



BELL TOWER SHOPS
The Impact of New Competition in a Niche Market

Kinnery Ardesna

FINAL PRACTICUM
Masters of Science in Real Estate

December 2007

TABLE OF CONTENTS

- I. Executive Summary**
 - a. History and Past Redevelopment
 - b. Brief Regional and Local Market Overview
 - c. Current and New Competition
 - d. Redevelopment Proposal

- II. Detailed Property Overview**
 - a. Property & Location Overview
 - b. Redevelopment & Ownership History

- III. Regional Market & Trade Area Analysis**
 - a. Regional Market Analysis
 - b. Trade Area Analysis

- IV. Competitive Market Analysis**
 - a. Existing Primary Competition
 - b. New Primary Competition
 - c. Projects in the Pipeline

- V. Bell Tower Customer Market Study**
 - a. Trade Area Characteristics
 - b. Shopper Profile
 - c. Patronage Patterns in a Competitive Landscape
 - d. Shopper Input & Other Key Findings

- VI. Redevelopment Proposal**
 - a. Why Redevelopment is Necessary
 - b. Current Site Analysis & Future Expansion Potential
 - c. Detailed Phased Redevelopment and Expansion Proposal
 - d. Financial Feasibility of Redevelopment
 - e. Financing Recommendation

- VII. Conclusion**

Addendum

References

I. EXECUTIVE SUMMARY

The Bell Tower Shops (the “Property” or “Bell Tower”) is a 350,000 square foot attractive Mediterranean open-air lifestyle center located in Ft Myers, Florida. The Property, which is situated on 45.6 acres, has great visibility and is located at the corner of US Highway 41 (also known as Tamiami Trail) and Daniels Parkway. The County considers the location as the most prominent retail intersection in the Ft. Myers area since the four quadrants occupy the largest shopping district in Lee County and approximately 72,000 cars pass through the intersection everyday. The property is currently 96% leased, and has a strong tenant mix that includes Saks Fifth Avenue, Bed Bath & Beyond, Fresh Market and Regal Cinemas as the anchors, 12 successful restaurants and numerous high-end national in-line tenants. In addition to the national tenants, Bell Tower focuses on its specialty of successful local and regional tenants, which include Trader Rick’s, Patchington’s, Island Pursuit and Wallaby Trading Company. In-line tenant sales for 2007 are estimated to be \$395/sf, which is down 11% from 2006, but still considered a strong sales/sf figure for a lifestyle center, compared to industry norm in light of the new competition.



The Property has undergone several major expansion and renovations since Madison Marquette purchased it in 1996. Over the last 10 years and through a series of partnerships, the redevelopment included a \$25 million renovation that added a 75,000 square theater, Saks Fifth Avenue and Bed, Bath & Beyond as anchors. The in-line retail tenancy was also re-merchandised and improved over the years. In 2002, the Jacobson’s department store space was

bought back through bankruptcy by ownership and redeveloped into a successful multi-tenant space including grocer Fresh Market, Ulta Salon, and several new in-line retailers fronting the center courtyard of the Property. Two new pads, Mimi’s Café and Jared’s Jewelers, in a previously build restricted area were constructed as well. The financial performance was impressive as total tenant sales (including anchors) increased from \$219/sf in 2002 to \$340/sf in 2006. Net Operating Income also increased from \$4.3 million in 2002 to \$6 million by 2006.

Despite the dramatic success of the center over the last several years, since the beginning of 2007, the Property has been impacted by two competing developments: Coconut Point, developed by Simon Property Group and Gulf Coast Town Center, developed by Richard Jacobs. The projects, which came on-line simultaneously at the end of 2006, total approximately 3 million square feet of retail and are within a 9-mile drive east (Gulf Coast) and south (Coconut Point) of the Property. It was originally thought that both projects would not get built and not be considered direct competition to Bell Tower for varying reasons including merchandising mix and distance from the center. However, the County approved both projects, and Coconut Point has proven to be more competitive than originally anticipated having eroded some of the purchasing power at Bell Tower. Overall,

total tenants sales at Bell Tower are down almost 7.5% and duplicative tenants sales (between Coconut Point and Bell Tower) are down 17% YTD. One of the Property's restaurant tenants unexpectedly vacated over the summer as well, due to a sudden sales decrease. The deterioration in financials for the Property can also be seen when looking at the expected Net Operating Income for 2008 versus what is forecasted for 2007, due to the impact on overage rent generated. The 2007 budgeted NOI was slightly re-forecasted from \$6.6 million to \$6.5 million after the decline in tenant sales was better determined, thus causing a revision in the overage rent estimate. The 2008 NOI is now expected to be approximately \$6 million, which is a decrease of \$500,000, almost 8% lower, compared to the 2007-forecasted NOI. It is clear that based on the financial impact of the new competition, Bell Tower cannot stay as is and expect to maintain the current value and a competitive edge in the market.

The Lee County market has been growing at astronomical rates from a population, employment, residential and tourist standpoint. The population in Lee County has increased by a total of 29.5% since 2000 and is expected to grow another 19% to 676,000 by 2010. This rate of growth significantly exceeds the 13% average increase in residents the entire state of Florida has seen. As the population continues to grow, it appears that younger people are moving into the area. According to the 2000 census, approximately 26% of the population consisted of people 65 years or older. By 2007, that percentage had fallen to 22%. Currently, working age people (ages 18-64) make up about 56% of the population in Lee County, up from 50% in 2000. The County also sports the youngest median age at 42 years old, out of all five counties that make up Southwest Florida. The rapid population growth also fueled an expanding housing market over the last several years. Single family and multi-family housing starts experienced noticeable growth from the late 1990s up until recently, as the region braced to accommodate the influx of new residents. According to Lee County, housing starts in 2000 were at approximately 9,000 and by 2005 that number more than tripled to over 30,000. However, due to the overbuilding, the area has now experienced a sharp downturn since 2006 in the residential market with housing starts down 34% from its 2005 high, and it is expected to continue in the short term.

The region has gained approximately 18,000 jobs over the last few years. However, in conjunction with the residential slowdown, there has been slippage in this increase, which is directly due to a reduction in construction jobs tied to homebuilding. The unemployment rate did tick up to 4.2% over the summer compared to a rate of 3.1% during the summer of 2006. Despite the increase in the unemployment rate, the rapid population growth has been fueling job growth in the area for business and professional services. Even with this slight economic shift in the markets, the region's main drivers are still tourism and related retirement migration. Visitation to Lee County in 2006 totaled 2.1 million, which reflects an increase of 1.3 percent from the prior year. Visitor spending, however, increased 8.7 percent over this time frame, indicating that people may have more money to spend while perhaps having more shopping centers to choose from. More recently, tourist estimates through the middle of 2007 show visitation is up 5.0 percent over 2005 and spending is up 10.5 percent

Due to the ongoing growth in population, jobs and tourism, the retail market is expected to stay strong. According to a recent conference held in Ft Myers regarding the future of real estate in South Florida, many retail real estate developers, such as Welsh Companies, have recognized that it is younger families, and not necessarily retirees, that are driving the Lee County market. Many of the national retailers are recognizing this, and will continue to move to and expand in this area. For example, the growth in the southern portion of Lee

County has been seen with the addition of Simon's 1.3 million square foot Coconut Point project.

The primary trade area of Bell Tower is quite affluent at over \$70,000 average household income. The trade area has also seen an increase of 8,000 households over the last several years and is forecasted to grow over 11%, by 5,500 households, during the next 5 years. This outlook appears reasonable given the slowdown in the local housing market, combined with the some proportionate near-term decline in immigration.

The Property's retail competition has originally been limited to existing older regional malls and a similarly conceived specialty center located further away in Naples. These include Simon Property Group's Edison Mall, General Growth's Coastland Center, and the Waterside Shops at Pelican Bay. However, to keep up with the changing competitive market, each of these properties has undergone substantial renovation during the last 2 years. Coconut Point and Gulf Coast Town Center are now considered to be new direct competition as well. Two developments in the pipeline, The Mercato at Naples and The Loop Punta Gorda are currently in construction and entitlement stages, respectively, and will also be considered primary competition for Bell Tower when completed. Projected household growth combined with the increase in average income will translate into an additional \$191 million in retail spending by 2011, which Bell Tower needs to take advantage of and not lose this additional new retail spending to this new competition. Based on its niche characteristics, if redeveloped properly, Bell Tower, like Coconut Point, should also be able to capitalize on the continued population, job and tourism growth the area is expected to experience.

Based on the results of the customer intercept study conducted at the Property, the redevelopment strategy set forth in this proposal incorporates some of the recommendations that have been suggested by the study. It involves differentiating the tenancy mix so as to minimize the overlap from the rest of the competition, while also maintaining the unique and more inviting atmosphere at Bell Tower. The redevelopment also should occur in phases, which will signal to the market and prospective tenants the intention that Bell Tower expects to maintain its strength and competitiveness in the market. The phased redevelopment will allow the expansion of the center that is permitted within the current site capacity and parking requirements (which is limited due to the numbers of restaurants at the Property), but will also adequately allow time to get County approvals for additional GLA development rights and parking structures during future phases of redevelopment. The proposed phased strategy will incorporate:

- 1) Substantial tenant re-merchandising to bring in higher end and missing retail categories
- 2) Additional GLA expansion within the center
- 3) Major renovations and enhancements to the courtyard and interior appearance of the Property,
- 4) Construction of a parking garage adjacent to the theater to alleviate the parking problem
- 5) Major anchor expansion
- 6) 60,000 square feet of additional retail/restaurants.

If the strategy is financially feasible, it is recommended that the proposed redevelopment be implemented as soon as possible so that the Property's loss in market share does not continue.

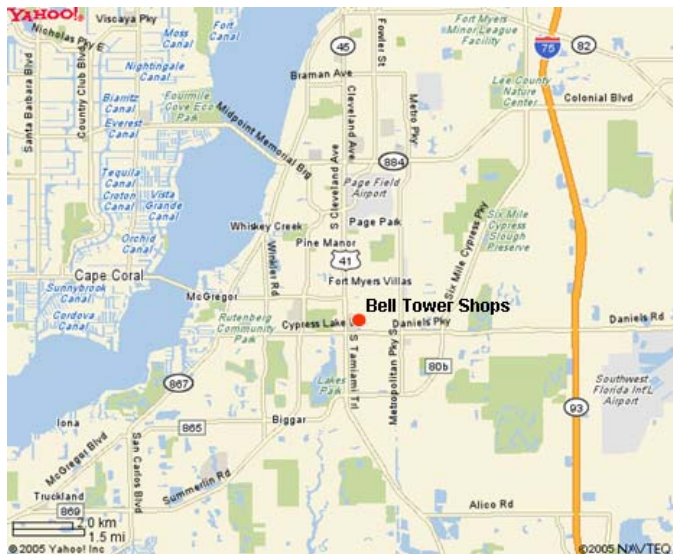
II. DETAILED PROPERTY OVERVIEW

Property & Location Overview

Bell Tower is a 350,000 square foot Mediterranean open-air lifestyle center located in Ft Myers, Florida. The presentation of the Property is upscale in nature, however, it offers a variety of categories as well as differing price points. The property is currently 96% leased, and has a strong tenant mix that includes Saks Fifth Avenue, Bed Bath & Beyond, Fresh Market and Regal Cinemas as the anchors, 12 successful restaurants and numerous high-end in-line tenants such as Banana Republic, Gap, William Sonoma, Talbots, Ann Taylor, Chico's, White House Black Market, J Jill, Jared's Jewelers and Ulta Salon. In addition to the national tenants, Bell Tower focuses on its specialty of successful local and regional tenants, which include Trader Rick's, Patchington's, Island Pursuit and Wallaby Trading Company. In-line tenant sales for 2007 are estimated to be \$395/sf, which is down 11% from 2006, but still considered a strong figure in light of the new competition.



The Mediterranean courtyard configured Center provides a unique, upscale shopping, dining and entertainment experience that includes lush landscaping, royal palm trees, shaded seating and open tiled courtyards with many fountains. The Property's design has a very intimate feel, which is one of the appealing factors to Bell Tower customers. The entire property consists of nine single-story buildings, most of which are connected by interlocking breezeways and canopies.



The Property, situated on 45.6 acres, has great visibility and is located at the corner of US Highway 41 (also known as Tamiami Trail) and Daniels Parkway, which is considered the most prominent retail intersection in the Ft. Myers area by the County. US 41 is the major north/south vehicular thoroughfare on the west side of South Florida and Daniels Parkway is one of the few east/west thoroughfares that provides efficient and quick access to the airport, beach communities and residential nodes. The intersection, which has

more than 72,000 cars per day, allows excellent access to the Property with two signalized entryways; one on 41 and one on Daniels Parkway. All four corners of this intersection have retail centers that have been significantly redeveloped recently. The Property is located 8 miles from the Southwest Florida International Airport, which just underwent a major renovation and expansion, 10 miles from Ft. Myers Beach and 12 miles from the beaches of Sanibel and Captiva Islands. Lee County recently completed an extensive road improvement project for US Highway 41, which considerably improved traffic flow and Property access.

Redevelopment & Ownership History

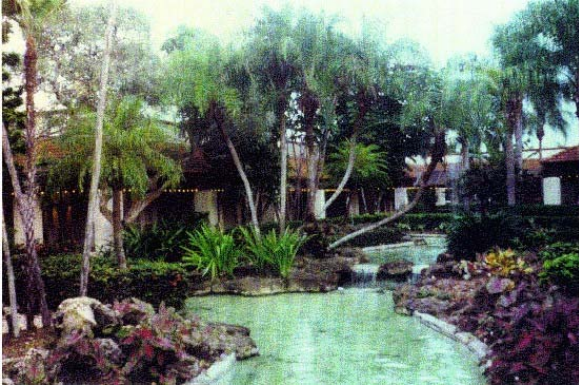


Photo: Before Renovation - 1995

Madison Marquette purchased the Property in 1995 for \$16 million from Oxford Development based out of Pittsburgh. The Property at the time was in dire need of a renovation with high-deferred maintenance. The Property was approximately 240,000 square feet, which was anchored by an old in-line theater, a Jacobson's department store (owned by Jacobson's) and featured mostly local in-line retail tenants. As evidenced by the picture, the tenants had no store front visibility, the layout of the center

was difficult with the landscaping design proving to be a major barrier, sales were around \$190/sf and trending downward, and occupancy was around 70%. The Net Operating Income of the Property in 1996 was \$1.8 million, so based on the \$16 million purchase price, the Property was originally purchased for an 11.25% going in capitalization rate.

