

RETAIL

Luxury courts Miami Design District as mixed-use retail spaces see spending boom

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Designer brands are courting Miami Design District's forecast retail potential ahead of 2023. Image credit: Chanel

By AMIRAH KEATON

Luxury has a date with a more niche market's retail potential, as brands such as Chanel, Tiffany & Co. and Fendi fly further south to court clients and set up shop.

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Miami's Design District has risen among the global ranks. Luxury forecasts like those from Knight Frank second only to Dubai, analysts expect the city to become one of the world's top prime luxury real estate markets next year explain the recent rush.

"Miami has been an attractive vacation and second home destination for decades," said Marie Driscoll, managing director of luxury and fashion at [Coresight Research](#), New York.

"The recent pandemic spurred Americans to move South, with Florida as one of the top 5 locations people moved to in 2021, according to a [study](#) by United Vans Lines," Ms. Driscoll said. "Luxury retailers are following their clients to new regions, and not necessarily gateway or international flagship cities."

"Miami's Design District is twenty years in the making and is a true luxury shopping and modern art destination."

Luxury moves to Miami en masse

New insights have emerged from shifts in the region's luxury retail real estate landscape. To this end, JLL's newly-released [U.S. Retail Market Outlook report](#) is telling.

According to the report, development is continuing to skew toward ground-floor retail spaces in mixed-use developments. Despite construction constraints, retail vacancy fell 10 basis points to 4.3 percent across the board for almost all shopping center types in Q3 2022 malls were the sole exception.

The global real estate services company shares that multi-tenant activity significantly outperformed relative to the rest of the commercial real estate market, bolstered by a handful of large transactions that closed in early Q3.

In light of this data, experts suggest that luxury retailers are driving demand in Miami. Retail rents across the city alone rose 10.1 percent in the third quarter, year-over-year.

"Miami has been on the ascent as a hot spot in terms of real estate since before [the pandemic, and has] always been a playground for the rich and famous and international jet setters," said Michael Prendergast, managing director of consumer retail at [Alvarez & Marsal](#), New York.



Miami Design District stands as an upscale shopping center offering a multitude of luxury options. Image credit: Miami Design District

"COVID-19 catapulted the market to an entirely new level," Mr. Prendergast said. "Great climate, great clubs, great easy access to other destinations all attract."

"Celebs, sports stars, and the very wealthy are all attracted to the area the market is exploding with no signs of slowing down."

Zooming in, and according to its site, Miami Design District provides unparalleled access to world-class dining, shopping, art and events. Of its facilities, owners share that the consumer corridor is "rooted in retail," and touts more than 170 brands, including flagships for Chanel, Balenciaga, Herms, Fendi, Dior, Cartier and Louis Vuitton.

The entity follows a multi-tenant structure. Known colloquially as open-air shopping centers, these areas tend to include greater community and lifestyle offerings versus strict commercial centers.

Premier real estate company KBS has [previously](#) identified the multi-tenant market as a bright spot for post-COVID retail. Miami Design District is one of the concept's more efficient examples.

A few of its features have even received accreditation: its Museum Garage was recognized by the International Parking and Mobility Institute as the "Best Design of a Mixed or Multi-Use Parking and Transportation Facility," for instance.

Besides the Knight Frank-referenced influx of affluent homeowners to the area, travel's post-pandemic rebound is sending additional foot traffic to major metropolitan centers worldwide, adding yet another consumer layer to the equation.

"With international travel on the rise, Miami is to have attracted larger numbers of global travelers," Coresight's Ms. Driscoll said.

"According to Placer.ai, Miami International Airport is positioned to beat its 2019 record of annual travelers," she said. "So vacationers, business folk and relocated households are driving the increase in luxury retail in Miami."

Thus, a recent wave of heightened luxury presence has arrived.

Brands like Balenciaga are establishing bigger-than-ever-before retail footprints amid these fair weather retail conditions. Earlier this year, the Kering-owned French fashion house unveiled a new flagship featuring a massive Miami footprint.



Balenciaga opened its two-story, 786-square-meter Miami flagship last month. Image credit: Balenciaga

Italian fashion house Fendi recently joined the fray, opening a new flagship during this year's Art Basel event a 6,350 square feet boasts a stateside first for Fendi Casa, the brand's home interiors arm. Creative director for the collection Silvia Venturini Fendi welcomed celebrity guests to a celebratory evening affair alongside CEO Alberto Da Passano.

