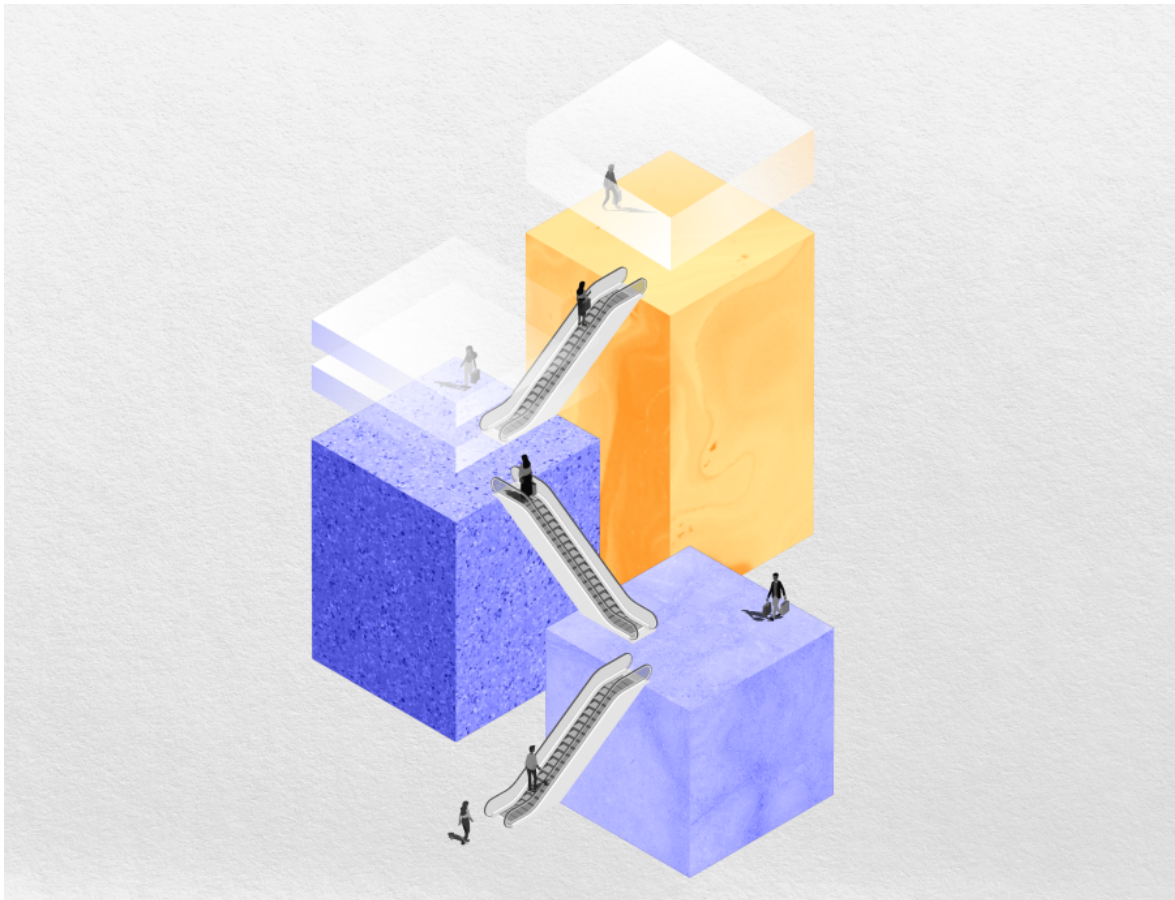


August 2022

Malls that are Rising to the Top

Find out how malls are reinventing themselves and staying relevant thanks to experiential offerings, omnichannel options, and strategic tenant selection.



Malls have long acted as a gleaming symbol of American retail. Following the opening of the first indoor mall in [1956](#), and as the American middle class increasingly moved from the city to the suburbs, malls continued to open at a rapid rate. By 1960, some [4,500 shopping centers](#) had opened nationwide, filling the growing demand for “[third places](#)” – spaces that allowed the newly suburban populations to gather, socialize, and create community. And while that role evolved over the years, it’s safe to say that malls have played a major part in shaping the American shopping culture.

But malls’ rapid expansion led to an [oversaturated market](#) – [some estimates](#) suggest that there are approximately 24 square feet of retail space per U.S. citizen, as compared to 4.6 for the U.K. and 2.8 for China. Many began to predict the [demise and downfall of malls, and that narrative intensified as online shopping grew in popularity](#). [The rise](#) of big-box stores, a focus on “services, not things,” and COVID-19 only accelerated these trends.



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But a lot of these doom and gloom predictions focus on malls only as a place to shop, and tend to de-emphasize their other role as the third place – a modern incarnation of a bustling downtown shopping area, replete with shops, services, and places to meet. And after two years of isolation and a new, pandemic-induced wave of [suburban relocation](#), malls’ potential to bring people together is more prized than ever.

So although malls were [hit hard](#) during COVID-19, many of them are finding ways to reinvent themselves and stay relevant. Today, more than halfway through 2022, the challenges that malls face continue to evolve and change – but malls are evolving too. This white paper covers a few specific ways that some malls have found to thrive in the new normal. Some shopping centers are turning to entertainment to draw crowds

into their doors. Others are focusing on offering a full visitor experience that extends beyond simply grabbing a new shirt or a burger at the food court. Still, more are embracing omnichannel options, offering an integrated on and offline experience to their shoppers. In the face of significant retail challenges, top-tier malls are turning to innovative solutions to stay ahead of the game.

Overview

The pandemic posed significant challenges to malls. Although foot traffic to the category rose back up in the summer of 2021, the [Delta](#) and subsequent Omicron waves brought visits down once more. And as visit gaps post-Omicron began to narrow, inflation and gas prices put the brakes on any return to normalcy. April and May 2022 saw visits beginning to trend up, though the unrelenting rise of inflation, the highest it's been in the [past 40 years](#), has [slowed that recovery](#) slightly.



Foot traffic data shows that malls are continuing to attract visitors, despite the challenges that seem to crop up weekly.

