

LEADING THE WAY THROUGH THE 21ST CENTURY

SHOPPING CENTER BUSINESS[®]

MARCH 2014

INTRICATE SOLUTIONS

DEVELOPERS, DESIGNERS MUST CONSIDER TENANT
MIX, AMBIANCE, ATTRACTIONS, ACCESS AND MORE
WHEN CREATING OPEN-AIR CENTERS.

PLUS:
GULF STATES BOOM WITH NEW ACTIVITY
NEW OUTLET CENTERS REDEFINE THE SECTOR
GROCERY DEVELOPMENT TAKES CENTER STAGE

Shopping Center Business

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'Favorite' Places

Just as consumers' preferences change, so too must the retail environments that they shop.

Kathleen Rose, CCIM, CRE

The sights, sounds, flavors and expectations of consumers and workers are changing. And the places and communities that seek to attract them must change along with them. This intriguing and dynamic combination must mix planning, real estate and economic development into a savory blend worthy of a *favorite* place.

PLACEMAKING — Structural change beyond plain vanilla.

A number of real estate organizations have surveyed their constituents to determine the leading trends and issues facing real estate professionals as they attempt to identify where and how Americans want to live and work, where they wish to recreate and how they want to be entertained.

Report after report drives us to three key dynamics that will determine the development, and redevelopment, of place:

- Mixed-Use environments;
- Urban style locations (in both urban and suburban locales); and
- Compact and efficient design.

Are these fads, trends or structural shifts? The ULI Survey America in 2013 provided a snapshot and a study in contradictions. For example, Americans value having a lot of space between themselves as much as they valued walkability. The majority also wish for shorter commutes, smaller homes and proximity to work, shopping and dining. And 54 percent preferred those attributes associated with compact development.

Gone are the days of the plain vanilla retail and office environments — they are becoming obsolete. Floor plates and formats are shrinking as workers move from the traditional office to open concepts of co-working and collaborative space. Meanwhile, retailers continue to struggle with the balance between their bricks-and-mortar versus e-commerce online strategies, resulting in smaller spaces and

prototypes. The impacts of technology are also seen in office markets, with space utilization changing as new technologies emerge and workers become more mobile. Those providing dwelling spaces no longer use the familiar labels for rooms, such as living room or bedroom — as these are too limiting.

LIVABILITY — Consumers and workers kick it up a notch.

Adding to the structural elements of changing space is the human equation driven by demographic shifts. The largest contrast is the rising Baby Boomers in comparison to the Millennials, or Gen Y. Each has different values, beliefs and lifestyles, yet there are common threads in their desired living and working environments. The U.S. Bureau of Labor Statistics forecasts that by 2020 over 50 percent of the workforce will be millennials and by 2030 will make up 75 percent of the workforce.

“Your ability to attract, develop, and retain young leaders will make or break your company in the coming years,” Josh Berzin, a talent management expert, advises executives in an article in *Forbes* magazine. This hyper-connected, tech savvy generation lives, works, shops and recreates differently than previous generations. With self-employment and freelance work on the rise, these consumers want continuous, instant access to goods and services. They live the 24/7/365 lifestyle, with the lines between work, home and play blurring. Both generations are demanding convenience, connectivity and plenty of opportunity for social interaction, found in interconnected formats blending work space, public space and intimate shopping and dining experiences that include the familiar national chains and unique local boutique retail. The challenge continues with the intersection of luxury and discount retail formats within these new environments.

Favorite:

“Favorite flavor of this or that.”

— Urban Dictionary

RECIPE FOR THE FUTURE

While the directive for smaller, compact, mixed-use environments is heralded by land use planners and architects, developers, lenders and tenants struggle with the economics of creating these spaces and delivering them at affordable rates. All real estate is local. Therefore, municipal leaders and elected officials must also understand the changing landscape and work with the private sector to create partnerships that can allow the types of development that consumers want, tenants can afford and property owners can sustain with the appropriate ratios of debt and equity. What are some of the design/development issues that arise?

- Entitlements providing the proper “by right” zoning to allow for mixed-use
- Infrastructure that can adequately support compact development.
- Flexibility in life/safety issues impacting site design (e.g. fire departments).
- Building design that provides for future re-adaptive use.
- Cost sharing and cross purpose access and parking.

The recipe for developers, real estate professionals and economic developers? Think small, open, wired, and interconnected with a blended local/national tenant mix, attractive and engaging public spaces, and flexibility for the future.

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