



MIAMI AIRPORT OFFICE MARKET

Third Quarter 2010

	YTD total net absorption (sf)	YTD total net absorption (% of stock)	Direct vacancy (sf)	Direct vacancy (%)	Total vacancy (sf)	Total vacancy (%)	Average asking rent
Class A	22,485	0.50%	1,058,850	21.20%	1,073,494	21.50%	\$29.28
Class B	-28,230	0.60%	882,747	19.90%	917,648	20.70%	\$21.13
TOTALS	-5,745	0.10%	1,941,597	20.60%	1,991,142	21.10%	\$25.19

Source: Jones Lang LaSalle Americas

West of airport, largest county office market sees interest rise

BY MARILYN BOWDEN

Interest in the Doral-Airport West area, Miami-Dade County's largest office market, is picking up, and brokers are confident some of it will translate to more leasing this year.

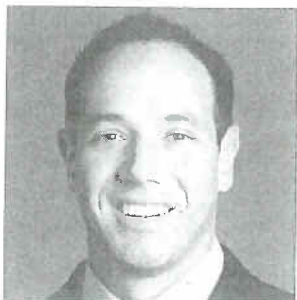
One positive sign, says Richard Schuchts, senior vice president at Jones Lang LaSalle Americas, is a major lease renewal and expansion at Westside Plaza in Doral.

Oceania Cruises signed a 23,000-square-foot renewal and 54,500-square-foot expansion at Westside Plaza II for a total of 77,500 square feet, said Flagler Real Estate Services Vice President Juan Ruiz, who negotiated the deal with Flagler Senior Vice President George I. Pino on behalf of landlord Prudential Insurance Company of America.

He said the new lease filled that building and brought occupancy in the park to about 95%. Oceania first became a tenant there in 2005, leasing 5,500 square feet.

"We've had to drop rates like everybody else," Mr. Ruiz said, "But I believe rates have stabilized in this market. I don't think they'll go any lower, and concessions aren't as aggressive as they were six to eight months ago."

Mr. Schuchts estimated ask-



"We've had a drop in rates like everybody else," said Juan Ruiz.

ing rents, quoted at an average \$29.28 for class A space in Jones Lang LaSalle's third-quarter report, have come down about 10% over the past year.

"There's still a big discrepancy between asking rates and actual deals done," he said.

Lease rates in 2010 were more stable than in 2009, said Elizabeth Santos, a senior associate at CB Richard Ellis. "A lot of landlords have found the bottom," she said. "But there are still a lot of concessions offered, especially for a tenant of notable size."

With a dormant hurricane season and very competitive rates from vendors, almost every operating expense was reduced this year, said Jonathan Kingsley, managing director at Grubb & Ellis, "and that's a great thing for landlords. They can capture another dollar on the base rent side."

Overall vacancy in the airport market, he said, is 12%-15%; historically, in good times, it's under 10%.

"It varies by product type," Mr. Kingsley said. "Class A is close to 90% occupied and keeping relatively stable, but the loser is class B, which could be as much as 25% vacant."

"As in most markets," Mr. Schuchts said, "Class A is going to fill up and B and C are going to languish as people move up to quality."

A closer look indicates more space available than is generally recorded, Ms. Santos said.

"CB Richard Ellis tracks total availability as well as total vacancy," she said. "That includes subleases, office condos for rent and space we know will become available, for example when a tenant moves to a new building."

"What I have seen over 2010 is that the spread between those two figures is larger than usual. In the third quarter, total vacancy was 18.2%, but total availability was 23.6%. That's a huge spread."

Another cause for concern that's not reflected in the numbers, Mr. Schuchts said, is the large number of small spaces that have come on the market.

"This market was built on mom-and-pop businesses," he said, "and even in the worst of times there were very few



Jonathan Kingsley said, "Class A is close to 90% occupied" in area.

spaces of 2,500 square feet and below available.

"This recession has hit those users very hard, and there are a lot of those spaces available. That's very unusual. It concerns me for Miami in general to see those businesses not doing well."

Mr. Schuchts said the trend among Coral Gables or Brickell tenants to move to Airport West, where they could cut better deals, is drying up. "Those markets have weaknesses themselves now," he said, "and landlords are able to come up with creative solutions to marketing requirements."

"We do have a large submarket with potential for organic growth, but we're still seeing more situations where when tenants move, they are downsizing — not loss of jobs, but loss of occupancy."

As for most sectors of the

economy, Ms. Santos said, the office market is likely to stay stagnant until unemployment, now at about 13% locally, starts shrinking and businesses begin hiring again.

She noted that deals take twice or even three times as long to complete as they did before the recession.

"An office lease is a very big expenditure and a long-term commitment," she said, "so there are more and more layers of approvals and delays in signing off on things, though it's better than in 2009."

But as long as South American economies flourish, the airport market has an advantage.

"International trade has been saving us," Ms. Santos said — particularly with Brazil, ranked the area's No. 1 trading partner for the first 10 months of 2010 by the Miami Customs District.

And there are other causes for optimism.

"We're seeing a lot of activity right now," said Mr. Ruiz, who handles leasing at Downtown Doral as well as Westside Plaza. "We're working on 16 to 18 transactions, nine of which are expansions, all in different industries — and they are hiring more people."

"This is actually a busy December," Mr. Schuchts said. "It will be interesting to see if they're just kicking the tires or they turn into deals."