

# SOUTHEAST HIGHLIGHTS

Alabama  
Florida  
Georgia  
Kentucky  
Mississippi

North Carolina  
South Carolina  
Tennessee  
Virginia  
West Virginia

## DICHOTOMY BETWEEN SOUTH ATLANTIC AND EAST SOUTH CENTRAL

The Southeast consists of two regions that experienced remarkably different economic and real estate performances in 1998. The South Atlantic region growth rates clearly exceeded the national growth rate, while the East South Central region experienced a growth rate in Gross Regional Product (GRP) that was 24% less than the national average. Non-agricultural employment gains in 1998 in the South Atlantic region exceeded the national average by half a percentage point. On the other hand, the East South Central Region underperformed the national average by 70 basis points.

Florida's economy and total employment is much larger than that of any other state in the South Atlantic region. In 1998, Florida accounted for 28% of the region's GRP and 30% of its total non-agricultural employment. By contrast, Georgia, the next most important state, has a GRP that represented 16% of the region's total output and employment. In Florida, Ft. Lauderdale, Miami, Orlando, Tampa-St. Petersburg, and West Palm Beach led the state in absolute gains in population, employment, and income.

In the East South Central region, Tennessee is by far the dominant state, accounting for 36% of the region's GRP and total employment. In that region, Nashville leads in terms of income gains in recent years, Louisville in employment growth, and Memphis in terms of increase in population. Nashville has become increasingly diversified in well-paying jobs. It is not only a major center for the recording and music publishing industries but also the distribution and marketing center for the upper southern region of the United States. Memphis, which is the headquarters for Federal Express and United Parcel Service, is ranked as the top airport in the world.

## OFFICE RENTAL RATES HIGHEST IN FLORIDA

The New America International survey indicates that Palm Beach County had the highest rental rates in the region. They rose from \$37.00 per sq. ft. in 1997 to \$40.50 per sq. ft. in 1998. At the same time, the vacancy rate fell to 12% from 16.7% in 1997. In Miami, the highest rental rates increased only slightly, from \$32.00 to \$32.50 per sq. ft., but average effective rental rates went up to \$27.13, up from \$26.32 in 1997. At the same time, the vacancy rate fell a full percentage point to 8%.

## MIAMI, MAJOR RETAIL CENTER

Miami again ranks first in downtown retail rents in the region. The highest rental rate rose to \$80.00 per sq. ft., up from \$75.00 per sq. ft. in 1997. More importantly, the average effective rental rate also went up by \$5.00 per sq. ft. Personal income, adjusted for inflation, went up by more than 3% for the third year in a row. Such gains, however, are unlikely in 1999 because of the negative economic situation in Latin America and the heavy dependence of the metropolitan area on Latin American trade. According to some estimates, nearly 60% of the metropolitan area economy depends on Latin American trade.

The NAI survey points to generally higher vacancy rates accompanied by a slight decline in rental rates for Neighborhood Service Centers, Power Centers and Regional Malls. Available data suggests that perhaps the best explanation behind this phenomenon is a substantial amount of overbuilding and some changes in consumers' values and lifestyles. In Palm Beach County, for example, the vacancy rate for these facilities rose to 14.5%, up 1.5 percentage points from last year. In some cases, regional shopping centers experienced a flat year. This is true of Lexington, KY and Macon, GA, where both rental rates and vacancy rates remained at last year's levels.

## SURGE IN MANUFACTURING ACTIVITY IN AUTOMOBILE ALLEY

Louisville reported the highest rental rate for manufacturing and flex space this year. Part of the explanation lies with the surge in job growth as well as its acceleration in 1998 in the metropolitan area during the past two years, resulting from the growth in service employment and continued advances in the manufacturing sector. One of the largest employers in Louisville is Ford Motor Company, which has been actively expanding its operation in the metropolitan area in 1998. The metropolitan area is located in the heart of the so-called "Automobile Alley" and is one of two sites in which the highly successful Ford Explorer is built.

© NAI, Inc. & Landauer Associates, Inc. 1999. All rights reserved.

