

Rethinking retail

Single stores and giant malls are finding new ways to cope with a shortage of space

BY BRETT GRAFF

Review Staff

Farm Stores is South Florida's home-grown retailer, selling reasonably priced quarts of milk, cartons of juice and the occasional box of smokes from drive-up windows at free-standing locations. If the chain — which currently operates from spaces so small that the design is patented — gets its way, the list of conveniences available at certain Farm Stores might soon include burgers and fries.

No, the company hasn't invented a miniature barbecuing technique.

Rather, it's talking to a major fast food chain about sharing property. The move is a response to South Florida's scarcity of land, which is driving up rents and other real estate costs.

"We're being forced to do it because we can't find enough good sites," says Maurice Bared, executive vice president

of Farm Stores. "If you're not creative, you're not going to find a site."

Retail stores and their developers throughout Miami-Dade County are finding that getting creative with less land is not only a better way, it's the only way to enter an already dense market. What's more, the trend is trickling into Broward County and is expected to reach still spacious Palm Beach County before 2005.

"Dade and Broward are completely built out, and that's working its way up to northern

Palm Beach," says Buddy Hurwit, president of Site Selection Systems Inc., a landlord and developer of retail free-standing and strip malls.

The cost of leasing space is rising all across South Florida, and that's running up overhead for retailers. Farm Stores, for its part, declined to name its potential land partners but did say partnering is a way to cut down on development costs. "We'll find a site that's big enough for both to fit in," Bared says.

Farm Stores isn't the only grocer getting creative. When Publix Super Markets unveiled its latest Miami Beach location, its customers — from the Beach's green-haired in-line skaters to its blue-haired grandparents — marveled at the store's futuristic exterior. Most notable were the moving ramps that glide shoppers and their overflowing carts from the ground-level store to the rooftop parking.

But this time, the usually one-step-ahead South Beach wasn't setting a trend. It was merely catching up with a nationwide retail strategy of building multilevel stores instead of spreading a single shopping level and a sea of parking spaces over expensive, and increasingly unavailable, land.

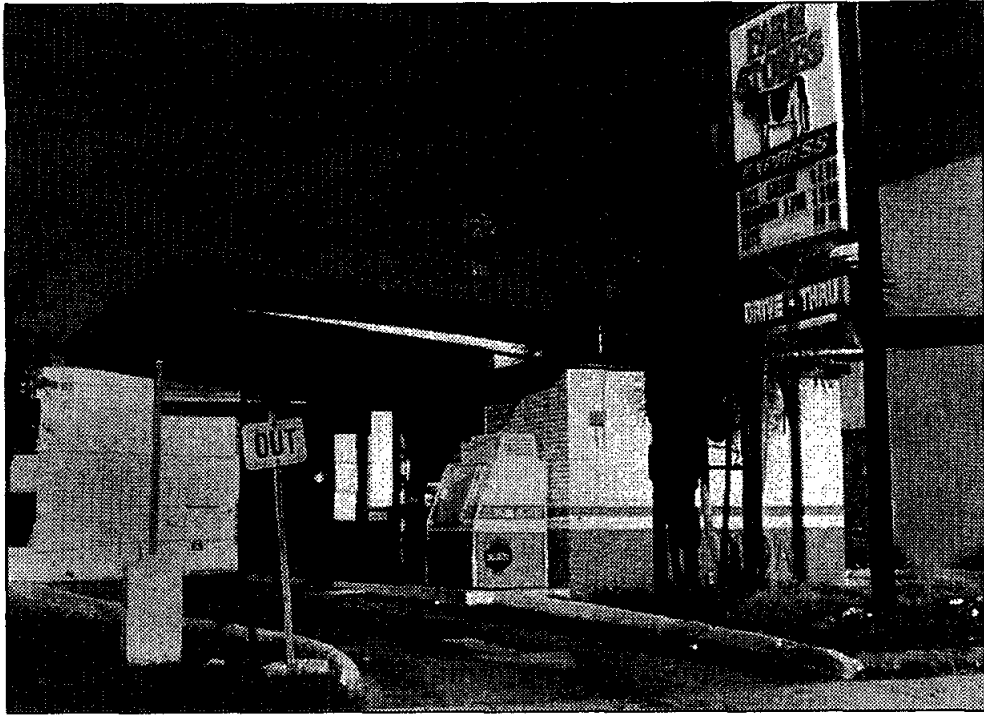
"We could not create that store and provide a facility for parking," said Carmen Millares, community affairs manager for Publix. "On Miami Beach, there is no more land. You have to get creative."

Developer Jeff Berkowitz also responded to demand from retailers who wanted to enter the market but couldn't find space by designing one of the first vertically built malls. He was able to offer big-box retailers, such as Target and Sports Authority, almost 120,000 square feet of space by building up, instead of out.

His Dadeland Station project, which opened in 1996 on U.S. 1 just north of Kendall Drive, covers about seven acres, with three stories of retail space and six stories of parking.

