

> A BRIEF HISTORY of shopping centers

1920s

Shopping centers have existed in some form for more than 1,000 years as ancient market squares, bazaars and seaport commercial districts. The modern shopping center, which includes everything from small suburban strip centers to the million-square-foot superregional malls had its genesis in the 1920s.

The concept of developing a shopping district away from a downtown is generally attributed to J. C. Nichols of Kansas City, Mo. His **Country Club Plaza**, which opened in 1922, was constructed as the business district for a large-scale residential development. It featured unified architecture, paved and lighted parking lots, and was managed and operated as a single unit.

In the later half of the 1920s, as automobiles began to clog the central business districts of large cities, small strip centers were built on the outskirts. The centers were usually anchored by a supermarket and a drug store, supplemented by other convenience-type shops. The typical design was a straight line of stores with space for parking in front.

Grandview Avenue Shopping Center in Columbus, Ohio, which opened in 1928, included 30 shops and parking for 400 cars.

But many experts consider **Highland Park Shopping Village** in Dallas, Texas developed by Hugh Prather in 1931, to be the first planned shopping center. Like Country Club Plaza, its stores were built with a unified image and managed under the control of a single owner, but Highland Park occupied a single site and was not bisected by public streets. And, its storefronts faced inward, away from the streets – a revolutionary design.

1930s-1940s

In the 1930s and 1940s, Sears Roebuck & Co. and Montgomery Ward set up large freestanding stores, with on-site parking, away from the centers of big cities. Night-time shopping was inaugurated at **Town & Country Shopping Center** in Columbus, Ohio, when developer Don Casto hired Grandma Carver (a woman who dived from a 90-foot perch into a 4-foot pool of flaming water), to perform her act in the lighted parking lot, bringing shopping center promotion to a new level.

1950s

The early 1950s marked the opening of the first two shopping centers anchored by full-line branches of downtown department stores. **Northgate** in Seattle, Wash., (two strip centers face-to-face with a pedestrian walkway in between) opened in 1950, and **Shoppers World** in Framingham, Mass. (the first two-level center), debuted the following year. The concept was improved upon in 1954 when **Northland Center** in Detroit, Mich., used a “cluster layout” with a single department store at the center and a ring of stores around it. The parking lot completely surrounded the center. In 1956, **Southdale Center** in Edina, Minn., outside of Minneapolis, opened as the first fully enclosed mall with a two-level design. It had central air-conditioning and heating, a comfortable common area and, more importantly, it had two competitive department stores as anchors. Southdale is considered by most industry professionals to be the first modern regional mall.

1960s

By 1964 there were 7,600 shopping centers in the United States. Suburban development and population growth after World War II created the need for more housing and more convenient retail shopping. Most of the centers built in the 1950s and 1960s were strip centers serving new housing developments.

1970s

By 1972 the number of shopping centers had doubled to 13,174. Regional malls like Southdale and **The Galleria** in Houston, Texas, had become a fixture in many larger markets, and Americans began to enjoy the convenience and pleasure of mall shopping. During the 1970s, a number of new formats and shopping center types evolved.

In 1976 The Rouse Co. (acquired by General Growth Properties in 2004) developed **Faneuil Hall Marketplace** in Boston, Mass., which was the first of the “festival marketplaces” built in the United States. The project, which revived a troubled downtown market, was centered on food and retail specialty items. Similar projects were built in Baltimore, Md., New York, N.Y., and Miami, Fla., and have been emulated in a number of urban areas.

The Bicentennial year also marked the debut of the country's first urban vertical mall, **Water Tower Place**, which opened on Michigan Avenue in Chicago, Ill. To many experts, Water Tower Place with its tony stores, hotel, offices, condominiums and parking garage, remains the preeminent mixed-use project in the United States. With the opening of Water Tower Place and Faneuil Hall, the shopping center industry had returned to its urban roots.

1980s

The 1980s saw an unparalleled period of growth in the shopping center industry, with more than 16,000 centers built between 1980 and 1990. This was also the period when superregional centers (malls larger than 800,000 square feet) became increasingly popular with shoppers. In 1990, a Gallup poll found that people shopped most frequently at superregional malls and neighborhood centers. Americans average four trips to the mall per month.

Between 1989 and 1993, new shopping center development dropped nearly 70 percent, from 1,510 construction starts in 1989 to 451 starts in 1993. The sharp decline in new center starts was attributed to the Savings and Loan crisis, which helped precipitate a severe credit crunch. While overbuilding occurred among small centers in some regions of the United States, shopping centers remained the most attractive and best-performing real estate category for investors during this difficult period.

1990s

Factory outlet centers were one of the fastest-growing segments of the shopping center industry in the 1990s. In 1990, there were 183 outlet centers. Today, there are more than 225 outlet centers in the United States. Outlet malls are tenanted by manufacturers selling their own goods at discounted prices. Some large projects combine outlet stores with traditional off-price stores like Marshalls. One such project, **Sawgrass Mills** in Sunrise, Fla., is more than 2 million square feet and features outlets, discounters and retail clearance stores.

