

Corporate flight to Miami: County rides another expansion wave. Who's opening offices?

BY REBECCA SAN JUAN



New entrants tend to vie for offices in the same Miami-area hot spots: Miami Beach, Wynwood, downtown Miami, Brickell and Coconut Grove. Above: Coconut Grove's outdoor shopping center CocoWalk has an about 86,000-square-foot office section called One CocoWalk. It is fully leased. Jose A. Iglesias jiglesias@elnuevoherald.com

Companies that set up shop in Miami-Dade County last year inspired a movement. Another wave of businesses relocated or expanded here through May this year, creating ripple effects in the office and housing markets.

Executives running e-commerce and law firms, among others, keep arriving during the ongoing pandemic in greater numbers than before the public health crisis began in early 2020. They are expanding their companies beyond West Coast, Southern and Northeast home bases.

Newcomers represent significant portions of the steady stream of new office leases signed countywide, according to Blanca Commercial Real Estate data. The Brickell brokerage and advisory service firm compiled

for the Miami Herald lease totals of the best available offices for comparable partial annual periods since 2019. Known as Class A and Class B, these office workspaces have the most desirable locations and amenities. Already through the first five months of this year, 32 of the 112 office leases, or 28%, were signed by tenants from outside Florida.

Although the number of outside firms entering this market fell slightly from 38 during the same stretch last year, the 13 real estate professionals, company executives and municipal employees the Herald interviewed for this story say they expect to see many more company relocations to Miami-Dade during the second half of 2022. The group of commercial entrants continues growing since the first part of 2019 when the business migration trend hastened.

“We reached a tipping point where Miami is viewed differently,” said Stephen Rutchik, executive managing officer at Colliers. “This new base of companies of employers and employees having moved to South Florida show that this is sustainable. This is a new foundation for our economic engine in South Florida.”

Corporate relocations to Miami-Dade gained momentum in the pandemic, following the start after the U.S. Tax Cuts and Jobs Act of 2017. Tax savings aside, many employers wanted to follow the stream of financial and technology heavyweights like Blackstone, SoftBank’s Latin American fund and Founders Fund.

As company executives have called more white-collar workers back to the office or allowed a partial remote and office workplace arrangement, South Florida remains a top commerce destination. Why? The year-round warm climate, relaxed lifestyle and loose COVID-19 public health rules.

And counter to what’s occurring in most urban areas of the country, Miami-area office leases signed so far this year with newcomers are typically for 20,000 to 50,000 square feet, sharply higher than between 5,000 and 10,000 square feet prior to the pandemic.

Online behemoth Amazon, Picsart and law firms Kirkland & Ellis and Winston & Strawn are a few of the companies that expanded into Miami the first few months of this year. More are scouting for offices and expected soon, including video hosting service TikTok’s parent company ByteDance.

New entrants tend to vie for offices in the same area hot spots: Miami Beach, Wynwood, downtown Miami, Brickell and Coconut Grove. Miami Beach and the Grove draw office tenants whose executives want to live steps from the office, while Wynwood appeals to tech companies desiring to draw younger employees. Downtown Miami and Brickell remain go-to neighborhoods for finance and law firms.

Thoma Bravo partner Chip Virnig is pleased with his firm’s decision to open a temporary office inside Wynwood Garage’s WeWork.

“The whole point of the office was to get people to come down to the office,” Virnig said. “We are a youthful firm. Most of our employees are 35 years old. ... Wynwood is such a comfortable neighborhood.”

The private equity investment company announced early last year its plans to go beyond its Chicago and San Francisco footholds to Miami. First, it relocated 35 employees from its San Francisco outpost, including the company's co-founder and managing partner Orlando Bravo. The company leased 4,000 square feet at WeWork in Wynwood and expanded this spring into 16,000 square feet after 15 more colleagues arrived from nearby, Chicago and New York.

"The city has exceeded our expectations. From a culture perspective and a productivity perspective, our employees are embracing everything Miami has to offer," Virnig said. "No one that has come from San Francisco to Miami has gone back. Everyone has stayed."

Thoma Bravo will trade Wynwood for Brickell office digs next summer. It leased the top two floors in 830 Brickell, a 55-story landmark office tower under construction in the heart of Miami's financial district.

