2025

Are Class A Malls the Next Hot Retail Format?

NEWMARK

Introduction

Since the retail fallout following the Great Financial Crisis—marked by the onset of department store decline and the rapid rise of e-commerce adoption—malls have largely been viewed as a fading retail format. From high-level industry events to casual conversations on Reddit and other social media platforms, many consider the mall a lost cause, eclipsed by more accessible formats such as neighborhood, community and strip centers, power centers and mixed-use retail.

However, a closer look at the data reveals a more nuanced story: not only do malls remain relevant, but in many cases, they are outperforming other retail formats and still have room to grow. When malls are well-located, well-capitalized and well-managed, they continue to serve as regional retail anchors, consistently attracting strong occupancy, steady visitation and—most importantly—high sales performance. This is especially true for Class A malls, which not only exhibit durable fundamentals but continue to evolve through new tenants, experiential programming and technology integration that engages today's consumer.

Class A malls are not merely holding steady—they are excelling.

Key Takeaways

1. Class A malls have emerged as one of the highest-performing retail formats over the past year, with high occupancy and growing sales, and are positioned for continued success through 2025 and beyond. While the broader mall format has fallen out of favor, limited new supply has maintained their appeal to retailers. At the same time, well-capitalized centers have leveraged emerging technology to stay relevant.

2. Foot traffic at Class A malls remains steady—continuing to resonate with consumers as both a shopping destination and a "third place" across generations.

3. Asking rents continue to rise while available space declines—one of the clearest illustrations of supply and demand in today's retail real estate market.

4. Mall development has been even more limited than overall retail, helping to preserve strong fundamentals due to the absence of new competition, and encouraging reinvestment into existing assets.

Consumers Continue to Visit Class A Malls Even in an Uncertain Economic Climate

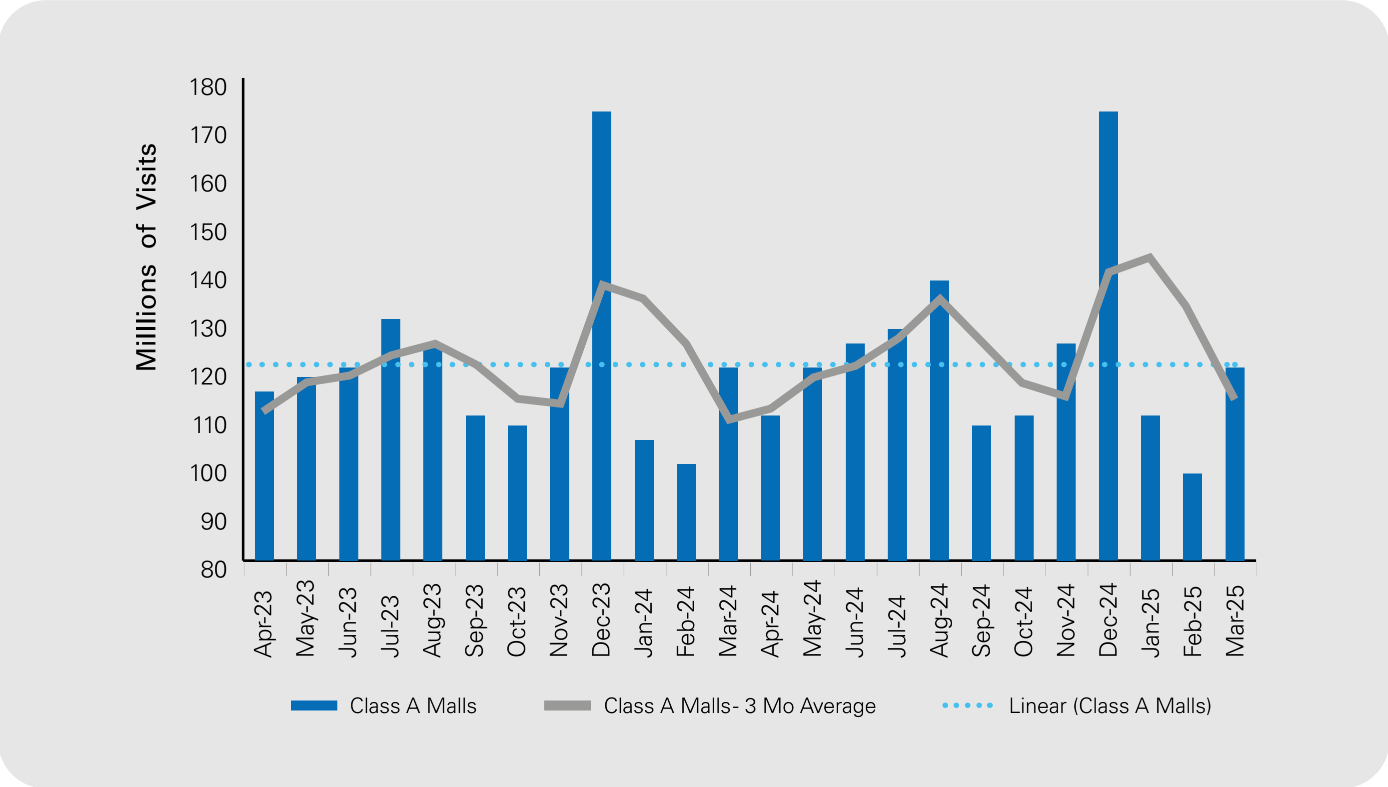
Monthly visits to Class A malls remained steady in 2024—if not trending slightly upward—bolstered by a strong holiday season and solid performance during typically slower months such as January and February, followed by a healthy rebound in March.

