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Shopping Centers Today



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WASHINGTON IS TOP MARKET FOR 2010

Washington is the best market for retail property investments this year, according to Marcus & Millichap's annual national retail index ranking. The District of Columbia's low vacancy rate and healthy job growth helped it hold onto the top spot in the ranking for the second year in a row. This year, Washington-area employers will add 35,000 jobs, representing 1.2 percent growth, following the loss of 15,250 last year. Marcus & Millichap pegs Georgetown, Bethesda-Silver Spring and Southeast Fairfax County as the best bets for property purchases thanks to their stable vacancy levels and dense populations. Washington's retail stock will expand by 2.5 million square feet, or 1.5 percent, this year. More than 3 million square feet was added last year.

PHILADELPHIA COURTS RETAIL DEVELOPMENT

Given Philadelphia's status as one of the largest American cities, one might assume it would automatically be a priority market for retailers. But getting it onto retailers' radar screens has taken a lot of work, at least with regard to the downtown area known as Center City. And that work continues.

To boost awareness of retail opportunities in Philadelphia and help trumpet the renaissance that Center City has enjoyed in recent years, the mayor's office, the Philadelphia Convention & Visitors Bureau and others teamed up to promote the city and attract retailers. They turned to ICSC as a cornerstone of their program, called the Philadelphia Retail Marketing Alliance, which Mayor Michael Nutter unveiled in September at ICSC's Pennsylvania, New Jersey & Delaware Idea Exchange. The city plans to keep bringing its message to ICSC meetings through this year.

"All of the efforts that we are doing this year in terms of advertising, PR and direct mail are centered around ICSC's major conferences," said Michelle Shannon, vice president of marketing and communications for the Center City District. "We are putting together plans raising Philadelphia's visibility immediately prior to each of these conventions."

Coordinated economic development initiatives paved the way for the city's residential and hospitality resurgence, but none of those efforts had focused on retail until now, sources say. "The retail opportunities for the city are strong and growing, and we just want folks to know it," Nutter said. "In many cases, they may know a little bit about Philadelphia from 20, 30 years ago and may not have seen the transformation over the last 10, 15 years. Tourism, especially international tourism, is up. A lot of that is driven by our art-and-culture sector. When folks get here they want to have the retail and the dining experiences that go with being in Philadelphia."

The PhiladelphiaRetail.com Web site contains a database of vacant retail properties, brokers and information about government incentives for development.

"We've made it easier for folks to engage in development activity here in the city and created a new gap-financing program, because the credit markets seized as a result of the recession," Nutter said. "We want to make it as easy as possible for people to get into and do business here."

Scores of retailers have come to the city in recent years, but Philadelphia remains underserved in some important ways. The city has fewer grocery stores per capita than any other city its size, for instance, according to the National Grocers Association.

Meanwhile, new mixed-use developments, such as the planned Philly Live complex, are set to bring more retail opportunities. All of this underscores the need to work with ICSC and its members, the mayor says. "We're very positive about the organization," Nutter said, "and the opportunities that it brings to bring people together."

POP-UP SHOPS GET THEIR OWN ONLINE EXCHANGE

No longer just a holiday phenomenon, temporary "pop-up shops" are a growing part of the retail landscape. Popupinsider.com, which bills itself as the first national exchange of its kind, is aimed at facilitating matches between landlords with vacant space, and retailers and other businesses seeking to open temporary stores. "It is a tenant-oriented exchange where landlords pay a fee to advertise vacant space they have that will accommodate a temporary store, and tenants can peruse for free," said Eric Anton, a co-founder of the site.

Anton, an executive managing director and principal of Eastern Consolidated Properties, a New York City-based real estate firm, launched the site in February with Christina Norsig, owner and founder of ETabletop.com, an online porcelain, china and glassware store. Anton and Norsig have collaborated on several pop-up shops in New York City. Their success led others to tap them for

The screenshot shows the homepage of Pop-Up Insider, a website for finding temporary retail space. The header includes the site name and tagline "THE TOP SOURCE FOR TEMPORARY REAL ESTATE". A navigation bar contains links for HOME, WHAT IS A POP-UP?, FIND & RENT A SPACE, and HOW TO. The main content area features a large orange banner with the text "LET'S POP-UP..." and a sub-headline: "Our customers are both merchants who want to test new concepts or markets without making a long term commitment and owners looking to generate activity in their otherwise empty real estate." Below this is a section titled "TENANTS..." with the sub-headline "Find temporary space to test your concept." and several small images of pop-up shops.

recommendations on how to set up temporary stores of their own.



Said Norsig: "Vendors would come to me and say, 'If you are doing one of those pop-up stores, can we maybe have space within your space?' Or, 'Can Eric help me find a space?' Last year things had changed both real-estate-wise and with retail, and we had time to nurture this idea of creating a national exchange for pop-up stores."

Landlords pay a flat fee to advertise a property on the site for a year, but the platform will soon be changed to a database where retailers can find appropriate spaces by city, ZIP code and specifications.

"For landlords with multiple properties, we are going to create a brand-landing page that talks a little about the owner or the brand, showcasing their properties," Norsig said. "It will be almost like having a little store within the site that markets the owner and their assets."

The site also offers consulting services. "It's supervising the tenant on the nuts and bolts of getting the store open," said Anton. Norsig, who oversees this aspect of the site, cites an example of how the site can help. "We had a meeting with a European vegan, yoga clothing line that had a store in Berlin," she said.

"They were researching opening a permanent location in New York; they weren't sure what location would suit them best. We can guide them through what insurance company to use, how to set up your merchant account, staffing service, designers to help them with the space, event marketing so they could tie their pop-up store into other things that are in line with their brand image."

The economy has led more mall owners to view pop-ups as a way to generate cash flow from otherwise vacant spaces. Retailers, meanwhile, are using pop-ups to test markets. They can generate quick sales, build brand awareness and test new locations and products without a long-term lease commitment. "If someone goes into a space for two or three days to do a sample sale, you never know what can result from that," Norsig said. "There have been some examples here in New York City where temporary tenants have now taken long-term leases. That supports our whole theory and model."

LATIN AMERICA RETAIL NEEDS INFO, NOT HUNCHES

The recession has made good research even more crucial to the success of retail development in Latin America, executives say. "Five years ago the high demand for malls allowed practically any project to be successful," said Robert Berg, president of Mexico City-based Berg Marketing & Research, speaking at February's ICSC Latin America Research & Marketing Seminar. "This has been modified in the past year, and we can no longer afford to make a mistake. The industry must reinforce market research and use it as a risk policy to prevent bad investments that result in white elephants."

Gut instincts are no longer enough, others say. "If we used to develop projects in the past based on intuition, market information is now necessary," said Elliot Bross, general director of Constructora Planigrupo, one of Mexico's main mall developer-operators.

But reliable official statistics are not easy to come by in Mexico, especially on a local level, given that country's 103 million people, big informal economy and shifting population. So the private sector is filling the gap through market studies and such tools as aerial photos, noted Gerardo Díaz Canales, Wal-Mart Latin America's executive director of real estate. "We round up the government information with other indicators that make it more trustworthy."

Next year developers and retailers will have fresh demographic information from the 2010 census covering Mexico's 2,456 municipalities. This census promises to be more thorough than previous ones — the government has hired 163,000 pollsters who will be on the road for four weeks, two more weeks than in 2000, said Miguel Cervera, a general director at the Instituto Nacional de Estadística y Geografía, Mexico's statistics agency. Preliminary findings will be out in December, and the complete report is to be issued sometime in the first quarter of next year.