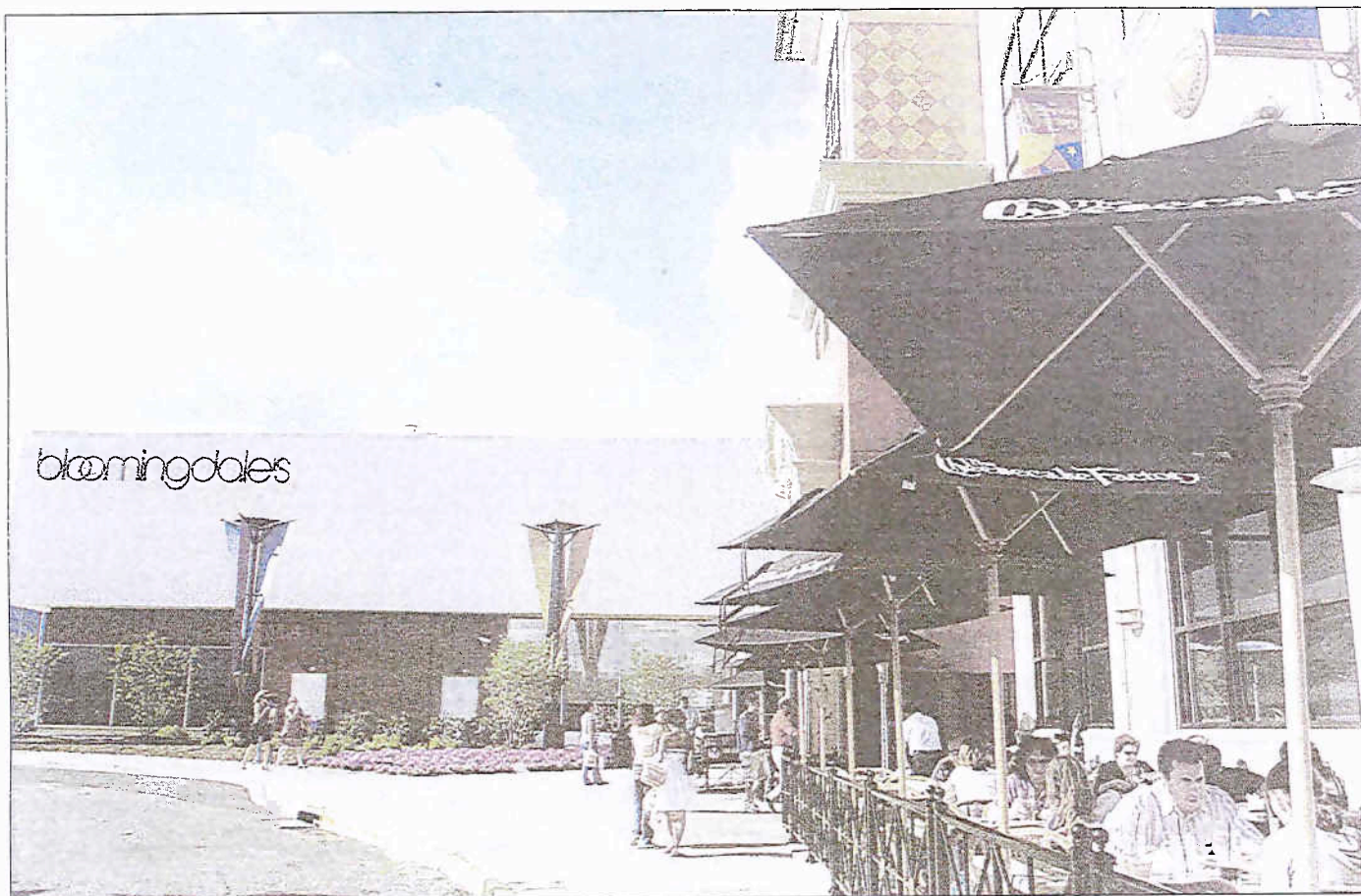


Big appetite for dollars

Restaurants are replacing department stores as new mall anchors



TYSON TRISH/STAFF PHOTOGRAPHER

Customers dining at The Cheesecake Factory at the Shops at Riverside in Hackensack. North Jersey malls are courting these so-called upscale casual restaurant chains.

The malls of North Jersey have developed a voracious appetite for a certain kind of tenant – chain restaurants.

