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## Little Giant Smaller Submarket Stronger than CBD

By Anne Kasper

Sometimes, as the saying goes, good things do come in small packages. At 7.9 million square feet, the Coral Gables office market is roughly half the size of the central business district, but it is the strongest submarket in Miami.

At the end of the second quarter, Coral Gables had a 9.1 percent office vacancy rate, compared to 13.7 percent for the CBD, according to Jones Lang LaSalle Inc. "Coral Gables is one of the submarkets with the lowest vacancy in the entire county," said Dan Carlo, a senior managing director with Holliday Fenoglio Fowler L.P.

With four major office buildings completed in the past two years, absorption has been an important part of maintaining that low vacancy rate. During the first half of this year, 213,000 square feet were absorbed. "There was a lot of concern a year ago," said William Holly, president of

Holly Real Estate. "Fortunately, a majority of that space has been absorbed."

And another office development is about to be added to the mix. At press time, Hines was scheduled to complete 2525 Ponce de Leon, a 239,000-square-foot building, by the end of September. Approximately one-third pre-leased, the project is the largest under construction in metropolitan Miami.

Investment interest in Coral Gables has also been strong. In August, Crescent Real Estate Equities Co. made its second acquisition in the city when it bought Two Alhambra Plaza, a 317,566-square-foot, Class A office building for \$72.3 million. A year earlier, Crescent bought the 210,000-square-foot BAC Colonnade.

Crescent owns a total of 1.8 million square feet in the Miami area, about 6 percent of its overall national portfolio. And according to John Goff, vice

chairman & CEO of the REIT, Crescent is seeking to acquire more, particularly in Coral Gables. "When you home in on the submarkets, Coral Gables is at the top of the list," he said. "We would love to own more there."

Goff explained that the company was interested in Coral Gables for several reasons. First, it is a relatively small market that is difficult to build in. Second, Miami serves as a gateway to Latin America. "(And) Coral Gables is becoming more and more attractive for those types of tenants looking to set up offices," Goff said. Earlier this year, Kraft Foods International Inc. leased 40,000 square feet in 355 Alhambra to serve as its Latin American headquarters.

Another positive is the city's convenience. "It's right in the heart of where the decision makers live," Goff said. Carlo pointed out that the average annual household income in Miami is about \$58,000, while it is more than twice that in Coral Gables, approximately \$130,000.

That affluence has also attracted retail development. In the fall of 2002, The Rouse Co. opened the 800,000-square-foot retail component of its 20-

acre mixed-use development, Village of Merrick Park. "It has created two retail centers in Coral Gables," said Edgar Jones, senior director of Florida operations for Rockefeller Group Development Corp.

Developers Jeff Berkowitz and Ralph Sanchez are reportedly planning a multi-story retail project on a nearby site currently occupied by a car dealership. "It's an area that is probably in need of a better use," Jones said. ■

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