

THE CHANGING FACE OF MALLS GLOBALLY

**FLOORSPACE COMPOSITION
BENCHMARKS: SUPER AND
MEGA REGIONAL MALLS**





BOOSTING PRODUCTIVITY THROUGH CLEVER FLOORSPACE COMPOSITION

The rapidly changing face of retail is impacting the composition of malls globally. Landlords are constantly looking at ways to increase the productivity of their malls, and much can be learnt from looking internationally to see how other markets operate.

This study examines how the composition of Super Regional and Mega Regional malls (i.e. larger than 90,000 sq.m GLA) reflects the preferences and behaviour of local consumers. It also highlights how the traditional models of mall development are progressively changing to reflect the modern retail market.

The sample is intended to represent successful retail malls globally, with limited vacancy. We have omitted office and hotel towers associated with the malls and concentrated purely on mall floorspace.

Key definitions used within our analysis includes:

- Retail specialty shops: 0 - 1,000 sq.m
- Mini Retail Anchors: 1,000 sq.m – 5,000 sq.m
- Major Retail Anchor: >5,000 sq.m
- Entertainment: cinemas, family entertainment centres, bowling etc.
- Non-Retail: banks, culture, library, gymnasium, medical, education

We have also analysed the composition of recently developed malls to see how they differ from older malls. Whilst the sample is relatively limited, it does paint an interesting story.

BENCHMARK COVERAGE

Super Regional malls

Number of malls



67

Malls

Number of countries



12x USA
6x Canada
6x UK
9x Middle East
15x Asia
19x Australia

Number of Super Regionals



35

90-150k sq.m

Number of Mega Regionals



32

>150k sq.m

Total floor space



13M

sq.m surveyed

Newly developed malls



12

Since 2008

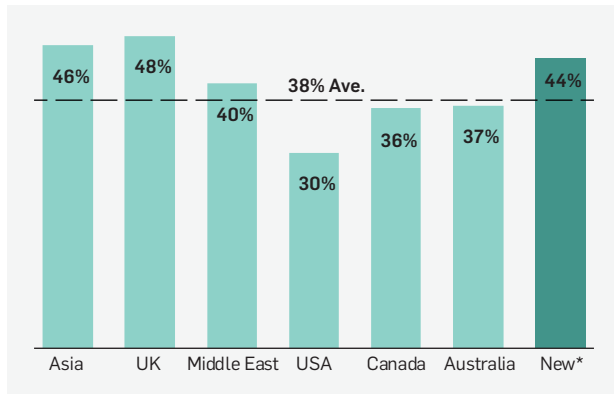


SPECIALTY SHOPS

A clear variance exists in the proportion of GLA devoted to specialty shop space in North America compared to other markets globally. Asia leads the way with around 46% of total mall GLA devoted to specialty shops, this contrasts with the USA where the figure is around 30%.

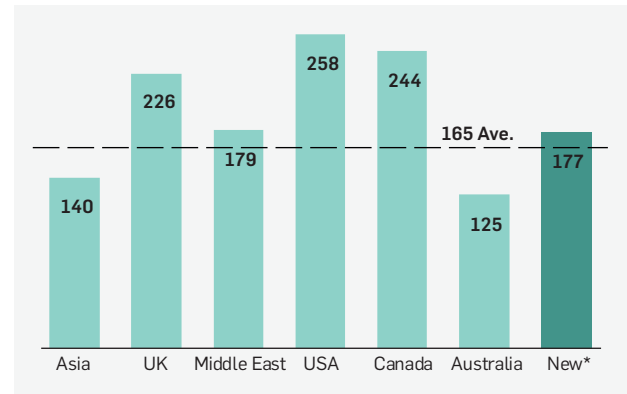
The average specialty shop in the USA is close to twice the average size of that within Asia and Australia. The trend amongst recently completed malls, particularly in Asia is for specialty shops to be larger.

