



Pop-up Shops: Breath of Fresh Air?

Chelsea Brewer

If you are involved in commercial real estate, especially if working with landlord clients, you've likely had a chance to work with retailers in creating a unique lease for a pop-up shop. These novel concepts are popping up all over the country; from mainstream malls to industrial settings and everywhere in between. And these small temporary shops are not just for the obscure retailers; large retailers such as Toys R' Us are starting to utilize pop-up shops as a way to get their product into consumers' hands.

Customers appear to be loving them. They are new, fun, novel, and exciting. These environments can foster more of a hands-on experience and one on one interaction that customers might not receive in a larger, more crowded store. Take, for example, the Kylie Jenner pop-up shop in the Topanga Westfield Mall in Calabasas, California. I came across an article the other day entitled "I survived the Opening of Kylie Jenner's Pop-Up Shop". Thousands of fans and customers were lined up starting at 4am with lines wrapping around the mall's entire first floor. While I realize that not all of the pop up shops will be based around a celebrity, they still have the potential to draw customers that would not otherwise frequent the traditional mall setting. With social media and its far-reaching impact, retailers can advertise and create a buzz and allure, similar to a limited edition collectors' item.

So how does this affect the ever-changing world of commercial real estate?

If you are a landlord (or represent the same), these temporary tenants may be a quick fix to the problem of vacant space and may quickly generate a meaningful rental stream. It will increase foot traffic by attracting new customers who will hopefully stop in at the other shops along the way. This could also be the perfect opportunity to display and advertise the space as a vibrant and successful spot for more permanent tenants. Perhaps even the temporary pop-up tenant will want to sign on for a long term if they've created a successful concept.

For tenants, this could be the perfect solution for a smaller tenant that is just starting out who may not be ready to take the plunge into a full-fledged lease. It could also allow them the opportunity to be in a higher priced market while benefitting from lower rental rates. Rental rates are often lower in pop-up spaces because elaborate build-outs and big landlord-funded construction allowances aren't necessary. Additionally, it offers them an opportunity to try out a new product or concept and grow awareness of their brand.

Along with all of the potential positive aspects, one must be careful to avoid the pitfalls that may be associated with such temporary tenants. Just because a lease with a pop-up tenant is a short term deal with little up-front investment, it doesn't mean that it won't meaningfully impact a center. In one recent instance, our client allowed a pop-up tenant to set up shop for just one weekend. Another tenant of the center itching to get out of its lease attempted to use the weekend-long existence of a small pop up tenant to terminate its lease. When contemplating these short-term leases, be certain that any pop-up tenant's permitted use is subject to all existing exclusives and prohibited uses at that particular shopping center. It's imperative to evaluate a pop-up tenant's lease as seriously as one would review the interplay of a long-term lease.

While most of us in commercial real estate don't want to think about what the rise of e-commerce and online shopping could mean for our industry, pop up shops remain a viable way for consumers to experience products in the real world. If you've ever experienced it, you can understand that there is a sort of rush involved, a feeling of being "in-the-know". And if you haven't experienced it, go seek one out in your local neighborhood and see for yourself. Bringing the excitement of a pop-up might just be the breath of fresh air that your center's been looking for.

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