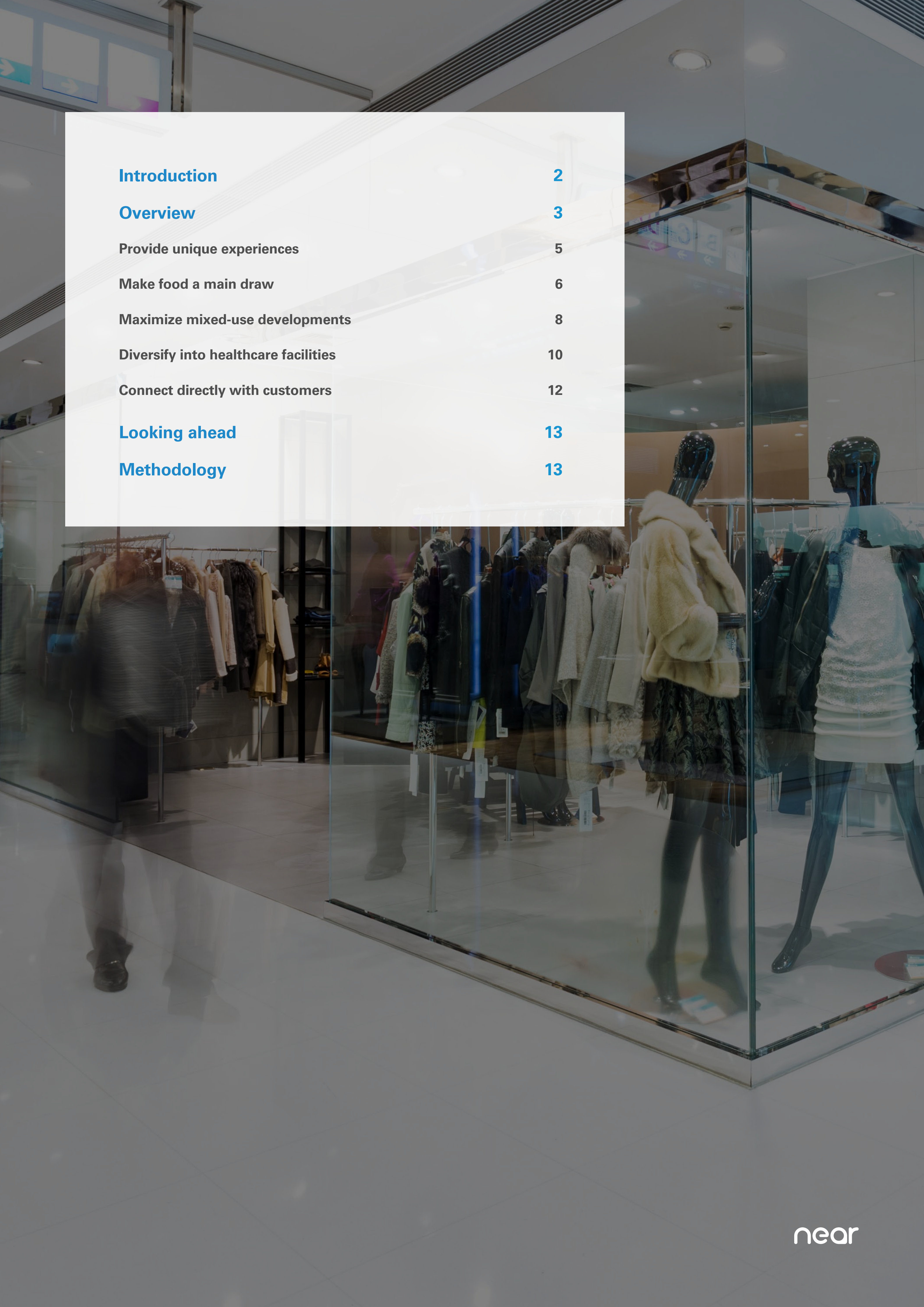
CRE TRENDS TO REVITALIZE SHOPPING CENTERS



Introduction

In the past several years, shopping centers have had an identity crisis. Faced with the poor performance of department stores, they've had to reinvent themselves in order to survive. In fact, in 2021 there were 750 vacant anchor tenant spaces in shopping centers in the United States. A mall without an anchor creates a void of retail space, where all the other stores are left without a key source of traffic.

Adding to the crisis around department stores and anchors, the pandemic accelerated the need to find the right tenants to attract shoppers.

In the place of department stores, a more diverse set of anchors have filled the gap - from grocery stores and big box retailers to experiential locations like art installations and entertainment centers. But when it comes to boosting the overall performance of a shopping center, not all anchor tenants are created equal - some anchors and shopping center formats do more to draw in visitors from a wider area and have bolstered vitality for the centers overall.

To understand the emerging trends in shopping centers, Near looked at 28 malls across the US, comparing performance for Q4 of 2022 versus the same time period in 2021 and 2019. We analyzed consumer behavior data to look at visitors, dwell time, median distance traveled, trade areas, times of day and days of week, and more for each shopping center to understand the trends impacting each.

