

# LOS ANGELES BUSINESS JOURNAL

Volume 39, Number 4

THE COMMUNITY OF BUSINESS™

January 23 - 29, 2017 • \$5.00

## Music



Country heads west as chief of music association relocates from Nashville, Tenn. **PAGE 3**

## Media



Streaming services are driving demand for studio spaces. **PAGE 12**

## Exec Office



Clique Media boss Katherine Power keeps it clutter free. **PAGE 32**

MAIL TO:



Trend Setter: Food court at Grand Central Market downtown.

RINGO H.W. CHIU/LA BJ

**DINING:** Developers add food halls to menu to draw in shoppers.

By **CAROLINE ANDERSON**  
Staff Reporter

WHEN Greenbridge Investment Partners bought a historic commercial building in Altadena in 2013, the firm didn't know exactly what it would do with the property. After talking with residents about what was needed in the community, Greenbridge decided on a food hall.

"Food is the new retail," said Steven Vasquez, an asset manager at the Beverly Hills firm. "It's driving folks to shopping centers. Restaurants are the focal point, rather than having big-box stores or regular retail stores, which are losing sales to online."

In addition to the eight-vendor Altadena Marketplace, which is in the permitting phase, Greenbridge is planning on opening Food at 3500 Wilshire, another food hall, in Koreatown this summer.

The projects are among about 10 food halls scheduled to open this year across Los Angeles County, potentially

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## Bankrupt Chains Might Have More Left in Stores

**RETAIL:** Discounter could fit American Apparel sites.

By **CAROLINE ANDERSON**  
Staff Reporter

A lone beachfront store on Pacific Coast Highway in Malibu grabs attention as a prominent advertisement for its occupant, American Apparel. The property epitomizes the kind of bold standalone real estate the L.A. clothing company occupied in its hometown.

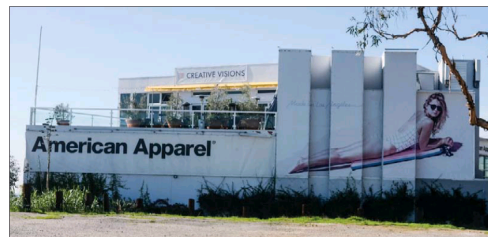
The site also represents one of 14 pre-

mium local retail spaces that are expected to be vacant by April as the bankrupt company shuts down its 110 locations across the country.

The American Apparel properties are becoming available even as the retail market is trying to absorb spaces left vacant by the closure of two other chains, Sports Authority Holdings Inc. and Sport Chalet, which also declared bankruptcy last year. The three companies will leave more than two dozen empty L.A. storefronts in their wake.

However, the return of dozens of properties

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RINGO H.W. CHIU/LA BJ

Coast Is Clear: Malibu shop of American Apparel, which will shut down 110 locations across the United States.

## E-Tailers Buy In

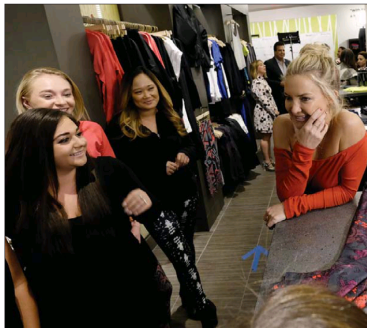
**INTERNET:** Digital denizens sold on brick-and-mortar's pull.

By **GARRETT REIM** Staff Reporter

Online retailers, which for years used efficient internet operations to drive brick-and-mortar shops out of business, are bucking conventional wisdom and opening physical stores as part of a strategy to boost sales.

Perhaps the most aggressive local example of this trend is Fabletics of El Segundo, an online yoga clothing retailer co-founded in 2013 by actress Kate Hudson and TechStyle Fashion Group's Co-Chief

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DIMITRIOS KAMBOURIS/GETTY IMAGES

Stretching Out: Kate Hudson, right, opens a Fabletics shop in Bridgewater, N.J., in 2015.

