

Reports: Office inventory growing as businesses become fewer, shrink

By ZACHARY S. FAGENSON

Miami-Dade businesses looking to set up shop or move can expect to have a valuable bargaining chip as office inventory grows and the size and number of businesses shrinks.

That's the conclusion of first quarter market reports from CresaPartners and Marcus & Millichap. The commercial real estate firms predict unemployment to continue to rise in 2009 while another 1.3 million square feet of office space in downtown Miami and the Brickell Avenue corridor come online in 2010.

Marcus & Millichap reported that in the coming year, asking rents countywide are expected to drop an average 5.2% to \$29.08 per square foot. What the landlord is likely to get will dip an average 6.4% to \$23.94 per square foot.

Additionally, the report said that continued declines in office employment would increase the vacancy rate to 15.9%.

Meanwhile, CresaPartners' report said that in South Florida, the average rental rates per square foot for Class A and Class B are \$40.44 and \$27.05, respectively.

"It's clearly shifted from a

Landlords' financials need to be checked out, see pg. 12

landlord to a tenant's market and it will continue to go that direction for quite some time," said Charles Barton, principal of tenant representative CresaPartners in an interview. "It becomes a game of market share. [Landlords] will fight harder to keep existing tenants and they will find out if their assets have a competitive advantage."

He attributed these new opportunities to the contracting financial-services industry but also predicted local recovery will take "a lot longer than people think." Additionally, he said stabilization hinges on some of the same industries that have been accused of causing the recession.

"Look at the industries that make up our business community. They have been the most affected by the economy," Mr. Barton said. "I think what we need down here is for our financial and trade industries to recover."

"[This is] the beginning of what think is going to be a very nice long tenants' market," he added.

CresaPartners' first-quarter report predicts tenants can expect more concessions from landlords as well as more opportunities for rent relief or renegotiation in the coming year.

On the other hand, finding and keeping tenants will be a difficult challenge, according to Alex Zylberglait, associate vice president of investments for Marcus & Millichap.

"One thing that's key is being a proactive landlord," Mr. Zylberglait said in an interview. "Many fall asleep at the wheel and just expect tenants" to renew their leases.

Sweetening the deal with green initiatives and additional incentives is another move that could give some landlords a competitive edge.

"There are only so many tenants, and landlords are going to have to fight for them," Mr. Zylberglait said. "You can't change parking spaces or ceiling heights, but making sure your tenants are happy can go a long way."

Unlike Mr. Barton of CresaPartners, he said he expected "this to be a short-lived phenomenon" and that once significant moves toward recovery begin, the window of opportunity would close.

THE LAST WORD

SEEKING WRAPPERS: Miami-Dade County is preparing to bid out a contract for luggage wrapping services at Miami International Airport. Commissioners are to vote at an Airport and Seaport Committee meeting today (4/16) to request proposals from interested firms. The winner would install, operate and maintain luggage-wrapping machines throughout the airport. Years ago, the last contract was the subject of an intensive lobbying battle. Secure Wrap of Miami now holds the contract.

NEARING THE END: Florida International University is to pick its next president April 25, according to David Parker, chair of the board of trustees. Beginning April 17, the board's Presidential Search Advisory Committee will begin reviewing applications and interviewing candidates. They're to send a list of five to the board's Presidential Search Committee, which will review the choices and invite three to interviews. Beginning April 22, each candidate will go through a day-long process of meeting with students, faculty, administrators, alumni and community members. The search committee will present two to full board of trustees. The winner must also be ratified by the State University System's Board of Governors. The post pays a minimum of \$582,000 a year.

PARTIAL SETTLEMENT: Putting aside their differences, Miami and Miami-Dade County plan to hand some Overtown land tied up in a lawsuit between the two governments to the Black Archives to allow the Lyric Theater to be expanded. The county is to vote next week. The parcel is part of a larger mass of land over which the county and city dispute ownership. Because the governments "have mutually expressed support for the Lyric Theater expansion project," they plan to release the portion of land from the suit "without prejudice to their respective positions in the litigation." The city's Overtown Community Redevelopment Agency board last month approved similar action. The city commission still needs to vote.

ATLANTA'S ADVISER: Lilliam M. Lopez, president of the South Florida Hispanic Chamber of Commerce, has been named to the Federal Reserve Bank of Atlanta's Advisory Council for Small and Midsize Businesses. The council shares industry-specific business information to assist with the Fed's monetary-policy responsibilities and foster a direct connection with the business community. She has been president of the chamber 15 years.

TROLLEY HUDDLE: Miami's Downtown Development Authority is meeting with stakeholders from along Biscayne Boulevard and Brickell Avenue to discuss the city's



David Parker



Lilliam M. Lopez