

CHAIN STORE AGE

NEWS AND ANALYSIS FOR RETAIL EXECUTIVES

Focus on: Urban Development

News

By Katherine Field

Urban retail opportunities are not restricted to downtown cores. While it's true that central business districts generally offer the loftiest daytime populace counts, there are plenty of alternate urban areas that can deliver impressive demographics—often without core-related headaches such as parking limitations.

Take Houston, for example. For a city that ranks fourth among the nation's largest metropolises, Houston offers sparse downtown core opportunities. But the Texas city still packs plenty of retail punch inside the Interstate 610 loop.

“Downtown Houston has high vacancy because it is not desirable for retailers or other commercial entities,” said Kenneth Katz, co-founder and principal of the Houston-based commercial real estate brokerage firm Baker Katz. “But inside the Inner Loop, there are desirable retail areas that are still densely packed and close to downtown.”

Target, which has an established urban expansion push, opened an urban store in Houston about two years ago, not in the downtown core but west of downtown at I-10 and Sawyer Rd. “It was one of the only tracts large enough that developers could assemble to accommodate Target plus some ancillary retail,” Katz said. “It is single level, with a traditional parking field, and all-new construction, and it sits in a very densely populated area.” That's a far cry from more typical urban environments that feature multi-level buildings right on the street, with limited parking, shared walls and fragmented ownership.

But, Katz said, while this store might not be considered urban in other parts of the country, in Houston it is.

And it is these kinds of regional distinctions that retailers with national urban expansion goals must consider.

In Rockville, Md., a Washington, D.C.-area corridor is being transformed into its own urban destination. Coined

the White Flint Sector Plan, the project involves the transformation of suburban sprawl along Rockville Pike into a smart-growth, dense, walkable community with commercial and residential amenities. All told, the plan calls for 9,800 new residences and nearly 6 million sq. ft. of commercial space over the next 30 years.

Chevy Chase, Md.-based JBG Cos. is spearheading the development of a residential component and retail complex on the southern edge of the planning area called North Bethesda Market, which has attracted the likes of Whole Foods Market and LA Fitness despite the downturn.

“The economic cycle didn't impact us,” said Kai Reynolds, senior VP, JBG Cos. “We launched in fourth quarter 2007 prior to the downturn and, in fact, have only felt any impact of the economy in the retail leasing of North Bethesda Market.” Yet Whole Foods' nod to the project, which in phase one includes 397 residential apartments split between two buildings and 203,000 sq. ft. of retail, led the way for a leasing push that has seen North Bethesda Market reach the 75% leased mark.

Whole Foods has leased a 60,000-sq.-ft. space on the ground floor of one of the apartment buildings; Arhaus Furniture will open in 27,000 sq. ft., LA Fitness in 50,000 sq. ft., Seasons 52 restaurant in 10,000 sq. ft. A dry cleaner has taken another 1,000 sq. ft., and the balance of the space is for lease. Phase one of North Bethesda Market contains no office component, but phase two calls for 225,000 sq. ft. of office space.

The majority of the committed retail will open in the first quarter of 2011, and the leasing of the residential section is currently underway.

Despite its suburban environment, North Bethesda Market—and, in fact, the entire White Flint plan—is carefully crafted to urban scale.

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“North Bethesda Market sets the bar high in terms of best practices for a mixed-use transit-oriented development with all of its uses on one site,” said Rod Lawrence, partner, JBG Cos. “It is the first true mixed-use project in the area and will have a significant positive impact because sales will be much more contained, the amenities will be all in one place, and it will create a very vibrant atmosphere,” Reynolds added.

JBG has submitted a plan for phase two that features another 750,000 sq. ft. of residential, retail and office components. The estimated completion date for the second phase is 2015.

Another JBG project in Rockville also has all the makings of a well-conceived urban plan outside the confines of a downtown core.

Twinbrook Station is a transit-oriented development that transforms 26 acres of existing commuter parking lots adjacent to the red line of the Twinbrook Metro subway station into a 2 million-sq.-ft. mixed-use community. A joint project of JBG Cos. and the Washington Metropolitan Area Transit Authority, phase one included residential and about 15,000 sq. ft. of retail space; at completion, the multi-phase Twinbrook Station is planned to include 1,500 residential units, 225,000 sq. ft. of retail and 300,000 sq. ft. of office space.

It has been designated a Smart Growth project by the Washington Smart Growth Alliance, received the International Charter Award for Excellence from the Congress for the New Urbanism, and was the first project in the Washington area to be awarded Stage 2 LEED (Leadership in Energy and Environmental Design) for Neighborhood Development Gold-level certification of its plan.

Phase one of Twinbrook Station was completed in April 2010 with 279 residences and 15,500 sq. ft. of retail. “The next phase will have 35,000 sq. ft. of retail and another 220 residential units and is slated to start later this year,” Reynolds said.

Even with all of its advantages, notably a huge daytime

office population dominated by a government office complex with 10,000 employees, Twinbrook Station has been a challenge to develop.

“We started this project 10 to 12 years ago,” Lawrence said, “and we found that the zoning codes that spoke about smart growth weren’t set up to handle dense, mixed-use projects. It took a lot more effort and a lot more time, as many changes were required to allow for ground-floor retail, roads through the project and the necessary parking.”

The zoning codes didn’t account “for the phenomenon of transit and how the significant numbers of people that use the transit impact the traffic model and differentiate it from the typical suburban traffic model,” Lawrence added.

That’s not atypical of these types of projects, Lawrence emphasized, and it’s important that tenants and consumers understand the gains that come with urban projects such as Twinbrook Station. “These are the developments that will be demanded by the next generation,” he said. •



North Bethesda Market, in Rockville, Md., is anchored by Whole Foods and is billed as the first true mixed-use project in the area.