



# FOOD HALLS<sup>3.0</sup>

THE EVOLUTION CONTINUES



CUSHMAN &  
WAKEFIELD



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# Food Halls 3.0

## The Evolution Continues

In November 2016, when Cushman & Wakefield first reported on the food hall movement, the concept was still in its relative infancy. Food halls were largely divided into two basic camps; larger projects—often in historic, transit-oriented locales (such as Philadelphia’s Reading Terminal Market and San Francisco’s Ferry Building Marketplace), or smaller, mostly chef-driven concepts—almost all of which were located in Manhattan and just a handful of other American cities. A few, including Urbanspace at Vanderbilt (near Grand Central Station in New York), reflected the rising tide of food halls as the next genesis of incubator concepts. Focused on independent and artisanal vendors, the popularity of this wave of “bite size” food halls reflected not only the increasing consumer demand for authentic, healthier food options but also an affordable real estate option for a rising tide of food entrepreneurs. Landlords seeking tenants that provided relevance and drove foot traffic took notice.

But what began as a trend that was largely relegated to just a few markets has since exploded. When we first began tracking this phenomena in 2016, there were roughly 120 projects across the country. That number is on track to nearly quadruple, with 450 food halls expected to be operational throughout the United States by the end of 2020. At a time when headlines about the retail sector remain dominated by stories of closures and bankruptcies, food halls have emerged as

one of the hottest growth trends—spurring real estate trade journal *Globe Street* to declare 2019 as “The Year of the Food Hall.”

Just as consumer behavior, eCommerce and bricks-and-mortar retail are evolving at a breakneck pace, so too is the food hall movement. What was once just an urban trend is now also a suburban one. Malls, college campuses and suburban office campuses are currently seeing action with a new roster of players emerging beyond the chef-driven concepts and handful of food hall venue operators that largely pioneered this movement. Meanwhile, the drive to offer heightened experiences for consumers is also intensifying.

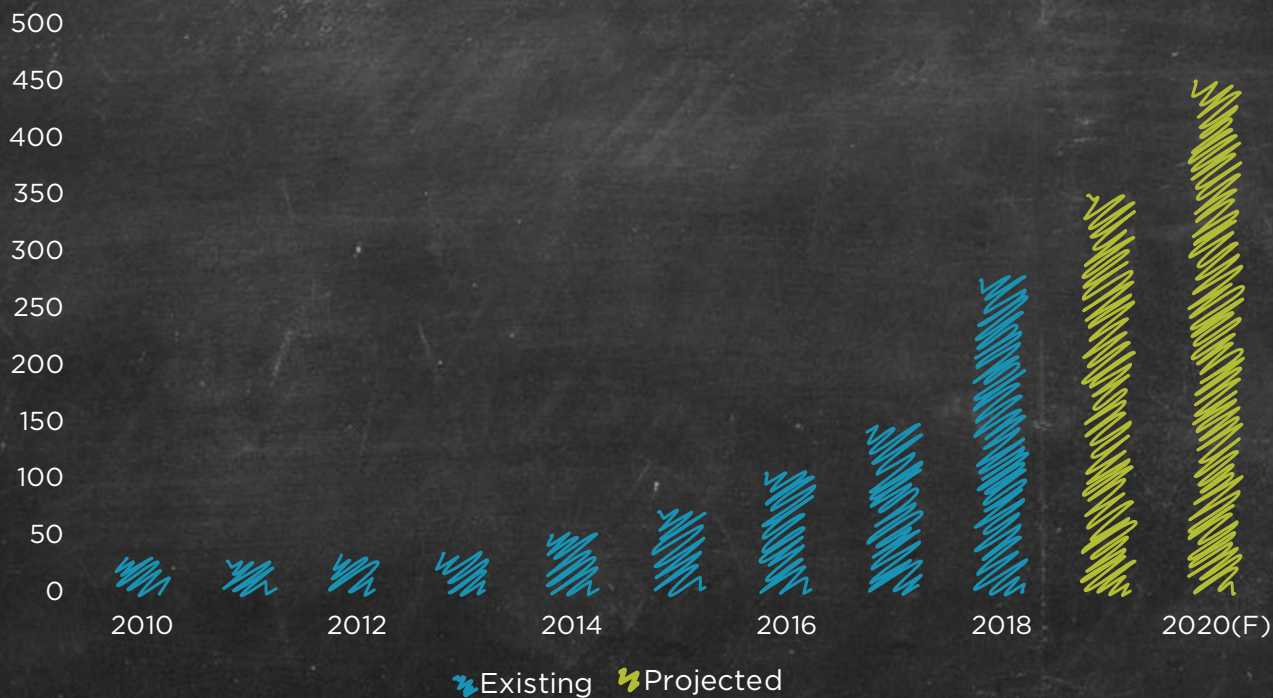
In this report, **Food Halls 3.0: The Evolution Continues**, we explore the most noteworthy trends in food hall development including expansion into shopping malls, college campuses and office towers, and alongside major interstate highways. In addition, we discuss the branding of food halls by media giants, the growing number of partnerships with craft brewers as well as the growth of live performance, entertainment and community-driven spaces inside food halls. We look at how design has evolved, enabling more efficiencies for vendors and greater common space not only for communal seating and performance but for private dining options. Finally, we call out a few areas where we see risk, shining a light on what to avoid when considering a food hall amenity.





