

Shopping Centre Management in An Era of Low Growth and Intense Competition



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8G Capital Partners at a Glance



- Established in 2007 with the mission of 'PUTTING REAL ESTATE TO WORK'
- Offices in London, Nicosia and Hong Kong
- 8GCP's **advisory side** focuses on:
 - SEE (mainly Greece, Bulgaria, Romania, Turkey, Cyprus)
 - Financial Advisory
 - Workouts of distressed property, particularly for financial institutions
- Dedicated teams specializing in retail, office, industrial, residential and hotels
- Team members have between 9-30 years of experience and will invariably have worked for major UK and US property investors

What we do

Workout Management & Asset Performance Enhancement

- 'Difficult' property assets: Shopping Centres, Hotel & Leisure, Developments
- From Pre-emptive Performance Monitoring to Full Workouts
- Banks / Lenders, Developers, Investors

Financial Advisory (Property)

- Strategy
- Joint Venture Structuring & Management
- Transaction Advisory

Loan Resolution Advisory

- On behalf of borrower and/or Lender
- Bottom-up, heavy emphasis on property assets

Financial Advisory (Private Equity, Energy & Infrastructure)



Turkey: Shopping Centre Portfolio
Lamda Development & Renaissance Development



Greece: Astir Palace Privatization
Undisclosed US Private Equity Fund



Greece: 'Bad Bank' Management

My Perspective: Investment Value

My Perspective:



HSBC



Prudential

Maximise Investment value for the Investor



CAPITAL PARTNERS
PUTTING REAL ESTATE TO WORK

Maximise Investment value for the Bank / Developer / Investor

=> Everything I will discuss today aims towards maximising investment value

Are All Non-Residential Sectors the Same?

Us (Residential)



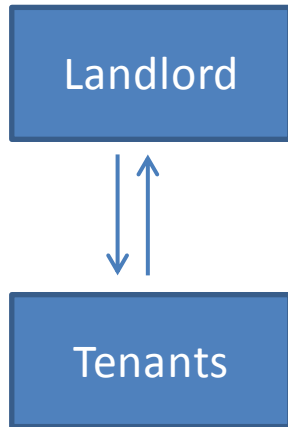
Photo: Beijing Urban Construction Group

Them (Commercial)



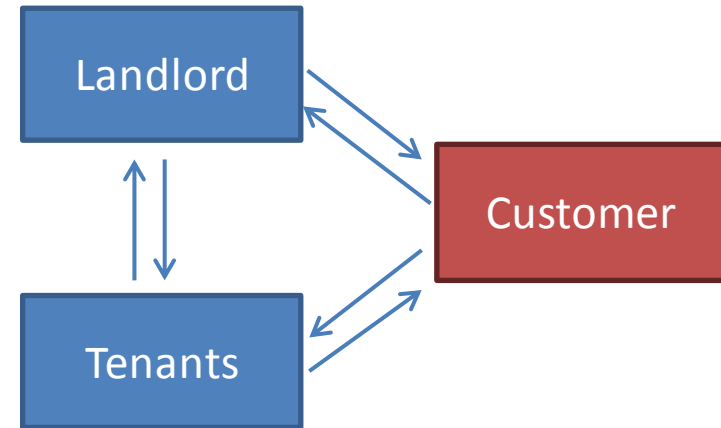
Commercial Property: Two vs Three Dimensions

Two Dimensions:



- Office
- Industrial
- Logistics
- Etc

Three Dimensions



- SHOPPING CENTRES
- HOTELS
- LEISURE



All About SERVICE and EXPERIENCE
(Remember this. It's the most important concept!)

Why is Service and Experience so Important?



- The only way to beat on-line shopping: **Provide an Experience**
- **Experience offered to customers will be crucial to the future of physical stores, hence shopping centres**
- This is not the first time technology threatens 'physical' forms:
 - TV vs Sports events: fans will still go to a match, despite being able to watch it on TV
 - DVD vs Concerts: fans will still sit in a stadium, in the rain to watch their favorite artists
 - Travel enthusiasts will still travel to the other end of the world, although they have seen it on Youtube
- **When you consider the success of a shopping centre, think how you can create a superb experience for your customer**

Our Environment: Low Growth...

theguardian

News | Sport | Comment | Culture | Business | Money | Life & style

Business > International Monetary Fund (IMF)

IMF says economic growth may never return to pre-crisis levels

World economic outlook expects global growth to be 3.3% in 2014, down from its April forecasts as countries fail to recover strongly from recession

Larry Elliott in Washington
The Guardian, Tuesday 7 October 2014 14:58 BST

[Jump to comments \(494\)](#)



A sculpture at the Athens stock exchange. Eurozone growth is predicted to be 0.8% in 2014, rising to 1.3% next year – according to the IMF. Photograph: Reuters

The International Monetary Fund (IMF) has cut its global growth forecasts for 2014 and 2015 and warned that the world economy may never return to the pace of expansion seen before the financial crisis.

