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SPECIAL REPORT Office Guide

Move Over, Downtown. Suburbs Are the New South Florida Office Magnet

by Lidia Dinkova

The South Florida office market is something of a nonconformist.

The real estate industry generally has been focused on urban cores offering a live-work-play lifestyle — think downtown Miami, Fort Lauderdale and West Palm Beach and Miami's Brickell and Wynwood neighborhoods. But the office market increasingly has been checking out the suburbs.

Most new construction — 40 of 50 buildings in South Florida — is rising outside the central business districts. That's 64 percent of the 4.09 million square feet under construction, according to an analysis of CoStar Group data.

"If you don't have to be in the CBD and you have a high number of employees in a growing company, typically you would want to locate your business in the suburban areas," said Elliot LaBreche, vice president at The Easton Group's brokerage, Easton & Associates. "It's a reduced commute to the office."

Indeed, traffic congestion and the related perception of hours wasted on the roads are drivers in the office market.

South Florida planners decades ago didn't factor in public transit that would connect the urban cores and suburbs, said developer Art Falcone, who has placed bets in both places. That's left major east-west thoroughfares congested, to say nothing of Interstate 95.

"If you are living in a house, you don't want to be sitting on the I-595 or the Sawgrass Expressway or the 826 or the 836 for an hour-and-a-half of travel time. That's not the most productive use of time," said Falcone, whose Encore is



J. ALBERT DIAZ

This rendering shows the planned seven-story office building, 1700 Metropica, right, to rise at the mixed-use Metropica project being built in Sunrise.

building the mixed-use Plantation Walk, which includes a soon-to-open office tower.

Aside from traffic, urban cores are becoming price prohibitive based on land costs and rental rates, pushing developers and tenants alike to the suburbs, according to a CoStar report and interviews with experts.

THE PROJECTS

Developers and brokers have touted the attraction of living within walking distance of jobs, stores and restaurants.



Elliott LaBreche

But as office tenants elect locations outside downtown, it doesn't mean the live-work-play concept has been abandoned. Developers have simply shifted locations.

Just look at Downtown Doral, Metropica in Sunrise, Plantation Walk and The Park at Broken Sound in Boca Raton.

"They are making little cities within the suburbs," LaBreche said.

The 250-acre Downtown Doral and the 700-acre Park at Broken Sound offer residences as well shopping and

dining venues interspersed among office buildings.

Downtown Doral, which has a 3-acre park and charter elementary school, has five completed office buildings totaling 600,000 square feet with another 400,000 square feet planned. The Park at Broken Sound, previously called The Arvida Park of Commerce, late last year netted new office tenants, including pharmaceutical company TherapeuticsMD, which signed a 55,000-square-foot lease at 951 Yamato Road.



Christopher Gallagher



Arthur Falcone

With a view of the Everglades, the 4 million-square-foot Metropica west of the Sawgrass Mills mall is under construction. Eight residential towers are due for completion this year, and the seven-story 1700 office tower is set to be finished in early 2021. The community is less than a mile from the Sawgrass Expressway, Broward County's solid western development boundary.

"We were surprised — when we took this assignment on about five months ago — at the pent-up demand from larger regional headquarter tenants that were looking at 1700," said Christopher Gallagher, senior vice president with CBRE Inc. in Fort Lauderdale, who is part of the team leasing Metropica's office space.

The building, much like the rest of Metropica, was designed with an eye toward bringing an urban-feel to suburban Sunrise. For one, the same architectural firm, Cooper Carry, that's designing the 25-story office tower at The Main Las Olas in downtown Fort Lauderdale also designed 1700 Metropica.

Emphasis is being placed on bringing an urban feel to the suburbs and allowing employees to work close to home and entertainment.

"It's all about attracting that hard-to-find millennial talent," Gallagher said.

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"Someone who is looking for more of a live-work-play environment."

To the east, the 27-acre Plantation Walk being built on University Drive is opening a 160,000-square-foot Class A office tower by month's end, with Aetna Inc. signed as a tenant.

For Falcone, building offices in Plantation makes financial sense for him as a developer as well as for future tenants.

Tenants in suburban markets pay \$10 to \$15 less per square foot than in urban buildings, Falcone said. His land costs are as much as five times less in Plantation than in downtown Fort Lauderdale.

Encore is considering developing a second Metropica office building to quench the demand, Falcone said. He also has a stake in the \$1 billion downtown Miami Worldcenter.

'SUB-URBAN FRINGE'

Areas that in the past were thought of as bedroom communities are diversifying their offerings.

Take Coral Gables, Miami's Coconut Grove and Aventura as examples. They aren't getting the large, self-contained mixed-use projects like Downtown Doral and Metropica.

