

The Future of Malls: Examining the Malls Closure and How This Space May Be Reutilized?

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Abstract

Malls have been experiencing a gradual decline in popularity for some years now. The decline in popularity of brick-and-mortar retail, and malls specifically, may not have been widely predicted with the advent of the internet, but it was certainly foreseen once online shopping began to rapidly grow in popularity. Free shipping and returns on most products accelerated the decline, whereas the COVID-19 pandemic further expanded this change. This research aims to delve into how these malls might be reused, revitalized, and reincorporated as an anchor in the community. Therefore, interviews with residents and professionals have been conducted to evaluate malls conversion and revitalization. The results of the interviews showed that traditional market research should still be pursued, however inexpensive means of gathering data, like the use of resident surveys, can be very effective in understanding the needs of a community. Also, local government can play a very positive role in the planning and development of a mall revitalization if they are proactive and move the effort along. Moreover, the findings highlight the importance of placemaking, anchor store tenant procurement, and diversity as critical in developing an enticing retail experience. The research results practically contribute to the industry and would be beneficial for mall owners and developers.

Keywords

Malls, Reutilization, Case Study, Mixed-use, Retail.

1. Introduction

Extensive research and data collection has been performed in the recent years on the current state of retail in the United States (US), both online and brick-and-mortar, and its impacts on malls in the US. E-commerce sales have been surging year after year, slowly eating into the brick-and-mortar retail market. In 2001, the e-commerce made up less than 1% of total retail sales. In 2020, it made up more than 16% (Census Bureau, 2020). Revenue is projected to be nearly \$1 Trillion by 2022 and is expected to show an annual growth rate of roughly 15%. To put it into perspective, there were 25 million Amazon users in 2013. That number has increased to 124 million in 2019 (Statista, 2019). Conversely, department store revenue has been slowly declining year after year. This decline in sales has directly resulted in the closures and bankruptcies of large retailers across the US. As of 2020, there were about 6,000 department stores in the US, and that number is expected to decline by roughly 2,000 by 2025 (Census Bureau, 2020). Twenty five percent (25%) of malls are expected to shut down within 5 years (Coresight Analysis, 2020). Many of these malls are already dead or dying. A dead mall is a shopping mall with a high vacancy rate and/or lower consumer traffic level. These dying malls have lost anchor stores to closure or bankruptcy, followed by smaller chains, resulting in growing vacancies and fewer customers. The study by Amos (2020) shows that from 1980 to 2004 pedestrian mall closures were rampant. Investors began purchasing these malls and developing them into mixed-use spaces, intending to take advantage of the already existing open spaces. Amos (2020) also highlighted that part of the success of pedestrian mall revitalization was their active use of the open space. Successfully revitalized pedestrian malls hosted 6-10 events in these spaces each month. These events drew in different demographics and raised interest in visiting these malls significantly. This greatly increased foot traffic had a direct positive impact on stores revenues.

Mixed-use development is the most viable development option for many, but certainly not all, dead or dying malls. The structure of the mall may be renovated using adaptive use to reduce costs, architectural and cosmetic renovations should be made, and this adaptation should work to create open indoor and outdoor spaces. The overall objective of the development is a place where a resident can age in place, and all the amenities are available so they may work and play in a single location (Hare, 2017). Tenants offering unique experiences for adults and children will function as the retail anchor stores and bring in foot traffic that will make the necessary brick-and-mortar retail stores profitable. Free entertainment like weekly events, playgrounds, waterpark areas, and lawn games will also work effectively to bring in customers who will stay for hours and come repeatedly. Creating residential space for residents of all ages, especially demographics that would previously not have access to the mixed-use space, would also bring in more customers. The case studies conducted by the National Association of Realtors Research Group in 2020 revealed that a few major objectives should be targeted to successfully revitalize a mall. Public financial support was critical to initiate these revitalization projects. A mix of financing sources is helpful to assure the development can avoid or endure economic risks. Community buy-in for the project will greatly assist in moving the project forward in the early stages. Even though there is some research (Moccia, 2012; Dunham - Jones & Williamson, 2017). in the literature on vacant malls re-use, there are no recent studies considering the current status of the U.S. economy after COVID-19. Therefore, this study aims to determine viable options to reutilize these spaces in the current situation. The research objectives are as follows:

1. Understand the cause of Mall failures.
2. Develop a list of factors that should be considered by any Mall Developer or Owner prior to Mall conversion.
3. Survey users and residents to get local opinion on mall revitalization ideas. Interview Industry leaders to gain further insight on revitalization ideas.
4. Provide guidelines to any Owner or Developer who wishes to pursue this path.

