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## **Time is of the essence when it comes to putting a mall or large commercial building on the market - by Michael Carey**

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Consumer behavior seems to constantly evolve, yet with the advancements in technology, the evolution is now measured in years instead of decades. Thanks to smart devices, consumers find convenience and peace of mind while shopping on the go and the numbers are telling. Forrester, a research company, estimates e-commerce is now a \$200 billion industry capturing nearly 10% of sales. While the consumer gains, the brick-and-mortar stores are the “victim,” vacating malls and other buildings as retailers fail to adapt.

Many malls throughout the nation are struggling with declining occupancy, deferred maintenance and the resulting untenable debt service payments. It’s reasonable to believe that sites located in areas with strong demographics will rise again as lifestyle centers. However, many of these retail properties will require significant capital inflow to return as strong performers. Some will make do with a façade update, many more will require significant investment and redevelopment.

In instances where a great amount of capital and planning is involved, current owners facing increasing vacancy rates may decide they don’t want to wait out the current retail doldrums – for those owners, timely sales may be the solution.

Investors are ready to pounce

There are uses for these malls and large empty buildings, but knowing the creative reuses is important. Tried and true retailers aren’t back-filling vacancies. Creative reuse is the name of the game and investors are eager to pounce on a business venture befitting a mall structure. The examples of this are far and wide, including the Arsenal Mall site in Watertown, Mass. This traditional inside corridor mall is in the midst of a complete lifestyle center redevelopment. The property is being converted to include restaurants, retail, entertainment and office. When complete it will include 75% less retail space.

The religious community is also in the market for large spaces for multiple uses. For example, Eastpoint Christian Church in Portland, ME, is rapidly expanding its congregation and estimates it spent \$7 million to purchase and redevelop a former discount furniture and home goods building

near the Maine Mall.

Recently opened, the church plans to use the former big-box store as a place to gather for worship, but also for recreational use. The building includes a soccer field, auditorium, offices, art studio and a basketball court.

#### Growing availability and multiple uses of malls and commercial buildings

While commercial space may be limited in some regions, a look at the list of companies that have gone under and left strip malls and large buildings behind is quite long. Mattress Barn, Bombay Company, Home Quarters Warehouse, Tower Records, Circuit City, Venture, Blockbuster Music, Blockbuster Video and Borders Books are just a handful that folded, offering investors an opportunity to convert their former space into new ventures. Many of these properties will be repositioned for what the community needs including community college, branch libraries, art space, car dealerships and community centers.

“Urbanland,” which is The Urban Land Institute’s magazine, published an interesting article late last year that offered approaches to dealing with aging mall sites. It cites the fact that Millennials prefer a “vibrant shopping experience.” To pull these new spenders into the veritable wasteland that many malls have become, developers are considering a number of options for redesign, including building a lake on site and making it a multi-use destination; bring housing and an airport-connected transit center onto the site; turn the mall into a drone port; or add urban farming.

Entertainment is also a massive draw and malls can be the canvas on which investors create their vision for entertaining the masses. While there are a number of stereotypes assigned to this generation, one that seems to stick is that they prioritize multisensory experiences. They enjoy instant gratification and they are finding that in various entertainment channels, such as gaming and social media experiences. Developers are only limited by their imagination when it comes to turning a former retail space into a destination that will provide these experiences.

Development of outdated malls can also have a food focus. Chefs have become wildly creative in their efforts to deconstruct traditional foods from many cultures and transform the conventional idea of dining. Consumers are definitely responding. According to a survey conducted for the National Restaurant Association, consumers want to dine out more than they currently are. Furthermore, the unfulfilled demand for restaurants is at levels “well above” historical norms. Could former retail sites help provide space for these ventures?

#### Using the auction method to sell former retail space

Time is of the essence when it comes to a property owner looking to put a mall or large commercial building on the market.

The current economic climate with low interest rates, a strong economy and other favorable lending terms has created an incentive for developers to invest. Properties in strong demographic areas are being purchased and redeveloped with significant capex expenditures. For many of these properties, the purchase price is just the beginning. For this reason – properties are difficult to value.

Traditional valuations methods don't work for properties with high vacancy and low income structures. Fortunately, a professionally marketed and managed sale process can flush out market value. For owners viewing their property as more of a burden than an asset – an expedited sale may be the best solution.

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