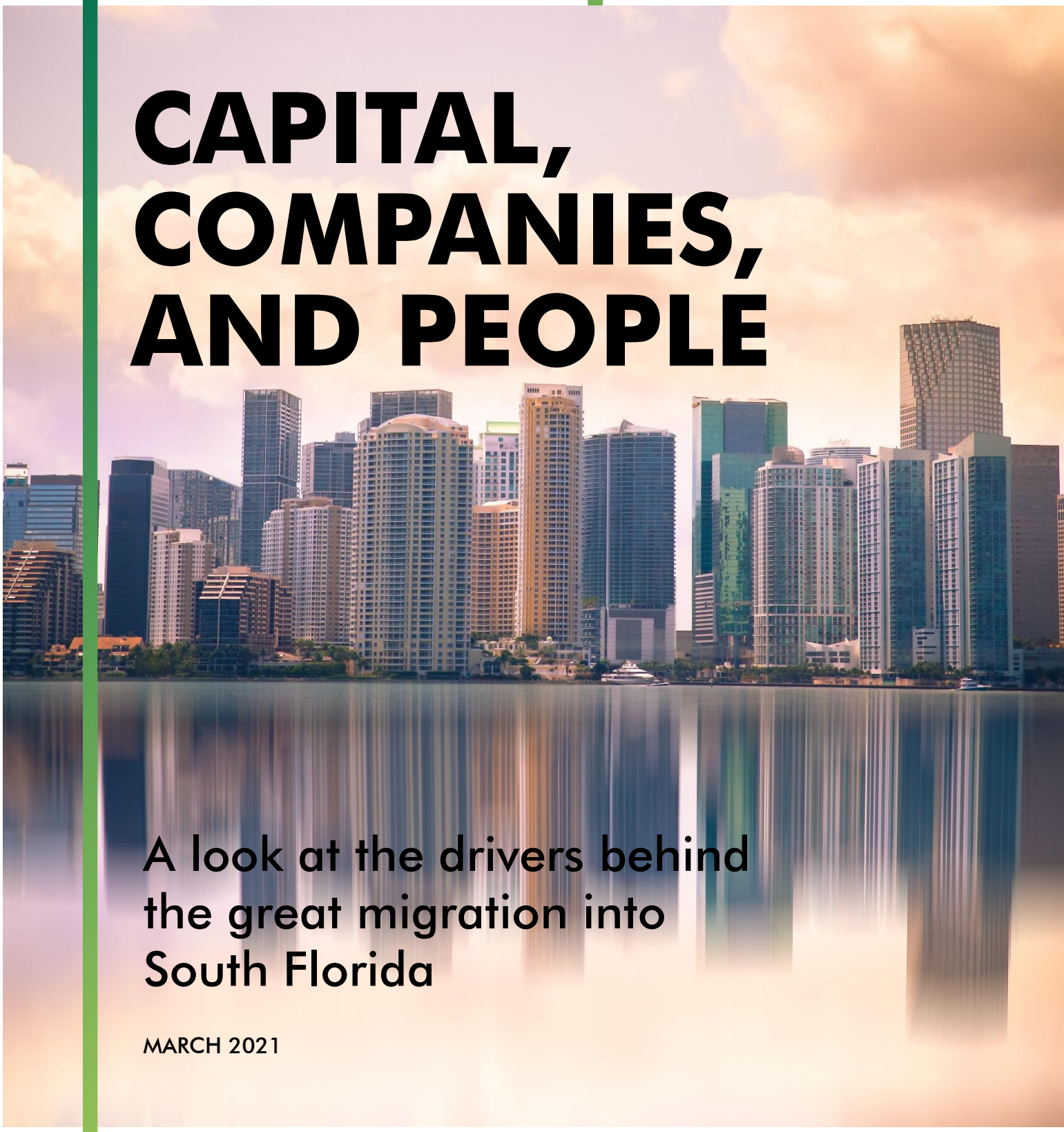
CBRE RESEARCH



CAPITAL, COMPANIES, AND PEOPLE

A look at the drivers behind the great migration into South Florida

MARCH 2021

CBRE

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An unprecedented amount of investment interest has made its way into South Florida throughout 2020 and in the early days of 2021. We have broken this trend down into three separate buckets of analysis, taking note of the most impactful drivers of South Florida economic success in 2020 and beyond.

