

**The Big Picture: The US – The world's most influential retail market.**

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## The Americas

# Young, gifted and back

America's millennial generation is fast becoming the driving force behind retail growth, encouraging retailers back to the urban centres in which they are choosing to live, work and socialise, says Debra Hazel. Additional reporting by Mark Faithfull



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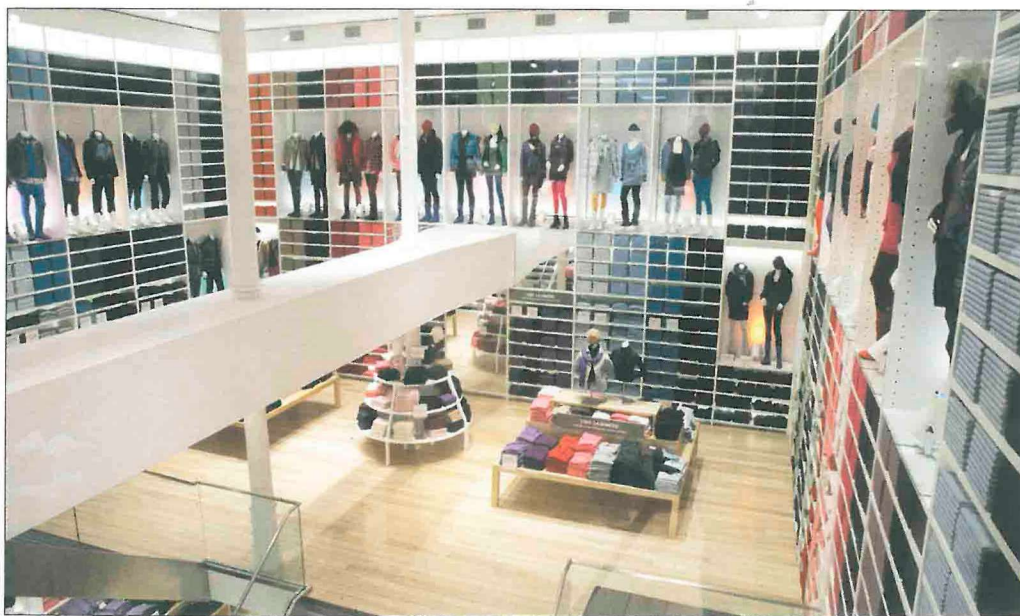
**I**N THE US, post the Great Recession, it seems retail is for the young as landlords look to value, fitness and food tenants to serve the children of the younger Baby Boomers and Generation X. And the locations are decidedly urban.

The tech-savvy millennial generation has come into adulthood and now constitutes the largest share of the US workforce, according to a May 2015 Pew analysis. Many burdened by college debt, these young adults prefer to live in cities and are focusing their funds on international fast fashion, casual wear and dining for socialisation, observers and developers note.

"Overall, retail has been strong and positive in the United States since 2010 and early 2011," says John Ragland, senior director of global real estate for New York-based TIAA-CREF. He notes that the recovery has disproportionately favoured the top 10% of US earners, with the result that luxury retail has seen the greatest expansion and interest from investors, even as fast fashion expands rapidly to appeal to those seeking affordable chic. And many of the expanding retailers are coming from outside the US.

"Most retailers today are somewhat hamstrung by the environment that came out of the post-recession period to come out with new brands," adds Naveen Jaggi, president of JLL Americas Retail Brokerage in Chicago. "So European and Asian retailers are filling the gap."

International broker Faith Hope Consolo, chair of the retail group of Douglas Elliman Real Estate, New York, adds: "Globalisation is a key trend in the United States, and it's shaping the future of retail real estate. The primary reason designers and manufacturers



Uniqlo has announced extensive expansion plans in the US



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Zara is focused on flagship stores in US urban centres

## BRICKELL CITY CENTRE, MIAMI

A TRANSIT-oriented development in car-dependent South Florida, Brickell City Centre at South Miami Avenue and Eighth Street will be the core of the revitalisation of downtown Miami, with the first phase opening in autumn 2016. The \$1.05bn development from Swire Properties, Whitman Family Development and Simon Property Group will include 5.4 million sq ft (50,167 sq m) of office towers, residential space, an underground car park, hotels and 500,000 sq ft of retail. A unique Climate Ribbon art installation of steel fabric and glass will create a comfortable micro-climate for shoppers, while the entire project will integrate with Miami's Metromover light-rail station. A combination of luxury and contemporary tenants include Saks Fifth Avenue, Chopard, Valentino, Lululemon, Harmond & Blaine, Cole Haan, Illestvea, OndadeMar, Cinemex dine-in theatre, Pubbelly Sushi and Pasion del Cielo.



