ICSC European Retail Property School

RESEARCH & SELECTION OF TENANTS

Avi Alkaş, CRX, CSM, CMD, CLS
Chairman
JLL Turkey

European Retail Property School

ICSC

WHAT IS LEASING?

Lease: a transfer of rights to the possession and enjoyment of property for a definite period of time.

*The signed agreement between landlord and **tenant** that establishes responsibility, set standards, and states what is recoverable from tenants for the maintenance process.*

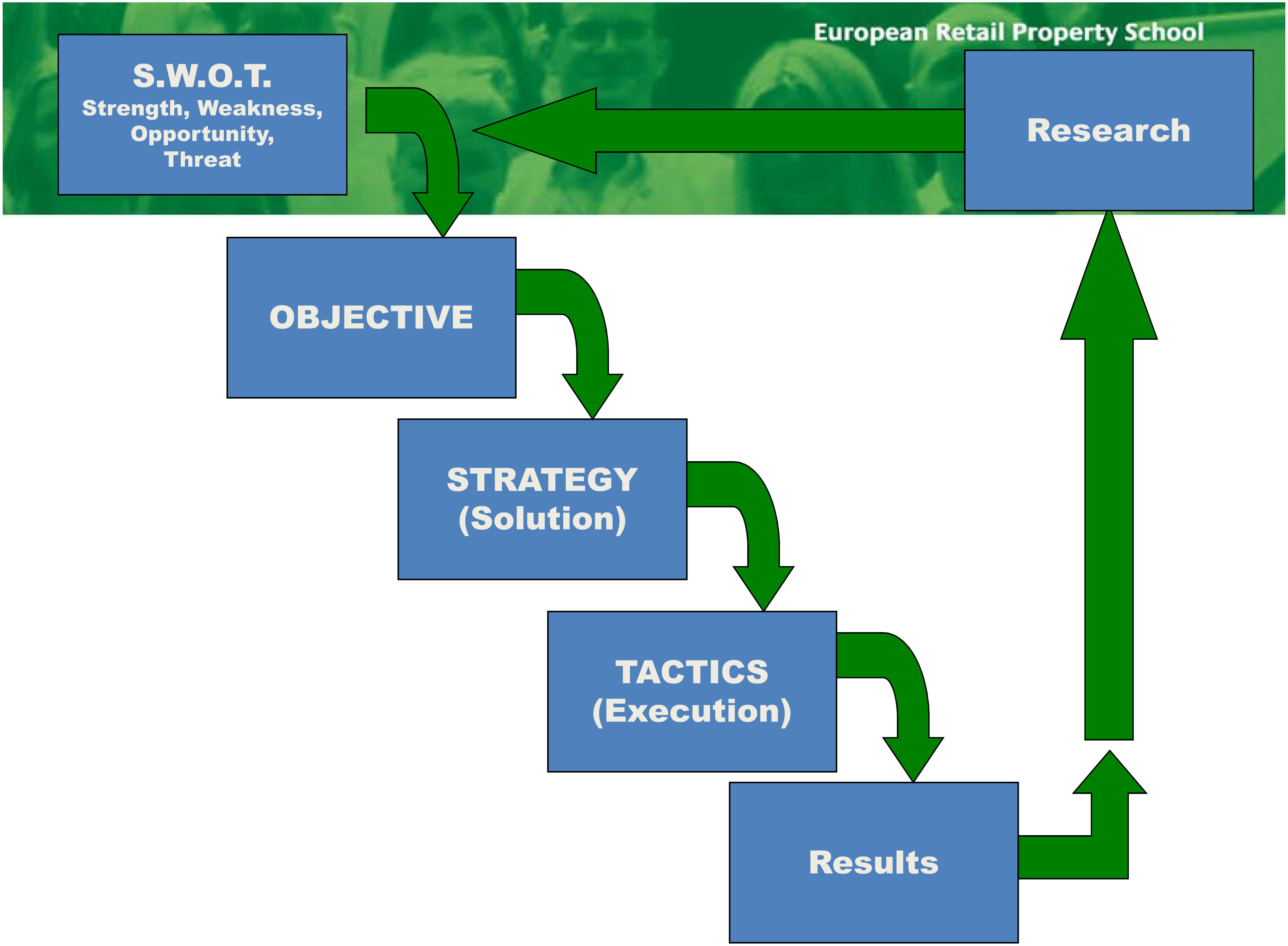
ICSC's Dictionary, 2nd Edition

2

WHY THE NEED FOR RESEARCH?

Research Is Building Block for Knowledge

- Research : Process of collecting, analyzing and synthesizing information for the purpose of making knowledgeable business decisions
  - Understanding demographics & psychographics of a trade area,
  - Analyzing a center's potential customer profile and shopping habits
  - To determine the prospective tenants for the center
- Knowledge based on FACTS rather than opinions or assumptions


European Retail Property School
S.W.O.T.
Strength, Weakness,
Opportunity,
Threat
Research
OBJECTIVE
STRATEGY
(Solution)
TACTICS
(Execution)
Results

WHY RESEARCH?

Leasing Requires Knowledge

- Knowledge of population statistics, demographics and lifestyle of trade area through market research
- Clear target market definition of the center
- Leasing strategies to meet the characteristics of the given trade area

WHY RESEARCH?

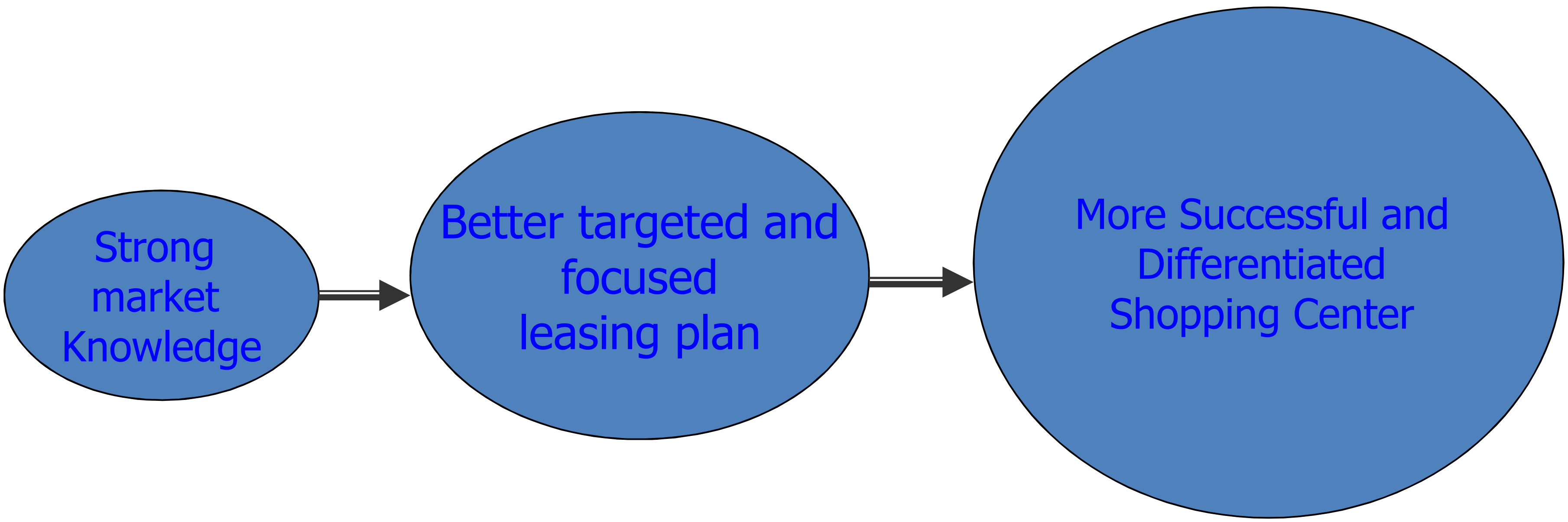
21st Century Leasing Requires Knowledge

- Knowledge-based leasing
  - Market research defines the tenant mix needed to meet consumer demands within a particular trade area and helps to eliminate opportunistic leasing
- On-going trade area research to follow dynamic & changing needs
- Caution : Always Use Recent Data

DATA → INFORMATION → KNOWLEDGE → WISDOM

WHY RESEARCH?

