

Miami-Fort Lauderdale-Miami Beach Metropolitan Area Economic Overview

POPULATION		EMPLOYMENT	
Total Est. 2006	5,461,821	Total Est. 2006	2,202,913
Population Growth Index – 2011	1.65	Office Index	1.05
Income Index	0.95	Health Services Index	0.99
Affordability Index	0.97	Government Index	0.91
Education Index	1.03	Retail Services Index	1.09
Age Index	1.07	Wholesale Index	1.19

Miami At-A-Glance

(Rent/Square foot/Year)	Low	High	Effective Avg.	Vacancy
DOWNTOWN OFFICE				
New Construction (AAA)	\$ 40.00	\$ 50.00	\$ 45.00	90.0%
Class A (Prime)	\$ 30.00	\$ 41.00	\$ 35.35	6.2%
Class B (Secondary)	\$ 17.00	\$ 30.00	\$ 23.54	12.2%
SUBURBAN OFFICE				
New Construction (AAA)	\$ 33.00	\$ 45.00	\$ 41.25	91.0%
Class A (Prime)	\$ 22.50	\$ 42.00	\$ 35.63	7.4%
Class B (Secondary)	\$ 19.25	\$ 35.00	\$ 26.91	7.2%
INDUSTRIAL				
Bulk Warehouse	\$ 5.00	\$ 10.00	\$ 7.24	3.7%
Manufacturing	\$ 5.00	\$ 11.50	\$ 8.25	5.3%
High Tech/R&D	\$ 9.00	\$ 19.50	\$ 15.72	4.9%
RETAIL				
Downtown	\$ 15.00	\$ 65.00	\$ 41.75	15.0%
Neighborhood Service Centers	\$ 20.00	\$ 75.00	\$ 38.00	3.8%
Community Power Center	\$ 20.00	\$ 50.00	\$ 35.00	2.0%
Regional Malls	\$ 55.00	\$ 175.00	\$ 75.00	2.0%

DEVELOPMENT LAND	Low (Price/Acre)	High (Price/Acre)
Office in CBD	\$ 4,356,000	\$ 7,650,000
Land in Office Parks	\$ 1,000,000	\$ 1,800,000
Land in Industrial Parks	\$ 750,000	\$ 1,100,000
Office/Industrial Land - Non-park	\$ 1,000,000	\$ 1,500,000
Retail/Commercial Land	\$ 1,000,000	\$ 7,000,000
Residential	\$ 450,000	\$ 6,000,000

Market Overview

■ 2006 was the year of The Hurricanes That Didn't Come and commercial property insurance disappearing as carriers abandoned Miami mid-year. The resulting crisis and ensuing slow return of carriers, albeit with premium increases of 250% to 400%, combined with rising real estate taxes, have dramatically increased operating costs in all markets.

With limited new product delivered in 2006, combined with office buildings sold for condominium conversions, rental office vacancy rates dropped to their lowest point in a decade. 2007 will continue to see vacancy rates decline as little new supply is delivered. Several large office projects in the CBD, Brickell and Coral Gables were announced and should break ground by First Quarter 2007. The first delivery will be in mid 2008 and most in 2009. Overall and net rents will continue to see double digit increases with the top of the market reaching \$50.00 per square foot (full service).

The office condominium market witnessed substantial growth with new projects announced and buildings purchased for conversion in most sub-markets. Several sub-markets are overbuilt or overpriced and will witness drop off in activity. Prices will drop in those sub-markets or other concessions will be made to improve sales velocity.

Miami's industrial sector will continue to see availability absorbed and little new speculative inventory added. As rent and sales prices escalate, users who can relocate to less expensive

markets will do so, as will certain "mission critical" operations in response to the perceived or real hurricane threat. Land prices, still at record levels, will continue their rise crossing the \$20.00 per square foot level.

Retail demand continued unabated with the most desirable sub-markets at virtually 100% occupancy. A few projects were delivered in mid County, but not enough inventory to make a dent in demand. Several new projects are either announced or under construction in southwest and deep south Miami-Dade County as developers race to catch up with the substantial number of new homes delivered. Land costs continued to rise dramatically driven by end users because, at the current prices, the economics for most developers do not work. Any new product delivered in 2007 will be absorbed immediately. Restaurants and high parking requirement uses continued to be unsuccessfully in searching for sites in most desirable sub-markets this year, and will not have better luck next year.

The decline in multifamily activity, construction, sales and prices has started and will continue unabated next year. Multiple planned projects have been cancelled and an increasing number of buyers are forfeiting their deposits, walking away from contracts. Those investors that have closed have listed the units for resale and are waiting. Most lenders have ceased construction loans. By mid-2007, new speculators will become active exploiting this new opportunity.

Source: NAI Miami