



LEADING THE WAY THROUGH THE 21ST CENTURY

SHOPPING CENTER BUSINESS[®]

FEBRUARY 2021

OPEN FOR BUSINESS

Open-air centers quickly responded to consumers' needs and wants during the pandemic. Now, they look ahead to further adapt as the industry hopes for a quick recovery.

PLUS:

**Grandscape Defies Definition
Experiential Retail Adjusts For New Times
Consumer Habits Change, How Should Centers?
Landlords Look Long-Term**

Experiential Retail Adjusts For A Post-COVID Comeback

Large crowds and tons of interaction are still frowned upon as the nation hits a turning point in the pandemic. However, shopping center owners and concept providers are finding ways to reopen safely when we return to a more normal state of being.

Nellie Day

Shopping center owners thought the solution to combat online shopping was so crystal clear. Give them experiences. Provide social spaces. Make interaction the focal point. And this worked... for a while.

Entertainment and food and beverage operators soon absorbed the spaces left behind by traditional retailers. Old Sears locations became luxury movie theaters. Vacant in-line spaces could be taken over by Instagrammable pop-up experiences. Mall kiosks that once sold tchotchkes could now be occupied by virtual reality pods. Even mall food courts were redesigned as food halls, a cooler, sleeker older cousin.

Centers that created the right formula of fun, fashion and food were packed. It was all going so well until 2020.

"All of us in the experiential business thought we were recession-proof," says Bryan Severance, CEO of Fallout Zones, a family entertainment consulting and design firm in Las Vegas. "Even when the economy was down in 2008, people wanted to get out and have fun. The whole industry was building parks and experiences and making money. When the government tells you to shut down, though, it's a totally different story. Turns out we're not pandemic-proof."

Just as the experiential retail industry rode the high highs together, it is now collectively dealing with the fallout of remaining closed or operating at limited capacity for an entire year. Some concepts were able to pivot, preventing their cash flow from drying up completely. Others are preparing for a time when looser restrictions will allow them to operate their attractions the way they were always intended.



Image courtesy of: Charles Smith

LRK helped renovate and restore The Hill Shopping Center in Dallas, a 236,050-square-foot, mixed-use center that features ample outdoor dining, public art and a green space in the center of the development.

OUTDOOR SPACE IS A SAVING GRACE

Flexibility was the name of the game when COVID-19 hit. Those with access to outdoor areas were often able to retain a solid portion of their business. This was not only true in areas where indoor operations were prohibited, such as California, but also in areas with more liberal policies as consumers took comfort in the fresh air and spaced-out environment the outdoors provide.

"The availability of outdoor space has been a key factor in ensuring that experiential concepts strike the right balance between opening responsibly and providing an environment that's fun and entertaining," says Richard Clarke IV, design principal at AO Architects in Orange, California. "Shopping centers are expanding their outside dining areas and using this opportunity to create a sense of place and an overall memorable experience for visitors. The general public has truly em-

braced the al fresco dining culture, and we expect this trend to carry on long after the pandemic is over."

Clarke sees this trend expressing itself in two ways. The first is through pedestrian-friendly streetscapes. The second is by embracing the car culture consumers relied on during the pandemic. This means more drive-in experiences, including food and beverage service, concerts and movies.

Dallas-based Howard Hughes Corporation is leaning heavily on its open spaces right now, and doesn't see that trend subsiding anytime soon.

"We build small cities that [create] mixed-use, walkable urban environments designed to provide opportunities for socializing and connection," says Kellie Forman, Howard Hughes' senior vice president of leasing. "Our communities have exceptional amounts of open space that allow us create and deliver the best

EXPERIENTIAL RETAIL

opportunities to interact, connect and grow, whether the times necessitate socially distant interaction or we are at the point of return to a level of pre-pandemic interaction.”

Howard Hughes has integrated the idea of experiential outdoor areas throughout its portfolio. This includes yoga on the lawn at Ward Village in Honolulu, the farmer’s market at Downtown Summerlin in Las Vegas, concerts at Merriweather Post Pavilion in Columbia, Maryland, drive-in movies at The Woodlands in Houston and a unique rooftop dining experience at Pier 17 at the Seaport District in New York City.

