

Shopping Plus

Malls Evolve as Times Change

By Matt L. Ottinger

Over time, humans have adapted as the environment and circumstances change. Organizations, or in this case facilities, must often do the same.

Indiana Factory Shops, an outlet mall that launched in Daleville in the 1990s as a destination for area and regional shoppers, fell on hard times. In 2006, it closed. If the story ended there, it would be a sad one: Another vacant building, perhaps dilapidated, filled with nothing but memories of misguided hope from a time when the economy was thriving.

Due to savvy investing and economic development, however, Indiana Factory Shops was soon converted into the Heartland Business Center (HBC), and the facility now houses five businesses and over 700 people during working hours. The Muncie-Delaware County Economic Development Alliance was a leader in the effort and parlayed backing from outside investors into a successful project.

“We were fortunate to have some really good partners,” explains Jay Julian, president/CEO and chief economic officer for the Alliance. “A local real estate entity (Coldwell Banker Lunsford) was intrinsically involved and found an investment company on the East Coast (SugarOak Investments) that started crafting a vision with the help of realtors and the business community and our team.”

The five businesses now calling HBC home for some of their operations: Boyce Forms/Systems (founded in Muncie in 1899); First Merchants Bank; IBM; Indiana Finance Company; and Sherry Laboratories.

Julian contends the impact of the HBC transcends its walls and permeates throughout the area.

“The center is proving to be an anchor for (the I-69) interstate exchange for Daleville and southwestern Delaware County,” he asserts. “Daleville now has a pretty good synergy and the HBC is a big part of that.”

He adds that the Alliance recently purchased 16 acres of land around the facility from SugarOak. It has erected a shell building, which can be finished within four months to provide a quick turnaround for a prospective commercial tenant. Julian relays the group has “received a large amount of interest in the facility.”

Sherry Laboratories is one of several businesses successfully operating out of Daleville’s Heartland Business Center. Sherry Labs has five locations in Indiana, although the testing company’s reach spans the nation.

Faith in the future

Aside from becoming business hubs, malls have evolved to house other types of organizations in addition to maintaining their retail clients. Concord Mall in Elkhart is one example.

“For a decade, we’ve been focused on creative and alternative uses for retail space – and over that period of time have worked with four different churches, and two operate here today,” explains Robert Thatcher, general manager/director of leasing for owner Triyar Companies. “It’s a great use, and I find that it creates traffic at times when the retail trade might be a little slower. Church lets out and then a significant number of people migrate into the food court or frequent our valued retailers.”

Thatcher, who is also chair of the Greater Elkhart Chamber of Commerce’s economic development council, emphasizes the continued value of retail. He reports that one in nine Hoosier jobs are based in retail and that the Concord Mall employs around 600 people,



depending on the season.

“Malls are also crown jewels regarding quality of life, robust economic activity and the number of jobs that rely on them,” he surmises.

Reasons for the shift

The Great Recession certainly influenced commerce substantially, but other reasons exist for the changing landscape.

While Thatcher says malls have seen double digit sales growth the past two years, Internet transactions take a bite out of business.

“It’s thought that total Internet sales equate to approximately 15% of all gross sales nationally ... and have dramatically impacted traditional brick and mortar retail in general, and very specifically in certain categories.”

Thatcher lists the book and magazine business, as well as games, videos and movies, as dramatically affected by online sales.

John Talbott, associate director of the Center for Education and Research in Retailing at Indiana University’s Kelley School of Business, concurs that Internet sales are impacting the status of shopping centers. However, he argues that malls are far from obsolete – and those that are in favorable locations are performing quite well.

“The problem is not so much that we have too much retail space to lease,” he remarks. “The problem is that in the case of old malls, (they are often) in areas that are not attractive to retailers and their target customers are no longer drawn to those areas. Occupancy rates in quality areas are actually very high – in the 90% range. Good malls still work, but the three rules of retail remain: Location. Location. Location.”

That sentiment is echoed by Les Morris, director of public relations for Indianapolis-based Simon Property Group (a global leader in retail real estate).

“Our occupancy rate for our malls and premium outlets, which is the bulk of our total portfolio, is over 95%,” he notes. “That’s an increase from the year earlier ... that’s pretty much a historical high based on what I can remember.”

Open air malls, such as Clay Terrace in Carmel or Metropolis in Plainfield, have grown in popularity recently, but Morris adds that indoor malls remain a fixture in the American



Emmaus Christian Church in Indianapolis’ Lafayette Square Mall is just one example of how malls are being repurposed.

shopping experience and likely will for some time.

“I’d say with the regional enclosed malls – like Castleton, Fashion Mall, etc. (both in Indianapolis) – I’ve heard our executives say those properties are the best delivery system for services and goods we’ve ever found,” he elaborates. “Those enclosed malls are still the powerhouses in the retail industry.”

Get ‘em in the door

Julian argues that when looking to fill a vacant facility like Indiana Factory Shops, it’s critical to identify organizations that are the best fit for the space.

Thatcher concurs, emphasizing the need to think in a non-traditional fashion.

“We continue to focus on alternative creative uses, and others will tell you that municipal and county offices and libraries have been good examples of this – and medical and other health care uses have been (successful),” he continues. “It’s also become important to work with entrepreneurial retailers.”

The future may also include a shopping experience that’s more interwoven with other aspects of life. Morris invokes Clay Terrace, as well as another Simon property in Austin, Texas, that incorporates mixed-use components like office and residential space with outdoor malls. He adds that some have included movie theaters and large aquariums to draw visitors.

“We’re pouring money by the billions this year into refurbishing our properties, so the challenge is always to maintain the property and make it fresh, make it a place where shoppers want to come – not just to shop, but eat and be entertained.”

INFORMATION LINK

Resources: Jay Julian, Muncie-Delaware County Economic Development Alliance, at www.muncie.com

Les Morris, Simon Property Group, at www.simon.com

John Talbott, Indiana University, at www.kelley.iu.edu

Robert Thatcher, Concord Mall, at www.triary.com

Malls Now Include ...

- City Hall – Voorhees, New Jersey
- Dog park – Century City, California
- Giant greenhouse for organic crops – Cleveland, Ohio
- Ice skating rink – Clearwater, Florida
- Indoor water park – Bloomington, Minnesota
- Nine-acre park (includes carousel, performance space, fountains, trees) – Columbus, Ohio
- Theater for performing artists – St. Louis, Missouri
- Wait Room – Toledo, Ohio

(allows customers to drink beer and check email while their significant other shops)