

Commercial brokers expect the bull market to continue in 2018 as job creation keeps economy on track; secondary markets to lead way; Ullian Realty to grow

By Ken Datzman

The current bull market in the commercial real-estate industry looks like it will power its way into 2018 as job growth and the economic expansion continue across the nation.

And the industry growth, according to a number of reports, will be led by the secondary markets, which is good news for commercial real-estate brokers and agencies in Brevard County.

Many commercial brokers in 2017 are seeing record transaction volume in their respective communities, signaling a continuing appetite from various parties for industrial space, office buildings, retail centers, and other property types.

"We're having a phenomenal year," said longtime industry professional Michael Ullian, president of The Ullian Realty Corp. in Melbourne, a full-service commercial real-estate firm that was readying for three closings at the time of this interview. "We experienced a little blip with Hurricane Irma. But overall business has been very strong."

He added, "As long as high-paying jobs continue to come to Brevard County, I think we are going to see growth in all segments of real estate, on both the commercial and residential sides of the industry. People are moving here for high-tech jobs and their disposable income is helping drive the economy. So, right now, it's like a hamster wheel — the cycle spins and spins. And with the team we have, our business is well-positioned to serve a wide range of commercial real-estate customers."

Two years ago, The Ullian Realty Corp. expanded and became a full-service agency.

Adam Rathbun, who has nearly 25 years' experience in the commercial real-estate field, decided to team up with longtime friend Ullian.

Rathbun was a solo practitioner at SouthTrend Realty, a local property management firm. They now work side-by-side at The Ullian Realty Corp. on Penn Street.

"I wanted to be part of a team and have peers around me, where I could exchange ideas and discuss trends in the industry," said Rathbun, who holds the Certified Commercial Investment Member professional designation, as does Ullian. "Mike and I both shared the feeling of teaming up and wanting to grow together. And it's worked out great."

Rathbun runs the property management operation through SouthTrend Realty. He manages 600,000 square feet of property in Brevard County and has expertise in office, industrial, retail, land, self-storage, and investment properties.

"Adam is a seasoned professional who has brought a lot of enthusiasm to the office," said Ullian. "He really knows the industrial segment of the market. Adam has worked it since 1993, when he first got into the business."

Ullian continued, "We're really pleased he made the decision a couple of years ago to team up with us. He adds a tremendous amount of value in expediting a commercial



BBN photo — Adrienne B. Roth

The Ullian Realty Corp. is a full-service commercial real-estate firm in Melbourne. The company is on track for another strong performance in 2017, as all phases of its operation are scaling new heights in the market. From left, the team includes: Rob Solito, Adam Rathbun, Lyn Brown, and Michael Ullian. Their office is on Penn Street.

real-estate deal or helping others at our office get through a process. Also, his contacts in the industry are totally different from mine in the business, which is another positive as we reach out to more buyers and sellers."

The team also includes Robert "Rob" Solito, an office and industrial specialist. He joined the firm about a year ago and has completed a flurry of transactions. "I'm still 'the new guy in town.' I've been doing a lot of networking, including attending the meetings of the Commercial Investment Roundtable of Brevard, as I pursue listings and client contacts."

"Rob is literally out knocking on doors," added Ullian. "There are a lot of ways to be successful in real estate and people choose the direction they feel most comfortable with. One of the 'tried and true' methods of succeeding in commercial real estate is the so-called basic 'shoe leather' approach. And Rob has been burning shoe leather. He's out knocking on doors and talking to businesspeople on behalf of his clients. The leads you uncover doing this can be very rewarding. Rob is out there every day making contacts. His commitment is producing results."

Meanwhile, keeping everything running smoothly at the office is Lyn Brown, the executive assistant to Ullian.

"I work behind the scenes and support the team members," said Brown, a former longtime legal assistant who worked for area attorneys before joining The Ullian Realty Corp. 10 years ago, where she does a lot of real-estate document work. "I enjoy my role. It's a great firm to work for. I really like the small-office atmosphere. And business has been very good."

The Brevard County commercial real-estate market has been drawing attention from both local and out-of-area investors. The dynamics in the county are appealing to more investors who are searching for decent yields, and a lot of people are finding them in the secondary markets.

