

## CRE Terms: Sizing Up Retail



Ask any group of commercial real estate (CRE) professionals which sectors have shown the most adaptability in the face of change over the past few years, and an answer that's sure to crop up more than once is retail.

Despite economic pressures, many retailers are expanding their footprint, moving to new locations and adapting their business models to accommodate interest in both digital offerings and brick-and-mortar stores.

Perhaps most surprisingly, many brands are also going ahead with big projects and luxurious new store concepts designed to tempt an increasingly selective consumer market. Luxury brands like Hermes and Tiffany & Co., for example, have announced new flagship stores in the past year.

And while some "Big Box" retailers close up shop, others are expanding across the country and reimagining their model by building out numerous smaller locations.

With all that in mind, let's define the terminology that real estate professionals use when describing some of retail's biggest (and smallest) offerings.

### Going Big

Probably the most common term CRE professionals typically use in relation to larger stores is one already mentioned above: "Big Box."

The official definition of a "Big Box" store, according to NAIOP is: "A freestanding structure occupied by a dominant retailer such as Home Depot."

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A location that features multiple “Big Box” stores is often referred to as a “Power Center.” NAIOP adds: “Power centers are typically made up of multiple large buildings that are one-level, rectangular structures with surface parking in the front and merchandise loading areas in the back. Often, more money is spent on features and architecture at these locations than at big box shopping centers.”

Other terms for larger retail outlets include “Anchor” or “Anchor Tenant” for the main tenant in a shopping center, and “Flagship”, to denote a retailer’s primary (and often largest) location.

As the luxury retailer examples given above show, what’s expected from flagship stores is also changing. Hermes’ premises, for example, includes a bar and terrace, butler service, and a workshop where artisans can adjust a patron’s purchases to taste.

### Trending Small

The need to get creative with retail space has also resulted in some interesting downsizing trends, especially when it comes to the food and beverage side of things.

A trend that surged in popularity during the pandemic was “Ghost” or “Cloud kitchens.” These facilities lack the usual storefront and dining area of restaurants and instead operate exclusively to service online demand.

Because of their smaller area requirements, ghost kitchens have the advantage of being able to squeeze into smaller spaces than most restaurants, making them an ideal fit for otherwise awkward retail or industrial space.

With that said, it’s worth noting that now that the restaurant trade has picked up again, the ghost kitchen trend seems to be on the decline, at least in some areas.

Finally, a more common “small retail” term is the “Pop-up” or “Pop-up shop” which NAIOP defines as: “[a] retail store, restaurant or kiosk intentionally designed to be in a location for a finite amount of time.”

Pop-ups come with some interesting advantages for retailers, including fewer fixed costs and the opportunity to test a concept or product on a small scale before committing to a bigger endeavor.

More importantly in today’s market, however, they’re another tool that brands can use to test out new experiential features as they work out what makes their customers tick.

