

Chapter 1

Retailing Fundamentals

1.1 Retail Theory

In a perfect commercial economy, retail offerings would balance consumer demand for those offerings. Retailers would sell their entire inventory at the ticketed price to eager shoppers, who would return on a regular basis to purchase more merchandise. Downtowns and shopping centers would provide the exact brands, goods, prices, and services desired and needed by their communities. Residents would have only a short walk or drive to most of their preferred stores. Many small European villages and towns come close to this ideal commercial balance, such as St. Andrews, Scotland (Figure 1-1), through strict land use regulations that limit suburban development.



Figure 1-1
St. Andrews, Scotland, is a sustainable city center with three shopping streets that provide a wide range of goods and services, including apparel, appliances, groceries, and restaurants, that meet many of the desires and needs of its community. *Robert J. Gibbs*

However, people and commerce do not act rationally. Retailers and shopping districts are at the mercy of countless factors beyond their control. Consumer spending and behavior are influenced by numerous emotional and economic variables, resulting in drastic ebbs and flows of consumption. Busy family schedules, a lagging economy, shifts in fashion, new competition, traffic congestion, crime, and local, national, or world events can result in sharp declines in a store's performance.

People do not need to shop.

While families must frequently purchase groceries and basic staples (see Figure 1-2), they do not need to shop for most other items on a regular basis. For any number of reasons, visits to stores or shopping centers can be postponed or avoided (Figure 1-3). In many cases, individuals can suspend clothing and home-furnishing purchases for years—or at least until their wardrobes or furniture actually wear out. The retail and shopping center sector is the riskiest of all principal real estate sectors, among which are residential, office, and industrial uses.

In confronting this reality, the retail and shopping center industry depends on fast-changing cycles of color, style, or material to compel individuals to purchase items that they do not actually need. Who knew that we could not live without the Air Jordan sneaker or the Apple iPhone? Fashion magazines, the entertainment industry, and celebrities all help drive the purchasing cycle by creating and promoting new trends. To remain competitive and economically viable, shopping center owners and individual retailers must keep up with these changing trends by



Figure 1-2
A full range of groceries, meats, and baked goods is available in dozens of small specialty stores located throughout St. Andrews town center.
Robert J. Gibbs



Figure 1-3
Shoppers waiting to pay for parking in Anchorage, Alaska. Shopping is frequently an elective activity, and inconvenient parking often will discourage an initial or return visit to the center. *Robert J. Gibbs*

updating their built environments as well as their brands and styles. In the retail sector, image is everything.

Successful retailers and shopping centers must also pay attention to how their target demographic groups experience their stores and prefer to shop. All elements of the shopping environment, including lighting, color, merchandising, fixtures, and music, must be meticulously planned and designed to meet the expectations of customers and to increase the amount of time and money they are willing to spend in the store. A tattered, poorly maintained, or outdated store or shopping district conveys to shoppers that whatever they purchase at that location will soon be out of style, overpriced, and of questionable quality. Even worse, the shoppers may fear that the poorly presented merchandise will make them look dowdy or even unpopular among their friends and colleagues.

However, the real estate development process and the merchandise inventory supply chain cycle do not lend themselves easily to frequent changes in trends. Shopping centers take years of planning and construction to implement. Major shopping center renovations can only be capitalized every eight to ten years, at best. Historic downtowns usually have numerous individual property and business owners, each with buildings requiring different levels of improvement. Furthermore, municipalities are often challenged to provide the funds necessary for the maintenance and updates in the public realm that are common in leading shopping centers, which are improvements contemporary shoppers have come to expect.

Most retailers must purchase merchandise nearly a year before placing it on the shelves. This lengthy time frame requires business owners to have a combination of skill and luck. The store's buyer must have the foresight to select the



Figure 1-4
H&M sells high style at moderate prices, meeting the latest retailing trend: guilt-free shopping. *Gibbs Planning Group, Inc.*

exact brands, colors, styles, sizes, and price points that will be popular when offered to the shopper several seasons ahead. For example, in order to keep up with changing color trends in the 1980s, an international retailer ordered all-white sweaters and then had them dyed in the most popular colors just before delivery.

