Market Analysis for Shopping Centers

The Subject and its Location

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Terms and Definitions

- Shopping Center -
  - A tract of land, under individual or joint real estate ownership or control, improved with a coordinated group of retail buildings with a variety of stores and free parking.
- Types -
  - Neighborhood, Community, Regional, Specialty or theme center, highway related, strip commercial

Terms and Definitions

- Neighborhood
  - Typical tenants - Convenience goods
    - Grocery, Drug, Personal Services
  - Typical Size and Trade Area
    - 30,000 to 100,000 square feet gross leasable area
    - 4 to 10 acres of land
    - 5,000 to 40,000 population, 5 to 6 minute driving time; 1 to 1.5 mile primary trade area

Terms and Definitions

- Community
  - Typical tenants - Convenience goods
    - Junior department store or discount store, variety store, home improvement center
  - Typical Size and Trade Area
    - 100,000 to 300,000 square feet gross leasable area
    - 10 to 30 acres of land
    - 40,000 to 150,000 population, wide variation in travel time & trade area; 3 to 5 mile primary trade area

Terms and Definitions

- Regional
  - Typical tenants - General Merchandise
    - at least one full-line department store
    - shopper goods
  - Typical Size and Trade Area
    - 300,000 to 1,000,000 square feet gross leasable area
    - 30 acres (or more) of land
    - 150,000 to 400,000 population, 15 to 30 minute travel time; 10 to 15 mile primary trade area

Terms and Definitions

- Specialty or Theme Center
  - Typical tenants -
    - fashion goods, handicrafts, gourmet foods
  - Typical Size and Trade Area
    - same size range as neighborhood or community centers
    - may resemble a regional center - 10-15 mile primary trade area, 15 to 30 minute driving time

Terms and Definitions

- Highway related
  - primarily serve passing motorists
  - motels, restaurants, truck stops
- Strip Commercial
  - single business along major streets
  - serve the community or neighborhood
  - may include highway-related uses
  - convenience stores, fast-food restaurants

SHOPPING CENTER CLASSIFICATION MATRIX

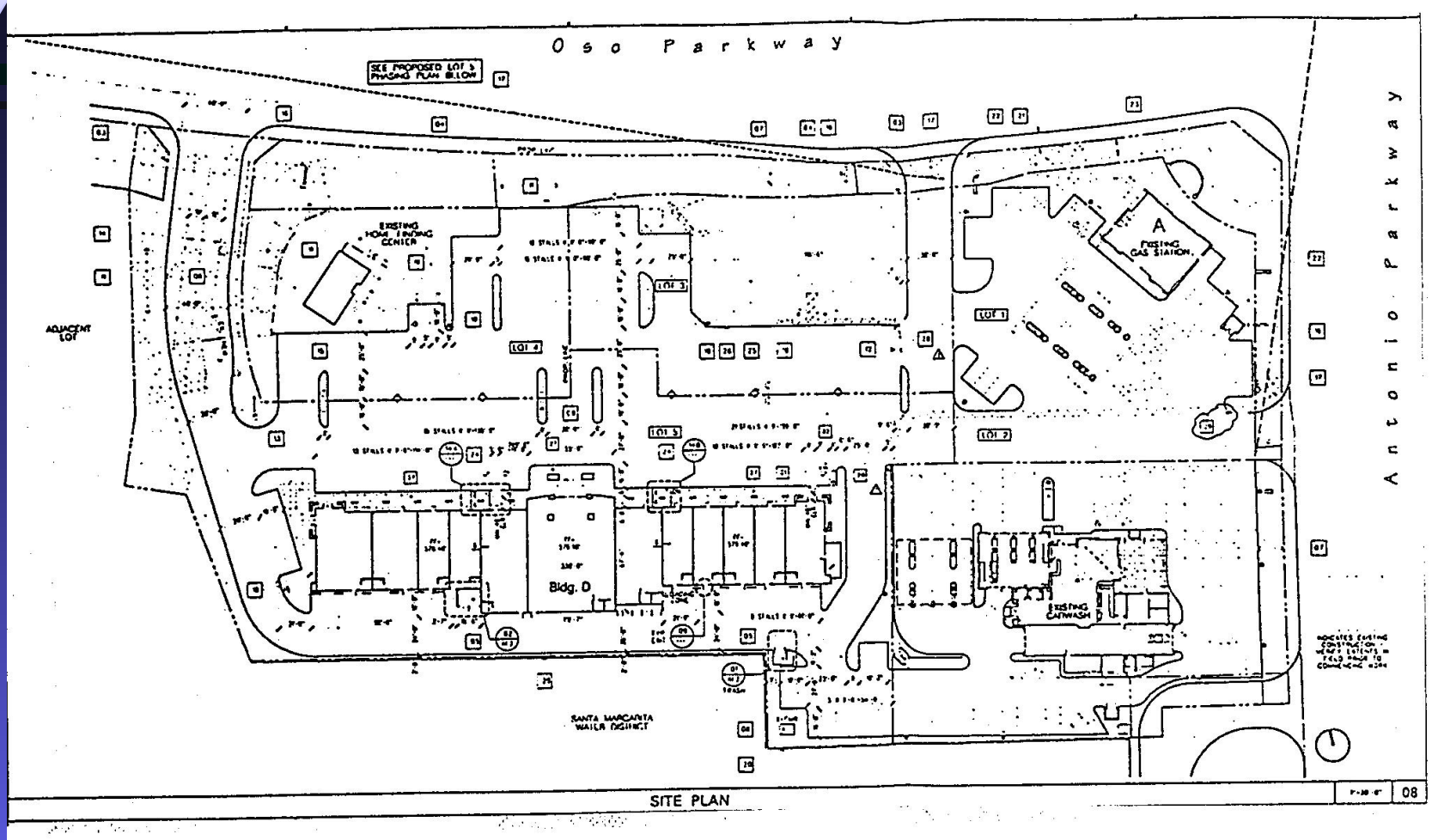
Please select the **letter** that corresponds to the type of shopping center and the **number** that corresponds to its specialization.
Enter your selections on the reverse side in the boxes labeled Center Type and Center Specialization, respectively.

