

Stalled Malls

Retailers struggle to adapt to changing shopping trends

—James E. Ellis and Dimitra Kessenides

15%
Share of U.S. malls projected to close or convert to other uses over the next decade, according to Green Street Advisors

Aéropostale will close up to **175** of its namesake shops plus 125 of its kids' stores in malls

Malls used to be a great place to chill for teens—who spend \$30 billion a year in the U.S. Now they're hanging out online. One result: Abercrombie & Fitch, Aéropostale, and American Eagle Outfitters aren't attracting the crowds they once did.

American Eagle is closing **150** stores over the next three years. The locations set to close average \$250 per square foot in sales, far below the chain's average \$400 per square foot.

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"Fast fashion—H&M, Uniqlo, and now Primark—has significant potential to take space." —Jesse Tron, International Council of Shopping Centers

Apparel store traffic in the U.S. for mid-October delivered its worst performance in 17 weeks, according to ShopperTrak.

4.7%
Annual decline in U.S. store traffic, week ended Oct. 25

While malls stumble, mobile shopping is expected to grow **800%** through 2015

Food stores and restaurants in shopping centers grew from 17% of tenants in 2008 to 19% in 2013, according to Nielsen.

Sbarro, long a fixture in malls, filed for bankruptcy in March—a month after West Coast eatery Hot Dog on a Stick met a similar fate. Both were victims of lower mall traffic.

DATA: ACCENTURE, BARCLAYS CAPITAL, BLOOMBERG CAPITAL MARKETS GROUP, GREEN STREET ADVISORS, IBISWORLD, INTERNATIONAL COUNCIL OF SHOPPING CENTERS, INTERNATIONAL HEALTH, RACQUET & SPORTS CLUB, SHOPPERTRAK, REIS SOURCING

FITNESS

Health clubs are growing more popular as mall tenants in part because people with active memberships average more than 80 gym visits a year—a lot of potential shopping trips. And gyms draw men, the rarest of mall species.

Malls are adding services, such as teeth whitening or doctor's offices, to woo shoppers.

7.9%
Third-quarter vacancy rate for regional malls, according to researcher Reis

Abercrombie will close **60** stores by the end of 2014 and 120 more over the next two years.

-4.9%
Growth rate of carts/kiosks industry revenue, 2009-14, due to falling foot traffic

J.C. Penney hopes to entice customers to visit more often by upgrading the 900 beauty salons within its stores. It's also expanding an in-store partnership with cosmetics chain Sephora.

66%
Share of mall shoppers who are female

Regional shopping centers, ranging in size from 400,000 to 800,000 square feet, decreased as a proportion of all U.S. shopping centers by **7%** from 2008 to 2013, according to Nielsen

After years of sales declines, Sears is subletting space in some of its big mall stores.

U.K. clothing retailer Primark will lease 520,000 square feet of excess Sears space in malls in the Northeast.

At King of Prussia Mall near Philadelphia, one of the largest U.S. malls, Sears will divvy space between Primark and Dick's Sporting Goods. It will no longer operate a retail store there.