

## Mixed-Use Properties: A Convenient Option for Shoppers

Shopping Centers are Increasingly Fulfilling a Broader Spectrum of Consumer Needs

### Key Takeaways

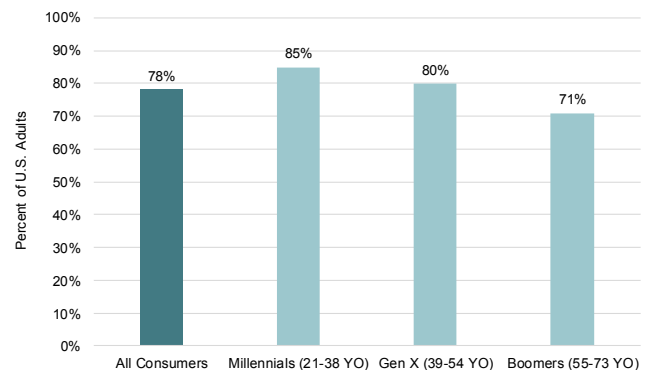
- Nearly four-fifths (78%) of U.S. adults would consider residing in “live, work, shop, play” environments that have a variety of housing, workplaces, dining and recreational outlets for entertainment all within close proximity to one another.
- General convenience and time efficiency resulting from being close to almost everything is the main reason cited by more than half (55%) of adults for wanting to reside in “live, work, shop, play” community environments.
- More than two-fifths (44%) of consumers say that their shopping center visits today are more likely to include a variety of different activities compared to two years ago.
- Over the past two years, the largest shares of consumers have increased their visits to fitness/wellness (36%) and medical facilities (34%) in shopping centers.
- Since January, 81% of shopping center visitors have spent on food and beverage (F&B) services there, 80% purchased from traditional retailers, 42% spent on leisure and entertainment, and 37% on fitness/wellness.
- About two-fifths (38%) of U.S. adults are now spending more on eating/drinking at dining establishments than two years ago.
- Despite widespread use already, half (50%) of U.S. consumers want to see more dining options in shopping centers, while 40% want more leisure and entertainment venues.
- After traditional retailers, F&B as well as leisure entertainment are significant drivers to shopping centers.
- Close to half (45%) of U.S. adults would travel farther to a shopping center that offers a larger mix of tenants than one that is closer with a less diverse mix.
- More than half (55%) of consumers say it is very important for retail and F&B services to be closely located to each other.
- Consumers also feel strongly about retail being close to entertainment facilities and residential properties.

As landlords adjust to a more competitive environment, evaluating the highest and best uses of their developments is crucial. Properties that incorporate a mix of uses are top-of-mind for developers and consumers alike as they appeal to a growing demand for convenience, instant gratification and the all-encompassing experience. Retailers, restaurants, entertainment, personal/professional services, offices and housing combine into curated venues where most of one’s daily destinations are all within very close proximity to each other.

These “live, work, shop, play” environments are becoming increasingly popular as more than half (56%) of the adult population in the U.S. says it is **very important to have daily destinations nearby**.<sup>1</sup> Overall, as shown in Chart 1, 78% of U.S. adults would reside in such a place. Half (50%) of adults also say that these developments that offer a blend of lifestyle elements, are **more attractive today than they were five years ago**.

Chart 1

U.S. Adults Who Would Reside in a “Live, Work, Shop, Play” Community by Generation



According to results from the National Association of Realtors,<sup>2</sup> people with a lot of places to walk nearby, such as shops, cafes, and restaurants, are more satisfied with the quality of their community. Furthermore, 80% of respondents surveyed in that study say that being within an easy walk of other places and amenities in a community, such as shops, is important when deciding where to live.

### Retail Centers Becoming Consumer Centers

Shopping centers are uniquely positioned to serve as community hubs—not merely places where shoppers can purchase goods, but also a crossroads where people can buy what they need or want as well as dine, secure needed services, relax or work. Their transition to multi-use destinations puts them at the forefront of the retail renaissance.

To accommodate new consumer preferences for more convenient and engaging environments, a diverse assortment of non-retail or service-based tenants, as well as alternative property types, are being added to the traditional shopping center mix. **The influx of non-retail/service-based establishments in shopping centers over the past several years has been noticeable.** According to data from CoStar,<sup>3</sup> the share of total shopping center space (including open-air centers and malls) allocated to non-retail/non-restaurant tenants at the end of 2018 was nearly 25%, up from 19% at the end of 2012. (See Chart 2.)

