



A new mall rises

Retail centers renovate, redevelop
and re-tenant to remain relevant



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U.S. malls have spent billions of dollars on renovations to captivate shoppers with food and fun, foster community connections and elevate curb appeal

point of view

Some enclosed malls are just more popular than others. Top malls boast low vacancy rates and command significantly higher rents. For example, the 81 top tier US malls command average asking rents of \$72.44 per square foot¹, more than 3.5 times higher than the average asking rent of the second tier of malls. Mall performance is based partially on the quality of the neighborhood in which it's located — not much a mall can do to change that. But, improved aesthetics coupled with an appealing tenant mix can affect footfall and a mall's value. And luckily for owners and investors, these elements can be changed and enhanced. JLL has studied 90 malls that have taken control of some or all of these elements in the past four years.



Image Source: Shutterstock

¹ September 2017 JLL analysis of regional and super-regional mall asking rents

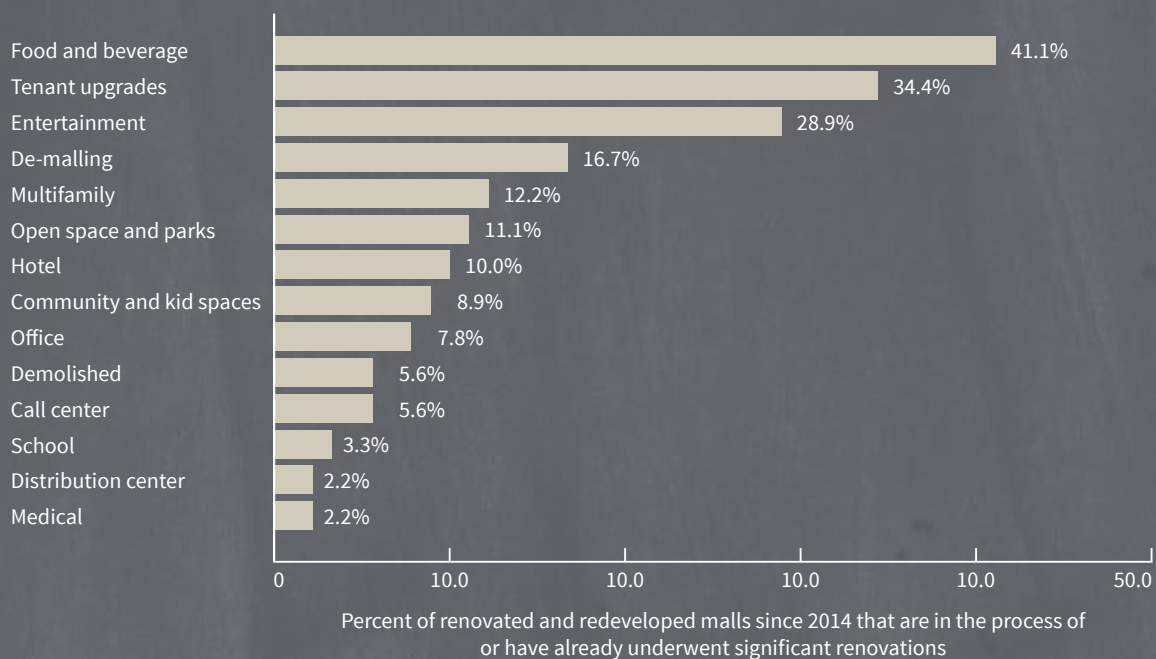
Renovate or redevelop

We looked at 90 super regional and regional shopping centers² that are currently undergoing or have completed a significant renovation since 2014. More than one-half of malls reported on renovation budgets, and of those, more than \$8 billion³ has been spent upgrading retail space across the U.S.

Most major mall renovations fall into four categories:

- Food and fun: improve or add new food and beverage and entertainment options
- Community connections: change the way malls serve their communities by converting the space into lifestyle and power center-like projects, adding non-retail uses to create mixed-use projects, dedicating space for community use or designing new open spaces
- Facelifts: re-brand to make malls more marketable through common area improvements, tenant upgrades, and even name changes
- New uses: partially or completely convert to other non-retail uses

Upgrading food and beverage is the most popular mall renovation strategy



² Typical GLA for super regional malls is 800,000 s.f. or greater, and typical GLA for regional malls is between 400,000 s.f. and 800,000

³ 53.3 percent of surveyed malls reported renovation budgets totaling \$8.42 billion

Food and entertainment upgrades top the list

Most mall owners are revamping their malls by creating foodie destinations. Mall owners are continuing to capitalize America's love of food. Space dedicated to F&B within malls is up to 8.0 to 9.0 percent of total GLA, up 5.0 percent from a decade ago, and may reach 20.0 percent by 2025⁴.

