

## Retail market holding up, though full recovery remains long way off

By ZACHARY S. FAGENSON

The Miami-Dade retail real estate market isn't as weak as expected, but experts say a full recovery isn't coming any time soon.

After the first quarter, the countywide vacancy was 4.97%, according to a report from Colliers Abood Wood-Fay. Rental rates, the report said, have consistently hovered around \$31.27 per square foot over the past two years.

But the countywide figures don't tell the whole story.

A handful of properties throughout South Miami, the Dadeland area and Pinecrest are bucking the county averages.

A sampling of Colliers' retail properties showed The Shops at Sunset Place is 100% leased with rates up to \$50 per square foot. The Dixie Pointe Shopping Center, 8400 SW 67th Ave., is 91.1% leased and renting at about \$28 per square foot.

Properties along US 1 and South Dixie Highway have maintained their value thanks to the surrounding affluent neighborhoods, though the farther west a property is, the more challenges it faces.

"You're going to have areas that will hold their values more than others," said Gregg Guilford, a senior broker at HollySime Realty. "[Coral] Gables and Brickell have remained strong while Kendall's been falling."

Those outlying areas, he added, are "falling in value mostly because they don't have a central business district."

The volatile market, however, has impinged on the reliability of generalized vacancy and rent rates.

"Across the county, vacancy rates may not be going up but there are rent concessions going on," said Drew Kristol, a senior associate at real estate investment consultants Marcus & Millichap. Landlords would "rather keep a tenant at half mast and survive... than go vacant and not get the space filled for a long time."

Meanwhile, rates on Miami Beach have averaged \$67 per square foot. Rates can go as high as \$100 per square foot on Lincoln Road, the report said.

While those high rates could be due to the desirable location, Jeff Berkowitz, president of

Berkowitz Development Group, said the need for a parking garage as well as the high cost of development drives up rental prices.

But his company's forthcoming project, Fifth and Alton, is bringing some much-needed stores to the Beach.

"Miami Beach is clearly under-retailed," Mr. Berkowitz said. Among retailers moving into Fifth Street mall, he added, are Publix, Petco, TJ Maxx, Ross and the Vitamin Shoppe.

Across the bay is also poised for a retail boom, according to Tony Cho, president Metro 1 Properties, and a recent report issued by Goodkin Consulting and Focus Real Estate Advisors.

"I think you're starting to see what I call a lot of in-fill retail

activity following the new consumer base filling up in these condos" in downtown, Mr. Cho said. "In two to three years these buildings will be 98% to 99% occupied."

According to the Goodkin and Focus report, commissioned by the Downtown Development Authority, 62% of the 21,616 finished condominium units are closed. The sold units are equally occupied by renters and owners.

While he had high expectations for the residential market in downtown Miami, Mr. Cho said, the high number of retail vacancies combined with contracting consumer spending could hinder downtown's evolution into the thriving retail core some imagine.

"We're still a ways away before you have a healthy retail environment because of the economy," he said. "As the units fill and the economy recovers, you'll start to see vacancy stabilization and rent increases."

Where the "bottom" of retail vacancy and rental rates is countywide will be dictated by whether more retailers go under and how much money consumers can spend.

"Current retail tenants are having problems; a lot are going out of business, some are not renewing space and it's creating a lot of vacancies," said Bill Kerdyk, president and CEO of Kerdyk Real Estate. "With more and more space, it's bringing down leasing rates."

"We went from one side of the pendulum to the other and we'll have to get back to the median to find a balance on pricing."