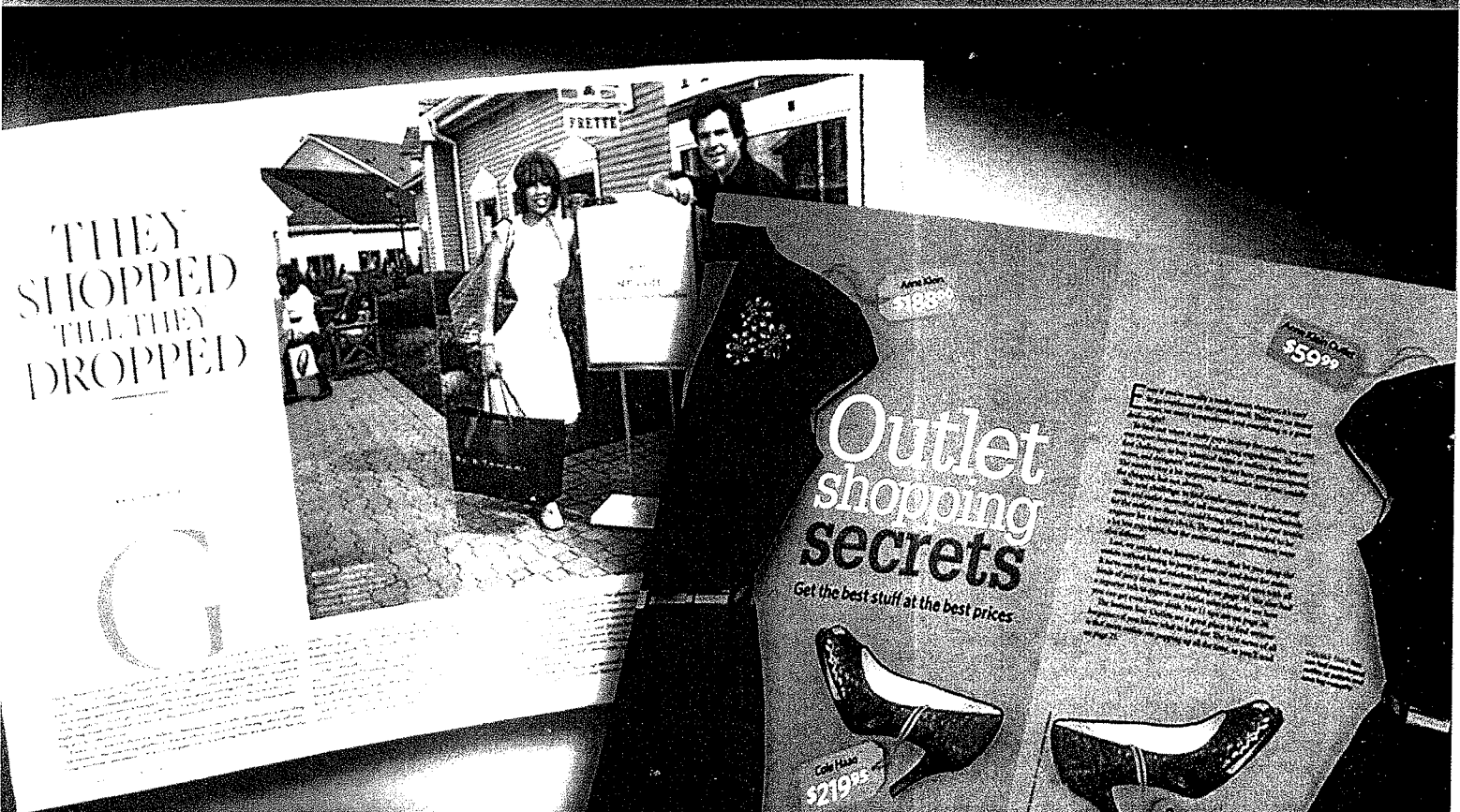


VALUE RETAIL NEWS

SEPTEMBER 2010
VOL. XXVIII, NO. 7 \$ 14

A PUBLICATION OF ICSC



COVER STORY

Loving Outlets: Our New Normal Press

PLUS:

**Jos. A. Bank opens outlets
Liz bids good-bye to outlets
A look at big-footed tenants**

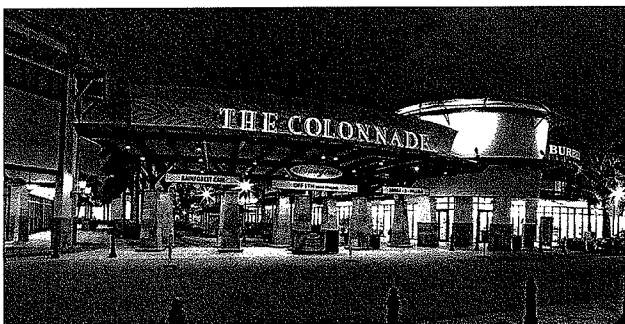
**Mills means more – more business
New outlet player in San Juan
Is retail sensitivity alive and well?**

VRN Fall Outlet Leasing and Marketing Convention, page 30

Newer centers push back the boundaries



Jersey Shore Premium Outlets



The Colonnade at Sawgrass Mills

Sensitivity is still a slippery slope for retailers, though some are finding flexibility.

By **LINDA HUMPHERS**
Editor in Chief

Although outlet retailing looks like an overnight success to the media, the industry has continued to evolve since the first new-construction outlet mall opened in 1971.

In the early days, outlet centers stayed at least 50 miles from major metropolitan areas and woe unto those that dared to do otherwise. Wholesale accounts and department stores ruled manufacturers, who, in those days, weren't in a position to rebel. If a department store nixed an outlet site as too competitive, manufacturers saluted and that center either didn't open or didn't stay open.