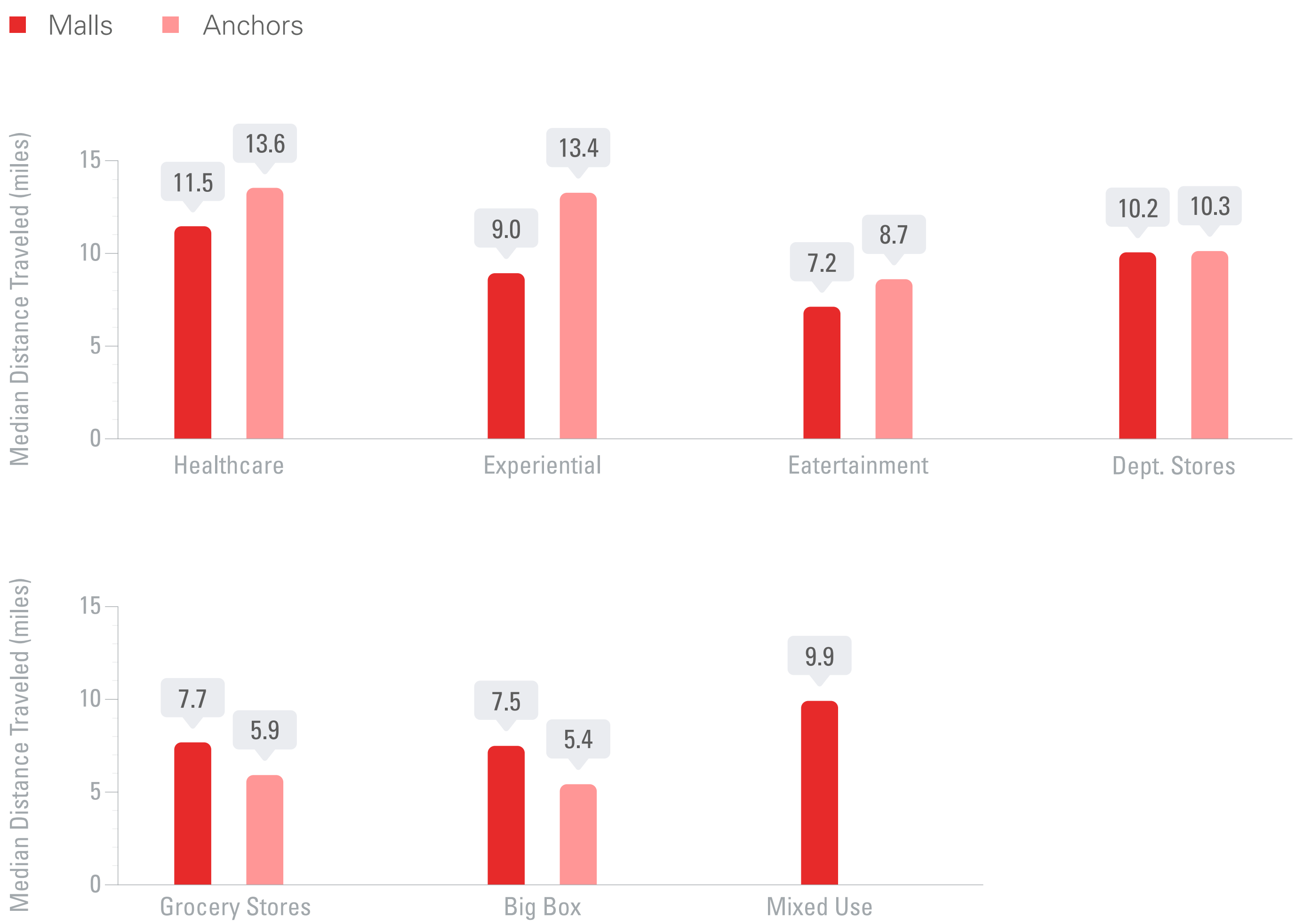
Overview

How are shopping centers doing overall?

When looking at the performance of shopping centers overall, in the past year visitation to malls increased by 19% compared to 2021. This growth shows increasing eagerness of US consumers to return to normalcy when it comes to shopping, dining, and entertainment. However, the past year was not without its headwinds. Just as the pandemic became less of a factor affecting consumer behavior, high inflation and a threatening recession dampened consumers' spirits.

However, even with these headwinds, some shopping centers are outperforming others by emphasizing some key features. One key factor is to understand the distance people are willing to travel to each type of anchor versus the mall overall.

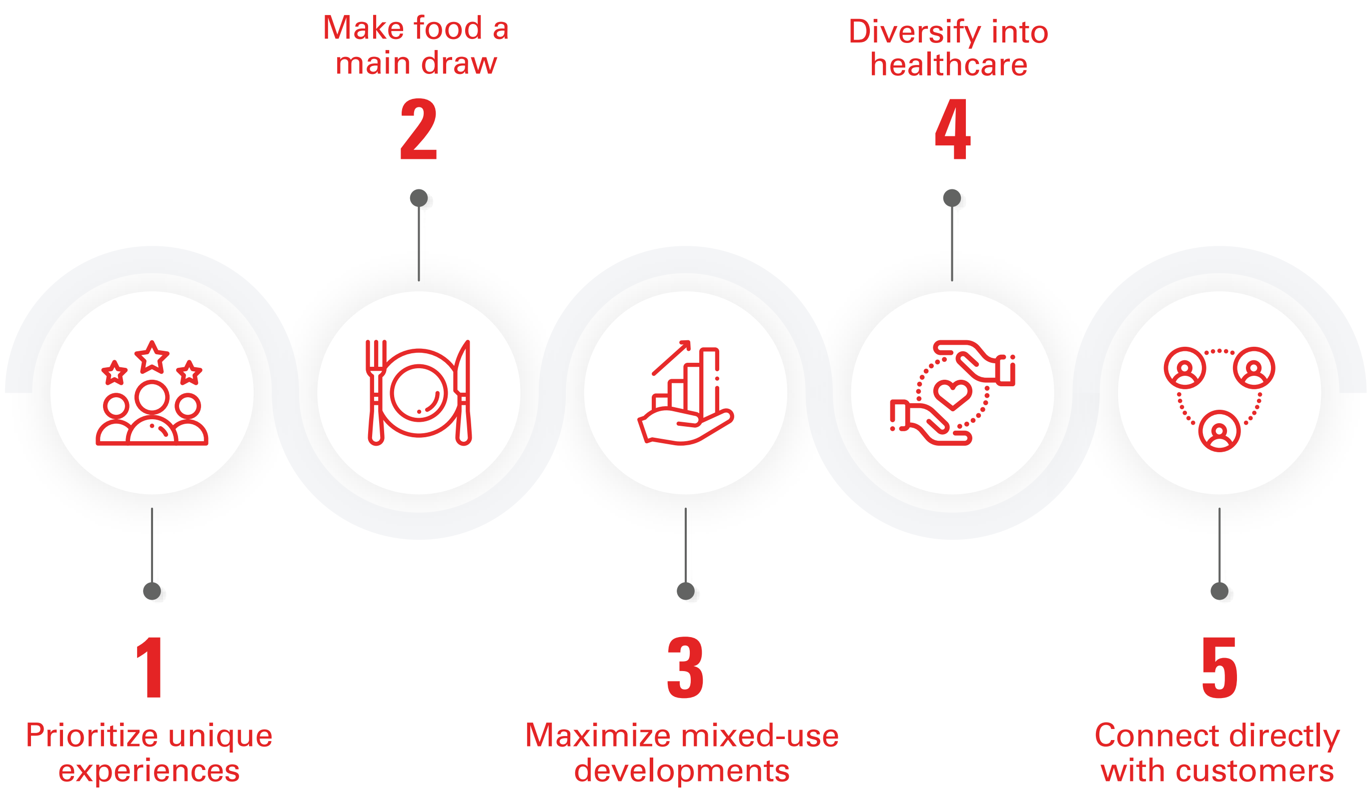
Median Distance Traveled (2022)