Still, [foot traffic data](#) shows that malls are continuing to attract visitors, despite the challenges that seem to crop up weekly. And while they may no longer play the central role they once did in Americans' shopping routines, malls still serve as indoor community hubs where friends and family can come together for diverse food, shops, and entertainment options. This could explain why top-tier malls keep on coming back despite the seemingly constant obstacles.

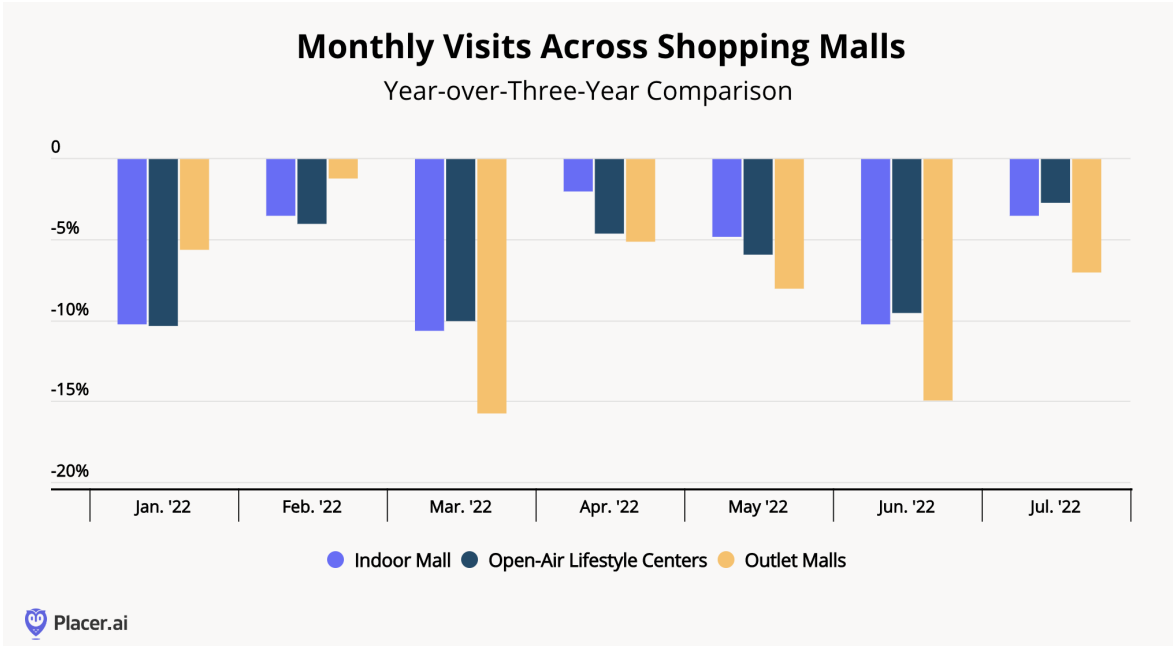
Malls Facing Sustained Challenges

Comparing monthly visits from January 2022 through July 2022 to the same period in 2019 highlights the significant difficulties facing the sector. Indoor malls, open-air lifestyle centers, and outlet malls alike saw marked lags in foot traffic as compared to three years ago.



Monthly year-over-three-year (Yo3Y) foot traffic comparisons also highlight mall resilience.

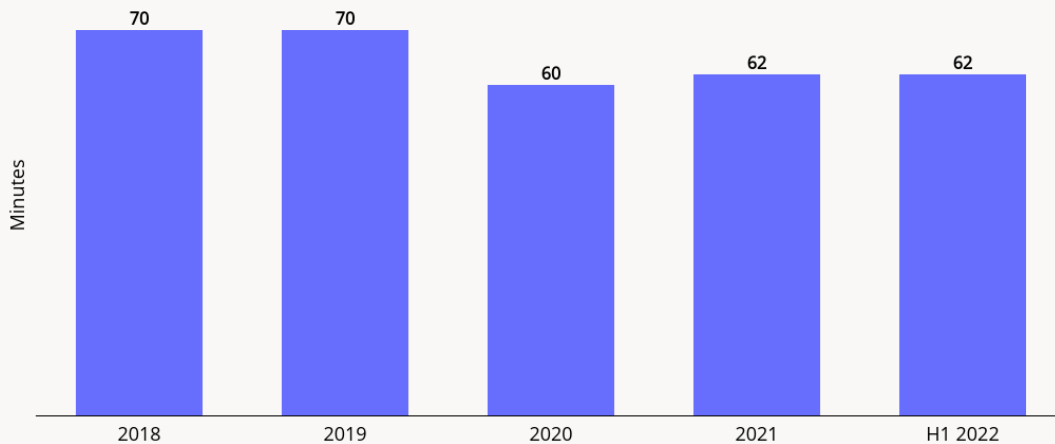
The monthly year-over-three-year (Yo3Y) foot traffic comparisons also highlight mall resilience. Following an Omicron-plagued January, the visit gaps narrowed in February 2022 to less than 5% for all the segments. And although the increase in gas prices and inflation brought visits down in March, malls quickly bounced back in April 2022, with indoor malls seeing only 1.8% fewer visits than in 2019 and open-air shopping centers down only 4.8% Yo3Y. Foot traffic fell again in May and June as consumers tightened their budgets in the face of rising prices, but consumers appear to have quickly made peace with the new economic reality. By July 2022, visits to indoor malls and open-air lifestyle centers were only 3.5% and 2.7% lower than they had been in July 2019.



Fewer Visitors, Shorter Stays

COVID didn't just impact visit numbers – since 2020, mall visits have also gotten shorter, likely a result of pandemic restrictions and a general desire not to congregate any longer than necessary. And although 2021 and 2022 saw a slight uptick in time spent at malls and shopping centers – from 60 minutes in 2020 to 62 minutes in 2021 and 2022 – the median dwell time is still significantly lower than the 70 minutes median dwell time of pre-COVID 2018 and 2019.

Median Dwell Time by Year of Top 100 Indoor Malls



 Placer.ai



Shorter visits are not necessarily a bad thing – intent-driven shoppers may simply be doing more research ahead of time and less in-mall browsing.

