

## **Housing Cools, But Nonresidential Still Hot**

By [Natalie Keith](#)



### **Nonresidential hot in S. FL.**

HOLLYWOOD, FL-The commercial real estate industry in South Florida is experiencing a “good news, bad news” scenario. While the residential sector has cooled down considerably from its red-hot pace over the past few years, the nonresidential sector is showing signs of remarkable strength.

This was among conclusions at the first RealShare South Florida held Wednesday at the Hollywood Hard Rock Hotel. About 150 people attended the event, which opened with a “State of the Market Town Hall Meeting” in which panelists discussed prospects for the 2007 commercial real estate markets. “South Florida is still growing,” said Marcus & Millichap senior vice president/managing director Gene Berman. “It’s not going into recession by any means.”

The population is continuing to grow and companies are still interested in moving to the region, in part because rental rates are cheap to other regions of the country, such as New York City. “We think the future is bright in South Florida,” said Wachovia senior vice president/market manager, real estate financial services David Warne. “On the income property side, office, industrial and apartments are all doing well.”

Contributing to the strength of the nonresidential sector is the scarcity of land on which to build. With continued strong demand among office and industrial tenants, occupancy rates have risen in existing properties. This has resulted in a rise in rental rates. “We’ve seen rental rates go up 20% over the past year,” said Fairfield Partners principal Jose Juncadella. “We’ll see that continue over the next years.”

While the softening in the housing market--particularly the condominium market--cannot be denied, most view it as a “dose of reality” from market conditions over the past five years. “We don’t see anything horrific, we see buyers out there,” Warne said. “We don’t see the wheels falling off the condo market.”

Despite the softening of the condo market, several panelists were bullish on condo conversion projects which they believe are here to stay. “Once the market returns to more equal supply and demand levels, we’ll see more condo conversions,” said McCabe Research & Consulting LLC CEO and managing partner Jack McCabe



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Although nonresidential sectors are thriving due to the strong fundamentals in South Florida, panelists agreed that the region is facing several serious challenges. Among them are high property taxes and the high cost of insurance, due to the widespread property damage suffered during the active hurricane seasons of the past few years. "There are clearly challenges in the marketplace," Warne said. "If you're a multifamily operator, insurance is incredibly painful right now."

The RealShare conference series is presented by Real Estate Media, publishers of GlobeSt.com and *Real Estate Forum*, as well as a number of industry newsletters. Michael G. Desiato, group publisher and editorial director of Real Estate Media, kicked off the inaugural South Florida event with opening remarks.

