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Rising rents make up for commercial insurance rates

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The high cost of casualty insurance is not spooking commercial property buyers, says Paul Cohen, director of the CB Richard Ellis Private Client Group in Miami. Rents are more than making up for insurance and tax increases within the industrial and office niches.

In Miami-Dade, industrial property rents have jumped from an average \$5 a square foot to \$6.50 to \$7.50 in the last six months, as vacancies plummeted from slightly less than 10 percent to about 3.5 percent.

While some local property owners are getting beaten up with high premiums on commercial properties, many regional investors are spreading the risk and cost over an entire portfolio.

"New corporate purchases take over the existing policies at known rates, or they are adding new buys to a multi-property policy without much trouble," Cohen said.

He thinks reinsurers will ease up if we get a benign hurricane season, and then commercial rates will settle down.

Of 14 active multi-family listings his office is working, there are already offers on nine of them and insurance costs didn't factor into them.

Next, Cohen sees Miami-Dade office rents advancing 20 percent to 30 percent over the next 12 months as former office properties give way to residential uses and availability tightens.

"Coral Gables is losing 140,000 square feet of office space to residential," he said. "Buyers of Miami-Dade office space are predicting big increases in rents ahead."