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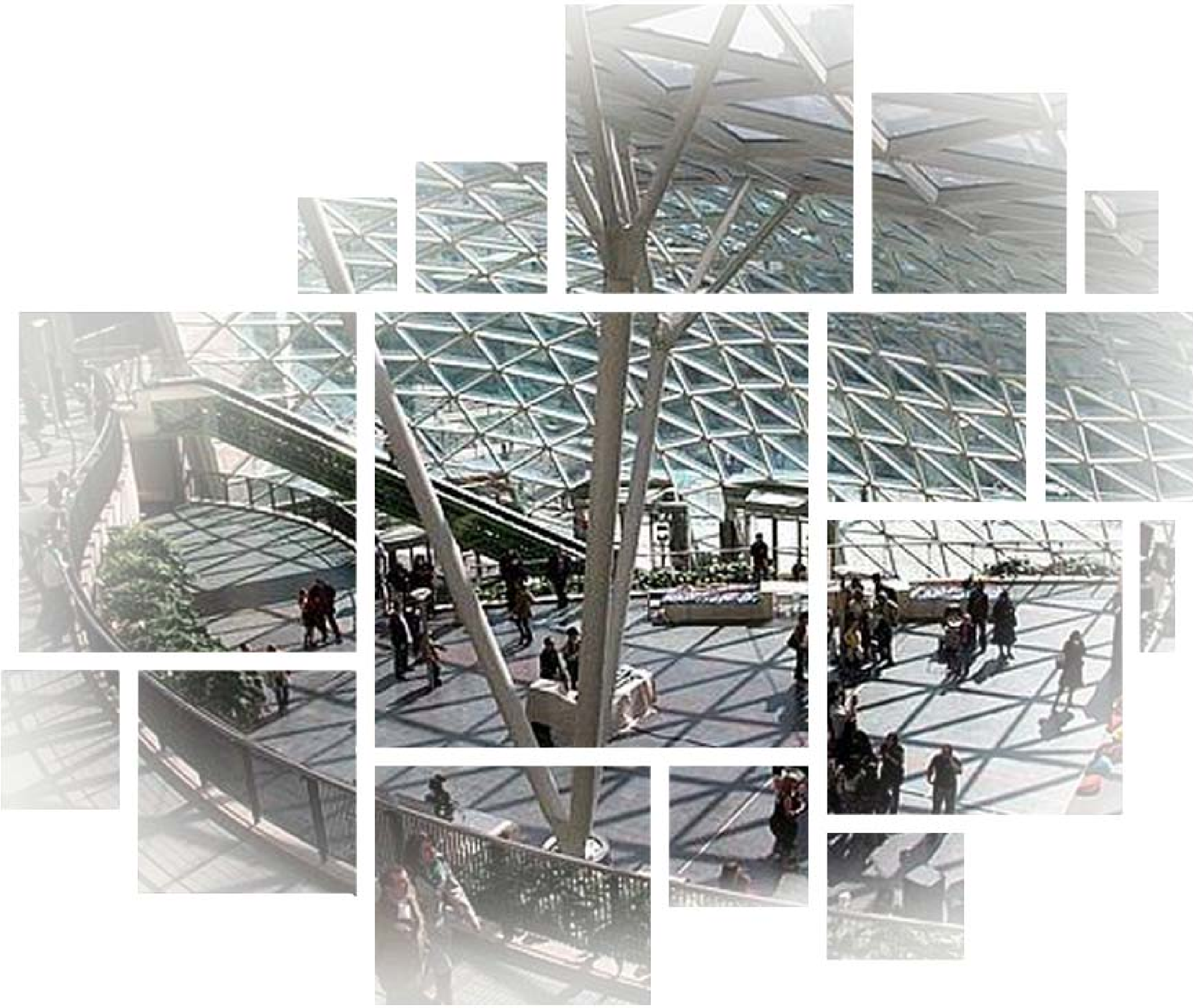
THE SHOPPING CENTER MANAGEMENT MARKET

A COMPARATIVE ANALYSIS OF PORTUGAL, POLAND AND THE NETHERLANDS



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Preface

Finally my master thesis is finished! It was an interesting process. It felt like a roller coaster ride with some ups and a lot of downs. There is only a thin line between frustration and relieves and I crossed it a few times. In the beginning I didn't know a thing about my topic shopping center management, but the minute I walked into Luis his office and he started talking I wanted to do the assignment: Shopping center management in a European context. In my head I was already flying from city to city. The university was less enthusiastic and found it too ambitious and I had to narrow it down to three countries. At that time I really felt a distance between the practice and the university. It was difficult to deal with the difference perspectives between the two, but also a process every student needs to experience. Eventually I found a way to finish my thesis in extra time. Now ready to go to work every morning and bring my knowledge in to action.

I want to thank the companies, which with providing me information, Mathijs and Luis for letting me work in a stimulating working environment, Jo Soeter and Dion Kooijman for their guides, my girlfriend, friends and family for their understanding, despite the fact I was a little bit grumpy sometimes and a special thanks is going out to my parents how supported me my whole life and made this possible.