The Property was ripe for redevelopment based on its location and current state. Starting in 1996, it underwent a \$25 million major renovation and expansion, which included:

- Completion of the expanded 75,000 square foot theater which replaced the earlier facility in 1997
- Added 40,000 square foot freestanding Saks Fifth Avenue building in 1997
- Improved traffic flow and store visibility via improved lighting
- New walkway pavers
- Enhanced entrances, tower features and raised walkway canopies
- Enhanced internal landscaping with fountain upgrades
- Aggressive tenant capital program that enhances the merchandise and tenant mix at the Center
- Construction of 30,500 square foot Bed Bath & Beyond which opened in 2001

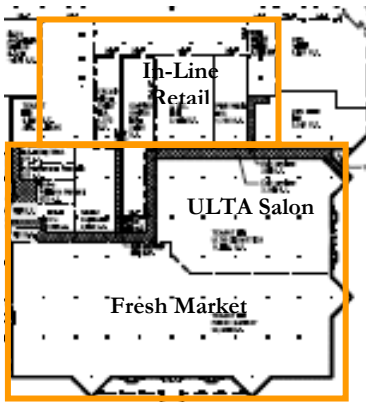
The Property had a grand re-opening in November 1997 (before the Bed Bath & Beyond was added). The re-merchandising strategy was key in this part of the renovation, and it focused on bringing in higher end national tenants such as Gap, Talbot's, Banana Republic, Williams Sonoma, Victoria's Secret, Bath & Body Works, Ann Taylor, Chico's flagship location and Brookstone. The financial success of this renovation and re-merchandising was seen by 2001. Net Operating Income increased from \$1.8 million in 1995 to \$4.4 million by 2001 (to include rent from Bed, Bath & Beyond), yielding a strong 10% return on cost on this portion of the development. Occupancy went from 70% down to 40% during redevelopment after Madison Marquette bought out and relocated various tenants for the redevelopment to 99%



Photo: After Renovation - 1997

post renovation. The square footage of the Property also increased from 236,000 to 340,000 square feet.

After the first phase of redevelopment, in-line tenant sales at the Property increased by 29% from 1999 to 2001 (from \$267/sf to \$344/sf). However, in 2002, Jacobson's department store chain went bankrupt and closed down a majority of their store locations in Florida, including at Bell Tower Shops. This slightly affected tenant sales at the property, nevertheless, the closure was viewed as a prime value added opportunity for additional redevelopment and expansion of Bell Tower because Jacobson's was on a ground lease and paying very low rent. The Jacobson's building was bought by ownership through a bankruptcy sale for \$2.5 million and the Property as a whole was re-capitalized in December 2002 with a new joint venture partner, AEW Capital Management, on a cost + premium basis.



In determining the most beneficial redevelopment scheme to enhance the Property that simultaneously satisfied financial requirements, it was recognized that the Jacobson's "box" should be divided into several spaces for tenants that encompassed retail categories that were not then present at the center. Madison Marquette came up with a re-demising plan for the Jacobson's space, which included creating a unique grocer concept at the center with anchor Fresh Market, bringing in ULTA Salon, a cosmetic store to occupy 10,000 square feet and also creating more in-line tenants with frontage on the main interior courtyard. New in-line tenants included J. Jill, Joseph A Banks, Clarke Shoes and local

operator Trendy with a Twist. Some of the remaining space that was difficult to lease could be converted to rental storage spaces for existing tenants, since storage was previously lacking on site.

The building purchase also allowed for additional pad development in previous build restricted area on Jacobson's expansive parking field. Jacobson's had a provision in the ground lease that mapped out a portion of their parking lot site where the Landlord was prohibited from building any additional retail outparcels which would



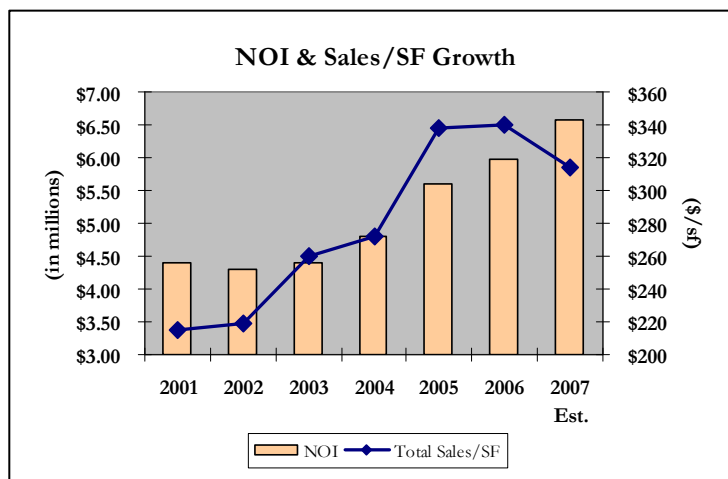
eliminate parking spaces and potentially block the view of Jacobson's from US 41 and Daniels Parkway. With county approval, space was cleared for development of two pads: Mimi's Café and Jared's Jewelers. During this phase of redevelopment, the quality of the mix brought to the Property allowed for re-merchandising of the existing center over the last two

years as well, which enhanced the type of tenants offered as well as the rents. For example, Cru Foods and Blue Pointe Oyster, two new successful local restaurants were added to the already strong restaurant line-up, along with strong local operator Francesca's Collection, White House Black Market, and Chico's, who operates their flagship store at Bell Tower, opened their first women's lingerie store, known as Soma, at the Property. Also when compared to the existing agreements, base rents on average increased by \$4.00 to \$5.00/sf for these new deals signed.

The financial results of the redevelopment were considered to be a success. Tenant sales, including anchors, increased from \$219/sf in 2002 to \$338/sf by 2005. In-line stores sales, excluding anchors, jumped from \$331/sf to \$440/sf during the same time. Square footage of the Property also increased slightly, from 340,000 to 350,000 square feet due to the outparcel additions. Market rents also increased as tenants turned over in their spaces. Prior to the redevelopment, rents were in the \$22-\$26/sf range. After completion of the redevelopment, rents increased to the \$26-\$30/sf range. This second phase of redevelopment cost approximately \$5.5 million, including tenant allowances, leasing commissions and the original \$2.5 million purchase price of the Jacobson's box. The new tenants, along with the two new pads increased NOI from \$4.3 million in 2002 to \$5.6 million by 2005, which yielded a 20% return on cost, and was deemed a great success for the Property and for the partnership. In the middle of 2004, as the redevelopment was in its last stages, due to the increased concern in the nature of the competitive environment that would be coming on-line during the next couple of years, AEW, based on their fund client's request, was required to sell their stake in Bell Tower. The Property was taken to market; however, Madison believed that there was still further income realization and redevelopment opportunities at the Property. Thus, it was decided to bring in a new partner and re-capitalize the project at market price.

The Property was put under contract in May 2004 with new partner, Principal Real Estate Investors. Due diligence was completed, and the partnership was waiting for an executed tenant estoppel from Saks Fifth Avenue before closing on the acquisition. The day the acquisition was supposed to close, Saks delivered an estoppel that also notified the Landlord that they were planning on closing the store at Bell Tower due to new management who were making dramatic changes in corporate strategy and closing stores that they did not consider strong in sales. Their initial plans were to fully capture the Ft Myers market by expanding their other store in the vicinity, which was located at the high end Waterside Shops, in Naples. This surprise move delayed closing for two months, and ultimately yielded a \$7 million price reduction. However, to this day, Saks is still open and operating at Bell Tower and their sales have increased 12% since 2004 from \$278/sf to an expected \$312/sf in 2007. Although Saks is considered a strong anchor tenant, the merchandising of the store leaves much to be desired. The store, which is one of the smaller ones in the chain and limited in space at only 40,000 square feet, tends to focus more on cosmetics and accessories and lacks a full selection of women's apparel items while dedicating only a very small square footage to men's apparel. As will be discussed, the partnership considers this a potential redevelopment/expansion opportunity for the next phase of redevelopment.

Since the new partnership's acquisition in August 2004, the final stages of redevelopment were completed, which included leasing some of the remaining in-line space in the old Jacobson's building, the second outparcel and a couple of second generation vacancies in the existing center. The ultimate results of this redevelopment were seen in the cash flow for 2006 and 2007. Many of the tenants surpassed their



percentage rent clauses, which were previously negotiated in their leases, due to the dramatic increase in sales volume at the Property, thus percentage rent received from tenants increased from \$200,000 in 2004 to over \$550,000 by 2006. Net Operating Income increased 25%, from \$4.8 million to \$6 million during the same time as well. The center is currently 97% occupied, with the vacant spaces purposefully being held vacant for the next phase of redevelopment. Over the past two and half years, unrealized gains have surpassed original expectations for the partnership, while the value of the property, partly due to the increase in NOI and also the nature of the real estate market, increased more than 30% as of the end of 2006 from \$72 million, the original purchase price, to \$96 million (based on 2006 Year End Appraisal). The partnership has also seen a doubling of equity, at over a 2.05x return, in the Property due to this substantial increase in value.

Despite the dramatic success of the center over the last several years, since the beginning of 2007, the Property has been impacted by two competing developments: Coconut Point, developed by Simon Property Group and Gulf Coast Town Center, developed by Richard Jacobs. The competing projects, which came on-line simultaneously at the end of 2006, total approximately 3 million square feet of retail and are within a 9-mile drive east (Gulf Coast) and a 10-mile drive south (Coconut Point) of Bell Tower. It was originally thought both projects would not have a serious impact on Bell Tower for several reasons including the mediocre merchandising of Gulf Coast, the excessive traffic on US Highway 41 during peak season that would affect drive times between Bell Tower and Coconut Point, and the fact that originally, the majority of the trade area of Bell Tower tended to be north and west (Sanibel Island) of the center. It was also believed that both projects would not get built due to the stringent views of Lee County officials on development and given the amount of retail square footage the local area would be able to successfully absorb at once without retailers cannibalizing themselves. However, as will be further described in the competitive section, the properties were both approved by Lee County and built, although Coconut Point is considered to have impacted Bell Tower more than Gulf Coast.

Based on the impact of the new competition, Bell Tower cannot stay as is and expect to maintain its current value and competitive edge in the market. The growth and change in local and regional markets in Ft Myers need to be further analyzed to determine what kind of property Bell Tower needs to become in order to remain competitive and successful in the now over-retailed Ft. Myers market.

III. REGIONAL MARKET & TRADE AREA ANALYSIS

Southwest Florida Area Overview

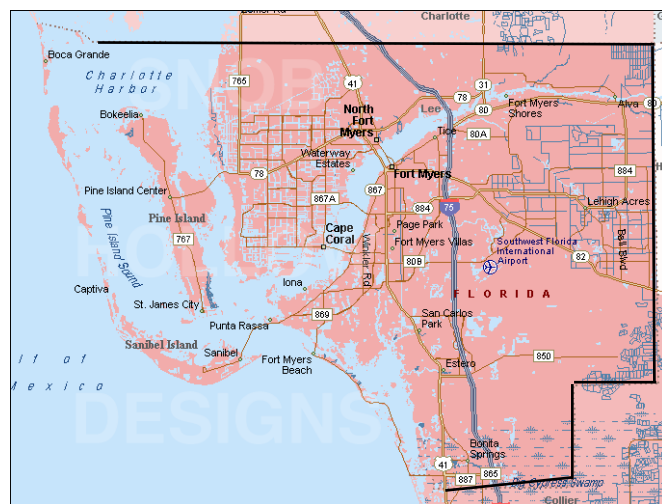
Southwest Florida is comprised of five counties: Lee, Collier, Charlotte, Glades and Hendry. Located along the southwestern gulf coast of Florida, the area has experienced rapid growth over the last 10 years and development as business, tourists and residents discover the attractive environment and climate that Southwest Florida has to offer. The most populous of the five counties that make up Southwest Florida is Lee County, which is home to the cities of Ft. Myers, Cape Coral, Ft. Myers Beach, Bonita Springs and Sanibel and Captiva Islands. In addition to Ft. Myers, the largest cities in Southwest Florida are Naples and Cape Coral.

Throughout the southeastern US, Southwest Florida's socioeconomic strength is recognized and well regarded based on historical and future population growth as well as tourism growth. With a total population of approximately 1.1 million, Southwest Florida is one of the most populous areas in Florida. Southwest Florida's 18-24 year old population is growing about twice as fast as that of Florida and many times faster than that of the US. In 1999, the average age was 56 years old, and now the current average age in Southwest Florida is 45 years old. Housing starts exploded during the 1980s and 1990s, as the population expanded by 69% in the 1980s and 29% in the 1990s. The population is projected to increase another 18% by 2012, with the majority of the influx of people to occur in Lee County.

The region also attracts in excess of three million visitors, tourists, students and part-time residents each year. This influx of people is an economic boost to the area as a large portion of disposable income is earned elsewhere, but captured in Southwest Florida. The region's current purchasing power exceeds \$20 billion, which is expected to increase to over \$30 billion over the next eight years. The Property is well located and can be well positioned to capture future market shares, as the trade area grows in both population and physical size, extending from the coast and moving inland.

Regional Market Overview

The Property is located in Lee County, an 804 square mile metropolitan area, which has earned a solid reputation as a beautiful, cost-effective, well-managed place to grow a business. County officials and business executives are equally quick to attest to the region's appeal. Relocated and expanding companies have found a balanced economic environment that supports growth while respecting natural beauty and open spaces.

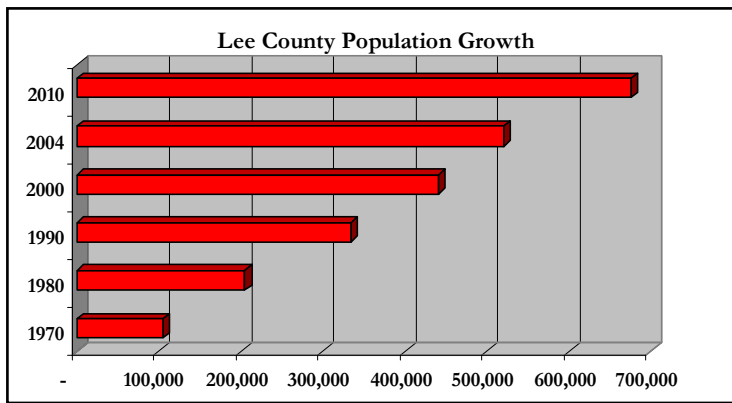


Map: Lee County

Several catalysts are widely cited for Lee County's growth over the last 30 years: the extension of Interstate 75 through the county in 1979, the opening of Southwest Florida

Regional International Airport in 1983, and the 1997 opening of the nation’s newest public university, Florida Gulf Coast University. The fourth catalyst involves the attractive environment which includes 50 miles of white sand beaches, the tropical climate and fresh/saltwater canals, which provide some of the best fishing in Southwest Florida. Over 2 million visitors contribute to the economy each year and this number continues to grow.

