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## Real Estate

# Office space musical chairs in Broward

By Oscar Pedro Musibay

A game of office space musical chairs continues in Fort Lauderdale as tenants relocate or consider moving as they seek to take advantage of a soft market.

The most recent to consider a relocation is the South Florida Sun-Sentinel, which is looking at the Cypress Creek submarket, as well as staying put in the central business district (CBD), the Business Journal reported Oct. 7. Franklin Templeton Investments is moving from the Broward Financial Centre to 300 Las Olas Place.

Overall, South Florida is recording positive office absorption in the third quarter, with Broward recording the lowest vacancy rates of the three counties, according to Cushman & Wakefield.

Broward's vacancy rate decreased to 17.7 percent at the end of the third quarter from 18.7 percent on June 30, the lowest of South Florida's three submarkets.

The overall vacancy rate for Miami-Dade County fell to 18.1 percent from 18.4 percent at the end of the previous quarter.

Palm Beach County is still feeling the pain more than other counties in the region. Overall vacancy increased to 24.9 percent in the third quarter from 23.5 percent on June 30. But, that's still down from 25.3 percent recorded for the prior-year period.

"Tenants have expressed growing confidence in the South Florida office market, as evidenced by the increase in leasing activity," said Shane Soefker, senior managing director and branch manager of Cushman & Wakefield's South Florida offices, in a news statement. "Though much of this activity over the past nine months has been from current tenants relocating to new space to take advantage of competitive rental rates, South Florida's location, workforce and infrastructure continue to make it a desirable market for international companies."

Relocations aren't the only drivers creating more empty space. Companies are also downsizing and talking to landlords earlier in their lease cycle to get a better deal and maybe reduce their space, office leasing experts say.

Vacancy rates are likely to rise as the office leasing landscape continues to evolve and secondary space in major markets is tracked. Large, new buildings and longtime players undergoing renovations are courting smaller, atypical users to fill their buildings and make up for exits and depressed rates, said Richard Schuchts, senior VP of Jones Lang LaSalle Americas in Miami.

Users that were not moving because relocation costs were prohibitive are now reconsidering because rents are so low, making the cost of the move a wash. Those that make the move can have "significant savings" over five, seven and 10 years, he said.

"Everybody, even if they are keeping the same number of employees, is saving money," he said.

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The potential for a large reduction in operating costs is making suburban markets like Cypress Creek, where the Business Journal offices are located, more attractive.

But, the networking opportunities in the CBD and proximity to clients will serve as an anchor with a short chain for users including law firms, financial service firms like Templeton, banks and consultants like engineering firms, said Tom Capocéfalo, managing director at tenant broker Studley.

Capocéfalo recalls Smith Barney, a typical CBD tenant, moved some operations from the downtown area to its suburban office because it had two other offices downtown.

Capocéfalo said tenants are increasingly re-evaluating leases with more lead time – sometimes as far out as three years from expiration – especially if they are considering a new building because it will take that long for it to be built.

Landlords of older buildings haven't given up when faced with competition, with some investing millions of dollars to renovate. For example, asset manager GenCap Partners is overseeing \$31 million in renovations and green upgrades to the 110 Tower, onetime home of AutoNation. Transwestern Commercial Services, which is managing leasing, has signed 126,000 square feet of renewals and 43,000 square feet of new tenants since January, said Walter Robinson, Transwestern senior VP.