

Miami Beach: Home to hard bodies, all-night parties, and one of the nation's hottest development scenes

Written and photographed by Rick Hill, January, 2015



Foreground: An exact replication of the Fly's Eye Dome, created by R. Buckminster Fuller, is the centerpiece of the Design District's Palm Court. Background: Architect Sou Fujimoto's façade of blue-colored glass fins connected and reinforced by minimally expressed steel elements within a structural frame system expresses the natural waters surrounding Miami.

Miami, the third largest luxury market in the United States, was once one hundred percent controlled by the Whitman family, owners of the Bal Harbour Shops. For years, the 500,000 square-foot Bal Harbour Shops, located north of Miami Beach on Highway A1A near 5-star hotels and high-rise luxury condos, restricted its luxury retailers from opening second stores in the market. The restriction was justified by the development's position as the highest producing mall in the United States, with sales reportedly topping \$2,900+ per square foot. In recent years, however, the world's leading brands have begun an exodus to other locations, especially to the new Miami Design District development.

Further south, Lincoln Road Mall in Miami Beach, located approximately 7 miles south of Bal Harbour, is packed with tourists attracted to its historic outdoor promenade, cafes and shops. Considered by many to be one of the great retail streets of the world, Lincoln Road is also experiencing a shift: National and international chains have begun to replace the unique and one-of-a-kind shops and cultural venues that made the street famous.

Across the causeway from Lincoln Road, the Miami Design District attempts its transformation into a luxury-shopping destination with a bevy of luxury brands that recently defected from Bal Harbour. A host of other upscale and luxury malls nearby all jockey for positions in what appears to be a ceaseless side game of musical chairs.

Lincoln Road



In South Beach, Lincoln Road Mall, the nation's first pedestrian-only shopping street, blends art galleries, theaters, cafes, and shopping in an 11-block district in the heart of South Beach. The mall, once home to the Miami City Ballet's rehearsal studio and the Miami World Symphony, now attracts national chains at the expense of local culture and shops.

Lincoln Road runs on an east-west parallel between 16th and 17th Streets. Beginning at a point near the Atlantic Ocean, the Ritz Carlton South Beach and Collins Avenue, the road extends to the western side of Miami Beach and terminates near Biscayne Bay.

Historically, Lincoln Road was Miami Beach's primary retail street, and from 1929 to 1980 it included a Saks Fifth Avenue.

In the 1950s, the vision for Lincoln Road began to evolve. Miami Beach architect Morris Lapidus, architect of Miami Beach's Fountainebleau and the Eden Roc hotels, redesigned Lincoln Road by closing the road between Washington Avenue and Alton Road and adding reflecting ponds, sculpture and novel seating areas. The resulting promenade created the nation's first pedestrian mall.

The pedestrian mall initially thrived, but over the years it fell into disrepair and disuse. In the spring of 1984, ArtCenter, an organization dedicated to finding workspace for artists, opened in 21 formerly vacant Lincoln Road storefronts. The tenants spurred a renaissance for the distressed road.

Over the years, retail on Lincoln Road has flourished, retreated, and resurged. Because of my own expertise in outdoor pedestrian developments, I've followed the ebbs and flows of Lincoln Road for almost 25 years. When I first visited Lincoln Road in the early



H&M opened a 24,000 square-foot store at 541 Lincoln Road in the former Lincoln Theater, home of the Miami World Symphony in 2012.

1990, before the national chains arrived, the Miami City Ballet operated a studio in a storefront, and so too did the World Symphony. Lincoln Road also housed the Colony Theater and numerous art galleries. Today, the street is still home to the Colony Theatre, a performing arts venue, and the Art Center of South Florida, a collection of artist studios and gallery spaces, its major attractions are now a Regal 18-plex cinema, a stunning parking garage, an H&M (located in the former New World Symphony hall), a Forever 21 (located in the former Saks Fifth Avenue), and plentiful sidewalk cafes.