Sometimes, sophisticated retailers can establish trends. En route to the Paris Shoe Show a few years ago, representatives from a New Zealand-based footwear chain noted the popularity of a shoe style worn by teenagers in the Montrose section of Los Angeles. The chain purchased a large inventory of these shoes, which became the most popular footwear in New Zealand when introduced a year later.

Recently, some moderately priced apparel stores have shortened the runway-to-store cycle from months to weeks (Figure 1-4). When the latest fashions are worn at awards shows and in music videos, the design houses for these stores quickly reproduce them as inexpensive knockoffs in limited quantities. Sold while still popular, their limited supply can cause a rush to purchase before they become unavailable.

1.2 Shopping Center Business Models

Developing and managing retail centers remains one of the most financially risky of all real estate categories. In 2006, the United States had 20.22 gross leasable area (GLA) of retail space per capita,¹ far more than any other nation in the world.

Retailers must respond to ever-changing consumer trends and demands while constantly fending off new competition. As a result, the retail industry relies upon proven methods and techniques to minimize the risk and to earn a market rate of return on their investment. This risk is more acute in mixed-use urban areas, where vacant storefronts or undesirable retailers can significantly disrupt the quality of life for surrounding residents and nearby office workers.

Most of America's shopping centers fall into one of seven proven building types: the corner store, convenience center, neighborhood center, community center, regional center, lifestyle or town center, and outlet center. The GLA of each of these center types can be increased 30 to 50 percent to create supersized centers—for example, the super neighborhood center, super community center, or super regional mall.

Each type of center appeals to a distinct market segment and has specific tenant types, size ranges, location criteria, and site plan standards. Although there are always exceptions to these types, centers that deviate from these industry standards and sizes are often considered economically risky and thus difficult to finance or lease. For example, a 50,000-square-foot convenience center is generally too large to support 20 to 25 small stores without the pulling power of a supermarket. On the other hand, a 50,000-square-foot supermarket-anchored neighborhood center does not have enough GLA to support the below-market rents affordable to modern supermarket operators.

1.3 Corner Stores

The smallest and most useful retail type of center, the corner store, ranges from 1,500 to 3,000 square feet in GLA. The store can be sited as a stand-alone structure or built into a mixed-use building, in both cases preferably on a corner facing two streets. If possible, attics and basements should be provided for additional storage requirements. These small stores offer the beverages, food, and sundries most nearby residents, local workers, and travelers need on a regular basis (Figure 1-5). Beer, bread, cigarettes, prepared sandwiches, and snacks represent the bulk of their sales. These stores offer convenience over selection and value. Excluding dense urban locations, corner stores require convenient, nearby parking to allow for quick in-and-out shopping. If properly managed, off-street and on-street parking—alone or in combination—can meet the parking needs of the typical corner store.

The best locations for corner stores are on major local roads at the busiest entryway into the neighborhood. In densely populated traditional neighborhood developments (TNDs), a corner store can be economically sustainable within the neighborhood when sited on its primary street. When located adjacent to community buildings, parks, and schools, the store can benefit from the traffic generated by these uses. Because of their small sizes, corner stores must maintain extended hours, opening early and closing late, to maximize sales and to offset fixed expenses.

Approximately 800 to 1,000 households are necessary to support the average corner store, which equals the number of households in a 160-acre TND. The



Figure 1-5
Corner stores offer convenience foods, snacks, sundries, and prepared foods and are an amenity to neighborhoods and villages. Shown: The Franklin Village of Michigan. *Robert J. Gibbs*

number of required households can be reduced significantly if the store is located on a major road carrying 10,000 or more cars per day or if the store specializes in niche products, such as wines, package liquors, or baked goods.

