SunTrust Plaza

TEAM 10

2020 CASE STUDY CHALLENGE

sponsored by

University of Maryland
Colvin Institute of Real Estate Development

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PROJECT OVERVIEW

Name
SunTrust Plaza at
Church Street Station

Location
333 South Garland Avenue
Orlando, FL 32801

Year Built
2019

Project Type
Mixed-Use: Office, Hotel,
Retail, Transit Oriented

Development Value
$133 Million

Site Area
0.92 acres

Building Size
Stories: 25
Total: 601,225 SF
Office: 204,500 SF
Hotel: 180 Keys
Retail: 4,800 SF
Parking: 605 Spaces

Developer
Lincoln Property Company
Mason Capital Partners

Architect
HuntonBrady Architects

Contractor
Austin Commercial

MEP Engineer
TLC Engineering Solutions

Structural Engineer
Walter P. Moore & Associates

CivilEngineer/Landscape
GAI Consultants

Executive Summary

In December 2014, Scott Stahley, of Lincoln Property Company (LPC), meets for coffee to discuss the second phase of another developer's project and LPC's potential involvement. The developer asks Scott what he thinks about the planned Phase 1 building. Fast forward to December 2019, Scott is looking out over downtown Orlando from his office window of a recently completed tower. An innovative mixed-use, transit-oriented building that is now the visual gateway anchoring the SW corner of Downtown Orlando. It sits on the original developer's project site. Based on Scott's vision and leadership, Lincoln Property Company assembled a development team, acquired the development parcel, designed a new mixed-use concept for the site, and delivered his reimagined version for the project site.

SunTrust Plaza is a 25-story mixed-use tower located in Downtown Orlando. The building vertically stacks with 4,800 SF of ground-floor retail, 605 parking spaces, 204,500 SF of Class A office space, and a 180-key Marriott AC Hotel. The ground floor blends the retail space with the only enclosed SunRail Commuter Train Station in Orlando, creating an active and pedestrian-friendly experience for both the public and the building's users. A visually striking yet clean, modern architecture design helps to anchor the downtown district's SE edge while supporting the City of Orlando's redevelopment goals and the local market's real estate demands.

This case study is for the 2020 Colvin Case Study Challenge, sponsored by the University of Maryland Colvin Institute of Real Estate Development. The Colvin Case Study Challenge is a national intercollegiate real estate case study competition for full or part-time students enrolled in a college or a university real estate program. The Challenge is designed to hone professional skills and reveal the knowledge base and understanding of markets, project valuation, finance, urban design and sustainability, entitlement processes, and operational issues.

Developer's Project Vision

SunTrust Plaza has brought contemporary life into the Church Street Station historic entertainment district, setting the standard of quality for the Central Florida office market. The $133 million, 25-story tower has become the gateway to downtown, ushering in a new development wave and reimagined meaning to Orlando's "City Beautiful" moniker. With its sleek glass edge which appears to be attached to the heavily trafficked Interstate 4 Freeway and pedestrian-focused ground level set to welcome SunRail passengers through the only enclosed commuter rail stop Downtown, the tower contains 204,500 square feet of Class A office space. It has secured one of the strongest and largest financial tenants in the region. Its integration of different uses includes a 180-key Marriott AC Hotel, ground-level retail, and 605 parking spaces that accommodate self-parking office tenants, valet-parked hotel guests, and sports fans/concert-goers on nights and weekends.

Before Lincoln Property Company (LPC) commenced the ambitious mixed-use project, the site was a surface parking lot for nearby downtown attractions, including the adjacent Church Street Station. Initially built in 1889, it served as the original Orlando stop for the Atlantic Coastline Railroad until the 1920s. After sitting idle for almost fifty years, visionary developer Bob Snow turned the run-down area into a lively entertainment district that became an alternative to the more family-friendly Walt Disney World resort, which was under development fifteen miles southwest in Lake Buena Vista.
At its peak in the late 1980s and early 1990s, the Dixieland Jazz-themed attraction drew 1.7 million annual patrons. It was said to have over 900 employees on its staff, including a skywriter - a nod to Snow's aviation background. Snow sold the property in 1991, and as decades of steady decline followed, a final attempt to re-invent the venerable music and event

Development Team

Lincoln Property Company

- Envisioned project and undertook from Tremont Realty Capital
- Quarterbacked and oversaw the entire project for the team
- Hired the A/E/C team
- Negotiated lease terms with brokers

Mason Capital Partners

- Assembled the investor partnership group
- Negotiate and finalized the construction loan
- Capital management and reporting

HuntonBrady Architects

- Architectue design team lead
- Coordinated Architecture, Engineering, Structural, Civil and Landscape design teams

1972 (circa) Church Street Station (FL Div of Tourism)

venue began in 2017. However, it soon failed, and by the next year, the property was subdivided and sold at auction.

Despite the recent challenges at Church Street Station, Downtown Orlando is experiencing an unprecedented period of investment and real estate development activity. Significant projects include the construction of Dr. Phillips Performing Arts Center ($488 million), a complete renovation of Camping World Stadium ($208 million), construction of the new Orlando City Soccer's Explora Stadium ($155 million), and the proposed Sports Entertainment Complex. This $500 million project includes an office tower, conference center, luxury apartments, and parking garages adjacent to the 18,000 seat Amway Center, host of 200 events per year, and home of the National Basketball Association's Orlando Magic. All of this comes while rebuilding the city's main north-south traffic artery, a $2.4 billion construction project dubbed I-4 Ultimate.

At an auction, Boston-based Tremont Realty Capital (TRC) gained control of most of the land at Church Street Station and began planning its multi-phased development. A historical lack of lodging options specific to the Downtown market made the high-profile site attractive for hospitality use. A 12-story, stand-alone Hyatt Place was planned and was well on its way through the municipal approvals process. A timely meeting with TRC and LPC's Scott Stahley then altered the corner lot's trajectory at Garland Street and South Avenue.

A seasoned veteran with over twenty years of experience developing large projects for LPC's Florida office, Stahley brought a unique perspective to the local market. Orlando is a strategic market for the international firm, and LPC's impressive global portfolio had intrigued city officials and Downtown stakeholders for quite some time. When TPC asked Stahley what could be next for Church Street Station in future phases, Stahley made it known that he felt this initial stand-alone hotel project would undervalue the reimagined district's potential. His vision called for a more ambitious plan for Church Street Station, requiring an iconic mix of uses for the prominent corner to spark additional development. Within months, the city agreed, and Stahley and LPC had decided to take over the project and its future phases from the Boston-based real estate investment trust.

Site Description

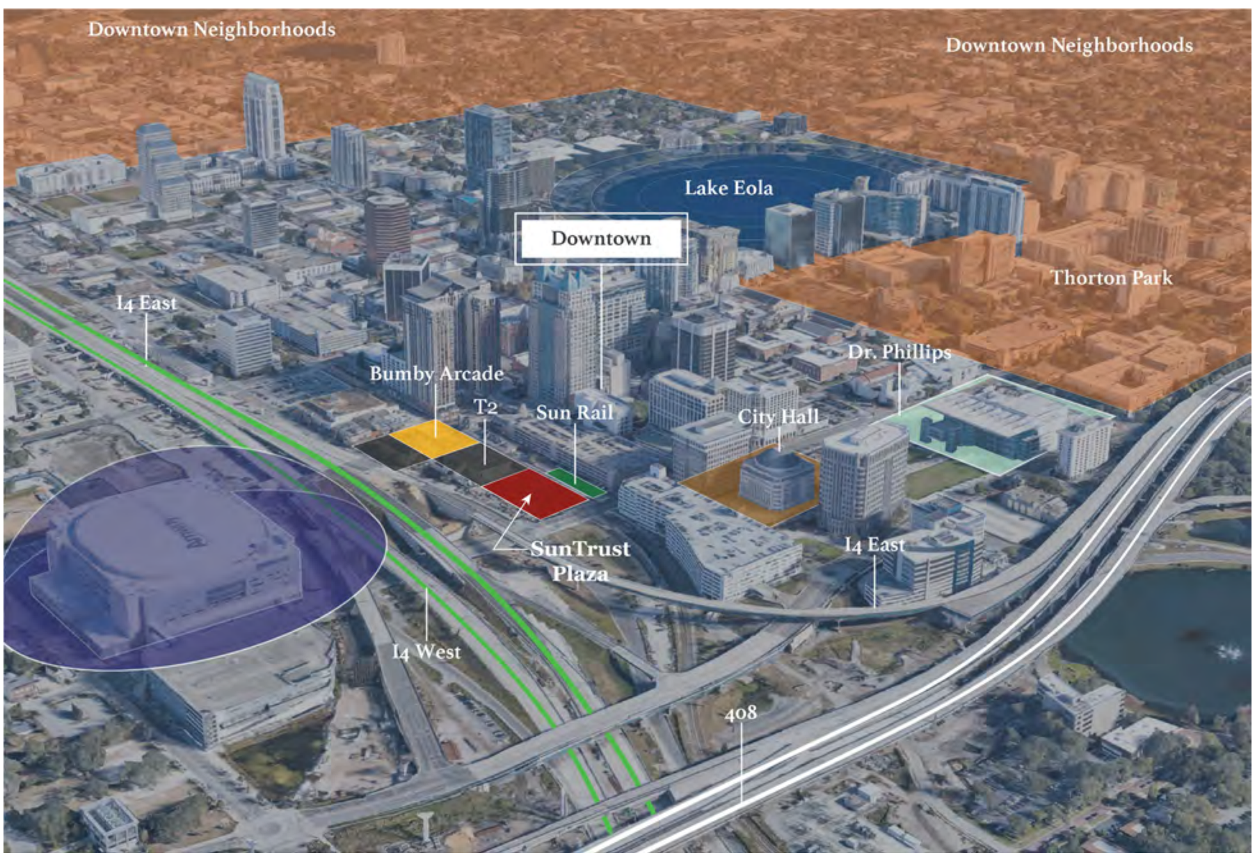
The development site is a 0.935 acre parcel at 333 South Garland Avenue. It borders the SunRail commuter rail line to the east (owned by Central Florida Commuter Rail Commission, a division of the Florida Department of Transportation); East South Street to the south; South Garland Avenue (and Interstate 4 Freeway) to the west; and West Church Street to the north. The project is the southernmost of three parcels owned by the development team. This site anchors the southwest corner of City District, a nationally accredited Orlando Main Streets not-for-profit 501(C)(6) organization that promotes and advocates for the stakeholders and businesses within the historic downtown corridor and Parramore community. A ten minute walk radius connects the site to the majority of downtown Orlando municipal, dining, and entertainment venues, including:

- City Hall
- Amway Center, a 18,000 seat arena, home of the Orland Magic of National Basketball League (NBA)
- Dr. Phillips Center for the Performing Arts
- Explora Stadium, home of the Orlando City of Major League Soccer (MLS) and Orlando Pride of the National Women's Soccer League (NWSL)
- Orlando Central Business District

Market Analysis

Traditionally, most new office projects developed in the Metro Orlando market occur away from the urban core. Commercial development has followed Walt Disney World, Universal Studios, Seaworld, and other major attractions to the market's southwest Tourism Corridor. To the North, Maitland and Lake Mary have also drawn significant investment, and the University of Central Florida, the largest university in the state, helps to attract research and institutional development toward the West.

The Downtown Orlando office market typically sees a new high-rise construction start about once per decade. The most recent project before SunTrust Plaza, was the LPC-developed OneEleven tower, completed in 2009. Instead of hotel use, the project was programmed

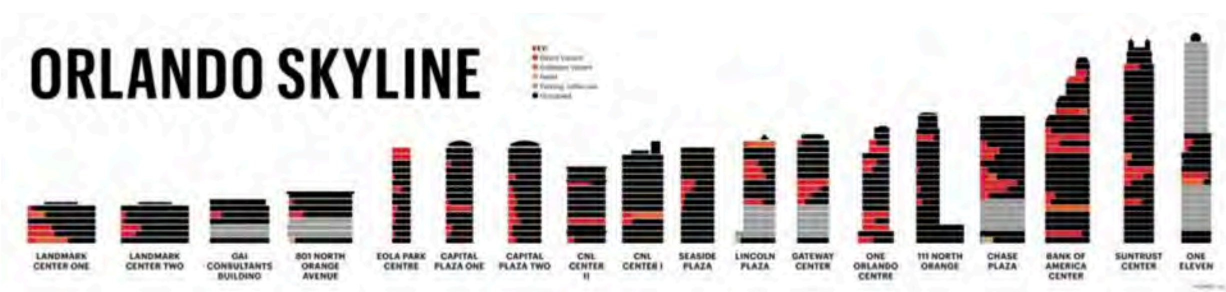


SunTrust Plaza Parcel Location (Lincoln Property Company) to complement its 154,000 square feet of office space with 164 luxury apartment units overlooking Lake Eola Park. Its location is near the Capitol Plaza I & II office cluster, which were constructed in the 1970s and 1990s with 243,000 and 303,000 square feet of leasable space, respectively. Perhaps a reflection of changing the trends in office demand, the long-awaited plans for Capital Plaza III proposes a much smaller 186,000 square foot building, and demonstrates a sleeker design than its 15-story sister towers.

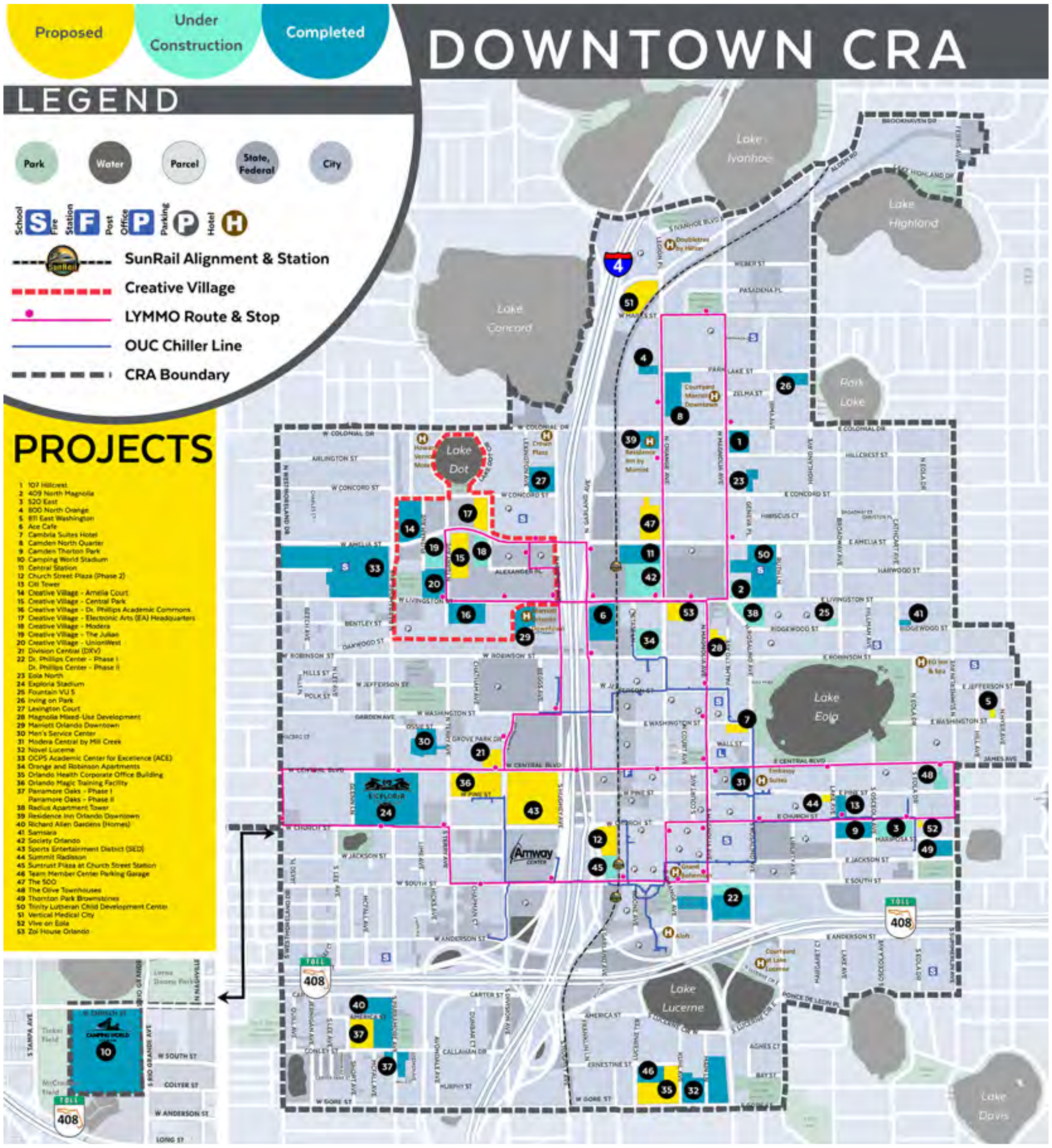
Recent market reports (3rd Quarter, 2020) by industry leaders Cushman & Wakefield and Jones Lang LaSalle (JLL), show dichotomy in Orlando's office market. With a metro area supply of over 530,000 square feet of Class A space delivered in 2020, coupled with a 20% drop of tenants seeking space, the market is now experiencing an increase in both vacancies and concessions consistent with many national markets. However, the delivery of SunTrust Plaza has proven that CBD office rents can break the $30 per square foot threshold, and suburban Class A properties are not far behind at just over $28 per square foot. In the wake of the global COVID-19 pandemic, tourism came to a complete standstill in April 2020. The recent reports reflect the highest amount of leasing activity that has been occurring in the Tourism Corridor. The University submarket saw the region's only new office development delivering 118,000 square feet.

