

Tampa Bay Business Journal - February 5, 2007

<http://tampabay.bizjournals.com/tampabay/stories/2007/02/05/story7.html>



**Business Pulse Survey:** [Driving the deal: What's your 'power car'?](#)

# As downtown waits for residents, the retail condo concept takes a test drive

Tampa Bay Business Journal - February 2, 2007

by [Carl Cronan](#)

Real estate editor

TAMPA -- The developer of Grand Central at Kennedy aims to sell its retail space, instead of leasing, as a way to protect itself from rental turnover as well as make a profit before downtown residents arrive.

Mercury Advisors, which is nearing completion of the 370-unit residential condominium tower in the Channel District, began marketing its retail condos last month, which included a half-page advertisement in the Jan. 19 edition of the Tampa Bay Business Journal.

The units are being offered for \$400 per square foot, a relative bargain compared to other major metropolitan areas. However, local commercial real estate observers are waiting to see whether they will be received as favorably in the Tampa Bay area.

Grand Central has received at least 25 inquiries over the past two weeks about buying retail space, mostly from seasoned retailers, said Ken Stoltenberg, director of Mercury Advisors.

"This isn't a situation where they're opening their first business," Stoltenberg said this week. Most of the inquiries involve Main Street-type merchants ranging from hair salons to mutual fund sellers, though no closings are anticipated until early next year.

Strong sales pattern

Grand Central's plan is part of a growing national trend toward retailers owning their space instead of renting, especially within mixed-use developments, according to the International Council of Shopping Centers.

Statistics by Real Capital Analytics show a huge increase in retail condo sales from \$45 million in 2003 to \$650 million in 2004, and volume was expected to approach \$1 billion through last year. Retail experts told ICSC they expect more retail condos to come to market over the next five years.

With 127,000 square feet of total availability, Grand Central's retail condos create plenty of opportunity for shop owners and real estate investors alike, Stoltenberg said. Ownership advantages cited in the development's marketing materials include building business equity, greater control of overhead costs and avoiding having to pay state sales tax on retail leases.

"We've got a great location and have done all the things necessary to make it successful long term, such as providing parking," Stoltenberg said. Grand Central will include at least 1,400 parking spaces on site, and about 900 will be dedicated to office and retail users.

Bay area real estate experts wonder whether the amount of retail space at Grand Central is too much, noting that it might be better to give prospective merchants the choice of leasing and buying.

"It's a good option to offer," said Dave Conn, senior VP with CB Richard Ellis Group Inc. in Tampa. "Most (retailers) don't have the opportunity to own their space."

Besides the right location, retailers would rather open shops next to those that have the right synergy, Conn said, adding that they may still prefer to rent rather than buy their space. "Some people don't want to tie up their capital in the physical plant of the building," he said.

Mercury Advisors has already been successful in marketing its 59,000-square-foot office condo component, which Stoltenberg said is nearly 70 percent sold and should be completely sold out over the next six months.

Different dynamic for retail units

Stoltenberg said he believes the majority of Grand Central's 550 projected residents intend to close on their units in coming months, though a few units "came back" for various reasons. For example, younger couples who previously planned on moving in backed out of their deals because they had children in the meantime, he said.

Such issues won't be a factor for the retail condos, which have sold up to \$1,200 per square foot in Miami and Naples, according to Stoltenberg. ICSC data shows retail condos in places such as New York and Washington have exceeded \$1,000 per square foot.

The only apparent limitation to Tampa retail condos, he said, is that they are slightly ahead of their time. Several thousand residents are expected to move downtown in years to come, but those living there now measure only in the hundreds so the draw for retail owners or tenants isn't there yet.

However, if retailers choose to buy space for the long term as the residential base builds up, "it's a permanent exit strategy," Stoltenberg said.

Proof of a potentially strong retail market can be found along South Howard Avenue, where population density has increased substantially over the past five years and owners of retail space are content to remain well-paid landlords, Stoltenberg noted.

"You see a lot of for rent signs there," he said, "but you don't see a lot of for sale signs."