

## Seeking the Mall's New Formula

Developers, retailers and others continue to seek ways to reinvent the mall- from entertainment to experiences and more.

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The future of the shopping mall could be digital.

Not e-commerce per se, but digital-first brands that are now moving into brick-and-mortar with technology-enhanced formats that are proving popular with consumers. Companies such as Showfields, which plans to open 500 stores around the world in the next five years, and marketplace Neighborhood Goods, which is showcasing brands such as Stadium Goods, Draper James, Serena, Hims and Allswell, are gunning for traditional players' market share with disruptive new concepts.

Meanwhile, leasing and managing agent JLL, which also has a financial stake in shopping centers, has taken matters into its own hands and developed its own retail brand, Rose and Loon, which it plans to scale across the U.S., while Appear Here, which listed 2 million square feet of temporary space in less

than a year, has partnered with other service providers to give up-and-coming brands an incentive to book space.

All of these formats are aimed at turning the once shopping-focused mall into a destination that is as much about entertainment as buying fashion. Elevated food halls and chef-driven restaurant collections are overtaking the old “food court” from national chains and replacing Chinese fast food with, say, Nobu’s black cod miso at Macerich’s Fashion Square in Scottsdale, Ariz. The 5-million-square-foot American Dream Meadowlands in New York is a retail-cum-entertainment concept on steroids, getting ready to launch in 2019, while TSX’s 46-story tower is preparing to kick experiential retail up a notch.

All these ideas are aimed at reinventing the “mall” concept for the 21st century. Still, plenty of challenges remain, as seen at the International Council of Shopping Center’s New York Deal Making conference at the Jacob K. Javits Convention Center last week.

While there was an “out with the old, in with the new” narrative at the conference that pitted the rising street wear trend against traditional mall nameplates, there were also reports of retailers such as Abercrombie & Fitch and Hollister growing store counts.

“Streetwear is a whole new consumer,” said Joanne Podell, vice chairman of Cushman & Wakefield. “I love the whole idea of a freer, more individual style. Before, it was Gap, J. Crew and Ann Taylor. Now, it’s rappers. The streets of Manhattan that are having trouble are 34th Street, Third Avenue and Broadway, what they have in common is mall stores. People want new, fresh and different.”

That idea that change is coming is inescapable. Fifth Avenue is littered with old-school retail casualties such as Lord & Taylor, where human directional hold “Going Out of Business” signs on nearby street corners. L Brands has revealed plans to shutter Henri Bendel’s Fifth Avenue flagship, while Victoria’s Secret, the Cincinnati-based retailer’s cash cow, is in trouble with sales slumping recently and same-store sales declining more than 10 percent in the last two years.

Along with retailers’ organic problems, there is a perfect storm of negative factors brewing. The Internet, Millennials and Generation Z shifted the playing field for retailers, shopping centers and real estate brokers. REITs that had built out department store boxes at no cost and signed long leases with minimal or no rent requirements, were hit hard when those stores spiraled downward: less foot traffic, and depending on the department store and co-tenancy covenants in the leases, the possibility of losing existing tenants and/or difficulty getting new ones.

A variation of this scenario also has been playing out on high streets. Not realistically assessing the degree of retailers’ challenges, property owners were reluctant to reduce rents, which led to massive vacancies and gave rise to now-ubiquitous pop-up shops. However, brokers at ICSC said landlords are beginning to soften.

“There’s lots of flexibility on deals, both from developers and even street landlords,” said Stephen Stephanou, principal at Crown Retail Services. “But institutional landlords such as REITs have still been reluctant to reduce rents at certain locations. I think the fact that office is being blended into retail venues is a very interesting story. Grab ‘em where you can get ‘em,” he said, referring to co-working environments popping up at shopping centers on both coasts.

Lisa Rosenthal, retail broker at Compass, said, “Online brands and retail aggregators and marketplaces in the old days would have been a multibrand concept. Now every brand has the ability online to establish its own unique identity. These marketplaces allow them to not only aggregate to attract more

customers, it furthers the sense of community for the brands and their fans because they can meet the founders and the people who work with them.”

