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Economics Research Associates



Deliverable #2

**Issues & Opportunities Analysis
For the
Sarasota County MEC Study**

Prepared for

EDAW, Inc.

On behalf of

Sarasota County, Florida



Submitted by

Economics Research Associates

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible. These data are believed to be reliable. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the market and the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent and representatives or any other data source used in preparing or presenting this study.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.



Introduction

Economics Research Associates (ERA) of Washington, D.C. has been retained by EDAW, Inc. of Atlanta on behalf of Sarasota County to prepare a comprehensive study of Major Employment Center (MEC) land areas relating to long-range, future land use planning. The primary objective of this study is to assess assigned land uses in the existing MECs to determine whether they are aligned with Sarasota County's economic development goals, employment forecasts, and economic trends, and to provide appropriate implementation strategies for this future land use designation. Further, the Board of County Commissioners (BCC) seeks to understand the following key issues:

- Future demand for MEC land uses;
- Acreage necessary to accommodate future employment growth;
- How well existing MECs are functioning; and
- An appropriate employment and housing balance.

The study will also provide a framework to promote and guide desired patterns of development and a plan of action to identify how existing MEC designated areas can be improved to meet future employment and housing demand in Sarasota County.

As part of Task 2.0 in the Work Plan, ERA has evaluated *on a preliminary basis* the key market and economic issues and opportunities facing the County's MECs. Building upon the demographic and economic profile completed previously in Task 1.0, this analysis examines, at a countywide level, expected market demand for workplace uses in Sarasota County for the 2000-2030 period. Workplace uses are generally defined as multi-tenant office, general industrial, lodging/hospitality and commercial retail uses. In this analysis, general industrial is more specifically defined to encompass light industrial and assembly, manufacturing, warehousing and distribution, and research and development uses. The market demand projections for Task 2.0 utilize the seven U.S. Department of Labor employment classifications, which include: Mining & Construction, Manufacturing, Transportation/Communications/Public Utilities, Wholesale/Retail Trade, Finance/Insurance/Real Estate, Services and Government. The Services sector is a broad employment category that includes jobs in professional and business services, education and health, leisure and hospitality and other services employment.

In Task 3.0, ERA will prepare a more detailed analysis of market demand projections based on two-digit NAICS (North American Industrial Classification System) codes. This will allow for more specific understanding of the types of workplace real estate that will be "demanded" based on employment growth forecasts in Sarasota County over the next 25 years. In addition, ERA is also preparing a comprehensive inventory of each of the County's Major Employment Centers. This inventory and profile, scheduled for completion as Deliverable #3 on January 22, 2007, will highlight market conditions, by MEC, across the County. This includes acreage (both developed and undeveloped), the number of buildings in each workplace category, inventory (in square feet, hotel rooms, etc.), vacant space (in sq. ft.), annual net absorption (i.e., leasing activity) over the past five years, rental rates, building and land sales prices (as available), and other market-related information intended to illustrate the historic market performance of each of MEC located in Sarasota County.

As noted in our demographic and economic profile prepared in December 2006, ERA utilized a number of public and private data sources, including the U.S. Department of Commerce, Census Bureau and Bureau of Labor Statistics; U.S. Department of Housing and Urban Development; the State of Florida; University of Florida Bureau of Business and Economic Research; Florida Agency for Workforce Innovation; Woods & Poole Economics, Inc.; ESRI Business Analyst; and others. Real estate market information sources include both local and national sources such as CoStar Realty Information, REIS, Smith Travel Research (STR), the Sarasota County Economic Development Corporation, various research reports prepared by local commercial brokers (as available), and others.

Key Findings

The following summarizes key findings on employment trends and forecasts for Sarasota County based on ERA’s research to-date. This information is illustrated in the accompanying tables (Tables 1—8) and charts.

Economic & Employment Characteristics

Changes in the labor force are a fundamental index of overall economic development and are a key “driver” of demand for various types of real estate, such as office and manufacturing space. In Deliverable #1, ERA profiled occupational and employment characteristics in Sarasota County as a means of understanding how the County’s economy has performed in the past, how it performs today, and where it appears to be heading. In subsequent tasks, this analysis will be integrated with key recommendations from the County’s Economic Development Strategic Plan, our analysis of market conditions in specific real estate sectors as well as the detailed inventory of each MEC to test up to three growth scenarios that identify how much MEC land will be required in the future.

Employment

Employment trends are illustrated in Table 1 and Table 2. Over the past 30 years, the County has added, on average, about **4,600 new jobs each year**. However, **since 2000, the County’s job growth has accelerated—with the addition of almost 7,300 new jobs each year**. Today, Sarasota County contains almost 236,000 jobs, an amount larger than Manatee County but significantly smaller than the high-growth economies of Hillsborough and Pinellas in the Tampa Bay region.

