

## Does Sumitomo's \$220M Grab Point To More Big Office Buys?

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*The sale price on the 631,672-square-foot office asset: \$220 million.*

MIAMI—The Japanese corporation **Sumitomo** recently paid **\$220 million** for the iconic, light-changing Miami Tower in Downtown Miami. Call it the latest sign that the investor appetite for Miami's **commercial real estate** market is still intensifying.

Domestic and international investor interest continues to drive property values to record levels. For example, the Miami Tower was last sold for \$105 million five years ago. The sale price doubled in about five years.

"The fact that the Miami Tower's price doubled in less than decade is proof that the investor appetite for existing **office** space is driving property values to record levels," **Ezra Katz**, CEO of Aztec Group, tells GlobeSt.com. "As Miami's booming condo market outbids **office** developers for available land, the amount of inventory is not keeping up with the rising demand for **officespace**. We expect that **office** rents and sale prices will continue to rise as supply becomes more constrained and investor demand increases."

The past year has seen a series of similar office deals, including the \$140 million sale of 777 Brickell, the \$112 million sale of 800 Brickell, and the \$142 million sale of Espirito Santo Plaza, all trophy assets in Miami's financial district.

Miami's booming condo market has also impacted the ability of institutional investors and office developers to compete for land, since condo developers will outbid them every time. As a result, Miami's **office** market is seeing steady rising rental rates and increased demand, but little new office inventory to meet the rising demand.

These market fundamentals point to the reasons why Sumitomo would pay top dollar for an **office** asset like Miami Tower, and all signs point to other **office** properties trading hands as deep-pocketed investors seek top-performing assets to add to their portfolios as market conditions continue to strengthen favoring landlords.

"Sumitomo's pickup of Miami Tower is another example of an institutional buyer targeting a performing asset amidst high barriers to new **office** development across South Florida," Warren Weiser, chairman of CREC, tells GlobeSt.com. "Building a stand-alone **office** tower from the ground-up in today's market has become cost prohibitive just as demand for Miami **real estate** soars. This is putting existing buildings benefitting from quality locations and strong income in-place at a premium.