“We’re talking to brands about creating a leading platform for [converging] Europe and the U.S,” said Jean-Marie Tritant, president of Westfield, which was acquired by Unibail-Rodamco. It will help us to develop very good brands in the U.S. and migrate Apple, Tesla and others to Europe. Already we’ve discussed with some brands in Europe coming to the U.S. market, especially, some specialty opportunities on high streets. There are good deals and we’re in a good position to partner with them and welcome them. They need to be strategic about positioning themselves. Our level of malls are destination malls. They know we can help them build brand awareness.”

Here, a look at some of the leading trends to emerge at ICSC:

### **THE NEW WELL-FINANCED MARKETPLACE**

Neighborhood Goods cofounder Matt Alexander refers to the concept as a product food hall, but it’s much more specialized and elevated than that. The 13,000-square-foot unit, which bowed earlier this fall at Legacy West in Plano, Tex., has the backing of cofounder Mark Masinter, a real estate adviser to developers and brands such as Apple, J. Crew and RH.

Alexander, a Dallas entrepreneur with fashion and retail experience and the company’s chief executive officer, said, “We imagined what would a retail concept look like with a lower barrier to entry for direct-to-consumer brands. We opened two weeks ago and Serena Williams came for an event. Her brand is one of the brands we’re featuring. She helped set up her area and posted an Instagram of herself rolling out a carpet in her brand area.”

The length of a brand’s tenure varies. Williams will have two months; Draper James, Reese Witherspoon’s women’s brand, will stick around for a year, and others, six to nine months. There’s a strong wellness component with Hims, which caters to men’s maladies such as erectile dysfunction and baldness — the brand so far has raised \$200 million. “Customers can go through the prescription process at Hims and if we sell out, we can order it for them on an iPad,” Alexander said.

“We’re starting to work on new locations. We plan to do four or five stores next year and then go further from there. We’ll have major brands to international brands to ones you’re never heard of,” Alexander said. “We put Hims next to Stadium Goods, which is selling Supreme. We built into the design a place where people could queue up. Sales per square foot isn’t the core metric for a lot of brands. It has more to do with marketing and sales. We’re looking at impressions and engagement time, which are more contemporary numbers.”

### **LEASING AGENTS LAUNCH BONA FIDE RETAIL CONCEPT**

JLL unveiled Rose and Loon in Minneapolis in September. Bill Moston senior vice president of national retail development, JLL, said, “It’s an actual brand, an actual working, functioning retailer. We’re curating the whole mix of merchandise. We spend a lot of time trying to figure out who the right makers and artisans are that will resonate with the customer, and we have a central POS system. This is not meant to be a cluster of pop-ups.”

“It’s a highly orchestrated retail environment,” said Paige Steers, senior director, global/Americas Retail Marketing at Jones Lang LaSalle. “There are people on a weekly basis demonstrating how they do their craft. Everyone wants entertainment today. We sell leather goods, artwork, even the fixtures in the stores, clothing, shoes and jewelry. It’s a host of product mix, but with a consistent aesthetic.”

“We would like to do more stores,” Steers said. “We can we transfer this capability for JLL to become a global retailer. The potential of this could be global. It has to have the right customer base. Certainly, we could, and the idea of rolling out to other centers is something we’d like to do. Our hope is to continue doing these in other locations. It would be bespoke to that customer. Prices include face tonics for \$18, hats for \$38, T-shirts for \$36, leather bags, a couple hundred dollars and art for many thousands. Seasonally we’ll be rotating new people and new talent. We have a vested interest in making the investment on our side to motivate sales [at the centers].”

## **KINDER AND GENTLER**

It’s not all altruistic, architects and developers are looking at underserved markets. The Jordan Downs project redeveloped a public housing project of the same name in the Watts neighborhood of Los Angeles that opened in 1944. “It has a residential and commercial hub,” said Greg Lyon, principal design director at Nadel Architecture + Planning, adding that the supermarket and shopping center are a vital part of the redevelopment of Jordan Downs since there hasn’t been new commercial development in the area in more than 50 years.

