From the Orlando Business Journal:
https://www.bizjournals.com/orlando/news/2022/07/14/orlando-downtown-retail-apartments-density-dynamic.html

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The density dynamic: How downtown's boom in luxury apartments reframes its retail outlook

Jul 14, 2022, 5:25pm EDT

Rich Johnson/Spectacle Photograph

Downtown Orlando's growing apartment market is expected to help attract more retailers.

Contractors are hard at work while Alex Wright stands in the middle of the space he and his partners leased at 317 N. Orange Ave. in downtown Orlando.

As Wright explains the unique Pups Pub Orlando concept he is bringing to the market — an off-leash dog bar that is part sports bar, part dog park — he includes downtown's ongoing apartment boom. "We're within two blocks of 3,200 apartments — all dog-friendly. They're developing more. Within a half-mile, you're looking at 10,000 dog-friendly units."

Wright's assessment of the downtown multifamily landscape, and the business he and his partners are starting with a goal of capitalizing on it, are in line with what downtown Orlando officials and advocates want.

The downtown retail submarket has been tricky for decades. Restaurants haven't been as hard to land as tenants, but landlords have struggled to attract shops and services. And when the Covid-19 pandemic sent thousands of office workers home — many of whom still haven't returned fully or at all — it became even thornier.

In fact, the pandemic reversed a situation that was starting to improve, Jill Rose, vice president of retail services at Orlando-based Bishop Beale Duncan, told *Orlando Business Journal*.

"Covid really took the wind out of our sails."

However, a booming apartment market may provide another way forward for downtown's retail landscape, as a growing population of full-time inhabitants can make shops, restaurants and services somewhat less dependent on daytime office workers.

This matters because a dynamic, bustling city center could play a crucial role in continuing efforts to market Orlando as a destination for corporate relocations, expansions or simply doing more business in Florida. It also can play a key role in making the market more attractive to the high-level, young talent so many firms prize.

In this special report, *OBJ* talks with experts about what the influx of multifamily means for downtown's retail environment, how much it moves the needle and what challenges persist.

Numbers paint conflicting pictures

In the past five years, 2,716 apartments were delivered in downtown or within a half-mile of it — a 10-minute walk — according to CoStar Group and the Orange County Property Appraiser. Another 754 units are under construction, and 1,100-plus are in planning or seeking approvals.

CoStar Group defines the downtown Orlando multifamily submarket broadly, extending as far northwest as the emerging Packing District, College Park and the area around AdventHealth's main hospital campus. That downtown submarket's total multifamily inventory is 12,341 units, with 21% delivered in the past two years.

But those big numbers don't quite address the larger question of whether it's enough to create a thriving downtown. Of course, there's still plenty of runway, according to "Mr. Downtown" Craig Ustler, the developer behind the budding $1.5 billion Creative Village mixed-use district on downtown's west side.

"We should be doubling and tripling down on multifamily development in downtown Orlando."

On the retail side, it's a mixed bag. The downtown submarket's rent rates are up 6.8% from the year-ago period, per CoStar, but 2022 absorption to date — vacated space that has been backfilled — was negative at -0.3%. Additionally, the submarket's 4.8% average retail vacancy rate is a record high since 2014, compared with metro Orlando's 3.7%.

Then, there are the corners, hard-to-snag spaces on key intersections, that often are considered a bellwether for the submarket's health. Among downtown's vacancies are a handful of the most visible ground-floor, corner retail spaces — including two at Orange and Central avenues, arguably the city's "Main & Main."

Why multifamily matters

Earlier this summer, Atlanta-based office landlord Piedmont Office Realty Trust Inc. inked a new-to-market concept to fill the restaurant space at its downtown office property at 222 S. Orange. Ave. — which formerly housed burger eatery Wahlburgers, owned by celebrity Mark Wahlberg and his family.

The new tenant, California-based Solita Tacos & Margaritas, will provide a new business lunch destination for downtown, said Chris Poppell, Piedmont vice president for asset management for the Southeast region. Solita brand operator Xperience Restaurant Group partly was attracted by the full-time residents at high-end apartments, he said.

“They saw the rooftops coming in downtown — this insatiable demand for multifamily in Orlando.”

More people living downtown attracts retailers. So, too, does the evolution in who those renters are, said Willow Ferrelli, managing partner of Orlando-based Acre Commercial Real Estate, who works in and around downtown. Ferrelli and her business partner, Sandi Bargfrede, are marketing for lease the ground-floor retail in the new Radius Apartments at 355 N. Rosalind Ave.

Downtown Orlando has an average monthly apartment rent of $2,018, or $2.27 per square foot — the latter of which leads Central Florida submarkets. It’s also 14.8% higher than the year-earlier period, per CoStar. Five years ago, the average apartment rent was $1,594, or $1.79 per square foot.

“The rents downtown are higher and the demographic of the renters is a broader range of ages and incomes,” Ferrelli said. “It has opened the ears of retailers, because they understand today’s apartment renter is different from the renter of years past. They have disposable income.”

Uses that make sense

Downtown long has been known for its density of bars and lounges. But with an increasingly diverse population of residents, different retail uses will start to make more sense, Bargfrede said. Some of these urban infill uses can include fitness centers, hair and nail salons, and pet-based services.

