The Afterlife of Malls

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INTRODUCTION

It seems like it was yesterday: Grandpa imagined the search for some new music would distract him from an illness that was reaching its terminal stage. This meant a trip to the Rolling Acres Mall at Akron's western fringe; probably the destination was a Sam Goody, which in 1996 was as synonymous with record store as iTunes is with music today. Grandpa bought a couple tapes and then happily strolled the mall concourse. But his relief quickly faded; he slowed his clip and sidled into a composite bench-planter on a carpeted oasis, confessing, "I am so tired."

Grandpa and his cohort – the rubber workers – have mostly vanished from Akron. The Rolling Acres Mall is abandoned. The so-called "shadow retail" that gradually built up around the mall is today the shadow of a ghost.

THE "DECLINE" OF THE MALL

Rolling Acres Mall, like so many other malls, were built – invented – by and for people like my grandpa, a veteran who ascended into the middle class by working his way up the organizational ladder at B.F. Goodrich, one of Akron's former rubber institutions.

The trajectory of the Rolling Acres Mall is not unusual. Malls just like it have closed all over the country. The obvious conclusion is that there is an "epidemic" among malls today (malls being frequently likened to an organism or an ecological monoculture). There are hundreds of news articles heralding the supposed death of the entire indoor mall concept. In a poll of the *vox populi*, as represented by the online comments sections[1] of several of these pieces, I've noted a roughly even mix of sentimental pity and dispassionate, even morbid curiosity. I can relate to both perspectives: I'll forever associate my local malls with teenage embarrassments and rejection, along with fonder memories – from visiting Mall Santa to getting fitted for my prom tux.

Some spectators interpret the decline of malls as a signal that auto-oriented suburban sprawl is finally unwinding. Iconoclasts might attribute their abrupt collapse to a conspiracy of "planned obsolescence," or even declare this a symptom of a decadent society. Some will fault today's politics or the Great Recession (anachronistically, in most cases). Some attribute the decline to a compromised sense of safety among crowds of people who aren't exposed to an intensive security screening (certainly the violent incidents in Ward Parkway Mall in Kansas City[2] or the City Center in Columbus[3] lend some credence to this view that violence has played a role). Others attribute the decline of certain malls to shifting consumer preferences for lifestyle centers or bigger super-regional malls. Some blame their inconvenience, overbuilding, consolidations of anchors, systemic mismanagement, or some combination of these market factors.

There are many explanations for why particular malls decline, yet many malls are still very much alive, or at least stable for the time being. For example, Twelve Oaks Mall in Novi, MI could have passed for Rolling Acres Mall's identical twin at its outset in the 1970s. Yet it remains a positively uplifting and opulent venue that's full of shoppers at any given moment. There is still a robust investor appetite for large-scale retail environments. A glance at the stock prices of some of the Real Estate Investment Trusts (REITs) that specialize in malls and shopping centers suggests that malls are recovering from the recent crisis. The real estate information service Reis reports in their 1Q 2012 market commentary that regional malls maintain the highest occupancy rates of the various retail asset classes, although

1 Hudson and O'Connell 2009

2 CNN 2007

3 Columbus Monthly 2011

Southwyck Mall. Toledo, OH (Google Maps)

that may be due to the dearth of new malls needing to be leased.

The market seems to be saying that some malls are just fine, and others will need to be adapted. The mall REIT General Growth Properties (GGP), having divorced itself from its second-tier malls in the aftermath of its 2009 bankruptcy, apparently sees two futures for its malls: some are truly outstanding, such as the Ala Moana Center in Waikiki, where GGP recently invested an enormous sum to buy its Sears anchor out of the premises[4] (Sears typically owns its stores). GGP is standing by its strongest malls. Some of GGP's other malls required special business plans, known as repositioning, and therefore might not be suitable to the dominant class of investor in the parent REIT, which has limited tolerance for risk.

