

Metropolitan Area Economic Overview

POPULATION		EMPLOYMENT	
Total Est. 2006	436,873	Total Est. 2006	191,456
Population Growth Index – 2011	1.14	Office Index	1.03
Income Index	0.97	Health Services Index	1.15
Affordability Index	1.13	Government Index	2.82
Education Index	1.02	Retail Services Index	0.98
Age Index	1.01	Wholesale Index	0.92

Pensacola At-A-Glance

(Rent/Square foot/Year)	Low	High	Effective Avg.	Vacancy
DOWNTOWN OFFICE				
New Construction (AAA)	\$ 20.00	\$ 25.00	\$ 22.00	8.0%
Class A (Prime)	\$ 19.00	\$ 22.00	\$ 20.00	15.0%
Class B (Secondary)	\$ 18.00	\$ 21.00	\$ 19.00	10.0%
SUBURBAN OFFICE				
New Construction (AAA)	\$ 19.00	\$ 23.00	\$ 21.00	10.0%
Class A (Prime)	\$ 18.00	\$ 20.00	\$ 19.00	10.0%
Class B (Secondary)	\$ 17.00	\$ 18.00	\$ 17.50	10.0%
INDUSTRIAL				
Bulk Warehouse	\$ 5.00	\$ 7.50	N/A	3.0%
Manufacturing	\$ 6.00	\$ 10.00	N/A	3.0%
High Tech/R&D	\$ 8.00	\$ 10.00	N/A	N/A
RETAIL				
Downtown	\$ 15.50	\$ 16.50	N/A	15.0%
Neighborhood Service Centers	\$ 15.00	\$ 18.00	N/A	10.0%
Community Power Center	\$ 4.50	\$ 7.50	N/A	5.0%
Regional Malls	\$ 30.00	\$ 35.00	N/A	N/A

DEVELOPMENT LAND	Low (Price/Acre)	High (Price/Acre)
Office in CBD	\$ 50,000	\$ 100,000
Land in Office Parks	\$ 50,000	\$ 100,000
Land in Industrial Parks	\$ 25,000	\$ 100,000
Office/Industrial Land - Non-park	\$ 20,000	\$ 25,000
Retail/Commercial Land	\$ 435,600	\$ 950,000
Residential	\$ 25,000	\$ 150,000

Market Overview

The overall real estate market for the Pensacola/Santa Rosa MSA experienced a slow-down in 2006. The residential and recreational (condominium) markets were hardest hit. We expect these markets to begin to correct by year end 2007, however.

The Pensacola Market was seriously impacted by the hurricanes of 2004 and 2005, as there was severe damage to many homes, and some were totally destroyed. Thus the then available residential inventory was quickly taken up by residents who needed a place to live. Beginning in 2006, many of these homeowners were moving back into their repaired or rebuilt original residences. As a result, the existing inventory of homes has hit record highs, with slow sales.

The overall commercial market has remained steady but has slowed in manufacturing and industrial. The primary demand in the industrial market has been for office warehouses ranging from 2,500 square feet to 35,000 square feet. There was little speculation in 2006.

The retail market remained strong especially in the Pace and Gulf Breeze markets with announcements ranging from Target to Publix.

The office market remained strong particularly in the downtown area, and we expect that interest to grow. The community voted in late summer to support a public/private waterfront park that will include retail and commercial, along with a minor league baseball stadium. Downtown Pensacola residential growth

continued to develop in 2006. Small, high tech companies are expected to drive continued growth.

Areas of the fastest and most sustained growth continued to be to the east and the west of the Pensacola/Santa Rosa MSA.

Mobile and Baldwin Counties in Alabama to the west are continuing to announce a variety of developments. BASS Pro Shop announced its largest prototype store in Baldwin County to be connected with a second lifestyle center within 4-5 years. Mobile's Brookley Field is a candidate for the new Airbus facility that will rework the C-130 Aircraft. The venture could generate a major employment base. International Shipholding (ISH) announced a move of its corporate headquarters from New Orleans to Mobile. The location will be in the new RSA Tower, Alabama's tallest building.

To the east, the Fort Walton Beach and Destin markets continued to grow, primarily in the retail sector. There is some speculation that Eglin Air Force Base will lose its air armament testing operation to Edwards Air Force Base in California. If this were to occur a large job loss would occur consisting of high tech civilian employees and contractors.

The good news for the Northwest Florida economy was that there were no Hurricanes in 2006. We believe if that remains the case for the next few years, the region's real estate markets will regain the vitality experienced at the beginning of the 21st Century.

Source: NAI Halford