**"We're still seeing a lot of European retailers with major expansion plans going on in the United States"**

Greg Miles

open stores in a variety of international cities is to help reinforce their online presence. That begins with locations in trendsetting cities and a grip on how consumers like to shop."

And the US remains a nation of shoppers. Consumer spending on goods and health care comprise some 69% of the country's gross domestic product, according to the US Department of Commerce.

H&M says it will open some 60 new stores in the US in 2015, including its largest location in New York City, which debuted in May. Uniqlo, with 39 stores across the country, has announced plans to expand on both the East and West Coasts, entering Seattle, Washington and metropolitan Washington DC for the first time. A store in Denver will open in spring 2016.

"The world, because it is flat, is borderless," Jaggi adds.

Zara, meanwhile, continues its US expansion, including flagship locations in urban sites, among them a 2,800 sq m flagship in the World Trade Center. Value fashion retailer Primark has also come to the US, opening its first store in Boston in September.

"We're still seeing a lot of European retailers with major expansion plans, including & Other Stories, Cos and Zara, going on in the United States," adds Greg Miles, US chief operating officer of Westfield.

Of course the US has not always been the easiest of markets for European retailers and "this is where good advisory comes in" says Thor Equities executive vice-president Melissa Gliatta. "We were retailers before we were in real estate and understanding the

**"Careful tenant placement is vital if you want a location to work but there remains a lot of strength, especially in urban locations, for the right operators."**

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## LIBERTY CENTER, CINCINNATI

THE INCLUSION of park spaces that can be programmed for different uses — including one inside the mall — is just one highlight of Liberty Center in Cincinnati, Ohio, which opened in October. The joint venture between Columbus, Ohio-based Steiner + Associates and Chicago-based Bucksbaum Retail Properties features 1.2 million sq ft (110,000 sq m) of retail, restaurants, office space and apartments, as well as a 130-room AC Hotel by Marriott on 64 acres. An enclosed mall and open-air component comprise 800,000 sq ft of retail, anchored by a 200,000 sq ft Dillard's department store (its first ground-up store in the state). Other retailers include Dick's Sporting Goods, Lush, Levity Live Comedy Club, Brio Tuscan Grille, Kendra Scott, Pandora and Gap, many of which are opening their first stores in Ohio.



retail perspective and the way a country operates is, of course, crucial," she says. "Careful tenant placement is vital if you want a location to work but there remains a lot of strength, especially in urban locations, for the right operators."

North American retailers also continue to open new stores, with F21 Red, the even more value-oriented sibling of value fashion chain Forever 21, cautiously expanding. But another focus of expanding retailers relates to fitness. "For a long time, we've been putting gyms into malls," Miles says. "It extends the life of the mall at the front end and the back end of the day." Workout fashion lines are among the fastest-growing tenants in the US. Gap division Athleta will open 20 stores in 2015, while arch-rival Lululemon has expanded into other concepts, including a men's shop and iviva for active girls. Members of founder Chip Wilson's family have now created a luxury leisure line, Kit and Ace, which should have 30

stores worldwide by the end of the year. And Pittsburgh-based superstore Dick's Sporting Goods will debut fitness fashion boutique Chelsea Collective in Tysons Corner Center, Virginia, and Ross Park Mall in Pittsburgh. "As leaders in sporting goods and fitness apparel, we wanted to provide a destination for women who are on their own personal fitness journeys; a store where they can come in and feel part of a community that understands them and their needs," said Lauren Hobart, senior vice-president of Dick's Sporting Goods and general manager of Chelsea Collective, announcing the move. "We feel Chelsea Collective will meet and exceed this active woman's expectations." Online affordable athletic line Fabletics is now turning to bricks and mortar, opening stores in around the US throughout September and October.

Despite all this growth, fashion does not dominate store expansions. Some 45% of store

## SPOTLIGHT ON CANADA

### GLOBAL PLAYERS MOVE IN

IF CANADA's retail scene is looking a lot more like the US, it's no coincidence. Despite Target's exit, retailers from "south of the border" as well as global players are expanding throughout the country.