Downtown Orlando Office Vacancy & Rent Trends (CBRE)

Large financial institutions similar to the SunTrust (after a June 2020 rebrand, now known as Truist) typically comprise the rent roll for Downtown Orlando's traditional office buildings. The financial institution's former regional home, SunTrust Center, sits just across the SunRail commuter line closer to Orlando's City Hall. It is much larger than the new SunTrust Plaza at 30-stories and 645,000 square feet of leasable space. Now over 30 years old, it lacks the required user amenities that help its tenants attract top talent, and is similar to the supply of other older downtown towers. These larger buildings with more intrusive floor plates do not lend well to forward-thinking tenants who appreciate flexible, contemporary, and open floor plans. Piedmont Properties, SunTrust Center's owner, announced a $10 million ren-



2015 Downtown Orlando Tower Occupancies (JLL)



2020 Orlando Downtown Projects (City of Orlando)

ovation, led by internationally renowned office design firm Gensler, shortly after Truist announced its decision to leave its building and anchor the new and adjacent SunTrust Plaza mixed-use building. Upgrades include new lighting and digital signage, the transformation of the upper parking level into a tenant greenspace, and the addition of a food-hall for more exciting and engaging dining options.

Demand for the development of future office towers in the Downtown Orlando market will drive its ability to attract stable, credit-worthy tenants. Companies like Truist seek large swaths of contiguous space and may use leasing opportunities to enhance their corporate image. As Stahley mentioned in a 2017 conversation, attracting institutional debt and equity to the Orlando market is “tough.” Developing an office tower without first landing an anchor tenant is much more likely to be successful in an international gateway market like Miami. Markets like Orlando

Company	Total Headcount	Industry
Publix Super Markets, Inc.	193,000	Retail
Darden Restaurant, Inc.	178,729	Food Service
Harris Corporation	17,000	Aerospace & Defense
Wyndham Destinations, Inc.	39,200	Hospitality
Tupperware Brands Corporation	12,000	Retail
Marriot Vacations Worldwide Corporation	11,000	Hospitality

Fortune 1000 Companies Headquartered in Central Florida (Orlando Economic Partnership)

and nearby Tampa/St. Petersburg likely requires the confidence of a sizable credit-worthy anchor tenant before construction can begin. The Central Florida market is home to six Fortune 1000 companies, mostly focused on vacation and food-service industries, which may be likely candidates for traditional office anchors.

Rise of the Creative Class

As a regional leader in digital technology, Orlando hopes to capture future innovation tenants within its $1.5 billion Creative Village, a Public-Private Partnership with the City of Orlando on the former Amway Arena site. This 68-acre campus envisions an entire creative neighborhood - complete with a mix of students, employees, and residents along with the combined SunRail and LYNC Central Station, just one transit stop north of Church Street Station. Office plans for a total of 1.2 million square feet of creative office suites, 750,000 square feet of higher education space with 1,500 student beds, 150,000 square feet of retail, 1,500 mixed-income residential units, and a 225-key boutique hotel.

The ongoing Phase I attracted the largest corporate relocation in decades, with Electronic Arts (EA) anchoring the Villages' initial privately developed 176,000 square foot office building. Traditional educational anchors are also making significant investments. Central Florida University has long-term plans to accommodate up to 15,000 students in the Village, focusing on digital media, communications, public services, and health-rated programs, in addition to Valencia College's Walt Disney World Center for Culinary Arts and Hospitality.

Branding Partnerships Spark Development

As a longtime Downtown Orlando anchor for entertainment, the National Basketball Association's Orlando Magic has unveiled plans to enhance its fan experience and capture its brand value through real estate development. The proposed

September 2019 View of the Orlando Creative Village looking SE (Creative Village Development LLC)

Sports Entertainment Center, located directly adjacent to the team's Amway Center home, models after recent real estate plays of other professional sports teams - The Battery, anchored by Truist Park outside Atlanta; Ballpark Village, anchored by Busch Stadium in St. Louis, and Texas Live!, anchored by Globe Life Field and AT&T Stadium in Arlington.

Plans call for 200,000 square feet of Class A office space, a 250-key upscale hotel, a 300-unit luxury apartment community, a 4,000-seat conference and event venue, 2,300 parking spaces, and a broadcast studio within the $500 million development.

<u>*Orlando's Downtown Hotel Market*</u>

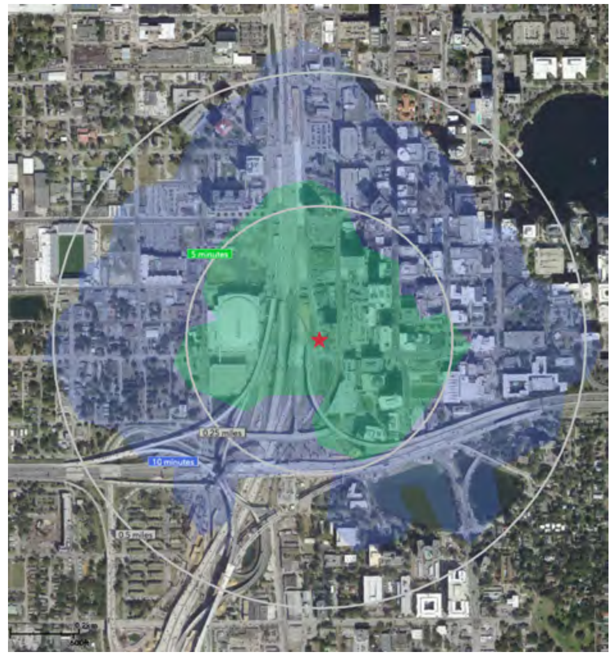
As one of the largest convention and leisure markets in the country, the Orlando hotel market is well-performing historically. The development of Walt Disney World in the 1970s initially complimented Downtown attractions like Church Street Station. Still, as theme parks and entertainment options continued to develop southwest of Downtown, the vast majority of Orlando's 450 hotels and 125,000 keys are mainly concentrated in the Tourism Corridor. This distribution has left a limited variety of lodging options in the Downtown submarket. Stalwarts like Crown Plaza, Embassy Suites, and Marriott preceded the more recent developments of cultivated, boutique experiences being offered by Aloft, Grand Bohemian, and the soon-to-be-opened AC Hotel on the upper floors of SunTrust Plaza. Future projects within the Creative Village and Sports & Entertainment District, and even the future phase of Church Street Station will continue this trend, calling for similar programming of more curated, lifestyle hotel options.

Unfortunately, as a tourist-driven market, the effects of the COVID-19 global pandemic has impacted Orlando severely. Occupancy rates for August 2020 have fallen under 30%, well below the recovering national average of 40%, and a far cry from the 79% average annual occupancy in 2019. Policies to reduce or outright cut business travel expenses altogether has ushered in the use of remote collaboration technologies that are becoming more popular and efficient in corporate America. Due to projected pandemic related delays in full office re-openings, conferences, and leisure travel, the Urban Land Institute's 2021 Trends in Real Estate Report indicate that the hotel sector's strong 2019 fundamentals may not return until 2024.

A True Transit-Oriented Development

Rounding out the programming for SunTrust Plaza is the ground-level retail offerings that enhance the property's status as the only transit-oriented, Class A office building in the Downtown Orlando submarket. The City of Orlando approved an agreement between LPC and the Florida Department of Transportation to integrate SunRail's southern line into its west facade architecturally. The strategic Church Street Station stop already serves Downtown's large event and civic anchors (Amway Center, Dr. Phillips Center for Performing Arts, and City Hall). With nearly 1,000 potential new users of the mixed-use building, SunTrust Plaza's ground level will serve as unique and needed amenity for users of the light rail. SunRail's ridership had been increasing in each of its first five years, and in 2019,

Orlando Sports & Entertainment District Proposed Development Plans (HKS Architects)



5 & 10 Minute Walking Distances from Suntrust Plaza (ESRI)

it saw an average of 6,000 riders per day. SunRail has been proactive with its marketing efforts, seeking partnerships and opportunities, including increased service for Orlando Magic home games.