Den Haag, October 2008

Maarten Schaepman

Summary

A key factor in making a shopping center a success, one that should be considered from the start of the development, is the management. The shopping center management is responsible for carrying out the concept of the shopping center and adjusting it, if necessary, to the needs of changing society. The internationalisation and strong shopping center growth across Europe increases the competitiveness in local markets between retail areas attracting consumers. This demands an integral approach to shopping center management to supply and ensure a high quality of the services. The difficulties of operating across the borders of the home market, are the differences between the countries on all levels. To make the research feasibility in the time allotted for the research, it is narrowed down to the countries Portugal, Poland and the Netherlands. The main research question is:

'Which adaptations should be made to the integral approach of shopping center management to make it applicable in Portugal, the Netherlands and Poland?'

Theory

Generally, in shopping center, tenants are required to pay a monthly base rent and a percentage of turnover rent agreed upon by both parties. An increase of sales turnover will lead to improved rents, an incentive to the investor, and loyalty of retailers and consumers (ICSC, 1999 p.19). The investor is now more involved in the functioning of the shopping center and will therefore try to better all-round performance in the long run. The vertical integration in the real estate industry creates a synergy between the different businesses levels. The knowledge and the network of the developer is combined with the accessible capital of the investors who also brought a higher level of analysis and evaluation of shopping centers to optimise the resources and improve net operating income with shopping center management. Through globalisation the behaviour of consumers has become steadily more similar. This made it more attractive and easier for retailers to operate outside the borders of their home markets, which resulted in an increase of demand for modern retail space. Municipalities know retail has the ability to change places in desirable international locations for new businesses and are willing to supply land. These three components work as a catalyst in the process of the growing market of shopping centers.

The role of shopping center management has become more critical as the competition in the retail market increases. Shopping centers need to control and maintain their position in the market. The integral approach of shopping center management tries to accomplice a competitive advantage with the services commercial, financial and marketing. The functional quality of a shopping center depends highly on desirability of tenant/merchandise mix. The commercial service assists tenants and adjusts the tenant/merchandise mix to serves the changing needs of the local consumers with the information provided by the analysis of the financial service. A flexible lease, in terms of 10-year for anchor tenants and 5-years for smaller tenants with no termination and no prolongation options for the tenants, will provide more options for the management to do this. A comprehensive marketing program is set up from the start of the development to create, maintain and extent the image, because an image is a critical determination of the way customers respond to center. The shopping center management and the tenants participate in a marketing program that promotes he

individual stores as well as the shopping center as a whole. Sufficient budgets are needed to supply the integral approach to shopping center management for given periods of time. Commitment of the management is also a key element to run a shopping center successful, which is done through incentives with variable remunerations.

Practice

In practice there are big differences between Portugal, Netherlands and Poland on national macro level, in the retail market, in the interpretation of shopping center management and the services it should provides. Poland and Portugal show a lot of similarities in the development of the shopping center market and the quality of shopping center management. In both countries new development take place in secondary cities and in redeveloping old cities centers in 2008. The leases, in Portugal an atypical contract, are in favour of the shopping center management and base rent with a percentage of turnover rent is commonly accepted. The tenants are used to pay high service charge, including the cost of the management, and marketing budgets to maintain and expend the position of the shopping center in the local community. The owner creates commitment of the management through linking the remuneration to the variable incomes of the center. In the Netherlands there is a different situation. There is a sensitive balance between retailers and retail areas, because of the structure of the towns, located together with their own retail areas, and its high density. The government protects the retail structure with strict planning regulations, resulting in the absence of large out-of-town developments and hypermarkets as seen in Portugal and Poland. The lease is generally for a period of 5 plus 5 years with termination and prolongation options in favor of the tenants. Due to the Dutch regulations and culture a fixed rent is common in shopping centers the Netherlands. There are possibilities to agree upon another contract not within the boundaries of the system, but this needs the approval of the court that represents the rights of the tenant. The case of Factory outlet Bataviastad shows this is incidentally possible as base rent with percentage of turnover rent is used. The resources of the shopping center management, paid by the tenants, are below the level of recourses in Portugal and Poland. An explanation for this is that marketing activities are less common in the market and the owner usually pays the management cost, without direct incentives.

Conclusion & recommendations

The general approach of shopping center management in Portugal and Poland showed a lot of similarities with the integral approach and the estimations are it could easily be implicated in these markets. In the Netherlands, the integral approach of shopping center management could give a shopping center a competitive advantage, but the retail market and its structure creates many boundaries to make it applicable. The integral shopping center management approach, similar to the shopping centers themselves, does not fit all shopping centers in Portugal, Poland and the Netherlands. However, the experience of past developments and the distinctiveness of the local demand can provided an advice to investing developers to integrate the shopping center management approach in future developments, depicts in the table I, in Portugal, the Netherlands and Poland.