Thomas Edison, who discovered Ft Myers when he was 38 years old and decided to reside there for part of his life, said, “There is only one Ft. Myers and 90 million people are going to find it out.” Edison’s prediction came true during the mid to late 1990s and due to the rapid growth, the County began to fear the concept of “urban sprawl”. Thus, Lee County officials implemented a smart growth initiative in October 2001. Their vision is “to shape the future growth of Lee County through a proactive, inclusive community effort that continuously improves the quality of life by reaching a harmonious balance between economic development, environmental sustainability and community livability to provide a legacy for future generations”. The airport and the university have especially taken environmental concerns to heart and incorporated the preservation and or care taking of sensitive lands into their every move. The airport is now the 8th fastest growing airport in the country, which served over 7.6 million passengers in 2006, up 46% from 2000. The airport underwent a huge \$438 million expansion, which opened up in September 2005. However, smart growth initiatives that Lee County desires could be seen in the expansion plans of the airport. The expansion caused a loss of 645 acres of wetland and further threatened the panther population in the everglades region. To make up for the loss, the airport bought and restored 7,000 acres five miles southeast, of the airport, which they felt more than adequately supported the loss the expansion caused.



The Lee County population is heavily congregated around the Ft. Myers and Cape Coral municipalities, and the associated unincorporated regions. Like most parts of Florida, the Cape Coral-Fort Myers region has been experiencing consistent strong population growth as northerners continue to relocate to the warmer climate.

The state also has favorable tax laws for both working individuals and retirees. Florida tax laws do not require residents to pay state income taxes, retirees to pay tax on their income or any individuals to pay taxes on intangible personal property. Thus, many people, both young and old, most likely find the tax advantages Florida has to offer appealing from a disposable income standpoint. Nationally, Lee County was the fifth fastest growing county in the US last year. According to Enterprise Florida, the population of Lee County has more than doubled since 1980, increasing from 205,000 residents to over 570,000 in 2006. This reflects growth of over 74,000 people over the last 3 years, which translates into an annual growth rate of 4.6 percent. The population in Lee County has also increased by 29.5% since 2000, which greatly exceeds the 13% average increase in residents the entire state of Florida has seen and expected to grow another 19% to 676,000 by 2010. As the population continues to grow, it appears that younger people are moving into the area. According to the 2000

census, approximately 26% of the population consisted of people 65 years or older. By 2007, that percentage had fallen to 22%. Currently, working age people (ages 18-64) make up about 56% of the population in Lee County, up from 50% in 2000. The County also sports the youngest median age at 42 years old, out of all five counties that make up Southwest Florida.

The rapid population and tourist growth also fueled an expanding housing market over the last several years. Single family and multi-family housing starts experienced noticeable growth from the late 1990s up until recently, as the region braced to accommodate the influx of new residents. According to the Lee County housing statistics, housing starts in 2000 were at approximately 9,000 and by 2005 that number more than tripled to over 30,000. There is a wide spectrum of housing ranging from cost-efficient condominiums to golf course homes and extravagant, waterfront estates. However, due to the overbuilding, the area has now experienced a sharp downturn since 2006 in the residential market with housing starts down 34% from its 2005 high, and it is expected to continue in the short term. Currently, 15,000 homes in Lee County are listed for sale, a bigger inventory of unsold houses than anywhere else in the state, and more than four times what it was in 2005. Meanwhile, the median price of existing single-family homes in Lee County has fallen 28%, from an all-time high of \$322,300 in December 2005 to \$231,600 as of September 2007. Home sales also declined 25%, from 12,200 in 2005 to just over 9,000 sales in 2006.

The region has gained approximately 18,000 jobs over the last few years. However, in conjunction with the residential slowdown, there has been slippage in this increase, which is directly due to a reduction in construction jobs tied to homebuilding. This reduction in number of construction jobs is supported by the fall in projected building permits in 2007 to 9,500, compared to a peak of 29,000 in 2005. Reflecting this economic shift, unemployment has ticked up notably. In June 2006 the rate was 3.1 percent in Lee County. As of June 2007, the rate hit 4.2 percent.

Despite the increase in the unemployment rate, the rapid population growth has been fueling job growth in the area for business and professional services. Even with this slight economic shift in the markets, the region's main drivers are still tourism and related retirement migration. Visitation to Lee County in 2006 totaled 2.1 million, which reflects an increase of 1.3 percent from the prior year. Visitor spending, however, increased 8.7 percent over this time frame. More recently, tourist estimates through the middle of 2007 show visitation is up 5.0 percent over 2005 and spending is up 10.5 percent

Based on the growth the area has experienced for the past 10 years, and the current slowdown the area is facing, understanding the economic projections for Lee County for the next couple of years is what is necessary. Several economic experts do not believe that the area has bottomed out on the residential downturn and expect to see further declines, although not as large as compared to over the last year, for the next 24 months. Over the next 2 years, the outlook is for a slowing of the area's rapid past household growth as well. The reason for this is twofold: besides speculative over building in Fort Myers, the potential second home owners and retirees have lost equity in their primary homes, as well as their ability to flip their properties easily and use that windfall to establish ownership in Florida. Growth in the region, however, will continue, given the large and growing pool of baby boomers reaching their retirement years, albeit at a slower pace than the records experienced during 2003 to 2006.

Rising land, construction, property tax and insurance costs have affected not only the residential building, but the commercial building as well. Retail space has proliferated in the last four or five years, while at the same time, the cost of developing new space has jumped as well, causing the value of existing retail properties, as evidenced by Bell Tower Shops, to more than double since 2003. In addition to general market conditions yielding high demand for retail real estate over recent years, rising land and construction costs are considered major factors behind the price increases as well since developers expect to recoup their costs plus a market premium in a hot market when a property is sold. Retail land values in Lee County soared from an estimated \$10 to \$14/sf in 2003 to \$20 to \$25/sf by 2006. The average value of improvements to existing retail properties also more than doubled in certain cases, from \$32-\$37/sf to \$68-\$83/sf. Developers, in turn, have had to increase rents at their properties over the last several years in order to offset the increase in construction costs. However, according to experts at the recent Southwest Florida real estate outlook conference, there is a good chance that the retail market could have reached a plateau and that rental rates will soon stabilize or fall, based on supply and demand. If there is excess space at rates many retailers cannot afford, it is predicted that a number of “first round tenants” will fall out and either relocate to less expensive space or leave the market entirely. This could affect the timeline of future planned development or developments already in progress.

However, due to the ongoing growth in population, jobs and tourism, the retail market in Southwest Florida is expected to stay strong. According to a recent conference held in Ft Myers regarding the future of real estate in South Florida, many retail real estate developers, such as Welsh Companies, have recognized that it is younger families, and not necessarily retirees, that are driving the Lee County market. Many of the national retailers are recognizing this as well, and will continue to move to and expand in this area. For example, the growth in the southern portion of Lee County has been seen with the addition of Simon’s massive 1.3 million square foot Coconut Point project. This project is in the midst of revitalizing a large area of Estero that previously was lacking in residential and commercial necessities. It is part of a 500-acre master plan development that includes 90,000 square feet of office condominiums, 400 residential units and potentially a new hotel. The surrounding area is also seeing resurgence as other residential developers, such as Toll Brothers, have purchased tracts of land adjacent to Coconut Point, and are seeing positive impacts on their recent developments. Just as the massive Coconut Point project has accomplished, Bell Tower, based on its niche characteristics and if redeveloped, should also be able to capitalize on the continued population, job and tourism growth the area is expected to experience.

Trade Area Analysis

Strategically located at the northeast quadrant of the intersection of US Highway 41 and Daniels Parkway, the Property is the focal point of regional residential and commercial activities. As a significant location for commerce and high-end residential dwellings, the Property’s trade area possessed very strong demographics. The largest percentage of customers comes from the Lee County area, with the secondary markets being Charlotte County to the north and Collier County to the south. According to a market study that was recently completed (which will be fully discussed in a later section), the local primary resident shopper at Bell Tower can be described as a married homeowner, has an average age of 48, is college educated, and is considered affluent with average household income over \$63,000.

The 5-mile radius around the property includes more than 48,600 households. This current count reflects growth of 8,000 households over the last several years. It is evident that with the significant growth that has occurred during this recent economic cycle, this count underestimates the actual pool of households in the area – especially during the peak “snowbird” season.

As noted in the accompanying table, these households are quite affluent. According to Sites USA, the average income of market area households is \$70,200. This average, however, is blunted by the high proportion of retirees in the market and lower paid service workers that reside in the area.

5-Mile Radius	2007	2012	Total Change
Population	103,400	114,400	11,000
Households	48,600	54,100	5,500
Average Income	\$70,200	\$80,700	15.0%
Households Over \$75,000	14,600	--	--
Est. Retail Spending (000s) 1/	\$682,000	\$873,000	\$191,000
Median Age	43.5	--	--
Daytime Employment (3 Miles)	47,500	--	--

1/ Estimated at 20 percent of aggregate income.
Source: SitesUSA; Madison Marquette Market Research.

Overall, it is estimated that there are 14,600 households with incomes over \$75,000. In addition to this residential base, it is estimated that there are 47,500 workers within 3 miles of the property, fueling the potential for additional lunchtime and after work spending.

The primary trade area has experienced strong growth over the last several years and is forecasted to grow by 5,500 households over the next 5 years. This outlook appears reasonable given the slowdown in the local housing market, combined with some proportionate near-term decline in immigration. This household growth combined with the increase in average income should translate into an additional \$191 million in retail spending by 2011, which Bell Tower needs to take advantage of and not lose this additional new retail spending to the new competition.

IV. COMPETITIVE MARKET ANALYSIS

Bell Tower Shops is an open-air specialty lifestyle center that enjoys high name recognition among residents and visitors. When people ask for directions to a location in the vicinity, Bell Tower is usually referred to as a mapping or location point. The intersection that Bell Tower sits at is often referred to the Bell Tower Area when reviewing nearby hotel brochures or Florida magazines. Bell Tower has traditionally been the



place for residents and visitors to shop for higher-quality specialty merchandise and luxury goods. Historically, Bell Tower did not have serious competition in the immediate primary and secondary trade area. The Property site is at the #1 retail intersection in Ft. Myers, with retail projects at every quadrant of the traffic light. The three other properties at the intersection are more complementary in style to Bell Tower. Several of these adjacent retail centers, which were partly vacant and in dire need to renovation and repair, were bought by one local individual, UP Development, and were substantially renovated, allowing the intersection to become one of the most desirable locations for retailers in Ft. Myers. The centers have tenants such Target, Steinmart, Beall's, Staples, TJ Maxx, Homegoods and Costco. Together these four shopping centers now comprise the largest shopping district in Lee County. No other retail property in the vicinity, as evidenced by the analysis of the existing primary competition, had the local recognition by loyal patrons, the outdoor lifestyle center layout or the variety of high quality merchandise offered that Bell Tower did up until 2006.

Existing Primary Competition

The Property's retail competition was originally limited to existing older regional malls and a similarly conceived specialty center located further away, in Naples. These included Simon Property Group's Edison Mall, General Growth's Coastland Center, and the Waterside Shops at Pelican Bay. However, to keep up with the changing competitive market, each of these properties has undergone substantial renovation during the last 2 years. The following is more information on each of these existing centers.



Photo: New Entrance to Edison Mall

Edison Mall, which is owned by Simon Property Group, totals almost 1.1 million square feet and is located 4 miles north of Bell Tower in Fort Myers at the intersection of US Highway 41 and Colonial Boulevard. The center is anchored by mid level department stores including Macy's, Dillard's, Sears, and JCPenney. This older center, which was built in 1965, is 90% occupied and merchandised with middle market retailers that also cater towards the teenage clientele such as Footlocker, Lids, Hot Topic,

Anchor Blue, Charlotte Russe, D.E.MO., Aeropostale, Wet Seal, 5-7-9 and Waldenbooks. Edison does not have any tenant overlap with Bell Tower except for Victoria's Secret and Bath & Body Works. A few higher end tenants such as Cache are present at Edison, however they have had preliminary discussions with Madison leasing in regards to relocating to Bell Tower which they feel is a better fit regarding location and complementary tenants. The facility has also gone through a number of expansions over the years, impacting its overall design and could now be considered a B mall in the region. A new lifestyle center was added to the front of the center bringing new stores like Game Stop, Bar Louie and Starbucks. The interior of the mall was renovated and now has new tiles floors, soft seating areas and a renovated fountain feature. The mall is expected to go through some additional renovations during 2008. There is little overlap when comparing tenancy to Bell Tower. Some of the stores and restaurants at Edison Mall include Bailey, Banks and Biddle, Victoria's Secret, Aeropostale, American Eagle, Ann Taylor Loft, Express and Silverspoons Cafe. New store additions include Bebe Sport, Man Alive, Bijou Brigitte, Payless Shoe Source, Sketchers, Frederick's of Hollywood, Bar Louie and Anchor Blue.

Coastland Center is a 950,000 square foot traditional enclosed mall located 27 miles south in Naples. It is considered secondary competition to Bell Tower due to the distance drive time from Bell Tower. Coastland, which is 93% occupied, is anchored by Macy's, Sears, Dillard's, and JCPenney and features a variety of today's popular retailers catering toward a younger crowd. Coastland was built in 1977, expanded and renovated in 1985 and 1996. It then underwent a multimillion-dollar renovation again in 2007 that involved interior re-design, exterior street redevelopment to make the center more



Photo: Interior of Coastland Center

pedestrian friendly and re-merchandising of existing tenants to bring in more prominent retailers and restaurants. It has been transformed into a brighter, sophisticated resort retail center. The newly renovated mall includes three new-to-the-market restaurants, hotel-style center court and two new mall entrances with new water fountains, tropical landscaping and decorative planters. The interior mall offers a resort like atmosphere, with ceramic tile floors, soft seating areas, decorative ceiling fans and tropical foliage. New amenities include Valet Parking and 'Everglades Adventure', a Soft Play Area for children. Restaurant tenants include The Cheesecake Factory, Kona Grill, Ruth's Chris Steak House, and Ted's Montana Grill. The apparel retailers cater towards a younger crowd and include retailers such as American Eagle, Abercrombie, Hollister, Forever 21, Anchor Blue, Charlotte Russe, Old Navy, Rave, Pac Sun, Aeropostale, Aggro Surf Shop, Hot Topic and Wet Seal. Average

gross rents at the mall range from \$75/sf to \$150/sf, depending upon the space location in the mall and the nature of the tenant.



Photo: Central water feature & shops at Waterside

Waterside Shops, owned by a joint venture including Forbes Company, Taubman & ING Clarion, is a 280,000 square foot open-air center located 25 miles south of Bell Tower, in Naples. Although far in distance, the nature of this center's tenancy can be considered direct competition to Bell Tower (both in its current state and when redeveloped) due to the upscale environment the center offers and it has the only other Saks Fifth Avenue in Southwest Florida. The property is currently 95% occupied. The

Waterside Shops underwent a major recent renovation over the last couple of years to create a more open, modern and refined feel, although some may claim it is too stark in appearance. The center also became more upscale in nature which includes a 45,000 square foot Saks, Gucci, Cartier, Burberry, Hermes's, Lacoste, Sigrid Olsen and Tiffany's, along with many popular retailers that overlap with Bell Tower tenants such as like Chico's, J.Jill, Banana Republic, Gap, Ann Taylor and Talbot's. Nordstrom is also expected to open at the center by 2008. Saks Fifth Avenue also did indicate that they planned to expand the store from 45,000 square feet to 67,000 square feet, however, there has been no renovations to the store as of yet, indicating that the expansion plan may not go through as expected.

