

Have menu, will anchor

Restaurants are moving in as key occupants of mixed-use centers as chain stores hold back on expansion plans

By DAVID KAPLAN
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At CityCentre, from left, chefs David Luna of flora & muse; Jason Gould of Cyclone Anaya's; Juan Carlos Gonzalez of Bistro Alex; Jerry Jan of RA Sushi; CityCentre executive Jonathan Brinsden (back); Bruce Molzan of Ruggles Green; Jamie Williams of Sur La Table; and Jason Robinson of Eddie V's.

Eric Kayne : For the Chronicle

CityCentre officials get about five calls a week from restaurant owners wanting to open at the trendy retail-residential-office-entertainment development in the Memorial area.

They'll have to look elsewhere. The year-old project already boasts 15 restaurants and bars that serve food, and several more are on the way. CityCentre's executive vice president and chief operating officer, Jonathan Brinsden, says all but one spot designated for restaurants have been leased.

Meanwhile, 160,000 square feet of non-restaurant retail space remains available, reflecting the increasingly critical role of restaurants in mixed-use and other retail centers. They are leasing space at a time when chain stores are skittish, and the foot traffic they generate can lure more traditional retailers.

"There is a major movement to incorporate more and more restaurants into all types of retail developments and use them more as anchors or mini-anchors," said Ed Wulfe, president of Wulfe & Co.

Nick Hernandez, a principal at Page Partners, a commercial real estate firm specializing in retail, said restaurants are picking up the slack in a slowly recovering market.

"If a national retailer did 100 deals several years ago, they might be doing six to eight today," Hernandez said, "and they're much more careful about their location and deal structure."

The good news for places like CityCentre is that the presence of so many popular restaurants now makes it somewhat easier to fill the space designated for apparel and other traditional retail, Brinsden said.

That may be especially so in Houston, which Wulfe noted is one of the top per-capita dining-out cities in the U.S.

It's not just the high-end centers drawing more restaurants, Wulfe said. Strip centers, too, are drawing more fast-food and fast-casual franchise restaurants.

Big apparel chains have traditionally served as anchors, but many national soft-goods retailers have drastically cut back on expansion.

Hernandez, who helped lease CityCentre, West Ave in the Upper Kirby District, Market Street in The Woodlands, Sugar Land Town Square and LaCenterra at Cinco Ranch, said all of those developments have or plan to have a strong restaurant presence.

CityCentre restaurants include Bistro Alex, Straits Restaurant, Ruggles Green, Yard House, Cyclone Anaya's and the soon-to-open Tasting Room.

Bringing in the dough

Hernandez said three high-end restaurants can generate a combined \$25 million in revenue, compared with a big-box retailer that might draw in \$8 million to \$10 million. The accompanying foot traffic is good for surrounding retailers, he added.

He said women's apparel chain Anthropologie came to CityCentre in the fall of 2009, before the center's spring 2010 grand opening. Since then, he said, a number of restaurants opened and brought energy to the center, and now Anthropologie has decided to bring two more of its retail concepts, Urban Outfitters and Free People, to CityCentre.

While a restaurant in a shopping center is nothing new, restaurants have taken on a higher profile, said Anita Kramer, senior director of retail and mixed-use development at the Urban Land Institute in Washington. For decades, strip centers have been home to places like coffee shops and small family-owned restaurants, she said.

But when upscale open-air centers, also known as lifestyle centers, began to proliferate about 15 years ago, Kramer said, restaurants became a bigger factor.

Restaurants such as P.F. Chang's began building large and architecturally striking facilities at lifestyle centers to help bring more visibility to a center, she said.

There is a tendency for developers in some parts of the U.S. to "over-restaurant" right now because it's easier to attract them, Hernandez said. But there can be downsides.

One issue is that restaurants require more parking.

"You don't want to overlap restaurant concepts — two Italian restaurants with the same price point - because they could cut into each other's business," he said. Ideally, you want a restaurant that is unique or has one other local location, so it can draw people from greater distances, he said.

More high-end spots

Other local mixed-use projects are bringing in high-end restaurant mixes.

At Wulfe & Co.'s Galleria-area mixed-use development BLVD Place, the phase one project has chef Robert del Grande's RDG on one end and chef Philippe Schmit's restaurant Philippe set to open next month. Hermes, Festari men's store and other stores are also there.

The second phase of BLVD Place, to be anchored by Whole Foods, will have four restaurants as well as other kinds of retailers and office tenants, Wulfe said.

At West Ave in the Upper Kirby District, high-end fashion retailer Tootsies is a dramatic exception to the restaurant-as-anchor trend, Hernandez said. The soon-to-open Tootsies space is more than 34,000 square feet.

West Ave has a total of 200,000 square feet of retail. About 60 percent of it has been leased, Hernandez said, and another 20 to 25 percent is being negotiated.

Houston's best-known shopping destination, the Galleria, has in recent years brought in several big restaurants to fill the former Lord & Taylor space: Kona Grill, Oceanaire, Del Frisco's and Gigi's Asian Bistro.

Another full-service Asian concept, E*Tao, will open near Nordstrom, said the Galleria's general manager, David Anderson.

The also new Waterway Square in The Woodlands has seven full-service restaurants and two more under construction. Currently, restaurants far outnumber non-restaurant retailers there.

Also in The Woodlands, mixed-use development Market Street is filled with restaurants and other retailers, including new tenants Tiffany's and Brooks Brothers.

Seeing and being seen

Restaurants help bring a sense of place to a development, Hernandez said. At CityCentre, patios are clustered together, creating a see-and-be-seen atmosphere, he said.

Michael Brichford, a salesman for a sales performance improvement firm, lives three minutes from CityCentre and visits about twice a week.

"The restaurants and bars there give the project more of an entertainment feel - all the activity and food choices," Brichford said.

He and his wife get their hair cut at CityCentre and shop at Sur La Table.

He expects to shop in more stores once they arrive.

david.kaplan@chron.com