy metals, they essentially required ultra-clean clean rooms. To supply sufficient clean air to these rooms, ceilings were 100% covered with HEPA filters to deliver clean laminar flow air through a raised perforated floor. The high volume of air flow required fairly large supply and return air plenums.

On the other hand, to achieve the low levels of viable particles acceptable in pharmaceutical or biotechnology clean rooms, the rooms are generally designed with smooth, sloping surfaces that are easily cleaned and do not allow the accumulation of dust or particles. Clean air is supplied to the rooms using a moderate number of HEPA filters which are individually ducted. Air is generally returned through low level returns on the walls of clean room.

Therefore, to convert clean rooms built for semiconductor manufacturing to clean rooms for pharmaceutical use would require significant space renovation and reconfiguration. This renovation would be expensive and time consuming and could make the entire adaptive reuse undertaking economically unfeasible. Additionally, because the existing clean rooms are all significantly larger than those found in typical pharmaceutical plants, much of the space in the renovated rooms would remain unused. The carrying cost of this unused space would make the facility unattractive to any potential user of the building.

Taking into consideration age, design, perforated floor, large return air plenum and inducted air supply, the cost to convert three of the five existing clean rooms would be significantly higher than the cost to construct a brand new facility. Of the remaining two clean rooms in Building 31, the 21,000 square-foot Class 10 clean room constructed in 2000 and the 25,000 square-foot Class 1 clean room constructed in 1999, could possibly have renovation costs match up to new construction costs because of such existing features as smaller return air plenums and separately ducted HEPA filters.

In the final analysis, the Agere facility is just too large for pharmaceutical or biotechnology use. In fact, two of the largest biotechnology manufacturing facilities, Genentech's Vacaville and Bristol-Myers Squibb, have both recently constructed new 750,000 square-foot facilities, roughly half of the size of Agere facility, for the

production of their products. In the early 1990's, Genzyme Corporation purchased an old Prime Computer facility in Framingham, Mass. Genzyme attempted to convert the Class 1 and Class 10 clean rooms in this facility to biotechnology manufacturing space only to find out that it was easier to strip the buildings down to its original shape and re-build the clean rooms to specifications. Along these lines, the current Agere facility Owner's consultant recommends stripping rather than adaptively reusing the facility. The salvage value of the equipment and piping could easily exceed several million dollars. Once the equipment is removed, the Property then can be re-developed for other uses.

3.3.2 CHILLER PLANTS CAPACITY

The Property contains two chiller plants of 13,650 tons and 7,050 tons, respectively. They operate independently of each other and serve different buildings, except for building 31. There are 15 chillers total in the two plants. Of these, two chillers need replacement, three need repair, and the rest are completely functional and in good condition. The outside and inside air handling units as well as the hundreds of air handlers in the plenums serving clean rooms are in excellent condition. In fact, half of the 280 air handlers serving clean rooms are new units, and may be re-used. If a typical mall space requires one ton of HVAC per 300 to 350 square feet of space, then the current 20,000 ton chiller capacity on site could serve up to six million square feet of mall space.

Orlando Utility Commission has expressed interest in purchasing and operating the chiller plants from the current Owner. If a new chiller plant including building enclosure costs \$1,800 per ton to build at today's market rates, then the 20,000 ton of chiller capacity on site could be fairly valued at \$36 million.

3.3.3 REDUNDANT EMERGENCY POWER GENERATORS

To be found on the Property in good condition are three 2MW redundant backup generators, originally installed in anticipation of Y2K problems, as well as four other backup generators. The cost of each of the three 2MW generators is \$1,500,000 new. Since they do not meet current codes for uses other than medical, local hospitals are currently negotiating to purchase these redundant backup generators from the current Owner.

3.3.4 REVERSE OSMOSIS WATER TREATMENT PLANT

There are two wells on the Property along with the necessary equipment to process on-site well water into highly purified water for use in the semiconductor manufacturing plant. These wells are currently permitted through October 2012 for 2.16 million gallons per day. The current Owner is exploring the feasibility of utilizing this asset to produce commercial bottled water.

3.4 ENTITLEMENTS

VESTED RIGHTS: DEVELOPMENT OF REGIONAL IMPACT (DRI)

The original 6,575-acre Orlando Central Park, Inc., of which the Property is a part, acquired “vested DRI” rights in January, 1977. These vested rights allow covered developments, under certain circumstances, to avoid the costly and time consuming State DRI review process normally required for large development of this magnitude. It would normally require about \$1 million and 12 to 18 months to complete. In addition, these vested rights provide development within certain limits exemption from concurrency and consistency requirements at the Orange County level.

The State issued “Binding Letters” clarifying that the entire acreage is exempt from the DRI laws with respect to attraction and recreation facilities, industrial plants and industrial parks, office parks, petroleum storage facilities, multi-family residential developments, schools and shopping centers. Although the Property’s current I-4 zoning has always permitted hotels and motels, the Binding Letters did not address hotels or motels as exempted uses. This is probably due to the fact that when the Binding Letters were issued in 1970’s, hotels were not regulated by DRI Laws. Upon request, DCA could issue an amendment to the Binding Letters to also include hotels and motels as exempted use.

On the County level, the Property has the right to bypass of Orange County’s Concurrency Management System requirements relating to the capacity of such things as traffic, water, sewer, parks, and schools. In addition, property use is not required to be consistent with Orange County’s Future Land Use Plan. With this exemption, if the Property were to develop under a zoning category that was inconsistent with the County’s current Industrial future land use designation, it would not effect a costly amendment to the County’s comprehensive plan that would involve both local governments and the State Department of Community Affairs.

Perhaps the most significant exemption and effect of the Binding Letters is that the Property Owner is assured of maintaining the presumption that any new development will be below DRI thresholds, provided that said development does not exceed what would have been permitted under the Orange County Zoning Code’s I-4 designation as it existed in 1973.

COMPREHENSIVE PLAN AND ZONING

The current Orange County Comprehensive Plan designates the Property as “Industrial” in an I-4 zoning district. This zoning district permits a full range of industrial, office, restaurant, and hotel uses, and excludes only shopping center and multi-family uses. While requiring relatively modest setbacks, an I-4 zoning district restricts building height to fifty feet. Exceptions and waivers are allowed from time to time as in the case of the Ritz-Carlton Hotel (350 feet restriction) nearby. The Property’s “Industrial” designation also limits the maximum floor area ratio for non-residential uses to 0.5. Consequently, the site could theoretically be permitted for approximately 4.5 million square feet of non-residential development.

Because the Property’s contemplated plans dictate a variety of other uses beyond I-4 zoning tolerances and allowances, the Owner has applied for PUD zoning to gain greater flexibility in general as well as in specific aspects, such as building heights.

RESTRICTIONS

There are no unusual deed restrictions and easements on the property except a “noticeable use” restriction in effect through January 1, 2010, that confines site use for hotels, motels and restaurants.

IMPACT FEES CREDITS

Impact fees are assessed on new developments in Florida to help local governments mitigate the cost of any burden that the undertaking might exert on the community. The existing development on site would have required payment of \$4 to 5 million dollars of water, sewer, road, law, and fire impact fees, if developed new.

CHAPTER 4 – WHOLESALE MART CASE STUDIES

In the second stage of HBU study, efforts are made to compare the demand characteristics of differing and/or related uses which are further evaluated in terms of suitability with the property's marketability, location characteristics, building character, floor plate dimension, amenities, and transportation impact. Inspired by Las Vegas World Market Center, ten wholesale marts were selected for case studies.

4.1 DESIGN CENTERS AND FURNITURE MARTS

The concept of furniture marts began 100 years ago. The idea behind the marts was to provide a permanent place where furniture manufacturers could showcase their products to retailers. Markets and tradeshow are typically held twice a year to promote the marts. The primary furniture marts are located in High Point, North Carolina and San Francisco, California, holding the largest tradeshow and attendance in the country.

Design centers are one-stop shopping destination that facilitate designers' and high-end customers' decorating and renovation goals. These goals are met through selections of fine furniture and accessories, fabrics, wall coverings, lighting, kitchen and bath products, flooring, art, and much more products displayed in showrooms, and they usually accompanied by various on-site services. There are several Design Centers throughout the regions.