New Primary Competition

The area's household growth has attracted a variety of retail developers to this market, changing Bell Tower's competitive landscape significantly over the last few years and forcing existing competitive centers to substantially renovate, expand and re-merchandise. Major recent additions to the market and projects in the pipeline include:

Coconut Point, a 1.4 million square foot Mediterranean style retail project developed by Simon Property Group, opened in fall of 2006 and is considered the new dominant competition for Bell Tower. This center is located 10 miles south of Bell Tower on US Highway 41 between Corkscrew Road and Coconut Road in Estero, Florida. Coconut Point has dramatically shifted shopping patterns in the region given its modern streetscape design and combination of big box, traditional mall, and lifestyle tenants.



Photo: Lifestyle Component at Coconut Point

Coconut Point is the center of focus for a 500-acre, master planned community that is more than a shopping center. The property includes 90,000 square feet of office condominiums, residential units, up to 1.2 million square feet of retail space, and a variety of great restaurants - all surrounding several acres of lakes with a boardwalk. The center has a big box portion that includes the likes of Dillards, Pier 1, Sports Authority, Best Buy, Petsmart, Bed, Bath & Beyond and Supertarget. The center also features many restaurants such as Ted's Montana Grill, California Pizza Kitchen, The Grape Wine Bar and Ruth Chris' Steakhouse. They also

have a variety of apparel, accessories, health/beauty and home furnishing retailers and a Muvico Theaters. The property is expected to be 98% leased by the end of 2007 and 100% leased by first quarter of 2008.

Since this property has come on-line, sales at Bell Tower have been impacted dramatically, suggesting that distance (during peak season, travel time on US 41 can exceed 45 minutes between Bell Tower and Coconut Point) may not have impacted visitors' preferences on driving time and distance. There are also 19 duplicative stores/restaurants between Bell Tower and Coconut Point. For these specific tenants, sales at Bell Tower have fallen 17.5% for the year through the end of October and could potentially decrease even more as busy season begins in November. Although sales have fallen, some of the retailers have mentioned that the stores at Coconut Point are not trending towards the original estimates sales, and that the sales at Bell Tower were not as greatly impacted as they originally anticipated. Also, the sheer immensity of the new project, lack of shaded areas to avoid the Florida sun and difficulty in ease of walking through the project demonstrate the positive characteristics of Bell Tower, which has a more inviting, cozy and personal feel, with lush landscaping, benches and a great deal of shading for customers. Regardless, it is still evident that Coconut Point has seriously affected Bell Tower and something must be done in order to mitigate the continued detrimental impact into the future.

Gulf Coast Towne Center is another similar Mediterranean revival style project that opened up within the vicinity of Bell Tower in late 2006. The property, which is 1.6 million square feet was constructed by the Richard E. Jacobs Group and is approximately 9 miles southeast of Bell Tower Shops. This project has struggled more in attracting tenants compared to Simon's Coconut Point. Most people did not believe both projects would get approved and built due to proximity and similarity in nature.



Photo: Water feature & Charlotte Russe at Gulf Coast

Gulf Coast ended up filling up with tenants that did not want to go to or were rejected from Coconut Point. The center includes big box tenants such as Bass Pro Shops, Belk, Babies R Us, JCPenney, Ross Dress for Less and Target. Gulf Coast also has a "lifestyle" component to it with restaurants and retailers, similar to Coconut Point. The tenancy mix however, is not considered as impressive as its rival and includes Charlotte Russe, Rue 21, Lane Bryant as some of the apparel retailers. The restaurants include Outback Steakhouse, PF Changs, Bar Louie, Carraba's Italian Grill and RJ Gator's. The center also has a Regal Cinemas, which is direct competition to Bell Tower's Regal Cinemas. Phase I of the property (big box portion) is currently 100% leased, while Phase II, the lifestyle portion is struggling a little more and only 90% leased. This project is considered competition to Bell Tower only due to the theater, the restaurants and the relative newness of the project. The lifestyle retailer tenancy line-up, which has been a struggle to lease due to the strength of Coconut Point, is less than impressive and therefore is not considered to be direct competition with Bell Tower. Bell Tower has the appeal of solid higher end restaurants and higher end fashion retailers compared to Gulf Coast, and once Bell Tower is redeveloped into a premiere niche lifestyle center with even more luxury tenants, Gulf Coast will be even further removed as competition. No tenants at Gulf Coast overlap with Bell Tower other than the theater.

Competition in the Pipeline

Even with this level of new additions to the market, retail development in the area continues, making the market even more competitive to attract shoppers. Two more projects under development or in the pipeline can be considered competitive to Bell Tower.

The Mercato at Naples, which is currently under construction, will be completed in late 2008. The retail/residential project, owned by Lutgert Companies, is situated on 53 acres at the corner of Vanderbilt Road and Tamiami Trail (US Hwy 41) and will become the epicenter of Naples's new Uptown district. The project is 22 miles away from Bell Tower. It has approximately 330,000 square feet of retail,



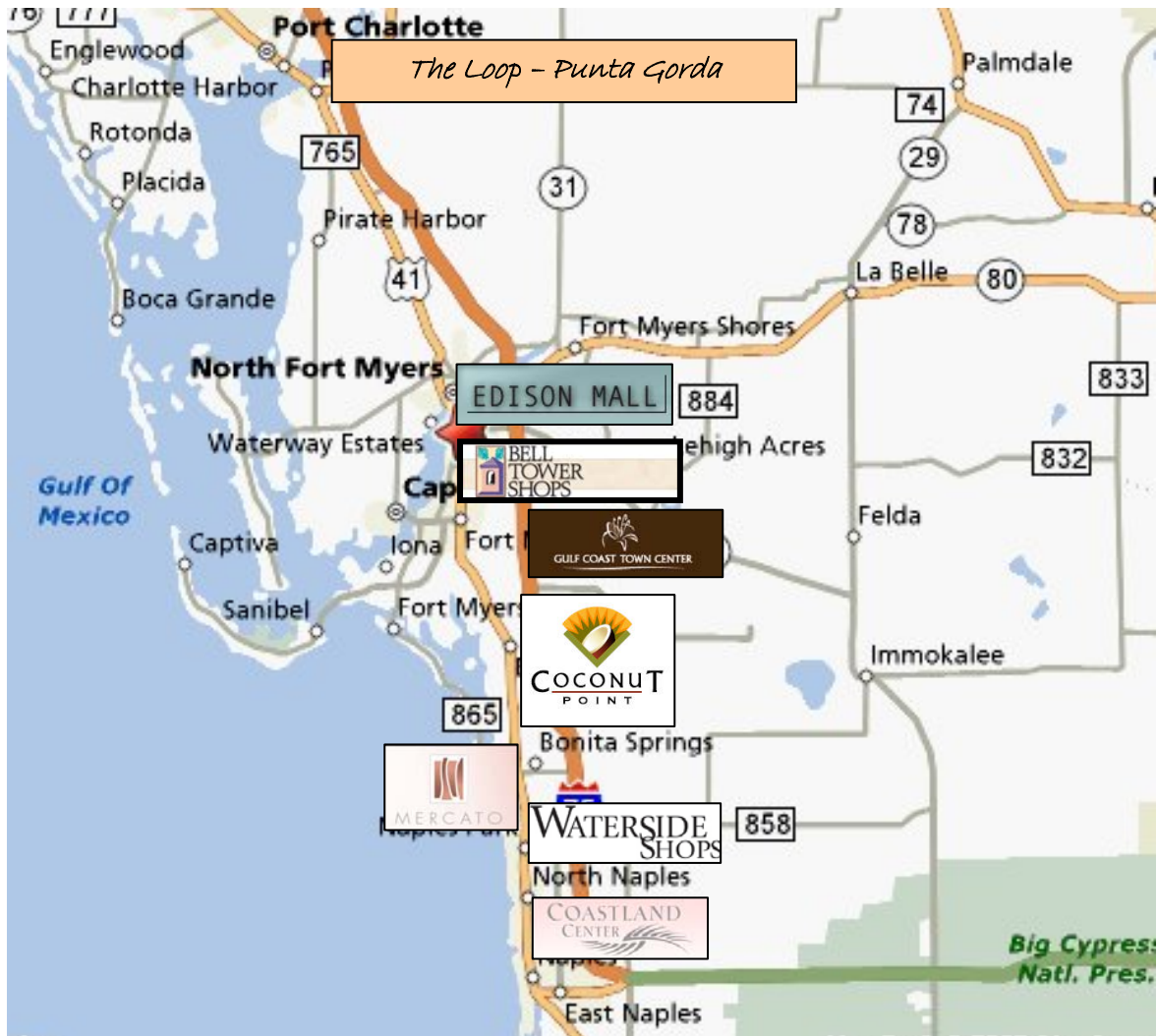
Photo: Development Model of Mercato

100,000 square feet of Class A office space, 92 luxury condominium units and an 80 room hotel. The retail component, which will bring additional lifestyle retail space to the market, will be anchored by a 50,000-square-foot Whole Foods Market, a 10-screen premium style cinema, seven to eight high volume restaurants and approximately 60 other fashion and home tenants. The residential component, priced between \$600,000 and \$2 million, includes townhouses, coach homes and condos above retail on "Main Street". Due to the 22 mile distance from Bell Tower, the Mercato could be considered secondary in nature; however, it still competes for similar tenants and will cater to the residential growth that is occurring south of Bell Tower.

The Loop-Punta Gorda is the second development that could affect Bell Tower Shops. This project, owned by the Wilder Companies, is located 35 miles north of Bell Tower in Charlotte County, on 200 acres on either side of Jones Loop Road between I-75 and Route 41, the major commercial node in the Punta Gorda MSA. The land was bought by Wilder Companies in December 2006, and development is moving forward quickly with Phase 1 slated to break ground by the end of 2007. Construction is expected to be completed by 2009. The project will add nearly 1.2 million square feet of department stores, specialty anchors, a theater, small shops, and restaurants to the area's competitive inventory. It will also contain 500 residential units, 100,000 square feet of office and 200 hotel rooms.

Although the distance between this development project and Bell Tower is substantial, it could potentially affect visits of the Bell Tower patrons who live north of the property who might choose to travel the opposite direction to shop at this center. This project has yet to fully develop in regards to specific tenancy characteristics; however, Bell Tower needs to take advantage of the Loop's construction timing/schedule and cement its specialty position in the Ft. Myers market to ensure continued patronage from its northern customer base.

Below is a map showing the location of Bell Tower's primary existing, new and pipeline competitive projects discussed in Southwest Florida.



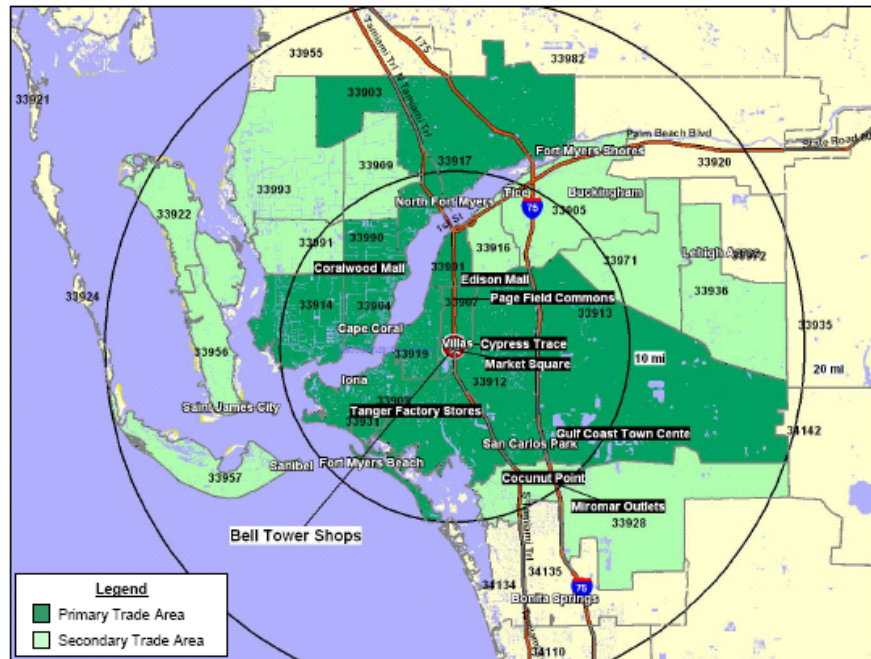
V. BELL TOWER CUSTOMER MARKET STUDY

Knowing the details of a retail property's customer base is a vital component in the success of the property. Their preferences, ideas and positive/negative views of a center are what help in constantly evolving a center to fit the needs of and be the primary draw in its niche market. Without shoppers' input, a center is only as good as the developer envisions it in their development bubble.

Thus, in order to get a better idea of who the typical shopper at Bell Tower was, Alexander Babbage, a market-consulting firm, conducted a customer market study, both in the center and over the phone, over the course of several months in 2007. The results were then compared against MaxTrak benchmarks for the area. The MaxTrak Benchmarks are based on studies conducted at lifestyle centers comparable to Bell Tower during 2004-2006 and includes responses from more than 12,000 shoppers. The goals of the Bell Tower customer and market study were to help define the geographic Trade Area of the Property, define the demographics of Trade Area residents, profile center shoppers, identify key shopping patterns, establish the Property's performance within the Trade Area relative to competition, ascertain performance factors for key merchandise categories and ultimately identify top implications and opportunities for the center.

Trade Area Analysis

It was determined that the Primary Trade Area was mainly from the Ft Myers and Cape Coral areas in Lee County, as described earlier. The Secondary Trade Area extended west to Sanibel Island, south to Estero and east to Lehigh Acres. This total trade area extends approximately 15 miles to the north and east, and 10 miles to the south,



Source: Alexander Babbage Bell Tower Customer Study

where it is constrained by significant competition. The trade area to the south stops just short of two potentially productive areas in Bonita Springs. Bell Tower's trade area has approximately 145,000 households and over 329,000 people. Almost 80% of the Property's shoppers come from the primary trade area and contribute to 75% of the center's sales. Despite the competition constrain, the growth within Bell Tower's Primary Trade area, which is expected to be 14% from 2006-2011, exceeds the region's growth of 9% during the same timeframe.

It was also concluded that the center's draw within the Primary Trade Area is significantly stronger than the Maxtrak benchmark norms because the Property is so reliant on its Primary Trade Area to deliver shoppers. Nearly 70% of market households are located within the Primary Trade Area versus a benchmark of 38% of households. Conversely, the Secondary Trade Area reflects approximately half of the benchmark percentage of households, which despite very few shoppers from the Secondary Trade Area, allows the center to achieve a normal draw from that area. Lastly, only 10.6% of all shoppers reside in the Tertiary Trade Area (versus a benchmark of 17.7%) indicating limited opportunity to expand the Property's physical trade area. It is clear that the Property needs to increase penetration among Secondary Trade Area households and target household in Bonita Springs (by breaking through the competition barrier in the south) just south of the current Secondary Trade Area, allowing these locations to also transition into the Secondary Trade Area.