By 1992, the prevailing trend in the shopping center industry had become remodeling and expansion of existing projects. In 1992, these renovations outstripped new construction

with 571 additions and alterations reported. A greater focus on professional management and marketing became the hallmark of the shopping center industry.

The year 1993 was marked by the transition of several privately held, family-run shopping center development companies (Simon, Taubman, etc.) into publicly traded real estate investment trusts (REITs). The access to Wall Street capital provided a financial jolt to an industry that still had not fully recovered from the credit crunch.

One of the retail formats that became increasingly popular in the 1990s was the power center, which is loosely defined as a center between 250,000 and 600,000 square feet, with approximately 75 percent to 90 percent of its space occupied by category specific or destination anchor stores. Power centers are often located near regional and superregional malls. San Francisco-based Terranomics is credited with pioneering the concept at **280 Metro Center** in Colma, Calif. In 1993, 16 power centers opened in the United States, compared with only four superregional malls.

In 1995, with the construction of the **Mall of America** in Bloomington, Minn., entertainment quickly became an industry buzzword as technological advances allowed shopping center developments to foster the same magical experiences that were once only seen in national amusement parks such as Disney World. The Mall of America, currently one of the largest malls in the U.S., includes a seven-acre amusement park, nightclubs, restaurants, and covers 4.2 million square feet (with about half that total devoted to retailing). The center has been heralded as a bellwether for its innovative mixture of entertainment and retailing. The forerunner to Mall of America, and the largest mall in North America, is **West Edmonton Mall** in Alberta, Canada, which encompasses 5.5 million square feet.

Since the start of the entertainment wave, retailers have focused on keeping their presentations exciting and shopping center owners have striven to obtain tenant mixes that draw traffic from the widest audience possible. Under one roof or in an outdoor retail format, consumers enjoy children's playscapes, virtual reality games, live shows, movies in multiplex cinemas, a variety of food in either the food court or theme restaurants, carousel rides, visually stunning merchandising techniques, robotic animal displays, and interactive demonstrations.



Many shopping centers are also focused on added service-oriented tenants, which offer today's busy consumer an opportunity to complete weekly errands or to engage in a variety of other activities. Among the many services found in today's malls are churches, schools, postal branches, municipal offices, libraries, and museums.

As the 1990s drew to a close, Internet retailing was heralded as the wave of the future and a threat to the stability of the shopping center industry. In July of 1998, **Time Magazine** predicted the demise of the shopping mall. In bold type, **Time's** cover advised its readers to, "Kiss Your Mall Good-Bye: Online Shopping is Cheaper, Quicker and Better." While the cover was purely sensational, the tone was clear — the shopping center industry was under attack, yet again, from an alternative shopping format. Several years earlier similar claims were made about the impact home television shopping would have on the industry. In fact, the cover of **BusinessWeek** magazine in July of 1993 read, "Retailing Will Never Be the Same: The Home Shopping Revolution."

Unlike home television shopping, Internet retailing quickly captured the attention of the public, the media and Wall Street as companies rushed to develop websites that would sell directly to consumers. In the euphoria it mattered little that many of these Internet companies had little or no retail experience. Fearing the cannibalization of store sales, brick-and-mortar retailers at first were hesitant to sell directly to the public via the Internet.

However, when it became apparent that they had some clear advantages over pure Internet retailers (brand name recognition, distribution facilities, supplier relationships, ability to accept returns at stores, etc.) brick-and-mortar retailers launched their own websites. These advantages quickly paid off for brick-and-mortar retailers.

Brick-and-mortar retailers discovered that in addition to buying online, their consumers were using the Internet as a research vehicle. Consumers were logging on to retailers' websites to search for goods and services, and, armed with product information, were making purchases at stores. Thus the Internet has transformed a large and growing number of retailers into "multi-channel" retailers with all sales channels (stores, web, and catalog) working as one to help retailers maximize the value of their brands.

Understanding that there is great synergy between the Internet and brick-and-mortar stores, shopping center owners have created their own websites and are working with their retail tenants to create distribution channels to satisfy the consumer, whether the consumer decides to shop at a shopping center, on the Internet or both. Most shopping center websites have maps and directions to the center, a list of tenants and a calendar of events.

2000s

Shopping centers continue to display remarkable adaptive capacities as developers keep their properties fresh by reinventing them through size, design and tenant mix, in order to win consumers. One such design concept is the creation of the "lifestyle center." With more than 140 centers currently in existence today, most lifestyle centers cater to the retail needs and "lifestyle" pursuits of consumers in its trading area. As they exist today, most lifestyle centers are located near affluent residential neighborhoods and have an upscale tenant mix.

No matter what term is used to describe a center in today's marketplace, shopping center developers are striving to create retail projects that draw shoppers from widespread areas and continue to evolve and serve their communities' social and economic needs. With the combination of fashion, food, entertainment, and services, shopping centers are continuing to expand their role in the communities they serve now and in the years to come.



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