



STRATEGIC NEWS



Your Monthly "Dirt" on Real Estate Investments

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The Cost of Shopping



We are often asked by investors, "How do you know what price to put on a shopping center?" The answer comes down to math. Although different factors affect the ultimate sale price of a shopping center, at the heart of deriving a value is a simple mathematical formula.

$$\text{Value} = \text{NOI} / \text{Cap Rate}$$

What is NOI?

Net operating income, or NOI is one factor that developers work very hard to control. NOI is defined as the income that remains after rents are collected and expenses—except debt service—are paid. Expenses include operating costs such as insurance, property maintenance, property taxes, and utilities. In a NNN

lease, on which all SPG properties rely, all of these expenses are paid by the tenant.

What is a Cap Rate?

The cap rate is little more than a "market-driven" interest rate. It used to be that cap rates and interest rates were married—when one went up, the other followed exactly. Today, the marketplace swarms with more educated investors than a decade ago, people who understand that owning commercial properties brings tax benefits and other value to a portfolio beyond a simple return on investment. The market, therefore, works to give cap rates their own identity. Cap rates and interest rates clearly are still

related, but they're more like roommates than an old married couple.

Cap Rates, Lowest Common Denominators?

From elementary math, you may (or may not!) remember from the study of fractions that the lower the denominator the higher the value of the fraction. The same goes in the world of income-generating property. It stands to reason then that the lower the cap rate, the higher the value of a commercial property.

Today, cap rates are rising slightly with interest rates, but they remain near historic lows, keeping the value of commercial properties high.

Good news for sellers of shopping centers!

Did You Know?
Florida is #3 nationally in GLA (gross leasable area) per capita and #1 in sales rate per sq ft
Source: National Research Bureau/CoStar Group

Your Real Estate Investment Family



Susan Dachs
Operations Manager

- Married to Stephen Dachs for 17 years
- 2 daughters: Emily (9) and Stephanie (12)
- B.A. from USF in Technical Writing
- Operated own company for 15 years prior to joining SPG
- Handles accounting, HR, tenant relations, property management
- Interesting fact: Susan served as a police officer for the City of Tampa for 3 years!

Selected SPG Project Updates

Camp Indianhead Crossings (CIC)

A REIF Spec I property, CIC is scheduled to break ground in late summer for occupancy in Q1 of 2007.



Camp Indianhead Crossings

Shoppes of Wesley Chapel

The property has cleared the major permitting hurdles and is in final permitting. Leasing interest has been high, with signed leases with Latin Café, a dry cleaners, a day spa, and others. Ground breaking should take place in late summer.

Shoppes of Sheldon

The property was under

contract and the sale to that buyer has not gone through. Another contract is now in place with a 2nd buyer and is expected to close.

Sheldon Office Park

Office condo project behind Shoppes of Sheldon. 2 of 3 buildings have signed contracts for purchase. Expected to break ground early Fall. ▲