As you can see Healthcare and Experiential anchors, on one end, are attracting visitors from a farther distance than the rest of the mall. Eatertainment and Department Stores attract visitors from about the same distance as the rest of the mall. However, in the case of Grocery Stores and Big Box anchors, the rest of the mall attracts visitors from a wider area than the anchor themselves, meaning the anchor benefits from its placement in the mall. This makes sense when you think about how ubiquitous Grocery and Big Box stores are, available closer to shoppers than their average mall. Grocery and Big Box stores are certainly useful, but they are too common to make them a special attraction for the mall itself.

That is the overall theme - to stand out in the new world of consumer behavior, shopping centers need to make themselves a special experience for shoppers, offering unique dining, retail, entertainment and other experiences they can't find just anywhere. They need to be lifestyle centers.

Based on the footfall insights across different types of shopping centers, we identified 5 trends to revitalize shopping centers and adapt to changing consumer preferences:



1. Provide unique experiences

As the retail landscape changes in response to consumer behavior, shopping centers are becoming experience centers, with stores offering interactive experiences and entertainment. Those that have responded best offer truly unique experiences that are hard to find elsewhere, from art installations to mini-theme park experiences.

While experiences can and should be sprinkled throughout the mall - through novel tenants like escape rooms, features like interactive fountains, and integrations into more traditional retail - anchors have the potential to draw the furthest by maximizing the larger space with entertainment and more.

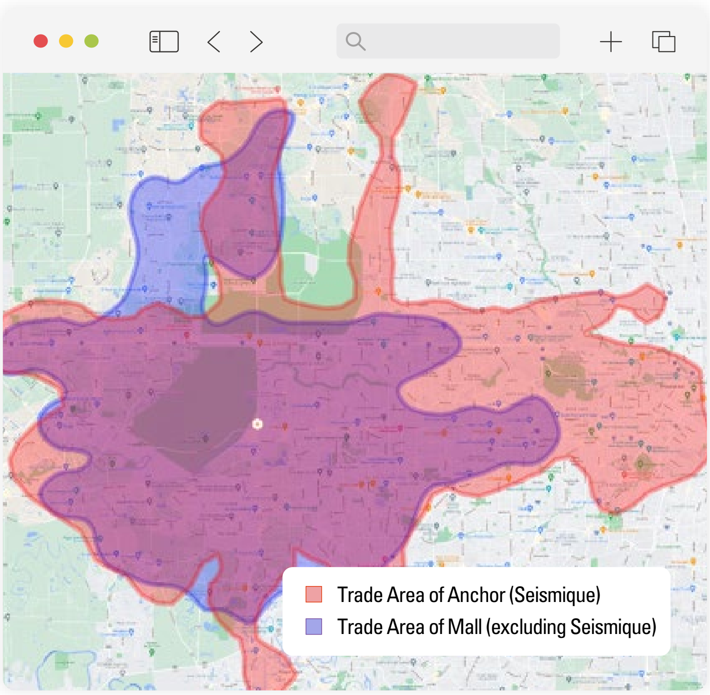
In terms of overall performance, malls with Eatertainment and Experiential anchors have fared best the past few years, better than malls with other anchors including Department Stores, Grocery, Big Box, and others. Eatertainment venues combine dining and experiences like bowling, mini golf, movies and more, while Experiential anchors can include mini-theme parks, art installations and other entertainment.

It should also be noted that experience goes beyond tenants. Consumers also value shared communal spaces made to be inviting with landscaping, seating, art, and more. Ideally, a shopping center can provide both exciting tenants and an enjoyable setting.

Strategy in Action:
Seismique in the Village at West Oaks Houson, TX

Seismique, an interactive art exhibit that opened in December 2020, is a great example of the power of experiential anchors. The experience, which features 40,000 square feet of Instagram-friendly art installations, replaced a former big box retailer in a struggling center. As soon as it opened, the center saw a boost of visitors. In fact, the trade area for Seismique extends far beyond the trade area for the rest of the mall - with Seismique visitors traveling a median distance of 28 miles to get to the attraction.

Seismique attracts a younger demographic, with 2/3 of visitors aged 44 and under.



