

Chain Store Age. com

August 2007

Retail in Bloom

Mixed-use is fertile ground for retailer success

Striking a balance, whether in a work-life plan, a garden schematic or in a mixed-use development, can spell the difference between creating something that works and something that doesn't.

Today's top developers are keenly aware that achieving balance in mixed-use is key to ultimate project success – and finding balance means not only mixing and matching components to serve multiple purposes and users, but also leasing the right space to the right retail tenants.

Marc Hays, senior VP of leasing, specialty centers, for Cleveland-based Developers Diversified Realty, has a unique view of retail tenancy in a mixed-use development. A veteran of Talbots, Hays has watched a surprising shift in mixed-use retail leasing. "We're seeing an increasing number of projects with a mix of different retail components," he said, "that you would never before have seen brought together on one site plan."

The Village at Stone Oak in San Antonio is a Developers Diversified example of the tenanting trend that Hays described. "The Village at Stone Oak features a Super Target-anchored power center and a retail village on the same site with adjacent parking fields," he said. The village component will feature restaurants and a lineup of lifestyle retailers such as Talbots, Coldwater Creek and Chico's.

Creating power centers that flow into lifestyle projects isn't the only leasing trend Hays has observed; luxury brands are being incorporated into on-the-boards developments – putting not only "Old Navy with Talbots and Williams-Sonoma, but potentially Kohl's and Target with Talbots, and on the other end of the center BCBG, Coach, even Tiffany.

"From a mixed-use perspective, this is a trend that is really catching fire – mixed-use within the retail component," said Hays.

William Krahe, a managing partner of Pittsburg-based Echo Real Estate Services, added that not only is he seeing a mix of retail types in today's developments, but that often the retailers are the true drivers of the projects. That has particularly been the case in an Echo development under way in Wesley Chapel, Fla., Pasco County.

"The Grove at Wesley Chapel is overwhelmingly retail-driven," said Krahe. "We defined the retail and then inserted the office and residential on the peripheral. It was the retailers driving and defining the development."

Echo has broken ground on Phase 1 of the specialty complex featuring retail, restaurant and entertainment offerings. Located along the west side of Interstate 75, the

center will debut a 16-screen Cobb Theatre megaplex that offers an upstairs full-service restaurant, bar, lounge and concierge service as well as a traditional theater experience.

Even with its core component – retail – firmly rooted, the need for balance arose. “The balance we had to strike is that it’s an elongated project that is a power center at its heart,” explained Krahe, “and yet we had to provide the pedestrian access and walkways to make a connection between the multiple uses.” Resting areas and landscaping provide shade and comfort where those pedestrian pathways exist, said Krahe, while a variety of finishes and materials add appeal and interest.

Going vertical: Another means of finding a balance in a mixed-use development is by vertically mixing the components. Grand Station at Centerra in Loveland, Colo., has created what will be a round-the-clock experience by building vertically.

“Our focus is to create a 24/7 environment,” said Jack Wolfe, president of commercial/mixed-use development for Loveland-based McWhinney Enterprises. “And the best way to do that is to mix the uses to create a vibrant environment with maximum access to consumers.” The region’s only vertical mixed-use project, Grand Station at Centerra, offers a range of uses.

“Hospitality, dining and entertainment, as well as office and residential, are important for this type of center,” said Wolfe. And all the uses directly benefit retail tenants. “Mixed-use offers so many different types of consumers for retailer to draw from: resident who need furnishings and clothing, office workers who need to pick up a gift or grab a cup of coffee or take clients to lunch, hotel guests looking to shop and dine, health-club members who need workout wear,” he said. “The cross-section of potential customers on-site is much larger than a standard shopping center.”

Wolfe believes retailers will continue to find reasons to embrace mixed-use. “The combination of a great experience, a vibrant environment, access to more types of consumers, and the activities that make these centers the hubs of their communities is a tried-and-true recipe for successful retail,” he said.

Balancing the blend: There’s no question the activity generated by mixed-use directly benefits retail according to Joseph Baranowski, president and COO of West Hartford, Conn.-based Developers Realty Corp., effectively blending the components is key to optimum retailer performance. “Every project is different due to the market area and population, so it is very important to make sure that the right mix is utilized,” Baranowski said. “For instance, if a center has too much office, a large amount of parking space may be affected, due to the fact that office employees work an eight-hour day and these spaces remain occupied during that time,” he said.

Instead, Baranowski explained, the successful mixed-use develops are finding the right blend. Residential is a big component, and office uses are gaining in importance – “particularly office condos where businesses are able to purchase their own buildings and have them blend into the overall architectural elements of the center,” he said. “Entertainment uses are also becoming an important component in the mixed-use centers. All of these uses mesh together very well.” And retailers stand to reap the benefits.

“I believe that the mixed-use center will continue to be an important element for retail and for the overall development business in general,” Baranowski said. “As long as developers are able to locate and build these centers in the right markets, retailer reception will remain high.”

The right market: In post-Katrina Baton Rouge, La., a city that has forever been changed by the disaster that struck to its south, a local developer has found the right market to build a mixed-use project. Baton Rouge-based JTS is creating what is being billed as the capital city's first urban village – Perkins Rowe.

Strategically located on a 54-acre tract at the corner of Bluebonnet Boulevard and Perkins road, Perkins Rowe is a testament that, when positioned in the right market at the right time, retailers will respond positively to mixed use. “This project is about 85% pre-leased,” said JTS president and CEO Tommy Spinosa. “The office building is 65% pre-leased which is outstanding.” Besides retail, restaurant, entertainment and office, Perkins Rowe will feature a medical center, hotels and residential units – all directly impacting the retail tenants, which include Barnes & Noble, Anthropologie, J. Crew and Urban Outfitters.

“Our retailers are going to benefit from, simply put, higher sales volumes,” said Spinosa, “which are a result of the environment we’ve created, the community we’ve created, and all the components that we’ve brought together.

“There’s a balance that we had to strike here,” said Spinosa. “We had to create a sense of community that didn’t focus on any one component more than another, although clearly the retail has to work and it has to be the driver.

“We think we have struck a marvelous balance. And the project isn’t something you would have expected to come out of Baton Rouge.”

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