

Miami Herald to relocate within two years

Eric Kalis
May 31, 2011



Miami Herald
Photo by A.M. Holt

Miami Herald owner McClatchy's sale of the newspaper's downtown Miami headquarters is a move that should allow the company to consolidate its South Florida operation and adapt to a rapidly changing media landscape, former executives and real estate experts say.

McClatchy announced Friday that it had sold the headquarters building and 13.9 acres for \$236 million to an affiliate of Genting Group, a Malaysia-based investment company.

Built in 1963, One Herald Plaza totals about 758,000 square feet, according to CoStar Group. The Herald occupies 541,425 square feet in the building, which houses most of the news staff, administrative and sales offices, and the primary printing facility.

Part of the building is also leased to Brown Mackie College.

While a large bayfront office building would be ideal for many users, it is "a terrible location" for a newspaper, according to Samuel Terilli, associate professor and journalism program director at the University of Miami. Terilli was a longtime general counsel for the Herald.

The decision by former Herald owner Knight Ridder to invest more than \$100 million on new printing presses at One Herald Plaza during the 1990s was "crazy," Terilli said.

"That building should have been sold 25 years ago," he said. "One of the chief reasons why they opted to pour all that money into the presses was the fact that they already owned the building and the land and wouldn't have to go out and buy something else. That was disastrous for the Herald."

With a chance to completely overhaul its future operations, McClatchy is likely beginning a "business case assessment" to identify its future real estate requirements, according to Alan Kleber, principal at CresaPartners.

Kleber represented Brown Mackie in its One Herald lease.

"The key is to never assume anything in a situation like this, especially with the [publishing] industry really stressed," Kleber said. "Any organization of this magnitude would identify certain synergies at other locations and where they may have excess space in their portfolio. What operations don't need to be in South Florida? Labor costs will be a key driver before real estate costs."

The announcement that the Herald will continue to operate from its downtown Miami location for up to two years doesn't necessarily mean the company won't stay longer if Genting delays the project, Kleber said. For the newsroom, administrative and sales operations, the Herald likely "will always have some presence in the downtown area," Terilli said. But the company could decide to open multiple smaller offices throughout South Florida."

"How large that presence needs to be is a more complicated question," he said. "People at the Herald and McClatchy are pretty sharp. They will look at what mix of office space and facilities really make sense to serve all different communities."

If Herald executives decide the newspaper must maintain a presence in Miami's central business district and needs more than 100,000 square feet of office space, their options would be limited, according to Walter Byrd, managing director at Transwestern.

"The new buildings [1450 Brickell, Wells Fargo Center and 600 Brickell at Brickell World Plaza] could make 100,000 square feet work," Byrd said. "Although it is a little up in the air with the note being purchased, the Omni Center comes into play right around the corner."

The Omni Center is immediately north of the Herald property. A joint venture between the Related Group of Florida, Tate Capital Real Estate Solutions and ROK Acquisitions purchased the note for the Omni Center and Hilton Miami Downtown for \$100 million earlier this month.

As far as its printing operation, the Herald would "ideally contract out the printing to the Sun Sentinel," according to Joseph Natoli, senior vice president of business and finance and chief financial officer at the University of Miami. Natoli was a Knight Ridder executive for more than 30 years, including a stint as president of the Herald.

The Sun Sentinel prints several other large publications at its Deerfield Beach facility, including the Palm Beach Post and the New York Times.

"The challenge is that [the Herald] is already printing so many other papers," Natoli said. But "circulation has fallen, so the opportunity to share printing facilities is much greater today than it had been."

If the Herald opts to continue handling its own printing, sensible locations for a facility would be western or northern Miami-Dade County, or southern Broward County, Terilli said.

"What made sense 20 years ago won't make sense today," he said. "The printing facility can be anywhere if it makes sense in terms of transportation and access."

From a financial health standpoint, selling the downtown headquarters — and using nearly 70 percent of the sale proceeds to fund the McClatchy's pension plan — is "good news" for the employees, Natoli said.

"McClatchy's biggest challenge is obviously liquidity, servicing its significant debt and the underfunded pension plan," he said. "They are not alone in that. As a pensioner of [the company], I'm pleased that they have some more resources to fund it."

Eric Kalis can be reached at (305) 347-6651.