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Miami Design District's transformation into a luxury shopping destination is underway

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Dacra CEO Craig Robins. CARL JUSTE / MIAMI HERALD STAFF

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Valentino, Fendi, Tom Ford, Dolce & Gabbana, Harry Winston, Givenchy, Giorgio Armani and Van Cleef & Arpels.

All those ultra-luxury fashion and jewelry brands — and many more — will soon open their gilded doors in Miami's redeveloped Design District, joining other high-end designers like Louis Vuitton, Hermès, Berluti, Emilio Pucci, Prada, Celine and Cartier, which have already set up shops.

Construction is underway, as the transformation of the once-gritty Miami neighborhood into a glamorous international luxury shopping destination takes shape. Already, some buildings have come down; security has been stepped up, greenery enhanced.

It's a massive undertaking inside Miami's urban core: In a little more than two years, nearly 120 top retailers will fill the compact district.

By next fall, 50 new stores will debut, along with seven new restaurants, adding to the 15 shops already in operation. Then, about 50 more will open in 2015, when the final touches are put on the revitalized shopping-and-dining destination crafted by local developer Craig Robins and his partner, L Real Estate, whose investors include the world's top luxury products company, LVMH.

"Our real focus right now is to solidify the luxury retail offerings, so that in addition to great design, art and restaurants, you'll have the most comprehensive collection of luxury fashion and jewelry in South Florida," said Robins, president and chief executive of Dacra.

Long home to an assortment of furniture and home furnishing showrooms, Miami's Design District is

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MAIN PLAYERS

These are the 50-50 joint venture partners that together own 70 percent of the property in Miami's Design District and are spearheading the plan to turn it into a luxury shopping destination:

- Dacra, a Design District-based real estate company owned by Craig Robins. Dacra has partnered in the past on renovating Art Deco properties in South Beach, including the Marlin, Cavalier, Leslie, Kent, Governor and Tides hotels. The company also led the Miami Beach residential development Aqua.
- L Real Estate, a private equity fund dedicated to luxury retail driven mixed-use real estate developments. The fund currently has large-scale projects underway in Miami, Shanghai, and Tokyo. Its investors include LVMH, which is a minority investor and sponsor, as well as a number of corporations, family offices, institutional investors and luxury brands unaffiliated with the LVMH Group.

being made over, with a four-block pedestrian promenade anchored by two department stores, with rooftop gardens and mature shade trees lining the streets. A boutique hotel, condominium tower and five parking garages are also planned for the area, which will be dotted with cafes and tree-shaded plazas.

Dacra has already signed leases with many of the top names in fashion, including brands being announced here for the first time. Among them: Christian Louboutin Men's, Loewe, Miu Miu, Rick Owens, Tod's and Vacheron. In addition to a total of 42 disclosed retailers, another 15 have signed leases but have not yet authorized their names to be made public, he said.

Those, plus brands already named, like Bulgari, Burberry, Christian Dior, Fendi, Tom Ford and Zegna, all promise to create critical mass to draw customers to the district. They will join the first round of stores now open which includes Agnona, Celine, Maison Martin Margiela, Marni and Prada. Many have started with temporary stores, with plans to move into larger space once their buildings are completed.

Retail analyst Marshal Cohen predicts the district will do "extremely well."

"Shopping in South Florida is a sport, it's not just a necessity. And because of that, and because of the continuance of upper income consumers, Miami is poised to do well at the upper end," said Cohen, chief retail analyst at the NPD Group, a consumer and retail market research firm based in

Port Washington, N.Y. "This is a really great combination."

Though Robins first began buying buildings in the neighborhood nearly two decades ago, the ramped up redevelopment of the Design District is now the result of a fortuitous 50-50 partnership that combines Robins' vision with the retail heft of LVMH's global fashion brands. It's a deal whose property is valued at \$1 billion, arranged by Michael Burke, the chairman and chief executive of Louis Vuitton Worldwide, and blessed by Bernard Arnault, the chairman and chief executive of LVMH Moët Hennessy - Louis Vuitton, the world's leading luxury products group. The latter two executives, based in Paris, are not strangers to South Florida, having delved into real estate development here in the 1980s.

