

BUSINESS TIMES®

April 29 - May 5, 2016

Proudly serving Santa Barbara, Ventura and San Luis Obispo counties

Vol. 17, No. 8

Landlords learn to repurpose their malls

By Lisa Spiwak

This is a season of discontent for retailers.

There doesn't seem to be a week that goes by without a national chain closing stores or filing for bankruptcy protection.

Most recently, we lost Sport Chalet. Before that, it was Sports Authority, Sears, Fresh & Easy, Office Depot, Radio Shack, Staples, Abercrombie & Fitch, Barnes & Noble and JC Penny. Shopping malls have steadily been in decline since consumers discovered online shopping.

Brick and mortar stores with high overhead cannot match the prices that online retailers such as Amazon offer. In addition, there has been a shift in the demographics for consumer shopping. CMO.com, the group that provides marketing insight and expertise to marketing leaders, recently reported that:

- Online shopping retail sales are predicted to grow steadily to \$370 billion in 2017, up from \$231 billion in 2012.
- Consumers ages 25 to 34 lead the way in smartphone usage in-store, comparing prices, reading reviews, buying products and engaging with brands on social media while in physical stores.
- Seventy-two percent of millennials research and shop their options online before going to a store or the mall.

As these statistics show, many of today's consumers grew up with the Internet and are actually more comfortable shopping online than going to a physical store. This fact, coupled with the speed and relatively inexpensive cost of shipping merchandise nowadays, has led to the impending demise of today's shopping malls.

As a result of online shopping, our malls

are facing record vacancies. According to Statista.com, which provides statistics and studies from more than 18,000 sources, it is expected that the retail vacancy rate will amount to 11.6 percent in the second quarter of 2016 in the United States.

Viewpoint

Commercial landlords are finding themselves in the position of losing anchor mall tenants without having similar tenants to fill the vacant space. Landlords are faced with having to find creative ways to lease out their real estate. A new trend has evolved for mall landlords called "repurposing the mall."

Repurposing is the process by which an object with one use value is transformed or redeployed as an object with an alternative use value. This kind of activity is as old as human civilization. As it relates to malls, "repurposing" refers to landlords finding new uses for retail space that they had not considered before. Necessity has led landlords to get quite creative with the leasing process.

Many malls have replaced traditional retail tenants with more walk-in medical clinics, health and wellness centers, video game complexes, bigger cineplexes with 3D Imax screens, university extension schools, massage tenants, etc.

For example, the landlord in the Simi Valley Wood Ranch center lost its anchor grocery tenant a few years back and replaced that tenant with Extreme Lazertag.

In Moorpark, one of the strip malls on New Los Angeles Avenue installed an urgent care tenant and a dentist's office. These are traditionally not tenants one would ex-

pect to find next to a Ralph's grocery store in a strip mall.

In Westlake Village, the landlord of the Westlake Promenade and the Lakes lost two large restaurant tenants. Rather than replace them with similar tenants, they completely reconfigured the spaces and installed a grocery chain market, Lassens, and a cosmetics store, Sephora. Neither tenant would have been envisioned by the landlord as an appropriate tenant for those malls when they were originally developed.

At the Janss Marketplace in Thousand Oaks, the landlord has leased retail space to a pet adoption center for dogs, an art gallery, a charity shop and a temporary Halloween store.

We are also seeing a new trend with newer development. It is the advent of the "lifestyle center." This is evident in Woodland Hills where the new Westfield Topanga features residential units, office space and a gym on the top floors and retail on the ground level.

Westfield Group, one of the world's largest owners of shopping malls, has been investing in new digital strategies to overhaul the mall.

Among its tested concepts are "click and collect" services through which shoppers order online and pick up in the store; digital food ordering; and large in-mall screens featuring hundreds of products mall-goers can finger-swipe through and purchase via digital device.

One thing's for certain, our traditional malls are becoming as extinct as dinosaurs in this new digitally driven shopping age.

• *Lisa Spiwak is a partner with the firm Spiwak & Iezza in Thousand Oaks. Reach her at LSpiwak@SpiwakandIezza.com.*