

# Daily Record

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## Commercial leases slow, but changes coming for Downtown

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by Joe Wilhelm Jr.

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Commercial leases have been slow to develop in Downtown over the last six months due to the uncertain financial future presented by the current economy. But commercial landlords are starting to institute and see some changes.

Parmenter Realty Partners is the owner of the Bank of America Tower at 50 N. Laura St. and it continues to improve the property to provide value to its tenants. One of the current improvements underway is the conversion of the office space on the top floor to a conference center, which will be operated by Aramark.

“We can offer these improvements because we buy property at a very good price point,” said Andrew Weiss, COO of Parmenter Realty Partners. “That allows us to improve the property and provide value to the customer.”

The purchase price also allows the company to provide some relief to its tenants during tough economic times.

“We have lowered our leases by 6-7 percent and tenants will see that savings over the next year,” said Weiss. Incentives and improvements can help attract new tenants, but it is not what has kept occupancy rates steady. That is attributed to planning by his clients, said Weiss.

“Many tenants, in anticipation of the downturn in the economy, were quick to lay off employees,” said Weiss. “Once that recovery happens that might slingshot the economy as they look to rehire employees, and that would have a positive affect on commercial real estate as companies expand to accommodate that workforce.”

The Bank of America Tower is the tallest building in Downtown Jacksonville and has 666,000 square feet of rentable space and about 200,000 square feet is available for lease.

Another Downtown tower, the Modis Building, has been fortunate to maintain occupancy rates with the help of the legal community.



*The Jacksonville Bank Building at 100 N. Laura St. has 92,519 of 136,500 total square feet of commercial space available for lease from Garnett Commercial Real Estate, according to Cushman & Wakefield Research.*

“We’ve been successful with renewals (in regard to leases),” said Michael Loftin, senior leasing associate with Eola Capital Partners. “A lot of our leases in the Modis Building are occupied by law firms and that industry hasn’t been hit as hard as the financial industry.”

The Modis Building has about 37,000 square feet of its about 625,000 available for lease. Other commercial properties away from Downtown haven’t been as fortunate.

“The suburban market is a different market,” said Loftin. “The office space in this market is occupied by call centers and customer service staff. These offices have been getting a lot smaller in the past year and-a-half.”

While the first quarter didn’t provide Loftin with too much enthusiasm for the market, a recent “uptick” in leases has stirred interest.

“Tenants didn’t want to commit to lease terms more than two years because they didn’t know how big their businesses were going to be in the next 5-10 years,” said Loftin. “We have seen some return in tenant confidence when we are negotiating leases. They are really having more confidence in their businesses plans than they had a few months ago.”

While some look at occupancy rates and “For Lease” signs as an indicator of the commercial market, others explain it’s not that easy.

“What is of interest in the current market is the amount of subleasing,” said Jim Citrano, managing director for CB Richard Ellis. “A property may have 90-92 percent occupancy, but subleasing is skewing the numbers.”

Occupants, generally, retain the right to sublease space, but the sublease, normally, has to be approved by the property owner, Citrano explained.

“But a sublease is a tricky deal,” said Citrano. “The short-term person will go to the sublease for a cheaper rate, but they have to be wary of their business plan and what rate they will get if they want to renew the lease with the owner. The sublease is one of the biggest market forces in commercial leases.”

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