

Simon Mixes It Up

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Simon Property Group is embracing the mixed-use format as a way to rework some of its existing retail properties and squeeze out more revenue as part of a new program, which the mall owner is calling "Version 5.0." The nation's largest mall owner could spend as much as \$1 billion on this new program.

As part of Version 5.0--the fifth type of platform the firm uses in designing centers-- Simon will partner with residential, hotel, office and other developers to create alternative uses for space at its malls, or sell the air rights for development atop its properties.

"We call it asset intensification," said Chief Executive David Simon, speaking yesterday at the Smith Barney REIT CEO Conference in Florida.

The program comes to light just one week after the proposed Federated/May department store merger was announced and at a time when more shakeout is anticipated. For Simon, this will be a way for it to recycle abandoned department store space and use pads and outparcels. At some centers, Simon is considering vertical expansion by adding high-rise residential towers and hotels. It's also considering putting self-storage facilities in the back of parking lots, said David Simon.

"If we get back department stores, the highest and best use would be high-rise residential towers," the audience was told. In the past, Simon has been able to get more rent for abandoned anchor space through a variety of uses.

Examples of Version 5.0 include the addition of a hotel and residential units to St. John's Town Center, which opens later this month in Jacksonville, Fla. Also, Simon plans to add a residential component to Domain shopping center in Austin, Tex., and 100,000 square feet of office space at Firewheel Town Center in Dallas, scheduled to open in October.

Roosevelt Field Mall on Long Island, New York, and The Galleria in Houston represent opportunities for future expansion by building on outparcels and possibly adding high-rise condos, Simon said.

Anchored retail space will remain the driving force behind Simon developments, Simon said. Adding multiple uses appeals to retailers because the concept expands the shopping day, from 7 a.m. to 11 p.m.

-- Beth Karlin