"Canadian shoppers have long sought out US retail brands. As more US retailers invest in store locations in Canada, it is inevitable that the major malls, power malls and outlet centres in Canada reflect the presence of US retailers," says Tony Hernandez, director and Eaton chair in retailing at the Centre for the Study of Commercial Activity (CSCA) at Ryerson University in Toronto. Nordstrom debuted in Chinook Centre in Calgary, Alberta, in September 2014, with Toronto locations at Yorkdale Centre and Eaton Centre Gardens to open in autumn 2016. Another Toronto store — at Sherway Gardens — is expected in spring 2017. Saks Fifth Avenue, acquired by Canada's Hudson's Bay Company in 2013, will open two stores in Toronto next year, and could have up to seven full-line stores and 25 Off-Fifth outlets around the country. Other retailers recently arrived or coming to Canada include DSW, Cabela's, Jimmy Choo, Moncler, Vince Camuto, F21 Red and Uniqlo. Some 42 retail centres comprising 1.5 m sq m (139,354 sq m) are to open through 2016, reports Cushman & Wakefield. These include the recently opened McArthurGlen Designer Outlet at Vancouver Airport; Ivanhoe Cambridge's 111,500 sq m Tsawwassen Mills in Tsawwassen, British Columbia, opening in spring 2016; and the ongoing development of RioCan's 90,400 sq m East Hills project in Calgary.



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## RIVER OAKS, HOUSTON

ONE OF the most sprawling cities in the US thanks to its lack of zoning laws, Houston, Texas will finally get a central luxury urban shopping district in the shape of River Oaks, the open-air complex being developed by OliverMcMillan. Top luxury brands are relocating from nearby malls and streets to the mixed-use project's 252,000 sq ft (23,412 sq m) retail component, located on six blocks on major artery Westheimer Road. Among the brands signed to the scheme are Stella McCartney, Cartier, Dior, Van Cleef & Arpels, Vince, Vilebrequin, Planet Blue, Arkis, Anne Fontaine, Hermes, Tom Ford and Equinox, as well as luxury cinema and dining facilities. The first stores are due to open in October.

## STEELPOINTE HARBOR, BRIDGEPORT

THE REDEVELOPMENT of waterfront areas is taking place throughout the US, including at Steelpointe Harbor in Bridgeport, Connecticut. The scheme, which will serve multiple roles, is being developed by Bridgeport Landing Development (a subsidiary of Miami-based RCI) on Long Island Sound on the first navigable lighted harbour north of Manhattan. The 2 million sq ft (185,806 sq m) mixed-use complex will serve luxury-yacht enthusiasts, and revitalise the city's downtown. The first phase of retail, which opens this autumn, includes the only Bass Pro Shops in Connecticut, and the first Starbucks and Chipotle Mexican Grill in Bridgeport in its 160,000 sq ft area. Eventually, the project will include 750,000 sq ft of shops, dining facilities and a cinema.



Lululemon, one of the fast-growing athletic-fashion brands

**"One thing that distinguishes millennials from baby boomers is that, for them, shopping is an experience. And eating and drinking are part of that experience"**

**John Ragland**

openings in the US are food-related and include supermarkets, restaurants and the increasingly popular quick-service dining sector, according to TIAA-CREF's Ragland. "One thing that distinguishes millennials from baby boomers is that, for them, shopping is an experience. And eating and drinking are part of that experience," he says. Even supermarkets are looking to join the vault to value, with Whole Foods debuting 365 by Whole Foods Market. On the deep-discount front, Germany's Aldi, with some 1,400 stores in the US, expects to have 2,000 outlets by 2018. Competitor Lidl is establishing a headquarters in the US to begin an expansion plan. Increasingly, all of these retailers are looking to city streets for locations. "Retailers are coming back in major ways to street fronts in Chicago, San Francisco and New York," Ragland says. Christopher Conlon, EVP, chief operating



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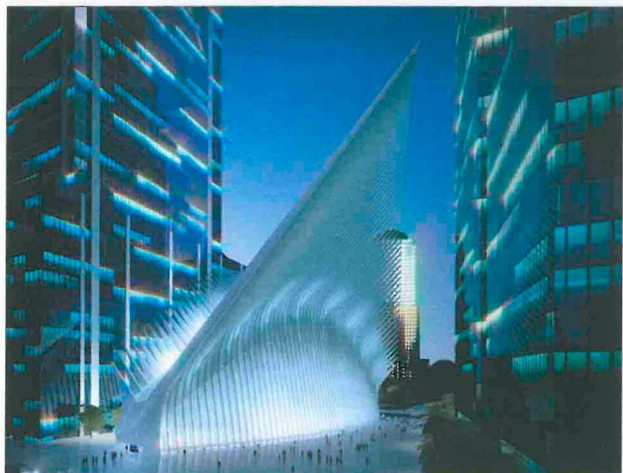
officer, Acadia Realty Trust, says his business recognised the shift several years ago and the company — while still keen on its traditional suburban malls and power malls market — has oriented more recent investment towards urban opportunities.