CAPITAL	COMPANIES	PEOPLE
Transaction Activity **$2.6 Billion in December 2020** Real Capital Analytics	**New To Market Office Tenants** **1.1 Million SF in Market** CBRE Research	**Available Inventory – Single Family** **-7% Y-O-Y** MetroStudy
Venture Capital **+33% Y-O-Y** Crunchbase	**Office Asking Rents** **2-Year Increase Forecasted** CBRE Research	**Multifamily Daily Vacancy Rate** **Stable in Q1 2021** CoStar
Cross Border Investment **-380 BPS Share** Real Capital Analytics	**Estimated Annual Tech Firm Savings*** **35% Compared to Bay Area** CBRE Research	**Financial Activities Employment** **+1% Y-O-Y (Dec 2020)** FDEO

KEY TAKEAWAYS

- **Capital** has been finding its way into South Florida at a heightened rate. The region has experienced a wave of investment from investors seeking higher yield, but also new capital investment such as infrastructure upgrades and from venture capitalists. Raised business capital is at a decade-long high, with an elevated amount from venture capitalists.

- **Companies** recognize South Florida as a connected global metro region, more business-friendly than primary coastal markets with restrictive regulation, and lower business taxes. In the past, moves to South Florida have been balanced against the availability of labor – but in today's remote world, that balance has been shifted. In the meantime, the talent pool in South Florida continues to grow, even during the pandemic.

- **People** are also investing in South Florida. The lack of a state income tax is enticing people into the region, in the form of remote workers who are seeking a higher quality of life, and by high-wealth households who continue to relocate and expand in the area. What is emerging as the potential game-changer has been the relocation of several tech venture capitalists who are establishing new investment entities with South Florida addresses. This has attracted a vibrant media buzz from both traditional outlets and social media platforms.

CAPITAL



Capital Markets Investment sales of real estate, after a ten-month lull, returned in significant fashion in December 2020. A portion of this activity can be attributed to pent-up demand, but capital is coming from new-to-market investors taking advantage of local private capital holding out for discounted prices. These new investors include life companies, investors seeking 1031 Exchange program opportunities, and others. Although some distressed hotels and retail assets have sold at a discount, sellers of prime assets are holding firm on pricing, seeing no reason to discount given strong recovery metrics.

A recent big win for South Florida was Blackstone doubling-down on their relocation of their tech division to Miami. Just weeks after that announcement, a Blackstone fund closed on 2 and 3 MiamiCentral, where they recently located their tech division. This $230 million transaction is their first significant office asset within South Florida.



Business Capital Considering all funding rounds, business capital has been flying into South Florida at a record rate. Whether venture capital or post-IPO funding, local businesses are well capitalized. What's more, funders who have relocated to the region are also relocating or expanding their funding groups to the region. Both Pareto Holdings and Florida Funders, new to South Florida, are examples of this activity. Additionally, Softbank announced a $100 million commitment in South Florida, to support venture-backed startups and late-stage growth companies that are based in Miami or relocate to the area.

South Florida is already the home to a SoftBank office that sources new investments for its $5 billion technology growth fund that focuses exclusively on startups in Central and South America. Latin American growth in tech industries, especially Fintech, will also benefit South Florida. Fintech provides alternatives to the financing options offered by traditional banks, making it easier and faster to access funds. According to Crunchbase, Latin American FinTech's received 31% of the region's venture capital in 2019. As this continues to grow, so will the need for U.S.-based offices, specifically those in South Florida.



Capital as Infrastructure As airlines around the U.S. are economizing flights from less productive cities, routes to Florida have been expanded, especially for South Florida airports. American Airlines, JetBlue, and Southwest are all adding flights from Miami, the former making the move to establish a direct flight from Miami to Tel Aviv. Regarding JetBlue, the air carrier is unveiling their sought-after Mint Business Class on flights to L.A.

PortMiami and Port Everglades upgrades have been instrumental in encouraging trade growth and growth within the cruise industry, helping to continue their reign as key economic drivers for the region. Regarding mass-transit infrastructure, the Brightline, a regional high-speed rail system continues to add stops and is underway to complete a connection with Orlando in 2022; and with Tampa by 2025.

