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### Retail property industry lobbies Washington for relief

The commercial real estate sector, though a crucial pillar of the U.S. economy, has received far less government help than other sectors, even as it faces an imminent credit crunch, industry figures say. "The federal government has essentially jump-started the commercial-paper market, the equities market and the residential-mortgage-backed-securities market," said **James E. Maurin, SCSM**, chairman of Covington, La.-based **Stirling Properties**. "But nothing has been done for commercial real estate, and we are in a meltdown phase right now, with lots of loans coming due."

Retail real estate dwarfs the car industry when it comes to impact on the economy. The U.S. shopping center industry accounted for 13 million jobs in 2008, a year in which owners spent \$25 billion to build or renovate centers. By comparison, car manufacturers and parts makers employed about 876,000 workers that year.

With retail developers gasping for capital, ICSC is pressing the government. The organization successfully lobbied for the extension and expansion of the Term Asset-Backed Securities Loan Facility (TALF), sought a relaxation in the Real Estate Mortgage Investment Conduit (REMIC) rules to allow borrowers to work with commercial-mortgage-backed securities' special servicers before default, urged government action to encourage banks to extend performing loans, and backed changes in mark-to-market accounting rules.

Action is crucial, executives say. ICSC estimates that the U.S. retail real estate industry will need to refinance some \$400 billion over the next five years, of which about \$165 billion will be maturing CMBS debt.

To drive the point home, Maurin, who is chairman of ICSC's Government Relations Committee and a past ICSC chairman, headed a delegation that met in August with officials from the Treasury Department, the Federal Reserve and the Office of the Comptroller of the Currency. And it seems lawmakers are finally acknowledging the industry's problems. Rep. Carolyn Maloney of New York, who chairs the Joint Economic Committee, in September described the commercial real estate situation as a "a time bomb."

Federal bank regulators said this week they are preparing guidelines to encourage lenders to rework troubled commercial real estate loans. Federal Deposit Insurance Corp. Chairman Sheila Bair told senators that changing the terms of these loans could help banks avoid larger losses. Reworked commercial real estate loans "should be encouraged, not criticized," Bair told a Senate subcommittee. "We are encouraging banks to restructure these loans."

### U.S. shoppers cut back on food spending, survey says

Americans plan to reduce their grocery spending, according to a survey of 6,700 consumers in 10 global markets. Some 74 percent of the U.S. respondents now shop with a list, says the survey, which was conducted by a Chicago firm called Synovate. About 65 percent said grocery items are too expensive, and 49 percent said they hate supermarket shopping so much they only want to "get in and get out." In fact, the survey found that 48 percent would gladly shop online if they could believe it was secure enough and that they would get high-quality food.

The survey found that nearly 40 percent of the U.S. shoppers said they are spending less than they did 12 months ago, and that 78 percent are willing to abandon their favorite food brands in favor of cheaper ones. Despite price concerns, 89 percent of them said they are most likely to shop at supermarkets, and only 10 percent said they do their grocery shopping at superstores. About 57 percent said they make a big weekly shopping trip, and about as many again said they buy in bulk.

The survey also asked about changes shoppers would like to see in stores and found that, once again, Americans care most about saving money. While 62 percent of the total respondents said they would go out of their way to patronize an environmentally oriented supermarket,

only 22 percent of Americans said so.

"When it comes to grocery shopping, the only kind of change Americans seem to want is the kind that goes in their wallet," said Laurel Ashbrook, Synovate's senior vice president of U.S. consumer and business insights. "They are not really interested in a modified format for stores, and in a still uncertain economy, the best bet for U.S. grocery retailers is to keep prices and frills to a minimum."

#### Landlords get aggressive, creative in tenant search

Aggressive prospecting can pan a tenant gold mine, the tough economy is teaching leasing professionals. "For a long time in the industry, we were order takers, but now we have to become creative deal makers," said Joseph Coradino, president of **PREIT Services and PREIT-Rubin**. "And that involves a more careful, studied approach, more hand-holding, more incubation of tenants."

Case in point: PREIT's **New River Valley Mall**, in Blacksburg, Va., puzzled over its vacant cinema space before finally recruiting a junior college to fill the bill. Now there are 1,000 students daily on the premises during the week. "That allowed us to add a food court to the mall, where students study every day with their Cokes and shakes and salads," Coradino said. PREIT now attends educator conferences to hunt out similar deals.

