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## Building bust hits shopping plazas in Lee

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Lee County's commercial real estate market, which kept going strong long after homebuilding crashed three years ago, is faltering at last.

That's the consensus of builders and real estate agents as the year ends with sharply reduced construction permit activity and vacancies popping up even in desirable locations.

Financial and real estate experts are predicting many big shopping centers will fail nationwide as the economy slows and owners aren't able to keep up with debt.

But a local glut of commercial property has landlords slashing rents for newcomers and offering incentives to keep their own tenants or steal those from another building owner.

As recently as last year, the commercial construction industry appeared to be going strong. But that wasn't driven by demand, experts say.

Of the year's \$491.5 million in permits in the unincorporated county, \$318.6 million came in one month: June.

Builders must start a project before then to avoid an increase in impact fees. They're levied by the county to compensate for a project's effects on roads and other services brought on by any new development.

"There was a rush to beat that impact fee increase, people not taking into consideration that if it's vacant (when finished) it's going to cost you a heck of a lot more than the impact fees," said Michael Timmerman, a Naples-based senior associate with Fishkind & Associates, an Orlando-based economic consulting firm.

As a result, he said, "for the next three or four years you're going to see stuff just sitting there" until the county's growth catches up with the burst of activity from last year.

The numbers tell the tale: By mid-December this year's permits were only \$81.4 million, on pace to wind up less at about a fifth of 2007's figures. Cape Coral's numbers went from \$142 million to \$60.5 million.

Now, it's a tough time to be leasing a building but a great time to be a tenant, said Karen Crowther, an agent with Colliers Arnold Southwest Florida.

"It's a great opportunity and that's how you have to look at it," she said. "This is the time (for an agent) to sit down with your retailers and ask them to consider: 'Do I like my location, can I improve my location?' Let's analyze your lease, let's see how your numbers look. Can we get you a better location at a better rent?'"

Some renters are using the opportunity to expand or upgrade their operations.

The Harry Chapin Food Bank of Southwest Florida, for example, is moving this weekend from its headquarters on Alicia Street to a new one on Fowler Street, executive director Al Brisian said. The food bank will go from 32,000 to 48,000 square feet.

He declined to say what he's paying but "the rate we have is less than the going rate was a couple of years ago," he said.

Now the new building will allow the food bank to expand and consolidate its operation, which had been split between the Alicia property and some space that was being leased from the Farmers Market on Edison Avenue.

"We had to shuttle food back and forth or ask our nonprofits to do it," Brisian said. "In the new space we'll be a lot more efficient and convenient" and the new location's 16-foot ceilings means that "functionally it's doubling our space."

But sometimes the results are different — a tenant stays where he is when his landlord makes him an offer too good to turn down.

Hank Porterfield, who built Harbour Plaza a mile south of Gladiolus Drive on U.S. 41 in south Fort Myers, said he's running into that problem as he tries to lease out his brand-new, 45,490-square-foot shopping center.

"I was dealing with a very fine upscale retailer in one of the best plazas in the area," Porterfield said. "He was ready to come into our upscale plaza, everything was worked out, when the other, larger upscale plaza made him an offer you wouldn't believe to get him to stay another year."

Still, he's not backing off his plan to make Harbour Plaza a genuinely upscale center. "We are going to stick with our standards."

Mike Powell of Cypress Realty, Porterfield's leasing agent, said the project is a victim of timing.

But he's speaking with prospective tenants and said "I don't have any doubts we'll fill the plaza."

The asking lease price is \$18 a square foot but "everybody is negotiating," Powell said.

Other plazas coming onto the market have had better luck.

The 113,000-square-foot Village Shoppes at HealthPark, for example, opens next month just south of Lee Memorial Health System's HealthPark campus on Summerlin Road in south Fort Myers.

With Office Depot as an anchor and Starbucks coffee shop, along with restaurants including the Tan Turtle Tavern, Bajio Mexican Grill, Panera, and Five Guys Burgers & Fries, the project is 75 percent leased, said real estate agent Doug Olson of LandQwest Commercial, which is marketing Village Shoppes.

Now, he said, "We just need to fill in with retail and services" to complete their business plan: to take advantage of the proximity to the hospital, the scarcity of retail in that part of town, and the center's location on the main artery to and from Sanibel and Fort Myers Beach.

Even so, Olson said, "We are impacted by the slowdown in the economy. We're having more difficulty than I anticipated getting the good retailers to make that leap.

Rarely, though, do local businesses make a move until it's open and thriving."

For the time being lease rates haven't fallen much despite the glut of new buildings, although Timmerman said landlords often make other concessions to lure a tenant.

In the coming year, "Prices will contract even more to attract people who are thinking about moving because at the end of the day, decreased rent is better than no rent," said Randal Mercer, a commercial real estate broker with CB Richard Ellis, Fort Myers-Naples.

Bankers have had to become more cautious about lending money for commercial construction, said Robbie Roepstorff, president of Fort Myers-based Edison National Bank.

"Unless you have an owner/user, somebody strong, it's tough to get a construction loan in today's market," she said.

She does expect the low interest rates caused by the Federal Reserve's efforts to stimulate the economy will result in more applications for commercial property owners to refinance. The prime interest rate, often used for commercial loans, is about 3¼ percent now.

But generally there's no demand for loans to start new construction.

"We've got plenty of money to lend," she said, "and there are just no requests walking in the door."

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