

## THE STATE OF FLORIDA

The State of Florida has been one of the fastest growing states in the U.S. and in the Southeastern region in recent years. With an estimated population of 18.2 million in 2007, it is the fourth most populous state in the nation and the most populous state in the Southeast. Florida's unemployment rate stood at 4.6% as of January 2008, 0.3% below the national rate of 4.9%.



Famous for its pristine beaches, beautiful nature preserves, cultural attractions such as Miami's renowned Art Basel international art show, professional sports teams, and unrivaled entertainment parks (Disney & MGM), the Sunshine State is one of the top tourist destinations in the world, attracting more than 80 million visitors annually. According to a Harris Interactive Report, Florida also ranked in 2007 as the second most popular state to live in behind only California, and has ranked among the top three U.S. cities since 1997.

Florida's economy, which boasted a Gross Domestic Product (GDP) of \$713 billion in 2006 (4<sup>th</sup> overall), is primarily service-based and driven by the following industries: tourism, real estate, trade, defense, international financial services, space and security-related products. Its diversified economy and function as a gateway for international trade between the United States and the international community, which totaled \$115 billion in 2007, has given the state a competitive advantage and increased its resilience against national economic downturns. South Florida, often referred to as the economic capital of Latin America, is only second to New York as a U.S. center for international banking, with over 70 foreign and domestic banks. Additional advantages that have elevated Florida's competitiveness include Florida's pro-business climate, global-linkages, collaboration between research universities and the private sector, cosmopolitan

cachet, and state-of-the-art multi-modal transportation and telecommunications infrastructure.

According to CNBC (July 2007), Florida is considered one of *America's Top States for Business*, ranking #1 in Transportation, #4 in Economy, #8 in Technology and Innovation, and #8 overall among cities. Inc. Magazine ranks 9 different Florida cities among the *Top 25 Cities for Doing Business in America*, including West Palm Beach (#5), Fort Lauderdale (#7), Jacksonville (#8), Orlando (#11), Tampa (#14), and Miami (#22). Furthermore, over the past five years Florida has led the nation in terms of job growth (BizJournals, July 2007). Florida's economy posted a net gain of approximately 352,200 jobs, from 8,473,000 in December 2005 to 8,825,200 in December 2007, representing a 4.2% growth rate.

While Florida's economy has traditionally been dependent on tourism, construction and international trade, recent years have proved that tremendous diversification exists within Florida. Industry growth has been phenomenal among service related industries, life sciences, and technology. Specifically, Scripps Research Institute, the world's largest non-profit biomedical research center, has chosen Palm Beach County as the site for a 100-acre research facility. An additional 1,000-2,000 acres of surrounding land will be available for the rush of new drug and biotech companies that wish to be near Scripps and the Max Planck Institute, thus establishing a major research hub in the state of Florida. With more than 38,000 Life Sciences establishments employing over 671,000 people, Florida's life sciences cluster continues to gain critical mass around the state. In addition to the \$5 billion spent on R&D in Florida in 2007, Florida garnered \$608.3 million from Venture Capital investments spread across a myriad of service and manufacturing industries. Given Florida's unmatched quality of life, business-friendly environment, and highly-skilled labor force, the state should continue to benefit and prosper going forward.

## PALM BEACH COUNTY OVERVIEW

Palm Beach County is the northernmost county of the South Florida Tri-County area and, at more than 2,000 square miles, is one of the two largest of Florida's 67 counties. Stretching from Jupiter in the north to Boca Raton in the south, Palm Beach County is renowned for its beaches and is also known as Florida's "Gold Coast". With its beautiful landscapes, stunning ocean vistas and flourishing foliage, Palm Beach County has often been touted as the playground for the rich and famous but offers a variety of lifestyles with diverse housing options.

### POPULATION

Population growth is one of Palm Beach County's fundamental economic advantages. From 1980 to 1990, Palm Beach was the third fastest growing county in the United States among metropolitan statistical areas (MSAs) with a population growth of nearly 500,000 people, representing an impressive 49.7 percent increase. Although the unusually rapid growth rate slowed somewhat in the period from 1990-2000, the county still registered a 31.9 percent growth rate in population during that time. The 2007 estimated population was 1,302,553 and is expected to increase to 1,424,456 by the year 2012. Palm Beach County's sub-tropical climate, high quality of life, cultural and outdoor activities, solid transportation infrastructure, and multitude of job opportunities are among the reasons for this staggering growth rate.