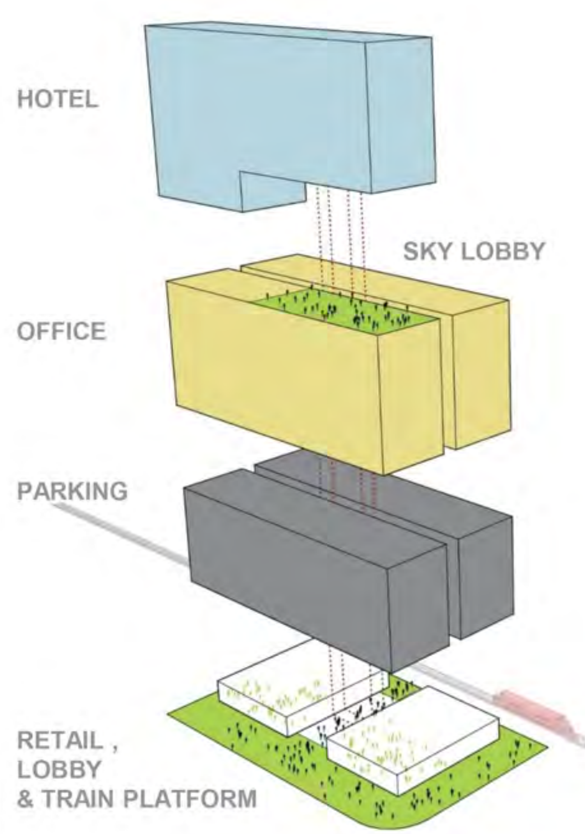
A local Orlando favorite Foxtail Coffee Company occupies the 970 square feet fronting the SunRail platform to serve and welcome riders, downtown office workers, hotel guests, and the general public to SunTrust Plaza and downtown Orlando. Office anchor tenant Truist leases the additional 2,140 square feet of ground-level retail space fronting South Street, giving them a high-profile front door retail and encouraging public engagement with their banking customers. Alongside the hotel drop-off and garage and entry is an additional 1,960 square feet of yet-to-be leased speculation retail. The 18th floor Sky Lobby for the AC Hotel includes public restaurant space with incredible, expansive views to the South. The transit plaza will be fully operational upon completion of Phase II of Church Street Station.

Planning and Entitlement

The City of Orlando supports development growth that falls within the zoning code and Future Land Use Plan guidelines. This project is in the Downtown Metropolitan Activity Core district, which intends to provide a mixture of large concentrated areas of residential, commercial, office, industrial, recreational, and cultural facilities. Goals and objectives include: create an active street life; strengthening the retail trade sector; requiring parking structures to accommodate active uses on the ground floor; implement a high capacity intermodal transportation system; encourage a varied skyline; and enhance the identity of Downtown as an active, vital pedestrian-friendly environment.

Based on the previously approved zoning for the development parcel of AC-3A/T/MA (Downtown Activity Center/ Traditional City/Major Attraction), the lot is entitled to build to 451 feet high with a 4.0 FAR (Floor to Area Ratio) within the lots' required setbacks. SunTrust Plaza is 315 feet tall with 3.0 FAR, well below the City's limit, thereby not requiring any rezoning changes or variances. The Future Land Use is Downtown Activity Center also needing no modification. The City was pleased that the project embraced the district development and design goals and objectives and additionally incorporated an enclosed SunRail commuter rail line station on its ground floor. The developer negotiated an agreement with the City to pay them up to $1.5 million for construction costs to build a new rail platform, in partnership with the Florida Department of Transportation, along the western edge of its property to serve the southbound SunRail line. The building's ground-level design incorporates the agreed train platform and interior rail station space with other retail areas.

Located between an interstate freeway and an active rail line, numerous utilities existed through and under the site. Underground utilities caused multiple design issues. The developer relocated most utilities (water, cable, fiber optic, sewer) along the parcel boundary except for a significant underground high voltage electrical transmission line. Underwater tanks, dispersed amongst the building's structural pilings, accommodates all required site stormwater management. The building is connected to the City's chilled water system for air conditioning.



SunTrust Plaza Tower Horizontal Zones (HuntonBrady)

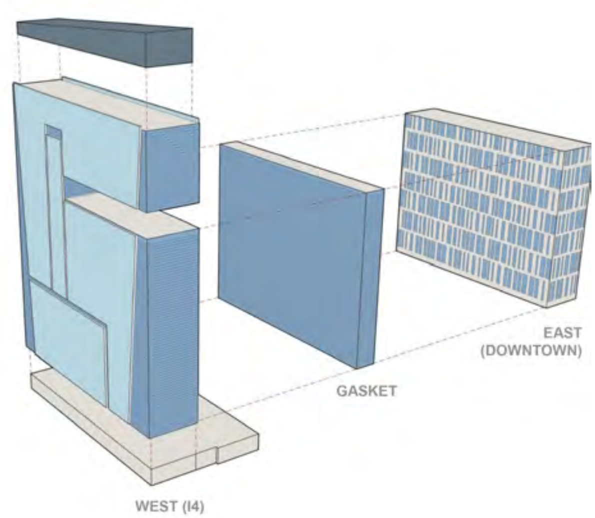
Design Features

The architectural language departs from the existing towers downtown, most of them designed in the 1980s and 1990s. The tower is programmatically layered into four horizontal zones:

1) Retail/SunRail
2) Parking Garage
3) Office
4) Hotel

Architecturally however, the tower was conceived as a two vertical slabs. The taller west vertical slab employs a high performance curtain wall with some degree of reflectivity in order to deal with the high speed Interstate traffic and the west solar exposure, while the east vertical slab introduces precast concrete and a less reflective glass in order to address the views toward downtown. A glass "gasket" separates the two slabs.

This strategy is intended not only to address the threshold between Interstate and city but also to create different experience from the internal user's standpoint. Exposed raw materials, like steel, black



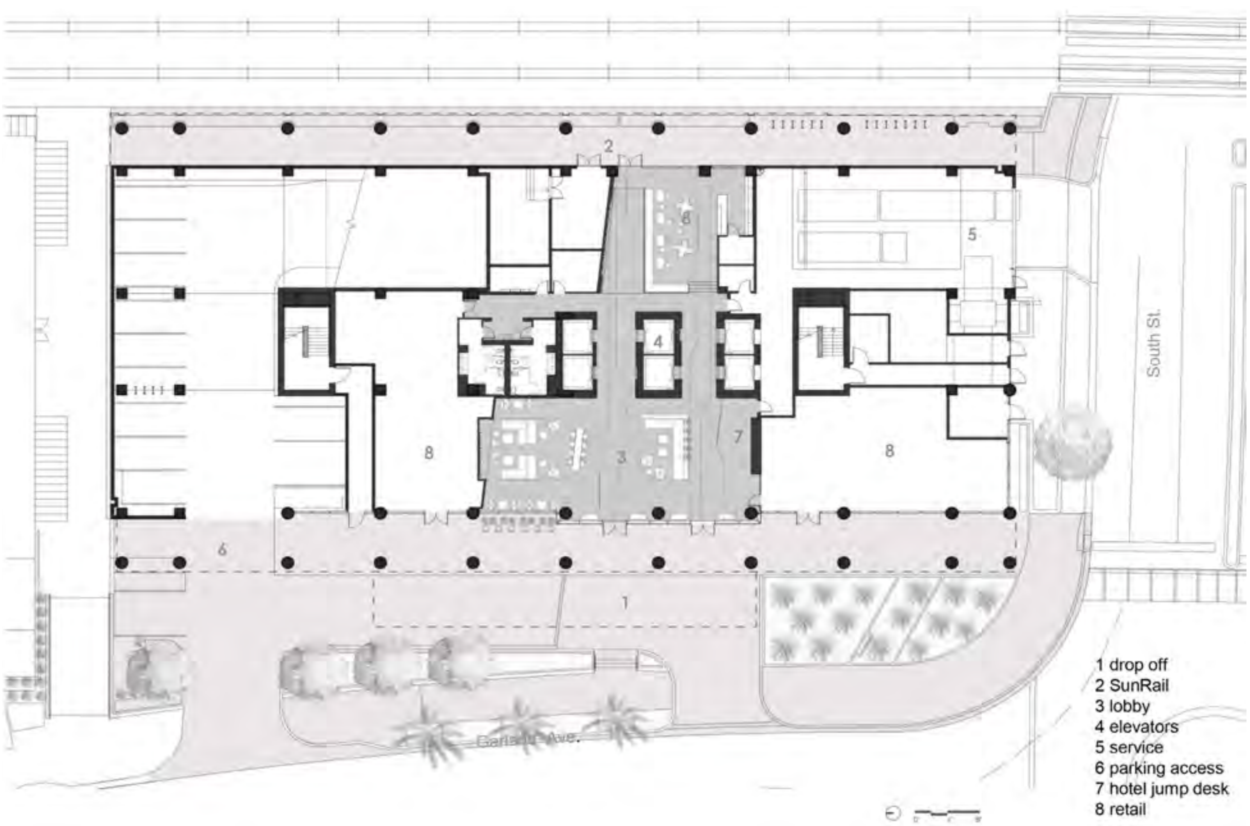
SunTrust Plaza Tower Vertical Slabs (HuntonBrady) painted glass and cast-in-place concrete, are used throughout the common areas to complement the nearby railway. The exterior has insulating, blue-tinted glass to alleviate solar light and heat. The building is Energy Star certified.