## Hotel Venture Parcel-ed Out?

By **DAINA BETH SOLOMON** Staff Reporter

A Turkish investor has purchased a prime Beverly Hills retail property in an off-market deal for \$17 million and plans to build a five-star hotel in its place.

But before Serdar Bilgili of Istanbul-based BLG Capital can realize his goal, he must contend with the fact that a neighboring parcel that is a key to his development plan still lies beyond his reach.

Bilgili lost a bid for the site, at 499 N. Canon

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It isn't what you do, but how you do it.

— John Wooden

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# Dining: Food Halls Key Ingredient for Shoppers

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doubling the number of existing ones – though identifying and quantifying food halls, loosely defined as upscale food courts, is an inexact science.

Meanwhile, older food halls are being refreshed, especially those in malls such as Westfield Century City and Beverly Center, as they try to stave off a decline in retail foot traffic.

Driving the trend are consumers' changing food preferences and cultural shifts brought about by social media and the internet.

"A food hall captures the big human desire for a place to gather and meet," said **Phillip Otto**, whose downtown architecture studio, **Otto Design Group**, is working on a 60,000-square-foot food hall in the City of Industry. "It's the part of you that is missing contact and seeing people in person, not through a selfie."

The benefits to restaurants, which have to invest less capital while having a built-in customer base, and for landlords, who usually take a cut of the sales, are also feeding the growth.

"A lot of folks can do restaurants in small spaces rather than taking on a large space," said Greenbridge's Vasquez.

## Changing times

Food halls are not new in Los Angeles or the country. Grand Central Market, which opened downtown in 1917, and the Original Farmers Market, which started in the Fairfax District in 1934, are two of the area's oldest and most well-known.

The latest boom has come as rents have bounced back from the recession, chefs are seeking out cheaper options than full-scale brick-and-mortar restaurants, and consumer preferences are changing.

"What millennials and the typical person are looking for is higher quality, farm to

table, and local roots," said Darren Tristano, president of Chicago restaurant research firm Technomic Inc. "And they're willing to pay a higher price point for quality."

The dining revolution has sparked a backlash against chains, said Tristano, pointing to the downsizing of some national restaurant chains, including Tony Roma's and TCBY, which were often found in malls.

"In the old days, food courts had a lot of chain brands and limited service, like Panda Express; a lot of downscale concepts; and were mall based," said Tristano. "Over the years, food courts deteriorated because mall traffic has gone down."

As more people shop online, clothing retailers have closed brick-and-mortar stores, spurring malls to find ways to lure back customers. They have rebranded as lifestyle centers where consumers might want to spend leisure time.

As part of its \$950 million renovation, Westfield Century City is adding the first West Coast outpost of **Eataly**, an upscale Italian food hall concept started by chef **Mario Batali** in New York.

Not to be outdone, the crowning jewel of the Beverly Center's \$500 million renovation will be a new food hall curated by San Francisco celebrity chef **Michael Mina**.

"Food halls can generate growth for a lot of big shopping malls, which are totally revamping their (food courts)," said **Gabe Kadosh**, vice president of retail services at commercial real estate company **Colliers International's** downtown office. "Instead of pretzels, we're providing more unique offerings."

## Restaurant rewards

Because the economics of a food hall can be good for chefs, too, both new and established restaurateurs have been signing up.

Although each food vendor is required to have its own permits, including health and liquor, the communal space that includes

bathrooms and seating maximizes efficiencies, allowing restaurateurs to invest less money. Unlike a full-service restaurant, stalls don't require front-of-house staff, which can reduce a business's labor costs and improve operating margins.

Vendors also benefit from advertising done by the food hall and foot traffic generated by co-tenants.

"If you're a young chef, you can get up and running quickly," said Otto, who has designed stores for REI, Anthropologie, and Free People. "The quickest thing is a food truck. The next level of permanence and investment is a food hall, and after that, a free-standing restaurant."

