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BUSINESS

# Real Estate Developers Get Creative



Rendering of the Miral project in Miami's Design District.

● Department store attrition and shifts in consumer spending patterns and lifestyles have compelled landlords to diversify their properties with housing, different experiences and new services.

BY DAVID MOIN

Heading into 2025, shopping malls and developers are in a good spot.

Desirable available real estate is limited and shopping centers are transforming retail square footage into other uses, heightening the competition from brands and retailers seeking to open stores and putting landlords in strong lease negotiating positions.

While there is little opportunity for ground-up development, property owners are becoming proficient at building new housing, either connected to a shopping center or nearby, converting underutilized parking lots into uses that generate greater revenue. They're also signing new kinds of tenants, often small, local businesses prepared to grow and that provide something different from national brands.

"The main thing is that years ago we decided to look at each of our properties and create a unique strategy to merchandise and densify each and to really fit into the community as opposed to maintaining a one-size-fits-all approach," said Eric Sadi, copresident of the malls platform of Simon, the nation's largest real estate investment trust.

"That meant in some properties adding residential as a part of a larger redevelopment of a department store, adding a significant amount of food and beverage, and figuring out which brands are needed to create the right mix assorted specifically to an individual market," Sadi said.

"Our team remains focused on elevating our shopper experience and attracting in-demand retailer brands and a diversified tenant mix, along with more food and beverage and experiential destinations," Stephen Yalof, president and chief executive officer of Tanger, the Greensboro, N.C.-based operator of 39 outlet centers and one lifestyle center, said after the company issued its third-quarter results. "Our

strategy is driving total rents, including our 11th consecutive quarter of positive leasing spreads, and we will continue leveraging our platform to realize additional growth."

Americans, particularly during the 2024 holiday season, came out to malls and stores more often and in greater numbers than in the previous year. Shopper traffic at New York City area malls around noon on the day before Christmas this year was 12.3 percent higher than the same time last year, according to data from MRI Software, which tracks and forecasts footfall. On Black Friday, traffic at shopping malls rose by 8 percent compared to the same period last year, MRI reported.

On the redevelopment front, Simon has committed \$1.3 billion for major projects over the next few years including Brea Mall in Brea, Calif., where construction is underway for new retail and dining options, a Life Time athletic club, and luxury apartments. The Southdale Center in Edina, Minn., is undergoing a multiyear "complete transformation" creating a luxury wing scheduled to open this year, and adding dining and entertainment venues and luxury apartments.

The Briarwood Mall in Ann Arbor, Mich., is being redeveloped with residential units, additional retail and community-driven, mixed-use offerings, including a Harvest Market restaurant and a grocery offering locally sourced products. Northgate Station in Seattle is in the process of adding luxury residential units and recently broke ground on its first on-property hotel, Residence Inn by Marriott. It's set to open in the spring. And the Tacoma Mall in Tacoma, Wash., is adding new restaurants and retail and "The Village," an expansion with new retailers, cafés and restaurants with outdoor dining terraces. Simon is considered the nation's largest owner and operator of shopping, dining, entertainment and mixed-use destinations.

Macerich, among the nation's largest shopping center developers, is redeveloping the Flatiron Crossing Mall in Broomfield, Colo., with housing. Kimco Realty's Westlake Shopping Center in Daly City, Calif., is converting a former Burlington Coat Factory into housing. And Westfield's Garden State Plaza in Paramus, N.J., is adding apartments.

Real estate from closed department stores isn't just sitting dormant either. For example, a Sears store in Portage Park, a suburb of Chicago, closed in 2018 and was converted into 6 Corners Lofts, a 206-unit, loft-apartment building with a Target, a glass atrium, dozens of additional windows and balconies, a top floor lounge with a speakeasy and a rooftop swimming pool. Novak Construction reportedly invested \$90 million in the project.

In the U.S., there are about 112,000 shopping centers of one kind or another, including traditional malls, lifestyle centers and outlet malls. Among the more interesting retail developments is Belmont Park Village, a 340,000-square-foot off-price center on Long Island for luxury brands and the kind of upscale experiences and services typically associated with the designer sector.

Located in Elmont, Long Island, adjacent to the Belmont Park racetrack and the UBS Arena, Belmont Park Village is part of the Value Retail portfolio which operates The Bicester Collection of open-air, service-oriented luxury outlet centers in Europe and China. Belmont Park Village, the first North American outpost of the collection, expects to house about 160 shops.

The Brixmor Property Group is redeveloping Heritage Square, 30 miles west of Chicago in Naperville, Ill., into "a restaurant district" called Block 59. The

project involves demolishing a great deal of real estate. New restaurants are seen opening this year and Brixmor expects to complete the project in 2026. Heritage Square sits within Brixmor's larger, 555,000-square-foot Westridge Court, where in 2021 the REIT completed updates on the facade, lighting, parking lot, sidewalks, landscaping and signage.

On a smaller scale, The Miral Design District, the first mixed-use project in the U.S. by Kengo Kuma & Associates in Tokyo and Paris, broke ground in 2024 and is expected to open by the end of this year. Kengo Kuma said in a statement, "The purpose of MIRAI is to fashion a space that not only frames the natural tropical elements of Miami but also harmonizes seamlessly with its surroundings. It's about providing a haven that exudes tranquility and comfort, inviting all who visit and inhabit to partake in the essence of the vibrant city — a sanctuary where dreams can take flight amid the lush beauty of Miami."

Miral, which translates in Japanese to "the distant future," is being designed with 17 modular retail units, totaling about 15,500 rentable square feet, four commercial units, offering about 41,000 square feet, high-tech lobbies, operable windows, VRS systems and a living green roof with solar panels.

On a massive scale, Vornado Realty Trust has been transforming Manhattan's Penn District, the area around Penn Station and just south and west of Macy's Herald Square. For the last three-and-a-half decades, Vornado, among the city's largest property owners and developers, has been buying up real estate in the district, accumulating 10 million square feet of office space.

Vornado has redeveloped Penn 1 and Penn 2 into state-of-the-art office complexes, with lounges, restaurants, outdoor plazas, conference areas and health and fitness facilities open to the public. Beyond the office space, Vornado has made several other major changes to the area, including redesigning and upgrading 33rd Street starting at Seventh Avenue and going west into a pedestrian way with a courtyard, new restaurants, outdoor seating and greenery, leading to Madison Square Garden and the Moynihan Station transportation hub.

Vornado has also modernized Penn Station, and demolished Hotel Pennsylvania to eventually redevelop the site, and attract new retail to the area. Vornado executives consider Penn District now "a campus" that is safer, cleaner and far less chaotic, and conducive to staying after work for drinks, dining, exercise, events, or just hanging out, rather than rushing to get out and get home.



Belmont Park Village