GGP's bankruptcy has thus spawned a new company: an exclusively "B", or second-tier mall REIT – "B" as opposed to "A." In creating this new company, GGP even used a legacy name of one of its former acquisitions, Rouse Properties, to identify the vehicle through which it has consolidated 30 of its enclosed malls all around the country.[5] These are not dead malls per se, but GGP wouldn't have spun them off if they were not defective in some way. An optimistic analyst might say that the new company combines the experience of a reputable mall operator with the flexibility to take entrepreneurial risks that the parent REIT wouldn't or couldn't take. Alternatively, this move facilitates the sale of the portfolio to an investor who will take on challenging but potentially profitable "value-added" redevelopments. I cannot predict whether Rouse will be successful, but I can imagine several possible outcomes for individual malls: some lack the potential for growth, but can be profitable

4 Pacific Business News 2012

5 Hudson 2012

as long as they are able to defer maintenance. Or perhaps enough of these markets will improve on their own, prompting significant reinvestment in the malls. I suspect that in many cases, however, the underlying "B" mall assets will require a radical fix. It remains to be seen if Rouse's investors will have the necessary patience with this mission, or if a successor will take on such a project.

Meanwhile, many of the surviving malls are themselves also transforming – some by design, and others in entirely unexpected ways.

MISSING MALLS

I have visited a number of dead malls and other diminished retail landscapes. Commercial real estate is, after all, my occupation. I have not yet been involved in any attempted mall resuscitations, however. My interest in dead malls is more of a hobby than anything else. But while I am honing a working theory about retail, I am conflicted both about how bleak the situation really is for malls, and whether malls are actually worthy of preservation. Certainly Northland Center in Southfield, MI comes to my mind as a mall that belongs on the National Register, being the first of the modern malls. But are there other malls that are so worthy? Is it even possible for a self-enclosed mall environment to be a contributing historical resource? After all, malls have always been about newness, and totally dependent on shoppers and the mall managers who shaped the retail ecosystem to supply these malls with their vibrancy. A mall bereft of shoppers is profoundly bland.

Metcalf South Shopping Center, Overland Park, KS (Photo credit: author)

I know that I'm not alone in missing what malls were. The blog deadmalls.com is a great resource for stories about malls that have seen better days. Through this blog I am aware that there are other people who seek these places out, and I have some hunches as to why this is so. When the Muzak stops and the perfume and Cinnabon aromas have dissipated, and the mall is emptied of people and things, it becomes a surreal place, one that's haunted. In walking these places, I've invented games, such as "What store was that?" Maybe there's only a ruined pilaster, indicating a Victoria's Secret, or a red streamer suggesting a KB Toys. The attraction of the dead mall is its familiar strangeness.

Some malls persist in a less intense capacity than their creators could have envisioned. I have visited malls that manage to support a handful of passion projects that sell niche objects, such as religious icons, Ziggy paraphernalia, and model train scenes. Some of these dead malls have become hosts to post offices and DMVs, tenants of last resort. I know of at least one mall that has – or recently had – a typewriter repair shop. Several malls I've visited have even reverted to non-commercial uses such as churches (or, in Euclid, OH's Euclid Square Mall, at least 16 churches). And as long as the concourse is open and the air is conditioned, senior citizens will use the mall as a place to walk. Perhaps this explains why an eyeglass store can survive in Kansas City's North Park Mall, among a nearly unbroken chain of more than a hundred vacant storefronts.

Dead malls inspire. I recently visited the Cleveland Museum of Art, where there happened to be an exhibit of the photographs of Brian Ulrich, a known photographer of dead malls. In an interview, the artist explains that he was compelled to document the peeling veneer of retail landscapes after the proliferation of post-9/11 admonitions that "shopping is patriotic."[6] Ulrich's photographs were darkly realistic, prompting me to wonder, "Were these places ever nice, or was it all an illusion?" The Museum is currently undergoing an extensive renovation that will unify the exhibit spaces around a vast interior atrium, and while viewing Ulrich's exhibit from the partially complete gallery, it struck me how similar the experience was to visiting a mall. Soon, the Museum will cease to be the dense, quiet labyrinth I got lost in, becoming instead a

6 Ritchie 2009

Rolling Acres Mall. Akron, OH (Google Maps)

coherently organized, bright and open space, the outcome of its designers' focus on circulation and accessibility. And who couldn't agree that the interior accessibility of malls (to those with cars, that is) and their appeal to people young and old, affluent, average – anyone at all – is not a genuinely good and once-innovative feature of the mall? No, malls were not so bad.

