

# HEARTLAND REAL ESTATE BUSINESS®

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## FOOD, BEVERAGE STIR CHICAGO RETAIL SCENE

Both developers and investors look for restaurants to anchor retail space.

By Kristin Hiller

Chicago's retail market echoes national trendlines, where the lion's share of activity revolves around restaurants, entertainment or fitness concepts. This fall, one of the most anticipated food and beverage openings in the city is Time Out Market, a three-story food hall from media and entertainment business Time Out Group. Scheduled to open in early October in Fulton Market, the 50,000-square-foot space will house 18 kitchens, three bars and a rooftop terrace.

Corey Black, director of retail real estate for Cushman & Wakefield's

Chicago office, says that there is an emergence of food halls downtown. "We have eight in the city, which is a lot, but people still love them," he says.

For most, a food hall refers to a collection of local restaurants or boutique food-oriented retailers assembled under one roof. Time Out's approach is a little different, as the company went about selecting its tenant lineup with gourmet chefs as opposed to local restaurants. Black notes this in response to oversaturation fears within the market.

Food hall operator Urbanspace will



Food hall operator Urbanspace will anchor the planned dining, retail and entertainment destination at the base of Willis Tower to be known as Catalog.

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## SHOPPING CENTER INDUSTRY UNDERGOES 'TECTONIC ADJUSTMENT'

Mall owners scramble to redevelop properties in face of department store closures.

By Kristin Hiller



The former Carson's store at Harlem Irving Plaza in Norridge, Illinois, is being subdivided into space for multiple tenants.

The number of retail store closures nationwide in the first half of 2019 surpassed 7,000 and is on pace to reach a record 12,000 by year's end, according to Cushman & Wakefield. Major retail bankruptcies over the last year have caused the power and regional shopping center sector to experience continued store closures and negative absorption of 2 million square feet in the first half of 2019.

That said, discount retailers, entertainment and fitness concepts are still in expansion mode and help backfill vacant space. Mall and shopping cen-

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# SHOPPING CENTER INDUSTRY UNDERGOES 'TECTONIC ADJUSTMENT'

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ter owners are scrambling to redevelop properties and incorporate a variety of uses.

For example, this month CBL Properties will wrap up completion of a Sears redevelopment at Brookfield Square in Milwaukee. The project includes new-to-market entertainment operator WhirlyBall as well as a Movie Tavern by Marcus Theatres. Additionally, there are several new dining options and an Orangetheory Fitness location.

"Our strategy is to transform our properties from traditional, enclosed malls to suburban town centers that offer a variety of uses, including entertainment, dining, fitness and in some cases office, hotel or multifamily," says Stacey Keating, public relations and corporate communications director for Chattanooga, Tennessee-based CBL, which owns 108 properties totaling 68.2 million square feet across 26 states.

In the case of Brookfield Square, the city of Brookfield purchased a portion of the Sears parcel and is under construction on a new conference center and hotel scheduled to open in spring 2020.

CBL also recently added new art and entertainment exhibits at malls in Kansas City and Chattanooga. At Oak Park Mall in Kansas City, Kansas, CBL added Wonder Wonder, a nearly 6,000-square-foot concept comprised of 16 different rooms each featuring content from a different artist. Some rooms are built for photo opportunities while others offer "a multi-sensory experience," according to CBL.

### Adapt with the times

This past summer, CBL sold Honey Creek Mall in Terre Haute, Indiana,



At Southern Park Mall in Youngstown, Ohio, Washington Prime Group Inc. has unveiled plans to develop a four-acre athletic and entertainment venue at the site of a former Sears department store. The venue will be named DeBartolo Commons after the mall's original developer, Edward J. DeBartolo Corp.

to Out of the Box Ventures LLC, a subsidiary of Miami-based Lionheart Capital. Newmark Knight Frank brokered the sale of the 676,322-square-foot property, which is the only enclosed regional mall within a 50-mile radius.

Out of the Box is currently working on redevelopment plans for Honey Creek in concert with other developers in the area and community input, says Trevor Barran, COO. The typical redevelopment strategy for Out of the Box begins with gaining a deep understanding of the community and its objectives, adds Barran.