Bal Harbour



Bal Harbour Shops, developed by Stan Whitman, officially opened in 1965 with 30 upscale retailers. In 1971, Neiman Marcus opened its first specialty department store outside Texas there, and in 1976, Saks Fifth Avenue joined Neiman Marcus, marking the first time the two retail establishments operated together in one location.

In 1977, Gucci opened its first retail location in the shopping center—only its fifth location in the United States. Soon Bulgari, Cartier, Harry Winston, Louis Vuitton and Prada followed.

In the beginning, Whitman prohibited his tenants from opening anywhere in Dade and Broward counties, but later, he reduced his radius restriction to 20 miles. In 1983, with

a high demand for space, Bal Harbour built a second level, bringing its square footage to 450,000. Although a third floor was also built, it is seldom mentioned and remains largely vacant today.

Flood Gates Open



In 2002, my former employer, the Rouse Company, opened the Village of Merrick Park, a \$275 million dollar, 770,000 square-foot development in Coral Gables. Located 19.2 miles south of Bal Harbour, Merrick Park successfully attracted a 135,000 square-foot Neiman Marcus, the first South Florida location outside of Bal Harbour, and the first Nordstrom to enter the Miami market, with a 200,000 square-foot unit. But Rouse, intent on duplicating Bal Harbour's success, filed an antitrust lawsuit against Bal Harbour in an attempt to attract specialty shops locked out by the Bal Harbour radius restriction. In March of 2002 a federal court upheld Bal Harbour's restrictions but let tenants open second locations under terms of an undisclosed settlement. Word on the street is that Rouse compensated Bal Harbour \$750,000 for a waiver of the restrictions for Burberry, Tiffany and Gucci. Then—as stated by someone close to the situation—“things became a little more complicated.”

It has been rumored that when Tiffany's lease was up for renewal, it was banished to Bal Harbour's less productive second level for its apparent lack of loyalty to the family. Likewise, Louis Vuitton, which opened a boutique in Merrick Park's Neiman Marcus, may also have been threatened with a second-floor relocation when its 4,600 square-foot lease in Bal Harbour expired. Talk on the street is that LVMH, parent company of



Christian Louboutin in the Miami Design District on a recent early Saturday afternoon shopping trip.

Louis Vuitton and perhaps the most powerful luxury brand the world, made it clear that it would not be held hostage in Bal Harbour. The Whitman family may have thought otherwise, as it has long pursued a strategy of maximizing sales and bumping up rents by squeezing tenants down in space to allow higher-paying smaller shops to enter the property.

Miami Design District

Enter the Miami Design District. Historically, the district is part of the Buena Vista neighborhood, located south of Little Haiti and near Liberty City, both notoriously low-income and high-crime areas. The district is bound by US 27 to the south, North 43rd Street to the north, West First Avenue to the west and Biscayne Boulevard to the east. In the early 1990s, the Design District had fallen into a state of decay. But by the early part of the 2000s, art, design stores and furniture showrooms looking for cheap rent began opening up in the area. This is when and where art collector and architect Craig Robins recognized the potential of an art-infused district and began acquiring properties. Eventually he teamed up with a number of disenchanted luxury retailers in a \$1 billion experiment to break Bal Harbour's stranglehold on the Miami luxury goods market.

In 2009 and in the midst of the recession, Christian Louboutin opened in the Design District. In 2011, Louis Vuitton shocked the real estate world when it announced plans to close its Bal Harbour store and relocate along with LVMH brands Sephora, Marc Jacobs, Givenchy and Fendi to the Design District.

In October 2011, Hermès, Cartier and Dior also announced plans to move their stores from Bal Harbour to the Design District. Hermès closed its 4,300 square-foot Bal Harbour boutique after its lease expired in December of 2013 and will open a 13,000 square-foot flagship store with a rooftop garden in 2015. Celine, Marni, Maison Martin Margiela, Valentino and Giorgio Armani have followed as well.

Notes from the Field

In an hour-long tour of the Design District on Saturday, January 24, I passed a total of 12 pedestrians, including several who were clearly not luxury consumers. Valet parking attendants and security guards outnumbered shoppers. Numerous "for lease" signs were visible.

