

ECONOMIC HISTORY

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The Economic History of the Shopping Mall — and Its Future (Yes, It Does Have One)

Malls have been a part of the American cultural and economic fabric for generations. How will they survive recessions, the rise of online shopping, and a pandemic?

Most Americans probably have an impression or feeling when they think of the mall, whether they spent much time there or not. For some, that sensation may be formed by time spent slurping an Orange Julius, listening to CDs at Sam Goody, or inhaling the fragrances spilling out of Bath & Body Works. Others' impressions may have come from the ubiquity of malls in popular culture, from Joan Didion's 1975 essay "On the Mall," to movies like *Mallrats* or George Romero's *Dawn of the Dead*, to, most recently, Starcourt Mall in the television series *Stranger Things*.

Malls have been part of the landscape even before they were called malls. Baltimore's Roland Park Business Block opened in 1907 and is in the *Guinness Book of World Records* as the world's first shopping center. It offered six shops, including a drug store, grocery, and bakery, in an English Tudor-style complex in the heart of a planned suburb. As the suburbs developed and the country embraced the automobile, larger shopping areas with parking lots, like Richmond's Cary Court, built in 1938, would allow those suburbanites to get much of their shopping done in one place, eliminating the need to either drive downtown or make multiple stops around town. Some of them, including Kansas City's Country Club Plaza (1923) and Dallas' Highland Park Shopping Village (1931), evolved, growing into modern outdoor malls that still attract shoppers today.

The first planned shopping mall, however, met a different fate. Northland Center, in Southfield, Mich., just outside Detroit, opened in 1954 and was the



Fashion Centre at Pentagon City in Arlington, Va., shown here shortly after its 1989 opening, epitomized 1980s mall design with anchor department stores, thousands of parking spaces, and a skylit atrium extending from the central courtyard.

first to pair a department store with smaller retail stores. Like many malls around the country, however, it struggled in the 1980s and '90s. After years of decline, the Macy's finally closed in March of 2015, and the rest of the mall's tenants left a month later. Northland Center has remained vacant since.

Northland Center's history is not unique, and the national trends have been a source of concern for years. The COVID-19 pandemic only intensified the doomsday predictions. Moody's Analytics reported that the vacancy rate for regional malls in the United States spiked to a record 11.4

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percent in the first quarter of 2021, up from 10.5 percent the previous quarter. This was the largest increase on record, surpassing the 0.8 percentage-point increase in the first quarter of 2009 during the Great Recession. At the height of the pandemic, forecasters suggested that over one-third of all malls would permanently shutter.

Despite these predictions, malls persist. Prior to the pandemic, about 88 percent of retail sales happened in a physical store location; that number has remained surprisingly stable, around 86 percent today. Furthermore, and in contrast to the anticipated mass closures, the total number of malls in the United States – around 1,150 – has stayed consistent over the past three years despite being ground zero in terms of the pandemic’s effect on the economy.

Malls are rich with history as places of community and consumption. Will they eventually experience the same fate as Northland, or will they adapt to a changing landscape, defying predictions and continuing to be places that create new memories for future generations?

BRINGING MAIN STREET TO THE SUBURBS

In the fall of 1948, Victor Gruen, an Austrian-born émigré and architect, was stuck on an unexpected layover in Detroit. To pass the time, he toured the streets of greater Detroit and observed what he would later refer to as “a garishly advertised parade of filling stations, hot dog stands, department stores, snack bars, liquor stores, supermarkets, chain stores, used-car lots, and funeral parlors.” He considered suburban streets like these chaotic and would later call them “avenues of horror.”

At the same time, the people living in the suburbs – many of them new homeowners thanks to the 1944 GI Bill – wanted access to the shopping districts and department stores found along the main streets of America’s downtowns. But those downtowns had their own issues that kept many of

these suburban dwellers away. Cities were loud and dirty and increasingly seen as crime ridden.