CAPITAL

April 2019	Brightline secures funding for Orlando extension, with a 2022 target for project completion
September 2020	Southwest expands South Florida presence into Miami with 12 daily flights
November 2020	SoftBank establishes $5 billion Latin America investment fund
December 2020	JetBlue announces Miami expansion including Mint Business Class to Los Angeles
January 2021	Plug and Play tech incubator opening Miami office
January 2021	SoftBank creates $100 million Miami tech fund, aimed at local startups
January 2021	Elon Musk's Boring Co. proposes 3-mile tunnel to ease downtown Ft Lauderdale traffic
February 2021	Data Center operator Cyxtera to merge with Starboard in $3.4 billion deal
February 2021	Pareto Holdings, a new Miami tech funding venture, seeds first company, a local gift-giving platform called Goody
February 2021	Founders Fund, with over $5 billion raised and 110 exits, opens Miami office with local expansion plans
March 2021	Blackstone extends commitment to Miami, buying both 2 and 3 MiamiCentral in a $230 million deal
March 2021	Bitcoin 2021, the world's largest cryptocurrency conference, announces venue move from Los Angeles to Miami

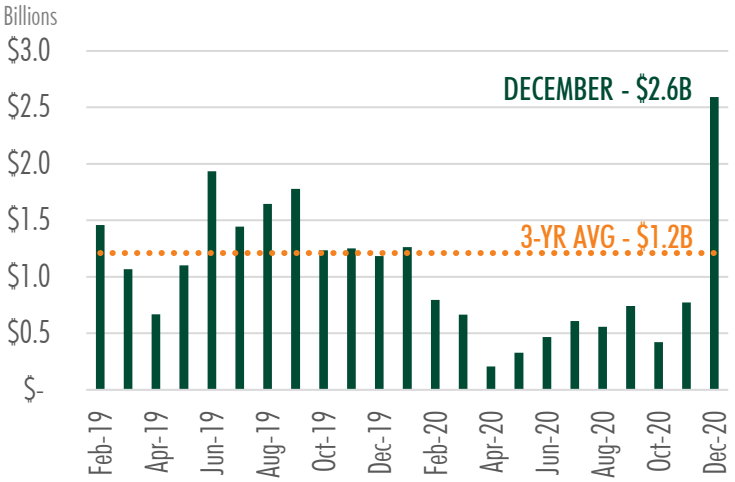


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CAPITAL

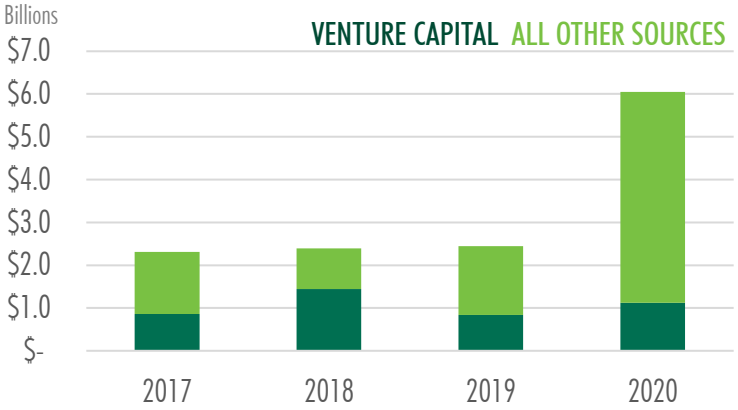


FIGURE 1: MONTHLY CRE CAPITAL MARKETS VOLUME – SOUTH FLORIDA



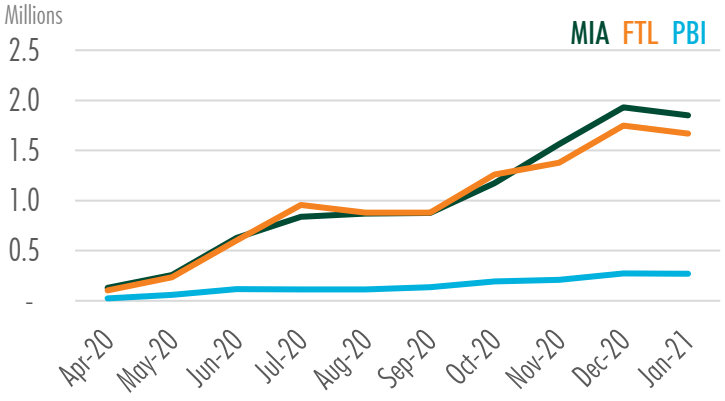
Source: Real Capital Analytics, CBRE Research, February 2021.

FIGURE 2: TOTAL BUSINESS FUNDING ROUNDS – SOUTH FLORIDA



Source: Crunchbase, CBRE Research, March 2021.

FIGURE 3: TOTAL AIRLINE PASSENGERS BY MONTH



Source: Crunchbase, CBRE Research, March 2021.

