



After 53 years, King of Prussia is finally one mall

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It took more than half a century, but who's counting?

King of Prussia becomes one humongous mall on Thursday.

Normally, there's a ribbon cutting at these things.

Not this time. Execs at powerhouse mall owner Simon Property Group plan to connect two ribbons. They'll take one ribbon from the Plaza, one from the Court, and connect them at Savor, the new food pavilion, and announce the Plaza and Court as "no more," only King of Prussia.

"We're giving that to you early," David Contis, president of Simon Malls, said in a giddy manner over the phone on Aug. 5. "It's going to be pretty neat."

A \$250 million expansion - starting 21/2 years ago, but conceived more like five years ago - comes to fruition, to make the formidable Montgomery County mall that attracts 25 million visitors a year even more of a draw, say retail experts.

"The question that Simon Property had to answer was, 'How does a brick-and-mortar mall compete in the digital age?' " said William J. Park, a partner at Deloitte & Touche L.L.P., who heads the firm's retail division for the Philadelphia region. "With the proliferation of online sales and online-only markets like Amazon, we have seen an increase in the fragmentation of the retail market."

Success "can, and will, include physical stores," he said. "Premium malls like KOP need to focus on offering the customer not only a unique product offering, but also a unique experience."

These include speed ramps and escalators at the mall's state-of-the-art, 1,300-space parking deck to get in and out as quickly as possible.

There also are WiFi stations and concierges throughout Savor King of Prussia, its fancy food court with a half-dozen new restaurants, so you don't miss a digital beat while dining.

LED lighting throughout the 2.9-million-square-foot property will save energy.

Some of the most exclusive brands in the world, including Jimmy Choo and Bottega Veneta, enliven the retail mix.

Contis recalled how he got a mandate from his boss, David Simon, chairman and CEO of Simon Property Group, after the company became majority owner of KOP mall in August 2011, acquiring and managing 96 percent.

"He said, 'I want to connect the two [the Plaza and the Court]. Figure it out,' " Contis recalled. "No one until now has tried to figure out how to connect them."

To accomplish that, it took about 60 contractors employing more than 1,900 people working inside the corridor with their respective tenants to build or expand their stores, while construction work continued on the exterior.

Simon built 250,000 square feet of building in the air, with 5,000 tons of steel on more than 900 piles into the ground to hold it up, to connect two massive buildings, four entrances, and two parking garages. The 155,000-square-foot connector ties it all together.

On the project's price, Contis responded, "We're on time, on budget, and spent exactly what we planned to spend. Connecting the two malls and including new retailers and restaurants will provide a level of excitement that today's consumers are looking for."

A recent study, called the Deloitte Retail Volatility Index, showed that retailers that offered consumers a more exciting and different shopping experience in person than they could get online had revenue growth rates of more than 10 percent during the 2010-2015 period, compared with 3.5 percent for the value-oriented stores.

As malls nationally feel pressure from the shuttering of anchor stores and shoppers' discovering of the internet, Contis said KOP faced the opposite problem: It needed to build the corridor because of demand.

He estimated that 7 percent to 10 percent of tenant leases expire each year at KOP, and about half are renewed, leaving only 3 percent to 4 percent of space for newcomers.

"There was such demand for space at our property," Contis said. "We had to be creative to determine how to do it and create a lot of space for tenants that wanted to be there, were new to the market, or wanted spaces for bigger flagship stores."

Five of the 40 new retailers have already opened, including Diane von Furstenberg; 10 more will open Thursday, followed by staggered openings of four or five stores each in September, October, and November, and a handful in 2017.

"It was important that we tap into this market and introduce Jimmy Choo to [the other luxury retailers'] dynamic clientele as well as make it readily available to our loyal customers who live in the Philadelphia area," said Pierre Denis, CEO of the designer shoe company that will open Thursday.

King of Prussia mall sales are estimated to be \$975 a square foot, placing it in the top 10 percent of all U.S. malls in sales productivity. Total sales are expected to be about \$2.8 billion a year.

Said senior analyst DJ Busch at Green Street Advisors, who tracks malls nationally: "King of Prussia is one of the best malls in the U.S., and one that should continue to deliver strong cash flow even in a changing retail environment."

Garrick Brown, head of retail for the Americas at Cushman & Wakefield, said KOP underscored the gap between the haves and have-nots among malls.

"Yes, lower-performing malls are facing serious challenges," said Brown, who is based in Sacramento, Calif. "But top-performing malls generally are having little problem finding tenants, even in this marketplace. After all, those centers have emerged as the places where all of these players *have* to be.

"Shoppers aren't going to abandon centers that offer a premier shopping experience and the most pleasant and comfortable surroundings," he said.

As she walked near the new luxury wing with her mother, Janet Gerhart of St. Simons Island, Ga., said that while many of the same retailers were in local shopping centers, there was something about being at KOP mall.

"There is an elegance to it, and you feel it," said Gerhart, who had grown up near the mall in the late 1960s and who was in town for a weeklong vacation.

The Plaza, the oldest portion of the complex, opened in 1963 as a modest open-air shopping mall anchored by JCPenney.

"I remember John Wanamaker, a pet store, and that's about it," she recalled. "It was only a tiny outdoor mall then. That was in 1969."

The mall has also affected surrounding commercial real estate.

"We are seeing more and more companies come into KOP because their employees are having an increasing base of amenities, such as what the mall expansion represents," said Thomas Kramer, president of TDK Commercial Advisors, which brokers office space in

the area. "It's confirmation that there is a solid demographic, not just a consumer, and also an increasing office worker pool to draw from. We're seeing a tremendous uptick in office space users touring the market, and office rents beginning, and projected to continue, to increase."

The mall expansion brings total retail square footage in the KOP area to 6.3 million square feet.

Simon has spent a billion dollars a year over the last two years on improving and developing its malls. It has added more than 200 restaurants throughout its 200-mall portfolio over the last five years - including seven at KOP mall by the time Savor debuts. "We never look at something and say, 'We're done,'" Contis said. "We are constantly tinkering, improving, and enhancing. Customer experience is a top priority."

For Karen Hoffer, the new corridor at KOP offers much-needed relief. Hoffer, a homemaker in her 50s, drove down from Harrisburg with daughter Michelle Hoffer, 21, a senior at Dickinson College, for a day at the mall.

"Right now, I have to walk in 100-degree heat to walk from one end of the mall to the other," Hoffer said, as the temperature reached the high 80s. "It will just make getting to the other stores much easier with it being air-conditioned. Also, when it's snowing, sleeting, and icing, it will make for a nicer shopping experience."