And then along came technology that allowed manufacturers to better place their goods so that outlet inventory didn't compete with wholesale inventory. And all this time the realization was growing that outlets could be a healthy alternative distribution channel, and that eventually led to manufacturers being less dependent on department stores.

But has wholesale sensitivity really eased up for outlet chains? We looked at the outlet centers that have opened in the last five years to see if there were any patterns, particularly patterns related to sensitivity.

"It's no longer the case that outlet centers have to be in the middle of a cornfield," says Jamie Bourbeau, VP/director of leasing for AWE Talisman. "The days of being 50 miles from a wholesale door have been over for a while, and sensitivity is loosening up because outlets are profitable for brands. They've had a chance to see if there's cannibalization, and actually the oppo-



Bourbeau

Outlet Centers Open Since 2005

Center	Location	developer	Opening	GLA in SF
Seattle Premium Outlets	Tulalip, Wash.	Premium Outlets	May 2005	403,000
Louisiana Boardwalk	Bossier City, La.	O & S Holdings	May 2005	550,000
Rio Grande Valley Premium Outlets	Mercedes, Texas	Premium Outlets	Nov. 2006	580,000
Round Rock Premium Outlets	Round Rock, Texas	Premium Outlets	Aug. 2006	432,000
Tanger Outlet Center	Charleston, S.C.	Tanger Factory Outlet Centers	Aug. 2006	352,316
Tanger Outlet Center	Wisconsin Dells, Wis.	Tanger Factory Outlet Centers	Aug. 2006	265,061
The Outlet Shoppes at El Paso	Canutillo, Texas	Horizon Group Properties	Oct. 2007	428,353
Flemington Outlets	Flemington, N.J.	L and L Properties Group	Oct. 2007	16,000
Philadelphia Premium Outlets	Limerick, Pa.	Premium Outlets	Nov. 2007	550,000
Jersey Shore Premium Outlets	Tinton Falls, N.J.	Premium Outlets	Nov. 2008	435,000
Houston Premium Outlets*	Cypress, Texas	Premium Outlets	March 2008	425,000
Outlet Marketplace**	Orlando, Fla.	Prime Retail	July 2008	205,873
Tanger Outlets at the Arches	Deer Park, N.Y.	Tanger Factory Outlet Centers	Oct. 2008	653,780
Tanger Outlet Center	Washington, Pa.	Tanger Factory Outlet Centers	Aug. 2008	372,972
Freeport Village Station	Freeport, Maine	Berenson Associates	May 2009	118,000
Cincinnati Premium Outlets	Monroe, Ohio	Premium Outlets	Aug. 2009	400,000
Sawgrass-Colonnade	Sunrise, Fla.	The Mills	Oct. 2009	132,000
		Total GLA		6,319,355
		Average GLA		371,726

*114,000-sf expansion now under construction

**new name, complete renovation of former Belz Factory Outlet World

Source: VRN

site has happened. Outlets are lifting brand awareness. I think the sales volumes coming out of the centers are proving that this strategy works.”

Bourbeau is working with luxury brands to tenant AWE Talisman’s planned Fashion Outlets of Chicago in the close-in Chicago suburb of Rosemont, Ill. She says those brands have fewer sensitivity issues because they aren’t primarily wholesale-based, like Polo and Coach are. “Luxury retailers are anxious to be in close,” she says.



Devine

Dress Barn’s Charles Devine says that while sensitivity is diminishing, a significant number of outlet chains continue to pay close attention to the location of department stores.

“I think Macy’s gives the most *agita* to manufacturers,” he says. “Cannibalization is still a living concept for many.”

But today’s shopper “wants the brands she wants at a value and she doesn’t care what the store is called” or where she buys it, he says.

Devine figures that sensitivity is one reason that so few outlet centers – just one or two – open each year. “The pipeline for planned projects is big, but the chains are slow to sign leases. They’re cautious.”

As outlet centers are planned and opened within major metro areas, “outlet retailers are showing more flexibility with their wholesale and full-price sensitivities,” says Josh Podell, president of Podell Real Estate Advisors, which handles leasing for a number of outlet brands, including Jones New York.

Podell cites an example of sensitivity relaxation: the remerchandising to outlet tenancy of Vornado Realty Trust’s 1.5 million-sf Bergen Town Center in Paramus, N.J. “It’s two miles and five minutes from the Garden State Plaza,” he says.

Westfield’s 300-store Garden State Plaza is anchored by Neiman Marcus, Lord & Taylor, Nordstrom and anxiety-producer Macy’s, and tenants include Gucci, Juicy Couture, Ed Hardy, Michael Kors, and



Podell

White House/Black Market. Bergen Town Center’s tenancy includes Bloomingdale’s Outlet, Century 21, Neiman Marcus Last Call, Saks Fifth Avenue Off 5th, Gap Outlet, Guess Factory Store and Nordstrom Rack.

“I think retailers aren’t waiving sensitivity,” Podell says. “They’re finding more flexibility.”

Bourbeau stands by her conviction that outlets do well in major markets. “In my opinion, of the newer projects, the three most successful by a long shot are Colonnade, Houston Premium and Seattle Premium,” she says. “All three are outside large MSAs and create a destination for the shopper with the brands they recognize, at a value.” ■



Tanger Outlets at the Arches



Recently added tenants:

Brooks Brothers, Kenneth Cole, Banana Republic and J.Crew

Join - this impressive roster...

Osh Kosh B’Gosh, Gap Outlet, Tommy Hilfiger, Sunglass Hut,
Merrell, Nine West & Co., Gymboree, Jockey, The Commons Deli, Orvis,
Carter’s, Olympia Sports and Season’s Home Decor

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