Ground Level Plan

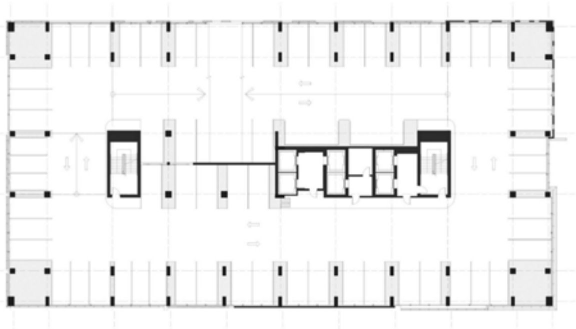
As shown below on the Ground Level Plan, the layout is designed to integrate numerous functions:

1) Vehicular and pedestrian drop-off and pick-up for both the hotel, retail and office building on the west side
2) Southbound SunRail Platform and pedestrian entrance to the east
3) Through Lobby with a “Commons” area and a “Grab and Go” as building amenities
4) Two banks of elevators serve patrons, one for the Hotel Guests and two for the Office Building tenants
5) Service area to the south, disguised as a metal panel wall
6) Access to the parking garage from the west
7) A Hotel Jump Desk for guests being picked up or dropped off at the ground floor
8) Retail space

The ground-level floor plan successfully integrates safe vehicular access with pedestrian-friendly use. Since the building only has two public street frontages for vehicular access, utilities, service, and emergency access are on the southern elevation (South Street). Streetscape design conforms to downtown design standards.



SunTrust Plaza Ground Level Plan (HuntonBrady)



SunTrust Plaza Typical Parking Level Plan (HuntonBrady)

<u>*Typical Parking Level Plan (Floors 2-10)*</u>

There are sixty-eight parking spaces per floor. Twenty-foot wide drive aisles and full-sized (10'x20') parking spaces make for a more comfortable parking experience.

<u>*Typical Office Level Plan (Floors 11 -17)*</u>

Seven office levels of 26,000 Rentable Square Feet (RSF) per floor offer flexible space to single or multi-tenants. The floor plate is approximately 120 feet by 216 feet.

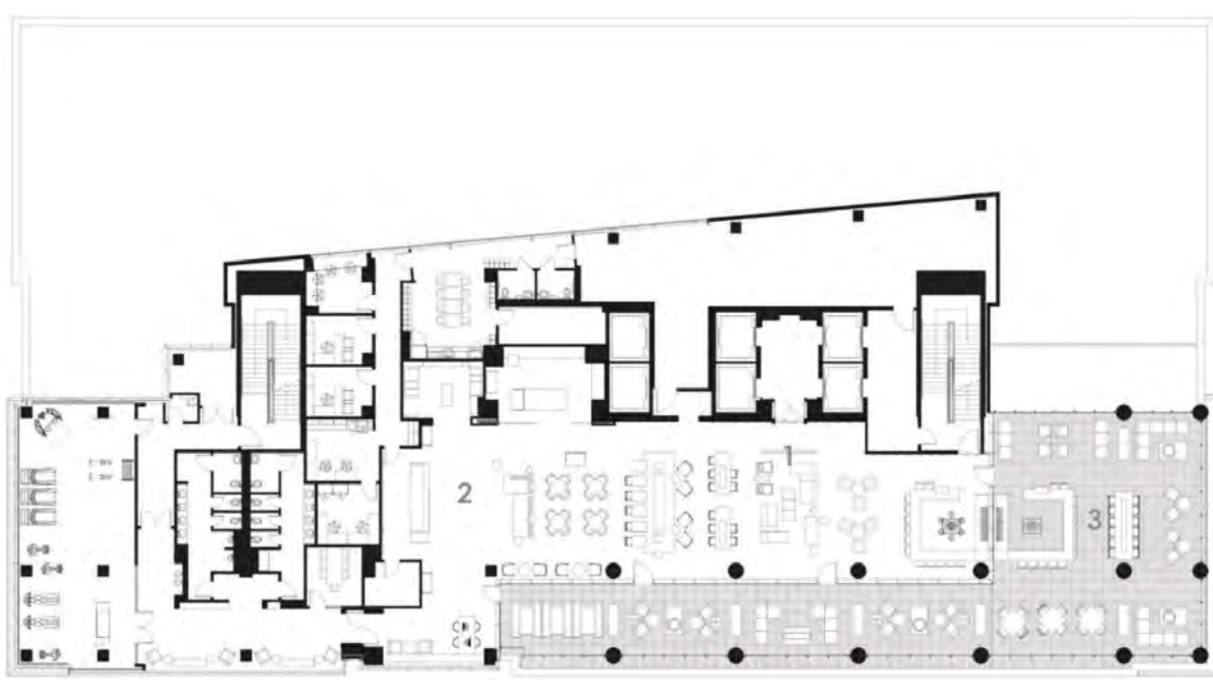
SunTrust Plaza Typical Office Level Plan (HuntonBrady)

<u>*Sky Lobby (Floors 18-19)*</u>

A two story "cutout" or Sky Lobby becomes the Hotel Porch and is intended to be a public space with 180 degree views to the west (Amway Arena), south (I-4 to International Drive) and to the east (Downtown Orlando). Plan locations:

1) Lobby
2) Hotel Desk and/Check-in
3) Sky Terrace

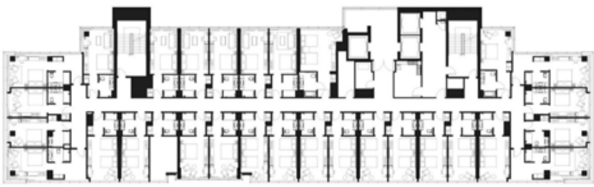
The Sky Lobby serves as the main Hotel Desk and Amenity lev-



SunTrust Plaza Sky Lobby Plan (HuntonBrady) el floors within the two story cut-out, including a hotel restaurant, lounge and other hotel amenities.

Typical Hotel Level Plan (Levels 20 –25)

Thirty rooms per level top off the tower.



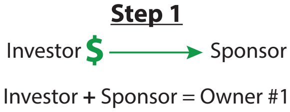
SunTrust Plaza Typical Hotel Level Plan (HuntonBrady)

Project Financing

Upon deciding to pursue a mixed-use building, LPC needed capital sources to bring the project to fruition. They found the required equity investors in Mason Capital Partners and Pope & Land. The investment team formed a strategic joint venture to make Suntrust Plaza a reality. Although the terms and conditions of the partnership are not publicly available, below is an example of how the flow of funds was potentially generated.

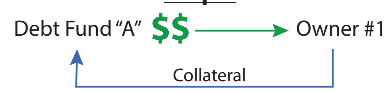
Step 1 – The sponsor begins initial equity raise and brings in capital partners to form “Owner 1”. Owner 1 total equity funds available for SunTrust Plaza is $32 million.

Step 1



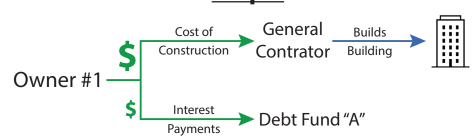
Step 2 – The sponsor knows that the building costs roughly $90 million to build, so they look for a loan to make up the $58 million gap. After talking with many banks, they realize that many traditional financing institutions have heartache lending against a hotel and office building on the same note. Thus, Owner 1 elects to take out a note with a debt fund, offering greater flexibility, more significant proceeds, but also a higher interest rate. “Debt Fund A” now holds a priority position on the land and construction.

Step 2



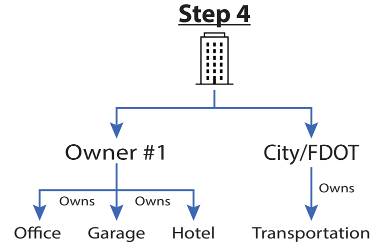
Step 3 – Owner #1 hires a general contractor to build SunTrust Plaza while paying interest to Debt Fund “A” on the money drawn.

Step 3



Step 4 – Upon completion of construction, the building is divided into separate structures (condos), with Owner 1 holding title to the office, garage, and hotel. At the same time, the City has title to the transportation portion.

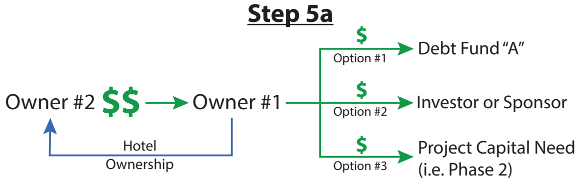
Step 4



Step 5a – Owner #1 decides to sell their ownership of the Hotel to Owner “2”, a third party not previously involved in the project. With the infusion of capital from Owner #2, Owner #1 is now has the following options depending on investment strategy.