"We like to engage early with the municipality and other local business owners to begin an active dialogue — whether that be through meetings related to suggestions or zoning," says

Barran. "We also reach out to tenants we think may be a good fit for a property and clients of the area."

When bringing in new retailers to a redevelopment project, Barran says that entertainment, food and beverage, grocers, fitness and medical users fit the bill for backfilling space formerly occupied by department stores. Out of the Box currently has a number of projects in the works that include hotels, entertainment venues, food halls, hospitals, gyms or trampoline parks.

By picking interesting and forward-thinking tenants and offering space in new and creative deal structures, Barran believes that his firm can ensure a retail property's relevance in today's market. He also notes that most regional malls are in

favorable locations; they just need to be adapted to meet the changing needs of communities.

"The shopping center industry as a whole is going through a tectonic adjustment," says Barran. "We have a unique vantage point by having grown quickly into the space within the last few years. We see a lot of opportunity to proactively shift and adjust shopping center retail to match the current and future needs for decades to come."

### Focus on lifestyle

At Southern Park Mall in Youngstown, Ohio, Washington Prime Group Inc. has unveiled plans to develop a four-acre athletic and entertainment venue at the site of a former Sears department store. The venue will be named DeBartolo Commons after the mall's original developer, Edward J. DeBartolo Corp. Washington Prime also plans to develop an additional entertainment area adjacent to DeBartolo Commons with a 37,000-square-foot indoor golf center and new food and beverage offerings.

"Our assets often serve as the town center in the community, and our leasing and development teams are always thinking about how to further strengthen the asset as the hub of retail, dining and entertainment in the area," says Kimberly Green, vice president of investor relations and corporate communications for Washington Prime Group. The Columbus, Ohio-based real estate investment trust owns more than 100 shopping centers nationwide.

"Redevelopment plans are thoughtfully put together with the local community, surrounding communities and existing tenants," says Green.

Repositioning a former department store enables Washington Prime to

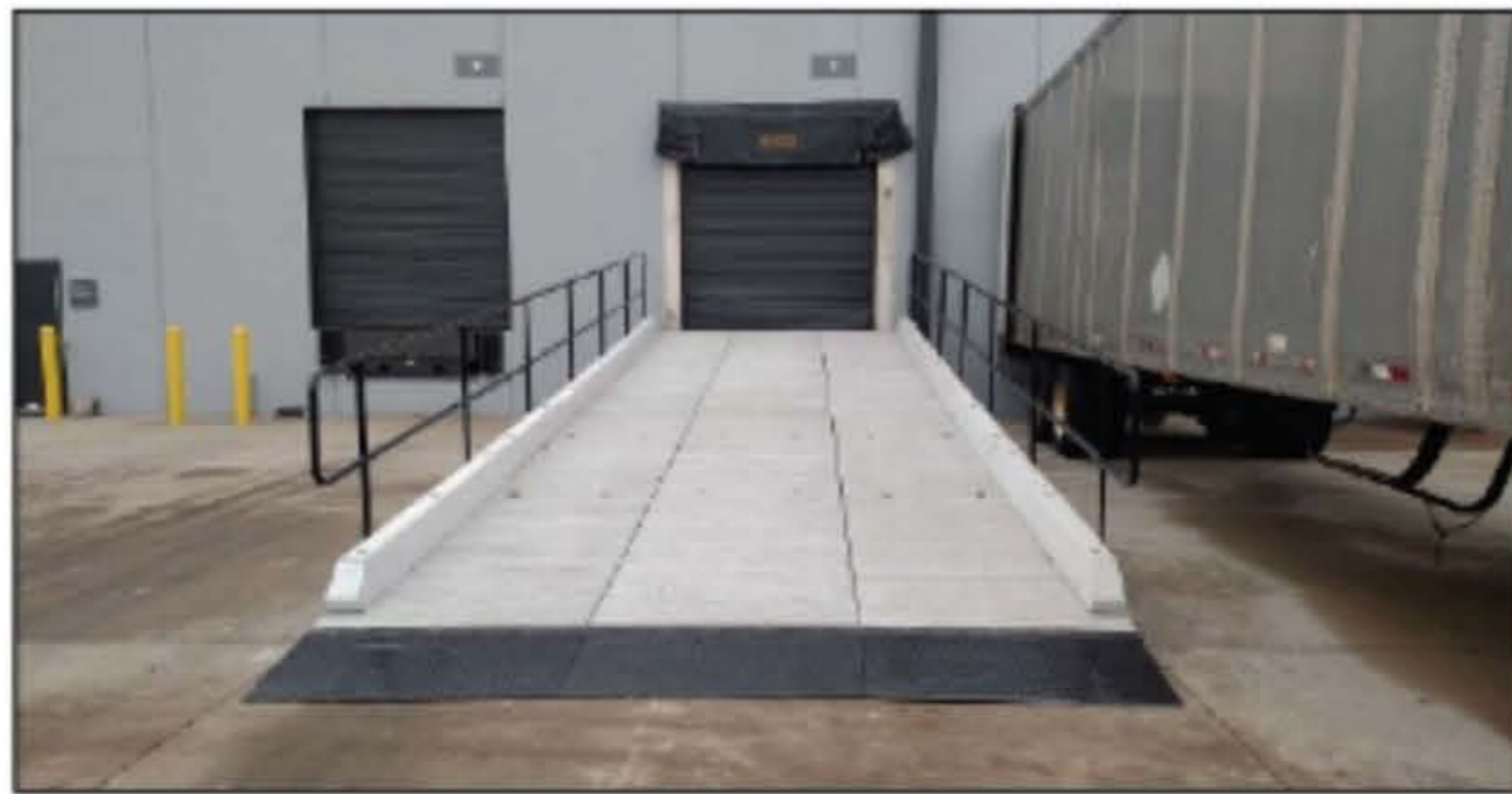
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bring in what it calls “lifestyle tenancy.” This includes entertainment, food and beverage, fitness, wellness services and home furnishings.