2. Methodology

This study primarily utilized qualitative research in the form of descriptive surveys of the residents of Chambersburg, PA concerning the “dead” Chambersburg Mall and interviews with industry leaders. The residents survey was developed in Qualtrics and distributed virtually through three Chambersburg Facebook groups. Since it was not possible to pick specific residents from the Facebook groups hence no sampling method was used and invitations were sent to all registered participants in the three Facebook groups. The respondents were asked nine questions related to their usage attitude toward Chambersburg Mall. These questions are listed in Appendix A.

Interviews were performed with leaders in the industries associated with the revitalization of existing malls: Real Estate Development, Architecture, Engineering, Construction, and Local Government. The overall objective of these interviews was to gain insight from those working on these projects regularly and gain their perspective on how to execute these projects successfully. An additional objective was to find industry leaders associated with the Chambersburg mall for interviews so their feedback could be linked with the residents’ survey performed. Table 1 shows the details of the interviewees.

Table 1. Expert Interviewees Detail

No.	Position	Company Type
1	President and CEO	Architecture/Engineering
2	Deputy Director	Local Government
3	Project Manager	Construction Contractor
4	Township Engineer	Local Government
5	Executive VP of Leasing Operations and Marketing	Developer
6	Owner, CEO	Construction Contractor

3. Results

3.1 Resident Survey Results

The resident survey was directed toward the residents of Chambersburg, PA, and surrounding areas via Facebook groups. The intent was to gain an understanding of resident sentiment toward the mall, thoughts on how it could be

improved, and gauge public interest in the mall in general. The total number of members in all three groups are 40,700. A total of 958 responses were recorded from October 14th to October 18th, 2022, which resulted in a response rate of 2.4%. Though the response rate is very low but the number of respondents (i.e. 958) are significant to draw reasonable conclusions. The important findings are shown in the following section.

Q1 - How many times did you visit Chambersburg Mall in the past year?

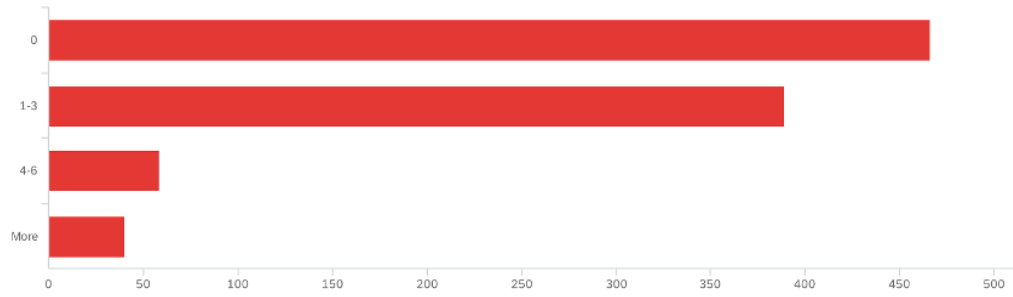


Fig. 1. The Frequency of Resident's Visit to the Mall

The result of the survey revealed that nearly 50% of the participants had not visited the mall in the last year, and over 30% had only visited 1-3 times. Accordingly, we may say that mall foot traffic was extremely low.