4.1.1 INTERNATIONAL HOME FURNISHINGS MARKET, HIGH POINT, NC

Started almost 100 years ago, High Point is the largest and oldest furniture market in the U.S. Also encompassing the community of Thomasville, High Point has evolved into 188 buildings containing approximately 12 million square feet (SF) of exhibit space. The largest structure is a 4 million square foot building.

High Point has approximately 3,000 exhibitors with only some manufacturers having year-round operations and corporate presence. Twice a year for 7 days in April and October, the exhibitors display their products in the trade show. Estimated attendance is approximately 75,000 people. Because of the varying age and condition of the buildings, rents in High Point vary from \$12.00 to \$25.00 per square foot, NNN. Leases are typically five years with scheduled increases.

OWNERS AND PROPERTY MANAGERS

Research shows a recent sale of Showplace Portfolio in September, 2005 to WSC/Capstone Showplace Investors IV LLC for \$89,500,000 at a 10.9% cap rate. Four showplace buildings, two parking lots, and an office building with a total rentable area of 698,524 square feet are situated on 11.92 acres of land. Currently with 200 tenants, the building is 95% occupied, at an average price per square foot of \$24.28 plus \$10.30 per square foot expenses.

Due to the critical mass and long history of High Point furniture market, it has maintained its status as the largest furniture market in U.S., despite competition from overseas. According to Mr. Mark Falanga, Sr. Vice President of Merchandise Mart Properties Inc. (MMPI), who owns 2.2 million square feet of furniture mart space in six buildings in High Point, some local manufacturers are able to outsource to manufacturers in Far East for some high quality and low cost products. Issues impacting High Point include: the area's relatively remote

location; the area's lack of adequate accommodations and amenities; and the functionality of the 188 buildings.

MMPI also owns and manages three premier design centers in the United States. They are: the 500,000 square foot A&D Building in New York, the 552,000 square foot Boston Design Center, and the 380,000 SF Washington Design Center in Washington, D.C. There is also a component of a design center within MMPI's Merchandise Mart in Chicago. Design centers in Chicago, New York, and Washington C.C. also house Kitchen and Bath Design Center.

MMPI purchased Boston Design Center in December, 2005, for \$96 million or \$174 per square foot at a 8.4% cap rate. The present occupancy rate is 98% with rents from \$32 to \$36 per SF NNN. New York A&D is 100% occupied with an average rental rate of \$31 per square foot, while the Washington Design Center rents from \$30 to \$32 per square foot and is 98% occupied.

4.1.2 DESIGN CENTER OF THE AMERICAS (DCOTA), DANIA BEACH, FL

Currently DCOTA is the largest design campus of its kind, showcasing 775,000 square feet of high-end interior design needs for home, yacht or office project. Fine furniture, fabrics, flooring, lighting, kitchen, bath, art, antiques, accessories, appliances, window treatments, decorative hardware, paint, surfacing can be found throughout the 150 showrooms at DCOTA. Its showrooms display and sell interior product lines to professional interior designers, architects, decorators and dealers. Conveniently located one mile south of Ft. Lauderdale International Airport at the I-95 Griffin Road interchange, it has been the premier shopping destination of South Florida for the past twenty years. "Southern Florida is one of the largest communities in America that supports vacation and second homes, as well as retirement homes," says owner Cohen.

Housed in three buildings on 31 acres of land, DCOTA's amenities include a luxury hotel on premise, multiple restaurant options, valet services, on-site parking, freight forwarding and transport services, and a multi-lingual staff. Vacancy rates have been steady at 11% for the past 6 months with rents from \$38 to \$45 per square foot modified gross, according to Mr. Michael Landy, leasing director for DCOTA.

DCOTA owner Charles S. Cohen purchased the property in June, 2005 and announced a major renovation program in January, 2007. The project will bring new life to the three existing buildings through a fully integrated design transformation. Dramatic new landscaping, water features, lighting and environmental graphics, together with major architectural changes to the building's interiors, will be undertaken over a four to five year period. Estimated cost will easily reach \$20 million, according to Stephen Fredricks, corporate leasing director of Cohen Brothers Realty Cos.

Developer Cohen's design team is comprised of:

Architect: Area Design, Inc.

Environmental Graphics: Pentagram

Landscape Architect: Thomas Balsley and Asso. with Mario Nievera Design

Architectural Lighting Designers: Kaplan, Gehring, McCarroll

Water Feature Design: Fluidity Design Consultants

OWNER AND PROPERTY MANAGER

DCOTA joins Cohen's existing portfolio of New York's Decoration & Design Building (D&D) of 570,000 square feet, the 1,000,000 square foot Southern California's Pacific Design Center (PDC) and the Decorative Center Houston (DCH) of 570,000 square feet, all owned, operated and managed by Cohen Brothers Realty Corporation (CRBC). Mr. Charles Cohen, owner, president and chief executive officer of CRBC has a portfolio comprises more than 12 million square feet of prime properties located in New York, Texas, Florida and Southern

California. His ability to reposition and maximize the potential of underutilized buildings has allowed him to carve a special niche within his industry.

CRBC purchased Decorative Center of Houston in April, 2001 for \$43.5 million or \$85/SF at a 9.2% cap rate and Pacific Design Center (PDC) in West Hollywood in October, 1999 for \$157 million or \$167/SF at a 6.1% cap rate, which includes a 2.9 acres parcel entitled for an additional 400,000 square feet of building. PDC is 80% occupied with rents from \$22 to \$40, NNN/MG. New York D & D rent ranges from \$60 to \$65 per SF, gross, 100% occupied, while the Houston DC rents between \$20 and \$25 per SF, gross, at 90% occupancy.

4.1.3 INTERNATIONAL DESIGN CENTER (IDC), FORT MYERS, FLORIDA

New to the market, the International Design Center (IDC) in Southwest Florida, between Naples and Fort Myers, opened summer of 2006. Situated on 38 acres of land, IDC has an expansion plan for 400,000 square feet in addition to the present 250,000 SF of showrooms. IDC is different from other design centers in that its first floor showrooms are open to the public while second and third floors are "trade" floors that focus on design professionals, although many showrooms encourage consumers to browse in order to become acquainted with their exclusive products.

The IDC offers a number of programs to assist consumers with their buying experiences. One of these is the "Designer on Call"[®] (DOC) service, available to those individuals who do not have their own designer. Interested consumers are given a one hour complimentary consultation at no charge.

IDC asking rent is \$25, plus \$4.50 CAM, \$3.25 tax and insurance, and \$2.25 marketing expenses. Rentable area has a 20% loss factor.

OWNER AND PROPERTY MANAGER

Miromar Development Corp. is a multi-faceted international real estate company with a portfolio of residential and commercial properties in the United States and Canada. The company developed and manages International Design Center, Miromar Outlets, and Miromar Lakes Beach & Golf Club, all located in Southwest Florida midway between Naples and Fort Myers. Miromar Development also owns and operates outlet centers in Quebec, as well as office buildings and business complexes in Montréal, Québec.

4.1.4 ATLANTA DECORATIVE ARTS CENTER (ADAC)

As the Southeast's premier design center for residential and contract furnishings, ADAC serves interior designers, architects, specifiers and builders. Encompassing 550,000 square feet, ADAC's 78 showrooms offer comprehensive collections of the industry's fine product lines including furniture, fabric, kitchen, bath, fine art, antiques, lighting, accessories, mantels, home theater products, and floor and wall coverings. ADAC's services include custom designs, framing, electronic systems, faux-finishing for wall and furniture surfaces, and custom draperies. Rent averages \$30/SF FS. Net rentable area is 425,580 SF, 100% occupied.

OWNER AND PROPERTY MANAGER

Portman Holdings, LLC is the owner and property manager of ADAC and Atlanta Americas Mart. Portman Holdings, LLC is a vertically integrated, full-service real estate development company with an international presence and a rich history of developing premier, that span five decades and three continents. Its projects include 18 city blocks Peachtree Center in downtown Atlanta, 11 city blocks Embarcadero Center in San Francisco, Portman Center in Shanghai and Marriot

Marquis Time Square in New York City. John Portman pioneered the concept of architect as developer, successfully building both an architectural firm of international repute as well as a host of affiliated real estate development, financing and management companies.