# North America Food Hall Inventory

Source: Cushman & Wakefield Research





### The Sharing Economy for Restaurants

Given the exponential growth in the food hall space, it's obvious that this trend is not just a fad. If anything, it represents a "new normal" in real estate development in the "experience economy." The popularity of food halls begins with consumers, but their staying power results from the confluence of a number of trends.

For developers and landlords, the rise of the food hall anchor in residential and mixed-use developments, shopping malls and office towers, has been spurred by a new type of tenant that attracts consumers hungry for authenticity and an experiential lifestyle. For retail landlords, it offers opportunities not just to backfill vacant space in today's changing environment for traditional, commodity retail but to drive even greater foot traffic than many of the failed retail concepts drew.

The food hall represents the ultimate project amenity for multifamily and mixed-use developers. This is particularly true for owners/landlords looking for office space tenants in a marketplace where the challenges of attracting and retaining talent are paramount. The battle for skilled labor in an economy near full employment has translated into an "amenities arms race" in which higher-end food and beverage options must be part of the picture. Projects offering a full suite of worker amenities—not just food and beverage options, but concierge services, wellness options, daycare, medical and dental offices and personal needs retail—are increasingly driving both tenant demand and rent growth. While this had primarily been an urban trend, we are now starting to see the same drivers impacting suburban offices and corporate campus environments.

For a growing class of specialized venue operators, food halls represent a model in which extensive knowledge of a local food scene and masterful skills in food and retail operations combine to create a lucrative service that will only grow in demand in the foreseeable future.

Lastly, as we reported in our 2018 report,<sup>1</sup> food halls represent the sharing economy for restaurants. They offer immense opportunity for vendors because of the lower operating expenses relative to standalone restaurant space (and food truck units) and, if the food hall is properly organized, significantly greater foot traffic. The startup costs for a food hall stall are a fraction of those needed for a new standalone restaurant and significantly less than the cost of purchasing and outfitting a food truck.



Inner Rail, Aksarben Village  
(Omaha, NE)

<sup>1</sup> Food Halls of America 2.0: The Sharing Economy for Restaurants, Cushman & Wakefield 2018.



This is particularly critical at a time in which the scarcity of labor and rising wages are driving more restaurant failures. While food halls may be proliferating, the standalone restaurant failure rate has been inching upward in a number of America's pricier job markets. New York City lost 6,000 restaurant jobs in 2018,<sup>2</sup> and The San Francisco Business Times recently reported that more than 500 restaurants in the Bay area closed in 2018 compared to 350 in 2017. Certainly, increased competition from food halls is one of the challenges for traditional restaurant operators.

But food halls aren't even remotely the problem; rising wage pressures are. This isn't solely due to the challenges of hiring and retaining talent in a near full employment economy (the U.S. unemployment rate was 3.8% in April 2019), but also to minimum wage increases at

both the state and local level. According to a recent analysis from IBISWorld, the typical single-location restaurant spends 34.6% of its gross sales on labor. Adding purchase expenses (i.e., food) the share increases to 67% of all restaurant costs. (Rising rents certainly pose an additional challenge, but they typically account for no more than 6% to 10% of gross sales.) This means that most restaurants are operating with a very slim profit margin—6.2% according to IBISWorld—and are most vulnerable to rising food or labor costs.

Earlier this year, Harri—a workplace management company that works with restaurants—surveyed operators of more than 4,000 restaurant locations ranging from fast food to white table cloth about the impact on rising labor costs. 83% of survey respondents affected by minimum wage hikes report that their labor costs

<sup>2</sup> Source: New York State Department of Labor

## Food Hall Vendor Labor Benefit

Source: Chefify

### Typical Restaurant Labor Models

Concept Type	Servers	Back of House (for every 50 checks)
Self-Service	1 per shift, every 12 tables	4
Seated, but Casual Dining	1 per shift, every 5 - 6 tables	4
Fine Dining	1 per shift, every 3 - 4 tables	6 - 7



have increased by at least 3%. While 71% of operators raised menu costs, 64% report that they reduced employee hours and 43% cut jobs. The survey results demonstrate the challenges those restaurateurs using traditional real estate models face from increased labor costs. On the other hand, food hall operators can benefit. Vendors operating a 200-square-foot stall at a food hall can often execute full staffing with just a handful of employees.

Those labor benefits for food hall operators are an additive to the naturally lower startup costs for utilizing small spaces. While food hall stall occupancy costs range widely depending on the market and the individual project, they are typically a fraction of the real estate costs a vendor would expend for a standalone restaurant. While a concept could be looking at as much as \$8,000 per month for a prime stall in a best-of-class food hall project in Manhattan, that same restaurateur would likely pay upwards of \$30,000 per month for renting a 2,000-square-foot restaurant in the West Village.

