

Analysis

## Office in Miami's Wynwood Tops Off With Questions Popping About the Sector

The Gateway at Wynwood is progressing even as the coronavirus pandemic has dampened overall office tenant interest.

By Lidia Dinkova | November 20, 2020 at 02:57 PM



An aerial photo of The Gateway at Wynwood office building under construction in Miami's Wynwood Arts District. Courtesy photo

An office mid-rise in Miami's Wynwood Arts District is being built ahead of schedule amid questions about how the overall office market is faring in the coronavirus pandemic and whether there's demand for numerous offices in the city's transformed warehouse district.

The Gateway at Wynwood leasing agent is confident based on tenant interest and a healthy year for the neighborhood where leasing this year surpassed last year's notwithstanding the pandemic.

The 13-story building was topped off this month and is set for completion in the second half of next year.

The 460,000-square-foot building will have 195,000 square feet of Class A offices and nearly 25,900 square feet of ground-floor retail on an acre at 2916 N. Miami Ave. on the border of Wynwood and Midtown.

Negotiations are underway on several leases, but none has been executed, said Stephen Rutchik, who is Colliers International executive managing director-office services in Miami.

Rutchik, who is leasing Gateway offices with Colliers office services director Tom Farmer in Miami, said they are in talks with technology, health care and other professional service firms, including Fortune 500 companies.

"A notable uptick in interest in firms relocating from New York with a laser focus on Wynwood allows us to be confident that Gateway will see increased leasing activity through 2021," Rutchik added.

Still, the pandemic has prompted some office tenants to evaluate their long-term space needs with employees working remotely staying productive. Exactly how office space and space needs will be transformed in the new normal remains to be seen.

In the meantime, some tenants are asking to renegotiate leases, and some who can't come to terms with landlords will leave, JLL said in a July report on the coronavirus impact on flexible workspace. Companies could downsize hubs, open smaller spaces or keep their square footage but bring in staff on a rotating in efforts to distance employees for health safety.

Even before the pandemic, the numerous office projects in Wynwood raised questions. [A CoStar Group representative in February said few met a benchmark of being 70% to 80% preleased six months before completion.](#)

“It doesn’t mean it’s the end of the world if something delivers and has no tenants. That’s what brokers do,” said Christos Costandinides, CoStar director of market analytics. “But how many have pre-committed before the building finishes is a sign of the building’s ability to pull tenants.”

Rutchik is bullish on both Gateway and Wynwood based on robust activity

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“Since the third quarter of 2019, the Wynwood office market has maintained a positive net absorption as the new developments work through the lease-up stage,” he said, citing Colliers data. “Vacancy rates are expected to remain above the county average in the coming quarters as new office space delivers to the submarket and tenants continue to rapidly absorb newly delivered space.”

Year-to-date leasing is ahead of 2019, he added.

Rutchik conceded companies could be having second thoughts.

“While a few companies are hesitant to sign new leases just now, they do know exactly where they want to be ... and that is Wynwood,” he said in prepared remarks.

CoStar lists the submarket rent for three- to five-star offices is \$47.53 per square foot.

Wynwood office developers largely are catering to creative and tech , and committed tenants include music streaming company Spotify and event promoter Live Nation. WeWork co-working office provider opened at Wynwood Garage.

Wynwood over the past decade evolved from a rundown warehouse district into an internationally recognized neighborhood with street graffiti, galleries, edgy restaurants and stores.

The Wynwood building supply projected to increase by a third to about 5.3 million square feet in the next few years.

After galleries and other stores opened in renovated warehouses, developers embarked on multifamily and now offices. Office buildings Wynwood Annex, where Live Nation leased space, and Cube Wynwd are completed.

Developers are betting on the new homes creating demand for nearby offices reflecting a walkable live-work-play lifestyle.

Just ask Shelby Rosenberg, principal of Gateway developer R&B Realty Group LLC based in New York.

“Our project will contribute to the transformation of Wynwood into a 15-minute city, where people can access their office, home, the grocery store, restaurants and more within a 15-minute walk,” Rosenberg said in prepared remarks.

Kobi Karp is the Gateway architect, Plaza Construction is the general contractor, and Modern Building Group is the construction manager and owner’s representative.

CBRE Group Inc. first vice president Alex Cesar and senior vice president Drew Schaul in Miami are leasing the retail space.

Gateway will have flexible floorplans, private rooftop terrace, floor-to-ceiling windows and 24/7 onsite security. Two parking places go with every 1,000 square feet of leased space.

“There are many unique characteristics of the building that will offer a great flair,” Taras Diakiwski, Modern Building managing principal, said in a news release.

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