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5 Things You Need To Know About Miami Office

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From seeing an office building at CocoWalk to how mass transit affects office demand and whether we'll ever see \$100/SF office rents, here are five things we learned about the Miami office market at our South Florida Future of Office event last week.



1. CocoWalk Could See Office

Grass River Property's Tom Roth (on right with Key International's Dan Mathason) says the developer—which recently picked up the 198k SF open-air retail center CocoWalk in Coconut Grove in a JV with Federal Realty Investment Trust and Comras Co—is eyeing expanding the project with a possible office offering. That's on top of re-tenanting the project with more luxury retailers to match the affluent demographics of the area.

2. TRANSIT WILL DETERMINE THE 'WINNERS'

With Miami's notorious traffic only growing worse as more and more

residents move into the Downtown area, our panelists say office proximity to transit will become ever more critical for tenants. “Buildings that are closer to public transportation are going to be the winners,” says Swire Properties' Gonzalo Cortabarría (on right with Omni & Midtown Community Redevelopment Agency's Pieter Bockweg). He says at the firm's Brickell City Center project, where both the Metromover and Metrorail have stations, “that has been one of our highest selling points.”

Tom and Gonzalo were part of a panel of development luminaries that included Taylor & Mathis' Brian Gale (who moderated), Key International Development's Dan, Blanca Commercial Real Estate's Tere Blanca and Pieter. Tere—whose firm has been tapped by All Aboard Florida to lease the office in the 3M SF planned MiamiCentral mixed-use development—says the 280k SF of office there is already 60% pre-leased, in large part to demand to be located next to Tri Rail, Metrorail and Metromover stations. “We're seeing users who are willing to pay a premium to be in a location that will offer that connectivity to amenities and mass transit,” she says.

3. \$100/SF RENTS ARE A WAYS OFF, IF EVER

While Miami has become a true gateway city in the US, it likely won't see rents reaching triple digits for office anytime soon. And partly that has to do with average wages. In cities like NYC, where average wages are very high, there is a commensurate increase in rents. “In Miami, we're still not there,” Tere says. Still, rents for many landlords are reaching all-time highs in Miami. For instance, at 1450 Brickell Ave (below), a 580k SF downtown office tower, Blanca is already renewing and expanding tenants there for rents up to \$65/SF, “and that is top of the market,” she says.

Gonzalo says rents are based solely on supply and demand, and with rising land and construction costs, rents have to rise. But not just any office building can get developed today that would have top of the market rents. “In order for rent to grow up in a significant manner, there has to be some uniqueness of the product that makes it uncompetitive and cannot be replicated as well,” he says.

4. CONDOS STILL MORE LIKELY THAN OFFICE

Tom says that with land prices the way they are, office is the least likely development in Downtown Miami. At least in pure form. “You'd [have] thought that Main and Main in downtowns would be office. But the fundamentals in Miami are very different. Land is expensive and condos are top of the food chain,” he says. But Tere says she's getting more calls from landowners who, now that condo demand has likely fallen due to a strengthening dollar, are eyeing office instead. But, she cautions that not every residential site is appropriate for office. “I would really caution owners and developers to feel that, OK, just because you have a piece of land in Miami... [they] should just build office. It doesn't necessarily warrant success.”

5. JUST LOOK HOW MUCH HAS CHANGED

Really, looking at Downtown Miami, not only has the skyline changed since the turn of the millennium, but so has the environment, Brian says. The influx of mixed-use and residential properties has altered the way Downtown Miami functions—becoming a 24-hour city. “There was a time seven, eight years ago where if you left your office building at six o'clock, there were homeless people outside, and it was pretty dangerous,” Brian says. “Today, it's just a completely different place.”