"Miami is a little bit of full circle," said Burke, whose father is American, mother is French, and who grew up mostly in Germany. "So Miami is not foreign to me. Even though I am the CEO of a fashion company, I know a little about Florida and Miami real estate."

Burke, who was formerly chief executive of Fendi, met Robins through another of Robins' projects, Design Miami/. The annual design fair held in Miami Beach and Switzerland, owned in partnership with Art Basel's parent company, originated in the Design District in 2005. Looking to connect his fashion house with design, Burke made Fendi Design Miami's lead sponsor in 2009. Through that connection he learned about Robins' idea for redeveloping the Design District.

"I thought maybe if we joined forces we could speed this up," said Burke, speaking by telephone from New York recently. But the project would have to be "scaled up by a wide margin" if L Real Estate were to co-venture, he said.

So Burke brought Robins to Paris to meet with Arnault, Mathieu Le Bozec and Patrick Houel, managing partner and chairman, respectively, of L Real Estate.


"Mathieu and Patrick kept saying 'No, it doesn't fit our criteria,' from a size point of view, and the U.S. was not on their map," Burke said. "Asia, the Middle East, China, had been identified by the fund to invest in, and the U.S. was definitely not part of the horizon for the fund," he recalls.

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But Burke felt that of all the major U.S. markets, only one was "under stored:" Miami, meaning there was less retail square footage than buying power — especially in a city whose streets are clogged with expensive cars and where multi-million dollar penthouses have become commonplace. Yet the local bastion of luxury stores, Bal Harbour Shops, had space limitations and a "radius clause" that prohibits tenants from opening another store within a certain distance.

"Miami is not the Midwest. It is a world city. It's the de-facto economic capital for all of South America, a banking capital, a trading capital and a transportation hub, and it happened to be under-stored," Burke said.

Though he credits Bal Harbour's owners, the Whitman family, as visionaries for developing the luxury shopping center 47 years ago and creating the radius clause, he said the restrictive clause has since "outlived itself."

"We need to fulfill the desires of our clients and need more than one point of distribution in Dade County," Burke said. "And we suggested to the Whitmans that they allowed a controlled way for us to open up another means of distribution and they were reluctant to do that."

Matthew Whitman Lazenby, president and chief executive of Whitman Family Development, defends the radius clause as a common industry practice. But Lazenby, the grandson of Bal Harbour Shops' founder Stanley Whitman, acknowledges that Bal Harbour Shops has been strapped by its size; until a planned expansion opens in three years or more, Bal Harbour is unable to offer many tenants expanded stores of 10,000 to 20,000 square feet.

Meanwhile, LVMH was not about to sit still and wait. Burke was busy convincing L Real Estate's leaders of Miami's potential — and Robins' vision.

With roots as a pineapple farm owned by T.V. Moore, the Design District's early buildings — the Moore Building, originally a furniture store, and the post office — date back the 1920s. The district became the heart of the town of Buena Vista, which incorporated in August 1924 and was annexed by the city of Miami in September 1925, said historian Arva Moore Parks, noting that for a time the post office was also the city hall.

In the 70s and 80s, the Design District had become the wholesale center for furniture and design, until showrooms lost market share to a design center created in Dania. By the time Robins turned his attention to the area it had begun rundown.

Louis Vuitton Worldwide's Burke said he has always been a believer that downtowns can be revitalized, and that the next generation of consumers will live and work closer to the city center.

"So I became an advocate for this project," he said, of the Design District, calling himself the "midwife."

At first, he said, "Craig was a little hesitant partnering with LVMH — he is a one-man band compared to LVMH, and we are a Fortune 50 conglomerate. It's a perfect pairing because each brings something the other doesn't have, but it's not an obvious pairing."

After a year of discussions, with a dozen meetings in Paris and Miami, the investment was sealed at the end of 2010. L Real Estate, whose investors include European family trusts, would not disclose the amount of its investment, nor would Robins. But Burke said the financial results are already beyond initial projections.