Utilization of research Maximizes Competitive Advantage



NO TENANT = NO CENTRE

European Retail Property School

ICSC

AGENDA

1. Shopping centre concept

2. The market
   - Tenant mix and categories
   - Leasing strategy

3. Finding and identifying the right tenants

10

1. SHOPPING CENTRE DEFINITIONS

Shopping centre: *a group of retail restaurants and other commercial establishments that is planned, developed, owned, and managed as a single property… The 3 main configurations of shopping centres are enclosed malls, open-air centres and hybrid centres.*

ICSC's Dictionary, 2nd Edition

11

1. SHOPPING CENTRE DEFINITIONS

				TYPICAL ANCHOR(S)			
TYPE	CONCEPT	SQ. FT. (Inc. Anchors)	ACREAGE	NUMBER	TYPE	ANCHOR RATIO*	PRIMARY TRADE AREA**
NEIGHBORHOOD CENTER	Convenience	30,000 - 150,000	3 - 15	1 or more	Supermarket	30 - 50%	3 miles
COMMUNITY CENTER	General Merchandise; Convenience	100,000 - 350,000	10 - 40	2 or more	Discount dept. store; super-market; drug; home improvement; large specialty/discount apparel	40 - 60%	3 - 6 miles
REGIONAL CENTER	General Merchandise; Fashion (Mall, typically enclosed)	400,000 - 800,000	40 - 100	2 or more	Full-line dept. store; jr. dept. store; mass merchant; disc. dept. store; fashion apparel	50 - 70%	5 - 15 miles
SUPERREGIONAL CENTER	Similar to Regional Center but has more variety and assortment	800,000+	60 - 120	3 or more	Full-line dept. store; jr. dept. store; mass merchant; fashion apparel	50 - 70%	5 - 25 miles
FASHION/SPECIALTY CENTER	Higher end, fashion oriented	80,000 - 250,000	5 - 25	N/A	Fashion	N/A	5 - 15 miles
POWER CENTER	Category-dominant anchors; few small tenants	250,000 - 600,000	25 - 80	3 or more	Category killer; home improvement; disc. dept. store; warehouse club; off-price	75 - 90%	5 - 10 miles
THEME/FESTIVAL CENTER	Leisure; tourist-oriented; retail and service	80,000 - 250,000	5 - 20	N/A	Restaurants; entertainment	N/A	N/A
OUTLET CENTER	Manufacturers' outlet stores	50,000 - 400,000	10 - 50	N/A	Manufacturers' outlet stores	N/A	25 - 75 miles

* The share of a center's total square footage that is attributable to its anchors
**The area from which 60 - 80% of the center's sales originate

ICSC Shopping Center Definitions is published by
International Council of Shopping Centers
1221 Avenue of the Americas
New York, New York 10020-1099
Phone: 646-728-3671
Fax: 212-589-5555

ICSC

1. SHOPPING CENTRE DEFINITIONS

International Standard for European Shopping Center Types			
Format	**Type of Scheme**		**Gross Leasable Area (GLA)**
Traditional	Very Large		80,000 m² and above
	Large		40,000 – 79,999 m²
	Medium		20,000 – 39,999 m²
	Small	Comparison-Based	5,000 – 19,999 m²
		Convenience-Based	5,000 – 19,999 m²
Specialized	Retail Park	Large	20,000 m² and above
		Medium	10,000 – 19,999 m²
		Small	5,000 – 9,999 m²
	Factory Outlet Center		5,000 m² and above
	Theme-Oriented Center	Leisure-Based	5,000 m² and above
		Non-Leisure-Based	5,000 m² and above

ICSC

1. TYPES OF CENTRES

- Super regional SC: > 80 000 sqm

Similar to a regional centre, but because of its larger size, has more anchors, a deeper selection of merchandise, and draws from a larger population base. Typical enclosed, with multilevels.

ICSC's Dictionary, 2nd Edition

- Regional SC: 40 – 80 000 sqm

Provides general merchandise (large part is apparel) and services in full depth and variety. Main attractions are its anchors such as mass merchant, fashion, department stores etc.

ICSC's Dictionary, 2nd Edition

- Neighbourhood SC: 20 – 40 000 sqm
- Small local centre: 5 – 20 000 sqm

14

1. TYPES OF CENTRES

- Shopping centres: power centres etc
- Factory outlets
- Retail parks, Fashion parks
- Themed centres
- Hybrid centres

15

What determines the concept?

Projects/new centres

- Market share unknown
- Reliance on market studies
- Focus on return on investment = rental income
- Relative freedom to organize mix

Refurbishment

Use existing knowledge:

- Commercial/data
- Limited freedom

ICSC

2. MARKET – THE CONSUMER DECIDES

Tenants categories and types

a. Tenants categories/trends

b. Merchandising/tenant mix

17

2a. TENANT CATEGORIES

- Anchor stores
- Key tenants
- Line tenants
- Mom and pop stores

18

2a. STORE DEFINITIONS

- Anchor Store: > 1 000 sqm
- Junior anchor/MSU: 500 – 1 000 sqm
- Average store unit: 250 – 500 sqm
- Satellite store: < 250 sqm

19

2a. THE ROLE OF ANCHOR TENANTS

What is an anchor tenant?

- *A major store (usually a chain) in a shopping centre*
  - *having substantial economic strength,*
  - *occupying a large square footage.*
- *A major department store branch in a shopping centre.*
- *Stores that occupy the largest spaces in a centre,*
- *serve as the primary traffic generators.*

ICSC's Dictionary, 2nd Edition

Anchors:

- Make the centre commercially viable vs financially in itself
- Being (one of) the primary draw(s) of customers
- Occupies the largest spaces of a shopping centre

20

ICSC

2a. TENANT CATEGORIES AND CLUSTERING

Tenant categories

	Aggregated Category		Mandatory Category		Sub Category
1	Daily goods	11	Hypermarkets	111	Hypermarkets (GLA > 4.000 m2)
		12	Supermarkets	121	Supermarkets (GLA < 4.000 m2)
		13	Miscellaneous goods and specialist food	131	Flower shops
				132	Magazines- and newspapers stores
				133	Tobacconists
				134	Butchers, Bakeries, Liquor stores
				135	Pet shops, Zoo shops
		14	Beauty and health products	141	Cosmetics and Toiletries
				142	Pharmacies and Medical stores
				143	Health Food stores
2	Fashion	21	Fashion ; small units	211	Men's wear (GLA < 500 m2)
				212	Women's wear (GLA < 500 m2)

21

ICSC

2a. TENANT CATEGORIES AND CLUSTERING

	RETAIL SECTOR CATEGORIES
100	**Ready wear**
200	**Beauty / Health / Accessories**
300	**Food&Beverage**
400	**Home**
500	**Hobby / Gifts / Specialty Ret.**
600	**Culture / Art / Entertainment**
700	**Services**
800	**Anchors**
900	**Other**

100	Ready wear
110	Women's Wear
120	Men's Wear
130	Unisex
140	Sportwear
150	Leather, shoes, bags
160	Underwear / Swimwear / Socks
170	Kids's wear
190	Other

210	Jewelry
220	Accessories
230	Optics / Watches
240	Cosmetics
250	Beauty Center / Spa / Hairdresser
260	Health Club / Solarium
290	Other

310	Specialty Gourmet Store
320	Fast Food
330	Restaurants
340	Coffeshops
350	Dried fruits / Candy / Chocolate
360	Wine House / Tobacco
390	Other

410	Furniture
420	White goods / Electronics / GSM
430	Home accessories
440	Home textile
450	Illumination
460	Home Decoration
490	Other

510	Music / Books
520	Stationary
530	Outdoor sports accessories
540	Toys & Models
550	Computer / Computer Games
560	Petshop
570	Specialty Stores
590	Other

610	Cinema
620	Bowling
630	Theater
640	Kids play area
650	Art Gallery
690	Other

710	Dry cleaning
720	Locksmith, Bootblack, Tailor
730	Drugstore
740	Photo / Photocopy
750	Travel Agency
760	Flower shop
770	Bank / Exchange
790	Other

810	Department Store
820	DIY (Do-it-yourself)
830	Discount Department Store
840	Automobile
850	Showroom
860	Office
870	Hypermarket / Supermarket
890	Other

22

Tenant mix

Tenant mix is a critical variable when planning a commercial area and will have a major impact on:

- the commercial profile of the business
- the visitors we want to attract

23

2b. MERCHANDISING MIX/TENANT MIX/MERCHANDISING PLAN

Merchandising plan: *an overall plan locating merchandise mix throughout the lease plan.*

Lease plan: *a detailed plan showing the size and configuration of each space located within the shopping centre.*

Merchandise plan: *a forecast of all major elements that enter into gross margin.*

ICSC's Dictionary, 2nd Edition

24

ICSC

2b. TENANT MIX

What is the right tenant mix?

Right for the centre =

what the shopper wants (keep in mind when putting mix together, not only yield focus, it will pay off).