In its flagship half-yearly world economic outlook (WEO), the IMF said the failure of countries to recover strongly from the worst recession of the postwar era meant there was a risk of stagnation or persistently weak activity.

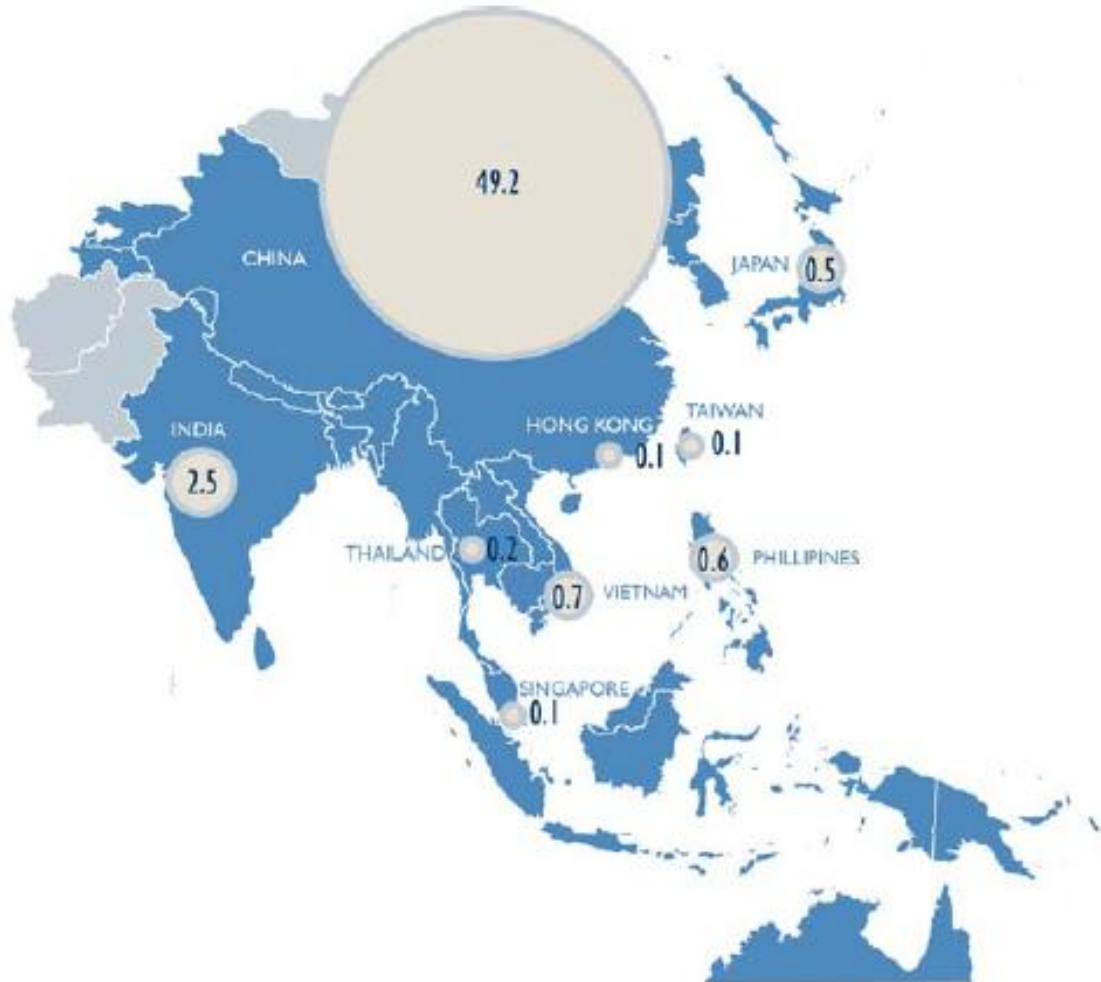
The IMF said it expected global growth to be 3.3% in 2014, 0.4 points lower than it was predicting in the April WEO and 0.1 points down on interim forecasts made in July. A pick-up in the rate of expansion to 3.8% is forecast for 2015, down from 3.9% in the April WEO and 4% in July. But the IMF highlighted the risk that its predictions would once again be too optimistic.