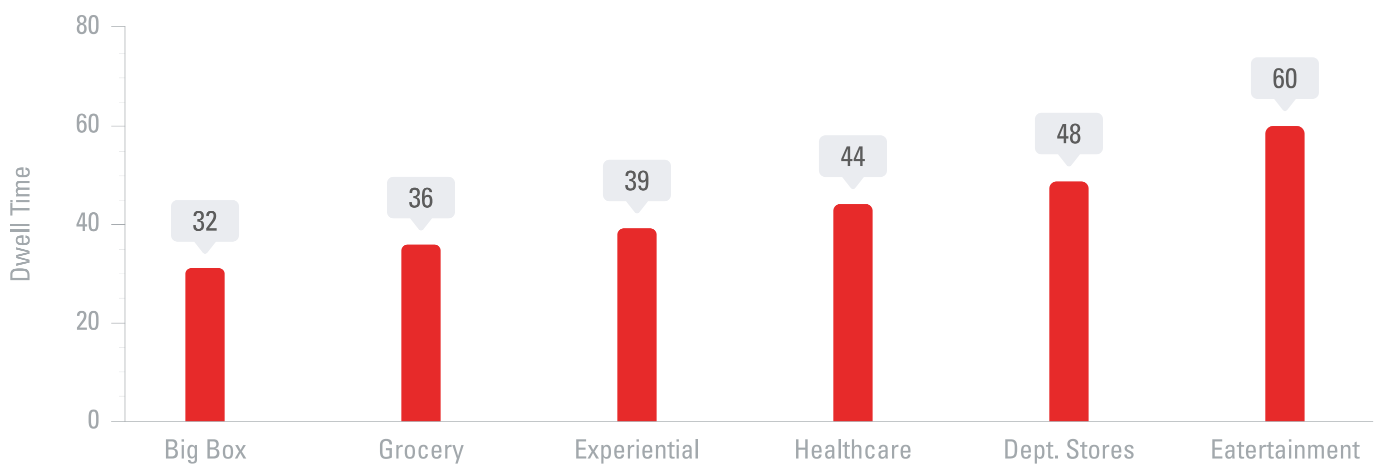
2. Make food a main draw

The food court is always one of the busiest places in a mall, which makes it unsurprising that having a great assortment of food is a top draw for shoppers. Food courts and other restaurant offerings provide a much-needed space for shoppers to rest, socialize, and enjoy a meal or snack during their shopping experience. The bar for food offerings in a mall has been rising over recent years, with consumers looking for higher quality and increased variety. Having strong food options in turn increases a shopping center's foot traffic, dwell time, and overall revenue as they attract more consumers to stay longer and spend more money during their visit.

Beyond the standard food and beverage options, Eatertainment combines the trends towards experiences and appealing to the evolving tastes of consumers. While casual dining chains have struggled in recent years, Eatertainment has thrived thanks to more upscale menus and a focus on the experience. They have appeal to a wide swath of consumers as well - from teens to 20-and-30 somethings, to families looking for a place to please everyone.

Eatertainment's success is seen not only in the overall performance of the malls where they're located, but also in the amount of time people spend there. Consumers spent longer in Eatertainment anchors than any other type - spending a median of 60 minutes in an Eatertainment venue. Meanwhile, Big Box and Grocery Anchors had roughly half that dwell time, as consumers hurry to finish their errands.

Dwell Time in Anchor by Type

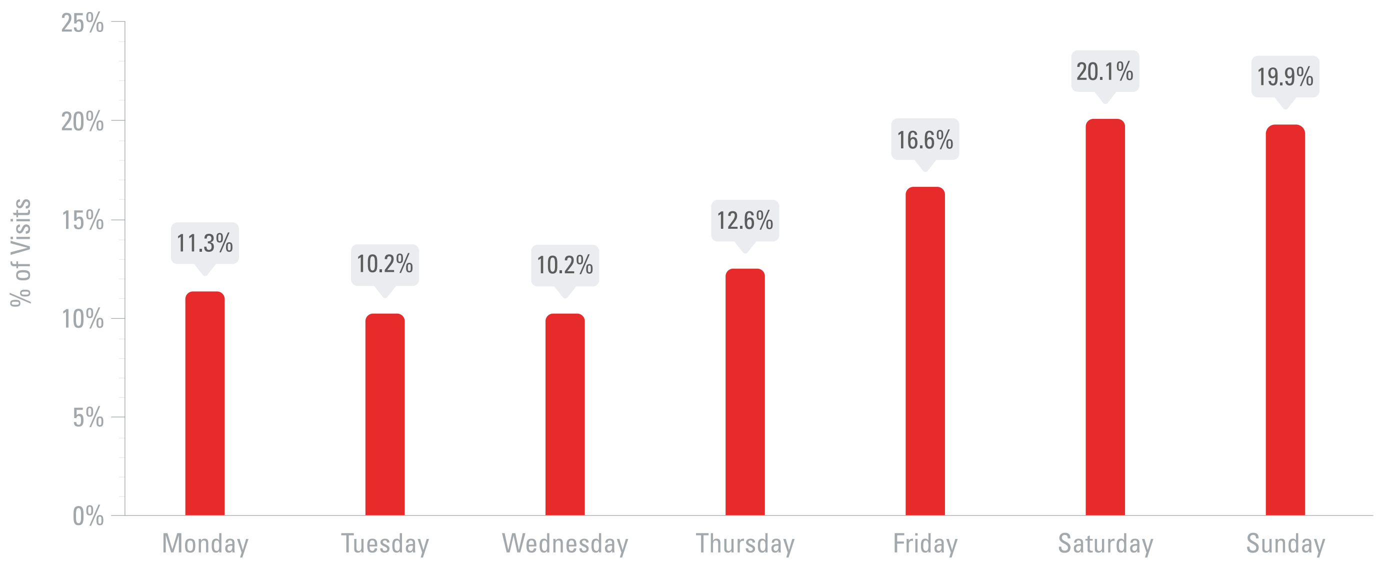


Strategy in Action:
Punch Bowl Social at Downtown Commons Sacramento, CA

Punch Bowl Social is a Denver-based chain that has expanded to 14 locations across the US. Their concept includes large spaces around 25,000 square feet, featuring large dining rooms as well as arcade games, bowling, karaoke, bocce ball, virtual reality and more. Punch Bowl Social opened their Sacramento location in the Downtown Commons (DoCo) mall in 2017 to much fanfare. While the chain faced significant challenges during the pandemic, it has bounced back and reports business similar to 2019 levels.

