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WITH BRICKELL HITTING NEW RENT HIGHS, INVESTORS FLOCK TO BUY OFFICE

As Sumitomo **shells out \$220M** for Miami Tower and JPMorgan **stakes a for-sale sign** on Southeast Financial Center in a **transaction that could exceed \$500M**, some Miami office experts say it's still a **good time** to be an institutional investor here.



Bisnow

Even with **sub-5% cap rates** on some transactions, “there's a very good demand for Class-A office buildings in Central and Downtown Miami,” says Aztec Group CEO **Ezra Katz** (on right with **Jason Katz**), a Miami-area investor who has placed bets with other sponsors all over the Southeast. “I believe that the Miami Downtown and Brickell market will **continue to improve** and will **get higher rents** in the next several years,” he tells us.

*Brickell City Centre*

The area's office fundamentals seem to bear that out. With just over an **11% vacancy rate**, **Downtown Miami's** average rents are clocking **more than \$40/SF**, fueled by Brickell's office demand—far above the rest of Miami's office submarkets. Still, there's some stress: With 305k SF delivered so far this year and **another 1M SF underway**—mainly in **Brickell City Centre**—absorption last quarter **took a beating by 100k SF**, according to **Colliers International**. “A trend of signed leases in the first quarter of 2016 have been **notably smaller in size** and the pace of total office leasing activity slowed, thus **significantly reducing absorption levels**,” Colliers analysts state in a report. Deals of note so far include Sitel's **21k SF deal** at Brickell World Plaza and Coty's **12k SF renewal** at Brickell Office Plaza, and Akerman's big **move-in to 111k SF** at Three Brickell City Centre in January.

That **hasn't deterred investors**, though. NY-based Brickman **paid \$27.5M for Courthouse Tower** in Downtown Miami; and Triarch Capital Group **slapped down \$74M** for Doral Costa office park from TA Realty, according to Colliers. Ezra says even the addition of 1M SF to Miami's office market **will barely move the needle** on total supply in the minds of institutional investors. **"I think that there is clearly a lack of new office space,"** he says.

Blanca Commercial Real Estate head **Tere Blanca** says Brickell is the real winner here, **netting 300k SF** of the 470k SF of deals this year so far. And that's indicative of Miami's **urbanization**, where companies are **flocking to the urban core** to be closer to a young talent pool. "You cannot define Miami by its history," Tere says. **"What's happened here in the last five years is unprecedented.** We have doubled the population in the urban core in less than a decade."

If there's one chink in the office occupancy armor, it's Downtown Miami (taking out Brickell), which still **lags with 19% office vacancy**, according to **Blanca Commercial Real Estate**. But that may be a **short-lived problem**. As space continues to tighten and rents jump even higher in Brickell—for instance, Tere tells us 1450 Brickell is hitting **new lease highs of \$58 to \$63/SF**—that should **push some of the activity northward** to Downtown.