

## Owners plan more 'Lifestyle' shopping centers

By Janet Ahn and Chi-an Chang

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Despite the slowdown in housing construction, shopping-center developers are continuing to break ground.

"Lifestyle centers are growing at a rapid pace with between 40 to 50 centers being built per year around the country," said developer Terry McEwen.

Retail vacancies in Illinois fell in the fourth quarter and one explanation is the quick rent-up of new lifestyle centers.

Lifestyle centers in Illinois include The Glen Town Center in Glenview, Algonquin Commons, Geneva Commons, Deer Park Town Center and Town Square Wheaton.

Although developers differ on the definition of a lifestyle center, Terry McEwen, president of Memphis-based Poag & McEwen Lifestyle Centers, which claims to have coined the term 20 years ago, said lifestyle centers put the best national retail stores in an "inviting outdoor environment."

Located in more affluent communities, they have upscale retailers and leisure amenities such as trendy restaurants and eateries. They aren't anchored by department stores or supermarkets.

While the average retail vacancy rate in the Chicago area was 7.2 percent last quarter, according to real estate firm CB Richard Ellis Inc., the vacancy rate was lower in the West and far Northwest suburbs.

"Retail buildings are like financial commodities, like stocks and bonds," said Jim Haughey, chief economist for Reed Construction Data. "People build them if they think they can get a good return, and the returns look really attractive."

Experts said growth has been driven by a steady consumer confidence and low unemployment. The availability of cheap credit has allowed both consumers and developers to spend more.

"There's a lot of money out there," said Larry Debb, a principal for Chicago-based GlenStar Properties LLC. "Rental rates are up."

The lease rate in the fourth quarter of 2006 was an average of \$22.56 per square

foot, an increase of 10 percent from the year-earlier period, according to CB Richard Ellis.

Developers and retailers are drawn to areas like Barrington where the median household income is in excess of \$170,000. The Arboretum of South Barrington is scheduled to open by summer 2008. Two other developments, Oak Brook Promenade and Shops on Butterfield, are scheduled to be completed by the end of 2007 a few miles away from each other as well as the Oakbrook Center mall.

Others lifestyle centers being developed in the area include Willowbrook Town Center, Kendall Marketplace in Yorkville and Quarry Plaza in the South suburbs.

According to the International Council of Shopping Centers, lifestyle-center sales average \$345 per square foot, compared with a traditional mall's average of \$403 per square foot. But they're cheaper to build.

"It's difficult to build a mall. You need 120 acres of land and five years and there aren't a lot of places where there isn't a mall," said Malachy Kavanagh, a spokesman for the ICSC. On the other hand, he said, a lifestyle center typically requires 20 to 80 acres and 15 months.

Analysts said lifestyle centers usually produce positive cash flow within a year and are cost-effective for tenants who want to save on maintenance fees due to less common areas.

"Big regional malls aren't growth vehicles," said Will Anders, senior partner at Chicago-based retailing consulting firm McMillan Doolittle LLP. "Malls might have a lot of people walking through the front door because they're so large, but they have a much higher cost structure."

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