A majority of all visits (56%) to Punch Bowl Social come on Friday, Saturday or Sunday, indicating it's an especially popular destination for weekend entertainment.

Visitation by Day of Week



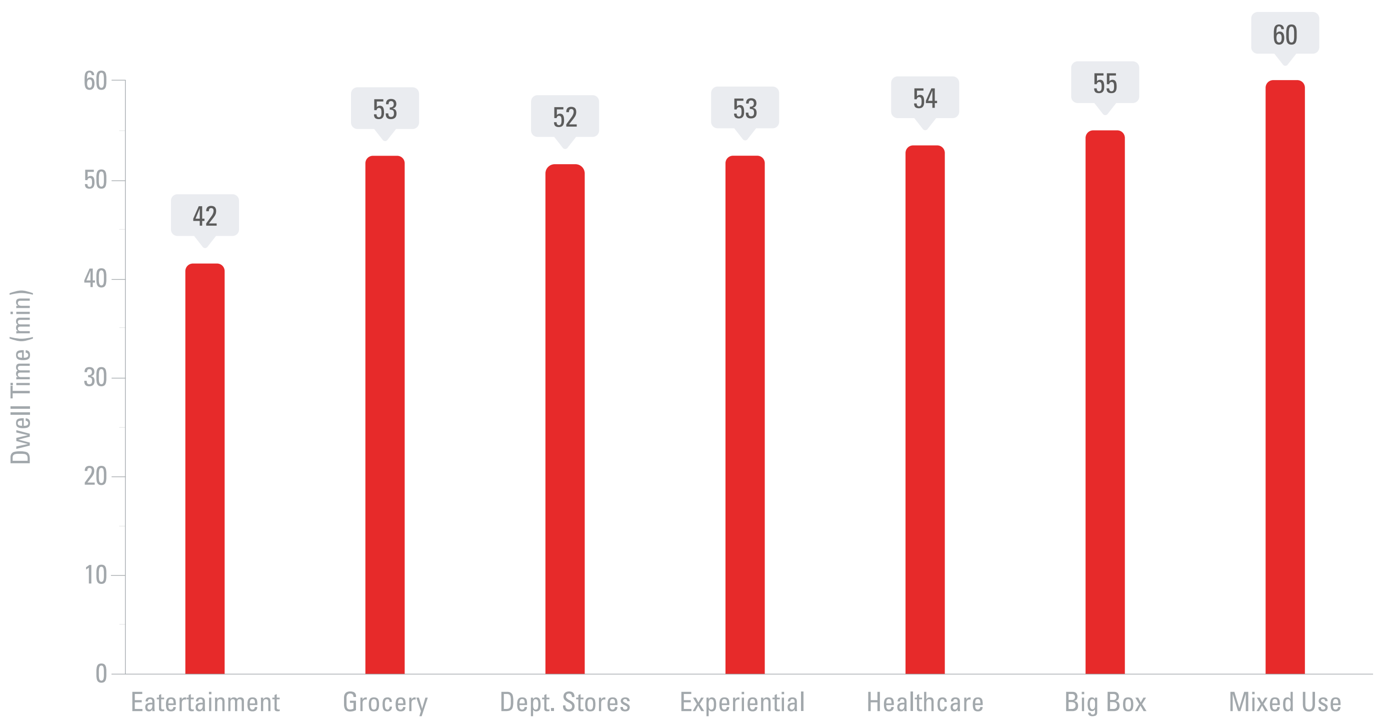
The Sacramento Punch Bowl Social draws visitors from a median distance of 10.9 miles, compared to just 7.2 miles median distance traveled for the rest of the mall.

3. Maximize mixed-use developments

While mixed-use developments have been a trend for a couple of decades now, they are uniquely positioned to address some of the consumer behavior changes fueled by the pandemic. As a greater number of workers are working remotely at least part of the time, many are looking to live in places with greater access to diverse restaurants, coffee shops, and stores. Multi-family residential buildings attached to shopping centers are well-poised to serve this need.

Additionally, we found that mixed-use developments also had visitors spending longer there than other types of malls. The median dwell time at mixed-use malls in our study was 60 minutes, higher than any other. This could be partially explained by how many multi-use developments are planned to create a community feel, with open park-like spaces creating an experience for residents and visitors alike to linger and enjoy.