- Today, almost half (48 percent) of Sarasota County’s employment (112,300 jobs) is in Services. As noted, this sector includes a wide-range of occupations ranging from lodging/hospitality to education to medical to professional and business services such as legal and engineering. This is characteristic of an economy that is reliant on tourism and residential growth. Because of its broad range of job categories, the Services sector is one of the fastest-growing in almost every jurisdiction across the United States.
- Other notable sectors include Finance/Insurance/Real Estate (FIRE), which is the core sector generating demand for office space, as well as Manufacturing and Transportation/Communications/Public Utilities, which fuel demand for MEC-related uses such

as light industrial and warehousing and distribution space. On average, over the past 30 years, Sarasota County added approximately **530 and 300 new jobs each year in FIRE and Manufacturing and Transportation**, respectively. Notably, Manufacturing and Transportation, which comprised 11 percent of the County’s total employment base in 1970, comprises only seven percent today, reflecting an overall economy that is more diverse. The next largest sector, Retail Trade, comprises 16.5 percent of the total with 46,000 jobs.

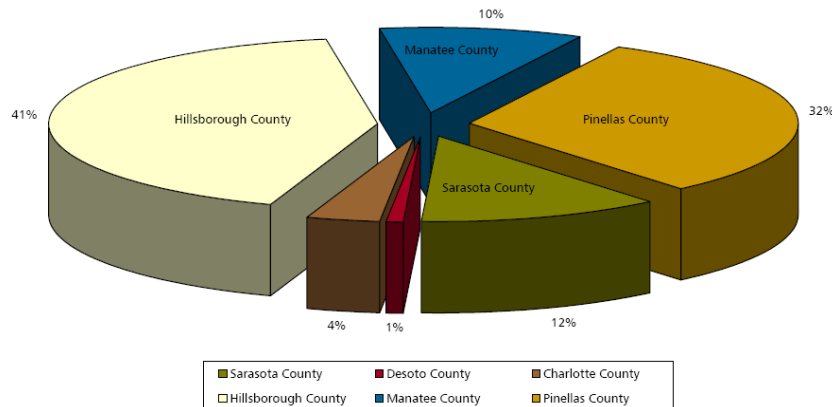
- ERA utilized employment forecasts prepared by two sources—Woods & Poole, Inc., which is the only data service nationwide that forecasts job growth in five-year increments through 2030 for each county in the United States (Table 2) and the state’s Agency for Workforce Innovation, which prepares eight-year projections for 2005-2013 (Table 3). ERA notes that the differences in total jobs between these two sources are due to Woods & Poole’s inclusion of both part-time and self-employed positions. By comparison, the state totals include only full-time employment.

**Table 1: Total Employment by Jurisdiction, 2006
Sarasota County MEC Study**

	Sarasota County	Desoto County	Charlotte County	Hillsborough County	Manatee County	Pinellas County
Agriculture	4,300	6,700	2,300	24,800	9,300	6,800
Mining	360	100	100	300	200	300
Construction	16,600	700	5,800	41,600	10,200	30,700
Manufacturing	10,700	200	1,400	38,400	12,100	44,200
Transport, Comm. & Public Util	5,700	200	1,800	43,700	2,900	19,000
Wholesale Trade	7,300	400	1,300	42,900	5,700	29,000
Retail Trade	38,800	1,500	13,600	112,800	26,900	101,700
Finance, Ins., and Real Estate	25,800	600	7,400	78,600	11,900	66,500
Services	112,300	2,600	32,100	358,600	99,000	269,500
Government	14,000	2,500	6,300	86,100	13,700	50,600
Total Employment	235,860	15,500	72,100	827,800	191,900	618,300
As a % of Total						
Agriculture	1.8%	43.2%	3.2%	3.0%	4.8%	1.1%
Mining	0.2%	0.6%	0.1%	0.0%	0.1%	0.0%
Construction	7.0%	4.5%	8.0%	5.0%	5.3%	5.0%
Manufacturing	4.5%	1.3%	1.9%	4.6%	6.3%	7.1%
Transport, Comm. & Public Util	2.4%	1.3%	2.5%	5.3%	1.5%	3.1%
Wholesale Trade	3.1%	2.6%	1.8%	5.2%	3.0%	4.7%
Retail Trade	16.5%	9.7%	18.9%	13.6%	14.0%	16.4%
Finance, Ins., and Real Estate	10.9%	3.9%	10.3%	9.5%	6.2%	10.8%
Services	47.6%	16.8%	44.5%	43.3%	51.6%	43.6%
Government	5.9%	16.1%	8.7%	10.4%	7.1%	8.2%

Source: Woods & Poole Economics; Economics Research Associates, October 2006

**Figure 1: Regional Share of Employment, 2006
Sarasota County MEC Study**



**Table 2: Sarasota County Employment Trends & Projections, Woods & Poole, Inc., 1970-2030
Sarasota County MEC Study**

	1970	1980	1990	2000	2010	2020	2030
Agriculture	1,386	1,747	2,677	3,998	4,522	5,082	5,727
Mining	28	137	388	321	350	331	310
Construction	6,136	10,139	13,146	14,564	17,142	18,544	19,904
Manufacturing	3,799	6,528	8,686	9,524	10,928	11,407	11,875
Transport, Comm. & Public Util	2,168	3,481	4,412	4,615	5,961	6,540	7,123
Wholesale Trade	1,300	3,225	4,839	5,430	8,056	10,033	11,983
Retail Trade	11,681	21,440	33,988	37,786	40,156	43,670	47,230
Finance, Ins. & Real Estate	6,680	14,510	15,807	20,249	27,195	30,673	34,184
Services	15,236	27,508	53,227	82,508	127,929	166,503	204,154
Government	6,053	10,533	14,674	13,114	14,743	16,497	18,215
Total Employment	54,467	99,248	151,844	192,109	256,982	309,280	360,705

