

## REAL ESTATE

### Uppity sales

Are lifestyle centers worth the higher rent?

By Beth Mattson-Teig

Lifestyle centers have been successful in grabbing public attention with their upscale designs and impressive list of name-brand retailers. But are these trendy centers truly meeting tenant expectations?

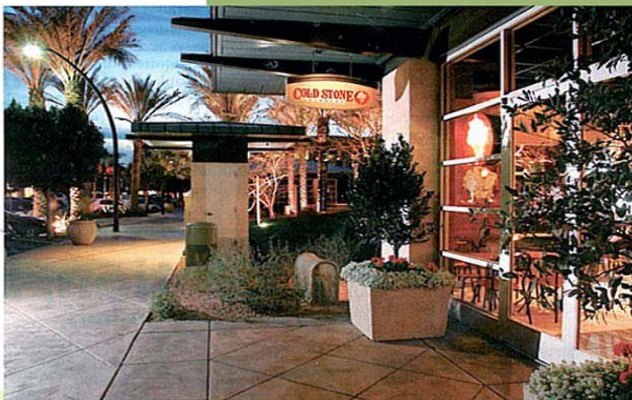
Although a number of retail venues have jumped on the "lifestyle-center" bandwagon and adopted the name, those that truly fit the bill share a few key characteristics. Lifestyle centers are located in affluent areas, feature an outdoor format, and have an upscale orientation that encompasses everything from tony architecture and landscaping to a strong mix of retail and restaurant brands. In addition to creating a design ambience with touches such as fountains and other public space, lifestyle centers may also include draws such as movie theaters, fitness centers, libraries, residential units or office space.

By and large, the lifestyle center is appealing because it creates more than just a place where people go to buy stuff, but a place that becomes a gathering spot, says James Snell, vice president of real estate and development, for Dallas-based Consolidated Restaurant Operations Inc. The franchisor operates several restaurant concepts including Cantina Laredo, El Chico and Three Forks among others. "The lifestyle center tries to create an environment for people to do multiple things and really create that gathering place," Snell says. "That is the kind of project I want to be in."

Consolidated favors projects that have some type of mixed-use component such as enter-

tainment, residential or office. For example, Consolidated Restaurant is opening a Cantina Laredo and Three Forks in a new lifestyle development in Florida. Midtown in Palm Beach Gardens sits on 76 acres on PGA Boulevard and includes 225 luxury condos, a 500-seat cultural center, a 300-seat banquet hall, and 100,000 square feet of retail and office space. The project, which is being developed by Palm Beach Gardens-based Ram Commercial Group, is set to open this fall.

**Pulling in profits**  
Lifestyle centers are proving to be successful locations for chains such as Scottsdale, Ariz.-based



Lifestyle centers offer a sense of community in an upscale, urban setting.

Cold Stone Creamery Inc. Cold Stone stores that locate in lifestyle centers generate average sales that are about \$90,000 to \$100,000 higher than locations in other types of shopping centers, says Brett Sheets, Cold Stone's vice presi-

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dent of real estate. Cold Stone estimates that it has nearly 50 lifestyle center stores, and the company is actively looking for new lifestyle-center opportunities.

Ice cream is typically considered a destination buy, and Cold Stone caters to that clientele by locating in various retail venues such as neighborhood and power centers with easy access and ample parking. The difference with lifestyle centers is that, in addition to that destination-oriented customer, the stores also capture added business from impulse customers.

Cold Stone estimates that during the week, 70 percent of its ice cream is purchased between 6:30 p.m. and 11:30 p.m. Lifestyle centers are a good fit because the centers draw significant traffic at night thanks to a strong mix of restaurants and entertainment, such as movie theaters or bookstores. "We really like lifestyle centers because they create a nighttime synergy that brings customers into our stores," Sheets says.

The downside of lifestyle centers is higher rents, and franchisees need to pay close attention to whether the higher revenues offset the higher rents.

"The bottom line we need to focus on is not the revenue the store drives, but the net profit our franchisees get," Sheets says. Not every lifestyle center is going to be a "home run" for the franchisee. In fact, Cold Stone may analyze the rent and sales data of a lifestyle center and opt to locate somewhere else, such as a community or neighborhood center, where sales are still strong and rents are lower. But if the lifestyle center delivers like it should, then the higher revenues do offset the higher rents, Sheets adds.

#### Case-by-case basis

Clearly, lifestyle centers are profitable, which is why developers continue to build them. Currently, there are about 145 lifestyle centers in the U.S. with an additional 45 centers set to open in 2006, 2007 and 2008, according to the International Council of Shopping Centers.

Yet the final verdict on lifestyle centers is still out. "Some lifestyle centers have been very successful and the per-square-foot-sales average is quite high, while others are just not meeting those expectations," says John Artope, a senior vice president in the Orlando office of The Staubach Co., a full-service commercial real estate firm.

Lifestyle centers still prove themselves to tenants on a case-by-case basis. "Absolutely, there is still an interest in lifestyle centers among our restau-

rant clients," Artope says. However, that does not mean restaurants are not selective when it comes to choosing lifestyle centers, he adds.

A number of shopping centers market themselves as lifestyle centers even though they might not possess all characteristics of a "true" lifestyle center. As a result, tenants should be cautious in analyzing factors such as the location, demographics, co-tenants and traffic counts. "Tenants need to make sure they are looking at the tenancy and surrounding neighborhood to make sure it is a fit for them, and not just locating there because it is a lifestyle center," Artope says.

In addition to being selective when choosing lifestyle centers, franchisors such as Cold Stone are careful about where they locate within a lifestyle center. For example, Desert Ridge Marketplace in Phoenix is a 1.2 million-square-foot retail center. However, the true lifestyle component or central gathering place of the project, is located in the middle of the shopping, while big boxes such as Best Buy and Target are located on the fringe. It was important for Cold Stone to secure a location in the heart of the lifestyle component in order to capture more of the impulse buys from the foot traffic and movie theater crowd. "We want to be right in the center where all the action is," Sheets says. □