



Mall Deep Dive - 2021

Yearly Review

While some thought that the [pandemic would herald the end of malls](#), it seems that a year without shopping centers has instead reinvigorated consumer demand. Malls have once again proven their resilience and relevance despite the serious obstacles that stood in the way such as new COVID variants and supply chain challenges. Consumer behavior trends indicate that shopping behavior is finally stabilizing, and foot traffic data shows that visits are bouncing back, with some months in 2021 even exceeding 2019 visit levels.

And the pandemic has had some positive side effects. Widespread store closures have left open spaces and forced many mall operators to move beyond their comfort zone to bring in art, pop-up shops, and other attractions that connect shoppers with

the experiential retail experience that they are increasingly expecting. Some malls have even begun to operate e-commerce platforms, setting themselves apart from their peers and bringing legacy shopping centers into the 21st century.

This report dives into malls' tumultuous year from a location analytics perspective. We looked at class A indoor malls, outlet malls, and open-air shopping centers to evaluate nationwide and regional foot traffic trends, analyze the correlation between online searches and mall visits, understand the impact of out-of-the-box tenants, and assess the current state of mall consumer behavior. Keep reading to find out how malls fared in 2021 and what last year's visit trends mean for 2022.

Malls Make A Comeback

Recapping 2021 Mall Foot Traffic

Consumers affected by the economic uncertainty started 2021 with a clear preference for outdoor, bargain-focussed outlet malls. Non-outlet open air shopping centers also outperformed indoor malls as consumers avoided enclosed spaces and due to the lingering impact of restrictions in certain areas.

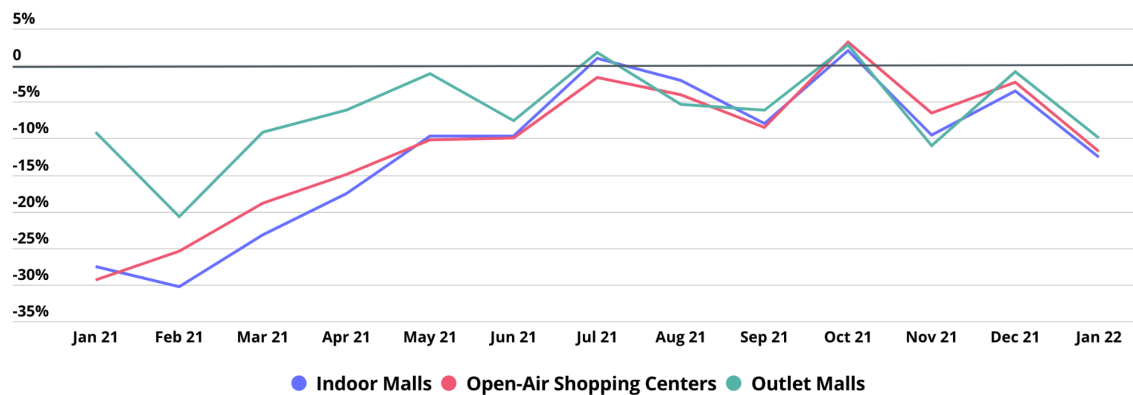
But as the year progressed, [vaccination rates climbed](#), and [unemployment rates fell](#), shoppers began feeling more comfortable spending extended amounts of time indoors with others. By June, indoor malls had caught up, and the different mall types saw very similar foot traffic trends throughout much of the summer.

The Delta wave did set the mall recovery back slightly, with year-over-two-year (Yo2Y) visits dipping between mid-August and the beginning of October. But the extended holiday shopping season brought visits right back up, and the push towards earlier holiday shopping was so successful that October ended as the only month of 2021 where visits to all three mall types exceeded 2019 levels. And while visits dipped again in November – likely due to [the decline of Black Friday](#) – Yo2Y visits climbed back up



in December. The December bump despite the emergence of the Omicron variant and the wide array of online holiday options is further testament to malls' resilience.