Anthony Scaramucci, the former White House communications director known for his brief tenure, returned to SkyBridge, the investment firm he previously ran and on Thursday said he and Skybridge are planning to invest in opportunity zones or economically distressed areas designated by the State Department in exchange for favorable tax rules. Created by the Tax Cut and Jobs Act of 2017 the zones are designed to spur economic development and job creation by encouraging long-term investments in economically distressed communities nationwide.

Earlier this year, the Treasury certified more than 8,700 communities nationwide as opportunity zones. According to the Treasury, approximately 35 million Americans live in areas designated as opportunity zones.

Through the program, investors reinvest their capital gains into areas that need investment. Gains can come from any investment, whether that is from stocks, bonds, real estate or partnership interests.

The areas have drawn a lot of investor interest already, and now SkyBridge is the latest to make a move.

SkyBridge is partnering with EJV Capital, a hedge fund and private equity fund manager, to launch the SkyBridge-EJV Opportunity Zone Real Estate Investment Trust.

According to the firms, the REIT has a “mandate” to invest in Opportunity Zones.

## **INTERNATIONAL EXCHANGE**

“The Platform in Culver City reminds me of little side streets in the Harajuku neighborhood of Tokyo,” said Greg Lyon, principal design director at Nadel Architecture + Planning. “Midrise buildings are replacing single-story attached houses. The Pacific Rim trend is moving across the U.S. to the East Coast. South America, Central America, Mexico. I see more of the Pacific Rim culture spreading to the U.S.”

If Platform evokes far-flung international neighborhoods, HiO goes one step further by bringing international retailers to the U.S, and gathering them under one roof. Its founders have plenty of experience and include David Zoba, former global real estate head at Gap Inc., who is chairman of the JLL global retail leasing board and advises retailers on cross-border expansion; Larry Meyer, a former Uniqlo and Forever 21 executive; Sever Garcia, founder and ceo of SGN Group, which helps global brands break into U.S. department stores, and Herbert Kleinberger, a retail industry and adjunct

professor at NYU's Stern School of Business, and Direct Brands' chief information officer. SGN is an operating partner in Direct Brands.

For the HiO platform, Direct Brands has built "a library" of some 300 international brands and engaged 35 of them for placement in the stores. HiO is now in Brooklyn and Canada at Cadillac Fairview.

### **MARKETPLACE EXTRAORDINAIRE**

Showfields is the vision of cofounder Tal Nathanel, a 14,000-square-foot permanent pop-up shop at 11 Bond Street in Manhattan's NoLIta. Nathanel envisions the four-level store — only the first level devoted to wellness opened this week; the remaining floors will bow in February — as a vessel for discovery. "We took each of the floors and dedicated them to one vertical: Wellness, home, design and on the top, a loft and beautiful place to take classes, hear lectures and do workshops," Nathanel said, noting that prices for products will range from \$50 to \$500,000 once all of the floors are operational.

"Show is 50 percent of the space," he said. "That's what we dedicate for experience, concept and programming — everything that provides value to the customer. In traditional environments, it's always about the host brand, such as Bergdorf Goodman or Bloomingdale's or Macy's. Why shouldn't the experience be about the brand? We flipped the whole formula around the brand.

"The brand's interest and hosting brand's interests don't align," Nathanel added. "We need to rethink the business model. We look at brands as our partners. They pay membership fees and sign agreements. It allows us to be aligned with them. A toothbrush and Chanel are equal in our eyes."

In addition to beauty and wellness brands such as Function of Beauty, Nuria and It's By U, By Chloe created a new concept called Frills for Showfields. "It's a very beautiful take on a fun house," Nathanel said.

"We'll reach the 500 locations. Next year, we'll open one or two, then scale up rapidly. We'll be closing oceans, Nathanel said, referring to Showfields' plan to open international stores. A Tokyo-based brand with six clicks can onboard a store in the coolest neighborhood in New York and vice versa, he said.

### **ALLIANCES TO BE MORE RELEVANT**

Cushman & Wakefield earlier this month acquired Colicchio Consulting, whose managing partners are Phil Colicchio and Trip Schneck, to better position itself when advising tenants and trying to attract tenants at a time when pleasing consumers' palates is tantamount to success. "We're one of the first sectors to drive incremental rental rate and occupancy with food," said Phil Colicchio, whose cousin Tom is behind successful restaurant concepts such as Craft, Craftsteak and Small Batch. "We're seeing this today with offices using food and beverage to drive retention and increase rents. In Las Vegas, food and beverage outstrips gaming revenue," Colicchio added. "Shopping centers are scrambling to procure food and beverage."