41.1 percent of malls are upgrading the food and beverage (F&B) options, making F&B the most popular type of renovation in this survey. And, of those same malls, 55.3 percent combined F&B with upgraded or new entertainment offerings, maximizing the shopper experience.

Malls are both creating new centralized F&B options and revamping existing food courts for modern tastes. This means adding new fast casual options and modernizing seating areas to feel less like the food courts of yesterday, and more like the food halls of tomorrow. The Westfield Montgomery in Bethesda, Maryland renovated its indoor food court and branded it as the Dining Terrace, with new skylights, indoor landscaping and fast casual offerings like Sarku, Cava Mezze Grill, and Wicked Waffle. The bowling concept Lucky Strike also opened there this year.

Movie theaters, especially luxurious ones with enhanced F&B options, like Cinépolis Luxury Cinemas and AMC Dine-Ins were attractive new additions to several centers.



Image Source: Shutterstock

Dave & Buster's, Main Event, and GameTime all offer food, drinks, games and space to interact with friends and family. At the Shops at Rivercenter in San Antonio, Texas owner Ashkenazy added a Dave & Buster's, Yard House and Margaritaville into their preexisting interactive "Battle for Texas: The Experience," which celebrates the history of the Alamo.

⁴ The Successful Integration of Food & Beverage, ICSC & JLL, 2017

Case Studies

Westfield Century City



Image Source: Courtesy of Westfield Century City



Westfield Century City spends a billion on Eataly and more

One of the most expensive mall renovations to date is the Westfield Century City in Los Angeles. Westfield modernized the mall with \$1 billion worth of investments and focused on F&B with the first West Coast Eataly, an Italian marketplace concept with a global footprint.

Key aspects of renovation:

- **F&B:** Eataly, Din Tai Fung, La Colombe Coffee Roasters, Shake Shack, Compartes Chocolatier, MidiCi, and Gelson's grocery store
- **Notable retailers:** Gloveworx, Equinox, Ted Baker, Cole Haan, Tumi, and Bonobos
- **Entertainment:** the Atrium, an events and entertainment space, and AMC Theatres

Oakbrook Center



Image Source: Courtesy of GGP Inc.



Oakbrook Center focuses on fun for the kids with KidZania and Movies on the Green

Owner GGP Inc., has taken Oakbrook Center in Oakbrook, Illinois, co-owned with CalPERS, through a series of renovations since the closing of Bloomingdale's home store in 2012. The former space was redeveloped into smaller footprints for six smaller tenants including Lululemon, the Container Store and Tommy Bahama. And most recently, a \$50 million renovation makes space for new entertainment venues and F&B destinations.

Key aspects of renovation:

- **Entertainment:** KidZania, coming 2019; AMC Theatres with reclining seating; Creation of the Village Green which hosts a free family movie night, Fine Art Shows, and holiday fun for the whole family including Santa, and ice skating rink and unique artisan shops
- **F&B:** The District, a 14,000 square foot dining destination including Potbelly, Cilantro Taco Grill, Stans Donuts, and Freshii

Icon legend:

- | | |
|------------------------|-------------------|
| Customer Experience | Entertainment |
| F&B | Notable Retailers |
| Recreation, Open Space | |