	1970-1980 CAGR	1980-1990 CAGR	1990-2000 CAGR	2000-2010 CAGR	2010-2020 CAGR	2020-2030 CAGR
Agriculture	2.3%	4.4%	4.1%	1.2%	1.2%	1.2%
Mining	17.2%	11.0%	-1.9%	0.9%	-0.6%	-0.7%
Construction	5.2%	2.6%	1.0%	1.6%	0.8%	0.7%
Manufacturing	5.6%	2.9%	0.9%	1.4%	0.4%	0.4%
Transport, Comm. & Public Util	4.8%	2.4%	0.5%	2.6%	0.9%	0.9%
Wholesale Trade	9.5%	4.1%	1.2%	4.0%	2.2%	1.8%
Retail Trade	6.3%	4.7%	1.1%	0.6%	0.8%	0.8%
Finance, Ins. & Real Estate	8.1%	0.9%	2.5%	3.0%	1.2%	1.1%
Services	6.1%	6.8%	4.5%	4.5%	2.7%	2.1%
Government	5.7%	3.4%	-1.1%	1.2%	1.1%	1.0%
Total Employment	6.2%	4.3%	2.4%	3.0%	1.9%	1.6%

Source: Woods & Poole Economics; Economics Research Associates, October 2006

**Figure 2: Sarasota County Employment Mix, 1970
Sarasota County MEC Study**

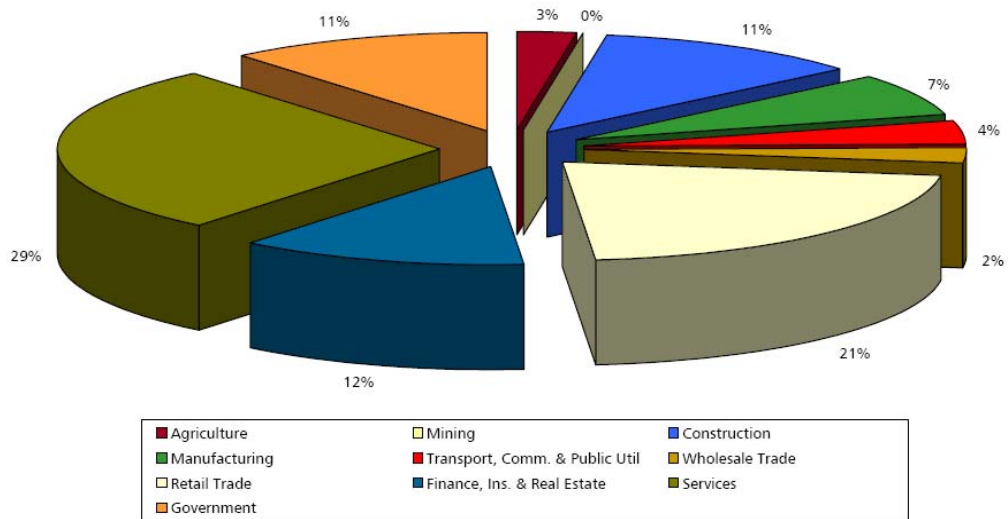


Figure 3: Sarasota County Employment Mix, 2006
Sarasota County MEC Study

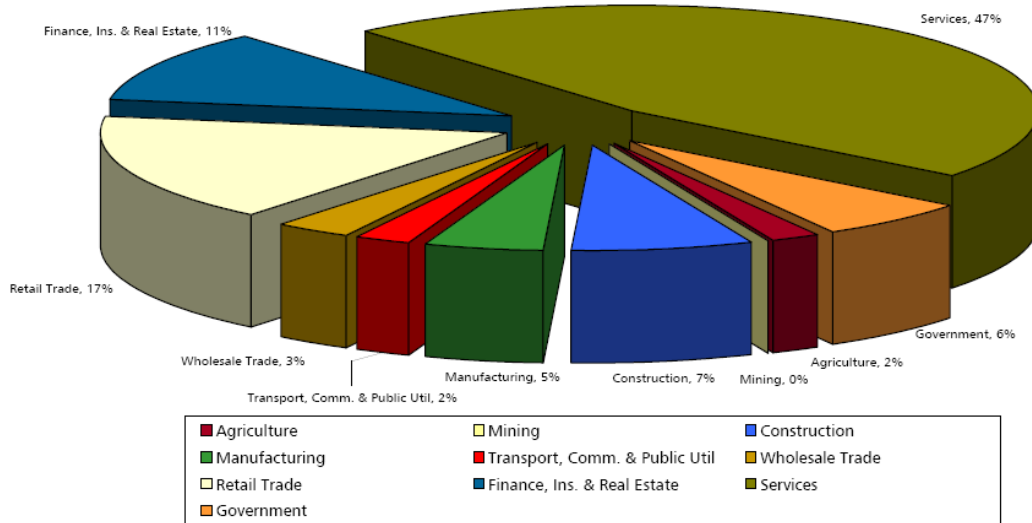


Figure 4: Forecasted Regional Percentage Change In Employment, 2000-2030
Sarasota County MEC Study

