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ICSC Convention Offers Answers for Empty Big Boxes

By **Larry Lichtenauer**

Big boxes - specifically the massive headaches caused by the proliferation of the large empty spaces - was a major topic of discussion at the recently-concluded **International Council of Shopping Centers (ICSC)** ReCon Convention at the Las Vegas Convention Center. The annual ICSC gathering attracted more than 30,000 retailers, landlords, brokers, financial institutions and assorted product and service suppliers involved in the retail real estate industry.

The emptying or continued vacancy of big box spaces - defined as a retail space containing 50,000 square feet or more - has been a national phenomenon over the past few years as space-eating retailers such as Boscov's, Circuit City and Linens 'n Things have gone dark, leaving gaping holes in neighborhood strip centers and regional malls alike.

Because various-sized centers depend on these anchor stores to act as prime traffic generators, a domino-like effect from the vacancies has been felt down to the smallest of "mom and pop" stores. With few big box replacements stepping up to fill the void - electronics retailer hgregg has been a notable exception - landlords, brokers and owners have been scrambling to fill the boxes, many of which are located in prime retail locations.

Mez Birdie, Director of Retail Services for **NAI Realvest** in Orlando, Florida, moderated a panel at ReCon entitled "What's Shaping Up As The New Normal?" His thoughts examined whether the "small box" category - stores leasing space in the 15-20,000 square foot range - will be the next tidal wave of closures following its older and bigger sister.

"Blockbuster and Movie Gallery - considered small box retailers -- announced the closing of more than 500 stores across the country. Casual dining concepts such as Chili's and Applebee's were quickly drawn to these sites based on the high visibility afforded by the spaces, coupled with the ample parking fields," Birdie explained. "Although the restaurants did not lease the entire space, developers were all too happy to cut up the boxes into smaller pieces to get it operational again. Government agencies also represent an opportunity in certain markets," he added.

S.A. Elite - a 12 to 15,000 square foot miniature version of Sports Authority - has been the answer to some developers' prayers. Birdie adds that walk-in health clinics have helped stop the bleeding for some big and small box stores that were otherwise placed on life-support when sudden vacancies occurred.

Mark Lichtman, Managing Partner of **Zebra Health Care Solutions**, grabbed that concept and ran with it at a seminar at ICSC the next day. Lichtman's Bethesda, Maryland-based company works with developers to identify possible health care service facilities for under-utilized retail properties. His company is seeing an emerging demand for health care service in urban, suburban and rural communities to fill spaces including big boxes.

"Medical and out-patient uses typically don't need or particularly want high-visibility spaces and, in fact, many patients enjoy the discretion and privacy that comes from secondary locations. What the big boxes provide are large parking fields and excellent access. We see this use as an exploding area as upwards of 30 to 40 million additional people will become insured over the next several years and many will be in need of medical services," Lichtman explained.

Health care facilities bring another positive aspect to a needy center - customers. "A pregnant woman going to the doctor for a sonogram might bring other people with her who are interested in seeing the image," he added. "This could be her mother, grandmother, kids or friends. After the visit, the group becomes captive audiences that might patronize other stores in the center."

"The first thing a landlord must ask -- when a big box or large portion of a shopping center become vacant - is whether the site is still viable as a retail use. They have to decide and make a decision on that question," explained **Martin Mayer**, President and CEO of **Stirling Properties** of Covington, Louisiana. "If the answer is no, then the next call might be to a commercial office broker or a demolition company. The land might be more valuable than the current building configuration."

Health care clubs, karate instruction of kids and adults, sports complexes, car dealerships and community centers were also mentioned as possible replacement uses. "Splitting big box spaces into smaller portions to assist with the leasing effort is the reality these days," Mark Lichtman explained.

The winners of an ICSC-sponsored Future Image Architecture Competition - which asked participants to think "out-of-the-box" to devise viable and innovative new uses for the structures - were announced at **ReCon**. Many of those recognized echoed

similar themes and concepts in their presentations.

With shopping centers becoming one-dimensional, many of the entries focused on drawing the entire local community into the re-configured big box to participate in a sensory-laden smorgasbord of interactive activities, some linked to social networking devices and practices.

The Community Interactive Box (CIB), formulated by **RTKL Associates**, combined a Farmer's Market, theatre and arts component, urban farm, brewery and community center within a digitally-enhanced skin. Several concepts suggests uses that would maintain activities for the community 24 hours a day, one was wind-powered and still another combined wellness and food uses.

A question arose from the audience at one of the seminars. "I am not hearing any great new ideas right now that might help my vacant big box space, which lags behind newer and better-located properties. What do you suggest?," he asked into a half-working microphone - a metaphor that indicates more work needs to be done for this growing problem.

"It is difficult out there. We are still trying to create new solutions and the right answers. This is not a problem that is going to fix itself quickly," **Martin Mayer** offered.

The big box dilemma is not getting much smaller, but hope might be at-hand using the medical and health care facility prescription. This is sure to be a topic for further discussion and evaluation at ReCon 2011.

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