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Lakeside Mall sells for \$26.5 million; new owner plans mixed-use redevelopment

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- Miami-based Out of the Box Ventures purchases 1.5 million-square-foot Lakeside Mall for \$26.5 million
- Founder and CEO Ophir Sternberg plans mix of uses to surround the mall, with structure staying intact
- Out of the Box has other properties in Michigan, including in Battle Creek, Bay City and Midland



Courtesy of Lakeside Mall

Lakeside Mall has a new owner that plans a mix of uses on the land surrounding the property in Sterling Heights, which opened in 1976.

Lakeside Mall in Sterling Heights has a new owner planning a redevelopment.

Out of the Box Ventures, a subsidiary of Miami, Fla.-based Lionheart Capital LLC, paid \$26.5 million for the 1.5 million-square-foot mall along M-59 between Hayes and Schoenherr roads, Ophir Sternberg, founder and CEO, said in a Wednesday interview with Crain's.

The sale, which was brokered by JLL and Farbman Group, closed yesterday, Sternberg said. He anticipates a mix of uses sprouting up on the land surrounding the mall and, although

none has been determined, they could include residential, entertainment, hospitality, medical or office space.

"Our plan is going to develop and evolve within hopefully the very short term," Sternberg said, declining to say how much he anticipates spending on new development at the 100-acre property that includes the mall.

The new ownership comes at the same time it has been losing key tenants lately, most recently in June the [Lord + Taylor](#) department store that opened in 1978, two years after the mall opened. Sears closed in September 2018, leaving 325,000 square feet vacant. The JCPenney and Macy's stores remain open.

Sternberg, however, still plans retail as a key focal point.

"We are not looking to tear it down," he said. "Retail will still remain a very, very important part of this site. We'll be looking to use as much as we can of the whole, existing structure."

He said that there isn't a plan to relocate any tenants until a master plan is determined. Unspecified interior improvements are also expected.

In addition to Lakeside, Out of the Box owns Battle Creek Plaza (84,300 square feet); a former Macy's (102,100 square feet) and JCPenney (86,000 square feet) at Lakeview Square Mall in Battle Creek; a JCPenney (62,500 square feet) in Bay City; and a former JCPenney (62,600 square feet) at Midland Mall in Midland, according to [the company's website](#).

Sternberg said the property came across his radar about six months ago, as Out of the Box has been embarking on a buying spree of almost 30 properties in 17 states totaling 5.5 million square feet, not including Lakeside.

"This is exactly the kind of asset we look for, which is a very, very well located regional, prominent asset that is maybe suffering from distress from the fact that the previous owner had a lot of debt on the property," he said. "I believe that caused a lot of strain on ownership and, therefore, the property."

Chicago-based General Growth Properties defaulted on a \$144 million loan in 2016 and the property went to special servicer C-III Capital Partners LLC, based in New York, Crain's reported last year.

It's the latest mall property to change hands, following the [September 2018 sale of Summit Place Mall](#) for [\\$3.7 million](#) on the Waterford Township/Pontiac border that has been

demolished and is now anticipated to be redeveloped as the Oakland County Business Center at Elizabeth Lake Road and Telegraph.

In September 2018, Sterling Heights **revealed a pair of concepts** for the mall: One surrounds the mall with new space, but keeps the property largely intact. The other would have torn down the entire thing, creating a blank slate for redevelopment.

"Our goal has always been to see Lakeside transform from a traditional retail mall into a mixed-use space focused on walkability, placemaking and community," Mayor Michael Taylor said in a statement.

Robert Gibbs, an urban planner who is principal of Birmingham-based Gibbs Planning Group, said that because parking requirements are half what they were when Lakeside was built more than 40 years ago, depending on ownership of some of the surface parking, it could be halved in favor of new development like multifamily or hospitality.

"I'm not surprised they aren't going to tear the mall down," he said. "It's a really well built mall, and it probably still has a long life as an active retail center, maybe with a mix of office and institutional uses in some of the department stores in wings of the building."

Luke Bonner, senior economic development adviser for Sterling Heights and CEO of Ann Arbor-based economic incentive, real estate and economic development consulting company Bonner Advisory Group LLC, said construction on the site's redevelopment could amount to hundreds of millions of dollars.

"But this project's economic impact to the region could far exceed the construction value. It's imperative that we work toward preserving this critical tax base and increasing the job base of 1,000 currently supported by Lakeside Mall," Bonner said in a statement.

Sternberg said it's too early to determine what level of taxpayer incentives will be sought for the project.

"We haven't gone into that kind of detail yet," he said. "The first objective is to come up with the perfect plan that everyone agrees upon."

Inline Play

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