

Epidemic of empty stores threatens more metro Detroit shopping malls

[JC Reindl](#), Detroit Free Press Published 6:00 a.m. ET Oct. 1, 2018 | Updated 7:49 a.m. ET Oct. 1, 2018

Empty stores threaten metro Detroit shopping malls



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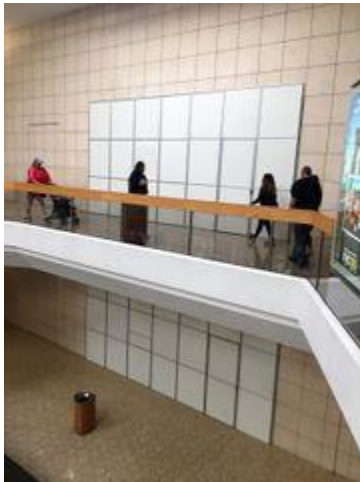
(Photo: JC Reindl, Detroit Free Press)

An epidemic of shuttered storefronts and liquidating department stores continues to plague many of metro Detroit's enclosed shopping malls, threatening the existence of some once-thriving properties that couldn't keep up with retail changes or simply have too much empty space to fill.

"We are definitely over-malled, and the malls are too big," said retail analyst and consultant Ken Dalto, who is based in Bingham Farms.

This shopping mall shakeout is the result of nonstop growth in Internet shopping and more closures of traditional mall anchor stores such as Macy's, JC Penney, Sears and Carson's. The same phenomenon is happening across the country; some analysts have predicted that up to 25 percent of malls nationwide could close by 2022.

Numerous malls have lost one or more department store anchors that they haven't replaced, including Eastland Center in Harper Woods, Westland Shopping Center, Laurel Park Place in Livonia, Lakeside Mall in Sterling Heights and Fairlane Town Center in Dearborn.



The former mall entrance to Sears inside Fairlane Town Center in Dearborn, as seen on Sept. 23, 2018 (Photo: JC Reindl, Detroit Free Press)

That list could grow if Sears, still an anchor at several area malls, closes more Michigan stores. Shares of Sears Holdings fell below \$1 for the first time last week as the troubled retailer faces a cash crunch with a \$134 million debt maturity due Oct. 15.

Retail experts expect that at least a couple of metro Detroit's dozen or so enclosed malls will eventually close or be forced to redevelop. That doesn't include two big malls that have been dead for years yet are still standing: Summit Place Mall in Waterford and Northland Center mall in Southfield.

"Not every mall is going to survive," Dalto said.

Every mall in metro Detroit is feeling pressure to some degree, even high-end Somerset Collection in Troy, which has scattered storefront vacancies in its north and south wings.

Nate Forbes, managing partner for The Forbes Co., which owns Somerset, said in a statement that darkened storefronts in the mall that may appear to be vacancies are often for store remodels or expansions.

"When these remodels and reinvestments occur, or when we prepare for major announcements such as when we introduced a two-story Zara to Michigan last year, it causes barricades to be placed in front of retail facades," Forbes said Friday. "For Somerset Collection, barricades represent progress and growth, not vacancy."

The worst-off mall is Eastland mall, which lost the last of its large-footprint anchor stores this year after Target and Burlington closed. It is mostly down to small local stores and lower-end national chains. Plagued through the years by gang violence and parking lot muggings, Eastland defaulted on its mortgage three years ago and will be offered to the highest bidder in a two-day public auction that begins Oct. 9.

The City of Harper Woods is looking to partner with the winner of that auction for a redevelopment project that would likely involve tearing down most of the mall.



There are numerous vacant storefronts inside Eastland Center mall in Harper Woods.
Photo taken Sept. 21, 2018 (Photo: JC Reindl, Detroit Free Press)

"I don't see how in this day and age someone can breathe life into the mall as it currently stands," Harper Woods City Manager Joseph Rheker said last week. "I don't see how that is even remotely possible."

In Dearborn, Fairlane mall last year managed to fill its old Lord & Taylor department store, as well as 20-plus former tenant spaces, with new temporary offices for Ford Motor Co. employees.

"That's a smart, creative reuse where the alternative was an empty anchor position with no retailer to replace it," said Ron Goldstone, senior vice president at NAI Farbman, the Southfield-based real estate firm.

This summer, another Fairlane anchor went dark — Sears — with no replacement. A Fairlane mall representative hasn't responded to a comment request.

Rent falls at 'B' malls

For some of the more visibly tired and struggling malls in metro Detroit, sportswear and sneaker stores appear to be the primary tenants keeping the lights on.

Mall owners in many instances lowered rents as foot traffic fell and key tenants left. Leasing rates in the region's so-called "Class B" and "Class C" malls have dropped about 20 to 25 percent since 2009, according to Dalto.



The soft opening of American Girl store at Twelve Oaks Mall on Friday, August 5, 2016, in Novi.
(Photo: Salwan Georges, Detroit Free Press)

Rates have more or less been stable in metro Detroit's "Class A" enclosed malls, he said, which are generally considered to be Somerset, Twelve Oaks Mall in Novi and Great Lakes Crossing Outlets in Auburn Hills.

Several city governments have unveiled planning visions for redeveloping their troubled local malls.

These plans typically call for junking the indoor mall concept and transforming the properties into so-called mixed-use projects, with new office or light industrial complexes, apartment buildings, civic spaces and entertainment attractions.

The plans are notably light on traditional retail space and do not hinge on big 20th Century-style department stores.

Lakeside troubles

Taubman-built Lakeside Mall was once known for its luxury retailers and attracted shoppers from across the region.

