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To build or not to build? Should you really build a lifestyle center?



Susan Mills

Should You Really Build A Lifestyle Center?

So that 30 acres you bought 15 years ago is no longer just a field between more fields. It now has frontage on a major highway and the abutting properties are construction sites for office buildings and services for the growing community surrounding the area. In fact, you are holding what has become very desirable property-perhaps you have even been told that it would be suitable for a lifestyle center.

You have read the basics: Latest industry trends; demographics with at least \$72,000 average household income; and, more dollars to build, but higher sales per square foot than most other retail formats. And while you think you have the essentials covered, including the financing hurdles, there are still doubts: Is the concept viable for the site? What are the challenges? Let's look at a few.

Start with the layout and plan

A lifestyle center is an open-air center with convenient parking for shoppers. You also know this type of center is composed of individual buildings and uses a design theme to distinguish it from other retail centers. This means that the architecture is unique and parking is aesthetically integrated into the site-no surrounding sea of cars allowed.

Challenges:

- * Retailers desire more parking near their stores than has been planned while the local community wants less;
- * Community with new urbanism concepts will go head-to-head with the developer's hard-core needs to suit the retailer; and
- * Wetlands and environmental issues, curb cuts, traffic light additions-all add labor and time to budgets and schedule.

Next, consider the competition

What is the competition for a lifestyle center? Direct competition to attract shoppers within the trade area could include anchored shopping centers, a hybrid center, a strip center with quality tenants, or even another lifestyle center between your site and the residential market.

Challenges:

- * A super regional upscale mall with most of the key lifestyle retailers is approved within 25 miles of your site; and
- * The same lifestyle retailers you need have committed to the super regional mall and will not commit to another center in the region for at least one year.

About those demographics

The demographic profile of your location seems to fit lifestyle center guidelines: Affluent communities with the appropriate average household incomes surround the site. However, more information may be required: What are the behavioral demographics of the trade area? Is this a Mercedes-Benz or a Saab profile? In other words, you need an in-depth understanding of the market and the lifestyles.

Challenges:

- * Not enough people within three miles or ten minutes drive time of the site;
- * Alternatively, enough people, but too much traffic and congestion between neighborhoods and site; and
- * Or, target market passes competing retail center along the drive.

Tenant Mix:



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According to the National Federation of Retailers, retailers are putting 9% of their stores into lifestyle centers. While this is a 1% increase from 2006, will that number provide tenants for all the lifestyle centers planned nationwide?

Challenges:

- * Developers tend to call on the same handful of upscale tenants. Will your location compete with existing and/or planned centers?
- * Tenants will compare your project in many ways: the strength of the market and trade area, the architecture and design, the economics, and the merchandising plan. They will want to see your marketing plan and operating budget; and
- * Owing to investor requirements, 50% of the tenant mix is generally the same in every lifestyle center, making it a challenge to be innovative;

Is there a dummies guide to lifestyle centers?

Not yet. However, there are a few measures to consider that will assist you in evaluating your site for a lifestyle center:

* Market research. Conduct market research that is both quantitative and qualitative. Refrain from being swayed by overly zealous associates: beware of designers, architects, brokers, family, and friends who promise they will deliver tenants and become loyal shoppers. Promises, promises;

* Research the community. Court the community and municipal officials early in the game. Be prepared to give back in more ways than you might imagine. Be prepared to tackle a whole host of consultants working for the other side. Be prepared to have a project which includes no or low-income producing features, such as bandstands, special gardens, playground and picnic areas to transform your center into a community hub; and

* Pre-Lease. Solidify pre-leasing commitments in advance of final permits. Lease signing takes at least six months once the tenant has approved the site. For every site selected, they review ten. Many retailers commit 12 to 18 months in advance.

If after all your research is done you decide to build a lifestyle center: Stay the Course. Hold on to your vision. The sustainability of unanchored retail centers is still unknown. If the history of the 1980s specialty centers tells us anything worth remembering, it is that the fittest survive.

If not, consider a good old shopping center.

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