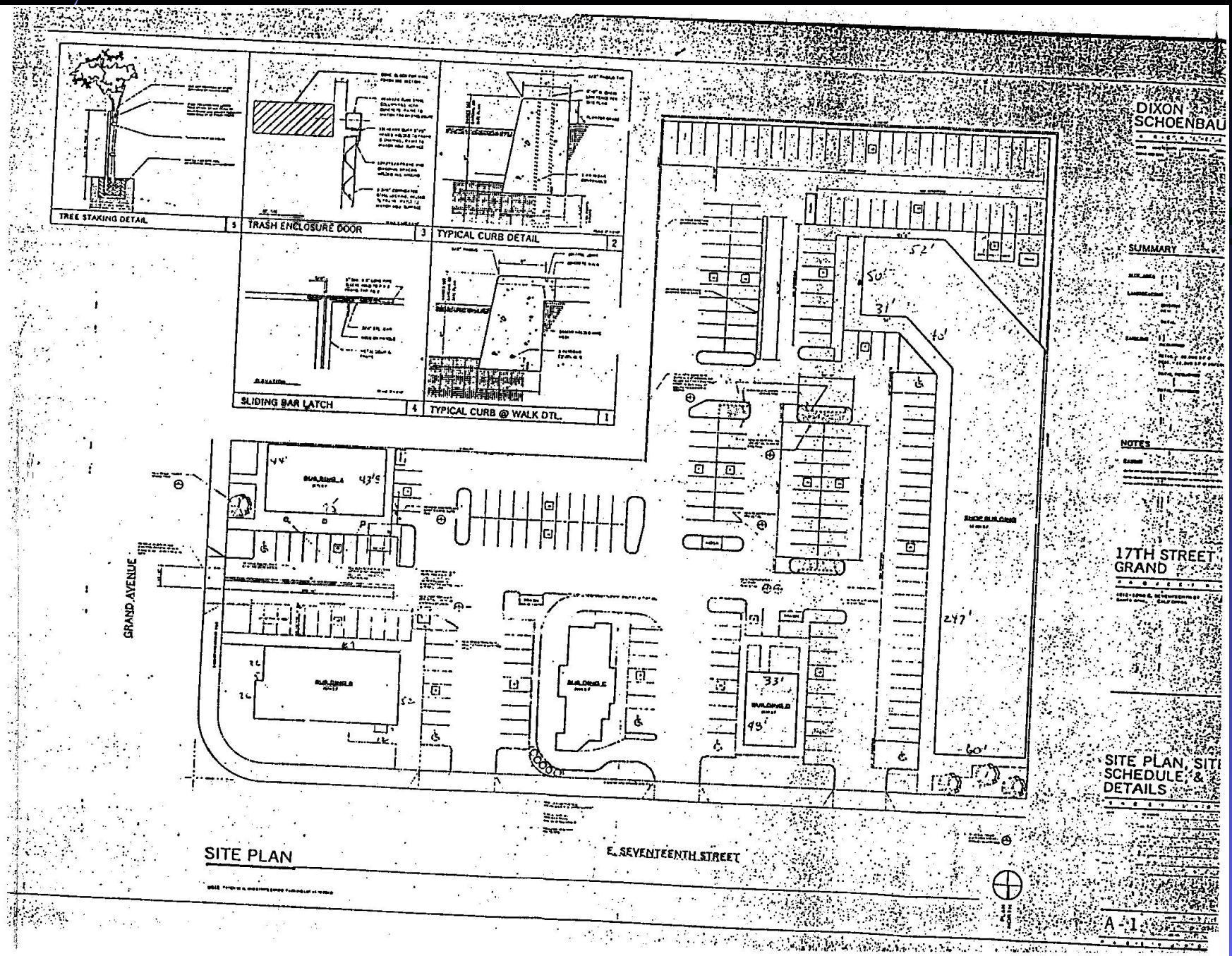
1. CENTER TYPE Using the following descriptions, select the **letter** (A–F) **that best represents** the type of basic market served.	[A] Super Regional	[B] Regional	[C] Super Community	[D] Community	[E] Neighborhood	[F] Convenience
Typical GLA (In Square Feet)	500,000 to 1.5 M +	300,000 to 900,000	250,001 +	100,001 to 250,000	30,001 to 100,000	30,000 and under
Typical Anchor Tenant	3 or More Full-Line Department Stores	1 or 2 Full-Line Department Stores	Varies (No Full-Line Department Store)	Discount Department Store/Food Store	Food Store	Convenience Store
Trade Area Population	300,000 +	150,000 +	40,000 to 150,000 +	40,000 to 150,000	3,000 to 40,000	Undefined
Principal Goods	Shopper/Impulse/ Specialty	Shopper/Impulse/ Specialty	Shopper/Impulse/ Convenience/Specialty	Shopper/Impulse/ Convenience/Specialty	Shopper/Convenience	Convenience
2. CENTER SPECIALIZATION Using the specializations in the box directly below the selection you made for Center Type, please select the **number** that best categorizes the center according to any specialization or emphasis resulting from merchandise mix, design theme, or other distinguishing characteristics.*	[1] General/Not Specialized [2] Fashion [3] Part of Mixed-Use Development (MXD)		[1] General/Not Specialized [2] Fashion [3] Part of Mixed-Use Development (MXD) [4] Outlet [5] Off Price/Power Center [6] Entertainment			[1] General/Not Specialized [2] Personal Services [3] Part of Mixed-Use Development (MXD) [4] Office Services [5] Medical/Dental [6] Restaurant/Carry-Out

*We recognize that not all centers fit into the categories listed. If none of the categories listed in question 2 describes the specialization of your center(s), write in the correct category (festival, tourist, resort, airport, business park, industrial park, etc.) instead of the **number** that corresponds to its specialization.

