

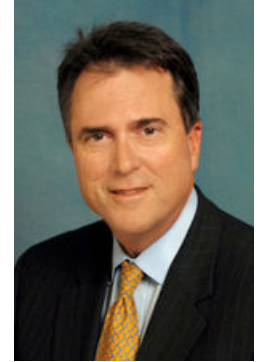
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## Related converts CityPlace lofts

*By Jennifer LeClaire*

The Related Companies will gamble a quarter of a million dollars to convert Downtown West Palm Beach residential lofts to office space, a move with millions of dollars at stake.

Over the next two months, Related will convert the live/work lofts on Rosemary Avenue in CityPlace to premium office space called the Offices at CityPlace North. Related will also refurbish two elevators that service both floors of offices, upgrade lighting fixtures, install new hardware and tenant signage and give the building a fresh coat of paint as part of its effort to retain and attract tenants.



Kevin Probel, general manager of Related Companies, said the developer sees a clear opportunity to capitalize on the market for Class B office space. CityPlace North is only 70 percent occupied, but he said the renovations, rebranding and mid-range price point could turn the heads of tenants nervous about the viability of their current landlords.

Commercial defaults are expected to show sharp increases in the next six to 18 months.

"We are trying to enhance our product and bring in new tenants," Probel said. "But we also have a lot of tenants with leases expiring in 2010. We are doing this work to not only retain current tenants but also attract new tenants from the area. We want to be prepared when the market turns."

Recovery can't be timed or dated. Palm Beach County's office market has been steadily declining over the past few years. In fact, vacancy rates have tripled since 2005, according to data from CB Richard Ellis.

The county office vacancy rose to 23.8 percent in the first quarter of 2009. That's up from 22.8 percent in the fourth quarter of 2008 and 16.3 percent in the first quarter of 2009. In 2005, the office vacancy rate was only 8 percent.

Related Companies' properties are faring well compared to others in the local market. Overall, the CityPlace project is 92 percent leased.

CityPlace is a 72-acre, mixed-use development with 100 shopping, dining and entertainment options, 600 private homes and condos, and a 20-screen IMAX cinema complex. Related owns a second office project, the Class A CityPlace Tower, just a block from CityPlace.

Jose Juncadella, principal of Miami-based Fairchild Partners Commercial Real Estate Services, a boutique commercial brokerage firm, said Related Companies is making a smart move in a down economy.

Fairchild subscribes to the same strategy. The company recently invested \$1 million to renovate its Airport Commerce Park, an 80,000-square-foot Class B office complex in Dania Beach.

"When you have such a competitive market, sometimes holding back and not spending money isn't the best strategy," Juncadella said. "Tenants move out either because they are unhappy with management or the environment. It's very costly to lose a tenant, and new tenants don't want to relocate into a beat-up old building."