The 1970s-era **Eastern Hills Mall**, in Buffalo, N.Y., suffered chronic vacancies but was able to recover and grow to full occupancy when a Department of Motor Vehicles office moved into the property. Now some 500 people visit per day, which has opened the way for a convenience store and other business tenants. The mall's biggest coup was the 60,000 square feet leased to the New Era Park baseball-training and the Thurman Thomas Speed Training facilities, both under construction at former anchor sites. "We didn't give up on being a mall," said Coradino. "We simply enhanced ourselves by becoming a town center and neighborhood."

**Jones Lang LaSalle Retail**, which manages nearly 250 million square feet of retail, has pulled its people into a multipronged tenant-recruitment push. "Prospecting today is more important than ever, and we are utilizing every resource we have," said John Bemis, the firm's director of retail leasing. The firm offers staffers bonuses, gift cards and other incentives for successful leads and even gives some tenants rent breaks for recruiting other tenants. Jones Lang LaSalle Retail solved a vacancy problem in a wing of Crestwood Court, in St. Louis, by bringing in an artists' colony that is home to painters, sculptors, a dance studio and a theater. "It has been wildly successful," said Bemis. "As long as you control the look of space, putting in unconventional uses can work well."

When the dust settles, the country's malls will have more of a local flair, predicts Coradino. "The industry's malls and shopping centers were becoming a homogeneous mix at a time when the economy was just starting to go south," he said. "But when this [industry restructuring] is done, we will all have differentiated products and a better sense of how to market our centers."

#### RetailGreen conferees share sustainability strategies

On-site power-generation systems, carbon offsets and other ways of integrating environmental "sustainability" into malls and stores were on the agenda at ICSC's RetailGreen Conference & Trade Exposition, which opened Wednesday in Hollywood, Calif. A wide-eyed embrace of sustainable development and operations during the boom has, for many, given way to a sober wariness about immediate impact on the bottom line, speakers said.



"Different companies have different incentives," said Jeffrey M. Bedell, vice president of sustainability at **Macerich**, who moderated a discussion about on-site generation. "There are companies doing solar power generation more for social and environmental reasons than [as] economic drivers. That's where they've set their priorities. If they are willing to take on the social responsibility side for a small or minimal return, then that's great."

On-site power generation, through solar water heaters, heat pumps or wind turbines, has emerged as a way that commercial property owners can realize savings and actually generate revenue, panelists said. "The sky is the limit, but it is a function of what is financially practical and the available space," said Tony Liou, a managing director at El Segundo, Calif.-based Partner Energy. "Financing is the biggest key, because it is a fairly capital-intensive item, but some creative schemes are doing it."

The delegates to this year's conference, ICSC's second, were treated not only to words; they also got tours of Macerich's **Santa Monica** (Calif.) **Place**, a former mall being redeveloped under LEED specifications into an open-air property, and of **Safeway's** newest 'green' additions to its upscale **Pavilions** supermarket chain, in West Hollywood.

"With sustainability becoming an ever increasing global focal point, ICSC created the RetailGreen Conference to provide retailers and developers with the chance to learn about the latest green initiatives, products and services," said Lawrence E. Kilduff, chairman of the ICSC Environmental Subcommittee and president of the **Kilduff Co.** "This year's conference [is taking] an in-depth look at how all sectors of the industry can improve their success rate and have a positive ecological impact through the use of sustainability actions."

#### Asia Expo highlights retail boom

Hundreds of developers, retailers and others engaged in the shopping center industry converged on Singapore this week for ICSC's fourth annual Asia Expo. The meeting occurred as Asia seems poised to emerge first from the global recession and took place in one of Asia's most concentrated areas of retail development. The openings of **CapitaLand's ION Orchard** and **Las Vegas Sands' Marina Bay Sands** on the swanky Orchard Road retail strip has expanded Singapore's retail scene and made Singapore appealing to Western retailers seeking entry into Asia. This makes the city-state all the more appropriate as a venue for the expo, says Tan Guan Heng, ICSC's Asia-Pacific regional director.

"One by-product of Singapore's evolution is its embrace of many first-time retailers in newly opened centers," he said. "Since finding good locations can be a big entry barrier for new retailers, shopping center openings can be a trigger for international players to enter new markets and open their first store."

