

SOUTH FLORIDA EXPERIENCING BIG AND SMALL RETAIL RESURGENCE

by **Carla Vianna**
cvianna@alm.com

When it was Miami Beach vs. Coconut Grove, the Miami enclave lost.

Shoppers and tourists fled the historic neighborhood for the revitalized South Beach retail strips minutes from the ocean.

Years ago, this was the norm in South Florida: When one area got hot, it kicked others off the map.

"The Grove was the hottest thing until South Beach came along," said Michael Comras, president and CEO of the Comras Co. of Florida Inc.

Then Coral Gables grabbed the attention of shoppers, and together the cities "sucked the life out of the Grove," the commercial real estate broker and investor said.

Back then, retailers were competing for the same slice of the pie, but that's no longer the case.

"The pie has gotten bigger," Comras said.

Miami's international allure and steady job growth has fueled population growth. South Florida surpassed the 6 million mark this year, making it the eighth most populous region in the nation.

With it comes a resurgence in the region's retail sector.

An estimated 1.4 million square feet of retail is now planned or under construction in downtown Miami, mostly in big-name projects like the nearly completed Brickell City Centre, Miami Worldcenter and Met Square. Forty percent of all countywide construction activity is taking place in the city's urban core.

As Gunster real estate attorney Brian Belt puts it, "The retail goes where the population goes."

Amid the influx of new housing, developers are challenged to create unique concepts that attract different segments of the population, Comras said.

FOOT TRAFFIC

Craig Robins has successfully carved a niche in Miami's retail arena, catering to design enthusiasts and the city's most sophisticated shoppers.

Two decades ago the Miami-based developer began sweeping up property in a desolate area northeast of Interstate 195 and Biscayne Boulevard when conventional wisdom said what happened in booming South Beach could never cross the bridge.

Robins, president and CEO of Dacra, is now developing about 70 percent of the once-sleepy neighborhood known as Miami's Design District. Dilapidated buildings have been transformed into top-shelf storefronts carrying luxe brands ranging from Christian Louboutin to Valentino.



JILL KAHN

Foot traffic has been going up steadily, said Tony Cho, CEO and founder of Metro 1, a commercial and residential brokerage company routinely inking deals in the Wynwood area.

Dacra is working on its second phase to duplicate the open-air, two-story shopping plaza on Northwest 39th Street.

"What the retail did for us is it validated the neighborhood as a blue-chip location," Robins said.

Last month, 85,000 Pay by Phone parking transactions were counted in the nearby Wynwood district, a neighborhood commonly likened to New York's Brooklyn borough and referred to as Miami's Arts District.

Warehouses hint at the neighborhood's industrial base, but their new users paint a colorful picture of an emerging community shaped by retailers.

Foot traffic has been going up steadily, said Tony Cho, CEO and founder of Metro 1, a commercial and residential brokerage company routinely inking deals in the Wynwood area. The buzz is luring well-known brands in addition to homegrown ventures like Panther Coffee.

"Retail particularly follows residential booms," Cho said.

More than 7,000 condominium units are under construction, according to the Miami Downtown Development Authority. Over 3,000 are coming to the Edgewater and Midtown areas, which sit next to the Design District and Wynwood.

INVESTOR APPETITE

Art galleries, entertainment venues and trendy stores are increasingly occupying Wynwood's boxy buildings, which have traded for price tags that reach \$1,000 per square foot.

New York developer Moishe Mana has big plans for the 30 acres of the neighborhood he owns: Mana and his team are ironing out details in his proposed master plan, which would bring retail, office, hotel, a museum and beauty school to the district.

"The majority of buyers who understand and get Wynwood are New

Yorkers because they saw what happened in the Lower East Side" and other once-neglected areas of New York City, Cho said. "They saw [it] then. The creative class came into the neighborhood and transformed it."

Metro 1 closed \$65 million worth of sales in the neighborhood during March alone. Headline-worthy deals included a 1941-built warehouse that sold for \$22 million, or 633 percent more than just 17 months before.

Earlier this year, New York-based Thor Equities, which began amassing a hefty portfolio of Design District property at record prices in 2014, sold most of it to another group for \$128 million. RedSky Capital, a Brooklyn-based real estate company also active in the Miami area, picked up seven parcels with plans to redevelop.

