

## Paradise found: Can Francis Suarez make Miami the next Big Tech mecca?

*The mayor and Silicon Valley elite are enjoying a torrid romance. Real estate is watching*

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You could call it the tweet heard around the world.

In early December, Delian Asparouhov, a principal at venture-capital firm Founders Fund, threw out a proposal moving Silicon Valley to Miami. Francis Suarez, a real estate attorney who stepped into the mayor's chair in 2017, quote-tweeted the investor. He asked, "How can I help?"

**Suarez's response went viral** with more than 2 million impressions and thousands of likes. The mayor later likened it to "catching lightning in a bottle." He was suddenly in conversation with major venture capitalists and tech executives from around the country, grateful for a friendly ear in what has become a political climate openly hostile to Big Tech. Keith Rabois, a member of the "PayPal Mafia" and an early investor in Opendoor, SoftBank Group CEO Marcelo Claure and Shutterstock founder Jon Oringer are among those palling up with the 43-year-old mayor on Twitter. Rabois has become the city's most prominent evangelist among the tech community.

"I have met more new interesting people in Miami in 3 weeks than all of 2020 in the Bay Area," **Rabois tweeted Jan. 4.**

For those marquee names and those who look up to them, Miami marks a sharp contrast to the governments that have "marginalized and rejected" them in the past, Suarez said in an interview with The Real Deal last month. "I'm letting them tell their story. There's nothing more powerful [than that]."

It's an overture that has South Florida real estate salivating. Developers, brokers and office landlords are anticipating a Big Tech gold rush that would build on the recent success Miami has had with financial firms. Last month, Rabois paid a record \$29 million for a waterfront mansion in Miami Beach, and the following month announced his intent to attract at least 1,000 "founder caliber" technologists to the Magic City in 2021 as well as VC firms and established startups. That's a lot of office space and a lot of high-end homes.

But Miami has a long way to go on several metrics important to Big Tech. It lacks efficient large-scale public transit and is well behind established tech hubs on health care and education. A surge in population might push the city's infrastructure to the brink. Some warn that all the hype (and growth) could be short-lived. And Suarez, for all his enthusiasm and PR savvy, has very limited powers as mayor to bring about the sweeping changes that the tech industry will likely want.

If Miami really hopes to become the next Silicon Valley or Boston, it will need to address those infrastructure deficits, said Bernard Zyscovich, an urban planner and architect who Facebook tapped to study the Bay Area from an urban design and mobility perspective.

There is "no way" Miami can provide the same "brain trust" as Silicon Valley in the short term, Zyscovich said. "Over time, Miami could become a place which generates its own feeder system for recruitment. But in the short term, recruitment is limited to Miami being a desirable place for startups and incubators. It has to be a large number of small scale investors that come here that can run their businesses from their computer."

Oringer, who relocated to Miami Beach in the fall after keeping a pied-à-terre for years, described Miami's situation as a "chicken or egg problem."

"If we can find entrepreneurs down here, if we can launch enough businesses, if we can attract enough talent, we'll be able to build lots of interesting companies down here," he said. "People asked me the same questions in the early 2000s when I started Shutterstock in New York. New York was a finance town filled with Wall Street people. It had a little bit of tech, but if you wanted to start a tech company, you moved to San Francisco. I resisted that."

## **Testing the waters**

"Visiting Miami right now and I think I've seen more people from SF here than I saw in SF last year," JD Ross, a co-founder of iBuying startup Opendoor, tweeted Jan. 10.

It's a trend that's been on since at least the summer, with South Florida's residential brokers finding themselves inundated with requests for luxury waterfront rentals and for-sale homes. The single-family home market, particularly in Miami Beach and Palm Beach, saw a surge, and sellers called the shots.

In the second half of 2020, there were more than 3,000 sales of single-family homes priced at over \$1 million, an increase of 99 percent, according to Analytics Miami. In Palm Beach, which saw the greatest gains, \$1 million-plus single-family home sales more than doubled year over year with nearly 1,300 closings.

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**JON ORINGER, SHUTTERSTOCK**

The wealthy buyers hailed from several industries: hedge funds, finance, real estate and entertainment. **Martin Brand, Blackstone Group’s co-head of U.S. acquisitions, bought** a waterfront home in Palm Beach, and Goldman Sachs managing director Douglas Sacks picked up a condo at Eighty Seven Park in Miami Beach.

Many buyers also purchased teardowns and empty lots. Builders are busy.

