



Models from 100% Chic walk through the Bal Harbour Shops in Miami, advertising the store's clothing.

Photographer: Scott McIntyre/Bloomberg

This Mall Is Only for the Rich, and It's Doing Fine

The fanciest shopping center in America is expanding while the rest face a looming retail apocalypse.

By

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At the northern tip of Miami Beach's famed barrier island, atop what was once a tangle of mangrove-filled swamps, sits a three-story, 466,000-square-foot sanctum for the super-rich. A pair of models dressed in beige linen outfits strut silently past onlookers like a wandering catwalk ad. Outside, shoppers shell out \$30 for valet parking and the right to show off their supercars near the main entryway. It's sunny and breezy on this picturesque Monday afternoon, but when it does rain, mall workers will scurry out front with umbrellas to escort shoppers to shelter.

Bal Harbour Shops looks like a posh resort compared with the 1,100 or so indoor malls sprinkled throughout America's suburbs. Instead of the glare of fluorescent lights and fake plants, the main drag here is lined with tropical greenery and ponds with turtles and koi. It's different from your run-of-the-mill mall in other ways, too: This one isn't constantly cutting deals on rent to get stores to stay. In fact, there's a waitlist. And while some malls are desperately seeking financial lifelines, this one is planning a \$400 million expansion.

On this day, Matthew Whitman Lazenby, the Bal Harbour Shops' developer, is biting into a veggie club sandwich at the mall's second-floor grill. The view is expensive: Range Rovers and Porsches sit outside amid the palm trees.

Lazenby, 40, has just returned from a business trip to South America, where he visited several malls, including one in Sao Paulo that's a virtual duplicate of his. The grandson of the mall's late founder, Stanley Whitman, Lazenby says he's fully cognizant of the industry's troubles—and how they don't really affect Bal Harbour.

"There's not many luxury stores you go into and say, 'Ugh, this is terrible,'" he says. "There are some, though. Not here."

Malls across America are dealing with what's been called the "retail apocalypse:" the looming death of an industry unable to cope with the shifting shopping habits of consumers. Clothing retailers close stores by the thousands as households shift spending to travel, eating out and other leisure activities. More importantly, foot traffic continues to slow as customers abandon the suburban mall for the ease of online shopping. U.S. e-commerce sales are expected to account for 17 percent of all retail by 2022, up from 12.7 percent in 2017, with Amazon.com Inc. the main driver, according to Forrester Research.



Valet attendants park shoppers' cars as they arrive at the Bal Harbour Shops.

Photographer: Scott McIntyre/Bloomberg

Even worse for the American mall, Credit Suisse has predicted that from 20 percent to 25 percent of the complexes will shut their doors within the next five years. It's the kind of cultural cataclysm so total that suburban explorers

now trek through dead malls with their cameras, chronicling decay as if they were ancient ruins.

While the malls Generation X came of age in are on death row, luxurious versions of those dinosaurs are doing just fine. Malls such as Americana Manhasset on the wealthy north shore of New York's Long Island, the Forum Shops at Caesars in Las Vegas, and the Grove in Los Angeles, often teeming with a healthy mix of wealthy locals and spendthrift tourists. But even among these successful swanky malls, Bal Harbour Shops stands tallest. It regularly tops the annual list of the most productive shopping centers in America, according to real estate research firm Green Street Advisors. Bal Harbour Shops declined to share revenue numbers, conceding only that it's profitable.



Shoppers visit stores among the sculpture garden.

Photographer: Scott McIntyre/Bloomberg

Though it's not enough for a mall to simply be near rich folks, it sure does help, says Michael Brown, a partner in the retail practice of consulting firm A.T. Kearney. "Those malls in the densely populated, high-income sectors are continuing to thrive," he says. Bal Harbour is certainly among them. Many shoppers do come here from afar, but some live right next door. The two towers of the equally decadent St. Regis Hotel across the street are visible from the mall's second floor. The Ritz-Carlton is just down the road, with one-bedroom suites that can run more than \$1,000 a night. Between them sits more than a half-dozen luxury high-rise condominiums lining that famous beach.

One downside for luxury malls located among the well-to-do, however, is that they constantly need to update their offerings to appease all those discerning buyers searching for the hottest brands.

But if your mall's in the wrong place, all the hot stores in the world won't save you—no matter what you're selling.

Look no farther than a traditional mall located just 15 minutes from Bal Harbour. The Mall at 163rd Street in North Miami Beach is a desolate shell of its former self. Its decline took decades, as department store anchors slowly departed for a more upscale mall nearby. The only direction to go was downmarket, as a chunk of it was demolished and replaced by a Walmart Inc. Supercenter. What remains today is a tall, arched hallway where blocks of five storefronts or more remain vacant. Most kiosks are abandoned, too.

The few shoppers walking through on a weekday were headed to the discount racks at Marshall's or Ross Dress for Less. A hopeful sign on the wall promises: "New stores coming soon!"



Luxury cars are parked in the Bal Harbour valet area.