Sources close to the deal said the area's dollar figures hit a point where Thor opted for quick profit rather than redevelopment.

The retail craze has spilled beyond Miami's urban core.

Miami Beach's commercial sector continues to draw deep-pocketed investors. Two months ago, a retail property on the city's tourist-laden Lincoln Road shopping strip sold for more than \$6,500 per square foot.

Last year, the resort city became home to the second largest real estate deal in Miami-Dade County history when \$370 million for an entire Lincoln Road block.

Miami's Coconut Grove is finally catching up.

Federal Realty, a Rockville, Maryland-based company that focuses on buying and redeveloping underperforming property, partnered with local developers Grass River Property and the Comras Co. last year to enter the Miami market.

The trio dropped millions on two neglected shopping centers: The \$87.5 million acquisition of CocoWalk, a sleepy open-air retail center in the heart of Coconut Grove, and the \$110 million purchase of the Shops at Sunset Place, an underutilized mall in South Miami.

FARTHER AFIELD

Investor appetite is fueling a resurgence of neighborhoods beyond the bustling urban core.

"We see a lot of demand, a population that's not being served," Federal Realty CEO Don Wood told the Daily Business Review in February. "If the hunch is right, we'll spend another \$200 million or more to invest in producing and creating a product that's right for the community that it serves."

Comras said plans for CocoWalk would be announced within the next

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60 to 90 days, then plans for Sunset Place will appear shortly after.

"Obviously, we're very bullish on Coconut Grove," he said. "You have an amazing residential market, a great office market, a great hotel market and now it's a matter of bringing back the retail."

Plans will focus on creating an outdoor environment that will give shoppers a reason to step away from the computer and off the couch.

In another blockbuster deal, West Palm Beach's Palm Beach Outlets, which replaced a fallen mall, sold for \$278 million in 2015 for the second largest real estate deal in Palm Beach County history. Retail sale were up by triple-digit percentages compared to the year before, said Belt, a Miami-based shareholder at Gunster.

"It's doing well because it has really good employment growth and income growth," he said.

Meanwhile, shopping malls across South Florida are looking to carve out something beyond online sales, launching ambitious expansion projects to re-vamp their centers.

Sunrise's Sawgrass Mills is adding a new wing, and the master-planned Metropica community is under construction next to it. Aventura Mall landed a loan early this year to kick off its expansion. Whitman Family Development's \$400 million expansion of its Bal Harbour Shops pushed forward with the \$30 million purchase of an adjacent church property in February.

Then there's the American Dream Mall slated for northwest Miami-Dade. If plans come to fruition, the mall would be the largest in the nation.

The enclosed mall versus open-air retail trend was further validated when one of Miami's largest developments, the \$2 billion Miami Worldcenter, ditched plans for a department store-anchored mall for a more airy environment. The initial 760,000-square-foot shopping



A.M. HOLT

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center was replaced by one- and two-story storefronts on three blocks. The project broke ground in March.

Existing outdoor retail strips are also undergoing renovations.

Miami Beach recently approved a master plan for Lincoln Road, and Coral Gables' Miracle Mile is due for a make-over.

FLAGLER STREET

But Belt warns, "There are obvious exceptions to the rosy picture."

While Miami's overall vacancy rates have dipped below 4 percent, empty storefronts lining downtown's Flagler Street tell a different story.

"In downtown Miami, some of the smaller shops that cater to the lower or lower middle-class market and foreign buyers ... are not doing well at all," Belt said.

Mana, the New York developer who owns swaths of land in Wynwood, has pocketed a number of buildings on Flagler.

He promises to make downtown young again. The developer is working with University of Miami students to design micro-apartments catering to recent college graduates and millennials working in the area.

Existing tenants dominated by electronics, luggage, perfume and apparel shops are a byproduct of segmented ownership, said Rafael Romero, associate vice president at Continental Real Estate Cos. But now business owners and government officials are pushing for the modernization of Flagler Street, forming the Flagler Street Task Force Committee to track a \$13 million renovation.

For now, the downtown market is more attainable than pricey Brickell a few blocks away, "especially for a restaurateur that may have the best idea in the world but may not have the deepest pockets," Romero said.

"Downtown and specifically that Flagler corridor and parts of that Biscayne corridor ... are where we're likely to see the greatest growth over the next cycle."

Carla Vianna can be reached at 305-347-6665.