Please return this form to: Urban Land Institute
1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. 20007-5201

Attn: Dollars & Cents of Shopping Centers®: 1999


Oso Parkway
SEE PROPOSED LOT 3 PHASING PLAN BELOW
EXISTING HOME IMPROVING CENTER
ADJACENT LOT
LOT 4
LOT 3
LOT 5
LOT 1
LOT 2
A
EXISTING GAS STATION
Bldg. D
EXISTING CARWASH
SANTA MARGARITA WATER DISTRICT
Antonio Parkway
SITE PLAN
08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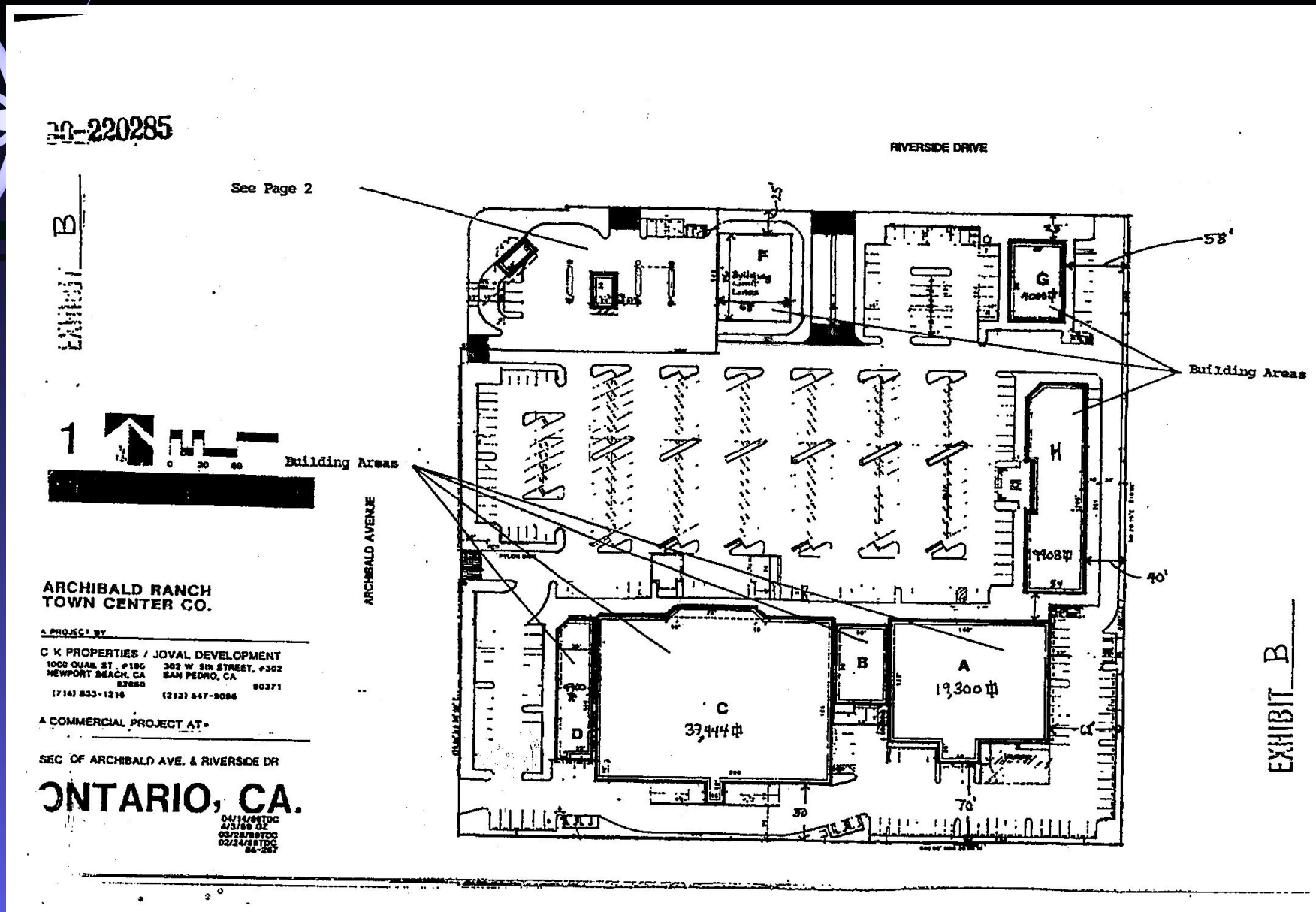
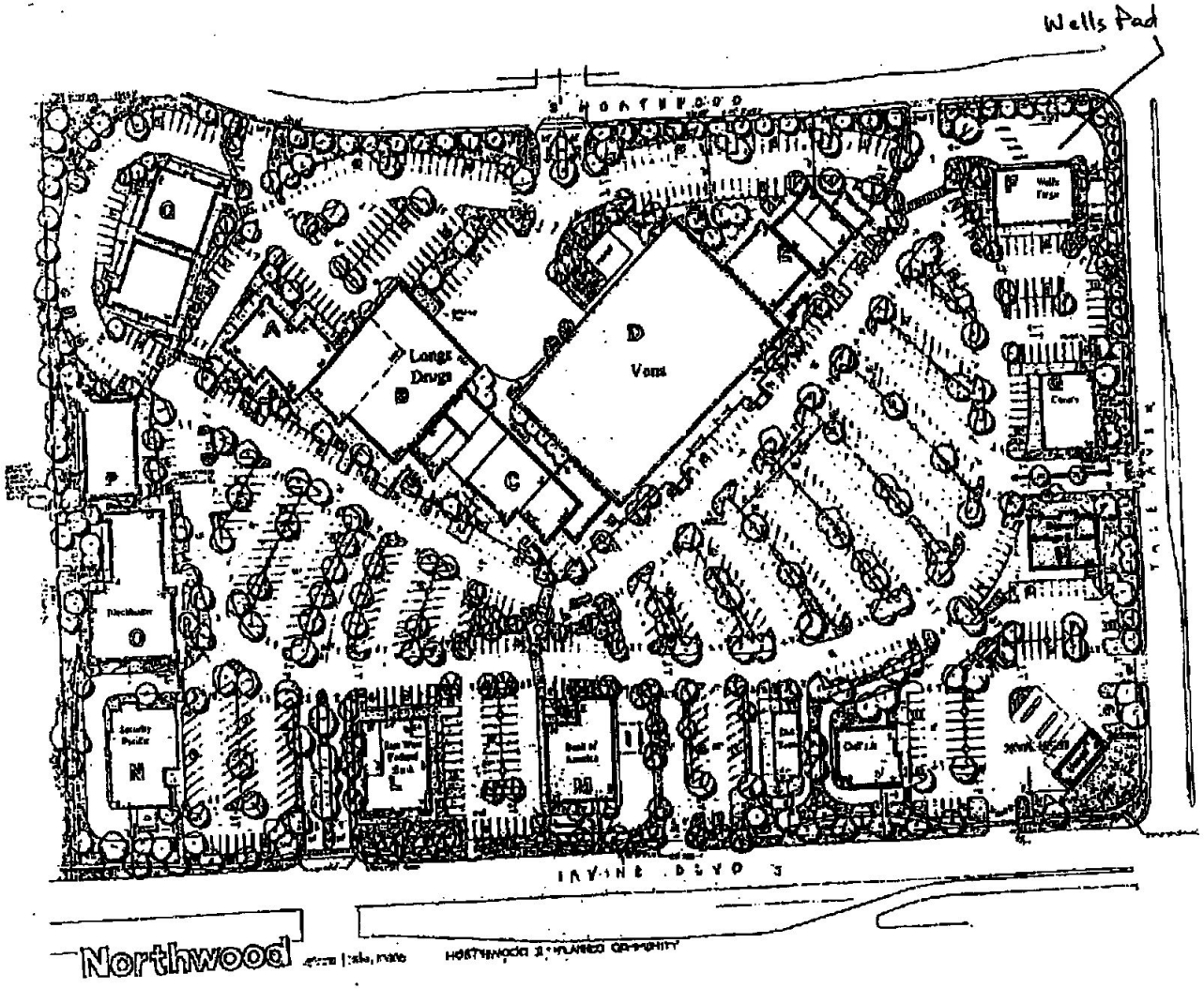
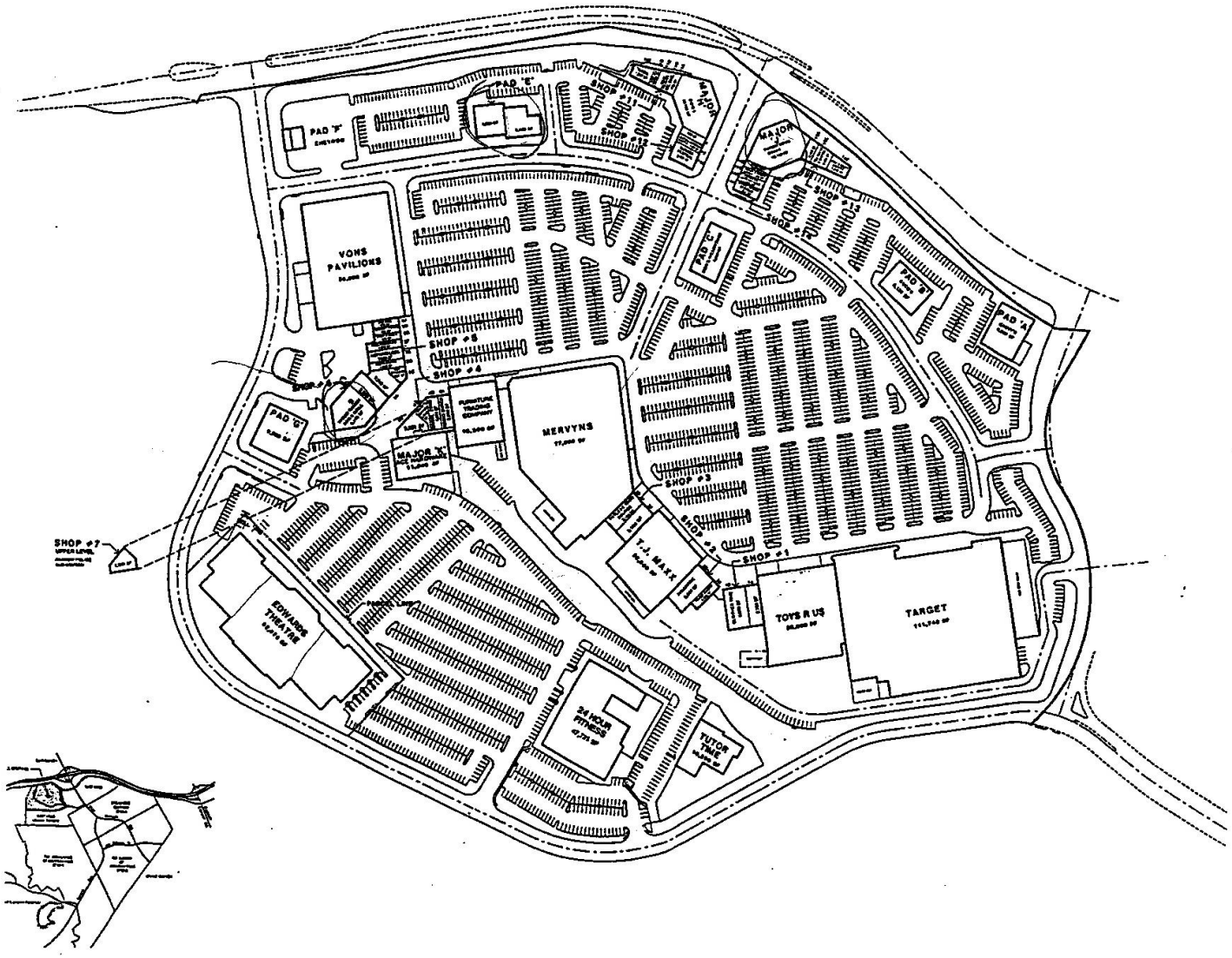
5
TRASH ENCLOSURE DOOR
3
TYPICAL CURB DETAIL
2
SLIDING BAR LATCH
4
TYPICAL CURB @ WALK DTL.
1
DIXON
SCHOENBAU
SUMMARY
NOTES
17TH STREET
GRAND
SITE PLAN, SITE
SCHEDULE, &
DETAILS
GRAND AVENUE
E. SEVENTEENTH STREET
SITE PLAN
A-1