25

2b. RENT ROLL AND THE MERCHANDISING MIX/DESIGN

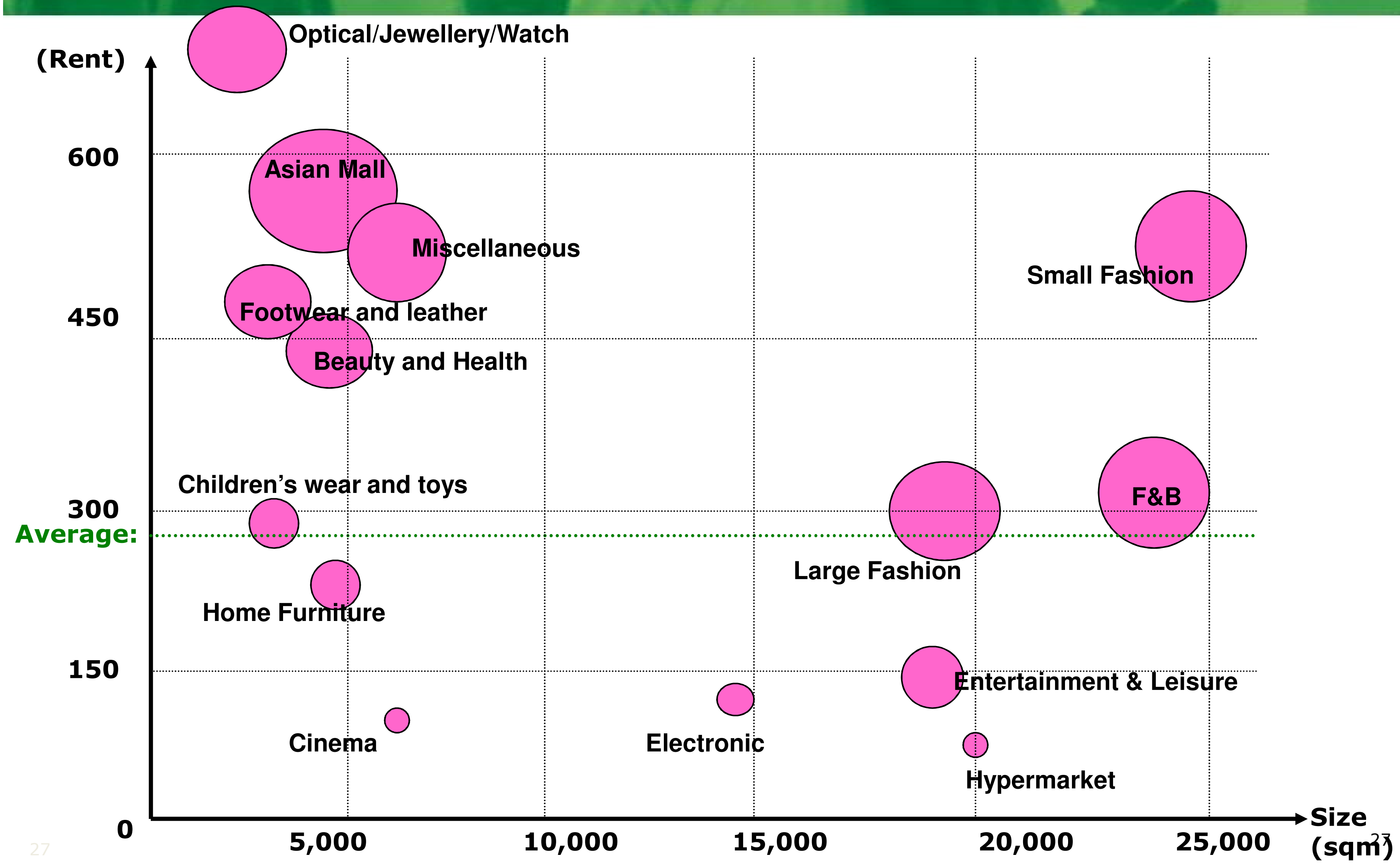
- You need a merchandising mix/plan in order to complete a rent roll.
- They go **TOGETHER**!
- Each unit is unique, therefore its value is different from its neighbour's value.

8 m shopfront	16 m shopfront	Reduced visibility
Rent = X	Rent = X + 3	Rent = X - 3

26

European Retail Property School

2b. CATEGORY ANALYSIS



ICSC

2b. DISTRIBUTION OF CATEGORIES

Category	GLA (Sqm)	% of Total GLA	# of Tenants
F&B	23,506	14.7%	57
Audio	2,750	1.7%	4
Beauty & health products	4,630	2.9%	40
Children's wear & toys	3,691	2.3%	15
Footwear & leather goods	3,800	2.4%	39
Furniture & household goods	6,331	4.0%	21
Fashion Over 500sqm	18,700	11.7%	17
Fashion Under 500sqm	24,093	15.1%	129
Asia Mall	4,252	2.7%	1
Sports	5,800	3.6%	7
Optical goods, watches, jewellery	3,954	2.5%	41
Electrical goods	14,740	9.2%	23
Entertainment & leisure	17,653	11.0%	12
Miscellanous goods & services	5,100	3.2%	46
Supermarket	1,000	0.6%	1
Hypermarket	20,000	12.5%	1
Total GLA	*160,000*	100%	454

28

ICSC

2b. THE MARKET

Market Studies & Trade Areas:

- Demographics
- Competition
- Pre-letting (tenants interest)

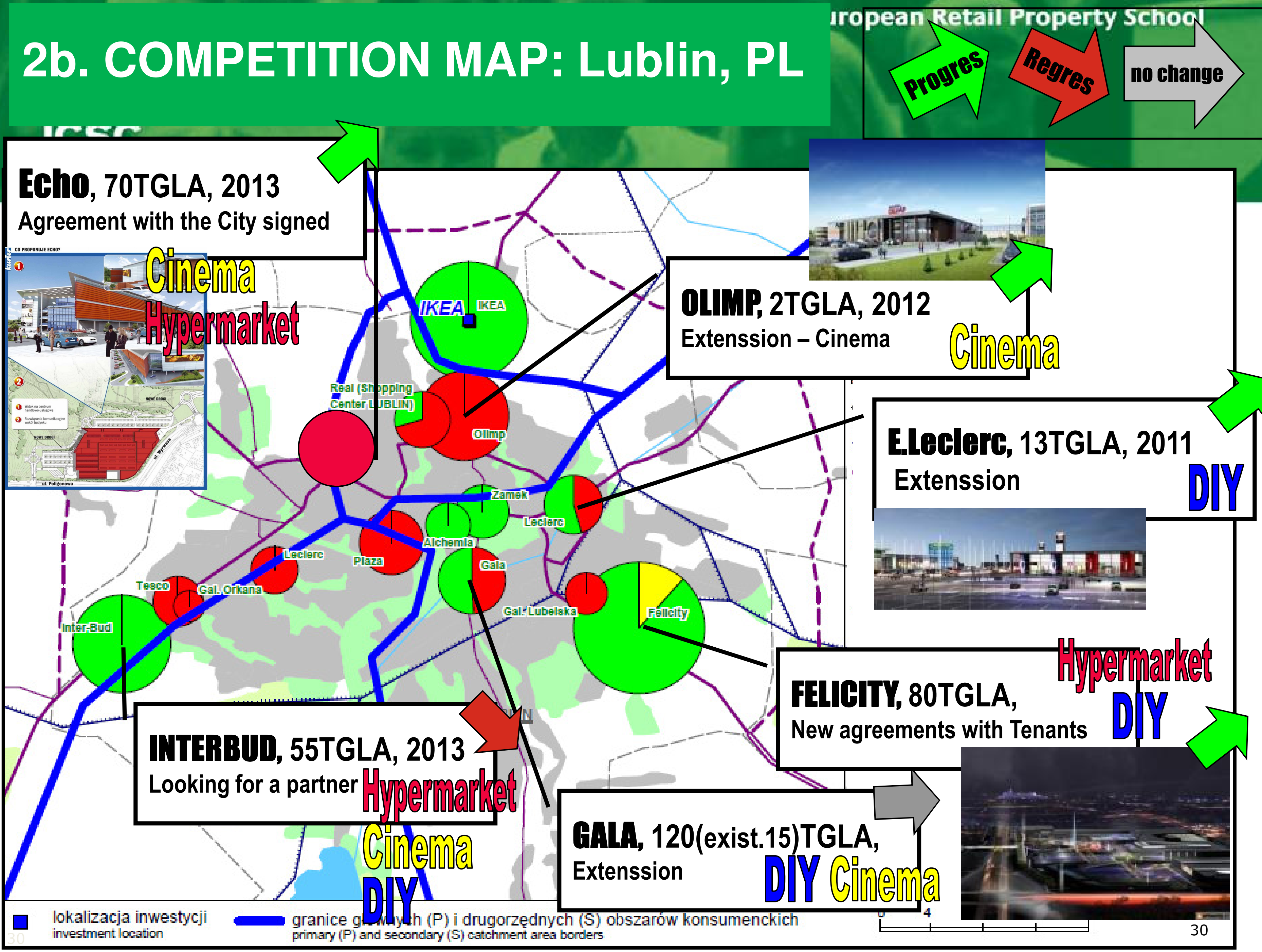
Evolving the mix, adaptation to behaviour, environment, competition

