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Beach landlords show signs of recovery from tech bust



Michael Konig: Hopes to complete office-condo closings in fall.

By CLAUDIO MENDONÇA

Miami Beach's office market is bouncing back after years of stagnation, according to analysts.

The market "is slowly starting to pick up on the Beach again," said Alison Lugo, senior associate at Codina Realty, which is selling offices in the 555 Washington Ave. building. Ms. Lugo said vacancy rates increased sharply when small startup technology companies that leased in Miami Beach went out of business earlier this decade. "The dot.com bust created availability which is now finally being absorbed," she said.

Ms. Lugo said many tenants have been requesting immediate occupancy.

According to Codina Realty, vacancy rates on the Beach in the second quarter of this year was down 5 percentage points from a year ago to 12.6%.

In October 2000, vacancies were 6.6%, according to Grubb & Ellis, a commercial real estate advisory firm.

In seven of the city's Class A properties, the vacancy rate is at 34.9%. The average rental rate for Miami Beach office space is \$28 per square foot, a 4.4% increase from a year ago. Class A rents average \$32, Class B \$24.

"Lately, Miami Beach has been generating interest from law and accounting firms, the trendy arts and entertainment firms," Ms. Lugo said.

Michael Comras, owner of Comras Development and a pioneer in bringing office space to the Beach, said demand six to nine months ago "was moving at a moderate pace and now is doing very well."

"Historically, Miami Beach has not been known as an office market," said Mr. Comras, a stakeholder at the eight-story Lincoln Place and the six-story The Lincoln, which include a combined 230,000 square feet of space.

He said the availability of renovated Class A buildings are changing that mindset.

Several service-oriented firms and a variety of multinationals in the fashion industry such as Nike and Hugo Boss are establishing headquarters to serve their Latin American clientele.

According to Mr. Comras, Class A office space is ranging from \$27 to \$32 a square foot on the Beach and Class B runs from \$24 to \$28.

One of seven Class A facilities on the Beach is 1680 Michigan, currently under conversion to office condominiums.

"We are still in the process of converting and pre-selling," said developer Michael Konig, owner of SMK Realty Group. He said the building is 90% occupied.

He said tenants consider the condo's prime location on Lincoln Road and added-value amenities such as parking and concierge service. Mr. Konig said he hopes to complete closings in October.

Interest in the building is high, he said, because there are not many office buildings on Lincoln Road.

An advantage to 1680 Michigan is that it is an office-condo, he said. "The majority of the projects on the Beach are land-lease," Mr. Konig said. "That means the city owns the land and does not want to lose control of ownership."

Photo by Mervyn Urdan