Age of Enlightenment

Millennials seize the reins of the skin-care business from Boomers as attention shifts away from antiaging products.
Real estate is percolating in the region thanks to heady development in Miami, but the market still faces challenges. By REBECCA KLEINMAN

Miami is riding an unprecedented roller coaster. The city rebounded from the recession only to be hit by economic downturns in Brazil and Russia, major sources of tourism and second-home owners for the region. Rising sea levels threaten to engulf it within the next century — if not sooner — but that didn't stop a hedge-fund manager from buying two units at Faena House in Miami Beach for a record $60 million. The Panama Papers' leaked shell companies and offshore bank accounts have led to cash purchases of condominiums in gleaming new residential towers, which seem to multiply here like cells in a Petri dish. Retail is also on fire in "Mall-ami," while commercial property sales are breaking records.

"The market clearly reflects consumer demand for high-quality retail experiences," said Michael Comras, president of a namesake commercial real estate firm in Miami Beach. Comras' entire block on the north side of Lincoln Road, 78,000 square feet in total that he owned with Jonathan Fryd of Fryd Properties, sold for $370 million last year. "It was the largest retail transaction and the second-largest of any real estate deal in Miami-Dade County history," he boasted.

Talk to any developer or leasing broker and it's the same story about how the city was underserved for too long. Drew Schaul, executive vice president of RKF, a New York-based retail real estate firm, said there were 11 square feet of retail per capita when he moved to the city in 2005, compared with a national average of 22 square feet. When LVMH Moët Hennessy Louis Vuitton yanked its store portfolio from Bal Harbour Shops about four years ago and moved it to Aventura Mall and the Miami Design District, it set a trend for brands to consider emerging neighborhoods and evolving centers.

Northern states have watched populations trickle down to Florida for a while, but the city's retail offerings really began booming at the turn of the Millennium, helped by the arrival of Art Basel Miami Beach and the construction of luxury residential high rises and hotels designed by star architects. Their collective impact lured high-net-worth individuals, and brands streamed in soon after.

"Miami was just a place for fun in the sun before Art Basel gave it global substance," said Craig Robins, chief executive officer and president of Dacra, the Miami-based real estate development firm with a large stake in the Miami Design District. "It's much younger, too. There were four hospitals in Miami Beach when I grew up and now there's one. It's gone from 80-year-olds to 35-year-olds."

According to the City of Miami Beach Tourism Culture and Economic Development, the city's median age fell from 65 in 1980 to 40 in 2014. In 1980, 49,000 people of a total population of 96,000 were over 65. In 2014, seniors made up 15,000 of 91,000.

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Eight retail-oriented developments that are mirroring Miami’s transitioning demographics.

For years, Brickell has been a dusty construction site of cranes and cacophony. Miamians have watched as nine acres of their financial district were transformed into Brickell City Centre, a $1.05 billion, 5.4 million-square-foot, mixed-use-city-within-a-city connected by pedestrian bridges. Its 500,000 square feet of retail accommodates one of the nation’s most densely populated yet underserved neighborhoods.

“It wasn’t that long ago that Brickell got a grocery store,” said Matthew Whitman Lazenby, president and chief executive officer of Whitman Family Development, which partnered on the project with Simon Property Group and Swire Properties Inc., a Miami-based subsidiary of Swire Properties Ltd. in Hong Kong. The project’s maximum of 130 tenants comprises a destination center, where a small group including Valentino, Chopard and Intermix crosses over with the Whitmans’ Bal Harbour Shops. “But we didn’t set out to create a ‘Bal Harbour Shops south,’” since residents would still have to drive for errands.”

Debora Overholt, Swire’s vice president of retail, said its eclectic mix reaches the entire region. Along with Saks Fifth Avenue, which occupies 107,000 square feet, the center offers American forays for about 30 retailers like Acqua di Parma, BBDA and APM Monaco.

“Seventy percent of retail sales here are to tourists who can shop anywhere in the world,” she said, citing 222,000 daytime office workers and 4,000 pending hotel rooms as other factors noted by retailers.

Brickell City Centre increases both groups with the first U.S. property for East, a hospitality brand owned by Swire, and lead office tenants such as Akerman LLP, a big local law firm. With the area’s already notorious gridlock in mind, a bi-level, subterranean parking garage efficiently accommodates vehicles; lights designate unoccupied spaces, and shoppers don’t have to return to the same valet stand to retrieve their cars. Maximum flow extends to pedestrians through 19 elevators and 16 escalators on the east side alone, as well as a stop for the Metromover, a public transportation system that loops downtown and links to Metrorail.

“These are the same strategies we use in China,” said Overholt. “They’re quite an investment.”

