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## Real Estate

# A mostly sunny '96 makes way for a bright New Year, brokers say

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The darkest days of the real estate recession in the early '90s produced the industry mantra "Stay alive until '95." The sunnier picture that emerged in 1996 proved that advice correct.

This year brought record sales for South Florida office and industrial properties and unprecedented interest from institutional investors. But in case anyone is feeling too good about commercial real estate, there was the specter of corporate relocations out of South Florida to slap some sobriety into the market.

AMB Institutional Realty Advisors of San Francisco started the year by paying \$44 million, or \$56 a square foot, for Codina Group's Beacon Industrial Park in western Dade County. Last month, AMB paid \$18.525 million, or \$57 a square foot, for the 325,611-square-foot Blue Lagoon Business Park in Miami. Both deals were thought to set new standards for industrial property sales in South Florida.

And the year ended with two major downtown office deals. Last week, Shorenstein Co. of San Francisco paid Aetna Life Insurance \$207 million, or \$180 a square foot, for the 1.15-million-square-foot First Union Financial Center in downtown Miami. Earlier this month, Hart Advisers of Connecticut paid Murray Goodman \$88.77 million, or a record \$208 a square foot, for the 423,000-square-foot Phillips Point in downtown West Palm Beach.

Hart Advisers spokesman Bob Staley called the resuscitation of West Palm's downtown office market a key factor in the lofty purchase price.

"That market is recovering, and Phillips Point has been able to generate the highest rents in the market," Staley said. "We think the income provided by the building justifies the price."

In the apartment market, Related Group of Florida continued to sell large projects to deep-pocketed investors. Invsco of Chicago paid Related \$48.5 million for the 430-unit Yacht Club at Aventura. Related also sold five projects -- including Broward's St. Andrew's at Palm Aire, St. Andrews at Winston Park, Lakes at Welleby and Enclave at Winston Park and Palm Beach County's Yacht Club at Hypoluxo -- to Boston pension fund adviser Aldrich Eastman

Waltch for \$108.6 million.

South Florida's largest hotel deal of the year saw Interstate Hotels pay OBR Ltd. of France \$43 million for the 417-room Doral Ocean Beach Resort in Miami Beach. The new owner plans a \$10.5 million renovation.

1996 also brought the return of speculative development. Successful projects like Easton-Babcock & Associates' International Corporate Park in Miami's Airport West and Stiles Corp.'s 207,000-square-foot Las Olas Centre in downtown Fort Lauderdale proved that South Florida's economy has recovered enough to support spec development.

But corporate relocations out of South Florida struck a sour note. Fort Lauderdale was particularly hard hit, losing Blockbuster Entertainment and its 260,000-square-foot headquarters to Dallas. Sunbeam moved from downtown Fort Lauderdale to Delray Beach, and Harris Computer Products sold its 75.5-acre property in Fort Lauderdale for \$22.4 million and retreated to its headquarters in Melbourne.

IBM continued to reduce its presence in Boca Raton, although it will keep some employees at its Boca campus even after the 550-acre property is sold. IBM this week announced an agreement to sell the 2 million square feet of offices to a group that includes Morris Lewis Stoltz and Jack P. Stoltz of Stoltz Bros. Florida Ltd., Ned Siegel and Mike Masanoff of SGS Communities and land-use consultant Mark A. Guzzetta.

Office Depot's merger with Staples led to cuts at its Delray Beach headquarters, Allied Signal left the market and Pan American World Airways considered a move to New York.

In a recent market report, Commercial Florida Realty Partners research director Ken Silberling noted those relocations but added that there's enough activity in the market to overcome the loss of tenants.

"Commercial Florida expects only a short-term market downturn followed by a rapid recovery," Silberling wrote. "Rising rents are making new development feasible, and we expect additional new projects to take shape as we head into 1997."

Miramar Park of Commerce developer Andy Ansin also predicted a flurry of activity in the first quarter of 1997 and continually rising rental rates. Increasing rents already are pushing some suburban office tenants into flex space that's cheaper by several dollars a square foot, he said.

"There's a rent differential of \$2 or \$3," Ansin said. "And industrial space offers a higher parking ratio."

A market study by Heitman Research predicted that industrial rental rates will begin to plateau in the Miami market. And Ansin said consolidation in the logistics industry -- which occupies much of the industrial space in Dade and south Broward -- could prove troubling. Many of the tenants have less-than-stellar credit and three- to five-year distribution deals that hinge on the health of Latin American markets, Ansin said.

But those concerns are minor enough that Miramar Park of Commerce will break ground on a new phase early next year. And Silberling also predicts a continued boom in South Florida, in spite of a slight rise in industrial vacancies in Broward and Palm Beach counties in '96, from 7.2 to 7.6 percent.

"While we may occasionally see temporary increases in vacancy rates," Silberling wrote, "the long-term trend of steady market growth will ultimately prevail."

#### Deals and people

Southern Property Fund, headed by Ken Endelson, Richard Finkelstein and Michael Wohl, paid Balcor of Chicago \$6.59 million for a 275-unit apartment complex in Orlando.

United Sea Enterprises paid Monfort \$610,000 for a 23,000-square-foot refrigerated building at 11206 NW 36th Ave. in Miami. Greg Lyon of Godart Real Estate Group and Scott Minchew of Scott Minchew & Co. represented the seller and Paul Cohen of Easton-Babcock & Associates represented the buyer.

Pago Realty paid \$600,000 for a 22,000-square-foot building at 868 NW 21st Terrace in Miami. Larry Mizrach of Florida Corporate Realty and Alex Bernaldo of Americas Industrial Realty brokered the deal.

Real Estate is published weekly. Got a tip? Call Jeff Ostrowski at (954) 359-2111 or fax information to (954) 359-2135.