This growth has outpaced that of lower-tier malls. Comparing 2024 to 2019, foot traffic at Class A malls declined 2.5%, while Class B and lower-tier malls saw a sharper 13.2% drop, underscoring a clear divide. Over the same period, foot traffic to neighborhood, community and strip centers (NCS) grew 2.6%, as these formats quickly adapted to post-pandemic trends, particularly with the success of curbside pickup and drive-thru options.

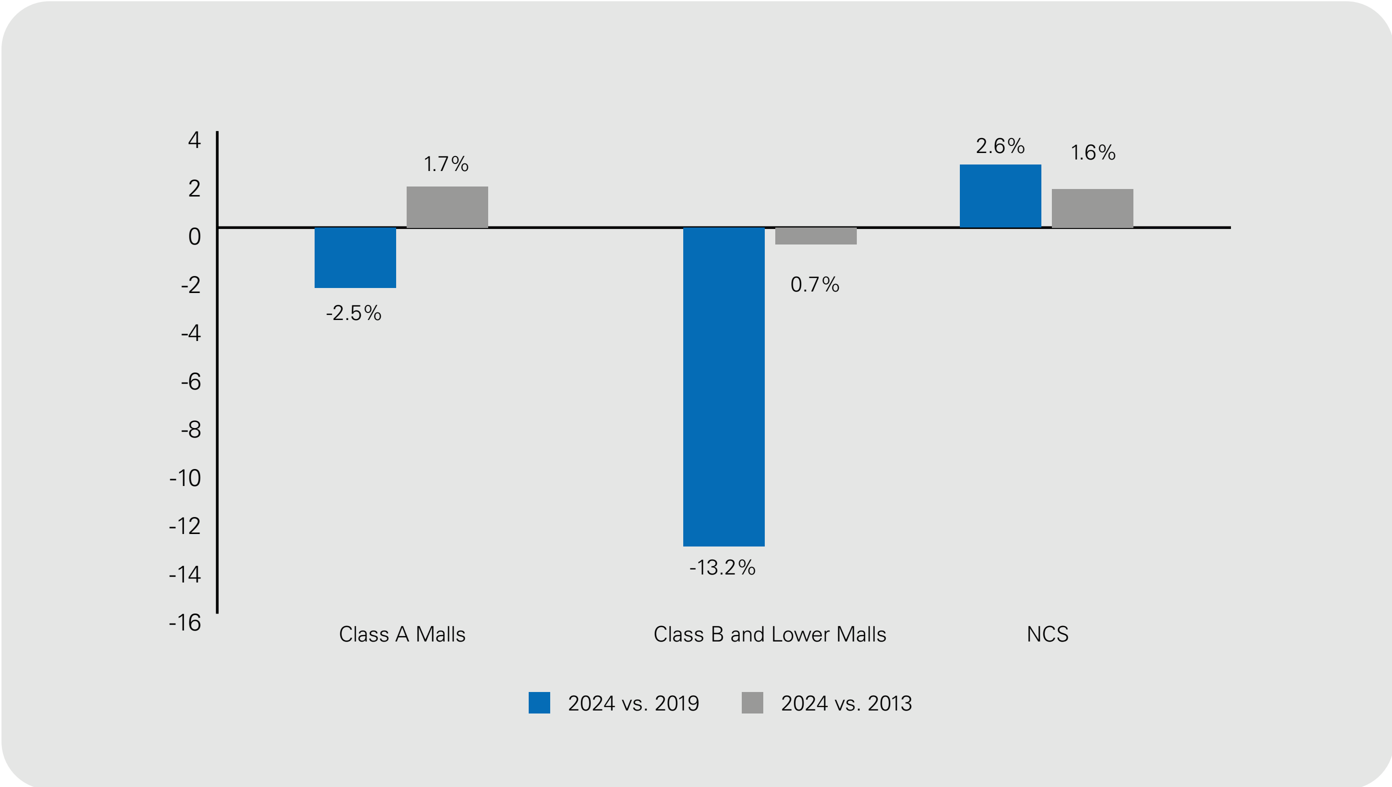
From 2023 to 2024, Class A malls recorded a 1.7% increase in foot traffic—outperforming Class B malls, which declined 0.7%, and even edging out NCS, which grew by 1.6%.

