

MINNEAPOLIS ST. PAUL BUSINESS JOURNAL

December 1, 2006

Owners of megamall anticipate mega changes soon

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When the Mall of America opened its many doors to the public in 1992, it was considered a grand and extremely risky experiment. Naysayers predicted its quick demise.

They were wrong.

Now, as its 15-year anniversary approaches (August 2007), the Bloomington megamall has become a major Minnesota tourist attraction and regional economic factor, pulling visitors and shoppers from as far as Japan and Europe to the Upper Midwest.

Still, industry experts say MOA and its future has never been — and is not now — without its questions.

In an interview with the Minneapolis/St. Paul Business Journal, one of the owners says the mall — which cost \$650 million to build — has changed the industry and will continue to do so when a proposed expansion is completed.

“This time around will be so much easier because the Mall of America is already a success,” said Raphael Ghermezian, one of the family members who make up Edmonton, Alberta-based Triple Five Partners. “If we were opening a pure, new mall, it would be a different story.”

In November, the Ghermezians spent more than \$1 billion to get sole control of the mall, and now plan to back a \$247 million expansion. Ghermezian said he expects funding and backers for the expansion to be forthcoming.

“I do not anticipate any problems,” he said.

It is clear the Mall of America is entering a new era, kicked off by the Ghermezian family’s acquisition of the megamall from its former partners Indianapolis-based Simon Property Group Inc. and Teachers Insurance and Annuity. The buyout ended years of squabbling about the mall’s future.

Already on the table is a further expansion of the mall and a strengthening of its entertainment component patterned off the Ghermezians’ West Edmonton Mall.

The Phase II, 5.6 million-square-foot expansion on land formerly occupied by the Met Center just north of the existing mall is now working its way through the approval process of the city of Bloomington. The expansion would include a performing-arts center, museum, four hotels and an ice rink, as well as 1.2 million square feet of retail, restaurants and other amenities. The addition would be anchored by a Bass Pro Shops outlet.

A deal to provide a tax subsidy to help fund the project failed in the last legislative session, pushing the groundbreaking plans back until spring.

Maureen Bausch, vice president of business development for Triple Five, said the additions will help further strengthen MOA’s niche in the market.

“These additions will help pull people from further away and entice them to stay longer,” she said.

Past and present

When it opened in 1992, the Mall of America was



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Since its opening, the Mall of America has become a major tourist attraction.

the largest shopping mall in total area in the United States, covering about 2.5 million square feet of retail space. Larger shopping malls exist in Turkey, China, India, Japan, the Philippines, Malaysia and Canada. South Coast Plaza in Costa Mesa, Calif., and King of Prussia Mall in suburban Philadelphia have more retail space.

The MOA is, however, the most visited shopping mall in the world with more than 40 million visitors annually — roughly eight times the population of the state of Minnesota. Mall officials estimate it contributes more than \$1.8 billion in economic activity to the state each year.

At the start, naysayers didn’t give the idea of a mega-sized mall much merit. Such a large facility, offering a jumble of entertainment venues, big-box stores, small retailers, startups and discount stores was a new and risky idea. And its location was in Minnesota.

“It was not exactly a home run,” said Howard Davidowitz, chairman of Davidowitz & Associates, a New York-based retail consulting and investment banking firm. “They [mall developers] were offering incentives that were unheard of to get tenants.”

Since its inception, a plethora of stores have come and gone — something experts say is to be expected simply because of the mall’s size. Mall officials say the turnover rate is about 10 percent, which is typical of the industry.

One thing mall officials admit hasn’t done well is event space and the gated attractions that require admission. Across from one of the third-floor food courts, space for one of the mall’s gated attractions — originally a mini-golf course — has since changed

hands a couple of times. The mall’s fourth floor, a popular nightspot in the early years of MOA, is nearly vacant these days.

MOA officials say the mall is home to more than 520 stores, 20 sit-down restaurants, 30 fast-food restaurants and 36 specialty food stores, as well as attractions such as Underwater Adventures, the Dinosaur Walk Museum and the Park at MOA, with its 1.2 miles of skylights, 400 living trees and annual ladybug release.

Its four anchor tenants are Bloomingdale’s, Macy’s, Nordstrom and Sears — anchors since opening day.

Unclear future

Davidowitz said the mall’s future may now be in question simply because of changes in America’s shopping habits.

“Customers today have chosen new venues other than department stores. They are shopping off the mall at stores like Target, Home Depot, Wal-Mart and Costco,” he said. “Convenience has become more important than ease of shopping. Malls are not as powerful and important as they used to be.”

But Stefanie Meyer, vice president of retail for Bloomington-based United Properties, disagrees.

“There are so many things that the Mall of America has to offer that it diversifies itself. It defies most trends. It is a totally different animal,” she said.

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