Type	Concept	Size (m2 GLA)	Anchor tenants	Rent	Lease	Management organization	Staff	Management cost	Variable Remuneration
Portugal									
Neighborhood/ community center	Daily grocery, fashion	10,000 - 50,000	2 or more (Supermarket, C&A, restaurants)	base+ turnover rent	6	Mangement from one central point in a district, because of the size om the center	4	tenant	owner
Modernizing shopping center	General Merchandise, Fashion	-	-	base+ turnover rent	6	The integral approach	8	tenant	owner
Urban regeneration	Lifestyle, Multiple functions	-	-	base+ turnover rent	6	Working together with municipality and tenant association for marketing	2	tenant	owner
Netherlands									
Extention/redevelopm ent smaller cities	Lifestyle, Multiple functions	-	-	base rent	5+5	Working together with municipality and tenant association for marketing	2	33/33/33	-
Lifestyle/theme center	International Fashion, dining and entertainment	50,000 – 100,000	5 or more (H&M, Zara, restaurants)	base+ turnover rent	5+5	The integral approach	8	tenants	owner
Poland									
Regional/community c	Daily grocery, merchandize and fashion	30,000 - 100,000	5 or more (hypermarket, C&A, Mark & Spencer and Saturn)	base+ turnover rent	5 - 10	The integral approach	8	tenants	owner

Table: I: Recommendation on developments with shopping center management per country

Contents

1 Research proposal

The European shopping center market reached another record in terms of development with 8.2 million sqm in 320 new retail schemes and 54 extensions to existing shopping centers in 2007. Despite the credit crunch development activities are expected to continue to rise in the shopping center market with an estimated 22 million sqm across Europe in the period of 2008-2010 (C&W, 2008 p.1-3).

The total existing floor space in Europe, shown in figure 1, now stands at an excess of 110 million sqm, and an average of 200 m2 per 1,000 inhabitants in the former EU-25 countries. This figure has been boosted by the number of new stock opened in Central and Eastern European countries, even though there has been a considerable degree of activity in the Western European market (C&W, 2008 p.1-3).

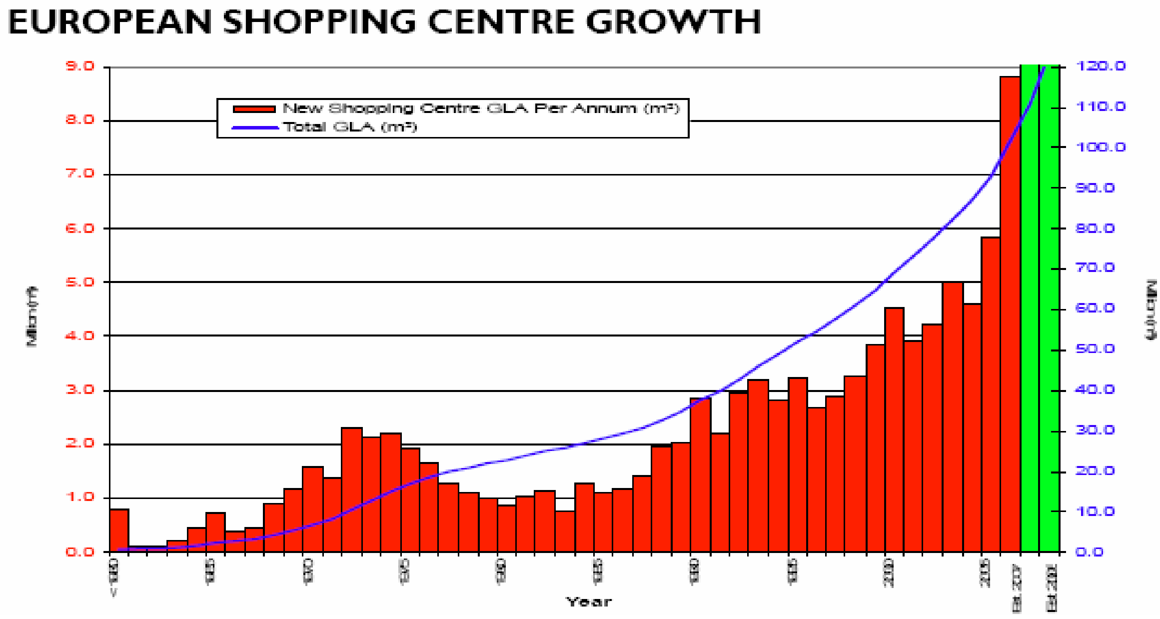


Figure 1: European shopping center growth

Internationalisation and strong shopping center growth across Europe increases the competitiveness in local markets between retail areas attracting consumers. A key factor in making a shopping center a success, one that should be considered from the start of the development, is the management. The shopping center management is responsible for carrying out the concept of the shopping center and adjusting it if necessary to the needs of changing society. It can be argued that in no other part of real estate does the management play such a critical role in the success of a business in a competitive market (Beddington, N., 1991 p.13). The shopping center management has the task to serve multiple tenants (owner, consumers and community) during the operational stage of the shopping center. The shopping center management must serve the consumer, while meeting the needs of the owner and the retailer. This creates the necessity for a dynamic balance and is a consistent challenge for the management (ICSC, 1999).

