



Economics Research Associates

Jupiter TOD Market Overview

Jupiter, FL

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Why a Market Overview?

- Understand current market conditions and impacts on near-term redevelopment opportunities for the TOD site.
- Identify “drivers” of demand critical to short-term redevelopment opportunities.
- Test *preliminary market support* for a range of uses—for-sale housing, workplace (professional office), and supporting services (retail).

Demographic Characteristics (Tables 1-4)

- Between 2007 & 2020, the City’s population is projected to increase by **16,000 residents in 6,700 households (units)**. Jupiter’s population is growing faster than both the County as well as nearby, selected jurisdictions.
- Growth over the next five years is expected to generate demand for **700 to 750 rental units** and upwards of **2,000 owner-occupied units** citywide.
- Median household incomes in Jupiter are expected to increase over the next five years—to **\$86,000**.
- The number of households earning over \$150,000 is expected to increase almost 64%(2,200 additional HHs)-which bodes well for retail potentials.
- Demographic forecasts suggest that those ages 45-54 years—typically comprised of residents in their peak earning years and empty nesters—and 55-74 years will increase over the next five years.
- Collectively, these **forecasts bode well for potential market support for new housing** in Jupiter oriented to new, high-quality residential development and age-restricted housing.

Economic Profile (Tables 5-8)

- Jupiter households spend roughly **\$520 million per year** on various retail categories (**\$23,500 per HH**).
- Sales among City retailers in 2007 totaled \$726 million across various retail categories. This suggests that Jupiter’s retailers are attracting spending from outside the City (i.e., net inflow into the City).
- Two retail sectors in Jupiter experiencing *leakage* (i.e., HH spending is being spent at retailers outside the city) are Apparel & Accessories (i.e., clothing, footwear, jewelry)

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and General Merchandise (i.e., department stores, warehouse clubs). This suggests that HH spending (demand) is greater than sales (supply) in these sectors.

- Jupiter contains **23,000 at-place jobs**—comprising 4% of the County’s total workforce of 552,000—this is the City’s *fair share*
- The City’s employment base is smaller than Boca and West Palm—the County’s major job centers.
- Palm Beach County added 53,000 new jobs between 2000 and 2007; forecasts suggest that the County will add **41,000 new jobs over the next five years** and 73,000 new jobs between 2012 & 2020.
- MPO forecasts suggest that Jupiter will add more than **6,700 new jobs** by 2020—adding new jobs more quickly than communities such as Delray & Riviera Beach.
- Job growth will translate into demand for roughly **two million sq. ft. of ‘workplace’ real estate** (office, retail) across the City by 2020.

Housing Market (Tables 9-10)

The housing boom across South Florida between 2000 & 2005 fueled new residential development in Jupiter. New residential development includes Abacoa, a 2,055-acre master planned community that is comprised of a variety of housing types (i.e., townhomes, condominiums, single-family homes) located within walking distance to shops and services. Communities are centered on a downtown, composed of shopping, restaurants, movies and a baseball stadium. In addition, Abacoa is home to Florida Atlantic University as well as a middle school and an intermediate school. Abacoa will also be the location of the Scripps Research Center.



- *Reported* building permit data suggests that the City issues an average of almost **200 multi-family & 520 single-family permits** annually—comprising 6% of the County’s total.
- Based on selected comparables, *asking* sales prices for townhouse units in Jupiter generally range from \$175 to \$350 per sq. ft, with an average of **\$213 per sq. ft.**
- ERA is awaiting additional information on sales trends in the City’s condominium market.

Office Market (Tables 11-12)

- The County’s office market is dominated by Boca and West Palm—which contain 60% of the County’s office inventory of **46.9 million sq. ft.**
- Countywide leasing activity (“net absorption”)—a true barometer of the overall health of an office market—has averaged **90,000 sq. ft. per year.**
- However, a weakening economy and limited job growth in 2007 resulted in negative absorption (-356,000 sq. ft.).
- Office rents across the County have jumped by almost 25% since 2001; current full-service rents average over **\$28 per sq. ft.**
- Jupiter contains **2.3 million sq. ft.** of office space in 113 office buildings—comprising five percent of the County total; 76% of the office buildings in Jupiter are classified as Class B and less than 10% are classified as A, or top-quality, office space.
- Office market characteristics in Jupiter were not tracked prior to 2007. Leasing activity (absorption) in 2007 was solid—averaging **47,100 sq. ft.** Vacancy averaged 15%, slightly higher than vacancy rates countywide.



Retail & Hotel Markets (Tables 13-16)

- According to CoStar, Jupiter contains **2.8 million sq. ft.** of retail in 89 properties comprising a mix of small strip & neighborhood/community retail centers.
- Jupiter serves as a “destination” retail center for residents of northern Palm Beach County and neighboring Martin & Glades counties.
- Consistent with the City’s commercial office sector, market performance among the City’s retail centers is strong—with *stabilized* vacancy rates of less than 6% and high rents (\$25 per sq. ft).
- In 2007, Palm Beach County had approximately **4.7 million visitors**, in which half stayed in a hotel or motel. While the total number of visitors decreased between 2003 and 2006, countywide visitation increased by approximately 232,000 visitors between 2006 and 2007.
- Occupancy rates in the North County submarket averaged **65.8 percent** in 2007. This is slightly lower than the 2007 countywide occupancy rate.

