The End of the Strip?

by Edward T. McMahon

For more than 50 years retailers have favored the commercial strip: a linear pattern of retail businesses strung along major roadways, characterized by massive parking lots, a plethora of big signs, box-like buildings, and a total dependence on automobiles for access and circulation.

For years urban planners and public officials have tried to contain, control, and improve the strip. Now they are getting some help from an unexpected quarter: consumers and the marketplace. Today the era of strip development is coming to an end. Evolving consumer behavior, changing demographics, high priced gasoline, internet shopping, the economy, and other factors are all combining to create a new paradigm for commercial development.

Commercial strips are not going to disappear overnight, but it is becoming increasingly clear that strip retail is retail for the last century. The future belongs to town centers, main streets, and mixed-use development. Among the reasons for this transformation:

1. We're Overbuilt on the Strip

From 1960 to 2000 there was an almost ten-fold increase in U.S. retail space, from 4 to 38 square feet per person.[1] For many years retail space was growing 5 to 6 times faster than retail sales. Most of this space came in the form of discount superstores on the suburban strip.

The recession made clear that we have too much retail. Strip centers are now littered with vacant stores. By some estimates, there is currently over one billion square feet of vacant retail space.[2] Much of this space is going to have to be re-purposed or demolished. In fact, one retail analyst estimates that we need to demolish 300 million square feet of retail space.[3] On the other hand, the only places left with more spending power than stores to spend it in are our cities

The distinguishing characteristics of many strips are ugliness and congestion.

2. Retail is Rediscovering the City

In 2010, Target announced plans to remodel the century-old Carson Pirie Scott department store in Chicago. This landmark building designed by architect Louis Sullivan will be just one of a number of new, so-called big box retailers planned for urban neighborhoods.

Similarly, in late 2010, Wal-Mart announced plans to open its first ever stores in Washington, D.C.[4] To make the four new stores fit an urban environment, the company has agreed to consider an array of layouts, designs, and parking arrangements, a reflection of the chain's willingness to adapt its prototype to enter lucrative urban markets.

The D.C. store planned for New Jersey Avenue illustrates Wal-Mart's new approach to store design. The company plans a store of 75,000 to 80,000 square feet (much smaller than usual) on the ground floor of a five story mixed-use building featuring 315 apartments, underground parking, and space for smaller retail stores. Home Depot already has a new urban store in Toronto with 90 units of housing on top.

While Wal-Mart, Target, and other big box store chains are planning dozens of new urban stores in cities all over America, as many as 400 former Wal-Mart stores and other big boxes sit vacant on commercial strips across the country.[5] Most analysts agree that cities and urban neighborhoods are the new land of opportunity for retail.

3. The Suburbs are Being Redesigned

At the same time that retail is rediscovering the city, the suburbs are being redesigned and urbanized. Real estate expert Chris Leinberger recently declared that "the largest redevelopment trend of the next generation will be the conversion of dead or dying strip commercial centers in the suburbs into

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1 Kennedy Smith, "Why Downtowns (Should) Matter to Planning Commissioners," *PCJ* #57 (Winter 2005).

2 "In the first quarter of 2010, Colliers International reported an overall retail shopping center vacancy rate of 11 percent across markets that it tracks. While vacancy has indeed increased for every retail shopping center type in virtually every U.S. market, occupancy losses for big box retail has been especially pronounced. According to CoStar the U.S. had a total retail inventory of just over 11.6 billion square feet at the end of the first quarter of 2010." From "The Big Box Dilemma," Colliers International White Paper (Summer 2010). Note that 11 percent (the retail vacancy rate) of 11.6 billion square feet (total retail space) equals approximately 1.2 billion square feet of vacant retail.

3 "How Consumer Behavior, Demographics and the Economy Will Shape Shopping Centers," by Alexander Babbage (for Developers Diversified, May 2010).

4 "Wal-Mart open to adapting formats, sets sights on four DC Locations," *The Washington Post* (November 21, 2010).

5 "Wal-Mart Plans Small Urban Stores," *Wall Street Journal* (October 14, 2010).

6 Christopher Leinberger, "Walkable Urbanism," *Urban Land Magazine* (September 1, 2010).

walkable urban places."[6]

The old paradigm: single use, only accessible by car. The new paradigm: mixed uses also accessible by transit or on foot.

The conversion of car-dependent suburban development is already underway in many metropolitan areas like Washington, Los Angeles, and Atlanta, and can be expected to increase in the years to come. Perhaps the nation's most dramatic transformation has already occurred in Arlington County, Virginia, where Wilson Boulevard, once a miles-long low density strip, lined with used car lots and fast-food joints, has been transformed into a walkable, high density, urban district. According to Leinberger, "Arlington County now gets 60 percent of its tax revenue from 10 percent of its land mass."