Shorter visits are not necessarily a bad thing in and of themselves – consumers today are [highly informed](#), so many intent-driven shoppers may simply be doing more research ahead of time and less in-mall browsing. But shorter (and fewer) visits do mean that malls must focus on giving shoppers a reason to visit. We explore some successful strategies below.

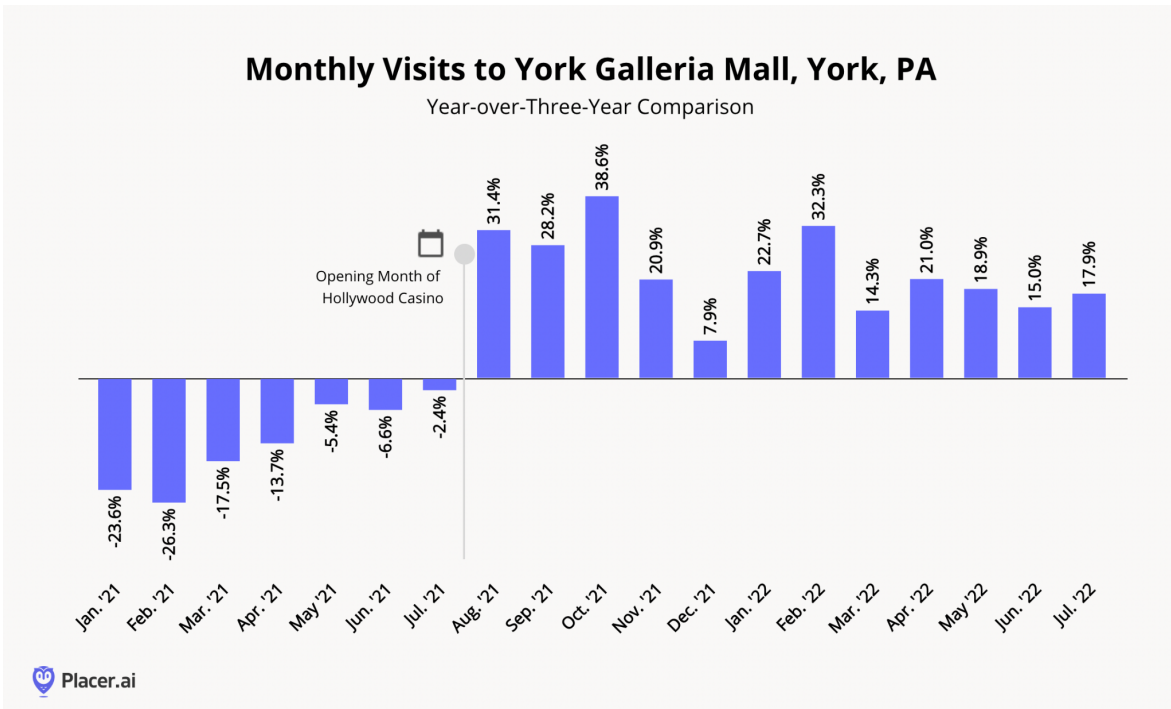
Going Experiential with Entertainment

Malls have long integrated entertainment into their overall experience in the form of arcades, movie theaters, and even coin-operated animal rides. Some malls, however, are taking their entertainment offerings to the next level.

In August 2021, CBL Properties, a Tennessee-based property developer, [announced](#) the opening of the Hollywood Casino by Penn National Gaming in the York Galleria Mall in York, Pennsylvania. The 80,000 square foot casino, which boasts 500 slots and 24 live-action table games, opened in the mall's lower level. The space was occupied by a now-closed Sears department store, and the entertainment venue now functions as a new anchor to draw customers in.

The casino's opening has had a dramatic impact on the mall's foot traffic. In a year-over-three-year (Yo3Y) comparison, July 2021 saw 2.4% fewer visitors than July 2018. But when the casino [opened](#) in August 2021, visits to the location jumped to 31.4% Yo3Y. This increase is all the more impressive considering that the casino opened on August 19th, with only 12 days left in the month.

The mall, which had seen negative Yo3Y visit numbers until the casino's opening, has sustained the positive visit trend through July 2022 – a testament to the appeal of in-mall entertainment.



Children’s Entertainment Providing a Boost

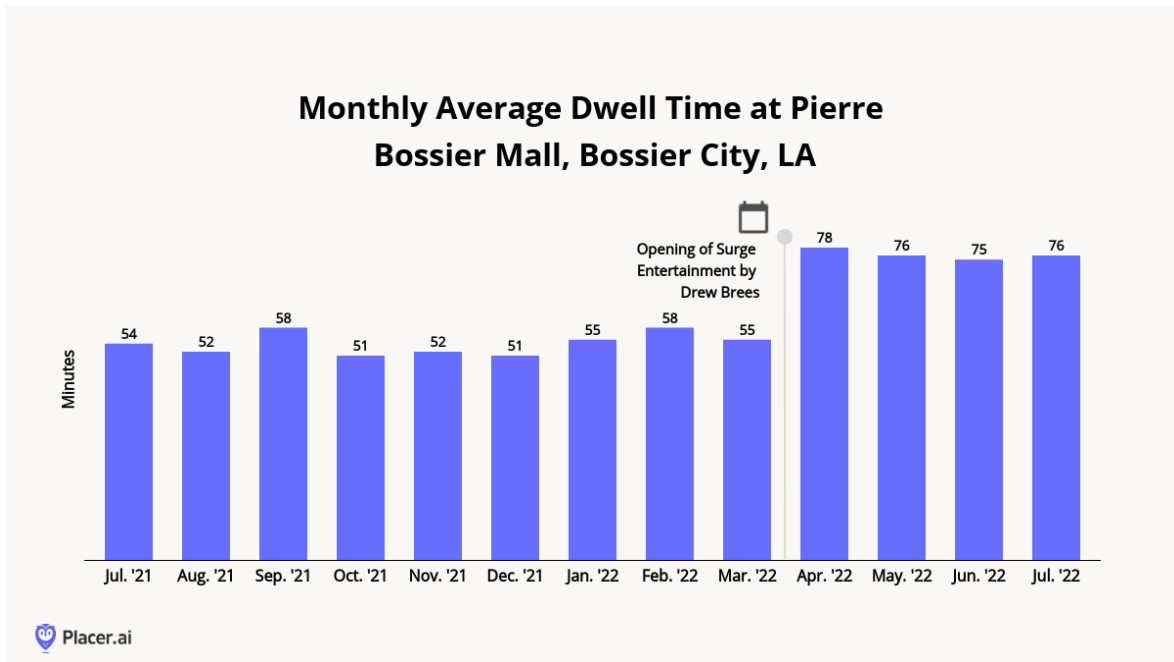
Another mall betting on indoor entertainment is the Pierre Bossier Mall in Bossier City, Louisiana. In April 2022, [Surge Entertainment](#) opened a child-friendly space, which includes zip-lining, bowling, laser tag and arcade games. The Surge Entertainment chain is co-owned by Drew Brees, the former New Orleans Saints quarterback, and has 15 locations around the country. The Pierre Bossier Mall branch is filling the space [vacated by Virginia College](#), which closed its doors in 2018.