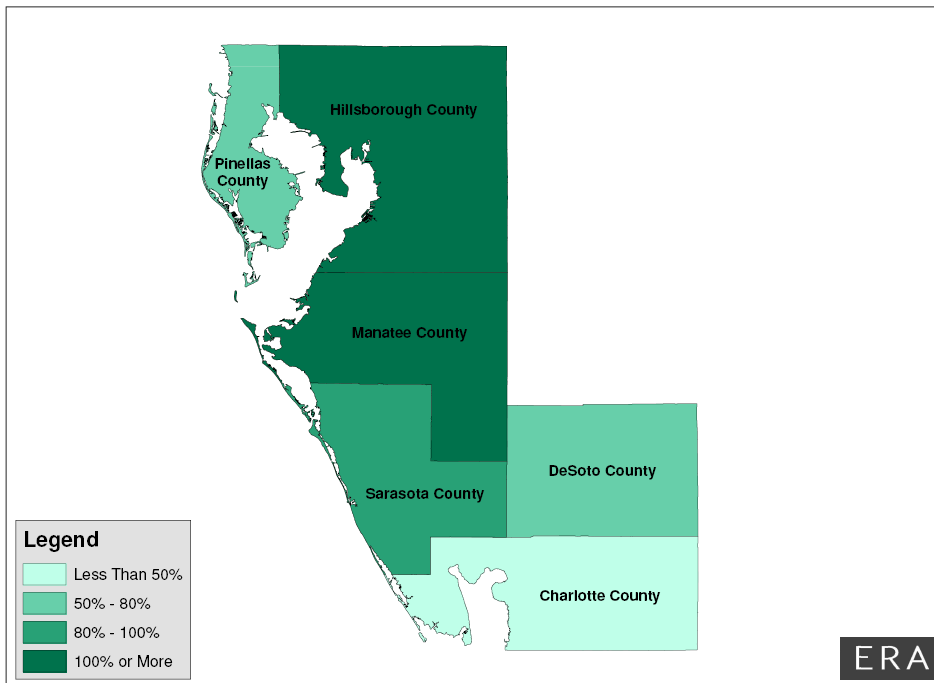


Figure 5: Sarasota County Employment Trends, by Industry, 1970-2030
Sarasota County MEC Study

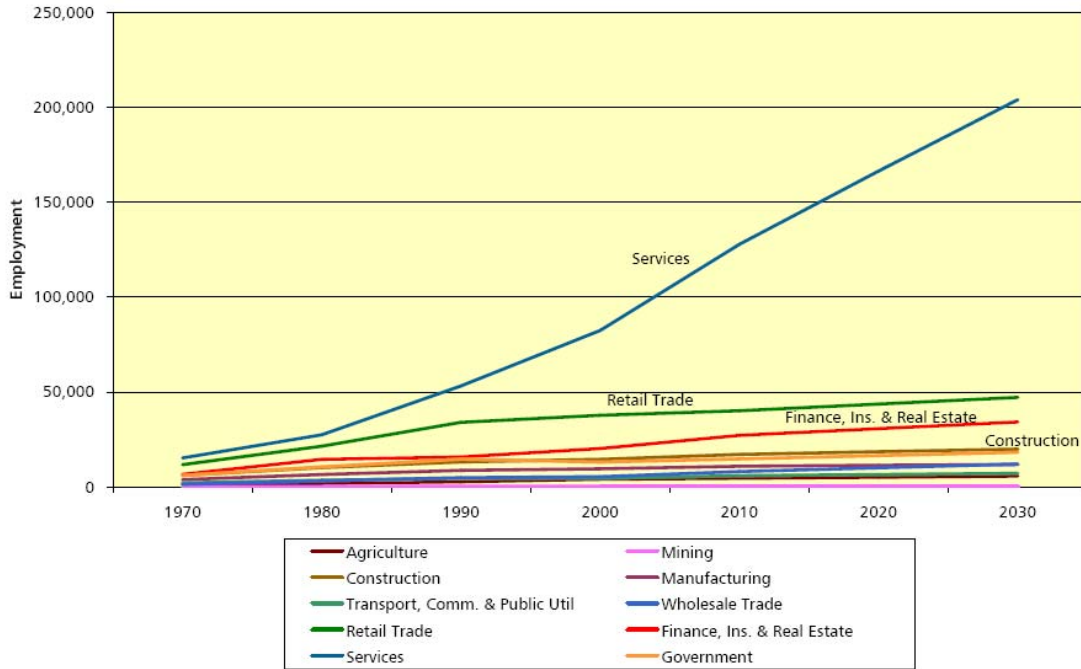


Table 3 contains the state's employment projections for the County for 2005-2013.

- In 2005, full-time employment totaled 185,200. Over the next eight years, the state projects that **the number of jobs in Sarasota County will increase by more than 35,000**—to 220,500, reflecting a healthy annual growth rate of 2.2 percent. This translates into 4,400 new jobs on an annual basis—consistent with historic, 30-year trends.
- When grouped by NAICS code, the greatest number of jobs is in the health care and social assistance sector (13 percent). Administrative, waste management and retail trade also provide large numbers of jobs (12.8 percent and 12.3 percent, respectively).
- Between 2005 and 2013, state forecasts suggest that administrative and waste management jobs will increase at the fastest clip—4.5 percent per year—or more than 1,200 new jobs annually. On the other hand, nominal job losses are predicted in the agriculture and mining (and utilities) sectors.
- Job growth among other sectors such as non-durable goods manufacturing, transportation and warehousing, and self-employed and unpaid family workers are expected to remain steady between 2005 and 2013.