Taking into account new shopping habits, internet, click and pick – New trends

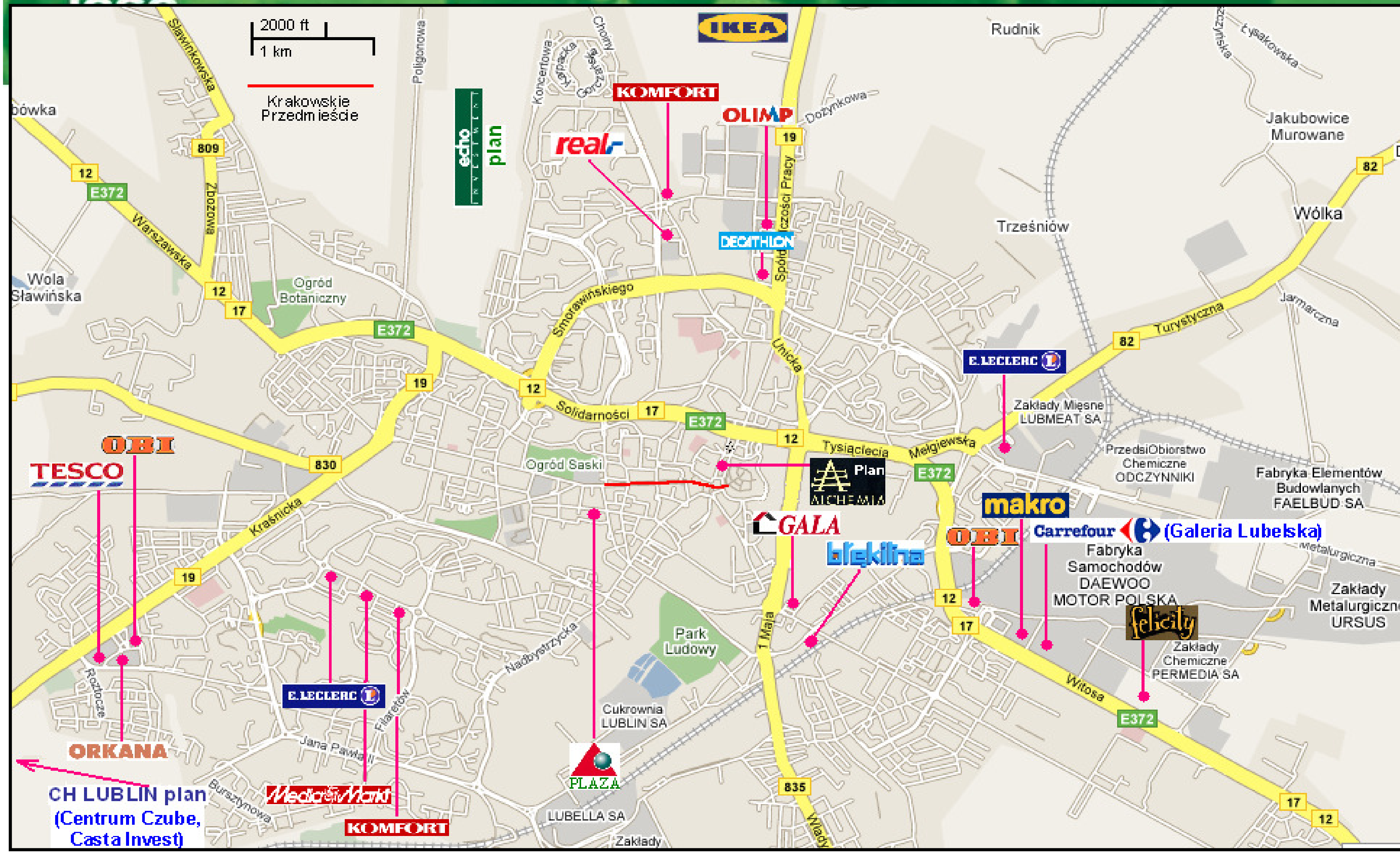
Use/clusters vs. Price-point positioning
(cultural differences)

29

2b. COMPETITION MAP: Lublin, PL



2b. COMPETITION MAP: Lublin, PL



PROFIL CONSULTING

ICSC

2b. COMMERCIAL CONCEPT – AN EXAMPLE

- **Format**: Super regional shopping centre (>80 000 sqm GLA)
- **Target**: Mid to mid-high income families
- **Core customers**: Fashion conscious women age 25-45 and high spending late teens/young adults.
- **Concept**: Mix of international and national retailers supported by hypermarket, substantial F&B offer, cinema and entertainment
- **Planned anchors**:
  - » Full size hypermarket (12 – 25 000 sqm)
  - » Electronic store, Sport, Toys, Furniture
  - » Substantial F&B offer (5% - 20% of GLA)
  - » Junior anchors, fashion (Zara, H&M, C&A, etc.)
  - » Entertainment (cinema, arcade, kids education, etc.)

32

ICSC

2b. COMMERCIAL PLAN EXECUTION

Based on the overall concept:

- *Identify* and *prioritize* possible anchors
- *Define* tenant *categories* incl. mandatory category leaders
- Divide into *sub-categories*
- *Cluster* and *allocate space*
- *Name, size, rental income and main conditions*

33

2b. THE MARKET - CONCLUSION

Requirements to achieve a good tenant mix

- Knowing brands, trends, new concepts, bestsellers
- Thorough analysis of market and competition
- Knowing the retailers
  (their business; good relationship)

ICSC

2b. CONCLUSION

Requirements to achieve a good tenant mix

- Individual retail identity (positioning) and clear retail clustering are as important as the tenant mix itself.
- Lease Strategy must be carefully planned and organized
- Secure the best possible tenant mix by adapting to local market conditions.

35

A. Project Assessment and Viability

4. Best Use/Risk Analysis
   – "Highest and Best Use"

- Physically Possible
- Legally Permissible
- Financially Feasible
- Maximally Productive

B. Understanding the Market/Consumer

1. How, What, Where They Make Purchases

- Consumers are
  - more demanding
  - more time-conscious
  - more quality-conscious
  - more price-consicence

B. Understanding the Market/Consumer

- Consumers look for
  - convenience
  - attractive shopping atmospheres
  - impeccable service

B. Understanding the Market/Consumer

2. Population Concentrations, Growth Areas

- Knowledge of target catchment area
  - Population statistics


3.305.768
2.543.383
1.310.769
Sea o

III. RESEARCH: VITAL AND NECESSARY

Carrefour SA

GAYRİ SAFİ MİLLİ HASILA*
GROSS NATIONAL PRODUCT

- BEYKOZ 2528.75$
- BEŞİKTAŞ 8429.95$
- KADIKÖY 4659.44$
- KARTAL 3782.55$
- MALTEPE 1671.00$
- SARIYER 2193.13$
- ÜMRANİYE 1825.60$
- ÜSKÜDAR 2664.72$
- ŞİŞLİ 13866.09$