For instance, Bishop Beale Duncan recently got a call from a national dog training institute showing interest in downtown, Rose told *OBJ*. The Bishop Beale Duncan team was involved with two notable downtown retail leases on the ground level of the Mondrian on Lake Eola (formerly Modera Central):

DGX, Dollar General’s smaller, urban-focused concept that offers fresh food and produce, making it a typical convenience store/traditional grocery hybrid
The high-end Trophy Room, a couple doors down from DGX, is on the other end of the retail spectrum — something downtown Orlando has seen less of. The sports store sometimes is busy enough to have customers waiting to get in.

Trophy Room is the boutique sneaker and apparel store owned by Marcus Jordan, former University of Central Florida basketball star-turned-entrepreneur and son of basketball legend Michael Jordan. Trophy Room originally was at Disney Springs, before briefly going to e-commerce only and opened downtown in the Mondrian building in April.

Marcus Jordan was unavailable for comment, but two of the store’s leaders — Masood Ahmed and Ali Tai — said the concept has done well in downtown. By being more centralized in metro Orlando, it enabled the store to branch out its offerings to include small events and workshops, Ahmed told *OBJ*. "There was a need for it."

While it's unclear and perhaps even unlikely downtown will be a destination for more upscale specialty boutiques, it still matters that it's there, said Rebekah Marrero. She, along with JP Beaulieu, is part of the Bishop Beale Duncan team working to lease the corner space at Mondrian and the Liberty Corner retail space at 100 E. Colonial Drive.

"We took it from Disney Springs, which we felt was huge, as it spoke to how much our downtown demographic has grown."

Some brokers who work the submarket also said medical uses — such as eye doctors, dentists and urgent-care facilities — are primed to do well, but haven't manifested yet.

Ground-floor retail's role

When Dallas-based Knightvest Capital bought the 375-unit Ridley on Main Apartments (formerly Novel Lucerne) on May 26, it also got 31,000 square feet of ground-level retail space at 733 Main Lane.

While the total retail space is relatively insignificant when looking at the overall 693,000-square-foot project, what goes there can be a perk for renters, said Jason Dallas, Knightvest vice president of acquisition. A similar sentiment was expressed by Poppell on behalf of Piedmont's new restaurant lease.

Seeing retail spaces as "placemaker" amenities can be key to successful mixed-use developments — although not all office and multifamily developers with ground-floor retail see it that way just yet, Ustler told *OBJ*.

"Some are OK with vacancy, some are OK with a cellphone store or bar as long as they pay good rent. I can't speak to why those owners see it that way. We see it as critical to our brand and our overall leasing efforts on each building."

The disconnect may stem from developers being accustomed to operating with a single product type — multifamily or office. They're not as familiar with retail, as well as where the return on investment will come from.

However, retail brokers like Bargfrede are finding success in reframing how these owners view these properties and the opportunity they present. "100 percent — they look at this as an amenity," she said.

In addition, some owners are getting more selective with amenitizing available space, said Jeré Matheny, a senior associate at Orlando-based real estate firm First Capital Property Group Inc. who is marketing two retail spaces on Orange Avenue.

"Most of these leases are 10-year deals, so you have one chance to get this right over the next decade. It all has to fit, because what building owners are seeking to do right now is marry the retail space with what their primary core tenant prospects would be interested in."

Challenges persist

Of course, not everyone shares a rosy outlook or believes the multifamily influx is enough to offset the well-documented challenges.

Some real estate professionals who declined to speak on the record said downtown's issues with safety, its large homeless population and the many bars' unsightliness — and sometimes odor-related issues — stand in the way of being the type of Saturday afternoon destination that smaller suburban downtowns like Winter Garden and Winter Park have achieved.

Downtown for years has struggled to attract national tenants, brokers said. Although recent successes include Taco Bell, Walgreens and DGX, there historically haven't been many comparable concepts for retailers to evaluate.

"It's a chicken-or-the-egg situation," Rose said.

Of course, the lack of national retailers creates openings for mom-and-pop retail options — provided they can afford the rent. The submarket's monthly average asking rent of $32.40 per square foot is fourth-highest in Central Florida. Plus, the plethora of newly built ground-floor retail in mixed-use apartment towers means higher retail buildout costs.

There also are differing views about whether downtown's population growth, while notable, is enough to change the retail landscape on its own. Census data shows about 27,000 people live within the eight census tracts in or around the downtown core. But the two tracts that largely make up the central business district had about 6,800 people in 2020, data showed, in addition to a few thousand people in the part of other tracts that directly abut downtown.

If the area could get to roughly 20,000 residents within a reasonable walk of downtown retail, that may be a better volume where retailers can be sustained almost entirely by nearby residents, according to Rose.

Since downtown's population still isn't big enough to sustain national concepts, retailers still are apprehensive about parking challenges — real or perceived — that may discourage shoppers accustomed to the region's more car-centric, suburban landscape.

"We're still seeing consumers struggle with that — this is still a driving city," Marrero said.

To change that dynamic for downtown, Ustler said Orlando should aspire to have 2,000-3,000 new units added to the submarket each year — or more. That should attract retail that will bring to life that still relevant live/work/play ideal, Ferrelli added.

"You have a place to have a coffee, go to lunch, work out and get your nails done. We're trying to create multiple visits per week, per person so we can have good crossover. You need different components – all of that creates synergy for the apartments and the surrounding couple of blocks."

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Staff Writer - *Orlando Business Journal*

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