4.1.5 OTHER DESIGN CENTERS AND FURNITURE MARTS

In addition to the four premier design centers owned by Cohen Brothers Realty Cos., three design centers owned by MMPI, one design center owned by Portman Holdings, and the design center/furniture mart components of the three mega marts – Dallas Market Center, Chicago Merchandise Marts, and Atlanta Americas Mart, there are several regional design centers, ranging between 200,000 square foot and 400,000 square foot throughout U.S.

- Denver Design Center, 235,000 SF, 100% occupancy, NNN, \$16 – 20/SF
- International Market Square Design Center, Minneapolis, 324,000 square feet, 98% occupancy, Gross, \$14 – 26/SF
- Laguna Design Center, 205,000 SF, 100% occupancy, NNN, \$22 - 24/SF
- Market Place Design Center, Philadelphia, 310,500 square feet, 100% occupancy, FSG, \$20 – 25/SF
- San Francisco Design Center, 423,000 square feet, 100% occupancy, MG, \$36 -42/SF
- Seattle Design Center, 360,000 SF, 96% occupancy, NNN, \$15 – 20/SF
- New York Design Center, 500,000 SF, 100 showrooms
- LA Mart Design Center within LA Mart

In addition to furniture marts in High Point on east coast, there is a San Francisco Mart (SFM) on west coast, which mirrors some of High Point's characteristics. Many of the 2,000 exhibitors located in SFM also occupy space in High Point.

Twice a year, in February and August, the exhibitors display their products. SFM is situated in two buildings totaling 1 million SF and uses nearby buildings of another 1 million SF for its markets. Rent averages \$10 to \$18 per SF, NNN. At almost 90 years old, SFM also has a number of functional issues such as lack of parking and the obscure layout of the exhibit space.

In the South, there is Tupelo Furniture Market in Mississippi, the upholstery capital of the world. Approaching 1,000 exhibitors occupying nearly 2 million square feet of space, this market averages 35,000 national and international buyers in the bi-annual markets that take place in January and June.

4.2 WHOLESALE MARTS

Wholesale marts (also known as market centers or trade centers) are permanent locations that provide buyers of wholesale goods the opportunity to view and purchase a variety of merchandise in one location. They offer manufacturers, or their distributors and sales representative, centralized permanent showrooms for year-round exhibition of their products. They also host events and trade shows for their tenants and customers. Trade shows are short-term seasonally recurring events (typical 3 to 10 days) that focus on a specific industry or geographic area, held in wholesale marts, arena, or convention center. Wholesale marts today generally fall into three categories – furniture, gift, and apparel.

4.2.1 AMERICAS MART, ATLANTA, GEORGIA

Americas Mart consists of three buildings known as the Merchandise Mart, the Gift Mart and the Apparel Mart. There are 18 bridges used to connect the Marts

allowing all three buildings totaling 5.43 million square foot and their amenities, including hotels and restaurants to function as an integrated campus.

The Gift Mart is considered to be the core strength of Americas Mart, due to its success, critical mass and product variety and depth. The gross building area is 1.13 million square feet with a net rentable area of 1.02 million square foot equating to a loss factor of 10%. The Gift Mart with an already full house of 500 tenants representing thousands of product lines has a waiting list of prospective tenants.

Merchandise Mart has a gross building area of 2.09 million square feet with a net rentable area of 1.7 million square feet (19% loss factor), containing a retail level and connecting Westin Peachtree Plaza Hotel. There are over 750 tenants that represent product lines in Holiday & Floral Products, Area Rugs, Home Accents and Fine Linens, Garden Products, and home furnishings industry segments.

Apparel mart has a gross area of 2.1 million square feet with a net rentable area of 1.19 million square feet (loss factor 46%), largely due to the theater and a 13-story common area atrium known as the "Grand Atrium". Tenants are segmented into Apparel, Fashion Accessories, and Fine Jewelry. The addition of the Souvenir Gift and Accessories Center capitalizes on the flourishing souvenir and novelty item industry, attributable to the increase in disposable incomes, usage of novelty products by marketing companies and domestic travel.

OWNER AND PROPERTY MANAGER

Americas Mart is owned and operated by Portman Holdings, LLC.

4.2.2 DALLAS MARKET CENTER

Covering more than 100 acres, the Dallas Market Center contains nearly 7 million square feet, making it the largest wholesale merchandise mart in the world. Housed in four buildings are the World Trade Center, Trade Mart, International Floral & Gift Center, and Market Hall, with 2,200 permanent showrooms and 460,000 square feet of temporary show space. Just a short distance from downtown Dallas, visitors to the Dallas Market Center will find the city's finest restaurants, hotels, and entertainment facilities conveniently accessible.

Dallas Market Center conducts 50 markets annually, attended by more than 200,000 retail buyers. Founded in 1957 by real estate developer Trammell Crow, the comprehensive marketplace attracts specialty and department-store buyers from all 50 states and 84 countries.

The Trade Mart was opened in 1959 and expanded in 1976 and January 2007. The building has approximately one million square feet of showroom housing 7,000 lines of gifts, decorative accessories, house wares, lighting, tabletop and stationery. Four display floors surround the Grand Courtyard atrium with the management and marketing offices located on the fifth floor.

The World Trade Center was dedicated in 1974 and expanded from 7 to 15 floors in 1979, reaching 3.1 million square feet. The ground floor of the 15-story atrium features the Hall of Nations, a display of flags from around the world. Also located on the first floor are exporters' offices, Market Travel Agent, U.S. post office, shipping services, and *The Gourmet Market*, the largest permanent wholesale gourmet showroom in the world. The upper floors house showrooms of gifts, decorative accessories, lighting, furniture, rugs, bed, bath, and linen, fabric, jewelry, toys and design furnishings. Fashion Center Dallas, the new home for apparel and accessories, opened in March 2004 and offers more than 12,000 product lines with

related temporary exhibits located on floors 1, 12 and 13 during trade shows.

International Floral & Gift Center opened in January 1999. It is the rebirth of the Dallas Market Center's original building, the Home Furnishings Mart (1957). Connected to the World Trade Center, the 440,000-square-foot, two-story building is the only U.S. mart dedicated to the permanent floral and holiday trim industries, and hosts two shows annually. IFGC is home to the American Flower Importers Association as well

Market Hall, a consumer exhibit hall, was opened in 1960 and last expanded in 1963, containing 214,000 square feet. The Hall houses temporary exhibit space during market weeks and hosts 60 consumer shows and exhibits annually, attracting more than 400,000 patrons. It is best known in Dallas as the site for popular boat, RV and car shows.

OWNER AND PROPERTY MANAGER

In January, 2005, CNL Income Properties, Inc. in Orlando, Florida purchased majority interest in the Dallas Market Center from the Crow Holdings. Crow Holdings will retain management responsibility of the center. Crow Holdings is a diversified group of investment companies that owns and directs the investments of the Trammell Crow family and its investment partners. CNL Income Properties, Inc. is an affiliate of CNL Financial Group, Inc., one of the nation's largest privately held real estate investment and finance companies. Headquartered in Orlando, FL, CNL and the entities it has formed or acquired have more than \$15 billion in assets; manage an additional \$2.5 billion for third party investors. CNL Income Properties, inc. was formed to qualify as a REIT that invests in real estate emphasized on recreation and lifestyle segments.

4.2.3 CHICAGO MERCHANDISE MART

Merchandise Mart in Chicago is the world's largest commercial building, the first and largest wholesale mart in U.S. and one of Chicago's premier international business centers. The mart remains the largest trade center in the world and hosts more than three million visitors each year.

Encompassing two City blocks, the approximate 4.2 million square feet of industry buildings attract tenants whose businesses are enhanced by proximity to others in the same industry. These buildings offer specialized services, i.e. medical and dental practice buildings, jewelry buildings, toy buildings, gift buildings and furniture showroom buildings. Market Centers are merchandise mart buildings or complexes that house multiple industries. The Merchandise Mart in Chicago is one of four market centers in the United States. Other three are Atlanta Americas Mart, Dallas Market Center, and Las Vegas World market Center.