90-220285
EXHIBIT B
See Page 2
RIVERSIDE DRIVE
1
0 30 60
Building Areas
ARCHIBALD AVENUE
ARCHIBALD RANCH
TOWN CENTER CO.
A PROJECT BY
C K PROPERTIES / JOVAL DEVELOPMENT
1000 QUAIL ST., #180
NEWPORT BEACH, CA
92660
(714) 833-1218
302 W 5th STREET, #302
SAN PEDRO, CA
90731
(213) 547-9096
A COMMERCIAL PROJECT AT:
SEC OF ARCHIBALD AVE. & RIVERSIDE DR
ONTARIO, CA.
04/14/89TDC
4/3/89 DZ
03/28/89TDC
02/24/89TDC
88-267
F
G
4000 ±
58'
Building Areas
H
11080 ±
40'
B
A
19,300 ±
C
37,444 ±
D
70'
50
EXHIBIT B


Wells Pad
Longs Drugs
Vons
Northwood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PAD 'E'
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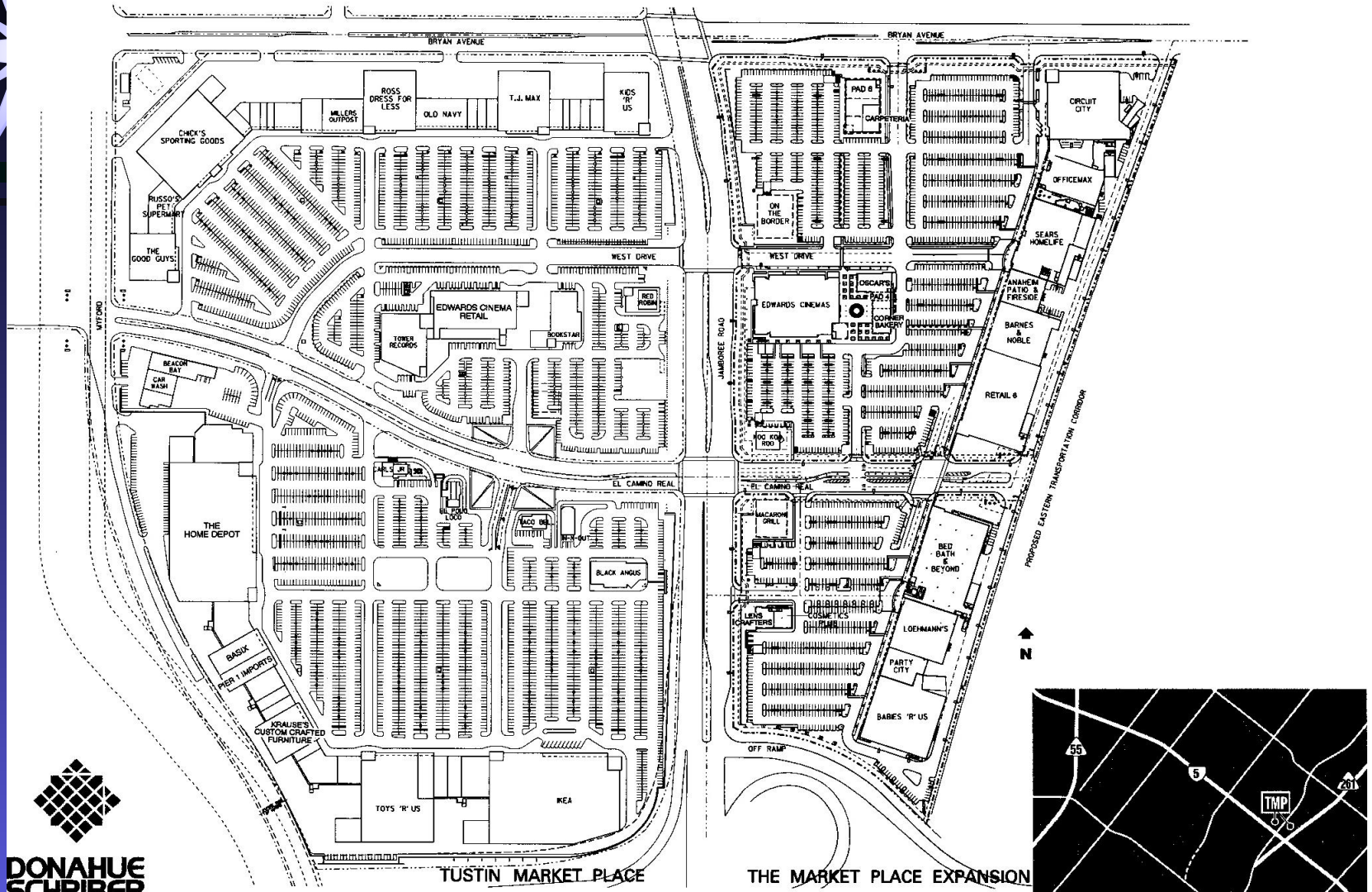
SHOP #10
MAJOR
MAJOR
SHOP #12
VONS PAVILIONS
SHOP #5
SHOP #4
PAD 'C'
PAD 'B'
PAD 'A'
PAD 'G'
SHOP #6
MAJOR 'K'
MERVYNS
SHOP #3
SHOP #2
SHOP #1
SHOP #7
T.J. MAXX
TOYS R US
TARGET
EDWARDS THEATER
24 HOUR FITNESS
TUTOR TIME

