

Dadeland retail is looking up

By JEFF OSTROWSKI

Kendall shoppers soon might be spending more time on escalators. Spurred by strong demand for retail space and the apparent success of Dadeland Station, developers are planning new vertical shopping centers near Dadeland Mall.

Gulfside Development Co., a newcomer to South Florida's retail market, has a contract to buy the eight-acre site that houses Williamson Cadillac and Saturn of Dadeland at 7250 N. Kendall Drive.

Jackson Ward, who heads Gulfside along with Sunhouse Construction owner Stefan Johansson, plans a

three-story retail center dubbed Dadeland Junction with 350,000 to 400,000 square feet of shops.

Zelman Retail Partners of Dallas also plans to build a multi-level shopping center in the Dadeland area. Zelman is rumored to have a contract to buy Sun Chevrolet at 7220 N. Kendall Drive, but neither Zelman nor Sun would confirm that a deal is pending.

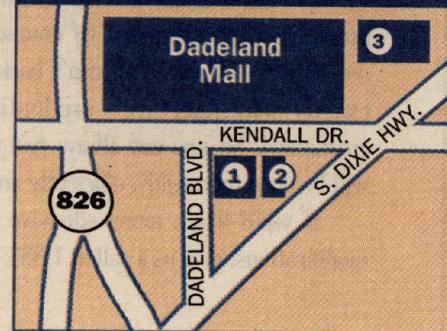
Meanwhile, Dadeland Station developer Jeffrey Berkowitz said he's pondering more vertical retail space adjacent to his 320,000-square-foot project, which opened last year. The shopping center is 100 percent leased,

... please see page 16

DADELAND: THE SEQUEL

Three developers are considering vertical malls in Kendall:

1. Gulfside Development has a contract to buy 8 acres from Williamson Cadillac
2. Zelman Retail Partners is said to have a contract on Sun Chevrolet's land
3. Dadeland Station is considering a second phase



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Vertical mall idea has its critics – including shoppers

continued from page 3

Berkowitz said, and anchored by Sports Authority, Target, Best Buy and Bed, Bath & Beyond.

Said Berkowitz: "We haven't ruled out a Phase 2."

Going vertical

Vertical malls once were spurned by retailers who couldn't lure shoppers to the centers' upper levels. And there remains skepticism about such development.

Dick Hattler of Orion Investments and Management in Kendall said female shoppers often feel intimidated by the enclosed parking at vertical centers.

"I just don't think the concept works," Hattler said. "And I don't think the area could even handle all the traffic these projects would bring to Kendall Drive."

Mel Roth, president of International Mortgage & Equity Advisors in Coral Springs, agreed that vertical centers remain risky. Roth arranged financing for Pulenta Group to expand Dadeland Marriott to a Kendall Drive site owned by Office Depot, but Office Depot's plans to develop the property have been stalled.

"Vertical retail doesn't seem to work," Roth said. "Tenants don't want to be on the second or third floor."

But others say multi-level centers are beginning to make sense as densely developed areas such as Dadeland see land prices rise and the supply of

land dwindle.

"Tenants are willing to do things that they wouldn't normally want to do because this market is very strong," Ward said. "The name Dadeland carries it. There are still many tenants who are not in this marketplace who want to be."

Suchman Retail Group President Larry Suchman, who represents Zelman, agreed that the push toward vertical centers is driven by a lack of land. Spreading the tenants at Dadeland Station across a one-story center would be impossible, he said.

"You have all these large-box tenants that want to be near one of the most successful malls in the country," Suchman said. "The land costs are so extraordinary that you can't lay them out horizontally."

Anchor tenants in the vertical centers probably will be paying lease rates in the high teens or low \$20s per square foot, while smaller retailers will pay about \$25, observers said.

"It's probably one of the strongest retail markets in the southeastern U.S.," said Terranova Corp. President Stephen Bittel. "There are a lot of big players that want to be in that area, and Dadeland Station has shown the way."

Pricey site

Observers predicted that Gulfside Development would pay Williamson Cadillac \$40 to \$50 a square foot for its site, although neither party would disclose the proposed sale price.

"I've heard the purchase price is extraordinarily high, which would translate to higher rents than retailers are willing to pay," Berkowitz said.

Gulfside plans to close on its purchase in 18 months, and Ward predicted the center would be open for the 1999 holidays.

Tom Williamson, co-owner of Williamson Cadillac and Saturn of Dadeland, said the dealerships will relocate. He wouldn't identify a site, but Williamson is said to be eyeing land at U.S. 1 and 104th Street.

Although Gulfside is based in Coral Gables, the project would be its first in South Florida. Ward said Gulfside is building a center in Naples and has developed retail space in Georgia and North Carolina.

National tenants

Another newcomer to South Florida, Zelman Retail Partners is looking for a site near Dadeland, said Zelman partner Gordon Sadkin. Among the Zelman clients said to be pursuing a Dadeland store is Linens 'N Things, although Sadkin wouldn't confirm the store's interest.

"We have many relationships with national retail tenants, and several have expressed a desire to be in the Dadeland area," Sadkin said.

Sadkin wouldn't identify Zelman's potential location, and Sun Chevrolet owner Al Kahn said no sale of his property is pending.

"There's been a number of offers

over the years," Kahn said.

Zelman is lining up tenants and plans to be significantly pre-leased before beginning construction, Sadkin said.

"We typically do not develop anything that is not nearly 100 percent pre-leased," he said. "We are not disposed to spec development."

While developers such as Zelman clamor to put up vertical centers, one planned multi-level center appears to have died. Office Depot of Delray Beach wanted to build the so-called Dadeland Pavilion at the former Burger King headquarters on Kendall Drive.

But the three-story mall has been delayed by the breakup of Homart Development Co., which was to develop the project for Office Depot, and the merger of Office Depot and Staples. The latest version of the project calls for a one-story, 50,000-square-foot Office Depot store, Suchman said.

Dadeland Dodge also was looking for a buyer for a one-story development on its nearly six acres at 8455 S. Dixie Highway, but that project is on hold.

As for the main attraction in the Dadeland neighborhood, officials at the 1.4 million-square-foot Dadeland Mall said it's too early to tell how the proposed vertical malls will affect them — or if the new projects will ever come out of the ground.

"They'll probably add to the critical mass in the area," said Dadeland Mall general manager Karl Woodard, "and we like that." □