REVISITING ROLLING ACRES

Rolling Acres Mall in Akron has been closed to the public since 2008, but I've continued to periodically revisit this place in my mind. Rolling Acres was developed by Forest City, an illustrious commercial real estate firm based in nearby Cleveland that only dabbled in malls. When the mall opened in 1975, it was a major regional mall – perhaps a super-regional mall, boasting 4 anchors and 1.3 million or so rentable square feet over two levels. This was a middle-class, rubber workers' mall. A JCPenney and Sears Mall.

What went wrong here?

The mall wasn't exactly in the middle of nowhere, even if it wasn't situated at the intersection of a major thoroughfare and an arterial route, a reliable rule of thumb in mall site selection. The mall had plenty of parking and few competitors. Yes, several of the rubber companies left town, but Akron proper is still solidly middle-class.
I interviewed my mom, who patronized Rolling Acres Mall in its early days.

"Do you miss the mall?" I asked.
"Definitely."
"Why is that?"
"I felt safe. It was very Midwestern. And as a newlywed, it was a longitudinal dreamscape of my aspirations. I felt that its purpose was to inspire, or simply inform you of what's current. It was like a survey course for living."

I suppose this is true of every mall. Mom couldn't conjure up anything uniquely special about Rolling Acres, other than what it meant to her as a touchstone in her life. Mom would go there because JCPenney extended her store credit, which department stores offered directly before the proliferation of commercial credit cards. She and Dad would go to the mall at least once a month to make a payment on a piece of furniture in person, and maybe to pick up a few more things, get a Salisbury steak at the York Cafeteria, and imagine new acquisitions.

"Malls were very nice," she concluded.

But Mom, a baby boomer, became increasingly busy with balancing work and a growing family. Out of necessity, she evolved into a Montrose Road shopper, or a Great Northern Boulevard shopper – these being long chains of value-oriented shopping centers where customers can drive right up to a particular store (e.g. Walmart), buy some discounted merchandise, and drive to another store or away completely. Malls don't deliver these economies of scale with comparable efficiency.

WHERE ELSE ARE CONSUMERS GOING?

To get another perspective, I recently attended a panel at an International Council of Shopping Centers (ICSC) industry function, on the topic of "Navigating the Issues Presented in Marketing Unproductive and Excess Space." One of the panelists offered his experience as a court-appointed receiver of a dead mall in suburban Chicago as a case study. This particular dead mall property was unique for its relative youth, having an early 1990s vintage. Apart from its unfortunate color palette, it featured an attractive atrium interior. The receiver explained how he had found ways of trimming the mall's operating costs, and how he negotiated longer-term leases with many of its existing tenants. It sounded like a good success story, because the receiver was successful in disposing of this asset in 2011 to a consortium of California investors backed by foreign capital. I asked myself: are these investors just deep-pocketed impulse buyers? What is their plan? What do they expect will come of this?

As the panel session closed, I overheard chatter among the audience insinuating that the recent buyers had overpaid for the mall. I overheard speculation that it was only a matter of time before the mall reappeared in foreclosure. I also learned later on that Sears had since closed its store in the mall, even though this is in Chicago-headquartered Sears' own backyard, so to speak. Sears Holdings Corp., which also owns Kmart, is in the process of closing stores en masse, most of which are in malls all over the country. I have a friend who works for Sears' corporate office who is unconcerned. "We sell more things online nowadays," he tells me.

The near-term projections for shopping centers are mixed. At the recent industry conference the consensus view among industry insiders was that the market has "hit bottom," and that consumer spending is poised for a rebound. I won't dispute whether that is the case. However, industry sentiment about the future is much less clear. Many industry figures are presently confounded by these structural changes to the ways in which we consume. Specifically, many believe that the smartphone poses a serious threat to store sales margins and profitability. The link between retail traffic and direct sales is now broken; consumers may flock to stores in greater numbers than ever but, increasingly, the ultimate sale is taking place online. This trend bodes ill for all brick-and-mortar retailers, and by extension, for their landlords.