This positive momentum has continued into 2025. In March, total mall foot traffic rose 1.8% year-over-year, according to Placer.ai, while open-air shopping centers experienced a 1.1% decline—highlighting the relative strength and resilience of the enclosed Class A format.

Monthly Visits to Class A Malls and 3-Month Rolling Average



Annual Visits in % Change, Class A Malls vs. All Other Malls and NCS



Who are the people visiting Class A malls?

At times, it was believed that younger generations would favor digital shopping over physical retail—but the opposite may be true. Multiple studies by groups such as Coresight, EY and ICSC, suggest Gen Z, a key target demographic for retailers, actively enjoys visiting malls not just to shop, but to spend time socially as a "third place." Malls provide a safe, climate-controlled environment to meet friends, go on dates or simply hang out, all with no cost of entry.

Acting as modern-day town squares, malls offer a mix of dining options, entertainment in the form of movies, physical activities and pop-up events. The best malls are also visually engaging, featuring "Instagrammable" decor that encourages social sharing. This variety resonates with Gen Z and Millennials, who seek out experiences alongside material purchases. In some cases, malls even offer a welcome break from screen time through activities like people-watching or window-shopping.

For example, a holiday shopping survey by EY found that more Gen Z respondents planned to shop in-store (63%) than online (50%). Coresight revealed in a recent interview that younger adults are more likely to visit enclosed malls, while older consumers prefer the convenience of open-air centers. This trend is consistent with a 2023 MG2 study focused on Gen Z, which found a clear preference for in-store shopping, driven by the desire to try products in person and experience them on their own terms.

There are added benefits to attracting the Gen Z crowd. Some retailers have found that marketing to Gen Z also helps them connect with Gen X—their parents. At Shoptalk Spring 2025, Zadig & Voltaire shared that Gen X has become their second most important customer segment, as many are introduced to the brand through their children.

With a strong presence in malls, Zadig & Voltaire is well positioned to tap into this cross-generational appeal. For Gen X, mall visits can evoke a sense of nostalgia—calling to mind the 1980s and 1990s, from Tiffany's cover of I Think We're Alone Now to the New Radicals' You Get What You Give. Today, however, these memories are layered with modern updates, as Class A malls blend retro familiarity with the upscale design, technology and experience-driven environments that resonate across generations.

Retailers Benefit from Locations in the Top Centers

When it comes to occupancy, Class A retail formats are performing on par with—or better than—the national retail average, which includes freestanding properties. These centers are also generating strong revenue, with sales per square feet continuing to climb across top-tier malls. Class A++ malls are now achieving sales above $1,500/SF, while even Class A– malls are averaging $635/SF.

Much of this momentum is driven by the strength of their core tenant mix. Brands such as Gap, Tapestry and Victoria's Secret—all among the top ten tenants in Simon Property Group's portfolio—have exceeded expectations in recent earnings, posting steady to solid comp growth in 2024 and raising guidance for 2025.

Meanwhile, many national retailers are consolidating their footprints, with closures primarily impacting class C and lower-tier malls. These centers are typically the first to experience store exits and continue to weigh down broader mall performance metrics. Class C and below account for approximately 30% of total mall inventory—a significant drag on the sector's overall perception. As a result, the continued outperformance of Class A malls has at times been overshadowed, despite only 36% of malls falling within the Class A and higher category.

Although luxury and other higher-end retailers thrive in high-street locations—especially at flagship stores—Class A malls remain essential to their brick-and-mortar growth strategies. Not every market has the density to support a robust street retail district, making top-tier malls a practical and strategic alternative. These centers offer a secure retail environment, along with the benefits of co-tenancy with other premium brands and experience-focused occupiers such as cinemas, restaurants, salons and medical services—all of which are becoming increasingly common within mall settings.

By targeting Class A malls, retailers can also ensure alignment with strong-performing peers. With space in these centers at a premium, owners have reported actively managing tenancy to enhance performance—encouraging underperforming retailers in prime locations to relocate within the property to make way for high-performing or in-demand brands. This level of curated turnover is far more difficult to achieve in lower-tier malls, where demand is softer—a point reinforced by current occupancy trends.