Table 3: Sarasota County Employment Forecasts, Florida Agency for Workforce Innovation, 2005-2013
Sarasota County MEC Study

Industry Code	Title	Employment				Change	
		2005	% Distribution	2013	% Distribution	Average Annual Change	CAGR
Total, All Industries		185,235	100.0%	220,549		4,414	2.2%
11	Agriculture	387	0.2%	338	0.2%	-6	-1.7%
21	Mining	58	0.0%	52	0.0%	-1	-1.4%
22	Utilities	656	0.4%	582	0.3%	-9	-1.5%
23	Construction	16,366	8.8%	19,622	8.9%	407	2.3%
31-33	Manufacturing	8,033	4.3%	8,858	4.0%	103	1.2%
	<i>Durable Goods Manufacturing</i>	6,479	3.5%	7,210	3.3%	91	1.3%
	<i>Non-Durable Goods Manufacturing</i>	1,554	0.8%	1,648	0.7%	12	0.7%
42	Wholesale Trade	4,696	2.5%	5,490	2.5%	99	2.0%
44	Retail Trade	22,730	12.3%	24,870	11.3%	268	1.1%
48	Transportation and Warehousing	1,750	0.9%	1,852	0.8%	13	0.7%
51	Information	3,106	1.7%	3,603	1.6%	62	1.9%
52	Finance and Insurance	7,289	3.9%	8,344	3.8%	132	1.7%
53	Real Estate and Rental and Leasing	3,236	1.7%	3,673	1.7%	55	1.6%
54	Professional, Scientific, and Technical Services	9,836	5.3%	12,318	5.6%	310	2.9%
55	Management of Companies and Enterprises	549	0.3%	750	0.3%	25	4.0%
56	Administrative and Waste Management	23,715	12.8%	33,701	15.3%	1,248	4.5%
61	Educational Services	1,837	1.0%	2,463	1.1%	78	3.7%
62	Health Care and Social Assistance	24,095	13.0%	29,632	13.4%	692	2.6%
71	Arts, Entertainment, and Recreation	4,428	2.4%	4,892	2.2%	58	1.3%
72	Accommodation and Food Services	15,449	8.3%	17,428	7.9%	247	1.5%
81	Other Services (Except Government)	8,730	4.7%	10,109	4.6%	172	1.9%
92	Government	14,581	7.9%	17,394	7.9%	352	2.2%
	Self-Employed and Unpaid Family Workers	13,708	7.4%	14,578	6.6%	109	0.8%

Source: Florida Agency for Workforce Innovation; Economics Research Associates, October 2006

Summary of MEC Inventory

As noted, ERA is preparing a comprehensive inventory of each of the County's Major Employment Centers. This inventory and profile, due for completion on January 22, 2007, summarizes market conditions, by MEC, across the County. This includes acreage (both developed and undeveloped), the number of buildings in each workplace category, inventory (in square feet, hotel rooms, etc.), vacant space (in sq. ft.), annual net absorption (i.e., leasing activity) over the past five years, rental rates, building and land sales prices (as available), and other market-related information intended to illustrate the historic and current market performance of each MEC located in Sarasota County.

Based on the information assembled to-date, Table 4 summarizes the inventory of multi-tenant office and industrial/flex-tech space located in six key MECs across the County. ERA notes that, in some cases, smaller geographic MECs have been combined with others to create the six zones. These zones are defined as follows:

- **MEC 1** includes Lakewood Ranch, with workplace uses concentrated around University Parkway

- **MEC 2** includes the parcel known as “Sarasota Center”, located on Fruitville Road east of I-75
- **MEC 3** includes the quadrants surrounding the interchange of Fruitville Road and I-75 as well as the MEC designated areas along Cattlemen Road to Bee Ridge Road
- **MEC 4** includes multiple parcels along Route 301, south of University Parkway, such as the Northgate Industrial Park
- **MEC 5** includes a large MEC-designated area on Clark Road around McIntosh and Soldier
- **MEC 6** includes multiple, small MECs located in the South County south of Laurel Road, such as Jacaranda Boulevard near its interchange with I-75

Office Space

Based on inventory data tabulated by CoStar Realty Information, ERA estimates that these six aggregated MECs contain approximately **1.2 million sq. ft. of multi-tenant office space in 78 buildings**. As of the third quarter of 2006, approximately 130,000 sq. ft. of office space is vacant, reflecting a current vacancy rate of 10.9 percent. This indicates generally healthy market conditions among the office buildings located in the County’s MEC zones, although a vacancy rate of 11 percent is slightly less optimal than stabilization, which is in the range of five to seven percent. More detailed information on annual net absorption (i.e., leasing activity), rental rates, and estimates on the amount of potentially developable land for future office development, and other market performance characteristics will be completed in Task 3.0.

