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SHOPPING CENTER BUSINESS

The Urbanization of Retail in Miami-Dade County

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Creative thinking has allowed the market to accommodate urban retail, and locate stores in markets that seem impossible.

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From the moment Kendall Drive, originally dubbed "The Road to Nowhere," was expanded to six lanes in the 1960s, developers heeded the call from Horace Greeley to "Go west, young man, go west". In droves they came, homebuilders, shopping center developers and industrial park owners alike in a race to see who could reach the Everglades first. It was the real estate version of the movie It's a "Mad, Mad, Mad, Mad World."

Seeing where this was headed, the Dade County Commission, in an act of rare vision, enacted the Urban Boundary Line in 1975, a sort of Maginot Line, if you will, that could not be penetrated by anything more than one house per acre.

For years, planned communities with zero lot line homes and shopping centers at the corners replaced farmland. With infrastructure unable to keep pace with growth, in 1985, the Florida state legislature enacted the Growth Management Act in an effort to slow development. Although an imperfect piece of legislation, it did give pause to frenetic pace of growth out West. Developers were then forced to turn around 180 degrees to see what they created and started to look for opportunities in the gaps, creating what is known today as "in-fill development".
The combination of a high crime rate and cocaine wars in the early 1980s caused many big box retailers to skip Miami and seek opportunities in Broward and Palm Beach Counties. When the dust settled from the real estate crash in the late '80s ,it was clear that Broward and Palm Beach were over built but Miami-Dade County had one of the lowest ratios of square feet of retail to population in the country.

Combined with an improving image and strong demographics, retailers turned their sites on Miami. Also around this time Walgreens pioneered their free standing/drive-through concept and wanted stores on corners roughly 2 miles apart. Eckerd (now CVS) soon followed suit. On top of demand from general retailers, there was a newer, safer drug war going on. The only problem was, where were they all going to find locations?

The best combinations of population and income in Miami-Dade County are found along the South Dixie Highway (U.S. 1) corridor from Coconut Grove south to Pinecrest, a stretch of about 9 miles and in Aventura. These are where the retailers who do not have a presence yet in Miami desire to locate first. However, if you look closely at the street grid, you will see that Metrorail, Miami's rapid transit system, runs along the entire west side of U.S. 1, leaving virtually no viable retail land in its wake. Also, S. Dixie Hwy runs at a diagonal, bisecting a rectangular street grid leaving very few larger tracts of land suitable for big box development. In Aventura, there is only one place to be, on the east side of Biscayne Boulevard (U.S. 1) for a few miles in either direction of Aventura Mall. The west side is blocked by railroad tracks.

For years, retailer's instructions were clear; build me a box with as much asphalt as possible, big signs and as little landscaping as code will allow. Make it as convenient as possible for people arriving in cars (i.e. everyone) to park as close to the front door as possible. Demand for the limited supply of land described above drove up land values to the point where even if you could fit a large box on the property, you may not be able to make the numbers work. It was clear the only way to grow was to increase density. How? And who would go first? Outside of regional malls, there were almost no examples of shopping centers where the parking required by code was not at grade so there was no blueprint for how to feed the demand.

In 1991, Gadinsky built Kendall 1 Plaza at U.S. 1 and Kendall Drive with parking on top of the Ross Dress for Less store. This enabled us to make the site more dense. The problem was that people were not used to nor comfortable with parking on a roof and subsequently they parked at street level and we had a constant parking problem. At least the retailers did well in spite of this but clearly this wouldn't work everywhere. Other centers that built rooftop parking experienced similar results.

Then in 1996, Dadeland Station, the brainchild of Jeff Berkowitz, revolutionized vertical development and forever changed how both retailers and patrons view shopping. He stacked 350,000 square feet of big box retail on three floors with a corresponding parking deck adjacent to it, so that one could park and walk directly into their store of choice. Nothing like this had ever been built — the skepticism that greeted the project seems silly looking back, because it was a huge success from day one. Not all projects would have the amount of land they had but once it was proven to work, retailers and developers alike were open to creative vertical solutions

Publix soon followed in 1998 with a revolutionary design of its own on South Beach. The grocery store chain built 100,000 square feet, including parking, with the store on the ground level and two parking floors above. The store solved vertical transportation of groceries with conveyors that move shopping carts vertically to the parking levels.
In 2006, Midtown Miami opened up. This 763,000-square-foot vertical shopping center has a Target, PetSmart, Ross Dress for Less and Sports Authority on the exterior with parking in its core making it convenient to all the stores on the perimeter.

In 2009, Berkowitz followed up his success at Dadeland Station with the 180,000-square-foot Fifth & Alton project with Publix, Best Buy, Ross Dress for Less, TJ Maxx, Petco and Staples.

We recently completed two Walgreens stores on Miami Beach with way out-of-the-norm exterior designs and rooftop parking.
Many more projects are in planning stages. In Miami, the idea of vertical development and rooftop parking is no longer a barrier to entry. Only economics, zoning and logistics stand in the way.

South American Influence

South Florida is seeing an influx of money from South America, and it comes primarily in two forms: people looking for investment property and those looking for an ongoing concern. In most cases, this is driven by a desire to achieve residency status by investing within American guidelines to do so. Charlie Manuel, a senior associate with the private capital group at CBRE, has recently had two experiences that bear this out. In one case, a client from Venezuela was looking to purchase franchisee rights for a restaurant chain and was aggressively pursuing lease deals to expedite the process. In another instance, a client offered above asking price for a commercial property to ensure his ability to acquire it

Lori Schneider, senior vice president of investments and senior director, National Retail Group with Marcus & Millichap comments, "South American buyers consistently target South Florida for a variety of reasons. The U.S. offers a long-term stable, safe haven for their investment, and it also has a connection to home. There is a strong familiarity and proximity — many South Floridians speak their language, both the general population as well as vendors such as brokers and attorneys. For the most part. they are frequent visitors or own second homes in South Florida, or have relatives who live here. The high density and vibrancy is an environment that is similar to their native countries."

— Seth Gadinsky is principal and founder of Gadinsky Real Estate, based in Miami Beach