4. Traffic Congestion, Fuel Prices, and Poor Design are Hurting the Strip

Americans value convenience, but the perceived convenience of the strip has disappeared as traffic congestion has worsened in recent years. Add to this rising fuel prices and an overall physical environment designed for cars, instead of people, and it's understandable why fewer people want to shop the strip and almost no one wants to linger.

Enhancement of the physical environment heightens the anticipation and enjoyment of life's daily activities, especially shopping and eating out. In the new world of retailing, this means shoppers want an environment that provides a memorable and enjoyable experience.

Town centers and main streets provide a "place-making dividend" that the homogenous blur of the strip can't match. They also provide a "park once" environment that will grow in importance as fuel prices rise. Just imagine what will happen to strip development if gas prices ever hit $5.00 a gallon or more, as some analysts predict.[7]

5. The Economy is Restructuring the Retail Landscape

The recession saw the collapse of numerous big box chains, like Circuit City, Linen's 'n Things, Mervyns', and Gottschalks. This helped send vacancy rates soaring in most U.S. markets. After three years on the brink, the retail real estate sector is set to recover in 2011, predicts Elaine Misonzhnik, an analyst for *Retail Traffic Magazine*.[8]

After hitting record lows during the recession, consumer confidence has improved but we can expect a new normal when it comes to retail spending. Why? Because, unemployment remains high, the days of unlimited credit are over, and many analysts predict a "new consumer frugality" that will be the norm for years to come.[9]

What's more, many people believe that retail recovery will be tied to housing recovery, which, for many markets, is still in the future. Finally, strip centers without anchors (like grocery stores) and Class B malls are virtually unfinanceable according to many real estate experts.[10] None of this bodes well for commercial strip development.

Consumer trends and shopping patterns are evolving at a rapid pace. This means, among other things, that the shopping center of tomorrow will not look like the shopping center of today.

According to Joel Groover of *Commercial Real Estate News*, "distinct property types and homogenous tenant lineups made for tidy divisions within the shopping center industry. But thanks to a host of economic and consumer trends, the bold lines of yesteryear are fading fast."[11]

We used to have three standardized formats: the strip, the enclosed mall, the power center. Now all three are coming together in one place, in a hybrid format. This means we are going to see a far greater mix of tenants than in the past. No longer will there be a mall on one side of the street and a Wal-Mart on the other. In the future, Wal-Mart will be in the same mall as Nordstrom's and Macy's and more often than not, the mall will be turned inside out to more closely resemble an old fashioned main street. Already 7 of the 13 regional malls in the Denver metropolitan area have been turned into walkable, mixed-use town centers.

6. Consumers Favor Walkability and Places With Character

Walking for pleasure is, by far, America's number one form of outdoor recreation. If you combine that with shopping, another one of America's favorite pastimes, you have a winning combination.

continued on next page

7 "Ex-Shell President Predicts $5.00 gas in 2012," *CNN/Money* (December 27, 2010). "John Hofmeister, the former president of Shell Oil, says Americans could be paying $5 a gallon for gasoline by 2012."

8 Elaine Misonzhnik, "Back to Normal" *Retail Traffic Magazine* (November/December 2011).

9 *Retail Trends and Opportunities / USA / 2010* (Colliers International Commercial Real Estate Services).

10 See footnote 8.

11 Joel Groover, "The Next 10 Years: In the Next Decade, Retail Centers Will Morph into Hybrids Unlike Any Format Seen Before," *Commercial Real Estate Law & Business* (December 2010).

continued from previous page

Time-constrained lifestyles and boredom with the dull sameness of most malls and strip centers has meant a slow, but steady decline in the number and length of stays at these retail venues. People go to get what they want and they leave.

A hip atmosphere is particularly important to the GenY generation.[12] A mixed-use town center with lots of street life, outdoor dining, and places to hangout and window shop is much more likely to attract the affection and the dollars of young shoppers than an auto-dependent strip. Consumers stay longer, come back more often, and spend more money in places that attract their affection.

7. E-Commerce and New Technologies Mean Fewer and Smaller Stores

Coming out of the recession, the nation's "healthiest" retailer is not Wal-Mart or Costco or Best Buy. It is Amazon.[13] Amazon has exploited the increasing availability of broadband internet and mobile technology to build a fast growing retail superpower. Likewise Staples, which pioneered the office superstore concept, has become the second largest online retailer (after Amazon). One of the biggest reasons why the strip is coming to an end is because bricks-and-mortar stores are becoming a smaller part of the retail landscape.

Retail is being hit by wave after wave of game changing technologies. First, it was catalog shopping; now it is e-commerce, social media, and mobile phones. According to one study, about one-third of American consumers are already using their mobile phones for shopping.[14]

All this means that retailers will seek smaller footprints as merchandise categories move to on-line channels. For example, the rise of Netflix and streaming video means the closing of many bricks-and-mortar video stores, a mainstay of strip malls all over the country. Kindles and other e-readers portend the end or at least the downsizing of bookstores. Ditto for music stores, greeting card stores, and other merchandise categories.

