



BERENBLUM BUSCH ARCHITECTURE, INC
2200 NW 2ND AVENUE / SUITE 203 / MIAMI / FL 33127
P: 305.200.5251 // bbamiami.com // AA 26002109

Real Estate Journal

Gobs of money and new zoning could turn artsy Wynwood into a different place

SUBSCRIBER CONTENT: Sep 18, 2015, 6:00am EDT



[Brian Bandell](#)

Senior Reporter- *South Florida Business Journal*

[Email](#) | [LinkedIn](#) | [Twitter](#)

When [Eli Mitrani](#) sold his building in Miami's Wynwood Arts District, he had a condition: The buyer had to keep the tenant, Gallery 212, there until it begins redevelopment.

"Wynwood has become a crazy place," said Gallery 212 owner [Michael Perez](#), who has been in the building for seven years.

He may not be there for long, even with the reprieve he received from his landlord, because what was once an old apparel warehouse fetched \$770 a square foot.

"They are buying properties up for millions of dollars when three years ago they were worth thousands of dollars," Perez said. "My landlord, in their heart, they feel for art. Otherwise, I would have been gone a year ago. They could have gotten \$80 per square foot [for rent]."

Perez said most art galleries can't even afford \$30 a square foot in rent. He's concerned that most of them will flee the neighborhood as new owners seek tenants that can justify their hefty investments.

Wynwood has experienced monumental changes this decade – from lightly traveled and dangerous warehouse area to a bustling destination for art, food and retail.

That's only a sliver of what's to come.

With premium capital snapping up the mural-adorned walls and a new zoning code that's about to usher in more residential and innovative street designs, Wynwood is set to transform once more.

Up to 150 residential units could be developed on each acre, and some buildings could be 12 stories tall.

The question is whether the patrons and local businesses who enjoy Wynwood now will stay there. And is all that smart money taking sensible risks?

Mitrani's millions

Mitrani rode the neighborhood's ups and downs for decades.

He opened a lady's apparel wholesale business in Wynwood in 1979 and witnessed the rise and painful decline of Miami's clothing manufacturing industry due to foreign competition.

By 1998, many of the apparel businesses in Wynwood were gone. Crime became common, including air conditioners and copper wire stolen from buildings, he said.

Mitrani considered opening a plant in Costa Rica, but his wife convinced him to keep his buildings, on Northwest Second Avenue, between Northwest 26th and 27th streets.

He even bought other Wynwood buildings at dirt-cheap prices. For example, Mitrani acquired the 5,485-square-foot building at 2407 N.W. Second Ave. for \$95,000 in 1997.

In January, he sold that building for \$10.6 million, or \$770 a square foot, to an affiliate of Brooklyn-based RedSky Capital.

"I made a considerable profit," Mitrani said. "I am happy I can live for the rest of my life without having to work."

But when Wynwood's landlords go from local entrepreneurs like Mitrani to New York investment firms, the tenant mix can shift dramatically.

"Wynwood is a destination where people come to see art and artists, to see eccentric people who made the community – and that is what we're going to lose," Perez said. "Once Wynwood changes to the whole commercial thing, it will be just like walking down Lincoln Road."

Keeping Wynwood artsy

Some investors may want to make Wynwood resemble South Beach's popular pedestrian mall, at least as far as rents are concerned, but the zoning changes are designed to keep the neighborhood unique.

Jonathon Yormak, managing principal of New York-based East End Capital, said art is extremely important in Wynwood. His firm owns 28 properties in the neighborhood, and he plans to incorporate art into the developments.

He plans to build 250 apartments and 40,000 square feet of retail at the Wynwood Central property, and redevelop what was previously the Mega Shoes warehouse into the Wynwood Arcade with retail and galleries. The asking rent in the latter building is \$50 a square foot.

Yormak said he aims to attract edgy tenants that won't dilute the Wynwood brand. For instance, Starbucks wouldn't be the right fit, he said.

"In Wynwood, when we bought three years ago, we underwrote at \$15 to \$25 per square foot in rent. And now, in the same building, we will get \$50 per square foot," Yormak said. "I am not looking for retailers who will pay \$70 per square foot because I don't think there are a lot of them, but someone else may think there are plenty of them."