The Chicago Merchandise Mart's sister building, the Chicago Apparel Center has 1.5 million square feet and contains 300 wholesale showrooms for apparel and accessories with over 800,000 square feet of office and retail space, conference facility, and a 525-room business class hotel. Asking rental rate is from \$25 to \$35 per SF, MG, with a 1% vacancy rate.

Owner Merchandise Mart Properties, Inc. (MMPI) is currently planning a medical mart in the old Higbee building with a complementary 500,000 square foot convention center in Cleveland. Both buildings would play off the reputation of the Cleveland Clinic and the community's abundant other medical strengths. Clinic President first proposed the idea more than a year and a half ago and after spending half a million dollars researching and surveying, MMPI executives are convinced "a Medical Mart would draw at least 50 medical trade shows a year to Cleveland, or less than a tenth of the annual medical trade shows currently traveling around the country", said company President, Christopher Kennedy. By

mixing a critical mass of permanent showrooms and temporary exhibit space, the company will attract visitors eager to see the products. Marts are also attractive to exhibitors because they can save money by having customers come to them instead of moving their equipment from city to city. Estimated cost could total about \$350 million and financing may come from various sources, including the state fund and increase in county sales tax.¹

On June 11, 2007, the Merchandise Mart Announced Plans to become LEED-EB Certified. Plans included in its press release are:

- A green purchasing policy for products with recycled content and those that mitigate poor indoor air quality, such as air friendly paints and cleaning products.
- A green cleaning policy requiring that all cleaning products meet high indoor air quality standards per the Green Seal third party certification program.
- A green site maintenance plan. The Mart uses drought tolerant plants in all planters to reduce water consumption and employs an integrated pest management plan to reduce harmful toxins that pollute air and water.
- An indoor air quality management plan to ensure that construction activity in the building does not contribute to poor indoor air quality.
- Updated Merchandise Mart Construction Standards Manual to include green specifications for any and all construction activity on the premises.
- A comprehensive energy management plan piloting new technologies and efficiency programs.
- Evaluate installations of green roofs, solar panels, and other new technologies.
- Adoption of green events guidelines for tradeshow to reduce waste and educate visitors.
- Support of tenants in pursuit of LEED CI (Commercial Interiors) certification.

According to Mr. Ed Collins, General Manager of Washington Design Center, MMPI has always been conscientious about sustainability. For instance, since 1930's, Chicago Merchandise Mart has been cooling the 4.4 million SF building with little negative carbon output by making ice cubes during the off-peak hours of night and buying some chiller water from nearby utility company.

1.Plain Dealer Reports 4.4.07

OWNER AND PROPERTY MANAGER

For 75 years, Merchandise Mart Properties, Inc. (MMPI) has been North America's specialist in marketing support of buildings with wholesale showrooms, bringing together wholesalers, retailers and consumers. In this capacity, MMPI (now owned by Vornado Realty Trust) is both a property manager and trade show producer, divisionally organized by the industries housed in its buildings and represented at its events. Each year, MMPI hosts dozens of major trade shows and more than 300 conferences, seminars and special events throughout North America.

MMPI also maintains a full construction management services staff. They have supervised the construction and renovation of more than 10 million square feet of space. In the last decade, more than 14 full floors of The Merchandise Mart have been completely renovated.

MMPI organizes annual NeoCon World's Trade Fair at the Merchandise Mart in Chicago. As the single most important industry event of the year for commercial interiors and the built environment, A&D professionals navigate more than 1200 showrooms and exhibitors showcasing thousands of cutting-edge commercial products. Participants learn from top professionals with more than 130 CEU-accredited seminars, tours and educational programs. More than 50,000 design professionals attend hundreds of exciting networking events and parties during the fair.

MMPI management Co. also leases, markets, and handles day-to-day operations for the ancillary office and retail spaces in its buildings. The Mart's retail component offers office and showroom tenants merchandise such as clothing, books, greeting cards, and wine and gourmet products, along with bank, post office, dry cleaners and hair salon.

4.2.4 MIAMI INTERNATIONAL MERCHANDISE MART

Miami International Merchandise Mart, Florida's only wholesale mart, established in 1968, features more than 300 showrooms in 286,000 square feet of space adjacent to Miami International Airport. Open only to the trade, the Mart offers selections of women's and men's fashion apparel, junior contemporary fashion, gift and decorative accessories, fashion accessories, children's apparel, shoes and swimwear. For the convenience of buyers, the Mart is adjacent to the Sheraton Miami Mart Hotel and Convention Center, and is open year-round. The Miami International Mart services the U.S., Latin America and Caribbean markets and holds well known trade shows where temporary exhibitors join permanent exhibitors. Rents range between \$29 and \$65 per SF, MG, plus marketing and electricity with two months deposit and a minimum of one year lease; current occupancy rate is 87%. The owner has converted a portion of the Mart into condominiums which sell at an average of \$450 per square foot; to date 127 units have been sold. However, recent sales have been affected by the sluggish condo market in South Florida, according to leasing director.

OWNER AND PROPERTY MANAGER

Mr. Georgi Zaczac, Sr., President of South Florida Hotels, Inc., owner and manager of the Miami International Mart, Convention Center and the Sheraton Miami Mart Hotel, purchased the property in October 1997 for \$36 million. The hotel has undertaken an \$8 million renovation and changed flagship to Sheraton in August, 2005.

To meet the needs of travelers, the Sheraton Miami Mart Hotel offers the Airport Hotels Program with unique features like Day Break Service (three- and seven-hour room rates that include use of hotel facilities and meeting rooms); a Transit Survival Kit containing important personal care items; and Extended Laundry Service.

4.2.5 OTHER WHOLESALE MARTS

CALIFORNIA MARKET CENTER, DOWNTOWN LOS ANGELES, CA

CMC is an apparel mart in the hub of the Fashion District in L.A. It consists of three interconnected 13-story buildings, a bank branch building, and an adjacent 6-story, 1.9 million square foot building as well as a 2200 space parking structure. Local investor Dr. David Lee, head of Jamison Properties, Inc. paid \$130 million for CMC in April, 2005, at 7.7% cap rate. It is 72% leased to over 880 showrooms and houses the Otis School of Design.

LA MART, DOWNTOWN LOS ANGELES, CA

L.A. Mart occupies a 9.3-acre site on two city blocks, with approximately 300 showrooms in 724,000 square feet on 13 floors; the L.A. Mart[®] features gifts, decorative accessories and home furnishings. The Gift & Home Furnishings Markets[™] are held four times annually. MMPI purchase LA Mart in October, 2000 for \$52.7 million, at 9% cap rate with surplus land.

SAN FRANCISCO FASHION CENTER

Constructed in 1990 as an apparel mart, the 730,000 square foot San Francisco Fashion Center is part of the San Francisco Mart and contains more than 300 permanent showrooms.

DENVER MERCHNDISE MART

Roughly 600 permanent showrooms for gifts, jewelry, decorative accessories and apparel occupy the 269,000 square feet of building at Denver Merchandise Mart.

KANSAS CITY GIFT MART AND THE KANSA CITY APPAREL MART

The Kansas City Gift Mart consists of 325,000 square feet of building area, of which 173,000 square feet is rentable showrooms space and 60,000 square feet is for an exhibition hall. The Apparel Mart has approximately 150 permanent tenants in 255,000 square feet of building.

SEATTLE MARKET CENTER AND THE SEATTLE WORLD TRADE CENTER

The 200,000 square foot Seattle market Center is a gift mart consists of 110 permanent tenants specializing in table top gifts. The Seattle World Trade Center is a 340,000 square foot building contains 90,000 square feet of exhibition hall and 180,000 square feet of rental space for showrooms. It is known for its young men's sportswear companies that are headquartered locally.

4.3 WORLD MARKET CENTER, LAS VEGAS, NV

Located in Downtown Las Vegas, fronting interstate highway, and away from the Strip, the World Market Center is a grand urban revitalization project. Started in 2000's, when completed, the 8-building, 12-million-square-foot World Market Center on 57 acres in Las Vegas, will have the largest home furnishings showroom complex in the Western United States.

