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Sleepy Biscayne Corridor office market struggles to find niche

BY MARILYN BOWDEN

The Biscayne Corridor, never a thriving office market, continues to struggle to find its niche.

Carol Ellis Cutler, a vice president at Colliers International, said from mid-2008 through 2009 the area lost occupancy by about 10%, or about 250,000 square feet.

From the Omni to about 79th Street, said Peter Harrison, senior vice president at Transwestern Florida, vacancy is about 22%.

"It's a pretty sleepy market," he said. "There's not a lot of activity, and never has been. So it's just treading water."

"Biscayne Corridor has never been a high-velocity market," said Jay Caplin, managing partner at Steelbridge Capital.

"It's gotten better as that corner of the city has seen population growth because of the residential boom and overall gentrification, but that hasn't

been a big impetus for tenants on the office side to move to that market."

During the boom, when rates downtown and in Brickell were at a premium, he said, offices along Biscayne and in the Design District seemed likely to benefit, but with the rates everywhere dropping, tenants have more options.

"The Biscayne Corridor never had its moment," said Noel Steinfeld, a vice president at CB Richard Ellis. "The problem is there's limited demand, and some properties are in various states of distress."

Leasing rates, she said, are 25%-30% off their peak levels.

Mr. Harrison said rents in the market run \$22 to \$29 or \$30 a square foot; Ms. Cutler quoted an average asking rate of \$28.70, "which in my opinion is still too high. It should be about \$23 a square foot, with concessions on top of that."

There are exceptions. Crescent Heights Group, which

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took over 4770 Biscayne, 85% of which was sold as office condos, is still quoting over \$30 a foot to lease space in the rest of the building, Ms. Cutler said. But most successful landlords are offering steep bargains.

Farther north, Ms. Steinfeld said, 11645 Biscayne Blvd. recently announced an expansion for Miami Beach Community Heath of about 7,000 square feet. "Typically nonprofits want to be in an area that's not too pricey but is close to public transportation," she said, "so they're not likely to go to a suburban area."

But closer to downtown are some very dilapidated buildings, she said, that will probably sit vacant for some time. A failed 153,000-square foot office condo building at 11900 Biscayne has a mortgage note coming due, Ms. Steinfeld said, and is likely to go into foreclosure.

"What tenants in the market right now are trying to do is to get into a better building at a reduced rate," she said, "so they are moving out of those buildings."

But there is some optimism that noncorporate businesses will find the corridor an attractive alternative due to the amount of construction and density in downtown and Brickell, Ms. Cutler said, and the ease of commute from points north.

Buildings such as 3050 Biscayne, recently acquired by Crescent Heights, can offer generous parking ratios, she said, at a significant reduction in cost from downtown markets.

"The average rate for parking on Brickell is \$145 a month per space," she said.

"On Biscayne Corridor, it's either free or \$25-\$40 per space per month."

And while the Design District is too pricey right now, Ms. Steinfeld said, "once some of those buildings start to meet the market, they will be more and more occupied by people looking for value. The key is the value proposition."