Colicchio said it never would have occurred to him that his firm would be working with anyone like Cushman & Wakefield a few years ago. "I thought we'd be focused on the hotel community," he said. "It was leading the thought world. Then, REITs like Simon and Westfield were looking for elevated food and beverage options. Simon recognized that high-end malls need more than themed restaurants. My cousin Tom [Colicchio] is opening a Small Batch at Roosevelt Field Mall."

Elevated doesn't mean fancy. It's artisanal and chef-driven, and no national chains, Colicchio said. As for trends, food halls are here to stay, with the newer wrinkle of retailers opening them inside their stores, such as Saks Food Hall by Pusateri's in Toronto. "They're not a trend or a fad, they're an actual

movement,” he said. “They’ve evolved to meet the need for variety and authenticity. There are some places where food halls have hit a ceiling. I’m not sure New York needs a new one.

London-based Appear Here and its ilk changed the way retail space is leased in the U.S. and Europe by identifying a perfect storm of conditions in Manhattan and other cities that impacted retail real estate rents. Retailers curtailed store openings and some began massive shutterings as the Internet, Millennials and Generation Z’s shifting interests took them away from stores. Landlords, however, were reluctant to reduce rents and online and digital short-term space brokerage companies such as Appear Here swooped in to make money from property owners’ collective misery.

Appear Here and cronies popularized the pop-up shop, not that it was new, having been executed with distinction many times by Target Corp. and others. Now Appear Here has launched Additions, a service that makes it easier for retailers and brands to unveil pop-up shops. The real estate company is partnering with Found Associates, an architecture firm, for a service offering furniture designed for short-term rentals. The collection consists of six pieces that are considered the foundation of a store, as well as cash wraps, stackable shelves, hanging rails, even mirrors in the fitting rooms. Staffing via GIG and maintenance work through Airtasker are also offered.

### **ART AND ARCHITECTURE COME TO THE MALL**

Recognizing that aesthetics matter more than ever, some shopping centers have rushed to populate their spaces with art and other visually arresting elements, including sculpture that serves a dual purpose: stimulating the senses and offering a ride or slide rather than being static. The two-story play structure designed as a sculpture complements the surrounding architecture of Westfield Valley Fair Mall in Silicon Valley, where Jean Marie Tritant, U.S. president of Unibail-Rodmanco-Westfield, said one of the most exciting things on the company’s docket is a large flagship Apple store designed by Sir Norman Foster. “We’re working right in the heart of Silicon Valley,” he said, noting that “tech start-ups appreciate the center’s digital native brands and huge Apple store.”

A permanent art collection was acquired for Garden State Plaza to position the mall at the intersection of community, culture and commerce, an approach Unibail-Rodmanco-Westfield has been implementing at the most valuable properties in its portfolio. Garden State Plaza, which reportedly does \$950 in sales per square foot, is consistently ranked among the 10 most productive shopping centers in the U.S. Westfield’s World Trade Center project in Manhattan opened up a number of opportunities and allowed it to reenvision the traditional mall concept to include lifestyle, culture and the arts. Partnerships for displaying contemporary art throughout the portfolio have included the Art Production Fund at the World Trade Center, Los Angeles Contemporary Museum of Art at Westfield Century City and the Museum of Contemporary Art San Diego at Westfield UTC.

Jackie Soffer, co-chairman and CEO of Turnberry, which owns Aventura Mall in Miami-Dade County, has been commissioning pieces for the shopping center for 12 years. While other mall owners have begun following suit, Soffer travels in an art world orb with her husband, Craig Robins, who spearheaded development of the Miami Design District and is the principal owner of Miami Design District Associates, a partnership between Robins’ company Dacra and L Real Estate, and shows blue chip artists such as Louise Bourgeois and Gary Hume. The Haas brothers created a fountain for Aventura – their first public art installation and one of the mall’s newest acquisitions. Another recent addition is a giant experiential slide by Carsten Höller.