While it is true that food hall vendors typically pay a larger percentage of gross sales towards rent/usage fees (most successful vendors we have surveyed are in the 20%-to-25% range (compared to the 6%-to-10% range for standalone restaurant operators), those costs are usually more than offset by lower labor, operational and common area costs.

Against this backdrop, it is not surprising that food halls have emerged as one of the hottest growth concepts in real estate, and present a legitimate “hedge” to developers in need of elevated food and beverage concepts. But, while a food hall may provide pancetta, porchetta and provolone, “panacea” is not a menu option!

While the current wave of development demonstrates the appeal of these projects on multiple levels, there will surely be some failures as well as success stories. The trend in food halls is evolving in a number of ways, but there are a few things that haven’t changed. A food hall’s success is still dependent on a celebration of regional or cultural authenticity and farm-to-fork approaches rather than mass-market concepts. Successful projects will emphasize constituency, quality and sourcing rather than big-box predictability. They also will continue to adhere to the importance of design, both to entice consumers and to maximize efficiencies. As they do today, tomorrow’s successful food halls will utilize operational models that are vastly different than traditional food court or retail models. And, most importantly, they will remember the classic real estate adage, “location, location, location.”

### Food Halls: The Next Wave

A sampling of noteworthy projects under development across the country shows strong growth in secondary markets beyond the global gateway metros that initially fueled the food hall trend. Omaha will welcome the Inner Rail Food Hall in September 2019 at Aksarben Village. Denver will add five more food halls this year. Detroit recently saw the opening of Fort Street Galley in the city’s downtown’s historic Federal Reserve Building.

Another recent food hall addition to a downtown locale is The Churchill in Phoenix. Built from 20 repurposed storage containers, the 9,000-square-foot space features a mix of local artisanal vendors and a smattering of retail. This is likely to be the first of several new projects in the Valley of the Sun. Even though Phoenix is one of the fastest growing metros in the





United States, before 2018 there was only one major project in the area—the successful DeSoto Central Market.

That is not to say that the trend has abated in primary markets. For example, Chicago currently has about a dozen food halls across the city, including recent arrival Aster Hall at the 900 North Michigan Shops (in space that previously housed upscale retailers). Meanwhile, New York, Boston, Los Angeles and Miami all boast multiple projects under development.

What is most interesting about this current wave of food halls is that the growth hasn't just been in new markets (although we are currently tracking new projects in previously overlooked cities like Boise, ID and Memphis, TN). We are also beginning to see new variations in the trend including college campus and roadside food halls, which are discussed later in the report. Beyond a new set of geographies, real estate and players driving food hall development, let's explore how the trend has evolved in terms of the fundamental tenets of successful food halls; design, operation and occupancy.

## Design Evolution

Food hall design has always been critical to success. The design of a food hall needs to be conducive to lingering—a place you might visit for coffee and stay for lunch and even cocktails. Quick table-turning may work for stand alone restaurants, but food halls require bodies at rest. Inviting space, particularly in an Instagram culture, is key.

Successful design is not just about creating the right aesthetic; it's about increasing efficiency for vendors while expanding space for customers. For this report we spoke to one of the nation's leading food hall designers: Ed Eimer. He is President of Eimer Design, and he and his firm have designed 19 projects including Franklin's Table (Philadelphia, PA), Rock Row (Westbrook, ME), Inner Rail (Omaha, NE), Crave (Purdue University) and The Old North State Food Hall (East Raleigh, NC). According to Eimer, "Over the past three years, food hall design has evolved rapidly and significantly."

Eimer says the first major change in food hall design is the size of vendor stalls; booths that were originally 450 square feet have shrunk to





Franklin's Table  
(Philadelphia, PA)



The best design is one that elevates the customer experience while creating efficiency, balance and achieves a connection to the region.”

-Ed Eimer  
President,  
Eimer Design

300. In addition, common storage, scullery and kitchen spaces have either been reduced or completely eliminated.

“We have redesigned spaces so that a vendor can accomplish everything — prep, cooking and service in just 300 square feet,” says Eimer. “This not only opens up common space, but it also means that vendors can be more successful and more efficient because everything is within arms’ reach.” Additionally, more thought is being put into how non-vented spaces can be designed so that vendors can move from one spot to another inside the food hall, giving the venue flexibility for opening up a common space.

Any enlarged and flexibly-designed common space can be used for a variety of options that create a vibrant social environment—eGaming, performance or demo space, or shared community work space. One of the most exciting innovations in food halls design is the introduction of private dining space that guests can reserve for large groups or special occasions. “Now you won’t have to worry about finding a place where you can all sit together, or having one person stay behind and reserve an area,” says Eimer. “You can simply reserve a table for everyone to sit together.”

Eimer makes note of one more significant design change happening across the country—delivery zones. Since delivery has become such an integral part of the food stall operation, food halls are now being designed with designated pickup areas for third-party delivery services so that delivery does not interfere with the onsite customer experience.

Eimer emphasizes that efficient design must be an integral part of any food hall planning. “The best design is one that elevates the customer experience while creating efficiency and balance, and achieves a connection to the region,” he says.