The new flagship stores, many of which were nearing completion and several of which were fully built out, were heroic in size and scale, and the building exteriors were extraordinary. Yet, in spite of all of the dramatics, I wondered: Will heroics alone overcome a marginal district surrounded by low-income neighborhoods? To be fair there are some better neighborhoods nearby – north and east along the water. But, without

beaches, luxury condos, and 5-star hotels, will high-heeled fashion shoppers venture into an art-infused but crime-challenged neighborhood? At the moment, it appears that the task of revitalizing the Design District may be far greater than anticipated for an artist and retailer turned developer and may not warrant the investment risk and expected return. Of course, these doubts may all disappear once 100+ shops open, but the challenge was clearly evident on a day and time when the seeds of a burgeoning district should have indicated more signs of productivity, especially when I stopped back by Bal Harbour.



Across the causeway, Bal Harbour, which has long boasted that it maintains 100% occupancy and a long waiting list, is now operating in a new reality. Apparently, the waiting list has dropped down to about 45 minutes, as a coming-soon sign specifying “an exciting new boutique” appeared on a boarded-up storefront during my recent walk through of the property. Vacancies created by the exodus of the luxury brands are being filled the likes of James Perse, Rag & Bone, and Scoop NYC, retailers not known for their carriage trade clientele.

Bal Harbour claims an increase in sales since the loss of the LVMH units, with media reports of sales reaching \$2,920 per square foot in May 2014. But how was that calculated? The mall clearly did not generate sales of \$2,920 a square foot in May 2014 – no shopping has done that or will do that in the coming decades. Were May's sales annualized? Did the May estimate include sales from the previous 11 months representing a full 12 months of sales?

To fill out its roster of tenants and to compete with the Design District, a 250,000 square-foot expansion anchored by Barneys New York and 40 new shops has been announced for Bal Harbour.

In addition, in January 2013, Bal Harbour Shops announced an equity partnership with Swire Properties to jointly develop the retail component of Brickell City Centre, just south of downtown Miami on Brickell Avenue, the Wall Street of the South. The 565,000 square-foot project, located 4.5 miles south of the Design District is under construction with a 107,000 square-foot Saks Fifth Avenue signed as an anchor.

