

MIAMI TODAY

WEEK OF THURSDAY, JULY 16, 2015

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COMMERCIAL & OFFICE SPACE

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Secondary office markets gain in tandem with traffic's rise

By CATHERINE LACKNER

Small, or secondary, office markets might not have a lot of space, but what they offer in convenience and quality often makes up for it, observers say.

"A good example is Miami Beach," said Steven Hurwitz, senior vice president and shareholder at Continental Real Estate Companies (CREC). "It's a small market size-wise but by income level, it's one of the wealthiest submarkets in South Florida. It has performed very strongly even in the downturn because it is insulated."

Secondary markets are popular because, as is increasingly the case in traffic-clogged South Florida, people want to live close to where they work.

Office buildings in areas like Aventura, Coconut Grove and Miami Beach exist because "mid-to-high-level decision-makers live around there," Mr. Hurwitz said. "If they don't need to be downtown, they don't want to drive." Wealth-management firms and banks also tend to locate their offices near potential affluent clients, he said.

Millennials also are driving-averse, and that trend has boosted office space in areas that cluster homes, offices, retail and restaurants together, like Midtown or Merrick Park, he added. As this trend becomes more pronounced, compartmentalization will increase

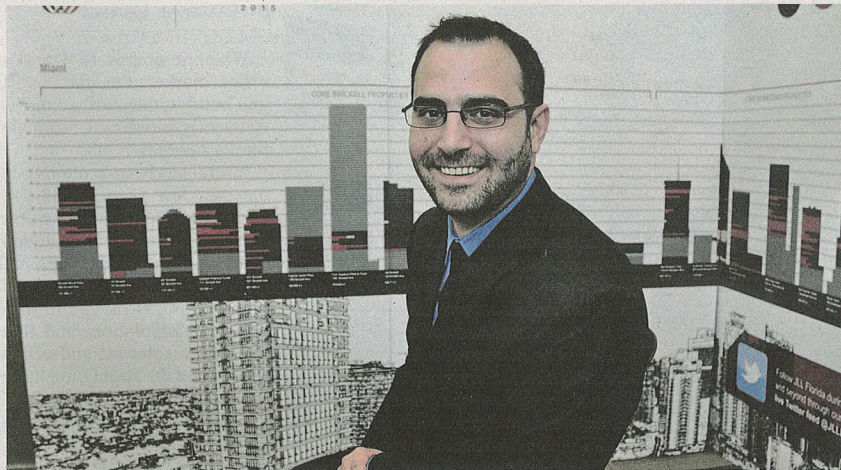


Photo by Maxine Usdan

"Secondary markets tend to have more locally based business tenants that are smaller": Marc Miller.

in these areas, he predicted.

In secondary markets that also include residential communities, municipalities tend to be more involved in whatever office product is built, Mr. Hurwitz said.

That was the case with the Medical Wellness Center, a 40,000-square-foot medical condo office building, part of Aventura Park Square, that CREC is leasing for developer Integra Investments.

"The City of Aventura is rightfully protective of what goes on there," he said. "The city was really on board with the developer to make sure the end result speaks to what Aventura needs

and wants."

Construction will begin this fall on the 10-story building at 2900 Waterways Blvd. and Northeast 207th Street; occupancy is set for early 2107. The structure will incorporate floor-to-ceiling windows and other luxury touches. Aventura Park Square will offer restaurants, boutiques, a 131-unit condominium tower, a hotel and other office space.

"Aventura doesn't have that cool Sunset Harbor vibe, but it's known to have a high-end demographic, and it is a live-work-play destination with plenty of shopping and eateries," Mr. Hurwitz said. "This building is geared to

health and wellness, and it was a really interesting project to work on."

A tight office market to which no new space has been introduced in recent years has driven demand to the smaller markets, said Anna Rossie-Alvarez, commercial director of One Sotheby's International Realty.

"Office space in the central business district has pretty much been absorbed, and now there is an upswing in new job growth. People are forced to go to the secondary markets," which include Coconut Grove, South Miami and Miami Beach, she said. "They're also looking for some-

thing new, fresh and innovative."

"All markets except the central business district (CBD), Coral Gables and Miami Airport are secondary markets," said Marc Miller, head of research for Jones Lang LaSalle Inc. "Secondary markets tend to have more locally based business tenants that are smaller," he added.

While sales and rents are up throughout the entire office market, the company's second-quarter 2015 report indicates, buildings downtown and in Brickell (which presumably are occupied by larger firms) are fetching the highest returns. Rents in waterfront buildings are surging, it notes.

"CBD landlords continue to show enthusiasm on the pricing front with quoted rates being increased on a regular basis," the report notes. "This is occurring in most segments including trophy, class A, and, within the Brickell submarket, competitive class B assets. Nearly two-thirds of the existing competitive trophy and class A skyline buildings now have select prime spaces quoted at or above \$50 per square foot, a noted increase from five years ago when the average at each of these assets fell below the \$40-per-square-foot mark."

By contrast, average asking rents for class A space were \$38 in Miami Beach, \$36 in Kendall/Dadeland, \$31 in Coconut Grove and \$26 in Miami Lakes, the report notes.