* KAYNAK: DEVLET İSTATİSTİK ENSTİTÜSÜ

* SOURCE: STATE STATISTICS INSTITUTE

NÜFUS
CATCHMENT

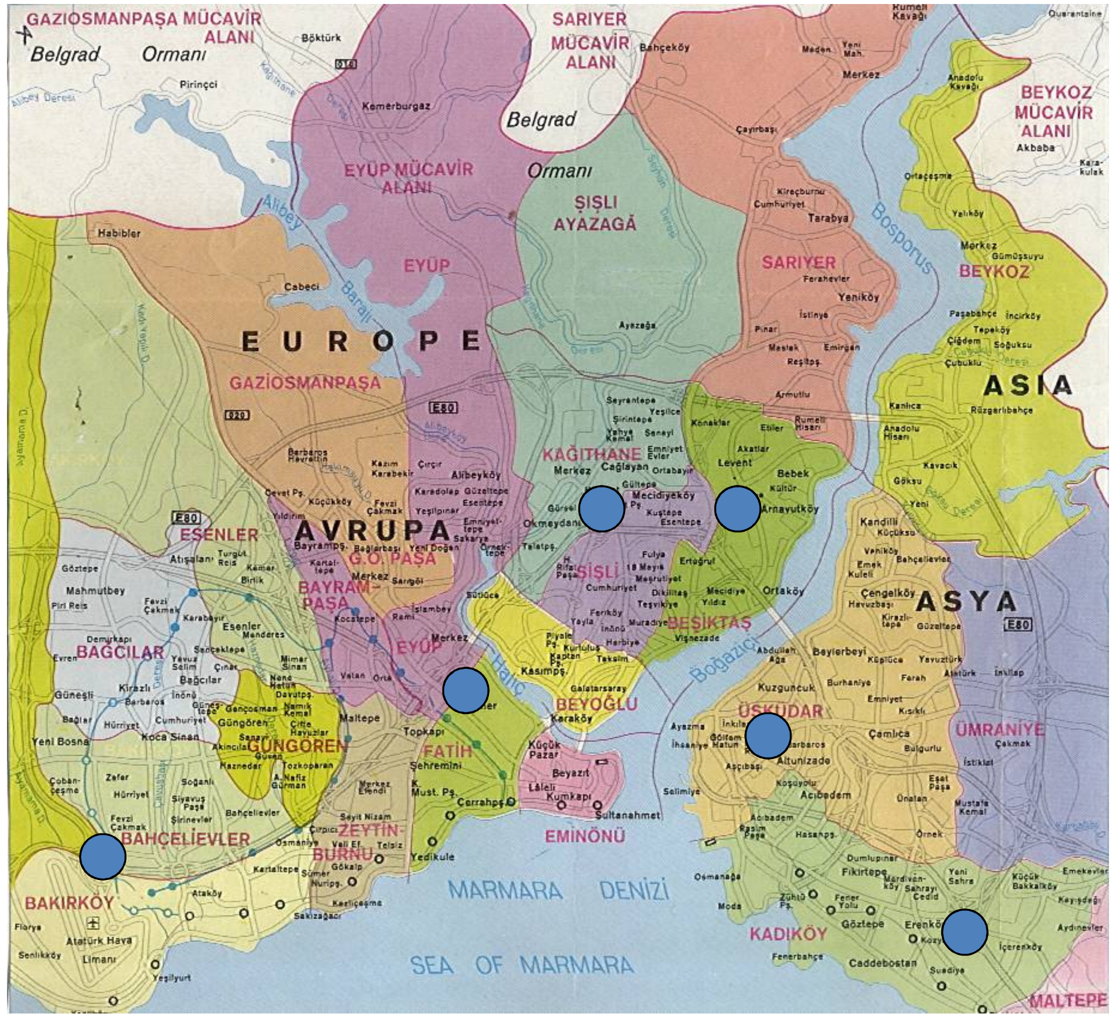
1 Km:	23,677
5 Km:	587,027
10 Km:	2,140,329

B. Understanding the Market/Consumer

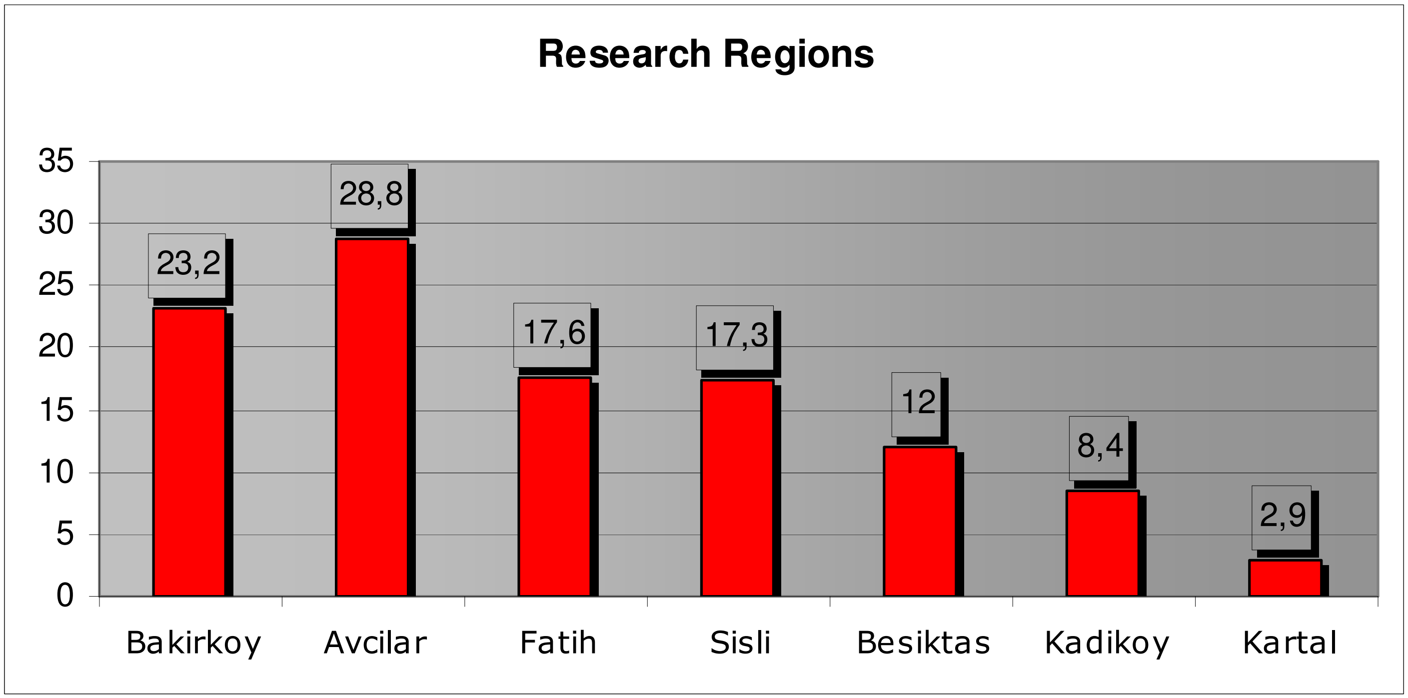
3. Demographics

- Vital statistics of the marketing area
  - population,
  - age and sex distribution,
  - average income levels,
  - number of children,
  - education level,
  - unemployment level,
  - socioeconomic level …
- Basic neutral, unbiased data about potential shoppers in a geographic area can be inferred

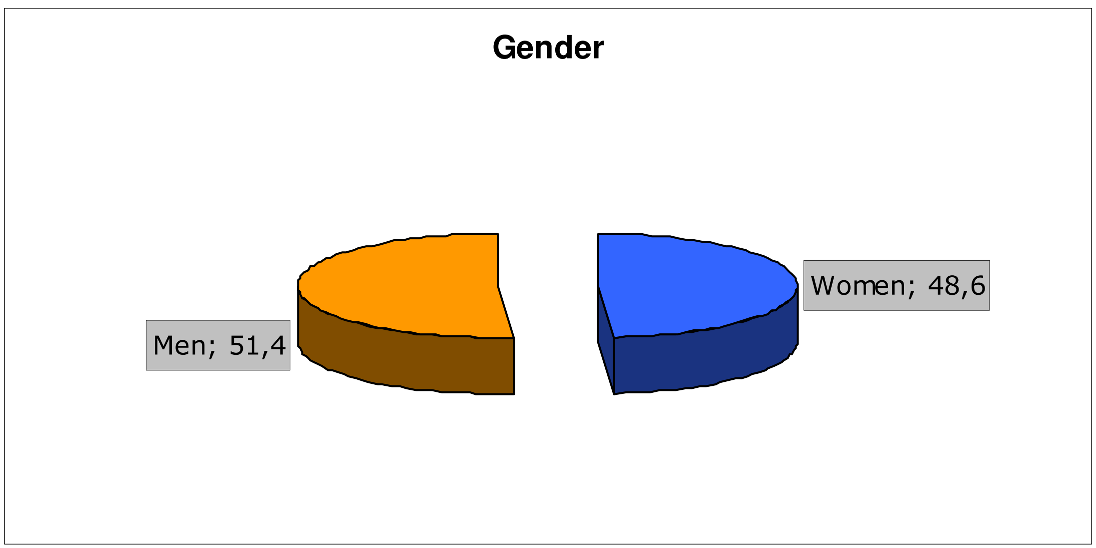
Example : AN OUTLET CENTER POTENTIAL RESEARCH IN ISTANBUL
by
AKADEMETRE in 2003