Since Surge Entertainment opened its Bossier City location, the mall has seen a dramatic increase in average dwell time.

Since Surge Entertainment opened its Bossier City location, the mall has seen a dramatic increase in average dwell time. Between July 2021 and March 2022, median dwell time hovered between 51 and 58 minutes. But following the center’s opening,

median dwell time jumped to 78 minutes. Since then, the median dwell time has remained consistently elevated: In the four months since the Surge Entertainment opening, median dwell times did not drop below 75 minutes.



Going Omnichannel

Brick-and-mortar retailers once viewed online shopping as a threat – but now, mall owners and operators are increasingly turning to digital channels to complement existing approaches. COVID-19 and the [surge of online shopping](#) further fueled malls' digital progress. Over the past two years, large malls and suburban shopping centers across the country have been rolling out various online and social shopping options and adopting omnichannel strategies.

In September 2020, Centennial, a real estate investment firm with many malls and mixed-use entertainment centers in its portfolio, launched a chain-wide omnichannel platform called [Shop Now!](#). The app allows consumers to shop across all Centennial malls the way someone would shop on Amazon.

The first phase of the program, which launched in October 2020, allowed users to browse an AI-powered search engine connected to the inventory of all of the stores operating in their mall of interest. In February 2022, Centennial [debuted phase two](#) of the program at its Santa Ana, CA based MainPlace Mall. It allows customers to consolidate orders from several stores into a single cart, get the order fulfilled by personal shoppers, and have the orders ready for same-day delivery or on-site pickup.



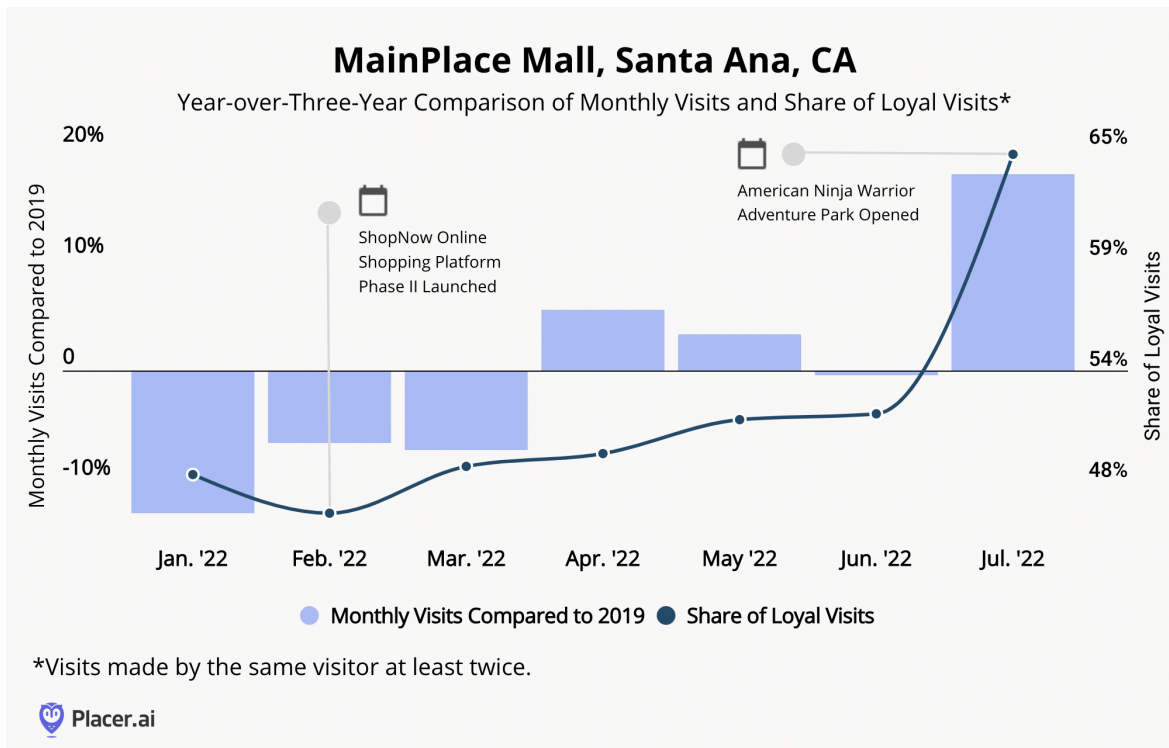
The e-commerce app could have detracted shoppers from physically going to the mall – but instead, the program increased both monthly and loyal visitors.

The app allows consumers to browse and shop from the comfort of their phones. It could have detracted shoppers from physically going to the mall – but instead, the program has increased both monthly and loyal visitors. In the months following the launch of the second phase, MainPlace Mall saw its loyal visits increase by 5% (from 46.2% in February '22 to 51.3% in June '22), while overall monthly visits in April '22 increased by 5.5% when compared to 2019. The digital investment also helped the mall make sales that could have been lost to other e-commerce platforms. The mall's brick-and-mortar success following the addition of a digital channel highlights how malls can rise to the top by embracing an omnichannel strategy.