## Operational Evolution: Licenses over Leases

When food halls first exploded on the scene, many owner/ landlords offered vendors leases that, while often shorter-term, were still in line with traditional retail leasing models. That relationship has, for the most part, been rewritten with simpler, shorter-term licenses. While a five- or ten-year lease term may make sense for a stable and established food hall anchor (typically coffee or alcohol), this model creates challenges on a number of fronts.


First, the incubator nature of food halls means start-ups and, importantly, not every vendor has shelf life. Second, many vendors are attracted to shorter-term financial commitments, especially for new test concepts. Third, manageable levels of turnover within a food hall is actually ideal—it means the food offerings are always changing, giving consumers more reasons to return and explore.

The move to shorter-term licenses from leases means that food hall landlords or venue operators who are engaged by landlords have significantly greater

flexibility—as well as fewer legal bills—if they need to move tenants and minimize high profile dark space. The license structure allows operators and tenants to be nimble and flexible, a key component to the food hall model. The term “license” is also significant because it typically means that the agreements are not subject to a leasehold interest legal analysis. This generally appeals to both landlords and tenants; no landlord-tenants courts are required to interpret a lease.

Licenses also offer landlords the opportunity to tie space use to basic sales productivity levels. Increasingly we are seeing food hall venue operators employing a universal point-of-sale (POS) system—owned by the landlords—so that real-time reporting of sales can help pinpoint vendors that are struggling.

This model, of course, also has significance for landlords in terms of traditional tenant improvements. More and more owners and food hall venue operators are providing initial stall build-out and providing basic FF&E, as opposed to costlier tenant-driven custom improvements that simply don't make economic sense given shorter term deals.



**“Food halls are not necessarily suitable for five- or ten-year lease terms. Those longer leases are a risky proposition for venue operators because not all of these vendors are going to make it for that long a term.”**

**-Trip Schneck**  
*Executive Managing Director, Specialty F&B,  
Entertainment and Hospitality Consulting, Cushman & Wakefield*



Entertainment is essential because it provides a more personal, interactive connection between the food hall and the community. The philosophy is the same when curating entertainment as it is with food. We want to engage local artistic communities and create hubs of artistic activity. Music is instant humanity. I see a lot of parallels between chefs and musicians who are both operating in the same kind of sensory realm. People playing music makes an instant connection. Live performance at a well thought out food hall is all about that human touch.”

-Gabe Witcher  
Grammy Award-winning Musician and  
Producer; Entertainment Venue Design  
and Programming Consultant

## **Experience Evolution: Performance and Entertainment Programming**

As more food halls proliferate, it will become even more critical that developers and venue operators continue to ratchet up the consumer experience. At the most basic level, this is about activating all three meal periods, as well as evenings and weekends. Certainly a strong vendor lineup can bring consumers in for any given meal. But the most successful food halls that we examined have also added a strong emphasis on performance and entertainment programming. From a layout perspective this means the addition of multi-purpose spaces that can accommodate anything from stage space for comedy, poetry slams, trivia contests, live radio, television or podcast broadcasts, intimate concerts and live music performances to cooking demos, virtual reality dining experiences and book signings. It can also mean accommodating evening or weekend entertainment activities, and everything from bowling to shuffleboard and even drone racing and axe-throwing.

When planned with intention and care, food halls have the opportunity to shift the retail formula away from the impersonal food courts of the past that were purely commerce-driven. “Then you have the opportunity to bring humanity back into the equation,” says Grammy Award-winning musician and food hall entertainment programming consultant, Gabe Witcher, “and that is what makes the food hall concept such a revelation.”

For instance, Brooklyn’s popular food hall, Dekalb Market Hall, which opened in 2017 in the mixed-used City Point building, recently added Understudy, a speakeasy-style cocktail bar and performance space that provides extra seating during the day and



turns into play space at night for concerts and stand up, but also for irreverent community fun like karaoke, bingo and trivia.

Meanwhile, Toronto's Assembly Chef's Hall (which opened at the base of Google's Canadian headquarters building in 2017), pivots from a strong office worker-driven breakfast and lunch trade during daytime hours, to more of an evening entertainment model to successfully drive traffic in the evenings. In addition to hosting corporate events, Assembly Chef's Hall regularly features live music, DJs and entertainment options.

The reality is that if you want to fully activate food hall space—particularly in central business districts—adding performance space and entertainment programming is critical. In shopping malls, that same maxim holds true—but can mean radically different things. For example, the

food hall within the Bed, Bath & Beyond (BB&B) in Brooklyn's Industry City project features an open studio for cooking demonstrations that showcase their projects. BB&B also videotapes these demos, turning them into digital assets that can be used and played all over the world.

Look for food hall models to continue to evolve both as the market matures and becomes more competitive and as best practices and innovation continue to shape the trend going forward.

## Space Evolution: Food Halls at the Shopping Mall

As the basic tenets of food halls (design, operations and tenanting) continue to evolve, so too does the real estate involved.