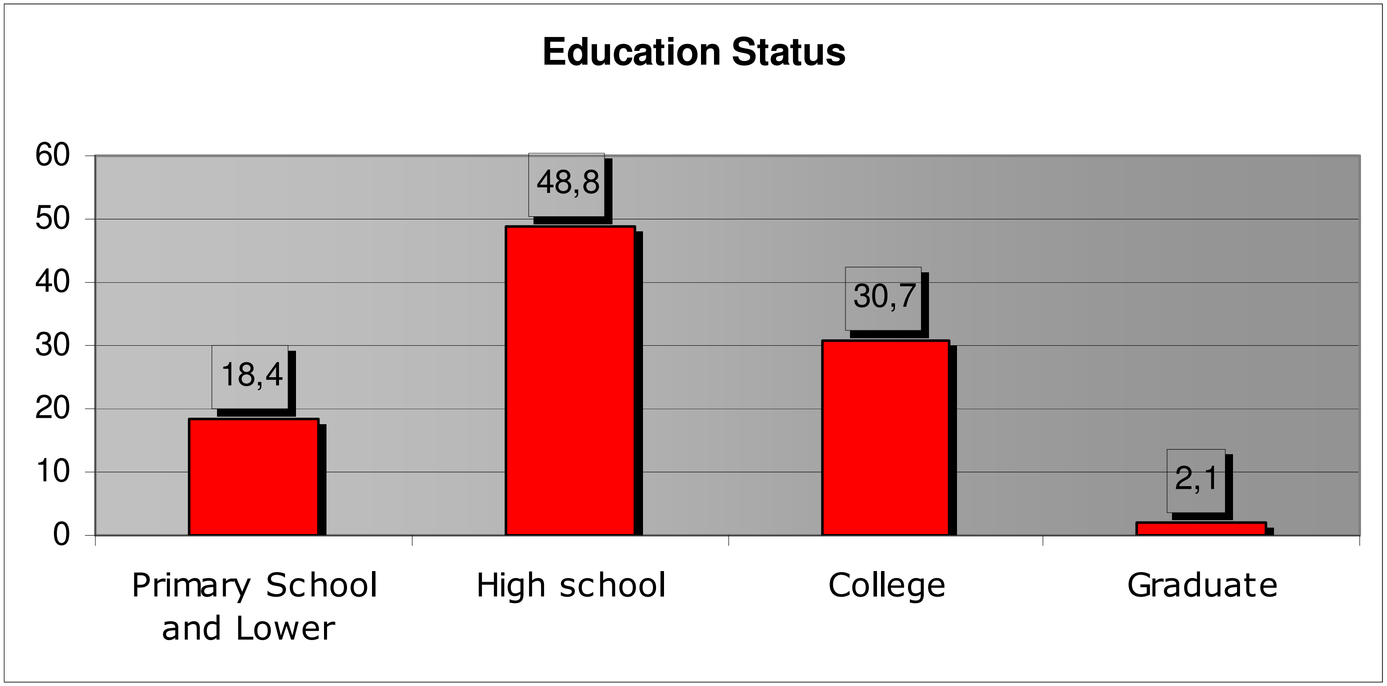
Research took place in the following districts with the indicated ratio:



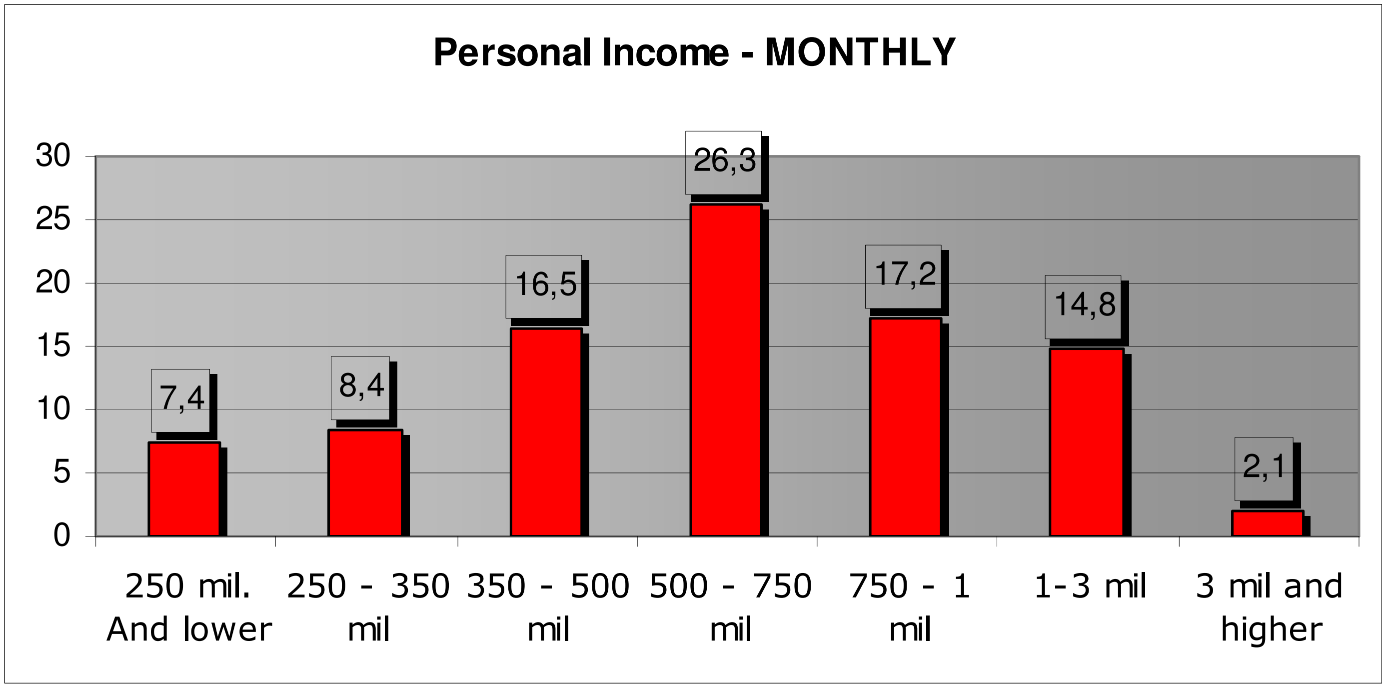
In these city districts, the following Gender Distribution exists :



The Education Distribution is as follows :



Monthly Personal Income distribution is as follows:



B. Understanding the Market/Consumer

Psychographics

- Populations are grouped, not according to demographic statisticsalone, but according to life style clusters too.

Case Study Bluewater -1 Bluewter 3

C. Knowledge Is Greater & Faster Than Ever

1. Technological Advances

- Communication of all means
  - Internet – Magnificent tool of our era
    - Searching for competitors
    - Searching for statistics
    - Networking
    - Easy questionnaires / Polls & Valuations

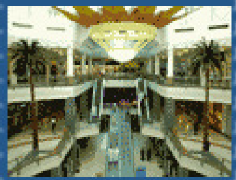
III. RESEARCH: VITAL AND NECESSARY

ICSC

III. RESEARCH: VITAL AND NECESSARY

ICSC

Adres http://www.deiracitycentre.com/deiracitycentre/index1.html



about deira city centre

shopping information

customer services

virtual tour

what's new

citylife magazine

picture gallery

Dubai city guide

contact us

send a postcard

DEIRA CITY CENTRE

Dubai is one of the most popular holiday destinations in the Middle East. The city is also home to one of the most popular malls in the region - Deira City Centre.

Whether you're a resident of Dubai, on a weekend break or enjoying a fortnight's holiday, Deira City Centre has plenty to offer you - a choice of 240 superb shops, restaurants, fast food outlets, a children's entertainment centre, Sofitel City Centre Hotel and much, much more!

Sofitel City Centre
HOTEL & RESIDENCE
DUBAI

Explore our Web site and you'll discover an interactive store directory, details on the many events taking place at Deira City

C. Knowledge Is Greater & Faster Than Ever

2. Growing Sophistication Of Shopping Center Professionals

- Knowledge is shared through both international and national industry & professional associations
- More information available to more professionals through periodic meetings (fairs, seminars, conferences) and advanced communication means (internet, e-groups, etc)

C. Knowledge Is Greater & Faster Than Ever

3. Greater Acceptance of Research in Both Retail and Real Estate (cont'd)

   - Differentiate from other retailers
   - National and international site selection process
   - Analysis of governmental, sociological, technological, economic factors, economic strengths and weaknesses of a location

– More successful and guaranteed results if research is done

C. Knowledge Is Greater & Faster Than Ever

3. Greater Acceptance of Research in Both Retail and Real Estate (cont'd)

- Real Estate
  - To add value during the development process
    - Providing information
    - Analyzing information and creating knowledge
    - Similar approach with retailer research
      - Location analysis / trade area analysis
  - To Make more informed and correct decisions