One specific area of growth is in the number of fitness centers and healthcare clinics in shopping centers. From 2008 and 2018, the number of fitness centers in shopping centers (including traditional/boutique gyms, yoga, cross-fit and cycle studios) increased from 6,218 to 14,044.<sup>4</sup> Looking at healthcare tenants overall, there are approximately 12,000 shopping centers in the U.S. with at least one. Considering medical clinics alone, 2,800 of them occupied retail space in 2017, up from 351 in 2006. It is

<sup>1</sup> These results and others in this report are based on a representative poll of 1,004 adults in the U.S., conducted from March 21 to 24, 2019, by Engine Insights on behalf of ICSC.

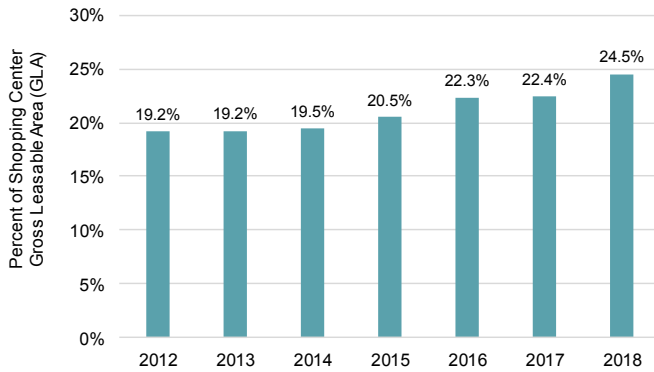
<sup>2</sup> National Association of Realtors, “National Community and Transportation Preferences Survey,” September 2017, p. 11 & 13.

<sup>3</sup> Copyright, CoStar Realty Information Inc. ([www.costar.com](http://www.costar.com)).

<sup>4</sup> “The Dawn of the Age of Omni-Fitness (Part I),” *Industry Insights: Industry Sector Series*, International Council of Shopping Centers, April 10, 2019, p. 4.

**Chart 2**

Shares of U.S. Shopping Center GLA Allocated to Non-Retail / Non-Restaurant Tenants



estimated that the number of medical clinics in retail space could grow to 4,000 by 2020.<sup>5</sup>

Incorporating new tenant types and a mix of uses alongside traditional retailers draws additional, more frequent traffic—29% of consumers in the ICSC survey say the presence of non-retail tenants *encourages more frequent shopping center trips*—and creates excitement through one-of-a-kind experiences.

Adding tenants other than retail also provides consumers the opportunity to accomplish more during a single trip and increases efficiency. About two-fifths (38%) of consumers now make more trips to shopping centers because of the greater variety of tenants that allows them to get more done during one stop as opposed to making separate trips to different locations.

**Non-Retail Tenant Visits Have Risen Over The Past Two Years**

Diversifying the tenant mix has had a noticeable impact on consumer shopping patterns. Given the previous discussion about an increase in the number of service-based tenants opening in shopping centers, it is unsurprising that visits to non-retail tenants are growing. More than two-fifths (44%) of consumers say that their *shopping center visits today are more likely to include a variety of different activities* compared to two years ago and close to half (45%) of U.S. adults would travel farther to a shopping center that offers a wider variety of tenants than one that is closer with less.

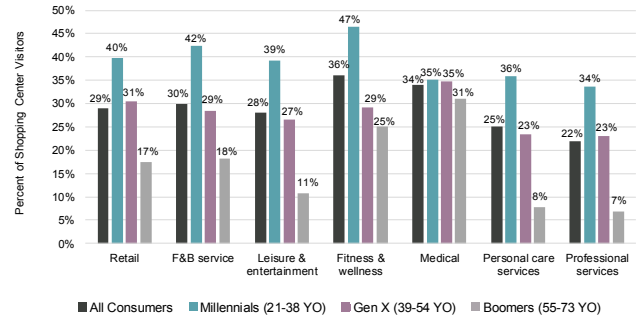
Additional data collected from other ongoing ICSC consumer surveys supports this trend. Despite spending on goods being more than on services, average monthly expenditures on services actually grew at a faster rate than on goods, 16% and 7%, respectively, between 2016 and 2018.

When asked about how their visits to various tenants in shopping centers have changed over time, the largest shares of consumers indicate *more frequent trips to fitness/wellness and medical facilities* than any other non-retail category. Just over one-third (36%) of consumers say they visit health/wellness facilities, such as gyms, yoga/cycling studios more now than two years ago. (See Chart 3.) This is particularly true for Millennials, nearly half (47%) of whom are now visiting these venues more compared to far fewer Gen Xers (29%) and Baby Boomers (25%).