Jason Anderson, vice president of Coastal Homes, said buyers are upping the ask for amenities, including bowling alleys, indoor basketball courts and even built-out tunnels connecting properties divided by the street. Rabois’ Venetian Islands mansion **came with a \$1 million aquarium.**

Miami’s waterways are bustling with hedge fund managers and tech investors, many of whom have recently become first-time boat owners. Boat slips, which were already in demand, are being snapped up. It’s the cool way to get around.

“They’re boating weekdays: Monday, Tuesday, Wednesday. Every day is a boat day,” yacht broker Boomer Jousma, who’s seen his sales double in 2020, said, referring to the influx of New Yorkers in South Florida. “They’re entertaining on the water. They’re meeting on the water; they’re social distancing.”

Another sign that the migration is less seasonal and more permanent? Schools are filling up.

“In the middle of Covid, where people would otherwise be potentially guessing private schools, there’s waiting lists,” Steve Hurwitz of JLL said. “People have already made those decisions.”

## Land of the (tax) free

It’s not just the tech bros planting flags in South Florida. Though Suarez seems to have put Miami on the map with that industry, the city has long been working to attract blue-chip financial firms to the region. The pandemic, which normalized work from home, merely accelerated a migration that’s been underway for years, experts said. Florida’s lack of state income tax, pro-business leaders and warm weather have long drawn the wealthy.

Barry Sternlicht’s Starwood Capital Group, Tom Barrack’s Colony Capital, Carl Icahn’s Icahn Enterprises and David Tepper’s Appaloosa Management have all relocated to South Florida.

“The tours I used to have were with folks with second homes and second offices,” JLL’s Hurwitz said.

And there’s more to come. In early January, **Blackstone took 41,000 square feet** at the MiamiCentral development in downtown Miami, where it will hire more than 200 employees.

Billionaire hedge funder Ken Griffin, already the owner of some of Miami’s priciest real estate, is nearing a deal to lease space at the under-construction office tower 830 Brickell, according to Business Insider, **where Microsoft is also close to a deal**. Goldman Sachs is also **considering a larger expansion** into South Florida, and Virtu Financial has toured spaces in Palm Beach County. Google is eyeing an expansion in the Miami area, and Spotify last year inked a lease in Wynwood.

Thrive Capital, Joshua Kushner’s investment firm, is also in the market, according to sources. Twitter founder Jack Dorsey and the Winklevoss twins have expressed interest in investing in Miami.

Kelly Smallridge, president of the Business Development Board of Palm Beach County, acknowledged that there are no guarantees the businesses coming into town are here to stay. “However, our retention numbers are very high, and you can’t get away from no state tax on income,” Smallridge said. She is behind the effort to build up “Wall Street South” and said there are about 30 financial services firms in the pipeline in Palm Beach

County. (Paul Singer's Elliott Management is among them with plans to move to a 40,000-square-foot space at Related Companies' 360 Rosemary office building in West Palm Beach.)

Danet Linares, vice chair of brokerage Blanca Commercial Real Estate, said new-to-market tenants have toured more than 1 million square feet of space in Miami-Dade over the past six months with Class A rents still increasing. Countywide, Class A rents rose to more than \$48 a foot in the fourth quarter, according to Colliers International data. Brickell is still the most expensive with asking rents of nearly \$60 per square foot. Though there is increased buzz surrounding the office market in South Florida, the vacancy rate was at 10.8 percent in the fourth quarter of 2020, up from 9.2 percent a year earlier, according to Colliers. The hospitality and retail industries are still reeling, and multifamily landlords aren't able to collect rent from lower-income renters. In a way, it's a tale of two cities, sources said.

Documentary filmmaker Billy Corben called the push for tech "the latest real estate hustle" in Miami.

"There is a commercial real estate depression happening right now," said Corben, who's known for the "Cocaine Cowboys" and "Screwball" documentaries. "No one wants to say the D word, especially down here where everything is about spinning reality. But the reality is you have one of the poorest cities in America and its residents and business owners are crying out for real and immediate help, without any response from their government."

### **Moving's easy. Living's harder.**

Let's assume Big Tech does make the big move to Miami. Will the city be equipped to integrate it?

**Transportation has long been a big issue for South Florida.** Brightline, a train that runs from downtown Miami to West Palm Beach, **is planning an expansion**, as is Tri-Rail, a more affordable commuter rail option.

Suarez said that it was hard to predict what transportation requirements would be in a remote-work world, and pointed to Miami's investment in walkable neighborhoods.