Q2 - What stores would you like to see open in Chambersburg Mall? Select top 4:

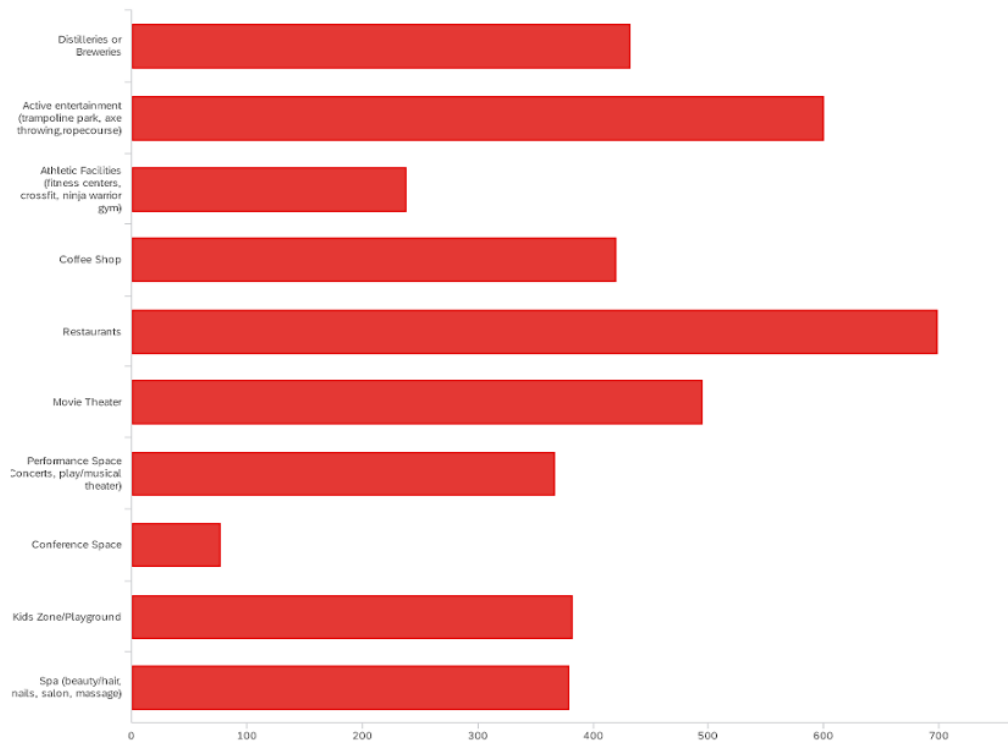


Fig. 2. The mall store categories favored by the residents.

The participants selected their top 4 stores as restaurants, active entertainment (trampoline park, axe throwing, rope course, etc.), a movie theater, and distilleries or breweries, and stated that they desire to see an open space established for performances, theater, seasonal events, concerts, etc.

The results of remaining questions are as follows: 83% of participants stated that they see the size of the Chambersburg Mall as adequate and would not change it. It could be inferred from this response that most residents would rather see the current mall footprint full of shops again, rather than see a reduction in size and an equal reduction in available retail stores. This inference could be made based off the information provided in the responses to the next question, where 82% of participants would rather see the mall partially or fully renovated and replete with retail shops rather than see it remain the same or demolished entirely. Over 80% stated mall cleanliness was critical, and over 75% wish to see both an interior and exterior makeover.

3.2 Industry Expert Interview Result

Industry leaders in multiple industries related to mall restoration were targeted for interviews. Companies that have been directly involved with mall revitalization, restoration, or repurposing projects were targeted for interviews, as team members from these companies will be able to answer interview questions from their own experience. In total, six interviews were conducted, two with construction contractors, two with local government employees, one with an AE firm, and one with an owner/developer. The interviews with each leader were structured in nature. Thirteen interview questions were put forth. Table 2 summarizes the key answers of the interviewees. Their responses were discussed in more detail in the discussion section.