Shopping center management fulfils these needs by providing services to the key parties. These services vary from maintenance to marketing and from finance and commercial services to legal advice. The growing number of shopping centers demands an integral approach to shopping center management to supply all these services and to be competitive in the local retail market. This integral approach must ensure the high level of shopping center management in different countries across Europe is maintained. The difficulties of operating across the borders of the home market are the differences between the countries on all levels. The shopping center management needs to operate in a different environment, in an existing industry with its own rules and practices and must not underestimate working with the local circumstances. These issues already affect the investments in and the development decisions of the shopping center, but are also concern the shopping center management.

Key factors

The management is part of the concept of the shopping center and is integrated in the investment and development process. The management ensures the shopping center maintains and expands its position in the changing and evolving environment and industry. These external factors influence the decision making of the management, but there are 5 key elements that really affect the performance of the integral shopping center management approach.

Rent

The tenants pay rent to the owner for the operation of the premises. The rental income affects the rate of return on the investment of the owner. The owner's goal is to achieve the highest rate of return for long-term investments. Real Estate generally provides a fixed rental payment between the owner and the tenant. The owner of the property suffers from little risk through the tenants' business. The exception is when a fixed base rent occurs in shopping centers. If retail tenants can pay a percentage of the sales turnover as rent, it works as an incentive. The owner will be more involved in the functioning of the shopping center and will try to enhance performance in the long run. The owner can maximize the rent, which is equivalent to sales maximization of the tenant.

The lease

The general terms of the lease affect the functioning of the shopping center in the community. Shopping centers must change the tenant/merchandise mix to follow the demands and changing needs of the consumer. The adaptability of the tenant mix depends highly on the flexibility of the general lease terms in a country. The term in years, the option for terminations and opportunities of prolongation could be the main obstacles for a flexible tenant mix.

Services

The services that are provided by the shopping center management can be divided in 5 categories: marketing, technical, commercial, financial and legal. These categories contain several activities that influence and enhance the performance of the shopping center. The level of these activities is affected by the way the management is organized. The organization depends highly on the resources, which are supplied by the tenants or owner.

Resources

Sufficient budgets are crucial to arrange a management organization and provide all these services. The budgets are often divided in a marketing budget and a service charge. The resources are split among the tenants and the owner. The service budget provides a projection of what the operation and maintenance of the shopping center during that period will cost. In a comprehensive marketing budget, the shopping center management and the tenants participate in a marketing program that promotes the individual stores as well as the shopping center as a whole.

Remuneration

Creating commitment from the shopping center management can be one of key elements in running a successful shopping center. The remuneration of management is one way to create this commitment. The remuneration can consist of fixed amounts and some incentive. An incentive is a factor that provides a motive for a particular course of action, or serves as the decision maker when choosing preference between alternatives. The aim of incentives is to provide value for money and to contribute to the organizational success of the shopping centers. The performance-based remuneration relies on incentives of different budgets and incomes of the shopping center.

1.1 Problem set

The shopping center industry is evolving, expending and internationalising in Europe. The competition in local retail markets increases and the demand for an integral approach for shopping center management grows. Companies have the difficult task of using the international knowledge and experience and making it applicable for local demand and ambition. The current and future shopping center market needs to be analysed and compared with the standards of the integral approach of shopping center management.

Geographically

The intention of the research was to explore the possibilities of shopping center management in Europe. This was geographically impossible, in combination with the time allotted for the research. Choices had to be made and these resulted in the participation of the countries Portugal, Poland and the Netherlands in the research.

Target group

The target group is mainly European investing developers who are involved in the shopping center management business. This document is also useful for other parties who are involved in the international shopping center industry, such as retailers, municipalities, consumers and brokerages.

Shopping center

The definition of a shopping center which is used in the research is according to the ICSC: A group of retail and other commercial establishments that is planned, developed, owned and managed as a single property. On site parking is provided. The center’s size and orientation are generally determined by the market characteristics of the trade area served by the center. The two main configurations of shopping center are malls and open-air strip centers (international Counsel of shopping center, 1999 p.5).

Management

The management is responsible for making comprises through directing and controlling a group of one or more people or entities for the purpose of coordinating and harmonizing that group towards accomplishing a goal. Management encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources.

Question

'Which adaptations should be made to the integral approach of shopping center management to make it applicable in Portugal, the Netherlands and Poland?'

Sub question

1. How is rent generally collected?
2. What are the general terms of the lease?
3. What kind of services does shopping center management usually provide?
4. How are general resources of the shopping center?
5. What kind of remuneration is applicable for the shopping center management?
6. How is the integral approach of shopping center management applicable in Portugal, the Netherlands and Poland?