Industrial/Flex-tech Space

By comparison, the amount of general industrial and flex-tech space in the County’s MEC zones is substantially larger. For purposes of this analysis, flex-tech space is defined as a building providing its occupants the flexibility of utilizing the space with a configuration allowing a flexible amount of office or showroom space in combination with manufacturing, laboratory, warehouse and distribution uses, etc. CoStar defines flex-tech space as properties where the proportion of office space ranges from 31 percent up to 100 percent.

In fact, according to CoStar, there are more than **7.3 million sq. ft. of general industrial/flex space in 357 properties** across the County’s MECs. As of the third quarter of 2006, approximately 1.2 million sq. ft. of industrial/flex space are vacant, reflecting a **current vacancy rate of almost 17 percent**. Vacancy rates at this level are indicative of weakened market conditions; ERA’s more detailed analysis of the industrial/flex inventory will examine market characteristics across each *class* of building to understand the magnitude of physical and/or functional obsolescence that exists and that may be a contributing factor to current vacancy levels.



**Table 4: Summary Inventory of MEC Office & Industrial Space, 2006
Sarasota County MEC Study**

MEC	Zone Description	Office				Industrial/Flex			
		Bldgs.	Total RBA	Vacant SF	% Vacant	Bldgs.	Total RBA	Vacant SF	% Vacant
1	Lakewood Ranch/University Pkwy	34	399,666	79,682	19.9%	4	69,981	6,250	8.9%
2	Fruitville Road E of I-75	5	76,288	29,575	38.8%	20	311,817	23,566	7.6%
3	I-75 Interchange w/ Fruitville Road	11	510,000	4,693	0.9%	73	1,540,044	90,876	5.9%
4	301/Northgate Industrial Park	9	46,392	2,500	5.4%	155	2,538,181	143,293	5.6%
5	Clark Road/McIntosh/Soldier	18	120,034	13,950	11.6%	79	2,426,125	956,246	39.4%
6	Multiple MECs in South County	1	40,620	-	0.0%	26	465,842	20,859	4.5%
TOTAL:		78	1,193,000	130,400	10.9%	357	7,351,990	1,241,090	16.9%

Source: CoStar Realty Group; Economics Research Associates, December 2006.

Preliminary Market Issues & Opportunities

The following examines preliminary market potentials for workplace office and general industrial space as well as ancillary or supporting uses such as hotel rooms generated by employment growth. As illustrated in Table 5 below, ERA utilized employment forecasts for the seven major industry sectors as defined by the U.S. Department of Labor and prepared by Woods & Poole, Inc. (Note that Table 5 *excludes* agricultural employment as illustrated in Table 2 above).

- Between 1990 and 2006, Sarasota County added more than **82,000 new jobs**, reflecting a very strong compound annual growth rate of more than 2.3 percent *per year*. Almost 75 percent of these new jobs were in the Services sector and another 10,000 jobs were created in the Finance/Insurance/Real Estate sector; in combination, this is fueling significant demand for office space, new hotels and other hospitality/tourist-related services, and medical-related institutions. (Deliverable #3 will track patterns in new commercial development as well as absorption of such uses).
- Over the next 25 years (through 2030), Woods & Poole forecasts that Sarasota County will create more than **123,000 new jobs** across many of these seven employment sectors. We note, however, that some portion of this new job growth is expected among both part-time and at-home jobs, which do not necessarily “demand” workplace-related real estate such as office space.
- Like many jurisdictions around the country, Woods & Poole expects that job growth in the County’s Manufacturing sector will be flat, and that the Services sector will remain the predominant engine of new economic activity and job growth. Notably, jobs in the retail industry are expected to continue albeit at lower rates than occurred during the 1980s and 1990s. Moreover, job growth in Retail Trade is a direct function of “rooftop” (i.e., household) growth as well as the availability of discretionary income for spending on household consumer goods.



**Table 5: Non-Agricultural Employment Trends & Projections, 1990 – 2030
Sarasota County MEC Study**

Employment Sector	Actual (1)			Forecasts (2)			Compound Annual Growth			
	1990	2000	2006	2010	2020	2030	1990-2000	2000-2010	2010-2020	2020-2030
Mining/Construction	13,534	14,885	16,960	17,492	18,875	20,214	0.96%	1.63%	0.76%	0.69%
Manufacturing	8,686	9,524	10,700	10,928	11,407	11,875	0.93%	1.38%	0.43%	0.40%
Transp/Communications/Public Utilities	4,412	4,615	5,700	5,961	6,540	7,123	0.45%	2.59%	0.93%	0.86%
Wholesale/Retail Trade	38,827	43,216	46,100	48,212	53,703	59,213	1.08%	1.10%	1.08%	0.98%
Finance/Insurance/Real Estate	15,807	20,249	25,800	27,195	30,673	34,184	2.51%	2.99%	1.21%	1.09%
Services	53,227	82,508	112,300	127,929	166,503	204,154	4.48%	4.48%	2.67%	2.06%
Government (2)	14,674	13,114	14,000	14,743	16,497	18,215	-1.12%	1.18%	1.13%	1.00%
Total:	149,167	188,111	231,560	252,460	304,198	354,978	2.35%	2.99%	1.88%	1.56%
<i>No. of New Jobs Per Period (Rounded)</i>		38,900	43,400	20,900	51,700	50,800				

(1) Woods & Poole, Inc. estimates include both part-time and at-home employment.
 (2) Includes local, state and Federal government agencies.