Shopper Profile

The average household income in the determined Primary Trade area is over \$67,000, while it is around \$63,000 for Secondary Trade Area shoppers. Based on the customer study, it appears Bell Tower has a very strong draw among the Primary Trade Area's most affluent residents. Nearly 50% of the primary trade area shoppers have average household incomes of \$100,000 or greater and the average HH income for the entire primary trade area is over \$110,000 for visitors. The Secondary Trade Area is also attracting wealthy customers with average household incomes over \$89,000. This indicates that the shoppers at the Property are much wealthier than the residents of the trade areas. Among income groups, the center's draw strengthens dramatically as income increases. Bell Tower achieves its strongest household income draw among those with an average household income of \$100,000+. This segment represents 11% of the Trade Area's households and nearly half of the center's shoppers.

Similar results occurred when analyzing the age of the shopper at Bell Tower. The average age of residents from both the primary and secondary trade areas is 47 years old, which exceeds the regional average of 43 years old. However, the average age of a Bell Tower customer from the primary or secondary trade area was 50 to 51 years old. This indicates that the customer is not only wealthier, but also older, than the typical resident in the Trade Areas. The psychographic clusters also support this result, as the top three tapestry segments for the trade area were Silver & Gold, The Elders and Senior Sun Seekers, which all indicate older, retired and wealthy residents. These older and affluent shoppers were also determined to be predominately well educated Caucasians. Approximately 82% and 88% of the Primary and Secondary Trade Area shoppers, respectively, were Caucasian/White with a college or post-graduate degree.

Also interesting to note was that the Primary Trade Area shoppers are less likely than Secondary Trade Area Shoppers to be employed. Approximately half of the primary trade shoppers interviewed were not in the labor market, while only 35% of the secondary trade area shoppers were unemployed. This statistic indicates that the younger wealthy families could be moving to the south closer to Coconut Point and east of Bell Tower's primary trade area, while the stable, affluent and older snowbirds continue to live in the primary trade area.

The principal Shopper Group at the Property is Trade Area residents. These are shoppers who come to the center from their home or from another shopping location. They comprise approximately 47% of all local shoppers. Area workers comprise another important group,

representing 14% of all local shoppers, and a third significant shopper group is Tourists, who comprised 13% of all shoppers. The study found that tourists hail from diverse locations including Japan, United Kingdom, South America and other various parts of the US. Area Workers and Tourists are younger (Area Worker average age – 46.5, tourist average age – 48.7) and have a higher average household income (Area Worker Average Income - \$114,063, Tourist Average Income - \$138,963) than Trade Area Residents. Forty five percent (45%) of Tourists identify themselves as Designer shoppers versus 43% of Area Workers and just 29% of Trade Area Resident shoppers.

Patronage Patterns in Competitive Landscape

In examining the competitive landscape for Bell Tower, it was determined that the Property had two principal strengths relative to its competitors. Customers enjoyed the selection of restaurants the Property has to offer: Bell Tower has 12 fun, differentiating and dynamic restaurants to choose from, including local hot spots Cru Foods and Blue Pointe Oyster. Also, the pleasant, cozy and shaded non-chaotic feel that is generally not present in the super large format centers such as Coconut Point was determined to be a plus for the Property. However, this portion of the study also concluded that shoppers go elsewhere to seek retail categories such as home accessories, books, gifts, toys, department stores and hobbies. This important result from the study indicates where opportunities for re-merchandising the center lie. Apparently, the customers are not satisfied with the inventory the currently undersized Saks store provides, which can be capitalized on in the redevelopment of the property.

When compared to competitive properties, Bell Tower has achieved a low market penetration of 49% (compared to MaxTrak benchmark of 65%). Market penetration is determined by calculating the percentage of all shoppers interviewed on the telephone that shop at Bell Tower and all of its competing centers. It is important to note that although the penetration is lower than the benchmark norm, because of the center's appeal specifically to higher income groups, it would be expected that the center would have a lower penetration comparatively. It was also determined that shoppers shopping at Bell Tower only 1.7 times a month while the benchmark norm is 2.8 times. If analyzed from a trade area standpoint, customers that live in the primary trade area visit on average 1.7 times a month which is lower than the benchmark norm of 3.2 times per month, while secondary trade area customers visit 2.2 times per month which is in line with the benchmarks. All of these statistics indicated that clearly there is strong competition in the area for shopper visits.

The average stay of 59 minutes is also short compared to a 70-minute benchmark. The walkout rate (defined as the percentage of shoppers who leave the center without purchasing anything) for all shoppers at Bell Tower is very low at 14% compared to the 31% benchmark, and average expenditure is \$106.40, compared to the benchmark of \$70.07, indicating that Bell Tower shoppers will spend money without leaving and spend more compared to the average. Although Secondary Trade Area shoppers visit more frequently, they deliver notably lower expenditures than Primary and Tertiary shoppers, visit fewer stores and have a higher walkout rate. This again signifies the fact that the secondary trade area for Bell Tower needs to be targeted better in order to reduce walkout and increase their contribution to sales.

The main competition to Bell Tower for shopping visits was actually determined to be Edison Mall, which achieved a 68% market penetration in the market rather than Coconut

Point, which only achieved a 37% penetration. Thus, shoppers at Bell Tower also prefer Edison Mall, which tends to have middle market retailers, and may also view Bell Tower in that way as well. Bell Tower rated second to Edison for women's apparel, even though more shoppers visited and purchased in the apparel and accessories category at Bell Tower than in any other category, indicating that this category is clearly the center's primary draw in addition to pleasant atmosphere and restaurant choices. Results also showed that Edison Mall is preferred for location and department stores compared to Bell Tower. However, Coconut Point was the competitive property that attracted the most younger and affluent shoppers, which makes sense if the younger families are relocating south of Ft. Myers. Despite the strong patronage patterns, the low visit frequency is indicative of strong competition in the Trade Area. Based on these results, the Property clearly needs to be differentiated regarding in-line and department store tenancy compared to Edison Mall and Coconut Point in order to make customer visits to Bell Tower more unique in nature, longer and more frequent.

Shopper Input & Other Key Findings

Additional summary key findings from the study include the following:

- 77% of the respondents said they shop Bell Tower with the same frequency as they did a year ago. Just 8% said they shop less often; however, just 15% of shoppers interviewed are Frequent Shoppers who visit the center three or more times per month.
- Respondents were equally as likely (17% each) to say they would like to see a parking garage, more department stores and more retail stores. They were least likely (3%) to say they would like a boutique hotel.
- 80% of shoppers said they prefer or strongly prefer the size and design of Bell Tower to larger centers, which is extremely important to note for redevelopment potential.
- Shoppers would like additional adult apparel offerings at Bell Tower. 15% said they would like to see additional men's apparel, while additional "better" women's apparel and shoes each were cited by 13% of shoppers. Crate & Barrel, Coldwater Creek, Coach and Abercrombie were the top preferences among tested retailers.
- 56% of the shoppers believe the Bell Tower Saks offers a selection that is neither better nor worse than other Saks stores; however, shoppers who reside in the Secondary and Tertiary markets are more likely than those who reside in the Primary Trade Area to say the selection at other Saks stores is better or much better. These same shoppers currently shop nearly three times per month at Bell Tower, and they deliver an average expenditure of more than \$130 per visit, making it particularly important that these shoppers not be lost to outlying competitive centers for their higher price point purchases.

Based on all of the above detailed analysis, it was determined at the end that the average Bell Tower shopper is older, affluent, and loyal. Bell Tower enjoys very strong draws into its primary trade area and excellent customer loyalty. The center's strengths are its women's apparel, choice of restaurants and pleasant atmosphere. However, the center experiences lower than average shopper "visits" due to the area's strong competition. Edison Mall

proved to be a bigger competitor than originally thought, and with their recently completed and expected renovations, it could further impact Bell Tower's position. The new Coconut Point also captures the younger, affluent shopper, limiting Bell Tower's ability to penetrate the secondary trade area segment. Bell Tower's shoppers wanted more retail options in "women's apparel", "adult apparel", and "home accessories". The Bell Tower shopper also has a shorter-than-average length of stay, tends to shop for specific items, and does not linger at the center. The risk exists that as additional retail competition is developed in the growing trade area, Bell Tower's currently stable market position will be eroded.

The results of the study indicate that the following is the type of redevelopment program and customer targeting strategy that needs to be implemented at Bell Tower:

- The property needs to be re-merchandised and renovated in order to satisfy the merchandising needs that are currently lacking (such as home accessories and adult apparel), increase the number of visits of customers from both the primary and secondary trade areas so as to exceed benchmark norms and average length of stay for its customers, increase its competitiveness in the market and prevent the potential future erosion in its market position.
- If re-merchandised correctly, the center could strengthen the draw within Primary Trade Area and particularly, maintain strong draw among households with incomes of \$100,000, while building draw among households with incomes of \$50,000-\$99,999 that account for 28% of the Trade Area population.
- The program should focus on bringing in unique retailers that could expand the Secondary Trade Area and target affluent existing and new residents. In particular, consider specific communications to selected Bonita Springs households and target households with incomes of \$100,000+.
- The program will also have to capitalize on the Property's positive sense of place and its relative strengths as compared to other competitive shopping centers.
- The merchandising enhancements considered should also boost the space allocation for women's apparel, shoes and home accessories, include the possible addition of at least one upscale anchor to align with and complement the merchandising strategies of the Property and of Saks, and strongly consider the additional retailers that tested most favorably (such as Crate & Barrel, Coldwater Creek, Coach and Abercrombie).
- Since Saks is the only department store anchor, they need to be worked with in revising their merchandising strategy and gear it towards appealing to the older affluent Primary Trade Area residents as well as the younger affluent clientele from the Secondary Trade Area who may be new to the area.
- The re-merchandising strategy also needs to leverage the Property's strength as a dining destination in order to promote cross shopping, perhaps by encouraging diners to visit in-line tenants before or after their dinner.
- Ultimately the strategy needs to appeal primarily to those with an average household income of \$100,000+, while not alienating those with incomes of \$50,000-\$99,999.

The recommendation set forth in this proposal for redevelopment of Bell Tower will include and address most of these items.

VI. REDEVELOPMENT PROPOSAL

Based on the major change in competitive landscape, the sharp decrease in tenant sales and the results of the customer market study, it is clear that Bell Tower needs to be redeveloped in order to remain a viable and successful project in Ft Myers. If the Property stayed in its current “as-is” form, significant deterioration would continue with tenant sales further decreasing, which could cause many of the major national tenants, including perhaps Saks Fifth Avenue (who has expressed their intention of closing the store), to terminate, and ultimately could yield a domino effect with the co-tenancy requirements currently in place.

The deterioration in financials for the Property can already be seen when looking at the expected Net Operating Income for 2008 versus what is forecasted for 2007, due to the impact on overage rent generated. The 2007 budgeted NOI was slightly re-forecasted from \$6.6 million to \$6.5 million after the decline in tenant sales was better determined, thus causing a revision in the overage rent estimate. The 2008 NOI is now expected to be approximately \$6 million, which is a decrease of \$500,000, almost 8% lower, compared to the 2007-forecasted NOI. The decrease is largely attributable to a decrease in percent rent from strongly performing tenants. If analyzed from a property value standpoint, the Property and the partnership could lose approximately \$7 million in value in just over a year based on the 2008 NOI. It is the fiduciary responsibility of the managing member of the partnership to maintain and enhance the value of the project, thus this value decline could not only be detrimental to the property and the partnership, but the reputation of the managing member as well. Therefore, a successful redevelopment strategy must be implemented for Bell Tower in order to preserve the Property, the partnership’s original expected returns and the reputation of the managing member.

The strategy should involve differentiating the tenancy mix so as to minimize the overlap from the rest of the competition, and to maintain that unique and more inviting atmosphere at Bell Tower. It also should occur in phases, which will allow expansion of the center that can fit within the current site and parking capacity (which is quite limited due to the numbers of restaurants at the Property), but will also adequately allow time to get County approvals for additional Gross Leaseable Area (GLA) development rights/parking structures during future phases of redevelopment. The overall phased strategy, which will be discussed more in depth shortly, should be as follows:

- **Phase I** – Approximately 2,000 square feet of additional GLA development on the current site, while maintaining current parking and site capacity. This Phase will allow for re-merchandising of the existing center which will bring in new higher end tenants seeking to be in the market, while cementing/expanding and renewing the strong national retailers at the Property.
- **Phase IA/II** – Will consist of 7,200 square feet of additional GLA development within the existing center, a major renovation to the center courtyard, opening up the entrances into the center to make it more inviting, and substantially renovating/opening up covered walkways that run all along the Property’s corridors. This Phase is needed to enhance and open up the tired and “darker” look of the center (also allowing for increased market rents), while also allowing additional GLA to be built in front of tenant spaces as tenants rollover.

- **Phase III** – This is the major expansion phase which involves demolishing the existing undersized 40,000 square foot Saks building to make way for 60,000 square feet of additional high end in-line retail and restaurants, constructing a new 80,000 square foot Saks store, relocating the Cantina Laredo restaurant to in-line space and building an additional 3 level parking structure to allow for additional GLA and alleviate current parking problems at the Property. Phases I and II are expected to be catalysts to successfully build out Phase III of the plan.

Current Site Analysis & Future Expansion Opportunity

The current site area is constrained by the parking lot layout and capacity. There is currently 350,000 square feet on the site and 2,036 parking spaces provided. This yields a parking ratio of approximately 5.8/1,000 sf, which is considered ample by the County’s requirements. Although the number of parking spaces provided on site more than exceeds the 1,667 parking spaces required, due to the “lifestyle” merchandising of the center with a large successful theater and 12 restaurants, parking becomes extremely tight, especially during the evening time. It has always been said that parking problems are a good problem to have at a property, however, if potential future restaurant tenants are turning down space at the site for that very reason, it can suddenly make the problem more severe. Several of the restaurant owners have actually complained in this regard and are demanding more parking be provided and or a valet type service. However, based on pure parking requirements, Phase I and II can actually be built without having to add more parking. The net effective increase in square footage for both Phase I and II is approximately 12,000 square feet, which would only require 54 more parking spaces, assuming a 4.5/1,000 square foot ratio. This amply fits within the 360 parking space differential that currently exists between what is provided and what is required.

Phase III is more substantial in GLA addition, with a net effective increase of approximately 60,000 square feet, when counting the doubling in size of the Saks store. Based on the 4.5/1,000 square foot parking formula, another 270 spots would be needed in order to accomplish this. Even though it could still fit within the realm of parking spaces provided at the site, given the current parking problem, the County would most likely reject any additional major expansion proposed beyond Phases I and II, without coming up with a reasonable solution to the parking issues. Phase III does incorporate a solution, which will be discussed in more detail later on.

