

## GETTING BACK TO BASICS

### Neighborhood and convenience centers as a commercial and mixed-use development staple.

Feature article by Don Casto

In recent years, larger lifestyle and town center projects have dominated the headlines regarding retail and mixed-use development. There has been a growing appreciation for the potential of dense, open-air street-side retail, the value of great spaces, and the power of place to welcome and inspire. The definition of a mall has expanded to encompass a wide range of diverse retail and mixed-use environments; places not just to shop, but also to live, work and play.

While these larger projects have been — and continue to be — successful, and are a promising and exciting new addition to the world of mixed-use development, they occupy a slightly different niche than many of the smaller, open-air neighborhood and convenience centers that still occupy a significant, perhaps even defining, position in the national marketplace. While the exact numbers vary depending on how and where the line is drawn between different design formats, some figures peg the market share of these neighborhood and convenience centers as high as 90 percent of the total retail product in the United States. The reason for that is relatively straightforward: most of these properties are appealing, convenient, flexible, accessible and functional — they work. Neighborhood and convenience centers make financial sense for developers, retail tenants and consumers alike. Lifestyle centers are garnering increased attention, and deservedly so, but it is important to note that neighborhood and convenience projects are still effectively improving bottom lines across the industry.

A thoughtful assessment of those bottom lines begins to paint a much more nuanced picture of the overall retail and mixed-use development marketplace. This is clearly not a one-size-fits-all nation; there is a need for a broad range of design/development strategies to satisfy different regional and local demands. Savvy developers have long recognized the value — even the necessity — of diverse product offerings, and operate with a flexible site and market-centered approach that, rather than impose a particular predetermined format on a property, works to design and build a retail or mixed-use center that is best suited to fulfill the existing needs of the surrounding community. In fact, industry leaders that are pioneering the development of new lifestyle and town center offerings continue to refine and expand their neighborhood and convenience center offerings. Developers that have proven their ability to effectively introduce a wide range of development products frequently derive great benefit from the added experience, flexibility and expertise that come from presenting such a diverse product mix. These developers were among the first to appreciate the power of development diversity; that providing a variety of development concepts is the best way to effectively meet the needs of demanding consumers.

Meeting those needs requires some important perspective; while innovative formats, new ideas and exciting new projects are an important part of a healthy and evolving industry, getting back to it

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basics and appreciating the value of nuts-and-bolts design and development can yield some important insights and pose some intriguing questions. What makes a convenience center successful? In what ways can open-air neighborhood and convenience centers complement larger lifestyle and town-center projects? What does the enduring popularity of convenience retail say about consumers' social and commercial wants and needs? Ultimately, what is it about such projects that has enabled them to establish and maintain their position as one of the core elements of the commercial development industry?

Any discussion of commercial development formats needs to begin by defining the terms. There is a tendency to apply the phrase "mixed-use" to more and more projects and, to a certain extent, there is a little bit of category creep in the sense that it seems like every new development is now enthusiastically touted as a lifestyle center. But is that really such a bad thing? In a way, this flexible labeling phenomenon hints at something significant: while on the surface, retail and mixed-use projects can seem very different, they share fundamental similarities in their format and functionality.

Just as different models of automobile may use different styling, mechanical engineering, and distinctive features to define and distinguish themselves, commercial projects may vary from the next but each share the same development DNA. Whether it is a gas-guzzling sports car or a hybrid vehicle, the bottom line is still the same — cars drive, providing a way to get from point A to point B. Similarly, retail and mixed-use developments are all fundamentally designed to

serve as a commercial engine; venues that facilitate commerce and promote the exchange of goods and services. This core truth can sometimes get overlooked in the myriad discussions about how best to utilize public space, incorporate different design elements, improve vehicular or pedestrian circulation patterns, optimize retail density, or other details. Discussion and debate about these issues is important, frequently leading to valuable insights and new ideas; however, by getting back to the basics of what makes a great retail center, developers have the potential to add the most value. While different approaches to development may utilize different architectural strategies or tenant mixes, they all need to satisfy the same universal requirements for success.

For neighborhood and convenience centers, fulfilling those requirements is vital. The experiential atmosphere of a large lifestyle or town-center project creates interest and adds value, but the best centers — large or small — have always exhibited an appealing combination of convenience, efficiency, flexibility and affordability.

### **Convenience**

Perhaps the biggest reason why neighborhood and convenience centers continue to be such appealing and effective development concepts is simply convenience. Consumers consistently cite convenience as a significant factor in their shopping decisions. In today's world, when so many people lead increasingly complex lives with demanding schedules, free time is a precious commodity. Whether it is picking up some necessities at the store, relaxing with a quick bite to eat or catching

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a movie with friends, neighborhood and convenience centers are an accessible, attractive and convenient venue to make the most of the time you do have.

### **Efficiency**

Simply put, neighborhood and convenience centers get the job done. From ease of access for consumers to the typically linear layout, which simplifies the equation for retailers and makes deliveries and other procedural necessities a snap, operational efficiency is an important selling point.

### **Flexibility**

Neighborhood and convenience centers provide a degree of development and day-to-day functional flexibility that is appealing to both the development and consumer side of the commercial equation. From the familiar in-line retail format to power centers and other layout variations, these projects can blend seamlessly into a wide variety of markets and build sites. Traditional convenience centers can generally fit both architecturally and conceptually into a wide range of urban and suburban communities. For developers looking to cultivate ongoing productive relationships with key tenants, that situational flexibility can be a significant asset. The ability to identify new projects and subsequently position retail or restaurant tenants in a wide variety of markets means that retailers have an easier road to pave when establishing a foothold in targeted markets with the most promising demographic profiles.

### **Affordability**

For many retail tenants, the understandable tradeoff for a presence in some of the larger, high-profile lifestyle centers is higher rents and operational costs. More traditional retail formats offer an affordable and sometimes more economically feasible alternative. The more predictable and generally lower development costs of neighborhood and convenience centers makes financial sense for developers too; a particularly resonant factor in times of economic uncertainty. Consumers also frequently move away from high-end luxury retail in favor of more practical options during these periods. The degree to which economic variability and shifting market conditions can exert a powerful influence on consumer attitudes and retailer success can be seen in the evolving fortunes of specialty grocers. While gourmet grocers and upscale/gourmet food markets have been booming in recent years, the rising retail costs of food and grocery products is causing some shifts in consumer spending behavior. Wal-Mart, Costco and Sam's Club, among others, have seen a recent jump in same-store sales, a shift that many analysts attribute largely to consumers' growing motivation to seek out discount food and grocery options.

While they may not garner quite as much media attention as the latest lifestyle or town center project, there is no doubt that neighborhood and convenience centers possess inherent development and operational attributes that have helped them continue to play an important role within the industry. Ultimately, no matter what form a commercial development takes, there is always an opportunity for one concept to illustrate the

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possibilities of another. There is no reason why convenience and neighborhood centers cannot embrace thoughtful pedestrian-friendly layouts, tasteful architecture and design, attractive landscaping, and a compelling tenant mix to help generate a more powerful sense of place. Likewise, lifestyle and town center-style projects could benefit from a renewed commitment to practical considerations such as more efficient operations, ease of access, abundant parking, and overall convenience for tenants and consumers.

In a sense, the industry is learning from itself; moving toward a design paradigm that transcends categorization. Exploring the benefits of one development format does not and should not take anything away from another. There is room for both in a diverse and growing marketplace. In fact, there is not only room for both, there is a need for both. As the diverse array of projects and formats demonstrates so clearly, neighborhood and convenience centers are at the center of a commercial development landscape that is as vibrant and successful as it has ever been.

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