Year-Over-Two Year Change in Monthly Visits to Shopping Malls

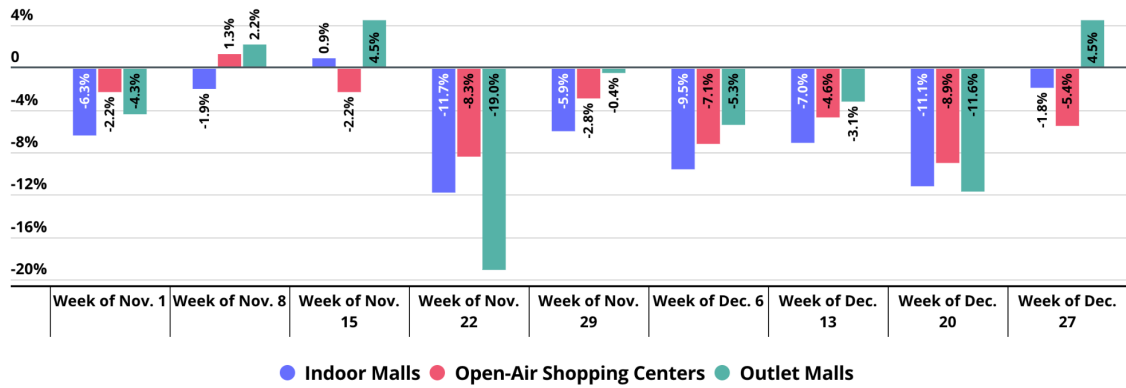


Placer.ai

Omicron, Extended Holiday Season Impact November-December Visits

Although the general shopping mall space made an impressive recovery in the second half of the year, analyzing Yo2Y foot traffic numbers on peak retail weeks shows that major differences persist between 2019 and 2021. Concerns over expected supply chain shortages drove consumers to complete their holiday shopping earlier in the season, with retailers pushing to encourage that behavior. The loss of Thanksgiving shopping and the emergence of Omicron limited visits towards the end of the year, keeping visits between Black Friday and Christmas low.

Weekly Visits to Malls During Holiday Shopping Season - Compared to 2019

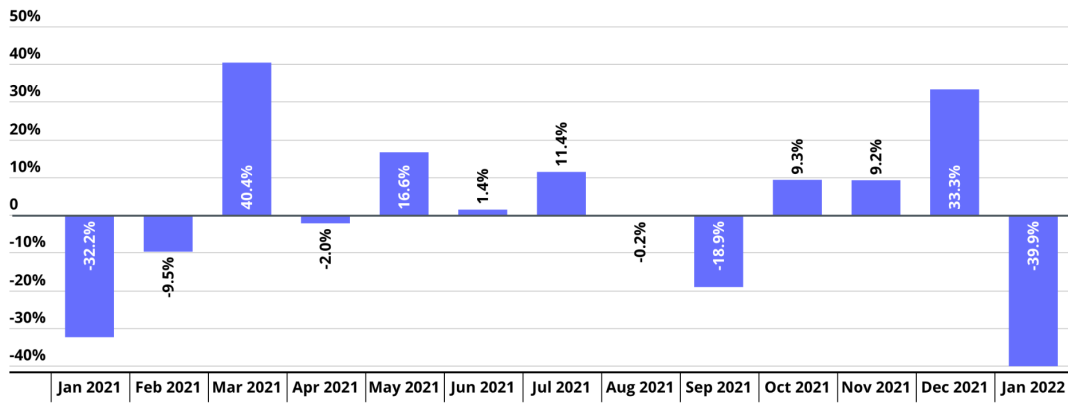


Placer.ai

But even though Yo2Y November-December retail foot traffic numbers fell compared to October '21, month-over-month (MoM) visit data shows that the holiday season still drives a significant surge in retail visits. October and November saw MoM foot traffic rises of 9.3% and 9.2%, respectively, while December saw a massive 33.3% increase in visits compared to the previous month – despite the spread of the Omicron variant and the fact that many consumers had already been holiday shopping since October.

So even if this year's peaks were slightly lower than they had been pre-pandemic, 2021 consumers maintained the basic seasonality of the retail calendar.