Taubman Properties last month unveiled the \$500 million overhaul to give its Beverly Center in L.A. The mall owner and operator worked with independent curator Jenelle Porter, whose association with the Hammer Museum gave the art program a potency with works by Catherine Opie, Julian Hoeber and

Amanda Ross-Ho, who created a site-specific installation with layered images of large-scale paintings with messages scribbled on blank watch faces.

Refik Anadol's "Impossible Materials: Fashion," which combines imagined fabric and gentle poetic motion, commands the 35-foot high Grand Court digital LED screen. The media artist, designer and spacial thinker also selected for the mall works by students in his DMA 24 class at UCLA Design Media that collectively explore the impact of motion on design. Muralist JGoldcrown created the Instagram-worthy "Lovewall," and Stevie Hannigan made a joyful art temporary installation, "Angel's Purse," for the La Cienega valet.

## **MUSEUMS — Highbrow and Lowbrow**

"[Consumers] are seeing everything immediately and through digital waves. When they come to this experience, they're going to spend their money here and elsewhere," said Esty Ottensoser, retail specialist at Related Companies, developer of Hudson Yards, located between 30th and 34th streets, and 10th and 12th avenues. "This customer enjoys art and culture. They want to come and see it, because it seems enticing. It feels permanent and feels like you're at a museum or a gallery."

Related's goal is to extend customers' stays at Hudson Yards. "It's a place that feels like you can spend a half a day there," Ottensoser said. "We're committed to having this be a place where you not only shop."

Snarkitecture, a New York-based design studio specializing in retail, will open Snark Park, its first permanent exhibition space, at the Shops and Restaurants at Hudson Yards on March 15. The 6,000-square-foot Snark Park will be located on the second floor of the urban shopping center and located near Cartier and Lululemon. Snarkitecture, which is known for its cunning reinterpretations of the familiar — structures, objects and experiences — will create at Snark Park immersive installations housing design environments that appeal to children on one level and wink at adults on another.

Macerich-operated shopping mall Santa Monica Place in the spring unveiled an eye-popping — and mouthwatering — spectacle in Candytopia, a 16,000-square-foot saccharine-fueled orgy of exhibitions and larger-than-life installations such as flying unicorn pigs and a marshmallow tsunami. There were versions of an Andy Warhol Marilyn Monroe screen print and Leonardo da Vinci's "Mona Lisa" made from jelly beans, in addition to a candy lounge and candy sampling.

"Immersive environments throughout the exhibit, each one incredibly colorful, original and fun, makes [Candytopia] perfect for Instagram, Snapchat and other social platforms that let people share their experiences with friends," said Ken Volk, chief marketing officer of Macerich, adding that the pop-up's limited run instills in consumers a sense of urgency.

## **EXPERIENTIAL RETAIL ON STEROIDS**

Construction on TSX, which bills itself as "the ultimate playground," is slated to start in January. An intersection of innovation, creativity and engagement, the 45-story TSX at 1568 Broadway will include the preservation of the Palace Theater, lifted above grade level. Ten stories of retail will include a high-resolution, 18,000-square-foot sign on the building's exterior, a permanent stage over Times Square that the developer said "can easily reach millions around the globe, with broadcast capabilities built into the building's infrastructure." A food and beverage terrace will be the largest outdoor restaurant in New York, created for year-round use, with strobe lights and other high-tech effects, and a 669-room hotel completes the 550,000-square-foot tower. Developers of the project estimate it will be worth almost \$4.2 billion by 2023.

American Dream, the entertainment-cum-retail project rising in New Jersey's Meadowlands, has bulked up on the former, which now encompasses 55 percent of the space, and retail, 45 percent. The site, which lay fallow for years as a succession of developers tried to shepherd the challenging concept to fruition, is now humming with construction sounds. The audacious entertainment offering will include the first indoor ski and snowboard park in the Western Hemisphere with an 800-foot ski slope and 16-story-high ice-climbing wall. There will also be an 8-acre, indoor domed DreamWorks water park as well as a Nickelodeon amusement park and Sea Life aquarium.

The original article can be found [here](#).