

# Miami still a hot spot for bank M&A

By Maria Tor, Zain Tariq and Zander Luke

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With a \$1.03 billion deal announced on the last day of February, there are no signs of bank M&A letting up in the Miami metro area.

Bank failures plagued the Miami-Ft. Lauderdale- West Palm Beach, Fla., MSA in 2009 and 2010, putting a damper on open bank M&A. But deals returned in 2013, and the Miami MSA has been in the top ten MSAs by number of bank deals for each year between 2013 and 2016. In the first 2017 deal announced in the Miami MSA, Lafayette, La.-based IBERIABANK Corp. agreed to buy Miami-based Sabadell United Bank NA from Spanish bank Banco de Sabadell SA for \$1.03 billion in cash and stock.

Pricing in Miami hasn't been as high, relative to tangible common equity, as in other areas. In Miami bank deals since 2015, the median price to tangible common equity has been 134.9%. Other warm-weather MSAs have seen higher valuations, including the Tampa-St. Petersburg-Clearwater, FL MSA, whose six bank deals since 2015 have been priced at a median 179.0% of tangible common equity, and the Orlando-Kissimmee-Sanford Fla. MSA, whose five deals since 2015 were priced at a median of 152.0% of TCE.

It's possible that worries about an overheated multifamily market have contributed to less enthusiastic pricing in Miami. Analysts have expressed concerns about the risks of IBERIABANK increasing its presence in a market where a bubble in the condominium market may be brewing. IBERIABANK's offer for Sabadell United, at 195.7% of tangible common equity, represents the highest price relative to TCE of the eight deals announced in the area since 2015. IBERIABANK's stock has fallen since the deal was announced.

Commenting on Miami condo worries, Larry Mendelsohn, chairman and CEO of mortgage REIT Great Ajax Corp., said March 1 during the company's fourth-quarter conference call that the company is seeing "softness in the higher end condo market", which he defined as those \$600,000 or greater, in Miami.

"Part of it is due to the strength of the dollar versus foreign currency. Part of it is there's probably a five-year supply of condos either for sale or under construction," Medelsohn said, according to a transcript of the call. "So we're not seeing softness if you go to the west side of Miami in the gated communities where all the houses are \$450,000, we are not

## Miami MSA bank deals since 2015

Buyer (ticker)	Target	Target city	Announcement date	At announcement	
				Deal value (\$M)	Deal value/tangible common equity (%)
IBERIABANK Corp. (IBKC)	Sabadell United Bank NA	Miami	02/28/17	1,028.0	195.7
IBM Southeast Employees' CU	Mackinac Savings Bank FSB	Boynton Beach	10/21/16	12.0	125.8
Home BancShares Inc. (HOMB)	Giant Holdings Inc.	Fort Lauderdale	09/22/16	90.9	164.1
Stonegate Bank (SGBK)	Regent Bancorp Inc.	Davie	04/26/16	39.3	144.0
CenterState Banks Inc. (CSFL)	Hometown of Homestead Banking Co.	Homestead	10/27/15	18.4	117.4
CenterState Banks Inc. (CSFL)	Community Bank of South Florida Inc.	Homestead	10/05/15	66.6	145.1
Investor group	Brickell Bank	Miami	05/01/15	10.0	22.3
Seacoast Banking Corp. of Florida (SBCF)	Grand Bankshares Inc.	West Palm Beach	03/25/15	15.2	110.7
<b>Median</b>				<b>28.9</b>	<b>134.9</b>

Data compiled March 2, 2017.