COMPANIES



A New Tech Hub? Although Miami overtaking Silicon Valley as the U.S. tech capital is unlikely, it could find a role as a tech "spoke" market, as Austin, Nashville, and Phoenix have become. These cities have established their own tech ecosystems that embrace collaboration with other markets. For example, Miami and New York already have long-standing connections established, which could grow into a relationship like the Bay Area and Los Angeles share, where investors will often invest in startups from the other city and vice-versa. South Florida also benefits from its position as a hub for Latin American/U.S. ventures, where it is looked upon as a unifying force for firms looking to put down roots in Central and South America. This connection benefits both the office market and the residential market.

As reported in the 2020 Scoring Tech Talent report from CBRE, Latin America's growth in the tech sectors has been prodigious. From 2015 to 2019, Latin America's top 10 tech markets grew their talent at a 32% pace, compared to the U.S. average of 17% growth.



Working in the Future The office-using labor force, having just spent the greater part of 2020 working from home, now have greater options on where they reside. If a significant percentage of the workforce moves to a more flexible office and home strategy, occupiers may have more flexibility on office location strategy.

Although office usage will be impacted by this new reality, South Florida will be somewhat insulated by the effects. A recent study by CBRE shows that South Florida's workforce has less opportunity for remote work than in other markets. In addition, the average footprint for office occupiers is smaller than other primary coastal markets, such as New York City or San Francisco. The office presence in South Florida for companies will likely be looked upon as less of a liability. Some firms are even expanding their presence here, while downsizing elsewhere.

Normalization of remote work is encouraging businesses to relocate out of higher-priced West and East Coast markets to the area. The idea of firms transferring business units and operations to the Southeast is not a new concept, as detailed in the recent CBRE report "Real Estate Strategy Reset – 8 Core Truths Guiding Future Work." To encourage relocation activity, Florida leadership has been able to remain competitive regarding business tax. A recent report ranked Florida 4th overall on business-tax friendliness, a ranking that increases to 1st when considering states with a workforce over two million.

