

## As Miamians go back to work, new 'digital nomads' are changing the city's economy

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If remote working helped usher in Miami's current wave of migrants, what happens now that it's safe to return to work?

After a year away from the office, companies whose business can be conducted with just a phone and computer are working out just how to balance cost, lifestyle and corporate culture variables in the post-pandemic era.

The shakeout could have implications for Miami's entire economy.

"It's the million dollar question," said Philippe Houdard, co-founder and CEO of Pipeline co-working spaces. While much of the U.S. economy was able to successfully pivot away from the office, he said, "it's also been demonstrated that there are real limitations to just working from home."

A growing chorus of firms say they are pivoting to a mixed model that allows for personal flexibility among staffers that still lets employers maintain a baseline corporate culture in a physical office environment.

It's a strategy that could last — especially as Miami also sees an influx of 'digital nomads' now calling the city home but ditching the traditional office model.

"The workplace is moving into a hybrid environment," said Alan Kleber, executive managing director for commercial real estate firm JLL Miami. "Organizations are attempting to create strategies and policies of how work will get done, and that is going to impact [office] buildings."

As a result of the shift, local office vacancies have, for now, tipped upward. In the first quarter of 2021, the Miami office market had a total vacancy of 19%, up from 18% in the fourth quarter 2020, according to the most recent JLL office market reports.

Meanwhile, in this transitional post-pandemic moment, some firms are looking beyond the central business district, with virtually every sub-market in Miami-Dade seeing increased interest.

It all makes for a changing local office landscape that is poised to thrive.

### 'DISTRIBUTED' WORKFORCE

Alex Taub is emblematic of the shift. The founder and CEO of Upstream, a digital professional networking platform that on Wednesday announced it had raised \$3.25 million from investors, Taub [moved with his family from New York City to Miami in the throes of the pandemic](#).

He has continued to grow the company remotely, hiring workers both locally and back in New York. But for now, he has declined to purchase office space here. Taub said Upstream's nine employees — only three of whom are in Miami — continue to work efficiently from home.

"We obviously like sitting down and jamming in person, but we are not committed to having a centralized office yet," Taub said. As the rest of the world reopens, he may reconsider — but at the moment, "we don't want to get locked into a

lease,” he said.

As founder and chairman of real estate group Terranova Corporation, Stephen Bittel has a bird’s-eye view. The pandemic, he said, prompted many C-suite executives to move to South Florida. Whereas in the past, that may have signaled retirement or a second home, Bittel now sees permanent moves that will likely entail jobs moving, too.

“I think the next step is office space,” Bittel said, “and eventually they would move more and more team members to join them. That’s going to drive a population increase that will continue for the coming years.”

Some local furniture purveyors are already seeing the positive effects of the influx. Brianna Brown, president and designer at Fine-Line Furniture & Accessories in Coral Gables, estimated that up to 70% of her new business is from out-of-towners.

“I think the locals are still struggling a bit with either wanting to go hybrid or in general how they want to transition,” she said, “but everyone coming in from other states wants to get set up from the get go.”

Yet even new arrivals are pivoting. Harry Hurst, co-founder and co-CEO of Pipe, a financial technology company now worth \$2 billion, moved from Los Angeles to Miami last August. Pipe now boasts 30 total full-time employees, about a quarter of whom are in Miami.

Though the firm has leased space in Wynwood, Hurst describes the Pipe office model as “distributed,” with no plans to formally centralize its workforce. While Pipe will continue to be a Miami-first company, the model means finding the best talent anywhere in the world and letting them work from wherever they are best able to contribute.

“Pipe will be hiring across all teams,” Hurst said in an email. “We hope to expand our workforce in Miami, but Pipe will continue to be a distributed team.”

## STILL AT HOME

It is not only startups that are rearranging. Bittel said his properties have seen a variety of new work plans. A call-center lessee, for instance, sent all its employees home as the pandemic bore down and has not returned. Law firms, meanwhile, have seen some employees back to work while giving attorneys the flexibility to stay at home if they must.

“Clearly [there are] office tenants not fully back — buildings are open with limited people, and a lot of businesses learned they can work fine from home,” Bittel said.

Patricia Hernandez, founding partner at Avila Rodriguez Hernandez Mena & Garro LLP in Coral Gables, said her firm now gives all employees the option to work from home if they choose — though she found many attorneys missed the camaraderie of the office environment, and that younger lawyers were missing out on mentorship and development opportunities.

“It wasn’t an issue of efficiency — it was more an issue of losing teamwork,” Hernandez said. “People become more isolated at home, and with training, we saw it as a concern that we weren’t able to offer to more junior attorneys as much they would have otherwise.”