Speculators run wild

Wynwood has the highest degree of investor speculation of any South Florida market, said [Deme Mekras](#), CEO and managing partner of Miami-based brokerage MSP Group. When they pay over \$1,000 a square foot for an empty warehouse, there's no way the property is worth that today based on current rents, so they're betting that it will be several years down the line, he said.

Mekras said many of Wynwood's biggest deals were by well-capitalized firms that allocate a portion of their funds for speculative investments.

"You need to sell a lot of widgets to support a \$1,000-per-square-foot property valuation," Mekras said. "When people start getting into trouble is when they invest in a future possibility that doesn't show up."

Some businesses remain skeptical.

Pincho Factory co-founders [Otto Othman](#) and [Nedal Ahmad](#) said they considered sites in Wynwood for their restaurant's multi-unit expansion, but learned the asking rent prices don't make sense for the area as it is now.

"The neighborhood's not there yet," Ahmad said, but he noted that Wynwood would be a great fit for the growing brand.

Pincho Factory has expanded into Coral Gables, Miami's Bird Road and Hialeah, with franchises coming to Orlando, Doral, West Kendall and Pinecrest – more traditional suburban retail markets.

Feeling the squeeze

No one needs to convince [Joel Pollock](#) that Wynwood is thriving with customers. Pollock opened Panther Coffee there in 2010 because it had cheap rent and enough space to brew coffee for his wholesale business. It wasn't the safest place at the time.

"You would have to keep your cellphone in your pocket," Pollock said. "People thought we were crazy to open retail coffee in Wynwood."

Panther Coffee found customers streaming through its doors virtually the moment it opened. People wanted something original that's not part of a corporate chain, Pollock said. Now Panther Coffee is opening stores in the city's Little Haiti and MiMo neighborhoods.

But he's concerned that higher rent will make it difficult for local businesspeople like him to stay in Wynwood.

"As rents go up, you end up with different concepts coming here, and we hope to hold onto the companies we have," Pollock said.

Metro 1 CEO [Tony Cho](#) said asking rent is as high as \$80 a square foot for small retail space on main streets such as North Miami Avenue, Northwest 29th Street and Northwest Second Avenue, which is why property values have increased there. Which streets are the most popular with tenants is still being defined, said Cho, one of the earliest major brokers in Wynwood.

"Certainly, there will be tenants pushed out of the market," he said. "That is the evolution of the market. Rents are rising across South Florida. What people pay in Wynwood is relative to what they are paying in New York – and it's a lot less here."

Drawing on the success of New York neighborhoods built around art and public space, Wynwood projects need to be different. Cho is seeking to raise funds for a greenhouse behind his Wynwood Gateway retail project, where Ducati Miami sells motorcycles.

"I had this vacant lot, and I said this was my way of giving back to the community," Cho said.

It started out cheap

Cho came to Wynwood 10 years ago because he said artists were renting inexpensive space there, and he felt the underutilized warehouses could be repurposed for art and creative use. [David Lombardi](#) came in 2000 for a different reason: It was dirt cheap.

The Lombardi Properties principal was focused on investing in Miami Beach apartments when a friend dragged him west of North Miami Avenue – a road he hardly ever crossed – on a rainy Saturday to view a 5,000-square-foot warehouse in Wynwood on the market for \$130,000.

"I said it would cost \$300,000 to build it today," Lombardi said. "He said I can buy it for \$130,000 without the land cost and I will figure out to do with it later. I came back Monday by myself."

Figuring that Wynwood was well located between downtown Miami and Miami Beach, Lombardi said he started buying property there on a "leap of faith." He found tenants by walking around the Design District and offering to relocate businesses that were getting priced out. Near the end of 2000, Lombardi attended the opening of an art gallery in a Wynwood warehouse and was surprised to see 50 young people there.

"I said to my wife, 'This is what I could do with these empty spaces,'" Lombardi said.

In 2001, he started holding quarterly art exhibitions where he would donate vacant space to 25 artists, sponsor a DJ and get companies like Bacardi to sponsor a bar. The artists would get the attendance proceeds. Soon, the events were drawing over 700 people, he said.

Today, Wynwood holds an art walk on the second Saturday of every month that draws thousands of people. But that art wasn't there from the beginning.

When worldwide artists flocked to Miami for Art Basel, Lombardi offered them walls to paint murals on in 2007. A few years later, the late Tony Goldman of Goldman Properties took it to new heights by curating talented artists to create Wynwood Walls – an eye-catching stretch of art that's attracted visitors from across the globe.

