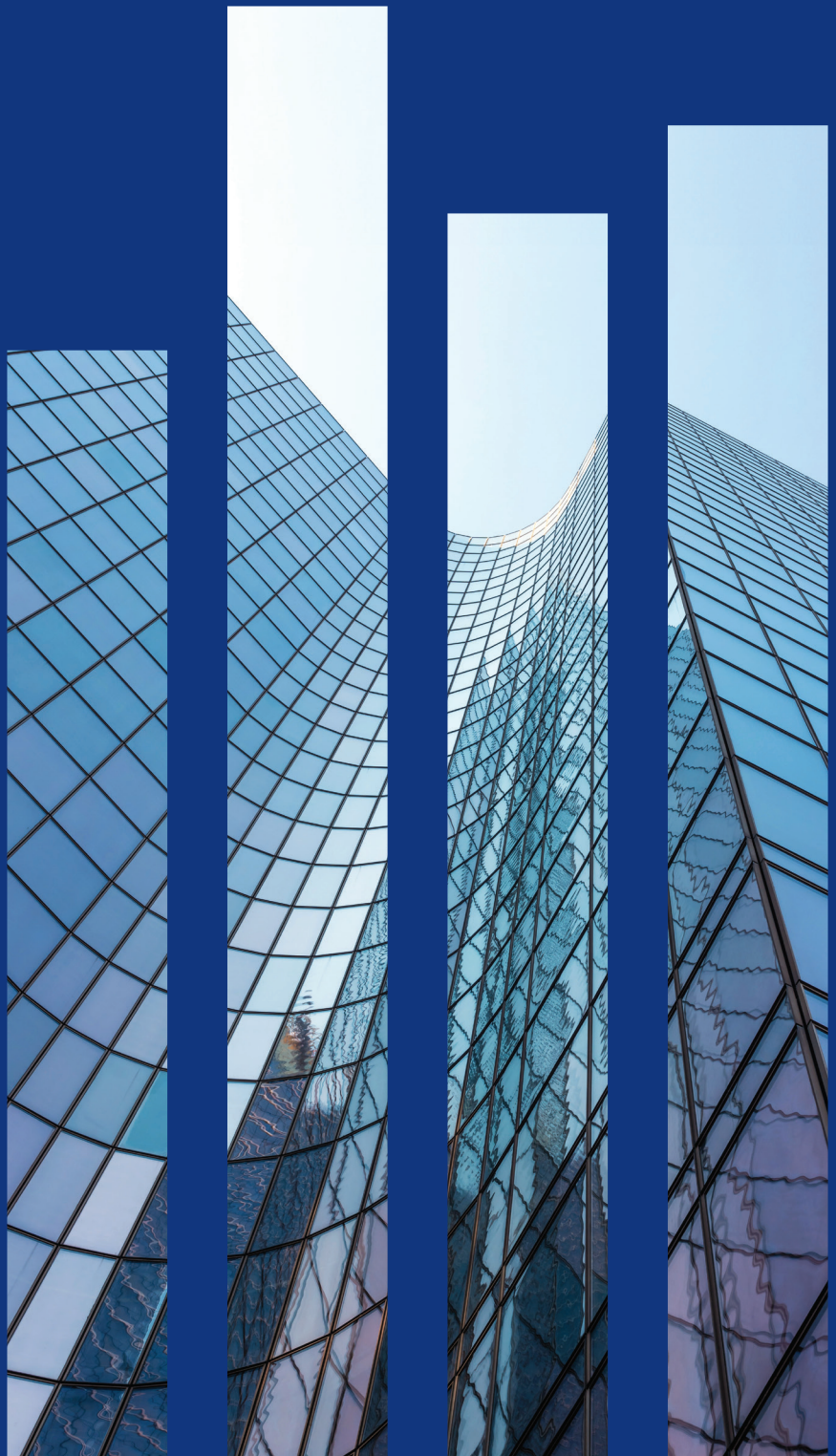


THE TREND REPORT



**COLDWELL BANKER
COMMERCIAL**

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S WE CONTINUE TO EVOLVE AND ADAPT TO the commercial real estate industry's ever-shifting landscape, I am excited to introduce a new Coldwell Banker Commercial® initiative that promises to be a game-changer – The Trend Report.

In the spirit of our longstanding commitment to innovation and excellence, The Trend Report is a vital addition to our suite of resources. It provides comprehensive, in-depth insights into the significant transitions shaping CRE, both right now and in the future.

Why is this new report so crucial? Because we believe in not just following existing trends, but in pioneering new ones. By staying at the forefront of industry developments, we can add even more value to what the Coldwell Banker Commercial brand offers.

I encourage you to dive into this first edition of The Trend Report and use it as the essential tool it is designed to be – take advantage of its data and leverage its knowledge. Let it be a guide that helps you navigate today's complex

CRE landscape, make decisions with unrivaled confidence and seize emerging opportunities.