“There has definitely been a lifestyle shift compared to where the [spa] industry was 15 to 20 years ago,” says Kris Smith, VP of

**Chart 3**

Shopping Center Patrons Who Have Increased the Number of Visits Over the Past Two Years by Tenant Type (by Generation)



Real Estate Development for Hand & Stone Massage and Facial Spa.<sup>6</sup> Consumers are taking more responsibility for their own health and wellness. The International Spa Association also says there were approximately 187 million spa visits in 2017—about 511,000 daily.<sup>7</sup>

Roughly one-third (34%) of consumers are also visiting medical facilities in shopping centers more than they did a couple of years ago and about one-quarter (28%) are going to leisure and entertainment venues in shopping centers more.

When it comes to F&B dining venues in shopping centers, about 30% of consumers have increased their visits. Actual spending at restaurants has also risen over the same two-year period. About two-fifths (38%) of U.S. adults now spend more on eating/drinking at dining establishments (including takeout). By generation, almost half (47%) of Millennials are currently spending more on dining compared to 35% of Gen X and 31% of Baby Boomers.

**Shoppers Now Spending at an Array of Tenant Types**

The assortment of tenants now found at shopping centers coupled with the rise in visits to non-retail establishments corresponds with how consumers are spending money. Despite the rise in services, *buying goods is still dominant*, as 80% of consumers who visited a shopping center so far this year made purchases at retail establishments. (See Chart 4.) Based on ICSC’s ongoing consumer surveys, spending on goods at traditional retail stores is about three-quarters (72%) of total monthly shopping-center expenditures, the remaining share goes to services, including dining.

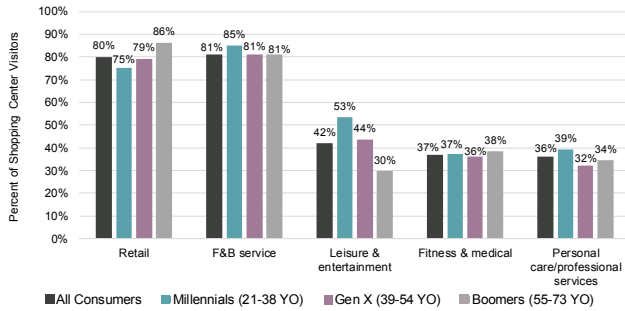
Among the non-retail tenants, *F&B services is by far the most popular*. Since January, over four-fifths (81%) of shopping-center patrons spent at one of these venues, including fast food, coffee/confectionery shops, full-service casual or fine dining, limited-service fast-casual dining, and drinking establishments.

The overwhelming consumption of F&B in shopping centers is unsurprising given that the amount of space dedicated to the food-service sector across the global landscape is clearly increasing each year. According to a 2017 ICSC report<sup>8</sup>, “The amount of space typically dedicated to food within existing properties has grown from 5% a decade ago, to 10-15% now in some European markets (in the U.S. this can be slightly lower, averaging 8-9%), but is forecast to reach 20% of total space in some of these markets by 2025. New destination properties in these markets typically have up to 25% allocated to food.”

<sup>5</sup> “Health Care: A Growing Force in Retail Real Estate (Part I),” *Industry Insights: Industry Sector Series*, International Council of Shopping Centers, December 13, 2018, p. 1.  
<sup>6</sup> Kris Smith quoted in Beth Mattson-Teig, “Spas Go Mainstream,” *SCTWeek*, International Council of Shopping Centers, March 22, 2019.  
<sup>7</sup> *Ibid.*  
<sup>8</sup> “The Successful Integration of Food & Beverage Within Retail Real Estate,” International Council of Shopping Centers, 2017, p. 9.

**Chart 4**

Where Shopping Center Visitors Have Spent Since January 2019 by Tenant Type (by Generation)



In addition to buying goods and eating/drinking, consumers also find time for enjoyment and 42% spent money at shopping centers on leisure/entertainment activities, confirming that U.S. consumer shopping habits are changing and there is a **growing preference to spend on experiences rather than merchandise**.