A recent article in *The Wall Street Journal* by Miguel Bustillo notes that Staples is rapidly shifting to smaller "mini stores."[15] Bustillo reports that similar changes are being implemented by Wal-Mart, Best Buy, and other superstore retailers. As Leon Nicholas of the consulting firm Kantar Retail told Bustillo, "you have a massive rush throughout retail to get small."

These trends, together with rising energy prices, economic restructuring, changing consumer habits, and the other factors outlined above, almost guarantee a curtailment of the commercial strip.

Where Do We Go From Here?

None of this is meant to suggest that we won't still have neighbor centers with grocery stores and drugstores and cleaners and coffee shops; we will. But the endless expansion of the commercial strip – that homogenous blob of ugly sign clutter and asphalt that leads out from every town – has reached the end of its useful life.

A new paradigm is being shaped not just by regulation and design but by consumers and the marketplace. In his new book, *The Great Reset: How New Ways of Living and Working Will Drive Post-Crash Prosperity,* Richard Florida says every epoch of history has its own spatial fix. In the agrarian era it was "40 acres and a mule." In the consumer era, it was "sprawl." According to Florida the spatial fix for the technology era will be the city, the town, and the neighborhood.[16]

Commercial strips with no beginning and no end, with no center, and with no way to get around except by car, are becoming obsolete in an era of shrinking stores, rising gas prices, discerning consumers, and online shopping. But since most communities already have a commercial strip, what can planning commissions do to help reshape the strip? Here are some recommendations culled from leading experts:

1. Prune Back Retail-Zoned Land. By pruning back the amount of land zoned for retail, communities can stimulate retail growth, encourage revitalization, and improve the quality of existing strips. Instead of a longer strip, focus new commercial expansion in concentrated, more walkable nodes. It is simply

12 Bruce Horovitz, "Malls are like, totally uncool, say hip teens," *USA Today* (April 21, 2002).

13 Marianne Wilson, "Ten Healthiest Retailers: Amazon, Aeropostale and Urban Outfitters tops in financial benchmarks," *Chain Store Age* (August/September 2010).

14 "Mobilizing for the Future," *Chain Store Age* (August/September 2010), p. 3A.

15 Miguel Bustillo, "As Big Boxes Shrink, They Also Rethink," *The Wall Street Journal* (March 3, 2011).

The old Mashpee Commons Shopping Center, in Mashpee, Massachusetts.

Mashpee Commons after being transformed into a mixed-use town center.

Big boxes are moving into urban neighborhoods, like this Target in Stamford, Connecticut.

counter-productive for every parcel, along every arterial to be zoned for commercial or retail use. Retail over-zoning encourages leapfrog development which is harder and more expensive to service.

2. *Limit Curb Cuts and Consolidate Entrances.* This helps reduce accidents, relieves traffic back-ups, and lessens the need for expensive road widening, especially when combined with internal service streets and driveway connections between stores.

3. *Build a Street Frontage.* By filling in the front of large parking lots with small, closely-spaced storefronts, communities can create better streetscapes and nodes of development. It also helps to require planting strips and continuous street trees which visually unifies the streetscape.

4. *Build Sidewalks and Crosswalks Throughout Commercial Areas.* This encourages shared parking and walking between stores and to nearby residential areas. It is now almost impossible to walk anywhere on the typical strip.

16 Richard Florida, *The Great Reset: How New Ways of Living and Working Drive Post Crash Prosperity* (Harpers, 2010).

17 Robert Steuteville, "800 million parking spaces can be wrong," *New Urban News*' New Urban Network (January 13, 2011).

5. *Reduce Parking Requirements.* There are at least 800 million parking spaces in the U.S., consuming over 3.67 million acres of land.[17] Most shopping centers have far too many parking spaces. One big advantage of mixed-use development is the concept of "shared parking." For example, people go to movie theatres at night and on weekends, but people go to offices during the day and not on weekends. One parking lot can serve both in a downtown or a mixed-use development, but not on the strip, where development is segregated and spread out.

6. *Eradicate the Ugliness.* By controlling signs, planting street trees, undergrounding utility wires, landscaping parking lots, and improving the design of new buildings, communities can make existing strips more competitive. Virtually all chain stores and franchises have Plan A, Plan B, and Plan C. What gets built depends almost entirely on the members of the local planning commission and how much they stress the importance of place-responsive design.

Summing Up

Whether you call it sprawl repair, retrofitting the suburbs, or changing the retail mix, the era of the strip is ending. Planning commissioners can play an important role in furthering this trend. ◆

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Resources:

• "Controlling Strip Development," by Ross A. Moldoff, *PCJ* #53 (Winter 2004); www.plannersweb.com/wfiles/w333.html

• *Ten Principles for Reinventing America's Suburban Strips* (Urban Land Institute, 2001).

• *Retrofitting Suburbia*, by Ellen Dunham-Jones and June Williamson (John Wiley & Sons, Inc, 2009).