Continuing its innovative streak, the MainPlace Mall recently added an experiential component with the [opening](#) the American Ninja Warrior Adventure Park in July 2022 in the place of [four former retail stores](#). During its first month of operation, the park drove the mall's share of loyal visits up by 13.4% compared to the previous month while boosting Yo3Y monthly visits by 18.0%.

The difference in impact between the online platform launch and the opening of the American Ninja Warrior Adventure Park indicates that malls can enjoy both gradual

gains over time as well as jumps in foot traffic and loyalty, depending on the strategy they adopt.



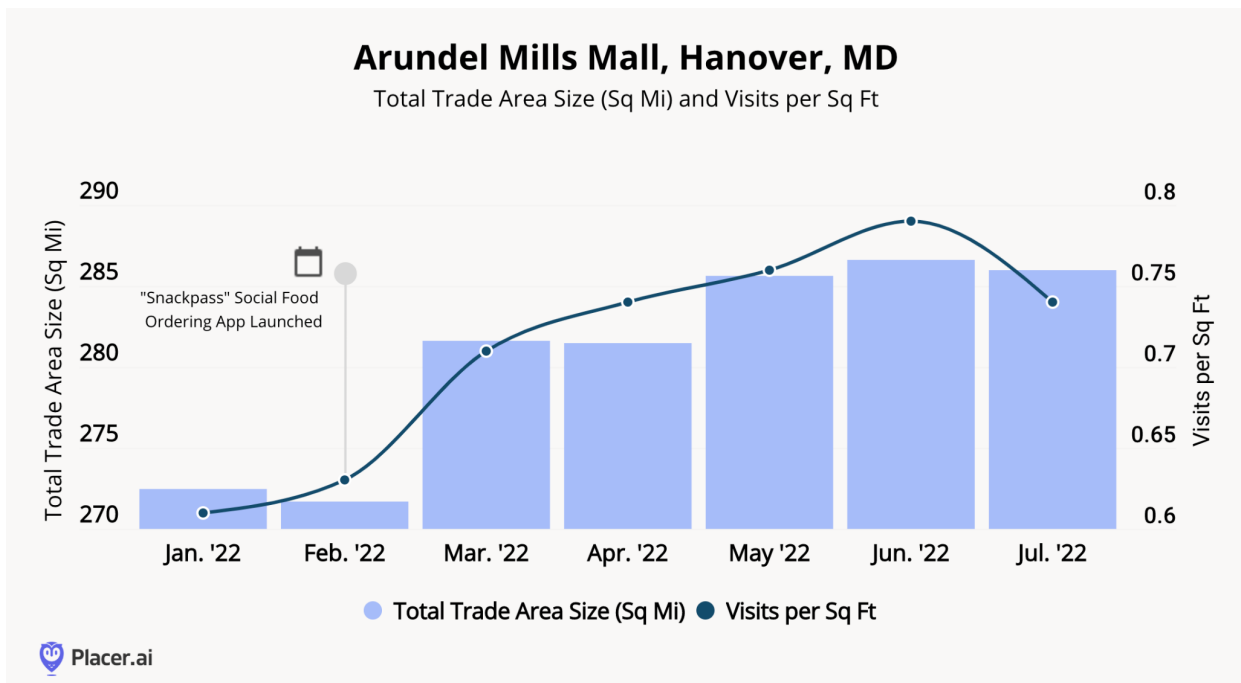
Embracing Food Tech

Omnichannel strategies can also revitalize food courts hit hard by the pandemic. Arundel Mills Mall, part of the Simon Property Group, [began offering online orders](#) in February 2022 via a platform called [Snackpass](#), allowing users to use the app at various eateries around the mall. Snackpass, [launched in 2017](#) as a food ordering app on the Yale campus, facilitates group ordering and includes various social features. Its current iteration allows customers to pre-order food, skip lines, collect rewards, and engage with friends. It also offers discounts on group orders, in an effort to promote social dining.



Since the beginning of the Snackpass partnership, the shopping center itself is seeing more visitors – many of whom are coming from farther away.

Since the beginning of the Snackpass partnership, the shopping center itself is seeing more visitors – many of whom are coming from farther away. In the five months following the app’s launch, Arundel Mills saw an overall increase of 15 square miles to its True Trade Area (TTA), and an increase of 29.5% in visits per sq. ft. – The consistent increase in TTA and visits per sq. ft. are a testament to the power of innovative dining partnerships to draw traffic to top-tier malls.



Reutilizing and Repurposing Space

With many retailers reducing their on-mall presence, empty brick-and-mortar stores have attracted plenty of [negative attention](#). But now, malls are increasingly repurposing vacated spaces in new, innovative ways that resonate with local communities and can fill their evolving needs.

