

Real Estate Retail

As liquidations wind down for Bon-Ton, Toys R Us, new uses for retail real estate emerge

By **Jason Scott**, June 1, 2018 at 3:00 AM



Several Bon-Ton stores in the midstate will be closed this summer as going-out-of-business sales end. Real estate experts don't expect a delay in filling the empty retail space. - (Photo / Amy Spangler)

As families return from summer vacations and start back-to-school shopping in July and August, they can cross at least one department store off their list of stops: Bon-Ton.

By the time many shoppers start thinking about Christmas toys for the kids, another big retail name will be gone: Toys R Us.

Both well-known chains are winding down going-out-of-business sales this month as retailers continue to adjust to the growth of online shopping and the declining need for physical stores.

Once the close-out sales wind down, what happens with the vacant real estate?

Bon-Ton has more than **230 properties in 23 states**, including seven stores and two offices totaling nearly 1 million square feet in Central Pennsylvania.

Toys R Us is closing more than 700 stores nationwide, **including five locations in Central Pennsylvania.**

Midstate real estate professionals and retail experts expect that most or all of the vacant space left behind by Bon-Ton and Toys R Us will be refilled over the next year or two as it is largely in good locations.

However, many of the soon-to-be vacant big boxes might look a lot different, they said, noting that department stores could be split up into smaller spaces for gyms, medical offices and other non-traditional users.

Toys R Us stores, meanwhile, are smaller and would be more likely to attract new retailers.

Bon-Ton

Finding large tenants to take more than 100,000 square feet, which is the size of most Bon-Ton stores, is difficult. Mall owners and other shopping center owners with large multi-story department stores would do better to chop up the space to lure multiple tenants, local real estate professionals said.

"I don't see a lot of these stores going back to pure retail," said Ted Pfeifer, vice president of retail for **Landmark Commercial Realty**, based in East Pennsboro Township. "I see more mixed-use within the building."

Old department store spaces can be redeveloped into a mix of restaurants, smaller fast-fashion apparel shops like H&M and Zara or entertainment venues, such as movie theaters or arcade restaurants like Dave & Buster's.

Pfeifer said he could see some Bon-Tons redeveloped for medical complexes or maybe as self-storage complexes. Other stores, like the Queensgate Bon-Ton in York Township, could be demolished in favor of restaurant sites, he said.

There is no shortage of ideas for refilling closing Bon-Ton stores, other commercial professionals said.

Chad Stine, president and CEO of **Bennett Williams Realty** in Springettsbury Township, said grocery chains could consider taking some of the large anchor spaces. Wegmans, for example, has replaced department stores in Montgomery County and in Massachusetts.

The **York Galleria**, which is losing Bon-Ton and Sears, also has been seen as possible home to a new mini-casino proposed by **Penn National Gaming**.

"Casinos and medical conversion are hot right now as they can benefit from the existing conditions, and simply do adaptive reuse versus starting with raw land and going through the entire land development process," Stine said.

Mall owners also have been making other changes as anchors close. **The Galleria recently welcomed a new Marshalls** in space previously occupied by J.C. Penney. The former anchor space also has attracted an H&M store and a Gold's Gym.

Some mall owners nationally have razed old anchor stores and built new multi-tenant spaces. **CBL Properties**, the Tennessee-based owner of the Galleria, has done that in Kentucky, Tennessee and other areas.

Those spaces now house restaurants and specialty retail shops, or so-called junior anchors such as H&M. CBL recently announced plans to redevelop a former Sears in Wisconsin. The initial plan there is to build new dining and entertainment options. CBL also said that other non-retail uses could be added.

The **Capital City Mall** in Lower Allen Township, Cumberland County, has gone through a similar transition following the loss of a Sears. The mall's Sears store was demolished and several smaller tenants, including H&M and **Dick's Sporting Goods**, were added as part of new construction on the site.

The West Manchester Mall in neighboring West Manchester Township was transformed from an enclosed mall into **an open-air shopping center**.

Christine Sable, owner and broker of **Sable Commercial Realty** in Manheim Township, expects to see these trends continue, even at stronger malls like **Park City Center** in Lancaster County.

At Park City, she said she could see Kohl's moving upstairs into the Bon-Ton space, freeing up the lower level for another smaller department store. The mall could attract a retail discounter like Marshalls or maybe a mix of tenants, including gyms and movie theaters, she said. Bowling alleys could be another option.

"It's a good location, so it's possible another larger retailer will take it," she said. "But it's more likely the mall will think about the future and will want to divide this space."

Park City management did not return calls seeking comment.

