



## Lifestyle center development flourishing

By Robert H. Spratt Jr.

Lifestyle centers are a thriving retail format, as they become more understood by cities, political and civic leaders, retailers, landowners, consumers and the financial community. The growth potential that remains in areas throughout the country will allow for steadily increasing development of lifestyle centers.

By contrast, the traditional enclosed regional mall is a very mature property type, rarely built in its purest form by today's retail developers. In fact, many underperforming regional malls are being redeveloped into lifestyle centers; town centers or other mixed-used projects.

In essence, America has come full circle from early 20th century main street environments to enclosed malls and now back to lifestyle centers or town centers. Today's retail movement is back to the main street—where a much more convenient, pedestrian friendly and meaningful connection with consumers can be made; where profits are higher because occupancy costs are lower and where per visit average sales are higher.

Think about Michigan Avenue in Chicago or Main Street in your town. Chicago's Magnificent Mile is a street-retail shopping powerhouse while main streets in communities and suburbs throughout the United States have undergone unprecedented revitalization in recent years. These characteristics—and much more—combine for a successful lifestyle center.

### A focused approach

Lifestyle centers do not try to be all things to all people. The approach is more of a rifle than a shotgun in its merchandising plan and marketing efforts. The merchandising plan focuses on offering fewer merchandising categories than that of a traditional regional or super regional mall. Lifestyle centers are typically merchandised around women and men's apparel (think Ann Taylor, Chicos, J.Jill, Talbots and Jos A. Bank Clothiers, Gap, etc.) and home furnishings (think Arhaus, Bombay Co. and Pottery Barn, and restaurants/cafes

(think Biaggi's Ristorante Italiano, PF Chang's China Bistro, Hyde Park Steakhouse, Panera Bread Co., etc.). Additionally, theaters and gourmet markets can be a synergistic addition to the overall merchandising plan, adding both entertainment and a weekly reason to visit the center for groceries.

There is also a higher level of design at a lifestyle center with attention to landscaping, lightscaping, fountains and amenities. In its development, an environment of quality and convenience is created, providing customers with a pedestrian friendly atmosphere. Customers can get in and out quickly and shop the stores they really want—versus walking by 30 other stores to reach their preferred shopping destination, as is the case in regional malls.

Initially, when lifestyle centers were in their infancy, concerns centered on the weather. How can an outdoor lifestyle center or town center in the Midwest—which can have frigid winters and blistering summers—be successful? This concern is not well founded as strong year-round sales are being generated by well-merchandised and located lifestyle centers.

People living in Chicago, Indianapolis, Columbus, Ohio and other cities in the Midwest are accustomed to dealing with the year-round weather conditions. It's part of their everyday lives.

They are going to shop a lifestyle center that offers appealing retailers, a unique setting, a critical mass of dining options and the convenience of the shopping trip. Keep in mind that a blizzard or a heat wave-related power outage is going to affect the grocery-anchored strip center the same way it would affect a lifestyle center.

Further, icy streets will shut down all shopping venues regardless of whether it has a roof or not.

### A center of success

The old real estate axiom about "location, location, location" is especially true for lifestyle centers. A successful lifestyle center has access either from a major highway interchange, allowing convenient regional access and exposure, or is well located within dense population clusters whereby the



20th Anniversary

November 20



The Town Center at Levis Commons is a lifestyle center in Perrysburg, Ohio. It is one of a increasing number of lifestyle centers that have become a regional shopping and special event destinations. Levis Commons celebrated its first anniversary in October 2005.



lifestyle center offers a convenient alternative to other shopping venues.

Lifestyle center projects are smaller in scope, so they can easily nestle into demographic areas that are right for them.

An affluent, well educated demographic is ideal for a lifestyle center since the higher end retailers, restaurants and home furnishings are targeting these consumers.

While we are seeing traditional anchor stores beginning to integrate into lifestyle centers, an anchor store (such as Nordstrom, Macy's, Marshall Field's) is not always necessary.

When a lifestyle center is properly merchandised, the 40 to 50 stores that comprise the center work together to become an anchor. Customers shop again and again, often spending more discretionary income per visit because of what they perceive as better quality merchandise in a better environment.

Restaurants and cafes can also become sub-anchors at a lifestyle center. The mix, however, is critical as better quality restaurants that attract a complimentary demographic for the apparel, home furnishing and lifestyle tenants that open within lifestyle centers.

These restaurants also help drive traffic throughout the center at lunch and dinner times, heightening the awareness of the merchants at the center and offering a means to capitalize on the national trend of shopping prior to or after dining.

Putting together a successful lifestyle center takes time—i.e. the right tenant mix and the right design.

This is not a cookie cutter approach, but an approach that carefully crafts a design appropriate for the community that it will integrate into.

Often that can mean significant upfront design focus, 60 or 70 site visits and presentations to tenants, then negotiating letters of intent, leases, arranging financing and developing the center.

One area that adds time is that lifestyle center leases typically have co-tenancy provisions so the stores end up with complimenting retailers. This means a tenant may sign a lease with a provision that states three of five other specific stores must open at the center for it's store to open or pay full rent.

Retailers regard this strategy as putting mechanisms in place to require the right tenant mix and creating strength in numbers.

This reinforces the idea that all the tenants of a lifestyle center make up the anchor if the center is properly merchandised. In short, the retail mix works together for success.

As more lifestyle centers are proposed, competition continues to increase for sites amongst developers.

Retailers must decide on what development partner can take a plan and make it a reality. How a developer integrates its project into a community, what kind of access there is to the center and the tenant mix are factors in a retailer's decision.

It all takes time, effort, focus and patience to execute. Lifestyle centers are operated more like a mall than a strip center and it is important how they are managed, operated and marketed to ensure success for all its participants. Timing is an important factor for everyone involved and the developer and retailers must work together to reach mutual goals and to hit opening dates.

### Bottom line benefits

As indicated earlier, the cost to lease space at a lifestyle center is often less than at a traditional regional mall, yet the sales can be equal to or better than a regional mall in many cases. The result is increased profitability in a more convenient environment for the consumer, thereby creating a win win for all parties.

Further, in a lifestyle center, the stores have enhanced visibility on the street and more effective signage opportunities, which boosts sales. In a regional mall, by contrast, the facility itself has good exposure but individual non-anchor retailers do not.

A lifestyle center may also have additional components—like office space, multifamily units, hotels and the flexibility for more retailers in additional phases—that also benefit the bottom line. These additional components add to the traffic at a lifestyle center creating a sense of place.

The difference in customers is that lifestyle center consumers come for the reason not the season. The results are higher per visit transactions than that of a traditional regional mall. In the process, retailers build loyalty due to the full integration of the overall property into the customer's life.

Robert Spratt is president of Charlotte, North Carolina-based Hill Partners Inc.