There has been a radical rethinking of food and beverage at America's malls over the

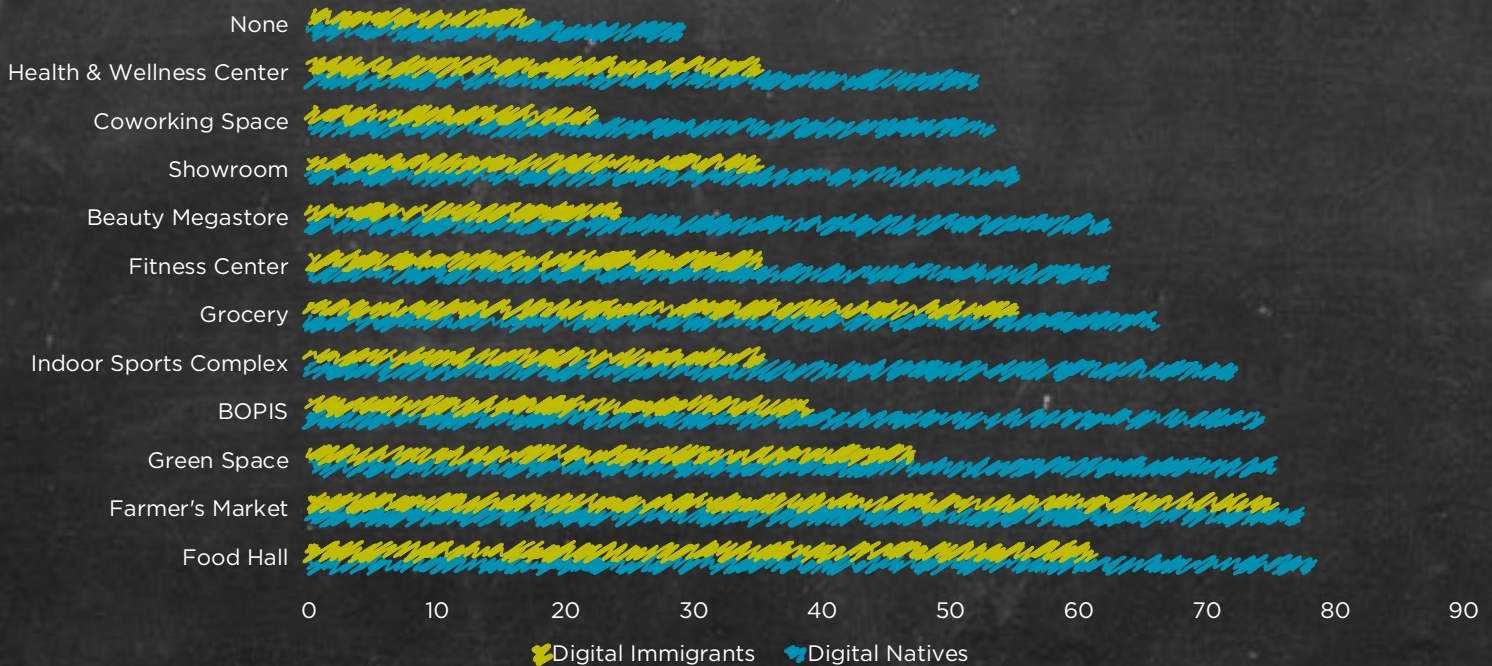
## Boosting the Experience

Source: WD Partners





## Partners Consumer Survey: What they want at the Mall



last decade. Some has taken the form of redefining tenant mixes. For example, in 2006 the average U.S. mall had roughly 10% of its space relegated to food, beverage and entertainment (FB&E). For the typical one-million-square-foot mall, this usually equated to a 50,000-square-foot multiplex theater, a 30,000-square-foot food court and a smattering of standalone restaurants—often on pad sites outside of the mall. By 2018, that figure was 20% with FB&E concepts accounting for 25% or more of the space in many Class A centers.

Food halls are increasingly a driving force behind those numbers. WD Partners is one of the leading consulting firms providing businesses insights and innovation to bolster the customer experience. In its recent, groundbreaking white paper,

“Apocalypse to Relevance,”<sup>3</sup> they asked the question, “What does tomorrow’s mall look like to consumers?”

With traditional commodity retailers facing mounting challenges in the age of newCommerce, the reinvention of the mall has clearly become necessary for survival. And it isn’t merely a matter of how to re-tenant vacant space left behind by department store anchors and apparel chains. It has become a question of how to do so in ways that will drive future relevance, connect with consumers and drive foot traffic.

WD surveyed consumers as to 11 potential mall concepts ranging from food and beverage options to coworking, and asked consumers to select the two that were most

<sup>3</sup> WD Partners, “Apocalypse to Relevance,” November 2018, <http://www.wdpartners.com/research/apocalypse-to-relevance>



interesting to them and that held the greatest potential of increasing their visits. Food dominated the survey with farmer's markets, food halls and grocery topping the list.

However, the survey also showed significant differences in consumer preferences across generation and food concepts. Digitally native brands—those who grew up in the “digital” age—in particular, showed a sharp preference for food halls. When asked which of those 11 concepts would influence a decision to visit a mall, 78% of digitally native brands and 61% of digital immigrants responded in the affirmative for food halls.