The LEED-registered design’s Climate Ribbon, which captures rain water and bay breezes while protecting visitors from the elements, also reinvents the traditional, open-air mall. The 150,000-square-foot system cost $30 million. “We consider it part of our public art works,” she said.

$1,407 by February 2017, while the average rent in Miami will be $1,839, a 3.3 percent forecasted increase from February 2016. It also ranks Miami metro third in percentage of income going toward rent, after Los Angeles and San Francisco. New York is fourth, according to Zillow data from the fourth quarter of 2015.

Younger generations, struggling with high rent, are influencing the city’s transition — from a car culture to taking public transportation, walking and biking. As population and traffic increases, distinct neighborhoods — Coconut Grove, Wynwood, the Art Deco District — are tightening into all-inclusive, hyperlocal hubs in which to live, work and play. Some are already fully served, while others fill in missing components, like retail in downtown and Brickell, or residential and hospitality in Wynwood. Big-box chains are creating controversy as they creep into former bohemian districts to service residential growth. Michaels and Marshalls plan to open in South Beach, and Wal-Mart’s forthcoming store in Midtown Miami borders Wynwood.

“Developers and consumers are placing their bets on the full lifestyle package. People don’t want to spend their entire lives in the car,” said Rafael Romero, an associate vice president for retail at CREC real estate firm in Coral Gables. “They’re also staying single longer and having kids later, so they can live in urban areas with disposable income to blow.”

The hottest markets — from Brickell to Sunset Harbour — target young professionals by hitting the fashion, fitness and food trifecta. Chef-driven restaurants, which got a late start in Miami and now open on a weekly basis, have paved the way for gentrification and the rampant rise of street retail as opposed to the city’s historic preference for air-conditioned and covered, open-air malls.

“My vision is that people will come in, get a cup of coffee, stop and sit down in the middle of the mall, hang out, engage with other people,” said Charles Kamin, president and chief executive officer of Swire Properties Inc., Swire’s U.S. subsidiary.

With strong ties to Latin America, Miami retail is adjusting to different circumstances than the rest of the U.S. Malls report tourism and second-home owners drive 70 percent of sales in the area and people, no matter where they’re from, splurge on vacation.

The Greater Miami Convention & Visitors Bureau reported record-breaking travel and tourism numbers last year with a 5.4 percent increase in overnight visitors to Miami and the Beaches during the 12 months from September 2014 to August 2015 — 15.1 million overnight visitors, up from 14.2 million for the same period the previous year. This boosted the economic impact to $25.1 billion from $23.5 billion, a 7 percent increase.

Retailers aren’t as affected by online shopping either; whether because of cultural preferences or lack of Internet access, international tourists and part-time residents prefer brick-and-mortar stores. A typical scenario is a family of four from Quito, Ecuador, flying in to buy back-to-school wardrobes. Having seen its middle class shrink long before the rest of America, Miami’s economy mirrors those of Southern Hemisphere nations more closely than it does neighboring states.

“Miami functions more like a third-world society with extreme wealth versus poverty,” said Schaul, “so you’re seeing an abundance of new luxury and discount or fast-fashion retail.”

Here is a snapshot of some local projects and neighborhood developments.
Impervious to mainland gentrification, South Beach’s only real threat is rising sea levels. The city of Miami Beach has spent millions of dollars installing water pumps and elevating roads to alleviate “sunny day” flooding. Scott Robbins, chief executive officer of his namesake real estate development firm in Miami Beach, concentrates on one of the most prone areas, Sunset Harbour. The bayfront enclave of industrial warehouses has become a haven for independent eateries and boutiques like Eberjey, a Miami-based swimwear and lingerie brand, and Gee Beauty, which will relocate from Bal Harbour Shops during the summer.

“It’s closer to the restaurant-heavy than I’d like, but retail’s gotten tricky with the shift to online shopping,” said Robbins, of the 75 versus 25 percent ratio. “Rents have increased from $40 to $60 a few years ago to $60 to $85 per square foot.”

It’s a bargain compared to Collins Avenue – where rent hovers around $100 a foot, and H&M is launching its second store in South Beach – and Lincoln Road, which insiders quote can run as high as $450, though $200 is more often the case. Several brands have left Lincoln Road for the area north to 17th Street known as NoLi, where rents drop to between $50 and $150 a square foot. Suit-supply took the penthouse of Robbins’ three-story, 7,000-square-foot property at Michigan Avenue and 17th Street. Terranova Corp., a commercial real estate firm in Miami Beach, is developing a 44,504-square-foot structure for Marshalls and Lincoln Eatery, a food hall, on Meridian Avenue next to Macy’s. It’s also building Anthropologie’s 27,077-square-foot property with a rooftop restaurant. A former bowling alley in NoLi is being revamped to house Williams-Sonoma and Pottery Barn. All three are moving off Lincoln Road.