1.2 Aim

The aim of the research is to analyse the practices of shopping center management through literature and to provide an integral approach for shopping center management across Europe. A comparative analysis between the shopping center industry in Portugal, the Netherlands and Poland will provide the information needed to adapt the integral approach into these markets. The final result will be the conclusion if an integral approach with adaptations that will be applicable in these countries.

Conceptual model

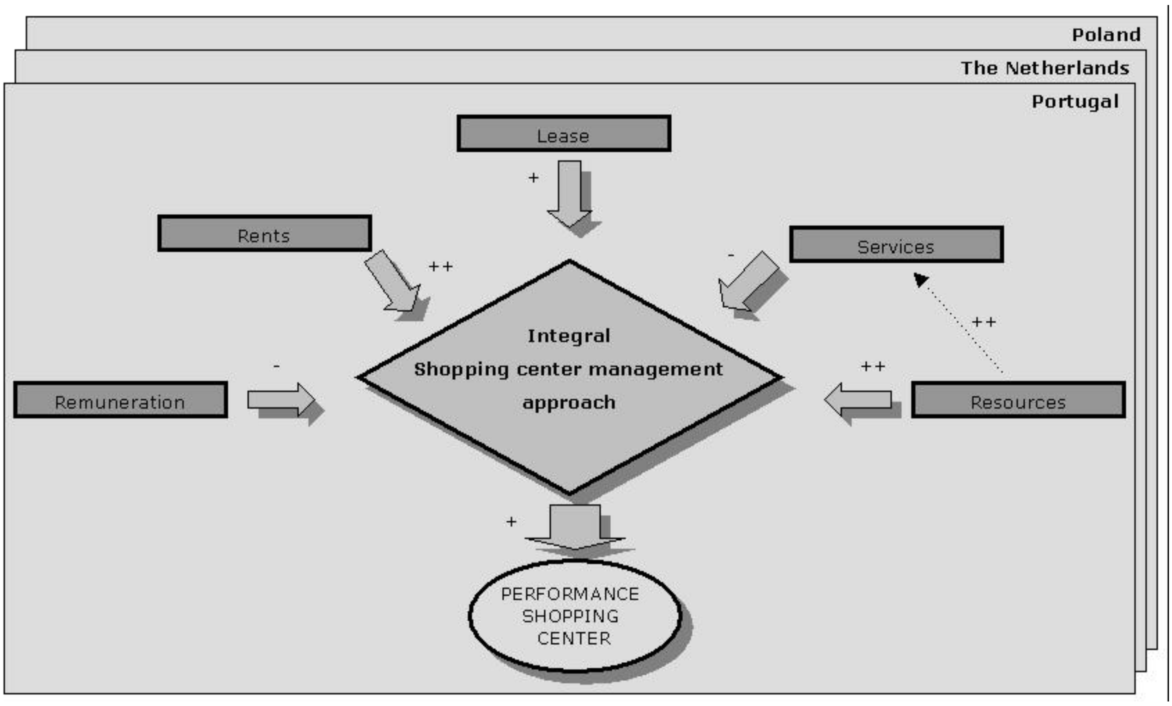


Figure 2: Conceptual model

The conceptual model, figure 2, is a simplified description of the research. The main topic of the research, the integral approach of shopping center management, is placed in the national context and the retail industry of Portugal, the Netherlands and Poland. The integral shopping center management approach is strongly influences by the way rent is collected and by the recourses that are supplied (++). The resources also pressure the services (++), which have, alongside the remuneration, little influence on the shopping center management approach (-). The lease could influence the approach, but it is limited (+).

Implementation 'integral Approach'

The implementation of the integral approach of shopping center management is described according to the key factors, which influence it the most.

Rent

The rental income depends highly on the location, size and function of the shopping center, but it is possible to create a general standard to collect the rent. In the integral approach, the tenants are required to pay a monthly base rent and percentage of turnover rent agreed upon by both parties. The turnover rent is calculated on a monthly basis by the positive difference between a certain percentage of the tenant's monthly gross sales and the principal rent due for the same month. This creates an incentive for the investor, who is more involved in the functioning of the shopping center and will therefore try to better all-round performance in the long run.

Lease

A flexible lease is a powerful tool for the shopping center management to adjust the tenant mix to demands and changing needs of the consumer. A lease, table 1, which is preferred by the integral approach, is with no termination and no prolongation options for the tenants and fulfils a 10-year term for anchor tenants and one of 5-years for smaller tenants.

Leasing Terms integral approach

	Unit size in m²	Break Clause	Term in years	Option for prolongation
Anchors	»750	No	10	No
MSU	300-750	No	5	No
Units	«300	No	5	No

Table 1: Leaing terms integral appoach

Services

The services, which are supplied by the integral management, are provided in the table 2. The competitive advantage relies on these following services: marketing, commercial and financial. The integral management uses these services to generate higher visitor numbers and higher sales in the integral shopping center management approach. The other services are crucial as well, but do not create something extra.

