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De-Malling: A Real Estate Trend We'll See for Decades

[Updated: Nov 03, 2021] Nov 03, 2021 by **Nell McPherson**

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Much has been written about the future of malls, including whether they will continue to be the grand retail establishments they once were. Many are being repurposed and redesigned to live new lives as everything from schools and offices to apartment buildings.

This repurposing can completely eliminate the retail function or incorporate existing stores into a mixed-use property that may also feature apartments, self-storage facilities, and/or office space. Either way, "de-malling" is one term used to describe this transformation of a mall into anything other than a traditional mall.

But the term has another more specific meaning. De-malling can also refer to the act of eliminating the interior hallways and common spaces of a mall and opening up each store to the outside, thereby transforming it from a traditional mall into a single-building shopping center or open-air mall.

This is not a cheap undertaking, and you may be wondering what the point is of essentially turning a mall inside out. You had a collection of retail stores and restaurants before you began, and that's exactly what you ended up with. So why bother?

A mall by any other name

Many remained cooped up inside their homes for much of the pandemic. As a result, a lot of people are putting increasing emphasis on getting outside.

Not only do shoppers feel less safe being in enclosed areas with others for long periods of time, but many now look for any opportunity to be outdoors because it just makes them feel better.

Many retail spaces that are de-malling are catering to this desire to get out by incorporating picturesque landscaping and outdoor dining areas for shoppers to enjoy between stores. It seems reasonable to assume that in addition to drawing more customers, this type of arrangement could also encourage them to linger, when the weather's nice enough at least.

Transforming a mall into a shopping center in this way also makes it much easier to incorporate retail space into its surroundings when creating a mixed-use property. It's hard to make a mall feel like part of a little community if people are only outside when coming and going. Letting shoppers take a leisurely outdoor stroll between stores gives them the opportunity to look around and explore anything else the area might have to offer.

And according to research from commercial real estate services company **JLL**, open-air malls are making quite a comeback following the pandemic-driven ecommerce boom. They drew 46 percent higher rents than regional malls in the second quarter of 2021 and had lower vacancy rates than malls during the same period.

And according to REBusinessOnline, the top 20 open-air malls in the most populated U.S. markets reported almost 8.1 million visits in August 2021.

This was a tremendous increase over the year-ago number of only 1.3 million visits.

The Millionacres bottom line

To be clear, de-malling is not a new concept. The term's been bounced around from time to time since at least the early 2000s. But as with many trends that were already in progress, the pandemic has accelerated this one considerably.

It's hard to say whether the big, enclosed buildings we tend to think of when we hear the term "mall" will still exist twenty or even ten years from now. What is clear is that the essence of the mall -- a collection of retail stores in one location, with restaurants and possibly other diversions thrown in -- appears to be here to stay.

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