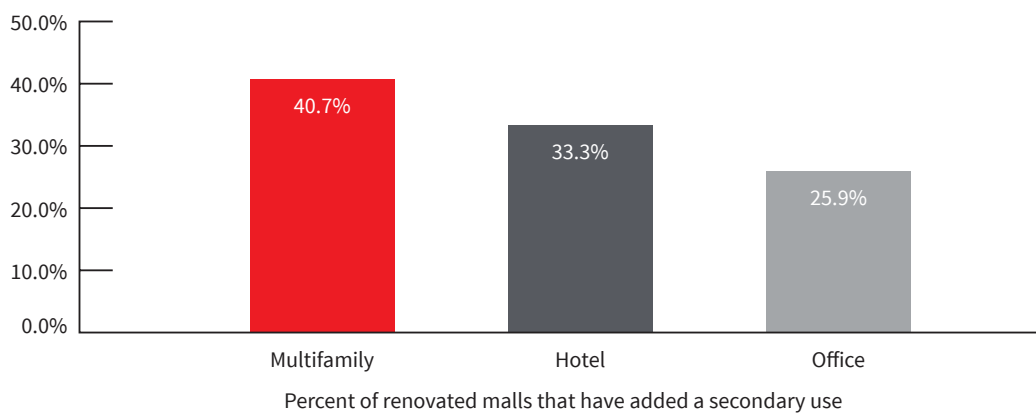


Malls become live/work/play destinations

Malls are working hard to rid the public of the perception that they are places solely for occasional shopping events like back-to-school or the holidays. They are handpicking tenant mixes that cater to specific shoppers like millennials, luxury-seekers, and those who want to shop local brands. Malls are also shedding their roofs, creating open spaces, and bringing other uses to the mix to cultivate new communities by creating a Main Street feel.

To achieve this, 30.0 percent of malls in our study started the process of making live/work/play environments by adding in non-retail uses. Apartments were the most popular choice, with 40.7 percent of those malls adding multifamily units. New hotel and office uses were also popular picks with 33.3 percent and 29.5 percent respectively. The idea is that people can live, work, and spend free time all within the same area by bringing in multiple uses into one property. Malls can become destinations for reasons beyond shopping. Non-retail amenities create a halo effect, driving new traffic to existing retailers. So now traditional mall owners are not just focusing just on retail, but are expanding by creating synergies with other uses.

Malls are making room for residential uses



Despite our age of technology and growing obsession with social media, we still put a large emphasis on the importance of place and a sense of community. Malls are beginning to tap into this shift in consumer experience and are redeveloping properties to encourage a critical mass of interactions to be a self-sustaining 'downtown'.

One fifth of renovated malls are dedicating spaces to the community

To further activate their space, 20.0 percent of malls created new areas dedicated to the community, including children's play areas and open green spaces. This shift emphasizes that it's important for owners of malls to create an environment that attracts and entices people, and keeps them engaged. The Shops at Foothills in Fort Collins, Colorado, hits multiple marks with its new Foothills Activity Center that has youth and adult sports programming and early education activities, and has dedicated the East Lawn, a grassy area in the center of The Shops, that puts on free concerts and other outdoor events.



Nearly one-fifth of enclosed malls surveyed are opening up into a partial or completely open air center. This shift to a more lifestyle or power-like center has improved walkability and connectedness within the centers and to exterior streets and sidewalks. The Shoppes at Gateway in Springfield, Oregon removed a portion of the roof to effectively create a new power center. At Main Street Oakridge, in Oak Ridge, Tennessee, developer Realtylink demolished all inline stores to leave larger freestanding retailers. Phase two of that project will include a new multifamily development, a hotel, and the relocation of an existing museum.

Case Studies

The Shops at Foothills



Image Source: Shutterstock

The Shops at Foothills focused on reconnecting with the community

The Shops at Foothills, formerly known as the Foothills Fashion Mall, went through a rebirth in 2015 when Alberta Development Partners invested \$313 million into the project. Portions were demolished and rebuilt with more square footage dedicated to the creation of a shopping, dining and entertainment district that revitalized a mall that was struggling to attract shoppers.

Key aspects of renovation:

- **Connectivity:** New rooftop patios accessible to the public, spaces for concerts and events including a farmer's market and a skating pond during the summer and winter months, respectively; improved pedestrian networks to enhance connectivity both between sections of the mall and the surrounding neighborhood
- **Foothills Activity Center:** A \$5.8 million recreation center that will offer child development, youth and adult sports, fitness and dance programs
- **Notable retailers:** Cinemark Movie Bistro, Smashburger, Yoga Pod, The Hop Grenade, and Nordstrom Rack

The Bloc



The Bloc sheds its roof

The Bloc, formerly Macy's Plaza in Downtown Los Angeles is still going through a \$250 million transformation from an enclosed shopping mall. The first phase included the removal of the roof to activate the previously dark and uninviting space and give the community some much needed street life.

