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Analysis

What We Learned About Malls In 2021

By [Andrew McIntyre](#) · [Listen to article](#)

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Law360 (December 16, 2021, 3:52 PM EST) -- The COVID-19 pandemic added further stress to an already struggling shopping mall sector in 2021, and owners learned that they need to double down both on the experiential element and on how best to integrate the brick-and-mortar experience with online shopping.

Such trends were already afoot before COVID-19, and with the pandemic pushing even more shoppers away from malls, owners are having to think creatively in terms of ways to get consumers to come back to stores. Mall owners in 2022 will continue to scratch their heads on the question of just how to get more consumers to their spaces and will look to bring in more restaurants and health clubs, which are seen as solid drivers of foot traffic, experts said.

And when it comes to leasing, landlords and tenants may start to think in terms of shorter leases and less customization of space, given the uncertainty of the sector.

Here, Law360 looks at three key trends in the mall sector in 2021.

Connection to Internet Shopping Is Critical

While the success of brick-and-mortar depends on getting consumers into the stores, owners in 2021 continued to look for ways to bridge the divide between the mall and online experience and will likely look for more synergies there in 2022.

"Retailers are now able to move toward technologies ... for buying online and picking up in the store," said Kate Vlasek, a partner at [Benesch Friedlander Coplan & Aronoff](#). Consumers "like the ability to take their time, do their research, know what they will get ... and know when they will be able to pick it up. I think that's the biggest thing."

Experts say that changing the in-store mall shopping experience requires great collaboration between the landlord and the tenant, and that parties will have to work closely together in order for the model to be successful.

"In the mall and retail space, [what will be key is] the resilience of the U.S. consumer and the nimbleness of the retailer tenants themselves to work through the operational logistical headaches," said Jason Grinnell, a partner at [Glaser Weil LLP](#). "How do you survive in a new environment with a new business model?"

And while newer properties may already be designed with the connection to online shopping in mind, giving a makeover to older big-box stores can be a costly and difficult endeavor.

"A lot of these [stores] are older and are not necessarily [set up for] buying online and picking up in the store," Vlasek said. "It will be interesting to see how landlords and tenants work together to accomplish the results that will allow them to be as successful as possible. There are a lot of moving pieces ... Everyone needs to work together."

Experience Matters More Than Ever

Just as consumers need to be able to bridge the online and in-person shopping experience, shoppers also need the in-person visit on its own to be more of an experience, and owners in 2021 continued to try to make trips to brick-and-mortar malls more experiential.

One way to do that is to bring in more entertainment tenants to malls.

"From the developer side, one of the things that we're going to be seeing a lot of is leasing picking up with more experiential-type tenants. Topgolf, escape rooms, comedy clubs," Vlasek said. "Each shopping center is a little different. There has been a move toward more entertainment- and service-based tenants."

While a decade ago it was less common to have gyms in malls, many owners have now snagged gym tenants, hoping that the fitness centers will also generate more foot traffic to the rest of the property.

"Malls have to be more than a place to shop. They have to have all the amenities: health clubs, restaurants, Wi-Fi, workout areas, bicycle areas," said John Goldstein, an officer at [Greensfelder Hemker & Gale PC](#).

And in 2021, amid the vaccine rollout, consumers started to return to movie theaters. Look for mall owners in 2022 to continue to consider cinemas as another way to increase foot traffic, experts say.

"They are trying to make a visit to their store more experiential, engage in a different way with the product ... There has to be a reason for customers to do their shopping in their space and want to stay," Vlasek said. "That trend is going to continue."

Tenants Get the Upper Hand

While landlords are seeking to add entertainment tenants to their properties, they are also realizing they may not be able to get tenants to sign on to long leases and are increasingly offering flexibility to tenants.

Goldstein said tenants are currently enjoying a strong market, with landlords offering flexibility, rent abatement and opportunities for tenant improvements in order to try to lure businesses to sign leases.

"I'm seeing a lot of carrots dangled in terms of free rent," Goldstein said. "I'm also seeing some flexibility in terms of what's required for security deposits or guarantees. Landlords are willing to take a little more risk to get people in there. Lenders are dictating what landlords can do in the malls."

Tenants, Goldstein said, are also unsure of their long-term plans, and some are now doing less customization of stores.

In the same way that a Halloween store might go into a space for a couple of months and do no improvements because the stay is a short one, more retailers are refraining from customizing their space because their length of stay is unknown.

"Things changed so early and so quickly and so rapidly that we have no idea what tomorrow is going to bring. We sort of have to proceed cautiously as landlords or tenants," Goldstein said. "We learned that there's a lot of uncertainty coming up, and that there's a lot of possible change."

--Editing by Jill Coffey and Daniel King.

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