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RECon 2012: Platform for talk of recovery

By Katherine Field Boccaccio

Las Vegas—As retailers and shopping center executives returned to their respective home bases following their biggest show of the year–RECon–they did so with talk of recovery echoing in their ears.

This year's event–the International Council of Shopping Centers' RECon convention, held May 20-23 in Las Vegas–was a platform for discussions about expansion and freer capital, albeit tempered by what industry experts are calling a new discipline in the way we all do business.

Starbucks' Brenda Godfrey, VP global store development, candidly discussed the coffee chain's "new discipline" during Sunday's Women in Real Estate panel discussion.

"Closing stores [during the recessionary period] was not something Starbucks took lightly," said Godfrey. "We agonized internally over the decisions that had to be made, knowing that we would be impacting not only employees but neighborhoods and communities. However, from that we gained a new internal discipline to growth that we will carry with us now and in the future."

Charles Wetzel, head of Fort Worth, Texas-based customer analytics firm Buxton, had his own thoughts about discipline: "There is so much private equity money out there right now, but we need to be intelligent in what we do with it. Retailers know they can't afford to stumble."

Notes of caution were audible undertones throughout an otherwise ebullient crowd of 31,000 at the convention. "We are still not out of trouble," said Greg Maloney, president of Jones Lang LaSalle Retail, Atlanta. "There is still instability, but there are positive signs of slow and gradual recovery. That recovery will take time, however, with all of the debt that we have."

The Apartments at Grandview Yard recently announced pricing for the 154-unit complex available for occupancy in November 2012.

That said, Maloney added: "This RECon is the best conference in five years, as retailers are looking to find ways to grow and the investor community is hoping for more to buy."

And, yes, there was talk of shopping center development. Not a lot of talk, but enough to elevate attitudes along the aisles of the Las Vegas Convention Center.

"There is new development on the horizon," said Yaromir Steiner, head of Steiner + Associates out of Columbus, Ohio. "By RECon 2013, deals will include the leasing of new projects."

Steiner has projects on the boards, with not only a sizeable expansion phase to the incomparable Easton Town Center that is aimed at a fall

2014 completion, but also a yet-to-be formally announced new project waiting in the wings.

Nationwide Realty Investors, also in Columbus, is pushing its Grandview Yard project–just north of downtown Columbus–forward with zeal. Giant Eagle will anchor the Arena District project, with a 92,000-sq.-ft. grocery store expected to open fall 2013. According to Tina Guegold, VP marketing for NRI, the 1.5-million-sq.-ft. mixed-use project will feature office, retail, residential components and a Hyatt Place hotel.

"We have applied for LEED neighborhood certification, the first in the Midwest we believe," said Guegold. "It will be a remarkable property."

From this real estate editor's perspective, talk of remarkable properties was more than welcome after several positively morose RECon events. Adam Ifshin, president and CEO of Tarrytown, N.Y.-based DLC Management Corp., summed it up: "For the first time in four years, the emerging consensus is that almost all parts of the business are now improving. We are finally seeing improving fundamentals in occupancy and absorption as well as on the financing side.

"Outlet malls are on fire," Ifshin added. "And open-air centers, which are more geographic, are experiencing heightened in-line absorption in the best markets. A-mall and outlet rents in parts of the country are higher than they were in 2007."

And, yet, once again, "I'm still being cautious," said Ifshin. Which proves that the new discipline applies to all sides of the business. Optimism reigns, but tempered by a sense of caution that may never quite leave us alone again.

Friedman: For the foreseeable future, there's not going to be a lot of development. We have enough space in existing regular-priced malls for more tenants. There might be a few new developments here or there, but nothing significant will be happening. So, I think that we'll see landlords evaluating their poorer performing malls and investing in general upgrades of both their tenancy and their facilities. From the retailer side, I think they've gotten pretty good at controlling their inventory, payroll and occupancy costs so we'll see them continue to run lean. ■