Asia's economy will grow 2.8 percent this year and 5.8 percent next year, according to the International Monetary Fund. China's economy is expected to grow 8 percent this year, thanks largely to a nearly \$600 billion government stimulus package combined with record lending by the state-owned banks. Retail sales during the Golden Week holiday grew to some \$83 billion,

18 percent over last year's Golden Week, according to the country's Ministry of Commerce.

India, too, holds promise for retailers and developers. Its population, currently 1.1 billion, is rising faster than China's. Currently, there are 14.5 million middle-class or rich Indian households out of a total 207 million households, but this is expected to grow to 158 million out of 280 million by 2025, according to McKinsey & Co.

Not surprisingly, developers, both Eastern and Western, are working hard to meet rising consumer demand in the region. Last month in China **Simon Property Group** opened centers in Zhengzhou, capital of Henan Province; and Suzhou, Jiangsu Province; and it will open another in Hangzhou, capital of Zhejiang Province, in January.

CapitaLand also raised funds through an IPO for its retail development arm, with a view to expanding in China and elsewhere. Developers in other parts of Asia are also gearing up, as evidenced by the attendance at the meeting of executives from Japan's **Aeon Mall Co.**, the Philippines' **Ayala Land**, India's **DLF Retail Developers** and Malaysia's **Iskandar Investment**.

#### TRANSACTIONS

**SVC Equity Partners**, an affiliate of **Newcastle Properties**, bought nine single-tenant properties across six states for \$30 million. The **CVS**-occupied properties range between 12,900 and 13,225 square feet and are under 25-year triple-net leases.

Phoenix-based **Cole Real Estate Investments** paid \$20.5 million in cash for three **Best Buy** stores, in Colorado, Florida and Illinois. Best Buy holds triple-net leases on the properties through 2022. Irvine, Calif.-based Faris Lee Investors represented the seller.

#### RETAILING TODAY

The Walt Disney Co. says it will reinvent its 340 **Disney** stores in the U.S. and Europe as high-tech entertainment hubs. Disney may also open new stores using the concept, whose activities will include karaoke contests and live chats with Disney stars. The company plans to unveil these **Imagination Park** stores in May in Southern California; Long Island, N.Y.; and Madrid, Spain, and is reportedly close to signing a lease for a flagship in New York City's Times Square.

Edgy U.K. fashion brand **All Saints** will make its U.S. debut in November with a store in Los Angeles. A Miami store and a 13,600-square-foot New York City flagship are to follow. The retailer, which operates stores in Antwerp, Belgium; and in Paris, besides the nearly 50 in the U.K., is expanding further into Europe, with a first store in Berlin.

**DLF Brands**, a division of Indian conglomerate **DLF**, and Singapore-based **Club 21 Retail Holdings**, the international licensee for **DKNY Jeans**, will be opening DKNY stores in India. The first two outlets are slated to open this month in New Delhi.

Microsoft will open its first store in **Macerich's Scottsdale** (Ariz.) **Fashion Square** this fall. The shop will carry laptops, games and gaming devices and software. Plans call for a large video display wall and areas where computers can be customized. Microsoft has signed a lease for a second store at **Simon's Shops at Mission Viejo**, in Orange County, Calif.

**Gap Inc.** released details about its turnaround strategy this week, telling investors that it will open a first Gap store in China next year and launch online businesses in Canada and the U.K. **Old Navy's** new interior design is to be implemented at about 50 stores by year-end. Gap also said it will resume TV ads in November, for the first time in two years.

#### THE COMMON AREA

The Minnesota Vikings football team and **Mall of America** announced a partnership for the naming rights to the field that has been the team's home since 1982. The field will be called Mall of America Field at Hubert H. Humphrey Metrodome through February 2012. "Branding the field as Mall of America Field represents an opportunity to share our name and image with an even larger nationwide audience," said Maureen Bausch, Mall of America's executive vice president of business development. "It also connects two treasured Minnesota brands — Mall of America and the Minnesota Vikings — which adds value to both companies." Mall of America Field will receive new exterior and interior signage. Financial terms were not disclosed.

**Carrefour** is pulling out of Russia, citing poor growth prospects there. The announcement comes just four months after the French retailer, the world's second-largest after **Wal-Mart**, opened its first hypermarket there. It currently operates two hypermarkets in Russia — one in Moscow, and the other in the south Russian city of Krasnodar.

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