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Lifestyle Centers Learn How To Fit In

Sizing the center to market is important as lifestyle centers continue to evolve



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There is no question that retail has always been about carefully defined parameters, whether we are talking about basic platform size, store configurations or what to expect at the cash register. But of all formats, today's lifestyle centers (or components thereof) are proving their worth in varied settings, as developers chase down new sites and retailers look to boost net sales in targeted markets and market segments.

Thus, far from having run its course, we find the lifestyle center of today, with its specialty merchants, specialty "box" entries, dining and "experiential" retail, broadening its horizons. These new venues, following upon the discrete, stand-on-its-own lifestyle center, include smaller lifestyle centers for smaller communities and the lifestyle component of larger mixed-use developments. Let's review

some of the trends or driving forces behind each scenario, as well as key issues that are, or should be, on the minds of developers, retailers and communities.

The Second Wave

The original manifestation of lifestyle centers has done exceptionally well for the most part, commercially and in terms of instilling energy and excitement into the retail community. It also been received well by many communities, looking to re-instill vigor in their retail and tax bases. I am speaking of projects in the range of 150,000 square feet to 300,000 square feet that showed us how to combine convenience, cachet and destination. Even these destination projects are closer to the housetops with affluence and sophistication than formats of comparable size with which we were familiar with, i.e., the traditional regional mall. Think of it as an upscale production of the retail pre-positioning already found in the strip mall, including grocery-anchored centers.

As a consequence of location principles, real estate for these "full-scale" lifestyle centers is understandably harder and harder to come by these days.

Now, in a second wave of lifestyle centers, ranging from 80,000 square feet

to 150,000 square feet, the total project value may be less, but the stakes can be higher. And, since the focus is narrowed, the chance of being off-target is greater. These are centers for smaller communities, ranging from those exceedingly livable cities we keep reading about, typically with strong education, government or health care components, to the best of "horse country" exurbia.

If you have affluence and sophistication, you may not need as much density to support this higher-end specialty retail environment. In carefully selected locations, we expect these developments to have a good shelf life based location. Because these smaller lifestyle centers require less land, city officials may be more receptive to them, especially as downtown substitutes or augmentation. The biggest caveat is making sure that the market is not too small, in terms of population, income; thus retail expenditure potential.

The "New" Mixed Use

Freed from the constraints of strict zoning, lifestyle components are taking their place in mixed-use developments across America. There are times and places when real estate uses are legitimately segregated, especially industrial

zones. But the new development universe is refreshing, buoyed not just by communal and community needs but better understanding by developers, tenants, lenders and other investors of how to make these projects work.

Certainly, of concern, is what elements of these mixed use developments other than retail will be supportable going forward. Residential carries strong prospects in this new urban milieu, home to many empty nesters, as well as career professionals who would like to live closer to work and be able to stroll to lunch, dinner, a movie or nightlife. Surprisingly, the hotel segment is also doing well, coming back to normalcy from its long post-9/11 break. Office prospects are more questionable, given the continued move to outside contractors or outsourcing. Not just the boss can dial and e-mail in from home these days.

The potential weakness in office is lamentable. In many ways, mixed-use developments are a vigorous and refreshing reinvention of the grand old days of commerce, where major downtown office buildings harbored not just the business sector, but the family doctor, specialty retailers like jewelers or furriers, drugstore with soda fountain, and a wide array of other stores and services.

Retailer Perspective

The undeniable news is that the universe of retail entities is shrinking in number. The good part of that news is that the universe of retail concepts continues to grow, spurred on by the imperative of publicly traded retailers to grow, grow, grow.

There will be many successful candidates for each of lifestyle modes discussed: the larger “traditional” developments; the smaller lifestyle centers; and as a contributor to mixed use. Still, retailers will exercise caution in several ways:

- Making sure that even the most affluent communities have a great enough population/density to support continuing sales, or that this sophisticated shopper won’t simply fly or drive in to New York, Chicago, Atlanta, Los Angeles, etc. when a buying mood strikes.
- While there are more and more single households than ever, will new urban and town center residence remain attractive?
- To what extent will an additional location in a given market generate net new sales and not be a zero sum experience.
- Being careful about locating in multiple demand markets, many of which are attractive due to physical location, climate or cultural attractions. Developers and retail planners will do

their homework, explaining the full potential of these locations to potential tenants. We are talking about areas that feature significant seasonal residents, tourists or shoppers on trips from outside the U.S., whether Canada, Europe, Asia or Central and South America.

Understanding these latter issues can expand the range of potential locations for the right retailers, whether we are talking about Bend, Oregon; Bar Harbor, Maine; northern Michigan; Atlantic Coast; Gulf Coast; or South Florida.

Overall, we see a remarkable maturity in retail developments, where we are building projects — in terms of size and format — to meet the needs and address the opportunities of a well-defined and understood market—and not worrying about labels. In this way, lifestyle centers are and will continue to evolve well into their next generation.■

Jeff Green is President and CEO of Mill Valley, California-based Jeff Green Partners. Jeff Green Partners provides consultation to real estate developers and retailers both nationally and internationally. Green has long been considered one of the industry’s leaders in market research techniques and strategic planning, as well as comprehensive understanding of retail in each major market.