Sufficient vehicular traffic allows corner stores that double as gasoline stations to be supportable without nearby residences. Moreover, while a neighborhood is being built, construction traffic can support corner stores before the critical number of occupied houses is met. However, workers in the construction trades tend to be price sensitive, often preferring inexpensive snacks, sandwiches, and beverages that may not necessarily appeal to future neighborhood residents.

1.4 Convenience Centers

Typically between 10,000 and 30,000 square feet in GLA, the convenience center offers an array of goods and services geared to the daily needs of its surrounding neighborhood. Often including a small specialty food market or pharmacy, a convenience center houses a limited number of tenants that offer a balance of food, personal, and professional services.

The convenience center's primary economic advantage is its close location to residences, allowing the time-pressed shopper to make a quick purchase on the way to or from home. Like corner stores, convenience center businesses do not always provide competitive prices, but focus on providing shoppers with quality

goods and services that can be quickly purchased. Given their size and proximity to residences, these centers do not need the draw of a large anchor store, such as a supermarket or hardware store.

Typical convenience center tenants include bagel stores, bakeries, banks, coffee shops, delis, dry cleaners, tailors, financial services, florists, food markets, ice cream parlors, laundry centers, packing and shipping centers, package liquors, personal services, pharmacies, and real estate offices. Adjacent businesses support each other by attracting shoppers who prefer to make multiple store visits and purchases. For example, someone dropping off dry cleaning items on the way home from work may also wish to pick up a carry-out meal for dinner or fill a prescription at the pharmacy. Centers with numerous businesses offering diverse goods and services increase the likelihood that those businesses will be visited more frequently than as stand-alone proprietors.

Convenience centers are usually developed as linear freestanding buildings, but they can also be in the form of an L, U, or market square (see Chapter 6). Building depth can range from 20 to 60 feet, and the average sustainable tenant space is 1,000 to 1,500 square feet of GLA. Basements, attics, or off-site storage should be provided whenever possible; they allow businesses to make bulk purchases and thus reduce expenses. Convenience retailers can also be located on the first floor of a mixed-use building as long as they can be easily seen from the primary roadway. The storefront signage and displays that shop owners use to draw the attention of passing motorists is their principal means of advertising, so careful building placement is crucial. These businesses also rely on customers who make quick visits for planned and impulse purchases, so nearby surface parking is essential. Parking decks or underground parking lots are impractical for nearly all locations, excluding high-density urban areas. Surprisingly, convenience centers cannot be supported by transit stops alone. The typical commuter tends to be in too much of a hurry or simply unwilling to carry purchases to or from work.

The International Council of Shopping Centers (ICSC) defines a convenience center as follows:

A Convenience Center provides for the sale of personal services and convenience goods similar to those of a neighborhood center. It contains a minimum of three stores, with a total gross leasable area of 30,000 square feet or less. Instead of being anchored by a supermarket, a convenience center usually is anchored by some type of personal/convenience services such as a minimarket.²

To be economically viable, a convenience center needs about 2,000 households—the equivalent of two TND neighborhoods. These centers should be located at the common entrance or intersection between two neighborhoods, preferably on the homebound side of the roadway. Locating a convenience center inside a neighborhood poses an economic challenge because of the smaller population and lower traffic levels unless the site is in a dense urban area. Rural centers should be located at the homebound side of primary crossroads. In suburban locations, the average primary trade area for a convenience center is a 1- to 1.5-mile radius. An urban convenience center may have a trade area of only several blocks, while a rural center may draw shoppers from up to 5 miles away (Figure 1-6).



Figure 1-6
Community centers typically range from 250,000 to 350,000 square feet and are anchored with large-format discount department or home improvement stores. The centers also include multiple junior anchors such as apparel, arts and crafts, office supplies, shoes, and sporting goods stores. *Gibbs Planning Group, Inc.*

1.5 Neighborhood Centers

The neighborhood center is considered the core of the traditional neighborhood and a staple of the shopping center industry. Anchored with a supermarket, pharmacy, and restaurant, a neighborhood center offers the complete array of goods and services needed by households on a regular basis but not available at smaller or larger centers (Figure 1-7).