Eateries described as “upscale casual” such as The Cheesecake Factory, Legal Sea Foods and P.F. Chang’s China Bistro are being courted with the ardor shopping centers used to reserve for Macy’s, Nordstrom, or other department stores. Those stores used to be the “anchors” at malls – what developers counted on to drive traffic to the shopping center. But increasingly, restaurants are becoming the new anchors, for their ability to draw crowds and ring up hefty sales.

In North Jersey, this change has resulted in nightly crowds at the six full-service restaurants at The Shops at Riverside in Hackensack and a push to add eateries to the eight already at Westfield Garden State Plaza in Paramus. The preference for chains is hurting local restaurant owners such as Antonio Goodman of the Fat Kat in Little Ferry, who’s seen some of his customers shift their dining dollars to the chains.

Sales per square foot at mall restaurants have climbed 35 percent since 2000, to an average of \$460 last year.

Apparel sales have risen 13 percent in the same period to \$370. The average per-square-foot sales for all mall tenants has increased 18 percent to \$403.

‘Mutually beneficial’

The restaurants lure consumers who are likely to shop before or after dining.

“A Cheesecake Factory can bring in a minimum of 600,000 to up to 700,000 to 800,000 people a year into the mall,” said Ben Kaplan, leasing executive for Santa Monica, Calif.-based mall developer Macerich Co. That company recently signed a deal to bring that restaurant to the Freehold Raceway Mall.

“What better situation for a mall – when someone’s waiting to dine they walk around and shop. It’s a good mix,” said Kaplan, vice president of Macerich’s National Restaurant Leasing Group. Macerich created a separate restaurant leasing division 18 months ago to better compete for the top chains

Mall sales stars

Sales per square foot for different categories of mall tenants, and percentage change since 2000:

Category	Sales per square foot, 2006	Percent change since 2000
Jewelry	\$1,035	+14.5 percent
Food court	\$729	+15 percent
Home entertainment/electronics	\$644	+71 percent
Restaurants	\$460	+35 percent
Apparel	\$370	+13 percent
Books	\$225	-7.6 percent
Theaters	\$90	+17 percent

Source: International Council of Shopping Centers, U.S. Mail Reports

“Malls know a chain has marketing power beyond the local community,” said Harry Balzer, vice president of research firm The NPD Group, and a veteran food industry analyst. “If I see an Applebee’s, I can be anywhere in this country and I know what I’m getting. If

The malls also have decided that if one chain restaurant is good, three or four are even better. The restaurant chains like to be in shopping centers with a cluster of similar restaurants – upscale, casual restaurants with table service, liquor licenses and average per-person meal tabs of \$20 and up – because that turns the mall into a dining destination.

The Shops at Riverside now has six full-service restaurants and will open two more in the fall. Westfield Garden State Plaza has six such restaurants and has won a Grand Lux Café. The new restaurant concept by The Cheesecake Factory is intended to combine the grand design of European cafés with an all-American menu.

Westfield Garden State Plaza,

like other Westfield malls, is eager to add restaurants because “they help define the personality of a mall,” said Catharine Dickey, Westfield’s executive vice president for communications.

“We see our restaurants and our overall restaurant strategy as an important driver in our company’s effort to differentiate our centers from others,” she said. Restaurants, Dickey said, can lead shoppers to “extend the amount of time they spend in our centers and to increase the frequency of their visits to our centers.”

Westfield’s Grand Lux will be the first in New Jersey and the 10th in the country. “So it’s not a bad neighbor to have if you’re a retail partner at Westfield Garden State Plaza,” Dickey said.

Simon Property Group Inc., In-

I see Bob’s – uh-oh – I don’t know what Bob’s is. Maybe it’s a great place, but I’m going to have to have somebody tell me this.”

Developers are looking at restaurants such as The Cheesecake Factory and doing the math. The Calabasas Hills, Calif.-based restaurant chain says each of its restaurants does an annual average of close to \$11 million in sales, or close to \$1,000 a square foot. That’s nearly three times the \$372-per-square-foot sales average for mall apparel stores reported by the International Council of Shopping Centers.

The malls’ appetite for restaurants has put the restaurant chains in a great bargaining position. They are able to negotiate favorable lease rates and prime locations. “It’s nice to be wanted,” said Howard Gordon, senior vice president for business development and marketing for The Cheesecake Factory.

