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COMMERCIAL REAL ESTATE

International investors continue to boost commercial market

By MARILYN BOWDEN

Investor interest in Miami-Dade commercial properties is still hot, brokers say, as international institutions compete with domestic funds for a limited supply of investment-grade properties.

"South Florida seems to be one of the hottest markets in the US right now, with Washington, DC, New York and Chicago," said Steve Nostrand, director of mortgage & investment financing at Codina Realty Services. "It's classified as one of the most favorable long-term investment locations in the country."

"Because of the favorable currency exchange for Europeans, we're seeing interest from German pension and institutional money, a fairly significant amount of Italian dollars and, for the first time in a long time, both public and private entities from the UK."

"Historically," said Ronald Kriss, a real estate attorney in Akerman Senterfitt's Miami office, "institutions are invested quite heavily in South Florida. We probably get a disproportionately high amount of investment from institutions; this seems to be a popular investment destination for them."

"It's still a growing population and the demographics are strong. It's the gateway to Latin America, which drives many types of business in South Florida, and it has enjoyed a healthy economy."

But in general, Mr. Kriss said, investors are having a hard time finding first-class product to buy.

"Institutions have a lot of money that they want to invest," he said, "but many say they can't find the quality products that they are looking for, or if they do the prices

William Holly, principal of Holly Real Estate, said Miami went on the investment map in a big way about five years ago.

"Ever since then," he said, "there has been more and more institutional interest in our market, which continues to outpace the rest of the country, not only in development but in the economic vitality of our South Florida region."

Most of the A buildings traded first, Mr. Holly said, and "since then we've had steady and consistent selling of the B buildings, because there wasn't any other supply available. Now there's a lack of supply of quality assets to sell, and sellers are interested in getting a very high price."

Most institutional investors hold a property for about three years, he said, though some turn over in as quickly as three years.

"It depends on their motives," Mr. Holly said. "Recently, the Alhambra in Coral Gables sold. The group that bought it four years before had met their objective, and it made sense for them to sell."

However, said Stephen Bittel, chairman of Terranova Corp., just because a building traded hands in the past couple of years doesn't mean that it can't trade again.

"With the weak to average performance of the US equities market," he said, "pension funds in the US and Europe have increasingly raised their percentage applications to the commercial real estate industry, and as a result all of the asset classes — apartments, shopping centers, industrial and office — have been bid up in price."

"A limited supply of new office buildings over the past few years

has enabled existing properties to fill up. That has been especially evident with increasing office demand over the past six months. So all of the pension funds are eager to buy office."

Mr. Nostrand said offices are now one of two asset classes likely to give investors the most bang for the buck. The other is apartment buildings not slated for conversion to condos.

"If you can accept a lower return on your investment," he said, "offices and apartments seem to have the greatest potential of appreciation, because income and rents are going to go up."

The only real question mark, Mr. Bittel said, is whether South Florida will remain among the most sought-after markets in the country after one of the most intense hurricane seasons in many years.

"I do think," he said, "that these near-misses will cause a great many tenants to focus on newer buildings that have impact-resistant glass and better energy back-up systems."

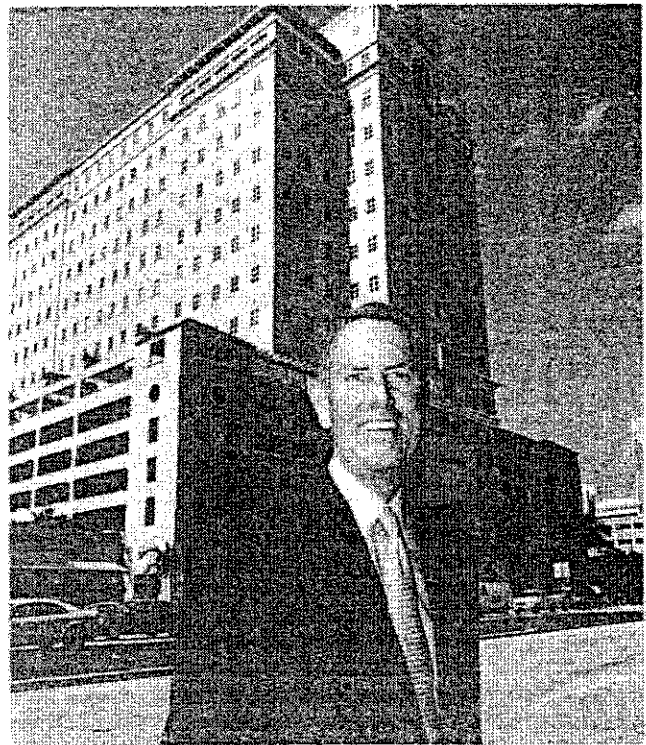


Photo by Maxine Ussan

Steve Nostrand: Investors from UK have returned to South Florida.