The neighborhood center's primary anchor is a full-sized supermarket, typically 45,000 to 60,000 square feet in area. This anchor is the commercial engine that supports most of the center's other, smaller businesses, so much so that when a supermarket closes, many of those businesses will immediately suffer sharp declines in sales and be forced to close or relocate. National retailers often have opt-out clauses in their leases that allow them to leave the center if the anchor closes.

The ICSC and Urban Land Institute (ULI) define a neighborhood center as follows:

A neighborhood center provides for the sale of convenience goods (foods, drugs, and sundries) and personal services (laundry and dry cleaning, barbering, shoe repairing, etc.) for the day-to-day living needs of the immediate neighborhood. It is built around a supermarket as the principal tenant and typically contains a gross leasable area of about 60,000 square feet. In practice, it may range in size from 30,000 to 100,000 square feet.³



Figure 1-7
Neighborhood centers are anchored with supermarkets and average 70,000 to 100,000 square feet. The supermarket serves as the center's primary anchor and drives shoppers to the rest of the smaller retailers and restaurants. Shown: River Oaks shopping center, Houston, Texas. *Robert J. Gibbs*

Most neighborhood centers are between 50,000 and 70,000 square feet in total area, which includes the supermarket. The center can be planned in a variety of formats, including the linear strip, L, U, double-reverse L, or market square plans (see Chapter 6). The depth of a center's inline retailers ranges from 30 to 80 feet, with most of the tenants requiring 1,200 square feet of GLA. A 20-foot-wide by 60-foot-deep module is the most commonly used store dimension. Neighborhood centers are almost always constructed on concrete slabs without basements or attics. The supermarket and other anchors are usually rectangular in plan, with their widest elevations facing the primary parking area. For example, a 50,000-square-foot supermarket is usually 180 feet deep and 280 feet wide. Recently, however, some supermarkets have been adopting less regularly shaped floor plans, such as Cops in Middleton Hills, Wisconsin. To generate pedestrian traffic throughout the center, the supermarket—whatever its floor plan—should be placed as close to the middle of the neighborhood center as possible. In most cases, however, supermarket management will insist on an edge location for better visibility and to reduce shared parking.

Except for dense urban centers, the economics of most suburban neighborhood centers presently require surface parking with an overall blended ratio of 4.0 to 4.5 cars per 1,000 square feet of the entire center's gross building area. Presently, supermarket anchors often require parking ratios of 4.5 to 5.0 cars per 1,000 square feet, with most of their parking located near their front entrance. Lower parking ratios may be sustainable in suburban locations in the future as land use and consumer trends evolve.

To be economically sustainable, a neighborhood center needs 6,000 to 8,000 households within its primary trade area. In a suburban setting, the trade area is

within a 1- to 2-mile radius and its residents, on average, will shop at the center once or twice a week. In rural areas, the trade area is much larger, and it is not unusual for residents to drive over 25 miles once a week to shop at a neighborhood center. In high-density urban areas, neighborhood centers may have trade areas of less than half a mile or even a few blocks.

The center's primary anchor—the full-sized supermarket—usually pays lower rents than the inline smaller retailers. In exchange for the discounted occupancy costs, the anchor will purchase considerable media advertising to attract shoppers to the center.

Neighborhood centers have, on average, 10 to 15 smaller retailers, such as a bagel shop, bakery, bank, bike shop, card shop, restaurant, coffee shop, dollar store, dry cleaner, electronic stores, eyewear retailer, family restaurant, financial services office, florist, food market (Figure 1-8), frame shop, hardware store, home furnishings retailer, ice cream shop, jeweler, laundry center, mail center, package liquor store, personal services store, pharmacy, tanning salon, telephone store, and video rental shop. Recently, apparel, sporting goods, and shoe store chains have successfully opened stores in neighborhood centers.