Some landlords are bracing themselves for the changing winds, but aren't about to abandon the ship. One landlord explained to me that Staples, for example, might not need 20,000 square-foot "big-box" stores anymore. Rather, it might now be able to get by with 5,000-10,000 square feet.

Twelve Oaks Mall in Novi, MI. (Photo credit: author)

On the other hand, the new Staples might be willing to pay more rent on a per square foot basis for the more efficient store format. If retail landlords can adapt their centers to these market changes, in theory they stand a chance of doing better than ever.

ADAPTING TO CHANGE

Ad hoc attempts at adaptation haven't worked at the Parmatown Mall in Parma, OH, whose owners have managed to replace shuttered department stores with big boxes in situ. The big problem here is that the anchors aren't attracting inline tenants, and the mall court is mostly vacant. Parmatown is currently in receivership, and its appointed manager has publicly suggested that a comprehensive redevelopment is imperative, using the nearby Westgate Mall in Cleveland as an example. Westgate's owners were swift to close its doors at the first signs of serious distress. Like Parmatown, Westgate had a 1950s vintage, and both malls were located near Nike missile defense sites and a vast array of bungalows, but not as close to major highways as malls of a later era were. These two centers were among the country's original malls, with the modern mall originating only a few years prior at the J.L. Hudson-anchored Northland Center in Southfield, just north of Detroit. Incidentally, Detroit was also the metropolis that spawned the Kmart-anchored retail strip, and these two pioneering concepts coexisted for many years, reshaping the retail landscape of the entire country. At the redeveloped Westgate, these two models have become one, as Westgate appears to be transitioning successfully into an open-air promenade with a campus-like cast of big-box discount anchors. But the new Westgate clearly isn't a mall anymore.

Perhaps this is the future of the Rolling Acres property, too. It is likely that eventually the market will find some way to reuse a large and contiguous site in a relatively dense region. Locations such as these won't normally have the same challenges as some contaminated industrial sites of a similar scale. But with virtually no income in place, and having been vacant for a few years, Rolling Acres is well past the point where anyone but a highly audacious private investor would take on such a redevelopment project. And, in a world where obsolete malls and distressed properties are everywhere, why would an investor choose this particular property? Then again, as with the aforementioned dead mall in suburban Chicago, Rolling Acres' putative owners are another obscure investor group from California. You never know. Maybe all it will take is one euphoric real estate investment cycle for the mall to make its comeback.

CONCLUSION

I can accept that malls bear a resemblance to living organisms, hence why anyone can appreciate what the term "dead mall" means. Thus the decline of malls is not necessarily a problem to be remedied, but rather more like a natural lifecycle. But at Rolling Acres, the label takes on a sort of literal relevance. In April of 2011, a would-be copper thief was fatally electrocuted while committing the act.[7] Toward the end of that year, while the so-called Craigslist Killer(s) made national news, one of the victims' bodies was discovered in a wooded area near the mall.[8] Evidently these cruel, calculated killers thought this was the last place anyone would look.

I would prefer to see the more urban of these places mercifully reused or otherwise adapted to the highest and best extent possible. But for this to happen, the market has to be enabled to function. I suggest to planners and local government officials to be keenly aware of the vulnerability of their local malls, however healthy they appear today, and I caution against being too prescriptive about permissible uses, propping up antiquated parking ratios, or otherwise discouraging experimentation with the retail experience.

There could be exciting, entrepreneurial opportunities for reinventing these places. Or, if no market solution is feasible, there may be other unique possibilities that come with large, contiguous lands for the communities nearby. Nature preserves. Urban agriculture. On-shored manufacturing. Or even storage facilities, for all the things we picked up at JCPenney and grew attached to, unable to give or throw away.

The interior unity of the classical mall may be difficult to sustain in any case, but perhaps future patrons will be as charmed with ephemeral "pop-up" retailers, farmers' markets, event spaces, or whatever else is dreamed up my tomorrow's place managers. As for malls that are significantly distressed today, I suggest taking that last look soon.

7 Associated Press 2011
8 Telegraph 2011

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