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HEADING TO THE 'BURBS

New offices may pave the way for the urbanization of suburbia



By Erik Bojnansky – Reporter, South Florida Business Journal
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Companies have long been in a mad dash for quality office space in South Florida that will impress potential clients, foster collaboration among employees, and help recruit new talent.

Over the past decade, that race to secure Class A space has taken place primarily in the region's urban cores: Miami's Brickell Financial District and downtown Fort Lauderdale and West Palm Beach.

But that particular race may be nearing the finish line, as more companies seek to lease space or build offices in suburban areas, where more of the region's workforce lives. **Get Started**

Some real estate experts say the burgeoning office trend could lead more firms to abandon downtowns in favor of less costly offices in outlying areas.

"One of the advantages of suburbia is that you don't need to pay for prime Class A space," said Juan Ruiz, vice chairman of Blanca Commercial Real Estate. "You have buildings that are of excellent quality, more free parking and they're \$20 to \$40 per square foot lower than Brickell."

But others say companies still favor offices in dense, walkable areas in existing urban cores.

"The submarkets that have more of an urban environment are succeeding at attracting more companies compared to non-amenitized, non-walkable suburban office parks," said Kevin Gonzalez, a senior VP in the Miami office of Colliers International.

Similar to those in other parts of the nation, South Florida's Class A properties are often found in bustling areas packed with restaurants, shops and transportation options near growing populations of young professionals. It's certainly where you'll find the newest trophy office towers – including 830 Brickell in Miami, The Main Las Olas in Fort Lauderdale, and 360 Rosemary in West Palm Beach.

Yet, there are local businesses that have relocated their headquarters to suburbia. And some of the most ambitious office projects on paper are outside of traditional downtowns.

Addresses on a map

High rents are part of the reason why Kelley Kronenberg, a Davie-based law firm that employs 225 attorneys nationwide, will be moving out of its Brickell Avenue office and into the MiMo District in Miami's Upper Eastside.



Image: South Florida Business Journal

Murals decorate the stairwells at the Kelley Kronenberg law firm headquarters in Davie, a suburb of Fort Lauderdale. Kelley Kronenberg bucks the norm of law firms establishing HQs in city centers. Jock Fistic / South Florida Business Journal

“The rents in some places are \$100 a square foot in Brickell,” principal partner and CFO Heath Eskalyo said. “It doesn’t make any sense for our business model.”

This isn’t the firm’s first move out of a downtown. In 1999, Kelley Kronenberg left downtown Fort Lauderdale for suburban Broward County. In 2019, it moved into its current 34,000-square-foot headquarters at 10360 W. State Road 84, built by Boca Raton-based Equistone Partners. The firm is currently building a second adjacent office.



Image: South Florida Business Journal

Heath S. Eskalyo, Esq., principal partner and CFO with Kelley Kronenberg, at the law firms headquarters in Davie. Jock Fistick / South Florida Business Journal

“Most of us are living in Weston, Parkland, Cooper City, Davie and Plantation,” Eskalyo said.

Banesco USA has an office in Brickell, too. Nevertheless, the Florida-chartered bank opted to open its new headquarters in a 60,000-square-foot building at 3155 N.W. 77th Ave. in Doral. It acquired the building for \$12 million in December 2020. Why? Because it was closer to its employees.

“We plotted the home addresses of all our employees on a map, drew some circles and what we found was that this was the most convenient place to work,” President and CEO Calixto “Cali” Garcia-Velez said.

Yet, it isn’t just companies already in South Florida looking at offices in or near suburbia.



The new Banesco USA headquarters building in Doral. Jock Fistick / South Florida Business Journal

John Boyd Jr., principal of site relocation firm The Boyd Co., said clients entering the market want other options, too.

“Not every company has the wherewithal to be in Brickell or downtown West Palm Beach,” he said.

Submarket alternatives

On Jan. 10, Boyd put out a 20-page paper titled *“Top U.S. Cities Named for the Post-Pandemic Corporate Headquarters Office,”* in which he listed 30 places with low operating costs favorable for new corporate offices within the next 18 months.

Three South Florida cities were listed, but they weren’t Miami, Fort Lauderdale and West Palm Beach. Instead, it was Aventura in Miami-Dade, Sunrise in Broward, and Boca Raton in Palm Beach County.



Image: South Florida Business Journal

Calixto "Cali" Garcia-Velez, CEO of Banesco USA, at the company's new headquarters building in Doral. Jock Fistick / South Florida Business Journal

The main point of the paper was that the suburban office isn't dead; it's downtown corporate headquarters that are on their way out – especially in cities perceived as “soft on crime” or in states with high corporate and personal income taxes.

“The new costs being faced by companies in urban markets like New York, Chicago and San Francisco are those associated with lawlessness and the difficulties in recruiting, retaining and getting current workers back to downtown offices,” Boyd said.

However, South Florida is an outlier, he stressed, because local leaders are seen as pro-business and pro-public safety – not to mention its good weather and lack of state income tax. As a result, more out-of-state companies announced office openings in the downtown areas of Miami and West Palm Beach, pushing vacancy rates downward and office rents upward.

