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Real Estate Insider: Lakeside Mall tenants get a rent reprieve



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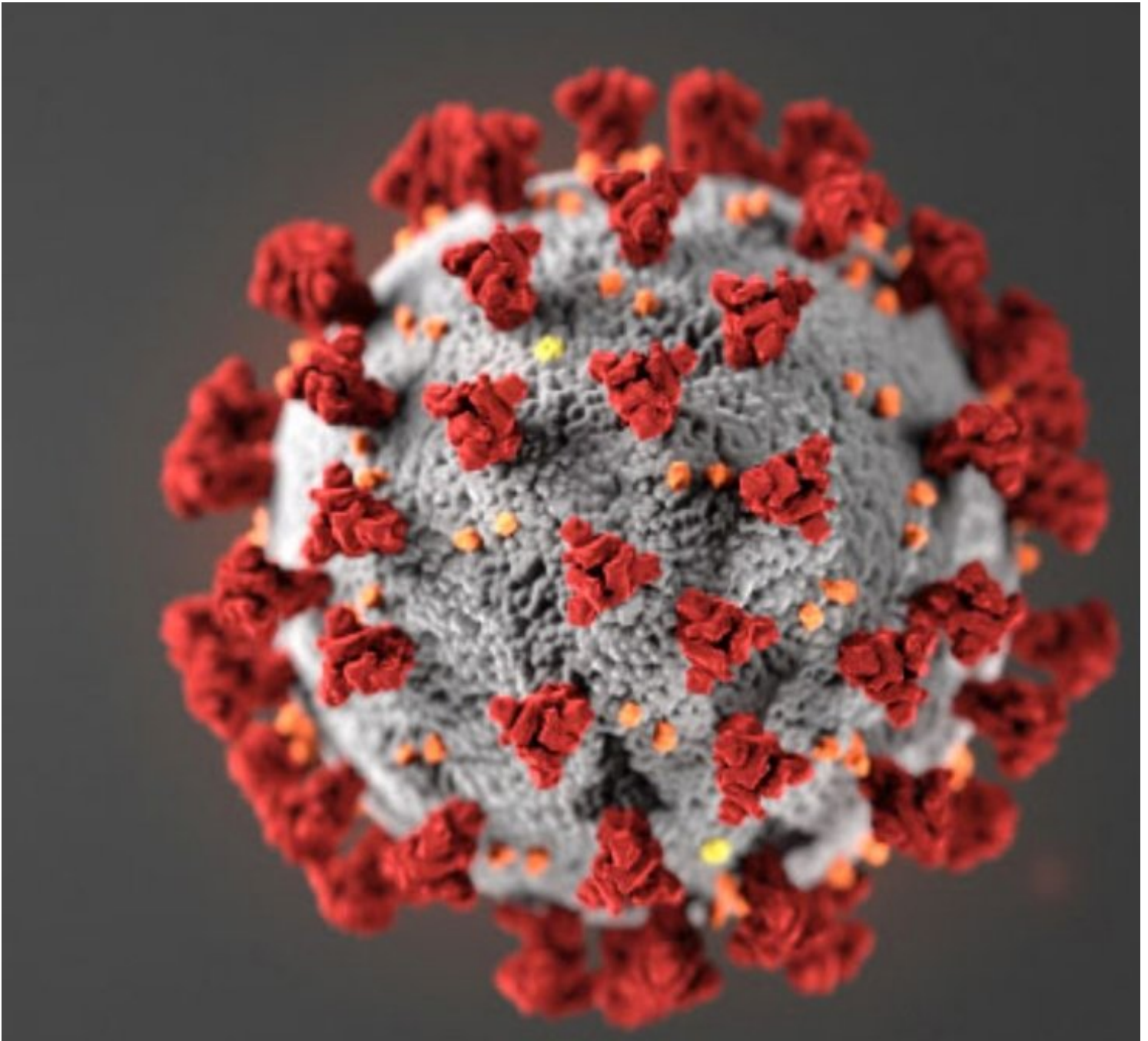
Real estate

- New Lakeside Mall owner cutting monthly obligations by 60 or 70 percent
- Out of the Box Ventures says the reduction will be for April and May
- Others are cutting retail rents as coronavirus aftershocks continue



Courtesy of Lakeside Mall

Miami-based Out of the Box Ventures LLC purchased the 1.5 million-square-foot Lakeside Mall for \$26.5 million in December. The company is reducing tenants' monthly rent obligations in light of the coronavirus pandemic.



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Count Lakeside Mall owner Ophir Sternberg as another waiving rents for the mall's tenants this month and next.

With common area maintenance fees and property taxes remaining, his Miami-based company Out of the Box Ventures LLC, a subsidiary of Lionheart Capital LLC, anticipates that most tenants across his portfolio, including in the 1.5 million-square-foot mall in Sterling Heights, will see a 60 percent to 70 percent reduction in their monthly obligation in

April and May.

"Some of the larger mall owners that own large very large portfolios were taking a pretty harsh stance, in my opinion, about the rent, saying that the full rent was expected on April 1, and we thought about situation a little bit differently," Sternberg said Tuesday in an interview.

That's a shot across the bow at Bloomfield Hills-based Taubman Centers Inc. (NYSE: TCO), which [sent a letter last month to tenants](#) saying they expected April rent although the company also said in a statement later that it is being flexible with them.

Sternberg joins [Dan Gilbert's Bedrock LLC](#) (complete waiver in April, May and June) and the [Ilitch family's Olympia Development of Michigan](#) (reduction in April, May and June) as local retail landlords publicly saying they are reducing or eliminating rent as coronavirus delivers continuing aftershocks to the commercial real estate industry, ranging from [hotels](#) to [office space usage](#) to [construction](#). Notably, Royal Oak landlord Bill Harrison has said he is cutting his rents to downtown businesses in his three Washington Avenue buildings to \$1, [the Daily Tribune reported](#).

Others may be doing similar measures but haven't come forward publicly.

Out of the Box Ventures paid [\\$26.5 million](#) for the mall along M-59 between Hayes and Schoenherr roads. It is about 75 percent occupied, he said, but has been shut down for a few weeks.

Sternberg said less than half of the purchase price came from debt.

"We've got a very low leverage, so we felt like this is something we can do for our tenants, so we're doing it," Sternberg said.

He also said he wasn't sure specifically how much the loss of monthly rent from Lakeside tenants would cost him. I requested additional details on number and types of Lakeside tenants impacted as well as more specific information on how much the rent reduction would cost.

"I mean it's definitely painful. We're taking a big loss by doing this. But I also know that the retailers and businesses are all suffering, so it's essentially a way for all of us to share in the pain."

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.

More rent relief?

Last week, Ohio Gov. Mike DeWine issued an executive order "requesting" a suspension of small-business commercial rent and evictions for 90 days as well as a 90-day forbearance for commercial real estate mortgage borrowers.

I put in an inquiry with Gov. Gretchen Whitmer's office to see if she is considering a similar order. I have an inquiry in with Gov. Gretchen Whitmer's office to see if she is considering a similar order. A spokesman said he "didn't have anything to confirm or share at the moment."

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