Preliminary Market Potentials (Tables 18-20)

The following recommendations related to development opportunities on the parcels comprising the Jupiter TOD project are preliminary in nature and based on the findings of this initial market overview. Full feasibility studies will be required for all uses. Other key assumptions include the following:

- Continued population and household growth in Jupiter—16,000 new residents in 6,700 households (units).
- Continued expansion of Palm Beach County’s economy, including job growth in specific sectors that drive demand for commercial development such as Services and Finance/Insurance/Real Estate.
- Tying spin-off opportunities generated by large-scale economic development initiatives such as Scripps to site-specific locations such as the TOD.
- Recovery of the South Florida housing market, including takedown/absorption of vacant, recently-delivered residential units across Palm Beach County.
- Opportunities to attract investor interest in redevelopment of the designated TOD parcels assumes public-sector commitment to undertaking specific improvements to the public realm; these commitments may vary, but could include the provision of parking, infrastructure, landscape/streetscape, open space.

Workplace (Office)

- Palm Beach County added 53,000 new jobs between 2000 and 2007. Forecasts suggest that the County will add 41,000 new jobs over the next five years and 73,000 new jobs between 2012 and 2020—for a total of **114,000 new jobs by 2020**.
- The MPO forecasts that 6,700 new jobs will be created in Jupiter by 2020.
- The County’s largest employment increase (59,000 new jobs) between 2007 and 2020 is expected in the Services sector, which 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 heavily reliant on tourism and services.
- The increase in employment may translate into countywide demand for roughly 8.7 million sq. ft of office space between 2007 and 2020. ERA notes that this may not necessarily require all new office construction, as *some* office-using employment growth can be accommodated in existing (viable) vacant space in the County (currently estimated at 5.6 million sq. ft.).



- **If Jupiter adds 6,700 new jobs, this could be expected to translate into roughly two million sq. ft. of ‘workplace’-related real estate (office, retail, industrial).**
- Based on current office vacancies and average absorption, it is estimated that it will take 7.5 years for Jupiter’s office market to achieve stabilization.
- In 2001, about 10% of the County’s office space was vacant (over four million sq. ft.), yet more than four million sq. ft. of new space has been built since then. Therefore, new jobs likely filled this new office space, while existing vacant space remained vacant. This resulted in annual absorption (leasing activity) that did not accurately reflect actual demand in the market.
- Today, Jupiter’s fair share of the County’s office market is five percent. Presuming this fair share is maintained over the next five years suggests that demand for new office space will range from 25,000 sq. ft. per year (based on historic absorption) to as much as 145,000 sq. ft. (based on employment growth). Assuming a midpoint of this range would suggest **annual demand of about 85,000 sq. ft. of office space per year citywide.**
- ERA estimates that the TOD site could capture the lion’s share of this demand because of positive locational characteristics, including its adjacency to the Jupiter Medical Center (which will likely drive spin-off demand for medical office space not built on the hospital campus itself).

General Retail

Retail potentials on the TOD site will be driven in large part by opportunities to assemble contiguous parcels that provide sufficient frontage and visibility on the primary access street as well as ample parking. In addition, overall retail viability is also determined by a retail center’s anchor tenant(s) and merchandise mix as well as the ability to attract local and/or regional household consumer spending.



Moreover, a critical mass of on-site employment and “rooftops” (i.e., densities) will be required. ERA’s preliminary retail analysis suggests that growth in households, incomes, consumer spending and employment could be expected to result in additional demand of **700,000 to 800,000 sq. ft. of general retail space in Jupiter (citywide)** over the next five years.

- Determining an appropriate retail program on the TOD site will require additional feasibility studies and clear understanding of the site capacity and market requirements. If sufficient acreage cannot be assembled and a prospective retail program has to rely solely on support from future commuter rail passengers (and immediately surrounding residents), market opportunities for new retail uses on the TOD site will be much more limited.



Mixed-density Residential

Over the next five years, citywide forecasts suggest that Jupiter’s population will increase by more than 5,500 new residents in **2,800 new households**. This translates into *sustained* annual growth of about 560 new households (i.e., housing units) annually.

- Determining the amount of new residential development on the TOD site will require a clear understanding of the amount of developable acreage, need for environmental remediation, zoning approvals and allowable densities, among other factors informing the potential for new housing. If a sufficient number of contiguous parcels can be assembled, cleared and made available for new residential development at the TOD site, it is reasonable to assume an initial phase of residential development in the range of **100 to 200 units**. This would serve to attract institutional investment interest and reflects a reasonable capture of citywide household (housing unit) growth in the range of 20% to 30%.