

SOUTH FLORIDA REGION IS 'UNDER-RETAILED'

But with premier malls, mixed-use projects and food halls in the pipeline, the tri-county region will soon have outlets for the pent-up demand.

By John Nelson

It's not often to describe a market nowadays as "under-retailed," but that seems to be the case in South Florida. That would explain why Miami's retail market posted the lowest vacancy rate in the nation (3.5 percent in the second quarter, according to the latest Cushman & Wakefield research).

Drew Schaul, senior vice president of CBRE's Miami office, says that the high demand for retail space, while nothing new for the market, is helping boost brick-and-mortar retail sales in the tri-county region comprising Miami-Dade, Broward and Palm Beach counties (up over 4 percent year-over-year, according to Marcus & Millichap research).

"Two variables that push retail sales over the top down here are the tourist impact, both international and domestic, as well as the fashion-conscious society we have in South Florida," says Schaul.

The greater Miami area had 16.5 million overnight visitors in 2018, which

is the highest in its history and up 3.5 percent from 2017, according to the Greater Miami Convention & Visitors Bureau. Cruise travel was a major factor in the overnight stays as PortMiami also had a record-breaking year with more than 6 million cruise passengers in 2018.

While tourism does separate the South Florida region from most of its peer markets nationwide, not all successful centers in the area are driven by tourist dollars. Robert H. Spratt Jr., president of Hill Partners, says that the company's Promenade at Coconut Creek mixed-use shopping center in Broward County draws only 2 percent of its foot traffic from tourists.

"That's one of the strengths of Promenade at Coconut Creek; we're not dependent on tourism," says Spratt. "You'll see pretty wild swings for sales productivity in some tourist-heavy areas during the offseason. We have a

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Whitman Family Development is expanding Bal Harbour Shops in Miami Beach by 300,000 square feet — including a new flagship Barneys — using a \$550 million loan.

strong permanent population base in our trade area, and our monthly sales are pretty steady throughout the year.”

Job creation is accelerating in South Florida as approximately 58,000 jobs were created in the past 12 months ending June 30 in the metropolitan areas of Miami, Fort Lauderdale and West Palm Beach.

On a national level, Florida is the third most populous state in the country with nearly 920 people moving in on a daily basis. Mati Rikman, president of Hallandale, Florida-based investment firm Isram Realty Group, says that the population growth is driving retail development and leasing activity across the state.

“Florida averages about 2 percent population growth every year,” says Rikman. “Florida has natural growth, and retail continues to grow with the population.”

Rick Baer, president and chief operating officer of American Commercial Realty Corp., says that the Tax Cuts and Jobs Act of 2017 has been a catalyst for population growth in Florida, specifically in his home market of Palm Beach County.

“Retirees and snowbirds have historically been the basis of Palm Beach County, but increasingly we have a working class population and it has been bolstered by the changing tax laws to further entice people to move to Florida,” says Baer. “All the things like weather and beaches that have attracted people to move here for decades are now enhanced. Now there’s a backlog of service retailers needed to support the population.”

But retailers and developers have a finite number of options in terms of where to locate and build in South Florida. The region is bounded by the Atlantic Ocean on the east and south and the 1.5 million-acre Everglades to the west. The high barriers to entry have proven over the years to be a blessing for the local retail market as ground-up construction has been held in check.

“One thing we’ll always have going for us is our population density,” says Dave Preston, executive managing director of Colliers International’s Miami office. “That’s always helped insulate us from macro-economic trends in the retail world.”

Golden age for malls?

This insulation and density have helped South Florida malls to buck the national trend of underperforming malls by being among the most trafficked retail destinations in the country. In fact, more than 25 million people visit Sawgrass Mills on an annual basis, making it the second most popular tourist destination in Florida outside of Disney World.



Construction is underway on a 50,000-square-foot retail project that's part of the \$4 billion Miami Worldcenter. At full buildout, the development will include 300,000 square feet of retail and entertainment space, as well as multifamily, office buildings and hotels.

Located in Broward County's city of Sunrise, Sawgrass Mills is the largest outlet mall in the country. Owner Simon recently announced it would add an AC Hotel by Marriott at the 2.3 million-square-foot mall to help shoppers extend their visits.

"Counter to a lot of the country, investors are putting a lot of money into these malls," says Barry Wolfe, senior managing director of Marcus & Millichap. "There is a tremendous number of tourists who come here."

Malls will continue to be a staple in South Florida for the foreseeable future as there are a number of regional center expansions in the development pipeline. Whitman Family Development recently closed a \$550 million loan to expand Bal Harbour Shops in Miami Beach. The 300,000-square-foot expansion will include a new flagship Barneys store and a larger footprint for Neiman Marcus, as well as a new entrance and promenade for the upscale mall.

