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FLORIDA'S BUSINESS LAW FIRM

POST-PANDEMIC OUTLOOK SHINES POSITIVE LIGHT ON SOUTH FLORIDA REAL ESTATE MARKET IN 2021 BUT CONCERNS ARE LOOMING

Berger Singerman's 7th annual real estate survey reveals that despite issues like suburban migration and decline of office space needs, investors and developers are still betting on South Florida

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The optimism that has been the foundation of the South Florida real estate market over the past few years is expected to strengthen and continue in 2021, according to a new survey released today by Berger Singerman. Factors such as a northeastern area exodus, tax-friendly environment, appealing weather, and world-class development projects have been central to the positive real estate outlook. However, the survey, which garnered more than 7,000 respondents, also revealed that issues like suburban migration and the decline of office and retail space needs are starting to put some pressure on the South Florida market.

Results from the firm's seventh annual South Florida real estate survey reveal that most respondents (62%) anticipate that the South Florida real estate market will recover strongly and rapidly from the pandemic. Yet 11% anticipate that it will remain the same as the previous year.

"2021 adds a new and very impactful consideration on the South Florida real estate market: how has the pandemic affected and how will it continue to affect the demand for and use of real estate in South Florida. However, commercial real estate in South Florida continues to deliver good news as the optimism that has been the bedrock of the South Florida real estate market over the past few years was not hampered by the pandemic and is expected to continue in 2021," said Jeffrey Margolis, a partner at Berger Singerman. "Although there are many factors that could impact the real estate market in 2021 in addition to the pandemic including a new administration, uncertainty over tourism, slower economic growth, and other factors, there is an overall positive outlook on the real estate market, and the South Florida real estate market will continue to be a top pick for investors."

85% of respondents agree that the COVID-19 pandemic has accelerated the preference for suburban living in lower density areas in South Florida. Accompanied by remote work and school, the need and desire to live in the urban core has declined. Only 14% of respondents do not believe that the global pandemic accelerated the preference for the relocation to the suburbs.

"Home buyers in South Florida have realized that working from home actually "works," and they are looking for more room to grow while keeping separate from neighbors. The pandemic is now acting as an accelerator, making suburban living more attractive," said Katherine Amador, partner at Berger Singerman. "Although many saw the benefits of suburban living before the pandemic compelled everyone to begin distancing from one another, there's no denying that COVID-19 has considerably contributed to the migration to the suburbs."

Another concern revealed in the survey is the decline of office space needs. The pandemic has disrupted the way people work and resulted in remote work and work-from-home for millions of employees causing employers to evaluate their needs for physical office space. With 58% of respondents concurring that the future of work-from-home will have a permanent effect on the office market, “the majority of respondents believe that the remote work and work-from-home trends that began during the pandemic will have a material effect on the office market including the demand of office space, the location of offices, and the type of office space sought by potential tenants,” said Margolis.

The popularized demand for pandemic “safe spaces” that require social distance and an adherence to all COVID-19 distancing and cleanliness protocols has spilled over into the real estate industry. 76% of respondents agree that health and wellbeing will become a more important factor across all sectors of real estate. The industry may need to meet higher standards of cleanliness and safety to make tenants feel safe.

“While creating real estate projects that are mindful of people’s physical, mental, and emotional well-being has been an ongoing trend in the real estate industry, the outbreak of COVID-19 and the corresponding importance of bringing society back from government restrictions stresses the importance and impact that real estate has on our well-being,” said Barry Lapides, partner at Berger Singerman. “Good ventilation, greenspace, public health, and sustainable design features are crucial. Although the pandemic seems to be entering its final stages, the industry will continue to take public health and people’s physical, mental and emotional well-being into consideration to improve all aspects of real estate development”.
Multifamily was once again chosen as the commercial real estate sector expected to have the highest returns in 2021, followed by hospitality, retail, and office, respectively. “It is not surprising that a majority of respondents predict that multifamily will have the highest rate of investor return this year. The positive multifamily outlook on South Florida is simple: we boast good weather, no state income tax, a growing economy, an influx of new industries and a growing population,” said Margolis.

The survey, conducted by Berger Singerman during March-April 2021, polled more than 7,000 professionals in South Florida’s real estate industry.

With experience spanning residential, multi-family, retail, office, industrial and hotel transactions, Berger Singerman’s real estate, environmental and land use attorneys offer clients strategic advice and representation, in-depth industry knowledge and an unparalleled commitment to providing the highest level of service. The team has worked on transactions throughout Florida and the United States, as well as in Latin America and other international jurisdictions.

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