

Retail is moving away from malls to more mixed-use developments, such as Libbie Mill Midtown in Henrico County.



## Retail Returns

DESPITE THE RISE OF E-COMMERCE, BRICK-AND-MORTAR SHOPS ARE ALIVE AND KICKING **By D. Hunter Reardon**

**P**aula Pekic, owner of women's clothier Bittersweet Boutique, was looking to open a fourth store in the Richmond market in the summer of 2020, during the early months of the pandemic.

She found just the spot in Carytown, in a space that had been recently vacated by vintage clothing store and coffee shop Brick & Mortar.

In a retail world hovering anxiously between the physical and virtual, Bittersweet's opening that October could have been viewed as a risky bet. After all, there's a reason why the real estate was available — Brick & Mortar was forced to close in the summer of 2020 amid social distancing measures and restrictions on public gatherings. Foot traffic dwindled, and sales dried up.

"At first, I was concerned it was a bad time to open," Pekic says. "I might have waited longer to expand to Richmond,

but I really loved the space, so we just went for it."

The reward has been more than a year of surprisingly healthy sales. The foot traffic returned, and Pekic says the location turned out to be a perfect place to keep inventory for online orders.

"We've had a great turnout right from the start," she says.

The success of Bittersweet Boutique, which has three other stores in Charlottesville, Roanoke and Lynchburg, stands in contrast to all of the doomsday talk in the retail industry. Yes, online shopping and e-retailers have been siphoning off in-person retail sales, a trend that accelerated during the pandemic. But the pandemic also did something else — it reminded many people how much they enjoy shopping in actual stores.

"In 2019, we were in the peak time of retail closing from the 'retail apocalypse,'" says Andrew Thacker, a commercial leasing associate with S.L. Nusbaum Realty

in Richmond. "There had been major disruption among big-box stores and a flight from malls. But in 2021, retailers opened more stores than they closed for the first time in five years."

That doesn't mean the old model is making a comeback, Thacker points out: "You'd be hard-pressed to find a national retailer who didn't have changes to their business model during the pandemic," he says. "The result has been a healthier and more stable retail environment."

What the future holds for brick-and-mortar retail, however, remains to be seen. It wasn't so long ago that the dominant force in retail was the regional mall, anchored by fashion-forward department stores, followed by the rise of stand-alone big-box chains. Now, millennials have buying power, e-commerce continues to grow and the pandemic has disrupted everyone's habits.

"Retail reinvents itself every 10 years," says Robert Gibbs, managing director at Gibbs Planning Group, based in Birmingham, Michigan. "A decade from now, you might have a 3D printer that can print a sweater out at home, and everything I'm telling you will be out of date."

Recent changes include online shopping options for almost all successful retailers — even grocery stores — which compete with giants like Amazon by emphasizing same-day pickup. Today, roughly 40% of department store goods are being purchased online, Gibbs says. Other trends include self-checkout, curbside pickup and in-app ordering. These features were increasingly commonplace before COVID-19 arrived but have since become mission critical. A growing number of customers shop almost exclusively via laptop or smartphone.

The shift away from large-scale retail operations such as malls and big-box stores has led to a rise in more mixed-use development, and destination retail shopping. In newer developments such as Libbie Mill Midtown in Henrico County, large tracts of land have been developed into a combination of residential housing, offices, entertainment and retail shops.

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walkability," says Gibbs, a retail consultant for the last 35 years. "All over the country, regional malls are being bought and torn down, then turned into housing and retail. On the very same land, if you build a main street and some homes, you get Class-A tenants."

In Chesterfield County, Cloverleaf Mall on eastern Midlothian Turnpike closed a decade ago and the land was assessed at \$11 million. After the county purchased the property and incentivized its redevelopment, it's now a thriving mixed-use retail and residential development called Stonebridge. The former Cloverleaf Mall site is now valued at \$110 million. The Chesterfield Economic Development Authority is hoping to do something similar with the former Beaufont Mall property across the street, which it recently purchased for \$16 million.

"People want a place where they can live, work and play," says Garrett Hart, Chesterfield's economic development director. "What we saw was a chance to build a mixed-use midtown city, with seven-story buildings, housing, office, retail and entertainment."

Open-air shopping centers, which began to replace malls 25 years ago, are also increasingly popular. Think Willow Lawn, which was redeveloped in the mid-2000s by tearing off the roof of its enclosed mall and returning the shopping center to its open-air, 1950s roots. Plans are now in the works to convert nearby office buildings into apartments.

"People pay 25% more for an apartment where they can walk to Starbucks," Gibbs says of mixed-use centers. "It's also good for hotels. Would you rather stay somewhere you can walk to 20 restaurants, or stare at the television next to the freeway?"

Thacker notes that millennials and Generation Z shop differently than previous generations. And they aren't so interested in sprawling, mall-based department stores. "The younger generation is generally more casual," he says. "They want that exclusive or newly trending experience, which they get from Alton Lane or Madewell, not a department store."

Despite the rise of e-commerce, Gibbs says there's still a place for the traditional shopping experience.

"There's a ceiling to online business," he says. "There isn't that impulsive, feel-good reaction you get while shopping in person." ■