The International Monetary Fund (IMF) has cut its global growth forecasts for 2014 and 2015 and warned that the world economy may never return to the pace of expansion seen before the financial crisis.

The IMF said the slowdown in growth was affecting not just the west but also emerging markets such as China, Russia and Brazil.

...and Intense Competition

ASIA SHOPPING CENTER PIPELINE EXPECTED GLA
2014-2016 (MILLION SQ.M)



Shopping Centres: What's So Special About Them?



A 50% occupied Office Block



A 50% occupied Shopping Centre

Shopping Centres: The Spiral of Death



- If the vacancy rate rises above 10-15% the centre is in risk of entering a downward spiral
- If not stopped, this can rapidly wipe out investment value

What is a Shopping Centre?

“A group of retail and other commercial establishments that is planned, developed, owned and managed as a single property. The centre's size and orientation is generally determined by the market characteristics of the trade area served by the centre.” ICSC

Essential Features:

- Location
- Tenant-mix
- Design
- Management
- Marketing & Promotion

Make Sure:

- ✓ You get it right during development
- ✓ Manage proactively during the life-cycle of the asset
- ✓ Refurbish / Re-develop when required

Location

What are the desirable attributes?

- Location in relation to the 'catchment area' – *who is the customer?*
- Access to the site
- Local road-design
- Transport links, such a bus, train, road
- Availability of adjacent land for expansion
- Land cost
- Quality of parking
- Site preparation, availability of utilities (e.g. electricity, gas, drainage)
- Visibility of the scheme when complete

Location

Can we improve location?

Location may:

- **improve** (e.g. public transport or growth of the city in the centre's direction)
- **worsen** (for the exact opposite reasons)

Things we can do to improve:

- offer free shuttle bus service (e.g. from nearest underground station)
- improve signage and clearer directions
- negotiate with the local authority to extend public transport to the site (subsidize?)



Tenant Mix

The Right Mix of Tenants to Satisfy Customers

- Part of the development process
- The **Concept**:
 - All goods and services under one roof
 - Price point
 - Entertainment/ leisure
- The Mix
 - who will rent space and how much
 - at what points in the centre
 - at what terms
- Different Types of Tenants
- **What Tenants Need**

Tenant Mix

All Under One Roof



Emphasis on Leisure



Tenant Mix

Redevelopment



Design

What is a good design?

We need to:

- Enable **smooth flow** of people within the centre – horizontally and vertically
- Create **even footfall** (i.e. movement) in all parts of the centre (lower footfall = lower rent)
- Maximise gross lettable area but allow adequate provision of service circulation areas

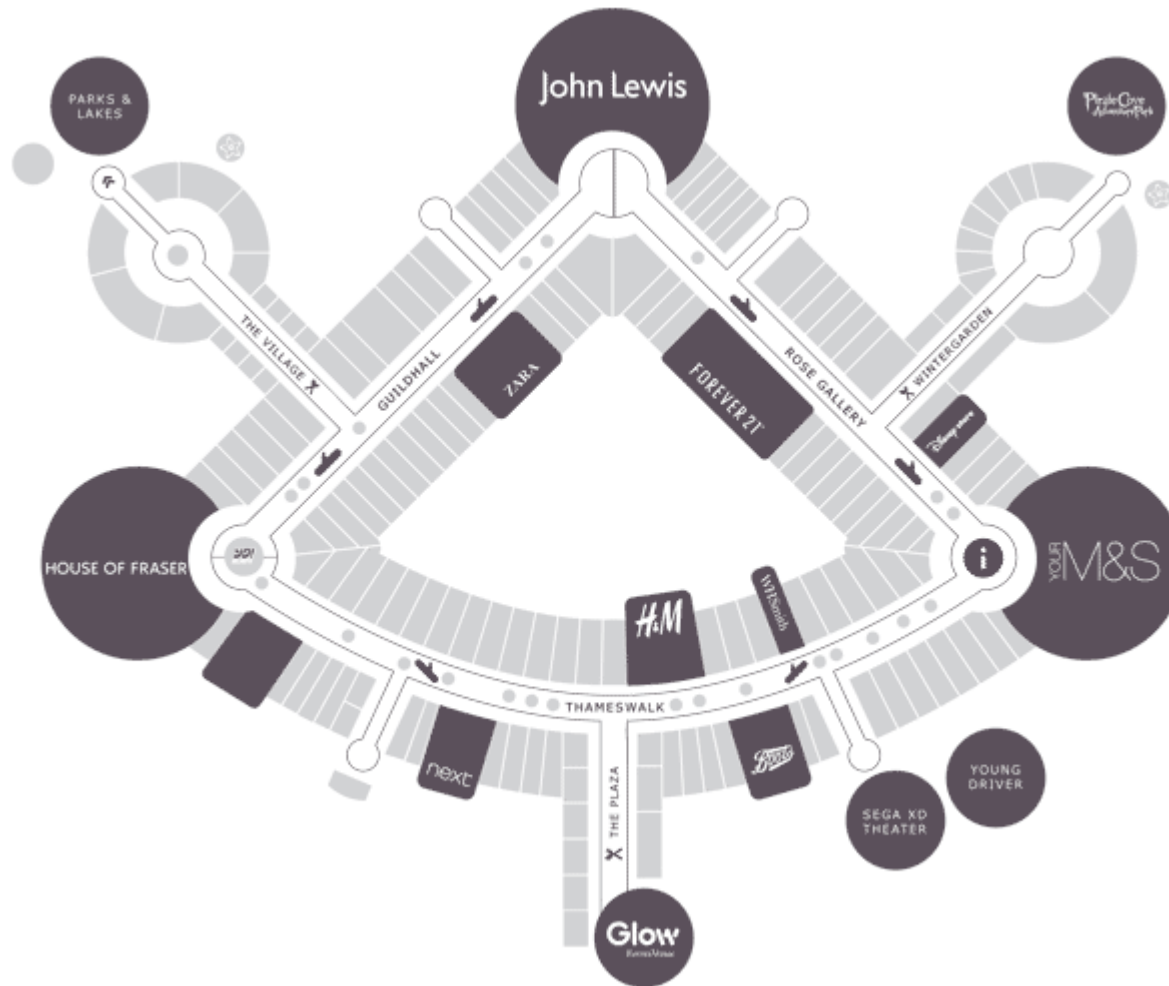
Remember that People:

- need a reason to keep walking – especially to upper floors
- can not recall directions easily – need to be reminded constantly



Design

The importance of Anchors



Design

The Importance of Sightlines

Westfield STRATFORD CITY



Seasons Place
金尚里 时尚 购物 中心



Management

大处着想，小处着手: **Create the EXPERIENCE for the customer!**

Cardinal Rule: YOU manage the centre. Not the tenants

-Main reason for letting instead of selling retail units

○ **Management involves:**

-Leases

-Updating the tenant mix

-Administration

-Accounting & Finance

-Facilities Management

-Risk Management

-Crisis Management

-Human Resources

-Security

○ Ensure you have a **Business Plan!**

○ Let's focus on the main ones

Management

A simplified Asset Management Plan:

1. Financial Performance & Projections:

- Rent (base, turnover)
- Other income
- Non-recoverable expenses
- Net Income
- Capital Expenditure

2. Trading Performance

- Economic & Demographic factors
- Tenant performance: Low/Mid/High risk (unsustainable) tenants
- Relevance of tenant mix
- Leasing and Rent Review & Tenant Engineering Objectives
- Competitor Review (including new developments)

3. Marketing

- Catchment area
- Marketing / branding/ events

Management

A simplified Asset Management Plan (cont.)

4. Commercialization & Other Income

- Sponsorship, advertising income, mall income

5. Property Operations

- Service charge budgeting, cost efficiency
- Property & facility management
- HR & training
- Environmental, Health & Safety
- Roles & responsibilities of the people involved in delivering the plan

6. Asset Enhancement & Lifecycle management

- Refurbishment
- Extension
- Redevelopment

Management

Human Resources:

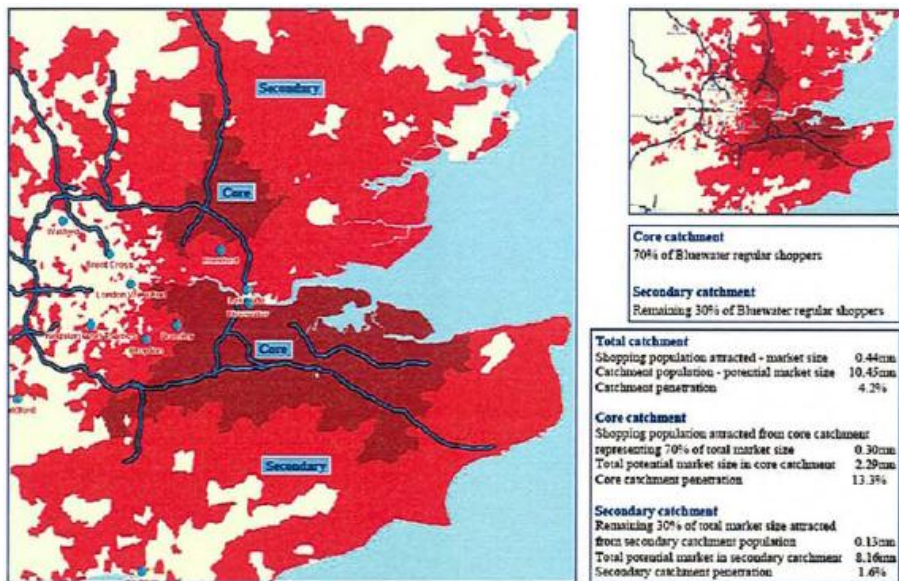
Think of the Hotel Industry:

- Well selected and trained
- It's the small things that count
- Genuine desire to serve
- In stores and common areas



Marketing

- Catchment Area
- Tenant Communication
- Customer Experience
- Advertising
- Public Relations
- Branding
- Social Media
- Events & promotions



Month	EVENTS & PROMOTIONS CALENDAR
January	<ul style="list-style-type: none"> • January Sales • Health & Fitness Exhibition • Chinese New Year
February	<ul style="list-style-type: none"> • Valentine's Day • Charity Event
March	<ul style="list-style-type: none"> • Mothers Day • Spring Fashion Show • Easter • Wedding Exhibition • Emergency Services Public Demonstration
April	<ul style="list-style-type: none"> • Easter • Baby Show • Tenant Product Launch • Garden Festival
May	<ul style="list-style-type: none"> • Car exhibition
June	<ul style="list-style-type: none"> • Car Exhibition • Art Exhibition • Mother's Day • Tenant Product Launch • Ballet Display

Month	EVENTS & PROMOTIONS CALENDAR
July	<ul style="list-style-type: none"> • Book Week • Tenant Product Launch • Charity Event
August	<ul style="list-style-type: none"> • Computer Show • Baby Competition • Back to School Show • Summer Fashion
September	<ul style="list-style-type: none"> • Photographic Exhibition • Tenant Product Launch • TV/Radio recording
October	<ul style="list-style-type: none"> • Car Exhibition
November	<ul style="list-style-type: none"> • Cookery Demonstration • Christmas Sales • Tenant Product Launch
December	<ul style="list-style-type: none"> • Eid Mubarak • Sales Promotions • Christmas Events

Commercialisation



Workouts – A Brief Guide

STEP 1: ASSESSMENT	STEP 2: REVISED BUSINESS PLAN	STEP 3: EXECUTION
Investment Strategy: e.g. Priorities & constraints for each party	Investment Strategy: Damage limitation / Fix-and-sell etc	Concept Refinement Confirm market study results and refine
Financial Performance to Date: GOI/NOI/Vacancy/Collection etc	Concept Refinement Fashion/ Entertainment/ Outlet etc	Location Execute initiatives to improve accessibility
Tenancy schedule and Tenant Mix: Tenant Performance (sales, effort ratios), tenant mix (% of uses) / drawing power of tenants; concept / image/ leases and any special covenants	Physical Aspects Accessibility / signage / fabric	Physical Aspects Work with architects, cost consultants, local authorities etc. on feasibility of various initiatives. Execute.
Design Considerations: Accessibility (car, public transport, traffic patterns), building (frontage / visibility / signage), internal design & layout. Links to residences and routes (e.g. Is it on the way to peoples second residences?)	Commercialisation & Leasing Appropriate merchandise & tenants / space reconfiguration / Current concessions / coalitions between tenants / restrictive and other clauses / ability to remove under-performers	Commercialisation & Leasing Refine tenant mix/ lease vacant space / improve income quality and lease structures
Management: Overview of management procedures & practices, marketing, tenant relations etc	Management Staffed appropriately? Delegation? Authority	Income – P&L Create new sources of income / eliminate service charge inefficiencies
Operations Overview of the services provided to tenants	Operations Service charge levels / value for money	Management & Operations Structure functioning two-way communication flow / training/ procedures and manuals
		Marketing Refine existing marketing plan

Conclusion

- ✓ Location, layout & design of the mall is critical to success
- ✓ All key parties are constantly evolving & require management
- ✓ Role of management: maximise productivity of the asset
- ✓ Anchor stores and tenant mix are fundamental
- ✓ Managing malls is a long-term business
- ✓ Good maintenance & management reduces costs, improving income
- ✓ Marketing enhances the asset value
- ✓ Malls serve the community and must retain a central position
- ✓ Research the market and the centre's customers to stay ahead
- ✓ The growth of online retailing is a growing challenge
- ✓ Shopping Centre must improve customer experience to keep market share

Thank You!

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