

BUSINESS

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What's next for CocoWalk? Mall sold to new owners for \$87.5 million

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CocoWalk, the outdoor shopping mall in the heart of Coconut Grove that locals have long considered an eyesore, was sold for \$87.5 million on Monday.

The buyers are Federal Realty Investment Trust, a publicly traded company headquartered in Rockville, Maryland; Grass River Property, a Coconut Grove-based developer with several projects underway in the neighborhood, and Michael Comras, a developer with a focus on retail known for his work in Miami Beach, the Design District and Wynwood.

Jim Taylor, chief financial officer of Federal Realty, said the central Grove was attractive because it was one of the few “authentic and walkable neighborhoods” in Miami.

“We think it’s in the midst of a resurgence and this property has really lagged behind,” Taylor said.

The four-story, 198,000-square-foot mall on Grand Avenue has a vacancy rate of nearly 20 percent — its desolate top floor feels like a ghost town — and Taylor said the new owners plan to bring in a mix of local, regional and national retailers, as well as office space and restaurants led by prominent chefs.

“We’re building something that is going to fit into the fabric of the neighborhood much better,” Taylor said.

A significant renovation is planned, he added, declining to name a dollar figure for the improvement project. Federal Realty, which operates nearly 90 shopping centers in 12 states and the District of Columbia, will own 80 percent of the mall. Grass River and Comras will control the remaining share.

CocoWalk opened in 1990 to great fanfare and early success. Its early tenants included Banana Republic and South Florida’s first Cheesecake Factory. But the mall quickly grew stale.

“You only stay the hot thing for a while and then you have to reinvent yourself,” said Cynthia Cohen, president of the Miami-based retail consulting firm Strategic Mindshare. “And staying relevant has been the real failure of CocoWalk. It’s not a compelling place to be anymore.”

Cohen said the mall was in need of a design and infrastructure update, as well as new tenants. “Every time they do something to the architecture, it looks more and more like a patchwork quilt, not a cohesive plan,” she said. “It’s going to need more than a paint job.”

In addition, finding street parking usually requires a tiresome odyssey through the Grove’s lush avenues, and the mall’s parking garage can be hard to use.

This is the fifth time CocoWalk has changed hands since 1998.

Today, major tenants include Starbucks, Gap, the Cheesecake Factory, Fat Tuesday, Victoria’s Secret and Chili’s — hardly a mixture designed to draw locals or fit in with the Grove’s rediscovered hip vibe.

“The tenants just don’t fit into the neighborhood,” said Jack Lowell, a commercial real estate broker who lives nearby in Coral Gables. “Too many chains, too many tourists.”

Only the movie theater, operated by the luxury chain Cinépolis, has attracted locals, Lowell said.

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The seller, PMAT Real Estate Investments, of New Orleans, paid \$87 million for CocoWalk in a highly leveraged transaction at the height of the real estate boom in 2006. After the bubble burst, PMAT was hit with a \$97 million foreclosure suit by Bank of America, which was later settled.

“They were definitely under pressure to sell this thing,” said Adam Greenberg, executive managing director of the commercial real estate firm Newman Grubb Knight Frank.

PMAT did not respond to a request for comment.

Greenberg said the price of the recent sale struck him as “aggressive,” given the competition CocoWalk faces from existing malls such as the The Shops at Sunset Place in South Miami and new rivals like Brickell City Centre, where a high-end, luxury mall is scheduled to open in 2016.

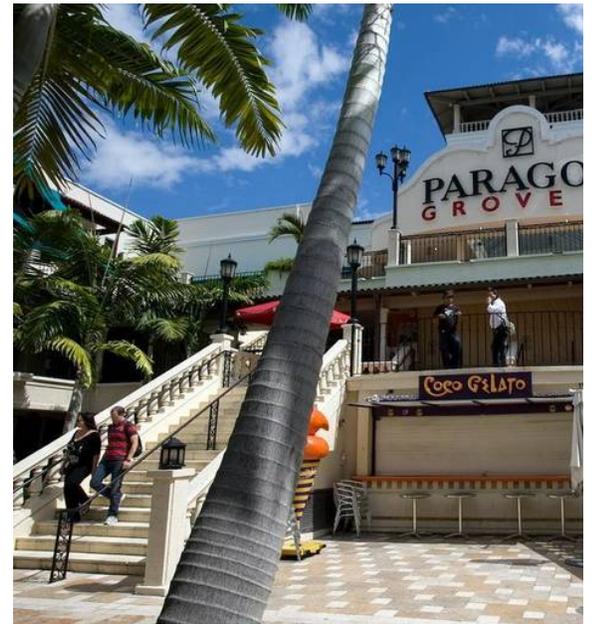
But, he added, the new owners “are conservative, well-respected investors and I’m sure they have a solid plan to revive the mall.”

George Spillis, a principal at Grass River, said his company’s local expertise will be crucial to the project’s success.

“We want to see how we can make the Grove better,” Spillis said. “We’re not doing this from 10,000 feet in the air. We have the pulse of the local market.”



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