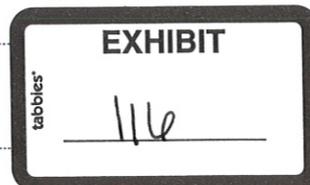


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The Malaise Afflicting America's Malls

By KRIS HUDSON

DENVER—When Pat Wooster-Jackson needed an outfit for her daughter's wedding, she drove 25 miles to this city's high-end Cherry Creek mall, bypassing dozens of clothing stores at three other shopping centers.

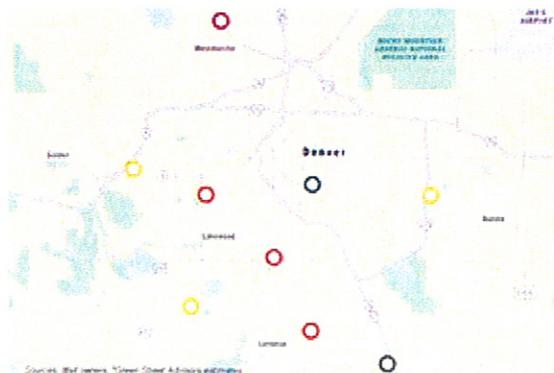
The trek by the 62-year-old retired nurse shows why the carnage in retailing—caused by finicky consumers, store closings and the growth of online shopping—has hurt some of the nation's malls less than others.



Most markets are dominated by a few malls. The winners enjoy full parking lots, strong sales and high rents from retailers who are willing to pay up for prime locations. But as Kris Hudson explains on The New s Hub, the remainder are getting slammed.

Mapping Malls

See a map of Denver-area malls that includes those posting strong sales, market laggards and others that have been repurposed.



[More photos and interactive graphics](#)

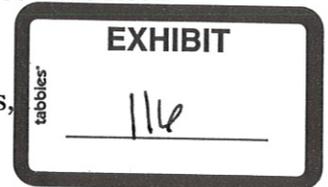
Most U.S. cities are dominated by a few malls. The winners—like the Cherry Creek Shopping Center—enjoy full parking lots, strong sales and high rents. It helps to be a luxury mall, because affluent shoppers were quicker than most consumers to bounce back from the recession.

The rest—average and subpar malls with lackluster stores—are getting slammed especially hard by online shopping, the spread of discount retailers and store closures by such mall stalwarts as [Sears Holdings Corp.](#), [Abercrombie & Fitch Co.](#) and [Gap Inc.](#) These malls are suffering from high vacancy rates, declining numbers of shoppers or have had to shut down completely.

"The other shopping centers, I don't shop at them often, if at all," Ms. Wooster-Jackson said last month as she walked through Cherry Creek's busy corridors toward Colorado's only Neiman Marcus store.

Cherry Creek is owned by [Taubman Centers Inc.](#), which owns, manages or leases 26 malls that are near the top of their respective markets. Average annual sales at Taubman's properties have risen nearly 28% since 2009 to \$641 per square foot.

By contrast, sales at [CBL & Associates Properties Inc.](#), which owns 87 midrange malls, less than 8% since 2009 to \$336 per square foot.

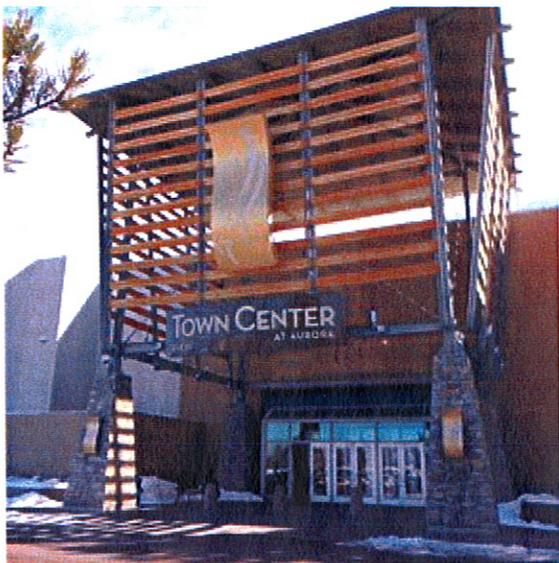


The divide between the mall world's haves and have-nots is expected to grow, with major repercussions for shoppers, retailers and tax-hungry local governments. National retailers, along with many shoppers, are retreating to the stronger malls. Among them is Abercrombie & Fitch, which is in the midst of closing 300 stores by 2015. On a call with investors last month, Abercrombie Chairman and Chief Executive Mike Jeffries said the apparel retailer's "vision" was for Abercrombie stores in "better malls" to uphold the chain's quality of stores and results.