But it lost several key tenants a decade ago with the opening of The Mall at Partridge Creek — a relatively nearby open-air shopping center. The exodus picked up in recent years with the loss of more stores and tenants such as Abercrombie & Fitch, Aéropostale, Lady Footlocker, Sears and Panera Bread.

Lakeside's condition continued to deteriorate.

Last week, the City of Sterling Heights unveiled two planning concepts for saving or reimagining Lakeside. One option would completely demolish the 1976 mall for a new mixed-use project.

City officials have discussed these possibilities with the company that now holds title to the mall, C-III Asset Management, after previous owner General Growth Properties defaulted last year on Lakeside's mortgage, said City Planner Chris McLeod.

Lakeside's management has been renewing tenant leases at cheaper rates to keep occupancy above 80 percent, according to a report by the Trepp commercial real estate data firm.

"There has to be a change to the mall in terms of how it runs and how it operates," McLeod said.

Lakeside management did not return Free Press messages for comment.

Lakeside tenant Twin Jewelry is situated between two empty storefronts and near the old entrance to Sears, which closed this summer and left the mall's anchor spot dark and empty. There is now a metal gate over the entrance.

"I remember when the holidays would come around, you couldn't even walk in here — it was pretty much shoulder to shoulder," the jewelry's store's owner, Curtis Kakow, said of Lakeside. "But as time went on, it changed. It went downhill."

Some Lakeside shoppers and visitors are getting worried.

"Walkers, senior citizens, they like to come in here. They tell me, 'Where are we going to walk if this place closes down or becomes an outdoor mall?' " Kakow said.

Once a frequent Lakeside shopper, Jeff Zaniewcki, 31, of Clinton Township, said he now rarely visits.

"It's a little depressing," he said. "Would you rather go to the old 'I love the '70s mall,' or would you rather go to Somerset, which is just modern and clean and easy to shop and has compelling stores?"

Healthy malls



The iconic sign for recently renovated Macomb Mall in Roseville on Sept. 21, 2018
(Photo: JC Reindl, Detroit Free Press)

Some middle-income malls have so far defied what was a common sentiment that only top-tier malls can thrive amid competition from online shopping.

Macomb Mall in Roseville and Southland Center in Taylor today appear bright, clean and healthy after having undergone significant renovations and tenant reconfigurations.

Southland, which reportedly received a \$6.5-million facelift, is now the only one of suburban Detroit's four "directional" malls to still have a Macy's store.

Macomb Mall underwent a big turnaround following its 2013 sale to Lormax Stern Development of Bloomfield Hills. The new owner doubled down on serving middle-income consumers and those living within a 3- to 5-mile radius.

Lormax Stern put more than \$10 million into mall renovations, including replacing the former Crowley's department store with an all-new Dick's Sporting Goods. The project even expanded the mall by about 20,000 square feet to accommodate more smaller tenants, said the firm's partner Christopher Brochert.

"When we bought it, it had a tremendous amount of deferred maintenance. The motif was from the late 1970s and it was very dark," he said. "The floors were terrible, the storefronts were terrible, the lighting was terrible and the colors were terrible.

"So we went in and got all new ceiling and lighting, all new flooring, the storefronts are all linear now, it's much brighter," Brochert said. "We only have one vacancy and we're negotiating a lease on that vacancy."

Lormax Stern also aggressively pruned the former tenant mix, booting out a store that had disposable "burner" cellphones and another that mostly sold cigarettes and lottery tickets. It also closed the mall's second-run movie theater Silver Cinemas.

Stores such as Old Navy and Kohl's continue to do well in the mall, and the property successfully attracted several new retailers including H&M and DXL.

Macomb Mall's turnaround shows a successful convergence of traditional mall and shopping center tenants, said Ken Nisch, chairman of Southfield-based retail design firm JGA.

"Many of them would in the past have been strip center tenants, but they kind of engaged them as the middle anchors" of the mall, Nisch said.

That could be one future path for non-luxury malls to survive.

Redeveloping the dead



Northland Center mall is seen on Wednesday, February 17, 2016, in Southfield, MI.
(Photo: Salwan Georges, Detroit Free Press)

There has been progress in redeveloping the region's two dead malls: Northland and Summit Place.

Northland is owned by the City of Southfield, which is looking to demolish most of the derelict mall and build a mixed-use development.

Only the former Macy's store and Northland's original structural foundations and underground tunnels would be kept and reused, according to Southfield Mayor Ken Siver, who said demolition could happen as early as next spring and cost roughly \$3 million.

The empty four-story Macy's could be redeveloped into loft apartments. There are also tentative deals for developers to build medical complexes, offices and light industrial buildings at the old mall site, the mayor said.

Failed Summit Place Mall was sold this month for an undisclosed sum by its former California-based owner to Ari-EI Enterprises, a Southfield real estate firm. Under the deal, the new owner has until late September 2019 to start razing the mall along Telegraph and then a year to finish.

Summit Mall's vacant Sears is a separate parcel that will soon be owned by DTE Energy, which intends to tear it down to build an operations center.



An exterior view of the vacant **Summit Place Mall** in Waterford Township on April 13, 2016.
(Photo: JC Reindl, Detroit Free Press)

Ari-EI's President and CEO Arie Leibovitz said that once the 1.3-million-square-foot shopping mall is gone, the land will be redeveloped as a new business park, with perhaps a future hotel and some fast-casual restaurants also on the site.

In an interview, Leibovitz said he was unfamiliar with the story of how a circus elephant named Little Jennie dropped dead outside the mall in the summer of 1972 and was buried on the property. The exact grave location remains in dispute.

Asked whether he planned to excavate the elephant, Leibovitz quipped, "only if it had gold teeth."

"We've got one white elephant aboveground," he added with a laugh.

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