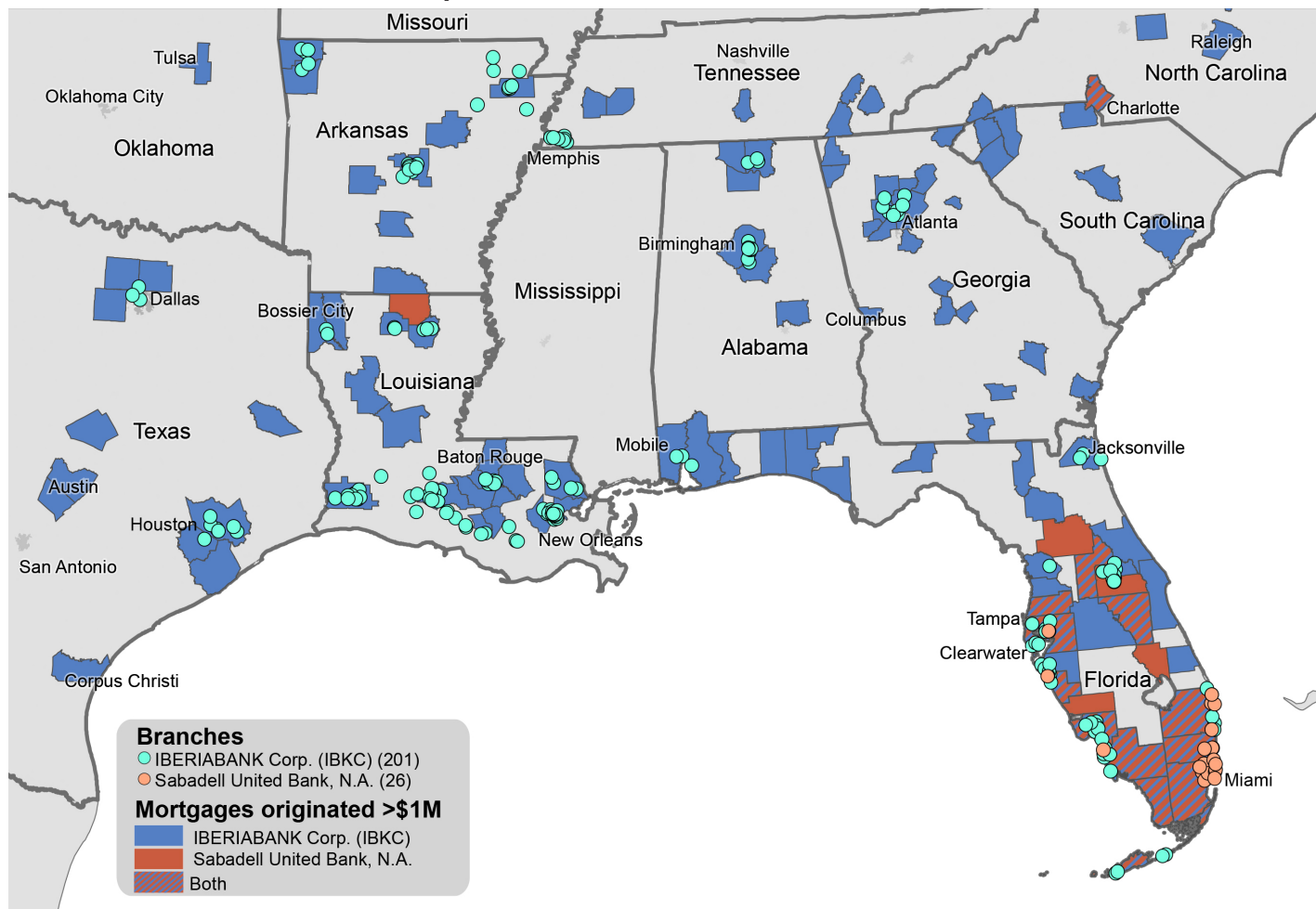
Analysis includes whole bank M&A transactions announced since Jan. 1, 2015, where the target is based in the Miami-Fort Lauderdale-West Palm Beach, Fla. MSA. Excludes terminated deals.

Source: SNL Financial, an offering of S&P Global Market Intelligence

seeing softness in that. We're not seeing softness in the eight-unit apartment building in northwest Miami. We're not seeing softness in the \$400,000 condo on Brickell Avenue, but we are seeing softness on the \$800,000 condo on Brickell Avenue." (Brickell Avenue, which is also where Sabadell United Bank is headquartered, is described by a local realtor as "one of the most prestigious addresses in Miami.")

Sabadell United Bank doesn't focus on multifamily lending, though it is among the top 20 multifamily lenders in the Miami MSA. According to S&P Global's mortgage data, Sabadell United Bank originated \$2.00 billion in property loans in the Miami-Ft. Lauderdale-West Palm Beach, MSA, from Jan. 1, 2013, through November 2016, of which just 6.9% were classified as multifamily.

## Branches of IBERIABANK Corp. and Sabadell United Bank



Data compiled March 1, 2017.

Branch data is based on FDIC's June 30, 2016, Summary of Deposits filings and is adjusted for mergers and acquisitions and any openings or closings as of March 1, 2017.

Source: SNL Financial, an offering of S&P Global Market Intelligence

Map credit: Alip Artates