

Shopping Centers Becoming Consumer Centers

Alongside Traditional Retailers, Non-Retail Tenants are Providing Convenience and Experiences

Key Takeaways

- Large shares of consumers have patronized food and beverage service establishments (79%), leisure/entertainment venues (64%), medical/health/wellness facilities (51%), and other services (69%) in shopping centers in the first quarter this year.
- Roughly one-quarter (26%) of adults visit non-retail tenants all or most of the time while at the mall and slightly more (28%) do the same when visiting an open-air center.
- Nearly half (45%) of consumers say the presence of non-retail tenants increases the amount of time spent at the center, while about two-fifths (38%) claim they encourage more frequent visits.

Shopping center landlords seeking to accommodate consumer preferences for more convenient and engaging environments are adding more non-retail or service-based tenants. *By no means* does this indicate that retail is losing its status as the primary driver to shopping centers. An ICSC consumer survey¹ conducted earlier this year found the top reasons for visiting malls are still retail-related: “visiting department stores,” “browsing,” and “visiting specialty shops.” Services, like seeing movies and dining, ranked lower.

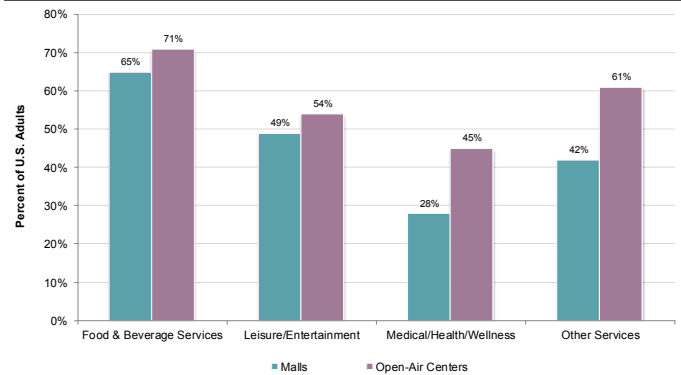
ICSC analysis of U.S. Census Bureau data shows that in 2017, **services, including food and beverage (F&B), salons, laundromats, movie theaters, fitness/recreational sports centers and others generated roughly one-fifth of sales at retail real estate**, while pure retail comprised the remaining share. Furthermore, data provided by CoStar Realty Information Inc., (www.costar.com), shows **non-retail/non-restaurant space in shopping centers specifically increased by 3.9 percentage points between 2012 and 2018 (from 19.2% to 23.1%)**. Because non-retail tenants represent a growing share of the retail real estate landscape, ICSC surveyed² consumers about the various concepts and evaluate the impact those are having on their shopping behaviors.

Non-Retail Tenants Popular, But Traditional Retail Paramount

Overall, in the first quarter of 2018, large shares of the U.S. adult population have visited shopping centers, both malls and open-air, and **spent on F&B (79%), leisure/entertainment (64%), medical/health/wellness (51%), and other services³ (69%)**. (See Chart 1.) Open-air

centers—unsurprisingly, since there are more of them, with a typically more diverse service tenant mix—saw a greater percentage of consumers spending in those categories, as shown in Chart 2. Malls, however, experienced nearly as much activity at restaurants and drinking establishments and at leisure/entertainment venues.

Chart 2:
Shares of Consumers Spending at Non-Retail Tenants by Shopping-Center Type



During their mall visits, roughly one-quarter (26%) of adults visit non-retail tenants all or most of the time and slightly more (28%) do the same when visiting open-air centers. (See Chart 3.) At each of those properties, only 13% say they never visit them. Millennials are more likely to visit these establishments more often compared with Gen X and baby boomers.