"To do what we did at Dadeland Sta-

Lefmark Group specializes in reconditioning or rebuilding 'tired, old, existing shopping centers on strategic corners.' It has five in Broward



TWO TO DRIVETHROUGH: The next generation of Fam Stores could include a fast food partner.

tion would require 35 acres of land on one level," said Berkowitz, who says retailers are going to have to alter their thinking. "A typical retailer would like to be on the ground with a sea of parking. But there's not enough land to have a sea of parking."

And even if that land could be found, it would be too expensive, Berkowitz says. That's because a shortage of land is driving up development costs, and those higher costs are being passed on to retail tenants. Dadeland Station, he says, is in a prime spot but is only slightly more expensive than much less desirable locations, though he declined to discuss exact rental rates.

Like Fam Stores, all across South Florida chains such as Taco Bell and Kentucky Fried Chicken are discovering



COUNTDOWN: George DeGuardiola, who's building Abacoa Town Center in Jupiter, says the retail space crunch will hit Palm Beach County in a matter of years, not decades.

co-branding and joining forces with other companies to open up locations. Jeremy Larkin of Larkin Schmidt Weidenbaum Commercial Real Estate, who's worked on several co-branding land deals, says that while development costs are cut, the corporate red tape it takes to complete the deal is ever-growing.

"You're dealing with two corporate monoliths instead of one," he said. "You're trying to get two dissimilar entities to get something done on a timely basis."

Retailers in Broward haven't yet been forced to pile on top of themselves yet, but the once-virgin green space is now gone, and that's causing developers to take a new look at old properties.

"Like Dade County, the eastern part of Broward County has no real commercially zoned vacant land, so we look for functionally obsolete or tired, old, existing shopping centers on strategic corners," says Robert Shapiro, chief operat-

ing officer of Lefmark Group, which buys and revitalizes once-overlooked properties in South Florida, including five in Broward. "I think there's going to be a lot of recycling going on — a lot of old centers bought and reconditioned and rebuilt to accommodate these retailers."

In still-growing Palm Beach County, retail space is scarce only along the county's busiest streets, said Bill Chalmers, vice president of development services in Boca Raton for Trammell

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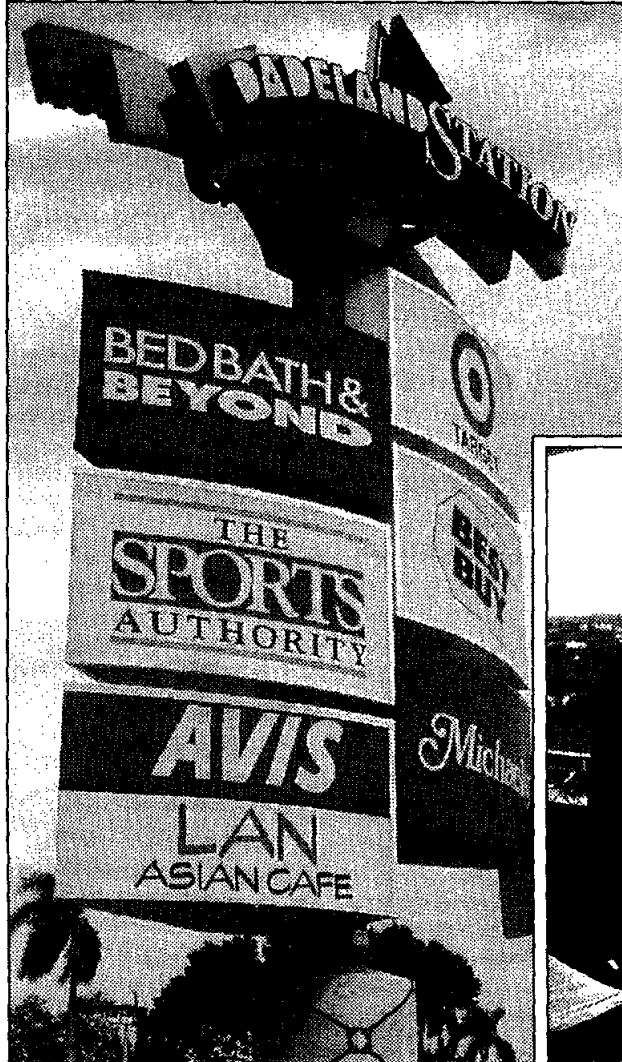
Crow Co. But they're settling for second-best locations and doing just fine. Retailers in Boca Raton, historically, only wanted to locate at State Road 7 and Glades Road, he said. Now they're venturing even farther west, and shops that include Ross Dress for Less and Rooms to Go have opened up on Lyons Road.

"They're willing to move away," Chalmers says.

Even downtown West Palm Beach has plenty of open space. Just between the urban retail CityPlace development and Clematis Street, there are 20 acres ready and waiting for quality projects, said Bill Fountain, executive director of the area's Downtown Development Authority.

Even so, land is getting more expensive, said George DeGuardiola, president of DeGuardiola Development, which is building the Abacoa Town Center project in Jupiter. Will Palm Beach County retailers ever be forced to think out of the box, like their southern neighbors?

"It's a matter of time, yes, but we have a few years left," DeGuardiola says. "At least five years." ■



UP, NOT OUT: Jeff Berkowitz built his Dadeland Station mall vertically on about 7 acres, instead of 35.