At CBC®, we will continue to lead, adapt and flourish, staying true to our legacy and always moving forward.

“By staying at the forefront of industry developments, we can add even more value to what the Coldwell Banker Commercial brand offers.”

DANIEL SPIEGEL
*Senior Vice President &
Managing Director*





RETAIL RENAISSANCE:

ADAPTING MALLS FOR SUCCESS

OVERVIEW

The modern retail landscape is undergoing significant transformations, spurred by evolving consumer behaviors, technological advancements, and economic shifts. The pandemic accelerated these changes, pushing retailers to pivot rapidly to meet evolving consumer demands. In 2023 and beyond, it is essential to understand the four key themes that will define the future of malls.

Consumer expectations are higher than ever, with shoppers seeking seamless online-offline experiences. Navigating these changes can ensure that malls remain vibrant community spaces and economic assets.

Looking ahead to 2023 and beyond, it is crucial to understand the four key themes that are shaping the future of malls and their relevance:

1. **Consumer Behaviors and Preferences Are Changing:** Explore the shifting dynamics of consumer spending, the impact of e-commerce, and strategies for malls to remain relevant.
2. **Adapt Experiences and Entertainment:** Learn how malls are reimagining themselves as entertainment hubs and providing immersive experiences to attract visitors.
3. **Survival of the Fittest - How Different Types of Malls Are Evolving:** Discover how various types of malls, from grocery-anchored to urban lifestyle centers, are adapting their strategies to remain competitive.
4. **Mixed-Use Opportunities:** Understand how malls are transforming into mixed-use properties, incorporating housing, coworking spaces, and healthcare facilities, to thrive in the new retail landscape.

Through strategic adaptation, innovation, and a commitment to fostering meaningful experiences, malls are poised to not only survive but thrive in the ever-evolving retail landscape.

CONSUMER BEHAVIORS AND PREFERENCES ARE CHANGING

THE DIGITAL AGE HAS TRANSFORMED RETAIL. The rise of e-commerce, driven by the convenience of online shopping and an abundance of choices, has led consumers to reevaluate their shopping habits. Shoppers now seek personalized, frictionless experiences, and they often use malls more as social and entertainment destinations rather than purely for retail purposes. This shift has forced malls to adapt and evolve, emphasizing experiential offerings such as dining, entertainment, and unique in-person experiences.

The aftermath of the pandemic also triggered shifts in consumer behavior, and pent-up demand drives many shoppers to seek experiences beyond their browsers and thus foot traffic to malls has remained steady according to Placer.ai. The steady visits, however, haven't translated into spending. In addition to getting bodies through the door, enticing visitors to spend is key for mall performance.

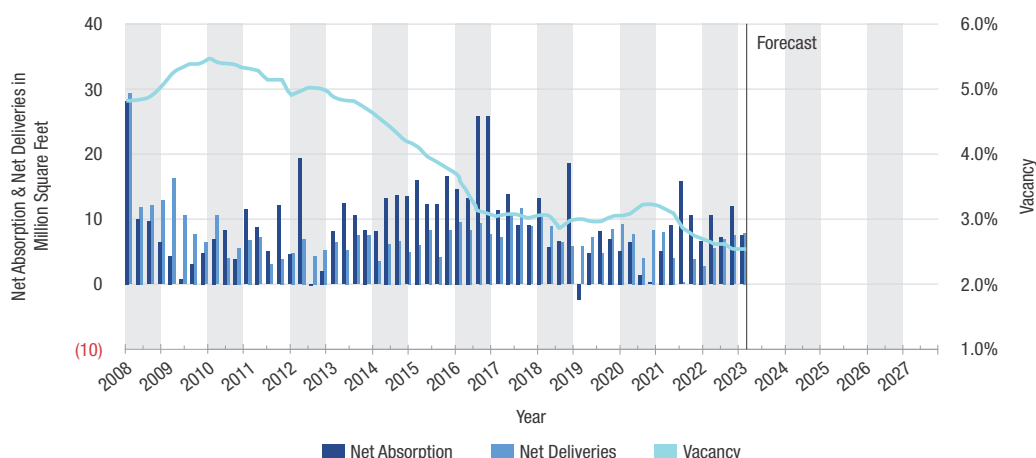
Strategies for Mall Owners to Attract Visits and Drive Spending:

- **Incorporate Technology for Seamless Shopping:** Mall owners can leverage technology to make shopping within the mall more convenient and efficient. This includes implementing features like mobile apps that provide real-time store and product information, indoor navigation, and digital directories.
- **Embrace Buy Online, Pick Up In-Store (BOPIS):** BOPIS has gained significant popularity in recent years and can be a powerful tool for mall owners. By offering this option, malls can bridge the gap between online shopping and the physical retail experience.
- **Revitalize Common Areas:** Common areas within malls should be designed with visitor engagement in mind. Consider creating comfortable seating areas, interactive displays, and green spaces that encourage visitors to linger and socialize. These spaces can also be used for pop-up shops and temporary installations, keeping the mall environment dynamic and ever-changing.
- **Enhance Dining Experiences:** Dining options can be a major draw for visitors. Food halls have become increasingly popular, offering a variety of cuisines and creating a social dining atmosphere.
- **Leverage Data and Analytics:** Mall owners can benefit from collecting and analyzing data on visitor behavior. This information can help tailor marketing efforts, optimize tenant mix, and improve operations.
- **Invest in Sustainability:** Sustainability is an increasingly important factor for consumers. Mall owners can adopt eco-friendly practices, such as energy-efficient lighting, waste reduction, and green building materials. Promoting sustainability initiatives can resonate with environmentally conscious shoppers and enhance the mall's reputation.

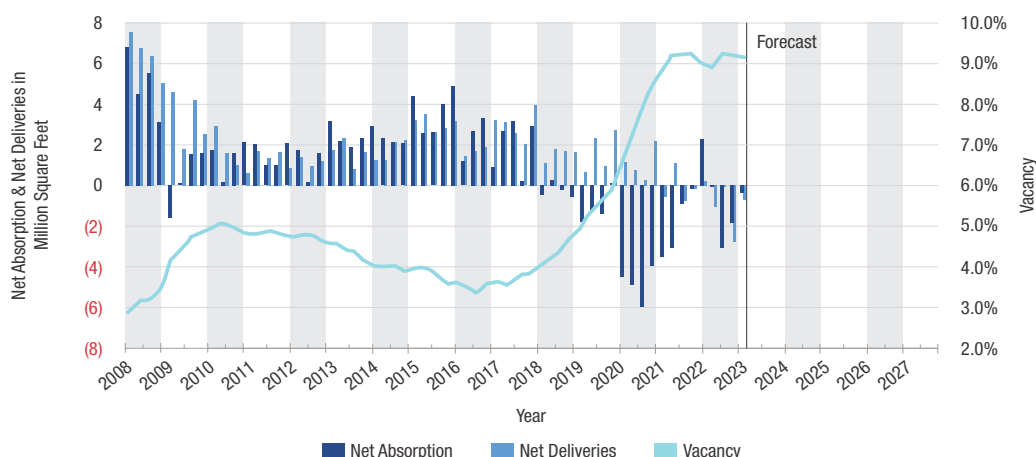


SNAPSHOT OF FUNDAMENTALS

CURRENT RETAIL FUNDAMENTALS: The retail sector's transaction value year-to-date stands at \$14.556 billion, as reported by REIS. This reflects a market that continues to be robust despite various challenges. Per CoStar, overall demand for space grew by nearly 12 million SF feet during the second quarter, marking the ninth consecutive quarter of growth for retail space markets. Growing demand and still limited new supply additions have kept the U.S. retail space market at its tightest level on record, with just 4.8% of all retail space available for lease as of the end of June.



CURRENT MALL FUNDAMENTALS: Malls, as a subset of the retail sector, are showing fundamental indicators that stand in contrast but are also showing signs of adaptability. CoStar reports availabilities within the mall segment have continued to tick higher since the pandemic. However, there is significant variation in performance across the mall segment, with 4- and 5-star malls and lifestyle centers seeing fundamentals improve over the past year.



EXPERIENCES AND ENTERTAINMENT



IN THE FACE OF INFLATION CONCERNS, consumers are adopting a cautious approach to spending. However, amidst these economic uncertainties, the appetite for experiences and entertainment continues to grow. The concept of “retail therapy” is evolving, with individuals seeking happiness and fulfillment through engaging experiences that go beyond the confines of traditional shopping.

A CNBC survey has shed light on the evolving spending patterns of Americans, revealing a higher demand for experiences compared to spending on clothing and household

needs. This demand is driving the proliferation of immersive entertainment options such as escape rooms, virtual reality experiences, and other interactive leisure activities.

One significant advantage of these experience-based offerings is their ability to encourage visitors to spend more time in malls. This extended dwell time can have a ripple effect on mall revenue, as it leads to increased sales in various sectors, including food, beverages, and retail. The synergy between experiential entertainment and traditional shopping is proving to be a powerful driver of profitability for malls and shopping centers.

The Pickleball Effect

Pickleball, a hybrid sport combining elements of tennis, badminton, and table tennis, was ranked the fastest-growing sport per CNN.

The sport’s meteoric rise has gained traction as a novel way to repurpose vacant retail spaces. By transforming these spaces into pickleball courts, mall owners are not only attracting a diverse crowd but also fostering community engagement. This innovative approach reflects the willingness of malls to experiment with new ideas and attractions to draw visitors.