Phase I, 1.3 million square foot Building A, completed in 2005, and Phase II, 1.6 million square foot Building B, completed in 2007, are 100% leased to more than 500 exhibitors. Those exhibitors on upper floors are only opened twice a year during the January Winter and July Summer markets. Phase III, Building C currently under construction, will be a multi-tenant 1.2 million square foot structure and a 1 million square foot convention center with temporary exhibition space. Aggressive pre-leasing has rendered rent at \$28 to \$30 per square feet, plus \$7 in

CAM. In addition, future phases will also cater to other industries besides the furniture industry and will compete with the major wholesale marts in the country.

With only 1.3 million-square-foot in Building A completed, the July 2005 Summer Las Vegas Market at World Market Center was already the largest trade show launched in U.S. history, exceeded everyone's expectations, attracting more than 60,000 attendees from 83 countries, and showcasing 1,250 exhibiting companies (161 international) in 2.5 million square feet of permanent and temporary exhibit space. The winter market that followed in January 2006 was nearly as large. So in addition to the first building of permanent year-round showrooms, the developer constructed three pavilions on the property (at a total of 350,000 square feet, they're the world's largest tents, according to Guinness World Records), and contracted with the Las Vegas Convention Center for additional space for a 2005 summer market, and with the Mandalay Bay Convention Center for a 2006 winter market.

The July 2007 Las Vegas Market will be the largest show yet - consisting of 4.2 million square feet of state-of-the-art showrooms and exhibits. The Summer Market will take place in four venues including permanent showrooms at World Market Center Buildings A and B and temporary exhibits at the Pavilions at WMC and Sands Expo. The two temporary venues, the 1 million SF Pavilions and Sands Expo, offer nearly 1.5 million square feet of temporary exhibits featuring 700 exhibitors and an international roster of designers, manufacturers and rising stars.

There are eight distinctly branded show sections: Furniture; Design & Living; featuring Living Green, an area for sustainable furniture; Home Collection; Light; Sleep; Vegas Accessory & Gift; Interior Lifestyle and Resource.

The Design & Living area, the only juried exhibition located at the Sands, offers an exclusive collection of companies featuring all styles of furniture, from contemporary to classical, as well as high-design home décor, art and lighting

products. The showcase will present what is new and fresh from around the world, including exhibitors from Japan, Italy, United Kingdom, Australia, France, Mexico, Sweden, Denmark, Austria, Peru, Canada, USA, and Brazil. Award-winning U.S. companies in Design & Living will focus mainly on contemporary or urban design.

OWNER, DEVELOPER, AND PROPERTY MANAGER

Founders and managing partners of Las Vegas World Market Center, Shawn Samson and Jack Kashani had each developed large-scale commercial properties, but had no furniture industry or trade show experience. But they soon had a big idea, in 1999, after they learned that home furnishings companies in High Point, NC wanted exhibition space in west coast and a trade show in Las Vegas, said Dave Palmer, General Manager, World Market Center.

Samson and Kashani started construction of phase I in 2003 and in 2004 formed a partnership with The Related Cos., LP, a leading New York-based real estate firm. The partnership secured a \$191 million loan from the Hypo Vereinsbank, a wealth management company to complete Phase One construction. The addition of The Related Companies in 2004 provided World Market Center with significant additional financial and construction management resources, and contributes to an accelerated construction timeframe for the future phases of the project.

To strategize for the newly formed mart business, Samson and Kashani formed a 20-member exhibitor advisory board of furniture industry heavy hitters, listened to their ideas and kept them informed about every aspects of the project. "They know everyone in the industry, so they created an enormous buzz for the market," says Palmer.

Samson and Kashani recruited a world class team to execute the plan, including hiring mart industry veteran David Palmer as the General Manager and several other experienced executives. "Hire for success. Hire really good people and pay

them what they're worth", advises Palmer. "Expertise is important, but so is passion. Will they be passionate about your show?" Passion, drive, creativity and innovation are critical to success. Good timing also helps, as does an eye for a good opportunity, an unmet need, or a new market niche.¹

World Market Center boasts a world-class project team including:

Developer: World Market Center, LLC
General Contractor: The Whiting-Turner Contracting
Lead Design Architect: Jerde Partnership International
Executive Architect: JMA Architecture Studios
Landscape Design Architect: JW Zunino
Structural Engineer: Martin & Peltyn
Civil Engineer: Martin & Martin
Mechanical Engineer: Harris
Environmental Graphics: Selbert Perkins Design

4.4 BOSTON SEAPORT WORLD TRADE CENTER AND HOTEL

As the pioneer development in the Boston Seaport District, the World Trade Center (WTC) Complex is pivotal in transforming this failed industrial area, historically a major component of the city's maritime industry, and returning to the city as a thriving waterfront community. The district at the gate of Boston Airport and Harbor now contains Boston Convention Center, Boston Design Center, offices and hotels and is served by several mass transportation lines.

World Trade Center East, opened in July of 2000, is a 16 Stories, 504,000 square foot office building. It has indoor winter garden and outdoor sculpture park, full-time office concierge, lobby shop and bank. World Trade Center West is a 17 stories, 576,000 square foot office building, amenities include retail, back-up

1. National Real Estate Investor, 1.1.2004

childcare facilities, out door garden area on the third floor plaza level, dedicated office concierge, underground parking and in-office dining options. Seaport hotel is a 426-room four diamond hotel. The state-of-the-art Conference Center has 250,000 square feet of flexible meeting and exhibition space.

OWNER, DEVELOPER, AND PROPERTY MANAGER

In partnership with the Drew Co., Pembroke Real Estate developed, owns and operates the World Trade Center East and West towers, and Seaport Hotel. Pembroke Real Estate, a Fidelity Investments company, is a real estate firm specializing in the acquisition, design, development and management of signature properties in major metropolitan areas worldwide, including projects in London, Tokyo, San Francisco, Washington D.C. and Boston.

According to David Levy with Pembroke Real Estate, Fidelity Investment Company is the sole occupant of Boston WTC and the exhibition hall affiliated with the hotel is for consumer shows. Nevertheless, Boston World Trade Center truly has all of the amenities to become a successful trade center.

4.5 WHOLESALE MART CASE STUDIES SUMMARY

The wholesale mart industry is a two-tiered market, composed of: (1) several large trade marts that compete at national level and (2) numerous smaller trade marts that compete at regional level. With modern global commerce, international trade center also becomes an increasingly important facility. Marts generally fall into three categories – furniture, gift, and apparel. They contain permanent showrooms operating on a year-round base and exhibition space for manufacturers to display their merchandise in mostly bi-annual trade shows and markets. These marts typically cater to retail buyers with no or limited access to the public.

Characteristics common to most marts include:

- Sellers are able to achieve greater market exposure and better product representation than through traditional selling methods and taking orders.
- Buyers are able to view merchandise offered by several manufacturers at one time and one location and place orders, thus improving efficiency.
- Building management actively participates in the organization and promotion of trade shows, markets, and related programs.
- Seasonal exhibitions require ancillary display and storage space in a centralized location.

Wholesale marts are unique assets because they are both real estate investments and operating business. Frequently, mart managers would say its business leading the real estate, similar to mall and hotel operations, where real estate property management also takes the lead role in integrating and managing tenant business as a whole. The following characteristics are essential for the economic success of a mart:

- Critical mass of industry tenants and representation of the key tenants who serve as draw;
- Extensive and effective marketing, advertising and promotion;
- Convenient access to airports, highways, ample hotels and restaurants to provide supporting services;
- Strategic location in the region with strong demographics, or established industry;
- Strategic segmentation of showrooms to create the most synergistic floor plans.
- Demonstration of the flexibility of physical structure and facility management to maximize occupancy and profitability,
- Ability to host major trade show events.

CHAPTER 5 – MARKET ANALYSIS

5.1 MARKET OVERVIEW

5.1.1 ORLANDO AREA MARKET OVERVIEW

The Orlando-Kissimmee Metropolitan Statistical Area (Orlando MSA), located in Central Florida, consists of Lake, Orange, Osceola, and Seminole Counties. The City of Orlando, located in central Orange County, is the largest incorporated area within the MSA. With a population of over 1.9 million, the Orlando MSA is among the 30 largest metropolitan areas in the nation.

