

Metropolitan Area Economic Overview

POPULATION		EMPLOYMENT	
Total Est. 2006	N/A	Total Est. 2006	N/A
Population Growth Index – 2011	N/A	Office Index	N/A
Income Index	N/A	Health Services Index	N/A
Affordability Index	N/A	Government Index	N/A
Education Index	N/A	Retail Services Index	N/A
Age Index	N/A	Wholesale Index	N/A

Palm Beach County At-A-Glance

(Rent/Square foot/Year)	Low	High	Effective Avg.	Vacancy
DOWNTOWN OFFICE				
New Construction (AAA)	\$ 38.00	\$ 42.00	\$ 41.00	N/A
Class A (Prime)	\$ 34.50	\$ 45.00	\$ 40.50	12.3%
Class B (Secondary)	\$ 19.00	N/A	N/A	13.5%
SUBURBAN OFFICE				
New Construction (AAA)	\$ 31.00	\$ 35.00	\$ 33.00	90.0%
Class A (Prime)	\$ 26.50	\$ 40.00	\$ 34.00	8.0%
Class B (Secondary)	\$ 14.00	\$ 33.50	\$ 22.00	9.0%
INDUSTRIAL				
Bulk Warehouse	\$ 6.50	\$ 15.00	\$ 9.00	2.0%
Manufacturing	\$ 6.00	\$ 14.00	\$ 9.00	3.0%
High Tech/R&D	\$ 9.00	\$ 16.00	\$ 12.00	4.5%
RETAIL				
Downtown	\$ 32.00	\$ 62.00	\$ 37.00	N/A
Neighborhood Service Centers	\$ 25.00	\$ 52.00	\$ 39.00	8.0%
Community Power Center	\$ 37.00	\$ 62.00	\$ 50.00	5.0%
Regional Malls	N/A	N/A	N/A	N/A

DEVELOPMENT LAND	Low (Price/Acre)	High (Price/Acre)
Office in CBD (Per Buildable SF)	\$ 50	\$ 125
Land in Office Parks	\$ 500,000	\$ 1,000,000
Land in Industrial Parks	\$ 285,000	\$ 565,000
Office/Industrial Land - Non-park	\$ 225,000	\$ 1,350,000
Retail/Commercial Land	\$ 525,000	\$ 2,000,000
Residential	\$ 50,000	\$ 450,000

Market Overview

■ The housing market is correcting. Palm Beach County, which has seen median home prices go above \$410,000, is experiencing a significant slowdown in housing. Despite this slowdown the commercial market remains very healthy. The county has become a very desirable location for institutional money during the past two years. Investment property has been trading at record prices and capitalization rates. Several Class A office buildings have sold in excess of \$400 per square foot with sub-6 capitalization rates. Buildings that are on the market continue to attract multiple bids.

All sectors of the commercial market were healthy through 2006, although there are concerns for the future as there has been a dramatic increase in real estate taxes, insurance and utilities during the past 24 months. With most leases being NNN, tenants are being faced with increases in operating expenses of \$3-5 per square foot for 2007. In spite of this vacancy rates continue to decline and rents increase.

The vacancy rate for industrial space in the county dropped below 5% in 2006 with some sectors as low as 3%. The slow down in housing will affect this sector however there is relatively little new construction scheduled for 2007 and with job growth continuing, the market will remain tight.

The retail sector remained very active. In North County, Legacy Place, a mixed-use

project totaling over 400,000 square feet with retailers such as Publix, Barnes & Noble, Best Buy and other national tenants opened in late summer and has been well received. In addition to large mixed-use/lifestyle centers, there are numerous smaller specialty centers being developed. Leasing throughout the county remains steady with rates averaging in the high \$20.00 per square foot, NNN for new construction. Sales of older existing centers took place at a rapid pace; all with redevelopment and re-tenanting slated to occur by the purchasers.

The office market continued to be strong. Vacancy rates in most markets are at or below 10%. The major office markets of West Palm Beach/Palm Beach Gardens and Boca Raton are strong. There are several new properties now under construction with 2007 and 2008 delivery dates. West Palm Beach itself has 600,000 square feet of new space under construction. There are few subleases in the market and at this point in time most tenants are renewing rather than moving.

Unlike the prior years, 2007 could see the beginning of a leveling off in the average 3.5% rise in rental rates that has characterized the last five years in the office market. All sectors of the market will feel the effect of the rise in insurance and real estate taxes. However, 1,000 people a day are still moving into Florida. While a pause might be in store, the growth will continue.

Source: NAI Merin Hunter Codman, Inc.