"It allowed a much more aggressive acquisition program, and gave credibility," Burke said, calling LVMH the spark. "It allowed for the Hermès and Cartiers of the world to come in."


In fact, LVMH brands Christian Dior, Louis Vuitton, Celine and Pucci have already left Bal Harbour, as have Hermès and Cartier. Since then, Bal Harbour Shops has brought in new luxury brands including Etro and Nest; and its overall sales are up almost 11 percent over the previous year, Lazenby said.

Other local centers — including Aventura Mall and the Village of Merrick Park in Coral Gables — count luxury retailers among their clients. And several planned developments — like Brickell CityCentre, in which the Whitman family is a partner, and a long-awaited Watson Island hotel-marina complex — hope to draw in luxury tenants as well.

The Design District has a jump on them all.

Hermès was among the first stores to announce it would open a flagship store in the Design District, moving out of Bal Harbour when its lease expired in January, and opening a temporary store on 40th Street in mid-February. When completed in early 2015, its permanent store will encompass 14,000

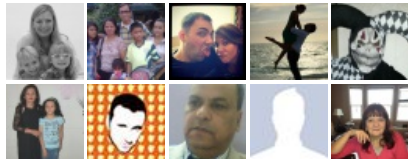
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square-feet on three floors, with a rooftop garden, said Robert Chavez, president and chief executive of Hermès U.S.

A desire for more space to showcase its growing collections — particularly its home collection and women's shoes — served as the catalyst for the move, Chavez said. In the Design District there will also be room for the first freestanding Saint Louis Crystal boutique in the United States, adjacent to Hermès, with a door adjoining the two stores.

"We are happy to make the investment, especially with Craig," Chavez said.

Already, Chavez said that Hermès' sales volume in the Design District is on par with what it had in Bal Harbour, even though its new store isn't currently open nights or Sundays.

Emilio Pucci has also opened a boutique, featuring a varied assortment that includes its classic designs, as well as more unique runway pieces, said Emilio Pucci President and Chief Executive Alessandra Carra.

"From the brand's perspective, we closed Bal Harbour and decided to have two [shops] in Miami: one in a classical destination shopping mall [Aventura], for people looking for the classical shopping experience," Carra said by telephone from Milan. "And we decided, when the Design District is ready, [we would have] a second store that would not compete with Aventura, but be something different."

Other luxury brands also plan to open flagship stores that will feature their full product range.

As designers develop their collections, "it's about the brand being able to showcase the lifestyle of the brand, rather than a selected version of pieces of the brand," said retail analyst Cohen of the NPD Group.

Hot brand Tom Ford plans to open its flagship store next fall, which will be its first in Florida, featuring its full line of mens' and ladies' ready-to-wear and accessories, cosmetics, perfume and eyewear.

"We really believe it is a great project," said Domenico De Sole, chairman of Tom Ford, who was formerly chairman and chief executive of the Gucci Group. "We were eager to open in the Miami area, and we were eager to open a flagship store."

But not everyone is yet convinced that the district will succeed.

Pam Danziger, president and founder of Stevens, Penn.-based Unity Marketing and author of *Putting the Luxe Back in Luxury*, notes that luxury shoppers, hard hit during the recession, came back in 2010, amid pent-up demand. But they have since leveled off to a "new normal," below their previous height.

"Just to say it will be successful, a slam dunk, would not be prudent," Danziger said of Miami's revitalizing district. "They have to attract the right customer and sell to them."

Those customers, Robins believes, will be sophisticated shoppers not just from Miami, but also visitors from all around the world.

Security is also a concern, as many of the luxury retailers admit, though they say they have confidence that Robins is addressing the issue.

No doubt Miami has its share of crime. The area just north of the Design District saw a spike in incidents like purse and watch snatchings in 2008. But a police department spokeswoman said the district does not stand out as a crime area.

Still, Robins wants shoppers and retailers to feel comfortable. "Just the nature of being in a real neighborhood, in a city, as opposed to being in a mall presents challenges," he said. He has hired the same national security firm that works for high-end watch and jewelry companies, Security Industry Specialists, known as SIS, and installed surveillance cameras on the street.

