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Office glut favors tenants ready to go

the average five- to 10-year lease. "There are more options for tenants today than there ever have been," said Barbara Liberatore Black, founding partner with Cresa Partners, which represents about 10 tenants shopping for space. "These tenants are very curious to see what they can get."

Hunton & Williams is considering staying at 1111 Brickell Ave. versus moving. The factors to consider: landlord stability, neighboring tenants, if the building is "green" and more. "It's not only about dollars and cents," Steinberg said.

But some suggest that a tenant with a lease expiring in 2011 or 2012 will do better making a decision next year. As the new buildings start coming on line, industry experts say there will be even more fallout.

"From a landlord's perspective it's only going to get worse," Lovell said.

Brickell Financial Centre's solution is to wait out the market. Foram Group dramatically slowed construction more than eight months ago and is waiting to finish the building at 600 Brickell Avenue until the market improves. "We're in a unique position of being able to re-define our construction schedule and reevaluate the marketplace," said Loretta Cockrum, chairman and chief executive of Foram Group. The building has no debt, which is why Cockrum says it can afford to wait.

But local real estate brokers say the delay is more about Foram Group's inability to obtain favorable financing. Cockrum and President John Breistol say this isn't true and they can finish at any time.

Meanwhile, Met 2 and 1450 Brickell are aggressively courting new tenants.

Met 2, 345 SE Second Ave., touts its mixed-use project that will include a restaurant by renowned chef Daniel Boulud, a JW Marriott Marquis and the first Hotel Beaux Arts Miami, a new brand of Marriott's luxury portfolio.

The 1450 Brickell building, at the south end of the avenue away from traffic congestion, has amenities that include glass built to withstand winds of up to 327 miles per hour and a second back-up generator.

At both buildings, the first tenants to sign leases have been able to score plenty of perks. Brokers say the most aggressive deals include one-year free rent, free moving costs and up to \$100 per square foot to cover the cost of building out the new office space. "A lot of these deals, they don't break even until the seventh or eighth year," said Richard Schucts, of Jones Lang LaSalle, who handles tenant representation.

Law firm Greenberg Traurig, financial services company Deloitte and Business Centers International were the first to sign at Met 2, a joint venture by MDM Development Group and MetLife.

Law firm Bilzin Sumberg signed with Brickell Financial Centre in 2008, but both sides agreed to cancel the lease. This fall Bilzin became the first tenant to commit to 1450 Brickell by Alan Ojeda's Rilea Group.

Relocating gives tenants who have been in one building for decades a chance to redesign and often reduce space. Greenberg Traurig's offices will be

more than 20 percent smaller when the firm moves, eliminating a library and dining rooms.

"It gives us an opportunity to use our space more efficiently," said Matt Gorson, president of Greenberg Traurig. "We can take advantage of changes in technology."

ANOTHER WAVE

Another wave of new lease deals could come early next year. Both Met 2 and 1450 Brickell expect tenants to start moving in by the second half of 2010.

"Because we have an owner with a long-term perspective, we're in a position to lease this building at a good pace, but not in desperation mode," said Tere Blanca, whose company is handling 1450 Brickell.

Brokers say at least two dozen tenants are actively shopping for space that would collectively fill 500,000 to 800,000 square feet. Among those said to be looking: Wachovia Securities, H.I.G. Capital, BNY Mellon, JPMorgan Chase, Wachovia bank, Verizon, Berger Singerman law firm, Onboard Media and Barclays bank.

In some cases, they may be just after a better deal with their existing landlords.

But it's tenant beware.

"You want to make sure they can deliver and that you're properly protected if they don't," said Steven Hurwitz, of Continental Real Estate Companies. "It's about 'Is the elevator going to be fixed very quickly if it breaks? Are you going to be upset when the air conditioning goes off at 5 p.m.?' "

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Landmark older buildings, including Bank of America Tower and Wachovia Financial Center, are trying to convince tenants to stay put by investing millions in renovations. They're also trying to renew tenants before leases expire and extending leases at lower rates.

