

REAL ESTATE

Miami's commercial real estate boom picks up steam as pandemic pushes companies to seek new digs

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KEY POINTS

- “I’ve been buying real estate in Miami for over 20 years, and it has been a great flight. Since Covid started, it’s a rocket ship,” said Alex “A-Rod” Rodriguez.
- Rodriguez recently partnered with Barry Sternlicht in developing restaurant and retail space inside Starwood Capital’s headquarters under construction in Miami Beach.
- According to the Miami Downtown Development Authority, the average cost per square foot of office space is \$45.45, compared with \$64.12 In San Francisco.



MIAMI — Move over, Texas. The Lone Star state has grabbed headlines as tech companies like Oracle, Hewlett-Packard Enterprise and billionaire Elon Musk are planning to move major operations from California for its greener pastures and — lower taxes.

But now, Miami is becoming a magnet for companies trying to escape from high taxes and over-

crowding.

The Sunshine state’s most famous city has tried for years to convince companies it’s not just a playground for partying vacationers, but fertile ground for finance and tech firms, promoting a start-up vibe.

Then the coronavirus pandemic hit.

“I’ve been buying real estate in Miami for over 20 years, and it has been a great flight. Since Covid started, it’s a rocket ship,” said developer Alex Rodriguez — as in “A-Rod,” the former Major League Baseball superstar who has been investing in commercial and residential properties.

Rodriguez has recently partnered with Barry Sternlicht of Starwood Capital in developing restaurant and retail space inside Starwood’s new 144,000 square foot headquarters under construction in Miami Beach, the first Class A office space in that community.



Sternlicht moved Starwood from Greenwich, Connecticut, in 2018. Taxes had a lot to do with it, but he also blames political leadership, especially New York City under Mayor Bill de Blasio.

A reckoning for high-tax states

“People don’t feel safe,” Sternlicht said of New York. “The affluent are leaving in busloads, and Miami is getting more than their fair share.” He likens Miami to Singapore—a “working, diverse culture” that’s business friendly. “Frankly, there’s going to need to be a reckoning day for some of these states, like Illinois and New York and Connecticut — my home state — where they’re going to have to figure out they just can’t keep increasing taxes. It’s just not going to work. People can live in other places.”

The California legislature, for example, is considering raising the state’s top personal income tax rate above the current 13.3% and raise corporate income taxes. A bill that would have tried to tax wealthy Californians for up to 10 years after they move out of state died in the last session after severe backlash.

“It’s not just the taxes, it’s also about the quality of life,” Nitin Motwani said of Miami’s attraction. He’s a developer who left Wall Street and Goldman Sachs over a decade ago to return to Florida. “I loved New York. I just was passionate about South Florida, and I felt that, given what I’d seen in New York, South Florida really had great potential.”



For the last seven years Motwani has worked with economic development officials to persuade companies to follow him south. His toughest sell was his wife, Anshu, who also worked at Goldman before getting her MBA from Harvard.

“You better make it worth it,” she told him in 2008. A dozen years later, Anshu Motwani says she’d never move back. “People often think that Miami doesn’t have certain things that New York has. I don’t think that’s the case anymore.”

Millions have been spent on arts and cultural institutions, with a reported 40 artist studios now just in the downtown area.

Corporations on the move

The migration to Miami gained steam as firms like Universa Investments moved from Los Angeles and Nucleus Research from Boston. Then came Starwood, and now [Blackstone](#) is opening its tech headquarters there. A growing number of Silicon Valley investors are taunting California on Twitter as they head east to Miami — names like Jon Oringer who founded Shutterstock, Keith Rabois of Founders Fund and Shervin Pishevar who helped launch Hyperloop One.

“They don’t know what side their bread is buttered on,” Scott Absher said, referring to California’s political leadership. Absher is CEO of ShiftPixy, a tech start-up for part time workers that just moved its headquarters from Irvine, California, to Miami’s Brickell Key. The lease on his new waterfront office is about 25 percent less than what he paid in California, money the company needs as it tries to reach profitability.

According to the Miami Downtown Development Authority, the average cost per square foot of office space is \$45.45, compared with \$64.12 In San Francisco.

“I came to California in the mid-90s, and one of the things that I observed was just this bubbling of activity and excitement and optimism. I don’t see that as much anymore,” Absher said. He admits to feeling a bit “melancholy” giving up his California driver’s license but believes he’s found the innovative energy and welcoming atmosphere toward business in Miami that he used to feel in the Golden State. “I think you’ve got to look outside. You got to look ahead.”

An analysis by LinkedIn of where tech workers are moving this year shows that Miami’s technical workforce is up 3% in 2020 (Madison, Wisconsin, had the largest growth — 75 percent— but the total workforce is much smaller).

Home sales and prices in the Miami area are up double digits from a year ago, and executives thinking of moving here are now asking about the quality of schools, not just about the tax breaks.

Talent finally showing up

“One of the things that’s really interesting that’s happening here is talent’s coming, and that was always the big knock for Miami,” Rodriguez said. “It has always been challenging to hire here. But now you have talent from all different sectors.”

It helps Nitin Motwani feel vindicated. Growing up in Fort Lauderdale, watching his parents struggle in the hotel business, he vowed to leave Florida and never come back. Now, he’s a managing partner in a \$4 billion mixed use development downtown called the Miami World Center, which seems counterintuitive to a future where office space may not be quite as necessary. Except ... maybe ... in Miami.

“During the pandemic, we’ve actually had over a \$100 million in transactions at Miami World Center,” Motwani said. “There’s a phrase ‘Death by a thousand cuts,’ and this has been ‘Success by a thousand cuts.’ This has been the longest overnight success story that you can imagine.”