



## Commercial Real Estate & Office Space

# Brickell, downtown office markets soar as vacancies fill

By SUSAN DANSEYAR

The office market in Brickell and downtown is soaring, by all accounts, with rents rising, vacancy rates falling and some seeing less space available in the near future.

Any large user looking of Class A office space will have difficulty finding it in the Brickell and downtown area, according to Dan Mackler, shareholder with Gunster Law and co-chair of its real property practice group.

"The office market continues to tighten up and the new mixed-use projects coming online don't have any meaningful supply," he said. This shortage, Mr. Mackler said, means rents have gone up and concessions have changed.

The tide has shifted over the past year and now it's a landlord's market, he said. "Before, people were receiving a lot in tenant improvement allowances [sometimes a month of free rent, or an allowance from the landlord paid toward a build out] but those aren't what they once were."

Rents in Brickell and downtown are the highest Keith Darby has seen in a decade. The president of Rise Realty said a tenant can expect to pay, on average, in the mid \$30s range per square foot downtown and starting at \$40 per square foot in Brickell.

Mr. Darby said rents have been rising for the past few years to the highs they've hit today. He said the demand for office space in the city is probably attributable, in part, to what market watchers always expected would happen: more people want to work and live downtown.

As vacancy decreases, Mr. Darby said, office spaces with premium views are not as readily available. At a certain point, he said, there might be a lack of office space with nothing new coming online and tenants such as Akerman LLP already signed up for 89% of the office space in Brickell City Centre.

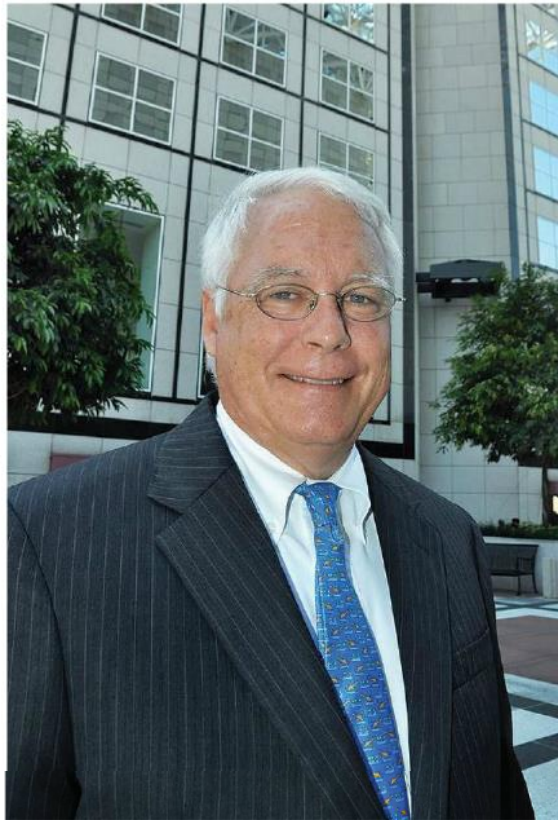
"We are seeing tenants move to the suburbs, where rents aren't as high and there's free parking," Mr. Darby said. "It's possible that will happen more in the future."

Philippe Houdard, co-founder of Pipeline Spaces, which has its headquarters in Brickell, said a number of companies with offices in Brickell and downtown have expressed interest in renting space at Pipeline's new Coral Gables location, scheduled to open this summer at 95 Merrick Way.

Shared workspaces offer flexibility and affordable rents, Mr. Houdard said. For example, he said a French company just approached Pipeline having recently moved to Miami, not ready to hire yet but seeking a desk in an



Pipeline Spaces, which is headquartered on Brickell, sees interest in Coral Gables: Philippe Houdard.



Premium spaces on high floors are harder to find: Donald Cartwright.

open workspace. The monthly cost is \$350, which Mr. Houdard said allows the man to start working in an affordable office without taking any risk insofar as signing a long-term lease.

He said companies now established in Brickell have asked about space in Coral Gables, either for relocation or to have offices in both locations.

Some companies want and insist on longer leases. At the same time that rents are rising, Mr. Darby is noticing good-credit tenants shying away from subleasing.

"We have a 15,000-square-foot space on the third floor of Southeast Financial Center with a private elevator that we're having trouble renting," Mr. Darby

said. "Boding well for the office sector, professional and business services led all industries in Florida during January 2014 to January 2015 with Miami and Orlando leading the state with the most job gains at 43,000 each," JLL analysts said. "In addition to job gains among office-using industries, on-going intense development activity is fueling Miami's construction sector which grew over 9% with the specialty trade contractors increasing by nearly 14% during the same 12-month period."

Now ranked and recognized as among the world's top global markets, demand exists for quality specific space in Miami's central business district, the JLL report states. "Relative to other world class markets, Miami's urban office pricing is relatively inexpensive."

In the latest sign of demand for premium office space in Miami's urban core, Sabadell Financial Center, a 30-story Class A office tower at 1111 Brickell Ave., has completed seven lease transactions totaling 43,524 square feet.

The building's owners added new leases with worldwide travel search engine SkyScanner (8,035 square); online real estate marketplace Auction.com (7,560 square feet); oil refinery Refinados Victoria (3,545 square feet); financial advisory services company BT Capital (3,530 square feet); and financial investment manager Heller House (1,043 square feet).

In addition, lease renewals totaling 19,811 square feet were signed with current tenants Barclays Bank (11,890 square feet), a wealth and investment management company, and Guggenheim Partners (7,921 square feet), a global investment and advisory firm. Financial terms of the agreements were not disclosed.

said. The space is being offered at a discount but Mr. Darby said good-credit tenants don't like the fact that renewal options don't transfer to a sublease.

Donald Cartwright, senior vice president for JLL, doesn't agree that the Brickell and downtown office markets lack available Class A office space or that there will be a future shortage. Over the past four or five years, he said, large leases are leaving more or less the same square footage they are re-locating to, such as the Shutts & Bowen and Akerman law firms.

However, Mr. Cartwright said, premium spaces on higher floors with better views will be more difficult to find.

Moreover, he expects rental rates will rise if no new supply is added and the economy continues to improve at its current rate.

Right now, Mr. Cartwright said, occupancy rates have continued to improve and rental rates are just getting back to what landlords were getting in 2008, although he said the actual increases in net rents over the past few decades have not kept up with inflation.

On average, Mr. Cartwright said, the going rate for Class A office space in the central business district is \$42 per square foot, reflecting an increase ranging from 9% to 23% over the asking rents in 2014.

According to JLL's office insight report for the first quarter, Class A vacancy declined 23% in the suburbs and 14% in the central business district.

Annual job growth in the state has exceeded the nation's rate since early 2012, the report



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Keith Darby