



CELEBRATING  
55 YEARS

# nerej

## **Adaptive reuse: The location can make a big difference in the outcome**

October 30, 2014 - Spotlights

The retail economy is back. Vacancies are being filled, new development is happening, retailers are engaged and looking to grow. However, there is still no sign of life from the big box world and no new exciting users on the horizon. Many of these retailers continue to operate their existing 100,000 s/f stores and business is healthy again. The issue is what do you do with the big box stores that have gone dark. How does one repurpose or reposition them in a world almost devoid of large retail uses today.

In the Rhode Island market the recovery has been long and slow. We still have some cities and towns struggling with long term debt, diminished income and unbalanced budgets. There are also some large, empty retail boxes scattered throughout the state. Some are empty as a result of a poor location that never got to the projected sales, some are the result of a strategic relocation within their trade area and others are the result of changing demographics and the end of term on a space. Regardless of the reasons for the vacancy, the issue becomes how to re-use the property not just for the owner but also for the city/town who has been collecting the taxes on what was a valuable asset. There are some excellent natural attributes to these vacant big boxes that offer flexibility for an adaptive reuse.

The first advantage is usually lot size. These properties are large to account for the former retailer's parking needs and that offers a flexible redevelopment of the site. That can mean a heavy back office use or call center to take advantage of the parking field, a campus setting that works well for an academic use or the opportunity for manufacturing or distribution to create loading capacity with plenty of space for trucking movements on site. It also offers the opportunity for an entertainment use to maximize their options with indoor and outdoor amusements on the property.

Lastly, there is the opportunity to actually subdivide the site into various lots with specific uses on the same site. Traditionally, one would use frontage and access for retail uses and repurpose the remaining property for another mixed use capability. This redevelopment has another advantage of creating a varied tax base that the subject city or town should embrace. Assuming this kind of redevelopment, the municipality can charge different tax rates on the various lots and hopefully recapture a tax figure close to the original amount, rather than losing a majority of the tax base to a less valuable use.

These redevelopments do pose a real opportunity to a buyer as long as the asset is well priced and the seller is realistic about its current value. In many cases the owner has gotten aggressive to move the asset and the municipality is also motivated to work with a new buyer and maybe even the potential employee base they might bring to the trade area. The municipality has to be a motivated partner to help make these adaptive reuse opportunities a reality.

Clearly location is always paramount. The stronger the local economy and the lower the vacancy

rate along with the natural attributes of the site can make a big difference in the outcome. In Rhode Island the closer the asset is to the Massachusetts line and its economic engine, the better the odds for a successful adaptive reuse. One additional advantage in our market is the conservative nature of it. There are very few spec properties built in Rhode Island and a low level of risk taking more generally and therefore when the market recovers, vacancy rates drop quickly because there is no new product.

Some of the successful reuses we have seen with these properties, above and beyond the few large scale discount retailers out there that can take advantage, are charter schools and academic uses, family entertainment and related uses, call center and back office, light manufacturing, warehouse and or distribution uses and even government or religious uses.

With the right user, a good location and a motivated seller, these properties can offer real opportunities for re-adaptive use in a fast recovering local economy.

William Greene is a partner with Cushman & Wakefield | Hayes & Sherry Real Estate Services, Providence.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540