Source: Woods & Poole, Inc.; Economics Research Associates, December 2006.

From a regional perspective, future employment and market demand for office and general industrial/flex-tech space are closely linked. In addition, a critical determinant of both future employment and market demand is the degree to which a community or specific site is competitive. Factors defining this competitive position include local and regional access; overall physical characteristics, such as highway frontage and visibility; proximity to economic activity, such as job creation, and business costs, such as property taxes. Not surprisingly, those MECs with similar attributes are also those that are experiencing significant increases in land values; these considerations are putting pressure on developers/property owners to offset these premiums with additional density across a mix of uses beyond the traditional (low-density) general industrial uses typically associated with MECs in Sarasota County.

Further, as a rule, office and industrial uses require access to a qualified labor pool, contemporary floorplates/building configurations, adequate (and oftentimes the provision of extra) parking, nearby convenience and supporting retail and services and pedestrian-scale amenities.

ERA prepared *preliminary* demand projections using employment forecasts across office- and general industrial-using sectors based on the Woods & Poole projections through 2030. This analysis is illustrated in Tables 6 through 8 and summarized below:

- As a rule, the average office employee occupies approximately 175 to 200 sq. ft. per person. Over the past 15 years, per employee occupancy levels have been *declining* because of a greater preponderance of open floor plans, consolidations and mergers affecting many industries, office “hoteling” and other factors. For purposes of this analysis, ERA estimates that roughly **43 percent** of total County employment will be office-using jobs using an occupancy factor of **193 sq. ft. per employee** to estimate future office demand.
- As illustrated in Table 6, ERA estimates demand for approximately **12 million sq. ft.** of general office space over the next 25 years based on future job growth. This equates to an



average of approximately **470,000 sq. ft.** of “demand” on an annual basis (or 544,000 sq. ft. with additional incremental demand generated by *actual* job growth between 2001 and 2006). ERA notes, however, that this does not necessarily suggest all new construction, as some demand for office space generated by new job growth can be accommodated within existing, vacant space.

**Table 6: General Office Demand for Sarasota County, 2000 – 2030
Sarasota County MEC Study**

Employment Sector	% Office Users	Sq. Ft. Per User	Total Demand for New Space (In Sq. Ft.)				Avg. Ann'l (30 Years) 2001-2030
			2000-2006	2006-2010	2010-2020	2020-2030	
		(1)					
Mining/Construction	10%	150	31,125	7,980	20,745	20,085	2,665
Manufacturing	20%	175	41,160	7,980	16,765	16,380	2,743
Trans./Comm./Public Utilities	60%	200	130,200	31,320	69,480	69,960	10,032
Wholesale/Retail Trade	20%	200	115,360	84,480	219,640	220,400	21,329
Finance/Insurance/Real Estate	90%	250	1,248,975	313,875	782,550	789,975	104,513
Services	40%	200	2,383,360	1,250,320	3,085,920	3,012,080	324,389
Government	60%	175	93,030	78,015	184,170	180,390	17,854
Demand From New Employment:	43%	193	4,043,210	1,773,970	4,379,270	4,309,270	483,524
Plus Vacancy Adjustment:		(2)	303,241	133,048	328,445	323,195	36,264
Plus Cumulative Replacement Demand:		(3)	202,161	88,699	218,964	215,463	24,176
TOTAL DEMAND IN SQ. FT. (Rounded):			4,549,000	1,996,000	4,927,000	4,848,000	544,000
Per Year			758,000	499,000	493,000	485,000	

(1) Reflects office - using employees in each employment sector requiring office space.

(2) This allows for a 7.5% “frictional” vacancy rate in new space delivered to the market (i.e., existing tenants with lease expirations in market for new space).

(3) This represents new space required by existing businesses to replace obsolete or otherwise unusable space. This is assumed to represent 5% of total implied demand.

Source: Economics Research Associates, December 2006.

A similar analysis was prepared to estimate demand for general industrial/flex-tech space. For purposes of this analysis, “general” industrial space is defined as warehousing, distribution, assembly and flex-tech. As noted previously, flex-tech space is defined as that suited for high-tech manufacturing, research & development, and ancillary office or showroom space requiring flexibility for tenant use.

Consistent with key recommendations in the Economic Development Strategic Plan prepared for the County’s Economic Development Corporation, ongoing diversification of the County’s economy to attract high-tech and bio-technology industries suggests initiatives that ensure the provision of “industrial” space that is sufficiently flexible to accommodate a range of uses and tenants (including research and development product that typically requires a greater degree of infrastructure such as HVAC and special plumbing requirements). However, this may require the provision of incentives designed to enhance the attraction of these industries to Sarasota County, such as tenant improvement allowances that offset the premium costs associated with additional infrastructure.



