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## Retail Trend Effects Developers, Commercial Real Estate

**A** new trend in retail has kind of sneaked up on us. Actually it is an old trend that is coming full circle. About 40 years ago, major department store owners figured out that if they built stores in the suburbs near where their customers lived, and built their stores within walking distance of other large stores, they could create a synergy that would attract shoppers. Thus the open-air shopping center was born.

In the 1960s, Seminary South Shopping Center was the area's first grand, open-air shopping center. The state-of-the-art



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facility drew customers from throughout Tarrant County. In the 1970s, competitors took the concept a step further by building enclosed shopping centers. These shopping malls quickly became the retail destinations of choice. By 1990, the mall concept was so successful that Seminary South enclosed its buildings and reopened as a mall.

A decade later, the trend is changing again. There are 1,200 enclosed retail malls in the United States and it's estimated that about a fourth are in trouble. Some malls are seeing massive vacancies, others are losing market share. Construction of new malls has slowed to a trickle. The International Association of Shopping Centers reports that nationwide, only three malls were built this year.

Ross Perot Jr. and his Hillwood Development Company have obviously been paying attention. The biggest new shopping project in these parts, Alliance Town Center, will be a 300-acre, multi-use village-like concept along I-35 in North

Fort Worth. The first phase, which is scheduled to open a year from now, features J.C. Penney. Sam Moon is scheduled to open about six months later on 20 acres at the south end of the project. Future phases include a grocery store and a main street with residential located above retail. Perot's Alliance development already has thousands of homes in nearby, established neighborhoods. Why wouldn't he or someone else do the obvious and build an out-of-the-elements shopping mall?

Well, as the segment of population with spendable incomes ages, it seems that the walk from the parking lot to the mall is getting longer, as are the strolls between stores. And there seems to be less patience for elevators and escalators and the navigation around the food courts, and there is a growing reluctance to share space with roving bands of teenagers.

Perhaps you can blame this new awareness on Wal-Mart. The father of the big-box, all-everything-store has made shopping more convenient and less expensive. As Wal-Marts, Targets, Lowe's and Home Depots proliferated and grew in size, they took a share of the market from nearby malls. Shoppers who know what they are looking for and where they can buy it can park close and go in quickly.

Kohl's Department Stores saw this trend and has had some success with building its own free-standing facilities. Mall stalwarts such as Bloomingdales, Sears, and others are following the lead of Kohl's and are locating in open-air centers and stand-alone buildings. The strategy of these mavericks is to follow the money and locate near major grocery stores, big boxes and other stand alones ... places that aren't in malls, but get a lot of shoppers.

These out-of-mall stores are generally

smaller in size, faster to build and less expensive to maintain than their mall counterparts. In some instances, former mall occupants are taking over other facilities like the former K-Marts that Sears has purchased. The new stores also allow companies to experiment with new concepts. Sears is taking on Target and Wal-Mart with its "Grand" concept, one-stop shopping that combines everyday items with groceries. The concept started a year ago in Utah and is moving east with the Fort Worth-Dallas area in its general plans.

Malls meanwhile are taking a look at their strengths and weaknesses and coming up with a strategy to fight the shopping center and stand-alone trend. Malls tend to attract buyers that are younger than most owners and occupants want. To attract older shoppers, the industry knows that it needs to focus less on sunglasses, record shops and teen-oriented clothing stores and more on clothes that fit mature shapes, professional services such as doctors and dentists, personal services like hair salons and day spas, and entertainment facilities like comedy clubs and upscale restaurants.

The future of malls depends on their major anchor tenants, the department stores. Over the past decade, these mall mainstays have been trying to compete with big box stores on price. The theory being that if you can get shoppers into a store to buy something at a discount, they will buy other things at full price. Department stores are learning the hard way that the discount business doesn't work for them. The latest trend is to get away from trying to provide all things to all people. Department stores are now placing more emphasis on merchandising, in-store displays, specialization, and proprietary and private-label brands.

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