

SHOPPING CENTERS

Adam Lutz, Lutz Real Estate Investments

The Conundrum of suburban Infill development: Plentiful foliage, not-so-plentiful retail sites

Rolling hills, sweeping views and expansive lawns make for nice living in West Chester, Pa., an affluent suburb in Philadelphia's Chester County. Does this sound like "infill"? Maybe not, but to some retailers, it is — and it is highly sought-after. West Chester was named one of America's "Dozen Distinctive Destinations" in 2006



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by the National Trust for Historic Preservation, and offers an appealing combination of well-kept homes, stable employment, a college presence and a diverse economic base.

With an average household income of nearly \$77,000, this community is very attractive to retailers and retail developers. Shopping center rents have been steadily rising, while rising incomes and population growth have led to increased consumer demand for upscale shops.

Yet that's where the conundrum lies. The demand is

there — but finding ideal sites is a real challenge. Gorgeous fall foliage means unavailable land, which means less room for new retail development. Such an environment creates a new twist on the term "infill site," which used to refer to urban locations. In today's world, "infill" can refer to a suburban area as well, particularly when the suburbs in question offer little in the way of new retail development sites.

The solution is to find an existing property that can be redeveloped — or updated

— to accommodate today's sophisticated store formats and to attract retailers that meet the needs of area consumers. Typically, it is expensive to meet these goals, as the options are usually limited to a vacant building located in a downtown market and the redevelopment requires a specific game plan from a seasoned developer. Most of today's leading retailers will require a shopping center to commit to redeveloping or upgrading the quality of a suburban infill shopping center before the retailer

will sign a lease, no matter how attractive the consumer base.

In fact, that is the scenario that led Giant Foods to gain a foothold in Bradford Plaza, located at the corner of Rtes. 322 and 162 in East Bradford Township, West Chester, Pa. A thriving subsidiary of Royal Ahold, Giant is well known in the region for its upscale store concept, featuring high-quality fresh and prepared foods. Bradford Plaza was originally conceived as a grocery-anchored strip center when developed in 1990. However, its 42,000 s/f, third-generation, family-run grocery store anchor eventually became functionally outdated and could not compete with national chains entering the market. An Acme Supermarket, for example, opened in a center less than a mile away in one of the few sites available.

In 2005, a \$15 million redevelopment and expansion of Bradford Plaza began with Giant Foods as an anchor, as the enterprising grocery chain recognized an opportunity to penetrate a submarket that presents significant barriers to entry. With leasing agent Fameco Real Estate, the redevelopment of Bradford Plaza includes a 69,650 s/f facility to house a Giant Foods "superstore," planned to open in fall 2006. The expansion includes an 8,000 s/f space for lease next to the Giant Foods facility. In 2007, Bradford Plaza anticipates adding a tenant for the available 6,300 s/f out-parcel located along Route 322. When complete, the redevelopment will have transformed an outdated retail property into a 143,780 s/f contemporary neighborhood shopping experience.

As this case study shows, suburban infill development is at its best when it serves the needs of the community. By aligning the goals of all parties involved, it is possible to give residents an ideal place to shop, retailers the right environment for new store formats, and owners the sites they need to make it happen.

Conundrum solved.

Adam Lutz is principal of Lutz Real Estate Investments, a Michigan-based firm that acquired Bradford Plaza in 2005. ■

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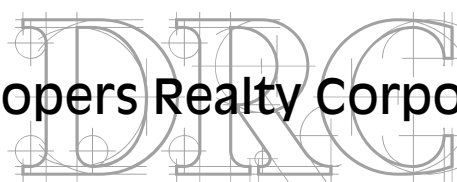
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