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WEEK OF THURSDAY, JUNE 10, 2010

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## OFFICE SPACE

### Great divide separates would-be office tower buyers, sellers

By MARILYN BOWDEN

Weak fundamentals and a gap between buyer and seller expectations are among the factors that are likely to keep Miami's office towers off the market for the foreseeable future.

Brokers concur that there's plenty of money on the hunt for good deals.

"There's definitely not a lack of interest," said Alex Zylberglait, associate director of the national office and industrial properties group at Marcus & Millichap.

"A lot of buyers are looking for deals right now. The mentality is that now is the time. But that makes owners think, 'I'm going to get beat up if I put an asset out there now.'"

"Money is never on the sidelines," said Jay Caplin, managing partner at Steelbridge Capital. "It's out there trying to make deals, not waiting for a sign from the heavens. So there are probably discussions going on behind the scenes, but they're just not getting any traction in getting deals done.

"There's a disconnect between where owners are willing to price deals and what buyers are willing to pay."

With leasing soft, he said, the timing is bad for sellers, and owners of office towers are not likely to consider selling unless they have to.

Other than the recent distressed sale of One Flagler, a Class C building downtown, and Tibor Hollo's purchase last

year of the office complex at 1101 Brickell, Mr. Caplin said, nothing of any size has traded "and I don't see anything on the market at the moment."

Mr. Zylberglait said that's because owners of stabilized assets don't have a reason to sell, unless, theoretically, "they have to raise some liquidity for some other problem in their portfolio.

"But if any are going to market, it would have to be within the next 60-90 days if they want to get them off the books this year."

That's not to say that selling is necessarily a bad idea, he said, for anyone who wants to unload a property over the next several years.

"I think the market could get worse in

some sectors," Mr. Zylberglait said. "So if someone is not prepared to sit on the property for five or more years, why wait?"

"Nationally, those that do make it to the market with strong fundamentals, good credit and a good location are selling rather well. In some instances, we've even seen a slight decrease in cap rates for those types of assets."

Mr. Caplin sees some signs of an uptick in activity.

"Owners have a better understanding of what the pricing is right now," he said. "Overall, the market is certainly more active, but recovery would not start with sales of big buildings. Most owners have the holding power to wait for a better day."