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# Retail, Hospitality & Services as Placemakers for Area Development

The power of an attractive location not only lies in the various functions, but also in the diversity of the available amenities.

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*Bret Sloterdijk (Source: Entree Magazine)*

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## Amenities in locations where many people spend time or pass by

In the Netherlands, over the past few years the development of retail, hospitality (food & beverages), and services in locations where many people spend time or pass by has enormously expanded. In addition to more traditional shopping locations such as city centres or shopping malls, the retail offer in transportations hubs such as Schiphol Airport or the large Dutch Railway stations, hospitals, and university campuses has continued to develop as well. These so-called high traffic locations have quickly familiarized themselves with the art of retailing, and for consumers, 'shopping' in these locations has become a natural thing. Better yet: people expect the offer to be right there where they reside, work, pass by, study, or spend their free time.

## Area developments as new shopping areas

Meanwhile, a new type of location is up and coming. One that is more and more manifesting itself as an attractive location for retail, hospitality, and related services. Namely places where largescale mixed-use area development and transformation takes place. The fact that in these locations, various functions, target groups, and transportation modalities unite at a relatively small surface, make for complex yet highly attractive locations for new business development. Potential which, in the Dutch market, at both the demand as well as the supply side, is not used nearly enough yet.

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Interesting fact is that the demand for amenities in area developments is twofold. On the one hand aimed at 'fun', whereby the focus lies on creating a sense of place, liveliness and on increasing the attractiveness of the development areas. On the other hand, aimed at the 'functional' implementation that should play into the needs of the area's present users.

The challenge for developers, real-estate owners, municipalities, and entrepreneurs in the development and realisation of amenities as part of an area development is to come up with a creative answer to the 'chicken or egg' question. Do amenities only become opportune when there is enough critical mass present in an area, or are those amenities necessary to create that critical mass? Answering this question has to do with the life phase of an area development, and with the conditions by which retail, hospitality, and services are facilitated in such an area.

## Every life phase requires its own solution

Like with traditional shopping locations, area developments also go through different phases, each with their own dynamics and related challenges for the amenities that are already there or that must be realized.

During the start-up phase, there's barely enough critical mass present for a viable exploitation of retail, hospitality, and services. This is the phase during which mostly pioneering innovators make their entrance and try to get a foothold right from the start.

This is often also the phase in which established market participants turn up their nose for such areas. Because their business models show that in such locations, a viable and profitable exploitation in the short term is not possible. Which is true, but based on outdated paradigms and calculation models! Bret in Amsterdam Sloterdijk is a beautiful example of a pioneering entrepreneur who isn't afraid to take a risk in an area that's currently in its start-up phase. An innovative local bar that has landed smack in the middle of Sloterdijk as a new icon. An enormous (marketing) contribution to the area, and an excellent location to enjoy food and drinks, to meet, and to see and be seen.

In the growth phase of area developments, more offices, inhabitants and amenities move to the area, and slowly a local identity and area economy starts to arise. During this life phase, the entrepreneurs that have been around since the beginning feel increasingly more comfortable, whereby the real perseverers who don't get stuck in the 'nine-to-five' mindset more and more start to distinguish themselves from the others. The area reaches a critical turning point toward the next phase, or unfortunately sometimes also relapses toward the pioneering stage. In the growth phase external parties (especially retail) start to notice that something is going on and the might be missing out. The entrepreneurs from the beginning are still present, the location is more crowded, so it becomes more interesting for these external players to also settle in the area. Locations such as Strijp-S in Eindhoven or Amstel III in Amsterdam are great examples of area developments in the growing phase. Locations that put themselves on the map as hotspots with an enticing mixture of placemaking, amenities, events, and great marketing.



*Supermercado Strijp-S*

During the phase of densification, sufficient critical mass is present in the area, the various functions and amenities entwine more and more generating an impulse that radiates to the entire area and its immediate surroundings. This is the phase during which the area development transforms to a new location with its own identity and autonomous attraction. During this life phase, we actually no longer speak of an area development, but of an independent new city location. Since this phase is much more comparable to regular shopping areas, the influx of established market participants will also increase. With the potential danger of 'mainstream' entrants taking along the related risk of identity devaluation.

Zuidas is the perfect example of an area development which – through densification thanks to the accelerated mixed use – is transforming into a new urban Amsterdam city location.

A new neighbourhood with a main street, squares, and surrounding streets, where ever more hospitality, retail, and services are looking to settle. Dynamics that are typical for development areas in this life phase. Among others the opening of the magnificent food hall concept Market 33 or the Flexform mono-brand store by Co van der Horst are examples that form the litmus test for creating true urban dynamics in Zuidas.

### **Value creation for all parties involved**

In amenity-driven area development, developers, real-estate owners, municipalities, and entrepreneurs will have to get along in a different way. Traditional paradigms and business models that are used in regular shopping areas have – especially in area development – outlived their purpose and don't apply. Better yet: these models can even have an inhibiting effect and make a viable exploitation of amenities in area development impossible from the start. Developers must start a dialogue with market players at an early stage, based on a solid vision and strategy on amenities in the area development.

This to already chart the need for retail, hospitality, and services at the drawing table and to imbed the obtained insights in the overall concept development. Subsequently, real estate owners should dare to exchange the (often unrealistically) high rental targets in the start-up phase for 'added value contribution' in the long term. For example by reducing and/or flexibilizing lease contracts and related rental conditions.

Parallel to this 'new market development, municipalities must become aware of the value of placemaking, liveliness and liveability in area developments, and be willing to discount these social revenues in their land exploitation. Last but not least, the entrepreneurs of the amenities themselves, who should finetune both their new business and concept development and actual exploitation of their amenity concepts to the typical characteristics of area development. Think of modular and flexible retail concepts that, against low investments, could grow along with the life cycle related dynamics of area development.

The more willing all parties involved are to make it a success, the firmer the basis for success in terms of economic and social value creation will be. Value creation that not only the stakeholders that are directly involved in the amenities profit from, but that also radiates to the other functions and the real estate present in the area concerned. A powerful area development with a diversity of functions and qualitatively high standard and distinctive amenities namely generates a solid pull toward potential new offices, inhabitants, institutions, and new amenities.

As the perfect example for this increase in value, the report of Knight Frank: '[Focus on: King's Cross - 2016](#)' could be referred to, as it perfectly charts the effect of well designed amenities on real estate value.

And those who don't believe the figures and who are still doubting the power of distinctive amenities as placemakers for area development, please refer to the film '[A year in the life... King's Cross](#)'.

**Need I say more?!**