Gordon said his company was offered about 1,500 sites and is opening 21 restaurants this year. Because malls consider Cheesecake Factory and its new Grand Lux Café concept as anchor stores, “the deals are better” at malls, said Gordon.

dianapolis-based owner of The Shops at Riverside, is “aggressively adding sit-down restaurants,” said Rick Sokolov, president and chief operating officer of Simon.

“They’re mutually beneficial,” he said.

“It just gives more people the opportunity to come to our properties, and while they’re there on a trip that may have been primarily for dining, they shop. And if they’re there for a trip that’s primarily shopping, they also have the opportunity to dine.”

Easy way to upgrade

Sokolov, who spoke to The Record in a recent telephone interview, said Simon, which is converting a number of older malls to luxury-oriented shopping centers, has found that “restaurants are

very conducive to an upscale shopping environment.”

Attorney Bradley Kaufman, a retail-leasing specialist with the Pryor Cushman law firm in New York City, and co-chair of the commercial leasing committee for the New York State Bar Association, said malls are turning to restaurants as one of the easiest ways to upgrade a center.

“What they’re trying to do is compete with the new lifestyle centers,” he said.

“They’re trying to move up to the next level. It’s very hard to attract the new hot retailer to the older mall. It is easier to upgrade your restaurant.”

Lifestyle centers usually are open-air centers with restaurants and higher-priced specialty retailers.

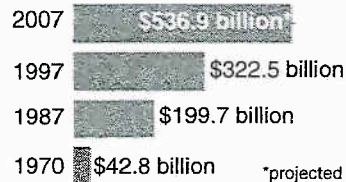


TYSON TRISH/STAFF PHOTOGRAPHER

Houston's and McCormick & Schmick's at The Shops at Riverside. Restaurants like these "are very conducive to an upscale shopping environment," said an executive of the mall's owner, Simon Property Group.

Dining out dollars

Spending on restaurant meals has grown more than tenfold since 1970.



Source: National Restaurant Association

THE RECORD

But Kaufman said malls have to be careful not to overindulge in the restaurant trend.

"A mall is a mall. It's not going to be a food court," he said.

"If you emphasize restaurants too much, you will lose your core retail business."

Restaurants also have issues not found with clothing stores or shoe stores – problems such as odors, garbage disposal, pests and peak hours that are different from the rest of the mall, Kaufman noted.

Deborah Dowdell, president of the New Jersey Restaurant Association, sees the mall desire for chain restaurants as part of what she calls the "chainization" of the restaurant world – something that's been happening in New Jersey for the past 10 years.

"The chain phenomenon is recent to New Jersey," she said, "whereas in the Midwest, they've been there for decades. In fact, there are probably hundreds, if not thousands of chain concepts, that haven't even hit New Jersey."

Chain-local blend

Goodman, chef/owner of the Fat Kat, a fine-dining restaurant serving contemporary American cuisine, is one local businessman who has seen chains take a bite out of his business.

"The chains pretty much have a monopoly over the small restaurants, which really makes it hard in this economy for the small restaurants to survive," said Goodman.

Yet the push by developers to differentiate their properties could turn out to be a boon for chefs such as Goodman in the long run. Some malls have started incorporating local restaurants, and non-chain establishments, into their mix of eateries.

The Shops at Atlas Place, a lifestyle mall that opened in Queens, N.Y., last year, has three national chain restaurants – Johnny Rockets, California Pizza

Kitchen and Chili's, along with three local restaurants, and one regional chain, Shiro of Japan.

"We're in a community and a place where there's really good local food," said Damon Hemmerdinger, development director for the mall, which is owned by Atco Properties and Management Inc. "So we wanted to blend some of what we think are the best nationals with local food."

Another new project, The Village at Queensridge, a lifestyle center being built outside of Las Vegas, is recruiting star chefs to bring their independent restaurants to the center, in the same way the Time Warner Center mall in New York City recruited celebrity chefs Gray Kunz, Thomas Keller and Michael Lomonaco to open luxury restaurants there.

Danny Abrams, owner of the critically acclaimed New York seafood restaurant Mermaid Inn, is one of four independent chefs bringing their restaurants to The Village at Queensridge. Abrams, speaking through a spokeswoman, said there are good reasons for mall developers to seek unique restaurants.

"There is simply not so much excitement with a Barnes & Noble or a Crate & Barrel," he said. "A cool restaurant is a way for a development to differentiate itself."

E-mail: verdon@northjersey.com