"Wynwood is a worldwide brand because of these artists," Lombardi said. "If you come here any day of the week, you will see hundreds of people, from ages 15 to 70, walking this neighborhood with cameras and photographing the art, and tweeting it and Facebooking it. It's blown up the neighborhood all over the world."

Adding services, adding value

In 2013, the Wynwood Business Improvement District was formed. Its largest budget item was preventing crime, including hiring off-duty police officers, which made both pedestrians and retailers feel safer.

"Most of the retail you see now has only just come in in the last six months at higher rates," Lombardi said. "If they are surviving, they will be there for quite a while. The next year will tell us a lot."

The tourist traffic in Wynwood is what allowed the food and beverage business there to thrive, and then led to retailers such as glasses maker Warby Parker coming to his property, said [Joe Furst](#), managing director of Wynwood for Goldman Properties. Even as Goldman Properties looks to lure more national brands with a unique flair to its G40 Wynwood project, he's going to keep affordable space available to local businesses such as Zak the Baker.

"You will see more national credit tenants move into the neighborhood, but the businesses that make Wynwood unique are the businesses that originated in Miami, and they need to stay in the fabric to make Wynwood a special place," Furst said.

Goldman Properties also has Wynwood's first hotel in the pipeline, and Furst is looking for a brand that reflects the neighborhood.

A new code

Another major player in Wynwood's transformation through the new zoning code is New York developer [Moishe Mana](#), who owns about 30 acres on the west side of the neighborhood. Mana Wynwood has been used for cultural exhibitions, such as Art Basel and concerts, and a production studio. A development plan is quietly in the works.

Sterling Commercial broker [Mika Mattingly](#), who has represented Mana in many Miami deals, said he'll cater to the artistic community and not build a corporate-fueled project. She pointed to his Mana Contemporary Art Complex in Jersey City, New Jersey – with artist residences, galleries and work studios – as an example of how he supports the arts.

“Wynwood should be extremely glad that Mana is watching out for the arts because, otherwise, it could all evaporate,” Mattingly said.

Many developers are sitting on Wynwood land, waiting until the new zoning goes through to submit plans, said [Gustavo Berenblum](#), a principal with Berenblum Busch Architecture, which Mana hired to design the Puerto Rican Community Center in Wynwood and has its office in the neighborhood. He said his young, creative staff loves working in the neighborhood, and they're excited by the variety of local restaurants. The problem is that there are few places for them to live nearby, so most of them commute over 45 minutes to work. The new condos under development in Edgewater, a few blocks east, are geared for wealthy foreigners, he said.

“We need to bring in residential, allowing these young professionals to live in the city with smaller units, maybe micro-units,” Berenblum said. “You can build without 1.5 parking spaces per unit. What has limited development in Miami is the amount of parking you must provide. It's insane.”

The 250 Wynwood project by [David Polinsky](#) is a good contrast in the current zoning versus the future zoning. His nearly finished condo – the first residential project in the neighborhood in 10 years – has 11 units of about 1,600 square feet each. Polinsky said sales were strong, but the smallest units sold first, which he views as a sign of Wynwood's primary buyer.

“What people really want in that neighborhood is smaller, relatively affordable units – housing that millennials can afford to rent or buy,” Polinsky said. “We like to call it workforce housing for creatives.”

The new zoning would allow smaller units, so the rental costs would be lower. Polinsky predicts developers would offer fewer building amenities to lower the costs, figuring that the neighborhood is an amenity. The reduction of parking requirements will also keep prices down, he said.

Furst noted that the new zoning would allow both residential and commercial developers in Wynwood to buy down a half-parking space per unit for a \$6,000 fee, which would fund parking projects in the neighborhood. For residential units under 650 square feet, developers could eliminate the required parking spaces for \$12,000 each.

Wynwood doesn't have much in the way of public transportation, but the BID is seeking funds for a trolley. The zoning also calls for four streets to be partially blocked off to cars so they favor pedestrians.

“What's great about the zoning is it allows the market to decide how much parking is a necessity,” said Furst, who's spearheading a parking garage project in Wynwood.

Who is supposed to live here?

The question is: Who is the target resident for Wynwood, with its party and arts scene? It certainly doesn't resemble a family-friendly suburb or a well-heeled downtown, and there are no water views.