“The synergy between experiential entertainment and traditional shopping is proving to be a powerful driver of profitability for malls and shopping centers.”

VARIOUS MALL TYPES

OVER THE YEARS, mall subtypes have evolved to adapt to changing consumer preferences and market dynamics. Traditional enclosed malls, once the dominant force, are giving way to more diverse subtypes. Lifestyle centers, for example, focus on creating a mix of high-end retail, dining, and entertainment options, appealing to a more discerning and upscale clientele. Meanwhile, outlet malls have gained popularity by offering discounted brand-name products, attracting value-conscious shoppers.

Malls of various types are taking distinct routes to evolve in order to remain competitive and meet the changing demands of consumers.

A Closer Look at Leading Subtypes:

- **Grocery-Anchored Retail Centers:** One notable subtype that has thrived over the years is the grocery-anchored retail center. These centers strategically anchor themselves with well-known grocery stores, recognizing that people will always need to buy essentials like food and household items. However, they go beyond mere necessity-based shopping. These centers have evolved into bustling hubs that not only cater to daily needs but also provide a wide array of additional retail options and social experiences. Over the past 15 years, they have consistently demonstrated their resilience by commanding premium rents, maintaining high occupancy rates, and drawing consistent foot traffic, per GlobeSt. This success showcases the enduring appeal of convenience and one-stop shopping.
- **Class B & C Malls:** Class B and C malls are another subtype that is carving out a distinct niche for themselves. These malls have shifted their focus towards attracting quality tenants and diversifying their tenant mix. Instead of simply relying on high-end brands, they curate a blend of retailers, services, and entertainment options that resonate with their local

communities. This approach transforms these malls into vibrant community spaces where people can not only shop but also socialize and engage in various activities. By reimagining their purpose and embracing a broader range of offerings, Class B and C malls are finding renewed relevance in the retail landscape.

- **Indoor, Open-Air Lifestyle, and Outlet Malls:** Lifestyle centers have been experiencing a remarkable resurgence, marked by a 19.8% year-over-year increase in visits. These centers have redefined the shopping experience by embracing the outdoors and creating unique, appealing environments. By seamlessly blending indoor and open-air spaces, they offer visitors a breath of fresh air while shopping, dining, or enjoying entertainment options. The emphasis here is not just on buying products but also on creating memorable experiences that encourage visitors to stay longer and return frequently. Additionally, outlet malls have embraced the concept of offering discounted brand-name products, resonating strongly with value-conscious shoppers who seek both quality and affordability.



MIXED-USE OPPORTUNITIES ABOUND

MALLS ARE UNDERGOING A METAMORPHOSIS into mixed-use properties, embracing the 'Live, Work, Play' concept while exploring diverse avenues for rejuvenation. The mixed-use transformation of malls is not only about revitalizing the retail environment but also about meeting the pressing needs of the communities they serve.

From affordable housing and life sciences facilities to senior housing and coworking spaces, these diverse avenues of transformation promise a more inclusive and multi-generational mall experience.

Mixed-Use Transformation Strategies

- **Affordable Housing + Life Sciences:** The transformation of malls into mixed-use properties featuring affordable housing and life sciences facilities addresses pressing community needs while revitalizing the retail environment. These adaptive strategies ensure that malls continue to serve as vibrant community hubs.
- **Senior Housing:** By repurposing mall spaces into senior housing facilities and community centers, mall owners are catering to the needs of aging populations.

This approach offers a unique blend of convenience and companionship, turning malls into multi-generational spaces.

- **Coworking and Fulfillment Centers:** Integrating coworking spaces within malls capitalizes on the increasing demand for flexible work arrangements. Additionally, the repurposing of mall spaces as fulfillment centers contributes to the growth of e-commerce and bolsters the mall's role in the logistics ecosystem.

“The mixed-use transformation of malls is not only about revitalizing the retail environment but also about meeting the pressing needs of the communities they serve.”



THE MALL OF TOMORROW

Rethinking Design, Experience, and Engagement

THE EVOLVING MALL LANDSCAPE offers both challenges and opportunities. While e-commerce remains a formidable competitor, malls can thrive by understanding and adapting to changing consumer behaviors and preferences. The retail sector's resilience, illustrated by robust fundamentals, reaffirms its enduring significance in the economy.

Malls are not just shopping centers; they are dynamic community spaces that offer more than just retail therapy. By embracing innovation, diversifying their offerings, and fostering meaningful experiences, malls can continue to be vibrant community hubs, even in the face of economic fluctuations.

For expert guidance and insights into navigating these transformative trends, connect with a Coldwell Banker Commercial® retail professional. Together, we can shape the future of malls as versatile, resilient, and adaptive spaces that cater to the diverse needs and desires of communities.



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