

TALLAHASSEE OFFICE MARKET

Tallahassee, Florida



2007

Tallahassee Office Market

The Tallahassee/Leon County office market consists of approximately 6.5 million square feet of privately owned office space. In addition, the State of Florida owns and occupies approximately 4.5 million square feet. The market is delineated by four distinct geographic submarkets as reflected below. With the State Capitol located downtown, demand for office space was historically centered in the Downtown area. As growth occurred beyond downtown, office concentrations were developed along major thoroughfares primarily North and East of the city's center and around Interstate 10. Overall, the office market continues to reflect a healthy balance of supply and demand. While the overall vacancy rate remained relatively unchanged from 2006 to 2007, there were noticeable changes in the individual submarkets.

Office Market Survey-2007

	# Properties	SF Surveyed	SF Vacant	% Vacant	Asking Rents*
Downtown	19	944,058	38,215	4.05%	\$21.00-\$28.50*
Northeast	46	1,375,540	88,206	6.41%	\$18.00-\$25.00
Northwest/West	22	1,381,077	118,573	8.59%	\$12.00-\$16.00
Southeast	26	2,771,442	258,207	9.32%	\$12.00-\$18.50
Total	113	6,472,117	503,201	7.77%	\$12.00-\$28.50*

Survey consists of buildings 10,000SF minimum

All rents adjusted to full service (operating expenses include utilities and janitorial)

* Downtown CBD

TALLAHASSEE OFFICE MARKET

Tallahassee, Florida



Downtown

The downtown market is driven by the location of the State Capitol including the many State owned offices (Capitol Complex), as well as the Leon County Courthouse and Tallahassee City Hall. Primary tenants downtown include lobbyists, attorneys and associations requiring proximity to the legislative and governmental offices. There are four mid-rise Class A buildings in downtown comprising approximately 420,000SF. The balance of the properties downtown consist of smaller owner occupied low rise buildings many of which are converted retail buildings. The downtown vacancy rate actually improved from 2006 to 2007 from 8.74% to 4.05%. This is largely due to the limited number of Class A buildings and the lack of new construction downtown in the last 10 years. However, there are currently at least 3 new projects that are in the planning stages.

Northeast

As Tallahassee has grown, the fastest area of residential growth has occurred in the Northeast along the Thomasville Road corridor. Large scale residential and retail development and the I-10 interchange on Thomasville Road has created the demand for office space in this submarket. Tenants in the Northeast are comprised of financial service companies (banks, credit unions, stock brokerages), real estate and insurance firms as well as many small businesses. Most of Tallahassee's law firms which do not need to be downtown are located in the Northeast. Four Class A buildings exist totaling approximately 325,000SF. Three "owner occupied" office parks, consisting of 10,000-20,000SF buildings (Remington Green, 3300 Thomasville Road and Centre Point) make up a large percentage of the office inventory in the Northeast. While not reported in the office inventory, many office condominiums have been built recently in the 1200-2400SF range. Several miles east of Thomasville Road along I-10 at Mahan Drive, the "Summit East" office park has grown from housing a single technology company to becoming a leading high tech office park for technology and engineering firms with approximately 140,000SF of Class A office space in three buildings. Surprisingly the Northeast market is beginning to see a higher vacancy rate for the first time in several years. This is primarily because of new construction taking place in this highly desirable market. In addition this market continues to experience new construction of office condo product.

TALLAHASSEE OFFICE MARKET

Tallahassee, Florida



Northwest/West

Another main corridor from downtown is Monroe Street or Hwy 27 North. Tallahassee's first shopping Malls (Northwood and Tallahassee Mall) were built along Monroe Street thereby stimulating two of Tallahassee's first suburban office parks-Woodcrest Office Park and Cedars Executive Center (275,000SF & 120,000SF respectively). While originally more occupied by private tenants, Woodcrest and Cedars have recently been occupied primarily by large government agencies. Eventually the Northwood Mall was converted to an office complex known as the Northwood Centre (367,000SF) which is currently the headquarters of the Department of Business and Professional Regulation as well as the Department of Children and Families.