TUSTIN MARKET PLACE / THE MARKET PLACE



DONAHUE SCHRIBER

TUSTIN MARKET PLACE

THE MARKET PLACE EXPANSION

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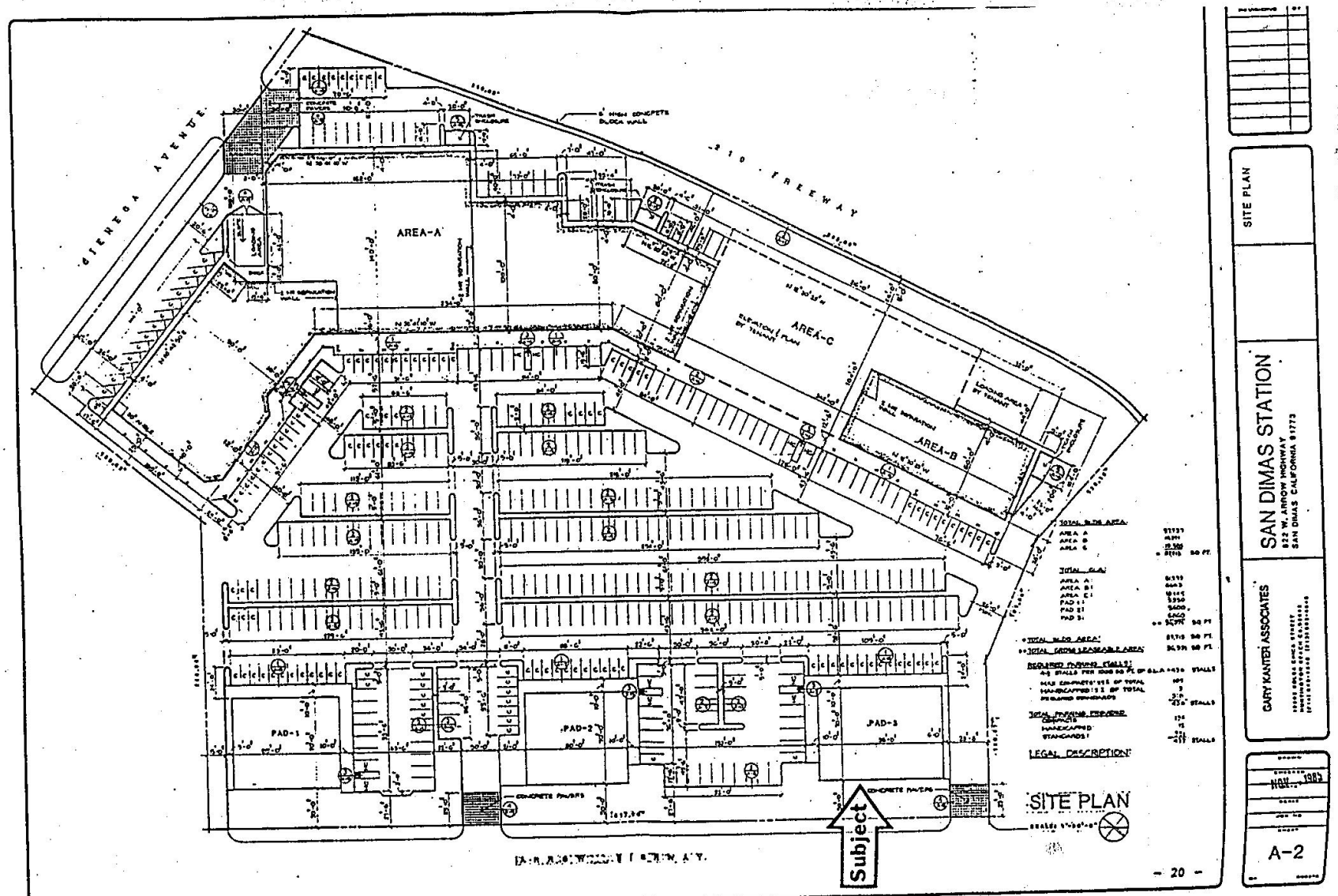

SIENEGA AVENUE
AREA-A
AREA-C
AREA-B
PAD-1
PAD-2
PAD-3
CONCRETE PAVERS
Subject
SITE PLAN
LEGAL DESCRIPTION:
GARY KANTER ASSOCIATES
SAN DIMAS STATION
822 W. ARROW HIGHWAY
SAN DIMAS CALIFORNIA 91773
SITE PLAN
NOV 1983
A-2
- 20 -

Building Terms

- Gross Leasable Area (GLA)
  - The total floor area rented to tenants. It can include basements and mezzanines. Rent is paid according to the GLA occupied, measured from the outside wall surface to the center of interior partitions.
- Gross Floor Area (GFA)
  - GLA plus all common areas
- Gross Sales Area (GSA)
  - GLA less storage and work areas.

Building Terms

- Common Areas
  - Mallways, parking, and other areas available to all center customers; not part of GLA
- Parking Area
  - Includes parking surface, aisles, stalls, islands
- Parking Ratio
  - Parking area to GFA or GLA
- Parking Index
  - number of spaces per 1,000 sf of GLA

Types of Goods

- Convenience Goods
  - Groceries, drugs, personal services
- Specialty Goods
  - infrequent purchases, involves some comparison shopping
- Shopping Goods
  - hard goods and fashion goods, involves comparison shopping, usually large-ticket items
- Impulse Goods
  - small-ticket items, apparel

Trade Area Terms

- The Trade Area -
  - the area from which most people who shop at the center come - is typically divided into three components: the primary trade area, the secondary trade area, and the tertiary area.
    - Capture rate different for each area
    - Differentiation of components made on the basis of:
      - driving time at non-peak hours
      - percentage of total sales and/or customers

Primary Trade Area

- Driving time
  - geographic area immediately adjacent to the property and extending out to a driving time of a certain duration.
- Total Sales
  - geographic area extending outward from the property from which the retail establishment obtains 60 percent to 70 percent of its total sales or total customers.

Secondary Trade Area

- Driving time
  - geographic area immediately adjacent to the primary trade area and extending away from the site for a predetermined driving.
- Total Sales
  - geographic area from which the retail establishment obtains an additional 20 to 30 percent of its total sales or total customers.

Tertiary Trade Area

- The primary and secondary trade areas together should account for 90 percent of the retail establishment's total sales.
- The tertiary trade area extends beyond the secondary trade area the distance at which the customer with the longest driving time resides.

Unique caveats

- A shopping center does not generate new business
- Existing, planned, and potential competition must be considered.
- Market capture of a center is a function of the trade area and major tenants that the trade area supports
- do not lead new development, but follows the direction of community growth.
- Shoppers typically do not drive by a dominate center to get to another retail facility.

Market Analysis Process

Step 1: Define the Product (property productivity analysis)

Step 2: Define users of the property and trade area (Market delineation)

Step 3: Forecast Demand Factors

Step 4: Inventory and forecast competitive Supply

Step 5: Analyze the interaction of Supply and Demand

Step 6: Forecast subject capture

Step 1: Define the Product (Property Productivity Analysis)

- Site and Building Analysis
- Location Analysis
  - land use and linkages
  - subject's position in the urban growth structure
  - preliminary inventory of competitive supply
  - rate subject's competitive position in the trade area

Retail Property Rating Sheet

- 24 factors graded
- Typical Score (4) equals score of 96
- This property is 13% superior to the average (108/96 = 1.13)

Note. The following table is scored to a hypothetical center to show the calculations. See also the explanation on the following page. (The results of this sheet are used in Practice Problem 5.3.)