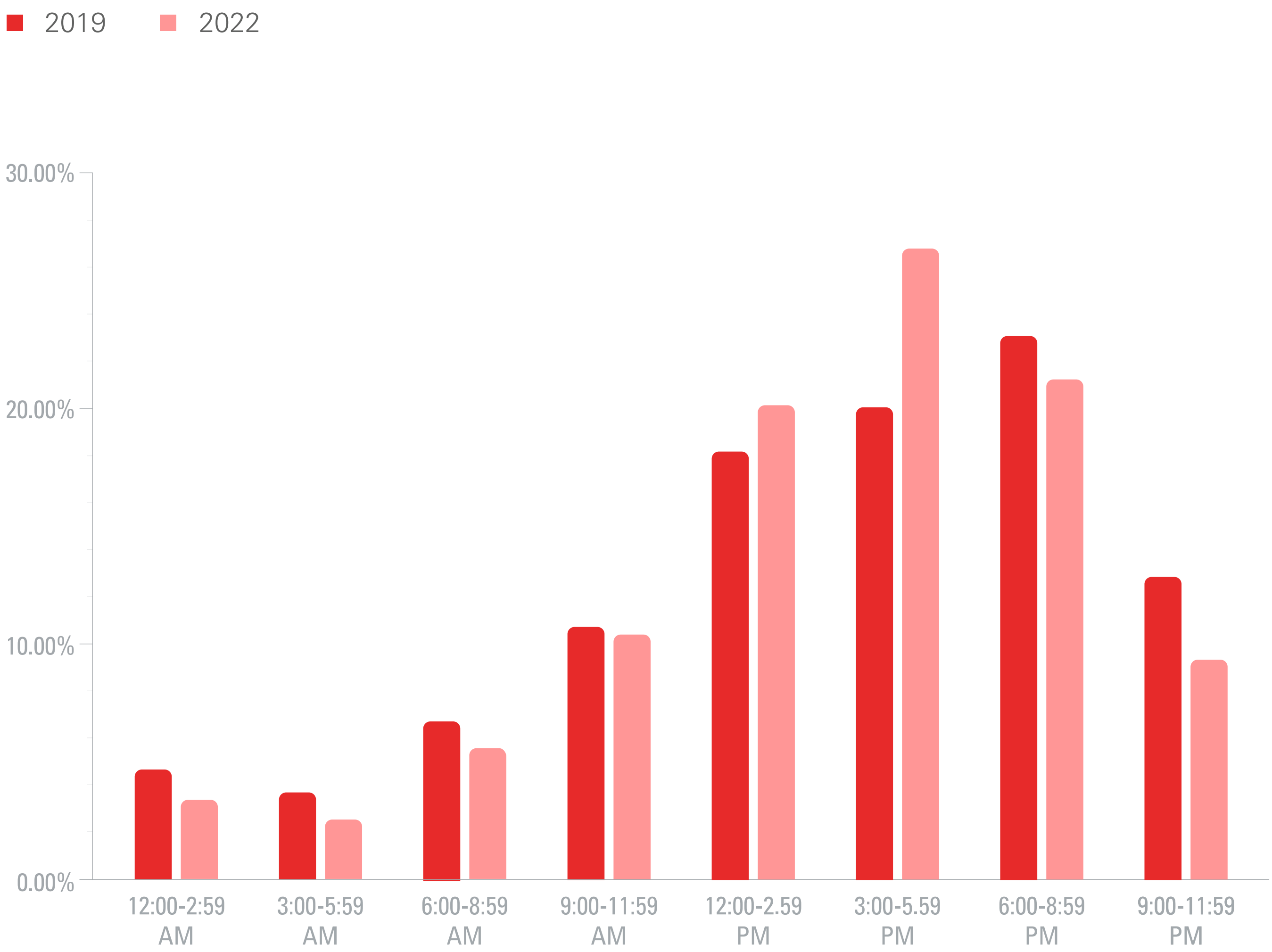
Dwell Time for Mall Overall by Anchor / Type



Strategy in Action:
Santana Row, Santa Clara, CA

Santana Row was developed in 2001-02, and was envisioned as a 42-acre "village within a city" featuring mixed residential, office spaces, plentiful restaurants and a vibrant shopping district. While the mixed-use development has remained successful over the years, the format made it well-positioned to respond to consumer behavior changes. The outdoor, town square feel to the center resonates with consumers wanting to avoid enclosed spaces. With its mix of residential, office and retail space, it saw an interesting shift in visitation pattern by time of day. In 2019, the peak visitation time was 7pm, aligning with after-work and dinner visits. However, by 2022 the peak visitation time is now more balanced throughout the day, and peaks earlier - at 4pm.

Santana Row Visitation by Time of Day (2019 vs 2022)



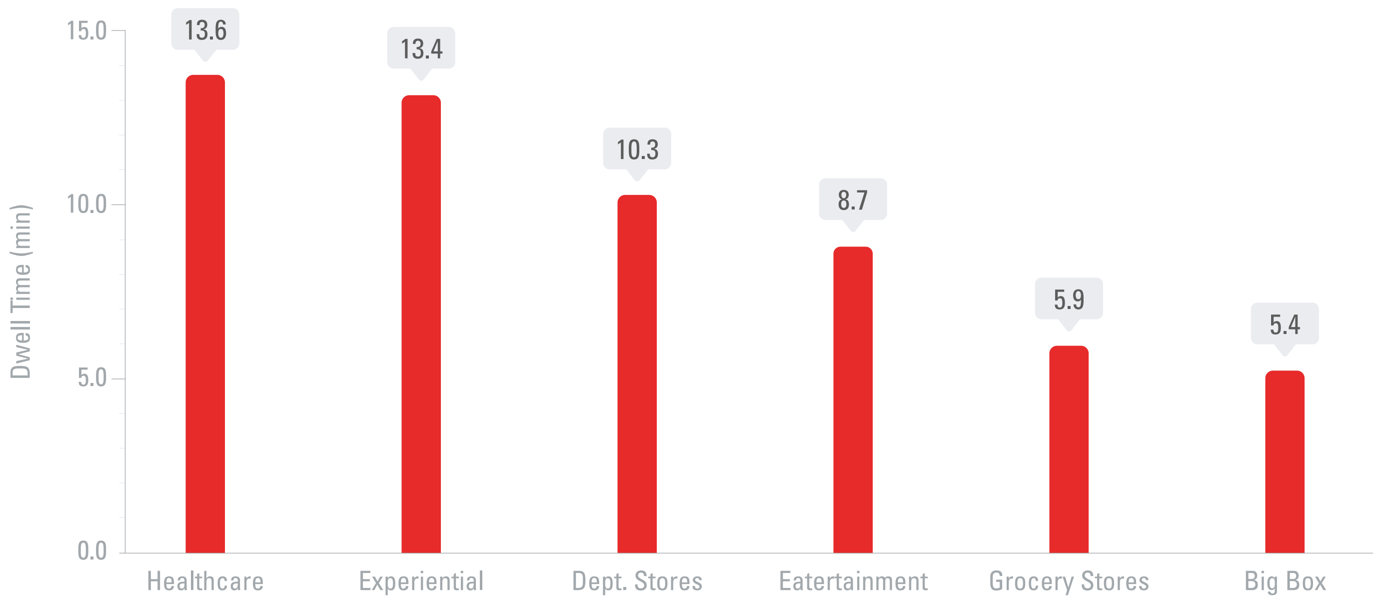
4. Diversify into healthcare facilities

Having medical offices and medtail in malls offers several opportunities for both the medical industry and mall owners. Medical offices can bring in additional foot traffic to malls, potentially leading to increased revenue for the mall owners and other retailers. People visiting the medical offices may also spend time shopping or dining in the mall while waiting for their appointments or after their appointments are finished. Additionally, malls can be attractive to healthcare providers due to the infrastructure in place such as parking lots, security, and utilities.

