

Panel: Now is the time to take advantage of strong deals...

BY RISA POLANSKY

Now is the time to buy commercial real estate, players say — you just need the equity to do it.

With the right fundamentals, deals are being made, even through today's economic rough patch, bankers, brokers and developers said last week at a Commercial Real Estate Outlook Luncheon at Coral Gables' Biltmore Hotel.

Recovery forecasts varied, but panelists agreed: there are opportunities now.

"It's equity time. In order to get deals accomplished, you're going to need to come to the table with equity, liquidity," said panelist William Heffernan, president and chief executive officer of Miami-based TotalBank.

Rafael Saldaña, president and chief executive officer of Coral Gables-based BBUBank, attended the event and agreed with Mr. Heffernan that "there has to be more equity" to secure a loan today.

In these times, he said, it seems "happiness is a positive cash flow."

Mr. Heffernan acknowledged lending challenges, one being that "banks have tremendous pressure



Photos by Marlene Quaroni

Panelist W. Allen Morris, chairman and chief executive officer of The Allen Morris Co., says Miami has the 'best office market' in the US.

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In the aftermath of a nationwide bust, there's pressure on banks to get out of real estate, Mr. Heffernan said — a tough task in Miami.

"The market down here is all related to real estate," he said. But "if a deal is a good deal, I want to do it. So it's all about the fundamentals."

Case in point: event attendee Kenneth D. Rosen's purchase this month of two Coral Gables office buildings, Park Place I and II.

He snapped up the buildings only hours after they'd been put on the market, securing a 25-year loan from Miami-based Ocean Bank — 80% financing at 6% interest for the \$8.5 million deal. The bank had appraised the buildings at \$9.25 million.

Banks are eager to lend when it comes to "good deals," Mr. Rosen said, adding that a handful vied to finance his.

"They say there's no funding available today [but] banks have got plenty of money, local banks," he said.

The catch: the money's there for "good deals," and only 5% of commercial properties in the US fit the bill, Mr. Rosen said. "The trick is to find them."

opportunities in the marketplace."

Vacancy rates in Miami-Dade's office market hit 11.8% in the first quarter of this year, with average quoted rates at about \$38 a square foot for Class A space, Mr. Morris said.

Of the about 3.8 million square feet under construction, 35% is pre-leased.

Of the 790,300 square feet under construction downtown, about 33% is pre-leased, he said.

Overall, the downtown market showed a 13.7% first-quarter vacancy, with average quoted rates at about \$43.45 a square foot for Class A space.

In Brickell, vacancies hit 15.9%, and average quoted rates for Class A space sat at about \$42.45 a square foot.

Of the about 1.2 million square feet of office space under construction in Brickell, about 4.5% is pre-leased, Mr. Morris said.

He observed that one of the new buildings could end up boarded up to wait out the economic storm — something that he's seen happen in other parts of the country.

"When a hurricane comes,

'They say there's no funding available today [but] banks have got plenty of money, local banks.'

Kenneth D. Rosen

you board up," he said. "And when the hurricane passes, you take off the boards and you get back to business as usual."

In Coral Gables, the office market showed a 13.3% first-quarter vacancy, with average quoted rates at about \$41 a square foot for Class A space.

About 83% of the 381,464 square feet under construction is pre-leased, Mr. Morris said.

He noted also a trend of businesses moving from elsewhere in the county to Coral Gables, listing 495,841 square feet worth of tenants, including Bacardi, which is set to move out of its longtime Biscayne Boulevard headquarters and into the Gables.

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