

Florida Shines Through

The state's retail growth corridors answer national wave of store closures with absorption, new developments.

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Metro areas around the state of Florida are flexing their retail muscles with several high-profile projects that are popular landing spots for national and regional retailers and restaurants. Whether its Miami Worldcenter, Water Street Tampa, Butler Town Center or ONE DAYTONA, retailers and restaurants are flocking to these locations in droves because they're attracted to the state's employment growth, tourism and population growth, the latter of which is up by 9.6 percent from 2010 to 2016, according to the U.S. Census Bureau.

"We're seeing net migration up across the board in Florida's top metros," says Brian Finnegan, executive vice president of leasing for Brixmor, a shopping center landlord with 55 properties in its Florida portfolio. "We saw a tremendous hit during the downturn, but now that's up in all sectors — housing, tourism, employment. That's been a huge plus for retail leasing, and we've seen it in our results. Our small shop occupancy in the state of Florida is up 350 basis points over the past two years, which is significantly outpacing the company average."

It's been an interesting summer for national retail real estate markets as landlords have had to adjust to the wave of store closures announced during the first quarter. For the most part, Florida's retail industry specialists say that tight market conditions and favorable demographics have increased demand for the retail space that is becoming available.

"Florida is handling the wave of store closures relatively well. There's still a significant amount of demand for retail space," says Finnegan. "These vacant boxes are getting filled with better uses for the shopping centers. We had a Kmart deal in Naples that we replaced with Burlington, Party City and a Saks OFF Fifth. We look at what the community needs and we try



Master developer Miami Worldcenter Associates, led by Art Falcone and Nitin Motwani, will deliver Miami Worldcenter in phases over the coming years. The \$2 billion Miami Worldcenter development is now under construction and will feature residential, retail, office and hospitality components.

to address that in our redevelopment efforts. When you do it right, it's a win-win for everyone."

Savvy retailers and restaurants are leading the charge in backfilling those stores and executing leases in new centers to take advantage of what the state has to offer, while also being mindful of the snares that can come with market saturation.

"Great retailers are taking action because they recognize the landscape is changing," says Whitney Knoll, senior managing director of Crossman & Co., a retail leasing, brokerage and property management firm based in Orlando. "Publix is constantly thinking about what to do next, even though it's the king down here."

DEVELOPMENT DRIVES SOUTH FLORIDA

The retail sector is thriving in South Florida — developments are breaking ground, vacancy rates are low and rental rates are rising. From 2010 to 2015, retail sales grew by 34 percent in Miami-Dade County and are projected to grow by an additional 23 percent by the end of 2020, according to CBRE's 2017 Southeast U.S. Real Estate Market Outlook.

The Miami market boasts one of the lowest availability rates in the country for retail space, according to CBRE, as well as one of the fastest rates of rent growth during the past five years. Retail property sales have slowed recently due to limited supply, and developers are filling the void with nearly 2.3 million square feet of retail properties currently under construction

(and millions more in planning stages) around the Miami metro.

Several large-scale mixed-use developments are underway in Miami, including Swire Properties, Whitman Family Development and Simon Property Group's \$1.05 billion Brickell City Centre and the \$2 billion Miami Worldcenter by Miami Worldcenter Associates.

The first group of over 100 retailers and eateries opened last November at Brickell City Centre in the project's 500,000-square-foot, open-air shopping center component. At completion, the development will include two condominium towers, two Class A office buildings and a hotel connected by Climate Ribbon, a \$30 million elevated trellis of steel, glass and fabric that is designed to harness Miami's bay breezes while deflecting direct sunlight.

Tenants at Brickell include a flagship Saks Fifth Avenue, Victoria's Secret, Suit Supply, lululemon athletica, Cinemex, Coach, LIVE! and Porsche Design. A three-story Italian food hall that will feature a market, wine shop, gelato, cheese bar and restaurant is also set to open this year at the center.

Construction is underway on Miami Worldcenter, led by developers

Art Falcone and Nitin Motwani. At completion, the project will deliver 450,000 square feet of retail, a 500,000-square-foot convention space, 600,000 square feet of Class A office space, a 1,700-room Marriott Marquis and 4.5 acres of open space. Both billion-dollar projects are set to deliver over the course of the coming years, and are transforming the retail landscape in Miami.

Roughly 20 miles outside Miami in Dania Beach, Kimco Realty is developing Dania Pointe, a 102-acre mixed-use project. The development is set to include almost 1 million square feet of retail and restaurants, Class A office space, hotels, luxury apartments and public event space.

Regency also has multiple developments and redevelopments underway around the Miami metro.

"Our redevelopment pipeline in South Florida is very strong and should keep us busy for a while," says Tom Meredith, vice president, market officer at Regency Centers Corp. "We're currently redeveloping Aventura Shopping Center, which is anchored by Publix roughly 15 miles outside Miami, and Countryside Plaza in Cooper City, roughly 23 miles outside Miami. We're also redeveloping Pine Crest Plaza and adding a Whole

Foods Market, as well as Point Royal shopping center in Cutler Bay."

Redevelopment efforts are also underway at Bal Harbour Shops in Bal Harbour, about 12 miles north of Miami. Whitman Family Development recently gained final approval for a \$400 million enhancement plan at the upscale 450,000-square-foot, open-air shopping center. The redevelopment will add 340,387 square feet of retail space, nearly doubling the center's footprint.

The upgraded center is set to feature the first Barneys New York flagship store in the Southeast, upgrades to longtime anchor tenant Neiman Marcus and new dining options, including Freds at Barneys. The plan also calls for a new plaza at the shopping center's main entrance.

Despite all of this new development, retail space is still very slim for tenants seeking to expand in South Florida.

"The climate for retailers in South Florida today is pretty challenged, simply because there's not a lot of space," says Sabrina Stimming, senior vice president and director of retail leasing at CREC. "Vacancy rates in the market today are just under 4 percent — around 3.7 percent. Landlords that have space available are definitely in the driver's seat right now."

Several markets across the metro are considered prime targets for expanding retailers.

"Wynwood is hot right now, mostly for restaurants," says Stimming. "The most in demand markets are Brickell, Aventura and Doral. Solid, core markets with a history of retail performance like Kendall

and Boca Raton are also seeing interest from retailers.”

Service tenants continue to expand at the highest levels around South Florida. “Boutique fitness and specialty medical tenants continue to expand throughout the market,” says Meredith. “The pizza craze is out of control and healthy eats concepts and breakfast chains like First Watch continue to expand. Even the wireless chains are back.”

The outlook for the foreseeable future is positive around the Miami metro.

“The market in South Florida is very strong, but deals are taking longer to get done,” says Meredith. “Demand for small shop space remains very strong here in South Florida. We are finding even the local mom-and-pops are becoming much more deal savvy, which is adding time to lease negotiations.”

“I’m positive about the market in South Florida,” adds Stimming. “We’re reading a lot lately about doom and gloom in retail, but we seem to be bucking the trend down here in South Florida due to strong fundamentals like population density, tourism, immigration, lack of land for development and just generally limited supply. Despite what we’re hearing nationally, retail is alive and prospering down here.”