The RoomPlace, an Illinois-based furniture store, recently opened at Washington Prime’s Lincolnwood Town Center in northern Illinois. The retailer replaces a former Carson’s department store. In this case, the goal was to bring in a home furnishing retailer to help diversify the tenant mix, says Green.

### Do your research

Another redevelopment project centered around a former Carson’s store is shaping up at Harlem Irving Plaza in Norridge, Illinois, about 15 miles northwest of Chicago. Owner Harlem Irving Cos. made the decision to subdivide all three floors of the former department store to accommodate multiple users as opposed to a single tenant.

“We realized the importance of filling that vacant space with tenants that would appeal to new shoppers,” says Thomas Randall, vice president and general manager. “Convenience for our customers was also a key factor in the redevelopment plan, so we decided to construct new entrances and a large walkway on the second level.”



This past summer, CBL Properties sold Honey Creek Mall in Terre Haute, Indiana, to Out of the Box Ventures LLC, a subsidiary of Miami-based Lionheart Capital. Out of the Box is currently working on redevelopment plans for the 676,322-square-foot property.

Construction of the 168,000-square-foot redevelopment project began in February. New retailers are expected to open in the summer and fall of 2020. Currently, shoppers at Harlem Irving Plaza will find a 310-foot art wall at the former Carson’s store. It is equipped with transparent cut-outs so shoppers can view construction progress.

Harlem Irving, which owns 16 shopping centers in addition to

apartment properties, conducted extensive market research when determining its redevelopment strategy. The company reached out to not only existing shoppers, but also residents within the area to gauge what specific retailers would attract them to the mall. This type of research mutually benefits both the shopper and the potential retailer.

When selecting new tenants for backfilling vacant space, the company

says that it is vital for new tenants to have synergy with existing retailers in order to “create maximum foot traffic and encourage cross-shopping.”

Another trend in retail redevelopment that the company is following is less emphasis on traditional department stores as anchor tenants. Despite being an enclosed regional mall, Harlem Irving Plaza features Target, Kohl’s, Best Buy and Nordstrom Rack as anchor stores. ■




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