"In a market like this, you want to make sure you're not losing tenants over market conditions," said Tony Puente of Fairchild Partners, who handles leasing for Bank of America Tower.

Wachovia Financial Center is already marketing the spaces that Bilzin and Deloitte will vacate and touting the advantages of a debt-free building, said Don Cartwright of Cushman & Wakefield, which handles leasing at Wachovia Financial Center.

But it's not going to be easy to keep tenants.

"2010 everyone is anticipating a bloodbath," said Scott Strickland, of Jones Lang LaSalle, which represents the owners of 1221 Brickell. "I think you'll start to see more sanity coming back in 2011."

Buildings by the numbers

The Studley 25 Miami Index is a bimonthly comparison of the top 25 office buildings in downtown Miami and the Brickell financial district. Vacancy rates continue to climb and 63 percent of the available space has been on the market for one year or more.

DOWNTOWN MIAMI

Building Address	Year Built	Size (SF)	Vacancy Rate
100 SE 2nd St.	1987	600,959	9.30%
150 W. Flagler St.	1983	234,910	15 %
200 S. Biscayne Blvd.	1984	1,225,000	1.70%
201 S. Biscayne Blvd.	1982	782,210	19.80%
1 SE 3rd Ave.	1973	420,080	20.60%
2 S. Biscayne Blvd.	1973	691,783	9.10%

BRICKELL

Building Address	Year Built	Size (SF)	Vacancy Rate
701 Brickell Ave.	1986	677,667	0.30%
801 Brickell Ave.	1985	415,150	12.60%
1111 Brickell Ave.	2000	522,892	0.30%
1221 Brickell Ave.	1986	407,138	23.10%
1395 Brickell Ave.	2004	260,000	9.00%
1441 Brickell Ave.	2003	254,648	0.00%
1001 Brickell Bay Dr.	1985	280,500	12.00%
501 Brickell Key Dr.	1986	120,531	21.50%
601 Brickell Key Dr.	1989	207,489	11.70%
444 Brickell Ave.	1973	200,000	10.60%
777 Brickell Ave.	1980	298,457	2.80%
800 Brickell Ave.	1981	208,325	18.10%
848 Brickell Ave.	1981	100,425	15.00%
999 Brickell Ave.	1973	101,073	32.30%
1101 Brickell Ave. (N)	1985	146,228	61.90%
1101 Brickell Ave. (S)	1964	105,601	50.00%
1200 Brickell Ave.	1986	231,501	26.30%
1401 Brickell Ave.	1974	188,138	0.00%
80 SW 8th St.	1986	286,341	24.60%

TOTALS: 8,969,744 square feet, 15% vacancy rate

Source: Studley

The Miami Office Market

As vacancy rates increase, rental prices are falling in the downtown Miami and Brickell districts.

BRICKELL OFFICE MARKET

	2006	2007	2008	YTD Q3 2009
New bldgs.	0	0	0	0
Vacancy Class A	6.9%	8.4%	10.3%	10.8%
Vacancy Class B	15.9%	16.4%	19.6%	25.1%
Class A Avg Rent*	\$36.74	\$42.82	\$43.68	\$41.63
Class B Avg Rent*	\$26.59	\$34.11	\$35.02	\$30.37

DOWNTOWN OFFICE MARKET

	2006	2007	2008	YTD Q3 2009
New bldgs.	0	0	0	0
Vacancy Class A	7.0%	7.5%	7.5%	12.1%
Vacancy Class B	14.7%	13.2%	16.9%	18.5%
Class A Avg Rent*	\$33.05	\$38.63	\$42.46	\$42.36
Class B Avg Rent*	\$21.66	\$24.65	\$25.33	\$23.42

* All rents are quoted in price per square foot

- Class A is the highest quality office space available in the market in terms of location, amenities, design and more. Class B is the second highest quality.