Since the success of the neighborhood center depends upon the performance of the supermarket anchor, the site plan, location, and view sheds for the supermarket should be well planned. The center will be more sustainable and less susceptible to losing market share if it is located on the homebound side of the intersection of two major crossroads. In most locations, the supermarket should be easily visible from the primary roadway.



Figure 1-8
Year-round well-managed public markets can substitute for supermarkets. Individual vendors sell baked goods, cheese, produce, poultry, fish, meats, prepared foods, and wine and specialty items in public markets. The markets are open year round, six to seven days a week, and offer higher-quality foods and services when multiple vendors compete to sell similar products. Shown: London, Ontario, Canada, public market. Gibbs Planning Group, Inc.

In strong market areas, some supermarket owners will accept reduced primary-road visibility for their stores after an initial three- to five-year period. Supermarkets tend to specialize in specific market niches, such as low price, high quality, organic, or meat-oriented. This specialization can result in more than one supermarket locating and being sustainable at the same intersection.

Recently, community, regional, and lifestyle centers have started recruiting supermarkets to ensure a steady stream of shoppers and to mitigate the detrimental effects of economic downturns. In the past, well-known fashion and home furnishing retailers avoided co-tenancy with grocery stores out of fear that it would harm the quality of their brands. Grocery customers tend to shy away from extended apparel or gift shopping because of the perishable nature of groceries. This trend is beginning to change, and fashion and home furnishing stores now recognize the benefit of regular exposure to grocery shoppers, especially those who frequent up-scale grocers such as Whole Foods.

1.6 Community Centers

The backbone of the shopping industry, community centers are larger than neighborhood centers but include many of the same tenants. Suburban community centers are typically 250,000 to 350,000 square feet in size and draw customers from within a 4- to 6-mile-radius trade area with populations of 50,000 or more. Unlike neighborhood centers, community centers have few small businesses. Their business model calls for inline tenants that are 10,000 to 20,000 square feet in size: junior anchors that are destinations in themselves. At times pejoratively described as “power centers” or “category killers” (power centers have at least 80 percent of their GLA developed as anchors), these large-format retailers include arts and crafts stores, booksellers, and electronics, pet supplies, office supplies, sporting goods, and toy stores. Community centers are anchored by major discount department stores, home improvement stores, supermarkets, or restaurant clusters. This type of center can exceed 500,000 square feet in size when more than one 100,000-square-foot or larger anchor is included.

As a rule of thumb, the larger the store is, the lower the rent (on a square foot basis). The economics of many community centers often require low-cost construction and surface parking lots, except in affluent suburbs or high-density urban areas.

Although most community centers are frequently developed as single-story linear buildings or L-shaped assemblages with large surface parking lots, walkable, more urban building types have proven sustainable. Main streets and vertically stacked community centers have been successfully developed in strong real estate markets. The Washingtonian Center in Gaithersburg, Maryland, and Zona Rosa in Kansas City, Missouri, pioneered the development of community center-type retailers into a lifestyle center format that incorporated large discount retailers into a walkable urban setting.

Developers prefer to locate community centers at major road intersections, but these centers can also be economically viable at other sites so long as they are

easily visible and readily accessible. Community center developers often seek locations near a regional mall, which serves as the major anchor pulling shoppers to both it and the center on a regular basis.

1.7 Regional Centers

The largest shopping center type, regional centers concentrate numerous and variously sized apparel and department store retailers in one location (Figure 1-9). These centers are always anchored by at least two full-sized fashion department stores and often include 200,000 to 300,000 square feet of inline shops and restaurants. At a minimum, regional centers are 500,000 square feet in size, but they can reach more than 2 million square feet in area. They have 10- to 12-mile-radius trade areas in regions with suburban densities.

When and where a regional center opens is determined by its lead department stores, which require 150,000 people living within the primary trade area. Recently, discount department stores have been included in regional centers in response to consumer preferences and consolidation in the department store industry.

First developed as enclosed, self-contained malls in the mid-1950s, regional centers or regional malls must now compete with open-air lifestyle and town centers, which have slowed their growth. In response, new open-air Main Street formats for regional centers are being tested. Numerous regional malls have been converted into mixed-use open-air centers or hybrids with both enclosed and open-air components.