Toys R Us



Toys R Us is closing more than 700 stores nationwide, including five locations in Central Pennsylvania. - (Amy Spangler)

Toys R Us stores, which tend to be around 40,000 square feet, are more likely to attract a single replacement tenant.

That is what landlord Rick Jordan III of **Smith Land & Improvement Corp.** is experiencing when it comes to the space his company leases to Toys R Us/Babies R Us on the Carlisle Pike in Hampden Township.

Multiple retailers have expressed interest in filling most or all of the 47,000-square-foot store, which should be empty this month, Jordan said. He did not name the companies.

Given the space's proximity to Wegmans and the fact it's only six years old, Jordan expects he will have no trouble refilling it once he is able to take it back from the bankrupt toy chain.

"I think we could do it pretty quickly," he said.

And if retail doesn't work out, he said he could see the store reused for medical offices.

Stine said retailers now expanding into Central Pennsylvania also could be prime targets for landlords trying to lease empty Toys R Us stores. Those retailers include Marshalls and Homegoods, a chain of discount home-furnishing stores. Both are sister companies of T.J. Maxx.

Stine said growing deep-discount retailer **Ollie's Bargain Outlet**, which is adding about three dozen new stores per year, also will likely be on the hunt for new real estate.

Discount fashion retailer Gabe's may also be in the market, he said, along with other firms, including Just Cabinets, Duluth Trading Co. and sporting goods retailer REI. UFC Gym could be looking for opportunities on the fitness side.

Bob Gorland, a site selection expert and vice president at Lower Paxton Township-based **Matthew P. Casey and Associates Inc.**, said other prospects could include car dealerships or hotels. Some standalone stores could make sense as office space or as call centers, he said. Higher education might also work in some areas.

"If it's the right location, some may become supermarkets," Gorland said.

At the top of the list for most shopping-center owners are discount grocers like **Aldi** and **Lidl**, which have been growing nationally.

Deals

Many landlords may have to make significant upgrades to vacant spaces or demolish them to attract new tenants. With a flood of real estate options available to retailers and others looking for space, Pfeifer said many landlords and developers also may need to offer lower leasing rates to get long-term commitments.

Bon-Ton, Toys R Us real estate up for grabs

New York-based A&G Realty Partners LLC has been hired to begin selling off real estate assets for both Bon-Ton and Toys R Us as part of bankruptcy liquidations.

For Bon-Ton, A&G is looking to sell more than 230 properties owned and leased by Bon-Ton in 23 states.

In Central Pennsylvania, there are nine properties, including seven stores and two offices.

Here is the midstate list:

- Camp Hill Mall store, 3525 Gettysburg Road, Camp Hill, 145,200 square feet
- Hanover store, 400 Eisenhower Drive, Hanover, 71,636 square feet
- Colonial Park Mall store, 4600 Jonestown Road, Harrisburg, 136,540 square feet
- Park City Center store, 600 Park City Center, Lancaster, 178,967 square feet
- Parkview Plaza store, 870 Plaza Blvd., Lancaster, 32,000 square feet
- York Galleria store, 2899 Whiteford Road, Suite 282, York, 131,915 square feet
- Queensgate Shopping Center store, 2081 Springwood Road, York, 114,608 square feet
- York office, 2801 E. Market St., Building E, York, 99,596 square feet
- York office, 601 Memory Lane, York, 53,669 square feet

On the Toys R Us side, A&G will hold an auction on June 11 for 259 leased retail and outlet stores. About 400 stores will still be left after this auction.

Of the 259 locations in the upcoming auction, 12 are in Pennsylvania, including three in Central Pennsylvania. Winning bidders would assume remaining leases on the stores. In many cases, there may be no bids and landlords would take back stores.

Here is the midstate list of stores in the auction:

- 5125 Jonestown Road, Harrisburg, 30,895 square feet
- 990 Plaza Blvd., Lancaster, 21,940 square feet
- 6391 Carlisle Pike, Mechanicsburg, 46,737 square feet

On the flip side, retailers and restaurants will face a tight labor market in Central Pennsylvania.



Still, Pfeifer and other professionals believe the region is drawing more attention from national franchises and other companies not in the region thanks to new retail centers in Lancaster County.

Most franchises look at bigger markets like Philadelphia and Pittsburgh, as well as areas around Washington, D.C., before they consider expanding into less-populated areas like Central Pennsylvania.

But the **Shoppes at Belmont and Crossings at Conestoga Creek**, both in Manheim Township, are bringing new retail space, and new retailers, to Lancaster County.

“Belmont has changed the whole complexion of southcentral Pennsylvania,” Pfeifer said. “You will have a lot of major chains who overlooked Lancaster looking for space.”

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