Gruen and others believed that the messy streets and the desire to have plentiful shopping nearby could be addressed by bringing the downtown department stores and their surrounding shopping districts to the suburbs. He was the first to do so, as his design of Northland Center brought Hudson’s out of downtown Detroit as its anchor department store. Two years later in 1956, Dayton’s department store in Minneapolis would serve as one of the two anchor stores at Southdale Shopping Center in Edina, Minn., another Gruen design that was the first enclosed, temperature-controlled mall in the United States.

This belief that the suburbs could potentially replace cities’ downtowns as the locus of civic and commercial life had been around for a while. In *Meet Me by the Fountain*, her recent book chronicling the history of shopping malls, architecture critic Alexandra Lange noted that by the early 1940s, urban planners and designers “had already begun to advocate for shopping centers as both retail and social hubs, suggesting playgrounds, schools, and theaters as add-ons to agglomerations of shops.” Reflecting this sense that the mall was at the heart of a mixed-use, centrally planned development, the president of Dayton’s noted that Southdale would “offer a pleasant place to shop, a good spot in which to work, and a fine neighborhood in which to live.”

BUILDING THE NEW TOWN SQUARE

Suburban malls addressed another major issue with the downtown shopping experience: the lack of good parking. Downtown shops were frequently either located on different streets or spread along streets that had no parking, forcing shoppers to walk long distances. Malls, however, would have plenty of room for parking. Indeed, Southdale had room for 5,200 cars,

while Northland Center would have an astounding 8,344 parking spaces.

These first-generation malls also looked profoundly different than downtown shopping areas or even the early shopping centers like Cary Court, which resembled modern-day strip malls. Whereas city and strip mall stores faced outward toward the street, mall shops would do the opposite and face each other, sharing an enclosed plaza or atrium. Public art, particularly sculptures, filled these spaces, along with fishponds and live trees. Southdale would also have a 21-foot-tall bird cage. The exterior walls of the mall, on the other hand, were blank facades, freeing them from the signage and clutter that Gruen found so distasteful about suburban thoroughfares.

This layout became the archetype for malls all over the country, built to address the needs and desires of the postwar suburban middle class. The *Community Builders’ Handbook*, first published by the Urban Land Institute in 1947 and updated annually, included a typology of outdoor shopping centers according to size and later would carry over to the indoor mall. The smallest category, the neighborhood center, would have up to 20 shops, including a grocery store, a drug store with a lunch counter, dry cleaner, filling station, and, as women usually did the shopping, a beauty parlor. The next, larger category of mall was the community center, which would have between 20 and 40 stores. In addition to everything in a neighborhood center, it would also have a florist, gift shop, milliner (a women’s hatmaker), liquor store, and a small department store. Finally, the regional center, with 40 to 100 stores, would be the true suburban mall. It would have all the stores of a neighborhood center plus at least one full-size department store, a dress shop, theater, café, toy store, and doctors’ and dentists’ offices.

Amenities such as the theater and café had a purpose beyond feeding and entertaining patrons. They would

also help generate sales by, in Lange's words, "creating an atmosphere to encourage lingering."

THE SECOND GENERATION: "FUN HOUSE LOGIC"

Sixty malls were built between 1950 and 1955. That number would balloon to 240 malls built between 1961 and 1970. James Rouse, an urban planner and developer who had assisted Walt Disney in the design of EPCOT, played a significant role in that growth. Rouse was a firm believer in the mall's role as a place for community and that going there should be an experience that went beyond shopping. Nothing defined this cultural experience more than the food court, which Rouse first directed to be included in the design of New Jersey's Paramus Park Mall (1974). While he believed that a food court could be a place where teenagers could mingle in relative security, mall owners looked at the financial benefit: Jones Lange LaSalle, a commercial real estate firm, reported in 2019 that malls with a good food court enjoy almost 25 percent more in sales.