“The city had great foresight in pushing property owners to bring in dumpsters and widen Meridian Avenue’s sidewalk for cafe seating,” said Terranova chairman and founder Stephen Bittel.

The Herzog & de Meuron-designed IIII Lincoln Road Building’s NoLi expansion by the same architects opens next year. Alchemist’s lifestyle concept relocates from Lincoln Road to the 10,000-square-foot IIII Addition alongside Jo Malone, La Colombe and Chotto Matte, a Nikkei restaurant from London. Stores on Lincoln Road’s north side, such as Nike’s pending flagship, are activating their back entrances.

“Nike’s traffic will greatly increase our visibility,” said Alchemist cofounder Roma Cohen.

More vacant lots in NoLi are slated for development closer to the completion of the $615 million Miami Beach Convention Center in late 2017. Its 1.4 million-square-foot, ocean-themed design updates the circa 1957 original with LEED certification, natural light and a 60,000-square-foot ballroom. A 5.8-acre park replaces the adjacent surface lot. Lincoln Road’s Mod design by Morris Lapidus is undergoing a makeover, too. James Corner Field Operations’ $32 million approved master plan reduces congestion and modernizes amenities from a fashion runway to digital directories.
Doral

Unless they’re golfers, most tourists don’t get to Doral. The young city between Miami International Airport and the Florida Everglades serves as an economic powerhouse with corporations like Carnival, Perry Ellis and The Miami Herald, which relocated here when its bayside home was sold and razed. Developers are playing catch-up with rampant growth as 150,000 daytime employees look to live near work, and families seek its top-rated schools.

“It used to be more people worked than lived here, but they’re approaching the same numbers,” said Steve Patterson, president and ceo for Related Development, The Related Group’s mixed-use and rental division that teamed with Shoma Homes for City Place Doral. “It’s an open-air, lifestyle and entertainment destination that people live on top of and around to eliminate car culture. We’re also helping the city enhance its trolley service.”

The multiphase master plan has already sold the majority of its single-family homes and rented 396 apartments. Small and split-floor plans cater to Millennials. Slated for fall, 250,000 square feet of retail includes Fresh Market and Boutique Boulevard devoted to around 15 independent stores and regional chains for men’s and women’s fashion, accessories and gifts, as well as services from fitness to juice and blow-dry bars.

“We strived to place tenants that people use on a daily and weekly basis and that appeal to both the local demographics – there’s a huge population of Venezuelans – and guests at Trump National Doral hotel and golf club across the street,” said Patterson, who allocated more space to dining, cinemas and bowling. “New retail development is more limited as people shop online for convenience, but these other activities are better experienced in person.”

Miami Design District

No other neighborhood has reconfigured the luxury retail landscape like the Miami Design District. Being a brand-new destination has its challenges, not only as a sluggish, multiphase work in progress, but in waiting for shoppers’ patterns to change.

“The amount of foot traffic is pretty significant considering it’s a large construction site,” said Craig Robins, chief executive officer and president of Dacra, a Miami-based real estate development firm that owns 70 percent of the area’s properties with partner I Real Estate. “It’s an organic process where people discover new stores, restaurants and culture every visit. Dior’s arrival made a huge difference in it coming together.”

Thirty percent of the partnership’s 120 tenants have opened, with 90 percent of the remainder slated through late 2017. The completed project comprises only one-third of the 3 million square feet for which the partnership has secured the rights to build, according to Robins, who compares its critical mass to Madison Avenue and Rodeo Drive. The lifestyle-driven master plan involves a 120-room boutique hotel and fine dining such as L’Atelier de Joel Robuchon.

Following designer fashion, the next phase folds in contemporary brands situated along Northeast First Avenue and Northeast 39th, Northeast 40th and Northeast 41st Streets from Northeast First Avenue to North Miami Avenue. Pending additions include Diane von Furstenberg, Tory Burch and Rag & Bone, as well as the first Florida stores for Isabel Marant, Zilli and Alice + Olivia. Sevan Biçakçi’s U.S. premiere and Creed’s initial location outside New York are confirmed. Loro Piana, Tod’s, Saint Laurent and Van Cleef & Arpels are also scheduled to launch within two years. Robins said he competitively prices rent to $150 a square foot, half of Lincoln Road’s rate.

“It’s always been our strategy to give cheaper rates so brands have the opportunity to create flagships and express themselves,” he said, mostly writing 10-year leases to justify costly build-outs. “Even though this was a tough year for Miami’s luxury market regarding a decline in Russian and Brazilian buying power, our tenants’ sales were up between 20 and 60 percent as of mid-March from 2015.”
Since Goldman Properties began buying dilapidated warehouses in Wynwood in 2004, rents per square foot have skyrocketed—from $3 to $6 a foot, to between $90 and $100—a drop in Northwest Second Avenue and $60 to $80 on side streets, according to chief executive officer Jessica Goldman Srebnick. She is the daughter of the late Tony Goldman, a developer who in 2009 started commissioning graffiti artists to transform nondescript buildings into a street art mecca, attracting Millennial-minded retailers like Warby Parker, Illesteva and Shinola.

