

Industrial vacancies climb, but lower rental rates a positive

BY MARILYN BOWDEN

Miami-Dade commercial brokers report that lease rates in the county's industrial markets are slipping as vacancies trend upward. But controlled growth and realistic rental rates are positive factors in weathering the economic storm.

"Overall transaction volume will likely remain low in the year 2009," ComReal's first-quarter "Outlook" predicts, "and most speculative construction is on hold."

According to Grubb & Ellis's first-quarter "Industrial Market Trends," "vacancy in the Miami-Dade industrial market moved up 40 basis points to 8.6% during the first quarter of 2009, extending the trend of consecutive quarterly vacancy increases from fourth quarter 2006. Negative 439,003 square feet of absorption coupled with delivery of 255,874 square feet of newly built space during the first quarter contributed to the most recent rise in vacancy."

Most occupancy losses were in warehouse/distribution facilities, Grubb & Ellis notes.

In its quarterly "MarketView," CB Richard Ellis researchers say 39 properties with more than 100,000 square feet of contiguous

space are now available. Filling them will not be easy. Grubb & Ellis reports that during the first quarter, "large, non-renewal lease signings for industrial space in excess of 50,000 square feet were nowhere to be found in Miami-Dade County. The market's first-quarter leasing activity stood in stark contrast to the size and volume on non-renewal leases in the fourth quarter of 2008, when four leases above 100,000 square feet were announced."

CB Richard Ellis notes that this situation is "leading brokers to become more aggressive in their marketing techniques, which includes the lowering of asking lease rates as well as offering increased incentives to prospective tenants."

"In an effort to stimulate demand for industrial space and improve their near-term cash flow positions," Grubb & Ellis finds, "landlords are now commonly offering months of free rent and/or lower rent amounts to fill vacancies," and, as in the office market, there's a trend toward shorter lease terms — less than three years in some cases.

"For landlords, the shorter terms will allow them the opportunity to re-market space at higher rents once the economy

strengthens," this report says. "Meanwhile, tenants that are unsure of their future growth needs are less pressured to being locked into hefty financial commitments."

Colliers Abood Wood-Fay's first-quarter industrial report indicates that over the past year vacancy rates have increased from 8.9% at an average quarterly rate of nearly 10% to 12.9% — a year-over-year increase of nearly 50%.

The decrease in demand has also resulted in the average asking rental rate shrinking 5.1% from last year to \$8.11 per square foot industrial gross, CB Richard Ellis reports.

On average, says Colliers Abood Wood-Fay, industrial lease rates in the Miami-Dade

are nearly \$1 a square foot less than in Broward and West Palm Beach, which works to its advantage.

Also working in the market's favor is the small amount of new industrial construction to be available in 2009 — less than 500,000 square feet, according to Grubb & Ellis.

Sales of industrial properties were flat for the quarter.

"The investment market remains stagnant for all product types," CB Richard Ellis noted, "as frozen credit markets, uncertainty of fundamentals, and a discrepancy of buyer and seller pricing expectations continue to prevent transactions."

For investors, says ComReal, "financing is still a

major problem. So expect to see more transactions either owner-financed, joint-ventured, closed with all cash and/or leased with a purchase option."

However, ComReal adds, for those who can find financing, "the entire year of 2009 and likely into 2010 will be full of major leasing and buying opportunities."

"Market professionals project transaction activity to increase in the next six to nine months," CB Richard Ellis forecasts, "as lenders and distressed sellers are forced to get troubled assets off of their books and government intervention attempts to restore some levels of liquidity into the market."



MerrickView

CORAL GABLES

- Rents starting at \$29 PSF / Sales at \$290 PSF
- Desirable location across from the Village of Merrick Park
- Steps away from the Metrorail and the Coral Gables Trolley
- Suites provided 'built to suit'
- Office suites ranging from 1,400 RSF to 21,000 RSF
Retail suites ranging from 850 RSF to 6,300 RSF

New Class "A" Office Space Available Now
Call Kerdyk Real Estate at 305.446.2586

Oral representations cannot be relied upon as correctly stating the representations of the developer. For correct representations reference should be made to the condominium documents to be furnished by a developer to buyer or lessee. Not an offering where prohibited by state law. Prices, plans and specifications are subject to change without notice.