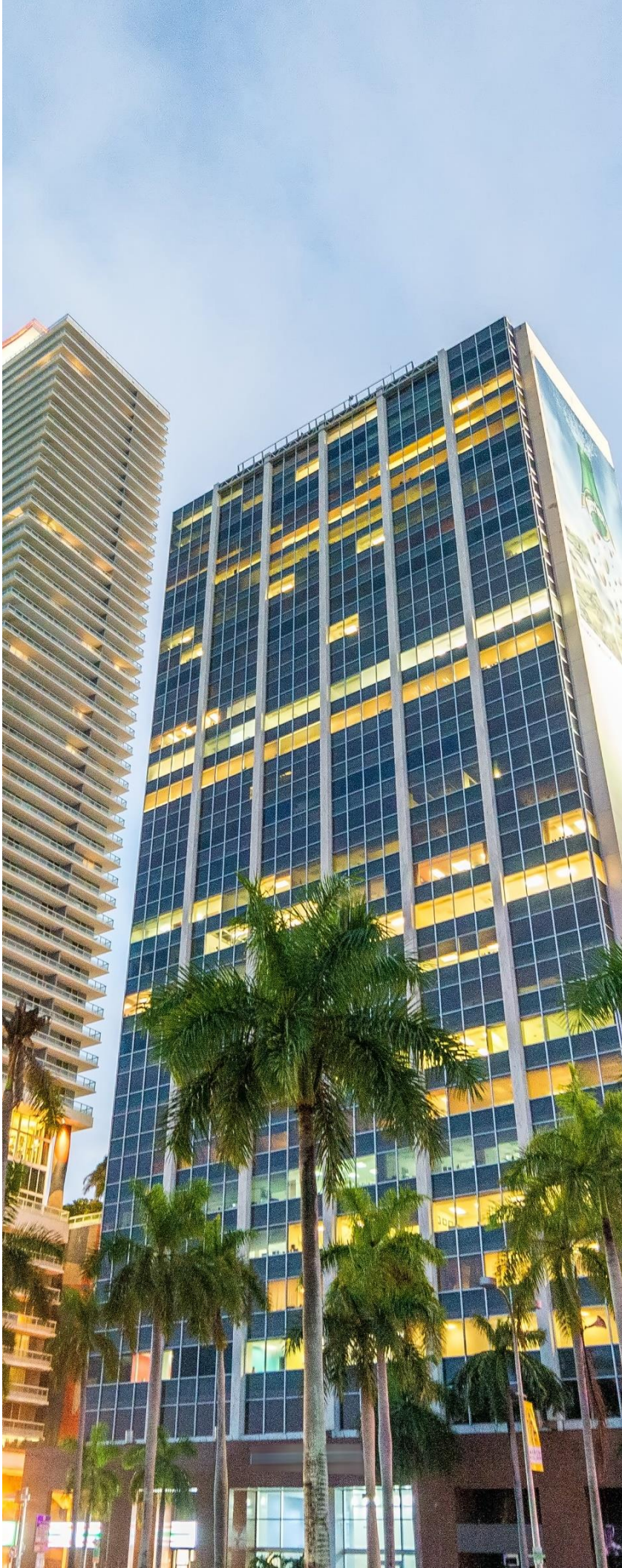


Flexible Office Reveals its Value The presence of agile workspace will benefit the South Florida office market. Moving into a new market with multiple options creates an ease of transition, which allows firms to focus on what is important, namely integrating their business into a new market. South Florida is one of the leading North American markets in the share of flexible workspace solutions, with a total footprint of over 2.6 million sq. ft. This has benefitted firms in the past, as several major corporations first tested the market in flexible space before committing to long-term space.

The recent investment stake into flexible workspace operator Industrious by CBRE illustrates how the flexible office market is regarded as a critical segment of business development. With other commercial real estate advisors making similar moves, the use of flexible space within office occupier strategy will continue. South Florida will continue to be a destination for firms seeking new markets in which to diversify their footprint.

COMPANIES

November 2018	Starwood Capital Group announces move from Connecticut to Miami Beach, will develop new Class A office
September 2019	Icahn Enterprises announces move from New York to Miami Beach, leases 24,000 SF at Milton Tower
August 2020	ShiftPixy moves HQ to Miami from California, leases 13,000 SF at Courvoisier Centre I
November 2020	Elliot Management announces plans to move HQ from Midtown Manhattan to West Palm Beach
December 2020	Goldman Sachs announces plans to move asset division to Miami
January 2021	Blackstone signs 41,000 SF lease at 2 MiamiCentral to house their tech division
January 2021	The Real Deal reports major global tech firm seeking 30,000 SF expansion into Miami
January 2021	The Real Deal reports hedge fund Citadel seeking 80,000 SF expansion into Miami
January 2021	New Day USA, a Maryland-based mortgage company, in lease negotiations in Palm Beach for 50,000 SF, Real Deal reports
February 2021	Windstar Cruises moving HQ and 50 employees from Seattle to Miami by 2022
March 2021	Fintech firm Virtu Financial contracts in New York and expands into 10,000 SF at DiVosta Towers in Palm Beach
March 2021	Subway announces the move of several business units to offices in Miami by 2022