So, it should be no surprise that almost all of the active mall players are either getting involved in opening food halls or food hall inspired projects. Recent examples of food halls at the shopping mall include the planned 35,000-square-foot, Asian-inspired food hall in development at SkyView Center in Flushing, Queens (scheduled to open in late 2020), the Legacy Food Hall in Plano TX, the Inner Rail Food Hall at Aksarben Village in Omaha (opening 2020), Michael Mina's The Street at the LA's Beverly Center, the Asian food alley at the Santa Anita Mall, and Jose Andres' Mercado Little Spain at Hudson Yards in New York City, to name just a few.

Placing locally influenced food halls in shopping malls gives visitors a sense of place. That not only drives foot traffic, but also creates a social media buzz opportunity. Developers now understand that the experience must be unique enough that consumers will want to post comments about it on Twitter or Instagram.

But food halls at the malls are hardly the only evolution that the trend is undergoing.



The mall food court was never intended to provide anything more than temporary fuel for shoppers. It was never meant to provide an experiential meal or to create a destination, unless you were a teenager needing place to hangout. Food courts, at their origins, were afterthoughts. Today, the polar opposite is true of food halls.”

-Phil Colicchio  
Executive Managing Director, Specialty  
F&B, Entertainment and Hospitality  
Consulting, Cushman & Wakefield





## U.S. Brewery Count

	2012	2013	2014	2015	2016	2017	2018
<b>Regional Craft Breweries</b>	97	119	135	178	186	202	230
<b>Microbreweries</b>	1,143	1,471	2,076	2,626	3,196	3,812	4,522
<b>Brewpubs</b>	1,180	1,308	1,528	1,740	2,042	2,252	2,594
<b>Total Craft Breweries</b>	2,420	2,898	3,739	4,544	5,424	6,266	7,346
<b>Large/Non-Craft</b>	55	54	46	44	67	106	104
<b>Total Breweries</b>	2,745	2,952	3,785	4,588	5,491	6,372	7,450

Source: Brewers Association of America

### Space Evolution: The Craft Brew Themed Food Hall

Food halls are no longer just about food. They have begun to embrace local craft brewers, featuring them in craft and carry stalls and partnering with them at new food halls in development across the country. The marriage is one that makes a lot of sense. The rise of both has been meteoric—and has been driven by digitally native brands.

According to the Brewer's Association of America, there were 2,745 total breweries in the United States in 2012. By the end of 2018, that number had exploded to 7,450. Craft brewing operations, in all their formats (regional craft breweries, microbreweries, brewpubs) accounted for nearly all of this growth.

Food halls, of course, are also a product of the experiential economy and craft beer has always been a natural artisanal match. But whereas craft beer operators have always been an ideal fit in terms of serving as food hall vendors (with these often among the most profitable of all tenant types), going forward we will increasingly see craft brew not just as a tenant, but as a food hall theme. Meanwhile, the rising trend of “big beer” incursions into the craft world means that a new group of potential deep-pocketed operators may be on the horizon.

One project leading the way (and likely be emulated) is Waterstone Properties' Rock Row in Westbrook, Maine (suburban Portland). This 2 million-square-foot, mixed-use project will feature the country's first food and craft beer hall as its centerpiece. When completed in 2021, Rock Row will



feature two hotels, an office tower (Maine Savings Pavilion), a shopping mall, an 8,200-seat outdoor concert pavilion, roughly 26 acres of recreational space and 100 residential units. The food hall will feature one primary local brewer with as many as eight tasting rooms for craft beers, as well as a wine and whiskey room, and about a dozen food vendors representing the local culinary community.

### **Space Evolution: Food Halls on (and off) Campus**

There was a time when students made decisions about college based on a school's academic rigor, athletic programs and campus details like dorm rooms. As the food hall revolution hits the college campus, factors influencing college-choice decisions are now bound to include "what's on the menu." We continue to see the foodie revolution play out—in this case, driving demand for something more than fast food in an institutional setting.

Last year the nation's first college food hall opened its doors in Philadelphia. Franklin's Table, which straddles the campuses of the

University of Pennsylvania and Drexel University, boasts on-trend, local favorites DK Sushi and Pitruco Pizza, alongside chef-driven concepts like Goldie's Falafel from award-winning chef Michael Solomonov, and High Street Provisions from the High Street on Market team. Students can use their declining balance meal cards and off-campus customers pay with cash or credit.

Franklin's Table is only the beginning of the "food halls on campus" trend. Other major projects in the works include one at Columbia University in New York City, another at Purdue University in Indiana (opening August 2019), a third at Auburn University in Alabama (opening 2021) and a fourth near the University of Nebraska at Omaha (opening Fall 2020). The reality is that food halls are going to become a huge part of the student housing development in this country. There is an additional benefit to this trend for Universities, beyond just recruitment and healthier food choices. And yes, meal card swiping is part of the plan.