	Inferior			Typical	Superior		
Score number	1	2	3	4	5	6	7
Factor	High	Mod.	Slight		Slight	Mod.	High
Site							
Size				X			
Land-to-building ratio				X			
Parking							
Number			X				
Location				X			
Convenience				X			
Buffers				X			
Interior circulation				X			
Topography							
Circulation impact				X			
Drainage				X			
Exterior access (curb cuts, etc.)				X			
Landscaping				X			
Building improvements							
Exterior appearance					X		
Construction quality				X			
Signage appearance					X		
Design flexibility				X			
Street visibility		X					
Tenant mix and marketing features							
Anchors							
Size							X
Drawing power							X
Tenant compatibility mix						X	
Image of center						X	
Shopper access							
Shops to shops					X		
Cars to shops				X			
Amenity features						X	
Legal				X			
Subject number of items	0	1	1	14	3	3	2
Times category score	1	2	3	4	5	6	7
Score	0	2	3	56	15	18	14
Total subject score							108

Step 2: Define users of the Property and Trade Area (Market Delineation)

- Trade Area Circles
  - Identify subject center type
- Gravitational Models
  - Reilly's Law of Retail Gravitation
    - attractiveness or ability of a center to attract customers is proportional to how big it is and how far it is from its competition. Distance has a greater impact than size.
- Customer Spotting

Step 3: Forecast Demand Factors

A) Forecast number of *households* in the primary trade area.

B) Estimate *average* and *median household income* and total income in the primary trade area.

C) Estimate the *percentage of income spent on retail purchases* in the primary trade area.

D) Estimate the *percentage of retail purchases typically bought at a subject-type center* in the primary trade area.

Step 3: Forecast Demand Factors, con't

E) Estimate the potential *percentage of retention of sales* in a subject-type center in the primary trade area.

F) Estimate sales required per square foot of supportable retail space in the primary trade area.

G) Repeat Steps 3-a to 3-f for the secondary and tertiary trade areas.

H) Determine total supportable square feet of retail space for the primary, secondary and tertiary trade areas.

Step 4: Inventory and Forecast Competitive Supply

A) Estimate existing competitive supply.

B) Analyze existing comparable, competitive rental space

C) Forecast new competitive space

- New and Developing inventory
- Proposed inventory

Step 5: Analyze the Interaction of Supply and Demand

- Residual demand analysis
  - Key factor
    - Excess demand -
      - room for additional supply
      - ability to raise rents
    - Excess supply -
      - high vacancies
      - soft rents

Step 6: Forecast Subject Capture

- Inferred demand data
  - comparable property data
  - secondary data surveys and forecasts
  - subject historical capture
  - local economic analysis
- Fundamental demand methods
  - Share of the Market
  - location and amenity rating
  - Current capture ratio method

Step 1: Define the Product (Property Productivity Analysis)

- Site
  - Size:
    - Should be large enough to discourage competition, and to accommodate potential expansion
  - Look for:
    - Unity of Space
    - Frontage for visibility
    - Adequate depth to accommodate buildings and parking

Step 1: Define the Product (Property Productivity Analysis)

- Site, con't:
  - Land-to-Building ratio
    - is the subject typical of the market?
    - Is there
      - Adequate parking
      - Loading docks that don't interfere with shop access
      - Buffers and setbacks from streets and other land uses

Step 1: Define the Product (Property Productivity Analysis)

- Site, con't:
  - Topography
    - is the site level with the surrounding streets for good visibility
  - Utilities
    - are all typical utilities in place or readily available
  - Zoning
    - Is the site properly zoned for the existing and/or future uses?

Step 1: Define the Product (Property Productivity Analysis)

- Building Design and Layout
  - Building size, materials and quality
  - Canopies
  - Signage
    - Storefronts and monument sign
  - Truck loading docks and circulation
  - Floor plan design and flexibility
  - Store size, width, depth, ceiling heights

Step 1: Define the Product (Property Productivity Analysis)

- Tenant Mix and Marketing attributes
  - Anchor tenant(s)
  - complementary secondary (shop) stores
  - Consumer perceptions of the tenant quality
  - Overall shopping center image
- Amenity features
  - theaters, recreational facilities, landscaping and/or waterscape features, food court

Step 1: Define the Product (Property Productivity Analysis)

- Location Analysis
  - Key considerations
    - shoppers tend to move toward the dominant center
    - shoppers will tend not to go through (past) one center to get to another center offering the same shopping goods and services
    - visibility from the street is important
    - best location provides easiest access from the trade area