“There’s no doubt that young professionals all around the country are looking to live in city

centres, not move out to the suburbs,” Conlon says. “As the world changes and customers becoming increasingly tech-savvy, a street base is essential in creating touch points with consumers. Brands have recognised this and we’re seeing not only well established urban locations do well but emerging markets begin to thrive in locations across the US.”

## WESTFIELD WORLD TRADE CENTER, NEW YORK CITY

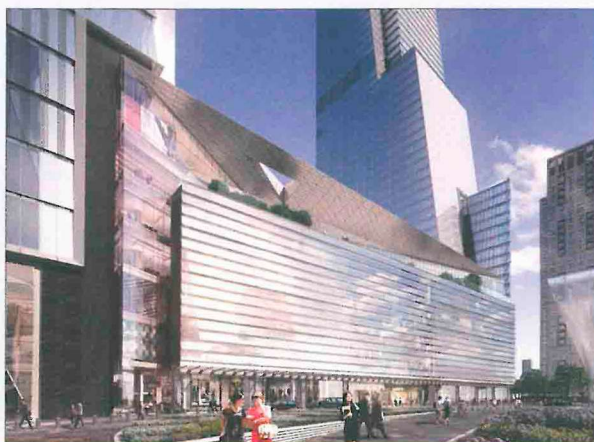
CONSIDERED a new development by its builders and a rebirth by New Yorkers, the long-awaited return of Westfield World Trade Center is imminent, as developer Westfield works with the never-easy Port Authority of New York & New Jersey to open within the next year. The project, which succeeds the shopping centre destroyed in the September 11, 2001 terrorist attacks on New York and Washington, will comprise 350,000 sq ft



(32,516 sq m) of retail in 150 shops around the Santiago Calatrava-designed Oculus. Tenants will include Hugo Boss, John Varvatos, Michael Kors, the first Jones the Grocer in the US, Fossil, Breitling, Longines, Caudalie, Aesop, Reiss, Banana Republic, Turnbull & Asser, Epicerie Boulud, Eataly and more. With the redevelopment of Brookfield Place, the two projects are creating a major retail district in Lower Manhattan.

## THE SHOPS & RESTAURANTS AT HUDSON YARDS, NEW YORK CITY

VERTICAL construction on The Shops & Restaurants at Hudson Yards, which opens in 2018, began in June. The 1 million sq ft (92,903 sq m) retail centre is the future home of New York City’s first Neiman Marcus flagship store. Construction commenced after the site received its first few shipments of an historic 100,000-ton steel order — one of the largest orders ever placed for a commercial real estate development. The first deliveries have arrived onsite, with additional shipments scheduled through 2016. “We are extremely excited to go vertical on The Shops & Restaurants at Hudson Yards and to see our vision become a reality. As a 40-year veteran in this industry, having the opportunity to transform a neighbourhood and create a new paradigm for shopping and dining in New York City is a dream come true,” says Kenneth Himmel, president of Related Urban, the mixed-use division of Related Companies.



## SPOTLIGHT ON LATIN AMERICA

### DEVELOPING AGAINST THE ODDS

THROUGHOUT Latin America, global brands from fast fashion to ultra-luxury are expanding. And although AT Kearney’s Global Retail Development Index 2015 warns of some political and economic instability, development is taking place.

Brands such as Scotch & Soda are bypassing the US to open in Latin America. Forever 21 and H&M are active throughout the region.

“Junior apparel retailers are very actively looking, and we see a need for department stores [comparable to] JC Penney in Latin America,” says Andrea Abrams, principal, international, at New York- and London-based Time Retail Partners.

Despite its economic woes, Brazil has experienced an influx of beauty and food retailers, including The Body Shop, L’Occitane, Aesop, Smashbox, Johnny Rockets, PF Chang’s and Red Lobster.

Mexico has some 600 shopping centres, but should add 50 or 60 more annually, according to Jorge Lizan, managing director at New York City-based Lizan Retail Advisors. “[Retailers enter] Mexico first,” he says, followed by Colombia, Peru and Chile.

“Panama City remains a hub for retailers, with amazing shopping centres.” These centres, including the new Soho Mall Panama, attract luxury brands including Gucci, Dolce & Gabbana, Michael Kors and Mac. More than 500,000 sq m of projects are under construction, says AT Kearney.

Meanwhile, four major centres will debut in Costa Rica this year, including City Mall in Alajuela, the largest in the region. Mixed-use projects are being developed in Paraguay, and several projects are being built in Bolivia.