



Photos by Maxine Usdan

Tom Roth, principal of Grass River, at CocoWalk, which the owning consortium is targeting for upgrades. "Retail follows rooftops," says Tom Byrne, EWM broker-associate.

Smaller-city commercial centers ripe to explode, experts say

BY CATHERINE LACKNER

Many factors drive shifts in commercial land values, observers say, and not all trends are obvious.

"It's like Amazon stock – when you see a great product, buy it," said Tom Byrne, broker-associate at EWM Realty International. He said small town centers are ripe to be "the next explosion" for retail, office and other commercial uses.

Coconut Grove is on track for a major commercial upgrade, he said. He pointed to several new luxury condominium projects, the redevelopment of the waterfront near Miami City Hall and the \$87.5 million sale of CocoWalk, an outdoor shopping and entertainment venue, to Maryland-based Federal Realty Investment Trust and local developers Michael Comras and Grass River, as indications that change is coming.

"Retail follows rooftops," Mr. Byrne said. Several other Grove parcels have changed hands or are gearing up for development, he said.

Clustered city centers like downtown South Miami and CityPlace Doral, now under construction, will boom, he said. "People like the ability to walk and not have to take their cars. It adds a lot to the quality of life."

Uber and other car-sharing services "have made commercial real estate more accessible" and promoted the walkable lifestyle by providing car transportation whenever needed, he explained.

Opportunities are ample, and fortunes can be made if owners and investors have vision, he said. "You can throw a dart anywhere in Miami and be a winner if you can survive for 10 years," Mr. Byrne said. In the case of Wynwood, "We all sat by. It took outside eyes, foreign eyes, to see the value there," he said.

Nevertheless, "We're the next London; everything's on fire and affordable by the standards of other cities."

Vertically integrated city centers with well-rounded commercial activity will see value spurts, said Jim Fried, managing director of the Aztec Group. "It's the theory of the doughnut – people won't want to leave the doughnut."

Brickell didn't take off as a livable area until there were Publix Supermarkets there, he said, because people want to have all of their retail needs met close to home. "What's going to drive the valuation of things will be accessibility. The money is going to stay in the areas that develop a strategy to get around quickly."

Residential development continues to

put a squeeze on industrial space, increasing its value, according to the Commercial Industrial Association of South Florida's 2016 Industrial Market Report, released Jan. 15.

"Land with industrial zoning is being improved with office and residential development, which can support higher land prices, placing upward pressure on rental rates and construction costs," the report said.

Despite additional shipping activity anticipated because of the expansion of the Panama Canal and deep dredging at PortMiami, smaller buildings continue to have value, the report asserted. "Due to the construction efficiency of larger buildings, most of the newer buildings have spaces larger than 50,000 square feet, and these buildings are based on 'financial engineering,' which meets the needs of their investors but not the local users. The strongest local demand is still for spaces between 10,000 to 30,000 square feet."

Land might be scarce, but developers saw value in adding industrial space, said Miami Industrial Q4, a report by CBRE. "Quarter 4 of 2015 saw the delivery of over 500,000 square feet of new industrial space. The deliveries were split between the Medley and North Central

Dade submarkets."

Last year, 15 buildings comprising 1.8 million square feet were added to the market inventory, the report noted, with Medley far outpacing any other submarket in space delivered. "An additional 340,000 square feet is currently under construction in Medley and 163,000 square feet in the Airport/Doral submarket. There are 35 projects totaling more than 7.5 million square feet currently in the pipeline. A majority of the projects are planned for the Medley and Airport/Doral submarkets."

In the final quarter of 2015, 22 transactions amounting to more than \$50 million in sales were completed, the report noted. "The sales were evenly spread throughout the market, with Hialeah experiencing a slightly larger concentration of activity."

"In terms of new leasing activity, a majority of the transactions occurred in Medley, followed closely by Central Dade. For the year as a whole, transportation-related companies made up the largest portion of known tenants, followed by grocery and miscellaneous retailer users," the report said. "The average asking rate in the ever-tightening market has remained steady, closing out the quarter at \$8.30 per square foot."