Service provided by the integral approach

Service	Activity
Marketing	Mall Dynamization
	Events
	Costumer service
	Public relations
	Promotion Campaigns
	Social responsibility and community relation
	Market analyze
	Consumer opinion report
	Marketing report
Technical	Insurance
	Maintenance
	Hygiene and comfort
	Surveillance and security
	Gardening
	Technical and constructional advice
	Services providers management
	Waste disposal
	Operational report
Commercial	New shops
	Renewal contracts
	Shops replacement
	Temporary spaces extra income
	Tenant mix analysis
Financial	Shops performance
	Income control
	Shop' audit
	Sales information
	Invoicing
	Financial reports
Legal	Legal support
	contracts

Table 2: Service integral Approach

Resources

Sufficient budgets are needed to supply the integral approach to shopping center management for given periods of time. The budgets are split in a marketing budget and in a service charge. As wages and other costs vary from place to place, an exact number cannot be given for both budgets, but the most are adequately equal to the services that are provided.

Remuneration

A fixed remuneration for all the management cost is supplied through the service cost and paid by the tenants. The management works with variable remunerations as an incentive to create commitment. Most of these costs are paid by the owner except the variable fees over the service and marketing budgets, table 3.

Remuneration shopping center management

	Integral model
Fixed remunaration	
Management staff Cost	Tenant
Office cost	Tenant
Cost communication	Tenant
Fixed incentives	
Fee over rent	Landlord
Service charge fee	Tenant
Marketing budget fee	Tenant
Variables incentives	
Temporary-letting fee	Landlord
Turnover-rent fee	Landlord
Key-Money fee	Landlord
Re-leasing	Landlord
Renewals	Landlord

Table 3: Remuneration integral approach

1.3 Research method

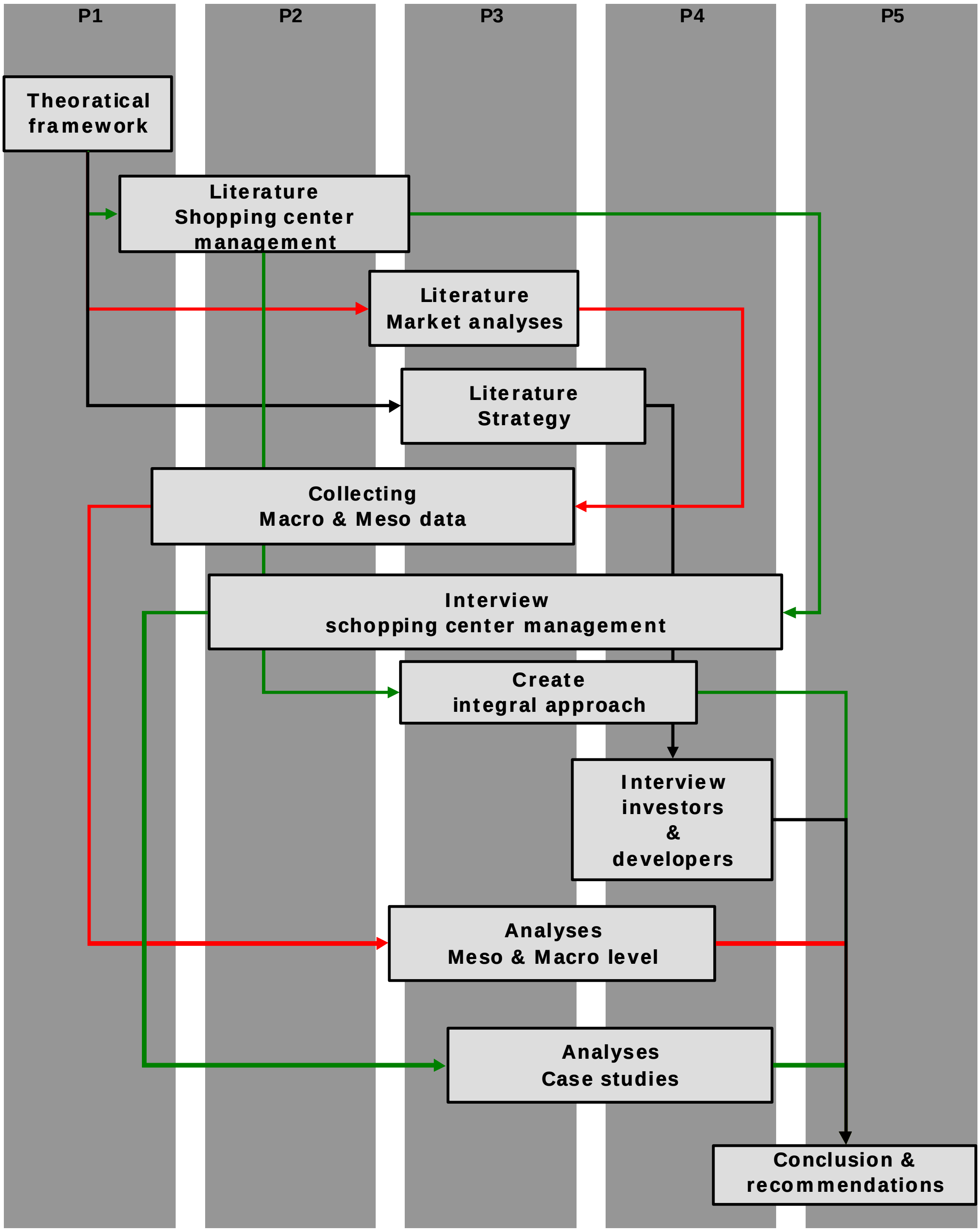


Figure 3: Research design

Literature research

A literature research was done to gain knowledge on the theories of shopping center management and the shopping center industry (figure 3). The literature research is the foundation of the research and shaped the integral shopping center management approach.