Monthly Visits to Malls - Compared to Previous Month



Placer.ai

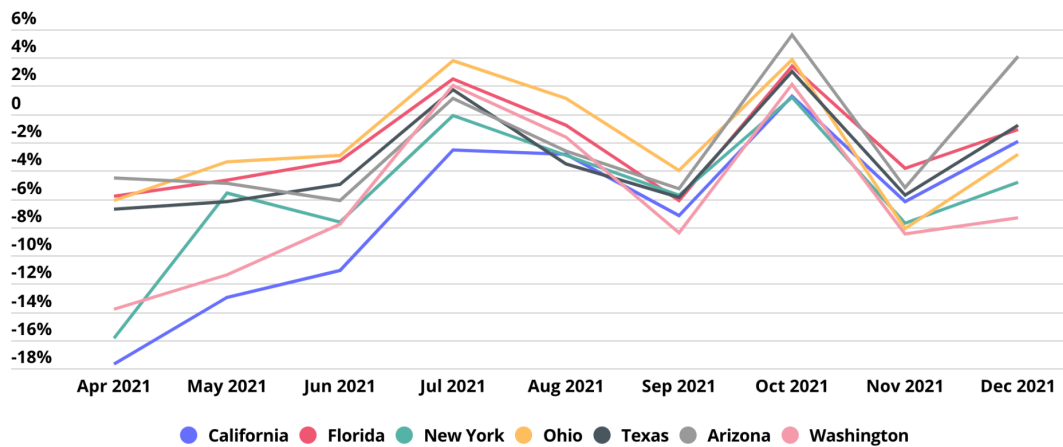
Regional Differences

Recovery Rates Differ, Recovery Pattern Remains Consistent

Looking beyond the nationwide mall visit recovery reveals state-by-state differences in recovery rates. For example, in the first half of 2021, California, New York, and Washington saw significantly fewer monthly visits compared to 2019 than did Ohio, Arizona, or Florida. Still, the general recovery pattern remained relatively constant: July and October were peak months across the board, while September and November represented Yo2Y visit drops for every state analyzed.



Year-Over-Two-Year Changes in Mall Visits - By State

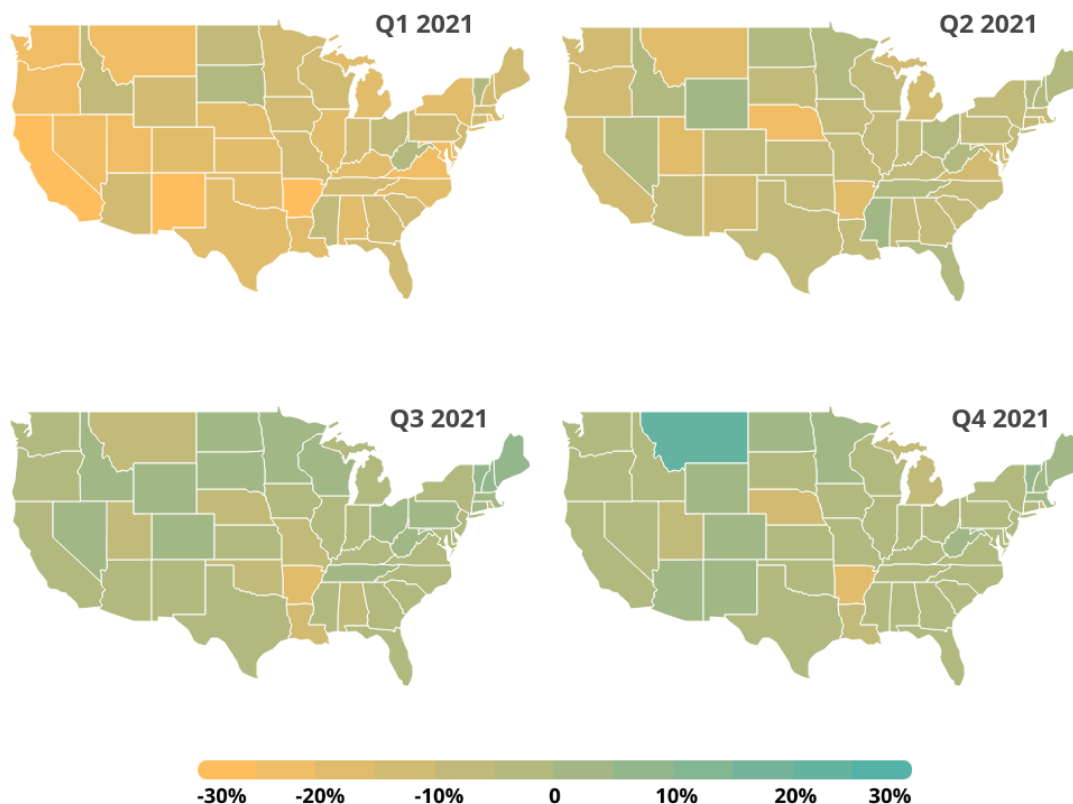


Placer.ai

Hardest Hit States Almost Fully Recovered

The graph below confirms that almost all states saw a gradual Yo2Y visit growth throughout 2021 – but the most impressive comeback seems to have occurred in the West. California, Nevada, Oregon, and Washington succeeded in shrinking their respective Yo2Y visit gaps from 28.3%, 23.6%, 21.8%, and 21.2% in Q1 2021, to 2.3%, 3.4%, 4.5%, and 4.9%, respectively, by Q4.