Specialty Shop Share of Total GLA



*Mall opened post 2008,
Source: Cistri

Average Specialty Shop Size (sq.m)



*Mall opened post 2008,
Source: Cistri

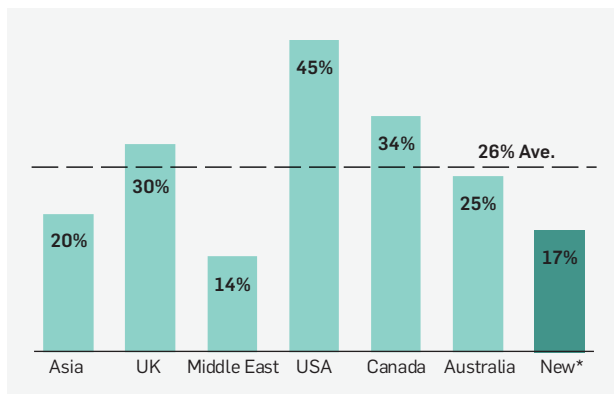


MAJOR TENANTS

The USA is the standout in the amount of floorspace devoted to department stores, a legacy of the multiple department store model which applied to many of the larger malls built 20-30 years ago.

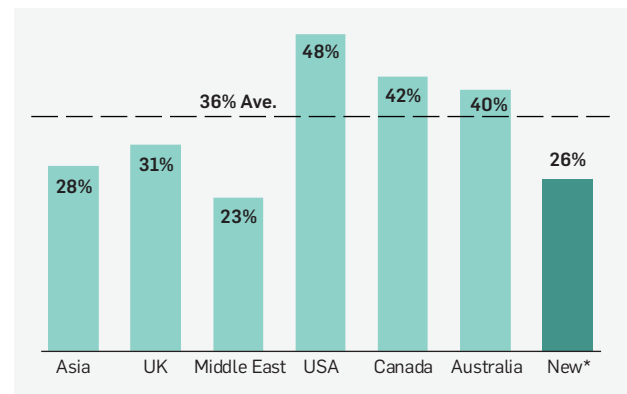
As to be expected, the proportion of tenants within new malls larger than 5,000 sq.m largely reflects the international trend for department stores given they are often linked.

Department Store Share of Total GLA



*Mall opened post 2008,
Source: Cistri

Majors Share of Total GLA



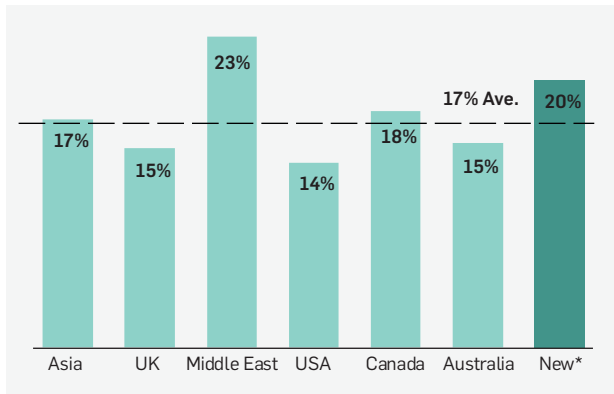
*Mall opened post 2008,
Source: Cistri



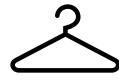
MINI ANCHORS

Reflecting the shift away from major anchors, mini anchors are now the increasingly preferred model of development with Middle Eastern malls leading the way with around 23% of mall GLA devoted to these tenants.

Mini Anchor Share of Total GLA



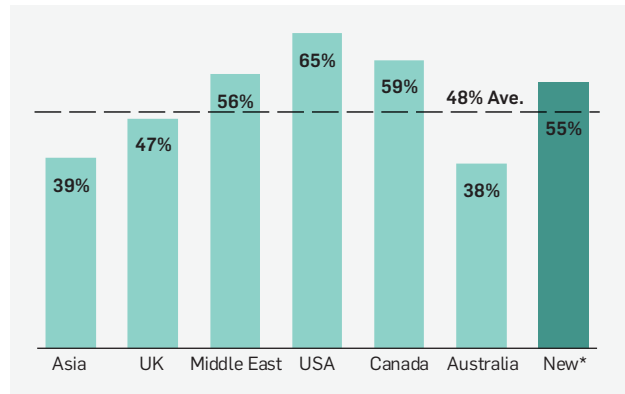
*Mall opened post 2008,
Source: Cistri



FASHION

Whilst the composition of many American malls is counter to the trend of newly developed super-regional malls, when it comes to fashion they are more closely aligned. Australia has the lowest proportion of fashion specialty GLA, partly due to the large amount of non-retail specialty space within their malls such as banks.

