

## Commercial Real Estate Booming in Post-COVID South Florida

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One of the primary—and most discussed—economic impacts of the COVID-19 pandemic was the emergence of remote work and resulting decline in demand for commercial office space. While that general trend has been true for most of the United States, South Florida on the other hand, has been a beneficiary of the socio-economic trends brought about by the pandemic and has emerged as one of the premier markets for commercial office space in the country.

At the outset of the pandemic, office tenants around the country enacted work-from-home policies to stop the spread of the virus and to keep their employees safe. After being sent home, many employees came to enjoy the benefit of avoiding the daily commute into dense commercial sectors of northern cities while also having more time at home to spend with their family. As a result of this overarching employee sentiment, employers have found it difficult to entice their employees to leave the home office and commute back in.

During the time that these employees were working (and succeeding) from home, they also started to realize that their proximity to the office was not a determinative factor in where they lived and that they could live anywhere as long as it had a reliable internet connection and was not too many time-zones away from work. As a result, these employees began relocating to markets which showcased healthier and cheaper lifestyles. One area that was primed to receive this mass migration was South Florida.

South Florida has long been known for its picture-perfect winters and laidback lifestyle. However, as anyone



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(Courtesy photos)

who lives here knows, Florida is more than just retirees and golf courses and it did not take long for the plentiful amount of newly remote workers to catch on and begin migrating to Florida on the promise of relaxed COVID-19 restrictions and a better lifestyle. Florida more than delivered on that promise. What these new Floridians found is that South Florida is a budding metropolis with a diverse and educated population. Among those new Floridians were C-Suite level executives at some of the largest and most influential companies in America who found themselves to be in a prime position to capitalize on the market trends being brought forth by the pandemic all of which seemed to be coalescing perfectly in sunny South Florida. Based on the firsthand experiences of their executives as well as the migration patterns of their work force, these companies decided

to either relocate or shift a portion of their business to South Florida in order to benefit from the population boom ongoing in South Florida.

No two areas of South Florida are more representative of this trend than the downtown submarket of West Palm Beach and the Brickell submarket of Miami.

West Palm Beach was once thought of as a seasonal town which derived most of its importance from the wealth of the residents of Palm Beach island just across the water. However, during the pandemic, West Palm Beach has seen an influx of investment from real estate developers as well as interest from national companies and firms. This influx has caused major investment firms to take occupancy of space within West Palm Beach's commercial office districts offered modern, amenity rich buildings designed to attract employees by providing them with benefits that they cannot receive at home. In fact, so many New York based firms have set up shop in West Palm Beach that some have begun referring to it as "Wall Street South." \

The Brickell submarket of Miami has also proven resilient during COVID-19 and, thanks in part to the influx of Fortune 100 companies and world-renowned professional firms who have relocated to Miami, the commercial office rental rates in Brickell have climbed past \$100 a foot for the first time in history and represent a record for South Florida. New-to-market professional firms have decided to expand into South Florida to follow their clients and maintain close proximity to their clients' executives and decision makers.

Whether you are in Miami or West Palm Beach, another trend that appears in both submarkets is the flight of commercial tenants to Class A assets, which feature state-of-the-art technology, fitness/wellness centers, conference facilities, easily accessible outdoor space, and areas for collaboration. Conversely, equally visible is the higher vacancy trend among buildings with antiquated amenities and dated buildouts struggling to find tenants to occupy space. Given the rise in high-profile tenants and the prevalence of remote work, building owners are focused on providing incentives for employees to come into the office to work. These tenants and building owners are betting that employees will see that there is a benefit to coming into the office to work

because of the new technology and amenities that are now being provided. In addition, and in response to the pandemic, many tenants are looking for office spaces that prioritize air quality, ventilation and sanitation. As a result, buildings with modern HVAC systems and touchless technologies have become more desirable as well.

Looking ahead, it seems likely that the commercial office market in South Florida will continue to develop and modernize as there has been a steady flow of investment towards development and continued migration from around the country. Further, given the increased population, South Florida will continue to attract companies who seek a diverse and educated work force by offering premium assets and a healthy lifestyle.

Overall, the South Florida commercial office market has shown resilience in the face of the pandemic and has emerged as a bright spot on the national stage. While there have been challenges, such as supply chain delays and weather related events, the market has remained active and leasing activity has remained strong thanks in part to the investment of building owners and new to market tenants. As South Florida continues to develop following the pandemic, it seems likely that demand for quality office space in South Florida will remain robust.

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