

Maximizing the Human Experience

Shopping centers are diversifying their offerings like never before to create unique experiences for shoppers.

The party line is that physical retail is dying, but it's actually in the midst of an amazing renaissance. Garrick Brown, vice president of retail research for commercial real estate company Cushman & Wakefield, has a front-row seat to this real-time transformation. "A one-million-square-foot center might tear down a vacant anchor store to add a hotel or a medical building," he says. "Or it may remove the roof and add an open-air atrium where shoppers can relax and even work."

"By the end," Brown says, "that former one-million-square-foot retail mall might hold 500,000 square feet of retail space and a mix of amenities that bolsters the property and makes it a vibrant shopping complex."

Among its new amenities, a mall might now offer everything from a rock-climbing wall and indoor skydiving to educational labs for kids and craft beer-making classes for adults.

The number of jobs that comes from retail real estate is 34 million.

What e-commerce can't offer, though, is the human interaction and live experiences that consumers crave. In our increasingly digital world, more

people seek opportunities to spend quality time with other people—and that's a critical role physical retail serves today more than ever.

Focusing on the full social experience has helped shopping centers stay vibrant even as e-commerce grows. In fact, the shopping center occupancy rate stands at a healthy 93.2 percent, according to the National Council of Real Estate Investment Fiduciaries, while research by the International Council of Shopping Centers finds that American consumers log 1.5 billion visits to shopping centers every month.

By transforming centers into destinations that offer more than just stores, owners have found they can draw in more shoppers who ultimately stay longer and spend more.

CREATING A DESTINATION

In the New York City borough of Brooklyn, the City Point shopping complex has undergone such revival. Its owners tore down an aging enclosed mall and replaced it with a two-million-square-foot complex that resembles a quaint neighborhood, with outdoor storefronts, a dine-in movie theater, apartments and a food hall with more than a dozen locally owned eateries.

"Everyone is justifiably looking for a great experience—finding and combining that right mix of experiences is what we as landlords have to do," says Kenneth F. Bernstein, president and chief executive of Acadia Realty Trust, which redeveloped City Point. "That is the future of retailing. It needs to be unique, it needs to be convenient and it needs to be fun." Shopping center owners can achieve these goals by being more selective in choosing tenants, says Melissa Gonzalez,

founder and chief executive officer of The Lionesque Group, which designs pop-up stores. In the past, the mandate of filling space took priority, but today, they must strategically curate a mix of businesses tailored to the demographics and needs of the local community.

SERVING THE COMMUNITY

A big focus for many shopping center owners is providing consumers with more potential activities than just shopping, whether it's going to the gym, watching a movie or eating out. Because shoppers are seeking places to socialize, many have added green spaces, such as parks or courtyards with seating, and sometimes even stages for concerts and other events.

Even shopping centers in foreign countries are adding new experiences. Liz Holland, chief executive officer of the real estate firm Abbell Associates, visited a mall in Austria recently in which the developers converted a portion of a common area into an "adult play area" that includes comfortable furniture, high-top tables, a coffee kiosk and electrical outlets for plugging in laptops and charging mobile phones.

Adapting to the needs of the local community by adding a more diverse array of amenities that are both practical and fun will help shopping centers stay vital, Holland says.

"If you can add a grocery store, a movie theater, a bowling alley and a fitness center to a space that was once home to a now-defunct department store, you can potentially convert a monthly destination into a weekly part of a community's life," she adds.

"That's a home run."



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