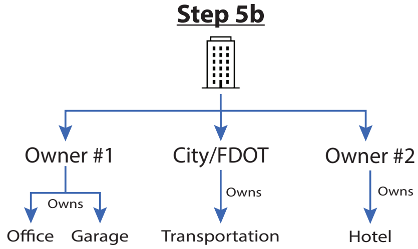
- Pay down the principal on Debt Fund "A's" note to a more sustainable level
- Return funds to the capital partners and/or the sponsor depending upon the agreement entered into previously
- Provide additional capital needed either in the current project or future phases

Step 5a



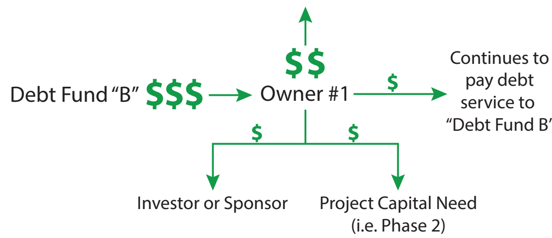
Step 5b – The organization structure now reads that Owner #1 holds title for the office and garage, Owner #2 holds title to the hotel, and the City holds the title for the transportation section.

Step 5b



Step 6 – Owner #1 has now put substantial office leases in place, including >180k SF of space to national tenants like SunTrust Bank, RSM, and LPC. Due to the completion of construction (reducing risk) and contractual rental obligations (increasing value), Owner #1 is now able to refinance out of their old construction loan for a new permanent loan. Due to the increase in value and decrease in risk, a bank is now more likely to increase loanable amount. The delta or difference between the new loan amount and the old loan amount has the same benefits stated in Step 5a, except it is now non-taxable because it is loan proceeds (to a certain extent).

Step 6



Step 7 – The final organizational structure is now in place, and everyone is happy. Owner #1 owns the office space with a substantially lower basis than it started. Both sponsors and investors are happy as they receive a return on their investment. Owner #2 is satisfied because it now owns the hotel portion, which they bought after construction, reducing risk. The City has improved transportation capacity, with parking, at one of the town's best sites. Debt Fund "A" is satisfied because they received interest payments throughout construction and received all of their principal upon the note's payoff. Debt Fund "B" is content because they have a performing loan on a leased office building.

Operational Issues

When evaluating the possibility for SunTrust Plaza in downtown Orlando, the developers realized from previous experience that office leases in this market are typically gross with a base year stop on operating expenses. From a design and construction standpoint, this was extremely important as the developers had to make proactive decisions to bring down the building's operating expenses, which was ultimately their cost to bear. The design also needed to be wary of the building's load factor, knowing that the common area's operational costs are not passed onto one specific tenant. Additionally, to get these leases executed, the landlord had to give several tenants free rent periods, including providing the anchor tenant two years of 50% rent abatement. Due to the lack of revenue coming through the door, the landlord was creative with their financing amortization and made a conscious effort to keep other costs down.

Building an asset that incorporates multiple use types creates specific challenges not found in single asset class development. SunTrust Plaza was able to effectively commingle a hotel and office into one building by splitting many areas for the different types of users. There are three elevator cores, meaning that the office users have three of their own elevator cabs, the hotel users have two of their own cabs, and there is one cab for back of house operations. The utilities are also split based on service, meaning that the office and retail have their own utility lines, and the hotel is entirely separate. Even the chilled water system, tied into the city, has two loops – one for the hotel and one for the office. Although all these complications need a firm resolution to create a thriving mixed-use development, there are also advantages to building an office and hotel in the same structure. Parking is a great example, as the office uses about three stalls per 1,000 square feet during regular business hours, while the hotel is relatively vacant during those time slots. After everyone leaves the office, the hotel guests tend to arrive, at which point the typical parking ratio is around 1.15 stalls per key.

Additionally, the SunTrust Plaza lobby is treated as a joint "grand station", meaning that all building users can benefit from the SunRail station and commuter retail amenities. The 18th floor is a double-height, creating a space for the main hotel deck and incorporating an outdoor terrace with food and a bar for all users to enjoy. Finally, valet parking is available for both uses upon entrance into the building, helping disperse the ongoing cost amongst more significant square footage.

Exit Strategy

Rather than pursue a 100% exit from the asset, otherwise known as a sale, the developer of SunTrust Plaza elected to pursue re-capitalization through debt. As briefly discussed in the flow of funds, the developer can refinance out of his capital position in the asset. When they initially were building the asset and needed a construction note, the property's value equaled the construction cost. For example, assume the asset cost $10 to build. The original debt fund would loan $8 for the project, meaning that the developer (and capital partners) would need to contribute $2 of equity. After the project is built, and the developer negotiated some great leases (in our case >80% of the space), there is now an unlevered cash flow stream of 75 cents per year. Utilizing the income valuation approach, the developer can then take that NOI of 75 cents, divided by a cap rate (determined by the market buyer/movers, appraisers, lenders, etc.) to get a new value for the building. Using the assumption of a 5.50% cap rate, the building's value with leases is now $13.64. The developer then talks to a new lender who will loan 75% of that value, or $10.23. Of that $10.23, the

SunTrust Plaza at Church Street Station

DEVELOPMENT BUDGET

	Total Project Cost	$/GSF	% Cost
Building Construction Cost			
Core & Shell	$ 46,991,674	188.91	52.4%
Tenant Improvements	14,545,790	58.48	16.2%
Site Work	1,593,233	6.40	1.8%
Construction Contingency	2,053,010	8.25	2.3%
Total Contractor Hard Costs	**$ 65,183,707**	**262.04**	**72.7%**
Owner Supplied Costs	-	0.00	0.0%
Acquistition Cost	11,000,000	44.22	12.3%
Total Hard Costs & Acquisition Costs	**$ 76,183,707**	**306.26**	**84.9%**
Soft Costs			
Architects & Engineers	3,911,022	15.72	4.4%
Civil & Land Planning	293,327	1.18	0.3%
Testing & Other Consultants	542,906	2.18	0.6%
Legal & Professional Fees	904,844	3.64	1.0%
Leasing Fees	-	0.00	0.0%
Construction Interest	4,456,747	17.92	5.0%
Financing & Loan Costs	727,070	2.92	0.8%
Miscellaneous Deal & Travel Costs	-	0.00	0.0%
Total Soft Costs	**$ 10,835,916**	**43.56**	**12.1%**
Development Contingency	-	0.00	0.0%
Development Fee	2,691,393	10.82	3.0%
Total Project Costs	**$ 89,711,016**	**360.64**	**100.0%**
Equity	31,997,913	128.63	35.7%
Bank Financing	57,713,103	232.01	64.3%
TIF Financing	-	0.00	0.0%
Total Sources	**$ 89,711,016**	**360.64**	**100.0%**

ASSUMPTIONS

PROPERTY INFORMATION

Gross SF	248,752
Load Factor	19.00%
Rentable SF	209,035
Land SF	40,335
Const. Start	6/1/2017
Const. Length	18 Months
Sales Date	11/30/2023

HARD COSTS

Core & Shell	$188.91
Tenant Improvements	$69.59
Contingency	3.25%

SITE COSTS

Site Costs	$39.50
Owner Costs	0.00%
Site Cost Per SF	$272.72

SOFT COSTS

Design	6.00%
Engineering	0.45%
Testing	0.83%
Legal	1.39%
Lease Fee: 1 Yrs	$0.00
Misc. Costs	0.00%

FEES & CONTINGENCY

Contingency	0.00%
Dev. Fee	3.54%

TENANT INFORMATION

SunTrust	87,428
TI Allowance	$75.00
Other	87,913
TI Allowance	$65.00
Spec	33,694
TI Allowance	$67.50

COST BASED LEASE

Cost $/RSF	$429.17
Loan Constant	$0.07
Spread	2.35%
Rent Constant	9.61%
Base Rent $/SF	$41.26
Rent Escalation	3.00%

BANK FINANCING

Bank Loan	57,713,103
Interest Rate	6.00%
Loan Term	4 Years
I/O Period	4 Years
Amortization	30 Years
Financing Costs	1.26%
Prepayment	1-1-1

TIF FINANCING

TIF Loan	0
Interest Rate	5.00%
Loan Term	10 Years
I/O Period	0 Years
Amortization	15 Years
Financing Costs	1.00%
Prepayment	3-2-1

OPERATING EXPENSES

Assosciation Dues	$1.08
Maintenance	1.68
Utilities	2.00
Prop Mgmt	1.11
Security	0.00
G & A	0.50
Taxes	3.16
Insurance	0.69
Total OpEx	$10.22
Vacant OpEx	$5.44
Non-Operating	$0.00
Cap Ex	$0.50
Ground Rent	$0.00
Exp. Escalation	3.00%

SALE ANALYSIS

Sales Year	Year 5
Cap Rate	5.00%
FY NOI	6,726,875
Sales Price	134,537,508
Broker Fee	3.00%
Closing Costs	150,000
Net Proceeds	73,368,288

RETURN METRICS

Ave. Levered	6.43%
Ave. Unlevered	6.42%
Levered IRR	17.39%
Unlevered IRR	11.38%
Multiple	2.61x