## HIGHEST PRICE CLASS A MARKETS

	Market	High Rent	Average	Vacancy
Downtown Office Class A	Palm Beach County, FL (6)	\$ 40.50	\$ 28.37	12.00%
	Miami, FL (10)	\$ 32.50	\$ 27.13	8.00%
	Charlotte, NC (20)	\$ 28.00	\$ 26.00	2.10%
	Tampa, FL (23)	\$ 28.00	\$ 19.50	13.40%
	Ft. Landerdale, FL (27)	\$ 26.00	\$ 22.00	8.00%
Suburban Office Class A	Palm Beach County, FL (11)	\$ 30.00	\$ 22.00	5.00%
	Collier/Lee County, FL (18)	\$ 28.00	\$ 24.00	11.25%
	Miami, FL (22)	\$ 26.00	\$ 23.78	10.20%
	Tampa, FL (32)	\$ 25.00	\$ 18.00	8.70%
	Orlando, FL (38)	\$ 24.00	\$ 22.00	5.50%
(#)				
Source: New America International, 1999 Real Estate Planning Guide				

## HIGHEST PRICE RETAIL MARKETS

	Market	High Rent	Average	Vacancy
Retail Downtown	Miami, FL (6)	\$ 80.00	\$ 75.00	5.00%
	Charleston, SC (9)	\$ 70.00	\$ 35.00	N/A
	Orlando, FL (23)	\$ 35.00	\$ 30.00	15.00%
	Tampa, FL (27)	\$ 30.00	\$ 21.00	N/A
	Charleston, WV (31)	\$ 27.00	\$ 25.00	5.00%
Retail Service Centers	Palm Beach County, FL (15)	\$ 26.00	\$ 19.00	14.50%
	Miami, FL (26)	\$ 23.00	\$ 19.00	10.00%
	Collier/Lee County, FL (33)	\$ 21.00	\$ 18.50	5.00%
	Charleston, SC (37)	\$ 20.00	\$ 16.00	N/A
	Huntsville, AL (40)	\$ 20.00	\$ 13.00	3.00%
Retail Power Centers	FT. Lauderdale, FL (5)	\$ 45.00	\$ 32.00	10.00%
	Palm Beach County, FL (12)	\$ 30.00	\$ 25.00	6.30%
	Charlotte, NC (17)	\$ 30.00	\$ 22.00	2.00%
	Miami, FL (32)	\$ 25.00	\$ 20.00	7.00%
	Savannah, GA (38)	\$ 24.00	\$ 22.50	5.00%
Retail Regional/Malls	Huntsville, AL (17)	\$ 65.00	\$ 33.00	5.00%
	Jacksonville, FL (22)	\$ 60.00	\$ 35.00	10.00%
	Lexington, KY (27)	\$ 53.00	\$ 40.00	5.00%
	Collier/Lee County, FL (28)	\$ 50.00	\$ 45.00	2.75%
	Macon, GA (41)	\$ 45.00	\$ 20.00	5.00%
(#)				
Source: New America International, 1999 Real Estate Planning Guide				

## HIGHEST PRICE INDUSTRIAL MARKETS

	Market	High Rent	Average	Vacancy
Industrial Bulk Warehouse	Collier/Lee County, FL (14)	\$ 6.50	\$ 4.50	7.00%
	Nashville, TN (15)	\$ 6.50	\$ 4.00	10.50%
	Miami, FL (17)	\$ 6.25	\$ 4.32	7.00%
	Charlotte, NC (24)	\$ 6.00	\$ 4.20	14.30%
	Ft. Lauderdale, FL (28)	\$ 5.75	\$ 5.00	9.00%
Industrial Manufacturing	Louisville, KY (11)	\$ 8.00	N/A	10.00%
	Tampa, FL (15)	\$ 7.00	\$ 4.90	7.60%
	Columbus, GA (28)	\$ 6.35	\$ 4.00	11.00%
	Nashville, TN (30)	\$ 6.25	\$ 4.00	5.40%
	Collier/Lee County, FL (32)	\$ 6.00	\$ 5.25	7.00%
Industrial Flex	Louisville, KY (7)	\$ 18.00	N/A	8.00%
	Nashville, TN (16)	\$ 14.00	N/A	12.00%
	Savannah, GA (19)	\$ 12.50	\$ 12.00	3.00%
	Charlotte, NC (21)	\$ 12.50	\$ 8.50	11.20%
	Jacksonville, FL (22)	\$ 12.00	\$ 10.50	4.20%
(#)				
Source: New America International, 1999 Real Estate Planning Guide				