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As National Office Market Chills, Miami Sizzles

While Most of Nation's Office Demand Cools, Miami's Heats Up



A rendering of One Brickell City Centre, a 1,000-foot-tall office tower set to break ground this year in downtown Miami. (Related Companies)

While office markets across the country continue cooling, Miami's is ramping up the heat.

With nearly 35 million square feet of negative net absorption across the country in the past 12 months, office tenants in most markets are clearly shedding space. But that's not the case in Miami, where leasing activity over the same period accounted for 1.3 million square feet of net absorption last year. That's more than triple its five-year average, according to CoStar, the publisher of LoopNet. Other key indicators like office rent growth, vacancy rates and construction are also up in Miami, in contrast with the national market.

And most of Miami's office momentum is in its downtown, a rapidly transforming area that is becoming a destination for corporations seeking new, attractive office space. Five-star office buildings in downtown Miami have already reported more than 300,000 square feet of net absorption so far this year.

May 8, 2023**Unique Monthly Visitors: 1,712,196**

With millions more square feet of office space coming on Miami's construction pipeline, at least one official expects the momentum to continue for the foreseeable future.

From Beaches to Boardrooms

"Florida is low-tax with a favorable pro-business environment, coupled with a growing office market, which has turned us into one of the hottest office markets in the country," said Christina Crespi, executive director of the Miami Downtown Development Authority.

Local incentives that streamline permits and make opening new offices easier also play into Miami's ascent to a leading office market.

They include:

- **Miami 21.** Among other things, the Miami 21 zoning code allows developers bonus building density in exchange for contributions to the city's public benefits trust fund.
- **Community Redevelopment Agencies.** These agencies can help subsidize the cost of urban development using tax-increment financing.
- [Follow The Sun](#). This program from the Miami DDA offers up to \$150,000 over three years to businesses that sign an office lease downtown with at least 10 employees making more than \$79,000 per year.

Further clues can be gleaned from a few new office towers that are either in the works or already open for business.

"The downtown area has been a primary driver of the metro's impressive demand formation. Several new developments in the corridor offer tenants the most amenitized, highest-quality space that continues to be the most sought-after in the post-pandemic working world," reads an April 25 CoStar report on Miami's office market. "The increasing diversification of the metro's economic base has also been an important demand driver, with continued growth in the professional and business services and healthcare sectors. Additionally, Miami's proximity to Latin America and the Caribbean has made it a hub for international trade and finance, further fueling demand for office space."

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A rendering of 830 Brickell, an office tower opening this month in downtown Miami. (CoStar)

Rising Towers, Soaring Demand

The momentum in Miami's office market is also reflected in the flurry of new office towers planned for the city's downtown.

830 Brickell. The first five-star tower built in downtown Miami's Brickell neighborhood in over a decade will open this month. The 57-story tower is 96% leased, with blue-chip tenants like Kirkland & Ellis, Citadel and Sidley Austin moving in soon. All three companies are new to Miami.

"The new-to-market leasing activity we're seeing for Miami's Class A market represents how a growing number of companies around the world are looking to establish or expand their footprint in South Florida," Justin Oates, senior vice president of real estate equity at Cain International, said in a statement. "These companies are strengthening Downtown/Brickell's position as one of the most desirable office submarkets in the United States, especially in the eyes of tenants from New York, Chicago and San Francisco, and will serve as a magnet for other tech, finance, investment and professional services firms."

Boasting the same architect behind the Burj Khalifa, 830 Brickell emphasizes bay views with floor-to-ceiling glass. The rooftop restaurant and bar will offer 360-degree views of downtown Miami and Biscayne Bay.

"Miami's market is barreling towards major growth and the legal industry has clearly taken note," Beatriz Azcuy, Partner & Head of Real Estate at Sidley Austin LLP, said in a statement. "Sidley is particularly excited about the choice to expand into 830 Brickell, an excellent space that positions us at the very heart of Miami's economic hub."

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A rendering of an office lobby at One Brickell City Centre in downtown Miami. (Related Companies)

Aiming even higher is One Brickell City Centre, which is set to be Florida’s tallest office tower once it is completed in 2028. Officials issued construction permits for the planned 80-story tower in March, which would also be the tallest in the Southeast United States.

The tower will also boast ample outdoor space including multiple balconies and indoor/outdoor floor plans allowing office workers to enjoy Miami’s weather.

“Tenants are looking for open space, natural light and glass partitions,” said Danet Linares, executive vice chairman of Blanca Commercial Real Estate Inc. and a longtime Miami-area broker who is not involved with the project. “They have also commented that building amenities like conference centers, gyms, outdoor terraces, and tenant lounges are important for attracting talent and employee retention.”



A rendering of the Miami skyline including One Brickell City Centre. (Related Companies)

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Shared Spaces

Coworking spaces also remain in demand in Miami and outperform the rest of the country thanks to both established companies and an influx of new businesses entering the market.

Although it has notably struggled in recent years, WeWork is thriving in Miami, with three locations downtown alone. As of last year, the company had six Miami-area locations with 95% occupancy across the portfolio. Each location also had a waitlist.

Other coworking companies such as Quest Workspaces and Industrious are also growing in the area.

As of the third quarter of last year, the average monthly rate for a one-to-two-person private office suite was \$858 in Miami, compared to the U.S. average of just under \$800, according to a report from HR&A Advisors.

A Sunny Outlook

Blanca's Linares said her firm brokered leases for 2.1 million square feet of Miami-area office space last year, with 86% of those deals going to new tenants.

"Most tenants are coming from New York, but we have also seen an influx from Chicago and California," she said. "We are also seeing some existing tenants expanding their spaces."