



DEVELOPERS LOOK AT ALTERNATIVE USES FOR RETAIL

OUTDOOR SHOPPING CENTERS, FULFILLMENT CENTERS AND MULTIFAMILY ARE ALL OPTIONS TO REPURPOSE INDOOR MALLS.

By **Kelsi Maree Borland** | September 29, 2020

Developers are looking at additional options to repurpose obsolete retail. Outdoor retail has performed well through the pandemic and has become a favorite for retail developers looking at either new ground-up projects or revamping indoor malls. Developers are also considering fulfillment centers and multifamily as alternate uses.

“In warmer and more temperate climates, we have seen a trend favoring the development of open-air centers instead of enclosed projects and in the re-purposing of existing enclosed malls into major outdoor centers,” **Scott Grossfeld** a partner, **Cox, Castle & Nicholson LLP**, tells GlobeSt.com. “In addition, obsolete and/or dark department stores and other larger spaces are being converted to fulfillment centers, multi-family uses and other creative and compatible uses.”

While alternative uses may be in higher demand, outdoor shopping center projects and conversions are more cost effective. Fulfillment centers and other alternative uses are more expensive conversions. “Redevelopment projects such as these may not be an immediate solution for landlords with non-performing enclosed mall projects,” says Grossfeld. “After all, redevelopment projects of this nature may be major, long-term projects, likely to be completed well after the pandemic is over.”

While retail-to-retail conversions are straightforward, because it is ultimately the same use, converting a property to an alternate use means entitlements, lease terminations and

addressing zoning requirements. “Such projects typically require major entitlement work, multiple lease termination negotiations, negotiations to amend REAs with major tenants, negotiations with tenants that may have rights over site plan changes and design, city easement agreements and a myriad of other issues,” says Grossfeld. “Furthermore, when negotiating new leases, landlords should consider the possibility of major shopping center changes such as these in the future and consider provisions that would enable the landlord to accomplish major redevelopment changes without having to obtain significant tenant approvals.”