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CORAL GABLES

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Gables office market benefits from Brickell's congestion

BY CATHERINE LACKNER

Buoyed by its amenities and walkability, Coral Gables continues to maintain its traditionally strong office market, observers say.

After a brief romance with Brickell, office tenants are again seeking space in the city, said Steven Hurwitz, a principal at CREC.

"There was a bit of a discount last year" when the new office buildings at Brickell City Centre opened, he said. "Brickell appealed to a lot of people, for various reasons. Brickell is sexy, and demand for the Gables slowed down a bit.

"But for high-net-worth decision-makers, that last leg of the trip to Brickell or downtown is fierce," he said. "Transportation and traffic are changing the way we think."

CREC is currently leasing 2 Alhambra Plaza, 95 Merrick Way and 2525 Ponce de Leon Blvd., he said, "Rent continues to grow, and it's a high-performing market. Almost every class A asset has changed hands over the past few years."

The city's office market retains its traditional advantages: a rich amenity base, high-quality buildings and proximity to Miami International Airport. "People are starting to realize that everything that made Coral Gables great is still there," Mr. Hurwitz said.

"Brickell is getting busy, and people are a little tired of it," said Christopher Brown, a developer of Giralda Place at 2222 Ponce de Leon Blvd. "They want something more manageable."

The mixed-use project encompasses an entire city block and comprises more than 100,000 square feet of class A office space, 33 condominium units and 13,390 square feet of ground-floor retail. Confirmed tenants for the project's commercial east tower are HSBC and WeWork.

"Demand for Coral Gables office space is strong," Mr. Brown said. "We've had tenants come from as far away as New York

City looking to relocate to South Florida."

The office space is being marketed both domestically and internationally at \$48 per square foot, he said. The city's amenities, and the fact that the project has a luxury residential component, are selling points, he added.

"Coral Gables has a history of walkability, and if you have office space here, you want to park the car and walk or take the trolley," Mr. Brown said. "The city has done a wonderful job with the Miracle Mile and Giralda reconstruction. People are getting out of their cars and walking, which is helping the galleries and shops. It's a great little place."

"The city has an oversupply of luxury residential and an undersupply of luxury office space," said Saddy Delgado, vice president of ONE Sotheby's and agent for the remaining inventory in Ofizzina 1200, a planned 16-story office condo project at 1200 Ponce de Leon Blvd. The building, which topped off in April and is 85% sold, will include 54 office suites totaling 96,767 square feet, three ground-floor retail spaces and a rooftop pool.

"Traffic is getting worse every day in Miami and people don't want to commute," Ms. Delgado said. The Palmetto Expressway, Southwest Eighth Street and US 1 create easy access to the building, she added. "It's also a few blocks from everything that's happening in North Ponce."

The project, which fronts a small park, is being marketed equally to domestic and international buyers. "It's a high-end, boutique-y building with features like a gym and private chef," she said. About half of buyers are European family offices from Italy, Switzerland and Spain, she added.

"There's a lot of construction right now, which is going to be a feeder for the city's restaurants and retailers," Ms. Delgado said. "It's a pedestrian, urban lifestyle that people want."

“The Coral Gables office rental market is strong, with its desirability fueled by the city’s proximity to the Miami suburbs and shopping destination and easy Metrorail access,” Scott Levine, partner in the Rennert Vogel Mandler & Rodriguez law firm, said via email. “Office landlords say the low supply of new space delivered over the last several

years has allowed vacancies at existing buildings in all classes to shrink below 8%.

“There are some new projects in the pipeline that are expected to bring up to 500,000 square feet of rentable office space over the next few years, but all indications are that rental rates and demand should remain strong. The market is well-positioned to absorb most,

if not all, of the new space being delivered,” he said.

“The flip side of the rental market strength is that office building acquisitions and dispositions are scarce. Sellers are in no rush to sell, so they are aggressive with their asking prices when buyers show interest,” Mr. Levine said. “Their buildings are full and generating robust cash flow, so the urgency to sell is not there.”



Photo by Cristina Sullivan

Ofizzina 1200, a new 16-story office condo, is reportedly 85% sold.