Struggling malls, meanwhile, face pressure to admit nonretail tenants such as community colleges or fitness clubs or to adapt to new uses, especially if Sears closes more stores.

Of the about 1,000 traditional malls in the U.S.—defined as enclosed shopping centers of several hundred thousand square feet or more—a third generate annual sales per square foot of less than \$300, and so may be more vulnerable the factors hurting malls these days, according to real-estate analysis firm Green Street Advisors Inc. By comparison, there are just 142 strong malls—those with average sales of \$400 per square foot or more. The industry average: \$350.

"Our perspective is that 10% of the malls in the U.S. won't be full-fledged malls a decade from now," said Green Street analyst Cedrik Lachance.



Kris Hudson/The Wall Street Journal

The Town Center at Aurora is one of several malls in the Denver area that is struggling to maintain business.

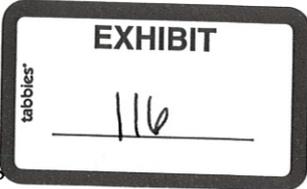
The Cherry Creek mall is near the peak, generating estimated annual sales per square foot of \$760, according to Green Street. Located in one of Denver's wealthiest neighborhoods, it has almost no vacancies and is home to about 40 retailers not found elsewhere in Colorado, including [Tiffany & Co.](#) and [Burberry](#).

In Denver, as in many cities, mall developers overbuilt during the housing boom, adding some 9 million square feet of retail space between 2006 and 2009.

That left the seven-county Denver metro area and its 2.8 million people with nearly 161 million square feet of mall space, or 57 square feet per capita, according to real-estate researcher [CoStar Group Inc.](#) Open-air shopping centers, anchored by stores like [Target Corp.](#), [Ross Stores Inc.](#) and [Bass Pro](#)

Shops, accounted for much of the increase.

Of its 1980s-era malls, five have died since the late 1990s, including four in the past decade. The latest victim is Westminster Mall, a 1.2-million-square-foot suburban complex that used to boast stores like [Dillard's Inc.](#) and [Montgomery Ward](#). The final blow fell in January, when Sears said it



would close its store there.



Kris Hudson/The Wall Street Journal

Belmar complex in Lakewood, Colo.

Westminster city officials are having the mall bulldozed as part of a plan to redevelop the 105-acre site as shops, residences and offices. "We saw over a decade ago the coming demise of the Westminster Mall," said City Manager Brent McFall.

Other Denver malls are vulnerable to the factors that helped fell the Westminster Mall. Four of them are showing signs of distress: high vacancies, tepid sales and the replacement of national chains with lower-rent local merchants.

They include Twin Peaks Mall, a half-empty, 550,000-square-foot complex in the northern suburb of Longmont, whose sales are just \$175 a square foot, and which is set to lose its Sears this year.

In January, Newmark Merrill Cos. bought Twin Peaks for \$8.5 million and plans to spend \$25 million to \$50 million to redevelop it, probably as a mixed-use project.

"The biggest problem we're having now is people are going out of town for everything," said Ken Dahl, owner of the K&D Helmets sports memorabilia store in Twin Peaks, referring to the newer, open-air shopping centers several miles north and east of Denver. "There's nothing to keep them here."

Most of the Denver-area malls razed in recent years were redeveloped into combinations of stores, offices and apartments, which have rarely generated the sales tax, the primary revenue source for Colorado cities, that their predecessors did.

The Villa Italia Mall yielded \$3.5 million in sales tax for the suburb of Lakewood in 2000. The mall was demolished in 2001 and 2002, and rebuilt into a complex of offices, rental apartments and condos.

That complex, called Belmar, generated sales tax of just \$1.4 million for Lakewood last year. Belmar's owners, however, say it provided other benefits to Lakewood, such as nearly full apartments, condos and offices.

Westminster city officials working on the Westminster Mall site say they aren't aiming to replicate the mall's sales-tax haul, which was \$9 million at its height in 1999. Rather, they say, they are hoping to develop a mix of stores, offices and residences.

"Our goal is to build a community," said Sue Grafton, Westminster's economic development chief. "We could have replaced that \$9 million with two or three [big-box] tenants, but that would not have given us the beginning of the legacy project that we want."

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