

The Palm Beach Post

NEWS

Builder of Rosemary Square buying Phillips Point office complex in West Palm Beach

Alexandra Clough Palm Beach Post

Published 2:04 p.m. ET Jan. 7, 2021 | Updated 3:30 p.m. ET Jan. 7, 2021

The Phillips Point office complex, a longtime trophy property in West Palm Beach, is under contract to be sold to an affiliate of New York-based Related Cos., a top Related official confirmed on Tuesday.

The Class A complex at 777 S. Flagler Drive went up for sale last year and will trade for \$282 million, a source close to the deal confirmed. Current owner AEW Capital Management bought the property for \$245 million in 2015.

The Related affiliate buying Phillips Point is said to be personally owned in large part by Stephen Ross, Related's chairman, three real estate sources told the Palm Beach Post.

More: Construction starts on affordable housing hub in downtown West Palm

Ken Himmel, a top Related official, also is an owner, sources said.

Ross' Related Cos. has been a driving force in the development of West Palm Beach's downtown for more than 20 years.

But the Phillips Point acquisition cements Ross' control of the West Palm Beach office market, at a time when financial services firms are eyeing space in Florida. Many firms are seeking to leave crowded urban cities due to the pandemic and high taxes in other states.

In an email, Himmel, chief executive of Related Urban, confirmed the purchase by a Related affiliate, but he was vague about the entity's owners.

"Ross and I will be actively involved and leading on behalf of ownership," Himmel said.

Himmel added that the company's local Related team will be responsible for asset management and leasing.

More: West Palm considers selling naming rights to raise money - how would that work?

Ross, who also owns the Miami Dolphins football team, owns a home on Palm Beach. People close to Ross say he takes pride in how his Related Cos. reshaped downtown West Palm Beach, starting with development of the mixed-use dining, shopping and residential complex CityPlace, now known as Rosemary Square.

In fact, a source said when Ross flies from Palm Beach County to Miami-Dade County for a Dolphins game, he instructs his helicopter pilot to circle over the complex.

In recent years, Related has been keen to build office space in West Palm Beach. The company built and then sold CityPlace Tower, an 18-story, 300,000-square-foot office tower.

Currently, Related is building 360 Rosemary, a 20-story, 300,000-square-foot office tower next to Rosemary Square.

More: Slate of new apartments and houses coming to the county as demand surges due to pandemic moves

And Related plans to start construction later this year on another office tower: One Flagler, a 25-story, 270,000-square-foot tower planned for Flagler Drive and Okeechobee Boulevard.

But the grand dame of the West Palm Beach office market is and always has been Phillips Point.

The Class A, twin-tower complex, built in 1985, has always housed the city's top tenants. The property's location, at the corner of Flagler Drive and Lakeview Avenue, just over the Royal Palm Bridge from Palm Beach, offers tenants water views amid luxury finishes.

More: West Palm passes law that will fine and jail homeless for 'aesthetics'

Phillips Point features financial firms Morgan Stanley and Goldman Sachs. The complex also counts top law firms as tenants, including Greenberg Traurig, Gunster and Akerman, Senterfitt & Eidson.

The Phillips Point purchase gives Ross dominance in the West Palm Beach office market, as well as ownership of a longtime premier property, said Neil Merin, chairman of NAI/Merin Hunter Codman in West Palm Beach.

Merin said the acquisition of the property "means Mr. Ross will be controlling the Class A space downtown, which will give some stability to pricing and could lead to an upward movement in rental rates."

Merin added that Phillips Point has shown strong economic performance "and will do very well with the continued (movement) of financial service firms here," Merin said.

Thanks to the pandemic, coupled with high taxes in other states, a number of financial firms are looking for space in South Florida, particularly in Palm Beach County.

More: Working from home: Palm Beach County's real estate market takes advantage

Paul Singer's Elliott Management Corp. will sublease 7,600 square feet of space belonging to the Arnold and Porter law firm at Phillips Point, a real estate source said.

The \$41 billion hedge fund based in New York plans to temporarily lease space at Phillips Point office as part of a larger move to bring its headquarters to West Palm Beach, possibly to the 360 Rosemary office tower.

In addition, Point72, a Connecticut-based fund owned by billionaire Steve Cohen, is close to finalizing a lease at 360 Rosemary, too, real estate sources said.