

Smashburger is latest contender in burger wars

By Neil Janowitz

IT COULD BE BILLED AS THE Better Burger Battle, this epic confrontation between fast-casual hamburger restaurant chains across the country. On the West Coast there are The Counter and In-N-Out Burger. Back East there is Five Guys Famous Burgers and Fries, a mid-Atlantic chain rapidly spreading its fame.

Now out of Denver comes a new contender: Smashburger.

On the surface these rivals seem unevenly matched. Five Guys, fastest-growing of the four, has doubled in size over the past year. The Virginia-based chain, which now operates 303 stores in 26 states coast to coast, says it plans to continue expanding at that same pace. Counter, a five-year-old operation out of California, already has stores in California, Georgia, North Carolina and Texas. It also plans to open a unit in Dundrum, Ireland, this fall and has sold the rights to about 130 units. And In-N-Out has 219 stores, all in the west. Smashburger, by comparison, has five restaurants, its first having opened just over 14 months ago in Glendale, Colo.

"There are lots of regional ones, and we're all trying to play capture the flag right now," said Dave Prokupek, a Smashburger managing partner. "The goal is to be the first to gain national exposure over the next few years." Smashburger's executives say the chain is in a good position to do just that. It was created and is managed by three of the current top members of Consumer Capital Partners, an investment, concept development and advisory firm built and headed by Quiznos founder Rick Schaden. Prokupek is a managing partner at Consumer Capital Partners, as is Tom Ryan, who was previously an executive of Long John Silver's, McDonald's, Pizza Hut and Quiznos.

Consumer Capital Partners is investing \$15 million to expand Smashburger into about half a dozen new markets over the next few years, including Chicago, Dallas, Houston and Seattle.

The ideal Smashburger unit will be located in an open-air center in-line or end-cap position and measure roughly 2,000 square feet. If the spots have patio space, that will be so much the better. Smashburger's business is split evenly between lunch and dinner, so proximity to business and residential areas is ideal. Every Smashburger restaurant is company-owned, and

that will continue to be so over the next two or three market launches. The company does have a franchise agreement prepared, however, and is seeking about five

experienced restaurateurs who will be responsible for opening as many as 10 restaurants in a particular market exclusive to them.

Though the company is entering an increasingly crowded segment, management is confident that its wares can stack up against the best. Smashburger has adopted

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Circuit City seeks buyer for Canada stores

Circuit City is seeking a buyer for its 800 Canadian stores, which have been unprofitable for several quarters. The units, which posted a 4.1 percent drop in same-store sales for the crucial December sales period, account for about 5 percent of the electronics chain's total sales. The company's 641 U.S. stores, meanwhile, posted a same-store sales increase of 4.6 percent. "Jettisoning the unit would not only improve returns, but allow Circuit City to focus on domestic operations," wrote Jonathan Cramer, a retail analyst at Cowen and Co., in



Bombay Company to restructure, change strategy

Bombay Company is rethinking its real estate strategy with an eye announced plans to close 75 stores in fiscal 2007. The furniture and home sales decrease of 3.1 percent for its fourth quarter, ended Feb. 3, will says Peter Lynch, principal of DJM Realty, the firm Bombay hired to re-lease leases. "As they go through a restructuring, the issue is what the fourth quarter the company already closed 16 stores and opened four 195 are in malls, 199 are off-mall stores, and 47 are outlet stores. It will discontinue and to open stores in cities where it enjoys strong online sales. Sales fell about 5 percent from the previous year, to \$536.3 million, and sales

Developers running contest to name Las Vegas center

Imagine letting a stranger name your baby. That's just what the developers of the city of North Las Vegas are doing with a promotion designed to give neighbors. The three firms — The Athena Group, Celebration Center Vestar Development Co. — created a contest on March 10 for the 1.1 million square-foot, open-air center, which will contain about 800 residential units. The contest is offering 100 different prizes, including a car when it opens and a \$200,000 college scholarship. Residents can register at heartofnv.com. Contestants are limited to one name entry per household. Taubman Centers will jointly handle the leasing for the center's lifestyle

