

Cross-trainers

Developers who began their careers as retailers say the experience helped make them far better custodians of their real estate.

By: Joel Groover



The concept of cross-training — practicing multiple sports with a view toward ramping up one’s overall level of fitness — is commonplace today in athletics. Can a similar approach among shopping center developers yield similar benefits? Some developers who started off in retail say their background doing things like running stores or finding sites for national chains continues to prove invaluable now that they sit at the other end of the negotiating table.

“There is no better experience for a developer than to have been on the retail side,” said Sandra G. Yavitz, owner of Yavitz Cos., a Seal Beach, Calif.–based development and consulting firm. “Today when young people who are getting into the development business ask me what they should do, I tell them to go get a job with a retailer. Not only do you see what happens within a retail group, but you also see a ton of real estate and learn to analyze it from a retailer’s perspective.”

Yavitz should know. Over the course of her career, she has moved between senior development and retail positions several times. Her first retail job came in the mid-1980s after Carl Karcher, founder of the Carl’s Jr. hamburger chain, hired her to acquire sites for 20 Carl’s Jr. restaurants across Arizona, California and Nevada. In 1987 Yavitz seized an opportunity to experience life in the development world. Bill Carver, a friend and business acquaintance impressed with Yavitz’ passion for real estate, asked her to become vice president of development for his Carver Cos. Over the next five years, she developed roughly 1 million square feet of grocery- and drugstore-anchored neighborhood and community shopping centers in Coachella Valley, Calif., and Las Vegas. Her responsibilities ran the gamut, from acquiring sites and securing entitlements, to leasing projects and hiring architects and contractors. “I could not have asked for anything better,” she said.

Yavitz' cross-training also has included opening about 40 new or relocated stores as vice-president of real estate at Ralphs Grocery Co. And in a return to development, for about five years she was senior vice president of leasing and acquisitions at Caruso Affiliated Holdings, where she added new assets to the portfolio and leased up the likes of The Commons at Calabasas (Calif.) and The Grove, in Los Angeles. Today, with 10 of her own retail projects either planned or already under construction, Yavitz says she feels grateful for her years in retail. "It makes us more competitive as a developer," she said. "When you understand what the retailer needs and try to make their job easier, they want to come back and do another project with you."

Likewise, it helps to know how retailers' real estate processes function and to have firsthand knowledge of some of the specific challenges retailers tend to face, says Yavitz. She cites packages of site-related paperwork that are so huge they can take a week to put together and ship to a corporate office and which typically require lots of time for real estate executives to sift through. "You have to remember, the real estate part of a retail company is so minute," Yavitz said. "At Ralphs, out of 25,000 employees, there were only two of us doing real estate." As a result of this inside knowledge, Yavitz knows to be a bit skeptical when retailers promise to secure site approvals in, say, four weeks. "It will more likely take four months," she said.

Bob Champion, founder of Los Angeles-based Champion Real Estate Co., spent years rolling out franchise ice-cream stores across Southern California before his transition to development. Champion, whose company has completed retail, mixed-use and other projects valued at roughly \$1 billion in total, was just 19 when he bought his first Swensen's Ice Cream shop in Long Beach, Calif. Later, as a student at Menlo College, he took a part-time job in Swensen's real estate department, where he spied an opportunity. "I decided to buy the area development rights for Swensen's for Southern California," he said. "With my brother as a partner, we opened up about 20 ice-cream stores."

The venture gave Champion a look, up close and personal, at the realities of running a retail business, he says. "At the time it felt like a tremendous challenge, but I learned a lot about retail and about real estate and development," he said. "We had to find sites and build out our stores, and I had my share of landlord disputes to work my way through as well."

Champion eventually sold his Swensen's stores and went to work for La Mancha Development Co., a strip center developer.

Though he was only 24, Champion could talk to prospective tenants in their own language, thanks to his early experience in retail. "I was able to communicate to the tenants from the standpoint of the kind of volumes they could do at a particular location, and I could help them do their break-even analysis," he said. "I was definitely more equipped to be a good salesman. [Retail experience] also allowed me to assess potential tenants a lot better and reduce the number of tenants we did business with that would ultimately fail."

Over a four-year period at La Mancha, Champion underwent a kind of crash course in the fundamentals of development. Learning about tenants outside of the food business was just the start, he says. "I spent a year in acquisitions and a year running acquisitions and leasing, and then the third year I took over construction as well," Champion said. "I became the company's executive vice president the fourth year I was there. When I look back at my career, there seem to be a lot of zigzags. But in hindsight, everything I did was helpful toward what I'm doing now." Lyle Darnall, a managing director at Edens, also looks back fondly on his years in retailing. These days Darnall is responsible for the development firm's platform of assets in high-growth markets in Georgia and the Carolinas. Over the past 15 years, he has directed the development or redevelopment of some 4 million square feet of high-end retail space, including 17 grocery stores, six department stores and numerous big-box stores. Before joining Edens in 1999, however, Darnall spent a decade running the real estate department at Bookland, which became Books-A-Million.