Table 2. Expert Interview Results

No	Question	Key Answers
1	What is motivating you or your company to renovate or revitalize existing malls?	Diversity in the portfolio, county government's support
2	What financial vehicles do you use typically to pursue these revitalization projects?	Tax increment financing of local government, private lenders
3	Do you pursue incentives with state/county/city governments? What kind of incentives are available?	Tax credits, state and federal programs
4	What is the process, and how long does it take, to line up these financial vehicles?	It may take years to line up financial vehicles or incentives available from different levels of government.
5	When examining mall properties and performing a site visit, what do you look for to determine whether it is viable or not viable to revitalize from a construction perspective?	The structure, change in design, Compliance with current code.
6	During a review of the existing space, what issues do you look for that may increase cost of the project throughout each phase (development, design, construction, occupancy)?	The reason causing the property to fail, tenants, other retails surrounding.
7	What are all the components of your market research, and which do you examine the most to determine viability of a project?	Fire Suppression, ADA, and HAZMAT abatement requirements.
8	What was your most successful mall revitalization project and what made it successful?	Mixed-use development.
9	What is a single aspect of renovation you find leads to a successful mall revitalization?	Intelligent placemaking
10	What single aspect of renovation you found most challenging?	Difficult existing conditions e.g., misplaced utilities, etc.
11	Do you include the Construction Contractor in your design phase of the mall revitalization?	Usually, no.
12	How do you determine what stores or companies will occupy the renovated mall space	Depends on the market, customers and the space.
13	How do you determine layout and locations of these new stores throughout the space?	Maximizing leasable area, access for loading, servicing, and providing convenient parking.

4. Discussion

As a result of the interviews with industry professionals, we have got an abundance of information and insight. Based on these interviews, four main items for re-utilization came out: mixed-use development, public input and market research, placemaking, and consumer experience. Mixed-use development is the future means of reaching the public and enticing them to visit brick-and-mortar retail stores. During the design phase, it is helpful to have the construction contractor on board, if possible, to provide insight regarding the renovation work and suggestions for value engineering. Mixed-use developments can be any combination of development types, and their planning and design are often driven by public input and market research. Tools like polls, town hall meetings, public involvement with planning and design charrettes, and public involvement with the design phase can all have huge benefits. Resident feedback can guide the amount of residential housing, the size of office space, the types of goods and services available, and the overall layout of a new real estate development. Considering this development will be used mostly by these people, it is usually extremely helpful to understand their wants, needs, and interests during the planning phase. Placemaking, on the other hand, is creating places and focusing on the transformation of public places to strengthen the connection between people and those places (Wyckoff, 2014). Architects and developers have begun utilizing techniques in building and site design to create spaces where people want to congregate at. The places are for sitting, playing, walking, meeting, eating, and drinking. These places may be the site for recurring or seasonal events, performances, and theater. Concerning mall revitalization, placemaking could quite literally be the reshaping of the existing building to create courtyards, meeting areas, walkways, or “main street” style storefronts. Adaptive reuse, or the reshaping of an existing building, can be employed in these cases to make a new place.

Moreover, a significant pull for consumers and residents currently is experience-based, as opposed to product-based, consumption. Consumers are less interested in shopping for products and are more interested in spending their money on experiences, whether they be as large and unique as skydiving or as mundane as axe throwing. Consumers are craving experience and a variety of this. Mall revitalization projects must understand that there are many more options for a retail tenant than there were twenty years ago. Breweries, and distilleries, experiences based entertainment like climbing gyms, axe throwing, ropes courses, and escape rooms, dining experiences like pop-up restaurants, food trucks, and experimental kitchens are becoming popular among the consumers.

Financial vehicles are typically public and private institutions or Real Estate Investment Trusts (REITS). Financial incentives are rare but must be pursued if available. During an interview, one participant reported that for a retail restoration project they had undertaken, a private lender had provided initial funding, while the city had later provided additional funding to offset cost escalation resulting from COVID-related factors and changes to the project. On the other hand, as the interviewees highlighted, bringing an existing building up to code (MEP, Fire Suppression, ADA), abating hazardous materials, and addressing other unforeseen conditions can have significant cost impacts on any revitalization project. One participant noted that examining the structure itself and understanding how the developer or AE firm wished to change the shape of the structure was critical. Depending on the desire to demolish, add or change the shape, it may have a significant impact on construction costs, including extensive structural work.

