

CRAIN'S DETROIT BUSINESS

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Lakeside Mall's future is pondered, but Macomb's M-59 corridor is still retail gold

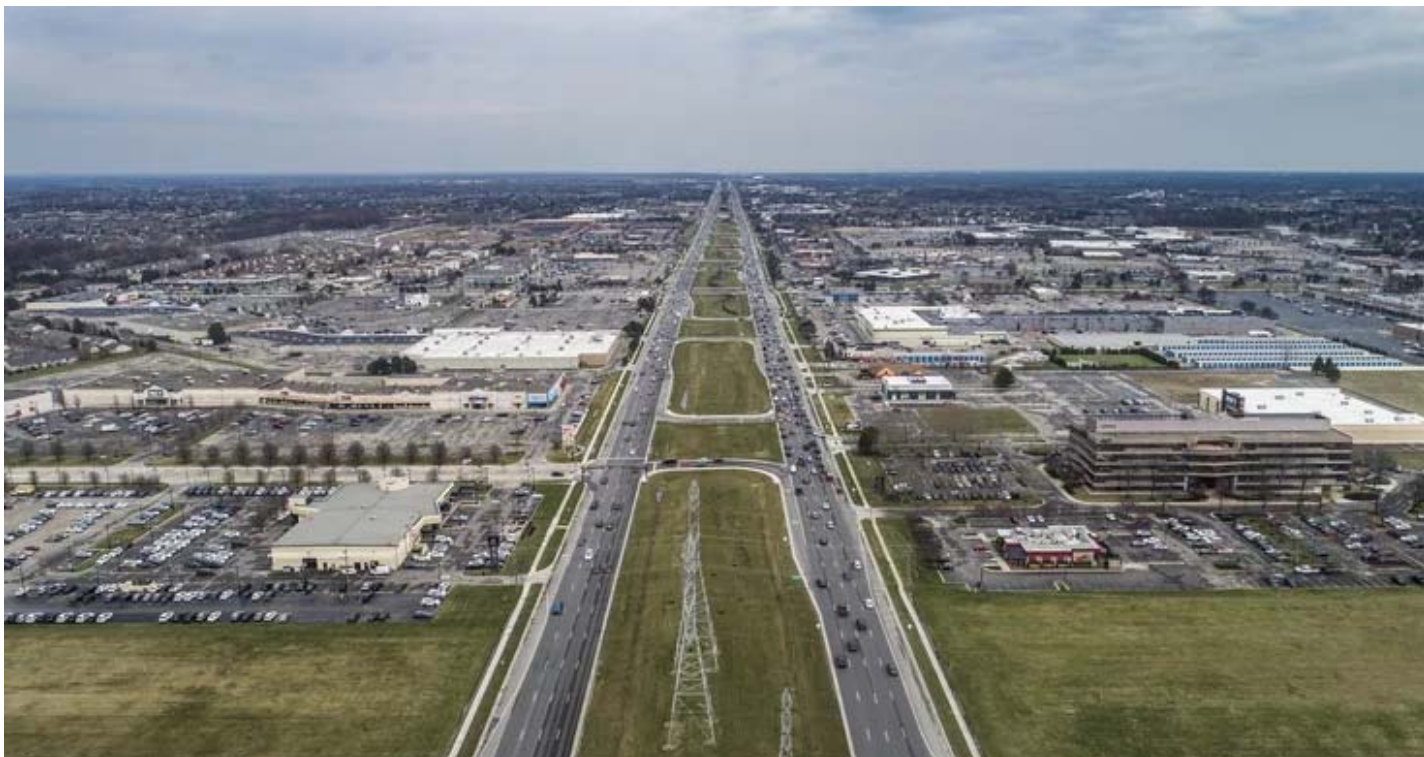
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Larry Peplin for Crain's Detroit Business

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Some have had plenty of fun at the expense of Macomb County's newest art installation in the Hall Road/M-59 median, an orange, 35-foot-tall ring recently dubbed The Halo.

But the 10.5-mile road's retail scene is no laughing matter.

In fact, it's one of the most active in the region, catering to hundreds of thousands of people along a heavily traveled state highway shopping in big-box, junior-box and smaller retailers, plus a pair of regional shopping centers in Lakeside Mall and The Mall at Partridge Creek.

"There are three Walmarts, two Targets and two Home Depots," said Louis Ciotti, an associate broker with Farmington Hills-based Landmark Commercial Real Estate specializing in Macomb's dense retail footprint. "That defines the amount of retail and traffic right there."

While not everything is roses — Lakeside Mall has long struggled and has been in foreclosure for nearly three years to its lender on a more than \$60 million mortgage — new retail regularly flocks to Hall Road between Mound Road and I-94, which handles a combined 90,000 to 110,000 cars per day, eastbound and westbound combined, according to the Michigan Department of Transportation.

"It's one of those corridors we jawbone day to day from a national perspective," said Simon Jonna, executive managing director of investments for The Jonna Group in Southfield, a division of Marcus & Millichap Real Estate Investment Services Inc., based in Calabasas, Calif. Others include Big Beaver Road in Troy, Novi Road in Novi and Ford Road in Canton Township.

