

**ULI Chicago's Front Stoop Series
"The Next Chapter for Malls"**

A Conversation with:

Andrew Wilson, *Vice President, Development*, Miller Capital Advisory, Inc.
Joseph Stein, *Senior Director, Construction*, Brookfield Properties

On January 14, ULI Chicago members convened for the Front Stoop Series to discuss "The Next Chapter of Malls." The discussion was led by Andrew Wilson, *Vice President of Development* at Miller Capital Advisory and Joseph Stein, *Senior Director of Construction* at Brookfield Properties. Miller Capital is an Investment Advisor specializing in fashion-oriented retail and mixed-use properties. Brookfield Properties is a fully-integrated, global real estate services company that provides portfolio management and development capabilities across the real estate investment strategies of Brookfield Asset Management.

See below for the main takeaways and a brief outline of the discussion.

A few retail trends in a COVID world:

- Retail and malls that are doing well:
 - Retailers with an athleisure or home improvement component
 - Malls with an outdoor aspect
- Retail and malls that continue to struggle:
 - Discount retailers
 - Malls that are in tourist driven locations, such as in Hawaii or on the Vegas strip

COVID has Accelerated Mall Redevelopment Discussions:

- Redevelopment usually makes the most sense where the anchor department stores are located. Department stores are getting hit extremely hard, so as those go away, opportunities will increase.
- Since COVID, municipalities are more eager to have discussions with owners and developers, due to extreme sales tax declines.
- In many cases, conversations with tenants have evolved for the following reasons:
 - Tenants have requested rent relief and in exchange, landlords take away approval rights.
 - Tenants have shifted growth conversations back to their core businesses. They are trusting landlords to keep assets moving forward.
 - If REAs are expiring, it provides a window of opportunity.

Density Considerations in Mall Redevelopment:

- Parking is a key driver.
 - Anchor tenants are big drivers/holders of parking. As those go away, it will help to create opportunities.
 - More regions are bringing public transit to malls, opening up the discussion of decreased parking ratios and the ability to repurpose excess land.
 - Approximately 30% of parking is utilized by mall employees. As transit comes in, this number will decrease significantly.
 - Parking decks are expensive to build and, in some markets, consumers have a difficult time adjusting to them.
- When adding a hotel or a multifamily tower to a mall, consumers want to be in the epicenter. This is hard to achieve because operating the mall during demolition/construction is expensive and constraining.