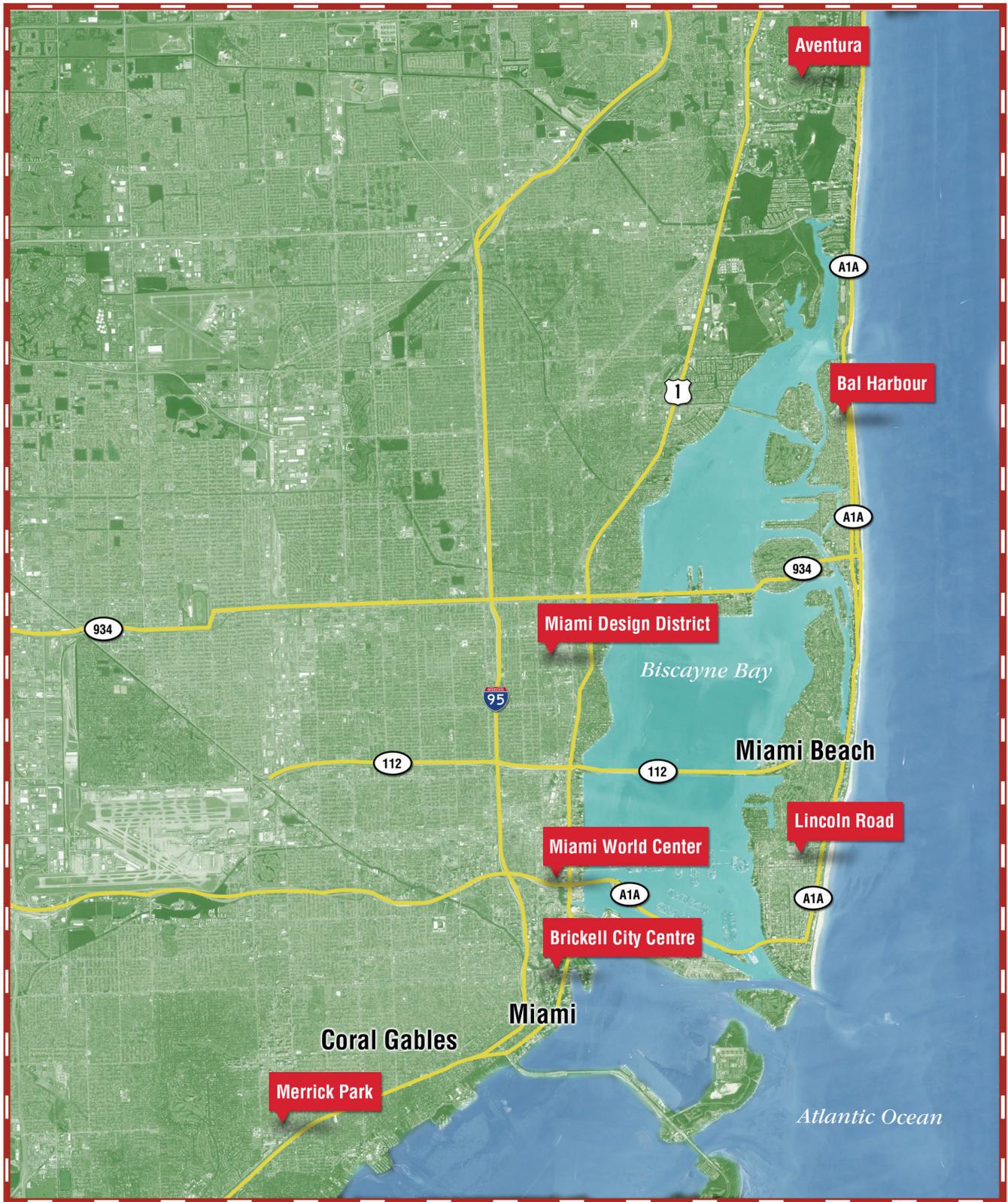
LOOKING BEYOND THE BEACH, DISTRICT, AND HARBOUR

Aventura Mall, located 6.3 miles north of Bal Harbour has added Nordstrom, Louis Vuitton, Cartier and Burberry stores. Jackie Soffer, a member of the family controlling the mall, teamed up with Craig Robins Robbins to provide a two-store solution for departing Bal Harbour tenants. This strategic decision means that at the end of the day, Aventura may be the winner in the chair when the music stops.

3.6 miles south of the Design District, land owner Art Falcone has brought in Forbes and Taubman to develop the 765,000 square-foot Miami World Center, anchored by a 195,000 square-foot Macy's and a 120,000 square-foot Bloomingdales. I produced the initial retail strategic plan for Art Falcone.

Ultimately, the Miami development market is in flux. New developments are gambling big while older developments, like Lincoln Road and Bal Harbour, have become the victims of their own success. Lincoln Road is an especially sad case. At one point it contained one of the best collections of unique stores and art venues in the United States. Today, most have been replaced by mass-market chain stores. Rents have risen from \$6 a square foot in 1985 to close to \$300 today. Rents at that level eliminate almost all creativity.

SUBJECT MALLS – MIAMI, FL





THE REPORTER

Rick Hill is an international real estate planner living in South Florida. He has authored 151 strategic plans for a wide variety of mixed-use developments, urban districts, main streets, resorts, and destinations. His work experience includes strategies for 11 national parks; the 1996 Olympic Games in Atlanta, GA; Coney Island Boardwalk in Brooklyn, NY; Isla Moda on the Persian Gulf, Dubai, UAE; La Paz Ranch in Malibu, CA; and Four Seasons Resort, Punta Mita Mexico on the Pacific Ocean. He is currently working on the Wai Kai Lagoon in Oahu, Hawaii; the Wigwam Resort in Phoenix; and The Quarries in Bardstown, KY.

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