Figure 1-9
Regional malls and urban centers average 1 million square feet or larger and include numerous fashion department stores and a wide selection of retailers and restaurants. Shown: The Somerset Collection, Troy, Michigan, one of the premier luxury shopping destinations in the United States. *Gibbs Planning Group, Inc.*

The ICSC defines regional centers as follows:

This center type provides general merchandise (a large percentage of which is apparel) and services in full depth and variety. Its main attractions are its anchors: traditional, mass merchant, or discount department stores or fashion specialty stores. A typical regional center is usually enclosed with an inward orientation of the stores connected by a common walkway and parking surrounds the outside perimeter.⁴

Regional centers need to be easily accessible to a large population base and are typically located along an interstate freeway. Developers seek locations for these centers near the intersection of multiple freeways and, optimally, where at least two separate freeway interchanges reduce traffic congestion. The center's generous size and numerous department stores create enough of an attraction that only the primary anchors require visibility from nearby freeways. The dominant department stores will often demand and usually succeed in securing the prime locations with the best visibility.

Regional centers have numerous mall layouts, ranging from the basic two-department-store dumbbell to the five-anchor W (see Chapter 6). When malls have had to expand because of population growth in their surrounding regions, their owners have responded with a variety of one-off formats.

The center commonly starts out in a fried-egg format, where the mall is surrounded by a parking field, in turn circumscribed by an oval ring road. However, as the center expands and property values increase, surface lots may eventually become filled in with parking decks, additional department stores, or small open-air Main Streets lined with restaurant clusters and specialty lifestyle retailers. As a rule of thumb, regional centers should be planned to accommodate at least one additional major department store and future parking decks. Many regional centers are now constructing open-air or lifestyle centers within their parking areas. These expand the center's appeal to retailers that prefer outside urban settings and provide customers expanded shopping and entertainment venues.

On average, multianchored enclosed centers tend to outperform all other shopping center types. When well managed, a regional center offers a variety of goods and services not commonly available anywhere else, and yields higher sales and rents than any other shopping center business model. Prior to the 1970s, many American cities functioned as regional shopping centers, with department stores and national chains that provided for most of the goods and services needed and desired by their communities.

1.8 Lifestyle Centers and Town Centers

First constructed in the mid-1980s, lifestyle and town centers constitute the newest type of shopping center format (Figure 1-10). They were created in an effort to offer upscale fashion and home furnishings without subsidized department stores. Initially, these open-air centers were very popular with busy shoppers who sought their favorite shops. These centers are built with and without streets; however, those with streets tend to be more economically sustainable.



Figure 1-10
Lifestyle centers can expand their trade area and retail sales with properly scaled and designed squares and plazas. Shown: Woodlands, Town Center, Woodlands, Texas. *Robert J. Gibbs*

By definition, lifestyle centers only include retail and restaurant uses, while town centers incorporate office, residential, and civic uses as well. Nonetheless, not all developers and planners agree on the center's typologies, and the term "town center" or "towne centre" is frequently misapplied to unworthy strip centers. Recently, developers and retailers have discovered that the town center's mix of civic uses, such as libraries, can increase consumer traffic and improve overall economic performance.

With a 5- to 8-mile trade area, lifestyle centers can be sited between regional centers or between small niche markets. Surprisingly, lifestyle centers can be located nearly adjacent to regional centers. This proximity allows the center to use the regional center as a co-anchor, at times attracting otherwise mall-destined retailers by offering significantly lower rents and occupancy costs. In some cases, leading mall retailers will move to a new lifestyle center that offers a unique and more convenient shopping experience to their customers as well as lower overall occupancy costs.

The typical lifestyle or town center retailer seeks to capitalize on 75,000 households, each earning a minimum of \$75,000 per year. Some retailers prefer to target fewer households, as few as 25,000, with higher average incomes, such as \$100,000 or more. The lifestyle center format, however, has also proven to work for moderately priced retailers that have a broader consumer base.

