

Cushman & Wakefield Guides \$68 Million Blue Lagoon Sale

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9/4/12-- Mike Davis, Executive Director, Cushman & Wakefield.

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When joint venture partners DRA Advisors LLC and Banyan Street Capital decided to sell a five-building office portfolio at Waterford at Blue Lagoon business park, Cushman & Wakefield was selected to play the lead role in both brokering the sale and arranging financing for buyer Ivy Realty.

The deal was wrapped up in less than three months for about \$191 per square foot, closing May 18. Greenwich, Connecticut-based Ivy acquired the buildings for \$68.25 million, with CIBC World Markets Inc. providing \$50.5 million in financing.

Cushman & Wakefield executive director and lead broker Mike Davis and his five-member team introduced the portfolio to more than 5,000 investors, and he said more than 100 subscribed.

"The initial interest was stronger than anticipated," he said of the properties on Blue Lagoon Drive, south of the Miami International Airport.

Ivy, a real estate investment, development and management company, tapped Cushman & Wakefield's equity, debt and structured finance team to arrange financing. Senior director Jason Hochman and two other team members approached banks and debt funds.

"We had a terrific response," Hochman said. "There were more than a dozen interested and a half dozen really interested. Then it was just working out the best deal."

Davis and Hochman attributed the strong interest to Blue Lagoon's central location, proximity to the airport and major roads, variety of buildings and amenities, and rents lower than those commanded in downtown Miami and the Brickell area.

"Blue Lagoon is the nicest suburban office park in Miami-Dade County," Davis said.

After getting multiple bids, Davis said they selected the top three credible groups offering the best price and invited them to a second round of bidding.

Since their financial wherewithal was not in question, Davis said the team looked for other qualities.

"What we look for is who spends the most time digging into the details during our marketing process, who asks the most detailed questions," he said. "It was a difficult decision. When all was said and done, Ivy had the highest score, so to speak."

Ivy was willing to complete due diligence and close in a short time frame, Hochman said. That meant finding a lender quickly.

CIBC provided a nonrecourse loan that included funds for capital improvements and leasing costs to stabilize the buildings.

The ability to move fast has become key to completing transactions, Hochman said.

"Oftentimes in this market, it is not always a function of what a buyer is willing to pay," he said. "It is their ability to get it done and how quickly they can get it done."

Hochman is in Cushman & Wakefield's Miami office. The two other team members, senior managing director Michael Ryan and managing director Brian Linnihan, are in the Atlanta office.

Davis heads up capital markets for office and industrial in Florida and works out of offices in Miami, Boca Raton, Orlando and Tampa. Other team members were executive directors Scott O'Donnell and Dominic Montazemi in Boca Raton, senior director Michael Lerner in Orlando, senior director Rick Brugge in Tampa and director Miguel Alcivar in Miami.

The four-story buildings Ivy purchased are among the oldest in the 20-building business park, built between 1982 and 1988 with a combined 357,000 square feet. They were 79 percent occupied at the time of sale.

They are adjacent to the 91,000-square-foot Waterford Centre, which Ivy already owned.

"They saw it as an opportunity to add to that portfolio," said Proskauer Rose real estate partner Stuart Kapp, who has represented Ivy in most of its South Florida transactions since 2011 when it entered the South Florida market with the \$7 million purchase of 250 Royal Palm Way. Ivy, which has a \$1.5 billion portfolio, sold the office building last month for \$16.75 million.

In January, Ivy became a significant downtown Fort Lauderdale landlord when it acquired the 228,000-square-foot Tower 101 for \$56.3 million. That two-building complex is about a block from an earlier acquisition, the 340,000-square-foot Wells Fargo Tower.

The previous month, Ivy bought the 131,680-square-foot Meridian Office Center in Boca Raton for \$26.9 million. Its local holdings also include the 28-acre Quorum Business Center in Deerfield Beach. Ivy co-CEO Russell Warren told the Daily Business Review earlier this year that he was looking for more South Florida acquisitions.

The five buildings in Waterford at Blue Lagoon were originally owned by TIAA-CREF and sold to Metropolitan Life Insurance Co. Miami-based real estate investment firm Banyan Street and New York-based investment firm DRA acquired them in 2011 for \$43.9 million.

Cushman & Wakefield represented MetLife in that deal. It also has represented Ivy in sales and purchases.

The 250-acre Waterford at Blue Lagoon has been a beehive of activity lately. Allianz Real Estate of America paid TIAA-CREF \$375 million for a 49 percent stake from last year. The two are building a new headquarters for Burger King there, as well as a 10-story speculative building.

The tight office market, which is the result of not much new office product being built, adds to the appeal of the office park.

"Replacement cost rents aren't quite what they need to be to justify new construction, although we are getting close," Davis said.