

ASK A LAWYER | G4

Septic problems turn buyer's biggest asset into a liability

REAL ESTATE BRIEFS | G8

Two-day real estate showcase starts Saturday at Harborside

LAURIE HILL

Condo spec at North Fo

Real Estate

SUNDAY, MARCH 8, 2009

REAL ESTATE VOICES

Commercial Connection:
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Commercial market report card mixed

It's going to be a tough summer, but the Southwest Florida area could be doing much worse. **G18**

Community Life:
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Help for homeowner and condo groups

State has few restrictions on who can serve on boards; is there a way to 'opt out' of your membership? **G2**

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Check out the latest commercial leases

Electronics business leases 3,600 square off Metro Parkway; Wild Hare leased 2,604 square feet in Naples **G18**

REAL ESTATE BRIEFS

Merrill Lynch moves into Mercato offices

The Lutgert Companies announced that Merrill Lynch has moved into a new 17,000-square-foot office space at the east end of The Mercato in Naples.

When completed, The Mercato will provide nearly 330,000 square feet of main street-style retail and restaurants, 140,000 square feet of Class A office space and 175 luxury residential units. Deck parking will interconnect to various buildings.

The Terraces condos

COMMUNITY SNAPSHOT: EAST OF DOWNTOWN FORT MYERS



DON MANLEY/THE NEWS-PRESS

Earl Spill, a clerk at Gully's Discount Store Fixtures, assists Nan Baker of Cape Coral last week at the store off Michigan Avenue in Fort Myers.

Neighborhood has mixed personality

It also has hope — and lots of opportunity

BY DON MANLEY
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Mark Gully is able to take a balanced view of change.

He can certainly reflect on a fair amount of it when he surveys the world around his two businesses along and near Veronica Shoemaker Boulevard in Fort Myers and in the heart of Census Tract 5.03.

The tract represents a blend in so many ways: of the city of Fort Myers and the jurisdiction of Lee County; of black, white and Hispanic residents; of rich, poor and the middle class; of older homes lovingly restored and maintained



LINDSAY TERRY/THE NEWS-PRESS

The family of Mary Lou Tanksley applauds after a prayer was said by Teri Hansen of Builders Care. Tanksley had a closer look at the construction of her renovated home in Fort Myers Tuesday. The home is located in Tract 5.03.

COMMERCIAL CONNECTION

The grass is not always greener elsewhere

United Kingdom, Spain had substantially bigger housing bubbles than U.S.

Times are tough in Southwest Florida and they are not going to get easier when the snowbirds fly north this summer.

But be of stout heart because the grass is not always greener across the street, across the state or even across an ocean. These days, the grass tends to be browner across the street, especially if you live in Cape Coral or Lehigh Acres.

You can almost always find someone who is doing worse than you in today's unsettling economy. So aim for peace of mind and try to be thankful. It won't hurt to become a "Hey, my glass is a third full ... Yeah!!" kind of person. You can save a lot of money on depression medication that way.

What's out for 2009?: Keeping up with the Joneses.

What's in for 2009: Keeping up with the bills.

BIG PICTURE

You can use this "Other people are less fortunate" thinking even on the world stage today. Our over-extended U.S. housing market helped get the world into this financial mess and there is still no indication that American housing will get us out of it any time soon. Sales of new homes last month were lower than any month since 1963, when they started keeping count. Since it is cheaper to buy a foreclosed home, builders are not out of the woods yet. Even though unsold supply is down 40 percent from its peak, it will still take until April 2010 to clear their backlog at the current rate of sales. So how could things possibly be worse in other countries? Well they are.

Consider the United Kingdom and Spain — each has a real estate bubble that is much bigger than ours. They have a lot more pain to endure than America to get back to zero. The higher you climb, the farther you have to fall to get your feet back on the ground. So how do you measure a bubble? Here are the box scores

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not found on ESPN:

- U.S. Home prices as measured by the S & P Case-Shiller Index peaked at 106 percent above our 1995 level. We have since jumped down to 78 percent above our 1995 level for a reduction of 28 percent off peak.

- The U.K. nationwide house price index peaked later than the USA at 250 percent above its 1995 level. Today it stands at 200 percent above the 1995 level, for a reduction of 20 percent off peak.

- Spain is roughly 300 percent higher than its mid-1990s level and has fallen only 4 percent from its peak. The market seems to be on hold in Spain as very few are willing to sell and take a loss.

