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At High-profile Properties, Miller Capital Advisory Advances High-end Agenda

The privately owned real estate firm either wholly owns or has joint ventures in several major centers including Market Street, The Woodlands; Scottsdale Fashion Square, and the Ala Moana mall.

By: David Moin
Impressions: 5,619,535

The Market Street open-air mixed-use destination in The Woodlands community near Houston. *Megan Owen Photography*

When Andrew Miller, founder and chief executive officer of Miller Capital Advisory, says his firm is in "very rarefied territory," he means sales productivity, not geography. "Our portfolio is averaging $1,126 per square foot with our inline mall shops 10,000 square feet and smaller," said Miller. That compares to the sales productivity of leading real estate investment trusts such as Simon Property Group and Macerich, which track closer to $750 to $900 in sales per square foot. Bal Harbour Shops, the family-owned,

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luxury center in North Miami, generates between $2,000 to $3,000 in sales per square foot in peak years.

The privately held Skokie, Ill.-based Miller Capital has 17 properties in its portfolio, with $8 billion in assets under management, including large, high-profile shopping centers like Ala Moana in Honolulu, Scottsdale Fashion Square in Arizona, the Houston Galleria, Kierland Commons in Phoenix, and Oakbrook Center in Illinois. "We're focused on investing in high-end retail properties that are fashion-oriented, catering to a more affluent customer base — regional shopping centers, super regional shopping centers and lifestyle projects," Miller said.

There's been an influx of new retailers recently at Market Street, the mixed-use center in The Woodlands master-planned community near Houston. Recent openings and lease signings like Vuori, LoveShackFancy, Draper James, David Yurman, Le Labo and Pink Chicken, reflect Miller Capital's overall strategy to increase the presence of upscale and luxury brands across the portfolio. Market Street also counts Gucci, Louis Vuitton and Saint Laurent as tenants.

In the following Q&A, Miller discusses the modus operandi of his business, how key properties in the portfolio are evolving and his views on the luxury market.

Andrew Miller

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WWD: Aside from its properties' high sales productivity, what's distinctive about Miller Capital?

Andrew Miller: We're not like the REITs. We're not typically involved in the day-to-day management, but we're very active in our relationships with retailers and very hands-on in terms of investment management. In the case of Market Street, we are the majority owner of the property so we're largely driving the leasing strategy. We're like a hybrid between an operating company and a very traditional investment manager.

WWD: At better malls, space is tight nationally. What's your situation?

A.M.: We could use a lot more space than what's available. We've been driving the merchandising mix up. As it sits today, we have to be patient and wait for leases to roll. In 2026, we will continue to work on leasing to some very upscale brands. I can't identify who right now, but we're going to continue to drive the mix upward over the next couple of years. It's a high quality problem. We're in a very strong economy right now in terms of retail demand.

WWD: You said you're the majority owner of Market Street, The Woodlands. What's the ownership structure at other properties?

A.M.: Scottsdale, Oakbrook, Houston, Ala Moana, all are joint ventures. In a few select cases, we have minority stakes. More typically, they're 50-50 JVs. We wholly own Miracle Mile Shops in Las Vegas, La Palmera in Corpus Christi, Texas.

WWD: Are you eyeing properties to add to the portfolio?

A.M.: We're sort of on the sidelines, but we continue to invest significantly in our existing holdings. We've made massive investments in Scottsdale Fashion Square. We've made significant investments at Oakbrook Center. We've upgraded the common area at Market Street, The Woodlands. We've also made investments in the Houston Galleria. Where we have very strong market positions, we continue to cultivate improvements to make our properties even more dominant in their trade areas.

WWD: Specifically, what happened in Scottsdale?

A.M.: We identified an opportunity to expand luxury offerings. About seven years ago, we did a major improvement to the common area from Macy's to Neiman Marcus. We changed the color palette. We brightened it up. We took out some [gross leasable area] and started catering to some new-to-market luxury brands like Dior, Balenciaga and a few others. We basically took that corridor from Neiman's to Macy's and made it almost 100 percent exclusive luxury retailers. We've populated the ground floor wing with 100 percent luxury offerings as well, including Hermès this year and next year, Chanel will open. We also have Loro Piana.

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WWD: Overall, what's your approach to luxury and how is the sector faring?

A.M.: Scottsdale has been a major, significant success repositioning it to be more upscale and luxury-oriented. At Houston Galleria, we're adding new brands and expanding existing luxury brands. At Oakbrook Center, coming out of the pandemic, some [luxury brands] were leaving the Michigan Avenue corridor, and we were well positioned to take advantage of that exodus so we consolidated some of those brands in our project…There's been a bit of a softening in sales across the broad spectrum of the luxury retailers. Some of the more aspirational luxury-oriented brands, including Gucci and the Kering Group generally, reaching out to the aspirational customers and chasing some of the stimulus dollars that floated through the economy back during the post-pandemic era, they saw the most significant softening. But Hermès has continued with very strong comp-sale increases. So has certain divisions of Richemont. Retailers exclusively focused on the high end have continued to drive their sales upwards. Where we can introduce more luxury, we're going to do it, and that's going to be a function of their selectivity. Luxury brands are very careful where they're willing to commit. But in the past year or so, there are still some luxury brands with open-to-buy.

WWD: Let's shift to food and beverage. What's your approach?

A.M.: We've expanded that as a percentage of our merchandising offering. Ten years ago, our typical center might have had about 10 percent of the GLA served by food and beverage operators. Today, it's closer to 18 percent, and it's going to increase going forward. We have yet to find that we have a center that's got too much food and beverage. At Market Street, food and beverage is probably 18 to 20 percent and the food and beverage operators on average are of comparable productivity to the balance of the center. So I would say the average food and beverage contribution at Market Street is around $1,100 per square foot, consistent with the overall center average.

WWD: How do the rents with food and beverage businesses compare to fashion retailers?

A.M.: An upscale apparel retailer will be able to pay more than a food and beverage operator will, because their margins are better, but food and beverage, because of the productivity, often can pay comparable rents to what some of the upscale apparel vendors can pay us.

WWD: How many years do leases typically run?

A.M.: When we're doing permanent leasing, it's a minimum of five, but more typically, it's a duration of at least seven and more, typically 10 years. That's been the norm for the past couple of decades. In some cases, it's come down a bit like with some athleisure brands. They go for five-year initial terms, but they're always reserving at least one five-year option. These athleisure vendors are so successful that there's very little risk of them not exercising those options.

WWD: Some of your centers house Saks Fifth Avenue or Neiman Marcus. Is that a concern given the financial situation at Saks Global?

A.M.: We have a handful of Saks and Neiman's stores, but in general, they're very successful doing very significant volumes. We have very low risk to any exposure there. I think there is some risk of rationalizing their fleet, but I don't think any of our centers are exposed.

WWD: Is Saks Global paying the rent?

A.M.: Most of the stores are outright owned by Saks Global, but we have a handful of leases, about five or so. We are current with all of our leases with Saks Global.

The Local Public Eatery at Market Street, The Woodlands. KathleenORyan

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