Changes in Shopping Mall Visits - Compared to 2019



Malls Enter the Digital Age

Malls are one of the quintessential brick and mortar retail institutions. But in the age of omnichannel retail, shopping centers are beginning to understand that customers expect retailers to meet them where and when is convenient for the customer – be that online, in the store, or by the curb. As a result, many malls – from the [Mall of America](#) to the luxury-focused [Bal Harbour Shops in Miami](#) have launched centralized eCommerce platforms that allow shoppers to buy products from stores at the mall and receive their purchase through either in-person pickup or delivery channels.

Customers can also browse through the mall's offerings online to facilitate product discovery and help make their trips to the mall more efficient and less overwhelming.

Of course, creating an effective new channel to allow customers to browse, discover and shop online can be far more complicated for malls than for a sole retailer. Major malls accommodate not dozens but hundreds of tenants, so connecting the inventory databases of all the different retailers requires advanced technological resources. Measuring the success of such a platform is even more challenging, and requires tools that can sync online and offline data. As a result, while there are already a few outliers, most malls today still lack this type of comprehensive online app or e-commerce channel.

Leveraging the Power of Online Data

But even without launching a dedicated online shopping platform, malls can take advantage of existing data on consumers' online behaviors in order to better understand visitors' shopping habits and select tenants accordingly. Geoweb search data breaks down web users' searches by geography, and so can give mall operators a sense of the retail trends that are likely to be popular with consumers in their specific region.

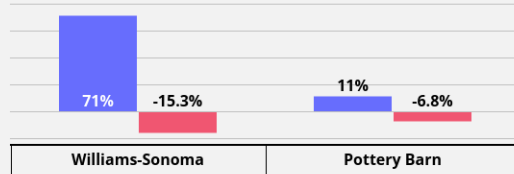
For example, when we analyzed search data provided by Placer.ai data partner Spatial.ai from customers who visited the ABQ Uptown Shopping Mall in Albuquerque, New Mexico, in Q4 2021 alongside foot traffic to the mall, we were able to find a significant correlation between mall visitors' web searches and the performances of different mall tenants. The ongoing recognition of these linkages will continue to boost the capacity of malls and their tenants to maximize site selection processes and location performance. And online consumer data has potential beyond enhancing location placement – understanding how a mall's consumers are behaving online can also help mall tenants optimize the product mix for each space.

The linkage between these digital behaviors and preferences and offline retail performance also deepens the need for an omnichannel approach. The growing attempt to leverage these channels together to create a more holistic view of consumer demands will only grow in importance.

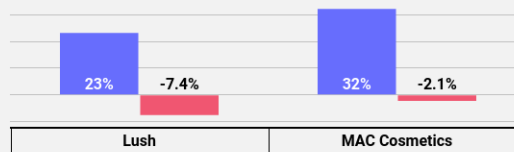


ABQ Uptown Shopping Mall Visitors - Visits VS. Web Searches - Q4 2021

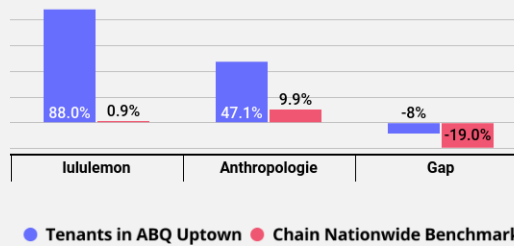
Year-Over-Two-Year Visits to Home Furnishing Brands