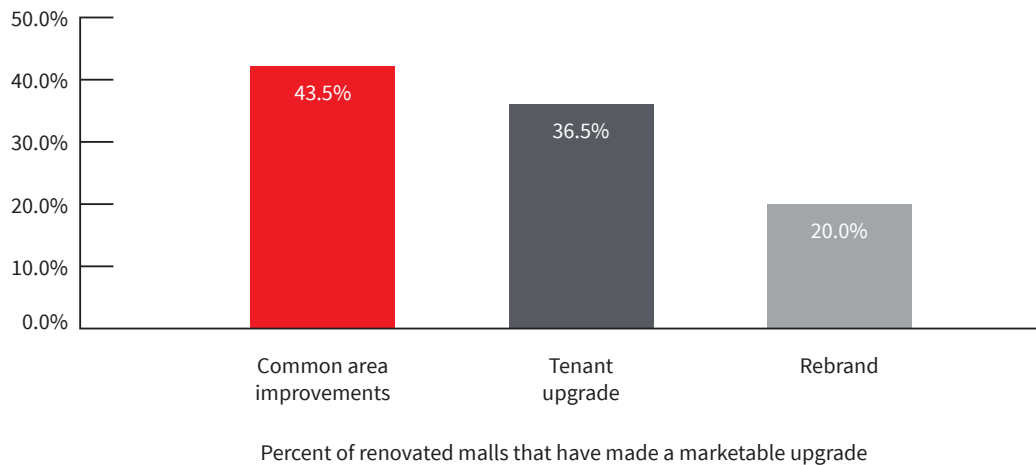
Key aspects of renovation:

- **Notable retailers:** Alamo Draft House (opening in 2018), EveryTable, T-Mobile, and Starbucks
- **Connectivity:** A new entrance to the 7th Street Metro Station created additional walkable connections to and from public transit

Malls trade in for new paint, new retailers, and a new name

Sometimes success is all about marketability. Malls are refreshing branding strategies to improve and add to their appeal. Achieving this can be done through common area improvements like modernizing outdated features in malls like new lobbies, comfortable seating, free WiFi, relighting walkways, improved wayfinding, fresh paint and more windows for natural light.

Malls invest in common areas



Mall owners are also re-tenanting and focusing on a tenant mix that will entice shoppers, and we found 30 malls specifically targeted retailers to improve tenant mixes. They honed in on apparel, luxury, and fitness retailers. Apparel retailers that entice millennial consumers, like fast fashion retailers H&M and Zara, are leasing top inline spaces.

Malls respond to millennials by adding fashion tenants

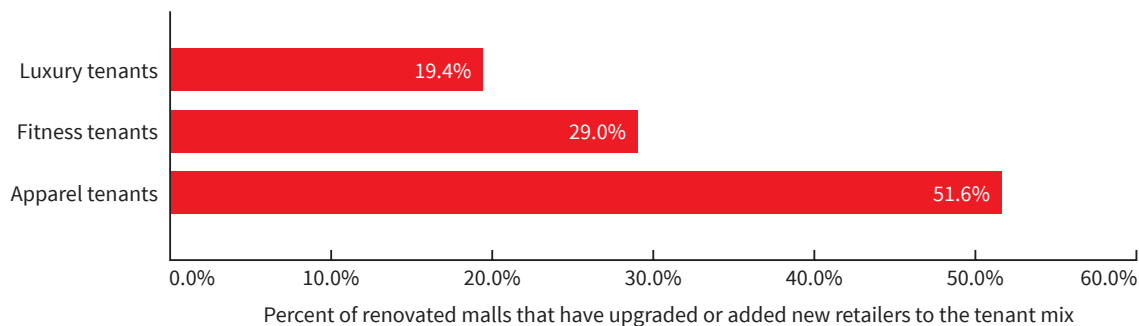


Image Source: Shutterstock

On the opposite side of the price spectrum, malls are also dedicating wings or portions of a center to luxury and luxury lite retailers. The renovation at Copley Place in Boston, Massachusetts is marketing the center as a luxury destination with retailers like Jimmy Choo, Versace, and Louis Vuitton.

Is “mall” a dirty word?

It seems like a lot of folks are going out of their way to avoid the “M” word. We found that 18.9 percent of malls in our study have removed ‘mall’ from their name during the renovation process. Centers have rebranded in the hopes of shedding the image of the now outdated mall of the last century. They’ve opted for names that create a sense of a smaller, more intimate community, with words like “Shoppes,” “Towne Center” and “Village.”