This trend has been growing in a couple of ways. First, there are roughly 30 medical malls in the US with 5 or more healthcare tenants. Additionally, there are a growing number of medtail chains providing medical, vision, dental and other health-related services in traditional retail locations. Valued by a wide range of consumers for its convenience, from Millennials with kids to seniors, medtail represents an exciting area of growth in retail.

Among the malls we studied, the healthcare anchors drew visitors from the farthest median distance - 13.6 miles - even surpassing experiential anchors.

Median Distance Traveled to Anchors

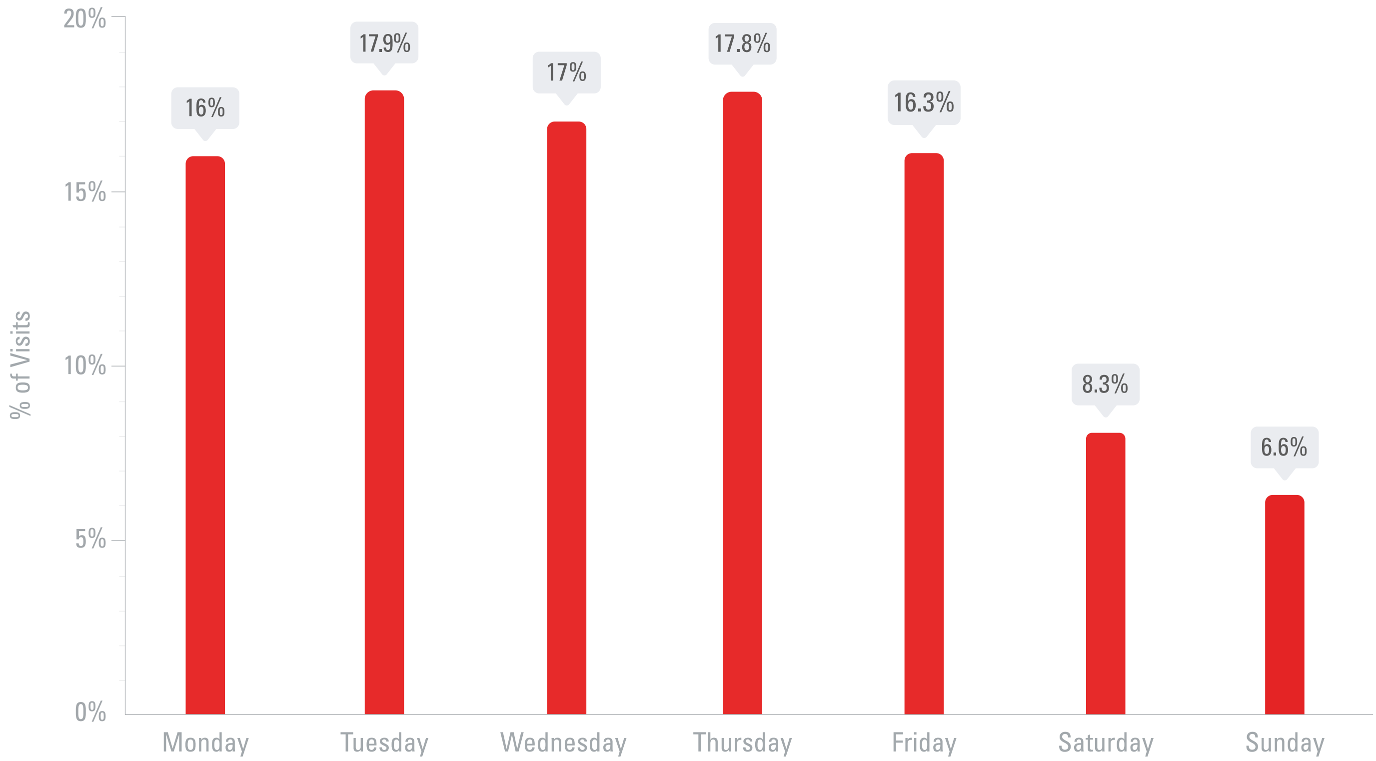


Strategy in Action:
Vanderbilt Health Center at One Hundred Oaks, Nashville, TN

Originally opened in 1965, the One Hundred Oaks mall in Nashville, TN struggled to keep up and eventually closed in the 1980s. It eventually reopened as an outlet mall, before the Vanderbilt University Medical Center leased more than half of the mall in 2007. The healthcare emphasis of the mall has given the mall more resilience, especially during the pandemic and with an aging population. Visitors travel a median distance of 13.6 miles to get to the medical center, compared to 11.5 miles for the rest of the mall.

The prominence of the medical anchor affects the visitation patterns to the mall as well. While most malls see their strongest foot traffic on the weekends, One Hundred Oaks gets the highest visitation Monday through Friday when the medical offices are taking appointments, and lower visitors on weekends.

Visits to One Hundred Oaks Mall by Day of Week



5. Connect directly with customers

Consumers increasingly expect to be able to engage directly with brands, and malls and shopping centers are no exception. While shopping centers have traditionally left retailers to handle the direct interactions with customers, malls are increasingly connecting with customers across social media, loyalty programs, livestreaming and more.

