**Shopping Malls 2022**

**Back on Track, But Challenges Persist**

According to the International Council of Shopping Centers (ICSC), the Q1 2022 tenant occupancy rate for all shopping centers was 90.5%, the most since 2020. The open-air mall rate was 91.9%, but the 84.5% rate for malls was only 0.01% more than Q1 2021.

The continued reduction of gross leasable area (GLA) for retail space is a persistent challenge. The ICSC reports that GLA was 64.9% during Q1 2022, compared to 65.8% during 2020 and 70.6% during 2016.

The rapid decline in retail store closures is good news for malls. Following the 4,974 store closures during 2020, just 589 closed during 2021 and none closed during Q1 and Q2 2022.

**Major Retail Store Sectors’ Sales Change from 2021, January–April 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Sector | Change from 2021 | Sector | Change from 2021 |
| Furniture/Home furnishings | +2.59% | Clothing/Clothing accessories | +15.25% |
| Electronics/Appliances | -1.17% | Sporting Goods | -2.16% |
| Food/Beverage | +7.93% | General Merchandise | +2.44% |
| Health/Personal Care | +4.78% | Food Service/Drinking Places | +25.70% |

 US Census Bureau, July 2022

**Inflation Stymies Foot Traffic**

Placer.ai’s June 2022 report of shopping mall visits shows a decrease from January through June in parallel with the increase in inflation. During January, indoor mall visits increased 26.7%, open-air lifestyle centers increased 28.3% and outlet malls increased 5.2% YOY.

During May, indoor mall visits increased 6.3%, open-air lifestyle centers increased 4.0% and outlet malls decreased 6.6% YOY, respectively. June’ visits decreased further: indoor malls at +1.5%, open-air lifestyle centers at +0.5% and outlet malls at -6.7%.

A month-to-month comparison reveals a different pattern. After visits to all three mall types increased from April to May, visits to indoor malls decreased 3.7% and open-air lifestyle centers decreased 2.4%, but outlet malls increased 0.6%, from May to June.

**2022 Visits to Three Primary Mall Types, Compared to the Same Months of 2019**

|  |  |  |  |
| --- | --- | --- | --- |
| Month | Indoor Malls | Open-Air Lifestyle Centers | Outlet Malls |
| January 2022 | * -10.0%
 | * -10.3%
 | * -5.6%
 |
| February 2022 | * -3.3%
 | * -4.1%
 | * -1.2%
 |
| March 2022 | * -10.4%
 | * -10.1%
 | * -15.6%
 |
| April 2022 | * -1.8%
 | * -4.8%
 | * -5.1%
 |
| May 2022 | * -4.6%
 | * -6.0%
 | * -8.0%
 |
| June 2022 | * -9.5%
 | * -9.4%
 | * -14.3%
 |

 Placer.ai, July 2022

**The Outlet Mall Outlook**

Many major outlet mall owners, such as Tanger and Simon Property Group, have returned to the active development of planned, new properties, which have been delayed for several years. Many shoppers are more comfortable shopping at outlet malls than indoor malls.

Just these two developers’ outlet mall projects will total 1.8 million square feet, a substantial increase when compared to the 1.2 million square feet of all outlet mall space that opened from 2019 to 2021.

Approximately 65% of outlet mall tenants are apparel and apparel-related retailers. Although consumers must purchase clothing, inflationary pressures could negatively affect outlet mall sales. Many in the sector are calling for a more diverse tenant mix.

**Consumers’ Expected Spending Reductions During the Second Half of 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Product Category | Percent | Product Category | Percent |
| #1: Restaurants, bars or food delivery | 51% | #7: Alcohol | 29% |
| #2: Travel | 49% | #8: Home or garden supplies | 27% |
| #3: Electronics | 46% | #9: Gas or other fuel | 25% |
| #4: Apparel | 44% | #10: Health & beauty products | 23% |
| #5: Toys, games or arts & crafts | 36% | Don’t expect to reduce spending | 18% |
| #6: Snacks & candy | 31% |  |  |

Numerator, June 2022

**The Impact of Work-from Home Shoppers**

Although many companies have asked/required employees to return to the workplace at least a few days per week, there is stiff resistance from many workers who find working from home more productive. This trend has affected shopping malls.

The combination of more workers at home during the day and many urban households moving to the suburbs during 2020 to escape the pandemic moved daytime shopping from urban to suburban shopping centers and areas.

This trend has resulted in vacancy rates at suburban malls being lower than those at urban malls for the first time during the past 15 years, but rental rates have increased faster at suburban malls than urban malls.