A side benefit of these food halls is that they are inclusive—they are open to both students and the local community, and so



**“We are still in the top of the first inning when it comes to university campus food halls. The younger generation has proven that they are willing to spend money on food and experiences, but Gen Z has a more sophisticated palate. Look for a great food and beverage experience to increasingly become part of the recruitment package.”**

**-Trip Schneck**  
*Executive Managing Director, Specialty F&B,  
Entertainment and Hospitality Consulting, Cushman & Wakefield*

in many cases helps close a long-standing divide. At Columbia University, for instance, the food hall will offer both students and the community access to chef-driven fast casual food and beverages. This food hall can help to bridge the gap between the university and Harlem and to bring the community in, creating more inclusivity.

### Space Evolution: Media-Branded Food Halls

Media companies across the globe are struggling to keep up. Some are adding subscription services, others are folding completely, or cutting down on frequency. But one creative way some media companies have found to boost revenue and engage with their readership is the food hall.

Time Out has launched branded food halls in Portugal (where they have an 80,000-square-foot food hall which is considered to be the premiere food hall in the world), as well as in London. This year they are opening food halls in Miami, Montreal, Chicago, Boston, and New York.

The marriage of Time Out with food halls makes perfect sense; the food hall helps promote their travel guide brand, and the travel guide brand can help build the notoriety of their food halls.

This same model works for media players as well. Later this year, Vice Media will open its Munchies Food Hall at Triple Five's American Dream mega mall in the Meadowlands in New Jersey. The 38,000-square-foot project is branded after the upstart network's popular millennial-focused cooking show. Media conglomerates like Vice have built-in support systems that drive tourism to their food halls—it's not hard to imagine the cross-branding opportunities.

While this trend is in its infancy, there is substantial room for many more marriages between media brands and food halls and ample opportunities for networks and prominent food shows. Meanwhile, the physical food hall offers brands a chance to create an entire culinary experience—food, live shows and cooking demos—and further extend their branding.



Munchies Food Hall at the American Dream by Triple Five (East Rutherford, NJ)



## Space Evolution: Single-Cuisine Food Halls

Many food halls are starting to focus on a single cuisine to allow for a more complete exploration of one cuisine and its regional variations. Great Northern Food Hall in Grand Central Station, Japan Village in Brooklyn's Industry City, 1-800-Lucky in Miami, Jose Andres' Mercado Little Spain in Hudson Yards and the soon to open Asian food hall at Skyview Center in Flushing, Queens, all speak to this trend.

The rise of foodie culture kick-started this trend. Eataly stands out as one of the early single-cuisine players, albeit in a single-proprietor model rather than the multiple-vendor food hall model. We expect the trend of single-cuisine food halls to explode in the next few years. Operators have barely scratched the surface of familiar cuisines to explore, much less delved into more exotic territory. These projects will come both in the form of multiple-vendor food halls and single-proprietor projects in the Eataly mold.

## The Roadside Food Hall

One trend in its infancy—but which we believe will increasingly take off—is the roadside food hall. While there have been some very successful small-market food halls (Oxbow Public Market in Napa, CA, for example), most of them have thrived in destinations already known for their local food tourism. The idea behind the roadside food hall is that it offers a welcome alternative to uninspiring interstate fast food options that appeal to families and travelers, whether on cross-country trips or simple day drives. Naturally, with the food hall trend closely tied to the farm-to-fork movement, many of these will feature



As aesthetic design is vital to a food hall's success so is its kit of parts...Authenticity is a very real ingredient and if you haven't put the footwork into understanding the local culture and conditioning then you are setting yourself up. No designer ever wakes up in the morning and says, "I'm going to give today my second best effort." Intensive design research and investigation needs to be treated the same way."

-Matt Woods  
Partner,  
GH + A Design Studios



Time Out Market at  
Montreal Eaton Center  
(Montreal, CA)

regional cuisines, but also look for higher-end, family friendly concepts to thrive in this segment as well.

AdVenture Development is developing the country's first interstate-adjacent food hall, in Selma, NC off of Interstate 95, over which more than 100,000 vehicles traverse on a daily basis. 12,000 square feet of the former JR Cigar Outlet building is being transformed into a food hall slated for late Fall 2019 delivery. This project will feature a mix of vendors (including Carolina-style barbecue, of course), in addition to offering a selection of North Carolina's most beloved local beers—giving those on the way to the beach a place to fill up their growlers for a day in the sun.

## Space Evolution: Food Hall Incubators

Food halls have served the real-world role of restaurant incubators since the beginning, but there are a new wave of projects where this is the actual mission statement. While historically there have been a handful of projects around the

country where private/public partnerships have successfully utilized food halls as an incubator model to support job and business growth (as well as tourism), look for more of these to dot the landscape now that the secret is out.

Additionally, look for even more established food halls to increasingly offer dedicated incubator stalls as a way of finding and cultivating new talent. For example, at the new Brooklyn Navy Yard food hall, one stall is dedicated to employing a rotating roster of graduates of New York City's Food Business Pathways program—a free, 10-week program that offers New York City Housing Authority (NYCHA) residents customized business training and resources. "The food hall gives them the chance to test their product in a real-world setting, with lots of foot traffic and other exciting businesses that they can learn from," says Sideya Sherman, NYCHA's Executive Vice President for Community Engagement and Partnerships. Incubator tenants will also be a big part of the Flushing, Queens SkyView Center project.



