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Online retail pressure requires brick and mortar retail to provide better experience and product

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It's an exciting and challenging time to be in the retail real estate industry. The brick and mortar retail world is under pressure from online retail and needs to step up its game to compete effectively. This requires better products, better build-outs, better customer experiences, and better locations. In the New England markets where the supply of real estate is constrained, major developers are working to create new "it" locations - projects that break the mold and attract the best and brightest retail concepts.

The American Dream of a single family home and a white picket fence in the suburbs where the nearby enclosed mall is the social center is no longer the norm. Throughout the country's major markets there has been a return to urban living - a "new urbanism" as some call it. New urbanism is the creation of "it" locations - walkable, vibrant, mixed-use communities containing residential, office, retail, entertainment, schools and parks - "Live, Work, Play". In 2007 Blue Back Sq. opened in West Hartford Center as a great example of this concept with over 300,000 s/f of retail, nearly 200,000 s/f of office and medical and over 100 residential units. According to www.newurbanism.org, there are more than 4,000 New Urbanist projects planned or under construction in the U.S. Lucky for us, several are planned here in New England and in Boston; three of the most significant ones are underway in The Fenway, Seaport District and Somerville neighborhoods.

We asked Steve Samuels, president of Boston based Samuels & Associates how "new urbanism" was impacting his vision for Fenway. He replied, "Fenway is the hole in the donut. You're surrounded by major draws all the way around with Longwood Medical, Northeastern, Back Bay and BU, but Fenway was this low density set of parking lots centered on the dominant theme of the ballpark. We were lucky enough in Fenway to get a huge amount of land control to do this mixed-use new urbanist format. It's sort of happening building by building where we're plugging in the pieces and creating this Main Street environment. Mixed-use is developing because you need residences upstairs, you need offices upstairs, the restaurants need a lunch business, they need a dinner crowd, and the parking lots don't survive on one cycle."

If you haven't been to the Fenway on a non-game day, it's worth the trip. Fenway welcomes new restaurants regularly with the recent openings of Sweet Cheeks, Yard House, Sweet Caroline's, Swish Shabu, and next month Michael Schlow's newest concept, Happy's Bar & Kitchen. In the last five years, Samuels & Associates has completed major developments such as Trilogy and 1330 Boylston St. and a major redevelopment is planned for the recently acquired Landmark Center. Boylston Properties has started construction of a Marriott Residence Inn on Brookline Ave. which will be the first hotel built in this neighborhood in decades. Samuels & Assoc. sees Van Ness St. as the pedestrian friendly Main St. for the neighborhood, eventually becoming Fenway's premiere dining & retail destination. Yard House recently opened on Brookline Ave. and built a large outdoor

patio and secondary entrance fronting Van Ness St. If you visit Yard House and dine on their patio, you will start to see this vision. Next up for Samuels & Assoc. and the Fenway is Boylston West, which will start construction this year, consisting of 170 apartments, more than 200,000 s/f of office and 170,000 s/f of retail.

It seems like every major developer in New England has their hands in the Seaport District. Home to the Convention Center, World Trade Center, Moakley Federal Court House, Institute of Contemporary Art and, Legal Harborside. If the success of Cresset Group's Liberty Wharf is any indication, real estate professionals have very high hopes for many of the other projects planned in this emerging neighborhood. While today the Seaport may feel vast and over exposed, it is only a matter of time until 1,800 highly paid Vertex workers plus 1.2 million s/f of retail, more than 1,000 residential units and several hotels begin filling the void.

Chestnut Hill based WS Development is responsible for the lion's share of the proposed retail in the Seaport. We asked Brian Sciera, Vice President of Lifestyle Centers for WS Development about the retail portion of the Seaport and he agreed that mixed-use urban development is the right fit for many retail tenants expanding today. "What retailers are looking for today is palpable energy. When you roll out the lease plan they want to see something different, not your everyday project. Mixed-use fills this energy by creating footsteps from morning to night - live, work, play" said Sciera. Mixed-use vertical development by nature creates around the clock foot traffic and population density that helps businesses, restaurants and retail thrive. With so much living, working & playing, it's no wonder that restaurants continue to be the strongest category in these developments. Further, the people who gravitate to these environments tend to be affluent and educated, creating an ideal customer base for retailers with cult followings like Whole Foods, lululemon, Shake Shack, Starbucks and Pinkberry.

Local and regional tenants are highly coveted in these new projects as they add local flavor and neighborhood identity to each development.

The concept of mixed-use vertical development is very efficient and synergistic but it's also very challenging. Even now with the economy slowly recovering, mixed-use is difficult to execute for even the most experienced developers. According to Steve Samuels, "If you're doing two or three different uses at once, the project is never a go till the lowest common denominator works". In New England, the marketplace has limited experience in financing or trading mixed-use developments which makes it very hard to value them. Some developers are breaking off the construction of use categories in a project to better manage risk and leverage past experiences. An example is Somerville's Assembly Row where Federal Realty Trust is building a major vertical mixed-use development where people will live, work and play. Federal Realty has sold the rights to build apartments to AvalonBay but they retained the overall development and retail master plan. Like the Fenway and Seaport projects, Assembly Row is sure to completely change the retail landscape for the Somerville neighborhood.

For developers, retailers, restaurateurs and real estate professionals involved in these projects, it is a very exciting time for mixed-use projects in New England.

Sara Taylor is vice president of leasing for Eagle Rock Retail LLC, Newton, Mass.