Chart 3:
Frequency of Spending at Non-Retail Tenants During Trips to Shopping Centers



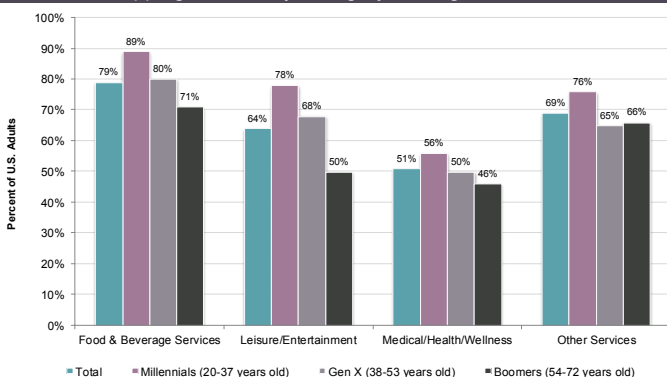
Despite the above data indicating that large shares of adults are patronizing non-retail tenants in shopping centers, this trend has *not* come at the expense of retailers; the establishments still primarily driving visits to those destinations. Proof of this lies in consumer expenditures by type of purchase. Since January, mall shoppers have spent on average 1.5 times more on goods than services, and at open-air centers, on average they spent 2.8 times more on goods.

Casual Restaurants and Movie Theaters See Largest Numbers

Non-retail concepts across a broad spectrum are setting up shop in traditional retail centers. Table 1 lists the most popular of those that consumers visited in the past three months, segmented by category and shopping center format. Although some of them are already well-established shopping center tenants, newer occupants, like food halls,

Chart 1:

Shares of Consumers Spending at Non-Retail Tenants in Shopping Centers by Category and Age in Q1 2018



¹ Findings from the “ICSC 2018 Mall Survey” were highlighted in: “[Consumers See a Bright Future in Malls](#),” *Industry Insights: Consumer Series*, March 2018.

² These results are based on a representative poll of 1,004 adults in the U.S., conducted between March 29 and April 1, 2018 by ORC International on behalf of ICSC.

³ This category includes services such as dry cleaners, banks, salons, pet-care facilities, childcare, places of worship, schools/training facilities, repair shops, and community gathering spaces

Table 1: Non-Retail Tenant Concepts Consumers Visited in the Past Three Months by Shopping Center Format		
	Malls	Open-Air Centers
Food & Beverage Services	<ol style="list-style-type: none"> 1. Food courts (66%) 2. Casual/fast-casual (48%) 3. Fast-food/coffee/yogurt (46%) 4. Food halls (26%) 5. Independent ("mom-and-pop") restaurants (20%) 	Casual/fast-casual (60%) Fast-food/coffee/yogurt (55%) Independent ("mom-and-pop") restaurants (46%) Craft breweries/beer gardens (28%) Market halls/farmers markets (27%)
Leisure/Entertainment	<ol style="list-style-type: none"> 1. Movie theaters (66%) 2. Bowling alley/billiards/arcade (28%) 3. Aquarium/amusement parks (19%) 4. Museum/cultural center (19%) 5. Sports/recreation center (18%) 	Movie theaters (61%) Performance/event gathering space (36%) Bowling alley/billiards/arcade (34%) Aquarium/amusement parks (32%) Museum/cultural center (27%)
Medical/Health/Wellness	<ol style="list-style-type: none"> 1. Dentist/eye care/hearing center (40%) 2. Gyms/fitness centers/yoga studio (34%) 3. Massage parlor/spas (33%) 4. Primary/urgent care clinic (31%) 5. Imaging centers/radiology (25%) 	Primary/urgent care clinic (51%) Dentist/eye care/hearing center (50%) Gyms/fitness centers/yoga studio (40%) Imaging centers/radiology (27%) Physical therapy/chiropractor (26%)
Other Services	<ol style="list-style-type: none"> 1. Hair/nail salon (43%) 2. Banks (37%) 3. Copy/print centers, pack & ship (20%) 4. Dry cleaners/laundromat (19%) 5. Pet grooming/animal care (19%) 	Banks (64%) Hair/nail salon (42%) Pet grooming/animal care (28%) Repair/maintenance shops (27%) Dry cleaners/laundromat (24%)

family entertainment attractions, sports/recreation centers, cultural centers, gyms, urgent care and pet-care facilities, did rank among the top venues consumers visited so far this year at malls and open-air centers.