Fashion Share of Total Specialty Shop GLA



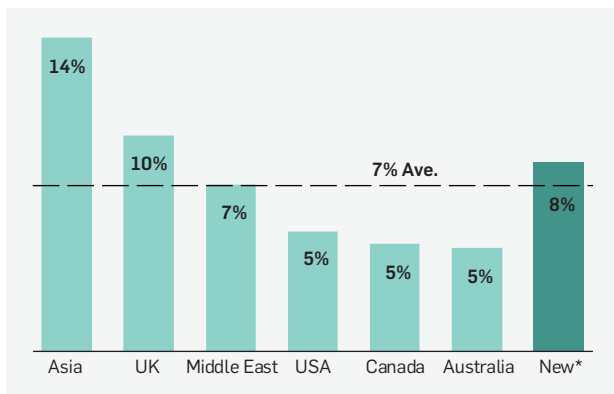
*Mall opened post 2008,
Source: Cistri



FOOD & BEVERAGE

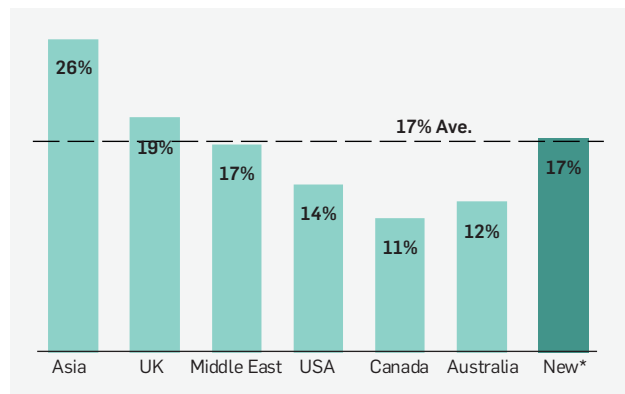
The discrepancy in the amount of F&B floorspace between regional malls in North America and Australia compared to their Asian cousins is stark, with around 14% of total GLA devoted to F&B compared to just 5% in the USA and Canada. A similar pattern exists globally when examining the share of total specialty shop space allocated to F&B.

F&B Share of Total GLA



*Mall opened post 2008,
Source: Cistri

F&B Share of Total Specialty Shop GLA



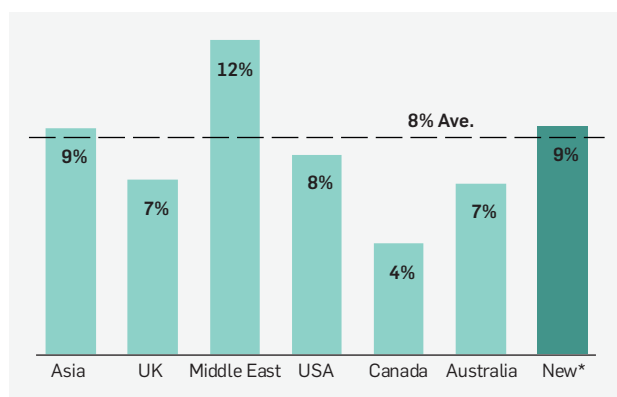
*Mall opened post 2008,
Source: Cistri



ENTERTAINMENT

With the decline of the department store as a key anchor, many malls are increasingly looking to entertainment to fill the gap. However, globally entertainment uses only account for around 8% of total floorspace. Malls in the Middle East lead the way with 12%.

Entertainment Share of Total Mall GLA



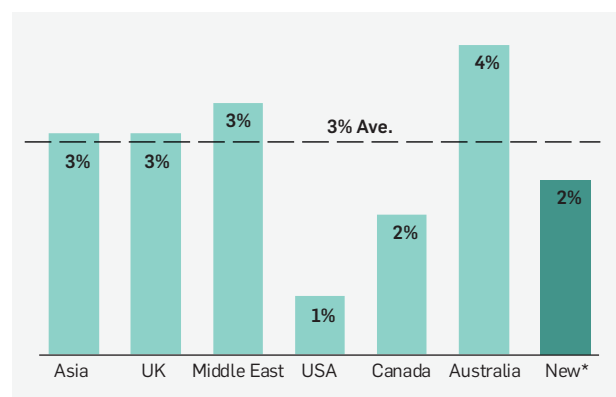
*Mall opened post 2008,
Source: Cistri



NON RETAIL

Non-retail uses such as gymnasiums, health, medical and education can be useful revenue generating tenants where maintaining occupancy can be an issue. Given our sample reflects only successful super-regional malls, these uses are likely to be under-represented relative to the broader market.

