

Retailers and Big-City Perks Boost Suburban Office Parks

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by John Wiseman



Observers of real estate trends have taken note that major regional and national retailers typically found in urban locations are also establishing facilities in the suburbs, seeking to expand their customer bases by placing themselves in vibrant business centers and office parks.

Retail site finders are discovering high concentrations of their core demographic — large groups of busy workers with disposable income — in the suburbs that have the same taste for affordable luxuries as their big city counterparts. The retailers also find substantially reduced leasing costs in the suburbs and frequently landlords who are especially eager to attract them.

This growing trend is not a surprising one. Retail firms typically want to locate stores where consumers are when the consumer gets the urge for a high-end coffee, a gourmet sandwich or other discretionary item, and are recognizing that this desire to purchase occurs in the suburban office parks just as in urban centers.

For the purpose of this article, we will focus on the restaurant industry which has been particularly active in suburban expansion. Consider Woburn where, in the last year, Starbucks, Au Bon Pain and Lo Fat Know Fat restaurants, in addition to other national chains, leased commercial space that would have otherwise housed general office or research firms. The restaurants' markets are the thousands of office and research workers and visitors who predictably pull into the office parks every morning.

Au Bon Pain, among others, has a new format for this oppor-

tunity. According to Tom Pedulla, Real Estate Vice President of ABP Corporation, the new 5,200 square foot Au Bon Pain Bakery and Café in Woburn is the first in the nation of a new suburban "marketplace" model. Designed by the internationally renowned Sasaki Architectural Associates of Boston, the model facility had been extensively tested prior to its rollout.

Au Bon Pain is most well known for its locations in large airports, hospitals, and downtown office towers. It has also acquired prominent urban corners around the world, including bakeries in locations as disparate as South Korea, Chile, Thailand, and Taiwan. Woburn is reportedly the first step in Au Bon Pain's suburban strategy.

Retailers, particularly restaurants like Au Bon Pain, have focused on the suburbs to complement their urban locations for several reasons. One significant factor is that if properly located, a suburban facility in or near residential neighborhoods can be utilized seven days a week versus five days for many central business-district urban restaurants. Gaining two days every week is a tremendous incentive, particularly given the significant cost of building, stocking and operating a facility, especially a restaurant.

Retailers investing thousands in custom facilities that are only open five days a week is like a consumer purchasing an expensive automobile that can only be driven on weekdays. In the long term, a facility that can be used seven days is a more prudent choice. Industry sources indicate that the weekend component can be the determining factor in selecting a particular site. Office parks are reliable for weekday business, weekends are the bonus.

Another important criteria is

the cost of building and operating a facility, which is frequently significantly less in the suburbs than in urban locations. Typically, operating costs are less in suburban locations, due to lower per square foot rental rates, real estate taxes, trash removal, utility and labor costs. Initial construction costs are considerably less due to easier access, lower labor costs and lower permitting fees.

Additionally, suburban locations can serve not only the business customer but also the significant student, home office worker, retiree and stay-at-home parent populations, adding traffic during the traditionally less active periods of the day, further allowing companies to maximize the utility of each facility.

Retailers also benefit from having both urban and suburban greater Boston locations since marketing expenses can be apportioned over a larger base and the familiarity consumers have with the brand, coupled with the easier access for many suburban customers, helps grow revenue. While some sales are reportedly lost from consumers who no longer travel to urban centers for purchases, the ease of access of suburban locations has reportedly made it more convenient for many loyal customers to increase the frequency of their purchases.

Some commercial leasing companies are seeking out and warmly welcoming these name brand retailers and the prestige they bring to office parks, since an exciting mix of amenities for those on-site is often seen as critical in creating a successful, vibrant business park.

Landlord buy-in is often necessary due to the additional buildout costs required for a retail or food establishment. Prospective tenants and their design-

ers have additional burdens of specialized utilities, heavy parking requirements, seating, bathrooms, exhaust, access and health department compliance to consider. But it's typically very much worth the effort for both parties. Most landlords are thrilled to have the amenities not only for their clients but also for their employees.

Cummings Properties, for example, is keenly aware of the impact of "name brand" retailers. Attracting nationally recognized retailers was a strategic decision for Cummings Properties, and it has worked out well. The company has a long and successful tradition of building amenities into its office parks, and now that firms like Starbucks, Fresh City, Lo Fat Know Fat, and Au Bon Pain are part of the portfolio, its clients reportedly find the complexes even more convenient workplaces. Clients realize that the environment is nearly as full of amenities as an urban one, without the hassles. As is usually the case in suburban parks, parking is free and plentiful and most people's commutes are shorter.

Additionally, the locally owned restaurants and retailers who have served suburban office parks so well over time have benefited from the influx of national retailers since more attention is paid to the whole industry and new customers are also trying their product offerings.

National retailers are not just reliable tenants, their products serve as amenities to other tenants. Employers win too, noting that their employees aren't inconvenienced by a mid-day commute to get a sandwich.

As the urban-to-suburban trend continues, the real estate industry looks to other candidate industries, such as law firms and financial service companies.