

## **New owners may redevelop Riverwalk Marketplace Times-Picayune - Online**

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By Rebecca Mowbray, The Times-Picayune

Change could be afoot at the Riverwalk Marketplace. The riverfront mall has new owners, and while business has improved tremendously since the quiet days after Hurricane Katrina, the property is slated for a repositioning, if not an outright redevelopment.

Matthew Hinton, The Times-Picayune Since opening after the 1984 world's fair, the Riverwalk, which was famously hit by the M/V Brightfield freighter in December 1996, has become more tourist-oriented and has hosted fewer national brand stores.

The new owner, Dallas-based Howard Hughes Corp., has a mandate to maximize the value of the 34 assets it inherited in November from the mall's former owner, General Growth Properties, which was completing a Chapter 11 bankruptcy reorganization in New York.

Ken Benalin, vice president of asset management at Howard Hughes, said plans are still in the works for the Riverwalk, so he is unable to talk about the property.

But the company's second-quarter earnings statement says that Howard Hughes seeks to redevelop the Riverwalk.

Since opening after the 1984 world's fair, the Riverwalk, which was famously hit by the M/V Brightfield freighter when it lost engine control in December 1996, has become more tourist-oriented and has hosted fewer national brand stores. Conventioneers and cruise ship passengers often find their way to the Riverwalk, which is sandwiched between the Hilton New Orleans Riverside and the Ernest N. Morial Convention Center and snakes along the Mississippi River. But getting to the shopping center is not so easy for locals, and in recent years, there has been little reason to do so.

Business has improved markedly at the Riverwalk since Hurricane Katrina. Frank Quinn, who joined the property in 2008 and became general manager in February, said occupancy at the mall had dipped as low as 30 percent to 40 percent in 2006. Today, occupancy is at 90 percent, and sales are increasing.

Angling for new fare

Quinn said he's been visiting retailers within a 150-mile radius of New Orleans to persuade them they should add a satellite location at the Riverwalk. The mall is keen to take advantage of the increasing number of cruise ships that soon will call New Orleans home. Both Carnival Cruise Lines and Royal Caribbean plan to bring new ships to New Orleans this fall.

"Things are steadily improving. We're doing everything we can to be successful, occupied and viable," Quinn said.

Tenants also say the mall is on the upswing. Liz Williams, president of the Southern Food and Beverage Museum, which opened in a space once occupied by The Limited in June 2008, said the new managers and owners of the Riverwalk have made small changes that make the mall feel much more inviting.

They've power-washed the building, cleaned extensively, added new lighting, live

Matthew Hinton, The Times-PicayuneThe Riverwalk Marketplace has fantastic views of the Mississippi River, but it has a complex ownership structure that is sure to complicate any potential redevelopment plans.

plants and seating on the balconies that overlook the river. "All of the stores are sparkling," Williams said. "It just looks a little spruced up."

SoFab, as the museum is known, has outgrown its space and will move to a new site on historic Oretha Castle Haley Boulevard in Central City when its lease expires in 2013. Quinn said he's pleased that one of Riverwalk's tenants has been successful enough that it needs more space and is looking forward to trying to lease a prime location at the far end of the food court near the entrance from the Convention Center.

'It's never really worked well'

Although business has improved at the Riverwalk, it remains on its owner's list of underutilized assets, and Howard Hughes Corp. is grappling with how to reposition the property.

Lewis W. Stirling III, a principal in Stirling Properties, which develops and manages shopping centers, says the Riverwalk has never worked, and its new owners face a challenging long-term proposition.

"It's an unanchored shopping center. It's at least a mile long, and people don't walk that far," he said. "Functionally, it's never really worked well."

The Riverwalk was developed around the same time as the Jax Brewery, Canal Place and the now-defunct New Orleans Centre mall, Stirling said. Several of these downtown malls had the same tenants, so people would go to the one that was most convenient -- and that usually wasn't the Riverwalk.

The property has fantastic views of the Mississippi River, Stirling said, but because it's built on railroad, levee and city property, it's got a very complex ownership structure that will complicate any potential redevelopment plans.

Howard Hughes could try to do a mix of condominiums or apartments, hotel rooms, office space and retail on site, but financing would be tough. "The timing for any of those is basically terrible," Stirling said.

If the Riverwalk stayed as a mall, he'd try to find an anchor tenant, but that could be challenging because of the land ownership issue.

Indeed, the Howard Hughes filing on its second-quarter earnings said sites such as the Riverwalk can be complex redevelopment projects because of their unique attributes, size, zoning or other approvals that would be necessary.

Tenants on short-term leases

When redeveloping sites such as the Riverwalk, the company said in its second-quarter filing that it frequently does not sign long-term leases in an attempt to preserve flexibility at the site. In other cases, the company includes a provision in the leases it signs that gives Howard Hughes the ability to terminate the lease prior to its expiration.

If the mall is 90 percent occupied and isn't doing new long-term leases, it probably means they have a temporary tenant program or programs where tenants pay a percentage of the rent in order to keep the mall occupied, Stirling said.

"They're probably making it tenant friendly," Stirling said. "They'll probably keep it running like that until they figure out better timing."

But Don Randon, a retail leasing agent in New Orleans, said Howard Hughes could probably accomplish its goals by renovating the property, finding a new combination of tenants or bringing in a new food and entertainment mix to make visiting the Riverwalk more of an experience.

"You can take what's there, and make it better, bigger, different," Randon said. "I would bring in a stronger mix of food, entertainment, retail. Make it where it's more enticing. Create a bigger draw."

Going beyond tourism

Any successful downtown retail needs to be convenient and accessible to shoppers with parking or good public transportation, and Randon said the growing downtown population could help generate new options for the mall.

"I think it's going to be something more than just tourists and conventioners. If you can add some component to the Riverwalk that adds some attractiveness to locals as well as conventioners, that would be a good thing," Randon said.

Howard Hughes has no specific time frame listed for its redevelopment of the Riverwalk, and it might find easier projects to tackle first in the grab bag of master-planned communities, vacant land, air rights, surface parking lots and malls that were spun off from General Growth.

But the newly minted company is weighing what to do with the Riverwalk at a time when New Orleans has a renewed focus on recruiting retailers and is trying to redevelop its waterfront area through the Reinventing the Crescent plan.

All sorts of downtown retail projects are in play. Just down from the Riverwalk, the Canal Place shopping center canceled leases about a year and a half ago with longtime tenants such as Pottery Barn and repositioned itself to feature retailers that have only one or two sites in the state, such as Anthropologie or Brooks Brothers. Shops, meanwhile, are proposed for the Iberville housing project redevelopment, the South Market District development on the Loyola Avenue corridor, and the Market Street power plant on the Mississippi River just beyond the Convention Center, although the outcome of those projects is uncertain at best.

For now, Quinn is focused on making the Riverwalk more lively. "We've come a long way since the dismal days of 30-40 percent occupancy in 2006," he said.

General Growth still owns six malls in Louisiana, including the Oakwood Center in Gretna and the Mall of Louisiana in Baton Rouge.

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An equally big problem is there is absolutely no reason for locals to shop in a tourist trap that Riverwalk is. Drago's is there, and that's the only place I've ever been in Riverwalk in 10 years.

BTW, the parking lot is owned by the Hilton.

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