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The evolution of the shopping center: From enclosed malls to today's lifestyle centers

By Robert Delavale

The modern day shopping center industry can be marked by two key turning points. First, the industry's birth in 1954 when entrepreneurs Matthew and Martin Bucksbaum developed one of the country's first shopping centers in Cedar Rapids, Iowa. And while today's retail centers are akin to the Bucksbaum's original concept, the complexion of the modern shopping center has changed due to the second key turning point — the economic downturn in 1987.



It was during this juncture in the late 1980s that real estate depreciated drastically as financing and credit dried up. Overnight, banks literally demanded mortgage payments the day they were due. Rents were diverted to the banks, and foreclosure became reality. Developers were forced to borrow on their existing property to pay for the next project. This downturn made it essential to combine not only a mix of great retailers, but also various amenities and sometimes even entertainment to lure shoppers to the center. Developing a first class shopping center has become a complexity of procedures.

Retailers are no longer just eager to lease space and developers willing to oblige. Land has be-

come scarcer, and stringent financing practices make it more expensive to acquire, carry and build. Fortunately, the more savvy national retailers have accepted this fact and realize that developers need higher rents and longer term to cover costs and satisfy lenders.

Whether first in the market or last, we strive to develop the best shopping center in any given trade area. We currently have over nine new projects under development, and as our core tenants have come to understand, we will not entertain a project unless our team has thoroughly investigated the site and we are confident there is enough volume in the market for tenants to afford the rentals required to complete the project.

The resulting higher rents have

made retailers cautious about making decisions. However, when dealing with a competent developer with a proven track record the decision making process becomes easier, and retailers are confident the site has been analyzed from the tenant's perspective as well as the developer's. They know that all the ingredients that go into a successful project have been fully explored by a knowledgeable and reliable team of professionals.

The mediocre developer is realistic when assessing technical issues such as site capacity, traffic patterns and site plan. However, a developer with the right stuff will also look for unique ways in which the project can serve a particular market and deliver an appealing

tenant mix to that target while addressing town concerns relative to the civic impact the center will have.

If a trade area's population, percentage of income spent on the retail level, new home starts, residential vacant land, competition, and market gaps in the trade area satisfy the developer, we know they will also meet or exceed the expectations of our core tenants. Be somewhat conservative in approach, but when a location is identified and final decision is made to go forward, be confident that the product tenants have come to expect will be delivered.

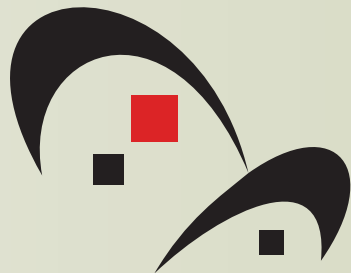
Since that first center in Cedar Rapids, superior leasing prowess remains the cornerstone of a successful shopping center. Aside from the "big boxes" there has been a strong demand, since the late 1990s, for space from banks, fast casual restaurants and other national chains that have taken advantage of new information technologies that make it easy to expand, manage and maintain stores across the country, which in turn, simplify it for the developer to attract the right tenants which best fit the local landscape.

One of the most popular trends today is to build power centers consisting of one or more category killers, although the longevity of this type of center has seemed to be tested. My advice, preserve one or more of the pads, which would typically be leased to a single larger user and configure the space for smaller stores such as dry cleaners, pet stores, card shops and the like. The center, which by design, does not cater to the day-to-day needs of the surrounding trade area will now service a broader spectrum of customers.

The latest trend in shopping center design is the lifestyle center. According to International Council of Shopping Centers research, there are only three new enclosed malls scheduled to be built this year in the United States. Larger tenants have no alternative but to seek off mall locations, giving rise to these open-air centers typically built in the growth markets where enclosed malls were once the norm.

Consumers have become more demanding due to the tremendous amount of shopping options open to them. We design our centers in a way that makes them stand out, which allows the retailer to stand out too, resulting in winning over the local consumers.

Robert Delavale is the director of leasing at Breslin Realty Development Corp., Garden City, N.Y.



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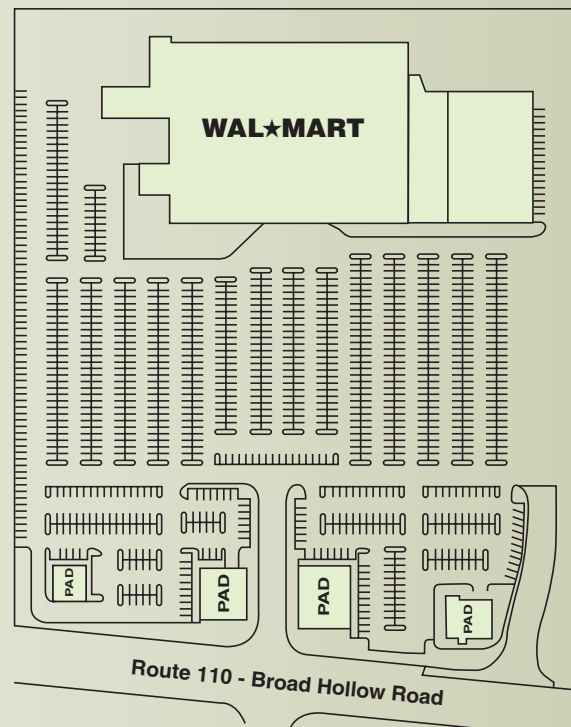


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