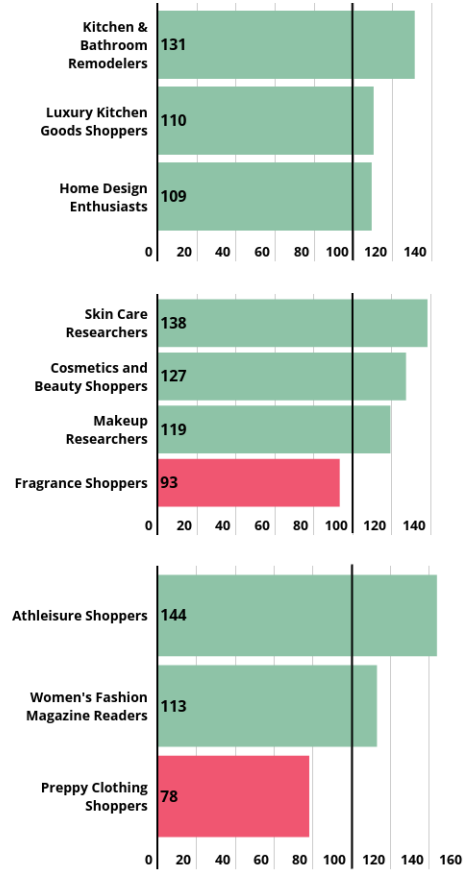
Year-Over-Two-Year Visits to Beauty Brands



Year-Over-Two-Year Change in Visits to Apparel Brands



Web Searches - National Index



Getting Creative with Empty Mall Space

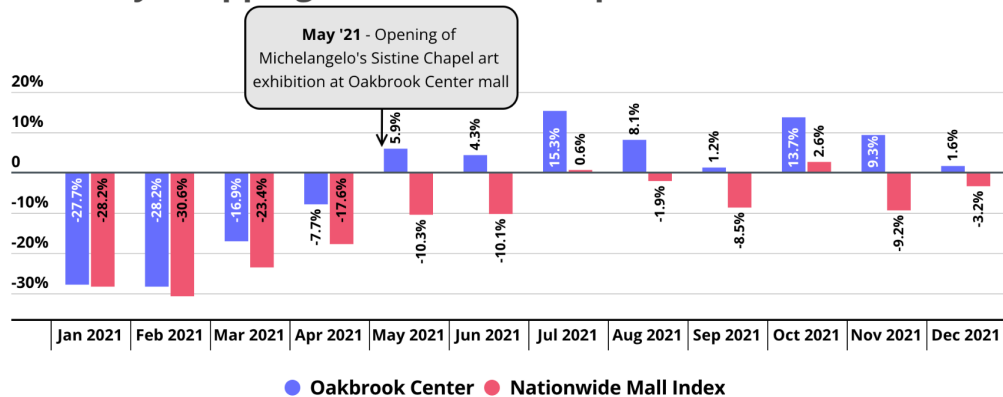
While [many retailers are opening new stores](#), others have been [downsizing their store fleets](#). That, combined with the empty storefronts still leftover from shops that didn't weather the lockdowns, means that malls need to think outside the box to fill all the open spaces. Early in the pandemic, many mall operators simply cut rental rates, since a high share of empty stores can affect a mall's attractiveness – and therefore profitability – more than a temporary rent discount.

Art Installations

But as 2020 turned to 2021, and then 2022, malls have been forced to get more creative – literally – in filling the newly empty spaces. Brookfield Properties, for example, filled a space at its Oakbrook Center near Chicago that Sears occupied before its bankruptcy with a traveling exhibition about the Sistine Chapel. Such events [“draw people from miles away.”](#) said Katie Kurtz, Brookfield's senior vice president for retail business development.

The result was an increased ability to leverage the space to boost overall interest in a mall visit. And while the concept of a mall-based “event” is nothing new, the ability to manufacture interest could play even more value in the coming years as more top tier shift their focus and increasingly privilege experiences.