Seritage Growth Properties is converting a former Sears store at Aventura Mall into a 215,000-square-foot retail, restaurant and entertainment project. Dubbed The Esplanade at Aventura, the open-air development will feature a new Pinstripes location and at least seven new chef-driven food and beverage concepts. Seritage also is reportedly replacing the Sears at Westfield Broward Mall in Plantation with more food and entertainment options.

Additionally, earlier this summer Simon wrapped up the renovation program for Town Center at Boca Raton with a new design aesthetic and valet entrance. Recent additions to the mall during the renovation include

the opening of digitally native brands Warby Parker and Untuckit.

Not to be outdone, Triple Five Group is planning to build the biggest mall in the country in Miami-Dade County. The Mall of America developer is now bidding for a key infrastructure piece of the project, an exit off Interstate 75 near Hialeah and Miami Lakes. At full buildout, the new American Dream Miami will span anywhere from 5 million to more than 6 million square feet.

Live-work-play

Even in a white-hot retail environment like South Florida, pure retail and entertainment is not always the highest and best use for the land, especially with so much demand for housing as the region's job and population growth continue to swell.

"South Florida is growing at a fast pace, so there's a lot of demand for multifamily, single-family and retail space," says Adam Tiktin, president of Tiktin Real Estate Investment Services.

Like many markets across the country, South Florida's downtowns are evolving from business districts to residential districts, which in turn increases the need for retail to help both satisfy the daytime traffic and nights and weekend activity. Residential projects in the pipeline with a sizeable amount of retail space include River Landing along the Miami River; FATCity in downtown Fort Lauderdale; Isram Realty's River Walk Plaza in Boynton Beach; 12|12 Aventura in Aventura; The Plaza at Coral Gables; Hollywood Circle in downtown Hollywood; and Grove Central in Miami's Coconut Grove.

"The geographic constraints and lack of developable land in South

Florida have necessitated vertical development and redevelopment, which has continually added to the region's population density," says Nick Banks, principal and managing director of Avison Young.

The largest mixed-use project in the works in South Florida is the \$4 billion Miami Worldcenter, which will reshape 10 city blocks in downtown Miami with a new Marriott-branded convention center hotel spanning 1,700 rooms. Other uses will include high-rise residential towers and office buildings, as well as 300,000 square feet of retail, restaurant and entertainment space.

The Forbes Co. and Taubman Centers are co-developing the retail portion of the 27-acre project. The developers brought on Miami Beach-based Comras Co. earlier this year as a retail leasing partner. Michael Comras, president of Comras Co., says the development team is targeting large-scale stores and restaurants, as well as smaller cafes catering to larger groups because of the proximity to the convention center.

"The project needs to cater to both the masses and the locals," says Comras. "We've not made announcements yet, but we're excited about the mix of uses coming together. About 50 percent of the project is built out and the balance is under construction or beginning very shortly."

Another major development underway northwest of Miami Worldcenter is Metropica, a \$1.5 billion project that will create a new live-work-play environment in western Broward County.

"We are creating an expansive and dynamic downtown for the city of Sunrise, the first of its kind in western Broward county that will

elevate the commercial scene here to a whole new level,” says Sandie Witmer, head of retail leasing at KGH International Development, Metropica’s developer. “The project we will have approximately 8,000 people living and working in the new downtown. Metropica will be filling a substantial void for people who currently live within the western tri-county area, those who work here and visitors to Sunrise.”

Metropica’s tenant roster will include IPIC and the upscale theater company’s City Perch by Sherry Yard concept. Other confirmed tenants include Cru Wine Bar, Urban Outfitters, Kendra Scott, Anthropologie, Hopdoddy Burger Bar, Sugarboo & Co., Lindbergh, Genuine Pizza by Michael Schwartz and CB Live. Witmer says Metropica has a targeted opening date of summer 2021.

Also in Broward County, UFC Fitness has joined the tenant lineup at Pembroke Pines City Center, a public-private partnership between The City of Pembroke Pines and Terra Group. Courtelis Co. manages and leases the project.

“UFC Fitness will be joining Publix, Hobby Lobby, West Marine and Coopers Hawk at the mixed-use community, which has 300,000 square feet of commercial space, 1,500 residential units, a 3,500-seat amphitheater and the Pembroke Pines government cen-

ter,” says Rod Castan, president of leasing and property management with Courtelis.

