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# South Florida Office Sales Drop Sharply to Start 2018

But Brokers Say Slowdown Was Expected



Sawgrass Lake Center in Sunrise, FL, which posted the highest sales price in South Florida during the quarter.

Office investment sales and the cumulative value across South Florida plunged during the first quarter of 2018, but real estate observers say the numbers aren't as ominous as they appear.

Palm Beach, Broward and Miami-Dade counties posted 123 sales from January through March for a total value of \$442.7 million, according to **CoStar Market Analytics**. That's down from 276 sales for \$543 million in the same time period last year. But the average price per square foot increased to \$277 from \$211 in Q1 2017.

Of the three counties, Broward had the best showing, with 40 sales valued at \$274.2 million – a 24 percent increase from a year earlier, and on 48 fewer

transactions.

Also, Broward dominated the top 10 office sales in the first quarter with seven buildings on the list. South Florida's highest sale price in the first quarter was \$57.4 million for the 239,373-square-foot Sawgrass Lake Center at 13450 W. Sunrise Blvd. in Sunrise, FL. The deal was completed last week.

*Story continues below...*

## Top 10 Office Sales - Q1 2018

### South Florida (PB, Broward, Miami-Dade)

Property (County)	Sales Price	Price/Sq. Ft.	Buyer	Seller
Sawgrass Lake Center (Broward)	\$57.4 million	\$240	Foundry ASVRF Sawgrass LLC	CCRE SEF Sawgrass LLC
Sawgrass Pointe 1 (Broward)	\$51.1 million	\$220	True North Management Group	Starwood Capital Operations
110 E. Broward Blvd. (Broward)	\$41.06 million	\$108	Stockbridge Capital Group	LNR Partners
555 Washington Ave. (Miami-Dade)	\$38 million	\$588	GreenOak Real Estate	KBS Realty Advisors
Plantation Corporate Center I (Broward)	\$24.1 million	\$203	IP Capital Partners LLC	Gramercy Property Trust
Aetna (Broward)	\$19 million	\$157	IP Capital Partners LLC	Gramercy Property Trust
Lakeside Plaza (Broward)	\$17.7 million	\$148	Naya USA Investment & Management	Delma Properties Inc.
400 Royal Palm Way (Palm Beach)	\$14.8 million	\$534	Kinsale Partners LLC	Crocker Partners
1094 N. Military Trail (Palm Beach)	\$14.1 million	\$454	1094 Military Trail LLC	Barcelona MOB LLC
WestPoint Center (Broward)	\$13.6 million	\$136	Bridge Commercial Real Estate	Piedmont Office Realty Trust

Source: CoStar Group, Inc.

Sales generally remained strong through 2017 following an exuberant 2016. But Neil Merin, chairman of NAI / Merin Hunter Codman in West Palm Beach, said there's a good reason why 2018 started with a whimper.

“My theory is that so much product was sold over the last 36 months that there isn't a lot left to sell right now,” Merin said. “With the price levels that

people bought at, for buildings to sell again, they'd have to be setting new records. People feel it's probably too soon.”

While investment sales activity has dropped dramatically across South Florida, Merin said he's noticing increased activity in other Florida markets - particularly Tampa, Orlando and Jacksonville.

In Miami-Dade, just 39 buildings traded in the first quarter for \$82.6 million – for a cumulative value less than that of the smaller Palm Beach County market, which rang in at \$85.9 million.

A year ago, Miami-Dade's 116 first-quarter sales totaled a robust \$200.6 million.

Stephen Rutchik, an executive vice president with Colliers International in Miami, believes the first-quarter sales volume is based on a narrow time frame and will prove to be just a temporary lull.

Rutchik said brokers are buzzing about a few large properties on the market in Miami-Dade that could dramatically boost the second- and third-quarter sales figures. He declined to identify specific sites for sale because he's not the listing agent marketing the properties.

“The market is not dead,” Rutchik said. “It's fairly robust. We're seeing some significant activity that's leading up to more sales occurring in the near future.”

Still, rising interest rates will be a factor, and that could put a damper on future office sales, pointed out Galina Alexeenko, regional economist for CoStar Group, Inc.

“CoStar’s view is that the rising interest-rate environment will affect CRE pricing and will likely lead to higher cap rates,” Alexeenko said. “In fact, CoStar’s current forecast shows slight increases in cap rates in the next few years across all property types as interest rates move higher.

“On a positive side,” she noted, “higher interest rates could support more demand in the multifamily sector as some potential homebuyers are priced out of the mortgage market and will have to rent.”

Paul Owers, South Florida Market Reporter **CoStar Group**