During this pre-Kindle era, booksellers such as Waldens and B. Dalton did brisk business at the malls, while the likes of Barnes & Noble pursued big-box sites at suburban shopping centers. Throughout the 1990s, Darnall went up against these and other competitors as he scouted markets in the Southeast and the Midwest for sites suitable for either a 3,000-square-foot Bookland or a 25,000-square-foot Books-A-Million. When Darnall started with the chain in 1989, it operated 93 Bookland and three Books-A-Million stores. When he left a decade later, the company operated 125 Books-A-Million and about 60 Bookland stores. "At that time big-box stores were starting to become the dominant growth vehicle for a lot of chains," Darnall said. "It was fun to watch the industry change and to participate in that shift."

On-the-ground analysis was a big part of the job. Darnall spent

hours driving around Kentucky, Missouri, Texas and Virginia to view prospective sites and markets. Along the way, he says, he built a skill set that continues to serve him well as he evaluates markets and sites for Edens. “Going into new markets where I didn’t know everything was probably what I enjoyed the most,” he said. “You would start with a clean slate and then come away with a perception about whether you could be successful in that market.”

At Books-A-Million Darnall took dozens of calls from developers seeking to interest him in opening stores at their shopping centers. After joining Edens, he remembered what it was like to receive calls from those who had skimmed a bit on their homework about Books-A-Million’s strategic priorities, locations and competition. “You would get an awful lot of phone calls where people were just trying to throw something at you to see if it would stick,” Darnall said. “I had people call me and ask me if I would be interested in a shopping center where, literally, we had opened a store across the street just a month before.”

And so when it came time to approach prospective tenants on behalf of Edens, Darnall put a priority on preparation. “One of my takeaways was that it is important to understand the retailer and what makes them tick, from an operations standpoint, their real estate needs, you name it,” he said. “So while I might make fewer phone calls to retailers about sites, hopefully when I do make that call, it is a qualified call.” Because mobile technology was still in its infancy, Darnall’s decade with the chain also gave him a thorough appreciation for the face-to-face, on-the-ground nature of the real estate business, he says. “I still believe that nothing beats being out on the actual real estate,” he said. “Today there is such a reliance on technology. It certainly helps everybody and has great advantages. But what I tell my people around here is, ‘It is not going to happen on a computer screen. It has got to happen in person.’”

Van Westmoreland — founder and principal of Westmoreland Co., a commercial brokerage and development firm in Marietta, Ga.—started his retail cross-training by putting on an orange apron and walking the aisles of The Home Depot. He served as a real estate manager for the big-box chain before founding Westmoreland Co. in 2002. “When you go to work for The Home Depot, you put on an apron and work at the store for two weeks,” Westmoreland said. “The Home Depot wants you to learn every aspect of the business before you start going out to

look for real estate.”

In his years with the chain, Westmoreland handled all aspects of the real estate search. “It was a great learning curve for me, because I developed a skill for every part of the process,” he said. “Today, anytime we go on a real estate trip, those disciplines show up, and those experiences come back to me.” The knowledge translates particularly well when Westmoreland is dealing with national tenants such as Walmart. “Coming out of the other side of The Home Depot, I understood the retailers’ needs so much more,” he said. “Typically, brokers and developers are interested in getting a transaction done, because that’s when they get paid. But I like to look at things a bit more globally and say: ‘What is this going to mean for this retailer for the next 20 years? Will this store be profitable? Is it the best decision?’ I try to layer in that type of decision making when I’m looking at real estate for them.”

These days, Douglass E. Karp’s role as president of New England Development touches just about every dimension of the development process, including site acquisition, financing, permitting, design, construction and leasing. Karp was promoted from executive vice president last month, a position in which he managed most of the Newton, Mass.–based company’s retail and mixed-use development projects and served as asset manager for its Nantucket Island Resorts, a collection of hospitality and retail properties on Nantucket. But though Karp is now an experienced developer, he started in retail at the age of 17. He and his friend, Ben Fischman, then 20, told their fathers — the founders of New England Development — about an unfilled niche. “There was no place to buy hats at the mall,” Karp said. He and Fischman started Lids as a specialty-leasing tenant at Atrium Mall, in Newton, with a focus on licensed and branded sports hats. The business famously took off, eventually growing to some 400 mall-based, airport and street-level stores across the country. Growing up, Karp had absorbed ideas and perspectives about retail and development from one of the country’s foremost experts: his father, Stephen R. Karp, chairman and CEO of New England Development. The elder Karp developed some of the first enclosed malls in the Northeast and often talked to his son about the business. This informal education, along with the experience of growing Lids into a major chain, gave the younger Karp a solid foundation.

The benefits of diverse experience are such that some companies

make a point of filling development positions with former retail executives. Darnall cites Eden's hire, announced in May, of Carol Spann Joyner, SCLS, as vice president for the Southeast. Joyner previously held senior real estate positions at Teavana and Gap Inc. However, even when cross-training, per se, is not an option, companies can broaden their employees' horizons by making sure diverse parts of the organization continually talk with each other. "The way our company is set up, we have a single platform, and then we have three or four different businesses operating on that platform," Champion said. "They all interact with each other. So if a site comes in to the multifamily group, we have a weekly meeting where it is discussed among all the different businesses. The goal is to make sure we are looking at it from every possible angle."