

Brokers expect more demand for offices in Coral Gables

By MARILYN BOWDEN

The Coral Gables office market is the hottest in the county, and even though two buildings have just been completed, brokers say it won't be long until market conditions would justify new construction.

Hines Partnership's building at 2525 Ponce de Leon Blvd., which added 254,000 square feet of Class A space in September, is about 50% leased, said Tom Roth, vice president of Florida development. The major tenant is Adorno & Yoss, which leased 70,000 square feet. Others include law firms, financial services, a Fortune 500 tech company, a Latin media firm and an energy-management company.

"We are seeing a great deal of interest in the rest of the building," he said. There is 65,000 square feet available on the building's top three floors, the submarket's largest block of contiguous space, Mr. Roth said. He said lease of the space would include signage rights.

In the same complex, Hines' 95,000-square-foot Class B building, 2555 Ponce de Leon, is about 80% leased, he said.

Starwood Urban's 55 Miracle Mile, a mixed-use property containing 26,000 square feet of office space on three floors, opened in February with no office tenants.

"Activity really picked up once people could see the quality of the building," said William Holly, whose firm, Holly Real Estate, is handling leasing.

He said Auxis, a management and technology consulting firm that has been in the Gables for 10 years, has taken 4,000 square feet.

"Local companies that understand the dynamic nature of Miracle Mile are very interested in it," Mr. Holly said.

Several major tenants who would take a majority of the remaining space are looking at the building, he said, and it could be leased out early next year.

Third-quarter overviews from Jones Lang LaSalle and Cushman & Wakefield reported several significant leasing transactions in Class A properties,

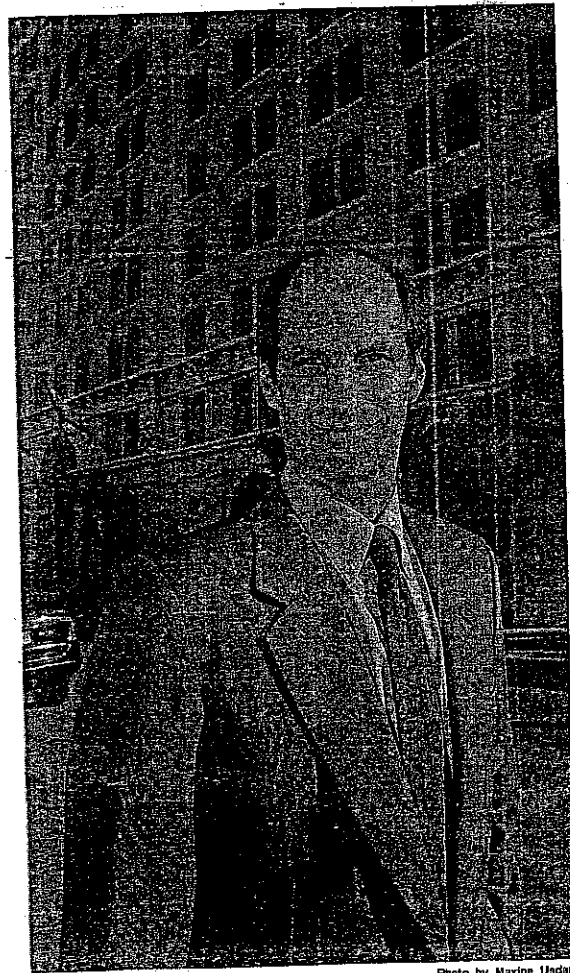


Photo by Maxine Urdan
Tom Roth: Hines has leased out about half of 2525 Ponce de Leon.

including a 21,830-square-foot lease signed by Starboard Cruise Services at 4000 Ponce de Leon and Bank of America's lease of the 18,697-square-foot penthouse at Columbus Center.

Jones Lang LaSalle's report said the 375,000 square feet absorbed in Coral Gables in the first three quarters of this year was the most in the county.

"It's a landlords' market right now," said Jones Lang LaSalle Vice President Eric Groffman. "Tenant prospects such as law firms and financial services that historically would only look at downtown or Brickell are seriously considering Coral Gables as a viable option."

Class A rates are stabilizing at around \$30 a square foot, he said, similar to those in Brickell and downtown.

"They're likely to increase," Mr. Groffman said, "because a number of notable buildings – the Colonnade, the Alhambra and 550 Biltmore – recently changed hands and the new owners will have to keep rates up so that the purchase prices make sense."

As Class A buildings fill up, said Maggie Kurtz, a director at Cushman & Wakefield, Class B buildings will likely fill large blocks recently vacated when Texaco/Chevron left 150 Alhambra for Class A space at the Colonnade and Delta Airlines (201 Alhambra) and Sunglass Hut (255 Alhambra) left the Gables.

Most sublease space has been absorbed, she said, there will be more parking spaces next year and the city's new trolley that brings people to downtown from the Gables Metrorail station is making the Central Business District more accessible – positive signs for the submarket's future. "But unless there is new product," she said, "we may start to see a slowdown in activity."

The city's zoning department has recorded a number of planned mixed-use projects that include significant amounts of office space, a couple of office-condo ventures, several professional office buildings and a handful of single-tenant structures. No new Class A building is in the works.