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CNL Financial jumps into development full time

Orlando-based company plans to focus on projects in Florida, Southeast.

By Noelle C. Haner/Senior Staff Writer

ORLANDO — CNL Financial Group Inc. is getting into real estate development on a full-time basis.

Through its new development arm — CNL Realty & Development Corp. — the Orlando-based financial services company plans to build on its past patchwork experience in real estate development in a big way, focusing its energy on a \$500 million real estate investment portfolio and on master-planned residential projects and commercial development throughout Florida and the Southeast United States.

The strategy is to add possible master-planned communities and mountain resorts in North Carolina and Georgia, a golf course renovation and condominium project in Tallahassee, urban infill and condo deals in southeast Florida, and a third CNL tower for downtown Orlando to CNL Financial's short-list of Orlando-based development projects, such as the 2,600-home Moss Park community in southeast Orlando and the company's two downtown Orlando office towers.

To spearhead the new business unit, CNL

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Financial officials brought in Tim Edmond. The 32-year development veteran's last tour of duty was as the president of St. Joe/Arvida Co.'s development team in northwest Florida. From 1997-2004, Edmond led the Jacksonville real estate and development firm's strategy to plan, analyze and master plan its 1.2 million acres of land in the Florida Panhandle to include mixed-use, residential, commercial, retail, resort, hotel, marina and golf course projects.



Edmond

Despite a slight waning in the overall real estate industry thanks to rising interest rates, inflationary fears and construction constraints due to the high cost of building materials and a labor shortage, the move into full-time development makes sense for CNL, says David Scott, executive director of the Dr. Phillips Institute for the Study of American Business Activity at the University of Central Florida.

"(CNL Financial) is very heavy into real estate already," explains Scott. "And if you are good at what you do — and CNL is — then you can operate outside of the confined space of a business cycle."

Contrarian philosophy

In fact, CNL Financial has made an art form out of operating outside the confines of conventional market wisdom, and the investment philosophy has worked.

Since launching the intricate web of 16 publicly and privately held real estate investment companies about 32 years ago with just \$5,000 and 11 acres of real estate on Orange Avenue in downtown Orlando, CNL Financial officials have grown the company to a \$13 billion real estate investment empire, complete with hotel, retail, restaurant, senior housing and leisure properties. At the center of this empire are two real estate investment trusts traded publicly on the New York Stock Exchange — Commercial Net Lease Realty Inc. (NYSE: NNN) and Trustreet Properties Inc. (NYSE: TSY).

The secret to this success: When it comes to investment opportunities, they look for markets that are out of favor with the public and undercapitalized.

"If you run with the sheep, you end up in the flock," says Edmond. "We need to be in a market that is not crowded, and we are looking for opportunities that most others have overlooked — niche markets that haven't been developed."

Take CNL Financial's investment in the hotel sector, which began after the terrorist attacks on Sept. 11, 2001, when no one was interested in buying a hotel.

At that time, CNL Financial Chairman and CEO Jim Seneff jumped on the opportunity to begin investing in hotels, and today, CNL Hotels & Resorts Inc. is the nation's second-largest hotel real estate investment trust.

"It's a strategy of active waiting. During the lulls in the market, we are there watching, waiting and listening to where the opportunities are headed," Edmond notes.

Developing real estate

This strategy will be the backbone of investment for CNL Realty & Development's projects, as well.

According to Randy Anderson, chief economist for CNL Financial and president of CNL Investment Co., there still is excess demand in the real estate market relative to supply, even though a number of indicators point to a slowing in real estate development.

However, this battle between supply and demand, along with the fact that real estate as an investment is performing better than both the stock and bond markets, is just the first part of CNL Realty & Development's strategy.

"We have seen many developers systematically developing across all markets and all product types," explains An-



Anderson