Interview

The interviews are used to understand the position of shopping center management in the shopping center industry. Interviews with shopping center experts in the field of investment, development and management provided information and clarified most of the aroused questions. Because of the geographical distance between Portugal, Poland and the Netherlands some interviews were taken by email. The experts were asked to answer questions and supplied remarks on a questionnaire.

Case study

Shopping center management and development takes place in a local context. The findings on the shopping center management on the national level were backed by a case study done for each country.

- Portugal: Regional shopping center, Forum Algarve in the city of Faro
- The Netherlands: Factory outlet Bataviastad in the city of Lelystad
- Poland: Urban entertainment center Zlote Tarasy in the city of Warsaw

The location and the premises of the shopping centers are described in the case studies and the shopping center management is compared to those of general national practices.

1.4 Composition

The first chapter will be a short description of the real estate market, the development process and the characteristics of a shopping center. In chapter two, the main task and duties of shopping center management are explained. The third chapter describes the choice and analyses of the strategy, which is put into action in the fifth chapter by a strategy and an analyses method. In chapters 6 and 7 Portugal, the Netherlands and Poland are analysed and compared on macro and meso levels. Chapter 8 describes the case studies in each of the countries on a micro level. The conclusions of the research are enclosed in chapter nine.

Confidential information

The information of confidential nature concerning companies, their business associates and their customers will observe secrecy. The information will not be used for any other purpose than for the performance of the thesis. This information will only published in the appendix II – confidential, which will not be made public and only be viewed by Jo Soeter, Dion Kooijman and the third counsellor.

THEORY

2 Shopping centers

Shopping is a primary human activity of which almost every individual in civilised society takes part, inevitably almost daily. Buildings and services for shopping are as closely related to housing as those for education, health, administration and entertainment. From the point view of the consumer shopping may be a chore, a social pleasure, a relaxation, or a stimulus. One can think of oneself as a tourist and shop for leisure and relaxation or consider oneself a resident, responsible for the welfare of family, and shopping becomes a never-ending repetition, but both types of shoppers want easy, accessible, comfortable and appealing shopping environments (Beddington, N., 1991 p.1).

The function of retail is to provide goods and services that are demanded by the consumer. This demand is stimulated by marketing and the introduction of alternatives. The retailer is in business to attract trade, to display merchandise, to facilitate purchase and to give efficient service for an acceptable price. Profit of the retailer may be related to either large turnover with small 'mark up' or large 'mark-up' on a limited range of luxury goods (Beddington, N., 1991 p.1).

This basic process has evolved from individual farmers trading their goods on the central market place to today´s international retailers in modern shopping. It changed from trading goods to a major industry. The premise and infrastructure concerned in the shopping contribute largely to the change.

2.1 Retail real estate market

Shopping centers create a social, attractive and inspiring environment to stimulate sales. In the pyramid of 'Maslow's Hierarchy of needs' the main need of a premise is to provide safety and to give shelter, but a shopping center provides all the needs in the pyramid contributing directly to the results of the retailers. Retail & leisure are the only types of real estate that directly influence the financial results of their tenants. Other real estate properties do not have this quality and the rate of return on investment is mainly based on the combination of the following principles:

1. The general economic situation in the market
2. The balance of supply and demand in the specific segment of real estate
3. The operational costs of the premises.

The investor has little or no power to change these factors and to influence the rent level and the end value. Shopping centers have the unique ability to create value by attracting visitors and sales. The concept is that attracting more visitors will lead to higher sales. In this case, retailers are willing to pay higher rent. The investor developer can actively influence the results of the tenants (Hoogland, 2000 p.5).

After the shopping center is constructed the essence of managing the total concept starts with anticipating demand and meeting all the shopping needs within a set of parameters, such as location, size and type of center. It is planned to serve a predetermined catchment area with a full range of goods, services and amenities to a prearranged standard (Beddington, N., 1991 p.13). The shopping centers serve consumers, retailers and their owners, and are often a part of the community. These key stakeholders generally have different interests or perspectives regarding the same issue. The role of the shopping center management is to find a balance between these different interests. The aim of shopping center management is to meet all these different interests in a proactive way and make the shopping center perform according to the objectives of the owner and retailers (ISCS, 1999 p.3).