According to *Hotel News Now*, an online news resource for hotel decision makers, consumers, particularly Millennials, increasingly express a preference for “doing” over “owning,” and this puts entertainment attractions in position to capture demand for experience-based commerce.<sup>9</sup> While movie theaters, traditional video game arcades, climbing walls and interactive family entertainment centers are still found in shopping centers, newer concepts are slowly emerging and being used to create excitement, while capitalizing on the existing foot traffic themselves. Competitive socializing, “beercades,” “eatertainment” facilities, virtual reality arcades, esports lounges and escape rooms are just some of the concepts identified by JLL.<sup>10</sup>

Individual uses are also being combined to maximize their appeal. For example, F&B services and leisure/entertainment are now often united as a single concept. F&B establishments are adding entertainment components, while leisure venues are offering a wider variety of more appetizing food and drinks. For nearly half (49%) of adults, **restaurants that combine their F&B offering with a leisure and entertainment component are significantly more appealing than those without any activities**.

After all their eating and drinking, consumers are trying to remain healthy and are going to gym/fitness centers, yoga and cycling studios and visiting medical clinics in shopping centers, too. Since the beginning of this year, over one-third (37%) of consumers spent at a fitness or medical facility in a shopping center.

There are generational differences when it comes to what consumers have spent on at shopping centers since the start of 2019. Nearly nine of 10 (86%) Baby Boomers bought retail goods compared to 76% of Generation X and 75% of Millennials. Looking at leisure/entertainment, more than half (53%) of Millennials spent on these activities at shopping centers while fewer Gen Xers (44%) and Baby Boomers (30%) did the same. This, of course speaks to Millennials being less interested in accumulating things and more focused on paying for experiences. The shares of each generation are more similar when it comes to spending on F&B services, health/wellness and personal care/professional services.

**Interest In Even More Non-Retail Tenants Persists**

Even though there is widespread use of non-retail/service-based offerings already, **consumers’ appetite for these in shopping**

**centers remains strong**. Half (50%) of consumers want to see a greater number and variety of F&B service establishments. Interestingly, a larger share of Baby Boomers (57%) prefer this than Gen Xers (50%) and Millennials (46%). Two-fifths (40%) of consumers want more leisure/entertainment venues in shopping centers, too. Interest in these venues is greater among Gen Xers (44%) than Millennials (38%) and Baby Boomers (36%), perhaps due in part to more Gen Xers having children and wanting additional places within their communities to bring them.

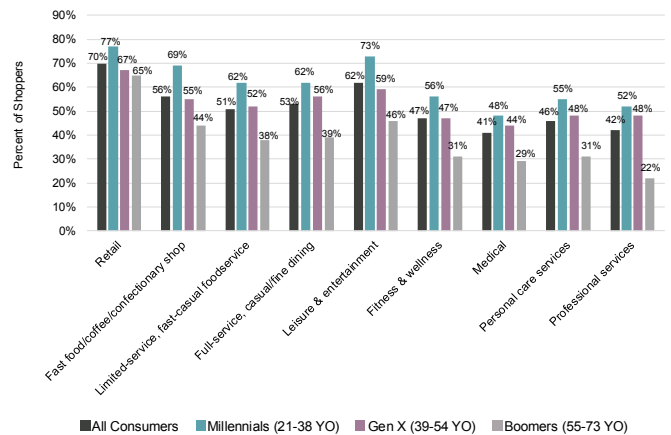
About one-quarter of consumers also say they would like more medical/health clinics (28%), personal care services (26%) and gyms/fitness centers (25%). For the latter category, more Millennials (29%) and Gen Xers (28%) are interested in these than Boomers (16%).

**Motivations Behind Shopping Center Visits**

Although consumers end up visiting and spending at a wide range of tenants once at a shopping center, certain ones have a greater influence on attracting shoppers in the first place. Further confirming results already highlighted, retail establishments are rated highest as the largest share of consumers (69%) say their visits to a shopping center are “moderately” or “largely” motivated to make a shopping center trip by those tenants. (See Chart 5.)

**Chart 5**

Tenant Types That “Moderately” or “Largely” Motivate Trips to Shopping Centers (by Generation)



Among non-retail tenants, three-fifths (62%) of consumers are driven to a shopping center by the leisure and entertainment venues. Nearly as many (56%) are enticed by the fast food/coffee shops, while just over half (53%) are drawn by the full-service, casual/fine dining restaurants and 51% by the limited-service, fast-casual dining establishments. To a lesser extent, still influential are fitness & wellness facilities (47%), personal care services (46%) and professional services (42%).