Separately, within retail stores themselves, non-retail uses and services are also being incorporated for added consumer convenience. Within the past three months, **61% of adults have used a service within a retail establishment that is not part of the company's core business.** The most popular of these include: F&B (31%), banking/financial services (21%), health/medical clinic (18%) and salons (16%).

Longer Stays and More Frequent Visits

Consumers confirm changes to their behaviors as a result of the presence of non-retail or service tenants in shopping centers. **Nearly half (45%) say that as a result of those tenants specifically, they generally spend more time at shopping centers, while about two-fifths (38%) claim those establishments, encourage more frequent visits.** (See Chart 4.) *These findings do not imply that the remaining*

shares of consumers either spend less time or make fewer visits, as they are not reflective of overall shopping center behaviors. They solely provide insight on the direct impact of non-retail tenants.

Additionally, consumers say non-retail tenants make their visits **more efficient and enjoyable (49%)** and they **prefer visiting centers that have a wide variety of those establishments compared with those that have few (44%).** This year's survey also showed that consumers value the entertainment component of shopping centers more than in the past. Only one-third (33%) of adults said entertainment was **not** something they looked forward to in shopping centers. When the same question was asked in the ICSC/Gallup Survey on Shopping Centers in 1990, two-thirds (66%) of adults said the same. The entertainment aspect of shopping centers has certainly become a mainstay over the 28-year period.

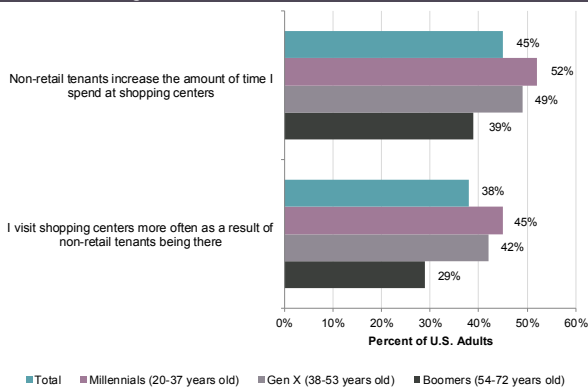
Still Room for More Non-Retail Tenants in Shopping Centers

Despite consumers' widespread use of non-retail and service tenants, they are interested in seeing more of them in the shopping centers they visit. Though already the most prevalent, **the top non-retail tenants consumers want to see more of are F&B services (34%).** Those are closely followed by entertainment (33%) as well as personal care services (20%), medical/health clinics (19%) and gyms/fitness centers (17%). There is a slight difference between the generational cohorts in terms of these preferences. While Gen Xers and boomers would like additional F&B services, millennials want to see more entertainment options.

Conclusion

Adding more non-retail tenants to shopping centers is a direct response within the retail real estate industry to accommodate changing shopping behaviors and new preferences. As many consumers shift their preference from spending mainly on goods to spending more on entertainment and experiences, today's successful retail destinations are diversifying their tenant mix, choosing more service-oriented concepts. **By expanding the offering and allowing consumers to get whatever they want, wherever they want, shopping centers are becoming consumer centers.**

Chart 4:
Shares of Consumers Spending More Time at Shopping Centers and Visiting More Often Due to Non-Retail Tenants



While every effort is made to ensure the accuracy and reliability of the information contained in this report, ICSC does not guarantee and is not responsible for the accuracy, completeness or reliability of the information contained in this report. Use of such information is voluntary, and reliance on it should only be undertaken after an independent review of its accuracy, completeness, efficiency, and timeliness. © 2018. This publication is included in ICSC's Albert Sussman e-Library, which is part of Ebsco Publishing's products.