D. Research Sources

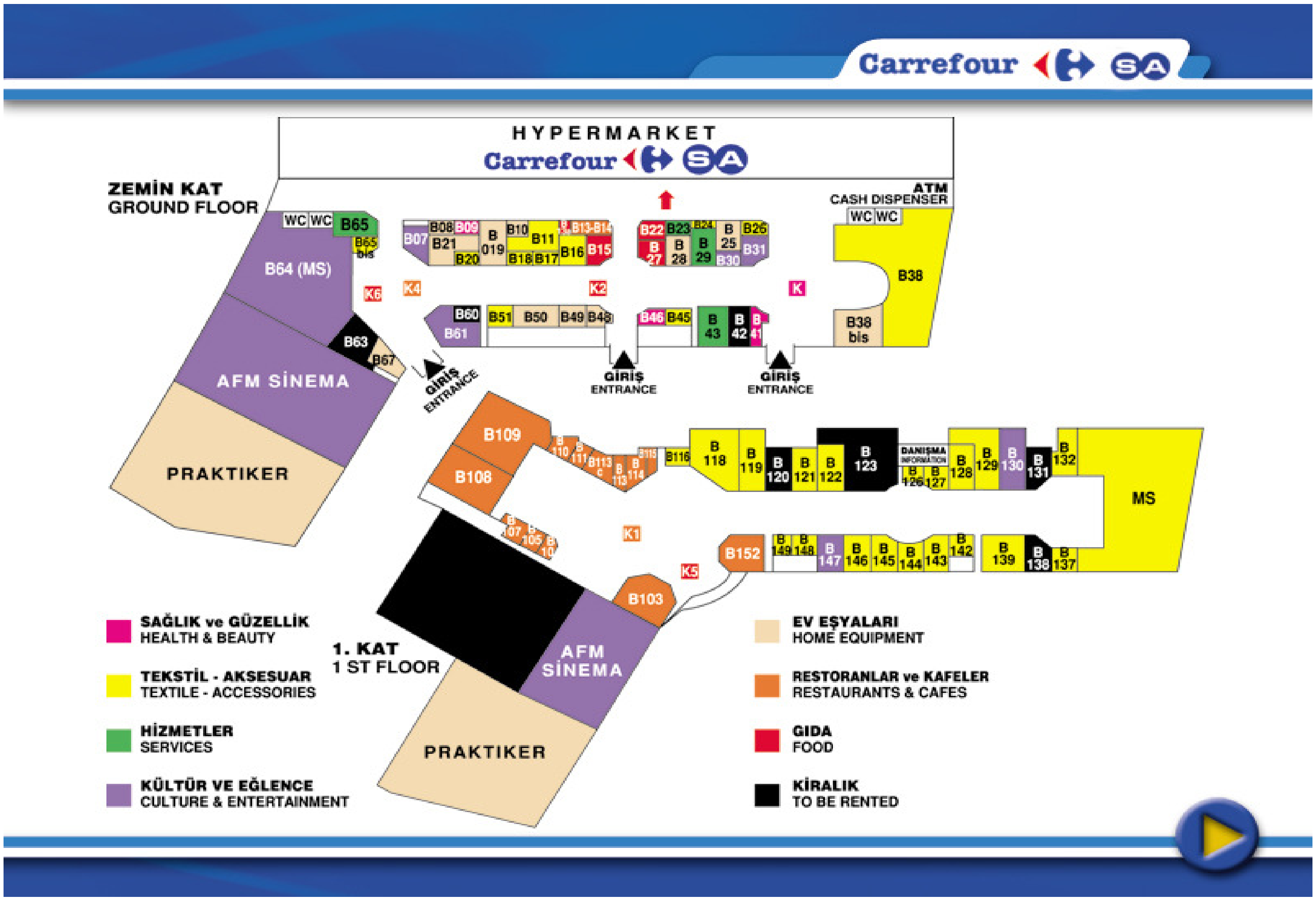
- ICSC
- Research companies
- Internet
- State Statistics Institute
- Industry books
- Industry magazines, periodicals
- Simple observation of major market players
- Contacts with retailers

E. Using Research to Make Lease Plan Decisions

Search for New Tenant Concepts

• Health and beauty	Day spa, health club
• Sports and recreation	Extremesports/ interactive
• Indulgences	French pastries, Belgian Chocolate
• Eating	Outdoor, ethnic chains, quick casual
• Education	Bookstore/café/events
• Fun	Artplex, skatepark
• Nesting	Home entertainment, furnishings
• Take Away Food	Prepared gourmet foods
• Personal finance	Stock broker, banking

Refining the Merchandising Plan – b. "Twig" Units/Brand Extensions



1. Refining the Merchandising Plan

c. Entertainment Concepts

- World Examples
  - Xanadu Madrid: Ski pist
  - Almada Forum : Climbing Wall
  - Budapest : Oceanarium
  - Galleria : Ice skating

III. RESEARCH: VITAL AND NECESSARY ENTERTAINMENT CONCEPT

ALMADA FORUM - PORTUGAL

SKI PIST - SPAIN

III. RESEARCH: VITAL AND NECESSARY ENTERTAINMENT CONCEPT

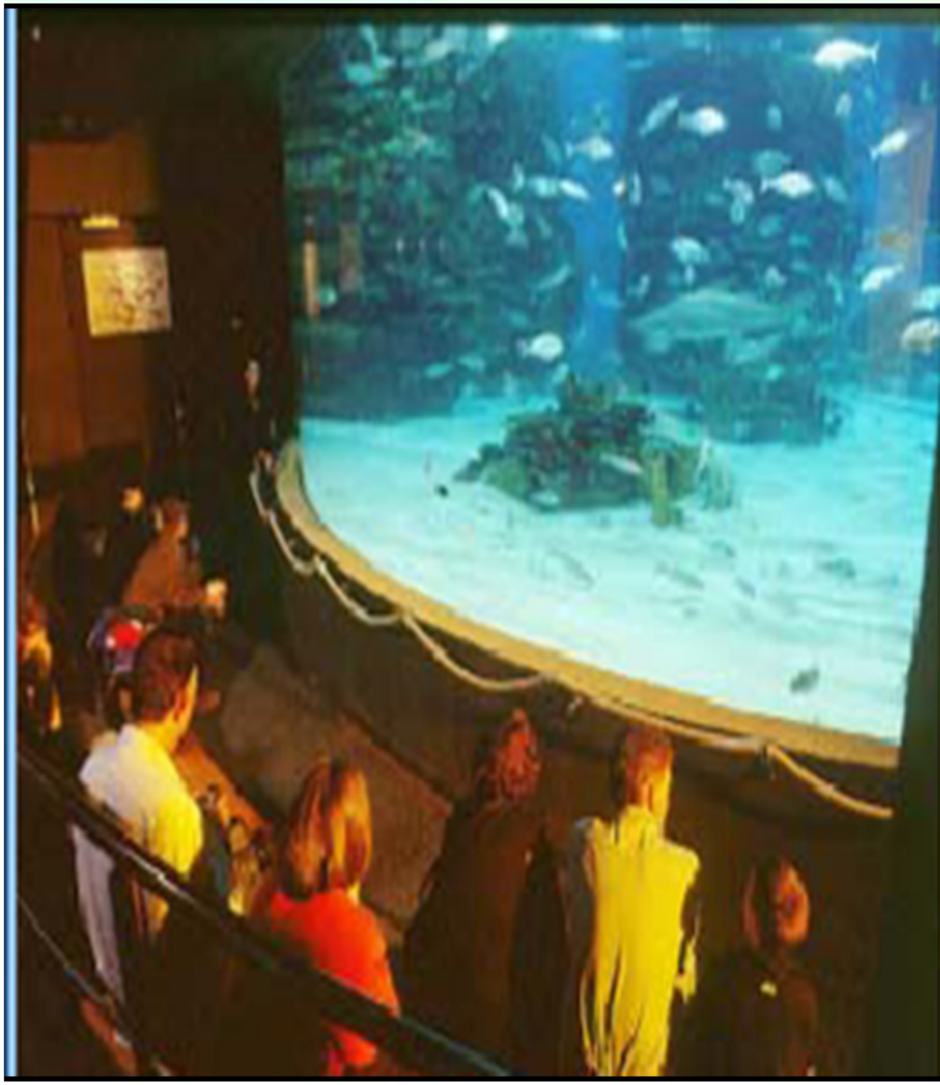
GALLERIA - ISTANBUL

III. RESEARCH: VITAL AND NECESSARY ENTERTAINMENT CONCEPT

Tropicarium Oceanarium, Budapest

III. RESEARCH: VITAL AND NECESSARY ENTERTAINMENT CONCEPT

ICSC



1. Refining the Merchandising Plan

– d. Dining

Refining the Merchandising Plan

– e. Leisure Concepts

EASTON PARK COLUMBUS

E. Using Research to Make Lease Plan Decisions

2. Recognizing Market Realities
   a. Successful Concepts Must Appeal to the Greater Market
   b. Research Should Not Be Manipulated to Paint A False Picture

3. FINDING & IDENTIFYING TENANTS

Finding the right tenants:

- Positioning (existing centres) /
  Commercial concept (projects)

- Marketing – Marketing material / trade fairs / iPads & other electronic support

- Long standing relations – a tenant brings a new tenant

- Agents

Positioning

- Pure retail vs leisure & entertainment vs F&B etc
  - Complexity: role of hard discounters and value retailers that make it confusing to organize and target.

