

## Orlando Business Journal, June 24, 2016

Daryl Carter joins top CRE execs for OBJ 2016 Commercial Real Estate Industry Outlook

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# INDUSTRY OUTLOOK



### EXCLUSIVE

## Office impasse, retail rent surge among leading concerns for top commercial real estate execs

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If Damien Madsen could, he'd probably have a shovel in the ground somewhere in Central Florida to build a speculative office plaza.

The principal of commercial real estate brokerage firm Taylor & Mathis of Florida was adamant that Orlando's dearth of large, contiguous office spaces – a looming problem the region has been facing for the last two years – is one of the region's biggest challenges.

There isn't much large new office space being built in our region yet because rents in the market aren't

high enough to justify new construction costs, which prevents developers from pulling the trigger on new projects.

And as this continues to play out, Madsen said the Orlando region is missing out on huge opportunities to bring big companies to the region, ones that would create plenty of jobs and offer a boost to the local economy.

"Office is the only product type that there is a lack of inventory," Madsen said. "That's bothersome because you know companies are skipping over Orlando that we don't even know are out there. They're saying, 'There's no big blocks of space, so Orlando's off the list' before we even see them. I guess what I'm saying is everybody

should be in the ground building office space."

The lack of available office space was one of the most-discussed topics during *Orlando Business Journal's* 2016 Commercial Real Estate Industry Outlook, an annual gathering of some of the region's top executives to discuss major trends and challenges.

Madsen joined 18 other leading officials in the metro Orlando commercial real estate industry in this year's event. And two of the biggest topics of conversations included the continuing saga of a lack of office space, along with how rising retail rents in certain submarkets – sometimes more than double the highest market rents – are creating a bubble.

See pages 36-37 for more.



PHOTOGRAPHS IN THIS SECTION BY JIM CARCHIDI

Standing: Chris Owen, Greg Morrison, Steve Garrity, Bill Bywater, Wayne Schoolfield, John Crossman, Matt Sullivan, Bo Bradford, Willow Shambeck, Damien Madsen, Paul Ellis, Doug Irmscher, Skipper Peek, Brad Peterson; seated: Bill Moss, Daryl Carter, Justin West, Robin Webb, John Artope



► **QUOTABLE**

*“We have been getting information from tenants that are now starting to say, ‘I-4 is a mess; we want to look in other places.’ I’m hearing that more now.”*

**MATT SULLIVAN**, managing director/principal of Cite Partners LLC, on how major transportation projects in the region are influencing commercial real estate deals

► **CLOSER LOOK**

## CENTRAL FLORIDA’S SUBMARKETS

Here are the areas in metro Orlando where the Commercial Real Estate Industry Outlook attendees said they’re seeing the most activity:

**WHAT’S HOT:**

- ▶ Lake Nona retail submarket: The home sales surge and job growth in Medical City continue to drive real estate investment.
- ▶ Millenia office submarket: Lots of new retail development, including high-end auto dealerships like Ferrari-Maserati, are pushing office interest.
- ▶ Northwest corridor industrial submarket: Access to transportation corridors have put the submarket at a vacancy rate of less than 6 percent.
- ▶ Tourist corridor retail submarket: Orlando’s record 66 million visitors are keeping businesses busy.
- ▶ Lake Mary office submarket: Access to a quality workforce and good transportation corridors, like State Roads 429 and 417, tend to attract big companies.
- ▶ Downtown Orlando multifamily submarket: Millennials like the action downtown.
- ▶ Seminole County industrial submarket: Transportation access and a qualified workforce are driving activity.

**WHAT’S NOT**

- ▶ Altamonte Springs’ office submarket: It hasn’t recovered from exodus during the mortgage meltdown in 2008.
- ▶ I-4 Ultimate construction areas: The overhaul of 21 miles of Interstate 4 in Central Florida still has five years to go, which is driving those with an employee base that needs to drive on I-4 to look elsewhere.

► **BY THE NUMBERS**

Stats on the local commercial real estate market:

**\$10 million**

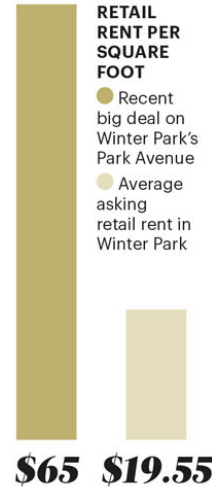
Total invested by Highwoods Properties to renovate the Landmark I-II office plazas in downtown Orlando

**1.3 million**

Square feet of office space that was added in the Orlando market between 1997 and 2007

**5.3%**

Growth in average monthly apartment rent prices in the Orlando area



SOURCES: ORLANDO BUSINESS JOURNAL 2016 COMMERCIAL REAL ESTATE INDUSTRY OUTLOOK, CBRE

*“Things are much better. My boys will probably have a Christmas this year. We’re really busy. Two years ago, I said, ‘At least I can grow my own food.’ But now, the end of the year is looking very promising.”*

**DARYL CARTER**, president of Maury L. Carter & Associates Inc., on how land deals are more plentiful now than in the last few years

► **OVERHEARD**

