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## New Uses for Repurposed Retail Space

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Wensley: “The discount stores and the high-end, high-service-oriented retailers are doing well; it’s the middle products that can’t be distinguished on price, service or experience that are going away.”

SOLANA BEACH, CA—From boutique movie theaters to hockey rinks and parks, [retail](#) owners are getting creative with outmoded big-box space in **malls**, grocery-anchored centers and other large spaces, [Cox Castle & Nicholson LLP](#) real estate partner **Dave Wensley** tells GlobeSt.com. Wensley recently moderated the panel session [RePurposing Retail Spaces](#) at the **ICSC San Diego Next Generation Program** here. The panel covered nontraditional **office**, entertainment and **medical** uses of lease-up retail spaces. We caught up with Wensley after the panel to discuss how he sees retail space being repurposed, what’s going away and what will take off in the future.

***GlobeSt.com: How do you see vacant retail space being repurposed today?***

**Wensley:** There are a few major trends that have been impacting the retail market over the last five years. A significant factor is the seemingly geometrically increased amount of online purchasing through **Amazon**, **Walmart.com** and all other stores that provide online purchasing. This share has increased dramatically, causing reduced demand for **brick-and-mortar** stores in a lot of locations and has significantly impacted a number of major **retail** chains such as **Circuit City**, **Sears**, **JCPenney** and **Macy's**. That area is no longer succeeding and in some cases going out of business.

Consumer desires for shopping are changing—people don't go to the store just to pick up things and go home anymore; they can do that from home. During the conference, most of the speakers said they are developing products that are repurposed infill. They are acquiring centers where there has been a major shift in local consumer demand and a vacancy of significant portions in regional malls, grocery-anchored shopping centers and power centers. In larger shopping centers, they are repurposing big-box into buildings for other uses, and in conjunction with the lack of demand for other stores in these centers, these stores are being converted into other types of **mixed-use** versus retail only.

They discussed the repurposing of a **Sears** large-box store into five stores with a food court, a **Dave & Busters** and a **restaurant, apartments** above **retail** on the ground floor, **office** space, open space—even cutting out the middle of the store and putting in an open interior courtyard with entertainment and child activities or a garden with stores wrapping around it. They're reducing total square footage of retail space in the center, but replacing it with entertainment, office and even **residential** to create an environment where people want to come and stay for a longer period of time while they shop for the staples they need online.

The configuration of these centers is changing, too. Most centers have had little or no outdoor space. Instead of the trend for malls to go more indoors, as we saw from 1975 to 2011, we're now seeing a lot more centers where the outside of the malls is being made more attractive. Outdoor spaces are being created, fronts of exterior walls are being popped out, adding attractive frontage, and the inside of the mall can be reduced in square footage for shops and traditional retail uses.

Fewer retailers surviving in this marketplace. The panelists gave examples of full regional malls being reconfigured like that. Interestingly, many of those other uses like excessive restaurants, office, bowling alleys, healthcare and movies have historically been prohibited in retail centers from 1975 to now, but now these uses are more in vogue and desired; nevertheless, **developers** need to get the consent of the tenants in these remaining centers to add these uses. It's a challenge: if you're putting a movie theater in a shopping center, and the lease says no movie theaters, you need to convince them to allow it based on how it's going to be configured, where it will be located and whether there will be parking available for the other tenants. But landlords are going to be much less willing to agree to prohibitions on variety of uses because these uses are becoming popular with customers—things like a hookah bar and a dollar store were typically prohibited uses because they were seen as being less conducive to maintaining the high-end nature of a center, but now they're extremely popular. So, now landlords will have to protect rights of their tenants in other ways—saying the use won't be allowed to use this part of the parking lot, for example. Now, landlords understand the value in having office, retail and **medical** uses in the same center.

***GlobeSt.com: Which retail uses do you see going away completely or dramatically, and what do you see replacing them?***

**Wensley:** From our observation, more and more retail centers are seeing more typical hard- and soft-goods retail operators being replaced with more creative, interactive, service-oriented retail. People still tend to still go to stores like **Home Depot**—they need the people there to help them pick out wood and tools and give them a course on how to install a door. But a lot of straight sales is being replaced with online purchasing, and many of retailers seem to be going out of business. The discount stores and the high-end,

high-service-oriented retailers are doing well; it's the middle products that can't be distinguished on price, service or experience that are going away.

***GlobeSt.com: What uses of retail space do you see taking off in the future?***

***Wensley:*** I see an increase in smaller, boutique movie-theater experiences that serve food and alcohol, health clubs and offices as valid retail co-tenants and more of the themed interactive restaurants where people come and stay longer. They're also adding activities: a client of ours has a center in Utah where they're developing an outdoor park area with a hockey rink for use in the winter, fields for kids to play in and outdoor patios facing the park area. The whole center is a place to spend a few hours versus driving up, purchasing and leaving.

***GlobeSt.com: What else should our readers know about this topic?***

***Wensley:*** Many outlets are touting the demise of shopping centers, but really, it's more the restructuring of shopping centers. People still want to go to movie theaters even though they can get movies on DVD and movies online, so there will still be shopping centers; we're just figuring out where the next generation of retail is going and which creative, exciting, fun retail ventures will survive in the next 20 years.

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