Monthly Shopping Mall Visits - Compared to 2019

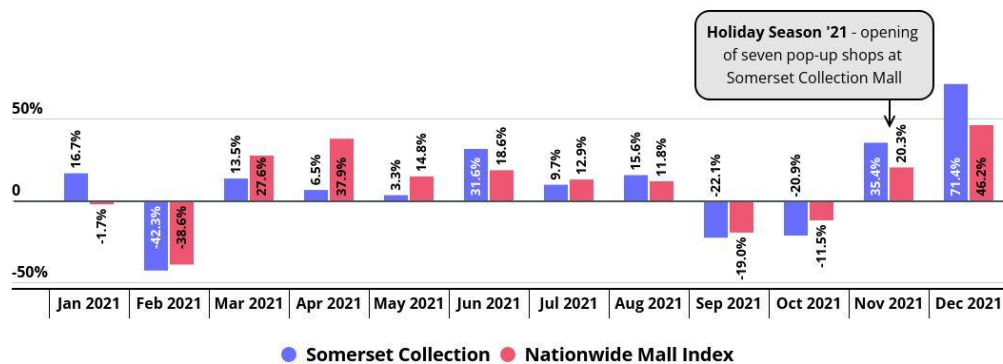


Pop-Up Stores

[Pop-up stores](#) are another popular option for filling empty mall space. Landlords like pop-ups because they can limit risks on new, untested concepts, while pop-up tenants appreciate the opportunity to test out new markets and store layouts without making a long-term commitment to something that may not work or may only have short term value.

In late November and early December, the Somerset Collection mall near Detroit opened [seven pop-up stores for the 2021 holiday season](#) – and month-over-month (MoM) visit data indicate that this seems to have given the mall a visit boost. Most of the stores opened on Black Friday, and the mall’s November foot traffic increase compared to the previous month was almost a third larger than the national mall average. And in December, when all the pop-up stores were up and running, the mall saw a MoM visit hike of 71.4% – compared to the 46.2% average MoM increase for indoor malls nationwide.

Monthly Mall Visits - Compared to Previous Month



Placer.ai

The ability to effectively leverage “empty” space and to create timely activations that drive urgency will be a critical element for mall owners in the coming years.

Accommodating Fast-Paced Changes in Consumer Behavior

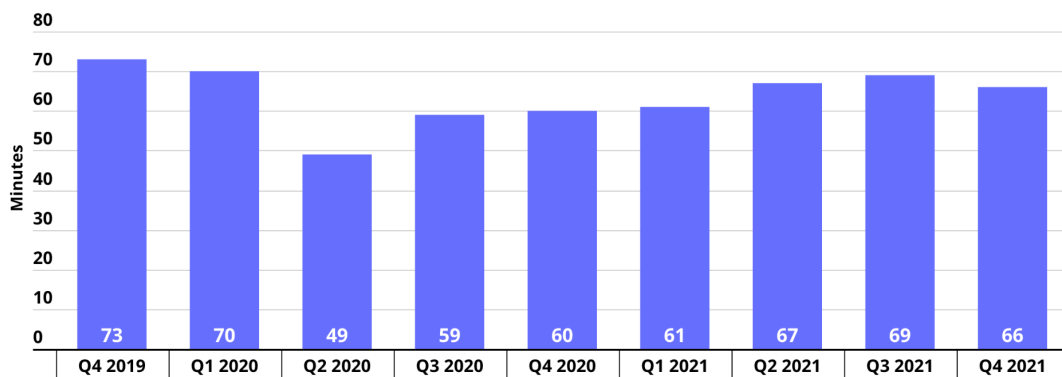
Greek philosopher Heraclitus famously stated that “the one constant in life is change” – and the past two years have definitively proved him right. Successive COVID waves and supply chain shortages have kept retailers on their toes due to the constant changes in consumer behavior, including changes to visit length, distance traveled, and customer loyalty.

Visits Get Longer - But Still Falling Shorter Than They Were

Mall visit lengths were also heavily impacted by the pandemic, as consumers sought to minimize their time spent indoors with crowds, with median mall visit length dropping to 49 minutes in Q2 2020. Now, it looks like visit length is on the rise – although data shows that visits are still significantly shorter than they were pre-pandemic.

In Q4 2019, median mall visit length stood at 73 minutes. But in Q4 2021, the median visit length was 66 minutes, representing a nearly 10% drop. And Q4 2021 visits also fell compared to Q3 2021 – likely the result of the Omicron surge.

