



Retail design strategies for today's real estate market

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Among the many challenges faced by the retail sector, one of the biggest questions is: How does an owner of a retail complex preserve the value of the underlying asset when sales are soft and tenants are stumbling? What creative solutions exist that will keep assets healthy until the real estate cycle bounces back?

The design approach best suited for today's economy is broadly termed "repositioning." The two conventional approaches to retail renewal-redevelopment, or a full-blown makeover-are too costly under present circumstances. Today, retail developers are choosing facelifts and upgrades that can maintain or increase value for about five to seven years. Once the economy recovers, they will be able to make the capital investments necessary for full-scale renewal.

About two years ago, one of our clients purchased an underutilized city block in a major northeastern city that held the potential to sustain up to four million s/f of mixed-use development, including much retail. But potential tenants then backed off, as did both the office and hotel "power users." Left with a marginally tenanted building with an outdated exterior, we worked with the owner to undertake a moderate facelift designed for the short term. The temporary redesign would boost tenancy and expand leasable area to tide the property over until a recovery took hold.

Our firm is also assisting a well-located but underperforming and aging strip center in the southeast. With our assistance, the owner will redesign the exterior inexpensively as part of a phased repositioning of the project from a community-oriented center to more of a destination-style boutique store venue. The project is being phased in to ease budget pressures. Two years ago, in both instances, the sites would have been demolished and redeveloped.

Developers are also gravitating to value. For example, they are minimizing common areas and trying to squeeze additional users into a development. On the urban retail front, our firm speaks from experience as designer of three of New York City's the largest retail projects. Here are some of our observations on urban coping strategies:

In one major city, an urban complex had been planned as a vertical retail center topped by residential space. But the residential element decreased significantly when the economy zoomed downhill. The developers responded creatively. They found alternative, non-traditional users and blended them into the mixed-use formula. The project is now advancing with this new mix. Design options and solutions in urban allocations are usually more limited than in the suburbs. There is usually less opportunity to divide space. But if resources permit, ambitious urban retail makeovers can be undertaken.

For example, our firm is renovating and redesigning a prominent, block-long urban mall. Repositioning will enhance access and circulation. The property's core, atrium, escalators and elevators are being reconfigured, renovations not typical in the contemporary economy. Portions of the facade are being re-cladded. Work schedule are coordinated to avoid disrupting retail flow.

In the suburbs, our firm is renovating and expanding the 52-acre, 52-year old Bergen Town Center in Paramus, N.J. on behalf of Vornado Realty Trust. Launched prior to the downturn, these two projects underscore the need to make flexibility part of a design solution. In fact, retail designers always remind developers to factor in flexibility. Markets will change and tenants will come and go. Sooner or later, a day of reckoning will arrive when it will be time to reposition-and reposition wisely. Thinking both short term and long term, developers must adopt a design approach that allows them to thrive in good times and weather the tough times. Fortunately, suitable design solutions exist for the full spectrum of economic environments.

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