

Conference Update: South Florida's Market Remains Sunny

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By Amanda Marsh, Associate Editor

Contrary to its normal August weather, there is hardly a cloud in the sky for South Florida's commercial real estate market. Four of the region's leaders addressed more than 350 attendees today at CPN's annual South Florida Properties Opportunities Conference, held at the Westin Diplomat Resort & Spa in Hollywood, Fla.

The Miami-Dade County office and industrial market is “the most active we've seen in our history,” with rental rates growing and occupancies at rates over 90 percent, said Jose Juncadella, principal of Fairchild Partners. Neighboring Broward County has also seen historic lows, but has experienced some flattening, said Ken Morris (pictured), president of Morris Southeast Group/CORFAC International, noting that there are some speculative buildings that are still looking for tenants. Larger tenants are pushing hard to insulate themselves from rising operating expenses, while institutional landlords have a leg up with insurance rates due to the amount of assets in their portfolios.

Space is still hard to come by in many markets, as shown by one of Juncadella's recent office assignments. He had to find 50,000 square feet of space for a tenant, but was only able to find two blocks of space in the region. These space constraints will continue through 2008, but he anticipates more on the market once there are more construction deliveries in 2009. Additionally, rental rates will continue to rise, but as new space delivers, costs will keep an upward pressure on rental rates. There are more tenants on the subletting side, as well, but Morris added that there are not as many kicking tires as there used to be.

Retail remains strong as occupancy rates average 95 percent. Consumer spending also remains strong, with \$4.5 billion spent on retail this year, more than all of 2006, noted Brad Peterson, managing director of The Staubach Co.

“We've had a perfect storm the past few years, but the only change is that capital markets aren't as strong as they used to be,” said Christian Lee, executive vice president of CB Richard Ellis Inc., who noted that there might not be as many investment sales. However, he contended that now is still a good time to sell property, and the capital markets should improve by the end of the year.

South Florida's barrier to entry will be what protects the market, “but there will be a finite level,” Morris said, adding that tenants will increasingly factor aspects such as transportation and housing as an impetus to moving to the region.

Although there has been commentary on the lack of developable land, Juncadella pointed out that South Florida's biggest developers, such as Flagler Development Co., hold a large amount of the available space. "There's enough for at least 10 years, but smaller developers may have a harder time getting land," he said.

One hot topic that appeared a few times during the conference was the building of three class A office buildings in the downtown area—Brickell Financial Centre, 1450 Brickell and Met2. Juncadella said that the market will only demand one-and-a-half buildings, but it still remains to see who will deliver first and whether the buildings will bring too much space to the market.

Jonathan Kingsley, managing director & executive vice president of Grubb & Ellis Co., moderated the State of the Market panel. The conference also included a keynote on downtown areas by Akerman Senterfitt shareholder Neisen Kasdin, and panels on capital markets & investment, affordable housing, development and occupancy costs.