Median Length of Stay at Indoor Malls



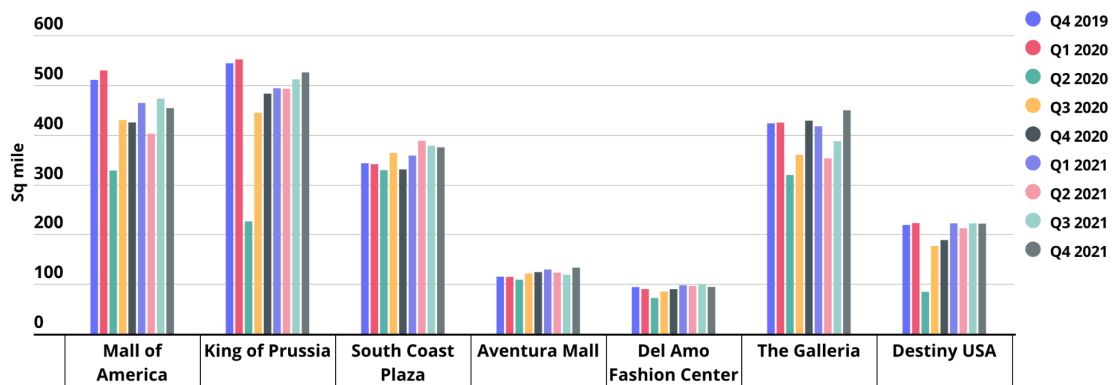
The Change in True Trade Area Size Varied

COVID also affected how far consumers were willing to travel to visit malls – but unlike its impact on visit length, the pandemic’s effect on True Trade Area was more varied.

While all malls saw a drop in their True Trade Area in Q2 2020, some malls – such as the Aventura Mall and the Del Amo Fashion center – only experienced minor drops. For other malls, such as the Mall of America and the King of Prussia – the decrease in True Trade Area was more significant.

The recovery of True Trade Area has also been uneven. While the Mall of America and King of Prussia have yet to return to their pre-pandemic trade area size, the South Coast Plaza and the Aventura Mall have already exceeded it. Interestingly, the trade area recovery does not seem to be exclusively correlated with the intensity of the initial impact. Both the Galleria Mall in Houston and the Destiny USA shopping center in Syracuse saw their True Trade Area contract significantly in the early days of the pandemic, but now attract visitors from even farther away than in 2019 - speaking potentially to the added draw major regional centers now possess.

Changes in Mall True Trade Area Size (in Sq mile)

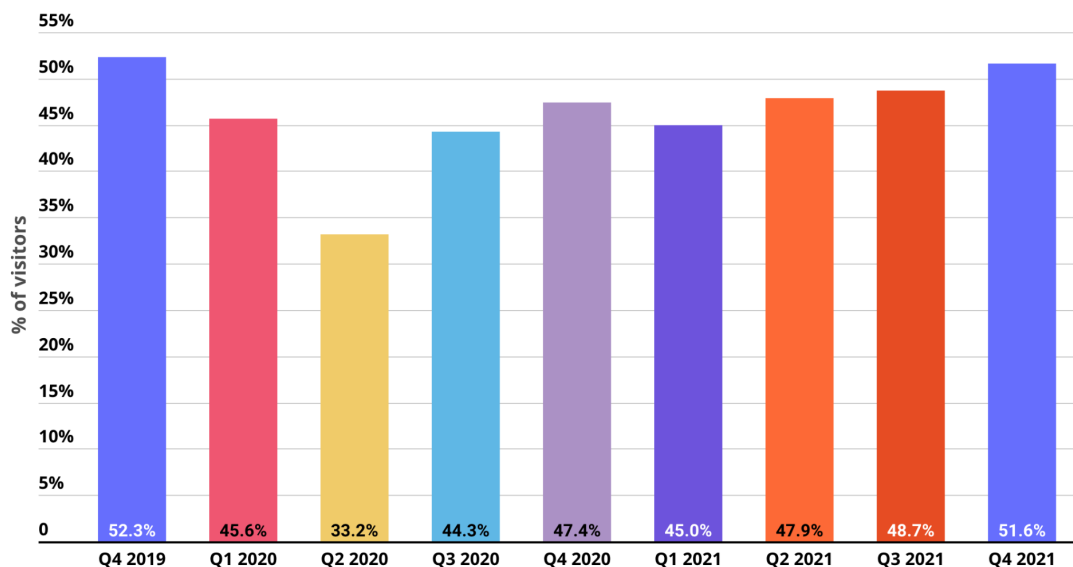


Visitor Loyalty Rates Have Finally Returned to Normal

Another more unexpected impact of the pandemic on consumer behavior was its effect on consumer loyalty. Shoppers visited malls less often, and when they did, they tended to simply swing by the closest one rather than go out of their way to visit their preferred shopping center. This caused mall visitor loyalty (as measured by how many mall visitors returned to a given mall in a given quarter) to drop very early on in the pandemic, hitting a nadir of only 33.2% in Q2 2020.