Access to outdoor space was the only way AREA15, an immersive entertainment and events complex in Las Vegas, was able to provide food and beverages to its guests. The 58,000-square-foot joint venture between Fisher Brothers and Ben-ville Studios opened this past September during a time when Nevada only allowed bars to operate if they served food.

“Our main eatery, The Beast by Todd English, was not ready to open back in September,” notes Winston Fisher, CEO of AREA15. “We essentially created a pop-up restaurant in our 32,000-square-foot outdoor ‘A-Lot’ in a matter of two weeks so we could open as planned.”

All forms of indoor food and beverage service are now allowed in the state, but Fisher has continued to rely on the A-Lot in ways he never initially imagined.

“The A-Lot has become the setting for a variety of family friendly activations, such as our Winter Wonderland holiday experience and ElectroRoll pop-up roller rink,” he continues. “We can’t host concerts and festivals just now, but these activities are proving a successful way to introduce AREA15 to the community with on-brand, out-of-the-ordinary attractions. We’re utilizing spaces more now — or differently — than we would have if the pandemic were not a factor.”

Craig Henry, a principal and director out of LRK Architects’ Dallas office believes we’ll see a rise in flexible indoor-outdoor spaces that provide new experiences while hedging against future disruptors like another pandemic.

“LRK is currently studying a few concepts with large, open-air buildings or shed-like structures covering part of a



The \$40 million Music Street Frisco in Dallas broke ground in summer 2019. Though construction was delayed due to COVID-19, Music Street Frisco is set to include an indoor performance hall, outdoor performance stage, guest kitchens with a revolving chef roster, 65-foot cinema screen, pavilion, and multiple two-sided bars that accommodate indoor and outdoor crowds, among other features.



URW is expanding and diversifying its offerings at U.S. centers. This includes a focus on restaurants, ghost kitchens, health and wellness facilities and automotive studios, such as ElectraMeccanica and Lucid Motors (pictured above). Lucid’s studios are set to premiere at Westfield UTC, Topanga, Valley Fair and Century City.

restaurant or retail building,” he says. “This enables a variety of open-air seating beneath the shed and can flexibly allow for multiple-building tenants under one roof.”

Henry also envisions large outdoor spaces being divided up to offer smaller, more intimate opportunities for socializing. If done correctly, each space would offer its own aesthetic and experience.

“Visitors are likely to discover a different space each time they visit and will want to come back for continued exploring,” he notes. “These spaces are intimate and not crowded, as smaller grouped areas may be preferable in the future. Our spaces create Instagrammable moments

for individuals and small groups to post on their social media accounts.”

SELECTIVELY SOCIAL

Though some experiential concepts are temporarily paused — or pushing back their opening date — due to the pandemic, that doesn’t mean shopping center owners have lost interest in these concepts.

“We are 100 percent all-in on experiential concepts,” says Colin Shaughnessy, executive vice president of URW in Los Angeles. “We’re no longer providers of retail going forward. We’re content providers, and that includes the right balance of entertainment concepts. But we have to provide safety, as do the entertainment

EXPERIENTIAL RETAIL

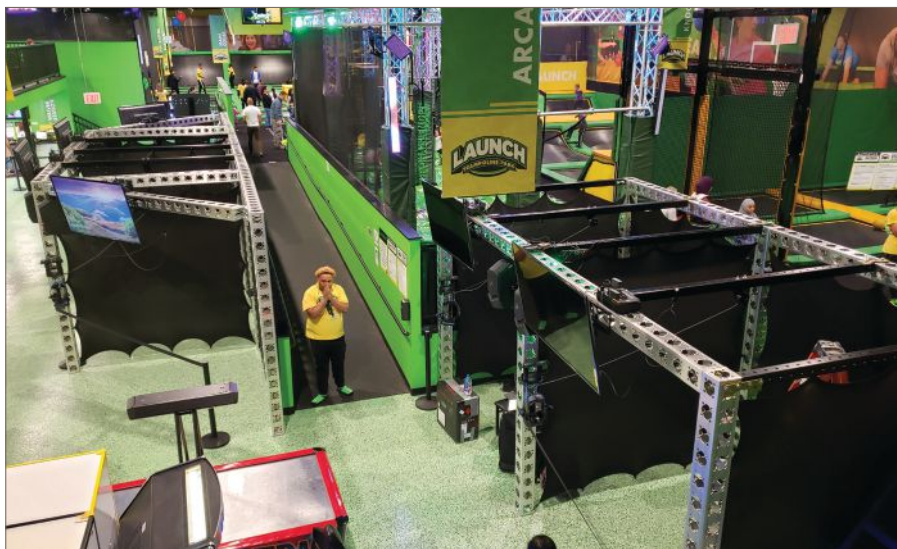
concepts. This trend is going to change because people don't want to be as crowded as they did in the past."

