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LOS ANGELES: ECOMMERCE MAY BE TAKING A BITE OUT OF BRICK-AND-MORTAR RETAIL, BUT COX CASTLE NICHOLSON'S GARY GLICK EXPLAINS HOW DEVELOPERS ARE ADAPTING TO THE NEW RETAIL MARKET

By Kelsi Maree Borland

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LOS ANGELES—Retail developers are learning how to adapt to the new retail market. While it is clear that ecommerce has taken a bite out of brick and mortar, there is still room for retail developers to find success. We sat down with **Cox Castle Nicholson**'s **Gary Glick** to find out how retail developers are adapting to the new market, how the closing of big box stores have had an impact, and what the demand is like for new product.

GlobeSt.com: How are developers adapting to the changing retail market and rise of ecommerce?

Gary Glick: They are finding tenants that fully understand the changing retail landscape and are learning how to adapt. There are many more restaurant tenants in the marketplace now, most of them fast-casual dining establishments like Urban Plates, Tender Greens and Lyfe

Kitchen. Developers with neighborhood shopping centers or high-end lifestyle centers are doing great. Developers with malls in secondary or tertiary markets or old power centers are being forced to adapt.

GlobeSt.com: How has the shuttering of big box stores changed retail development strategy?

Glick: For the most part, it has not changed that much. Developers are dividing up these spaces and finding new tenants. Movie theatres, high-end retailers and discount retailers are all doing great. Developers with good real estate are able to find good tenants.

GlobeSt.com: Is there demand for new retail product?

Glick: Most of the demand comes in the food, theatre, supermarket, high-end lifestyle and off-price categories. People like to go to public markets. It has been that way since the beginning of civilization. They want an experience. Retailers that can provide an experience that cannot be duplicated online will do fine.

GlobeSt.com: What does the retail development pipeline look like today, and where is it heading?

Glick: Most new development continues to be in-fill or value-add opportunities. However, we are seeing some ground-up development in certain areas that were not significantly affected by the Great Recession such as Silicon Valley.

GlobeSt.com: Are there geographic development trends?

Glick: Yes, in-fill and value-add appear to be opportunities for development. In addition, the redevelopment of malls in secondary or tertiary locations into mixed use developments with theaters, supermarkets and hotels is very viable. In California, most geographic regions are going well as long as they find the right tenant mix and have enough housing to support retail.

GlobeSt.com: How can landlords protect themselves if a current anchor tenant closes?

Glick: By being able to control the real estate with a recapture right in their leases in the event of a store closure. In addition, landlords need to have strong rights in their lease’s connection with assignments and sublettings to protect their investments. Landlords need to be sure that the next tenants fit the merchandising mix of the center and have the financial wherewithal to be successful.

GlobeSt.com: How should landlords negotiate future leases to protect themselves?

Glick: Landlords should attempt to secure opening and operating covenants, tight use restrictions and limit the granting of broad co-tenancy rights.

GlobeSt.com: How are landlords reacting to the headlines, and how should they be responding? What is your advice?

Glick: They need to ignore the headlines. Retail is here to stay. It, like many things in society, needs to adapt with the times. As already stated, the demise of retail is greatly exaggerated. However, developers and retailers need to adapt and create a better experience for its customers. In the long run, retail will be better for the online competition, and the consumer will be the beneficiary.