Pre-renovation name	Renovated name
Gateway Mall	Shoppes at Gateway
Crossroads Mall	Crossroads Village
Westfield Montgomery Mall	Westfield Montgomery
Concord Mall	Concord Towne Center
Cheltenham Mall	Greenleaf at Cheltenham
Macy's Plaza	The Bloc
Parmatown Mall	The Shoppes at Parma
Westfield Southgate	Westfield Siesta Key
Oak Ridge Mall	Main Street Oak Ridge
Military Circle Mall	The Gallery At Military Circle
Foothills Fashion Mall	Shops at Foothills
Hanover Mall	Hanover Crossing
River Center Mall	Shops at RiverCenter
Tallahassee Mall	Centre of Tallahassee
Knollwood Mall	Shoppes at Knollwood
Carlsbad Mall	The Shoppes At Carlsbad
Fairview Mall	Fairview Town Center



Image Source: Shutterstock

Case Studies

Westfield Garden State



Image Source: Westfield Garden State Plaza

Westfield Garden State builds new Fashion District wing

Westfield created a new District just for fashion retailers at the Westfield Garden State Plaza. The new Fashion District added 55,000 square feet to the mall with 22 new stores and restaurants with a budget of \$160 million.

Key aspects of renovation:

- **Notable retailers:** Urban Outfitters, Microsoft, Armani Exchange, and LUSH
- **Shopper experience:** New valet outside the wing's entrance with a Digital Storefront, six 7-foot tall high definition touch screens to enhance visitor wayfinding

The Galleria Houston



Image Source: Simon Property Group

The Galleria Houston invests millions for luxury and luxury lite retailers

Galleria VI, Simon Property Group's branding of the Galleria Houston's \$300 million renovation, adds 35 new stores and restaurants to the former Saks Fifth Avenue space.

Key aspects of renovation:

- **Notable retailers:** Ted Baker, Kate Spade, b8ta, Cole Haan, and Lacoste
- **F&B:** Nobu and Fig and Olive

When more retail isn't the solution, malls find a new highest and best use

Some centers have found that they just have more retail space than the community needs. This has led to a search for new uses. At the West Oaks Mall in Orlando, Florida a Xerox call center took 144,000 square feet of former Sears space and Bed Bath & Beyond will reformat 35,000 square feet into its own call center. Call centers in particular are attracted to mall space because of the large floorplans that require little retrofitting to suit the needs of the large number of employees and the ample parking on site. In Tulsa, Oklahoma, four call centers went into a 1 m.s.f. center: Alorica, Coca-Cola, Enterprise Rent-a-car, and Capital One. The call centers now dominate the mall and only a handful of food vendors and traditional retail storefronts remain.

At the Fairlane Town Center in Dearborn, Michigan just outside of Detroit, Ford is relocating its research and development department with 2,100 employees to a former Lord & Taylor and additional vacant inline retail spaces.

In 2014, Richland Mall in Mansfield, Ohio, converted a former F&R Lazarus & Company department store into an Avita medical center. In 2016 Avita announced further expansion after it found initial success with the move. The mall saw an 8.0 to 10.0 percent increase in mall traffic according to Avita quoted in the Mansfield News Journal.



Image Source: Shutterstock

When renovating isn't profitable, developers raze and rebuild

There are several cases where malls have been completely razed in order to make way for new ground up construction. In Union City, Georgia the former Shannon Mall was demolished and the site was used for a combination of a distribution facility and a movie studio. The Six Flags Mall in Arlington, Virginia, was demolished in 2016 will be rebuilt as the Arlington Logistics Center and leased to General Motors. The Randall Park Mall in North Randall, Ohio, will soon see an industrial fulfillment center in the place of the demolished mall which will take advantage of the sizable acreage of the property.

Case Studies

Austin Community College



From mall to college: Austin Community College takes over the Highland Mall

In Austin, Texas, Austin Community College purchased Highland Mall and began to convert it to a campus. Highland Mall, the first suburban shopping mall in Austin, officially closed its doors in 2015, even though ACC had started acquiring the surrounding land prior.



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About JLL Research

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JLL is the largest third party retail property manager in the United States with more than 1,000 centers, totaling 125 million square feet under management. The firm has more than 140 retail brokerage experts spanning more than 30 major markets, representing more than 900 retail clients. In 2015, JLL's Retail Group completed transaction management and portfolio optimization on 1,500+ leases, negotiated 500+ leases for retailers and 1,000+ leases for landlords and completed more than \$2.7 billion of investment sales, dispositions and financing for investors. For more news, videos and research from JLL's Retail Group please visit: www.jllretail.com.