



By [Brian Bandell](#) – Senior Reporter, South Florida Business Journal

For much of the past decade, South Florida's wave of growth focused mostly on downtowns. But the Covid-19 pandemic has turned that tide toward the suburbs.

Single-family home sales in the tri-county region have exploded, especially in less-dense neighborhoods.

Much of those sales are sparked by those escaping heavily populated areas – in or outside of Florida – during the era of social distancing wrought by Covid-19. And experts say a wider acceptance of working from home and millennials' desire to start families has accelerated that flight to the suburbs.

The same factors fueling the trend are driving companies from crowded cities in other states to relocate to the more spacious South Florida. While the jobs created by these relocating companies may be hard to detect amid the region's crushing job losses this year, the long-term trend bodes well for the area's economic recovery.

The shift toward the suburbs could drive up real estate values there and create development opportunities, as witnessed by western cities such as Doral and Sunrise. Both created dense, mixed-use districts with fine dining and entertainment to provide suburbanites with an urban experience. So it's a tested formula that could spread, especially if companies aim to follow their employees westward.

Leaving downtowns

After living in a Brickell condo for 20 years, [Lance Benson](#), executive managing director in the Miami office of commercial real estate brokerage Newmark, relocated with his family to a single-family home west of Coral Gables. With three kids stuck in a condo during the shutdown, he decided it was time to

get more space.

"I never thought I'd leave Brickell," Benson said. "But because of government ordinances – when your pool is not available and your gym is not available, there are so few places for kids to go – it becomes very challenging, which is why we opted for a single-family home."

Many office tenants with expiring leases are considering relocating to suburban offices to be near employees who no longer want to sit in traffic during long commutes, Benson said. They're also prioritizing smaller buildings with fewer people, a lower-cost design more common in the suburbs.

Attorney [Jeffrey R. Margolis](#), a partner with Berger Singerman in Fort Lauderdale, said some of the firm's younger associates moved from Brickell and Las Olas to more suburban locations like Boca Raton. So it's no surprise that many of his developer clients have shifted focus from urban development to suburban master-planned projects.

"The initial panic over the pandemic is now transforming into long-term anxiety," Margolis said. "The question for residential developers is whether the pandemic will make the suburbs more popular than downtown areas," as residents seek the bigger homes and outside spaces that come with suburban living.

Homebuyers seek space, privacy

Since recovering from the early months of the pandemic, the single-family housing market in South Florida has been red hot.

Much of that was prompted by residents cooped up in tiny apartments, who swiftly realized they needed more living space – and a sizable yard, to boot.

This has resulted in a flurry of activity in Westlake, a new city in western Palm Beach County.

[Mike Belmont](#), president of Minto Communities USA, said they've sold 362 homes in Westlake this year, compared to 145 by the same time last year. About 70% of the buyers come from rental housing. Nearly a quarter of them hail from Miami-Dade and Broward counties, seeking more space at an affordable price point. Westlake houses start in the low \$300,000s, while the median sales price of a single-family home in South Florida is more than \$400,000.

Development is likely to accelerate in the few areas of the region with enough land for single-family homes, such as western Palm Beach and southern Miami-Dade counties.

Additionally, most suburban neighborhoods in South Florida have had brisker home sales compared to urban areas since the pandemic, said [Mike Pappas](#), president and CEO of the Keyes Co., one of South Florida's largest residential brokerages. This is also partially driven by the millennial generation having children and deciding to seek larger homes and quality schools, he said.

"Millennials are in their prime moving stage," Pappas said. "We are starting to see people make the

jump, and inventory is getting eaten up so fast.”

The challenge for buyers is inventory has declined, as few people opt to place their homes on the market. This has driven up single-family home prices.

Affordability is a bigger factor than fear of Covid-19 for the urban flight, said [Ron Shuffield](#), president and CEO of Berkshire Hathaway HomeServices EWM Realty. Millennials are buying homes with enough space to work from a home office in suburban areas they can afford.

"It's the technology [of working virtually] that has made all of this possible," Shuffield said.

