

Showdown Over Miami's Swank Set

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By ARIAN CAMPO-FLORES

Miami's Design District is about to get a \$200 million make-over, thanks to developer Craig Robins. He's also wooing away marquee-name retailers from the swanky, hugely successful Bal Harbour Shops nearby. Video and Reporting by Arian Campo-Flores.

MIAMI—For decades, Bal Harbour Shops has reigned largely unchallenged in this area's luxury retail market. With reported annual sales of \$2,327 a square foot last year—more than five times the national average—the mall is one of the most profitable in the country.

But a challenger has arrived on the scene. Developer Craig Robins is creating a new luxury shopping destination in this city's hip and artsy Design District, 10 miles south of Bal Harbour.

Luxury sales have held up better than the rest of the retail sector during the economic downturn, powered in part by demand from emerging markets. In few places is this more evident than here, where the economy has gotten a boost from foreign buyers scooping up posh condos downtown—only minutes away from the Design District—and a growing influx of well-heeled tourists from Brazil and elsewhere.

In the face-off with Bal Harbour, Mr. Robins has spent \$90 million over the past year to gain control of about 70% of the Design District. Meanwhile, Bal Harbour, owned by the locally prominent Whitman family, says it posted strong sales increases last year and is itself looking to expand.

One of the pioneers in developing South Beach, Mr. Robins says some 30 luxury brands already have signed, or are close to signing, leases with him, including many that are leaving Bal Harbour. LVMH Moët Hennessy Louis Vuitton SA says it will bring 12 brands, including flagship Louis Vuitton, Christian Dior and Bulgari. Compagnie Financière Richemont SA says it plans to bring 10 brands, including Cartier. Other labels that say they are coming include Hermès, Tom Ford and Ermenegildo Zegna.

The Design District "is the antimall," Mr. Robins says. "It brings back the street and neighborhood as a great retail destination." Already, he has made the district a cultural hot spot that is home to galleries, furniture showrooms and art fairs.

Mr. Robins plans, with a budget of \$200 million, call for a three-block-long pedestrian strip anchored on either end by a plaza, as well as a boutique hotel and some residential units. The neighborhood also will feature public art installations and rooftop gardens. It isn't expected to be completed until 2014, but some retailers are moving into temporary spaces this year.

Bal Harbour—an open-air mall with koi ponds and hanging plants—has long had a stranglehold on the market. It achieved that in part by forcing tenants to sign leases barring them from opening another location within 20 miles unless they share a percentage of that store's sales. Though it is a common practice among luxury malls, brands are increasingly rebelling, says Faith Hope Consolo, chairman of the retail group of Prudential Douglas Elliman Real Estate.

Bal Harbour's relatively small size hasn't kept pace with demand for luxury goods in the Miami market. "Miami has been under-retailed compared to the potential for the city," says Emmanuel Perrin, chief executive of Cartier North America Inc.

Despite the departures, Bal Harbour remains an alluring location for retailers. As space has become available in the past year, numerous brands have swooped in, including Balenciaga, Officine Panerai and Stella McCartney, said Matthew Whitman Lazenby, a member of the third generation of the Whitman family, in an email response to questions.

Sales increased 23% last year despite the departures of Louis Vuitton and Cartier, he says. And he says the mall is trying to expand its footprint by acquiring neighboring land.

"They will always be special," Ms. Consolo says. "There are simply other opportunities now in Miami."

Mr. Robins began buying property in the Design District in the 1990s.

As word spread of his plans for a luxury shopping destination, the price he paid for properties skyrocketed, from about \$200 a square foot in 2010 to about \$1,000 a square foot last year, he says. He financed the acquisitions through cash—including money from the sale of holdings in South Beach—commercial loans and investments from partners such as L Real Estate, a fund in which LVMH is a minority investor.

Mr. Robins says he began wooing luxury retailers in 2008, but repeatedly hit the roadblock of Bal Harbour's radius clause. He finally scored a success in 2010 with Louis Vuitton, which for years had asked Bal Harbour for either more space in the mall or a waiver of the radius clause, says Chief Executive Yves Carcelle. The retailer moved when its lease expired.

Doug Castanedo

Bal Harbour Shops, above, has long had a stranglehold on Miami's luxury-shopping market, but it now is facing a challenge.

"At some point, you say, 'Sorry, guys'...and you leave," Mr. Carcelle says.

Mr. Lazenby said in an email that "although we did propose a number of options in a number of different sizes and locations, none were deemed to be acceptable."

Freed of the radius clause, Louis Vuitton plans to have two stores in the Miami area—one in the Design District and another in a new luxury wing of the Aventura Mall, seven miles north of Bal Harbour. Numerous other luxury brands are eyeing Aventura as well, says Ted Siegal, vice president of leasing for the mall.

Once Louis Vuitton and other LVMH brands like Fendi agreed to open stores in the Design District, others followed suit, including Hermès. "There is a whole new dynamic that's coming into play with the Design District," says Robert Chavez, chief executive of Hermès U.S. "We wanted to be one of the pioneers."