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## ANAHEIM GARDENWALK'S ROAD TO SUCCESS

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# Road To Recovery

**Turnarounds are leading retail's recovery. Southern California's Anaheim GardenWalk is one project that's proving the theory that good real estate and location always work.**

Randall Shearin

Anaheim GardenWalk is a relatively young project that has a long history. In development for many years, the project and its model became a fixture at the ICSC Spring Convention during the late 1990s and 2000s. When it was finally opened in June 2008, the center — which is located just adjacent to Disneyland and the Anaheim Convention Center area in Southern California — wasn't fully leased. The recession prevented many retailers from opening locations, and co-tenancy clauses in many leases allowed other retailers to opt out of opening. The center's restaurants, however, thrived on tourists and convention-goers. As well, the center didn't strike a chord with the local market, who saw it as a project for tourists. The center's creditors foreclosed on the property in 2010. Today, only the restaurants and a handful of national, regional and local specialty retailers tenant the center, which sits at 55 percent leased. But there is another chapter — or maybe a sequel — to the Anaheim GardenWalk story.

The 435,000-square-foot specialty and entertainment center is starting to see new life. A group of equity funds has purchased the center from its lender and has promised a capital infusion that will turn the center around. The group has placed



Bubba Gump Shrimp Co. is among Anaheim GardenWalk's core of national restaurants that serve a strong population of locals and visitors.

real estate asset advisory restructuring firm Arcturus to lead the turnaround of the center, and contracted with leading retail leasing firm The McGarey Group to re-tenant Anaheim GardenWalk. *Shopping Center Business* recently spoke to Bruce Macleod, who heads up the retail group for Arcturus, and Denver McGarey, CEO

of The McGarey Group, to discuss plans for Anaheim GardenWalk. SCB last visited the center in July 2012, just before the sale. The same team executed the original leasing strategy for Atlantic Station in Atlanta, and has experience with numerous other strong urban and tourism-oriented projects like CityPlace



Anaheim GardenWalk has a welcoming, open-air design with a main walkway through the middle. It is the only non-Disney dining, retail and entertainment center in the Disneyland district.





The Cheesecake Factory at Anaheim GardenWalk. The center's leadership is working with Disney to ensure its tenant mix complements — not competes with — the park's offerings.

in West Palm Beach and Gallery Place in Washington, D.C.

“Retailers and restaurants are buying into the team we’ve assembled, as well as the project,” says McGarey. “We have an extraordinarily strong ownership group, and the experience behind the leasing and management team is unparalleled in the industry.”

Macleod and McGarey both agree on the fix for the project: it must retain the tourist, business traveler and convention attendee as its core customer, but it also needs to be more friendly to the local customer. Local residents — there are more than two million within a 10-mile radius of the project — are beginning to discover the project. McGarey cites that upwards of 40 percent of the center’s business could be driven by the local market.

“We need to invite Orange County back into the project,” says McGarey. “Anaheim GardenWalk will build its own business and have its own attendance model. The way we are going to do that is to add complementary entertainment uses that have a great family focus, as well as entertainment and dining venues that attract adults: the conventioner and business traveler.”

The center’s strong core of national

restaurants include The Cheesecake Factory, McCormick & Schmick’s, Roy’s, P.F. Chang’s China Bistro, Bubba Gump Shrimp Co., and California Pizza Kitchen. All of the restaurants are performing better than average for their chains, according to Macleod. An Ultra-Star luxury cinema and 300 Anaheim, an AMF-operated bowling center, also anchor the enter-

tainment portion of the center. Anaheim GardenWalk is the only non-Disney dining, retail and entertainment center in the Disneyland district. That said, Macleod and McGarey say that the new ownership group has been working closely with Disney, making sure the center complements what the park operator is offering, instead of competing.



Roy’s Hawaiian Fusion Cuisine at Anaheim GardenWalk. Restaurants and live entertainment are the anchors of today’s shopping centers, says Denver McGarey.



“Those core assets remain strong anchors to the center,” says McGarey. “This project has come into a new phase because the true anchors of entertainment projects today are food, beverage and live entertainment.”

First up for the turnaround is a new leasing plan. The mix has gone from the center’s original plan of 65 percent of the space to be used for retail, to 65 percent of the space committed to restaurants and entertainment. One positive aspect, says Macleod, is that the team is starting with a lot of first generation vacant space, not tenants that have to be removed from the center.

“The decision to lease this property as a traditional lifestyle center is what caused its problems,” says Macleod. “Anyone who has been to Anaheim as a tourist is not interested in a conventional shopping experience. They are looking to take part in a vacation, and they want that in their retail experience. They want retail experiences that are fun and family oriented.”

The leasing plan calls for more restaurants to be spread throughout the project; right now, they are all in one location at the center. Many retailers have been aware of the strong location that Anaheim GardenWalk has, as well as the potential that the center has.

“Many retailers know the story behind the center, and know it can be a success for them,” says Macleod. “They’ve been waiting for the pieces to fall in place and new ownership to take over before committing to join, but we’ve had incredible interest. We don’t have to convince them that Anaheim has strong customer traffic.”

The ownership expects to announce tenants next month at ICSC’s RECon show in Las Vegas. McGarey says that the majority of the new tenants are national players. One interesting side note, McGarey reports, is that approximately one-third of the new tenants are based in Southern California, meaning that the executive team is familiar with the project.

Anaheim GardenWalk itself has a welcoming, open-air design that has a main walkway passing through the center. The buildings themselves were expensive to build, because of the narrow site. Additionally, the project was originally to have three hotels as part of it, but they never materialized. Plans were scaled back to two hotels and a timeshare project, none of which have ever been built. Now, one



O'Neill at GardenWalk represents a minority of the mix. The turnaround calls for more than half of the tenants to be restaurants.

of the hotels is going forward for its re-approval of tax incentive financing.

“Our challenge on the design is to improve sight lines within the project because it is over-decorated; there’s too much greenery and design elements that are in the wrong place,” says Macleod. “You see the project from the street front, but you don’t see that there’s really a project behind the first few storefronts.”

Plans are in development to create a front-door identity for the center, which has tight signage restrictions because it is located within the Disney resort district. New signage and wayfinding will also be added within the property to help visitors find shops and restaurants more easily.

When it was originally marketed, the project was lauded for bringing retail and restaurants to the retail desert of Orange County. Now, that market has progressed another five years with no new development. Meanwhile, the Anaheim Convention Center has just completed an expansion of its outdoor areas, and there are several new hotels moving forward in the area. Disney has also invested more than

\$1 billion in its California Adventure park, according to Macleod, and the large parcel across from Anaheim GardenWalk holds potential for the park’s next expansion, he says. In addition, the local market remains one of the strongest in the nation for retail sales.

“The most positive attribute about this project is that it is infill, in the heart of Orange County,” says McGarey. “We don’t need another rooftop built, another transit overlay or another high-rise apartment building. It is the only critical mass project in the area.”

The center has capacity to hold a number of visitors; its parking structure can hold 3,200 cars.

“This project set out to be a destination within a destination,” says McGarey. “It was dealt a tough blow with timing, but the market has grown healthier. This project now has a great shot at being the landing point for Anaheim. It’s at the 50 yard line of the Disney and convention business, and is the bull’s-eye of the local market. We’re at the confluence of a lot of rivers.” **SCB**