

Shopping malls aren't all going away, but they are getting a makeover

By Susan Lindt, Contributing writer, November 1, 2016 at 9:45 AM



The revamped West Manchester Town Center in York County features open-air shopping corridors. - (Photo / Amy Spangler)

The death of malls may be exaggerated, but their current midlife crisis demands a major facelift.

A study released this year by the real estate research firm Green Street Advisors painted a dire picture: department store retailers must close hundreds more stores for malls to revive the rich retail culture of a decade ago.

While acknowledging the potential for losses, local experts say malls can remain viable by reimagining what they offer.

"It's not the 1970s or 1980s anymore. People are changing, so you have to

change the concept of malls,” said Drew Bobincheck, senior associate with Landmark Commercial Realty.

A current trend reviving some malls is conversion from enclosed to open-air space or “lifestyle centers.” One example of that kind of conversion is the West Manchester Mall in York County, which went from an enclosed center to an open-air layout.

People want closer parking with store access from the lot. Retailers want the full visibility of street façades. And mall owners will no longer pay to heat and cool giant indoor spaces.

“Interior malls are just too expensive to operate,” Bobincheck said. “Outdoor malls are the future of enclosed malls — not all of them, but some of them.”

Of course, enclosed malls struggled even before online shopping began taking away customers, said Robert Gorland, vice president of Lower Paxton Township’s Matthew P. Casey Associates. After the mall construction wave in the 1960s and 1970s, a wave of smaller strip malls, such as Colonial Commons, surfaced in the 1990s. They offered easier parking and greater store visibility.

“In the last 25 years, a dozen neighborhood shopping centers were built,” Gorland said. “They easily average 250,000 square feet. Times that by a dozen and you’re talking 3 to 5 million square feet of retail space just in the greater Harrisburg area. That’s the space equivalent of three to five full-sized malls.”

Online shopping has only accelerated the worrisome trends for traditional malls.

Randy White, CEO of White Hutchinson Leisure & Learning Group in Kansas City, Mo., predicts online shopping could eventually comprise up to 25 percent of sales, rising from its current 13 percent. The fallout: nearly all but the nation’s top malls will be demolished for new development, attrition will eliminate all but the best strip malls, and anchor stores will reemerge as standalone stores (think Kohl’s) or completely disappear.

“Shopping is a chore and people want to simplify it — that’s why we shop online,” White said.

For example: shoes. White said he buys his from a trusted online retailer with consistent size, fit and delivery.

Bobincheck used the same example, but to illustrate the opposite position, that brick-and-mortar stores will survive.

“I can’t go online to try on a pair of shoes,” Bobincheck said. “I can order them from a catalog, get them seven months later because supply chains are a real big problem, and I’ll probably send them back because they won’t fit. There will always be some stores unaffected by online shopping.”

As mall retail space is repurposed, Bobincheck said it might transform into

apartments or call centers — anything requiring ample space and parking.

Gorland agreed malls can't rely on traditional retail. He said outlet stores, gyms and college satellite campuses could move in. A Gold's Gym, in fact, took over former department store space in the York Galleria Mall in Springettsbury Township.

"(Operators) shouldn't necessarily replace retail with retail," Gorland said. "They need to think outside the box before leases are up."

Santa Claus and movie theaters still bring traffic, so Gorland suggested scheduling more special events.

"Minimally, malls need to show their best face," he said. "Some of them have done better having special events, bringing in a sports star or a band to create some atmosphere to attract people from all demographics. In 1990, Colonial Park Mall had a big 30th anniversary thing and I'll never forget it — they had a Cher impersonator."

Not all malls will survive.

Speaking on CNBC's Squawk Box, retail analyst Jan Kniffen said there are 1,100 enclosed malls in the U.S. for a population that can sustain about 700. With 48 square feet of retail space per capita, Kniffen said the U.S. has more than double the retail space of the next leading retail nation and that doesn't include online stores.

"We're the most over-stored place in the world," said Kniffen, CEO of J. Rogers Kniffen Worldwide Enterprises. "That doesn't mean we're going out of the brick-and-mortar business. That doesn't mean we're going out of the mall business. It means we're going to need a lot less of them and only the good ones are going to be there."

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