PALM BEACH COUNTY'S LARGEST MUNICIPALITIES				
Municipality	1990 Census	2000 Census	2007 Estimate	2012 Projection
West Palm Beach	67,643	92,103	100,837	113,556
Boca Raton	61,492	74,764	78,217	81,310
Boynton Beach	46,194	60,389	67,969	73,631
Delray Beach	47,181	60,020	65,727	70,204
Wellington	20,670	38,216	56,572	68,509
Jupiter	24,986	39,328	49,189	55,905

### ECONOMIC PROFILE

In the 1990s and into the 21st Century, Palm Beach County has enjoyed rapid economic growth. A growing, affluent population, sophisticated corporate culture, high quality of life, favorable tax structure, state-of-the-art transportation network and a highly skilled workforce are among the county's primary business attractions. Palm Beach County's diversified manufacturing base ranges from fast-growing software companies to cutting-edge life science institutes to aerospace engineering firms. According to Inc. Magazine, Palm Beach County is one of the nation's boomtowns in a study that looked at job growth in

393 metro areas. In 2008 Forbes Magazine identified Palm Beach as a "hotbed of tomorrow's technology", ranking it 3<sup>rd</sup> on its list of the *Top 10 Up-And-Coming Tech Cities*. In recent decades, Palm Beach County has attracted many domestic and international companies including the

following major firms: Bank of America, BE Aerospace, Florida Power & Light (HQ), Scripps Research Institute, Max Planck Institute, IBM, Office Depot (HQ), Paxson Communications, and Tyco.

Palm Beach County's skilled labor force is well-trained in many high-growth technology areas, including Internet and telecommunications services. More than 45 percent of the county's population is in the prime employment age bracket of 18-54 years. The region's job growth is expected to exceed statewide averages over the next several years thanks to the region's vibrant industries, like tourism, international

trade, biotech and life sciences, construction, retail and business services.

The Estimated Average Household Income for Palm Beach County in 2007 was \$76,672. The estimated average age for the county was 42.30. Over 64 percent of Palm Beach residents own homes. Palm Beach County is the second most expensive county in the state for an existing home at a median cost of \$264,835, compared to the US median of \$223,700. Palm Beach County has posted notable gains in employment growth. Specifically, 9,700 new jobs were created during the last 12 month period ending in May 2007. This increase shows tremendous velocity in Palm Beach County's business activity and bodes extremely well for the local office market.

#### QUALITY OF LIFE

Palm Beach County's quality of life has enticed many local and national businesses to relocate offices or open branches in the area. Thirty-seven municipalities and unincorporated areas offer the best in attractions, resorts, festivals, natural preserves, world-class shopping, cultural venues and sporting activities.



The area offers more than 2,000+ restaurants; visitors and residents alike enjoy a wide range of indoor and outdoor activities. For residents, Palm Beach County's natural assets and year round amenities contribute to a lifestyle that balances work, recreation and relaxation in an exquisite tropical setting.

#### TRANSPORTATION

Transportation is one of the county's prime assets. The county is well equipped to meet the transportation needs of businesses, residents and visitors. The county's efficient, integrated transportation system includes expressways, rail lines, a major international airport, three

commercial/executive airports and a fast-growing port that ranks among the State's finest.

#### ***Air***

Palm Beach County, through its Department of Airports, operates and maintains Palm Beach International Airport (PBI). PBI has 25 aircraft gates with the potential for 24 additional gates at a later time. PBI is conveniently located to serve the air trade area of Palm Beach County and the four surrounding counties. The airport is located 2.5 miles west of downtown West Palm Beach and just 3.5 miles west of Palm Beach. PBI is situated adjacent to Interstate Highway 95 and is accessible from anywhere in Palm Beach County. PBI passenger traffic in the calendar year 2006 surpassed 6.8 million.