Moreover, finding the right anchor stores, and the right placement for all tenants in a given space is critical to the success of the project. Accessibility must also be considered, especially if the project is a mixed-use development and senior living is included in this project. The overall profile of a space and a project must be understood as well. Placemaking plays a major role in making a renovation or revitalization successful, as many customers today see open space as extremely desirable as opposed to crowded corridors.

Lastly, an observation made during the interviews with the two local government officials was the action taken by each entity to pursue a mall revitalization project. One of the interviewees noted that it was in the township's best interest, and desired by the community, to renovate and revitalize the Chambersburg Mall, but the township had not taken any action to determine how this project would happen. They had not coordinated with the building owner to determine the company's goals with the mall and had not hired an AE Firm to perform a planning charrette. Alternatively, one of the other participants noted that the government had been proactive in determining the future of another mall, the Security Square Mall. The county had conducted multiple town hall meetings to confirm the public's desire to revitalize the space, had hired an AE to perform a planning and design charrette which provided multiple development design options to be put to the public vote, and had run multiple meetings concluding the planning phase and discussing the plans to start design on the agreed upon concept. It is acknowledged that each entity is dealing with

different obstacles of varying complexity, however, one government entity took a proactive approach to redevelop the area and is moving forward successfully.

In conclusion, the interviews with industry professionals have shed light on several key factors that are crucial to the success of mall revitalization projects. Mixed-use development, public input and market research, placemaking, and consumer experience have emerged as the main items for re-utilization. Developers should consider engaging the construction contractor during the design phase to provide insights and suggestions for value engineering. Public involvement through polls, town hall meetings, and design charrettes can also be invaluable. Placemaking can help transform public places and create spaces where people want to congregate, while experience-based consumption is becoming increasingly popular among consumers. Financial incentives are rare but should be pursued if available, while finding the right anchor stores and tenants and ensuring accessibility are critical to project success. Finally, proactive government action and coordination with building owners and AE firms can help overcome obstacles and lead to successful revitalization projects.

5. Conclusions and Recommendations

This research aimed to discover the current situation of malls and the re-utilization of these spaces through resident surveys and expert interviews. The result showed the insights for these vacant malls to reutilize and regain public use and highlighted the importance of mixed-use development, public input and market research, placemaking, and consumer experience. Some important conclusions are as follows:

- Local Government plays a significant role in initiating these projects.
- Examine community sentiment closely and keep them involved throughout the process. Full buy-in is critical.
- Utilize low-cost methods of gathering data in early planning phase to gain good understanding of community wants/needs.
- Take into consideration all takeaways noted in Industry Leader Interviews, resident survey sections.

Following are some recommendations:

- Examine how online resident surveys can be better employed during planning phases of these developments.
- Better education for local governments concerning the processes of real estate development, design, and construction.
- New and unique commercial options for tenants be continually monitored to best understand the current wants and needs of the public. Change must not lag decades behind.

This research also has some limitations. First, the conclusions are drawn from a single case study and may not be fully applicable to other malls. Hence it is recommended to conduct more such case studies to validate these conclusions. It is also difficult to determine the success rate of using these four above-mentioned factors as drivers for development until many projects are completed in this fashion, and even of those completed projects, there will be many variables that would impact the success of the project that can neither be measured nor controlled. This is the difficulty and risk with development in general. This approach must be employed, and projects that use these factors as drivers for development must then in turn become case studies. We recommend that future studies utilize a quantitative method to validate this research findings.

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Appendix A: Residents Survey

1. How many times did you visit Chambersburg Mall in the past year?
2. What stores would you like to see open in Chambersburg Mall? Select all that apply:
3. Would an open/performance space with events, concerts, access to eateries, etc. at this mall entice you to visit?
4. How important is mall cleanliness to you? 1 Least, 5 most.
5. Would an interior design renovation entice you to visit?
6. Would an exterior renovation entice you to visit?
7. What are your thoughts on mall size?
8. What recommendations do you have to entice visitors to this mall?
9. Ultimately, would you like to see the mall: Remain the same, be fully or partially renovated to include any of the new shops listed above, Be demolished.