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## BISNOW

# Why Retail Rents Have Tripled In Miami's Glitziest Shopping District

No prime shopping district in the country has seen its star rise faster than Miami's Design District.

Asking rents for Design District retail have risen 200% since 2019, **according to a JLL report**. The run-up is by far the steepest increase of any North American prime retail corridor over that time period — second place was M Street in Washington, D.C.'s Georgetown neighborhood, where asking rents rose 37.1% between 2019 and 2023.



The furniture boutiques that once dominated the 18-block Design District have largely been replaced by luxury retailers like Versace, Christian Louboutin and Bulgari.

Wealthy shoppers strolling along its tree-lined, sculpture-filled streets can see even more high-end brands, including Tiffany & Co., Fendi and Breitling, are building out new locations.

These international icons have pushed rents to an average of \$600 per SF for prime space as they look to capitalize on a massive **influx of wealth** to the region, paving the way for a new wave of development along the district's periphery.

“Especially on luxury retail, to a certain extent, it’s a herd mentality,” said Zach Winkler, managing director at JLL and leader of its South Florida retail operations. “Luxury likes to be surrounded by other luxury brands.”

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Vacancy in the Design District has dropped by more than 400 basis points since 2019, according to data from **Marcus & Millichap**, compared to 130 basis points across the Miami metro area.

“What has really fueled rent growth is that people are trying to get as close to what is the center of the market today,” said **Frank Begrowicz**, managing director at **Cushman & Wakefield** focused on high-street retail. “It’s kind of what the market will bear.”

“There’s just no space,” he said.

Retail asking rents across the entire district are nearly double those in **Downtown Miami** and more than 20% higher than in **Brickell**, Miami’s financial epicenter which is the city’s **most expensive office market**, according to Marcus & Millichap.

Among the notable leases signed in the district this year were fashion curator and stylist Kirna Zabete, who also opened two boutiques in New York; streetwear seller Kith, which also opened a flagship store on Rodeo Drive in **Los Angeles**; and **Ralph Lauren**, according to **JLL**.

The surging rents reflect the rise of the Design District as a preeminent retail destination in Miami following a redevelopment that began more than a decade ago.

**Dacra**, led by Craig Robins, first began buying up properties in the area in the 1990s, and the entrepreneur announced a plan to launch a fashion district in 1998.

But the development took on new life in 2010 when he **partnered with L Catterton**, the private equity arm of **LVMH** and its CEO, Bernard Arnault, and announced the luxury goods firm would bring its brands, including Hermès, Cartier, Prada, Zegna and Valentino, to the district.



Years of construction followed as LVMH built flagship stores, and other luxury retailers followed suit.

It wasn’t until 2019 that the dust settled and the construction equipment was cleared from the streets, Begrowicz said. Just in time for a global pandemic.

Shoppers across the country shifted online, but Florida’s lax public health restrictions drew a wave of migrants with the means to relocate and an appetite for luxury products.

## G N A Z Z O G R O U P

A move toward appointment shopping at high-end stores helped retailers more easily convert foot traffic to sales and helped solidify the Design District as a profitable destination for brands.

“We’ve seen it all, we’ve lived through it all,” said Allison Greenfield, the chief development officer at **Lionheart Capital**, a development firm that is embarking on a plan to redevelop its Design District headquarters into a mixed-use project. “From when **Louis Vuitton** was empty — the whole place was running and there wasn’t a soul — to stanchions, velvet ropes and lines around the block during the pandemic to just get into the store.”

Design District business owners and brokers who lease space in the area credited its success to the vision of Robins, who also founded Design Miami, which hosts art fairs in Miami, Basel, Switzerland and Shanghai alongside an online marketplace for contemporary art.

Robins' representatives didn't respond to *Bisnow's* requests for comment.

Omer Horev, co-founder of the all-day café brand Pura Vida, said the company’s Design District location opened in August 2019 after Robins approached him to backfill a vacant coffee shop. He was hesitant to move ahead with the store because foot traffic levels were low at the time, he said, but was won over by Robins’ plan for the area.

“We were quite impressed by their vision and what they had in mind for the Design District,” Horev said. “It’s not just the aesthetics, the flow, the landscaping and the curation of tenants, but just how they operated. It was apparent to me that Pura Vida would be a perfect fit.”

Horev said Robins’ had a focus on creating a destination that brought art, health, wellness and lifestyle considerations into the portfolio that he hadn’t seen from other landlords.

The Design District location for Pura Vida, which Horev founded with his wife, Jennifer, as a luxury lifestyle brand, briefly closed in the early days of the pandemic before gradually reopening. Since then, Horev said, “business has grown exponentially in that particular location, and we became sort of the go-to for a healthy meal.”

Until recently, the growth of the district itself has been focused on an even smaller core where Dacra has focused its efforts. A handful of vacant storefronts dot the district’s periphery, many of which are slated for redevelopment, but brokers said retailers are mostly interested in space in the center.

“When you look at it from the air, it's only a few square blocks, and even within those few square blocks, today the focus is on an even tighter radius within that box,” Begrowicz said. “For the market to continue to thrive and be successful, it has to expand out to its edges.”

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That expansion is starting to take shape, with Dacra announcing two new projects and Lionheart's planned redevelopment of its headquarters of the past 15 years.

Dacra, L Catterton and **Brookfield Properties**, which has also invested in the Design District, announced **plans for The Ursa** in March 2022 on the eastern edge of the district at 30 NE 39th St. The 15-story building is slated to include 180K SF of office space topping around 7K SF of ground-floor retail.

Dacra is also planning to **bring apartments** to the southern edge of the district with a 20-story project announced in July. In addition to 107 rental units, the project includes 227 parking spaces and 22K SF of commercial space on the ground level.

Lionheart is partnering with Greenfield's investment company, Leviathan Development, and Well Duo, which is led by a pair of Venezuelan developers, to replace its building on the north side of the district at 4200 NE Second Ave.

The three-story project, called Mirai, was designed by renowned Japanese architect **Kengo Kuma and Associates**. It includes two parcels that the joint venture acquired from Dacra affiliates for **\$20M in September**. It's slated to have 41K SF of office space above 16K SF of retail that Greenfield said is targeted towards smaller boutique footprints for luxury stores.

Rising rents throughout the district helped make the project pencil, Greenfield said, and the joint venture is aiming to break ground this summer with a completion date at the end of 2025.

Lionheart is already working to secure tenants for the property but has opted to keep the leasing operations in-house for the project because strong demand has enabled it to curate the tenant mix and turn some retailers away, Greenfield said.

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"It's a very enviable position," she said. "There's absolutely a supply constraint in the market, and that also plays in our favor."

Starting rents for footprints in the 1K SF range start at \$235 per SF, a significant discount to the rates in the Design District's core. Greenfield said the project is positioned more as a complement than a direct competitor to the fashion flagships, but she credited Robins with transforming the district into a market where it makes financial sense to embark on the project.

"I've done the pioneering on projects and it's exciting, but it's always a little bit anticlimactic because it's the second phase that actually gets to reap the rewards," Greenfield said.

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