**Largest Categories of People Working from Home, January 2022**

|  |  |
| --- | --- |
| Category | Percent |
| All employed adults with teleworkable jobs | * 59%
 |
| Those with a bachelor’s degree | * 65%
 |
| Some college or less | * 53%
 |
| Upper income | * 67%
 |
| Middle income | * 56%
 |
| Lower income | * 53%
 |

 Pew Research Center, February 2022

**Targeting the E-Commerce Opportunity**

During Q1 2022, e-commerce sales accounted for 14.3% of all retail sales, according to the US Census Bureau, and are forecasted to reach 21.9% by 2025, according to Statista; however, shopping malls generate almost no e-commerce revenues, only their tenants.

As those tenants offer an omnichannel shopping experience to their customers and have digitized customer information, more shopping malls are realizing they must do the same.

Some mall owners are starting robust communication programs with visitors via social media, digital readerboards, Websites and email campaigns. They are using this information to understand visitor habits and shopping trends at malls and to target future tenants.

**Indices of Adults 18+ Who Made an Online Purchase of Selected**

**Consumer Goods\*, in a Regional Distribution of Markets, 2021**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Consumer Goods | Miami-Ft. Lauderdale | Pittsburgh | Little Rock | Colorado Springs | Spokane |
| Sporting goods | * 124
 | * 133
 | * 137
 | * 120
 | * 113
 |
| Jewelry | * 127
 | * 124
 | * 132
 | * 105
 | * 112
 |
| Pet supplies | * 125
 | * 131
 | * 123
 | * 131
 | * 120
 |
| Men’s clothing | * 121
 | * 128
 | * 122
 | * 121
 | * 118
 |
| Women’s clothing | * 127
 | * 134
 | * 145
 | * 124
 | * 125
 |
| Children’s clothing | * 125
 | * 139
 | * 136
 | * 122
 | * 128
 |

Based on The Media Audit’s 2021 surveys \*purchased during the past month

**Proactive Trends**

Simon Property Group is addressing the declining foot traffic at its malls with Simon Search, an app that mall visitors can use to search for the items they want and to determine if they’re available at mall stores. Simon’s goal is to attract more visitors.

More empty malls are being converted to last-mile distribution centers for major retailers, both chains and online. Although there are various challenges to these conversions, empty malls are typically near transportation networks and residential communities.

Macerich, which owns and operates 33 indoor malls and open-air centers, is welcoming more entertainment-based tenants to its properties, such as bowling and amusement centers and a greater diversity of dining options at various price points.

**More Valuable Insights**

A recent repurposing of empty mall space is an example of how events and other special attractions can increase mall traffic.

During May 2021, Oakbrook Center, a Brookfield Properties, near Chicago used an empty Sears location for a traveling art exhibition about Michelangelo’s Sistine Chapel. Malls have been hosting many events for several years, but an exhibit of this type is more likely to attract people who don’t typically visit the mall.

The following table shows visits to Oakbrook Center increased from May 2021 and into the third quarter, compared to 2019, while visits decreased, according to Placer.ai’s Nationwide Mall Index.

**Comparison of 2021 Oakbrook Center Visits to**

**the Nationwide Mall Index, Compared to 201**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Month | Oakbrook Visits | Nationwide Mall Index | Month | Oakbrook Visits | Nationwide Mall Index |
| January 2021 | -27.7% | -28.2% | July 2021 | +15.3% | +0.6% |
| February 2021 | -28.2% | -30.6% | August 2021 | +8.1% | -1.9% |
| March 2021 | -16.9% | -23.4% | September 2021 | +1.2% | -8.5% |
| April 2021 | -7.7% | -17.6% | October 2021 | +13.7% | +2.6% |
| May 2021\* | +5.9% | -10.3% | November 2021 | +9.3% | -9.2% |
| June 2021 | +4.3% | -10.1% | December 2021 | +1.6% | -3.2% |

Placer.ai, February 2022 \*opening of Michelangelo Sistine Chapel exhibition

*Sources:* International Council of Shopping Centers Website, 7/22; US Census Bureau Website, 7/22; Placer.ai Website, 7/22; Wealth Management Website, 7/22; Numerator Website, 7/22; Vox Website, 7/22; Pew Research Center Website, 7/22; Statista Website, 7/22; GlobeSt.com Website, 7/22; The Media Audit Website, 7/22; Retail Dive Website, 7/22; Chain Store Age Website, 7/22.

*Updated*: July 2022

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**Local Market and Station Information**