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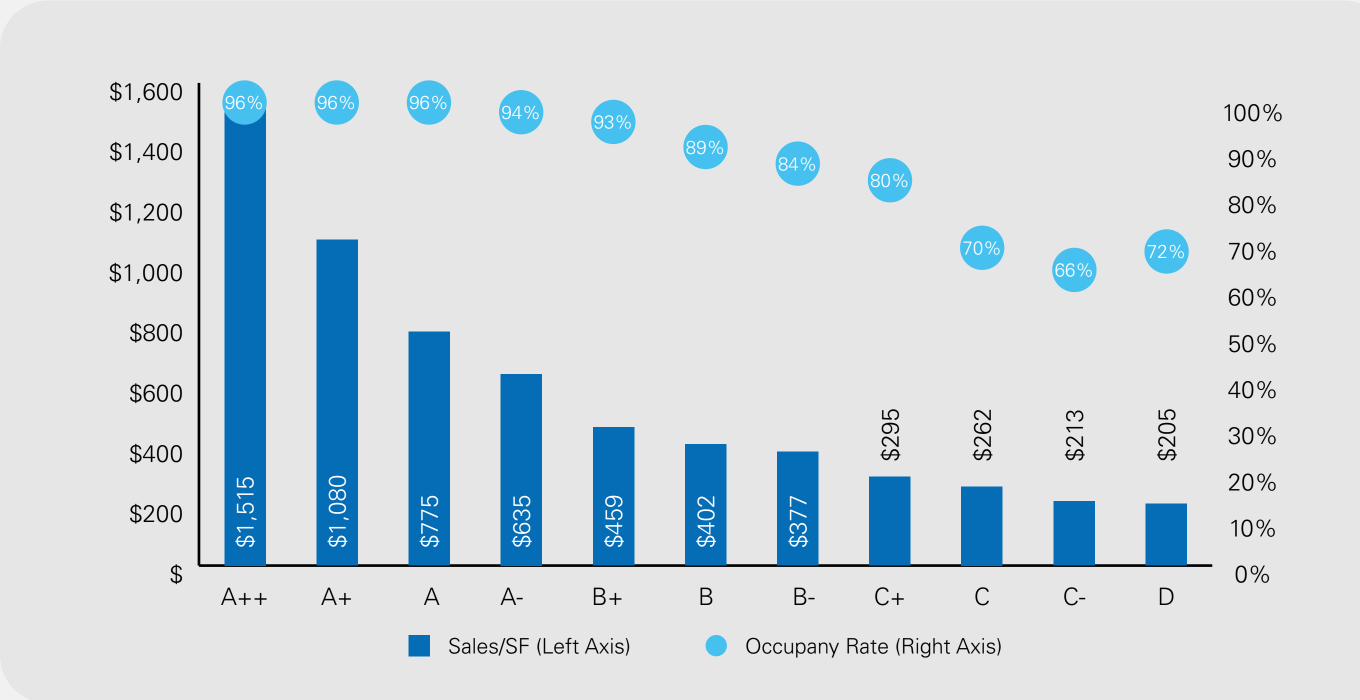
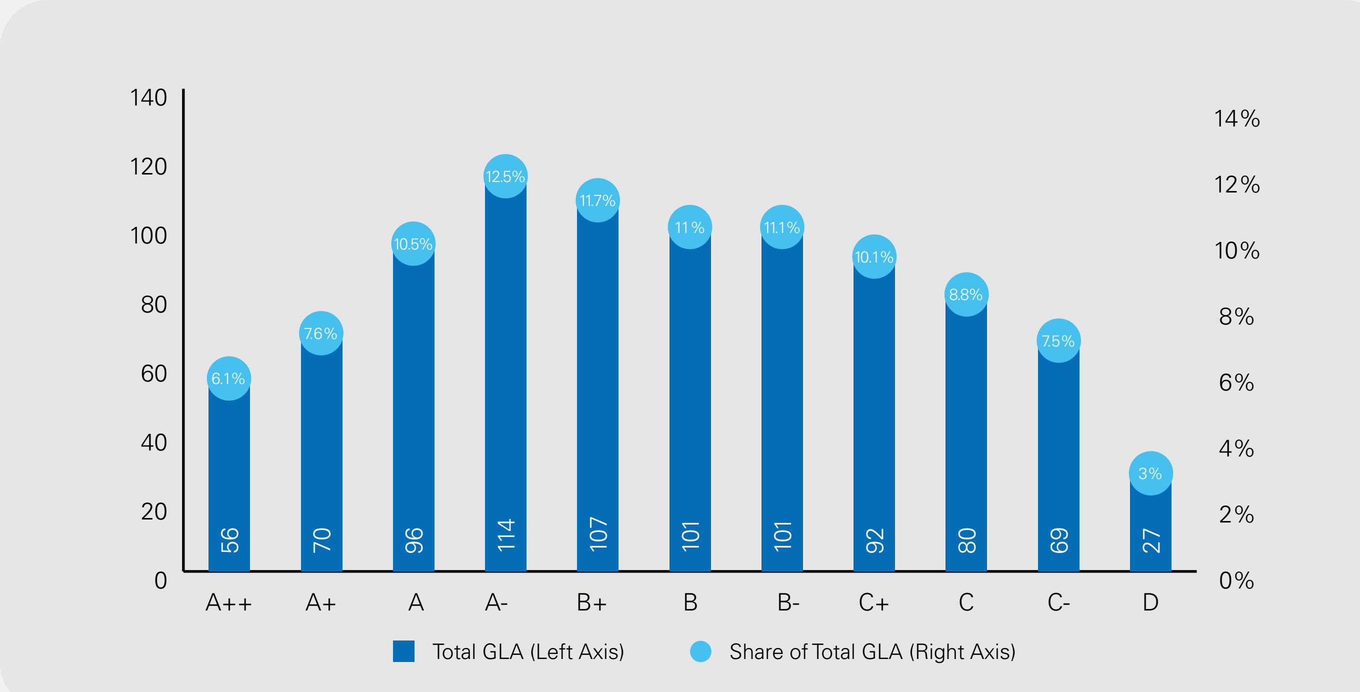
Mall Sales/SF and Occupancy Performance by Class



