

## SOUTHEAST OUTLOOK 2010

Jon Ross

In preparation for the new year, *Southeast Real Estate Business* has taken the temperature of key markets across the region, measuring how they've handled the challenges of 2009 and how brokers will embrace opportunities that will crop up in the next 12 months. Across the region, industrial real estate is, for the most part, doing well. In Charleston, South Carolina, residents are counting the days until Boeing opens its new plant. Developers in Clarksville, Tennessee, are scrambling to build new facilities for an expected onslaught of manufacturing companies. Retail, however, is slumping, and office has few bright spots.

This issue provides an accurate assessment of where the industry stands, what challenges exist and what's in store for 2010.



Boeing is developing a new facility in Charleston, S.C.

### Miami

When a market is plagued by negative absorption, rent decreases and a large vacancy rate, it's hard to see a sliver lining. Add 2.4 million square feet of office space that's under construction in the central business district to the picture, and any outlook for the next year in the Miami office market is shaded gray.

One positive factor is that the market isn't in flux, and for the past few months, the real estate hemorrhaging has stopped. "We've come to a degree of stabilization in the sense that we have seen larger transactions transpire over the past 2 to 3 months," says Brett Harris, president of Miami-based Adler Group. "We've also seen that in the suburban marketplaces, where we think the tenants have finally realized that they have to come to grips with the current flux of the economy."

For an office sector to thrive, firms need to hire workers and conduct business as usual. In the current landscape, this simply isn't possible. "You can see that on the earnings reports, where the profits haven't come from growth revenue; the profits have primarily come from the reduction of operating expenses," Harris says.

New development is at a standstill, which, considering all the space that will deliver in the near future, is a positive point for landlords. One large chunk of that space is 1450 Brickell, a 586,000-square-foot, Class A office space. The LEED Gold property, which is being developed by Miami-based RILEA Group, is set to deliver in the first quarter.

In an effort to help companies generate cash, Adler Group has partnered with Holly Sime Realty to provide property management services for landlords trying desperately to stay afloat. "You've got to generate more revenue from alternatives," he says, "to add more to the rental income stream."

For the market to turn around, however, the unemployment rate needs to drop, and the government's stimulus package needs to keep flowing into the city. When that happens, Miami can start filling vacant office space and look to a new day. □