

REAL ESTATE NEWS OCTOBER 1, 2015

The Shops at Sunset Place sells for \$110 million

HIGHLIGHTS

Popular South Miami mall is being taken over by same group that bought CocoWalk in May

New owners want to bring in more restaurants, cafes

Renovation and redevelopment are likely





BY NICHOLAS NEHAMAS

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The Shops at Sunset Place, a popular mall in South Miami, has sold for \$110 million.

The buyers are Federal Realty, a publicly traded company based in Maryland, and local developers Grass River Property and the Comras Company. It's the same group that purchased CocoWalk in Coconut Grove for \$87.5 million in May.

"One of the things that we find really allows for successful retail is having a lot of people with good disposable incomes," said Dawn Becker, executive vice president at Federal Realty.

Becker said that about 100,000 people with an average household income of \$120,000 live within three miles of the mall. "That's a great catalyst for retail," she said.

The new owners also said that renovation and redevelopment may be in store for the 515,000-square-foot mall.

"The mall was designed so that it has its back to the community in some ways," Becker said. "We want it to fit in a little bit better so it doesn't feel like such a fortress."

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Dawn Becker of Federal Realty

Current tenants include Banana Republic, Forever 21, Barnes & Noble, LA Fitness, an AMC movie theater and the bowling alley Splitsville.

Thomas Roth, a principal at Grass River, said that he and his partners would like to add more restaurants and cafes to the mix.

"South Miami is a terrific, walkable, pedestrian friendly place," Roth said. "It's centrally located with U.S. 1 and Red Road and Sunset Drive. There's a Metrorail stop nearby. There's South Miami Hospital and the University of Miami within walking distance. We

want to take advantage of that.”

The vacancy rate for retail tenants is 5 percent, according to Roth. Those spaces will be filled with temporary, pop-up fashion tenants, something the group has also tried at CocoWalk.

The overall vacancy rate stands at a much higher 20 percent because the mall’s 107,000-square-foot office component hasn’t had much luck attracting tenants, Roth added.

“The space wasn’t set up with a multi-tenant plan,” he said. “It wasn’t divided up, there aren’t enough washrooms, so you don’t have the opportunity to go after smaller tenants, which are the meat of the market in South Miami.”

Roth said the new owners may renovate the offices or convert them to residential or hotel uses over the next few years.

The previous owner was Simon Property Group, which has managed the mall since it opened in 1999. As part of the deal, the new owners will assume a \$70.8 million mortgage on the property. Federal Realty will own 85 percent of the mall. Grass River and the Comras Company will control the remainder.

Commercial real estate in Miami is hot.

Investors have snapped up nearly \$1 billion in commercial real estate properties over the last month, including a \$370 million deal for an entire block of Lincoln Road, a \$142 million deal for the Espirito Santo Plaza in downtown Miami, a \$140 million deal for the 777 Brickell Ave. office tower, and the \$113.5 million sale of Mary Brickell Village.

“You’re seeing increased competition from foreign investors and high-net-worth sovereign funds looking for a safe place to put capital,” said Jim Shindell, an attorney at Bilzin Sumberg, which has worked on several of the deals.

Shindell said that Miami’s commercial market is following the trend in residential, where prices are skyrocketing. Last week, an unknown buyer put down \$60 million in cash for a condo on Miami Beach.

“You’re now seeing a lot of interest in retail and in office, particularly in the urban core areas, as the real estate market matures,” Shindell said.

\$110 million

Sales price for The Shops at Sunset Place

The Shops at Sunset deal is already generating some local controversy.

The buyers have hired a new company, Coastal Building Maintenance, to perform janitorial work at the mall. As a result, nearly a dozen employees of the old contractor, who belong to the local chapter of the Service Employees International Union, say they are being laid off and held a protest outside the mall Tuesday. The employees were joined by South Miami Mayor Philip Stoddard.

Coastal Building has been sued at least 13 times by workers claiming they were not paid overtime wages, *el Nuevo Herald* reported. Eleven of those cases were settled out of court, according to *el Nuevo*.

Roth said Coastal Building was a locally based firm that Grass River had worked with in the past and trusted. He said the mall overall would be growing its staff.

“Like with any transaction of this nature, when a new buyer comes in, you’re going to bid out contracts,” Roth said. “We selected the most qualified contractor based on experience and cost.”

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Brandon Kerns · Assistant Staff Scientist at University of Miami

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