Total Footprint by Class, and Share of Total Mall Footprint



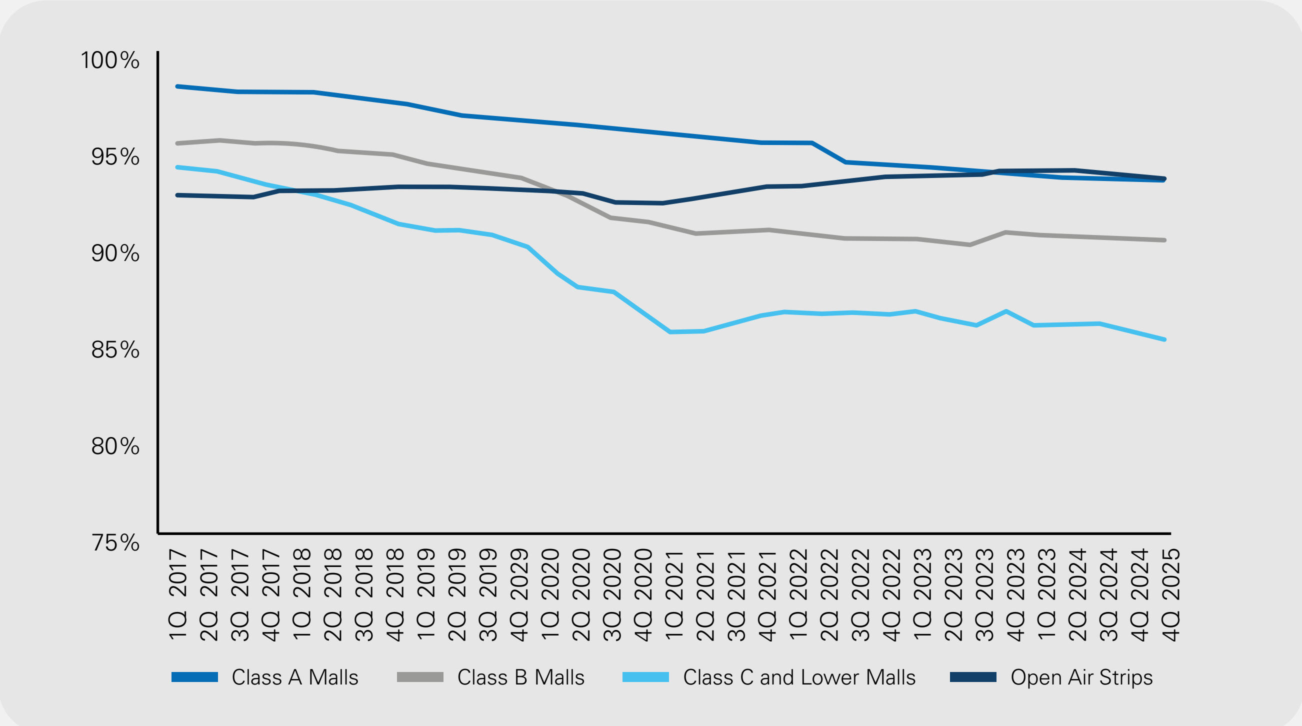
What Does This Mean for Mall Fundamentals?

