

Leasing for the Future

Strategic tenancing for long-term success

By Katherine Field

RED Development created a 'tremendous venue' in Village Pointe, Omaha, Neb., by tenancing with popular retail and dining, and adding desirable amenities.

Since Coon Rapids, Developers Diversified has made it a point to add a selection of hybrid centers to its portfolio; two of the newest iterations

are Midtown Miami and Stone Oak Village. "Stone Oak Village, in San Antonio, features SuperTarget, HomeGoods, Hobby Lobby—all your traditional power tenants," noted Walker-Gibbons, "but it also has a Main Street-type village that delivers a high-experience shopping trip." Midtown Miami is another hybrid center, but it is an urban redevelopment in the heart of downtown Miami that has condominiums and office space as well as Developers Diversified's power-lifestyle tenant lineup. "It's important that

These days, Target is getting cozy with Victoria's Secret. And Coldwater Creek is warming up to Best Buy. The customary co-tenancies that teamed like-with-like are no longer the strategy for success—because developers have figured out that today's customer shops both Petco and Chico's, and she'd like to visit them within the same center.

Hello hybrid: Beachwood, Ohio-based Developers Diversified Realty was one of the pioneers of a hybrid center that paired power and lifestyle into a one-stop shopping experience and delivered a time-pressed customer everything she needed in one center.

"In 1999, we opened Phase 1 of Riverdale Village in Coon Rapids [Minneapolis], Minn., that featured one of J.C. Penney's early debuts in an open-air center," said Robin Walker-Gibbons, executive VP of leasing for Developers Diversified. "It also has Costco, Best Buy and a Main Street with small shops, a center quadrant and a Borders bookstore. It was an early hybrid center that played upon the diversity of the shopper." Riverdale Village also features Sears, Kohl's and Old Navy in an 875,000-sq.-ft. open-air center that includes a man-made lake and a pavilion for outdoor events.

we incorporate more [tenant types] into a center so that customers can come to one place to do their shopping."

While Walker-Gibbons emphasizes that every community is different—with varying needs and wants—the answer lies in listening to the consumer and acknowledging that the shopping experience is important, and convenience and the right tenant mix are key.

Silver lining: Despite a recessionary climate that has sent some of the country's most expansion-happy retailers into a stalled growth mode, there is a silver lining—if you just look for it. According to Frank Natanek, group president of real estate and marketing for Burr Ridge, Ill.-based Cullinan Properties, one of the results of the current state of affairs is that deal-making is increasingly flexible.

"As the apparel retailers review their current real estate strategies, there has been a subsequent hold on expansion for a core group of lifestyle tenants," explained Natanek. "But the remaining apparel retailers, who used to require six or seven co-tenants, are loosening up restrictions and are willing to co-tenant with a high-end grocer or perhaps a Target. That increase in flexibility has allowed us to finalize deals," he said.



Developers Diversified is a pioneer of the 'hybrid center,' such as Stone Oak Village, in San Antonio, which combines power retail and lifestyle.

But RED didn't have to recreate Village Pointe, because through careful customer and market research,

the developer found that there is a right project for every community. Movie theaters, too, have entered into deal-making with increased zeal, emerging as an attractive anchor in the open-air arena. A Cullinan development—Burlson Commons, in Burlson, Texas—is anchored by a Premier theater that joins tenants such as Marble Slab Creamery, Peter Piper Pizza and CVS to create “a community center with a unique flavor,” said Natanek.

Cullinan's Streets of St. Charles at Noah's Ark development, in St. Louis, may or may not have a theater, but it will have a couple of hotels. Built on a pieced-together site that was once home to Noah's Ark restaurant, a local favorite, the project will feature about 250,000 sq. ft. of retail and entertainment along with office, residential and hotel. “We had originally planned for a 2010 or 2011 opening, but the interest has been great enough to justify trying for a 2009 Phase 1 opening,” said Natanek. “Even in a recessionary environment, if the project is right, it will move forward—sometimes even faster than anticipated.”

Catering to community: Village Pointe in Omaha, Neb., is one of those open-air centers that could probably work anywhere. Its developer, Scottsdale, Ariz.- and Kansas City-based RED Development, tenanted the signature project with a retail lineup that includes Best Buy, Bed Bath & Beyond, a cinema and Scheels All Sports, as well as Coach, Apple and J. Crew in the Main Street component. “It is a tremendous venue,” said Scott Rehorn, managing partner of RED.

“If you understand the trade area, you'll find that it doesn't matter what we want a project to be—it's about building what the area wants it to be,” said Rehorn. That's how Shadow Lake Towne Center, in Papillion, Neb., was born. “We essentially put three centers into one—with HyVee grocer to create the neighborhood portion of the center, and the lifestyle portion with Coldwater Creek and Victoria's Secret and American Eagle, and then the power center with Dick's Sporting Goods and Best Buy and PetSmart, along with J.C. Penney.

“We've created something for everyone, and a reason to come there every day,” added Rehorn. The 880,000-sq.-ft. center opened in spring 2007.

A trade-area analysis led RED to develop One Nineteen, a 160,000-sq.-ft. strip center in Leawood, Kan., tenanted by a first-to-market Crate & Barrel, a Sullivan Steakhouse, Dean & DeLuca and Apple. “This is a happening center,” said Rehorn, “designed to complement the upscale surrounding neighborhoods.” Opening is slated for this summer.

“There are all kinds of open-air formats, and again it comes back to doing your homework and understanding the market and the customer,” said Rehorn. “And not building what it is you want, but building what the customer wants.” ■

kfield@chainstoreage.com

The Streets of St. Charles at Noah's Ark, St. Louis, developed by Cullinan Properties, illustrates that the right project will move forward, especially when it features a mix of uses on a history-rich site.

