

South Florida's office market is beginning to see a turnaround

BY OSCAR PEDRO MUSIBAY

Although South Florida's office market was one of the sectors hardest hit by the downturn – with lease rates crushed and some buildings left vacant or reclaimed by banks – the turnaround has begun.

The Miami-Dade County office market is healing, but not at the pace originally anticipated, according to CBRE's second quarter report.

"Absorption remained positive, with some new-to-market tenants moving into the area and existing companies expanding, resulting in the overall vacancy for the market declining to 19.2 percent," according to the report.

Brightstar's extension on more than 61,000 square feet in Flagler Station in the Airport West submarket was the quarter's largest deal. Total net absorption for the quarter was 171,000 square feet, with an average direct asking lease rate of \$30.18 a square foot.

Young & Rubicam leased 43,000 square feet at Courvoisier Centre II in the Brickell submarket, and Merrill Lynch signed for nearly 31,000 square feet at 355 Alhambra Circle in Coral Gables.

"Relative to Miami, pricing and concessions are beginning to trend in the favor of landlords," said Jon Bourbeau, vice chairman of Newmark Grubb Knight Frank. "This is



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High-quality assets like 350 and 450 Las Olas Blvd. in Fort Lauderdale are commanding top dollar, according to some experts.

mainly driven by a pickup in leasing velocities, thus restricting the tenant's ability to drive down pricing via competition of multiple options. The risk of an option getting taken off the market is now real again."

Miami-Dade also had some new construction in the second quarter, including the groundbreakings for Doral Park Centre and Swire Properties' Brickell CitiCentre project, which will include 220,000 square feet of office.

Broward County had a small net absorption – a little more than 100,000 square feet

– despite significant gross leasing activity. Its average direct asking lease rate was \$16.91 a square foot.

"Overall market vacancy remained relatively flat at 16.51 percent, down just four basis points from the beginning of the year," according to a report by Commercial Florida Realty Services. "Direct lease rates remained equally flat as landlords remain defensive, facing a year of lease expirations from many pre-bubble deals."

The report said the renewal cycle is partic-

ularly challenging because many tenants are looking to downsize in response to a smaller workforce. The bottom line is tied to financing and equity: Those able to pay for improvements and upgrades will be better able to keep and attract tenants.



Reed

Peter Reed, a principal with Boca Raton-based Commercial Florida, said suburban submarkets are holding up, while downtown Fort Lauderdale and high-quality assets like 350 and 450 Las Olas Blvd. are commanding top dollar.

Palm Beach County is still bouncing along the bottom, with pockets in submarkets performing relatively well as flight to quality continues. Reed cited PGA Boulevard as an example of a pocket that is doing well because of the quality and location of the assets.

Vacancy rose slightly, to 22.95 percent, but lease rates rose 7 cents, on average, to \$17.90, which signals the market still has fight in it.

"This flattening indicates the prior recovery has stalled, but we do not believe this is yet indicative of a major trend reversal or start of a new downturn," Commercial Florida reported.