MARKET OUTLOOK

Orlando's economy remains among the most rapidly expanding in the nation. The metro area's positive demographic trends, fueled by high job growth and relatively low cost of living, will continue to support the area's strong performance. Florida is currently enjoying a rapidly expanding economy, led by growth in almost all sectors. Defense contracts in training simulation firms are boosting the metro Orlando economy. Though the rebound in the nation's tourism industry has also greatly benefited the local economy, Orlando has deliberately lessened its reliance on the tourism industry over the years in a concerted effort to diversify its economy. Subsequently the metro area has transformed itself into a regional business center in education, healthcare and professional services, which bodes well for its future economic growth.

Given the area's heavy reliance on tourism, the market's existing employment base differs dramatically from that of the Top 100. Orlando's leisure and hospitality sector accounts for 18.5% of the market's total employment base almost double the 9.5% for the Top100. Orlando is also more heavily weighted in its

construction, and professional and business services sectors. Conversely, Orlando is considerably under weighted in the manufacturing and government sectors.

The University of Central Florida, second largest in the state university system, has recently been approved for a new medical school to be built on property owned by Tavistock Group, which also owns the Agere Property. This new medical school has intensified the existing emphasis on technology and biomedical research and could potentially draw more high-tech and biomedical companies to Orlando.

DEMOGRAPHICS AND ECONOMICS

During the period from 2001 to 2006, Orlando's GMP grew 5.2% annually and ranks as the nation's No.2 top growth area. It ranks No.5 in population growth (3.52% annually) and household growth (3.78% annually), and No. 4 in employment growth (3.66%). As of April 2007, Orlando's unemployment rate of 3.1% continues to remain lower than Florida's overall rate of 3.2%, and below the national level of 4.3%.

Forecasts for 2006 to 2011 rank Orlando as the nation's No. 6 top growth area, with GMP growth averages 4.5% annually. Population growth is expected to grow at 2.93% annually and number of households at 3.14% annually, to maintain the city's top-5 rank in the nation. Orlando is also forecast to remain as top-4 nationwide in employment growth, with an average of 4.35% annually.

While Florida has long been a popular retirement destination, Orlando is much less retirement-oriented relative to other metropolitan areas in the state. Its median age of 36.5 years is roughly on par with the national median age of 36.2. The Orlando MSA, with only 23.9% of its population age 25 or older having a Bachelor degree or better, is on par with the U.S. overall. With only 14.4% of its households

having annual incomes of greater than \$100,000, the area appears to be less affluent than the U.S. overall of 16.9%.

MARKET COMPETITIVENESS

In the long term, world-class tourist attractions such as Walt Disney World, Universal Studios, and Sea World, in conjunction with ongoing diversified business expansions and the strong net migration of populations and jobs, are expected to continue fostering above-average growth in Orlando well into the future.

5.1.2 MARKET OVERVIEW OF AREAS IN THE ADAPTIVE REUSE DEVELOPMENT CASE STUDIES

Of the six adaptive reuse development case studies, two are in the Boston, MA-NH region (former Lucent Technologies redevelopment in Andover and Texas Instrument redevelopment in Attleboro); two are in the New York, NY-NJ region (former IBM facility in East Fishkill and Bell Labs facility in Holmdel); one is in the Philadelphia, PA-MD region (former Agere Systems redevelopment); and one is in Columbus, OH (the former Lucent Technologies redevelopment).

None of these regions reckoned in the nation's top Gross Metropolitan Products (GMP) growth area over the past five years, nor are they forecast to be in the U.S. top GMP growth area in the next five years. In fact, the Boston region experienced -0.14% growth from 2001 to 2006 and the New York region is forecast to have a growth rate of -0.18 from 2006 to 2011. With the exception of Columbus, OH, having average growth rate of roughly 1% for the past and future five-year periods, all other regions have had and are forecast to have an average growth rate of less than 1%.

Clearly, the market overviews and outlooks of the six adaptive reuse development case studies are quite different from those of the Orlando MSA. Although their sizes and physical characteristics are very similar to those of the Property in Orlando, their conversion strategies vary from reuse as another high tech manufacturing facility, to renovation for a regular office industrial park, to conversion for bio-tech use, to transformation for an Expo Center and educational facility makeover. Only the former Lucent Technologies redevelopment in Columbus, OH, completely redefined its existing complex for mixed-use housing, hospital uses and a town center.

On the other hand, there is evidence that former electronics plants in the Sunbelt and west coast, ranging in size from 250,000 square-feet to 500,000 square-feet, have successfully converted to other uses such as data centers and hospitals. While the market for these plants are much more comparable to the Orlando MSA than the older and larger plants in the northeast region, the redevelopments each lacked the size necessary for re-branding into a meaningful mixed-use project. The Property in Orlando would seem to have the best of all worlds: the ideal size, physical features, location and market to transform itself into a vibrant and significant mixed-use development.

5.1.3 WHOLESALE MARTS MARKET OVERVIEW

Published market data is not readily available for the wholesale mart industry. Information presented in this thesis has been compiled from various print press releases and interviews with managers at various centers throughout the U.S.

Wholesale marts were first developed in the 1920's as changes occurred in the retail industry. As chains of regional and national department stores developed, replacing the independent local merchant, a more centralized approach to

purchasing merchandise was required. With the globalization of merchandise commerce, centralized product showcases are in greater demand than ever.

Today's wholesale marts fall into three categories: Furniture, Gift, and Apparel. Many of the apparel marts have consolidated a trend that seems most pronounced in the smaller marts of Boston, Atlanta, and Los Angeles, which experience full occupancy with waiting lists. Gift marts consolidation occurs on a more regional basis and across the country most gift marts are experiencing occupancy rates above 90%. Most apparel and gift mart managers expect this trend to continue through the intermediate future.

On the other hand, the furniture market is markedly cyclical except in the high-end designer home furnishings sector. According to research by Furniture/Today magazine, "Any time there is a hint of recession; furniture sale hurts because you can easily postpone the purchase." The research further discloses that furniture sales grew 4.5% in 2004, 2% in 2005 and 2.7% in 2006 to reach a sales total of \$81.5 billion in 2006. Since 1998, furniture retail sales have increased at an annual compound rate of 1.9%, despite a decline in its share of consumer spending. The decline is attributed to two phenomena: First is the recession. Second are the low-cost of imports and the concurrent erosion of the average retail mark-up caused in turn by an increase in low-margin retailers such as warehouse clubs and other discounters. In 2003, Wal-Mart became the largest retailer of furniture. Following Wal-Mart, IKEA continues to expand its operations in U.S. According to Mr. Ed Collins, General Manager of Washington Design Center, 95% of the opening price and promotional price (inexpensive and medium price) furniture manufacturing have been outsourced to China, Far East etc. and a growing share of high-end furniture are outsourced to China too.

Despite the recent recession, demand for furniture continues to improve. With low-cost imports and low-margin retailers continuing to keep furniture prices relatively flat, furniture buying will likely account for a greater part of consumer's expenditures, increasing as the economy continues to improve over the near term. Currently, major furniture wholesale marts and design centers are enjoying over 95% occupancy.

Marts are unique real estate investments which are typically acquired and operated by investors with expertise in this category of asset. Much like mall business leads mall real estate and generally the larger mart represents something of a "barrier to entry" within a given market, as the critical mass necessary to support the tenancies and related events will typically be concentrated within a single property in a market area.

5.2 MARKET STUDY

5.2.1 METRO ORLANDO MARKET STUDY

The Property is situated in the Southwest Orlando submarket, considered one of the region's most robust office and industrial submarkets. It has seen a surge of activity in recent years, with strong leasing growth from education, construction, development, time share resort and convention-related tenants. This southwest Orlando market is predicted to continue attracting office, retail and residential users with the nearby development of the 1.3 million-square-foot Mall at Millenia and high-end executive housing. However, due to a scarcity of available land for new development, this area is anticipated to be built out within three to five years. As a result, rents are expected to continue to rise and occupancy will likely stay tight. The Property's redevelopment could increase the inventory, but also be one of the few additions.

