

Chapter Profile: NAIOP of Florida

This coalition of five chapters across the state sees growth continuing despite the pandemic.

■ By Trey Barrineau

NAIOP of Florida is the coalition representing five individual chapters in the state (Central Florida, Tampa Bay, Northeast Florida, Northwest Florida and South Florida). NAIOP of Florida is focused on all aspects of real estate development in these markets. According to NAIOP's "Economic Impacts of Commercial Real Estate 2020" report, commercial real estate contributes \$26 billion to Florida's GDP, generates \$10.4 billion in wages and salaries, and creates or supports more than 227,000 jobs.

NAIOP of Florida Chapter President **Darcie Lunsford**, executive vice president with Butters Realty & Management in Coconut Creek, Florida, spoke to *Development* magazine about commercial real estate in the Sunshine State.

Development: *How are the market conditions for member companies in Florida?*

Lunsford: Florida's commercial real estate markets have generally been resilient except for the retail and hospitality sectors, which have been hit hardest by the pandemic. The industrial market continues to be strong with leasing, vacancy and rents holding mostly to pre-pandemic levels. Investment dollars continue to flow into industrial deals.

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NAIOP of Florida's legislative efforts in Tallahassee have reduced regulations. One of the biggest wins in 2020 was a reduction in the state's business rent tax.

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The office sector has borne the new work-from-home economy amazingly well so far. While there has yet to be a wholesale offloading of large corporate offices, smaller sublets under 5,000 square feet are on the rise as small businesses contend with the pandemic fallout. After an initial wave of rent deferrals and closures, office tenants are still, by and large, paying rents.

Office vacancy rates are seeing some erosion, and leasing velocity and absorption are noticeably shaken. To date, we have not seen across-the-board slashing of rents. Office sales, put on hold at the start of the pandemic, are now re-emerging. Early indications are that pandemic discounts have been nominal for most well-leased quality office properties. But the office sector is not out of the woods yet. Many major institutional-quality buildings have yet to be full repopulated by tenants, so as leases roll over and corporate footprints are re-evaluated in the era of remote work, Florida's office market will likely face headwinds well into next year. The good news is that the last expansion cycle did not deliver a deluge of new office product, so inventory remained controlled and constrained going into

the coronavirus-induced downturn. As the pandemic's seismic shocks rumble through the market, Florida's office sector should quickly find its footing again.

Development: *What business or regulatory challenges are you facing?*

Lunsford: Regulatory hurdles remain a persistent challenge for the commercial real estate sector. Delays in permitting for tenant improvement buildouts, a lengthy approval process for new development, and requirements for well-intentioned but often over-reaching mitigation measures exacerbate development costs and construction bottlenecks at a time when developers and owners struggle to navigate the pandemic economy. NAIOP of Florida is succeeding in its mission to foster and deliver sensible regulatory and tax policies for the state's commercial real estate industry, a crucial component of the Florida economy. One of the more significant issues is Florida's assessment of sales tax on commercial rent, and eliminating that tax has been a primary NAIOP of Florida initiative. We have successfully rolled back that rate for the past three years, delivering a \$150 million tax cut to commercial real estate occupiers. Winning further sales tax cuts remains a NAIOP imperative this year as we seek to unlock more capital for businesses to invest, grow and hire. Florida was also one of the few states that still required witness signatures on commercial leases despite being decades into the digital era. NAIOP of Florida worked this year as part of an industrywide coalition to remove that antiquated requirement so that leases could more safely be executed electronically. That new law went into effect on July 1.

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Development: *What are the opportunities in commercial real estate in Florida right now?*

Lunsford: Florida's underlying economic fundamentals, population growth, low-density suburbs, business-friendly environment, low-tax policies and comparatively low cost of real estate — commercial and residential — indicate that it is likely that the state will be a national leader as the country exits this downturn. People want to live and work here, and the cost and experience of doing so remain compelling. Even during the height of the pandemic, companies and people were relocating from denser parts of the country to Florida. I think there will be great opportunities for those who are well-capitalized and able to look beyond the near-term risk of investing. The hastened disruption of conventional uses previously assigned to assets in prime locations opens a door for them to be creatively re-imagined. Particularly in South Florida, which is largely built out and geographically constrained by the Everglades to the west and the Atlantic Ocean to the east, redevelopment will gain more momentum. There is always opportunity in change.

Development: *What are some of your other legislative priorities?*

Lunsford: NAIOP of Florida has set its 2021 legislative priorities as:

- Enacting legislation that brings consistency, transparency and certainty to the local permitting and inspection process. This includes established timelines for approval of a permit application certified as complete.
- Eliminating the Business Rent Tax.
- Maintaining and boosting the effectiveness of the commercial real estate building representative on the Florida Building Commission.
- Improving the state fire code to address financial burdens placed on developers and building owners for the installation of bi-direction antenna systems for new and existing commercial properties.
- Monitoring and maintaining oversight legislation as set by the state to address onerous linkage and impact fees on CRE development. These fees are charged on a per-square-foot basis and are placed in a fund to be used to build affordable housing.

Chapter Check-In

- Supporting enforcement of the Internet Sales Tax.
- Implementing a COVID-19 CRE property tax relief package.

Development: *What are some notable projects happening in Florida?*

Lunsford: One of the most high-profile and ambitious new projects has to be soccer legend **David Beckham's** plans to build a \$1 billion-plus, 25,000-seat Major League Soccer stadium with a million-square-foot mixed-use complex on city-owned land in Miami. As part of that, a \$60 million, 18,000-seat stadium opened earlier this year further north in Fort Lauderdale for Beckham's new Inter Miami CF franchise team, and it will eventually be used as the

team's permanent training facility when the larger Miami facility opens. The team was all set to start hosting games at the Fort Lauderdale stadium this year when the pandemic hit.

Development: *Education is an essential part of NAIOP's mission. What kinds of educational sessions have NAIOP of Florida participated in or presented?*

Lunsford: NAIOP chapters across Florida have doubled down on their mission to bring real-time intelligence and

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market assessment to our members through a series of virtual programs. We've hosted numerous deep dives into emerging trends, market-maker sector-specific panels, and high-level discussions with national experts such as CBRE Senior Economist **Spencer Levy**. We continue to roll out timely expert panels to help members navigate this unprecedented public health and economic crisis. ■

Trey Barrineau is the managing editor of publications for NAIOP.

ADVANCE IN 2021 WITH NAIOP

Renew your membership today

NAIOP is working harder than ever to ensure that our members have the knowledge and resources they need to face unprecedented situations like the COVID-19 pandemic.

Keep uninterrupted access to our timely research, regular industry updates, advocacy to represent your business needs, and the opportunities for discussion and deal-making that you need during this critical time.

RENEW NOW FOR 2021. NAIOP will continue to work to help you meet any challenge – or seize any opportunity – that arises in 2021 and beyond.



Renew online at naiop.org or contact membership@naiop.org or 800-456-4144.

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