Amid the roar of construction, the Design District is still a work in progress. Luxury storefronts on and near 40th Street are juxtaposed against massive construction sites on 39th Street. In all, 15 buildings are currently under construction, including one above-ground and one underground garage that will augment 500 existing spaces.

The district's master plan, drafted by the Miami firm of Duany Plater-Zyberk, has won approval as a "Special Area Plan" under the Miami 21 zoning code, allowing certain zoning benefits. In July, Miami's Planning, Zoning & Appeals Board accepted an increase in the number of commercial properties, residential units and parking spaces, passing it on to the city commission for approval, though a request to raise the height of a condo tower was withdrawn.

As it transforms the district, Dacra has brought in cutting edge architects from Tokyo, New York, Chicago

and Barcelona, including Sou Fujimoto, Keenen Riley, Johnson & Lee, Aranda\Lasch, OAB Ferrater & Partners, as well as Miami Beach-based landscape architects Island Planning Corp.

Before it is all done, 300 native trees, including Florida Mahogany and Gumbo Limbo, will be planted to enhance the neighborhood, whose centerpiece will be a 30-foot-wide pedestrian mall running north and south from 38th to 42nd Streets.

Public art pieces will also be on display, including Buckminster Fuller's 24-foot Fly's Eye Dome, which Robins bought in 2010. It will be installed at the district's Palm Court, at the southern end of Paseo Ponti.

"We're integrating incredible art, design, architecture and urban design to make a spectacular environment," Robins said.

What's more, the district last year became the only project in Miami-Dade County to be given LEED — Leadership in Energy and Environmental Design — Gold Neighborhood Development certification.

The distinction for a neighborhood development is based on such factors as integrating "smart growth," in an urban core, incorporating LEED certified buildings and following the principles of "New Urbanism," — with a live-work-play design mentality," said Rob Hink, principal of the Weston-based Spinnaker Group, a sustainable design consulting firm which serves as the Design District's sustainable design consultants.

In addition, to preserve furniture design in the district, nearly all the design showrooms that were Dacra's tenants are either remaining in their current locations or have been relocated within the district, according to Robins and several tenants. Dacra tenants whose leases came due were offered new sites at special rates — relatively similar rents to what they had previously been paying, he said. On the art side, the private museum de la Cruz Collection is staying in place, while Locust Projects moved last year within the district, doubling its space.

"We couldn't be here if it wasn't for Dacra's generosity," said Amanda Sanfilippo, development associate for Locust Projects.

Others are more cautious about praise.

After 39 years in the district, the Carpet Boutique moved closer to Midtown, which turned out to be beneficial for business, said owner Clara Gonzalez. But as far as the future of the district, she said "the jury is still out."

When completed, the urban streetscape will include 900,000 square feet of space in nearly 50 buildings. Dacra and L Real Estate own 70 percent of the district property, with ownership of the rest scattered among many entities, including those held by investors James Goldsmith, Lyle Chariff, Rusty Atlas, Sam Herzberg, and the Safra and Simkins families. Some of the property owners are also leasing space to retailers, like Longchamp and Rolex.

Chariff, who worked for Dacra for 10 years before starting his own commercial real estate brokerage firm, owns five buildings in the district through partnerships, and also handles acquisition work for Dacra and management, leasing and development for other property owners. In 1994, Dacra bought the Moore building for \$2 million or \$23 a square foot, Chariff said. This spring, amid a bidding war, a property Chariff listed on 40th Street sold for \$2,100 per square foot to a New York investor, he said.

"Buildings Craig didn't even want to buy he bought to accommodate [design] tenants, because he recognized these were good tenants, they have a track record and they pay their rents, and rather than lose them there was a way to accommodate them," Chariff said.

Local shoppers have taken notice of the changes.

"I've been shopping in the Design District for 15 years," said Susan Lewin, of Belle Isle in Miami Beach, as she walked out of Marni, where she said she is a regular customer. "First I bought sofas, now I buy my clothes."

Ten to 12 restaurants are also expected to add to the mix, in addition to those currently open, like MC Kitchen, Michael's Genuine, The Cypress Room and Oak Tavern. But it is too early to name the new entrants, Robins said.

