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Enclosed Malls: Evaluating the Aging Format

Enclosed malls continue to age and some experts predict that they will slowly die off in favor of open-air lifestyle centers and mixed-use destinations. We sat down with Madison Marquette's Kelley Maher, Vice President of Leasing and Greg Bergan, Executive Vice President of Operations to hear their thoughts on how this aging format can compete.

Q: What is the biggest challenge facing the enclosed mall category?

KM: They are becoming less popular with some consumers and retailers. Consumers like products that are fresh and interesting. Enclosed malls have been around for 50 years now and consumers are ready to try new formats. The situation is compounded by the fact that many of the traditional mall anchor department stores have fallen out of favor with consumers and in their place are specialty apparel, home furnishing and electronics stores that have primarily been located in power centers and lifestyle centers. The cost of occupancy at a mall is so much higher than at a lifestyle center that a mall really needs to deliver significantly higher sales to make it a desirable option.

GB: Convenience is a major issue as well. Malls benefited initially from the convenience factor because they were built closer to where people lived in suburbia than their predecessor, the downtown urban shopping district. Today, lifestyle centers and power centers offer parking and store access that is far more convenient than enclosed malls. Additionally, strategic leasing efforts have produced power centers that cluster and offer like services and products in a convenient layout and design.

Q: What advantages do enclosed malls have over their open-air competitors?

GB: Many malls, especially the super-regional centers, have the square footage to offer consumers a critical mass of the retail that other newer, smaller format centers cannot provide. A large mall can afford to be all things to all people and therefore draw upon every demographic in a particular trade area. That opportunity is a tremendous advantage for malls that are constantly improving their merchandising mix and freshening up their appearance and amenities.



Bayfair Center, San Leandro, California

Let's also not forget that malls offer something that their open-air competitors cannot: climate-control. For this reason alone, malls in the Northeast and Midwest will always have a future as a destination for not only shopping, but entertainment and dining also.

KM: Location, location, location. Although trade areas can certainly decline, many enclosed malls still sit on some of the best real estate in the country.

There can also be a sense of community pride associated with enclosed malls. In many cases communities have grown up around malls, and have positioned themselves as the 21st century "downtowns." Adults who grew up going to a certain malls as children have a nostalgic tie to that center that can be a real asset if leveraged properly.

Q: What are some of the most successful strategies to activate a dying mall?

KM: From a leasing perspective, you have to find a way to fill vacant spaces and keep the lights on. Temporary tenants are a good short-term strategy, especially during marquee holiday seasons. However, the long-term strategies should always focus on identifying good quality local and regional concepts that are more flexible and will take a chance on a mall that is trying to revitalize itself.

GB: It is frustrating to see how quickly a mall can spiral downward to a point where there are so many vacancies and such a dramatic decline in traffic that it is difficult to regain traction on the leasing front. One way to jumpstart the leasing process is to program the center with community events and

amenities such as free wi-fi, farmer's markets, soft play areas and concerts. The resulting pedestrian traffic can at least help prospective tenants visualize the opportunity.

Q: Is ripping the roof off a good idea?

GB: The idea always sounds appealing — if you can't best the competition, join them. However, in most cases the rising cost of construction materials and labor makes the prospect of major structural changes dead on arrival.

KM: Some developers have taken the approach of adding an outdoor lifestyle component to an existing enclosed mall. While this strategy can be employed successfully, developers need to consider how activating the exterior will impact the interior. In some cases, the new open-air components can hasten the decline of interior traffic. One way to avoid this problem is to make sure new and compelling concepts are spread throughout the center and not just found in the outdoor component. It is also a good idea to program the interior with events and activities to help drive traffic inside.

Q: Will entertainment anchors save enclosed malls?

KM: Upscale movie theatres, bowling alleys and other nouveau entertainment destinations are very appealing anchors for enclosed malls because they have natural synergies with restaurants and can generate substantial foot traffic. In many cases, the concessions that malls used to give department store anchors are now being given to entertainment anchors.

GB: The biggest risk is that they do not create enough synergies with the retail components and can create parking complications at traditional regional malls during peak shopping hours. However, they are indeed a very compelling opportunity for many struggling malls.

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