

JANUARY 9, 2017

WWW.REALESTATEFINANCEINVESTMENT.COM

The definitive source on commercial property sales, financing and investment

Real Estate Finance & Investment

Entertainment-anchored retail thrives in major US markets

The once-dominant grocery-anchored retail sector is giving way to more experiential entertainment and sports-anchored properties. “Developers of retail are keenly focused on entertainment uses, which often take the form of motion picture theaters – the tried-and-true tenants of retail shopping centers – and one of the survivors that has adapted well to the seismic changes in the retail environment,” said Allen Hubsch, a partner in Loeb & Loeb’s real estate practice. “I’m working on two deals that involve vacant big box retailers that are being replaced by a motion picture theater.”

Hubsch’s client list includes Regal Cinemas, United Artists, CJ Entertainment, and AEG Live. Hubsch advised Onexim Sports and Entertainment, controlled by Russian billionaire Mikhail Prokhorov, throughout last year’s sale of The Barclays Center and the NBA Nets in Brooklyn by Forest City Ratner. Hubsch also represented Prokhorov in the purchase of the Nassau Coliseum on Long Island in December 2015, from Forest City Ratner.

Restaurants are also gaining importance. “Years ago, restau-

rants might be considered a nuisance in a retail center. They took up a lot of parking. Now they draw foot traffic that other retailers hope will lead to sales,” Hubsch said. “Developers are looking to build around the concept of an experience, sometimes by essentially recreating a town center, with retail below and office and residential mixed in – it appeals to people’s sense of place.” Projects by developer Tom Gilmore have recreated in Los Angeles a sense of place that is like the appearance of an authentic small town America downtown. “Attractions like trolley trains, outdoor centers, lakes, fountain light shows – these are experiences that can’t be duplicated by shopping on Amazon,” he added.

Examples of the trend in Los Angeles include The Grove, developed by Rick J. Caruso’s company Caruso Affiliated in 2002, and the heavy development that followed the opening of the Staples Center in downtown Los Angeles in 1999. “Now you can go to Downtown LA and there are a lot of old theaters that have reopened and restaurants with long lines of young people waiting to get in,” said Hubsch. “Downtown LA is doing fabu-

lously, and that was largely precipitated by the development of the Staples Center and LA Live, which are both sports and entertainment complexes.” The nearby Westfield City Center Mall is undergoing a \$700m expansion to triple its size of the mall. “The construction at Westfield Century City is creating a buzz all over southern California. Retailers are moving into this location from other malls – and the owner of the mall is hoping to draw customers from other malls to this one,” he added.

Overall, brick-and-mortar retail on the West Coast appears to be healthier than in the rest of the country. “There seems to be more economic opportunity for development and expansion on the West Coast than on the East Coast or in the central part of the country,” said Hubsch. “Developers for new centers are struggling to get lease commitments from tenants in certain parts of the country. Lenders are being more rigorous in their underwriting, affecting the ability of developers to move forward.” Hubsch is working on a project in Stafford, Virginia that will blend new offices with retail and residential, anchored by a movie theater.