

REAL ESTATE NEWS

Out-of-state companies pondered a move to Miami. Then came a spike in COVID-19 cases

BY REBECCA SAN JUAN

South Florida office brokers saw a flurry of inquiries from potential new-to-market tenants in May, June and August. Once Florida's [case count blew past](#) New York's, [activity stalled](#).

Good news: Interest is back.

"We had the second spike and everything paused," said Tere Blanca in August. She is founder, chairperson and CEO of the Brickell-based brokerage firm Blanca Commercial Real Estate.

The office markets in Miami-Dade and Broward had zero new-to-market deals during the first and second quarters in 2020, according to researchers from Newmark Knight Frank.

But the third quarter is lining up for a rebound, brokers say. Already signed are New York-based investment firm Hidden Lake Asset Management, New York-based luxury car storage company [Hagerty Garage and Social](#), and London-headquartered public relations company [Purple](#). Others, including, Boston-based, tech research firm [Nucleus Research](#), are looking to sign a lease soon.

Ofizzina has sold 85% of its space. They include Hidden Lake Asset Management, which signed a lease for 1,600 square feet in early August. The firm, founded in late 2018, began exploring a South Florida move pre-pandemic. It will move into its space during the first quarter 2021.

Hagerty Garage and Social will open its first outpost in Miami in early 2021, according its vice president James Machinist. The company has locations in Chicago and New York.

"Miami has a young, vibrant car community which is currently underserved for car storage and automotive lifestyle social options. What makes South Florida attractive is the confluence of high density vintage and collectible cars, modern exotics as well as overall population and lack of garage space," Machinist said by email.

Executives are signing leases outside of the more traditional office markets. Machinist signed a lease in late August for a 30,000-square-foot converted warehouse in Little River, said co-listing brokers LLV Realty Sales Associate Liana Rivera and Alfredo Riascos, owner of the commercial real estate brokerage firm Gridline Properties.

"Little River is within 20 minutes of the wealthiest ZIP Code in the Miami area — Fisher Island. It is not only serving the customers and users that are moving here due to the pandemic but it is also serving other Miami residents that may need to store their cars from the natural elements," she said.

The space at 355 NE 71st St. in Miami will be managed by four-to-six employees, all of which will be hired locally in the fourth quarter 2020, Machinist said. It has enough room to store about 200 cars, host social events and house offices, Rivera said.

“People want to work close to where they live. With the majority of housing surrounding the urban core and Miami Beach, communities like Little River offer a short commute. They become easy areas for companies to attract talent.”

Purple is another company opening its first satellite office in Miami. The company recently signed a 3,000-square-foot office space at 3050 Biscayne Blvd. in Edgewater, said Senior Vice President Andrew Lister.

“Ever since we opened with the Miami Beach Edition [Hotel], we’ve worked with a lot of clients in Miami. It made sense to have an office down there.”

The firm’s local clientele includes DSquared2, Golden Goose, Miami Beach EDITION, and, most recently, [NeueHouse](#).

Two employees from Purple’s New York office are anticipated to relocate to Miami and the company is expecting to hire three new employees focused on lifestyle, influencers, and digital platforms by December.

“Everyone is excited about what Miami can offer,” Lister said. “It became a cultural hub spot and it’s become more international. A lot of our Italian and fashion clients have opened a space in Miami and now is the time that they need the support.”

One company, Nucleus Research, is searching for an approximately 5,000-square-foot office space in downtown Miami — it’s a larger space than its 3,000-square-foot office in Boston, said Ian Campbell, the company’s CEO. The extra space is meant to accommodate for a larger staff.

Campbell moved to Miami in April. His staff — about a dozen employees — is relocating to Miami from Boston. He looks to add five to seven new hires by December. “The pandemic made the decision for us. This is a time when everyone is working from home.”

The move to Miami had been in the works for a year, Campbell said. “Miami is an area on the upswing. The general business climate makes it appealing. It was extremely easy to set up an employee here. Everything to set up was very simple compared to other states. It would take me two months in another state versus a half hour here,” Campbell said.

Miami International’s connections also drew the firm to the Magic City, Campbell said. “While Latin America is not big for us, Miami has a significant amount of flights going in and out to places across the world. ... We can travel to cities like Abu Dhabi and London easily from Miami.”

He is looking forward to returning to the office, he said. “How can we generate those big sparks? That’s not electronic. The casual interactions create those good ideas. If you stay isolated, it starts to be a grind.”

Wealth managers are among the companies in Blanca's pipeline of 150,000 square feet of new-to-market deals, along with legal services, insurance and life-science companies. Most are coming from New York, Chicago, and Los Angeles.

"Although we have experienced a slowdown in deal flow since cases spiked this past month, we expect activity will pick up pace as soon as cases record a steady decline over the next few weeks," Blanca said.

The draws: quality of life, [population growth](#), [tax flight](#), and the [entrepreneurial environment](#).

Mercedes Fernandez-Edge made the move to Miami in December 2018 for those very reasons. Now, she co-founded the commercial interior design firm B.House. Fernandez-Edge plans to open an office here — though not until early next year.

"What I'm saving on taxes will pay for private school," Fernandez-Edge said. "In the eyes of the New Yorker, Miami has changed. The level of sophistication has risen because of Art Basel, the culture, and big name restaurateurs setting up shop."

The market continues to see New Yorkers and other northeasterners [relocating their families](#) and [their employees permanently](#) to Miami. Riascos said that it will have a trickle-down effect on the office market.

"With those families moving, many of those principals want to open offices in South Florida. There are some silver linings. The pandemic has been the tipping point for many of our clients," he said.

CBRE has three leases with new-to-market tenants from Chicago and New York in the pipeline, said Shay Pope, CBRE senior vice president. The companies are considering offices in Downtown Miami and, one in particular, in Palm Beach.

"Given what's happened in recent weeks, we're viewed as the new hot spot. For companies, it's a long runway. We're seeing interest but it's methodological. No one is going to move down here tomorrow," he said.

Still, a new program from the Miami Downtown Development Authority may accelerate the movement. The Miami DDA is seeking approval in October from the city of Miami for an incentive program, said the organization's executive director Christina Crespi. The program may help fill downtown Miami's office market, Crespi said, which has an approximately 50% occupancy rate.

The DDA would offer a one-time fee of \$500 per employee for every company that is relocating a team of at least 10 people and opening a satellite office or relocating its headquarters to downtown Miami in the next year. The company must pay its employees a salary ranging from \$60,000 to \$70,000, Crespi said, to attract "high-wage jobs." Each company can earn a maximum of \$50,000. The money, Crespi said, would come from downtown's property tax dollars.

"It's an enticing carrot," Crespi said.