David Goldberg, general partner at Alpaca VC (formerly Corigin Ventures) noted that the cities attracting companies — Boca Raton, Miami, West Palm Beach, Fort Lauderdale and Miami Beach — are all far apart from each other, preventing the kind of cluster that tech firms love.

He also made reference to the area's more easygoing ways as a potential hurdle.

“Is there a hard-charging hustlers mentality?” he said. “Or is it a bit slower, less ambitious, potentially shady?” A thin talent pipeline is another concern: “You don't have the Stanfords, MITs and Berkeleys churning out entrepreneur talent,” said the University of Miami graduate.

Still, Goldberg made the jump to the city with his wife in August. He's working out of a private office at the LAB Miami, one of the first startup hubs. When asked where his partners are based, he responded, “I don't really know what that means anymore. I'm in Miami. Ryan [Freedman] is in Aspen. Aubrie [Pagano] is usually in New York, but she's in Brazil right now.”

He added he's been checking in on the tech scene in South Florida every couple of years, waiting for the inflection point. In 2014, he met with “everybody important” within 24 hours. “Now, I get introduced to five or six a day,” he said.

Though business leaders are promoting the pool of local talent, it's also no longer necessary to recruit locally. Oringer and his business partner are launching Pareto Holdings to invest in startups that will be based in Miami — “whatever based means these days,” he said. He envisions a combination of remote and office workers, and said it will likely be much easier to hire remotely.

“I cannot imagine we'll snap our fingers and work in our headquarters again,” he added.

## **Cometh the hour**

Suarez's powers as mayor are limited, and when he proposed becoming a strong mayor in 2018, Miami residents trounced the measure, leaving the city commission and the city manager with most of the clout. (There are 34 municipalities in Miami-Dade County, 31 in Broward and 39 in Palm Beach County. Suarez is mayor of just one city.)

That legislative weakness, according to attorney David Winker, could see Suarez's push to bring companies over backfire.

## “The mayor is a mascot in the head coach’s office.” BILLY CORBEN, DOCUMENTARY FILMMAKER

“By not having a strong mayor, you have the tension that Miami’s open for business, but when you get here, you have to deal with a commission that may not be open for you to do business,” Winker said, referring to the ongoing battle between the popular Little Havana nightclub Ball and Chain and the city.

Businesses relocating to the city of Miami, for example, could be eligible for tax breaks promoted by business development agencies that include the Beacon Council. In some cases, those incentives packages are subject to approval by the Miami-Dade County Commission, or in the case of those offered by the DDA, subject to approval by the DDA’s board. Suarez can only veto decisions made by the Miami City Commission, which does not offer incentives.

“The mayor is a mascot in the head coach’s office. By charter, he does not have a lot of official power,” Corben said. “Ultimately, the buck stops with the commission, and the buck stops with the bureaucracy. The moment any of these people out west have to come out here and have to deal with someone in government, not Suarez, they will head right back for the hills.”

Condo market consultant Peter Zalewski cautioned against buying into the hype.

“Politicians sell a dream and a vision,” Zalewski said. “The problem is he [Suarez] doesn’t have the juice to be able to pull this off.”

Still, there’s no denying the astounding success of Suarez’s PR blitz.

Aaron Gordon, a partner at Schwartz Media Strategies, described the last two months as “rocket fuel” for the city’s corporate prospects.

“It took a bold, forward-looking mayor with a Twitter handle to open the floodgates,” Gordon said. “**Francis has become the face of Miami’s tech scene** in the span of four weeks, the same way Dwyane Wade was the face of the Miami Heat and Dan Marino the face of the Miami Dolphins.”

Suarez, who is the son of former Miami Mayor Xavier Suarez, is **quick to respond, lighthearted and accessible**. He's what business leaders wish their government leaders would be like, Gordon said.

On a recent podcast, Suarez said that any city that is not competing to grow its tech community is being negligent toward its residents who could benefit from high-paying tech jobs.

"I want to seize the momentum. You don't always get opportunities like this," he told TRD. For the tech community, it's the gesture that counts.

Some say it's almost irrelevant that he doesn't manage the city's budget, or that he can't direct who gets awarded what contracts, while others point out his power to sway the Miami commission and his connections to major developers.

Nitin Motwani, the developer of Miami Worldcenter and a DDA board member, said the incentives wouldn't make or break a company's decision to move to Miami.

"It's not a life changing amount of money with these companies," Motwani said. "What the incentive does is exactly what we wanted to do. It reinforces our message: How can we help? We want to show you that you're important to us. People are so excited to come to a place like Miami knowing the community is embracing them."