#### ***Sea Port***

The Port of Palm Beach is the fourth busiest container port in Florida and the eighteenth busiest in the continental U.S. In addition to intermodal capacity, the Port is a major nodal point for the shipment of bulk sugar (domestic usages), molasses, cement, utility fuels, water, produce and break-bulk items. The Florida East Coast Railway Company (FEC) services the docks and piers through the Port's industrial rail switching operations. They are the only port facility in South Florida operating a rail system with pier-side box, hopper and intermodal cars operating 24 hours a day.

#### ***Rail***

Florida's rail system is comprised of 12 line-haul railroads and four terminal or switching companies. Of those, Palm Beach County is primarily served by CSX Transportation's 1,778 Florida route miles, which connect with a total of 19,000 CSX miles covering 20 states, the District of Columbia and Canada and Florida East Coast Railway Company's 442 Florida route miles. As many as 8 freight and 35 passenger trains operate within this corridor daily.





Commuter rail service between West Palm Beach and Miami is operated by Tri-Rail, which serves Miami-Dade, Broward and Palm Beach counties. Tri-Rail is South Florida's premiere commuter railroad, operating seven days a week from 18 train stations along a 72-mile rail corridor and serving all three international airports. With its four double-decker passenger cars accommodating a total of 700 seated passengers, Tri-Rail runs a total of 28 north and southbound trains each weekday from dawn until midnight. Tri-Rail also provides service to festivals, malls and special events in South Florida.

**Land**

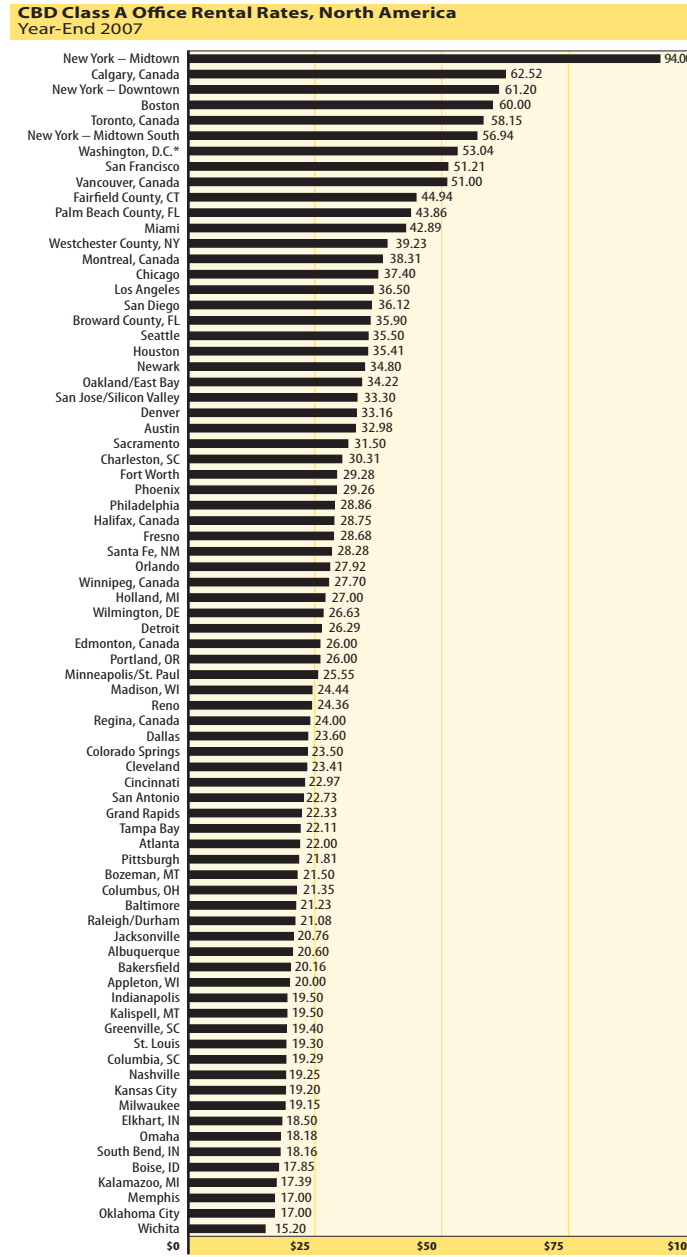
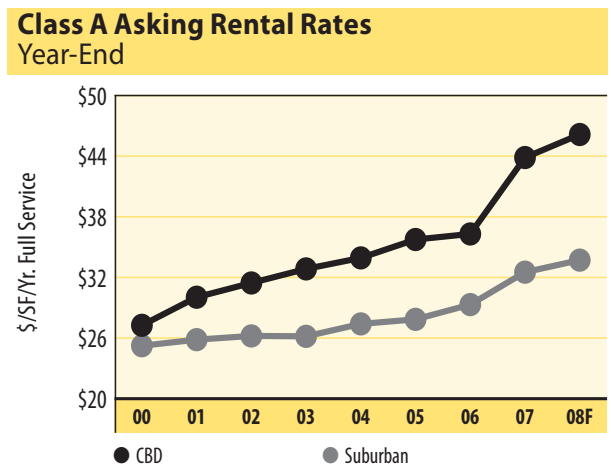
Palm Beach County is served by several major highways: Interstate-95, Florida's Turnpike, US Highway 1, Military Trail and SR-7, as well as national, county-wide and local bus systems. Palm Tran is a county-wide bus system from Boca Raton to Jupiter to the western communities and the Glades. In the summer of 1996, Palm Tran completed a multi-million dollar expansion resulting in daily service, as well as an increase in the number of buses from 68 to 145 and stops from 1,200 to more than 4,100. Palm Tran's downtown Shuttle Loop System in West Palm Beach offers convenient, free transportation between office buildings, restaurants, businesses, shopping and parking facilities. The shuttle makes continuous runs Monday through Friday, servicing some 30 stops downtown.