- Brands
  - Importance of brands vs categories
  - Different cultural appreciation

Approaching tenant & merchandising mix strategy – checklist

- Target, list and rank the **best retailers in each category** based on brand recognition, range, performance and customer expectation, all clearly clustered and easy for visitors to overview and grasp.

- Focus on **Junior Fashion Anchors**

- Focus on **Newcomers-First-to-Market** and/or **unique tenants**

- **Diversify Tenant Mix** – ensure that one category does not dominate too much, especially in markets where the same fashion brands are found at all competing shopping centres.

Approaching tenant & merchandising mix strategy - checklist

- Price points range – ensure broad appeal, particularly with middle price point.

- Support tenant mix with **services, food & beverages**, playgrounds, sport and other **leisure facilities** to make the mall more attractive and to prolong the dwell time.

- Bring in **food stores** to increase frequency.

- Strive for at least **40% cross border retailers.**

ICSC

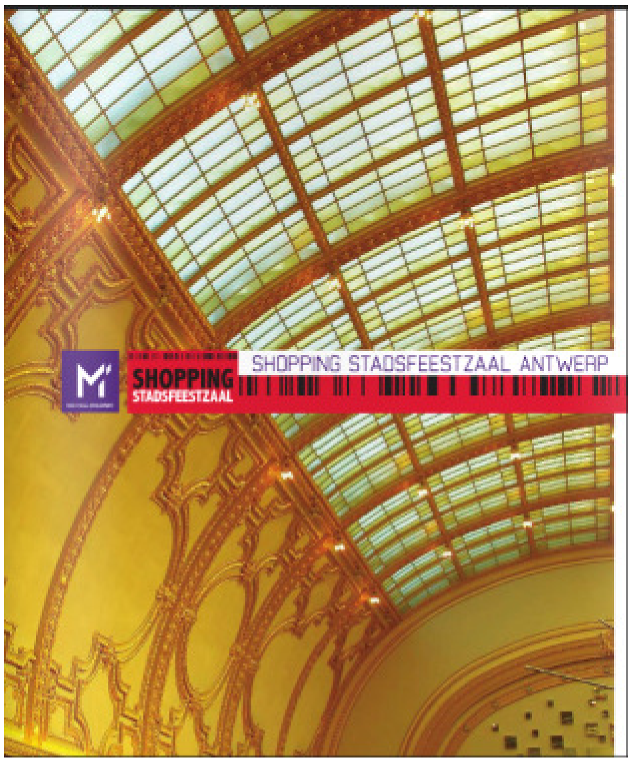
3. IDENTIFYING TENANTS

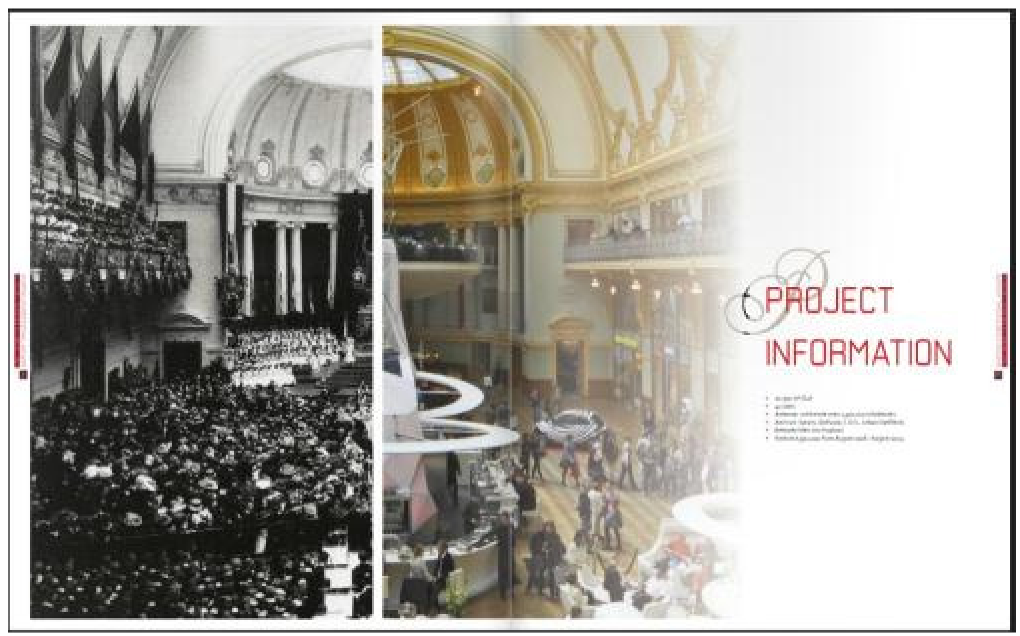
Brands

- The strength and importance of brands vs categories
- Brands take the lead over pure mix: Apple, A&F, Primark etc.

70

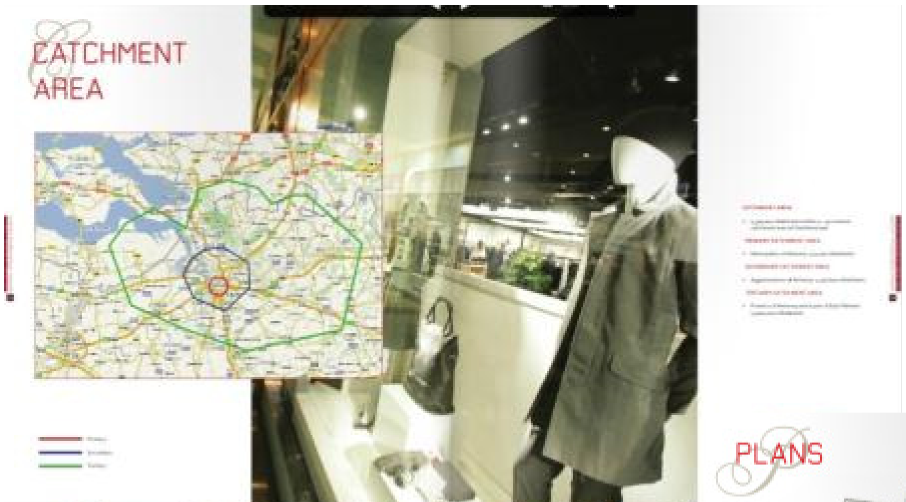
An example: Leasing brochures





An example: Leasing brochures

An example: Leasing brochures



What other key info will you generally
find in a *Leasing Brochure*?

Hint: something that starts with a ‘C’ + something that starts with a ‘D’ and what else?

73

Thank You!..

Avi Alkaş, CRX, CSM, CMD,CLS

Chairman
JLL Turkey

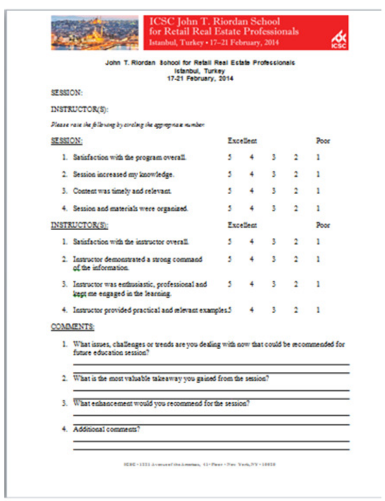
avi.alkas@eu.jll.com
www.jll.com.tr

Class Evaluation:

Please remember to complete the class evaluation by using your smartphone or tablet.

Class Evaluations Link:

survey.icsc.org/2014ERPS



ICSC John T. Riordan School for Retail Real Estate Professionals
Istanbul, Turkey • 17–21 February, 2014

John T. Riordan School for Retail Real Estate Professionals
Istanbul, Turkey
17-21 February, 2014

SESSION:

INSTRUCTOR(S):

Please rate the following by circling the appropriate number

SESSION:	Excellent				Poor
1. Satisfaction with the program overall.	5	4	3	2	1
2. Session increased my knowledge.	5	4	3	2	1
3. Content was timely and relevant.	5	4	3	2	1
4. Session and materials were organized.	5	4	3	2	1
INSTRUCTOR(S):	Excellent				Poor
1. Satisfaction with the instructor overall.	5	4	3	2	1
2. Instructor demonstrated a strong command of the information.	5	4	3	2	1
3. Instructor was enthusiastic, professional and kept me engaged in the learning.	5	4	3	2	1
4. Instructor provided practical and relevant examples.	5	4	3	2	1

COMMENTS:

1. What issues, challenges or trends are you dealing with now that could be recommended for future education session?
2. What is the most valuable takeaway you gained from the session?
3. What enhancement would you recommend for the session?
4. Additional comments?

European Retail Property School

ICSC

ICSC European Partners

ICSC Global Partner

CUSHMAN & WAKEFIELD®

ICSC European Partners

Aareal Bank Group

CBRE

JLL®

ECE

path intelligence

CBRE GLOBAL INVESTORS