

# What The Decline of Brick-and-Mortar Sales Could Mean For San Diego Malls

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*An artist rendering shows the proposed redevelopment of Horton Plaza as a mixed-use office campus with ground floor retail and a luxury cinema. (Courtesy of Stockdale Capital Partners)*

1,500 enclosed malls have been built in the U.S. since the first one emerged in 1956. Today, nearly a third of those malls have been closed or no longer serve their original purpose. Analysts guess that 30% of the enclosed malls left will shut down within the next five years. The reason for this is because annual sales at U.S. department stores fell 20% from 2017-2018 and are expected to fall even more this year. Department stores as well as apparel retailers have been closing at an alarming rate which has been negatively affecting enclosed malls. This is because enclosed malls rely heavily on their department store anchors to be successful, as this increases the sales of the surrounding retailers. The fall of the department store has led to the demise of the mall.

The easy suspect for the decline in department store sales is e-commerce given that 80% of Americans now shop online, but there are other influencers. Brick-and-mortar sales have never been higher so it's important to note where consumers are spending their money. Spending in the last few decades has shifted from upscale brands to bargain oriented retailers like Walmart and Costco. As well, young professionals and retirees have moved back into cities, taking their spending power away from suburban malls and into downtown. Malls that are located in thriving metro areas and near suburban wealth aren't experiencing the same difficulties as others.

Malls that have shuttered down can still be converted for other uses. Many malls have been redeveloped into mixed-use centers, but even that comes with its fair share of difficulties. Take the Horton Plaza in downtown San Diego for example. Opening its doors in 1985, this mall designed by architect Jon Jerde who was still basking in the fanfare of the 1984 Summer Olympics. Banners, a black and white striped loggia, and a faux bell tower graced the mall, adding color to the drab streetscape and helping to revitalize downtown. The newly designed mall was such a success, that cities across the country began to follow suit, with Jerde heading most of the projects.

Now over three decades later, the Horton Plaza has suffered from changing retail trends. The majority of the mall is vacant, and the once renowned landmark is now often referred to as a homeless encampment. City council voted unanimously to change a land use restriction that was the only obstacle impeding construction of the proposed new mixed-use redevelopment – The Campus at Horton. It did not come without opposition. Many preservationists consider Horton Plaza to be Jerde's most iconic postmodern creation. The demolition of that feels like removing a historical landmark. There were also lawsuits involving two disgruntled tenants: Macy's and Jimbo's. Both had a long lease term remaining and felt misled by the previous owner, Westfield, who promised millions of dollars in renovations to the plaza which would stimulate growth. Rather than invest in the plaza, Westfield sold the property. Now there are only three retailers existing in the 900,000 square foot building and they are very concerned for what the demolition of the plaza means for their businesses. The lawsuits were settled earlier this year and the plans for redevelopment have begun to move forward.

Though there may be some disagreement in regard to the best use of the space but the renovation of a distressed mall into a mixed-use campus has a lot of promise. The intention is to transform Horton Plaza into a creative office, entertainment and retail center. The redevelopment will lead to high quality jobs with tech companies and create work for upwards of 4,000 people. The Campus at Horton aims to open up the fortress-like exterior of the mall and make the plaza more permeable and accessible to the city. There has been an estimated billion dollars of revenue that could be generated with this change. Construction is slated to start in early 2021.

#### Sources:

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