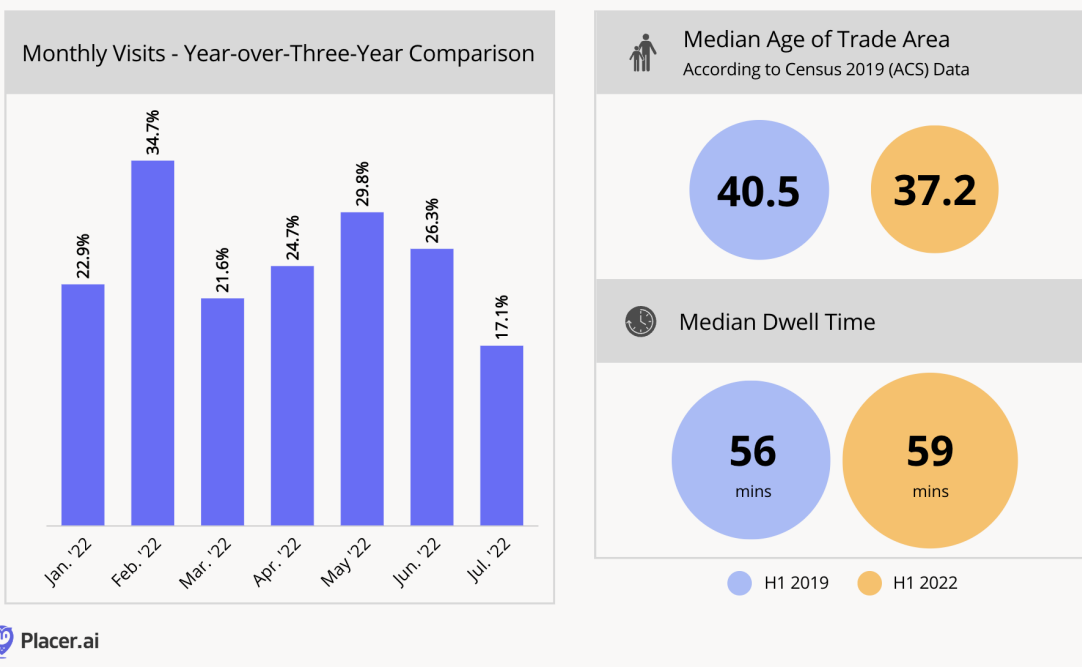
Younger Customers Linger Longer

At the Ocean County Mall in Toms River, NJ, Simon Property Group repurposed the [huge space](#) left by a former Sears store and turned it into a lifestyle center, with stores opening throughout 2020. The space is now being used by a number of highly popular chains such as [LA Fitness](#), [Ulta Beauty](#), [HomeSense](#), and [P.F. Chang's](#) and also includes a children's play area.

This pivot seems to be working. Median dwell time to the mall has increased from 53 minutes to 56 minutes, a significant change when considering that a majority of malls have recently seen their dwell times drop.

The center has also seen the median age for its trade area decrease from 40.5 years old in the first half of 2021 to 37.2 in the first half of 2022, a dramatic shift in visitor demographics. Yo3Y visits are strong as well – July 2022 were up by 17.1%.

Ocean County Mall in Toms River, NJ After Sears Venue Becomes Lifestyle Center



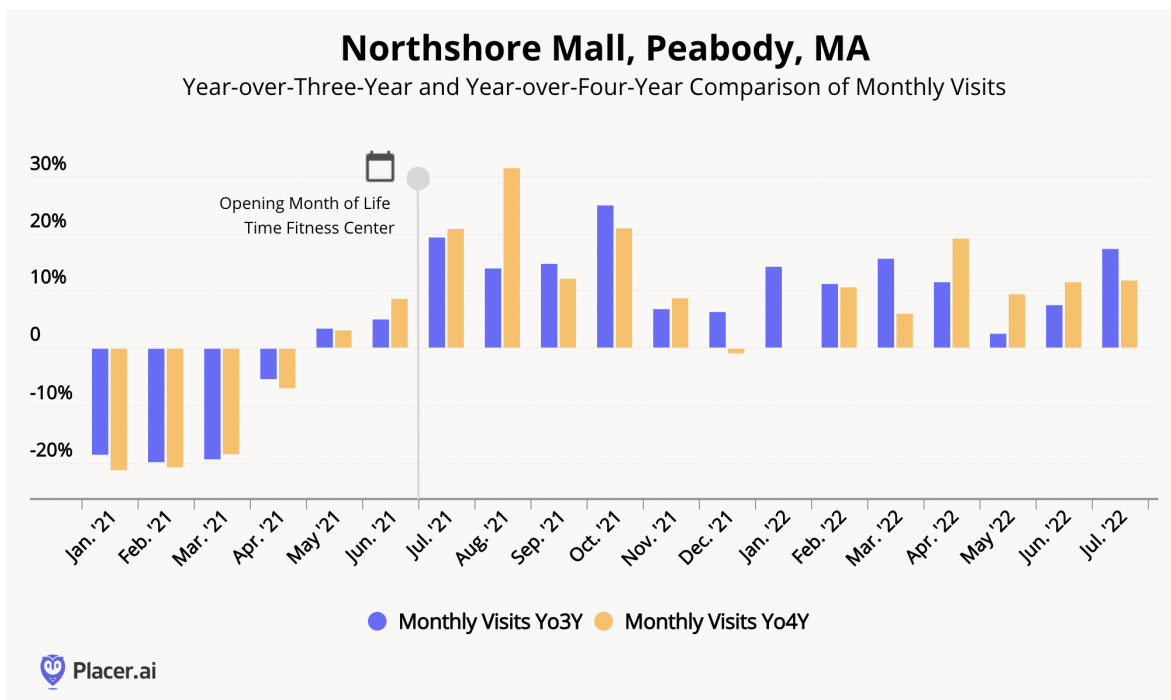
Fitness Center Provides a Boost

In a similar tale of a [closed Sears](#) turning into a lifestyle center, the Northshore Mall in Peabody, MA turned the space vacated by the department store into a mixed-use center. The most significant anchor is now the high-end [Life Time Fitness Center](#) that offers cardio, weights, and functional training rooms, and includes yoga, pilates, and cycling studios, indoor and outdoor pools, basketball and pickleball courts, saunas, and a bistro.



As soon as the health club opened its doors in July 2021, visits to the mall increased – significantly outpacing the levels seen when Sears was still open.

As soon as the health club [opened its doors](#) in July 2021, visits to the mall increased – significantly outpacing the levels seen when Sears was still open. Both Yo3Y and year-over-four-year (Yo4Y) foot traffic numbers were impressive, with July 2022 seeing 17.2% more visitors than three years prior.



Selecting the Right Tenants

As visits to malls become more focussed, selecting the right tenant has never been more important – and that may mean looking at unconventional occupants to draw in customers.

Filling a Void in California

In one example of tapping into local needs, the Westfield Oakridge shopping center in San Jose, CA, opened a [specialty grocery store](#) on its premises. 99 Ranch Market, one of the largest Asian supermarket chains in the U.S., [began operating](#) its first mall location in March 2022. The location includes classic grocery store items such as produce, meat, and seafood sections, and also boasts a dining hall, tea bar, and bakery.

