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Eastland's fate unsure in tough times

All commercial property has taken a hit in recession, and mall's drop in value is steep.

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A community center. A call center office. An international-themed outdoor market.

Just no more mall.

Those are some of the ideas local brokers and commercial real estate experts shared for the site of the soon-to-be defunct Eastland Mall off Central Avenue in east Charlotte.

Once considered a prime retail destination, the million-plus-square-foot shopping center has struggled for years as shoppers and stores fled for newer shops.

Burlington Coat Factory, the last remaining anchor, closed March 20, and well over half of the storefronts are vacant. A smattering of tenants remain, primarily sneaker shops and jewelry stores, with only a few national chains among them.

Friday afternoon, an employee at a jewelry store on the lower level put out a sign reading, "Everything must go - SALE - mall closing."

The mall's lender, Miami Beach-based LNR Partners, started foreclosure proceedings April 15. The owner, Ohio-based Glimcher Realty Trust, surrendered the keys last fall.

The property is set to be sold at a foreclosure auction June 28 at the Mecklenburg County Courthouse, with a foreclosure hearing scheduled for June 1. An upset bidder may make a higher offer within 10 days of the sale.

The lender is foreclosing on about 500,000 square feet within the mall's interior. The rest is controlled by about a half-dozen private owners.

Commercial real estate has struggled in the recession, and retail has been hit particularly hard.

Shoppers stopped spending during the downturn. A rising number of stores, including large national chains, have closed and left many shopping center owners with rising vacancy rates. Rents also fell.

A look at a recent appraisal done for part of Eastland Mall shows how bad the situation had become for the shopping center.

A piece of the mall - about a third of the retail space - is now worth less than its loan, according to a review of data provided by Bloomberg News.

A chunk of the center accounting for about 371,500 square feet recently appraised for \$4 million - 95 percent less than the \$64 million it appraised for in 1998, the data shows.

The current value is also way below the note on the loan of \$42.2 million, noted Paul Mancuso, vice president of Trepp, a New York commercial real estate data firm.

Area commercial real estate prices on average have fallen between 10 percent and 40 percent, reports indicate. Some properties have fallen farther - one office complex in University City recently sold for 30 cents on the dollar.

Shopping centers hurting

A report released this week by Moody's shows distressed sales are making up an increasing amount of commercial real estate deals these days. In February, distressed sales accounted for 32 percent of all repeat sales transactions, up from nearly 20 percent in 2009 and 4 percent in 2007.

Local real estate professionals say if the Eastland Mall site is to be redeveloped, it likely will require city involvement. That's partly because multiple groups own pieces of the mall, making it difficult for one developer to gain control of the property.

Last fall, city staff struck a tentative deal with LNR and the owners of the anchor stores to buy the mall for roughly \$22 million.

But in late November, the city offered \$7.4 million for the entire site, an offer that was quickly rejected by the mall owners. Last week the city said it will help remaining small businesses relocate.

One owner, Charlotte-based Belk Inc., told the Observer its building is for sale, although it hasn't been officially listed yet. The owners of two other former anchor stores, Dillard's and Sears, have put their properties on the market.

City may have to help

The city may also have to help with financing because traditional lenders aren't providing money for many new commercial projects, the experts said.

Commercial real estate broker Jim Plyler of Piedmont Properties said companies are buying real estate in east Charlotte.

A mixed-use project, which the city has proposed in the past, could work, he said.

He sold a building around the corner from Eastland to Compare Foods at the end of last year, and he has another nearby building, 5112 Central Ave., under contract. He said he couldn't convince a national retailer to take either space, but found local or regional businesses that were interested. About 15,000 people live within a mile of the mall, he said.

Plyler said he has fond memories of working at Eastland years ago at the men's clothing store, The Hub Ltd. "It was a great mall and I hate to see it go," he said. "But it's time for it to be something else." Staff writers Jen Aronoff and Stella M. Hopkins contributed



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