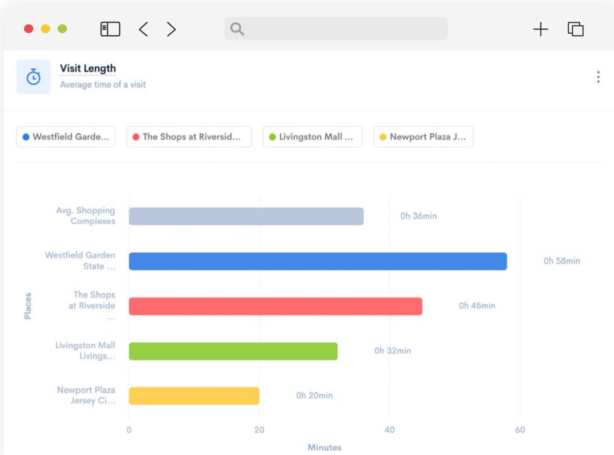
For shopping centers the benefits are clear - they have an opportunity to collect valuable customer data, which can help them better understand and personalize customer experiences. The shopping center can also establish their own brand, and in doing so grow loyalty and drive visits.

These touchpoints also have tangible benefits for shoppers. With a coalition loyalty program across many tenants in a mall, shoppers can earn rewards across a number of their favorite brands. Livestreaming shopping events - a digital evolution of home shopping channels - can be an entertaining and interactive way to shop from home. Plus, customers can enjoy a more personalized and engaging experience overall.

Strategy in Action:
Westfield Garden State Plaza, Paramus, NJ

When it comes to mall loyalty programs, Westfield Group has been taking an innovative approach. The program allows customers to link their credit card to their account, meaning loyalty points automatically get added with each purchase. The program has appealing rewards, from discounts to free meals, and its app even allows customers to reserve a parking spot.

One popular Westfield location, Westfield Garden State Plaza, shows how their direct relationships with customers can pay off. Not only does the shopping center attract 2-3x more visitors than other shopping centers in the area, it also keeps them around longer, with visitors spending an average of 58 minutes at Westfield versus 36 minutes for the average shopping center in New Jersey.



Looking ahead

If there's any one constant when it comes to consumer behavior, it's change. The trends that are resonating now are likely to be different in a few years, or even a few months. In order to stay on top of the changes, it's critical to leverage consumer behavior data to personalize the shopping experience, focusing on creating engaging and convenient experiences that keep customers coming back for more.

By utilizing consumer behavior data, shopping centers can:

- Understand shopper movement patterns
- Leverage insights to attract the right tenants
- Access insights on competitor locations
- Keep up with market research
- Etc.

Malls and shopping centers continue to have a vital role for consumers, providing central gathering areas for shopping, dining, entertainment and more. But to future-proof centers for years to come, malls need to optimize towards unique experiences and keep a pulse on consumer behavior.

Methodology

Near studied footfall to U.S. shopping centers for Q4 of 2019, 2021, and 2022. We looked at metrics for 28 shopping centers (see below).

Metrics Covered:

→ Footfall comparison for 2022 vs. 2021 and 2022 vs. 2019 for the anchors themselves, and for the shopping centers overall

→ Median distance traveled for the anchor only and for the shopping centers overall (for both 2022 and 2019 to see if this is changing)

→ 2022 trade area for the anchor only (where relevant) vs. the rest of the shopping center

→ Dwell time in the anchor only vs. the rest of the shopping center (for both 2022 and 2019 to see if this is changing)

Shopping Centers studied:

Malls with Big Box Retailers	Anchor Store
Sawgrass Mills	Target
Palisades Center	Target
Westfield Culver City	Target, Best Buy
The Shops at Midtown Miami	Target

Malls with Department Stores	Anchor Store
Aventura Mall	Nordstrom
Del Amo Fashion Center	Macy's
The Galleria	Macy's
Bridgewater Commons, NJ	Macy's, Bloomingdales

Malls with Experiential Locations	Anchor Store
The Shops at Columbus Circle	Camp
Village at west oaks	Seismique Interactive Art Museum
Park City Center	Round1
Great Mall Milpitas, CA	Lego Discovery Center

Malls with Grocery Stores	Anchor Store
Paramus Park Mall	Stuart Leonard
Natick Mall	Wegmans
Westfield Oakridge, CA	99 Ranch Market
Westfield Century City, CA	Gelson's

Malls with Healthcare Centres	Anchor Store
Patriot Place in Foxborough	Brigham General Health Care Center
One Hundred Oaks	Vanderbilt Health Center
Citadel Mall, SC	Medical University of South Carolina
Jackson Medical Mall, MS	University of Mississippi Medical Center

Mixed use developments	-
Brickell City Center	-
Minzer Park	-
Santana Row	-
CityCentre in Houston	-
Malls with Eatertainment	**Anchor Store**
Hillsdale Shopping Center	Pinstripes
Downtown Commons	Punch Bowl Social
The Shops at Clearfork	Pinstripes
Serramonte Center	Dave & Buster's

Near, the world's largest source of intelligence on people, places, and products, is the global leader in data intelligence empowering organizations of all sizes to make smart, strategic decisions delivering optimal business performance. Our platform unites the marketers and operational data leaders by providing the most accurate, reliable source of data. Our transparent, privacy-led approach means you will never doubt our authenticity.

We are determined to provide actionable insights as we work relentlessly to shape, build, and maintain the world's largest source of intelligence on people, places, and products in both the physical and digital space.

Ultimately, our vision is to inspire the world to make better decisions. And, to inspire ourselves to deliver the most trusted, privacy-led source of intelligence on people, places, and products.

Learn more and schedule a demo at www.near.com.

Los Angeles I San Francisco I Paris I Bangalore I Singapore I Sydney I Tokyo

www.near.com