FINANCIAL PROFORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Occupancy	*83.9%*	*88.9%*	*93.0%*	*93.0%*	*93.0%*	*93.0%*	*93.0%*	*93.0%*	*93.0%*	*93.0%*
Expense Pass Through	*0.0%*	*5.6%*	*11.0%*	*14.3%*	*17.7%*	*21.3%*	*24.9%*	*28.7%*	*32.5%*	*36.5%*
Gross Rental Income	$ 7,235,268	$ 7,122,439	$ 8,138,508	$ 8,452,580	$ 8,780,333	$ 9,122,436	$ 9,479,594	$ 9,852,551	$ 10,242,090	$ 10,649,038
Operating Expenses	1,975,365	2,086,057	2,192,277	2,258,045	2,325,786	2,395,560	2,467,427	2,541,450	2,617,693	2,696,224
Net Operating Income	**$ 5,259,903**	**$ 5,036,382**	**$ 5,946,231**	**$ 6,194,535**	**$ 6,454,546**	**$ 6,726,875**	**$ 7,012,167**	**$ 7,311,101**	**$ 7,624,397**	**$ 7,952,814**
Bank Debt Service	3,462,786	3,462,786	3,462,786	3,462,786	4,192,794	4,192,794	4,192,794	4,192,794	4,192,794	4,192,794
Interest	*3,462,786*	*3,462,786*	*3,462,786*	*3,462,786*	*3,462,786*	*3,418,986*	*3,372,557*	*3,323,343*	*3,271,176*	*3,215,879*
Principal	-	-	-	-	*730,008*	*773,808*	*820,237*	*869,451*	*921,618*	*976,915*
Capital Expenses	104,518	107,653	110,883	114,209	117,635	121,164	124,799	128,543	132,400	136,372
Net Cash Flow	**$ 1,692,600**	**$ 1,465,943**	**$ 2,372,562**	**$ 2,617,540**	**$ 2,144,117**	**$ 2,412,917**	**$ 2,694,573**	**$ 2,989,763**	**$ 3,299,203**	**$ 3,623,649**
Levered Return	5.29%	4.58%	7.41%	8.18%	6.70%	7.54%	8.42%	9.34%	10.31%	11.32%
Unlevered Return	5.86%	5.60%	6.60%	6.87%	7.15%	7.44%	7.75%	8.07%	8.40%	8.75%

Potential Office Pro Forma - Note: Actual Developer Pro Forma is private, so this is only an example of the office section

developer pays off whatever principal is left on the original loan first (in our case, $8) and can use the rest to reduce their capital balance (in our case, they could distribute $2.23). As shown in this brief example, the developer can get all of their money back plus some cash and still own the property/cash flows moving forward. The other important aspect the developer keeps in mind is the interest rate environment. As the lending community generally views the original construction loan as "riskier" than a stabilized asset, the developer is likely to pay a higher interest rate initially than they would than they would through refinancing. It is crucial to evaluate the impact of debt service on the asset in order to sustain a healthy debt service coverage ratio moving forward. Nevertheless, just because you take out additional principal doesn't mean your debt service is higher. With our example (assuming a 25 year amortization), the $8 note with a 7% interest rate would have a monthly debt service of 5.65 cents, while the $10.23 loan note with a 4% interest rate would have a monthly debt service of 5.40 cents. Math is your friend! Even though the developer elected to capitalize through a refinance, that does not prohibit the asset's outright sale down the road. If the developer can continue to increase NOI, a third party may decide to purchase the asset at a higher value than is currently on the property.

Church Street Station Massing Diagram (Lincoln Property)

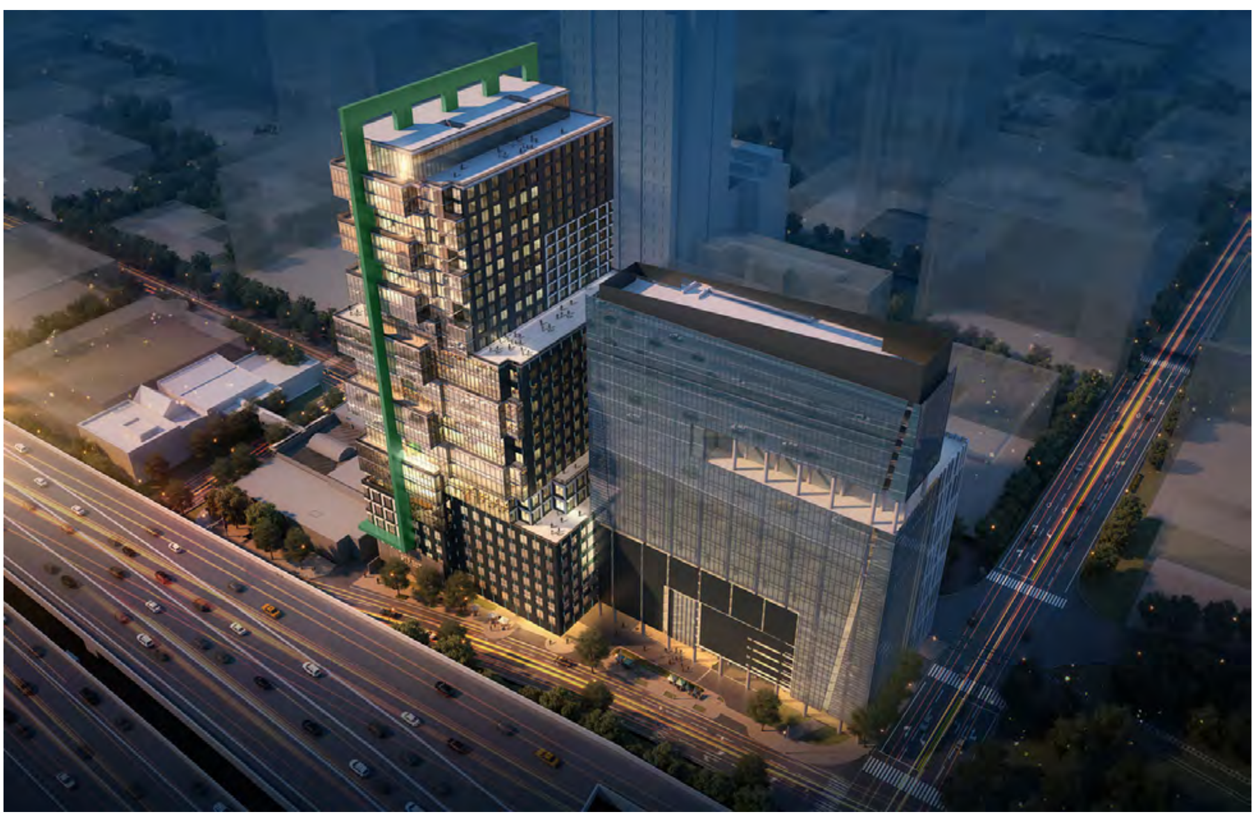
Development Innovation and Impact

Re-imagining Church Street Station

SunTrust Plaza's initial success has led LPC to quickly move forward with announcing the next phases of development for Church Street Station. A few months before the initial SunTrust Plaza tower was complete, the firm revealed plans for a 32-story, 500,000 square feet mixed-use tower adjacent to the initial phase. Once finished, the yet-to-be-named T2 will sit adjacent to SunTrust Plaza, includes eight floors of office space (210,500 square feet), a 288-key hotel, ground-level retail, and 577 parking spaces.

Bumby Arcade envisions a ground-level food hall and restaurant space at the northeast corner of Church Street and the SunRail line, with creative office space above. This 25,000 square foot renovation will incorporate one of the original, historic Church Street Station buildings into the two gleaming mixed-use towers. This phase will honor the site's past, bringing a sense of authenticity and scale to the reimagined Church Street Station.

The plan had called for construction crews to begin work on the Bumby Arcade renovation in 2020, with T2 completion set for a 2021 delivery. Like many large


Proposed T2 Tower at Church Street Rendering (Baker Barrios)

commercial real estate projects across the country, updates to begin the next phases at Church Street Station are not public as investors reassess their projects in the wave of the COVID-19 global pandemic.

Bumby Arcade Interior Mock-up (Lincoln Property)

Downtown Orlando's Future

The broader Orlando market has been one of the fastest-growing population and employment markets in the country. Industry publications are covering a wide variety of market analyses, including the 2021 Emerging Trends in Real Estate Report, a joint undertaking by PwC and the Urban Land Institute, rank Orlando in the Top 25 of U.S. Markets to Watch for Overall Real Estate Prospects. It is one of the only markets in the report to be rated in the Top 20 in the industrial and office sectors and tied for the top market for retail investment recommendations.