Rouse was not alone in his thinking that the mall should be a place of community with more to do than just shop. Jon Jerde was a Los Angeles-based architect who designed several prominent malls from the 1970s through the 2000s, including Horton Plaza (1985) in San Diego, the Mall of America (1992) in Bloomington, Minn., and Universal CityWalk (1993) in Los Angeles. Jerde drew inspiration from an unlikely but passionate collaborator: Ray Bradbury. Bradbury, primarily known as a creator of far-off worlds in literature, authored "The Aesthetics of Lostness," the manifesto that would embody Jerde's vision for Horton Plaza: "To be lost. How frightening./ To be *safely* lost. How wonderful./ To not know where we are, as children, is a nightmare./ To not know where we are, as adults, traveling, is a perfect dream."

As the words suggest, Bradbury — and Jerde — imagined the mall as a

place where there was shopping, but also the opportunity for excitement and discovery. Rather than the ordered layouts envisioned by Gruen, they would follow what one critic called a "fun house logic," full of nooks and crannies, and diagonal or curved walkways, bridges, and escalators. They also abandoned the widely accepted idea of limiting the mall to two stories, believing that additional levels would allow for teenagers to congregate tucked away from those who were there to shop rather than socialize. No mall embodied this philosophy more than the Mall of America. In addition to the over 400 shops and restaurants at its opening, its four levels also contained an amusement park with a variety of roller coasters and a full-size aquarium that opened in 1996. Nowadays, additional attractions include a comedy club and an escape room experience. With this eye toward integrating entertainment and commerce, it is perhaps unsurprising that Jerde also designed several of the Las Vegas Strip's most prominent hotel-casinos, including the Wynn and Bellagio, as well as the Fremont Street Experience downtown.

THE DEATH OF MALLS?

Over 1,500 malls reflecting Gruen's or Jerde's models were built between 1956 and 2005. In the 1980s, films like *Fast Times at Ridgemont High* and *Bill and Ted's Excellent Adventure* firmly positioned them in popular culture as places to see and be seen. By the 1990s, however, surveys showed that Americans by and large no longer saw shopping as a leisure activity, and the average number of hours consumers spent in a mall per month went from 12 in 1980 to just four in 1990.

After the Great Recession of the late 2000s and into the mid-2010s, observers feared a retail apocalypse. In 2014, Green Street Advisors, a commercial real estate analysis firm, predicted 15 percent of malls would close in the next decade. Credit Suisse went further, suggesting in 2017 that upward

of 25 percent of malls, or more than 200, in the United States would close by 2022. Indeed, the trends in the years prior to the pandemic had not been promising. FGRT (formerly Fung Global Retail and Technology), a retail think tank, reported that almost 7,000 retail stores closed in 2017, more than double the number of stores that closed the year before. CoStar, a commercial real estate research firm, declared in 2018 that a record 145 million square feet of retail space would fall vacant in the United States that year.

Why the decline? Observers point to at least three potential causes. First, put simply, there were too many malls. Even today, there are about 24 square feet of retail space for every American, compared to just 4.6 in the United Kingdom and 2.8 in China. Malls built near one another would often cannibalize each other, with one — most likely the one with better stores and that was kept in better condition — prospering while the other slowly faded and ultimately closed. The second factor is the rise of the internet. Online shopping not only gives shoppers access to far more items than what could be found in a mall, but also it allows them to shop quickly through search and filter functions. It is much quicker to browse an app or website than walk around a store or mall. Finally, department stores like Macy's, Dayton's, or Hudson's, which were what brought shoppers into the malls, were abandoned by middle-class consumers who turned to more budget-friendly stores like Target and Kohl's during the Great Recession. This shift in consumer preferences left many traffic-generating anchor spaces vacant: Green Street Advisors estimated that 360 mall-based department stores closed between 2016 and 2020.

A REIMAGINED, REPURPOSED, AND RETROFITTED FUTURE

The drop in the number of malls across the country from 1,500 malls in 2005 to 1,150 today suggests they have, indeed, struggled. Rumors of their

inevitable demise, however, may be exaggerated. The fact that there are still as many malls today as there were before the pandemic speaks to their resiliency. There are also signs in-person shopping is rebounding, as retailers announced 3,694 store openings as of April of this year, compared to just 1,385 closures, according to Coresight Research, a retail tracking firm.