During a meeting with Key International co-President [Inigo Ardid](#) and 13th Floor Investments Managing Principal [Arnaud Karsenti](#), who are partners in many condo projects, they debated whether Wynwood was a desirable residential market.

"A lot of people want to live there and will pay to live there," Karsenti said. "While condo buyers may value a certain space, in Wynwood it could be a tenant. They may want to walk to a coffee shop and nightlife. Smaller units would allow for a lower price, and that could work."

Plus, if a landlord was getting premium rent for the ground-floor retail, that could subsidize lower rents on the apartments, Karsenti said.

"Wynwood is a speculative bet in that the numbers are going to be tight because land prices have risen so high," Ardid said. "Wynwood is not where you want to make your bed. I don't like making residential bets that are 250 feet away from neighborhoods that are dangerous. Most men end up living with women, and most women fight for safety like hawks."

For the long term, it's hard to say whether Wynwood will retain its coolness because the high land prices will encourage developers to seek the highest-grossing use for the properties, and that probably will involve national tenants, Ardid said. If local tenants leave, it may no longer be so cool, he said.

Hanging on

That's the dilemma hovering over Mitrani with the 41,611 square feet of warehouse he owns on Northwest Second Avenue. In March, RedSky Capital paid \$26 million, or \$1,051 a square foot, for the warehouse across the street.

Mitrani has local tenants such as a furniture store, art gallery and boxing gym in his building. His daughters use it for their art studio and film production.

Mitrani said he has no plans to sell, even though he fields calls from developers almost daily.

"I keep the rent reasonable," he said. "When you spend millions on a building, you can't keep the rents that low. Unfortunately, some galleries are leaving Wynwood. We are trying to keep as much as we can because what started Wynwood is the art galleries. ... We are trying very hard to keep that Wynwood atmosphere here and not get out of hand."

Emon Reiser contributed to this report.

Key points of Wynwood zoning changes

A new plan is up for final approval by the Miami City Commission on Sept. 24. Crafted by PlusUrbia, here are its main points:

- There can be up to 150 residential units or 300 hotel rooms an acre. Units can be as small as 650 square feet.
 - By purchasing transfer of development rights that preserve other buildings in Wynwood, projects could be eight to 12 stories tall.
 - The greatest density will be on North Miami Avenue, Northwest 29th Street and Northwest 20th Street.
 - A design review committee will ensure projects have Wynwood-appropriate design elements, including art.
 - Wider sidewalks, walkways between blocks and partially closed off streets (woonerfs) are part of the pedestrian- and cyclist-friendly improvements.
 - Developers can reduce parking requirements by paying into a neighborhood parking infrastructure fund.
-

Big deals in Wynwood

Buyer: RedSky Capital

Address: 179 N.W. 26th St. to 190 N.W. 27th St.

Price: \$29.5 million

Size: 28,754 square feet of buildings on a 37,800-square-foot lot

Price per square foot of building/land: \$1,026/\$780

Buyer: Thor Equities

Address: 252-286 N.W. 29th St., 296-285 N.W. 27th Terrace and 2801 N.W. Third Ave.

Price: \$26.9 million

Size: 54,784 square feet of buildings on 2.4 acres

Price per square foot of building/land: \$491/\$257

Buyer: One Real Estate Acquisitions

Address: 2201 and 2245 North Miami Ave.

Price: \$15 million

Size: 1.79 vacant acres

Price per square foot of land: \$192

Buyer: KAR Properties

Address: 2050 North Miami Ave.

Price: \$12.5 million

Size: 19,684-square-foot warehouse on a 37,500-square-foot lot

Price per square foot of building/land: \$635/\$333

Buyer: Centurion Realty

Address: 2507, 2511 N.W. Second Ave. and 184 N.W. 26th St.

Price: \$12.24 million

Size: 8,056-square-foot building on a 15,000-square-foot lot

Price per square foot of building/land: \$1,519/\$816

Buyer: Goldman Properties

Address: 232-266 N.W. 26th St.

Price: \$12 million

Size: 3,960-square-foot warehouse on a 31,000-square-foot lot

Price per square foot of building/land: \$3,030/\$387

Brian Bandell covers real estate, transportation and logistics. Get the latest news with our free daily newsletter. [Click here to subscribe.](#)