While recent gains in the transportation, warehousing, and utility sector have helped diversify Orlando's economy, tourism, leisure, and hospitality still dominate. The Emerging Trends report categorizes Orlando as a niche market for tourism. As referenced above, it was one of the most vulnerable markets impacted by the COVID-19 pandemic, behind only Las Vegas in hotel vacancy. Attendance at the area's world-renowned theme park destinations is starting to rebound with more costly safety protocols in place. Still, enhanced treatment options, most likely a vaccine, will be required if the market hopes for rapid economic growth through an observed pent-up demand in tourism. The appetite for large corporations to plan group meetings and conventions, which require cross-country travel and take months and even years to plan, is still yet to be seen.

Exciting downtown development projects like Church Street Station, Creative Village, and Sports & Entertainment District will serve as economic drivers to help further diversity Orlando's economy. These projects are attractive to the increasingly younger and more talented Orlando workforce and can enhance civic life, creating more urban core opportunities.

All told, Downtown Orlando is home to 80,000 employees, 40,000 residents, 1,200 annual events, and is currently experiencing $4.4 billion of investment. Thoughtful developments from forward-thinking real estate developers like LPC with equity support from groups like Mason Capital Partners and Pope & Land have infused needed energy into the area. They are transforming the vision for Downtown Orlando into a vibrant and walkable live, work, play, and dining hub.

Impact of Transportation Investment

The incorporation of SunRail's only enclosed commuter station in the Orlando market into SunTrust Plaza will undoubtedly enhance the commuter rail image and give residents and tourists a much-needed transportation choice that was non-existent five years ago. The $1.3 billion Central Florida commuter rail system currently serves twelve stations along thirty-two miles between Volusia and Orange Counties. A proposed expansion will nearly double the service line, connecting the Deland Amtrak Station to Poinciana Industrial Park to the South. A future potential partnership with Miami-based Brightline may further bring high-speed connectivity to South Florida and nearby Tampa.

SunRail Commuter Rail Crossing at Church Street (SunRail)

Florida's largest road reconstruction project, the I-4 Ultimate, is slated to be completed in 2021. The $3.2 billion projects began in 2015 and is a complete rebuild of twenty-one miles of the interstate highway from Orange to Seminole County. Downtown Orlando is planning a 9.5-acre urban park to activate the area below the massive interstate highway. The project, known as the "Under I," will connect downtown with amenities, including a soccer field, basketball courts, splash pad, skate park, and space for community meetings and outdoor events. Both the Church Street Station redevelopment and future SED partnership with the Orlando Magic will take advantage of this project. It will reopen and reconnect office and hotel anchors to the east of I-4 with event venues to the west of the interstate freeway.

The Under-i Project (City of Orlando)

Impact on the Community

Parramore, the once-vibrant historically black neighborhood just west of Church Street Station, has seen firsthand the unintended negative impacts of large public projects. The original construction of Interstate 4 in the 1960s both physically and visually cut off the area from the central business district. A decade later, the East-West Expressway further fragmented the neighborhood. The original Amway Arena was constructed in the 1980s, demolishing another 100 residences. At its peak, 18,000 residents called Parramore home, but the area has spent the last several decades dealing with economic decline resulting in increased crime.

The recent wave of new projects has given residents an opportunity for engagement and economic growth. Local real estate developers, including LPC and other stakeholders, are proposing a 130-acre Neighborhood Improvement District in Parramore to create communi-

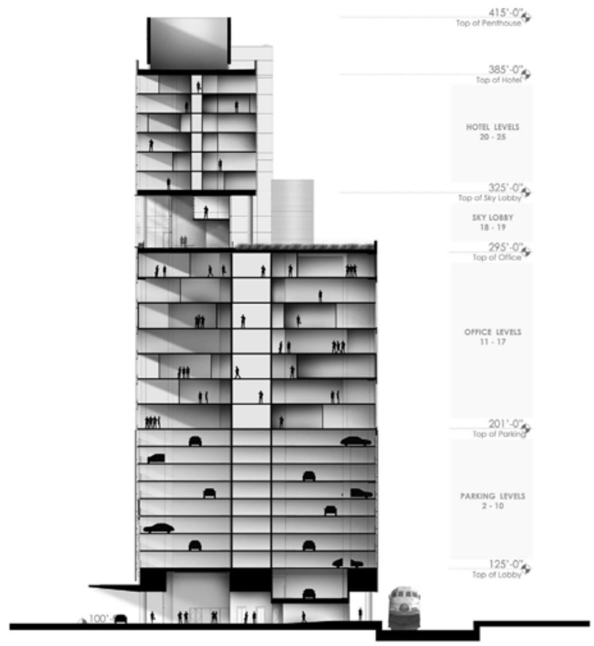
Parramore Heritage Community Mural (Phelan M. Ebenhack)

ty-based revenue opportunities to support its residents and business owners. Improving public health, increasing mobility options, and revitalizing historic buildings are all initiatives of the proposal and allow all stakeholders to be interested in the $4.4 billion of downtown development.

Observations & Lessons Learned

Despite promising job growth statistics and potential for a quick post-pandemic economic rebound of the Central Florida $75 billion tourism industry, future development for new trophy towers in the Downtown Orlando market has been slow to start. Many office employees are still working from home, forcing both tenants and owners of high-rise projects to re-assess their plans. With lucrative corporate pre-leases required to secure construction funding, many of Downtown Orlando's exciting mixed-use projects in the pipeline, including LPC's sister T2 tower and the renovation of Bumby Arcade, are facing delays in construction starts.

From the lively entertainment district to a proposed hotel, Church Street Station's journey to its current form as a vibrant gateway to a burgeoning downtown would not have been possible without the creative vision and a healthy appetite for risks. Lincoln Property Company's role in creating SunTrust Plaza, led by Scott Stahley, with the required financial wherewithal of timely partners Mason Capital Partners and Pope & Land, chose to pivot the project from single to mixed-use. This development involved a much more challenging economic structure and non-traditional lending. Its result has elevated the potential for Church Street Station, Downtown Orlando submarket, and the entire Central Florida region. As the fallout from the COVID-19 global pandemic has proven, faith in asset classes can shift quickly. Real estate developments that incorporate various users' needs and integrate well into their surroundings and future land use are more resilient to changes in market conditions, delivering value to investors and existing to end-users.



Section of SunTrust Plaza looking north (HuntonBrady)

Appendix

Cushman & Wakefield Orlando Marketbeat Reports: https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/orlando-marketbeats

Downtown Orlando Business Developments: http://www.downtownorlando.com/Business/Developments

City of Orlando Community Redevelopment Agengy (CRA): http://www.downtownorlando.com/About/Community-Redevelopment-Agency

Orlando Econmic Partnership: http://business.orlando.org/l/data-downloads/

Creative Village Development, LLC: http://creativevillageorlando.com/

The Under-i Project: http://www.orlando.gov/Initiatives/Under-i-Project

Ultimate I-4 Project: http://www.i4ultimate.com

SunRail: http://corporate.sunrail.com

Parramore Comprehensive Neighborhood Plan: http://www.orlando.gov/Our-Government/Records-and-Documents/Plans-Studies/Parramore-Comprehensive-Plan

Lincoln Property Company Southeast: http://www.lpcsoutheast.com/

Mason Capital Partners: http://masoncp.com/

HuntonBrady Architects: http://huntonbrady.com/

ORLANDO BUSINESS JOURNAL

SUNTRUST PLAZA DEVELOPMENT COVERAGE ARTICLES (Titles are Hyperlink)

2020

These 3 contractors want to build downtown's next tower

Exclusive: Step inside this newly opened $133M downtown tower

2019

Exec: Here's when 32-story downtown tower may break ground

Here's what's next for a proposed 32-story downtown project

Exclusive: Downtown Orlando's Citrus Club reportedly may move

Here's when this downtown Orlando food hall may open

Exclusive: Here's the 2nd tenant headed to SunTrust's new $133M downtown tower

Sky's the limit: Downtown Orlando reaches for the heavens with $2B+ in new projects

2018

Construction update: An inside look at SunTrust's next Orlando home (PHOTOS)

Confirmed: SunTrust to move its Orlando HQ to Church Street Plaza

2017

How a cup of coffee and a bad poker face led to the $100M Church Street Plaza project

South Florida hotelier joins Tremont Plaza team, enters Orlando market

Church Street Station South to be sold to Lincoln Property Co.

Incentives approved for Tremont Plaza SunRail station; route to connect to airport

City OKs plan to relocate downtown SunRail stop

Downtown Orlando tower developer finalizes deal to move SunRail station

2016

Tremont Plaza expected to 'knock it out of the park, bring new jobs downtown

2015

Exclusive: New mixed-use tower coming near downtown's Church Street

Church Street Station owner revamps plan for downtown Orlando hotel

2014

FDOT mulls adding SunRail platform at new downtown Orlando hotel

How Church Street Exchange may bring retail, 350 jobs

“The skyline is how you know where you are. It’s an identity.”

-Thomas Chatman, Executive Director, Orlando Downtown Development Board