**Alvin Cailan** has done all three. After starting his **Eggslut** concept, which includes gourmet egg sandwiches, as a food truck six years ago, he was approached by Grand Central Market and opened a food stall version in 2013.

Cailan, 34, had looked at standalone buildings, but landlords always chose restaurants with investors over him.

The game changed after moving into the food hall; he opened his first standalone restaurant in June at the Cosmopolitan hotel in Las Vegas. The Cosmopolitan chief executive's daughter, a USC student who frequented the Eggslut food stall, recommended Cailan's eatery.

"That's why I'm so happy Grand Central Market gave us a chance," said Cailan, who opened a second standalone location in Venice last month and is working on a third in Glendale. "We proved all the naysayers wrong."

A food stall is usually outfitted with basic equipment like an exhaust ventilation hood, which can cost up to \$30,000, said Cailan, who estimated that a 650-square-foot stall might start at around \$60 a square foot to furnish. Standalone restaurants might cost an average of \$300 a square foot to furnish, he said.

Food hall lease agreements can range

from three to 10 years, with tenants negotiating individual contracts. The lease usually includes the landlord receiving a percentage of sales, from 6 percent to 12 percent or more, and sometimes also a base rent based on square footage.

Landlords seek out chefs with followings to anchor the food hall and use as a pitch in convincing others to join, said **Marie Petulla**, who had already opened restaurant **Union** in Pasadena when Grand Central Market sought out her and chef **Bruce Kalman**. A better-known restaurant can get a break on their lease, too, she added.

Petulla and Kalman opened **Knead & Co. Pasta Bar + Market** at the downtown food hall last year. Knead gave the business partners an opportunity to try something new.

"Running a full-service restaurant and a food court stall is very different," she said. "Our menu at Union is much more expensive. We're exploring a different kind of concept that's more casual."

## Farming out

Managing multiple vendors can be time-consuming, so some landlords are signing agreements with operators who act as lessors and then sublease the stalls.

The city of Redondo Beach, which is renovating its waterfront commercial area, is negotiating a contract with El Segundo retail development company **CenterCal Properties** to operate the retail center, which will include a food hall as well as freestanding restaurants, retailers, and a hotel.

CenterCal will pay the city a base rent and percentage of revenue, said Chief Executive **Fred Bruning**. In turn, the developer will charge tenants a base rent and take a percentage of sales. The company is paying \$300 million of the \$400 million for the overall cost of the project, which it expects to generate between \$350 million and \$400 million in annual revenue.

Bruning said the restaurants and food hall will complement each other.

"It's good to have both," he said. "The market hall will provide a quicker dining experience and the restaurants will provide a more formal, longer experience."

## Strong appetite

Despite the proliferation of food halls, designer Otto said he doesn't see the trend slowing anytime soon in Los Angeles.

"Grand Central is not located in a place everyone can get to," he said. "L.A. is 500 square miles."

Having a built-in office or residential customer base is key, said Technomic's Tristano.

Food at 3500 Wilshire has both, said Greenbridge's director of operations, **Brenda Arianpour**.

"Koreatown is so dense, the demographics within half a mile are plenty to satisfy the tenants," said Arianpour. "Even if another food hall opened a mile down the road, it would not be a concern."

Tourism can help fill in the gaps, as some food halls are destinations in their own right.

"As all of L.A. is, we're seeing a growth in tourism," said **Chris Farber**, director of business development at Grand Central Square, which includes the Grand Central Market.

After the marketplace teetered on the brink during the recession, the **Yellin Co.**, Grand Central's owner, hired Farber to spearhead a revitalization, which included finding tenants such as Eggslut and Knead.

The marketplace was 40 percent vacant in 2011; now all 39 stalls are filled. Farber gets requests every week for space and keeps an eye out for new concepts.

"We welcome the rising tide," said Farber. "It helps solidify Grand Central Market's place as the grandmother of them all."



RINGO H.W. CHIU/LA&J

Rolling in Dough: Marie Petulla, center, tried something new with Knead & Co. Pasta Bar + Market at Grand Central Market.