“From a South Florida perspective, there is no denying the vibe that downtown areas have right now – a vibe that doesn't exist in other parts of the country,” Boyd said. “Miami is having its moment.”

But a company doesn't have to be in an area that charges high office rents. That's why Boyd's report listed alternative submarkets in each of South Florida's counties.

Aventura and Boca Raton were included because of their newly opened Brightline train stations. The passenger rail also stops in the downtown areas of Miami, Fort Lauderdale and West Palm

Beach. Both places have abundant retail and restaurants, and Boca Raton also has plentiful office space. In Aventura, the Optima office complex recently opened on the city's border with Hallandale Beach. Another project, Turnberry Two, is slated to be built near a future sky bridge that will connect the Brightline station to Aventura Mall.

Sunrise made the list because of mega projects such as Metropica, a 68-acre development that will include 2,250 residences and 650,000 square feet of new offices, Boyd said.

The term "suburban" is relative, Boyd said, as Aventura is adjacent to single-family neighborhoods, but packed with high-rise condos.

Still, all three places have lower Class A office rents than downtown areas.

As of January, according to The Boyd Co.'s BizCosts data bank, the average per-square-foot rent for Class A office space was \$81.77 in Brickell and \$62.56 in downtown Miami. In Aventura, Class A offices averaged \$56.67 a square foot.

In the Fort Lauderdale/Las Olas area, offices averaged \$49.65, while offices in Sunrise were \$36.17.

In downtown West Palm Beach and the ultra-wealthy town of Palm Beach, top offices rented for an average of \$58.22 and \$68.33 a square foot, respectively. That's 53% and 80% higher than Boca Raton's average of \$37.94.

'They want a yard'

It was once the norm for companies in South Florida to establish regional and main headquarters in the suburbs. But that started to change about five or six years ago, Colliers' Gonzalez said. Companies began seeking space in downtown areas to help recruit young workers eager to move to urban cores.

"You have these massive amounts of people, in their 20s or early 30s, hitting the job market ... who wanted to be in an urban area with nightlife and activities," he said, noting that those workers now have different priorities,

"They grow up, have families. They want a yard for the dogs and kids to play in," Gonzalez said. "So, they move out to the suburbs."

Anthony Librizzi, a managing director with Cushman & Wakefield in Palm Beach County, said both urban and suburban Boca Raton offices were traditionally high on corporations' radars until developers announced they would build new office towers near the Brightline station in downtown West Palm Beach.

Those spaces were quickly leased, especially at 360 Rosemary, a 20-story office tower filled with financial services companies from the northeastern U.S. That did little to address the demand for new office in downtown West Palm Beach, where rents have stagnated. But in the rest of the county, rents rose above \$40 a square foot for the first time, according to a recent report from Cushman & Wakefield.

At the same time, corporate scouts are taking a hard look at places such as North Palm Beach.

“They’ll come into town, they’ll do the bus tour, look at downtown West Palm, and they will look at the northern end of the county and say, ‘Wait a minute, I can have a better quality of life, better housing,’” Librizzi said.

Meanwhile, in Broward, the \$49.65-a-square-foot rents for Class A office space in downtown Fort Lauderdale have been surpassed by submarkets in Hollywood (\$57.11) and Hallandale Beach (\$58.75), according to BizCosts.

That likely has a lot to do with company decision-makers and local workforce residing in northeast Miami-Dade/southeast Broward, Blanca CRE’s Ruiz said. “There are business owners who have offices in Brickell and live in Aventura who are now starting to say ‘Why am I driving so far?’”

Additionally, executives with new-to-market companies are buying homes in Sunny Isles Beach and Golden Beach, and want to avoid long commutes, he said.

Urbanizing suburbia

But building a new office project anywhere isn’t easy nowadays. That’s mainly because banks are reluctant to finance projects in an era where most people work from home.

“It seems like banks across the country are allergic to office right now, and they are not making any distinction for Miami, which has outperformed the rest of the country,” Collier’s Gonzalez said.

The only way a new office can receive financing is if tenants have preleased space or if it is within a mixed-use project with lots of residential and retail, he added. That’s leading to the urbanization of suburban communities.

Codina Partners has essentially urbanized a former 250-acre office park in Doral by building a new City Hall, a charter school, condos, apartments and lots of retail. When the project is complete, Downtown Doral will include 5,000 residential units and about 1 million square feet of offices.

CEO Ana-Marie Codina Barlick said the offices are filling up with tenants that want to be closer to affordable housing and good schools.

“The bottom line is people are looking to live closer to where they work,” she said. “And when they go to work, they want accessible conveniences.”

A similar redevelopment plan is about to launch at the Waterford Business District, a 3 million-square-foot office park in western Miami-Dade with tenants including Burger King, Subway and Toyota. In January, Nuveen Real Estate and Allianz Real Estate were granted permission to add 800 apartments and 20,000 square feet of retail on their portion of the campus.

Blanca CRE’s Ruiz said residential is needed to attract the restaurants and retail desired by office users.

“The office crowd is a lunchtime crowd. The residents are here during the weekdays and the weekends,” he said. “You bring in the residences and you bring in a real live-work-play atmosphere where retailers can prosper and office tenants are happier.”