“People have tried to imitate us, but we still have our own special sauce,” said Goldman Srebnick, of the busloads of international tourists whose social media imagery captures the neighborhood’s energy in real time. “Stores’ sales per square foot range from $450 to $1,000, and restaurants are $680 to $2,250. New York developers are coming in now.”

Within two years, her firm plans to introduce 66,000 square feet of retail interspersed among its new, block-long headquarters; an eight-story, 434-car garage, and an all-retail project called Wynwood Steps. East End, a real estate investment firm in New York and Miami, is developing Wynwood Arcade whose dozen tenants, including a Bonobos Guideshop, will open with 24,000 square feet by summer. Rent starts at $50 per square foot.

“Since the area has little shade, and we’re located between two long blocks, we planted trees in the atrium and created cut-through paths to encourage foot traffic,” said Mark Schrieber, vice president for East End Capital, which tapped New York-based DFA architecture firm. “We’re moving beyond adaptive reuse to elevate Wynwood’s design quality.”

Tony Cho, president and CEO of local real estate firm Metro 1, is also doing his part to elevate Wynwood. Aside from offering affordable, micro retail at Wynwood Gateway Complex, he’s turning a 15,000-square-foot double lot into a multiuse green space. Coupled with wonoerf streets, the sanctuary will bring a touch of calm to an area that often resembles SoHo on weekends.

“We had 85,000 parking transactions in March, so imagine when all the hotels and condos are built,” he said, regarding the next wave of development.
Up Markets, the high-end retail division for WS Development, plans to restore Palm Beach’s long neglected Royal Poinciana Plaza to its midcentury modern heyday when Gucci, FAO Schwartz and Schrafft’s held court, literally, around two open green spaces. Dating from 1957, architect John Volk’s still-innovative layout hides abundant parking (a scarcity on the island) behind exteriors for convenience meets European charm. There’s even talk of replanting the courtyard’s historic orange trees, and the on-site playhouse will reopen as a cultural center.

“You need not be overly familiar with Palm Beach to recognize the marked disparity between the beautifully manicured areas and this abandoned corner,” said Up Markets head Samantha David, of the prime location aside the Flagler Memorial Bridge en route to the Breakers. “It’s poised to become ‘the meeting place.’”

Some of the 180,000-square-foot mixed-use property’s existing tenants, such as the seasonally packed Palm Beach Grill, will remain. Retail occupies the ground floor and part of the second along with offices. Sant Ambroeus, whose first location outside New York opens in October, is among new tenants, most of whom will make their island debut over the next two years.

“When you say Palm Beach to retailers, their eyes light up. Everyone wants their brand in front of this customer if they can find the right spot,” said David, who’s selecting tenants for the center based on quality versus price point. “The biggest challenge is picking the perfect mix for the people who have traveled the world and seen and purchased everything. It must be like nothing ever done before, but at the same time inviting and friendly.”

Palm Beach retail hasn’t caught up with younger demographics regarding tourism and part- and full-time residents who don’t want to shop in their mothers’ or grandmothers’ stores, according to David; they prefer skinny jeans with an ATM T-shirt over cocktail dresses and tweed suits. Coupled with regular events – whether yoga or family movie screenings – lifestyle concepts, from bookstores to surf and bike shops, create community and eventually hook shoppers to buy that $800 pair of shoes.

“Retailers can no longer afford to be passive. There’s no such thing as putting out lovely merchandise and waiting for the customer to come. Customers care about where they want to spend their days – [where it’s] going to be fun and interesting.”
Royal Poinciana Plaza

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Florida Stats and Facts
All about the Sunshine State.
Compiled by DEBRA BORCHARDT

370,000: Hotel rooms in Florida.

Florida is the largest producer of citrus fruits in the U.S.

111: Episodes of “Miami Vice.”

Golf courses in the state, the most in the U.S.

7,700 Lakes in the state.

1,000 People moving to Florida every day.

$450 million: The largest sunken treasure recovered off the coast of Florida, from the ship Nuestra Señora de Atocha.

1,250 Miles of Florida beaches.

1,043 Weight of the largest alligator captured in Florida.

105 million: Visitors to Florida in 2015.

3,028 People who participated in a mass duck-call in Estero, Fla.

13,000: Employees at the Kennedy Space Center.

25% of all the Rolls Royce cars bought in America are in Florida.

1,500 Annual boat sales in Florida, making it the number-one boating state.

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