



Analysts say malls will be competing in challenging economy

By Linda Hersey
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(Jan 29): When Hampshire Mall opened in Hadley, Mass., stores moved out of nearby Mountain Farms Mall, leaving the aging shopping center so deserted that locals dubbed it the "dead mall."

Nearly 30 years later, Mountain Farms Mall finally is experiencing a comeback, rebuilt as a strip mall of big box stores and renovated movie theaters.

That gloomy scenario could be repeated in southern Maine, analysts say, if Westbrook developer Jason Snyder moves forward with plans for a regional mall that is larger and has more amenities than the state's biggest and busiest shopping center: the 40-year-old Maine Mall in South Portland.

Is there room in southern Maine's struggling retail economy for two regional shopping malls? At issue is the future of southern Maine's retail economy, hit hard by the deepening recession.

"It's pretty much inevitable that the two malls would be competing for the same shoppers and tenants," says Maine economist Charles Colgan.

Joel Kotkin, a columnist for Forbes.com and author of "The City: A Global History," often writes about suburban sprawl and decay. He says it has become common for new and bigger regional malls to supplant older, smaller malls in the same region.

"Building more stores just moves people from one location to another. Unless you're expecting a huge population growth in southern Maine or a jump in people's income, there's a limit to how many large shopping malls the region can support," says Kotkin, presidential fellow in urban studies at Chapman University in California.

"I can see an advantage for the town where the new mall would be located, in terms of revenues," he said, "but not for the region as a whole."

The Maine Mall – a giant among Maine's retail centers and strip malls – is at the center of a busy commercial hub in South Portland that has grown up along with it. Built in 1971, the Maine Mall has no direct rivals.

Snyder – who is proposing to build Stroudwater Place on 61 acres in Westbrook – argues that his mixed-use project of retail, offices, hotel and entertainment center would draw an even larger pool of shoppers to the region.

Stroudwater Place would boast 1.65 million square feet, while the Maine Mall has 1.2 million square feet. Snyder envisions high-end retailers – like Bloomingdale's – that do not have a presence in Maine locating at the Westbrook complex. (No one from Bloomingdale's would comment for this article.)

"The Maine Mall is not going to disappear. It will not be anything less than what it is as we build out," said Snyder about Stroudwater Place, which would be developed in stages. Snyder estimates the first phase will open "in a minimum of 18 months," with the entire project completed in 10 years.

David Biernbaum, a Missouri-based marketing expert and retail analyst, offers a different perspective.

"In my opinion, every retailer type and every type of mall is in competition for the available consumer dollar," said Biernbaum, owner of Biernbaum Associates, which specializes in the marketing and sales of major brands of consumer goods.

Biernbaum argues that competition is especially tight as consumers become more careful about how much money they spend and what they buy. He does not expect buying habits to change in the near future.

Biernbaum said the future is challenging for regional malls, "which have lost some of their appeal in part because of the shift (by consumers) to Wal-Mart, Target, and certain big box and destination stores not typically found in regional malls."

Most U.S. retail markets are over-saturated with stores, he said, as evidenced by "vacant buildings where retail chains have gone out of business."

Colgan, the Maine economist, echoes that view. "The retail sector is overbuilt – not as much here, but Maine is not immune from the problem... I expect that some of the space never again will be used for retail. It may go to offices."

Even before the economy crumbled, regional shopping malls like the Maine Mall faced new competition from "power" retail centers sprouting up, from Portsmouth, N.H., to Biddeford, Scarborough and Westbrook.

The power centers are anchored by big retailers like Kohl's, Target and Wal-Mart. They often are closer to people's homes, so shoppers don't have to travel as far to a regional shopping center and navigate a maze of stores and kiosks to find the best deals on clothes, electronics, pet supplies or household goods.

According to TNS Retail Forward, which conducts surveys for the retail industry, 30 percent of shoppers visit a regional mall monthly, down from 34 percent in 2005.

But 60 percent of shoppers visit power malls monthly, followed by strip malls with supermarket anchors, at 49 percent; and online retail sites, 42 percent

The worsening economy is a further drain on the nation's regional malls. Consumers have less money to spend, and well-established mall tenants are going bankrupt or downsizing.

At the Maine Mall, Linens 'n Things, a mall anchor, closed right after Christmas. Another anchor, Filene's, closed in 2006, and the space has yet to be filled. Analysts expect more stores to shutter in 2009.

The Maine Mall recently canceled a major renovation and expansion that promised to give the shopping center a much-needed face lift and draw new restaurants, retailers and a multiplex cinema.

A decline in consumer spending may have been just part of the problem. General Growth Properties, the mall owner, is in deep financial trouble, loaded down with \$1 billion in debt due in 2009 on properties it owns out west.

As the Chicago-based mall owner teeters toward bankruptcy, it does not have the resources to invest in the redevelopment of its 200 shopping centers.

This week, General Growth announced it also will halt development of Maine Mall Commons, a "lifestyle" shopping center planned for a site across the street from the South Portland mall. Lifestyle centers are more upscale shopping plazas, with restaurants and large department stores.

Given the uncertain economy, analysts are expressing growing doubts that Stroudwater Place will be developed, at least on the grand scale envisioned when it was proposed in 2008, just before the economy collapsed.

"I never want to knock anyone who puts their own money at risk," Colgan said. "But that project seemed dubious when it was announced."

"It could be one of those projects that never gets built, which now seems like more than a reasonable chance of happening."

Snyder, who has partnered with Arthur Emil, who owned and managed Windows on the World at the top of the World Trade Center, maintains that Stroudwater Place is on track and unaffected by the economy.

But Snyder declined to say whether he has financing or tenants for the project.

"We are a private company," Snyder said. "We do not need to disclose our financing like public companies do. We will make our decisions and determine when we will make a public comment."

"Basically, we are in a private mode now. But we are on the same course and nothing has changed, since we first filed our plan in 2008."