If the U.S. housing bubble was the size of a golf ball, the U.K. bubble would be the size of a baseball and Spain's bubble would be the size of a softball. The grass is much browner across the Atlantic Ocean so don't despair. We should recover more quickly than those countries.

For those fortunate enough to swing a European vacation this year or next, good values in Spain and England should abound.

SMALLER PICTURE

What about cities in Florida? Are they all in the same boat rowing against this economic storm? Or do some cities have stronger boats? And for goodness sake, what part of Florida has the brownest pasture? The following shows vacancy at the end of 2008 and absorption for 2008 in seven major Florida markets.

A balanced market normally has vacancy of 8 percent to 9 percent. The higher vacancy goes above 9 percent, the more a "tenant's market" emerges as rents fall. The lower vacancy goes below 8 percent, the more an "owner's market" emerges with rising rents. Net absorption is the net change in occupied space in a market. Positive absorption means business is expanding and renting more space. Negative

absorption means business is contracting as tenants downsize or go out of business. The 2008 annual absorption for these Florida markets is very telling for what occurred in 2008.

The following statistics came from CoStar:

OFFICE:

Market	Absorption	Vacancy
SWFL	-455,000 SF	14%
Tampa	-1,500,000 SF	12%
Orlando	-680,000 SF	13%
Broward	-210,000 SF	11%
St. Lucie	+57,000 SF	14%
Palm Beach	+164,000 SF	16%
Miami	-270,000 SF	11%
Total:	-2,894,000 SF	

Near the end of the savings and loan crisis in 1991-1992, the office markets in Tampa, Orlando and Miami had vacancy rates over 30 percent when Lee County peaked at 22 percent vacancy. The early 1990s recession hurt commercial real estate values due to overbuilding. Today Palm Beach County and Southwest Florida have the most overbuilt office markets at 16 percent and 14 percent respectively. We are not dramatically overbuilt now as we once were. The current recession is hurting commercial real estate due to lack of demand. As people lose jobs, they occupy less business space and travel less, which hurts hotel/motel values.

Our Florida office market today is in much better shape than it was in the early 1990s. But nearly 3 million square feet of office space across these seven Florida markets went dark last year — space that had been previously occupied by active businesses.

INDUSTRIAL/WAREHOUSE:

Market	Absorption	Vacancy
SWFL	-963,000 SF	11%
Tampa	-1,700,000 SF	8%
Orlando	-3,500,000 SF	10%
Broward	-700,000 SF	8%
St. Lucie	-15,000 SF	11%
Palm Beach	-400,000 SF	9%
Miami	-1,570,000 SF	11%
Total:	-8,848,000 SF	

Nearly 9 million square feet of industrial space went dark last year across these major Florida

markets. The Florida industrial market vacancies are in better shape at 8 percent to 11 percent than our Florida office markets at 11 percent to 16 percent vacancy.

RETAIL:

Market	Absorption	Vacancy
SWFL	+930,000 SF	6%
Tampa	-974,000 SF	6%
Orlando	+1,400,000 SF	6%
Broward	-400,000 SF	6%
St. Lucie	+900,000 SF	6%
Palm Beach	-70,000 SF	6%
Miami	+1,570,000 SF	4%
Total:	+3,356,000 sf	

Astonishingly, occupied retail space in these seven Florida markets grew by 3.3 million square feet in 2008. Many retail businesses hung on until the Christmas shopping season was over before they shut their doors during the first quarter of 2009. This will offset some of this 2008 gain.

Thankfully, most Florida retail markets are stable at 6 percent vacancy, so retail is one segment that can take a hit with more added vacancy due to this downturn in 2009 and still be in fairly good shape. But the sooner people start shopping again the better.

Roughly 12 million square feet of commercial space occupied by businesses shut their doors last year in these Florida major markets. This negative absorption in Florida is reflective of our job losses in the state. One indication of a "commercial bottom" is when negative absorption shifts to positive absorption. So we will watch this closely in 2009.

The industrial market lost the most amount of occupied space in 2008 and still has a respectable 8 percent to 11 percent vacancy range.

The grass is still green in Florida for commercial real estate, but it should be a tough summer. The residential housing bottom can't come soon enough so we can stem the tide of negative absorption in the commercial sector.

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