

New York investors drive Lincoln Road pricing surge

Market experts predict property trades could reach \$6,000 per square foot

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By Francisco Alvarado

A property investment frenzy is leading to an unprecedented surge in sale prices at Miami Beach's Lincoln Road mall. And real estate experts believe the upward pricing trend is not going to stop anytime soon.

In May, 818 Lincoln Road — home to Miami-based artist Romero Britto's gallery — traded for \$34.5 million. Montreal-based 818 Lincoln Corp. paid \$4,119 a square foot for the two-story building. That deal followed the January purchase by New York-based Imperium Capital and Centurion Realty of a 10,000 square foot building at 643-657 Lincoln Road for \$33 million, or about \$3,300 per square foot.

One broker, Ackman-Ziff principal Robert Kaplan, told *The Real Deal* Lincoln Road sale prices could eventually surpass \$6,000 per square foot. Kaplan, who is marketing 800-810 Lincoln Road on behalf of nonprofit organization ArtCenter/South Florida, cites a shortage of high-quality buildings on primary Lincoln Road intersections as the driver for rent and sale price gains.

Prices began climbing in December 2012, when Miami firm Terranova Corp. and New York-based Acadia Realty Trust snatched up three Lincoln Road buildings between Euclid and Meridian avenues totaling 60,000 square feet, according to Kaplan, who represented the buyers. The \$139 million transaction set a Lincoln Road record at the time.

"You saw it hit \$2,600 a square foot," Kaplan said. "Previously, it had been \$2,000 a square foot. Today, the \$3,000 threshold has been reached."

The trajectory isn't straight up. Last month, New York-based The Nightingale Group paid \$28 million, or \$2,100 per square foot, for a Lincoln Road Walgreens building. But experts say that deal reflected the corporation's desire to move the property quickly. Consensus has it that Nightingale picked up a bargain in an otherwise accelerating market.

Stephen Bittel, chairman of Terranova, also sees sale prices steadily increasing on Lincoln Road.

"However, I don't think it will surpass \$10,000 a square foot in my lifetime," Bittel told *TRD*.

To Miami Beach land-use attorney **Wayne Pathman**, Lincoln Road prices are rising at such a rapid rate that predicting a specific apex for the market is futile.

"Every time a new high is set, buyers continue to break it," **Pathman** said. "Obviously, they believe there is room for more growth and upside when they sell."

New York institutional investors are flocking to Lincoln Road because the list of national retailers that want to establish high-profile stores keeps growing. In the past two years, brands such as H&M and Zara opened stores there. In the next few months, Apple and the Gap plan to debut new Lincoln Road locations.

“Clearly Lincoln Road has some of the hottest real estate in the country.” Pathman said.
“National brands want that Lincoln Road address.”

As a result, rents are also going up, forcing mom-and-pop retailers to move out.

David Lombardi, principal of Lombardi Properties, told *TRD* national retailers are willing to pay high rents because of Lincoln Road’s prominence. Today, rents are in the \$300 per square foot range. Lombardi expects the figure to exceed \$450 per square foot soon.

“Certain stores are only there to act as billboards,” Lombardi said. “I know some are not doing enough sales to justify the rent.” The retail chains look at the extra rent as an advertising expense related to establishing their presence in the area, he said.

According to Kaplan, New York investors believe Lincoln Road has many of the same dynamics as Madison Avenue and Soho, where rents are as much as eight times more expensive.

“From their perspective, Lincoln Road is a bargain,” he said.

Despite the influx of out-of-town buyers, several buildings are still owned by locals, including the Comras Cos. and former U.S. Ambassador to Belgium Paul Cejas.

“These are people who bought in the 1970s and 1980s and never sold,” Kaplan said. “They have been riding the tsunami to shore.”