

Real Estate Finance & Investment

Mission Capital sees upside in Miami Beach mixed-use

JUNE 8, 2015

Mission Capital Advisors arranged a \$19m loan for the acquisition and renovation of a mixed-use building in Miami Beach on behalf of a joint venture between Springhouse Partners and Forte Capital Management. Ladder Capital funded the loan.

"[Ladder Capital] is a great lender for this type of deal because although they have [a focus on] CMBS, they are entrepreneurial and will [take a little risk] on their balance sheet to make a little more yield," said Jordan Ray, managing director in Mission Capital's debt and equity finance group.

The 70-unit, mixed-use Variety Building is located at 1700 Alton Road, adjacent to the heart of Miami Beach's historic Art Deco District on Lincoln Road. Rents on this corridor can exceed \$300 per square foot. "This part of [Miami Beach] is changing very quickly...there is obviously a lot of value [the sponsor] will harvest from retail," said Ray, pointing to recent widening of Alton Road and the introduction of a new Whole Foods in the area that is helping to push up demand and rents.

The Variety Building was originally constructed in 1933 as the Mayflower Hotel. Its top floors were converted into studio apartments in the 1990s, but the sponsor plans on restoring the building to its original intent to meet the growing lodging demand in the area. The building's retail component is being prepared for re-leasing.

"Years ago, that part of the beach was very much a lower-rent, residential area. [Now], with the fancy hotels on the beach, [there is a need for] lower price boutique hospitality products that are a little further west. There is a lot of demand for a subset of three-star [hospitality product] since that heavy four- and five-star demand is [already] met," explained

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Ray. Springhouse Partners and Forte Capital Management have yet to decide on management or a brand for the new hotel component.

The renovation is slated for completion sometime in 2016, and the client opted for a mid-single digit pricing for a non-recourse renovation loan. Renovations will including upgrades to the building's façade, lobby and common areas.