



Did You Hear? Miami Investor to Greatly Reduce Retail Rents and 'Share the Pain' From Coronavirus Disruption

A Daily Look at the Movers and Shakers in Commercial Real Estate



Ophir Sternberg, Founding Partner & CEO of Out of the Box Ventures and Lionheart Capital



By [Tony Wilbert](#)

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Ophir Sternberg, founder and CEO of Miami-based Lionheart Capital and its subsidiary Out of the Box Ventures, has spent the past three years buying and repositioning distressed retail properties across the country. Now the owner of more than 6 million square feet of shopping centers and big boxes, Sternberg wants to work with tenants that are struggling because of shutdowns and business disruption caused by the coronavirus pandemic.

Out of the Box Ventures is an opportunistic real estate investment firm with properties from [California](#) to [Rhode Island](#). Lionheart has focused much of its recent activity on buying big box retail shops, regional malls and shopping centers. In several cases, Lionheart and Out of the Box deal directly with large retailers such as Macy's, JCPenney and Sears to buy stores as the retailers reduce store counts.

With several shopping centers and mall acquisitions recently completed, Sternberg has shifted to working with his retail tenants.

"This is a tough time for everyone," Sternberg said in a phone interview. "We believe that we are in the same boat as our tenants. Their success is our success."



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Sternberg has followed closely the potential clash between large mall and shopping center owners and tenants over rent payments for April and beyond. In late March, Cheesecake Factory said it [would not be able to pay rent for April](#) because of the closing or near-closing of all its locations as a result of stay-at-home orders and other restrictions.

Out of the Box Ventures wanted to avoid getting caught up in a similar battle, Sternberg said.

So, as requests for help from its tenants were "pouring in over the past couple of weeks," Out of the Box decided to actively address the situation.

"We decided to take a different approach," Sternberg said. "We decided to basically share the pain."

Out of the Box decided to drastically reduce rents by requiring tenants to pay only common-area maintenance charges and taxes during April and May. The equated to about a 60% to 70% discount on rents depending on where a center was located and whether it was a regional mall or self-standing big box.



"It's a significant savings," Sternberg said. "We decided to do it because we can," citing Out of the Box's properties having relative low leverage or debt levels.

The move also could pay off in creating long-term loyalty from some of the store owners and managers.

"That's not the intention, but we have had very positive feedback," Sternberg said. "One tenant said, 'We're definitely now planning to exercise our option to renew.'"

Before the coronavirus outbreak, Out of the Box and Lionheart had big plans for 2020. Now most of those have been put on hold.

"We were actually excited about this year," Sternberg said.

With Lionheart's backing, Out of the Box had grown its portfolio of retail properties to more than 30 assets in less than three years in hopes of boosting their prospects.

For instance, late last year, Lionheart bought [Lakeside Mall](#) in Sterling Heights, Michigan, and Out of the Box planned to add features such as a year-round skating rink and community events at the center. Sternberg said his firm has final architectural plans and was ready to roll, but it's all on hold now.



Lionheart Capital also just completed the conversion of a former South Florida hospital to [The Ritz-Carlton Residences Miami Beach](#).

Sternberg said his companies will buy additional retail properties. Lionheart has acquired and repositioned high-end residential and hospitality properties in the United States and the Caribbean.

"We're continuing to look for new acquisitions to add to our portfolio," he said.

As he seeks new properties for Lionheart and Out of the Box Ventures, Sternberg said he expects the coronavirus pandemic to accelerate changes in retail as nimble buyers seek opportunistic buys of properties that can be revitalized.

"Things were changing slowly," Sternberg said. "What this crisis is going to do is escalate the time frame for changes to happen."
