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ON THE MARKET



JOHN J. WATKINS, FILE, THE TIMES

Southlake Mall has suffered from some major vacancies – such as the Sears anchor store after the chain went bankrupt.

Vacant mall Sears finally up for sale

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The long-vacant Sears department store at the Southlake Mall has finally hit the market, six years after it closed, and is likely to be redeveloped for some other use, or carved into smaller spaces.

Chicago-based CBRE listed the 210,404-square-foot department store at the mall at U.S. 30 and Mississippi Street just as being for sale in January. Sears has owned the store since it was built in 1974 as one of the Southlake Mall's original anchors.

"The Sears building has not been owned by Southlake Mall since the mall opened in 1974," Southlake Mall Marketing and Business Development Manager Kristyn Filetti said. "We are always excited to see new concepts and businesses come into Southlake Mall, and we look forward to welcoming a new retailer that will bring new opportunities and offerings to our shoppers."

Sears went out of business and shuttered the department store at the Southlake Mall in 2019, after

earlier closing the auto center there. Transformco, the company that was handling Sears and Kmart real estate, had not listed it until now because it had other redevelopment priorities, said David Lasser, the principal at Merrillville-based Commercial In-Sites, one of Northwest Indiana's leading commercial real estate firms.

Southlake Mall has not been able to market or otherwise do anything about the vacant anchor store. The property owner has been sitting on it for years, Lasser said.

"Starwood does not own any of the anchor shops, just the 160 stores and the outlets around the mall," he said. "Sears was independently owned by Sears. Carson's was independently owned by Carson's. JCPenney owns J.C. Penney's. The mall built the addition on for Dick's, which moved out across the street when the lease expired."

The two-story building on a 17-acre site on the southeast side of the mall is considered unlikely to remain a department store at a time when most department store chains

are going out of business or closing locations.

"It is still possible that another big box takes part of the space, but there aren't many huge retail big boxes in the market looking to occupy 200,000 square feet of retail space," said Aaron McDermott, co-founder and president of Crown Point-based Latitude Commercial, one of the Region's premiere commercial real estate firms. "Especially with nearly all the other big boxes already around the Merrillville area, I think the property is most likely going to be carved up into three or four spaces, completely repurposed or torn down."

Malls often have been repurposing vacant department stores into entertainment centers, Lasser said. Kids Empire, for instance, took over part of the former Dick's Sporting Goods space, where it's now hosting children's birthday parties and gaggles of rambunctious kids clamoring around on weekends.

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Sears

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"You have family-oriented entertainment centers like Up Your Alley, Jak's or Urban Air," Lasser said. "A lot of those uses wouldn't have been able to afford the rent when mall retail was at its peak but has been backfilling space."

The former Sears could easily be subdivided into two 105,000-square-foot spaces on the first and second floors. There are a few department store chains that do not have a presence in the Region but it's unlikely they would open a new store there, Lasser said.

"We have a Nordstrom Rack but not a Nordstrom's, which is a whole different thing. Bloomingdale mostly locates in central cities. Dillard's is mostly out west," he said. "My guess is that it is highly likely it would be redeveloped into something other than a department store because of the lack of demand for 200,000-square-foot spaces. Department stores aren't opening new locations outside of major cities unless there's a new shopping center in Florida or Texas or a fast-growing

market like that."

The department store model has been fading as retail has trended away from general merchandise toward specialized merchandise closer to home.

"When the mall was developed up until the 1980s, Sears didn't have any competition from Home Depot, Lowe's and Menard's," he said. "You went there for the auto center, for paint, for sporting goods. It had everything. I still have Die-Hard battery chargers. But that's been carved up in so many ways. You didn't have Advance Auto and Auto-Zones before. People find it more convenient to go into an 8,000-square-foot store to get a wiper blade. When you only need a wiper blade, you don't want to go into a 200,000-square-foot store in the mall."

Most retailers simply do not need 200,000 square feet anymore, Lasser said.

"An electronics store like Best Buy or furniture store is only going to be around 50,000 square feet," he said. "You have home improvement stores that have taken two stories like the Menard's in Schererville."

Other malls like the Hawthorn Mall in Vernon Hills have torn down vacant department stores and put

in apartments or condos. Lasser believes it will most likely become housing. It's already next to the Huntington Cove Apartments, which was the third largest apartment complex in Lake County when it was built after only the Mansards in Griffith and Polo Run in Merrillville.

"There's probably the greatest demand for housing," he said. "The foot traffic is better for restaurants and the stores in the mall."

Malls also have redeveloped vacant department store space into warehouses or light industrial. Lasser said that would be less likely in this case with only five loading docks, 20-foot ceilings on each floor and a lack of industrial zoning.

CBRE touts the mall as a robust retail area with more than 1.6 million square feet of commercial space, noting the Southlake Mall has been visited 6.5 million times over the past year. The trade area encompasses 404,000 people with an average home value of \$293,073 and an average household income of \$95,356.

The listing also touts the city of Hobart's flexible zoning that will allow the next owner to be flexible with their vision.

"We've had a lot of interest in outlets at the mall," Hobart Mayor Josh Huddleston said. "We're glad these things are moving, it's listed and it's not just sitting vacant. We hope to have it occupied here soon. We have an opportunity to reimagine U.S. 30. The mall is strong but we're open to ideas like mixed-use where people can live, work and play. There's a housing shortage. We've also had conversations about bringing in entertainment options."

Huddleston has been working to bring a Top Golf or Top Golf-like entertainment center to the area around the Southlake Mall. Similar recreational concepts have cropped up for baseball and basketball, broadening the possibilities.

"The department store model is under duress," he said. "But we have great possibilities with the mall. It could be subdivided, and we are (open) to exploring options. The mall is busy and a nostalgic thing, but malls are starting to reimagine some of those large retail stores. We're open for business in Hobart and also looking to bring more entertainment for our residents."