**Table 7: General Industrial/Flex-tech Demand for Sarasota County, 2000 – 2030
Sarasota County MEC Study**

Employment Sector	% Industrial Users	Sq. Ft. Per User	Total Demand for New Space (In Sq. Ft.)				Avg. Ann'l (30 Years) 2001-2030
			2000-2006	2006-2010	2010-2020	2020-2030	
		(1)					
Mining/Construction	20%	500	207,500	53,200	138,300	133,900	17,763
Manufacturing	40%	600	282,240	54,720	114,960	112,320	18,808
Trans./Comm./Public Utilities	30%	600	195,300	46,980	104,220	104,940	15,048
Wholesale/Retail Trade	20%	500	288,400	211,200	549,100	551,000	53,323
Finance/Insurance/Real Estate	15%	300	249,795	62,775	156,510	157,995	20,903
Services	20%	500	2,979,200	1,562,900	3,857,400	3,765,100	405,487
Government	10%	350	31,010	26,005	61,390	60,130	5,951
Demand From New Employment:	22%	479	4,233,445	2,017,780	4,981,880	4,885,385	537,283
Plus Vacancy Adjustment:		(2)	423,344	201,778	498,188	488,539	53,728
Plus Cumulative Replacement Demand:		(3)	211,672	100,889	249,094	244,269	26,864
TOTAL DEMAND IN SQ. FT. (Rounded):			4,868,000	2,320,000	5,729,000	5,618,000	618,000
Per Year			811,000	580,000	573,000	562,000	

(1) Reflects employees in each employment sector requiring general industrial space.

(2) This allows for a 10% "frictional" vacancy rate in new space delivered to the market (i.e., existing tenants with lease expirations in the market for new space).

(3) This represents new space required by existing businesses to replace obsolete or otherwise unusable space. This is assumed to represent 5% of total implied demand.

Source: Economics Research Associates, December 2006.

- For purposes of this analysis, ERA estimates that roughly **22 percent** of total County employment will be industrial-using jobs using an occupancy factor of **479 sq. ft. per employee** to estimate future demand for general industrial space. The occupancy factor is a blended rate that considers a range of general industrial product (i.e., warehousing and distribution, where fewer employees occupy more space as well as research and development or laboratory space that typically have open floor plan layouts occupied by a greater number of employees).
- As illustrated in Table 7, based on new jobs likely to use general industrial and flex-tech space, ERA estimates that employment growth in Sarasota County between 2006 and 2030 will generate demand for more than **13.6 million sq. ft.** of industrial space. This equates to an average of approximately **470,000 sq. ft.** of "demand" on an annual basis (or 618,000 sq. ft. with additional incremental demand generated by *actual* job growth between 2001 and 2006).
- It is likely that future industrial development will occur in outlying parts of Sarasota County—that is, in those locations with the lowest land costs because "industrial" uses typically require greater land area to accommodate horizontal building footprints. This would suggest that locations in parts of the South County will be attractive, particularly those with easy access to I-75.

Opportunities for new lodging development in Sarasota County will, in large part, be driven by expansion of the region's visitor market, particularly convention delegates as well as special events



and cultural activities that draw visitors to Sarasota. In addition, growth in the business/corporate market is considered key to generating additional market support for quality, business-class lodging properties in Sarasota and nearby communities. This analysis is illustrated in Table 8 below:

**Table 8: Employment-Generated Hotel Demand for Sarasota County, 2006 – 2030
Sarasota County MEC Study**

New Office Space (In Sq. Ft.)		11,771,000
Employment @	193 Sq. Ft. Per Employee	61,035
Annual Visitors (240 Workdays) @	20.0%	2,929,671
% of Hotel Stays	45.0%	1,318,352
Length of Stay	1.75 nights	2,307,116
Party Size		1.25
Annual Roomnights Generated		1,845,693
Subtotal-Rooms Demanded by New Office Employees:	(1)	3,540
New Industrial Space (In Sq. Ft.)		13,667,000
Employment @	450 Sq. Ft. Per Employee	30,371
Annual Visitors (240 Workdays) @	5.0%	364,453
% of Hotel Stays	40.0%	145,781
Length of Stay	1.75 nights	255,117
Party Size		1.25
Annual Roomnights Generated		204,094
Subtotal-Rooms Demanded by New Industrial Employees:		391
Gross Potential Hotel Demand	(2)	3,931
Less Available Rooms to Achieve 70% Occupancy		TBD
Net Potential Hotel Demand (In Rooms):		3,931

(1) Assumes annual occupancy of 70%.

(2) This estimate excludes roomnight demand potentials generated by tourist visitors to Sarasota County. Additional data are required to complete that analysis.

Source: Economics Research Associates, December 2006.

Presuming that the employment forecasts identified above hold true, our market findings suggest that growth in business sectors could potentially support gross demand for more than **3,900 new hotel rooms** over the 2006-2030 planning period. This estimate *excludes* potential demand generated by the tourism industry to Sarasota. These findings will be integrated in Deliverable #3 to prepare estimates of *net demand*, which consider these impacts of existing vacant inventory (rooms) on future market potentials.

Moreover, given the difficulties in financing new hotels today as well as recent and ongoing deliveries of limited-service product (e.g., Hotel Indigo) as well as condominium hotel product oriented to the visitor market (e.g., Ritz Carleton), development of additional lodging properties in Sarasota may be adequately met at least for the short-term.



In Task 3.0, ERA will prepare more detailed analyses of market demand projections based on two-digit NAICS (North American Industrial Classification System) codes. This will allow for more specific understanding of the types of workplace real estate that will be “demanded” based on employment growth forecasts in Sarasota County over the next 25 years.