

Jones Lang LaSalle puts Maitland building up for sale

By Dan Ping
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MAITLAND -- The for-sale sign is up at the Maitland Colonnades, but local real estate experts don't expect it to stay up long.

With vacancy rates for Class A office space continuing to drop in metro Orlando, fueled by a strong job market, local office space has become an attractive investment.

"We clearly have the opportunity to do well over \$1 billion in total office property sales this year," says Ron Rogg of CB Richard Ellis. Rogg was recently honored as the Investment Broker of the Year by the Central Florida chapter of the National Association of Industrial and Office Properties.

Gavin Campbell, the president of Florida Office Property Co., certainly hopes so. His company owns the Colonnades, a 262,756-square-foot Class A facility located in the Maitland submarket -- the third-largest in metro Orlando, according to Cushman & Wakefield.

The property, which has drawn 70 requests for information since it was officially listed Jan. 24 by the New York office of Jones Lang LaSalle, also has a three-story parking garage and development rights for another 100,000 square feet of office space.

"For existing building owners, now is good time to sell," says Campbell, whose company paid \$33 million for the Colonnades in 1998. "Lehman Bros. is predicting that Orlando will have the third-lowest vacancies in the nation, behind New York and Miami."

The factor most affecting the vacancy rates is jobs.

"Central Florida is creating 50,000 jobs a year and those people have to work somewhere," says Mike Phipps, a leasing broker with CB Richard Ellis.

The firm's research agrees, noting that in 2006, the vacancy rate dropped to 7 percent despite the region absorbing 2 million square feet of space, the second-highest total since 2000.

During the next 24 months, new construction should help ease some of the demand. Eighteen buildings -- representing about 1.9 million square feet -- are currently in some stage of construction in the metro area. Cameron Kuhn's The Plaza in downtown Orlando, at 394,000 square feet, is expected to be the first of those projects to come online.

The new projects will offer some relief for the space crunch, but not for the wallet. Campbell and Phipps expect to see lease rates escalate as a result of higher construction costs and the natural increases that come when demand outpaces supply.

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"The Maitland submarket was in the high teens-low \$20s (per square foot) 12 months ago," Campbell says. "Now it's in the \$23 to \$25 range."

Phipps says that those types of increases make Orlando attractive for investors, and he expects the real estate market to remain strong in the coming months.

"It will last until interest rates rise substantially or Wall Street becomes really stable," Phipps says. "Right now, real estate investments are still paying good returns."

Maitland Colonnades

Year built: 1986; Square feet: 262,756; No. of stories: four, including a three-story parking garage and development rights for another 100,000 square feet of offices; Vacancy rate: 91 percent occupied; Last purchased: In 1998 for \$33 million; Asking price: \$52.5 million, or \$200 per square foot