Technology and social media have also risen to a new level as people relied on their devices and the internet to keep them connected while sheltering in place. With that in mind, Shaughnessy has his sights set on concepts that can marry this aspect of modern-day life with the in-person experience.

"We are working with experiential concepts that are more interesting now than I believe they've even been pre-COVID," he says. "We want to deliver better content in our centers going forward so we can pivot the way consumers need us to. You've seen a lot of winners in social media platforms throughout COVID with TikTok and YouTube. All these uses are now looking at ways to connect not just digitally, but physically in the near future."

Much like online shopping, social media has been a disruptor of sorts — and a savior in some ways during COVID — to in-person gatherings, according to Leslie Lundin, co-founder and managing partner at Los Angeles-based LBG Real Estate Companies. Therefore, it would be wise for shopping centers to embrace this technology, just as they embraced omnichannel and ecommerce.

"Pre-COVID, increased use of social media and the internet, including online shopping, was at the forefront of a trend



FLIPnOUT Xtreme is a 40,000-square-foot trampoline park that has revitalized two retail centers in Las Vegas. The attraction can bring 300,000 to 600,000 annual guests to a shopping center thanks to its 17 attractions, which include laser tag, dodgeball, obstacle courses, mechanical bulls, basketball and more.

toward reduced physical social interaction," she explains. "Most people weren't concerned about it because people were getting plenty of direct contact at their day jobs and in school. Once office and education went virtual and physical interaction opportunities were unavailable, people started to crave that physical connection."

Does this mean every shopping center should be clamoring for social media-friendly attractions and experiences

in order to draw crowds back in? Lundin doesn't think so. At least not immediately.

"In the near term, just going to a bar or a place with a variety of people to interact with will be entertainment," she says. "Given the newfound desire for direct interaction with other real people, places and things, in the near term, entertainment venues won't need to work hard to draw crowds."

Still, with all this suppressed demand for social experiences, concepts are preparing themselves for a time when we can all gather again — and they want to make these experiences memorable. Even if that's in a limited capacity. Even if that's still a ways away. This includes Music Street, an art, entertainment and dining venue that is seeking sites throughout the U.S. and Canada.

The concept's flagship, the \$40 million Music Street Frisco in Dallas, broke ground in summer 2019. It is set to include a 1,024-seat indoor performance hall, 390-seat outdoor performance stage, indoor dining area with a third performance stage, multiple restaurant options, six guest kitchens with a revolving chef roster, 65-foot cinema screen, pavilion, and multiple two-sided bars that accommodate indoor and outdoor crowds, among other features.

Construction on the 6.7-acre site was delayed as the team, including Michael Dun-



Designed in response to COVID-19, ZenSpace is an on-demand, flexible, smart meeting pod that maintains strict sanitization protocols. These workspaces are fully automated and can be reserved for use at Westfield Valley Fair mall.



ham, president of Dunham Development, waited to see how the pandemic would unfold. The team has incorporated more safety features into Music Street's design since then, such as sanitizing measures, body temperature devices and distancing guidelines, but the pandemic has not affected the company's site selection or forward-looking plans.

That's because Dunham knows there will come a day when Music Street is able to satiate consumers' desire for entertainment of all kinds.

"I believe we will get past the COVID-19 pandemic soon," he says. "We have already started seeing sports venues coming back and allowing gatherings, and we will soon see concerts and cruise ships coming back online. The appetite for social gatherings is very pent-up and we will see a great participation as these venues reopen. Socializing and entertainment venues will never not be part of our society today and down the road."

