

BROKER'S VIEW

Downtown Miami's office market is diversifying: That's good news for our local economy



BY DANET LINARES
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Miami's pursuit of Amazon thrust our region's technology sector to the forefront, but new data from the Miami Downtown Development Authority indicate that tech companies have been eyeing our urban core as a viable home base for years.

The DDA's newly released office sector survey, which tracked market activity over the past five years, found that 72 percent of all new-to-market technology firms coming to Greater Miami are settling in Downtown.

This metric is just one example of how our region's largest office market is becoming more diverse as new industries set their sights on our city, lured by favorable demographics, an improved transit system, a variety of housing options, and significant cost advantages compared to other gateway cities.

Our Downtown office market comprises more than 22 million square feet of rentable space, amounting to Florida's most significant employment hub and one of its primary economic engines. All told, over 250,000 people spend their weekdays in our urban core — more

than ever before.

A quick survey of the market's tenant list is a "who's who" of the business world, with brands like Royal Caribbean, JP Morgan Chase, HIG Capital, Fortress Investment Group, Mastercard, Facebook and Porsche calling Downtown Miami home.

The Downtown office market has historically been dominated by a handful of sectors, most notably law and professional services, real estate, and banking and finance. In fact, Downtown is home to the highest concentration of financial institutions in the United States outside of New York, including 60 international banks, 100 alternate investment firms, and regional headquarters for four of the world's largest accounting firms.

While these industries still occupy most of the space in Downtown, the DDA study found that our tenant base is becoming more varied. Notably, the past few years have seen an uptick in the number of tech, hospitality and media companies leasing space. Together, these three sectors have accounted for 38 percent of all new-to-market leases signed since 2013.

Recent examples of tenants that have relocated to Downtown from out-of-town or from other markets in South Florida include the CONCACAF soccer association, Cisneros, Google, Uber, Viacom/MTV, and I-Squared Capital. Two of

the country's largest operators of co-working space — WeWork and Regus — are also expanding in our Downtown.

Given Downtown Miami's evolution from a 9-to-5 business district into a thriving 24/7 residential and commercial neighborhood over the past decade, these dynamics shouldn't come as a surprise. For the first time, our urban core offers companies and their employees a walkable district that is densely populated and home to a range of housing, dining and entertainment options.

These factors are becoming more important as employees gravitate toward job opportunities in close proximity to their home.

A series of improvements in the urban core — from new transportation options and public parks, to the debut of cultural outlets and improved pedestrian access — have coincided with stability in the office market. Average occupancy levels, rental rates and tenant renewal rates are at their highest points in years, driven by pricing that remains well below that of places like New York, Washington, D.C., and San Francisco.

There's reason for continued optimism.

The launch of Virgin Trains' service into Downtown in 2018, coupled with the planned connection to Tri-Rail this year, will make commuting from points north even easier while significantly broadening our workforce.

Few downtowns in the country can compete when it comes to location. From an accessibility standpoint, office users are placing immense value on the fact that our Downtown is right off I-95, minutes away from Miami Beach and Miami International Airport, and adjacent to PortMiami.

The advent of new arts and culture venues within the past decade has greatly enhanced quality of life in Downtown, with the Adrienne Arsht Center, Pérez Art Museum Miami, Frost Science Museum,

and ArtMiami earning high praise among companies surveying the market.

Likewise, mixed-use developments such as Brickell City Centre, MiamiCentral and Miami Worldcenter are enhancing Downtown's stature as a shopping, dining and entertainment destination.

The next chapter in Downtown Miami's story will be centered on sustaining commercial and residential growth through investments in mobility, walkability and education, ensuring Downtown remains a desirable place to

live and work. Projects like The Underline, the Downtown Baywalk and the renovation of Flagler Street will be welcomed additions.

As Miami's urban core strengthens its appeal as a vibrant neighborhood that is home to a growing number of companies and residents, our Downtown office market is becoming more diverse. The result is a healthier, more resilient local economy.

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