

June 03, 2010
RealEstateBusinessOnline

10/05/2011

Big-box space — specifically the massive headaches caused by the proliferation of the large empty spaces — was a major topic of discussion at the recently concluded International Society of Shopping Centers 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, which are defined as a retail space containing 50,000 square feet or more, has been a national phenomenon during the past few years. 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. Because 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 "mom and pop" stores. With few big box replacements stepping up to fill the void, 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 titled "What's Shaping Up as the New Normal?" His talk examined whether the "small box" category — stores leasing space in the 15,000- to 20,000-square-foot range — will be the next tidal wave of closures. "Blockbuster and Movie Gallery ... 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."

S.A. Elite — a 12,000- to 15,000-square-foot miniature version of Sports Authority — has been the answer to some developers' prayers. Birdie added 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 Birdie's concept and ran with it at a seminar 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 becomes 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 areas, 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, formulated by RTKL Associates, combined a Farmers' Market, theater and arts component, urban farm, brewery and community center within a digitally-enhanced skin. Several concepts suggest uses that would maintain activities for the community 24 hours a day; one was wind-powered, and still another combined wellness and food uses.

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.

— Larry Lichtenauer is president and founder of Lawrence Howard & Associates, a real estate marketing agency.