"We're excited about going to Brickell," Virnig said. "It's going to be another draw. Brickell offers so much more than a workplace."

OFFICE CONSTRUCTION PROMPTED

Moves like this motivated developers to add offices to the market. In fact, Miami-Dade's total office market grew from 33.6 million square feet in May 2019 to 39.3 million square feet in May 2022. Still, the average asking rents remain high with an average of \$53.79 a square foot for Class A and \$36.01 a square foot for Class B office sites.

"The snowball is getting bigger," said Ryan Holtzman, managing director at Cushman & Wakefield. "We have more demand than supply for (top tier office space). ... It's still cheaper than their other locations. It's not scaring people away."

New office buildings are in the pipeline in places like Wynwood and Miami Beach, including Goldman Properties' CORE Wynwood, Wyncatcher, Related's One Island Park on Terminal Island and Sunset Harbour's Eighteen Sunset.

Miami Beach officials have taken an extra step to attract companies. They moved ahead with a plan to convert surface parking lots adjacent to Lincoln Road into boutique office buildings. They also backed two incentive programs — one that expedites office building permits for renovation projects and another that provides \$60,000 to office tenants over four years — to motivate firms outside Florida to open an office in the Beach.

"We want to diversify our economy, because we know we can be susceptible to shocks to the system. We're coming up with strategies of how to stretch beyond what we are, which is tourism," said Rickelle Williams, economic development director for Miami Beach.

Corporate expansions are impacting Miami-Dade's housing stock. Employees choosing to relocate to Miami-Dade had an advantage early on in the pandemic, scooping up already limited supply with deeper pockets, often beating longtime residents in a sizzling residential market.

HOUSING COSTS SURPRISE

Miami-Dade's overheated housing market hasn't deterred company relocations. Month after month this spring there's been historic high median sales prices of existing homes, according to housing reports from the Miami Association of Realtors. The county recorded a median sales price of \$390,000 for condominiums and \$565,000 for single-family homes in April, the most recent data available.

Since January, transplants have less of an advantage buying houses than before, said Nathan Zeder, broker-associate at The Jills Zeder Group, and Allure Realty CEO Sharelle Rosado. The two helped 20 and 15 newcomers, respectively, this year move into Miami-Dade.

"Due to the limited supply, they're understanding now that the house transaction might be more of a lateral change," Zeder said. If they sold a 3,000-square-foot single-family home in California for \$3 million, they'll likely buy another one of similar size in Miami for the same price.

Virnig of Thoma Bravo said the relocation expense to move to Miami surprised his team. And they've had to compete with other transplants and area residents for a tight supply of available homes and apartments. That low inventory yet fierce demand has of course driven up median prices and apartment rental costs. Taken together, Miami has become the most expensive place to live in America, according to Realtor.com and several others who regularly monitor the housing market.

"The cost of moving to Miami was a lot higher than everyone thought," Virnig said, noting the shortage of housing and higher price tags to buy or rent.

"It has gotten harder for people to get settled," Virnig said of his employees, most of whom live in Brickell or Edgewater. "It has been a surprise, but having come from San Francisco it is a similar dynamic."

Some companies avoid the housing competition by hiring only local employees for new Miami offices. New York's Winston & Strawn law firm opened a branch in May in downtown Miami at Southeast Financial Center. The firm chose the location for its proximity to Brickell, a wide range of restaurants and available 15,000-square-foot office space. All six attorneys came from other Miami law firms.

"The initial business plan was to focus on people who were already here," said Rick Martin, office managing partner. "While there may be opportunities down the road for people moving into the market, there's no active pursuit about it."

For outside companies considering the flight to Miami, Beacon Council executive vice president of economic development James Kohnstamm said the high cost of housing has gotten plenty of attention and raises questions.

Miami-Dade's economic development agency works to expand the local economic development and the labor market. Kohnstamm talks to firms mulling opening an office here. Housing, its availability and cost usually come up, since they affect a company's ability to recruit and retain talent.

"It is an essential part of the conversation, but tied to talent flows and access to talent," he said.

However, he added, "Those looking at Miami as an investment understand Miami is a global city and that there are certain costs associated with that. Miami prices are in line or more affordable than those other locations like New York or Los Angeles."

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