

DAILY BUSINESS REVIEW

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Retail

Despite poor economy, Brickell enjoys more store openings

Mercedes Silva says there are some days she wonders if she should just close her boutique pharmacy in Miami's Mary Brickell Village and move on.

"Sometimes it is too overwhelming, and I just want to quit," said Silva, who left retail pharmacy positions at CVS and Walgreens to start her store, which touts an emphasis on customer service. "I wonder if we will make it to the finish line."

Silva owns Mortar and Pestle: The Boutique Pharmacy on South Miami Avenue. She had the misfortune of opening her store last August, just as the national recession began to accelerate.

With five years remaining on a seven-year lease, sales at the store have not come close to original projections, said Silva, who signed a lease in 2007.

Silva is among a number of entrepreneurs who bought into the promise of Brickell's growth potential, which was touted by local politicians and developers who inspired the high-rise building boom of the last decade. Miami Mayor Manny Diaz, urban planners and developers such as The Related Group all saw Brickell as a 24-hour urban destination on a par with Manhattan and Chicago. After billions of dollars flowed into developing residential and office buildings along Brickell Avenue, a critical mass of residents — many of whom are renting condos — and professionals jump-started population growth and commerce in the area. The most recent census — from 2006 — lists Brickell's population at 17,500. But that does not include young renters who have been moving into unsold condos in the last two years.

Seeing the faces of new residents walking by her store every day is encouraging Silva to stick it out for the long haul. Some of her regular customers, many of whom live in the area, are pleading with her to stay, she said.

The long-term potential of Brickell, which is attracting new retailers who are looking to capitalize on an anticipated influx in the area, is emboldening Silva to persevere.

"You don't get pedestrian traffic like this anywhere else in Miami," Silva said. "Things have become so impersonal [in general], so it has been nice to get to know some of our neighbors. It has been very challenging to stay afloat, but we have to hang in there."

Like Mortar and Pestle, members-only salon Beauty Full Days, which occupies space on the second floor of Mary Brickell Village's 901 S. Miami Ave. building, has not met sales expectations in its first year, said store manager Johanna Vasquez-Solis. Beauty Full Days, founded by French entrepreneur Frantz Lallement, limits each store of the international franchise chain to 300 members. Since the salon operates by appointment-only, capping the number for each store at 300 allows them to have enough employees and time available to pamper each member.

But the Brickell salon is far outperforming the chain's South Miami store despite its visibility on Sunset Drive, Vasquez-Solis said.

"Due to the economy a lot of people are canceling memberships, but more people canceled in South Miami," she said. "More people are living here. We have no plans to leave."

The upside of Brickell, which in a few years has transformed from a suit-wearing lunch crowd to a mix of professionals, residents and nightlife patrons, is why retailers such as Fred Hemani, managing member of Boca Raton-based chain Salad Creations, are willing to pay substantial rents during a recession.

Hemani is preparing to open Salad Creations' 14th South Florida store in two weeks at 128 SW 10th St. in Mary Brickell Village. Salad Creations has 10 years left on a lease at the shopping center, which has more than 200,000 square feet in a pair of two-story buildings. The chain plans to stay for the duration of the lease, Hemani said, despite paying rents that are "comparable to South Beach." Average rents on Lincoln Road were \$130 per square foot at the end of 2008, according to Cushman & Wakefield. Collins Avenue was \$100 per square foot.

Focusing on an upper-middle class customer base that is 70 percent female, Salad Creations officials decided Brickell offered enough of a desired mix of professionals and upper income residents to pay a premium for the retail space, Hemani said.

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"We felt Brickell had the right white-collar clientele," he said. "About 70 percent of our business is lunch, but having a great mix of retail, offices and residents means we won't be slow for dinner or weekends. We are absolutely here for the duration" of the lease.

Phone calls to Kerry Newman of Koniver Stern, which handles leasing at Mary Brickell Village, were not returned.

Brickell still has plenty of retail space to fill. More than 155,000 square feet of ground floor retail space was included in seven projects along Brickell Avenue, according to the Miami Downtown Development Authority.

In another sign that Brickell is filling up with retailers, the area posted a 5.1 percent vacancy rate in the first quarter of 2009, according to CoStar Group. That is a sharp drop in vacancies from 11.8 percent in the first quarter of 2008. Average asking rates in the first quarter were \$45.54 per square foot, up from \$44.30 per square foot in the first quarter of 2008.

Responding to the thousands of condominiums that will eventually be filled by owners or renters, retailers have turned South Miami Avenue, which divides the main Mary Brickell Village retail buildings, into the newest "restaurant row," said Danet Linares, executive vice president of Blanca Commercial Real Estate. Linares is leasing 10,000 square feet of retail space at 1450 Brickell, an office building developed by Alan Ojeda of Rilea Group.

Creating an entrance point to South Miami Avenue's stretch of restaurants, Ojeda also developed the mixed-use residential building One Broadway, which includes ground-floor retail. Pieduck's Pizza is already open at One Broadway, and Brickell Irish Pub is expected to open within two months. Ojeda also recently reached a deal with a yet-to-be-named steak and fish restaurant.

South Miami Avenue should experience a further boost in traffic from news that Publix will finally open a 31,000-square-foot Mary Brickell Village store — on the same side of the center as Mortar and Pestle — after several years of negotiating and construction. Publix spokeswoman Kim Jaeger said that grand opening plans have not been completed, but the store at 900 SW First Ave. will be open by the end of June.

The willingness of Publix to open a third store between Coral Way and Southwest Seventh Street shows the perceived potential of Brickell and should encourage other retailers on the sidelines to expand to the area, Linares said.

"The Publix on Coral Way is the most successful store in the entire chain," she said. It was the highest grossing store in the chain several years ago, according to the Florida Retail Federation.

"They do their research, so if they are willing to have three stores in such a close [proximity], it shows what is happening with the neighborhood, Linares said.

Other retailers coming soon to Mary Brickell Village include the Cuban restaurant Kuva, London-based café Balans, clothing store Martha Ray, dry cleaner Oxxo and Juice Blends.

Elsewhere amid the high rises in the Brickell corridor, retail landlords are asking for between \$45 and \$75 per square foot triple net, said Fabio Faerman, broker for Fortune International. Faerman is handling retail leasing for several Brickell buildings, including 1060 Brickell and 1110 Brickell.

Retailers are showing a willingness to pay those rents to gain entry into an area Faerman said resembles Lincoln Road during the early 1990s. But Brickell has inherent advantages that South Beach lacks.

"They understand that Brickell is the only place that has such a critical mass of people," he said. "Brickell is not dependent on tourists like South Beach or Coconut Grove. People want to eat here, find services here. And there is not enough retail here right now, so there is an opening in the market."

Some of the most recent tenants brought to 1060 Brickell by Faerman include Argentinian salon and spa Roberto Giordano, which signed a 20-year lease valued at \$3.65 million, French bakery La Provence, CHAMPS Brickell Pre-school and Arthur Murray Dance Studio. Nearly 25,000 square feet of retail was included in the construction of 570-unit 1060 Brickell.

With an expanded pool of restaurants, Brickell could use an infusion of retailers catering to the full-time residents, Faerman said. The market has room for bicycle stores, yoga studios and flower shops. New nightclubs — to draw more evening visitors from other cities in South Florida — would not hurt either, he said.

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“The area has 6,000 empty [residential] units right now,” Faerman said. “In a couple of years at least half of those will be rented or used by owners. This is becoming more of a 24-hour area.”

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