



REAL ESTATE NEWS

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How Miami's improving office market could affect your life

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While the lack of affordable housing and the glut of luxury condos were getting all the attention, another segment of Miami's real estate has started to heat up: The lowly, unglamorous office space.

The total square footage of office space leased in Miami-Dade in the first quarter of 2017 shot up 40 percent over the same period last year, according to a new report by the real estate brokerage firm JLL. The average asking price per square foot was \$36.99, which continues a steady climb since 2012's first quarter price of \$31.60.

"Miami's office-space market is at an inflection point," said Matthew Cheezem, a managing director for JLL South Florida. "There has been no development in office spaces since 2008. We're approaching 10 years since that last cycle and the market needs it."

While Brickell and downtown remain the nexus for business, a strong office market and high prices are pushing workplaces to neighborhoods beyond the core. Case in point: Coconut Grove, where three new office buildings have been announced in recent months.

For you, Miami office dweller, the news could be good: Eventually, your place of work may be closer to your home, resulting in a shorter daily commute.

According to the recently released Commercial Industrial Association of South Florida's 2017 Office Market Report, which also tracked activity during the first quarter, the overall office space vacancy rate dipped to 9.7 percent throughout Miami-Dade, while the absorption rate tripled over the same period in 2016, to 304,029 square feet.

HEALTHY JOB MARKET

Ken Krasnow, executive managing director and market leader for Colliers International South Florida, says the increased activity in office space is the inevitable result of job growth and population increase in the area. The U.S. Bureau of Labor statistics show the unemployment rate for the Miami-Fort Lauderdale-West Palm Beach region in March 2017 was 4.6 percent, down from 5.1 percent in January.

In other words: So many workers, so little office space.

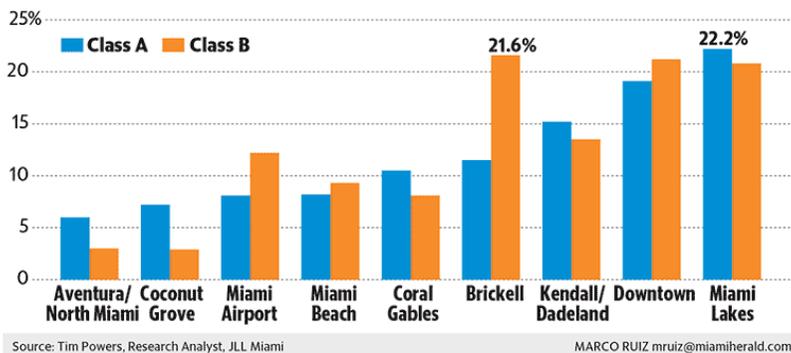
"What you've seen in the last three years is a lot of strong job growth, so companies have been adding people and space," Krasnow said. "What's happening with office space in Miami is a typical example of supply and demand. We've had good absorption rates and we've had new-to-market companies. ... That pushes pricing up and vacancies down."

Another plus for the office space market: Many of the companies expanding or solidifying their presence in South Florida are at the higher end of the pay-scale spectrum.

“These are not low-wage jobs,” Krasnow said. “These are not call centers. These are front-office- type users. So there's a ripple in the city's entire economy when companies invest and rent office spaces here, because it means more people buying or renting homes here.”

Where the empty offices are

Here are the various neighborhoods in Miami-Dade ranked from low to high in order of **total percentage of office vacancies** (including sub-leases and unoccupied buildings 30,000 s.f. and larger) as of March 31, 2017. 9% is considered the normal vacancy rate:



On Monday, Banco de Brasil Americas, the U.S. division of the Latin American banking giant, announced it has signed a new lease for 17,000 square feet of office space — the entire 22nd floor — at 1221 Brickell Ave. The company is relocating its corporate headquarters from One Biscayne Tower in downtown Miami.

Office buildings are a riskier bet for developers than residential towers, which offer a much faster return on investment. Offices rely on long-term leases to turn a profit and sustain overhead costs.

But the growing popularity of the live/work/play lifestyle, in which the need for long commutes is minimized by including home, work, schools and recreation within the same neighborhood, is making an investment in offices a worthwhile gamble, say market experts.

Following a surge in new condos, restaurants and retail developers in Coconut Grove, a new office building has been announced. LointerHome, the developer that unveiled the six-home Glass House Project in Coconut Grove earlier this year, has revealed plans for 27@Lincoln, a five-story boutique office building at 3151 SW 27th Ave.

The facility will offer 68,000 square feet Class A office space and 5,000 square feet of retail space. Groundbreaking is scheduled for the first quarter of 2018, with rents priced at \$40 to \$42 per square foot. (Class A refers to new, high-end office spaces; Class B are older but still quality, well-located buildings; Class C are older structures in need of renovation.)

“Miami is changing,” said Amanda De Seta, founder of LointerHome. “People are not only just vacationing or retiring here any more. We’re on top-ten lists of desired cities around the world — we’re competing with London and Paris and New York — and this new building feeds a need for Class A office space who live and work in the Grove. Downtown and Brickell can’t be the only places we go to work. Traffic and density are already proving that.”

OFFICES INVADE THE SUBURBS

The Grove isn't the only Miami neighborhood to become an unlikely home for offices. Three proposed projects would add over 300,000 square feet of new office space to Wynwood if completed: The 12-story Gateway at Wynwood on North Miami Ave. (185,000 square feet), by New York-based developer R&B Realty, which begins construction this year; Wynwood Square, from developer One Real Estate Investment (60,000 square feet); and Cube Wynwood, from RedSky Capital, scheduled for completion in 2018 (80,000 square feet).

Other projects in the neighborhood, such as Moishe Mana's ambitious Wynwood redevelopment project, will also offer office space.

Aventura, one of the tightest office-space markets in the county, has two new developments under construction: Integra Real Estate's Aventura Parksquare (100,000 square feet), which will be completed this year and is already sold out; and Florida East Coast Realty's Canal Park Office (100,000 square feet), which is due to be finished in 2018.

In April, the University of St. Augustine signed a lease to house its South Florida campus in the 53,390 square foot Annex Building of the Douglas Entrance Office Park in Coral Gables. Raymond James Financial will take over the entire fifth floor and part of the 11th floor — a total of 27,116 square feet — at the BAC Colonnade Office Tower at the intersection of Ponce de Leon Boulevard and Miracle Mile. The Texas-based stone supplier Cosentino North America has rented 23,023 square feet of offices at 355 Alhambra.

“South Beach went from a party town to a place for offices, and the financial district has class-A offices and residents,” said David Restainer, managing director of commercial real estate for Douglas Elliman Florida. “A lot of the office space is filling up and it's not a surprise to me, because the general sentiment for doing business in Miami continues to grow.”

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