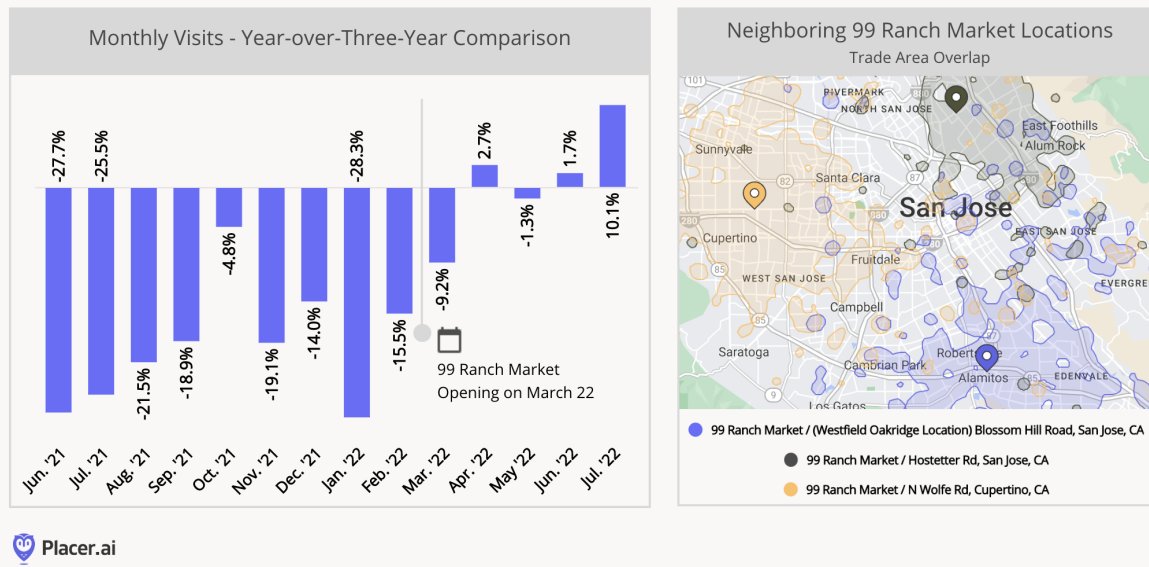
Its opening day saw [lines snaking out the door](#), as excited locals queued to sample the store's delicacies. And the crowd-drawing hype seems to be more than a flash in the pan – the months following the opening were the mall's strongest in the past year and a half. Yo3Y visits were up by 10.1% in July 2022, with some shoppers [reporting](#) that the addition of the grocery store had turned Westfield Oakridge into their all-in-one stop shop.



Although the area was not lacking in grocery options, retail foot traffic data indicates that the new 99 Ranch Market at Westfield Oakridge Mall still filled a void.

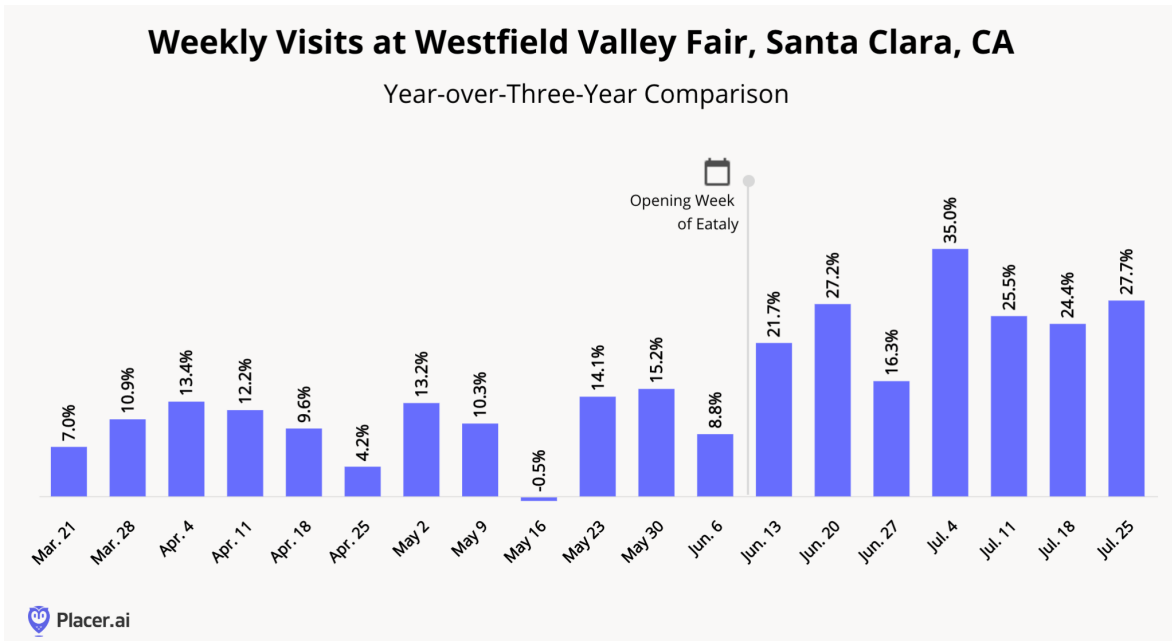
Although the area was not lacking in grocery options, retail foot traffic data indicates that the new 99 Ranch Market at Westfield Oakridge Mall still filled a void – the new grocery store's trade area has only minimal overlaps with the other trade areas of the nearby 99 Ranch Markets locations. This means that most of the new 99 Ranch Market's customers were not being well-served by the existing locations of the chain.

Westfield Oakridge, San Jose, CA



Westfield Oakridge is not the only San Jose mall turning to food to attract the crowds. On June 16th 2022, following much hype and a pandemic-related delay, Eataly, the all-in-one Italian market, restaurant, and cooking school [opened](#) its first Northern California location at the Westfield Valley Fair in Santa Clara, CA.

Prior to the launch, the Westfield Valley Fair mall was already one of the more successful malls in the country – but the opening of Eataly seems to be driving even more foot traffic. Yo3Y visits to malls during Eataly’s opening week exceeded 20% for the first time in months and have since remained consistently elevated, with visits for the week of July 25th up 27.7% relative to the equivalent week in 2019.



Regional Department Stores Providing a Boost

In March 2022, regional department store [Von Maur](#) opened its doors at The Village of Rochester Hills, an open-air lifestyle center in Michigan. The retailer, which has 36 locations throughout the Midwest, took over the space left [vacant](#) by Carson's, another Midwest-based department store.

