

# MIAMI TODAY

WEEK OF THURSDAY, JANUARY 5, 2012

WWW.MIAMITODAYNEWS.COM

\$3.00

## Signs of recovery sprout in Homestead commercial market

By MARILYN BOWDEN

Homestead's commercial markets, buoyed up by the housing boom of 2002-08, sank when it collapsed, but brokers active in the area see some signs of recovery.

The 194 buildings in Homestead-Florida City's industrial market house 2.9 million square feet – just over 1% the size of the Miami market – and a sizeable portion of it is agricultural warehouse space, said Edward J. Redlich, vice president at ComReal Miami. Average lease rate is \$7.72 triple net. At just under 5%, vacancy is low, but so is demand.

"There's not a lot of product, but there's also not a lot of demand," he said. "The market was driven by residential builders and contractors, and now that industry has gone away."

By 2002, Mr. Redlich said, land constrictions in Miami brought the housing boom to Homestead, and acres of farmland were sold for residential development, cutting back on the agricultural base that had been a major economic driver for the area for more than a century.

"That lessened the demand for storage for fertilizer and so on," Mr. Redlich said. "I sold a lot of old agricultural packing facilities to residential or retail developers. A lot more have been repurposed into residential, mixed-use or church facilities."

In 2006, the US Census Bureau recorded a 20.8% increase in Homestead's population over the year before, making it the fastest-growing city of its size in the US.

"That drove a lot of retail to



Carter Hopkins: reasonably healthy.

serve the residential," Mr. Redlich said, "but industrial didn't follow."

Growth at Homestead Park of Commerce, a foreign trade zone once touted as the coming epicenter of the area's industrial market, has been stymied by legal complications.

Tenants at the park, Mr. Redlich said, include Contender Boats, Gold Coast Beverage, the FBI, the US Drug Enforcement Agency and NWD USA, a Venezuelan import/export company that manufactures auto parts in China.

He said he expects industrial activity in Homestead will pick up again once central Dade's vacancy, now hovering around 8%, gets down around 4%.

At about 550,000 square feet, Homestead-Florida City's entire office inventory would fit in a single Brickell office tower.

"It's a reasonably healthy market," said Carter Hopkins, first vice president of Corporate Advisory Services at CB Richard Ellis. It consists of



Keyes' Tony Garcia: "We're seeing a lot of businesses opening up."

about 16 buildings, he said, with a combined vacancy of 12.8%.

"That may be skewed towards the high end," Mr. Hopkins said, "because there are two buildings over 60% vacant, and that is pulling the numbers downward a little. It might be more accurate to call it about 11%."

Since CB Richard Ellis does not track the Homestead market, Mr. Hopkins said his figures come from Costar, a commercial real estate analytics firm.

He said the market is divided into medical office buildings and older, non-medical properties, many of them with ground-floor retail.

"By Miami standards, there are no class A buildings," Mr. Hopkins said. "There are a few more B than C."

Rental rates average \$21-\$22 triple net, with about \$5-\$7 a foot operating expenses, for medical buildings, he said, and \$17-\$19 a square foot, full service, for non-medical.

"Most tenants are local service businesses and professionals," he said. "At the corporate level, there is not much of a demand."

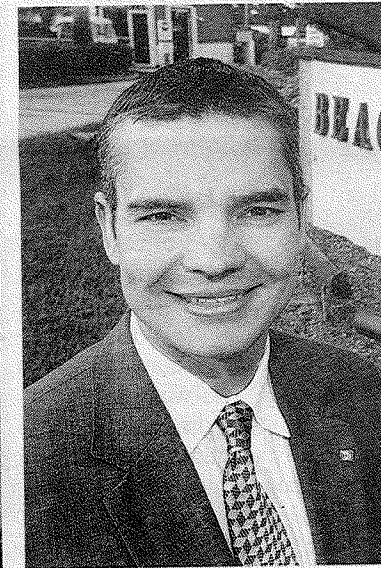
Retail space is doing well, said Tony Garcia, manager of Keyes Co.'s Homestead office.

"We're seeing a lot of businesses opening up," he said. "Humana has come in and taken 8,000 square feet next to City Hall. We're seeing more interest from outside the area, from retail uses to slaughterhouses."

Prime Outlets at Florida City, a mall that has had vacancies even during good times, is starting to fill some spaces with big-name tenants, Mr. Garcia said, but shopping centers maintaining high lease rates are not moving as quickly as those willing to negotiate.

He quoted an average retail lease rate of \$19 a square foot plus common-area maintenance, or CAM.

Brokers are optimistic that recovery is around the corner for South Dade.



Photos by Maxine Usdan

Vacancy is low, says Ed Redlich.

"People are starting to plant roots in the community, and that is what makes a community grow," Mr. Garcia said. "The median income is now \$44,000, the same as it was in 2008."

Mr. Redlich pointed to the success of the Homestead-Miami Speedway, Baptist Health's new Homestead Hospital and other ventures as evidence of a recovering economy.

"The Air Force base and other military and paramilitary operations there are very active," he said. "The city was able to sell its sports stadium to La Ley Sports for \$16 million, and that gets it back on the tax books."

Rising land prices may also play a role.

"You can get good land at about a third of the price it would cost in Miami," Mr. Redlich said. "It's clearly not for all businesses, but for those that are willing to relocate, South Dade can offer an available labor force and great quality of life."