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Lifestyle Centers: Continuing to Evolve

Lifestyle centers are now a permanent fixture in the landscape of US retail real estate. Many are wondering how they are fairing and what their futures will look like. To get answers, we spoke to Madison Marquette's Executive Vice President of Operations, Greg Bergan and Senior Vice President of National Leasing, Jim Blue.

Q: What makes lifestyle centers successful in today's market?

GB: The lifestyle centers that are most successful are the ones that offer service and convenience retailers rather than just fashion. They focus on a tighter trade area and strike a balance between serving the community's every day needs and being a destination center for the broader market. This balance helps activate a center throughout the week and enhances the foot traffic and sales for all of the retail categories.

JB: The best formula for creating a successful lifestyle center is to make it distinctive. Too often, developers are apt to copy the design and merchandising mix of another successful center. For lifestyle centers though, that approach is not right. Developers must create unique environments and deliver a tenant mix that the local community wants, needs and can support.

Q: How should owners respond to the uncertain future of many traditional lifestyle fashion retailers?

JB: First, you need to understand that fashion is not as dominate as it once was ten or twenty years ago. Consumers are changing their spending habits—women are now looking more and more at how they spend their money and are increasingly looking to alternative categories such as home furnishings, home décor, electronics and beauty services. If fashion represents 40-50% of your merchandising mix it is probably appropriate to drop that down and look to bring more diversity.

You also cannot look at every lease as a stand-alone deal. Long-term value creation is built upon the totality of a project and not on the tenants individually. It's easy to have a small rolodex and



Bell Tower Shops, Ft. Myers, Florida

rely on the bell cow retailers, but that's not always delivering what the community needs and is often a recipe for disaster.

GB: It is important to understand that contractions by traditional lifestyle fashion retailers will first impact lifestyle centers where seasonality is an issue—such as in the Midwest and Northeast where weather limits foot traffic for several months a year.

Changes in market competition will also factor into what type of retail should fill any vacancies. For instance, increased regional competition is usually a signal that more service and convenience retail is necessary. If a fashion void in the market does exist, it may be necessary to look at some of the emerging international concepts or concepts not yet on the national radar screen. This kind of leasing skill is very labor intensive and requires tremendous experience and expertise.

Q: Why is the lifestyle center definition so fluid?

GB: The best lifestyle centers are the ones that are not formulaic—the ones that respond to local market demands with whatever size, merchandising mix and aesthetic that makes sense for the community. That may confound analysts who want everything to fit into a neat box, but from a development, operations and investment perspective, it is the best path for success.

JB: If done properly, lifestyle centers should not fit a narrow definition. Rather, they should fit into the carefully identified needs of the markets they serve. The fluidity in definition is what makes them special.

Q: What does the future hold for lifestyle centers?

JB: The future will separate the men from the boys. You have to be able to develop the right place, in the right setting, with the right merchandising mix. That only comes with substantial experience, creativity and knowledge of the local market.

I also think there is a lot of opportunity in less affluent markets where more value-oriented retail concepts can benefit from the lifestyle center model. The grand architectural features and amenities may not be there, but the sense of place, convenience and appeal will attract value-conscious shoppers just like their more affluent neighbors.

GB: Lifestyle centers are definitely here to stay—we aren't likely to go back to building strip centers and enclosed malls anytime soon. Consumers want the hometown feel that lifestyle centers can offer and I think we are going to continue to see hybrid centers that incorporate new components and that allow for different retail mixes.

Lifestyle centers are also getting much larger than their predecessors and we are now confronting parking dilemmas that we did not face before. The convenience of parking near your favorite stores is one of the major reasons why lifestyle centers drew shoppers away from the regional malls. Now that these centers are being built with 500,000+ square feet of retail, shoppers are beginning to lose that welcomed element of convenience. It remains to be seen whether the parking issue will encourage a return to smaller formats.

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