Pucci's Carra said the vision for the Design District reminds her of older European cities like Milan, where shoppers tend to stroll the streets, shop and window shop, grab a bite to eat with friends, and check out a gallery or furniture store.

"You have to have some vision because it's still a lot under construction," said Carra, who visited a few weeks ago. "I think when all will be finished it will be a totally new way of shopping for that part of

America.”

Area residents are watching the transformation take place in the shadow of their homes, with somewhat mixed feelings.

Frantz Eloi, president of the Buena Vista Heights Neighborhood Association, lives on 39th Street, just west of North Miami Avenue, on the outer fringes of the Design District.

“The neighborhood is not against progress. We are very happy that an organization wants to come in and do these beautiful buildings and wonderful things in the neighborhood, but we feel somewhat left out,” said Eloi, who wants the beautification, heightened security and improved lighting to spread out across to his neighborhood, where he expects some shoppers will park their expensive cars.

“I am pleased with what Craig is doing,” said Eloi, who has lived in his home 45 years, buying the house he was raised in from his mother. “I just wish he would include us a little more. Don't leave us out.”

One aspect of the transformation has drawn neighborhood ire. Plans submitted to the city earlier this year included a condo tower as high as 48 stories on Biscayne Boulevard. Facing local protests, the city's planning board limited the height to 20 stories and Dacra withdrew its request.

As the project ramps up, Robins said he is working closely with his L Real Estate partners, in what he calls “an extremely dynamic relationship.” The partners speak several times a week and meet monthly in Miami, Paris or Basel. “This is a relationship where one plus one equals five.”

For Robins, 50, the Design District is his latest in a string of forward-thinking projects that began in South Beach. A native of Miami Beach, he also spearheaded the residential community Aqua, an eight-acre island with 43 houses and 105 condo units, built on the site of the former St Francis Hospital in mid-Miami Beach, where he was born.

Seated in his contemporary art-filled offices in the Design District, wearing Maison Martin Margiela pants, white shirt and shoes, Robins is perched at the intersection of art, design, fashion and real estate development.

He began his career in real estate after earning a law degree from the University of Miami, and a bachelor's degree in general studies from the University of Michigan, which included studying art history in Barcelona. After law school, he considered becoming an art dealer or going into his father's field, real estate. And he found just the right combination, he said, with his father's backing, becoming one of the early South Beach redevelopers.

Robins, who founded Dacra when he was 24, has partnered over the years with the late, famed developer Tony Goldman and Island Records founder Chris Blackwell — who he considers his mentors — along with family members and others, on everything from commercial buildings to hotels, including the Marlin, Victor, Tides, Leslie and Cavalier.

Then, in the mid-90s, he started acquiring property in the Design District.

“We had already developed hotels, offices, condos, art lofts and retail in South Beach, including on Lincoln Road, and I felt we needed to come over the bridge,” he said, adding that at the time people thought he was crazy.

“One of the things about the Design District is that it is a smaller area and we had more resources, so we could control more of it,” Robins said.

“Miami needed a place that could be the city's creative laboratory,” he added. “I thought the Design District could be the place where something great could happen.”

Now, with L Real Estate as his partner, the project is on fast forward. Unlike building a luxury mall from scratch, like L'Avenue in Shanghai — another project that L Real Estate partnered on, and which opened several weeks ago — the challenge here is creating a new vision while the neighborhood continues to function, Burke said.

“It's a game of dominos and much more complicated than having a million square feet to lease all at once,” he said. “It's a different dynamic.”

Convincing tenants to visualize the changes is also harder, he said.

Those who believe in it say that like New York's Soho or Melrose Drive in Los Angeles, the Design District's new retail stores and restaurants promise to bring new life to an urban neighborhood, and seal its name on the affluent market's map.

"It's like the field of dreams," said retail analyst Cohen. "If you build it, they will come. If you put the right products in, they will come."

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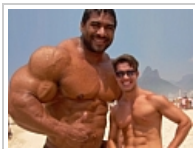
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