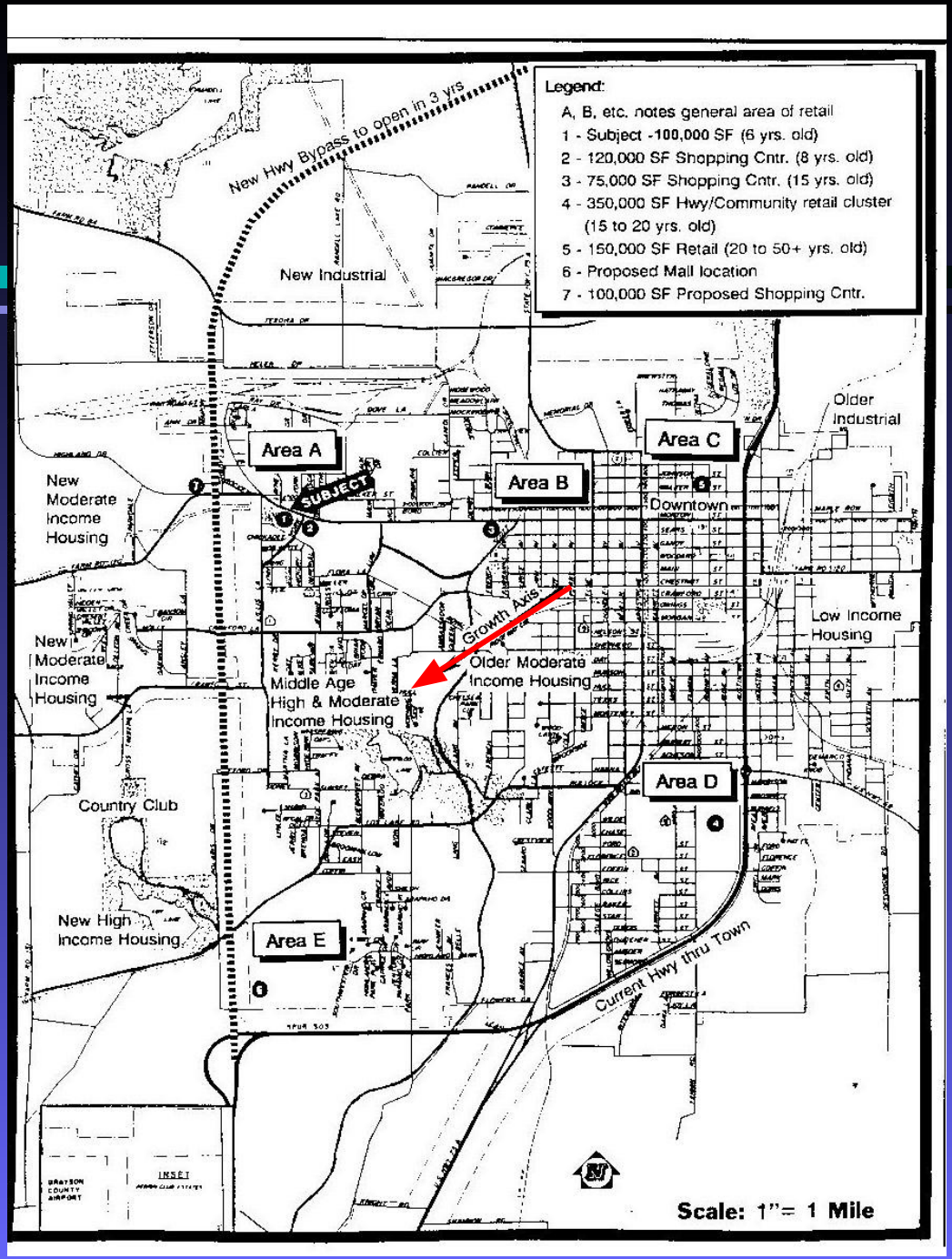
Step 1: Define the Product (Property Productivity Analysis)

- Land Use and Linkages
  - current land use trends
    - age, condition and conformity in the neighborhood
  - linkages to demand
    - where to customers live and work
    - where to customers go for other purposes
      - i.e.: recreation, entertainment, public transportation
  - site linkages
    - curb cuts, turn lanes, raised street medians, transit stops

Step 1: Define the Product (Property Productivity Analysis)

- City/Area Growth Patterns
  - direction of urban growth
  - rate of urban growth
    - use map to plot ages of neighborhoods to analyze growth trends
- Factors that influence the direction of growth
  - man-made: major limited access highway
  - natural: rivers, mountains
  - political: municipal (district) boundaries

Map of Urban Growth Axis



Step 1: Define the Product (Property Productivity Analysis)

- Competitive Location Rating
  - What is the center's current ability to attract customers?
  - What is the center's ability to maintain its market share over time?
- Use a rating matrix to help quantify the above questions

Table 4.4.
Final Competitive Location Analysis Chart

Rating Criteria	Area A	Area B	Area C	Area D	Area E
Housing units (area draw)	1	1	1	1	2
Regional (4-mile radius)					
Community (2-mile radius)					
Neighborhood (0.5-mile or less radius)					
Proximity to new retail development (existing or approved)	2	1	1	1	3
Proximity to path of growth (plat activity, actual growth)	3	2	1	1	3
Major roads—Access/visibility (existing or committed)	2	1	1	1	3
Traffic counts—Volume by site	3	2	1	2	4
Proximity to market (best interceptor sites)	2	2	1	1	3
Size and drawing appeal of anchors	3	2	3	2	4
Diversity of tenant mix, compatibility rating, and cumulative attraction	2	1	1	2	3
Effective age of centers	3	2	1	2	3
Special amenity features	0	0	0	0	1
Totals	21	14	11	13	29
Percent of total scores and possible capture indication	24%	16%	12%	15%	33%

Note. The results of this analysis are used in Practice Problem 5.3.

Step 2: Define users of the Property and Trade Area (Market Delineation)

- Trade Area Circles
  - Identify the center type
    - regional, community, neighborhood
  - Identify neighborhood travel routes
  - Identify the location of the competition
- Define the trade area in terms of
  - transportation systems
  - direction of community growth

Step 2: Define users of the Property and Trade Area (Market Delineation)

- Define the trade area in terms of
  - Land Use and demographic factors
    - transportation systems
    - direction of community growth
    - Existing and projected patterns of residential development
    - Household purchasing power

Step 2: Define users of the Property and Trade Area (Market Delineation)

- Gravitational models
  - Reilly's law states that the attractiveness or ability of a center to attract customers is proportional to how big it is and how far it is from its competition. Distance has a greater impact than size.

Step 2: Define users of the Property and Trade Area (Market Delineation)

- Gravitational models
  - The formula
    - $TAB = T / (1 + \sqrt{S_a / S_b})$
    - Where:
      - TAB = trade area boundary from S_b
      - T = Travel time between store A and Store B (could use distance instead)
      - S_a = Size of Store A (or retail cluster)
      - S_b = Size of Store B (or retail cluster)

Step 2: Define users of the Property and Trade Area (Market Delineation)

- Customer Spotting
  - Obtained from survey data
    - Obtain customers home addresses
    - Spot on a map
    - Calculate Primary, Secondary, and Tertiary areas
    - Compare number of customers from each area
      - generally 65%, 25%, 10%

Step 2: Define users of the Property and Trade Area (Market Delineation)

- Recap
  - A property can have more than one trade area
  - A trade area is defined for a specific land use at a specific location
  - Emphasis is on defining linkages
    - time - distances relationships
  - Trade areas are formed by urban growth patterns
  - Trade area analysis considers competition

So That's

Market Analysis for Shopping Centers

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