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Getting some laughs with your “to do” lists: The integration of entertainment into retail projects

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Many consumers today look for more than just a simple purchase when venturing out to retail centers. Such visits continue to have a shopping focus, but retail center-hosted entertainment concepts now include amusement rides, live performance venues and large themed dining establishments. These retail destinations range from mixed-use lifestyle centers or town centers with outdoor shopping, dining and performances to full-scale entertainment districts which resemble amusement parks more than retail centers. Developers are aiming to create unique environments with a sense of place that often mimic the life of a bustling city. The goal of these centers is to emphasize community, convenience and entertainment, making them a place where people can enjoy themselves and subsequently increase sales revenue for retailers.

The integration of entertainment into the shopping experience, sometimes called “retailtainment,” has resulted in an increase in how much visitors spend per visit. According to the International Council of Shopping Centers (ICSC), even though the average visit to open-air centers is 57 minutes versus 75 minutes at traditional enclosed malls, shoppers visit more stores and spend more money. ICSC found that shoppers on average would visit 2.9 stores in lifestyle centers and spend \$75.70 versus only 2.3 stores and \$73.30 per visit in enclosed malls. The shortened visit is partially based on that fact that shoppers can park much closer to retail establishments that have direct access versus having to walk long distances in enclosed shopping centers.

The entertainment factor seems to be a key weapon in brick and mortar retailers’ battle against the ever growing success of online retail mega stores. According to a report by Forrester Research, online sales excluding travel in 2006

rose 29% to \$147 billion, representing 6% of total retail sales. Since online shopping is tax free and more convenient, the entertainment aspect of lifestyle centers gives consumers more reasons other than making purchases. In addition to benefiting from consumers’ preference for instant delivery of goods, which is offered at brick and mortar retailers, centers now strive to differentiate themselves through the use of entertainment concepts and ultimately increase the number of customer visits.

Developers are utilizing this entertainment concept in retail centers located in both rural and urban areas. Some urban mixed-use projects attract millions of visitors annually and successfully revitalize formerly decrepit neighborhoods. One example is Power Plant Live! near the Inner Harbor of Baltimore. This lively stretch of bars and restaurants makes this one of the area’s most visited tourist destinations, bringing in over 10 million visitors a year. The next phase of this project, currently underway, will redevelop the adjacent Pier IV building. This site will include office, retail and other entertainment options. Another example of an urban mixed-use destination is Kansas City’s Power & Light District which is set to open later this year. This \$850 million project is the largest new development project in the midwest and will create an entertainment, retail and dining environment for visitors and conventioners. The first phase of the project will offer approximately 450,000 s/f of retail and entertainment space while the second phase will contain approximately 1,000-1,500 residential units.

In the early years of this development trend, developers targeted wealthy urban areas for these entertainment-filled lifestyle centers in order to support the high-end tenant base. The rapid construction of these projects has saturated many of the urban markets, driving up land prices and pushing developers to look for other creative options. From this has emerged true “destination retail” situated in rural and suburban settings, which looks to attract visitors from far distances who are looking for a day filled with more than just your average shopping experience. One factor differentiating these from the urban equivalent is that these centers depend on their own offerings to attract visitors where the urban centers can attract those already in the city for other sights and events. As a result, these centers generally

offer a higher level of entertainment as a way of attracting guests. A new suburban retail destination is Patriot Place, currently under construction adjacent to the New England Patriots’ football stadium in Foxboro, Mass. This will house a Patriots museum, sports medicine and healthcare clinic, a 500-seat jazz club and a high-end movie theatre with reserve seating, all of which will attract visitors and draw them towards the project’s retailers including Bass Pro Shop and Christmas Tree Shops. The strategy is to capitalize on the appeal of diverse entertainment options in order to draw visitors from Greater Boston to an area, which usually only sporadically sees visitors during sporting events and concerts. Projects similar to Patriot Place are springing in the suburbs of large metropolitan areas around the country.

Clearly many developers have caught wind of how successful these centers have become and have shifted their retail focus to include centers with a significant entertainment component. Of the ten large regional retail centers set to open between 2006 and 2008, only one is a traditional enclosed mall. There are currently 50 so-called lifestyle centers in the planning process to add to the 150 that currently exist. This is a significant increase considering there were just 30 lifestyle centers in the entire country as of 2002.

Fueled by social, political and market conditions, developers are choosing to go down the path of mixed-use developments by implementing several factors of live, work and play. In many cases, these retail and entertainment centers have a symbiotic relationship with the integrated residential component. The residential portion drives demand for retail and residents looking for an amenity-filled community are attracted to these areas. In addition, companies looking for office space adjacent to dining and entertainment options as well as rental rates less than those found in downtown location are drawn to these areas. Recent initiatives by many localities to battle the increase of sprawl have led to financial incentives for developers who implement smart growth initiatives including transit oriented development. These developments offer office, retail, entertainment and residential units with direct access to public transportations. By integrating office, retail, residential and entertainment, developers create a lively 24/7 environment which translates into increased revenue for

retail tenants as well as bolsters demand of office space and residential units.

However, it is not all good news for developers of entertainment-oriented retail projects. Mills Corp., one of the first to push this style of retail development fell onto hard times over the past several years partially as a result of poor management and accounting irregularities, but also as a result of over development in certain saturated markets. This led to Simon Property Group, the nation’s largest mall operator, and Farallon Capital Management’s eventual acquisition of Mills Corp for \$1.6 billion even though Mills Corp was valued at an estimated \$7.9 billion. The acquisition included 20 regional malls and 17 other properties totaling more than 45 million s/f. Also contributing to Mills Corp’s woes was the high level of investment that it had sunk into the \$2 billion Xanadu project at New Jersey’s Meadowlands sports complex in addition to the projects long drawn-out development process. With Colony Capital now at helm as Xanadu’s developer, this entertainment destination appears to be still on track to offer a wide array of experiences including interactive entertainment venues, fine dining, outdoor amusements, runway fashion shows and the nation’s first Snow Dome for indoor skiing as well as a luxury hotel and class A office buildings.

Tremont Realty Capital has joined this trend by financing the repositioning of Church St. Station in Orlando, Fla. This 1980s retail-entertainment pioneer site has been acquired by Orlando-based Kuhn Company who plans to shift the concept from attracting the college crowd and Disney/Universal visitors to more Orlando-based business and residential users. Much of the “plaza-destination” theme will go, but the entertainment intertwined with retail business plan will continue.

Clearly the entertainment aspect of retail centers is no longer looked at as minor detail or afterthought but rather a vital ingredient for attracting visitors to a retail center. As the public looks for more than just shopping in their retail experience, developers have accommodated this demand with large-scale projects in both rural and urban settings across the country. Look for this trend to continue to expand.

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