As of second quarter 2007, the Southwest Orlando submarket has an office inventory of 6.3 million square-feet, an overall vacancy rate of 6.4%, and an average rent of \$24 per square-foot, full service. It is currently experiencing the largest building boom in its history, with 456,000 square-feet under construction and a year-to-date net absorption is 33,000 square-feet. Rent has leveled off from the rapid escalation that began in the second quarter of 2005. The vacancy rate has also bottomed out from the fast absorption since the same period. The average rent was \$19.85 and vacancy was 15% at the bottom market in mid-2005.

The Property is situated in the Orlando Central Park office, warehouse, and, manufacturing submarket. As of second quarter 2007, this submarket has 18.8 million square feet of inventory, a 5.3% vacancy rate, 251,000 square-feet under construction, and a year-to-date net absorption of 422,500 square feet. Office service buildings rent for an average of \$11.84 per square-foot, manufacturing space for an average of \$9 per square-foot and warehouse/distribution centers for \$5.14 per square-foot, all NNN.

In 2006, the Orlando MSA retail investment market finished strong, breaking the \$1 billion mark in sales volume and experiencing a 41% increase in the average price-per-square-foot to \$193.75. The weighted average retail lease rate was \$16 per square-foot and the vacancy rate decreased to 6.5%.

The PREEF, a member of Deutsche Bank Group, has marked 2007 as the year of transition for Orlando. Its industrial market is forecast to be in growth mode through 2011, with an average vacancy rate of 7.6% and rent momentum on the rise. The retail market is also forecast to grow well into 2011, with an average vacancy rate of 5.9%. Only the apartment market in Orlando, like those in many other cities in the country, will be in a post-growth stage, likely experiencing a contraction in the near term with vacancy rates as high as 9.1% in 2011. By

contrast, the Orlando office market will approach 2011 in expansion mode, according to Integra Realty Resources.

5.2.2 ORLANDO CONVENTION TOURISM MARKET STUDY

The Orange County Convention Center (OCCC), with 2.2 million square-feet of exhibition space housed in 7 million square-feet of buildings, is the second largest convention facility in the country. Each year OCCC brings more than 300 events to the Central Florida area. As a result, roughly 1.4 million attendees contribute approximately \$1.4 billion to the area's economic impact each year. In the latest annual rankings by Tradeshows Week magazine, Orlando's share of the nation's largest tradeshows slipped from 26 in 2005 to 20 in 2006. However, the average size of Orlando's large shows rose 25 percent from 292,300 square-feet in 2005 to 365,000 square-feet in 2006. Overall, 2006 Orlando conventions utilized a collective 7.3 million square-feet.

The Orlando International Airport (OIA) is experiencing annual traffic increases of approximately 20%. This has distinguished it as one of the top 20 busiest airports in the U.S. and one of the top 30 in the world. OIA is currently ranked #1 in passenger satisfaction by J.D. Powers.

There are 120,000 hotel rooms in the Orlando area, with an additional 3,000 rooms under construction. Even though 67.3% occupancy rate is down a percentage point from 2006, the average daily rates are expected to rise 5.7% to about \$122, according to a report by Marcus & Millichap. Though recovery has been more dynamic for the lodging sector than for other property sectors, it shows no signs of slowing down. As reported in Travel Industry Association, while business and leisure travel has slowed over the past 12 month, convention and conference business remains strong. Lodging is presently at the peak of the recovery phase

of the cycle. Expansion is occurring, but on a limited basis and with significant risk from external factors.

5.2.3 WHOLESALE MART MARKET STUDY

According to Mr. John Portman, owner and developer of the Atlanta Design Center, two of the most important criteria to support a successful Design Center are to have a critical mass of wealth and designers in the area. Within two hours driving range of the Orlando MSA, there are roughly 500,000 households with an income of more than \$100,000. This surpasses 404,000 households in South Florida and 72,500 in Ft. Myers Beach/Naples, where two successful design centers are located. There are 2,700 architects and designers in the Central Florida market who are registered with the State of Florida's Department of Business & Professional Regulation.

In addition to residential home furnishing market, there are tremendous demand of commercial contract furnishing from Orlando's hospitality industry to constantly refurbish and refurbish hotels, spas, restaurants and entertainment venues.

The New International Design Center in Ft. Myers/Naples has an average rent of \$25 per square-foot, plus \$10 in CAM, marketing and miscellaneous expenses. Design Center of the Americas (DCOTA) in South Florida is 89% occupied, with rents that range from \$38 to \$45 per square-foot. Miami International Merchandise Mart rents from \$29 to \$65 per square-foot, MG, and is currently 87% occupied. The new World Market Center in Las Vegas is 100% leased, with rents between \$28 and \$30 per square-foot, plus \$7 CAM.

The gross rent in a wholesale mart tends to be much higher than traditional retail, office, or warehouse rents. However, due to a marked need for extensive

marketing, advertising and management of the marts and trade shows, expenses are about 50% higher than traditional uses.

5.3 MARKETABILITY STUDY

5.3.1 LOCAL AREA MARKETABILITY

The Property is located within the Orlando Central Park office/industrial submarket. SouthPark, a Class A office park developed by Flagler Development Company, is located along the Property's northern boundary and across John Young Parkway. The Southridge Park developed by East Group is to the south of the Property. Both parks will be built out in near future. The Orlando Central Park market has experienced an average annual absorption rate of 268,000 square-feet of office and 536,250 square-feet of industrial space in 2005 and 2006.

Overall, the Property is considered to have a good location and excellent access and visibility. The design of the improvements on site, including clear height and dock facilities, reflect modern design standards and are fully functional for an office/warehouse/distribution center. The Property can realistically be expected to compete effectively with office and industrial uses in the vicinity.

By virtue of other neighboring developments and its considerable size, the Property also has the potential to be competitive in the entertainment and hospitality industries. Within one mile to the south are Shingle Creek Golf Resort and Ritz-Carlton Marriot Golf Resort, both of which cater to the tourism and convention business.

5.3.2 ORLANDO – LAS VEGAS MARKET COMPARISON

Although Orlando is frequently compared to Las Vegas because of their similarity in convention/tourism economy base, available data presents a gross similarity in many basics and differences in some aspects.

MSA ATTRIBUTE		Orlando	Las Vegas
Population		1.9 million	1.9 million
Population growth rate/rank	2001-2006	3.52% (#5)	4.34% (#1)
Population growth rate/rank (forecast)	2006-2011	2.93% (#5)	4.49% (#2)
Employment growth rate	2001-2006	3.66% (#4)	5.31% (#1)
Employment growth rate (forecast)	2006-2011	4.35% (#4)	5.81% (#2)
GMP growth rate rank	2001-2006	#2	#6
GMP growth rate rank (forecast)	2006-2011	#1	#9
International Airport volume		35 million	36 million
Visitors		49 million	39 million
Convention attendees		2.2 million	6.3 million
Convention Center exhibit area (SF)		2.2 million	2.2 million
Trade Shows - Large / Total Exhibition Rank in U.S.		20 / 300 (#2)	45 / 23,825 (#1)
Convention Economic Impact		\$1.4 billion	\$8.2 billion
Hotel Rooms		120,000	132,600
Hotel Occupancy Rate		67.7%	89.7%
Hotel Average Daily Rate		\$122	\$120

5.3.3 NATIONAL AND INTERNATIONAL MARKETABILITY

Las Vegas is the leader of the convention business in the country, leading number 2, 3, and 4 - Orlando, Chicago, and Atlanta, with tremendous number of convention attendance. In the same time, there are only four dominant wholesale marts in the U.S.: Atlanta AmericasMart, Dallas Market Center, Chicago Merchandise Mart and the newly developed Las Vegas World Market Center. Of the four, the Las Vegas business environment is the most comparable to Orlando's, and is worth a closer look.

Five years ago, the Las Vegas World Market Center started its three-phased construction of the five million square-foot furniture mart and design center. It has since achieved 100% occupancy in its completed 2.8 million square-feet and 97% pre-leasing of its 2.2 million square feet currently under construction. With infrastructure already in place and a robust tourist/conventioner and trade shows related economy, the Agere Property's redevelopment to a design center and market place in Orlando has the strong potential to follow the Las Vegas World Market Center's rise to national and international success and recognition.

