

# Building Scene

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Retail and commercial development has pretty much ground to a halt, and only those few that offer something significantly different — like River Square

Main now under construction in downtown Rochester — will be built until the current recession ends.

## Big vs. small: carving a retail niche

**Big mall, small mall.**  
There's more to them than meets the eye.  
Building a better commercial center.  
Is one way to get consumers to buy.  
**Big mall, small mall.**  
Opponents diverge the impact.  
"Environmental, residential,  
From the ambulance it will detract."  
**Big mall, small mall.**  
Zoning laws and NIMBY too. Traffic  
jams and parking lots.  
"Build a mall and we will sue."  
**Big mall, small mall.**  
Creating jobs and revenue.  
"Spurring the economy," builders say.  
"Is what we're trying to do."  
**Big mall, small mall.**  
Fulfilling retail and other needs.  
Malls provide services and goods.  
That explains the developer's deeds.  
**Big mall, small mall.**

**Economics contend with sprawl.**  
**Big mall, small mall.**  
Not so different after all.

— With apologies to real poets

By Gerald Frawley  
staff writer

Skittish lenders have all but dried up commercial construction.  
In spite of the slowed economy, commercial and retail industry experts say there may still be some development, but it will have to be strikingly different from the common strip and power centers.  
The message is clear. Build a better mousetrap, and the world will beat a path to your door, build a better mall, and tenants

and customers will do likewise.  
This is a story about two such malls. The Auburn Mills mega-mall in Auburn Hills is two million square feet; River Square Mall in the city of Rochester is less than 50,000 square feet.  
One, River Square Mall, built by local entrepreneur and heart care specialist Dr. Pierre Attallah, will house small specialty shops and boutiques, medical offices and two restaurants.  
The other, Auburn Mills, being built by the Washington, D.C.-based developer, Western Development Corp., will be home to upwards of 200 manufacturers' outlets and "value-oriented" stores under the same roof with family entertainment.

DESPITE AN ENORMOUS difference in size and approach, the two share one striking approach — they dare to be different.

Adco Associates president Pat Shea points to — among other things — the diversity of River Square Mall. Few projects, especially projects of 50,000 square feet, can boast leases ranging from medical specialists to boutiques.  
Ground breaking for the project was in August 1990; the first tenants will take occupancy in early May with other openings throughout the summer.  
"I don't know of a single development like ours," Shea said. True, the original concept for River Square Mall called for a more traditional retail mall, but in its evolution the project has transformed greatly.  
The first tenant to come on board was Real Estate One, the real estate company, which leased nearly an entire floor of the project, Shea said. Next, plans for a restaurant and

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## A renter's market in retailing

By Gerald Frawley  
staff writer

It's hard to believe, but at the beginning of 1990, many industry experts considered the southeastern Michigan commercial and retail market to be under served. Leasing activity was so active, builders couldn't keep pace with the demand.  
Today, the bottom has fallen out.  
Richard Rosenbaum, vice president of development and property management firm The Equitable Group Inc. in Southfield, said there's little question the recession has hit the commercial and retail industry.  
"We (developers) are being conservative, consumers are being conservative, retailers are being conservative," Rosenbaum said. "It's tough out there — the retailers are singing the blues."  
"Commercial and retail development is still going on, but it's mainly the guys that have really targeted a market," he said. Many large, successful retailers will actually use the recession to their benefit.  
"Times won't return to the so-called boom, but they will return to normal," Rosenbaum said. "Once the current recession ends, people will spend money, but they won't spend what they don't have."

**'Times won't return to the so-called boom, but they will return to normal. Once the current recession ends, people will spend money, but they won't spend what they don't have.'**

— Richard Rosenbaum  
The Equitable Group

leasing activity has dried.  
There is leasing out there, but it's taking a long time to complete the deals.  
Landlords are being forced to offer cutthroat rates, tenant improvement dollars and even free rent to fill up commercial and retail space practices unheard of a year ago.  
"It's definitely a renter's market right now," Drenick said.  
Drenick said people don't see a lot of vacancies yet because the malls are still full, but as current leases expire and retailers opt not to re-sign, the malls will start to empty out.  
Commercial and retail space vacancies are approaching 10 percent, previously unheard of in commercial and retail-rich Oakland and western Wayne counties, he said. Last year, vacancies at commercial and retail centers averaged between 4 and 5 percent.

RETAIL BROKERS are concerned things will get worse before they will get better. "We're just at

the beginning of this — I don't think we've seen the bottom yet," Drenick said.  
Tony Camilletti, director of visual image communication for the national retail architectural consulting firm of Jon Greenberg and Associates in Berkeley, said his company has been extremely busy in recent months.  
Commercial and retail development in general may be slowing, he said, but there are opportunities for new construction and leasing activity, Camilletti said.  
"Relocation and remodeling work are the most commonly found types of construction (in recessionary times)."  
Progressive retailers with capital can take advantage of slow times when construction costs are typically lower, he said. Contractors hungry for work are more willing to take a job for lower pay, he said.  
"If you have the capital and you have the plans, this is a good time to build," he said.

RECESSIONS ARE also traditionally the time when non-retail firms delve into the market, Camilletti said. For example, the Ringling Bros.-Barnum and Bailey circus organization has opened several retail outlets (none in Michigan) specializing in children apparel, related novelty and circus items.  
"If retailers give customers a reason to come out with a creative and diverse appeal, they can succeed," Camilletti said. "There's definitely a niche to be filled in this market."  
Rick Valade, partner in charge of retail consulting for the Detroit accounting firm Arthur Anderson, said "It would be hard to point to any area that is under-served." Valade said "In the last 15 years, commercial square footage in the United States has doubled."  
Most of the current commercial development is in the construction of small, local — or strip — malls, he said.  
Regional malls, power centers and satellite malls are more expensive to build and will require incentives to lure tenants, he said. Local malls are inexpensive and fill up quickly with tenants.  
But the real advantage, he said, is small malls can follow housing construction because smaller parcels of land are easier to find. As housing starts continue, albeit at a slower pace than in the past, the small malls can set up quickly nearby, Valade said.  
There are large commercial projects being built, Valade said, but

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