## PALM BEACH COUNTY OFFICE OVERVIEW

Palm Beach County's office market, comprised of 21.6 million sq. ft. as of 1Q08, is South Florida's third largest office market and home to a diverse array of companies including Bank of America, BE Aerospace, Florida Power & Light (HQ), Scripps Research Institute, IBM, Office Depot (HQ), Paxson Communications, and Tyco. Palm Beach County's strategic access to South and Central Florida, pro-business attitude, high quality of life and unsurpassed air and seaport capabilities make it a top choice location for both large corporations and small businesses alike.

After nearly five years of upward trending rent growth, occupancy rates, and property sales volumes, the momentum has slowed somewhat as a result of the housing-related downturn, new office supply coming online, and the credit crunch. Despite these temporary setbacks, Palm Beach County's office market is well positioned, fundamentally, to weather a downturn and benefit from positive developments such as the county's emergence as a biotech- and life science-related hub, the continued migration of retirees to the county seeking a better quality of life, and South Florida's growing participation in the global marketplace.



\*District of Columbia  
Rental rate data refer to average asking rental rates for Class A space that is available on the market at the end of 2007. Rates are per square foot, quoted on an annual, full service gross basis.

## WEST PALM BEACH OFFICE SUBMARKET

The West Palm Beach office submarket is located from Southern Boulevard bordering West Palm Beach to the south, north to 45<sup>th</sup> Street and from the Intracoastal west to the Florida Turnpike. The West Palm Beach submarket contains approximately 5.2 million sq. ft. with 395,440 sq. ft. of space currently under construction as of 1Q08. Major tenants within this submarket include:

- Ernst & Young
- Bank of America
- BellSouth
- Infiniti Radio
- Becker and Poliakoff
- Broad and Cassel
- Metropolitan Life Insurance
- Mills Pride (Rinker Materials)
- Cleveland Clinic

### NEW DEVELOPMENT

Speculative new construction activity had been very limited in the submarket up until 2006 when vacancy rates tightened enough to spur new development. While higher land-pricing has made most for-lease office development cost-prohibitive in the greater West Palm Beach area, CRT in a partnership with The Related Group, is currently developing one of downtown's first



new landmark Class A office buildings in 17 years, CityPlace Tower. CityPlace Tower comprises 242,000 sq. ft. of office and 93,000 sq. ft. of residential and retail space. CityPlace Tower represents the first true office tower developed since the completion of Esperante (*sold for \$419 PSF*), Phillips Point (*re-sold for \$473 PSF 12/07*) and others in the late 1980s and was made more feasible due to its mixed-use design and its main-and-main location on the corner of Okeechobee and Quadrille Boulevards. It will be the cornerstone development of the 77-acre mixed-use CityPlace location.