

## MORE ROOM FOR GROWTH

With more office and living space on the horizon, brokers are confident that there will be takers

By Carl Cronan

**M**iami remains the most spectacular of Florida's commercial real estate markets, but lately the gleam has been dulled a bit. Besides being overrun with negative press for its oversupply of urban residential condominiums, the city's central business district faces the prospect of more than two million square feet of new office space coming online through next year with fewer tenant prospects.

The biggest sign of trouble in the office sector occurred earlier this year, when law firm Bilzin Sumberg backed out of a 115,000-square-foot prelease at the Foram Group's massive Brickell Financial Centre. Work on the building has moved inside, while others such as Met 2 and 1450 Brickell are also on their way to completion.

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Vacancy rates for the Downtown and Brickell submarkets—which collectively make up the Miami CBD—are 11.2% overall through the first quarter, with average asking rents well below their customary levels of \$40 per square foot, according to CB Richard Ellis. The overall Miami-Dade County vacancy rate is 11.4%, up nearly three percentage points over the past year, yet still better than other large metro areas across the state.

Local brokers say Miami still has a distinct advantage over all other Florida cities that hasn't changed through the national downturn: The city remains the US gateway to Latin America, and now the price of admission isn't considered nearly as steep.

"We have become more affordable for office and residential, and that works in our favor," says Tere Blanca, president and CEO of Blanca Commercial Real Estate and current chair of Miami's Beacon Council economic development group. She notes that Miami

is seeing tremendous renewed activity from South American companies looking to put headquarters there.

Blanca, a former Cushman & Wakefield executive whose new independent firm recently won the leasing assignment for the 35-story 1450 Brickell office tower now under construction, points out that no more new space is likely to come along for years after current buildings are completed because of continuing credit restrictions. She adds that the upcoming excess will likely be absorbed as suburban office tenants reconsider the city center: "There might be a migration toward quality."

Other brokers agree with Blanca, pointing out that the new space downtown amounts to less than 5% of Miami-Dade's current office inventory of 46 million square feet. They note that suburban markets, such as Coral Gables and Miami Beach, are still faring well.

"It will get filled up," says Tom Capocefalo, managing director with Studley in Miami. "It might take a number of years, but it's not going to diminish the city's prestige."

The Beacon Council has joined with

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the Miami Downtown Development Authority and other similar groups to launch a new initiative, branded "Where Worlds Meet," that aims to promote Miami-Dade as a solid place to work, live and vacation. The campaign is being geared toward Latin America and Europe, the region's strongest foreign markets.

"We are transitioning to a 24/7 city," says Alyce Robertson, MDDA executive director. "Not only can you do business here, but on weekends you can play."

Other companies appear to be demonstrating their confidence in the market by staying put. For example, UBS Financial Services signed a five-year extension for 34,536 square feet in Bank of America Tower at International Place, where it has been a tenant for the past 15 years. "Businesses recognize the value of having a long-term presence in our urban core," Robertson notes about the UBS lease renewal.

The overhang of condo overbuilding that has been the subject of numerous national news reports is actually transitioning to good deals on downtown apartment rentals, which Robertson points out is something Downtown Miami never had before. Despite some calculations that as many as 40,000 units remain unsold throughout Mi-

ami-Dade County, renters are able to take advantage of pricing as low as \$1,000 per month.

While condo foreclosures are practically a daily occurrence, bulk sales of units are also under consideration. "Institutional money considers the fundamentals of Miami-Dade to be stronger" than other Florida markets, says Adam Cappel, president of Miami-based [CondoReports.com](http://CondoReports.com), who estimates nearly 200 condo and townhome projects countywide with availability of at least 20 units each.

The availability of urban condos, whether for sale or rent, is driving new retail development in Miami's core. Developments such as Bayside Marketplace and Mary Brickell Village have brought new shopping, dining and nightlife to Downtown Miami, creating a dual-purpose district that operates well beyond normal business hours.

The popular South Beach area still holds most of the attention of shoppers, with rental rates proving the point. Asking retail rents in Miami-Dade range from \$30 per square foot along Biscayne Boulevard to as high as \$130 per square foot on South Beach's

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fashionable Lincoln Road, according to Cushman & Wakefield of Florida.

While retail occupancy remains well within the 90% range throughout the local market, rents have shown nominal declines this year with class B assets already experiencing erosion, observes Greg Masin, senior director with Cushman & Wakefield in Miami. "The leverage," he says, "has clearly shifted to the tenant."

From an industrial standpoint, Miami has an overall vacancy rate of 8.1% through the first quarter. Asking rents averaged \$6.64 per square foot, according to Cushman & Wakefield.

The North Dade submarket, at \$5 per square foot, is finding new strength as a value alternative for companies seeking access to major transportation centers in South Florida, says Brian Smith, senior director for industrial brokerage services with Cushman & Wakefield in Miami. "A tenant can drive a harder bargain in North Dade," he says.—REFLA