

Breaking the bank: Local branches pass up top dollar sites



City National Bank of Florida President Jorge Gonzales said that while banks were willing to pay for class-A locations three years ago, “in today’s environment everybody’s being significantly more careful.”

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Banks of all shapes and sizes are eager to lend and expand their South Florida market share, but only a handful are willing to pay top dollar for branch locations that could attract the most business.

The best branches, according to banking analyst and

economist Ken Thomas, are set

on the corners of major intersections on main roads, like

Biscayne Boulevard. They’re well-lighted at night and generally

close to some retail or commercial activity.

Right now, he said, the only companies willing to shell out millions for those types of properties are pharmacies CVS or

Walgreens or banks eager to grow in Florida, like TD Bank or PNC Bank.

TD, according to data provided by Mr. Thomas’s consultancy Branch

Location.com, paid about \$3.7 million for slightly more than a half acre of raw land at 19199 S Dixie Highway in Cutler Bay in 2006. The branch, he added,

didn't open until the end of June 2009 and a year later held \$30 million in deposits. The \$165 per square foot the bank paid is beyond the \$150 most pay for prime property. "You can be in the right market, like Aventura, that's one of the best submarkets in the whole state," Mr. Thomas said, "but if you don't want to pay top dollar and [aren't] on Biscayne Boulevard you're going to be in the right market but in the wrong location." Though not in South Florida, he cited PNC Bank's recent purchase of 19 BankAtlantic branches in the Tampa Bay area for about \$34 million as an example of banks that want to be in business in South Florida and are willing to pay a high price for entry. "BankAtlantic got a 10% premium for selling its Tampa branches," he said. "That's a 2005 price. That's like getting a million dollars for your condo that's now [valued] at under a half a million." A 5% to 6% premium in this economy, he added, is the average for branches in good locations. Meanwhile, branching strategies across the industry remain varied. "This year in South Florida we're going to open... between

17 and 20 branches," said George Acevedo, senior vice president and head of South Florida retail banking for Chase Bank. "For next year we've already identified over 30 locations we're working on." Chase has 140 branches throughout South Florida, 58 of them in Miami-Dade, according to a June 30 report from the Federal Deposit Insurance Corp. At the end of 2012, Mr. Acevedo estimated, the bank will have 75 to 80. JP Morgan Chase & Co. purchased now-defunct Washington Mutual from federal regulators in September 2008 for about \$1.9 billion. The buyout added 233 branches and 440 ATMs to Chase's network in Florida, which now has 247 branches statewide. Mr. Acevedo said over the next five years the bank expects to grow to 375 branches on the low end, 500 on the higher side. What those branches look like can vary from neighborhood to neighborhood. "We prefer them to be standalone branches with nice parking and on corners. However, there might be some locations because of the demographics [where] it's going to be difficult to do that and sometimes we do inline location," he continued. "We're going to be opening one in Miami Beach. In

South beach it's difficult to find corners with lots of parking. There we probably need to open inline stores." Each branch's budget depends on where it's located, and the bank is "flexible" if it thinks a location will attract lots of new customers. At a more local level, City National Bank of Florida President Jorge Gonzalez says the preference is also for freestanding branches with drive-up windows, but banks are thinking even more carefully about what markets they want to be in. "Two and a half, three years ago there were premiums being paid for class-A locations," he said. "In today's environment everybody's being significantly more careful, but for the right location I think most institutions are willing to pay up." City National, according to the FDIC's website, has 26 branches, the majority in Miami-Dade. Spanish banking giant Caja Madrid, which is in the midst of merging with several other Spanish cajas, or savings institutions, in 2008 bought City National for about \$1.17 billion. So while the bank here has more than \$4 billion in assets and about \$2.8 billion in deposits,

its parent at the end of 2010 held 189 billion euros in assets.

Mr. Gonzalez said he hopes to see three or four branches opened in 2011 in western parts

of the region – like Kendall, West Miami, Doral, Medley and

West Broward County – but wouldn't say how much the bank is willing to put up to be there.

“The truth is that every one's a little bit different. Our typical breakeven is somewhere around

the 2½-year mark,” he noted.

The “new banking centers we've

opened up are ahead of budget relative to breakeven. I think it's a product of good location picking.”

Regardless of who's willing to pay what for prime branch locations, Mr. Thomas said, their number is limited, somewhat

insulating their cost from current economic conditions.

Like “real prime corner locations,

real prime beachfront properties, they fall [in value] a

little bit, but not the way others have because there's only so many of them around,” he argued.

Picking a less visible, albeit less costly, location, he said, could mean “instead of a \$50 million to \$100 million [deposit]

branch, they'll end up with a \$15 million to \$30 million branch.”

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Caja Madrid bought the bank in 2008 for \$1.17 billion. In 2010 the bank had more than \$4 billion in assets and \$2.8 billion in deposits.

Photos by Maxine Usdan

