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Malls Make Ends Meet With New Tenants: Docs, Gyms, Pop-Ups

By Marilyn Alva

The highest vacancy is in B-minus and C-type retail centers, not top-quality “A” properties, he notes.

BlankSpaces’ soon-to-be second location will occupy 7,500 square feet of ground-floor storefront in a Class-B building on a busy retail street near the ocean. Founder Jerome Chang wouldn’t disclose lease terms, but says the weak commercial real estate market gave his company “a good window of opportunity” to secure a good deal.

“We see ourselves as a real estate solution — for this economy and the vacancies out there,” Chang said. “Can a landlord wait two years to fill up the space? When it’s vacant, it doesn’t make any money.”

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He says his concept fits into a retail strip because it draws “a constant flow of people coming in and out.”

Some nontraditional uses may not be the best option for nearby tenants. For example, the 24-hour urgent care center at the Plaza on San Felipe shopping complex may put off customers of Kroger (KR), Starbucks (SBUX) and Bath & Body Works, one real estate observer says.

“The landlord made the right decision for his balance sheet but the wrong decision for the collective tenancy of the whole project,” said Jason Baker, principal of Baker Katz, a commercial real estate brokerage in Houston. He says the urgent care center tamps down the upscale ambience of the retail center.

What’s The Right Mix?

Offices and apartments might provide a good solution for certain spots, says Tadd Miller, CEO of Milhaus Development in Indianapolis.

Some department stores and parts of old malls are being torn down to make way for that, he says. Miller’s firm aims to add 174 apartments to Columbus, Ohio’s River Valley Mall and is eyeing 25 more malls to redo.

“They have a lot of empty space and the big-box retailers aren’t going to be back for a long time. And department stores don’t draw the traffic they used to,” Miller said.