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Ghost malls and shopping centers

Landlords are struggling to find new tenants to take over empty retail spaces

By JULIANNE MOSHER

Things might look bleak for retail and commercial spaces across Long Island, but just as restaurants, clothing stores and offices did during the pandemic, malls will have to start getting creative.

“Malls might want to consider commercial fulfillment centers,” Sophia Perna-Plank, associate at Jaspan Schlesinger LLP, said. “Retailers who need to expand their e-commerce centers might want to have distribution centers closer to their customers for easier delivery.”

That’s just one thought to consider for landlords seeking to fill empty stores.

Perna-Plank advocates for landlords struggling with bankrupt tenants. Working with now-gone retailers like Pier 1 and Anne Taylor, she said while it’s sad to see a store go, the landlord behind the scenes is struggling, too.

“Because the number of bankruptcies are increasing, commercial real estate and landlords are definitely feeling it,” she said. “It affects landlords greatly.”

CNN Business recently reported that mall vacancies are accelerating rapidly amid the surge in e-commerce and online shopping, and landlords want to fill the shells of old stores.

According to data from research firm Real Estate Solutions (REIS) by Moody’s Analytics, the rate of mall vacancies is at a historic high of 9.8% in early September, exceeding the previous peak of 9.3% in 2011.

But locally, Newsday reported that according to estimates from Coresight Research, a Manhattan-based retail analysis provider, 20,000 to 25,000 store closures would be recorded in the U.S. in 2020. At least 55% will be at malls.



Sophia Perna-Plank

“We need to get creative with these big spaces,” Perna-Plank advised. “It may become a one-stop-shop for whatever your needs are... Anything is possible, and I think a lot of landlords will get desperate because they can’t bank on getting a lot of funds from a bankruptcy case.”

Some other options that have been considered nationwide would be adding doctor’s offices or even schools to a former retail space.

“The stakes are high for mall developers who are now repurposing the vacant space in a variety of ways,” Perna-Plank said. “Only time will tell with what way the pendulum will swing.”

Melissa O’Connor, executive vice president and director of government relations with the Retail Council of New York State, said that while her organization doesn’t represent malls, they do represent some stores that have retail spaces there.



Melissa O'Connor

“Malls have been evolving for years now,” she said. “Stores in the malls have had a challenge – Long Island malls were just allowed to open on July 10, and New York City recently on September 9 - so they’re still in the first phase of reopening’s, it’s hard to see how customers are responding to that.”

Part of the high vacancy rates seen inside many shopping centers are due to the growth in online sales – especially during the stay at-home orders when stores were temporarily closed.

“A lot of stores had to pivot in this new world,” O’Connor said. “They had to increase their online systems, look at underperforming stores and reevaluate.”

O’Connor is optimistic that businesses will begin to pick up as the holiday season approaches.

“Customers who still feel comfortable shopping online will continue to do that,” she said. “But a lot of people still want to support local businesses, including shopping at big box stores in their local jurisdiction... the level of recovery will hinder on the extent of how the virus will be contained.”

Howard Fielstein, a partner at Grassi Advisors and Accountants, is wearier.

“I don’t think a lot of people are in a rush to get back into the stores,” he said. “There are more people at restaurants, for example, but it’s not at the level it was before.”



Howard Fielstein

He thinks that recovery won’t come before well into 2021. “It’s going to take a lot of time to be where retail had been a year ago,” he said. “We’re probably looking at the second or third quarters if everything goes in a positive direction.”