Working within the current site is what the redevelopment plans should consist of at the present time. These three phases could then trigger the opportunity for future expansion in the long term with the potential to purchase adjacent land. The site, known as Pinebrook Park, is located north of Bell Tower on US Highway 41 and currently has a 125,000 square foot 2-level older office/retail building along with an Outback Steakhouse,



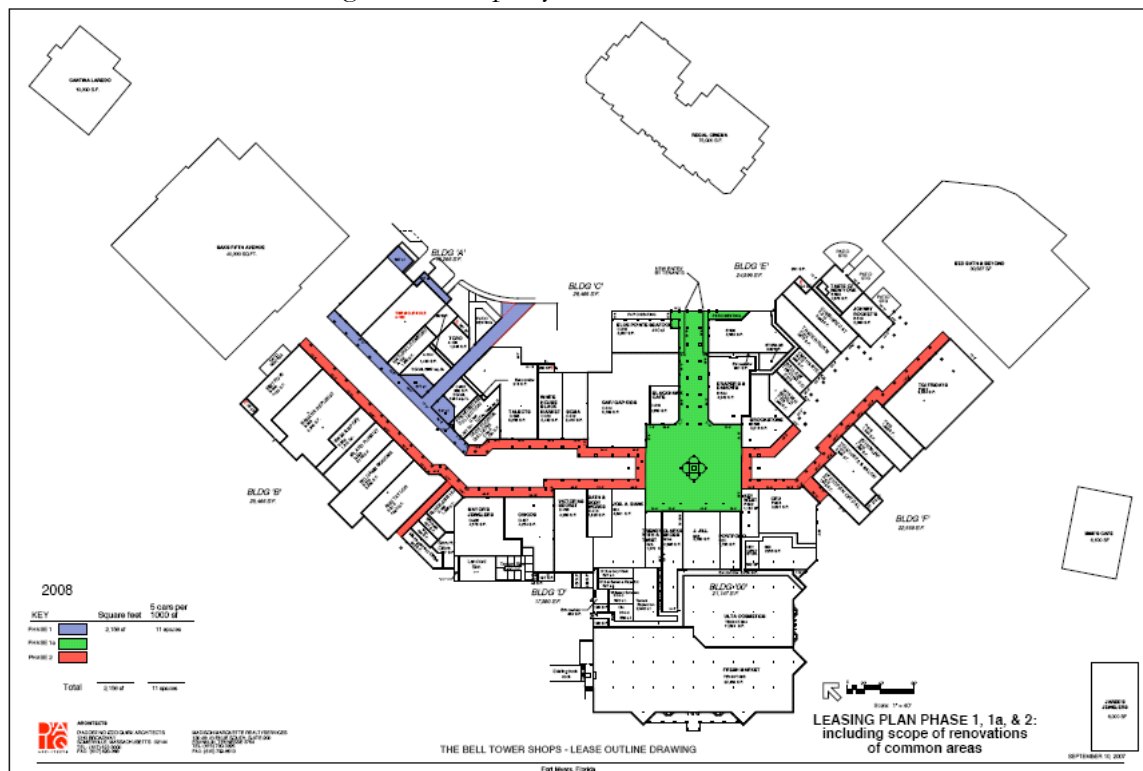
Picture: Pinebrook Park Parcel

generating about \$900,000 in Annual Net Operating Income. The purchase of this site could create further expansion opportunities of Bell Tower with preliminary plans showing up to 125,000 square feet of retail and about 40,000 square feet of office space, which could potentially more than double the current NOI. This site could allow for relocation of current big box tenants at the center (ie: Bed, Bath & Beyond) and/or create restaurant pads for current restaurant tenants at Bell Tower (ie: TGI Fridays) as well, which would then free up space on the existing site for additional redevelopment. Several other big box tenants, such as Circuit City, Dick's Sporting Goods and Loehmanns, as well as numerous restaurants have also expressed interest in the site, indicating that it could very well be redeveloped into a more efficient use of land that could tie into Bell Tower.

However, this particular expansion requires a great deal of effort and undertaking and would be difficult to accomplish without first completing the first three necessary phases which are proposed in order to solidify and strengthen Bell Tower's long term presence in the market. Also, as will be seen in the redevelopment site plan, the third redevelopment phase will expand the center towards the direction of the Pinebrook Park parcel, allowing for more of a continuation in the site should the future expansion occur.

Detailed Redevelopment Proposal

Based on the discussion above, it is evident that the first three phases are considered crucial in keeping Bell Tower competitive in the market. Each phase will play off the previous phase and will add expansion space, while allowing for a necessary major cosmetic upgrade and tenant re-merchandising of the Property.



Site Plan: Phase I, IA and II Expansion/Renovation Plans

Phase I (in blue): This phase involves adding a minor amount of square footage, relocating and expanding strong national/regional current tenants in order to set up a solid re-merchandising strategy for future phases and doing some major canopy and entrance upgrades at the northern portion of the center. It will add approximately 2,000 additional

square feet to the north end of the center near the Saks Fifth Avenue. This phase will also help turn this side of the center “inside out” and create a presence and entrances on the parking lot side of the center. This side of the center has always been considered to have very strong potential due to its proximity to Saks. This location has actually been on many retailers hot spot location for that reason, however, Mole Hole, which occupies 9,000 square feet on the corner across from Saks, has proven to be a hindrance for the past 7 years, due to a long-term lease in place until 2008. Despite the local appeal of Mole Hole, which is based out of Ft Myers, the store is oversized for them and the merchandising/display of goods has been less than impressive and not considered comparable to the caliber of shoppers that frequent Saks. The tenant’s sales have also steadily declined from \$288/sf in 2005 to a projected \$230/sf in 2007. Now that the tenant’s lease expires in the next year, it gives the opportunity to completely re-merchandise that side of the center, by dividing up the Mole Hole space for two high end tenants/restaurants and give it a more high-end feel. Although the square footage addition seems very small, it will allow for a significant re-merchandising of this side of the center by satisfying the square footage needs of specific retailers Madison Marquette is in current discussions with.

This phase involves taking back the 9,000 square foot space from Mole Hole who is paying a base rent that is substantially below market. The space would then be divided into two spaces and will most likely be leased to a great restaurant concept such as Hyde Park Grill or Brio and a high-end gift/stationary/card retailer, a product that the center is current lacking. This space will be expanded on the parking lot side of the center by 1,000 square feet in order to support the multi tenant strategy and loading for a restaurant concept and also create entrances from the parking lot side. The phase also involves adding additional square footage in front of two prime corner spaces to an entrance. This will enhance the store frontage, since it is currently set back from the main façade line, as well as add a total of 1,100 square feet to the two spaces. One of the spaces is currently vacant (there was a local weak performing ice cream operator who was bought out of his lease earlier this year) and the other is currently leased to a local women’s apparel operator, Patchington’s, who has a solid destination customer base in the trade area. The plan would include relocating this tenant to another space in the center and bringing in better women’s apparel tenants for this location that feed off the Saks customer. Potential retailers include Brighton Collectibles, Cache or Luxe, all of which have shown interest in the project.

Other re-merchandising strategies that should be considered in Phase I, which are not shown in the site plan above, include expanding and immediately renewing strong national tenants at the center at higher rents, which signifies their level of commitment to Bell Tower. Victoria’s Secret and Bath and Body Work are prime examples of this strategy. These two tenants are extremely profitable at Bell Tower with 2006 sales at \$538/sf and \$803/sf, respectively. Although both of these tenants have seen a double digit percentage decrease in sales decrease in 2007 due to opening up duplicative stores at Coconut Point, sources have indicated that these stores are performing in line with what was expected with their management’s estimates while the Coconut Point stores are performing below estimates. Hence, they obviously still believe their Bell Tower stores to be more competitive and wish to expand in the center. Victoria’s Secret will be expanding into the current Bath & Body Works space next door and increase from 4,200 square feet to 6,000 square feet with base rent increasing from \$25/sf to a \$36/sf average. Bath & Body Works will relocate to the side of the center near Bed, Bath & Beyond. Their expanded presence from 1,820 square feet to 3,225 square feet and increase in base rent from \$26/sf to \$30/sf average cements their

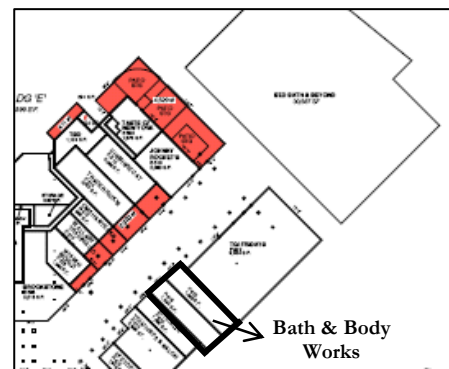
commitment to the center, while strengthening the wing of the Property that has always been considered a weaker side. Potential expansion discussions with Talbots also ensued with the tenant originally planning to expand in their space towards the parking lot, which would have increased their square footage from 6,000 square feet to 9,200 square feet, and also give them a prominent dual entrance both on the mall and onto the parking lot. However, due to recent alternative corporate level strategies, the tenant decided to put this expansion on hold in the short term. If this expansion can be achieved in the future years, it would clearly be an advantageous move in the re-merchandising for this portion of the center. Also, renewed deals have been signed with Banana Republic and Gap, which have increased their rents from static percentage rent in lieu deals (due to the poorly written co-tenancy language when Jacobson's went dark in 2002) to \$22/sf and \$18/sf base rents with future options, and also keep them in place for the next 3 years during the redevelopment and remerchandising.



Rendering: Existing Arcade vs Proposed New Arcade

Finally, as new tenants are added to this side of the center, a significant renovation to the canopy walkways, the entrance and the clay tile roof will begin as well and continue through the future phases. The canopy walkways are currently extremely sloped making the walkways and facades of the stores look “dark” in appearance when one looks down the corridor. The plan is to raise the canopies by a foot and a half and give it a little more of a modern feel, which will allow more natural light to filter through while upgrading the look. Although this part of the renovation will be costly over the phases and is not linked to bringing in specific tenants, it will enhance and modernize the tired look of the center, allowing it to be more competitive and also should increase the overall expected market rents in the Property. The financial feasibility and returns on all of the phases will be discussed more in depth in the next section.

Phase IA/II (in red/green on the previous site plan): Phase I gears up the center for Phase IA/II, which continues minor square footage expansions in the existing center while also improving the canopy walkways, clay tile roofs and renovating the center courtyard. The major expansion in Phase II, which was not shown on the previous site plan, but is shown in red in this adjacent picture, adds approximately 7,200 square feet to the south end of the center near Bed, Bath and Beyond. Even though the Bed, Bath & Beyond is one of the top performers in the region, traditionally, this side of

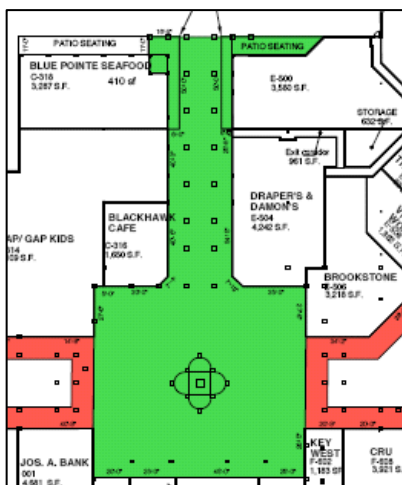


Site Plan: Part 2 of Phase II

the center has always been considered weaker, with mainly local retailers and a couple of mid level restaurant uses. However, this wing of the center should be able to capitalize of the recent re-merchandising strategies including TGI Friday's recently upgrading their entire restaurant to their new look and Bath & Body Works plans to expand and relocate to the vacant space adjacent to TGI Friday's.

Several in-line tenants' leases in this area are set to expire in the next two years, thus, as the spaces rollover, the canopy walkway renovations and expansions to the storefronts to bring them up to the main façade line will occur. The goal here would be to keep or downsize some of the strong regional performers such as Trader Ricks, Wallaby Trading and Chesire Cat, while bringing in a higher quality and new merchandising to the other spaces. Downsizing some of the existing spaces would also allow for the creation of an additional space fronting the parking lot. As evidenced by the similar strategy on the Saks end of the center, this would help in creating some activity all around the outside of the center, rather than just having an inward facing property.

Also, there are two restaurants currently on the corner next to Bed, Bath & Beyond: Johnny Rockets and Taste of NY, both of which are paying base rent that is about \$5.00/sf to \$7.00/sf below market. Johnny Rockets has been experiencing sales declines (most recent decline is 23% from 2006 to expected sales in 2007), mainly due to internal issues such as recent managerial changes as well as their decision to open up a duplicative store in Coconut Point. The middle market quick service restaurant concept is also not considered ideal anymore for the Property, and the future strategy. Taste of NY who did \$950/sf in sales during 2006 clearly performs better compared to Johnny Rockets who only did \$330/sf in sales during 2006. However, a better higher end restaurant use could definitely be considered for the space, due to its location next to another restaurant space as well as the theater. Both tenants are in place until 2011, therefore, a buyout should be considered during the next phase, allowing for the expansion to occur. The expansion of 4,600 square feet to both restaurants is considered necessary in order to revitalize this side of the center and bring in a strong steakhouse type restaurant user. It would also help create a presence on the outside of the Property and help connect the center more to the theater. Potential restaurant tenants for this space include Houston's, Fleming's or Capital Grill.