Tom McGee, the president and CEO of ICSC (formerly the International Council of Shopping Centers), says he's optimistic. "If the pandemic didn't cause a dramatic decline in the number of these centers," he says, "then almost nothing will."

When asked what factors separate malls that succeed from those that don't, McGee offers a simple explanation. "Ultimately, it's a marketplace," he says. "People want to go to a place that has the best collection of retailers and restaurants that fit their needs." Lange concurs, suggesting that the malls that will continue to thrive are "malls that continue to feel special, like they are up to date in terms of their décor and their offerings." For some larger malls, this may mean maintaining a higher-end department store, such as a Nordstrom or Neiman Marcus.

For others, including smaller malls, it may mean reimagining the kinds of retail and dining options they offer. In the past, malls were largely homogenous with few, if any, local retailers or food options and plenty of national chains like Hot Topic or Cinnabon. This is because, at their construction, suburban malls reflected the preferences of suburbanites, whom developers also thought were homogenous. The suburbs, however, have become more diverse along nearly every dimension, and malls need to adapt. An example

of this adaptation is Westfield Santa Anita, a mall in Arcadia, Calif., about 20 miles east of downtown Los Angeles. As the community shifted over the years from a mostly white suburb to majority Asian, so did the mall's offerings, adding the Japanese design store Muji and Din Tai Fung, the Taiwanese dumpling chain. In 2016, it opened a "food alley" full of Asian offerings, including the first continental U.S. location of Uncle Tetsu Japanese Cheesecake.

Increasingly diverse or higher-end food options like these are becoming an important driver of overall mall traffic. "As food halls evolved, they're designed to get you into the mall as almost the primary attraction," said Garrick Brown, an independent real estate analyst formerly with Cushman and Wakefield, a commercial real estate brokerage. "The amenity now is shopping."

To remain competitive, malls also must find ways to repurpose what Lange called "reservoirs of open space." Now-vacant department store spaces are particularly attractive places for injecting not just new energy into a mall, but also new revenue. Because these stores generated traffic into the wider mall, they frequently did not pay rent or it was highly subsidized by the smaller stores. New tenants in repurposed or divided up spaces, however, would pay. Many are already being repurposed into what can be described as "experiential" spaces like theaters, arcades (such as Dave and Busters), libraries, and, most notably, exercise spaces. CoStar, the real estate research firm, reported in 2018 that the amount of space leased by fitness centers and gyms in malls has increased 70 percent since 2013 and that Planet Fitness had leased the most square footage in malls since 2017.

June Williamson is a professor of architecture at The City College of New York whose research focuses on new, more sustainable futures for the suburbs that reflect the diverse lifestyles, jobs, ages, and backgrounds of their residents. For her, mall properties are a key component of that future, as they have the space for mixed-use developments where people can do more than shop and eat; they can work and live in them too. "We've got all this land that's already distributed within existing neighborhoods and cities," she says. "I think there's a lot of potential there." For example, she notes that the Metropolitan Area Planning Council of Boston calculated that if just 10 percent of Greater Boston's 3,000 strip malls and similar shopping centers were retrofitted for mixed use, that could add 124,000 new housing units, a substantial share of the actual housing need for that region.

Back at Northland Center outside Detroit, and at many other malls around the country, that future is now. Last year, the city of Southfield sold the property to a local developer who has already begun demolition as the first step in the construction of a large mixed-use development. Once completed, the property will have 1,500 market-rate apartments in 14 five-story buildings in what used to be the massive parking lot. Some of these buildings will have retail space on the ground floor. The original retail store spaces will be converted into 254 lofts. The old Hudson's/Macy's space will be transformed into "Hudson City Market," with offices, shops, and possibly a food hall. The tag line on the developer's website touting the project: "Historic Shopping Turned Fashionable Living." **EF**

READINGS

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