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Where real estate, retail and development meet

Blooming Concepts



Some retailers are taking advantage of favorable conditions to expand existing brands or launch new ones. p. 16

Leading the Pack

The top contractors in the retail real estate industry. p.32

Seeing Green

Developers and architects remain committed to sustainability. p.42



Peninsula Town Center

Location:
Hampton, Va.

Owner:
Mall Properties Inc.

Developer:
Steiner & Associates Inc.

Size:
1.1 million sq. ft.

Year built:
1973

Project cost:
\$276 million

Anchors:
Macy's, JCPenney,
Target, Barnes &
Noble

Completion:
March 2010

Architect:
Development Design
Group

When the once successful Coliseum Mall began to fall apart in the early 2000s, the local city council was concerned about more than just losing a retail destination. For many years, the 1-million-square-foot mall served as the single largest source of tax revenue for the City of Hampton, generating \$3 million a year.

Both the city and the mall's owner, New York-based Mall Properties Inc., knew something had to be done. They didn't realize, however, how drastic the changes would need to be.

In 2005, Mall Properties hoped it could fix the mall with a \$40 million renovation. But when it called in Columbus, Ohio-based Steiner + Associates Inc., the mall redevelopment specialist found the property had passed the point of no return, according to Yaromir Steiner, the firm's founder and CEO.

The vacancy rate at the property hovered around 30 percent, even in a robust leasing market. Traffic had been declining for years. Entire product categories were missing. Retailers with expiring leases were not interested in renewing, nor were tenants remodeling stores.

Steiner opted to demolish most of the existing structures and create a new layout. The only building left is a Macy's, which was remodeled. From 2007 to 2010, the remainder of the site was transformed into a vertical mixed-use com-

plex featuring retail on the ground level with offices and apartments on the upper floors.

While such projects can be hard to pull off in suburban areas because the locals might resist the idea of living above retail, in cities where people are used to that kind of arrangement they can succeed, says Greg Lyon design principal with Nadel Inc., a Los Angeles-based architecture firm. "Vertical mixed-use creates vibrant, active, safe neighborhoods," he notes. "Conceptually, it's always a good idea, as long as it makes sense economically."

The project was not without challenges. Most of the financing for the center was in place by 2007, when the recession took hold. The city provided roughly \$93 million in tax increment bonds, but both Mall Properties and Steiner + Associates had to shell out more equity than they anticipated, for a total project cost of approximately \$300 million.

It seems to have been worth it. While the new Peninsula Town Center has been open only a few months, retail occupancy is now above 90 percent and tenants are experiencing much better sales volumes than they did at the Coliseum Mall, notes Steiner. Hampton city officials hope the center will remain as their largest source of tax revenue, bringing in \$6 million in taxes annually.