

Brokers: Sublease space dwindling

BY MARILYN BOWDEN

Brokers say sublease space available at bargain prices is nearly depleted and very little has been added to the inventory in recent months.

"The market has been steadily improving," said William Holly of Holly Real Estate, "with the amount of sublease space lessening in submarkets such as Brickell and Coral Gables."

"We have seen quite a bit of absorption," said Scott Strickland, leasing specialist at Jones Lang LaSalle, "and there's not much new being dumped on the market now that businesses are starting to recover. So in general, sublease space is starting to have less of an impact on the market."

He said sublease space returned to the Brickell market by Telefonica — at one time totaling almost 70,000 square feet at 1221 Brickell — is disappearing.

"Telefonica entered into a termination agreement with the landlord," Mr. Strickland said, "so they are not attempting to sublease. They did maintain one floor, but the lease on that is expiring."

At Mellon Financial Center, 1111 Brickell Ave., sublease opportunities are nearly gone, said Jack Lowell, vice chairman at Codina Realty Services.

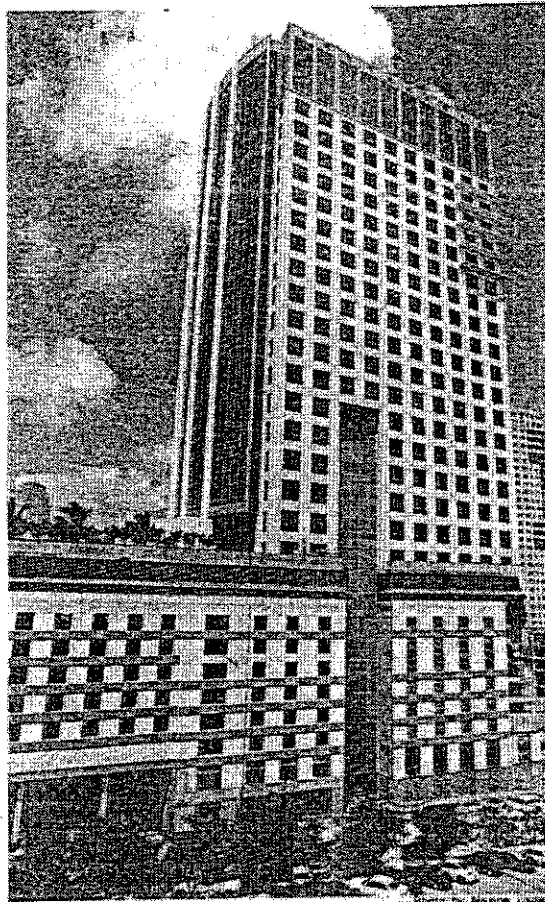
Former signature tenant Barclay's Bank, which had occupied the building's top three floors, sublet two floors to Mellon Bank, he said, and kept responsibility for subleasing the remaining floor to smaller tenants. "There may be a small piece of that left," he said.

Space freed by Arthur Andersen's demise has been filled by American Express and law firm Baker Mackenzie, Mr. Lowell said, and Morgan Stanley has sublet the two floors it vacated.

Mr. Strickland said Dresdner Bank left behind close to 40,000 square feet at 801 Brickell that has not been filled.

Downtown, Bank of America put about 63,000 square feet of space on the market at the beginning of the year, he said.

"They have had some success subleasing it," Mr. Strickland said, "but they still have considerable noncontiguous space throughout



Most of the space left vacant by the departure of Barclay's Bank from 1111 Brickell Ave. has been taken by Mellon Bank, smaller tenants.

the building."

Sublease inventory continues to grow in the struggling South Beach market, Mr. Holly said, "and we still continue to see it marketed aggressively in Airport West as well."

He said discrepancies among submarkets are explained by the types of tenants each attracts.

"Our local economy is outpacing the national in recovery," Mr. Holly said, "so those office markets that are dominated by locals have done better than those with primarily national tenants."

"When you look at a local market like Coral Gables, what you're seeing is the entrepreneurial growth of Miami."

"South Beach offices had as tenants music and entertainment groups that, if not nationally owned, were at least reliant on

national companies. Airport West is our most corporate market in terms of drawing national companies. That is responsible for their continued softness."

The reduction in sublease opportunities is good news for landlords who in many cases competed head-on with their own tenants, Mr. Strickland said.

"Many times, the sublease space featured a move-in scenario," he said, "right down to the furniture. So there were sometimes advantages other than economic."

The bad news for prospective tenants, Mr. Lowell said, is that deep discounts on big blocks of space have run their course or are no longer available.

"Sublessors could typically get 20% to 30% off quoted rates," he said. "That's a great deal for tenants."