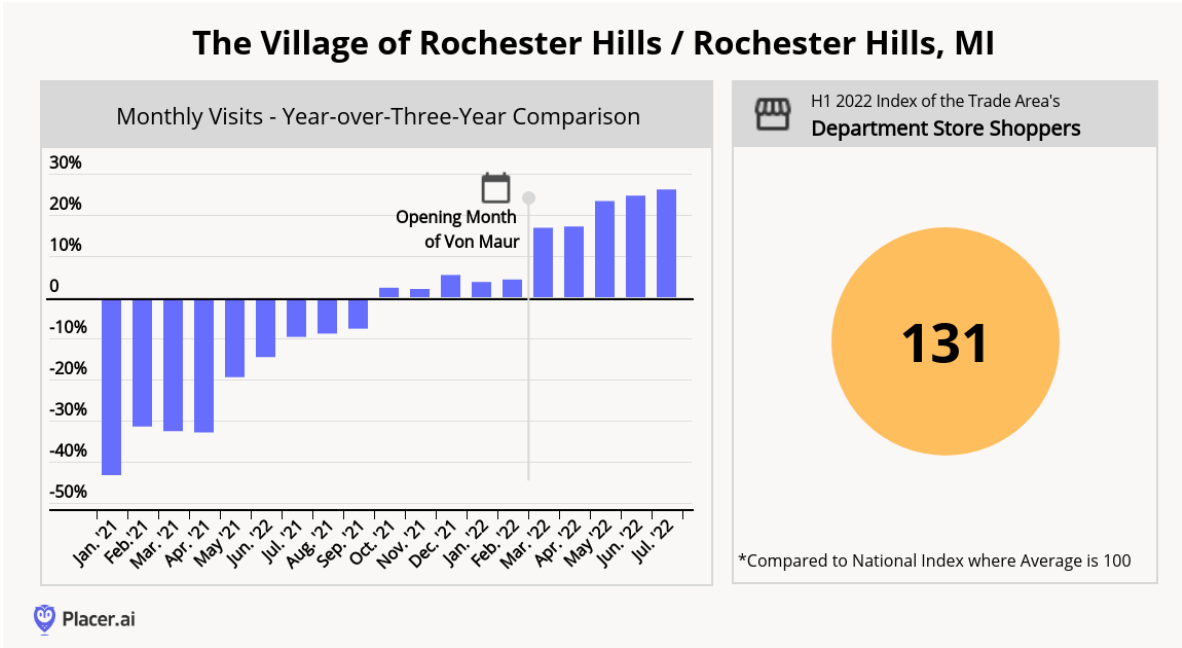


What may be the first new department store in the Detroit metropolitan area in over a decade is driving visits to the shopping center.

What may be the first new department store in the Detroit metropolitan area in [over a decade](#) is driving visits to the shopping center. Von Maur's March 2022 opening pushed Yo3Y visits up by 16.9% compared to the mere 4.3% Yo3Y increase the month before.

Part of the secret to Von Maur’s success lies in the psychographic characteristics of residents within the mall’s trade area. Using Spatial.ai’s GeoWeb data, a tool which tracks online engagement with various trends and topics by neighborhood, we found that the TTA surrounding The Village had an index of 131 for department store shoppers. In other words, people in the mall’s trade area exhibited heightened interest in department stores – they engaged with department-store-related content at a rate that was 1.3 times higher than the national average – which helps explain why Von Maur is thriving in this specific location. And in another testament to the strength of immersive retail experiences, Von Maur, which focuses on curating a unique shopper journey and features a pianist at all of its locations, has been [ranked](#) the top department store in America.

The addition of Von Maur is not the only change that The Village is implementing – the mall has continued adding new stores and will be [opening more](#) throughout the year. These, too, will likely boost foot traffic to the lifestyle center.



The mall’s ability to select tenants that cater to, and reflect the needs and behaviors of its consumers is likely to continue driving success. By drilling down into the nitty-gritty details of who comes to shop, where they come from, and what shops they

enjoy frequenting, mall management can tailor the shopping center to meet the needs of its base.

Innovative Malls Staying Ahead of the Curve

The “death of the American mall” has been [predicted for years](#). The reality, however, is much more nuanced than that – like many other sectors, malls are undergoing a shift to help them better serve evolving customer needs and survive and thrive in an ever-shifting retail landscape.

The malls featured in this white paper have found ways to consistently attract visitors despite the various obstacles faced by the category over the past two years. By understanding that the American mall must evolve along with the consumers, mall owners can successfully revitalize their retail spaces.

Key Takeaways

1. **Entertainment can draw the crowds – and keep them there.** A mall in Pennsylvania chose to replace an empty Sears with a casino, resulting in an immediate and sustained increase in foot traffic – the month after the casino opened, visits to the mall increased by 33.8%. Adding an option for entertainment can bring crowds to malls, and keep them there.
2. **Embracing omnichannel shopping is the way forward.** By giving people the option to visit a mall both in person and virtually, customers are kept within one purchasing loop, and shops within the mall itself can enjoy the advantages of omnichannel reach. Some shopping centers have begun integrating in-app shopping for their stores, and others are using food tech to draw eaters and shoppers into their locations. One mall, the MainPlace Mall in Santa Ana, CA, saw visits increase 5.5% Yo3Y after introducing its online shopping app.
3. **Strategically repurposing empty space can positively impact shopping behavior.** Filling vacancies with lifestyle centers, fitness destinations, and other popular shops and services can draw a new clientele to existing malls.

One shopping center, the Ocean County Mall in New Jersey, saw the median visit length increase and median age of visitors decrease after reinventing itself as a lifestyle center.

4. **Unusual tenants can help malls grow clientele.** Adding a popular Asian grocery store chain to a mall in San Jose, CA, helped bring shoppers to a location they may not have visited, provided an incentive for shoppers to consolidate trips, and filled a gap that the community was missing. As a result, mall foot traffic numbers went up from negative Yo3Y metrics for the first time in a year and a half.
5. **Understanding local demographics can optimize tenant selection.** A shopping center in Michigan installed a regional department store called Von Maur, going against the narrative that department stores act as dead weight to a mall. The success of Von Maur shows that perhaps not all department stores are dead – they're just in the wrong place.