When they do come into the office, their desks have been rearranged to remain socially distanced. The firm also still requires masks if someone is walking around.

The lack of a lockstep march back into the office is reflected in downtown vacancies. Commercial brokerage CBRE says vacancy rates in Miami’s central business district increased slightly in the first three months of the year compared with the

same period one year ago, from 16.7% to 18.8%, though inventory and class levels have changed over the period.

Local tenants say activity on Brickell Avenue appears to remain below pre-pandemic levels.

“We do see that the offices still haven’t really opened up,” said Abe Ng, founder and CEO of Sushi Maki. He said a wider reopening appears to still be some months off — at a minimum, when schools reopen in August. For now, he said, orders are still coming in strong from dining-room-table diners in Pembroke Pines, Palmetto Bay and Kendall.

“People are still treating themselves to sushi while working from home,” he said.

Having gotten used to a bedroom to kitchen table commute, some employees may also now be insisting on avoiding Miami’s notorious rush-hour traffic. That could end up impacting salaries, as employers mull changes in how they compensate workers for their commutes or other cost-of-living factors.

“We might be seeing more [human resources] questions brought to the table,” said Tere Blanca, founder, chairman and CEO of Blanca Commercial Real Estate.

## SUB-MARKET GROWTH

Few other cities in the U.S. are experiencing Miami’s onslaught of new-to-market tenants. Blanca estimated there is still another one million’s square-feet worth of demand among relocating firms.

According to CBRE, Class A landlords are taking the opportunity to increase overall rents, even as some provide flexibility on lease terms: Overall asking rents in the Miami market have increased 5.1% year-on-year to \$42.66 for all classes.

“Pre-COVID, our growth in the market was driven by local business,” said Donna Abood, a principal and managing director at Avison Young. “What’s different today is that businesses are coming from Los Angeles, Chicago, New York, Toronto. It forces local businesses to [move and] stay in the suburban markets. We saw that happening in the late summer and fall.”

So, some longtime Miami tenants may now be considering moves to more competitively priced options at other buildings, including moving to other growing sub-markets.

In Aventura, the 28-story Optima Onyx tower, the third of the three-towered Optima professional campus, is looking to capture some of the spillover. Onyx developer Ariel Bromberg said the tower’s high ceilings and network of open spaces and balconies have neatly situated it for the post-pandemic world.

“We’ve been working with these ideas for many years — the pandemic merely accelerated some of these trends,” he said. “We didn’t have to change things — time is showing we were right in our ideas.”

Optima’s White and Red towers are now nearly 100% leased; Onyx’s anchor tenant, Kawa Capital Management, has signed on for 18,607 square feet in the tower’s penthouse, comprising 6% of its overall space.

“As they look at coming back to the office, some companies who were in Brickell are going to be staying in Brickell, but others are looking at sub-markets that in the past they were not willing to consider,” Blanca said. Coconut Grove, Coral Gables, Miami Beach, the Blue Lagoon/Waterford District, and Wynwood are also all seeing significant activity, she said.

For others, like the Miami office of Plaza Construction, COVID reinforced downsizing decisions. Plaza is shrinking its longtime footprint from 15,000 to 10,000 square feet. Plaza Chairman and CEO Brad Meltzer said the company is also

eliminating the traditional office entirely. There will now simply be workstations that can be occupied by anyone, from the CEO on down.

“It’s not only office less but address-less,” he said. “The idea is for executives and team-members to be all intertwined. The old days of having your own private office with pictures of your family or your golf trophies on display — those days are over at Plaza.”

## CO-WORKING RETURNS

And then there’s co-working — and Miami, long a leader in co-working density heading into the pandemic, has already seen co-working membership growth return. In a [recent interview with Bloomberg](#), Miami-based WeWork executive chairman and SoftBank International CEO Marcelo Claire said demand for space now exceeds pre-pandemic levels.

Customers “are basically sending us their employees because they don’t know how many days they’re going to be working,” [Claire told the news outlet](#). “They don’t know where their business is going to grow.”

Pipeline’s Houdard said his company held on to about two-thirds of its members, though in some cases they were offered flexibility in pricing. Depending on the location, his spaces are now back to as high as 95% occupancy.

“Some in Miami are either suffering from cabin fever, or looking to downsize,” he said.

At local provider Büro Group, which has seven locations across Miami, memberships are up since January thanks to local entrepreneurs, firms and businesses of three-to-five employees relocating from New York, said Michael Feinstein, founder and CEO of Büro Group. Feinstein declined to comment on the company’s total number of members.

“With a lot of new companies moving to Miami, that bodes well to all landlords, including co-working spaces,” Feinstein said. “The co-working industry should benefit from this trend of tech and other companies moving to Miami.”