"We've witnessed a change over the entire city," Ms. Venturini Fendi told *Vogue*.

"[It is] beautiful to see how creativity can positively interfere with the everyday," she said. "Creativity helped change the perception of this place, and enticed people to move here from New York and all over the world because suddenly this was where the action is."

"And it all happened in relatively a short space of time when we first started coming in 2008 [it is] funny to think that the Design District was not even here."

Italian fashion house Dolce & Gabbana has embarked on an adjacent route, partnering with Luxury Living Group a leader in the design and distribution of luxury furniture for Versace, Trussardi, Bugatti, Bentley Motors and more, Dolce & Gabbana among them, the manufacturer holds retail space in the District to launch a Dolce & Gabbana Casa collection takeover.

[View this post on Instagram](#)

A post shared by Dolce&Gabbana Casa (@dolcegabbana_cas..)

Temporary retail spaces are also on the up and up, both at large and within the Design District.

JLL's report reflects that after comprising 8 to 10 percent of retail leasing activity each year since 2015, experiential tenants now make up 15 percent of all leasing activity since the start of 2022.

Brands like Tiffany & Co. are opting in, choosing short-term leases to test the waters.

First look at our Miami Holiday Pop-up store in the Miami Design District featuring artwork by [@kaiandsunny](#). Learn more: <https://t.co/TvZaXdFoUK> [#TiffanyAndCo](#) pic.twitter.com/4mt5emyyQK

Tiffany & Co. (@TiffanyAndCo) [December 3, 2022](#)

The trend toward Miami is supported not only by shopping experiences but across other segments such as brand marketing, which works to keep retail afloat.

In a larger execution, and perhaps most compelling in showcasing the trend, French fashion behemoth Chanel drove clients into its boutiques with a fashion show that hit the U.S. Southeast state not too long ago, giving its resort collection a chance to shine.



Early to the party, Chanel also unleashed a 7,600 square-meter boutique in Miami last December. Image credit: Chanel

Originally debuted in Monte Carlo, the presentation of a replica 2023 cruise collection presentation in early November brought celebrities such as Lily-Rose Depp, Pharrell Williams and Marion Cotillard, each a brand ambassador, to the shore.

"I think Miami is more about a coming of age," Alvarez & Marsal's Mr. Prendergast said.

"Miami has always been sort of a hidden hot spot for nightlife and the rich and famous," he said. "But up until the past couple of years, it has not had the luxury cachet that it now has."

"It seemed more focused on older-generation and international wealth recently, however, middle-aged and older-aged wealth have discovered the 'cool' cachet of Miami."

Miami's experiential tilt

Miami's Design District lends a salient case study for just how much luxury retail is growing beyond classic Fifth Avenue corners. Whereas the aforementioned mainstay commercial location, global in appeal and aspiration, shows no signs of slowing anytime soon ([see story](#)), Miami's own reveals an interesting retail arc.

As mentioned, high-end property acquisition is seeing strong roots in Miami ([see story](#)). What is less evident is the emergent trend: to a great extent, luxury's latest strategy appears to acknowledge the affluent consumer's deep interest in experiences, following the group-of-interest's footsteps.

"How We Shop: The Next Decade," a [retail report](#) released in 2020 by real estate conglomerate Westfield, revealed that nearly 60 percent of shoppers worldwide will expect more than half of retail space to be devoted to experience rather than product by 2025.

More than four-fifths of global customers are willing to pay more for experiences, with the most requested in-store activities needing to be creative, health and games-oriented.

Events like Miami Beach Art Basel ([see story](#)), for example, aid in priming the market, helping to build a strong clientele base over time.

"Miami Beach Art Basel has become an important art show with museum quality works and the opportunity to discover talent while Miami Design District has great shopping, food and art," Ms. Driscoll said.

"The last two years has retailers, including luxury retailers rethinking where they need to be to meet their existing clientele and the next generation of shoppers," she said. "Miami is one such location."

According to KBS, luxury tenants of multiuse spaces are selling more than just products. By giving buyers multiple stops to shop in one given luxury outing, the more they will browse, impulse buy and drive higher sales, says the firm.

Inherent to the nature of these multi-tenant retail spaces, experiential luxury exchanges are on sale in Miami.

"NYC will always be a fashion capital of the world," Mr. Prendergast said.

"However, Miami is an additive hot spot," he said. "The epicenters of fashion like Paris and NYC will continue to maintain their attraction and strength. "

"Secondary markets will feel the squeeze with a shift to Miami."

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