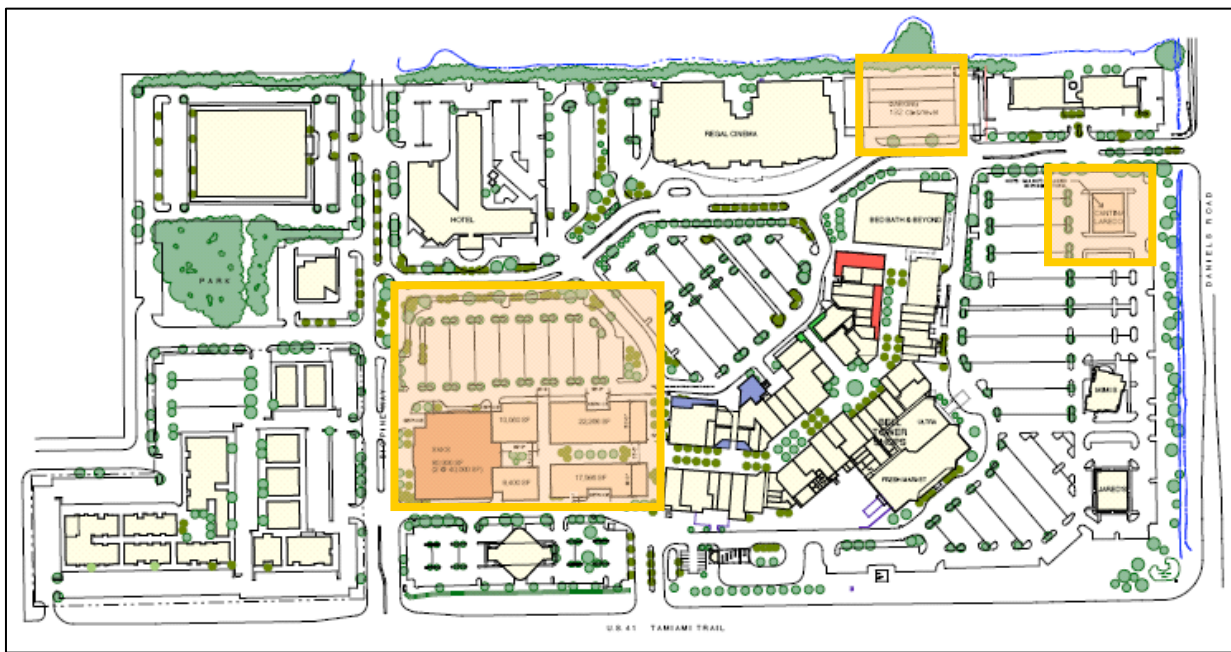


Site Plan: Phase IA Renovation

In addition to the expansion on this end of the center, the covered walkways renovation work will continue as well as major renovations and enhancements to the center courtyard. These renovations would include re-doing or removing the center court archways to allow more light into the narrow entry walkways, new project color palettes, replacement of the slippery dark colored bomanite walkways with new paver tile flooring, giving the center a fresher and lighter look, new arcade lighting and pedestrian lighting, new and relocated landscaping, and new monumental mall entry feature at two of the main entrances to the Property. One of these main entrances is located next to Blue Point Oyster, an extremely successful and relatively new local restaurant that is doing more than \$800/sf in sales annually. There is also a recently vacated restaurant space across from Blue Pointe, which gives the opportunity to

play off the successful performance of Blue Pointe and also enhance this mall entry with an additional strong restaurant user such as California Pizza Kitchen, a new sushi or other potential Blue Pointe Seafood concepts.

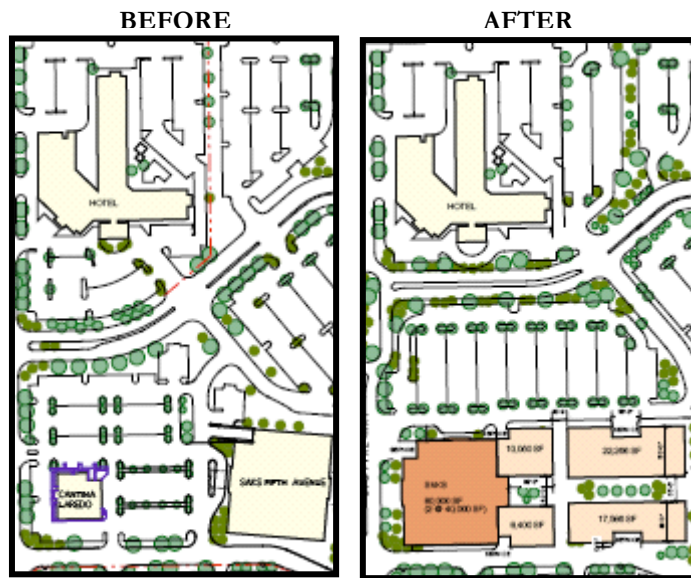
With these phases completed, the existing center will have been substantially renovated with a new interior look with raised and modernized canopy walkways, new flooring, color palette, landscaping courtyard renovations and enhanced major entrances. It will also be re-merchandised with tenant presence strengthened at both ends of the center, while also turning the spaces outward. Several new upscale retailers and new restaurants will be signed while renewing/expanding existing strong tenants. This expansion and renovation should give indications within the market and to future tenants as well that Bell Tower intends to remain competitive. With the first phases of renovation and expansion completed along with this market perception in place, the final phase is the most important and will involve a significant amount of redevelopment and expansion.



Site Plan: Phase III

Phase III: This phase involves demolishing the Saks Fifth building and replacing it with approximately 60,000 square feet of specialty retail on either side, relocating the Mexican restaurant Cantina Laredo to the opposite side of the center next to Mimi's Café, and rebuilding a new 80,000 square feet Saks building. A new parking garage will also have to be constructed in order to meet the parking requirements and receive approval from the City council for the redevelopment. The two level parking garage will have 264 total spaces and be built adjacent to the theater, so that theater patrons will be able to park there, allowing the spaces in front of the retailers and restaurants in the center to free up.

Also, in order to satisfy the parking required next to the new Saks building, the parking lot to the east (shaded in the site plan above) will have to be re-stripped and reconfigured. This portion of the redevelopment will actually have to involve the Crowne Plaza Hotel as well, which is located to the east of the property. The ring road that runs in between the hotel and Bell Tower will need to be reconfigured by taking away parking spaces that are currently in front of the hotel to make way for the new ring road and allowing additional parking spaces on the Bell Tower site. The spaces lost on the hotel site could be replaced to the south of the hotel as evidenced in the Before/After site plan above. The hotel is currently for sale, which could be advantageous for these redevelopment approval purposes. The partnership is also analyzing the deal to determine valuation and if this is something that can be pursued. Regardless, the business relationship between Bell Tower Shops and Crowne Plaza Hotel has always been symbiotic and amiable in nature. Clearly a larger Saks Fifth Avenue and more high-end specialty retailers will bring a larger crowd of tourists and visitors to the Property, which then mutually benefits the hotel. Based on this complementary relationship, a resolution to the parking situation should hopefully occur without significant monetary contribution from the partnership.



Also, preliminary discussions with Saks indicates their interest to remain at the Property, despite their initial intent to close the store three years ago, as well as their awareness of the less than impressive merchandising within their store after the results from the customer market study that was conducted. Due to this reason, the store currently does about \$312/sf, which is acceptable, but not considered one of the top stores in their chain. They believe that they could have a larger store format at Bell Tower since the next closest store is 25 miles away at the Waterside Shops in Naples. They also believe they can better merchandise it with items that truly cater towards the type of customers that Bell Tower attracts. Having Saks on board for the redevelopment is vital to the success of the Property and will re-affirm Bell Tower's specialty niche in the Ft. Myers market. Even if Saks decides they do intend to close their store at the center, it would allow the opportunity to bring in another high end department store to the Property that is not currently in the Ft Myers/Naples market, such as Neiman Marcus or Bloomingdales. This move would also further enhance the project and its place in the overall market by bringing new specialty department stores to the larger trade area.

Cantina Laredo is another important piece that needs to be considered for Phase III. The Mexican restaurant pad is separately owned and sits right in the middle of the expansion site for Saks. The intention would be to relocate the tenant to either in-line space in the retail expansion portion or to a newly constructed building located at the corner near the traffic light entrance on Daniels Parkway. The separate pad would be more suitable as it is

considered a prominent location for the restaurant rather than being set back in the center. To do this, the restaurant would most likely have to be bought out or have the new restaurant fully built for them in order for the relocation.

The additional 60,000 square feet of retail is intended to be a mix of specialty, home furnishing and apparel retailers, as well as quick service restaurants. Several retailers have shown interest in being a part of Bell Tower in the past, however, there has already been close to 100% occupancy at the site for in-line spaces during the last several years. The expansion gives these higher end retailers renewed interest in the Property and the potential to be part of the major redevelopment. Various tenants that would be targeted include the likes of Coach, Lily Pulitzer, Kate Spade, Mac, Kenneth Cole, BCBG, Sigrid Olsen, Cole Haan, Crate and Barrel, Apple, Coldwater Creek, Panera Bread, Jamba Juice and Pottery Barn.

This expansion gives the opportunity to listen to what the Bell Tower customers would like to see altered at the center which included a better merchandised high end department store anchor and added retailers such as home accessories, shoes, adult apparel and more women apparel selections. Based on this proposed phased redevelopment scheme, it appears that could be accomplished. This phase would also help increase the frequency of visits and length of stays, which are both important goals to accomplish, since a dominant anchor tenant has expanded its presence in the market and more retailers options would be available. The Property may increase in size by another 120,000 square feet and change in appearance to a more modern look, but it will still maintain that important niche by retaining the smaller lifestyle center feel in its truest form with an increased choice in high end retail shopping and dining destinations, strengthening the major anchor in size and merchandise offering and also keeping the successful destination local retailers in place that no other competitive centers currently offer.

Financial Feasibility

The financial analysis for this redevelopment needs to be conducted separately on each of the phases in order to determine if the costs justify the incremental revenue. It is difficult to determine the impact of the redevelopment on the project as a whole since there are many moving parts and the Phases all tie into one another. The metric that will be utilized for this analysis is a Return on Cost since it is a common metric used in the real estate industry in determining if a project's incremental stabilized return will be acceptable or not. Given the relation to a decrease in capitalization rates, increase in property price appreciation and increase in construction costs over the last several years, satisfactory return thresholds for this metric have decreased over time. An asset such as Bell Tower would most likely sell for a 6.50% to 6.75% capitalization rate on Net Operating Income in today's market. Therefore, to mirror what the market would think the return should be on this asset, the acceptable return percentage should exceed 7% for the redevelopment to be considered a complete success. Also, the estimates that are set forth below regarding the full canopy work will skew the returns on Phase IA/II as the courtyard renovations are not related to any particular tenant. It is related to upgrading the center's look and atmosphere based on new competition coming into the market. New potential tenants like to see that the Landlord is making an effort in keeping the center up to date and attractive. As a result, the Property becomes more desirable in the tenants' eyes and market rents escalate. An overall market rent adjustment analysis will be conducted, examining the Property base rents pre and post renovation, and an incremental market base rent/square foot will be applied to spaces that

are expected to roll over in the next three years to determine the overall impact the phased redevelopment will have on the rest of the center.

Phase I Financial Analysis:

The Phase I analysis includes looking at the incremental revenue generated and redevelopment costs estimated from the re-merchandising on the north end of the Property near Saks as well as the relocation and expansion of two prominent national tenants, Bath & Body Works and Victoria's Secret as part of the Phase I program initiative to renew early/expand existing strong tenants. Approximately 2,000 square feet of additional GLA will be built in Phase I. Preliminary negotiations with tenants help determine the new market rent for the space. Many of the current tenants are paying below market rents – for example, space A-100 is currently leased for \$19/sf with limited reimbursements. That space, if divided and redeveloped, can command net market rents of \$32/sf and \$35/sf for each space. Based on a space-by-space analysis, approximately \$355,000 in net incremental revenue can be generated from the Phase I expansion. Two of the projected deals that do not involve additional GLA buildout are also assumed in Phase I – the new Victoria's Secret and Bath & Body Works deal. Based on the new rents negotiated, another \$239,900 in incremental revenue can be generated for the Property. See below for more detail on the incremental revenue generated.

PHASE I ANALYSIS

	Old SF	Additional SF	New SF	Additional Base Rent	Additional Expense Reim.	Total Additional Revenue	Landlord Work	Tenant Allowance	Leasing Commissions
Additional GLA Built									
Space A-100 (Mole Hole)	9,025	827	9,852	157,811	78,663	236,474	529,260	850,710	354,394
Space A-104 (Patchington)	1,430	577	2,007	22,202	12,664	34,866	30,105	174,609	45,760
Space C-300 (Former Big Olaf)	960	541	1,501	60,040	24,016	84,056	30,020	120,080	87,825
	11,415	1,945	13,360	\$240,053	\$115,343	\$355,396	\$589,385	\$1,145,399	\$487,979
Non-Additional GLA Deals									
Space D-408-410 (Victorias Secret)	4,200	1,820	6,020	52,360	45,640	98,000	30,100	391,300	130,032
Space F-618-620 (Bath & Body Works)	3,225	0	3,225	90,300	51,600	141,900	32,250	177,375	58,050
				142,660	97,240	239,900	62,350	568,675	188,082

The construction estimates are based on preliminary discussions with a general contractor that the head of construction services at Madison Marquette has contacted. Total hard and soft costs (excluding Landlord Work, Tenant Allowances and Leasing Commissions) for Phase I are estimated to be \$2.2 million. LL work, TA and leasing commissions are based on agreed upon deals with Victoria's Secret and Bath & Body Works as well as discussions with the leasing representative for the Property regarding the other lease up potential. These costs total an additional \$3.0 million. Thus, total costs related to the additional GLA build out and making the spaces tenant ready are approximately \$5.2 million.

Based on the net incremental revenue on the spaces with the additional GLA and construction costs estimated for Phase I, a Return on Cost of approximately 11.35% is derived, which is an acceptable return based on the required return of at least 7%. Please see the box on the next page for more detail on the construction costs and the Return on Cost calculation.

CONCEPTUAL ESTIMATE - PHASE I	
As of 11/19/07	
	Phase I - Including Victoria's Secret & B&BW
Site Development	\$ 180,000
Building	1,253,005
Project Contingency	143,301
General Conditions/Fees/Permits	301,730
SUBTOTAL - CONSTRUCTION COSTS	1,878,036
Consultants	247,700
SUBTOTAL - SOFT COSTS	247,700
Development Fee	75,121
Landlord Work	651,735
Tenant Allowance	1,714,074
Leasing Commission	676,061
TOTAL COSTS	\$ 5,242,727
Net Incremental Revenue:	595,296
RETURN ON COST - PHASE I:	11.35%

Phase IA/II Financial Analysis

For Phase IA/II, similar assumptions were made whereby each space that is affected by additional GLA build out has been analyzed by the leasing team and a market rent determined per each space. The spaces analyzed include the expansions related to Suites E-500 to E-520. Based on the proposal, approximately 7,700 square feet of additional GLA will be built in this block. Many of these tenants are paying below market rent and their leases expire in the next two years, so upon rollover a new market rent was assumed, either for that tenant or if a new tenant were to be brought in. The two restaurant leases in spaces E-518 and E-520 do not expire until 2011, so a buyout assumption of \$150,000 per tenant has been made.

Based on the assumptions made, overall, the net market rent is about \$12.00/sf higher than the average in place rent of \$22/sf in this block of redevelopment (this includes a current vacancy for space E-500 where \$0/sf in current base rent was attributed). See below for more detail in the incremental revenue analysis.