In Palm Beach County, a development team led by Giles Capital Group, Rosemurgy Properties, Schmier Property Group and Wheelock Street Capital broke ground in October 2018 on Uptown Boca. The \$200 million mixed-use project will include 456 residential units, which are expected to deliver in early 2020, as well as 171,086 square feet of retail space that is expected to deliver later this summer. Committed retail tenants include Lucky’s Market, Silverspot Cinema, Bolay, Chick-fil-A and BurgerFi.

Perfect recipe for food halls

Restaurants are taking a step forward in leasing activity at a time when other sectors like banks and drugstores are hitting the brakes as they are in the throes of consolidation and competition from e-commerce and online banking. Now more than ever developers and owners are opting for more restaurants in their shopping centers and mixed-use projects because they still provide experiences that can’t be replicated online.

“Restaurants are the darling because they bring people out of their homes and into the marketplace,” says Beth Azor, founder and owner of Azor Advisory Services Inc.



When looking for a second location for its food hall concept, Time Out Group chose South Florida. The Time Out Market Miami opened in May in Miami Beach.

In South Florida, developers and owners are opting to create a mass of restaurants in their projects with food halls. Some developments, like Brickell City Centre and Aventura Mall, technically house two food halls.

Avison Young's Banks says food halls are attractive opportunities for restaurants because they are more affordable options and feature more flexibility in the lease structure.

"It's a lower risk entry point for startup food concepts and new verticals for established groups because the buildout costs in food halls require much less capital than traditional restaurants," says Banks.

Out of all the South Florida markets, Miami Beach is the most tailor-made for food halls. The city features year-round tourists, affluent residents and a propensity for pedestrian traffic.

When looking for a second food hall to succeed the popular Time Out Market in Lisbon, Portugal, global media and entertainment conglomerate Time Out Group chose South Florida. Time Out Market Miami opened in May in Miami Beach, followed by two more food halls that opened recently in Brooklyn and Boston.

"Food halls that embrace the diversity of cuisine and culture of South Florida and appeal to foodies are

thriving,” says Castan. “Miami Beach’s Time Out is probably the best example, with 18,000 square feet of chef-driven venues that capture the essence of the different cultures in Miami.”

Time Out Market Miami’s vendors serve up dishes including sushi bowls, artisan pizzas, Peruvian fare, plant-based meals, oysters and deli sandwiches. The project also features a demonstration kitchen with a rotating lineup of chefs.

Elsewhere in Miami Beach, Terranova Corp. opened the Lincoln Eatery, a 9,600-square-foot food hall with 14 dining concepts. The food hall is situated at the corner of Lincoln Lane and Meridian Avenue and opened in January.

Another popular venue that opened recently is 1-800-Lucky, an indoor/outdoor food hall in Miami’s Wynwood neighborhood that features seven Asian restaurants and karaoke.

“1-800-Lucky is one of the first in South Florida. They’re performing at a very high level and are receiving great reviews,” says Preston with Colliers. “Food halls provide variety and flexibility, and they’re going into areas that haven’t had a lot to choose from.”

Other popular food halls include Grandview Public Market in West Palm Beach; The Citadel in Miami’s Little River district; Central Fare at Miami Virgin Central, a train station in downtown Miami for Virgin Trains USA; The vShops, which is self-described as the world’s first all-vegan food hall; and Yumbrella!, a food hall in south Miami that pays homage to the neighborhood’s first food hall that operated under the same name in the 1970s.

“There’s demand for more food halls, but only if they can secure high-quality vendors or an operator and create a unique atmosphere for the customer,” says CBRE’s Schaul. “Some food halls aren’t meeting the expectations from either a vendor or experience standpoint.”

“Food halls work if you have a lot of people, and they cater best to the daytime population of office workers,” adds Azor. “Seven food halls are open, four or five are planned. Thank God for the tourists.”

It takes a village

For the various retail and mixed-use projects in South Florida to go from an idea to a reality, it takes a group effort beyond just the development team. The tri-county region has many civic and nonprofit organizations including chambers of commerce, community redevelopment authorities and business improvement districts that are bridging the gap between the governmental districts and the development team. These groups facilitate new developments and redevelopments that will improve the quality of life for the surrounding area.

The Miami Downtown Development Authority (DDA) has been working closely with Miami Worldcenter Associates to help bring Miami Worldcenter to life. Sitting on Miami DDA’s 13-member board is Nitin Motwani, one of the principals of Miami Worldcenter Associates. Ken Russell, Miami City Commissioner for District 2 and chairman of the DDA, says that the organization acts as a liaison between all different levels of government, which has come in handy during the infrastructural buildout of the project.

“Miami Worldcenter is at the base of the new Interstate 395 expansion that Florida Department of Transportation (DOT) is working on,” says Russell. “The DDA has been able to give Miami Worldcenter Associates a voice and a seat at the table to make sure they’re heard. The developers are working with the Florida DOT, county and city to make sure traffic flows well. The DDA creates that avenue of communication.”