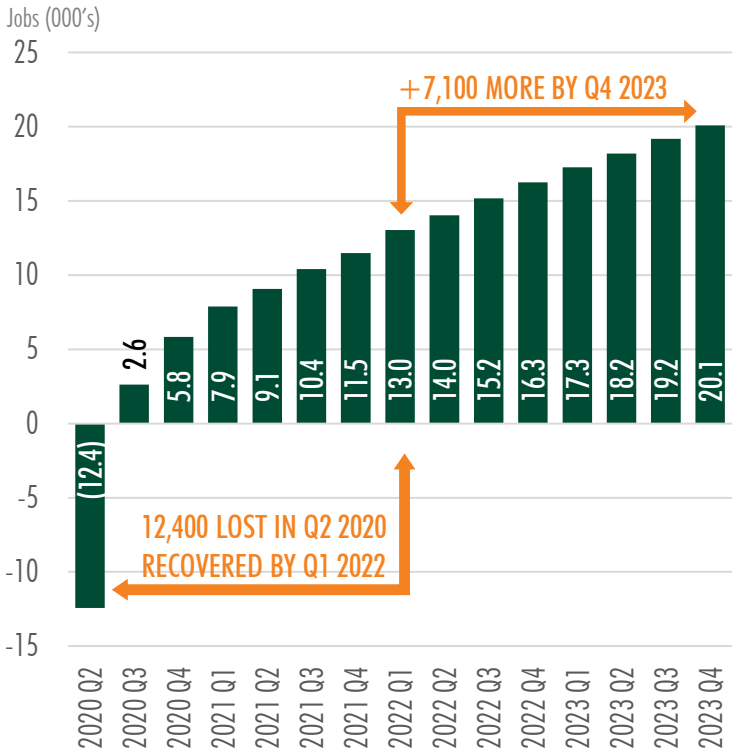


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COMPANIES

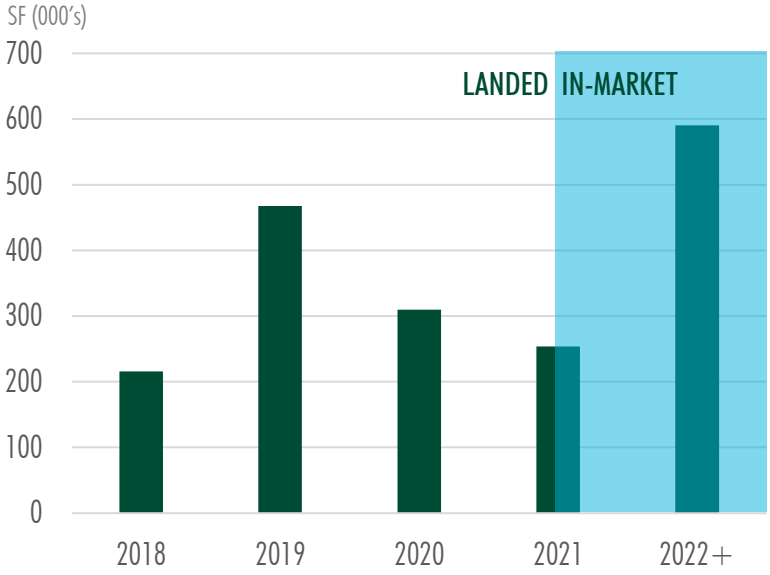


FIGURE 4: CUMULATIVE EMPLOYMENT GAIN IN FINANCE, INSURANCE, PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES – SOUTH FLORIDA



Source: Oxford Economics, CBRE Research, March 2021.

FIGURE 5: NEW-TO-MARKET OFFICE OCCUPIERS – SOUTH FLORIDA



Source: CBRE Research, March 2021.

PEOPLE

Moving Companies are the New Oracle

The website MoveBuddha has been tracking domestic migration trends for years and has analyzed data on the buzz South Florida is receiving over Twitter and various search engines.

Considering actual business, MoveBuddha analyzed 400,000 moves in 2020, finding that they assisted with 40% more moves into Miami than out of Miami, including a 16% gain in residents through relocation. Some patterns were discovered that tend to support the narrative of residents leaving major coastal markets for the sun of South Florida. The top origin for moves to Miami was New York City, which accounted for almost 30% of the total moves. San Francisco and Los Angeles were a distant second and third, with 11% and 10% of moves, respectively.

Backing up these findings, a report by LinkedIn called Migration's New Map listed the top 10 metro areas in net gain of people, based on zip-code changes of members. South Florida ranked 9th, with a 4.3% gain in net arrivals.

The Labor Force

Although the labor market has been critically affected by the pandemic, signs are already emerging that the recovery is well underway. From February 2020 to April, South Florida lost almost 400,000 jobs, many of which were in the leisure and hospitality sector. In December of 2019, this sector made up over 12% of total employment in South Florida. As of December 2020, this share had fallen to just over 10%, in an illustration of the impact the pandemic has had on employment.

Conversely, employment in the financial activities sector has risen 1% year-over-year, a significant gain considering that the industry makes up almost 8% of total employment in South Florida. In addition, the professional and business services sector, although experiencing an overall job loss, has also gained in employment share during the year. Most of the losses in this sector have been in the administrative and waste management industries. Jobs within professional, scientific, and technical, and in management of companies and enterprise, have declined by well under 2%. In addition, tech talent has been on the rise, with over 28% growth from 2015-2019, which is the sixth-highest growth rate in the U.S.

South Florida's labor force is unique - about 49% of persons holding a bachelor's degree or higher are multilingual. This gives the area an advantage as technology enables firms to operate not just nationally, but globally.

Founders and Funders – Welcome Home

Restrictive business climates on the West Coast and in the Northeast have encouraged tech investors and entrepreneurs to seek out alternative places in which to invest in and to cultivate innovation. In 2020, the region of choice became South Florida. The tropical climate, a growing talent pool, world-class infrastructure, and perhaps most importantly the lack of a state income tax have all combined to turn on the lights and establish South Florida as the new frontier.