Non Retail Share of Total Mall GLA (Ex. Majors)



*Mall opened post 2008,
Source: Cistri



KEY INSIGHTS

Super Regional malls

Whilst each individual market is different, there are a number of common themes that Cistri is witnessing internationally:

- **Department stores are struggling** particularly in the more mature markets such as the US, the UK and Australia where they are losing market share and increasingly finding it difficult to remain relevant. We would expect this to become more evident in Asia and the Middle East in coming years with department stores becoming less relevant to the tenant mix of super-regional malls and many closing or downsizing.
- There will be more emphasis placed on **right-sizing** new malls and less emphasis on building super-regionals and mega malls than has been the case over the past two decades. Also greater emphasis need to be placed on flexibility and **future proofing** the design of these malls to accommodate change. This will include the possibility of converting larger tenancies, such as department stores or entertainment boxes, into smaller tenancies or into some other use. Such future proofing will entail a cost premium up front.
- Malls are increasingly taking on the role of being a **community centre** and in some cases a **town centre** rather than just a pure mall. Greater emphasis is being given to accommodating community related uses such as child care, medical uses into the overall tenant mix and creating an attractive place where people are keen to come to meet others or just hang out.
- There is a need and desire by consumers to have more climate controlled outdoor space associated with the larger malls in particular. More F&B needs to be able to be accommodated in the future tenant mix and a very important component of this is **alfresco dining**. Where possible and climate permitting, more and more people prefer to dine outside in the fresh air.
- **Environmentally sustainable design principles** are gradually being introduced into mall design but this is not happening as fast as it is in other property sectors. One area that is being closely considered is the use of extensive rooftop space that sits above many malls. Many new malls are now using at least part of this area as a rooftop park or for solar panels. Other initiatives include the introduction of internal landscaping and natural ventilation where possible.





OUR RETAIL EXPERTISE

We've helped clients develop, expand and improve the performance of malls for more than 50 years.

Our work with the retail sector draws on our expertise across the board – from planning and design, to community consultation and economics – but all our work is underpinned by our research capability. We know the sector and its drivers better than anyone.

We track the changing market forces and consumer trends and we understand the demographics and the global trends.

All of this means we can help our clients improve the shopping experience and respond to rapidly changing shopper demands.

We help our clients prepare for – and shape – the future of retail environments.

UNDERSTANDING THE MARKET

- Trade area analysis
- Competitor reviews
- Consumer behaviour
- Market capacity analysis
- Understanding consumer needs & aspirations
- Trading potential, scale & timing
- Turnover & income forecasts
- Big data interrogation and interpretation

REALISING DEVELOPMENT OPPORTUNITIES

- Network strategies
- Site assessments
- Development strategies
- Masterplanning
- Economic analysis for development applications
- Scale, design, layout & positioning advice
- Retail planning policy advice
- Economic impact & needs analysis
- Feasibility analysis
- Highest & best use analysis
- Value capture synergies

ENHANCING PERFORMANCE

- Performance benchmarking
- Detailed SWOT analysis
- Maximising market opportunity & performance
- Scale, design & layout
- Customer usage & attitudes
- Market positioning & branding
- Optimising & sustaining rents
- Attracting & retaining customers
- Maximising pedestrian circulation
- Retailer & tenant mix advice
- Access & car parking
- POD strategies

DUE DILIGENCE & LITIGATION

- Due diligence on sale or purchase – baseline future performance, upside & threats
- Expert Witness Statements:
- Consumers needs & reactions
- Expert evidence & mediation

ABOUT CISTRI

Cistri is supported by its parent company, Urbis Pty Ltd of Australia – Australia's preeminent adviser on cities and communities, with over 500 people located in offices across the country. Whilst Cistri and Urbis Pty Ltd of Australia represent clients in different parts of the world, collectively we have one simple goal – to shape the cities and communities for a better future.

We'd love to chat to you about how to optimise your mall. To contact our team, visit cistri.com/people.

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