Although occupancy trends over the past seven years have challenged the mall sector, much of the pressure has been concentrated in Class B and lower-tier properties. Since 2017, Class B malls have seen a 580-basis point decline in occupancy, now averaging around 90%. Class C and lower malls have experienced a steeper drop—down 1,050 basis points to just 84%. In contrast, Class A malls have remained more stable, declining only 440 basis points and holding a 94% occupancy rate as of first quarter 2025. Notably, Class A performance has kept pace with open-air retail, which gained favor following the pandemic.

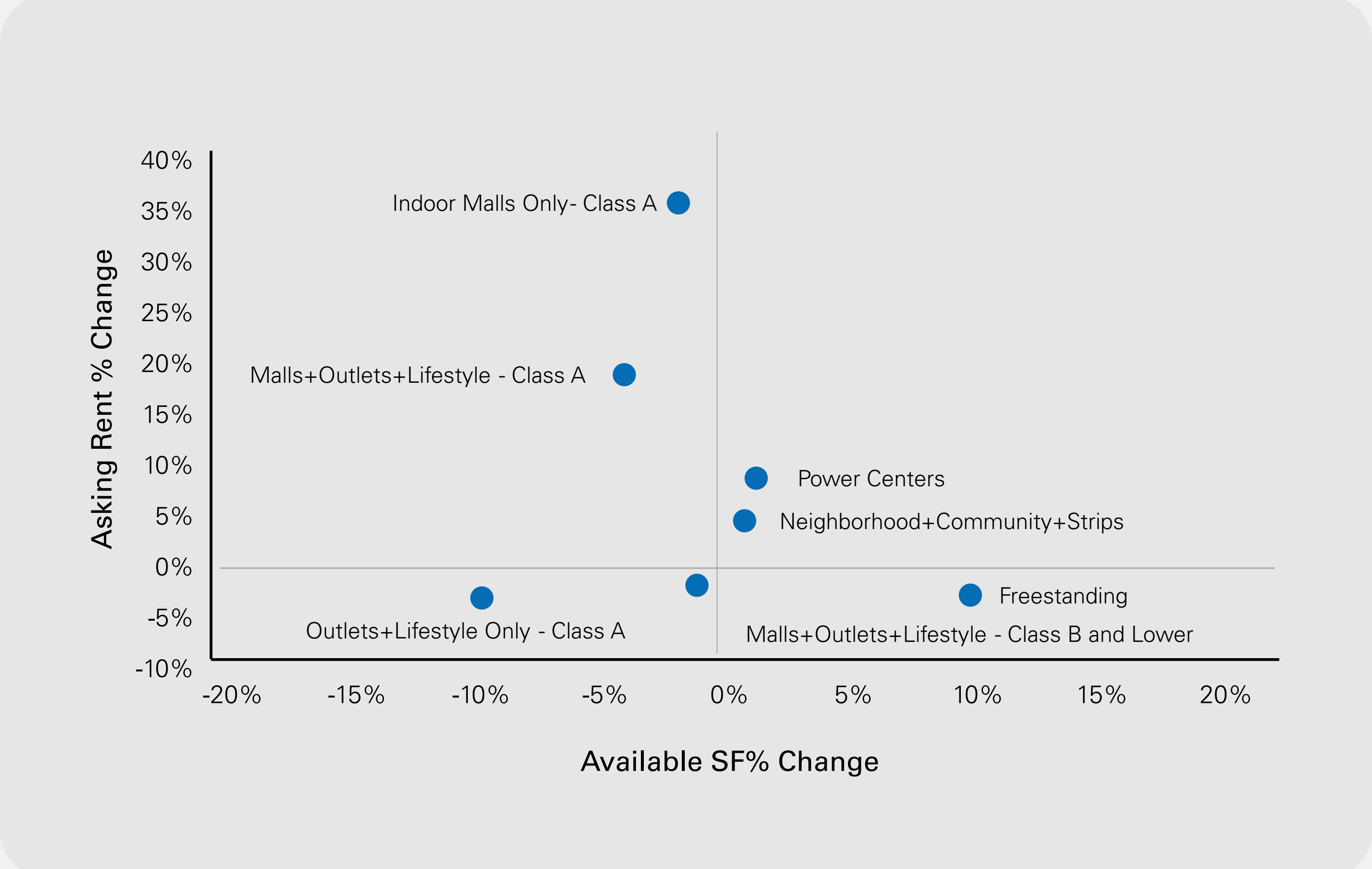
These shifts are largely the result of retailers consolidating their footprints to create more efficient store networks. Many brands that were previously mall-reliant are now targeting growth in open-air formats like neighborhood and community centers. As a result, closures have been concentrated in malls with weaker traffic and sales performance—placing Class A malls in a stronger competitive position and making them a preferred format for retailers adjusting their strategies.