PHASE IA & II ANALYSIS

Additional GLA Built	Old SF	Additional SF	New SF	Additional Base Rent	Additional Expense Reim.	Total Additional Revenue	Landlord Work	Tenant Allowance	Leasing Commissions
Space E-500 (Patio)	0	500	500	6,000	0	6,000	0	0	0
Space E-508 (Vitamin World)	1,362	300	1,662	20,034	7,470	27,504	16,620	24,930	18,348
Space E-510 (Wallaby Trading)	826	400	1,226	19,782	9,902	29,684	12,260	39,992	13,535
Space E-512 (Omaha Steaks)	805	400	1,205	25,245	6,778	32,023	12,050	25,004	8,459
Space E-514 (Trader Ricks)	2,675	600	2,400	1,663	-2,742	-1,079	24,000	55,200	20,633
Space E-516 (Cheshire Cats)	2,803	600	2,000	-10,075	-14,474	-24,549	20,000	50,000	30,151
New Space #1 (TBD) - Part of Cheshire/Trader	0	411	1,545	54,075	24,720	78,795	15,450	38,625	32,445
New Space E-518/E520	3,756	4,529	8,285	203,170	70,361	273,531	165,700	1,002,485	208,782
	15,807	7,740	22,403	\$448,774	\$159,296	\$608,069	\$355,580	\$1,637,196	\$397,153

The construction costs for Phase IA/II were gathered in a similar manner to Phase I costs. The costs include the remaining canopy work, the proposed courtyard remodel as well, the buildout costs of the 7,700 square feet of expansion space and an allowance for various soft costs. The returns are slightly skewed for this particular phase because the full cost of the remaining canopy renovation and courtyard remodel have been included in the construction costs. Since this work is not attributed solely to any specific tenants and is rather meant to

upgrade and improve the look of the whole center thus increasing overall market rents on the Property as a whole, the returns when calculated on incremental revenue only from the expansion build out will be slightly skewed. Total hard and soft costs for Phase IA/II (excluding Landlord work, tenant allowances and leasing commissions) are approximately \$10.6 million. The buyout cost, landlord work, tenant allowances and leasing commissions total almost \$2.7 million for a total cost of \$13.3 million. Please see the box below for the detailed calculation.

CONCEPTUAL ESTIMATE - PHASE IA & II	
As of 11/19/07	
Site Development	370,000
Building (Includes Canopy Work)	6,983,563
Project Contingency	735,356
General Conditions/Fees/Permits	1,058,157
SUBTOTAL - CONSTRUCTION COSTS	9,147,076
Consultants	1,097,649
SUBTOTAL - SOFT COSTS	1,097,649
Development Fee	365,883
Buyout - Johnnys & Taste of NY	300,000
Landlord Work	355,580
Tenant Allowance	1,637,196
Leasing Commission	397,153
TOTAL COSTS	\$ 13,300,537

Net Incremental Revenue: 608,069

RETURN ON COST - PHASE IA & II: 4.57%

BLENDED RETURN ON COST - I, IA & II: 6.49%

Based on \$608,069 of incremental revenue generated from this Phase, the Return on Cost assuming the \$13.3 million construction costs is approximately 4.6%, which is rather low. However, at this point, due to the renovations and remerchandising occurring in the entire center with Phase I and II with tenant facades, upgraded canopy, new landscaping/paint and overall interior upgrade, it is assumed that the property becomes more desirable and comparable as far as “look” to competitive centers. Thus an overall increase in market rents and value for the overall Property needs to be considered. A space by space analysis was conducted with the leasing team on the remaining center, and market rents per space after renovation were determined for tenants that rollover in the next 3 years. Approximately 58,000 square feet of in-line tenants, not including the tenants already included in Phase I, IA and II, roll over prior to 2011. The revised market rents on these spaces, post renovation, increased on average by \$8.00/sf from \$24/sf to \$32/sf. This increase in market rent appears to be comparable, if not a little conservative, when compared to the Property’s main competitor, Coconut Point. Base rents for the in-line specialty tenants at Coconut Point range from \$31 to \$40/sf, with some retailers in the \$50/sf range as well. Based on this analysis, this generates an additional \$460,000 in base incremental revenue. In order to compare apples to apples, an average tenant allowance of \$15/sf is assumed on rollover for these spaces generating approximately \$870,000 in additional TA costs. This analysis increases the Return on Cost to approximately 7.60%, which is a more acceptable level in today’s market. The weighted Return on Cost was also calculated to incorporate Phase I, which greatly improve the return results on the project thus far. Please see the box on the next page for the detailed calculations.

RETURN ON COST - INCLUDING INCREMENTAL BASE RENT INCREASE ON OVERALL CENTER	
Total Costs - Phase IA/II:	\$ 13,300,537
Incremental Revenue: Expansion	608,069
Incremental Revenue: Tenants Expiring Before 2011	464,000
TAs Related to Tenants Expiring Before 2011:	870,000
RETURN ON COST - Phase IA & II	7.57%
RETURN ON COST - Phase I, IA & II	8.59%

If the renovation did not take place, then adjusted market rents on an as-is basis would only create incremental revenue of only approximately \$188,000 for these same tenants' spaces. However, this incremental revenue increase on an as-is basis assumes that the Property will be able to stay in its as-is condition over the next three years, which is an aggressive assumption given the new competition that has come on-line and the sharp decreases in tenants' sales over the last year. Revenues could actually fall if tenants at the Property unexpectedly vacated due to the market conditions and if no redevelopment is done at Bell Tower to keep it competitive.

Phase III Financial Analysis:

Similar assumptions were made for the analysis of Phase III. Detailed construction costs were provided by construction services while the leasing team providing input on the rental rates and tenant allowances. The incremental revenue in the development has been calculated, however since a majority of Phase III development includes new structures, the only incremental revenue overlap is related to the Saks building. In order to implement Phase III, a couple of assumptions were made. Saks has initially expressed their desire to stay at Bell Tower as well as the satisfaction in the store performance. Based on this and the notion that they wish to maintain their market share for upscale specialty department stores (i.e.: if other high end dept stores decide to enter the market) while also improve the merchandising at their Bell Tower store, it is assumed they would agree to the relocation and expansion that would create a 2 level store for them. To give Saks incentive to comply with the expansion plans, it is assumed that the Landlord would completely build the new store for Saks for \$225/sf (\$18 million) and in turn, Saks will increase their base rent from \$15.00/sf to \$17.00/sf (yields a 7.50% full return on cost of building their space). Reimbursement amounts for Saks are assumed to stay fixed at \$4.00/sf. Although if Saks were to not agree to this expansion, they could always be bought out and another high-end department stores such as Neiman Marcus or Bloomingdales would be potential targets.

The second major item assumed for Phase III related to the Mexican restaurant, Cantina Laredo. The restaurant, which currently sits on the site of the Saks expansion and is not owned by the partnership, needs to agree to a relocation of the restaurant. The location proposed is considered far more prominent at the corner of the main entrance to Bell Tower. The leasing team feels this can occur if a relocation buyout is negotiated as well as the Landlord bearing the full costs related to the construction of their new building. A relocation buyout in the amount of \$400,000 has been estimated and Landlord is assumed to build their new 10,000 square foot restaurant for \$2,000,000 (\$200/sf). It is also assumed

Cantina Laredo starts paying base rent since the building was constructed for them and is now owned by the partnership. Base rent is assumed to be \$35.00/sf, which is comparable to other restaurants in the Property, which range from \$25/sf (Blue Point Oyster) to \$35/sf (remaining restaurants). Since their building was completely rebuilt by Landlord, it is estimated that they pay the higher end of the restaurant base rental rates. It is also assumed Cantina pays limited reimbursements in the amount of \$6.00/sf, since they are located on an outparcel in the center.

For the remaining portion of the development, out of the 60,000 square feet of retail constructed, it is assumed that 15,000 square feet will be dedicated to two high-end restaurants. Due to the premium location next to Saks as well as being part of the new expansion, the rental assumption for the two restaurants is \$40/sf, which is slightly higher compared to the existing restaurants, however, justifiable. The remaining retail is assumed to lease to high end users at \$35/sf net rent, which is comparable to Coconut Point's average in-line market rents. The reimbursements recovered are assumed to be less per square foot since the costs are now spread out over the larger square footage of 450,000 square feet versus the current size of the Property. Based on the new square footage of the center and assuming the operating expenses stay stable, total reimbursements decrease from \$16/sf to approximately \$12/sf. The \$12/sf reimbursement is applied to the incremental revenue calculations. Based on these assumptions, total additional revenue for Phase III equates to slightly over \$4,195,000. See the box below for more detail regarding the revenue calculation:

PHASE III ANALYSIS

Additional GLA Built	New SF	Additional		Total Additional Revenue	Landlord Work	Tenant Allowance	Leasing Commissions
		Base Rent	Expense Reim.				
Retail - 45,000 square feet at \$35/sf	45,000	1,575,000	540,000	2,115,000	900,000	1,800,000	945,000
Restaurants - 15,000 square feet at \$40/sf	15,000	600,000	180,000	780,000	300,000	1,125,000	360,000
New Saks store - 80,000 square feet at \$17/sf	80,000	760,000	160,000	920,000	0	0	240,000
New Cantina Laredo - 10,000 square feet at \$35/sf	10,000	350,000	30,200	380,200	0	0	210,000
	150,000	\$3,285,000	\$910,200	\$4,195,200	\$1,200,000	\$2,925,000	\$1,755,000

The retail building constructed is assumed to cost \$110/sf (\$6.6 million) to bring the box to a cold dark shell. Two buildings, the current Saks store and Cantina Laredo, would be demolished as part of the redevelopment plan. Demolition is assumed to cost \$6.00/sf or a total of \$475,000. To appease the City Council as well as alleviate the parking problem at Bell Tower, a two level parking structure would be constructed adjacent to the theater at \$15,000/space (total of \$3.9 million in costs) as part of Phase III. This 264 space-parking garage would allow theater patrons to park near the theater rather than near the restaurants/retail at the Property.

Also included in the costs is the redesign of the Bell Tower ring road, which allows the parking lot near the new Saks building to be redesigned as well. Some costs related to landlord work (\$20/sf) to bring the box to a warm vanilla shell, tenant allowances (\$35/sf for retail and \$75/sf for restaurants) and leasing commissions (6% for retail/restaurants and \$3.00/sf renewal for Saks) were also assumed for all of the expansion. Based on the above assumptions regarding incremental revenue and construction costs, the incremental Return on Cost for Phase III is 8.25%, which is considered to be an attractive return for the partnership. See the box on the next page for more detail regarding the detailed costs and return calculation.

CONCEPTUAL ESTIMATE - PHASE III		
As of 11/19/07		
		Additional GLA
Demolition		475,000
Site Development		1,925,000
Parking Structure		3,960,000
Building		26,600,000
Project Contingency	10%	3,296,000
General Conditions/Fees/Permits		3,546,000
SUBTOTAL - CONSTRUCTION COSTS		39,802,000
Consultants/Legal	8%	3,184,160
SUBTOTAL - SOFT COSTS		3,184,160
Development Fee	4%	1,592,080
Relo Buyout - Cantina Laredo		400,000
Landlord Work		1,200,000
Tenant Allowance		2,925,000
Leasing Commission		1,755,000
TOTAL COSTS		\$ 50,858,240
Net Incremental Revenue:		4,195,200

RETURN ON COST - PHASE III:	8.25%
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When looking at the returns from an overall perspective that include all three phases, including the incremental revenue from the rest of the center in Phase II, the Return on Cost is approximately 8.34%, thus determining that the entire redevelopment is considered feasible and will yield acceptable returns. Please see the box below for the detailed calculation.

RETURN ON COST - ALL THREE PHASES	
Total Costs - Phase I:	\$ 5,242,727
Total Costs - Phase IA/II:	14,170,537
Total Costs - Phase III:	50,858,240
TOTAL COSTS:	70,271,504
Total Revenue - Phase I:	595,296
Total Revenue - Phase IA/II:	1,072,069
Total Revenue - Phase III:	4,195,200
TOTAL REVENUES:	5,862,565
RETURN ON COST - All Three Phases	8.34%

Financing Recommendation

The majority partner, Principal Real Estate Investors, has invested capital in Bell Tower which has been structured as preferred equity that is repaid effectively as a loan. It is a \$46.5 million interest only investment ("loan") with a 5.75% yield and is re-paid first out of net cash flow. The preferred equity structure allowed for a faster closing and enabled Principal to invest excess cash that they needed to deploy.

The amount of preferred equity has not changed since it was invested during the original acquisition by the partnership in 2004. Thus, with the substantial increase in property value from \$72 million in 2004 to \$96 million in 2006, the property is currently underleveraged with a 48% Loan to Value. Preliminary discussions with Principal indicate that they are interested in not only refinancing their existing preferred equity with new preferred equity, while cashing out excess proceeds, but they are also interested in providing funding for Phase I, IA and II redevelopment costs of \$19 million through the issuance of additional preferred equity. The new preferred equity would yield a slightly higher interest rate of approximately 6.00% compared to the 5.75% rate on the existing preferred equity. Expanding Principal's preferred equity position will also help reduce loan related costs, keep a lower interest rate and tighten the time frame of the redevelopment compared to the process involved in putting a new loan in place and cashing out Principal's preferred equity. Based on this assumption, the total financing cost on the incremental preferred equity for Phase I, IA and II redevelopment would be \$1.1 million ($\$19 \text{ million} \times 6.00\%$).

Discussions with Principal regarding the funding of Phase III development costs has not occurred, however, it could make sense for them to continue to act as financier for the remainder of the project. If they are not comfortable with putting the largest portion of the development on their balance sheet, the recommendation would be to refinance with a third party construction lender for the remainder of the development and cash out their preferred equity at that time (which would equate to approximately \$65.5 million if they do not cash out their existing preferred equity and refinance today). The expected incremental interest expense at 6.00% on the Phase III costs would be approximately \$3.04 million ($\$50.8 \text{ million} \times 6.00\%$). If the financing cost for all of the Phases is added into the total Return on Cost calculation, total costs would be approximately \$74.4 million, yielding a Return on Cost of 7.90%, which is acceptable given the 7.00% required rate of return.

VII. CONCLUSION

Based on the new competition from Coconut Point, Gulf Coast Town Center and the renovations occurring at existing competitive centers, the decrease in sales at Bell Tower, especially for retail tenants that have duplicative stores in Coconut Point and the overall results of the professional customer marketing study conducted, it is imperative that Bell Tower be redeveloped in order to maintain its competitive edge in the market. The Property has an advantageous layout and overall feel compared to its large competitors in that it has the cozy lifestyle center feel, protective shading from the sun for its customers and pleasant intimate atmosphere that is easy to walk through. It has always maintained a unique niche position in the Ft. Myers retail market and can continue to differentiate itself in the future if the proposed redevelopment plan is implemented. The proposed plan will increase the size of the center by 100,000 square feet, but the Property will still retain and expand its high quality level of national and unique local tenants without losing the personable and intimate feel, unlike its competitors.

This redevelopment plan will not only benefit the Property, but also various groups on multiples levels. It will show that the developer was successful in maintaining fiduciary responsibility by making the partnership more profitable and enhance the overall value of the center. It will also demonstrate that the owners were listening to the community and customers regarding their choices, ideas and concerns about the Property. It will also give the opportunity to benefit new local and national retail/restaurant tenants who wish to enter the market, but not by inserting a new store that could get lost in a behemoth center such as Coconut Point. Finally, it will also benefit Lee County from a sales tax revenue standpoint, as more new retailers come to the area and shopping patronage will increase at Bell Tower. The proposed redevelopment strategy clearly makes sense based on the feasibility analysis; thus, it needs to be implemented immediately so that Bell Tower will continue to prosper in the future while simultaneously satisfying the needs of the market, the customers, the partnership, the retailers and the County.

ADDENDUM

Current Bell Tower Lease Plan

Phase I, IA and II Site Plan

Phase III Site Plan

Demographics

Demographic Maps

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