High-profile investors including Founders Fund general partner Keith Rabois and Blumberg Capital founder David Blumberg moved to South Florida. These moves have set off a wave of interest from others in the field, prompting Twitter feeds of declarations of relocation to South Florida. In 2021, those announcements have continued, with sales of single-family waterfront homes soaring beyond the activity of previous years.

PEOPLE

October 2018	Softbank executive Marcelo Claure announces return to Miami
January 2019	Founder Lane Bess moves official residence to Miami
January 2020	Miami's School of Advanced Studies ranks 4th in U.S. News & World Report
January 2020	Miami's Young Women's Prep Acad. ranks 21st in U.S. magnet schools
October 2020	Founder Jon Oringer purchases Miami Beach home
November 2020	Funder David Blumberg announces move to Miami
December 2020	"How can I help?" – Miami Mayor Francis X. Suarez
December 2020	Funder Keith Rabois purchases Miami Beach home
December 2020	Founder Alexander Lloyd on Twitter: "Moving to Miami to find the next unicorn."
December 2020	Census Data released: Florida 2nd highest population growth; 20% of U.S. Total
January 2021	Funder Peter Thiel purchases Miami Beach mansion
February 2021	Palm Beach mansion sells for record $123 million; buyer reportedly Tiger Global executive Scott Shleifer



PEOPLE

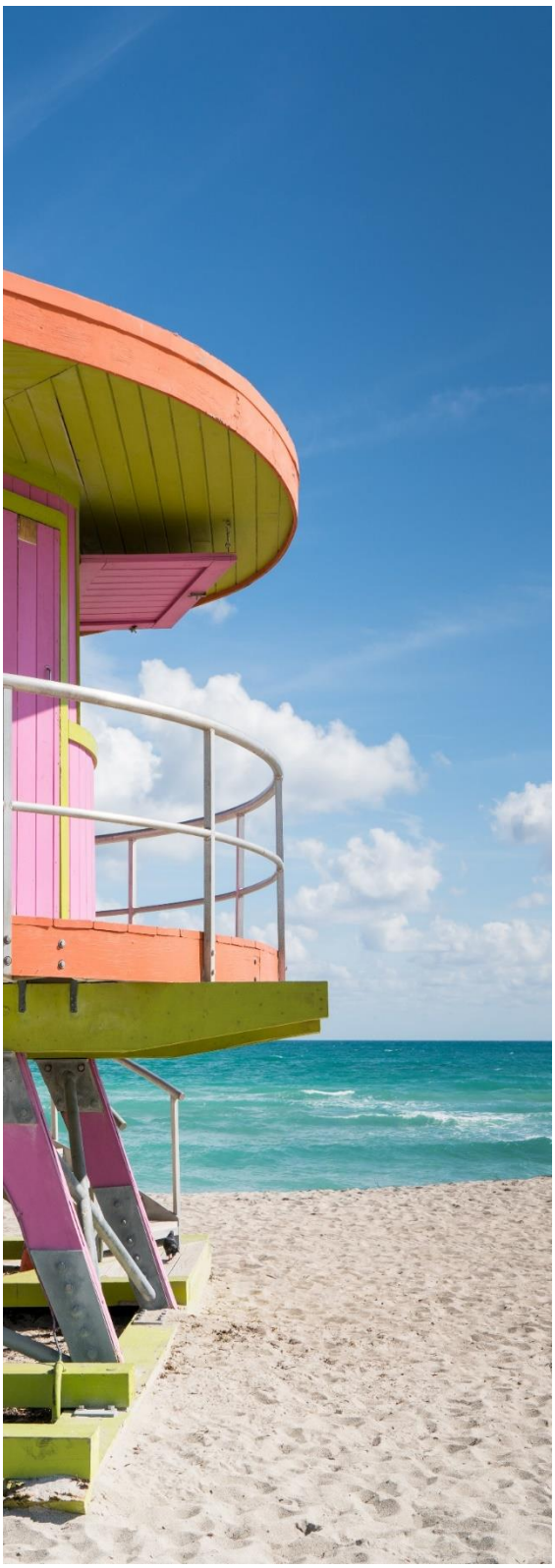


FIGURE 6: YEAR-OVER-YEAR TRANSACTION VOLUME – SOUTH FLORIDA

Year-Over-Year Condo Transaction Volume		
County	Below $1M	$1M+
Miami-Dade	+19.5%	+175.9%
Broward	+15.0%	+184.2%
Palm Beach	+16.0%	+117.4%
Year-Over-Year Single-Family Transaction Volume		
County	Below $1M	$1M+
Miami-Dade	-3.2%	+188.2%
Broward	+10.5%	+100.0%
Palm Beach	+3.3%	+79.6%

Source: Analytics Miami, March 2021. February 2020 vs. February 2021.

