MIAMI TODAY

August 20, 2015 **Circulation: 28,375 / UMV: 23,507**

COMMERCIAL & OFFICE SPACE

Escalating shopping-center rents show no signs of abating

By Catherine Lackner

Retail and shopping-center space in Miami-Dade County is fetching escalating rental rates that show no signs of abating, said Steven Henenfeld, vice president of Continental Real Estate Company, or CREC. Vacancy rates are "touching historic lows," he added.

"Leasing is doing extremely well," with overall vacancy rates in Kendall standing at only 3%, though there may be individual variations. Some centers in Doral are fully leased, he added.

The area east of I-95 is exploding with high-end retailers paying high-end rents, Mr. Henenfeld said. Brickell, the Design District, Miami Beach – as well as retail planned for Miami Worldcenter – "all is becoming Bal Harbour," he said.

In Wynwood, retail space is going for more than $50 per square foot, in Brickell for $80-$100 per square foot, in excess of $100 per square foot in the Design District, and higher than $300 per square foot on Lincoln Road, "and these are triple-net leases," he said.

On the west side of I-95, a tenant could expect to pay "in the high teens into the $20s for a junior big-box" of about 25,000 square feet in Kendall, in the high $30-$40s per square foot in East Kendall, and in the $50-per-square-foot range in Doral.

"In these markets, even when things were booming in the past, we didn't see rents like these," Mr. Henenfeld said.

The reason? "Simple economics – supply and demand," he said. "There's a land shortage, and no more places to grow."

There has been an explosion of residential development, which creates more demand for retail, he added. The growing economy also provides fuel, he said. "People think the economy is doing extremely well right now, and it reflects their optimism."

At Dolphin Mall, it's not only the strength of the American economy, but also Miami's appeal to international shoppers that has not only kept the mall healthy but triggered a recent expansion that will add five new restaurants, a new valet service and a 1,300-space parking garage,

The mall, which bills itself as Miami-Dade's largest outlet mall, with 240 stores in 1.4 million square feet, draws a combination of locals as well as domestic and international tourists, said Pete Marrero, mall general manager.

"We have a diversity of customers, with the vast majority of international tourists coming from South America," he said. For an international destination, South Florida is under-retailed, he said. "I don't think we have reached the saturation point."

Even if more retail were to be added, "it might hurt us in the short-term, but on a long-term basis it will only help bring in that many more tourists."

Investors and lenders have noticed retail's robust growth, said Jason Shapiro managing director of the Aztec Group.

Jason Shapiro: lenders note gain.

"We've seen a fair amount of transactions happening, both on the investment and financing sides. Lenders are increasing their loan-to-cost or loan-to-value spread."

For example, on a recent Miami-Dade construction-loan transaction for a center anchored by a Publix, during the pre-leasing process rents rose dramatically, he said. "Over a span of three to six months overall, on average, rents were 20% higher toward the end of the cycle. That supports the positive nature of the things that are going on in retail."

A number of factors are responsible, he said. "The economy continues to improve in Miami-Dade County and there are unique global sources of capital coming in all the time, seeking investments of this type. There's only so much land available."

Future forward movement "depends on interest rates," he said, "but in the short term I expect it to continue."