CHAPTER 6 - CONCLUSION

According to The Dictionary of Real Estate Appraisal, the highest and best use is defined as “The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.” In short, the four criteria that the highest and best use of any property must meet are: (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

ADAPTIVE REUSE DEVELOPMENT

In the adaptive reuse development of a highly specialized manufacturing facility on a large parcel of land, where buildings have been well maintained but vacant or underutilized for a considerable period of time, six basic options are available, under the three major alternatives of reuse, adapt or demolish. They are (1) Market as is; (2) Leave vacant, perhaps stripping out to reduce property tax and maintenance cost, and hold for its due course; (3) Renovate to improve marketability; (4) Modify use within the same dominant use class, perhaps adding ancillary uses; (5) Adapt for either a totally new class of use or for mixed classes of use. (6) Demolish, redeveloping or selling the parcels.

According to David Kincaid in his book, “Adapting Buildings for Changing Uses”, four key criteria for assessing the viability of options are the relative COST, VALUE, RISK, and ROBUSTNESS (flexibility). Predictably, key participants on the same development team usually weight these criteria differently. Investors and developers tend to assess the risk factor first; users and producers (design and

construction) typically study cost most diligently; and brokers as well as government agents are inclined to evaluate value as the foremost criterion.

Compiling from the interviews with development specialists and referring to Kincaid's "Adapting Buildings for Changing Uses", the author of this thesis has observed that the process of identifying viable alternative uses generally advances in three stages. The first stage focuses on characterizing the available building stock and site as to structural, constructional, spatial, servicing, operational, and financial functions of the buildings and the environmental, geotechnical, topography, ingress/egress and zoning assessments of the site. In the second stage, efforts are made to compare the demand characteristics of differing and/or related uses. This endeavor involves two phases of elimination. In phase one, the development team eliminates uses which are inconsistent with the location or building factors, giving due consideration to zoning codes, hostile factors, ceiling heights, floor loads and configuration. In phase two, uses that remain on the table for further deliberation are then evaluated in terms of suitability with the property's marketability, location characteristics, site character, physical nature, quality of exterior and interior finishes, external and internal access, amenities, street integration, and traffic and transportation impact.

The key financial issues in adaptive reuse development efforts are the management of risk and the maintenance of flexibility to ensure long term robustness. Investors in adaptive reuse are typically relatively small, specialized developers. To compensate for the extra risk of unknown hidden hindrances inherent in underutilized property investment, adaptive reuse ventures often yield 0.5% to 1.5% more than new construction. Project loan sizes and risks are typically reduced by phasing projects in larger projects to better manage potential risks, which also helps to facilitate early income and align design solutions with market preferences.

Design is a major means of optimizing robustness, particularly to the extent that it allows for the flexibility of the buildings to accommodate uses other than that currently intended for possible future options. Conceptual and detailed design decisions and program achievement are more critical in adaptive reuse undertakings than in new campus works due to existing environmental constraints.

Crucial to the success of an adaptive reuse development is also the early assembly of a team with the necessary skills and experience to address potential issues and opportunities in a timely manner. For adaptive reuse, designers have to be more innovative in the use of space and contractors more inventive with methods due to the pre-existing building conditions. Contractors who specialize in refurbishment and whose experience and expertise is well-suited to the project's intended use and required specifications should be preferred. Brokers will also play a critical role in change of use decisions affecting finance, design, pricing and timing. At every stage of schematic design, their advice, as well as those of planners and governmental regulators, should be sought and considered. The team's discovery and understanding of the attitudes and preferences of potential owner/occupiers is a low-cost, high-value exercise that should be initiated early on.

The critical entitlement approval process depends on successfully linking design progress to approval stages, implementing key developmental points and responding to influential neighborhood associations, local non-governmental bodies and other significant stakeholders where possible. Compliance with planning and zoning policy, quality of exterior design and proposal completeness and clarity are crucial to the success of planning applications.

ADAPTIVE REUSE FOR SUSTAINABILITY

Sustainability in the built environment is best approached through an informed design that strives to meet users' ever-changing needs. In other words, use should be assumed to be uncertain. The most sustainable way to provide flexibility

is to create spaces where people can adapt their uses to suit the building and where the components should not constrain its ability to adapt to new technologies, Construct a building shell with standard servicing and utilize removable modular workstations instead of build-in fixtures is a good example for adaptive uses of space.

However, investors and developers interviewed show a general lack of interest in taking the lead in green technology in the new construction of the adaptive reuse development. Majority of the green features built today are in direct response to requirements of specific users, tenants, or owner occupiers.

Regardless, increasing interest in sustainable development alongside rapid technological change suggests investment growth in adaptive reuse. The adaptation of site and buildings to different uses will continue to play an important role in ensuring the continued efficient use of the real estate stock of communities throughout the world. This thesis offers ideas hoped to be appropriate.

NEW MIXED USE FOR HIGHEST AND BEST USE

The former 206-acre, 1.5 million-square-foot Agere Property in Orlando has good visibility, convenient access, critical mass, supporting infrastructure and an overall excellent condition. Its zoning permits a wide variety of high density uses, excepting only single family use. The Property's Orlando location strongly supports the potential of a vibrant mixed-use retail, office, warehouse, and hospitality complex, which would not only cater to local needs, but also draw national and international users and visitors from the area's recognized world convention tourism market.

The concept of a mixed-use wholesale mart and design center on the Property immediately satisfies three of the four highest-and-best-use determination criteria: (1) It is legally permissible, (2) It is physically possible, and (3) It could provide maximum productivity for the Property. With the exception of the “marketing the Property as is” option, all the five other adaptive reuse development options could be exercised in the transformation of the Property to the proposed mixed use scenario. Some of the very specialized equipment and features for semi-conductor manufacturing could be stripped and sold for salvage value, and the structures housing them subsequently demolished. The other buildings deemed suitable for general office, warehouse, distribution, and educational facilities could be compartmentalized to appropriate sizes and individualized to correspond to users’ requirements for servicing modern market demands. Finally, a critical mass of approximately 750,000 square-feet of space could be constructed as the first phase of adapting the Property for trade center use. Remaining improved site will be adapted for other uses. Surrounding surplus land could be parceled out for supporting hotels, retail and entertainment centers, and offices and business parks.

As to the fourth highest-and-best-use determination criterion, it would appear that the proposed mixed use redevelopment would also make the grade, particularly if certain conditions are planned for, initiated and sustained. Critical to the financial feasibility and success of the proposed center will be the complementarities of the facility’s permanent showroom space and trade show operations. Together they must form a seamless network through which manufacturers and wholesalers can efficiently access retail buyers and store owners. Other factors that will influence the success of the venue in attracting exhibitions include:

- Accessibility and affordability of the host city.
- Location relative to market areas and access for visitors and exhibitors.
- Size, flexibility and quality of facilities and services.

- Availability for the optimum dates required (calendar programs).
- Costs and conditions of space, hire, including tied services and charges.

Together with the changes occurring in the U.S. manufacturing industry, today's trade fairs and consumer exhibitions are also experiencing many changes. In particular, older traditional industries are tending to consolidate activities. The industrial revolution has shifted towards the emerging countries of Southeast Asia, South America and Mexico, while Europe and the urban centers of North America have witnessed partial de-industrialization and a transformation towards a more service-oriented society. According to Fred Lawson, author of "Congress, Convention & Exhibition Facilities", market maturation and increased competition are reshaping the traditional trade show format in several ways:

- Rationalization of consumer and trade shows with more specific marketing and targeting of exhibitors, and by identifying specific markets at specific locations and at varying appropriate intervals;
- Division of large marketplace shows to provide more specialized or regional events;
- Combination of trade shows with seminars of professional interest and marketing and research intelligence;
- Extension of consumer shows into the services sectors in employment, careers, science, technology and entertainment;
- Further development of high technology in displays, communications and management of events.

The highest and best use of new mart proposed for the Property is a management intensive use. Assembly of a strong, innovative, experienced and well connected team of fairs management and facilities management experts is crucial to achieving maximum productivity and profits.

Beyond the evaluation of the fundamentals of a property's size and physical features in strategic planning for an adaptive reuse development, comprehension of the market demand, supply and trend of a location adds the most value to the development. In many cases, innovative conversion projects are not only real estate development, but also business development undertakings. The highest and best use for a real property thus opens up opportunities for other business ventures.

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