The Miami DDA is also working on a pilot program to improve the aesthetic of the district by partnering with an augmented reality firm to digitally map all the underground utilities at Miami Worldcenter. Russell says that this new digital approach will help keep the district’s sidewalks clean and will also help utility companies interface with the multiple uses at the project.

“The new augmented reality goggle system allows utility companies to walk the streets and see where the cables, pipes and connections are without relying on the spray-painted markings,” says Russell. “It has never been done before. If it works around the Worldcenter project, we’ll start to expand it to map other streets as they’re renovated to help simply solve this issue that really helps walkability for restaurants and retail in terms of an aesthetic and beautification situation. It might be a little more expensive for the utility companies than a can of spray paint, but it’ll have a huge impact.”

Next up, the Miami DDA is partnering with the Flagler Street Business Improvement District (BID), the City of Miami and Miami-Dade County on a \$30 million beautification plan to drive investment in the Flagler Street corridor.

“Flagler Street is the original artery of the city and a hub of business, retail and restaurants that has gone dark for a long time,” says Russell. “It has been in need of a massive injection. Flagler Street is going to be a walkable, forward-thinking area that’s going to prioritize pedestrian retail and restaurant activity.”

Another significant beautification project underway in Miami-Dade County is along the Lincoln Road corridor. The Lincoln Road BID and the City of Miami Beach have put together a program that will help “The Road” in its evolution from a high street for retail to a cultural center.

Attracting about 11 million visitors in 2018, Lincoln Road is home to some of the most recognizable retailers in the world, such as Apple and Nike, as well as cultural centers such as New World Symphony and Colony Theatre. The beautification project is designed by James Corner Field Operations, the urban landscape architectural firm that designed the famous High Line trail in Manhattan. The City of Miami Beach’s Commission will hold a vote on approving the James Corner beautification project in the coming months.

“At Lincoln Road, we want to be known just as much as a cultural district as a retail district, and we’re spending a lot of time and giving a lot of thought to that process,” says Lyle Stern, board member of the Lincoln Road BID. “That doesn’t happen without a BID that has a strong working relationship with the city that sees things the same way. Miami Beach very much sees itself as a cultural destination and Lincoln Road is the stage for all of that to come together.”

Blighted areas, especially shopping districts that have significant vacancies, are a cause for concern for communities. Kathleen Gunn, assistant city manager of the City of Tamarac, says that obsolete shopping centers are one

of the top criticisms the city gets when asking for feedback.

“When we talk to our residents and elected officials, one of the first things we hear about are these disinvested retail plazas,” says Gunn. “The impact of those on a community is significant. The city has taken an active position in assisting in revitalizing those areas.”

The City of Tamarac, which is located in western Broward County, is working with the Urban Land Institute (ULI) and just received a technical grant from the ULI Leadership Project to seek help in revitalizing two shopping centers on opposite edges of the city limits.

“One of the centers is in an Opportunity Zone, and we’re looking to attract some mixed-use development so that we can have a lifestyle center on the eastern side of the city,” says Gunn. “We’re building one on the west side so we’re hoping to bookend our city with two good retail options. We just changed our zoning codes to allow for more density. We also make connections regularly with property owners and other owners to make sure we have the right amount of retail in the right spots so that it thrives.”

The City of Hollywood, situated about eight miles south of Fort Lauderdale, is also working closely with developers and retailers to help improve the retail offerings of the beachside town. The Hollywood Community Redevelopment Agency (CRA) is a key component of the civic team that helps drive investment in the city by facilitating processes like permitting and site selection, as well as providing services like consultation and incentive programs.

“The CRA sets the table for investment by looking at existing conditions like infrastructure, water, lighting, paving and drainage to create an environment that is conducive for investment and redevelopment,” says Jorge

Camejo, executive director of the Hollywood CRA. “The CRA is a resource for the retailers and the business community. It’s an important niche to assist. That’s where our organization can be most beneficial.”

Herb Conde-Parlato, economic development manager at City of Hollywood, says the city has been conducting studies to help identify areas of need. The city is now working to attract outside investment by promoting relevant attributes of Hollywood, including its downtown area and the Broadwalk, a paved, 40-foot-wide beachfront walking trail spanning 2.5 miles.

“The city and CRA have dedicated advertising dollars to promoting Hollywood as a destination ideally located within South Florida with a ‘business-friendly’ attitude,” says Conde-Parlato. “The city and CRA are poised to assist retailers that are interested in locating within Hollywood and are ready to find success.” ■