

Site Selection Trends: Can Repurposing Help Suburban Malls in Georgia Find New Life?

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One of the lasting consequences of COVID-19 is the accelerating trend toward online shopping, resulting in a decline in foot traffic to local retail stores and suburban malls. Consequently, traditional suburban malls in many locations, including throughout Georgia, have suffered a substantial loss of tenants, especially rated tenants, and are now facing severe underutilization or even closure.

However, there is a growing trend in site selection to repurpose suburban malls for new warehousing or distribution spaces. Repurposing underutilized suburban malls for warehouse or distribution space is driven by shifts in retail dynamics and the increasing demand for e-commerce logistics. Here are some considerations and potential benefits of repurposing underutilized suburban malls:

Location Advantages: Suburban malls are often strategically located near major highways and residential areas, making them attractive for logistics companies aiming to reduce delivery times, lower costs, and find employees.

Space Availability: Malls are typically large, open spaces that can readily convert into warehouse facilities.

Existing Infrastructure: Malls already have significant infrastructure in place, including parking, utilities, and road access, which can be advantageous for logistics operations and reduce conversion costs.

Economic Development: Converting malls into distribution centers can bring new life to these spaces, creating jobs and potentially boosting local economies that may have suffered from their decline. These revitalization efforts are often eligible for state and local financial subsidies, like grants and below-market-rate loans that can lower risks and boost returns, and freeport exemptions for inventory.

Local Laws: Local zoning laws and regulations must be checked thoroughly during the diligence process, and local stakeholders and governments should be actively engaged because the potential job creation for residents can often aid in these efforts.

Costs and Modifications: The cost of retrofitting malls to suit the specific needs of warehouses, such as installing loading docks and reinforcing floors, must be considered. However, these costs may be offset by the strategic benefits of the location.

According to a January 2019 CBRE research, there have been 23 retail-to-industrial projects that have commenced since 2016. These projects have successfully transformed roughly 7 million square feet of aging retail space into 10 million square feet of new warehouse/industrial space, either by converting existing structures or by demolishing and replacing them with new buildings. The demand for e-commerce requires three times the logistics space of traditional storefronts, according to a 2020 report from Prologis. This necessitates the need for logistically and strategically located fulfillment centers, and underutilized malls can often be repurposed to fulfill this demand.

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Given the explosive growth in e-commerce, numerous abandoned or underutilized suburban malls in Georgia should be studied as potential targets for conversion into new warehousing and distribution spaces. This addresses the need for additional logistics infrastructure and offers an opportunity to revitalize these spaces and contribute to local economic development.

As the repercussions of COVID-19 continue to reshape consumer behavior, the transformation of suburban malls into warehousing and distribution hubs emerges as a beacon of adaptation in the retail landscape. With the decline in foot traffic and tenancy rates, these once bustling centers are finding new purpose in the logistics infrastructure crucial to the e-commerce boom. From leveraging strategic locations and existing infrastructure to stimulating economic growth and navigating regulatory landscapes, repurposing underutilized malls offers a multifaceted solution to revitalizing both space and community. As statistics reveal the significant square footage already converted and the growing demand for logistics space, the evolution of these malls into dynamic fulfillment centers signals not just a response to change, but a proactive embrace of the future of retail.

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