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The pandemic gave franchisees shopping South Florida real estate a leg up

BY REBECCA SAN JUAN

While many all-cash investors are waiting to see how the pandemic progresses, opportunities are opening up for commerical buyers who depend on financing. For franchisees whose brands serve middle-class clients, that's good news.

That's the word from South Florida commercial real estate agents and lawyers, who have seen a flurry of deals from fast-food restaurants, spa brands and automotive chains. The pace of acquisitions is noticeably higher now than in June 2019, said Miguel Pinto, president and broker at the MiMo-based commercial real estate agency Apex Capital Realty.

"Investors are on the sidelines. As in the Great Recession, prices didn't drop in 2008. They dropped in 2009," Pinto said. Today, the only buyers he sees are owners and end users that searched prior to the pandemic but "were competing with investor offers and they couldn't win the deal."

A variety of national and local franchisees want to buy: Dunkin' Donuts, 7-Eleven and Mr. Gomas Tires. Categories include beauty, experiential retail, cloud kitchens — think: co-working facilities for individual professional chefs — and, yes, gyms.

Buyers are calling from a variety of states, including New York, New Jersey, California and Chicago, said Jaime Sturgis, chief executive officer of the Fort Lauderdale-based commercial real estate agency Native Realty. Tax flight and the pandemic are driving buyers south, he said.

"Some companies are looking at nine to 12 months down the road. They know this can't go on forever. They want to build out their space now and hit the ground running," Sturgis said.

The most desirable locations are close to urban cores, including Fort Lauderdale's Flagler Village, Progresso Village and around NE 13th Street.

"Buyers are looking ... to be in up-and-coming areas surrounded by multifamily projects which will increase the density in the area," Sturgis said. "Some are also looking to buy properties in an Opportunity Zone to make a profit from a sale after a five, seven or 10-year hold period."

Restaurants, in particular, want to get into neighborhoods where they don't have an existing location, Pinto said. "Everyone wants a drive-through because we've seen that those are the restaurants that thrive [in this pandemic.]"

But buyers aren't necessarily finding bargains. While some pre-COVID contracts have been re-negotiated, most prices remain steady, said Oscar Rivera, lawyer and partner at the Coral Gables-based firm Siegfried Rivera, a retail specialist.

Still, franchise owners are jumping into the market "There's pent up demand to eat out. There will be a drop off in people's buying power [due to the economy and job losses]. That will be felt across the board," Rivera said. "But since the price point in these restaurants are not significantly high compared to other restaurants, it will be felt less so."

In the third and fourth quarters, Pinto expects investors will move back into play. "Once we start seeing cash offers, it's going to be harder for buyers because sellers will not want to go with a deal with contingencies and have to deal with the banks."

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