"Strong leasing demand" and investor interest in second-tier markets should keep the commercial real-estate sector on solid ground next year, according to the National Association of Realtors' "Commercial Real Estate Outlook."

Please see The Ullian Realty Corp., page 19

The Ullian Realty Corp.

Continued from page 12

A healthy labor market, strong confidence, and spending from consumers and businesses boosted economic expansion to a solid 3 percent in the last quarter, the report said. "There's legs for more of the same growth to close out the year, which bodes well for sustained interest in all types of commercial space."

According to the report, the "appetite for commercial property is high," but investment activity does appear to be entering the maturation phase of the current cycle.

The investor shift away from large markets to smaller ones is creating a divergence in sales activity. In the second quarter, large markets saw a 5 percent annual decline in sales, while Realtors reported a sales boost of 4 percent in the small markets.

"Locally, I think we are in the latter part of the cycle," said Ullian, "but that doesn't mean the activity is going to stop. Currently, we are at equilibrium in the market, I believe. Inventory is thinning in most of the commercial real-estate sectors. I think we are going to continue to see increases in values, meaning lease prices as well as property prices are heading north."

With inventory shrinking locally, Ullian said he believes the next step in the cycle will be new construction in certain segments where there is demand.

Led by industrial and multifamily sectors, Realtors continue to report that leasing fundamentals for the four major commercial sectors are strong. Last quarter, the considerable interest in industrial space — primarily from e-commerce and trade — resulted in distribution ware-

houses and logistics centers driving close to 70 percent of new construction leasing, according to National Association of Realtors' Commercial Real Estate Outlook.

But the future growth of the aging commercial real-estate bull market will likely hinge on the performance of the small markets. A report by CoStar Commercial says real-estate investors priced out of major U.S. markets have "expanded their scope to secondary and tertiary markets to find properties yielding more generous returns, a trend typical of late-inning property cycles."

But the robust demand for commercial real estate and the current cycle's longevity "sets this growth period apart from past ones and suggests that smaller markets will continue to reap investment for some time."

In September, according to the "CoStar Commercial Repeat Sales Indices," property-price momentum in smaller markets increased an average of 16.5 percent over the 12 months ending Aug. 31 of this year, far outpacing the average growth of 3.5 percent in major cities.

Additionally, a 19.8 percent average increase in the pricing of small, lower-priced assets over the same period further indicate that more investors are targeting a wider range of properties across more markets, according to CoStar.

"The Brevard County commercial real-estate market is enjoying one of its best times," said Ullian. "I've worked and lived in Brevard for many years. This county has much to offer and more people are discovering us, including South Florida residents. We are seeing people from

that area of the state relocate to Brevard."

The commercial real-estate industry is, in general, expected to experience moderate growth through all of next year and much of 2019, according to a new three-year economic forecast from the Urban Land Institute Center for Capital Markets and Real Estate.

The report is based on a survey of 48 of the industry's top economists and analysts representing 34 of the country's leading real-estate investment, advisory, and research firms and organizations. The survey was conducted in September.

The forecast calls for relatively high, but moderating commercial real-estate volumes; continued commercial price appreciation; rent growth; positive returns; and relatively stable vacancy/occupancy rates for all commercial real-estate sectors.

Commercial real-estate prices are projected to rise by an average of 4 percent per year over the next three years (5 percent, 4.1 percent and 3 percent, respectively), compared to the prior forecast's average of 3.9 percent and the long-term average increase of 5.6 percent.

Industrial rent growth will lead all property types, with 2017-2019 growth averaging 3.7 percent.

"We expect 2018 to be a continuation of what we're experiencing today, barring any geopolitical events. We have a very knowledgeable team of professionals that provide insight into the market. We're a service-driven organization and we do go 'the extra mile' for the client," said Ullian.



Here Today. Here Tomorrow.
Caring for Members for 43 years.

Now Accepting New Members!

Florida Health Care Plans

1-855-Go2-FHCP

An Independent Licensee of the Blue Cross and Blue Shield Association