The shift to the suburbs has placed further pressure to lower condo sales prices in the downtown Miami market, which was already dealing with an oversupply of inventory, said broker [Ana Bozovic](#), founder of Analytics Miami. However, the local downtown condo market won't be hit as hard as big Northeast cities, she added.

"The Miami area will weather the coronavirus storm very well," Bozovic said. "Our lives here are designed around the outdoors. South Florida is likely going to continue to receive an accelerated boost of net migration from other states."

Snowbirds on steroids

The Northeast-to-South Florida relocation trend is decades old, but the pandemic has accelerated it. More residents of high-tax states are moving here now for the savings and space, and developers are taking notice.

[Steve Patterson](#), president and CEO of Related Development, the rental arm of Miami-based Related Group, said the biggest industry trend is relocation from high-tax states like California and New York to more affordable areas like Florida; Nashville, Tennessee; Austin, Texas; Phoenix; and Las Vegas.

The challenge for South Florida, compared to those other markets, is that the region has relatively high housing costs. That's why Related Development has mostly been building apartments in the suburbs, which are more affordable.

But not everyone is looking for more affordable housing options.

Sales of \$1 million-plus single-family homes in South Florida jumped by double digits in recent months, many of them in traditional luxury markets such as Miami Beach, Coral Gables and Palm Beach. Many of the buyers came from other states.

Luxury homebuyers often don't come alone.

Wealthy snowbirds-turned-residents, including Carl Icahn, brought their companies with them. That has created opportunity for the South Florida office market, which has suffered from higher vacancy

rates during the pandemic.

"The influx of folks from the Northeast is very tangible," said Steven Hurwitz, managing director in the Miami office of brokerage JLL. "We will see population growth and job growth and new employers in this market, and South Florida will be a big beneficiary."

There are 15 to 20 financial services firms from the Northeast searching for office space in Miami Beach, and nearly all of their principals moved here recently, Hurwitz said. Each office is relatively small, but these big-money companies often pay high rents.

New Jersey-based property and casualty insurance firm Borden Perlman recently opened an office at Quest Workspaces in Fort Lauderdale. **Heather Vogel**, a personal lines manager with the firm, said many of its clients from the Northeast were moving to Florida and it wanted to better serve them by having a presence in the market.

"Many of our employees were snowbirds and now they have a place they can actually work instead of from their dining room table," she said.

Office follows the rooftops

With much of the U.S. workforce conducting business remotely with great efficiency, having a prestigious street address likely isn't as important for company heads.

There's a strong pull to the suburbs for office tenants – and it's expected to increase, said **Douglas K. Mandel**, executive managing director of Institutional Property Advisors, part of Marcus & Millichap. Not a lot of deals are being signed yet, but many tenants are looking at suburban sites with lower rents, free surface parking and more space for social distancing. Some Miami law firms are considering satellite offices in suburban Broward so their employees don't have to commute far every day, he said.

"It makes employees more productive and makes for a better lifestyle," Mandel added.

Tenants are seeking office buildings with more green space – and outdoor seating, too, said **Mukang Cho**, managing principal and CEO of Boca Raton-based office owner Morning Calm Management. That's easier to find in the suburbs, and often for less rent than in downtowns.

The downtown markets were hot for several years because the unemployment rate was low and many companies felt they needed offices in fun neighborhoods to attract young talent, Cho said. Many of those neighborhoods are struggling during the pandemic, so that trend has waned, at least temporarily.

"Companies that weren't considering a suburban location are considering it now," Cho said.

Philippe Houdard, co-founder and CEO of Pipeline Workspaces, said its coworking centers in Doral and Coral Gables have signed more leases in recent months than its downtown locations. He's also

hearing more inquiries from New York companies. Yet, many companies aren't ready to make a commitment now because there's too much uncertainty with the pandemic.

An engineering company based in Broward recently rented a private suite in District Workspace in West Palm Beach's Warehouse District to serve its Palm Beach County employees, said [Jeremy Barker](#), COO of NorthBar Hospitality, which runs the spacious coworking center. It also rented suites to some New York transplants, even though their employers remain based up north.

"Their companies are paying for the satellite offices," Barker said. "Historically, employers wouldn't go with this because they would be concerned about employees losing productivity. But Covid has changed the climate."