INVESTING IN THE FUTURE

Though Dunham is looking at a variety of sites, he believes this type of all-in-one experiential concept will play particularly well in shopping centers.

"With the current erosion of traditional department store anchors, many developers are now forced to replace those anchors with a new generation of operators to attract large amounts of foot traffic and other tenants to their centers," he says. "Shopping center developers should be looking toward the future and searching for the right entertainment and dining establishments to commence negotiations for openings later in 2021 and in the years to come."

Severance is no stranger to experiential concepts replacing traditional mall anchors. In fact, he's helped a few centers reinvigorate themselves through the introduction of large-scale activity parks, such as FLIPnOUT Xtreme. He brought the 40,000-square-foot trampoline park, which contains 17 attractions, including laser tag, dodgeball, obstacle courses, mechanical bulls, basketball and more, to two high-vacancy centers in the Las Vegas Valley.

"We brought in FLIPnOUT Xtreme five years ago to a shopping center in Summerlin with no anchor," he says. "The com-

EXPANDING DURING THE PANDEMIC

Shopping Center Business sat down with Scott Lundmark, president of Adventure Golf & Sport (AGS) in Hinsdale, Illinois, to discuss how experiential concepts have been received during the pandemic, and how flexible design is more important than ever during these trying times.

SCB: Do you think we'll see an increase in entertainment attractions as anchors to shopping centers, or has the pandemic made landlords wary of this?

Lundmark: I know there was a huge wave of shopping centers reinventing themselves due to the impact of online shipping and the effect on brick and mortar. A lot of the new reinvention involved bringing family entertainment venues into these centers. Then the double whammy hit with COVID, delivering a harsh blow to shopping malls in general, but also to family entertainment and restaurants. We believe as time progresses with both education and vaccinations that entertainment venues will continue to thrive at shopping centers. Meanwhile, shopping centers still need to compete against online shopping. Whether or not entertainment attractions will be anchor tenants for shopping centers is another question, but we see the need for both stand-alone family entertainment centers and restaurants that combine family entertainment, which will continue their growth and popularity. People are cooped up and want to do fun things. Adventure Golf & Sports offers a wide spectrum of family fun products, such as mini golf and game courts that offer mall owners and tenants low operating costs, high guest throughput, easy social distancing and high ROI.

SCB: What are the benefits of modular design concepts, such as the ones AGS specializes in?

Lundmark: The benefits of pre-designed, portable and/or modular

experiential concepts is that they can be installed indoors or outdoors, on rooftops or below ropes courses to optimize space. They can also be portable or moveable, which is perfect for the operator leasing space. Adventure Golf & Sports offers several of these options, which we can design to any space, theme and budget.

SCB: Are there certain types of experiential concepts that may fall out of favor, as others fall in favor, while we collectively deal with the fallout from COVID-19?

Lundmark: I don't think so. If anything, outdoor spaces have become a bit more popular for fresh air and easier social distancing, but as we learn more and rules open up, indoor spaces remain popular as well. For AGS, we are fortunate that all our products have remained in popular demand given the pandemic.

SCB: What advice do you have for shopping center owners when it comes to working with experiential concepts in terms of getting these concepts up and running successfully in this environment?

Lundmark: There is opportunity for owners as well as tenants, especially with the pre-designed modular products, as they are more economical, require less space, are moveable, and can be setup indoors or outdoors. For an owner, they are able to set up in leasable spaces to create temporary businesses to help generate cash flow and/or attract people to their shopping centers, which helps the owner and their existing tenants. — *Nellie Day*



Scott Lundmark,
President,
AGS

EXPERIENTIAL RETAIL

plex was almost completely empty. We signed on and before we even opened every, single space was leased out. It created so much value and desire for space. That center is still full.”

The center, off Flamingo Road and Grand Canyon Drive, soon found itself with a swim school, hot yoga studio, pet resort, and salon and spa, among other tenants. The second location went into a Henderson shopping center located off Marks Street and Warm Springs Road. The center also had a hard time filling its vacancies, but has seen traffic improve exponentially since the trampoline park moved in, Severance notes.