But between the existing residential sector, booming retail and new office space, they are getting live-work-play pockets, evolving into something between urban and suburban.

"We call it the sub-urban fringe," Falcone said.

Coral Gables, Coconut Grove and Aventura, all of which Falcone put in the "sub-urban fringe" category, are getting new offices after some signifi-



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The office building at 8240 NW 53rd St. is one of five at the mixed-use Downtown Doral, which also has residences, shops, a park and a school.



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This building at 8333 NW 53rd St. is one of five new office buildings at the mixed-use Downtown Doral.



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The Atrium office building at The Park at Broken Sound in Boca Raton traded for \$22.4 million.



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Pharmaceutical company TherapeuticsMD Inc. in late 2018 leased 55,164 square feet at 951 Yamato Road at The Park at Broken Sound.

cant sales and leases in 2018.

More than 70 percent of the new 16-story, 97,668-square-foot Ofizzina office-condominium at 1200 Ponce de Leon Blvd. in Coral Gables has been sold since its completion last year.

Manuel Crespo, the developer's attorney who closed the sales, described Coral Gables as evolving into a live-work-play city, giving residents an opportunity to work close to home.

"Anecdotally, I can tell you a ... bunch of my lawyer friends live in the area, and everybody enjoys the five-minute commute or less," the Greenspoon Marder partner in Miami told the Daily Business Review in January.

In nearby Coconut Grove, five office buildings are under construction, including the soon-to-be-finished 95,000-square-foot, seven-story Class A building at 3310 Mary St. where Kaufman, Rossin & Co. has leased space. Also, the 85,762-square-foot, five-story One Cocowalk at 3001 Virginia St. is to be finished in a year, according to CoStar.

In Aventura, the 104,544-square-foot, 11-story Ivory 214 at 2820 NE 214th St. is due to open in November, and the 96,000-square-foot, 13-story Forum Aventura at 19790 W. Dixie Highway is to be finished next month.

BEYOND CONSTRUCTION

It's not just the pace of suburban construction that speaks to the strength of the markets. They also are netting leases and sales while experiencing strong rent growth.

In July 2018, Boca Raton-based Crocker Partners LLC in a joint ven-

ture with Walton Street Capital bought the 1.05 million-square-foot, 11-building The Landing at MIA, where Norwegian Cruise Line has its headquarters in the Miami International Airport submarket.

This is one of the strongest submarkets in Miami-Dade County based on rental growth. While Brickell held the top spot for highest asking rent in January, the airport district experienced the highest annual rent growth at 6.3 percent, according to CoStar.

Much of the airport district "is traditional office, but a lot of it is driven by trade and logistics," said Christos Costandinides, director and South Florida market economist at CoStar in Miami.

Suburban Kendall boasted the second highest annual rent growth at 4.9 percent. There, Baptist Health Enterprises, the real estate subsidiary of Baptist Health South Florida, bought the 43,736-square-foot Galloway Plaza at 9055 SW 87th Ave. for \$113 million in late 2018.

Broward County offers a similar story. While downtown Fort Lauderdale had the highest asking rent in January, the Sawgrass Park submarket near Sawgrass Mills mall reported the highest asking rent increase.

In Palm Beach County, the suburban growth is most noticeable in the Boca Raton North submarket north of Yamato Road, said LaBreche, the Easton vice president.

He represented FlexShopper LLC, an e-commerce company that sells electronics and other goods on a lease-to-own basis, on a

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22,000-square-foot lease at 901 Yamato Road.

Other transactions in the submarket include Modernizing Medicine Inc., which creates medical software, leasing 50,000 square feet at 4700 Exchange Court at the Boca Raton Innovation Campus. New York-based Alchemy Properties paid \$22.4 million for the Atrium office building at 6111 NW Broken Sound Parkway in The Park at Broken Sound.

The submarket's growth is in part because it's more cost competitive and in part because it offers the type of office space sought by growing companies, primarily in the tech and health care sectors.

From Boca Raton North south to Sunrise, Plantation, Doral and Kendall, suburban submarkets increasingly are scooping up office deals and new projects.

"Developers are coming in to create these urban cores outside of the traditional central business district," LaBreche said. "They are doing it through adding retail and mixing the uses, mixing office with residential and hospitality, so that you don't have to go to the central business district or downtown to get all the uses."

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The 160,000-square-foot office building at the mixed-use Plantation Walk opens in March with Aetna Inc. already signed as a tenant.



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This is an aerial rendering of the 27-acre, mixed-use Plantation Walk project.



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Construction crews work to complete the Plantation Walk office building.



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Shops and residences will be added at the 27-acre Plantation Walk development.