

CORAL GABLES

MAGAZINE

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The State of Real Estate in Coral Gables

Finding a Balance
in the New Boom

BY KYLIE WANG

THE LOEWS HOTEL RISES ABOVE THE CORAL GABLES
SKYLINE AT THE PLAZA CORAL GABLES, A MIXED-USE
PROJECT OF OFFICES, RESIDENCES, AND RESTAURANTS.

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Photo by Rodolfo Benitez

And these out-of-state companies are part of their own problem, Holly says. "The new firms that came to Downtown Miami and Brickell have driven up the prices on Class A office space to rates that far exceed inflation. What that's done," he says, "is taken local tenants and priced them out of the market." Meanwhile, Coral Gables' rates have stayed relatively linear. Pre-COVID, Class A rates were about \$45 per square foot, whereas now they've risen marginally to the low \$50s.

Businesses have taken notice of Coral Gables' comparatively low rates. Last year, there was a 12 percent increase in office leasing activity in the Gables, accounting for 226 new leases signed. Several big names moving to Coral Gables were at the forefront of this trend, including FIFA and Ryder System. Besides pricing, companies find the Gables attractive for the same reasons as residents: walkability, safety, amenities, traffic, proximity to the airport, etc. While neighboring Coconut Grove boasts many of the same qualities, Coral Gables is cheaper and has vastly more space. The Grove has 1.6 million-square-feet of office space. Coral Gables has 7.3 million. And because there's so much less space in Coconut Grove, the rates are \$10 more per square foot than in the Gables.

The benefit from the corporate influx is undeniable, Adams says, with the revenue these company relocations add to the local economy. Last year, he says, 15,000 new jobs were created and over \$54 million was added to Miami-Dade County's economy. "In Coral Gables, approximately 40 percent of the entire city's revenues come from the commercial sector," he adds. "Having buildings that are substantially occupied means higher property tax valuations [and that] means more city revenue. And that mitigates the need for residents to pay higher millage rates and taxes on their properties."

RETAIL RISES

The other side of the commercial real estate coin is retail – and no one owns more retail space on Miracle Mile than Terranova Corporation. Founder and chairman Stephen Bittel started buying up property on

"LINCOLN ROAD TAUGHT US THE POWER OF PEOPLE SITTING IN CAFES ON THE STREET AND HOW THAT COULD BE THE ENGINE TO TRANSFORM THE STREET..."

STEPHEN BITTEL, CEO OF TERRANOVA CORPORATION

the main street almost 20 years ago with a vision that "as more residences and more hotels and more offices were built in the area, traffic would grow." He adds with a grin, "And, in fact, that's happened."

Today, Terranova owns 15 buildings on the Mile, including John Martin's and Capital Burger, as well as an office building at 255 Alhambra. Bittel recently relocated the firm's offices from Miami Beach, where he made a fortune buying early on Lincoln Road, to a temporary location on Miracle Mile.

Bittel credits the 2015 city streetscape project with a lot of the commercial retail scene's success in Coral Gables. "Lincoln Road taught us the power of people sitting in cafes on the street and how that could be the engine to transform the street," he says. "That pushed us to communicate vigorously with the [Coral Gables City] Commission about the need for the streetscape project."

The streetscape project transformed Miracle Mile into a more pedestrian-friendly roadway, with widened sidewalks, enhanced lighting and landscaping, and public art. Though some businesses complained about lower traffic during the construction phase, Bittel says Terranova "lost no tenants... contrary to popular belief." However, the firm also did not sign any new leases. "The minute it was done, we started signing leases like crazy and our tenants started doing better sales than they had historically," he says. Giralda Avenue also got a makeover in the two-block stretch that now makes up Giralda Plaza, transforming from a roadway into a pedestrians-only walking space. Lined with restaurants and retail, its completion was a huge get for commercial real estate in the Gables.

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305.439.8311

mauricio@miamisignaturehomes.com

MiamiSignatureHomes.com

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NEWLY LISTED 'Palma Royale'

1429 Garcia Ave

3/2 Main House + Oversized 1/1 Casita | Pool | 2-car | 3,053 LA | 3,207 ADJ | 3,872 TA | 15,400 SF LOT | \$3,000,000

Coconut Grove



THE FAIRCHILD

3581 E. Glencoe St PH602

3 beds | 2.5 baths | 2-car | 3,183 LA | 3,965 TA | Direct Bayfront | \$6,450,000

Coconut Grove



YACHT HARBOUR

2901 S. Bayshore Dr #3BC

3 beds | 3 baths | 2-car | 3,174 LA | 4,774 TA | Double Corner Unit | \$2,696,000

