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Office condo market continues to show signs of sales success

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by [Susan Ladika](#)

Special to the Business Journal



Courtesy of Sperry Van Ness Laurel Street Commerce Center in Tampa offers office condos in former warehouse space. [View Larger](#)

After two slow quarters, sales of office condominiums in the Tampa Bay area are again picking up the pace and experts predict the local market will avoid the implosion expected in South Florida caused by a glut of construction.

"Tampa hasn't seen the overbuilding," said Clay Witherspoon, managing director of Lane Witherspoon & Carswell Commercial Real Estate Advisors in Tampa. "I think we're going to continue to see projects come out every so often."

It's a different picture from what has occurred in the state's southern tip, where the office condo trend was launched in mid-2005 and quickly built to a capacity of nearly 6 million

square feet through construction or conversion.

One notable conversion a year ago, Miami's 295,000-square-foot SBS Tower, was said to be the biggest on record, with units being offered between \$400 and \$600 per square foot. Other large conversions followed, along with hybrids offering units for sale or lease.

"We're starting to see cracks [in the office condo market] that were there from the very beginning," Tom Capocefalo, managing director of the Fort Lauderdale office of Studley Inc., told the South Florida Business Journal earlier this year.

Office units offer variety

Office condos can come in a wide range of shapes and sizes. They may be pure office buildings where companies buy the space, and pay an association fee to cover the costs of maintaining common areas. Or they might be part of an office/warehouse condo project, or a mixed-use project with residential and retail units as well.

"I think it's a niche," said Alan Feldshue, managing director of office services for Colliers Arnold in Clearwater. He is handling retail and office condo sales at Signature Place, a 715,000-square-foot mixed-use project in downtown St. Petersburg. The development will have about 38,000 square feet of office condo space and 9,000 square feet of retail condo space.

About 30 percent of the project is already under contract, and the first phase is scheduled for completion early next year, Feldshue said. The project has drawn commitments from a bank, financial services firms and real estate operations, he noted.

At Signature Place, buyers can purchase offices as small as 2,000 square feet, with prices ranging between \$300 and \$350 per square foot.

"One of the real selling points is that it's very difficult to own your own office space or office building in downtown St. Petersburg," Feldshue said.

The same is true for various parts of the Tampa Bay area, including downtown Tampa and the Westshore business district.

Greg Morgan, managing director of Sperry Van Ness Morgan Realty Advisors Inc., represents

Laurel Street Commerce Center, an 80,000-square-foot office/warehouse condo project in Westshore. An adjacent 2-acre tract can also be developed.

"This is the only one in the heart of Westshore like this," Morgan said. The project includes 15,000 square feet of second-floor office space, and buyers can create more space by building a second story inside the 22-foot-high warehouse space.

Interest in Laurel Street was strong last summer, then tapered off during the last quarter of 2006 and this year's first quarter, Morgan said. A beauty supply company currently occupies one space, and now there are 12 prospects for the project, including one with a letter of intent for a 10,000-square-foot space.

"I don't see it as an investment opportunity," Morgan said. "I really think it's for owner-users who are tired of leasing and not seeing any advantage."

One company that followed that model is Harrod Properties Inc. The Tampa-based company built Cypress Bay, a Class A office building overlooking Tampa Bay in the Westshore area, expressly so the company could have a new home, said company president Chad Harrod.

"We built this to become our new headquarters," Harrod said. The company only needed 11,000 square feet of space for itself, but "I had to build more to get what I wanted."

Harrod Properties plans to move to the new location at the end of May. The project, which encompasses about 87,000 square feet, is completely sold out, though waterfront units were snapped up before all others, Harrod said.

Witherspoon, who represents Grand Central at Kennedy office condos in Tampa's Channel District, said the project consists of more than 72,000 square feet of space in 34 units. All but one unit has been sold in the east building, which opened in March, while half of the 18 units are under contract in the west building, to be completed in September.

Office occupants at Grand Central include a lender, a software company and a plastic surgeon. Proximity to Tampa's central business district is a key draw: "For users that are downtown, parking is always a challenge," Witherspoon said.

Building owners change plans

Others are backing off plans to develop office condos, instead keeping the buildings as rental properties.

Robin Bishop, president of Bishop & Associates in Tampa, had marketed 1700 Kennedy as an office condo along Kennedy Boulevard just west of downtown for the Salvatore Italiano family. But as values rose from \$150 to above \$300 a square foot, the owner decided to keep the building instead of selling space off.

Office condos have the biggest appeal to smaller, locally owned businesses that "aren't likely to be a 5,000-square-foot user today and 20,000-square-foot user tomorrow," Bishop said. For those companies that tend to grow, then downsize then grow again, they're better off staying in a lease, she said.

However, for those businesses that expect consistency, an office condo can be a good business investment, Bishop said.

"When they sell the business," she said, "they have the bricks and mortar to go with it."

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