

FUTURE OF SHOPPING MALLS

Your Name

Course Title, Case Study

Date

Future of Shopping Mall

Background

The long strip mall with its shops and shared parking¹ was well situated, however, the building looked run down, and the shops operating there were shabby, and a diverse mix of businesses not well suited for a suburban site. For example, a security cash in transit firm was headquartered there. This held no local attraction. A company that offered bulk sales of building materials were also tenants. There was a small cafe, which looked more shabby as compared the ones in other malls, whilst it attracted some trade it was not sufficient. In the area were two large shopping malls, recently built and with an excellent mix of businesses. They were both trading well. The owner of this property had 3 choices, to continue as it was until it eventually died, and buildings became too degraded to lease out. Sell the property for less than its potential value. At present, any purchaser would offer the value of the ground, not the building. Alternatively, the purchaser could renovate, and seek a new mix of tenants.

Problems

Each option had difficulties. To keep it as it was simply would cost money in basic maintenance, and just delay the inevitable degradation of the building and closure of the centre. To sell at rock bottom prices was in fact to be expensive. The potential loss against selling it as a dynamic shopping centre was daunting, or the profits to be made from profitable businesses operating from the centre. To renovate would require expensive capital outlay, with no guarantee that the right mix could be found to make it successful.

Solutions

1. It was quickly established what they could expect to get if they sold it. So they had a realtor valuer in, and the opinions, supported with facts, such as current property prices, and currently unsold business premises showed it have to go for a giveaway price.

2. The opinion of a civil engineering firm and finance expert confirmed that by delaying it, the

¹ Merriam-Webster Online. *Strip Mall*, www.merriam-webster.com/dictionary

deterioration would be rapid, and sale price worse. Grossman says that when capital owners fix up their centers it generates higher sales.²

The construction expert, together with an architect drew plans and cost renovations for the building. A team of planners looked to see what kind of businesses would be needed, and what type of premises each would need. "Choosing the right tenants is more important than getting the higher rent," says Julie Taylor,³ This was taken into account by the construction team.

3. The question was, what is an ideal retail mix? They needed a franchised grocery store as its base. Preferably one that opened late such as a 7/11. A fast food take away was seen as essential; a pizza business was favored as there was no competition in the immediate area. Next, a video DVD hire store was recommended, as this suburb had a mix of houses, apartments and schools. A woman's hair salon was added and a Laundromat and dry cleaning service.⁴ The costing estimates showed this route would give the best profit and return on investment. The result was a modern, attractive mall, filled with businesses that were directly relevant to suburban consumers, made up largely of families, either starting out or well established, with apartments of affluent single adults who would shop at the franchised grocer, order pizza, use the Laundromat and watch movies. A liquor store was added, as the franchised grocery was licensed to sell only beer and wine.

² Evans, Mariwyn. "*Strip Malls Turn Heads.*" National Association of Realtors. Last modified July, 2013, <http://realtormag.realtor.org> > Home > Commercial > Feature

³ Ibid.

⁴ Ibid.

Bibliography

Evans, Mariwyn. "*Strip Malls Turn Heads.*" National Association of Realtors. Last modified: July, 2013, <http://realtormag.realtor.org>.

Merriam-Webster Online. *Strip Mall*, www.merriam-webster.com/dictionary/.