Coral Gables



NEW CONSTRUCTION

500 Zamora Avenue

4 beds | 3 baths | 2-car | Pool | 3,131, SF | 7,300 SF LOT | \$3,380,000

Coral Gables



JUST SOLD

5741 Marius St

3 beds | 3.5 baths | 2-car | 1,753 LA | 2,149 ADJ | 2,640 TA | 8,183 SF LOT | \$1,500,000

Levy 

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Retail also experienced the same flight from Brickell that has characterized much of the office and residential real estate booms in Coral Gables. Average retail rents in the Gables are around \$53 per square foot, while in Brickell that number runs anywhere from \$85 to \$130. "In the past three years, rents have increased a cumulative 13.5 percent," says Carlos Guzman, president and CEO of Pacific National Bank, which primarily finances commercial real estate transactions. "There have been 40 sales, which have traded for approximately \$293 million.... Buyers have exhibited a steady interest in the area."

"When you look at the asking rates that you find in the City of Coral Gables, I would suggest we're actually a value proposition compared to other markets that we tend to compete with, like Wynwood or Coconut Grove," says Coral Pine Real Estate founding principal and broker Barbara Tria. "It's not unusual to see triple digit figures for base rents quoted in those markets, and we have yet to see that number in our retail market."

There are also reasons like cheaper parking, less traffic, and ease of movement throughout the region which make Coral Gables more attractive. Tria points out that the Gables' "proximity to amenities" like cultural landmarks, live music, and sporting events, "makes [the city] shine." And if a company's leadership is based in Coral Gables, where many are, "why would they move to Brickell?" she asks.

Today, vacancy rates for retail are in the single digits – around 1.2 percent, according to Guzman. "Sometimes it's hard to perceive that because of the transition from one retailer to the next," says Tria. "There's downtime, and so it may feel like there's more vacancy than there actually is." Low vacancy also means base rent will be driven up, and retail also has to contend with rising triple net charges like real estate taxes, maintenance, and insurance, which has gone up significantly over the last year.

Another reason for retail's rise to prominence? Night life. Just a few years ago, Coral Gables had virtually none. Today, young professionals who may not even live in the Gables but commute in for work are staying out on Friday nights, hitting bars like Copper 29 and the newly-opened Bodega Taqueria & Tequila on Miracle Mile. Getting a reservation during or after happy hour at places like Hillstone or Eaing House is almost an extreme sport.

Competition between restaurants is especially fierce, with chef-driven concepts increasingly popular and existing retailers often looking to open second locations in the Gables. CVI.CHE 105, for example, has locations in Miami and Miami Beach already, but just opened their "flagship location" in The Plaza. Graziano's is another one of these – with a restaurant and a market already in downtown Gables, the Argentine retailer recently opened another market location in the LifeTime building on US-1. "They understand who the customer is in this marketplace," says Tria. "And they know they can offer the customer something a little different."

Agave Holdings' Beckmann says food and beverage has become so big that it simply "has to slow down a bit. Everyone wants to open restaurants," he says. "At The Plaza, we're saying, 'No more.'"

Health and wellness is another market that's become extremely attractive to the Gables, whether it's Pilates studios or facial bars. It's specialized gyms that are the belle of the ball though, largely because Coral Gables doesn't have the giant spaces that general fitness centers need, Tria says. Lifetime and Equinox are the exceptions that fill the gap, but there are many more hyper-focused gyms like Sweat 440, OrangeTheory, Pilates Strong, and SoulCycle that offer select services. At The Plaza, Beckmann says, "we are creating a kind of health and wellness corner" with yoga studios, high-end facial bars, and a barbershop. Boutique retailers that deal exclusively in high-end pieces are also trying to break into the market with



Photo by Rodolfo Benitez

"IF A COMPANY'S LEADERSHIP IS BASED IN CORAL GABLES, WHERE MANY ARE, WHY WOULD THEY MOVE TO BRICKELL?"

BARBARA TRIA, CORAL PINE REAL ESTATE BROKER, ON THE BENEFITS OF CORAL GABLES' CULTURE

curated fashions that appeal to affluent Gableites and visitors from Europe and South America.

Because of all this, says Bittel, Terranova Corporation is looking to buy even more properties in downtown Gables to add to the four more buildings it bought in the last two years. "We're by no means done," he says. But not everything is going his – or retail's – way. With two newly elected commissioners that ran on anti-development platforms (Ariel Fernandez and Melissa Castro), there is some cause for alarm amongst developers. Bittel, for one, believes the mood of the city "swings back and forth" on development, but he takes a positive viewpoint even so. "As buildings age and become obsolete, there will be the opportunity to build new ones that are respectful of the past but reflective of the future," he says.

Tria also points out that the business of real estate is cyclical. "There have been headlines lately about the challenges in financial markets as it relates to commercial property debt," she explains. "So, I think that has yet to be figured out and fully experienced. How the market adapts to that is going to be critical." But Coral Gables, she adds, is uniquely positioned to respond. ■