Lifestyle and town centers can be planned in many configurations, including double-sided street, town square, half block, or in the shape of a U or double reverse L (see Chapter 6).

Open to the elements, both lifestyle and town centers are vulnerable to the fluctuations of climate, but not to the extent one might expect. Hot and humid

climates, such as those in the Sunbelt, pose the greatest challenge to the open-air lifestyle center format, while colder temperate climates, and even snowy regions in the North, are more economically sustainable. The shopping center industry depends on the fall and holiday seasons for most of its sales and profits, while the summer and late winter seasons are considered bonuses. The cool fall and cold winter seasons encourage shopping for back-to-school apparel and holiday gifts, and consumers in both northern and southern regions seem to enjoy being outdoors during these periods, excluding bouts of extreme precipitation. In northern areas, cold weather likely encourages more purchases of sweaters and winter gear.

After the winter season, people in cold regions are eager to get outdoors and are inclined to shop in the warm summer season's open air rather than in an enclosed mall. In fact, during mild summers, northern shoppers rarely give up a nice day to visit an enclosed mall. In contrast, many southern regions have extremely hot, humid summers that are so unpleasant that shopping in an air-conditioned mall becomes nearly essential.

Developers of the first lifestyle centers grouped home furnishings, restaurants, and popular, moderately upscale apparel stores together in a semiurban outdoor environment. These centers accommodated retail stores and restaurants but did not include major department stores, partly to avoid the multi-million-dollar subsidy required by department stores and partly because of the reluctance of department stores to depart from the proven format of the enclosed regional center.

The unanchored format of the lifestyle center proved successful in the first decade of its development. The novelty of shopping in semiurban lifestyle centers generated significant consumer traffic and sales, often at the expense of nearby regional centers or historic downtowns. Many regional malls countered with a variety of marketing and leasing measures that achieved various levels of success. Nonetheless, an oversupply of lifestyle centers has occurred, often in weak markets or at poor locations. Combined with increasingly excessive and expensive site development and building designs, this has led to numerous underperforming lifestyle centers.

The new, generally accepted industry practice maintains that the lifestyle center model needs at least one full-sized department store, 80,000 to 120,000 square feet or more of office uses, a community use, such as a library, and strong inline retailers and restaurants to be economically sustainable. Hotels and residences also contribute to the vitality of the town center and should be included in as high a density as practical.

Lifestyle centers are among the many shopping venues that seek large multiplex cinemas as co-anchors (Figure 1-11). The impact of cinemas on shopping centers, however, is mixed. Though cinemas generate significant traffic, only restaurants receive any consequential boost in sales from moviegoers. With the exception of booksellers and art galleries, most retail categories are not positively influenced by movie theatres. Nevertheless, the cinema is often necessary for attracting many customers to restaurant venues, especially those far from major office markets. The restaurants can then, in turn, bring shoppers to the center. Because cinemas often require extensive surface or deck parking, their inclusion in a lifestyle or town center should be carefully evaluated before development. Many developers have concluded that department stores offer greater economic sustainability than cinemas.



Figure 1-11
Cinemas add evening and weekend traffic to commercial districts and help to support restaurants, bookstores, and art galleries. Shown: Woodlands, Town Center, Woodlands, Texas. *Robert J. Gibbs*

Lifestyle center operators must limit their overall development costs in order to charge realistic rents and ensure a market rate of return on their investment. In general, lifestyle centers require surface parking and single-story retail structures. Constructing multilevel buildings with residential or office uses above the first-floor retail level can increase building costs by up to 25 percent, an expense that cannot be offset by increased rents. In the boom days of the late 1980s and 1990s, many communities were willing to contribute land, parking decks, or direct public subsidies to compensate for the increased expenses required to build and maintain mixed-use town centers. Today such public assistance is seldom available in most regions, and the lifestyle or town center must be sustainable in its own right.

