



## Real estate leaders alert to new opportunities

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As a member of the NAIOP National Business Park Development Forum's 22-member panel for the past two years, I've gained a broader understanding of Florida's performance within the national marketplace. Forum members freely discuss, debate and exchange ideas, identify trends and opportunities, present and examine case studies, and propose realistic solutions to targeted problems.

However, the tone of April's semi-annual session in New York was markedly different. Certainly it was more cautious, as expected, but also noticeably present was a palpable alertness for opportunity. Although the industrial and office markets are experiencing a real downturn now and in the foreseeable future, creativity is nonetheless alive, and strategies to maintain market position at recovery have become the primary focus.

The economy and market fundamentals are losing steam. Although office and industrial markets have registered strong rent gains in recent years, the outlook is much more tenuous. Layered on this is a more negative financing environment that has reduced investment and development prospects.

Less than 30% of my fellow Forum members view their local economies as growing and were generally positive about their local areas. Those members, however, represent markets in the Great Lakes and upper Mid-Atlantic regions that did not experience the high surge of development and market opportunities previously experienced in the Southeast, Northeast and the West. I did notice that, regardless of the opportunities in certain regions, nearly all agreed that the credit crunch has now hit the industrial and office markets and it is now more difficult to access capital.

Industrial markets remain strong, but the outlook is unclear. Over one-half of the Forum's members indicated that rents in their local markets have increased over the past year. Less positive, though, is the outlook going forward. Less than one-half of the Forum members think rents will increase over the next year. The negative rent forecast reflects the growing concern with the sustainability of user demand for industrial space and the potential for overbuilding. These are perceived as the top threats to the market; whereas, the threats of the availability and cost of construction materials and labor, so strong one year ago, have all but faded.

These economic, financing and market concerns are affecting the investment outlook. Warehouse/distribution space is viewed as having the most positive investment prospects of the "mainstream" property types. CBD office and R&D/flex saw their positive perceptions drop. Despite a perceived slowdown in rents, suburban and medical office segments are experiencing an increase in investment prospects. The luster of the more specialized segments - i.e. mixed-use, biotech/lifescience facilities, hotels and data centers - is fading.

Over and above the muted and cautious outlook, a majority of the Forum members talked of projects currently in development, both planned and in construction, and projected a positive view of opportunities to come. There are plans in place for riding through this rough period by focusing on company operations, investment strategies, management techniques and the timing of new projects.

Many development companies, like Pineloch Management Corporation, are planning for future projects by staggering the planning and permitting processes, phasing pre-development and controlling their market position at the point of recovery. The current slowdown has forced a necessary re-focus and has created opportunities for the acquisition of distressed properties for redevelopment. Moreover, this is a period for buying decisions based on the fundamentals we "grew up with" and injecting sustainability back into the market.

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