

The Time Has Come to Reconfigure Regional Shopping Centers

By Alan Nevin

Once upon a time, regional shopping centers were king. They were the destination for everyone's shopping. They had a real purpose.

In today's world, 12-15% of retail goods are purchased online. The retail devastation created by online shopping has mandated that regional shopping centers reimagine themselves or disappear.

From a San Diego standpoint, we have too many regional shopping centers. Historically, a community could support one regional center for every 100,000 households. That means, at least in theory, that San Diego could support a dozen centers and each center would produce \$300+ per square foot of sales annually.

Unfortunately, very few of the county's regional shopping centers operate at a \$300 per square foot level, and several operate at \$200-250 per square foot.

In several cases, anchor stores have closed – most often Sears and Macy's – leaving large voids in the centers' income streams.

To date, only Horton Plaza has failed completely, but several others are undergoing massive renovation to hold on to relevancy and financial viability.

Notably, Horton Plaza is reinventing itself as "The Campus at Horton" by Stockdale Capital Partners. It will blend retail, entertainment and office space and is projected to have an employment base of 3,000 to 4,000 people.

UTC is a prime example. It is one of the two highest volume regional shopping centers in San Diego County (the other being Fashion Valley). But, it is going through a metamorphosis. Its southwest corner is becoming a handsome 300-unit Greystar high-rise luxury apartment complex.

At the east end of the center, which was not owned by Westfield, the defunct Sears store is being converted into a major mixed-use retail complex by Seritage/Invesco, with 226,000 square feet of food/entertainment space, including a 33,000-square-foot Equinox fitness center.

In addition, a major \$600 million addition has gone up on the west end of the center, including a new Nordstrom store. Clearly, UTC has moved away from a purely retail-focused center to become a retail, food and entertainment mecca.

The Shoppes at Carlsbad, now a Brookfield property, is considering a massive redevelopment which, when approved by the City of Carlsbad, will shutter a Macy's and Sears store and substitute a major apartment and hotel complex, as well as a Topgolf entertainment center. In the past three years, the center has added a Dave & Buster's, Cheesecake Factory and 15 other eateries, with the ultimate goal of 25 to 30 dining establishments on site. It also has an Edwards theater, reportedly one of the 10 highest-producing Edwards theaters in the nation. The new Shoppes at Carlsbad will have something for everyone.

The original regional shopping center in the county is Mission Valley Center. It is also undergoing a major renovation, largely due to the shuttering of its 363,000-square-foot Macy's store. The vintage structure on the center's east end was designed by Deems/Lewis (the firm behind San Diego's Mormon Temple) in 1961 and has a historical designation. Westfield and its new owner, Unibail, have not yet announced their plans for the store.

In South County, Chula Vista Center on the city's west-side has a Sears that will obviously be going away. There is also Otay Ranch Town Center on the eastern end of town, that will prosper once a few thousand new housing units are built in Otay Ranch. But, for now, it is gravely suffering as many of its major national stores have said goodbye. The latest vacancy store count is 15.

No doubt, the few examples shown here are only the beginning of the evolution of the regional shopping centers in San Diego County. I can think of several others that need to change from retail centers into entertainment and food venues. The food court just doesn't cut it anymore.