“As soon as people see the sign, it just makes them excited,” he says. “And other tenants think, ‘if this big guy’s going in here, there must be a lot of traffic.’ I’ve seen it happen a million times. When you have an entertainment anchor like that it gives a lot confidence to smaller players.”

Severance notes a FLIPnOUT Xtreme location can bring in between 300,000 to 600,000 guests a year, which benefits the surrounding retailers. Howard J. Samuels, president of Samuels & Company, in Studio City, California, believes this type of multi-experience, diversified entertainment approach is perfect for today’s shopping centers. He points to Andretti Indoor Karting & Games (AIKG), which has five locations in the South with another opening soon in Buford, Georgia, as a prime example of an experiential concept who is not only expanding, but operating successfully during the pandemic.

“AIKG has prospered namely due to its vigorous efforts of management to make sure each venue is clean and sanitized at all times,” he says. “Most significantly, AIKG’s basic business model includes multiple activities within their 90,000- to 100,000-square-foot environments that allows all members of the family to enjoy staycations near home. AIKG’s locations in Texas, Atlanta and Orlando have outperformed their prior year’s revenues — even during a pandemic.”

Stats like these may leave shopping center owners clamoring for these widely expanding experiential concepts, but, naturally, not every concept is a winner. Nor is every concept right for every shopping center, region or even type of shopper.

“The first step for Howard Hughes is to



The Boardwalk at Allen Ridge will be a 30,000-square-foot, mixed-use complex with pedestrian-friendly retail and a 136-room boutique hotel. The LRK-designed development is centered on a 28-acre lake next to Abilene Christian University in Abilene, Texas.



Situated within a five-minute walk of Abilene Christian University’s athletic center and football stadium, The Boardwalk at Allen Ridge will be an ideal location for pre- and post-game activities.

identify the concepts whose target audience is the same as our residents and our customers,” Forman says. “Research and homework are the most important steps in identifying whether a new concept will be a good fit for our communities. Some will come in the form of short-term pop-ups if a concept is still in the incubation

phase. Others will involve long-term leases depending on the financial backing and the concept.”

Another consideration is cost, as Lundin notes.

“Don’t overspend,” she says. “Consumers are fickle and can be unpredictable. COVID has shown us that trends and

desires can change almost instantly. Any entertainment concept should be able to repay the investment in a short period of time. There will be enough second-generation space floating around post-pandemic, so there isn't a need for major new capital expenditures until there's demand certainty going forward."

Then there's the idea of modified leases. Severance prefers longer leases — ideally, 10-year leases with two, five-year extensions — to make it worth the \$3 million investment that goes into a venue like FLIPnOUT Xtreme. He's also a fan of revenue share, which Severance believes is "win-win" for both parties.

Samuels agrees landlords need to move away from the profits-above-all-else approach, lest they ironically risk losing out on the next big moneymaker.

"Rather than focus on owners' returns or rents needed for their spaces, they need to understand the concepts' business models and how they can successfully partner with each operator," he says. "Owners need to forget about sales per



The broad walkways and emphasis on outdoor space allow events like weekly farmer's markets to take place in an open-air setting at Howard Hughes' Downtown Summerlin shopping destination in the Las Vegas submarket of Summerlin.

square foot and think about experiences per square foot. Socializing and having successful entertainment concepts will separate the weak from the chaff and dif-

ferentiate successful and profitable centers from the outdated properties that are trying to hang onto old, traditional principles." **SCB**

TOG REBATE PROGRAM

an excellent source of ancillary income for property owners

Who is eligible? Property owners with multiple service locations and large waste volumes.

How are rebates calculated? A TOG Advisor audits waste hauling costs to verify actual volumes and densities. TOG, using its wholly-owned Wastehound® software, calculates a rebate for the entire portfolio.

How is the rebate paid? TOG pays your company a monthly rebate independent of the invoiced trash costs. The rebate amount does not fluctuate unless waste volumes drop.

How do I get started? Simply hire TOG as your Waste Manager and Partner. Utilizing our 45 years of national operating experience, we will manage the waste spend using scheduled services sufficient to prevent overflow conditions and odors.

To learn if you're eligible for our National Rebate Program, please call: 888-US-MALLS or email: mokeefe@tog.us.com

