

Brickell office market in relatively good shape, brokers say

by Marilyn Bowden

With its two new Class A office buildings nearly all leased

and sublease space disappearing, the Brickell Avenue office market is stabilizing, brokers say.

“All of our space has been

committed,” said Rich Baumert of Millennium Partners, office leasing agent at the Four Seasons Hotel & Tower. “We’re at 90%

occupancy with signed leases, and we're finalizing four or five leases that will fill the remaining 10%. The response has been phenomenal. I could lease another 200,000 square feet if I had them."

At the nearby Espirito Santo Plaza, there is about 40,000 square feet available, said leasing agent Grant Killingsworth of Holly Real Estate. "Because we are over 80% leased," he said, "we have raised our rates."

Now that significant concessions that had been offered at the buildings have largely disappeared, said Jay Perkins, head of South Florida operations for Jones Lang LaSalle, "I wouldn't be surprised to see rates going up \$1 to \$3 between now and the end of 2005. No new product is being delivered, and there's little or no new space coming online, all of which spells stabilization."

In addition, said Douglas G. Campbell, executive director at Cushman & Wakefield, sublease bargains that had competed with direct space are coming to an end.

"The Mellon Financial Center sublease opportunities have evaporated," he said. "Several tenants profited there by subleasing Class A space at Class B costs. This unique opportunity had landlords totally at a disadvantage. How does a landlord quote \$32 (per square foot) at 701 Brickell when the same tenant can sublet space at Mellon Financial Center built out at a cost of \$200 per square foot for \$26?"

A 70,000-square-foot sublease from Dresdner Bank at 801 Brickell is "a lame duck," Mr. Campbell said, "because of the short term. The lease expires in 2007."

Rates at the submarket's two older Class A buildings, 701 Brickell and 801 Brickell, have dropped because of increasing vacancies, he said, but both the buildings should be backfilled with tenants moving from downtown.

"The exodus from the Central

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Jay Perkins

Business District to Brickell has presently ebbed," he said, "but just wait until construction downtown really gets under way."

Despite closures and mergers in international banking, the backbone of the submarket, Brickell has had "a minimal loss of tenants," Mr. Perkins said. "The international financial community will always have a large and strong presence on Brickell. But it's also home to substantial law firms and other service providers. The quality of its office space coupled with convenient ingress and egress will continue to attract all of those users."

Holly Real Estate broker John Fleeman said law firms that had been reluctant to cross to Brickell because they thought they needed to be close to the courthouse "apparently are rethinking that position based on concerns about all the construction coming over the next four to five years."

Brickell has lost some tenants to Coral Gables and Airport West - including Courtelis Co. and Eagle National Bank, both tenants of 701 Brickell Ave. "The drivers on these transactions include ease of access," Mr. Campbell said, "and significant savings."

Mr. Perkins said the effect of movement out of Brickell has been minimal.

"Predicated upon the success we have seen with the lease-up of Four Seasons Tower and Espirito Santo Plaza," Mr. Campbell said, "I am very confident that it is time to put another building on the drawing board for delivery to Brickell in early 2008."