FIGURE 7: TOP ORIGINATION CITIES FOR MOVES INTO MIAMI, 2020

NEW YORK CITY	30%
SAN FRANCISCO	11%
LOS ANGELES	10%
CHICAGO	8%
SEATTLE	5%
BOSTON	4%
ATLANTA	3%
DENVER	3%
ALL OTHERS	25%



Source: MoveBuddha, Feb 9, 2021.

CONCLUSIONS

South Florida is Hot
Word traffic on the term "Miami" has been peaking on Twitter, along with the phrases "move to Miami" and "moving to Miami" peaking on internet search engines. This activity has resonated with founders, funders, and the tech industry.

Office Effects
Projections on the office market are expected to outperform the U.S. Asking rents have remained stable amid the rise of new-to-market tenants expanding into the region, and Miami is the only market forecasted for rent growth over the next two years, according to CBRE Research.

Office Effects Take 2
A limited development pipeline will help insulate the market from downside performance. South Florida entered the recession below the 30-year average vacancy rate.

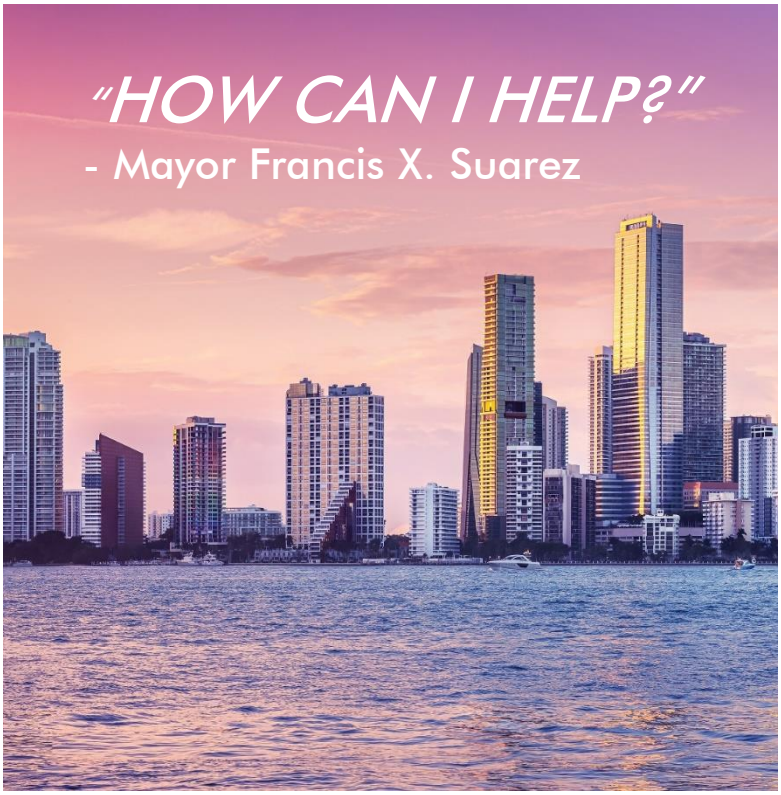
Office Effects Take 3
South Florida is somewhat insulated from major office occupier downsizing, due to having a smaller average tenant footprint than other primary markets. Sublease space within South Florida has remained relatively stable at just 2.4% of the market, significantly below the average of the top ten U.S. markets, which sits at 3.7%.

Apartment Metrics Solid Too
A lessening supply of single-family homes will help keep multifamily assets at high occupancy. Investment fundamentals have been solid, with active capital markets activity. Miami specifically will be in the top ten over the next two years in absorption rate and vacancy decrease.

The increasing velocity of activity toward South Florida is undeniable. From new-to-market billionaires relocating to Palm Beach, to new-to-market multifamily investors buying in Broward County, to new-to-market tech companies moving to Miami, they all combine to propel the region forward in recovery.

Remarkable is that the rise in interest has been occurring in the absence of cross-border activity, long a driver of the South Florida economy. As vaccines become more widespread, international travel and investment should resume, providing yet another boost to the economy.

A strong economic recovery is now underway across the country. This recovery has been elevated in South Florida, due to increase in new interest in the region. This should keep confidence high for investors of all South Florida opportunities now and onward.



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