Although town centers have plans that reflect many smart growth and Congress for the New Urbanism (CNU) principles, these centers can pose a potential challenge to historic downtowns. The town center's main street, a collection of popular retailers and restaurants augmented by on-street and deck parking as well as modern retail management techniques, offers an experience that the typical shopper perceives as "urban enough," making a visit to the nearby downtown unnecessary.

An unintended consequence of this new format is that lifestyle and town centers may cause more harm to historic downtowns than the earlier-era regional centers that provided such a contrast to urban districts. Ideally, this popular shopping center model should be woven into the urban fabric of existing downtown commercial centers, such as the one built in Lake Forest's Market Square in 1916.

1.9 Outlet Centers

Outlet centers are programmed to allow select manufacturers of apparel, electronics, gifts, housewares, and other products to sell directly to the consumer. Originally, these centers focused on selling overstocked items or slightly damaged merchandise at deep discounts. Now they often sell products specially manufactured for specific outlet locations. This allows manufacturers of premium brands to offer goods of lower quality and price points and thus broaden their customer base without compromising their brand image. Typically, outlet centers contain large unanchored retailers or department stores, though some may have major sporting goods centers and, in rare cases, cinemas.

Due to the demand for low occupancy costs and rents, outlet centers are almost always developed on inexpensive real estate, and usually as open-air strip centers with surface parking. Recently, these centers have been planned as open-air malls, with stores grouped in blocks around pedestrian walkways. Outlet centers can range from 100,000 to 400,000 square feet in area, but they average 200,000 square feet in size.

The town of Freeport, Maine, is an attractive urban exception to the industry standard. Freeport contains over 200 retailers located in historical-period free-standing or attached buildings located along a historic main street. The town is anchored by the L.L. Bean outfitter's flagship store, whose more than 3.5 million annual visitors make it the state's largest tourist attraction. The Freeport outlet town model can be applied to similar urban centers with frequently visited tourist areas (Figure 1-12).



Figure 1-12
Outlet centers sell leading name brand merchandise at significantly discounted prices and are popular in tourist destinations. The centers are usually constructed as freestanding shopping centers, but they can also be integrated into historic downtowns. Shown: Freeport, Maine. *Robert J. Gibbs*

To avoid direct competition from department stores and conventional full-price retailers, the first outlet centers were located in rural areas at least 50 miles from major cities or regional centers. Recently, developers have located outlet centers within metropolitan areas, at times adjacent to regional malls. These centers are especially popular with tourists, who appreciate purchasing name brands at discounted prices.

1.10 Urban Transect: Hamlets, Villages, Towns, Cities, and Metropolises

Each type of retail center, from corner store to regional center, correlates with a market-based planned community that is appropriate to the size and scale of its commercial uses (Figures 1-13 and 1-14). There is no “one-size-fits-all” formula when it comes to retailers and shopping centers and their supporting communities. A 200,000-square-foot department store that can anchor and contribute to the sustainability of a major urban shopping district could wreak havoc in a small hamlet or village.

Unfortunately, many communities either allow or prohibit retailers of certain types and sizes without considering their possible positive influence on place-making and sustainability. In many cases, the maximum allowable store size is designed to discriminate against a specific national store or category. The small corner store or convenience center, for example, provides essential daily goods and services for



Figure 1-13
Villages are comprised of individual businesses that are often located in former houses. Shown: The American Spoon store, Harbor Springs, Michigan.
Robert J. Gibbs



Figure 1-14
Old Town Naples, Third Street (Naples, Florida), a historic town shopping district that offers a balance of local, regional, and national retailers. Urban shopping districts have various sizes: hamlets, villages, towns, cities, and metropolises. Each typology can accommodate shops, anchors, and employment centers of different sizes.
Robert J. Gibbs

a residential area, and should be allowed (or even required) to be located adjacent to neighborhoods and suburban subdivisions. Too often, residents must drive outside their community for even a gallon of milk or loaf of bread. This planning transit has been defined by DPZ Architects, the author, and others and can be found in the PlaceMakers SmartCode.

