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Inflow of firms from North buoys Central Business District

By KYLEA HENSELER

As northern companies head south to low tax states, buoyed by the confidence that teleworkers can be productive anywhere, the office space markets in downtown and Brickell stand only to gain, local experts say.

Class A office vacancy in Brickell, a JLL market summary reports, stood at 11% for the fourth quarter of 2020, while vacancy downtown sat at 24%. The average rent in Brickell, the report says, was \$63.92 per square foot, while the asking price downtown was \$48.97.

"Brickell continues to be extremely busy with Class A assets," said Steven Hurwitz, managing director at JLL. "Downtown, which was discounted before Covid, is getting more active."

The "allure" of Brickell has led to low vacancies and high prices in that area, he said, while large blocks of offices downtown remain vacant. However, he continued, companies looking for a lower price point will likely drive demand downtown, as will the realization of projects such as Miami Worldcenter and the renovation of Flagler Street.

Stephen Rutchik, executive managing director of office services at Colliers International, said he is expecting a shift to a landlord's market in the Central Business District, marked by a decrease in concessions by landlords and increase in rental rates.

Despite the pandemic, he said, most companies that would traditionally hold office space will probably continue to do so, though how they use offices remains to be seen. Some companies, he said, might turn to the space as an area to build company culture even while allowing employees to telework at times, and for some a reduced footprint might make sense.

"In order to build culture and create relationships and be productive, efficient and innovative," he said, "being face to face is not replaced by Zoom or video calls. We're also finding that people are fatigued with video calls; it's in human nature to want to be together and interact."

"The big story that we're experiencing," said Mr. Hurwitz, "is the amount of inbound business from the Northeast and other places, both for financial service firms, technology

and others."

This demand, he said, could be a factor in Miami's sublease rates, which are among the lowest in the nation at 2.2%.

"Miami has been working for years to build a community for tech and finance," said Philippe Houdard, co-chair of the Downtown Development Authority's Enterprise Committee and founder of Pipeline Workspaces. Covid, he said, compelled companies to look at where they held offices and reconsider their location, keeping in mind that employees may be able to telework from anywhere.

To incentivize these companies to move to South Florida, he said, the authority uses a Follow the Sun initiative, which promises companies up to \$150,000 for relocating based on the number of jobs they create. So far, he said, five companies have taken advantage of the initiative, though their names are confidential.

"Miami today," he said, "reminds these companies of San Francisco or Silicon Valley a couple decades ago. It's hungry for success." The lifestyle in Miami, he said, is a draw for many, who appreciate the restaurants, art and culture scene and ample

outdoor activities.

In addition to Follow the Sun, he said, the authority helps companies integrate into the community in a number of ways, like making introductions to universities.

Mr. Houdard said his flexible workspace company Pipeline jumped on this trend by offering the Doors Wide Open promotion, which gives two months of workspace free to any company from outside of Florida looking to relocate.

In the past few months, Mr. Houdard said, have seen a spike in demand and leads for Pipeline, which he said he attributes to a combination of inbound interest in South Florida and excitement about vaccines.

Flexible space, said Mr. Rutchik, is here to stay, though larger companies still typically opt for their own spaces.

"That's a trend that's been ongoing for some time," said Mr. Hurwitz, noting that there is a market for companies willing to pay a premium for flexibility as they grow and change. As a result, he said, demand has grown for spec spaces, which are offices built out by landlords that are ready-to-use, rather than customized for a company.