Occupancy and rents have remained resilient across U.S. retail, largely due to the prolonged scarcity of new retail development since the Great Financial Crisis. This is especially true for malls—fewer than 24 million SF of new mall space has been delivered since 2010, accounting for just over 3% of total inventory.

Occupancy by Retail Format



Available Space and Rent Growth % Change by Retail Format, 2023-2024



When it comes to the numbers, Class A malls outperformed all other retail formats in 2024—including open-air strips, power centers and freestanding properties. In comparing asking rent growth with changes in available square footage, Class A malls, lifestyle centers and outlets were the only formats to show both a decline in available space and an increase in asking rents—with indoor Class A malls leading the way. Annual asking rents for Class A malls climbed from just over $24/SF to nearly $33/SF, marking a 36% increase.

While the rent growth appears extraordinary, it aligns with a longer-term trend. When plotted against a pre-e-commerce trajectory, this surge can be seen as a catch-up to the rent path that was on pace from 2000 through 2009—before malls were disrupted by a wave of new construction, a recession and the rise of e-commerce.

Looking ahead, mall occupancy across all classes is expected to remain relatively stable, with only modest quarter-to-quarter fluctuations through the end of 2026. Class A malls are projected to sustain a 330-basis point occupancy premium over Class B malls, and an 880-basis point premium over class C and lower-rated malls.

As for the modern mall, new development has been minimal. Since 2000, just 78 million SF of mall space has been delivered, according to CoStar. That pace has slowed even further in recent years, with less than 24 million SF added since 2010—representing just over 3% of total inventory. This limited development pipeline suggests that existing malls will face little to no competition from new supply in the near term.

Annual Asking Rent for Indoor Class A Malls, All Services, in $/SF

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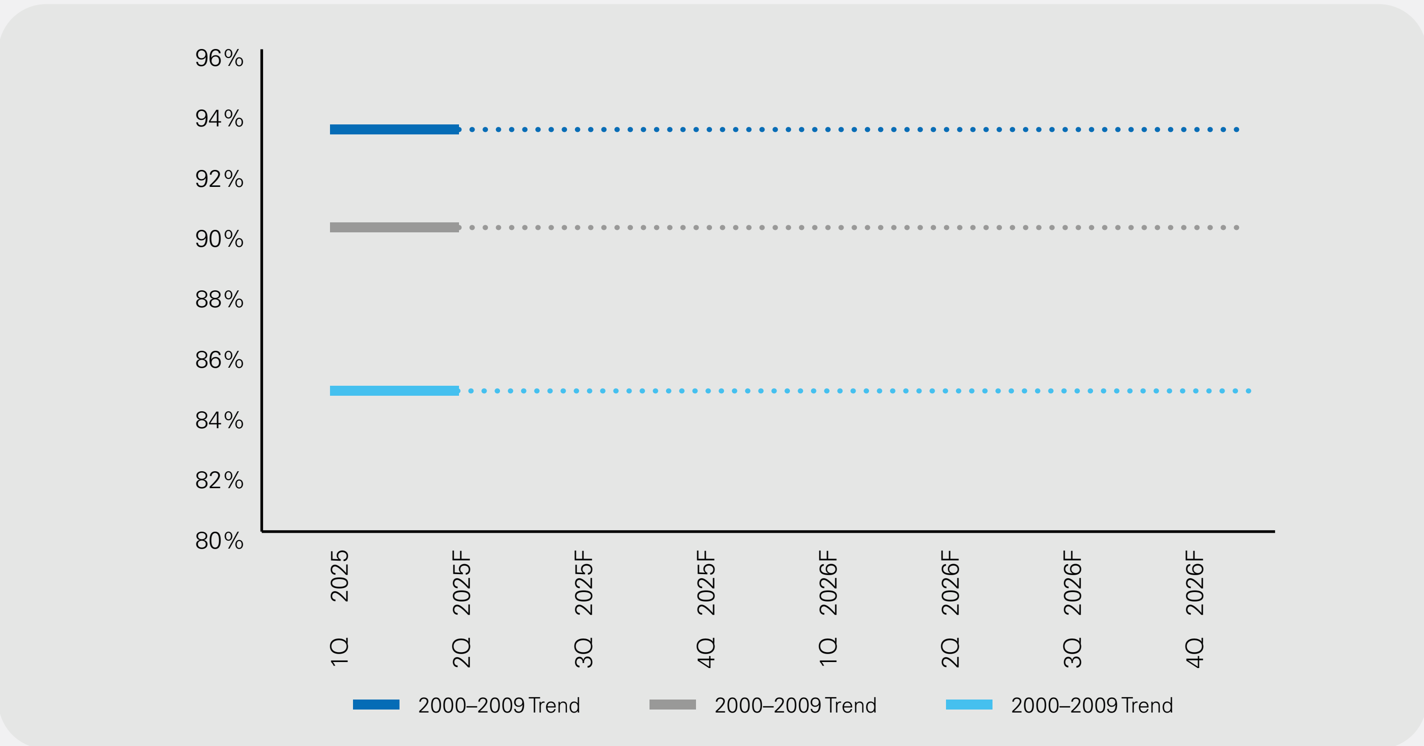