"Hall Road is the epitome of it all," he said. "It is very much built out as a massive commercial corridor, and it generates north of \$1 billion in retail sales per year on its own legs."

That has helped spur job growth, according to Macomb County data.

The county says it has added retail jobs almost every year since 2010, rising from 38,768 to 43,611 in 2017, a 12.5 percent bump, more than double the state's 6.2 percent gain (from 461,458 to 490,024) during that same time period.



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Macomb County retail

According to CoStar Group Inc., a Washington, D.C.-based real estate information service, Macomb County as a whole has \$5.9 billion worth of retail real estate spread across 50

million square feet. There is 168,200 square feet of new space under construction, CoStar says.

And a more refined examination of the Hall Road corridor specifically using CoStar shows that the retail market along that stretch is 6.2 million square feet with a 4.6 percent vacancy rate in the first quarter this year, a drop of 2.5 percentage points from Q4 2018.

Rent has increased to \$23.21 per square foot from \$21.61 per square foot, a 7.4 percent bump from the previous quarter, and the average property sale price per square foot is \$107, compared with \$101 the previous period.

That's just the beginning, according to CoStar forecasts. Rents are expected to cross the \$24 per square foot threshold by the end of the year, although vacancy rates are expected to gradually climb.

Part of the reason for a flourishing retail scene is population growth, said Luke Bonner, the senior economic development adviser for Sterling Heights and CEO of Ann Arbor-based economic incentive, real estate and economic development consulting company Bonner Advisory Group LLC.

"Macomb continues to have considerable population growth and job growth compared to the rest of the market," he said. "New incomes, especially disposable incomes, are highly important."

Thomas Guastello, founder and president of Birmingham-based Center Management, which is highly active in Macomb County development along Hall Road, remembers when he was in the state Legislature and Lakeside Mall was slated to open to much fanfare.

"I remember when they were growing pumpkins there. Going through all the communities, it would become a very vibrant area. Did I think it would be this big? Heck no.

"One of the things on Hall Road that identified it and put it on the map was Lakeside. I drove out to Hall Road to where they said they were putting this multi-leveled mall and when I'm looking trying to make sure I'm in the right spot, some fenced-in cattle came in to say hello to me through the fence. I thought this couldn't possibly be for real," Guastello recalled.

However, Bonner said, expect there to be some changes afoot as Hall Road becomes saturated and retail shifts to the north and east.

"Retail in Macomb County continues to shift towards residential population growth," he said.



Lakeside Mall in Sterling Heights has been talking to developers and redrawing zoning rules for what it anticipates is the eventual demise of the property in favor of more urban, walkable downtown-style retail.

Mall mecca

The Hall Road corridor is also busy enough to at one time have supported not one but two regional shopping centers.

Lakeside Mall is 1.55 million square feet, while The Mall at Partridge Creek is 650,000, totaling 2.2 million. By comparison, Twelve Oaks Mall in Novi is 1.5 million square feet and Somerset Mall in Troy is 1.45 million square feet, Ciotti said.

And Lakeside Mall in Sterling Heights has been talking to developers and redrawing zoning rules for what it anticipates is the eventual demise of the property in favor of more urban, walkable downtown-style retail.

There are two concepts for the mall on Hall Road between Hayes and Schoenherr roads on the table, *Crain's* reported last year. The first keeps the fully enclosed mall largely intact and surrounds it with public, residential, medical and office space. The second takes a wrecking ball to the concrete behemoth built in 1976 and replaces it with more of a ground-up redevelopment.

The owner of the property was foreclosed on in June 2016 after paying a \$60.2 million commercial mortgage-backed securities loan that was issued in December 2004 and matured in December 2009, according to data from New York City-based Trepp LLC.

"Lakeside is at the corner of Main and Main when it comes to the best location in Macomb County demographically," Bonner said. "Retail has evolved to the point where enclosed shopping centers struggle to keep customers. ... Lakeside is perfectly positioned for a reinvention of the use of the property in a much more long-term and sustainable way. This process will certainly take time. However, retail will not likely be the dominant use at a future Lakeside. Instead, it will be a complementary use to residential, health care, restaurants and entertainment concepts."

The Mall at Partridge Creek in Clinton Township — which is an open-air concept mall launched in 2007 — continues to attract tenants. For example, last year it was announced that Cooper's Hawk Winery & Restaurants was building its first Michigan location there in about 10,500 square feet. However, Black Finn Ameripub at the mall closed this summer, according to The Macomb Daily, and the Carson's store closed last year although mall officials told the newspaper that they were in discussions with a replacement tenant.

Bloomfield Hills-based Taubman Centers Inc. in 2014 sold Partridge Creek plus six other malls, including Dearborn's Fairlane Town Center, to Greenwich, Conn.-based Starwood Capital Group for \$1.4 billion. Starwood paid \$51.5 million for Partridge Creek and \$102.2 million for Fairlane, according to CoStar.

Inline Play

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