## Space Evolution: Food Halls as the Ultimate Office-Worker Amenity

What Google, Facebook, Adobe and Twitter started with their highly amenitized corporate campuses—high-end fitness options, wine programs, chef-driven restaurants—developers are now bringing food halls to their office projects as added incentives to the traditional urban office high rise.

There are at least four major suburban corporate campuses where food hall developments are either currently under way or in planning stages. This is not surprising; office users like Google (in Toronto) and the Twitter Building (in San Francisco) have shown a fondness for food halls as ground-floor amenity tenants. In early 2018, the tech giant purchased the 1.2- million-square-foot Chelsea Market complex for \$2.4 billion in what was then the second largest real estate deal in New York City on record. Chelsea Market—home to more than a million square feet of creative office space on the upper floors—is also the location of one of the United States' most acclaimed food halls.

While the food hall as preferred ground-floor amenity is nothing new, increasingly we are seeing office and mixed-use developers moving beyond the bite-size (10,000 square feet or less) model and making food halls the cornerstones of their projects. For example, in Washington, DC, Tishman Speyer is adding a new 25,000-square-foot food hall to its International Square project. ASB Real Estate Investments is pursuing the same strategy in Denver at the Colorado Center where it is building a retail main street, anchored with a food hall.



These sorts of amenities are crucial to employee attraction and retention in a full employment market in which the divide between skilled and unskilled labor is immense and will stand even through the next cyclical downturn and uptick in unemployment. We are in an amenities arms race when it comes to office users.”

-Garrick Brown  
Vice President, Retail Intelligence,  
Cushman & Wakefield

The rationale is simple; the experience economy is not merely a retail phenomenon nor is it a simple millennial quirk. It is a reflection of technology driving longer work hours, greater worker productivity and more time constraints on skilled labor. The trend towards mixed-use and live-work-play environments is based on the real lifestyle demands of workers who are trying to create a life/work balance. The line between life and work is blurred, and it means that employers of skilled labor are increasingly in an amenities arms race when it comes to their real estate decisions. For office developers, including food halls in their projects is a way to attract new tenants (and retain existing ones) while generating incremental occupancy and rent gains. This trend isn't going away anytime soon—whether we are talking about the urban office landscape where food halls have been part of the mix for the last few years, or the suburban campus environments where they are increasingly the new frontier.

### Going Forward

There is no doubt that the food hall trend will continue to evolve. With a market that has quadrupled in just five years, the food hall movement has seen remarkably few failures. But it bears repeating: “the food hall is not a panacea.”

We have tracked fewer than 10 notable failures in the past four years (against an inventory that stood at roughly 275 at the close of 2018). Most of those failed projects have been smaller food halls in poor locations that were underfunded. But it is likely that the failure rate will creep up as more projects proliferate. Food halls are not a solution for every property, and certainly not for every location. Density still matters, especially for smaller projects that

are highly dependent upon their location and don't have the scale necessary to become destination food halls.

At its core, the success of food halls has been about tapping into consumer demand for authenticity and experience. Developers and food hall operators must never forget that this is what drives the movement. The three basic tenets of successful food halls may be evolving, but they haven't fundamentally changed: design, operations and tenancing remain critical. In other words, you cannot merely put lipstick on a food court, call it a “Food Hall,” and expect success.

Developers must spend a lot of time, money and effort on the details—and, as the marketplace becomes more saturated—should not make the fatal mistake of skimping on the experiential factor. The importance of design will only increase going forward in an economy driven by experience.

Operationally, developers and food hall venue operators can continue to benefit from innovative and new best practices that are unique to food halls. Still, they will need to keep updating their models. Additionally, it is critical that they approach this property type with realistic expectations. Regardless of the popularity of food halls, rents need to be sustainable. And while having some turnover is optimal for these projects, a food hall packed with vendors struggling to survive isn't going to last very long.

Lastly, curating food and beverage tenancy—with an eye on regionality, authenticity and experience—remains fundamental. Searching out and tapping into talent, then blending best-in-class local concepts who deliver core constituencies and new upstart brands who present bold options is still key... and crafting that classic culinary cocktail is not as easy as it sounds.



# WHAT'S NEXT

*in Specialty F&B,  
Entertainment &  
Hospitality Consulting*

Cushman & Wakefield has long been a leader in the food hall space, with market leading research and deep dive analysis on the topic long before it became a mainstream trend.

This year Cushman & Wakefield's F&B retail team has become even more compelling, thanks to its acquisition of internationally-recognized specialty food and beverage, entertainment and hospitality consultants Phil Colicchio and Trip Schneck. With access to the decades of experience and wisdom Colicchio and Schneck bring to this complex and rapidly growing field, Cushman & Wakefield is now uniquely positioned as the leading force in the development and operation of food halls across the country.





## About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

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