What's Next for Class A Malls?

Many believe we are entering a "third golden age of retail"—a period defined by rediscovering the enjoyment of shopping, leveraging today's technology and tools, and placing the customer experience at the forefront.

As this new era takes shape, Class A malls are well-positioned—but what will help them stay that way? Here are four ways consumers, retailers and owners/developers can collaborate to ensure continued strength:

1. Personalization is now table stakes, with consumers—especially Gen Z and Gen Alpha—placing greater trust in influencers than in traditional ad campaigns. For these digital-native generations, social media sets the standard for authenticity. Malls can harness this shift by embracing social commerce, promoting in-center events and allowing visitors to engage with products on their own terms—without conforming to traditional retail expectations.

2. Despite the rise of e-commerce, approximately 40% of retail transactions are still made in person, according to the International Monetary Fund and the Federal Reserve. This creates meaningful opportunities for collaboration between malls and their retailers to enhance data strategies, enabling more personalized engagement and targeted promotions.

3. AI-driven tools are quickly reshaping this landscape. Agent-to-consumer (A2C) commerce—powered by generative AI—has begun to curate the customer journey in real time. In the past year, 45% of U.S. consumers have used generative AI, with 58% of that group opting for AI over traditional search engines to find product recommendations. This trend accelerated over the most recent holiday season and is expected to continue gaining momentum. In addition, anonymized insights drawn from these technologies can serve as an alternative revenue stream for both mall owners and their occupiers.

4. Malls also stand to benefit from continuous reinvestment and re-imagination. Owners have increasingly repurposed dark anchor spaces and underutilized areas to introduce smaller-format retail, public gathering spaces or alternative uses such as multifamily or boutique office developments. In many cases, landlords have regained control of former department store spaces—often under separate ownership—and are now repositioning them to enhance the overall value of the center. For example, Macerich, owner of Los Cerritos Center—a Class A+ mall in the Los Angeles metro area—has taken control of a vacant Sears and is evaluating next steps, including transforming the site into modern retail space or developing multifamily units. Either option would densify the already successful property and help sustain long-term growth.

5. While Class A malls have received much of the spotlight for their strong fundamentals, Class B malls may now be poised for renewed investment and modernization. This would be a timely shift, as less than 3% of U.S. mall space is 10-years-old or newer. Simon Property Group, the largest mall owner in the country, is looking to build on the strength of its 130 million SF Class A portfolio by elevating its 45 million SF of Class B properties. With prime mall acquisitions increasingly rare, Simon plans to fund these redevelopments through internal cash flow, targeting double-digit returns.

6. Despite solid performance, investment sales of Class A malls have remained rare, as trophy assets are controlled by a short list of REITs and private families which own and operate the assets. Additionally, liquidity has been limited, especially with the "large check size" that Class A malls would trade at. With core capital focused on necessity formats such as grocery and convenience, potential buyers have been quietly emerging that have proven that they can effectively manage and lease properties of this caliber, that are attracted to the stronger rent growth in malls and are looking at them as potential risk-adjusted yield play.

Research Contacts:

Brandon Isner
Director
National Industrial Research
brandon.isner@nmrk.com

David Bitner
Executive Managing Director,
Global Head of Research
david.bitner@nmrk.com

Business Contacts:

Mark Masinter
Chairman, Global Retail
mark.masinter@openra.com

Johnny Siegel
President, Global Retail
johnny.siegel@openra.com

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