Photographer: Scott McIntyre/Bloomberg

There is no Sears-to-Chanel story for the mall in Bal Harbour. It sought to be ostentatious from the start. When Stanley Finch Whitman opened the doors in 1965, he hoped to attract the poshest stores. Most European luxury brands had yet to invade the U.S., which left New York as the nation's sole home for the glitziest names. Early shops and boutiques at Bal Harbour included FAO Schwartz and a Martha Phillips dress salon, but Whitman was unable to lure a major anchor for years. Then, in 1971, Neiman Marcus agreed to open its first department store outside its home state of Texas. New York's Saks Fifth Avenue soon followed.

Lazenby joined his family's company in 2003 and took over as chief executive in 2013. He's more expansion-minded than his predecessors, investing in a second mall property downtown rather than staying put in Bal Harbour, as his

grandfather did. “Now we have an eye on possibly doing some other things,” says Lazenby, who adds that while he’s open to more individual projects, he doesn’t plan to expand nationally. “Size has never been what it’s about.”

For the bulk of the U.S. retail world, the word “mall” has become a curse, one inexorably tied to the aforementioned apocalypse. Owners prefer “collection” or “town center” or “promenade.” Lazenby grudgingly concedes that Bal Harbour Shops is indeed a mall, but goes on to refer to “store clusters” as “shopping environments” instead.

Malls for the rich aren’t immune to e-commerce, Lazenby acknowledges—they just have more time than normal malls before the online monster hits. Much of luxury hasn’t shifted there yet—it’s much harder to convince shoppers to dump \$10,000 on a bejeweled necklace or alligator shoes without seeing the items up close. Nevertheless, elite labels that once spurned e-commerce are now moving some business online. Internet retailers such as Net-A-Porter and Farfetch have proven that there is an appetite for high-end online shopping.

Even the 1 percent sometimes have to get buzzed in.

There are luxury brands that still shun the internet, but Lazenby warns they should pursue both sides of the business. “One shouldn’t be at the expense of the other,” he says.

Inside Bal Harbour, a row of jewelry stores draws double-takes, even from well-appointed passersby. These shiny outposts include Bvlgari, Harry Winston and Chopard. At Graff, the biggest head-turner is a ring with an

emerald-cut diamond the size of a fingernail. These are among the few shops at Bal Harbour whose doors are closed—even the 1 percent sometimes have to get buzzed in. Still, the complex is generally a plush, pleasant, materialistic paradise for shoppers with cash to burn.

Not so for the mall's tenants, who operate in an environment best labeled as cutthroat. Space is limited, so underperforming stores are often culled to make room for up-and-comers (That is, except for a fancy bookstore that earned a permanent spot on the third level). Shops are often relocated around the mall's main hall as they jockey to gain additional selling space. Fashion labels such as Chanel, Gucci and Goyard currently rank as three of the most productive stores at Bal Harbour, the mall says.

Bal Harbour does include some stores you would see at a middle-class mall, but their offerings are much fancier. Ralph Lauren is here, for example, but this one is full of the retailer's Purple Label line, the highest-end merchandise it sells, including \$5,000 silk dinner jackets and \$500 bronco belt buckles. More often, though, Bal Harbour serves up boutiques you won't see at your local turnpike shopping center. Chanel's shop, one of the biggest in the mall, has a VIP lounge for the highest rollers. Its store here is known for a selection of exotic leather bags that cost many times those of the already pricey lambskin basics.



Shoppers look at the jewelry display at Graff.

Photographer: Scott McIntyre/Bloomberg

As successful as Bal Harbour is, Lazenby isn't sitting still. In 2015, demolition crews descended on a 70-year-old Congregational church behind the mall's parking garage. "Worship this Sunday," the sign for the Church by the Sea still read as a Caterpillar excavator ripped down its walls. Bal Harbour Shops had purchased the land for \$30 million after a decades-long negotiation begun by Lazenby's grandfather, who died last year. The deal sparked an uproar in the community.

"It's crazy that they would go ahead at Christmas time—a religious time of year—and start demolishing a historic church," one local resident told the Miami Herald. "What a Christmas gift for the residents of Bal Harbour and the congregants."

Lazenby was unmoved. “Activist naysayers,” he called his detractors.

The new wing of Bal Harbour Shops that will take the church’s place is expected to open in 2023. The mall recently announced that a three-floor, 53,000-square-foot Barneys New York would be its new anchor shop.

On a recent sun-soaked afternoon, Lazenby is about to head back to his corporate office across from the mall. Shoppers who just finished lunch look into a window or two on their way out. A man in a T-shirt and basketball shorts exits Le Zoo, a restaurant where a cheeseburger costs \$18. His friend asks him what stores are inside Bal Harbour. “Pretty much anything bougie,” he replies, as they stroll toward the shops.

They’re back just a few minutes later, toting a Versace shopping bag, and hop into a yellow, half-million-dollar Lamborghini parked right in front. The driver revs the engine repeatedly as they roll away, leaving nearby diners annoyed.

“Who was that?” a mall worker asks as the valet returns to his post.

The valet shrugs. “Somebody’s son.”