Now, loyalty rates seem to have finally returned to normal. Q4 2021 mall loyalty rates stood at 51.6% – almost equivalent to the 52.3% consumer loyalty rates of Q4 2019. In other words, more than half of mall visitors that visited a mall once in Q4 returned to the mall a second time. This means that consumers are no longer deciding what mall to visit based purely on convenience and proximity – instead, consumers are settling into a new routine, and identifying favorite malls to which they will give their loyalty moving forward. This is a powerful indication of the magnitude of the retail recovery, the potential for malls to drive significant success in 2022.

Changes in Mall Visitors' Loyalty Rates



Looking Ahead to 2022

Despite all the challenges of 2021, malls have proved they still hold an important place in the American retail landscape. Critically, however, this mall index includes high-performing shopping centers in each state. [Class B and C malls are seeing higher levels of vacancies](#) and often still feeling the impact of the pandemic more strongly.

This means that simply offering the convenience of multiple retailers under one roof is no longer enough to keep shopping centers above water. As this report shows, top performing malls are working hard to stay relevant by taking risks on new and untested tenants, investing in digital and omnichannel capacities, and getting creative to provide their customers with unexpected experiences that keep people coming back. So while malls will likely continue to play a key role in American retail going forward – as proved by their strong performance this past holiday season – those that fail to innovate will inevitably get left behind.

Key Takeaways

- ❖ **Indoor malls and open-air shopping centers have largely caught up with outlet malls.** Indoor malls and open-air shopping centers started off the year trailing outlet malls, but by the second half of the year the various malls were exhibiting similar foot traffic trends, and by October all three mall types were showing Yo2Y visit growth.
- ❖ **Holidays still drive traffic, but the extended season and the rise of Omicron limited peaks.** The expected supply chain shortages that extended the holiday shopping earlier into the season and the emergence of Omicron that limited visits towards the end of the year kept visits between Black Friday and Christmas unusually low – but a month-over-month foot traffic analysis shows that the holidays still drive visits, as MoM visits increased every month



between October and December. This is a powerful testament to what this season can still create, especially if 2021's unique combination of challenges do not reappear this year.

- ❖ **Even the hardest hit states are almost fully recovered.** The pandemic hit malls in each state with a varying degree of impact, with many states seeing foot traffic down by 20-30% Yo2Y in Q1 2021. But the vast majority of states are nearing a full visit recovery, and by Q4 only five states had Yo2Y visit gaps of more than 5%.
- ❖ **Getting creative with mall vacancies can pay off.** Many malls are still experiencing higher-than-usual vacancy rates, which can severely impact malls' attractiveness. As a result, mall operators are turning to pop-up stores and even temporary art displays to fill out the open space – and foot traffic data shows that these out-of-the-box measures are driving visits. The focus on driving urgency for a visit is a key element to track, as it empowers mall owners to effectively combat seasonal dips, offset wider challenges, and incentivize visits at ideal times. The success could also drive a longer term push by top tier malls to ensure more of their space is oriented towards this type of timely creativity.
- ❖ **Digital data can provide insights into brick and mortar behavior.** Malls can take advantage of existing data on consumers' online behaviors in order to better understand visitors' shopping habits and select tenants accordingly. For example, analyzing Geoweb search data can give mall operators insight into the retail trends that are in line with the preferences of their specific consumers and select tenants most likely to be successful. The growing recognition of the online/offline linkage should help create more effective site



selection and merchandising decisions. The result could be the further slowing down of closure rates as retailers can better identify the next ideal location.

- ❖ **Consumer behavior is still evolving.** Successive COVID waves and supply chain shortages have led to constant changes in consumer behavior, including changes to visit length, distance traveled, and customer loyalty. The latest Q4 2021 data shows that while trade area size and customer loyalty are more or less returning to their pre-pandemic levels, visits are still shorter than they were pre-pandemic. So while some aspects of consumer behavior are crystalizing into a new normal, others are still shifting – indicating that 2022 will continue favoring malls who can adapt and accommodate dynamic, fast-paced change.