In addition to motivating shopping center visits, certain tenants also play a role in a consumer’s decision about which center to visit. When asked about the types of tenants they would be willing to travel farther to visit, again, the largest share (53%) indicated retail establishments. This is followed by F&B services (34%), leisure/entertainment venues (33%), health/wellness/medical facilities (24%) and personal care/professional services (24%).

<sup>9</sup> Nuresh Maredia, “Amusement and Leisure Attractions in American Malls,” *Hotel News Now*, December 17, 2018.

<sup>10</sup> James Cook, Taylor Coyne, Jennifer Dimaano, “Playing Games: Food, Drink and Friendly Competition Prove an Attractive Mix for These Expanding Tenants,” Jones Lang LaSalle, 2019, p. 3.

**Table 1**  
Rating The Importance of Proximity Between Tenant Pairs in a Shopping Center

|                                       | Retail         | Residential    | Office         | Food & Beverage Services | Medical Facility | Fitness & Wellness | Leisure & Entertainment | Personal Care & Professional Services | Hotel          |
|---------------------------------------|----------------|----------------|----------------|--------------------------|------------------|--------------------|-------------------------|---------------------------------------|----------------|
| Retail                                | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |
| Residential                           | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |
| Office                                | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |
| Food & Beverage Services              | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |
| Medical Facility                      | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |
| Fitness & Wellness                    | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |
| Leisure & Entertainment               | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |
| Personal Care & Professional Services | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |
| Hotel                                 | VERY important | VERY important | VERY important | VERY important           | VERY important   | VERY important     | VERY important          | VERY important                        | VERY important |



**Mixing Uses Creates “Convenient” Synergies**

Incorporating non-retail tenants and other uses into a development needs to go beyond simply sticking them wherever there is space. The real benefit of mixing uses comes from skillfully placing them in strategic locations near other compatible uses, so consumers find the maximum level of convenience by having the pair located close to each other. After all, general *convenience and time efficiency* resulting from being close to almost everything is the main reason cited by more than half (55%) of adults for wanting to reside in live, work, shop, play community environments.

“The success of a mixed-use development depends on the synergy of all the pieces—retail, residential, office, entertainment—working together to empower the other asset classes,” writes Steve McLinden, a contributor to ICSC’s *Shopping Centers Today*.<sup>11</sup> Mixed-use properties done the right way attracts people wanting to take advantage of the added conveniences located where they are also living and working.

The synergy between two uses is examined here by identifying the level of importance, according to consumers, for the pair to be located close together on the same property to boost convenience. (It is important to note that a lower rating does not mean pairs are incompatible, but only suggests that fewer consumers indicate high importance for the two to be located near one another.)

The pair with the strongest synergy (or the one with the highest share of consumers noting high importance for the two to be closely located to each other) is *retail and F&B services*. (See Table 1.) More than half (55%) say it is either “extremely important” or “important” that the pair be near one another. Adults

also have strong feelings in terms of convenience for retail to be located close to leisure and entertainment (46%), residential properties (43%), and medical facilities (38%).

The relationship between retail and medical uses in shopping centers was explored in greater detail in a 2018 ICSC report about the synergies created by health and wellness tenants in Australia. One of the main findings was that on the day of a health and wellness-related expenditure, spending on retail goods increased 18%, from an average of \$104 per shopping center visit to \$123.<sup>12</sup>

F&B services have the strongest connections with the greatest number of other uses. Aside from retail, large shares of consumers also say it is “extremely important” or “important” for convenience that food services be nearby residential properties (55%), leisure and entertainment (50%), and hotels (47%).

Among all other property use pairs examined, nearly half (49%) of consumers indicated strong preferences for residential to be close to medical facilities. Additionally, 43% said the same about residential and leisure/entertainment, while 40% highly rated the importance of residential and personal care/professional services.

**Conclusion**

Shopping centers are inextricably woven into the fabric of American life and that is not likely to change anytime soon. These venues continue to play a vital role in the everyday lives of consumers as they are overwhelmingly the places that satisfy their daily needs. Consumers’ preference for convenience are being met as shopping centers become destinations that offer a symbiotic mix of retail and services incorporating living necessities and leisure activities for a seamless experience.

<sup>11</sup> Steve McLinden, “Retail Is The Vital Hub For Successful Mixed-Use Development, Experts Say,” SCTWeek, International Council of Shopping Centers, June 1, 2018.

<sup>12</sup> Ian Shimmin, “Health and Wellness Tenants Create Multiple Synergies,” *Industry Insights: Industry Sector Series*, International Council of Shopping Centers, May 7, 2018, p. 4.

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