Further west at the Capital Circle NW and I-10 interchange the other concentration of office space in the Northwest submarket is known as Commonwealth Centre. Commonwealth is a mixed-use business park containing both office and warehouse uses. The offices are clustered in the front section of the park. The anchor of the park is the state owned building for the Department of Environmental Protection. Historically, engineering and construction firms have located in this area. Overall, the Northwest market improved somewhat over the last year. The Cedars Executive Center and Park 20 West were both purchased in 2006 with new owners investing substantially to upgrade these properties after signing new leases. Several buildings are currently vacant in Commonwealth. As a result, below market rental rates are being offered in a number of properties.

TALLAHASSEE OFFICE MARKET

Tallahassee, Florida



Southeast

Properties in the southeast submarket have been primarily occupied by state government agencies. Most of Tallahassee's early commercial growth took place in southeast Tallahassee along the Apalachee Parkway corridor (Hwy 27 South). As such, office parks and retail projects were developed in this area. The rapid growth of State government in the 1970's and 1980's absorbed the new office projects that were developed. Major projects included the Koger Center, (833,786SF), Winewood Office Park (330,259SF), Parkway Oakland/St. Augustine (220,000SF) the Florida Lottery (150,000SF) and the Department of Corrections (330,000SF). These were the large projects with capacity to accommodate entire state agencies. These properties had enjoyed high occupancies for many years during the boom of State government. Eventually however, as State government downsized/privatized and the State of Florida completed the Capital Circle Office Center (state owned 1,000,000SF) these properties began to experience greater vacancies. Currently most of the privately owned office product consists of Class B and Class C properties. The one exception is "Southwood One", a 90,000SF Class A building developed by the St. Joe Company and completed in 2001. Occupancy in the Southeast market remains near the 90% level as it has the last several years. Other than Southwood One, there has been no new office product built in this market in the last 10 years. Rental rates have increased to over \$18.00 per SF in most Class B properties, occupancy in the Koger Center improved over 2006 up to almost 95%.

The most positive trend for this area is the new residential growth occurring in the Southeast. This is due primarily to the development of Southwood. This 3200 acre planned unit development will eventually contain 4700 homes and over 2.9 million SF of commercial and office space as well as 2.7 million SF of light industrial, distribution and research space. Currently over 1100 homes have been sold. Commercial development today includes the new Publix Shopping Center, numerous banks and the completion of the first phase of the Southwood Town Center. Southwood is the location of the previously mentioned Capital Circle Office Center, currently housing 1,000,000SF of State Agencies with the potential capability for over 3 million SF.

TALLAHASSEE OFFICE MARKET

Tallahassee, Florida



New Development

The only new office development taking place presently is in the Northeast. “Metropolitan Corporate Center”, located off Metropolitan Boulevard at Thomasville Road and I-10 was completed in 2006. This speculative development consists of “for sale” building pads of 25,000SF and 50,000SF with a total build out of 300,000SF. “Regional One” is under way off Centerville Road and Capital Circle Northeast. It will also consist of approximately 300,000SF of new office development. Presently, one 30,000SF building and one 20,000SF building are completed. This development will be a mix of lease space and “for sale” building pads. In addition, Summitt East is in the planning stages of a new 90,000 square foot building likely to be started in 2007. A new headquarters of 55,000SF for First American Title is under construction in “Bull Run” north of I-10 off Thomasville Road. Finally, numerous office condo projects are still being built in the Northeast.

TALLAHASSEE OFFICE MARKET

Tallahassee, Florida



Ten Year Office Vacancy History

Year	Downtown	NE	NW	SE	Total
1997	5.75%	3.82%	11.00%	8.50%	7.79%
1998	9.00%	7.40%	10.00%	5.54%	7.60%
1999	6.96%	4.49%	5.77%	4.44%	5.20%
2000	6.93%	5.99%	12.24%	12.38%	10.49%
2001	7.94%	13.21%	19.37%	14.65%	14.32%
2002	12.09%	9.59%	18.18%	15.20%	14.34%
2003	8.64%	9.23%	20.65%	9.96%	12.00%
2004	3.08%	4.13%	20.86%	8.61%	9.17%
2005	8.39%	1.86%	11.92%	8.42%	7.87%
2006	8.74%	0.79%	10.90%	8.00%	7.33%