TRANSACTIONS

Weingarten acquired six Arizona neighborhood centers in Tucson and Tucson-based Bourn Partners for \$165 million. GE Real Estate Group acquired a portfolio in that country from a private individual for 30 million (\$40 million). Domicil furniture stores, totaling 34,000 square meters (366,000 square feet) subsidiary of HTL International, a Singapore-based furniture producer, acquired a 121,557-square-foot Everett (Wash.) Village Center to a Southern California-based investor for \$21.7 million. Phoenix-based Camelback Vector purchased the 76,000-square-foot Park Lee Shopping Center, Phoenix, for \$10 million from a California-based investor. Fulton Ranch OP2, of Phoenix, sold a 6,618-square-foot Old Chicago Arizona, to private investor Peter Fong, of Los Angeles, for \$3.11 million

THE COMMON AREA

Footwear chain DSW plans to open 30 stores and expects same-store sales to increase 3 percent and 5 percent. Family Dollar is one retailer that will be hit hard if the increase is approved. "The low-income consumer is always stressed," said Howard Levine, the chain's chairman and CEO, "on a year-end end-of-year increase happen, that is a great benefit to them." American Eagle Outfitters appointed Susan McGalla to president and chief merchandising officer. The company appointed Laura Dubin Wander president of its Martin + Osa division hacked into its customer database and stolen financial data from someone in an 18-month period. The chain said the thieves also stole personal information who had returned merchandise without receipts. The police charged the thieves stolen from a TJX database to buy some \$1 million in merchandise. The police is investigating the chain for alleged failure to safeguard data and for Macy's, formerly known as Federated Department Stores, may open said CEO Terry Lundgren at a conference last week.

ICSC, Homeland Security organize mall anti-terror training

This spring a standardized terrorism awareness training program for U.S. The program, a joint effort of ICSC and the Homeland Security Department designed specifically for the retail property industry. The Shopping Centers Today Terrorism Awareness Training program, a creation of experts from



RETAILING TODAY

the fast-casual model, in which food is prepared to order and delivered to the table in less than 10 minutes. Burgers are made from certified Angus beef, balled in-store, smashed on the grill — hence the name — and spiced up with a proprietary seasoning. Smashchicken sandwiches are available too, and so are salads, as well as

beer and wine. The meal can be capped off with a Häagen-Dazs milkshake, float or malt. Ryan says the menu offers “the new balance of good food, affordability, speed and convenience.”

Reviews are out already, including one in the weekly *Denver Westword*, which named Smashburger the best new chain in

town. “It’s a high-class operation that doesn’t have any kind of local focus,” wrote Jason Sheehan, the restaurant critic who penned that critique. “So they should move easily into any market and are already set up for high volume.” The texture of the burgers alone differentiates them, Sheehan says. “They smash the beef on

the grill, which causes the edges to become caramelized. It’s like meat candy. They’re not the first to do it, but they do it really well. It’s delicious.”

The review from a local property manager is equally enthusiastic. Chuck Uhlmann, president of the Sherman Oaks, Calif.-based Uhlmann Offices, a commercial real estate development firm, added Smashburger to his Shops at Greenwood Village (Colo.) after hearing the pitch from Ryan. “I’m from Southern California and grew up eating In-N-Out,” he said. “This doesn’t just compare to In-N-Out, it’s a step up. It’s the next generation of burger restaurants.” Uhlmann says he has never seen his Smashburger restaurant short of customers, and that he has already submitted applications to add Smash-

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At a glance...

SMASHBURGER

Denver

No. of stores:

Five

Preferred locations:

Open-air in-line or endcap

Leasing contact:

Ryan McMonagle,
CFO,
(303) 517-2368

burger restaurants to properties he manages in Texas and California.

But for all the early fanfare, Smashburger remains a young company trying to muscle its way into a crowded party. But no one has emerged to be the better burger frontrunner, which leaves the field open for Smashburger, says Paul Fetscher, president of Great American Brokerage, a Long Beach, N.Y.-based firm specializing in site selection for restaurants and retailers.

“To paraphrase Victor Hugo, nothing is more powerful than an idea whose time has come — again,” said Fetscher. He offers a checklist of what it takes for a restaurant to succeed these days: “A concept with legs; viable real estate; sufficient capital for growth; and passionate, committed employees.” There will always be a healthy market for burgers, thereby satisfying that first requirement, Fetscher says. Enthusiastic landlords, robust financial backing and established industry executives at headquarters take care of numbers two, three and four. None of which means Smashburger will prevail, of course, only that it has prepared itself for battle.