In figure 4 the flow of cash between the retail market and the investment market starts with the consumer and ends in the pocket of the investor. The consumer buys a product or uses a service offered by the retailer. The retailer pays rent to the investor for the use of space. The process consists of three important steps for the investor:

1. The consumer chooses for a shopping center and a retailer where he or she is going to purchase a product/service. The retailer, who invested in his business, tries to generate the highest profit to offer several products/services in a way that is appealing to the consumer in a competitive market.
2. The rent and operation costs the retailer pays to the investor for using the space/premises.
3. The costs the investor makes to optimise and maintain position of the shopping center in the competitive market.

The result of the cycles for the investor is the Net rental income, which concerns the internal rate of return and the end value of the premises. The investor tries to influence this by adjusting the shopping center to the changing needs of the consumer and providing services to the tenant to increase visitor numbers and sales. If the consumer is in the center and not temped to purchase the product/service, it is the retail market that the fails. The process is depicted in figure 4 in the dotted square. This increased the desire for the investor to increase the visitor numbers.

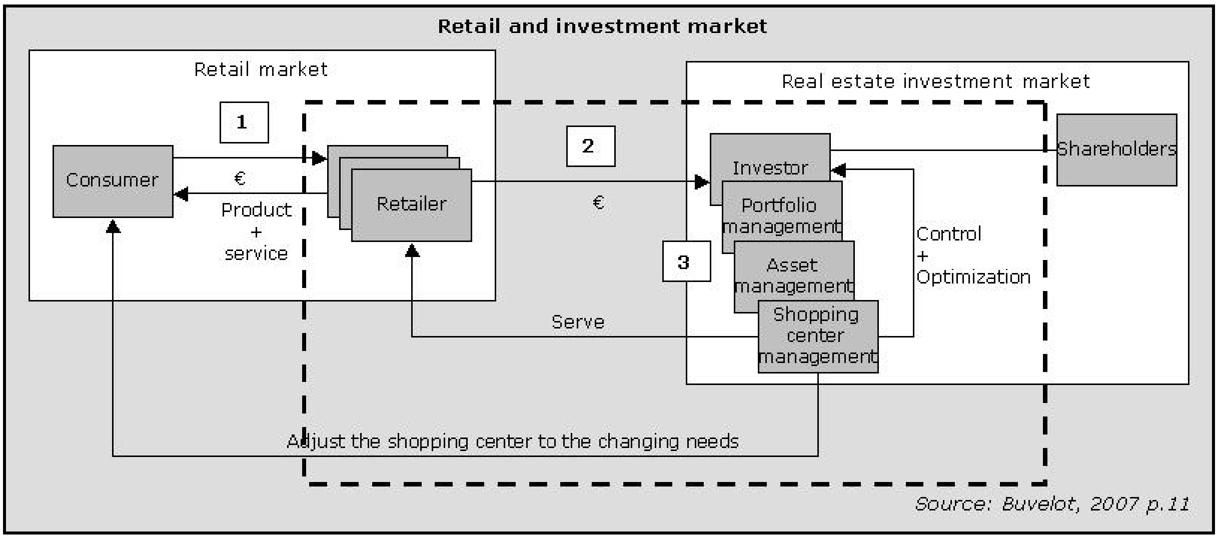


Figure 4: Retail & investment market

Shopping centers are all about sales and consumer expenditures. The financial parameters decide if the shopping center is performing according to plan. McAllister (1996 p.10) states that the consumer expenditure and the turnover of the retailer are influenced by four factors: Macro economic factors, Meso economic factors, the quality of the retailers and the quality of the shopping center. The factors are all external, excluding those of the quality of the shopping center and perhaps the quality of the retailer. This is here not the case. The quality of the shopping center consists of four internal factors.

1 Location qualities

2 Functional qualities
3 Physical qualities
4 Commercial qualities

All the qualities are determined in the predevelopment stage of the development process, figure 7, to create a total concept for the center. When the premise is constructed, the quality of the location and physical appearance is definitive and can only be changed with a large investment during the operational stage. The functional aspect must be adjusted to the needs of the consumer by the management. The management contains the commercial qualities of the center and is directly controlled by the owner (Hoogland, 2000 p.30). Although the commercial and functional qualities are of a major importance to the center, they can relatively easily be adjusted. The other factors are only controllable during development.

2.2 Development process

The development of shopping centers is driven by demand. Determining who needs space and what type of space is the starting point of every project. An initial market analysis should define the gaps in the market and the product or products that will fill them. To play a part in a development of a shopping center it is critical to control one or a combination of the four components shown in figure 5. The knowledge of the marketplace gained from previous experience can give a shopping center developer a competitive advantage. The tenant is another component that drives everything else and most importantly the profit. Quality tenants can also overcome resistance of local community and governments, because they often bring an upgrade for the neighbourhood. A financial source is also a way to break into a development. The developer's task is to find the site for a shopping center. It is possible that a site/location is in need of a function and the landowner, for example the municipality, needs a developer to determine the demand with a market analysis and to manage the development (ULI, 2003 p.7).

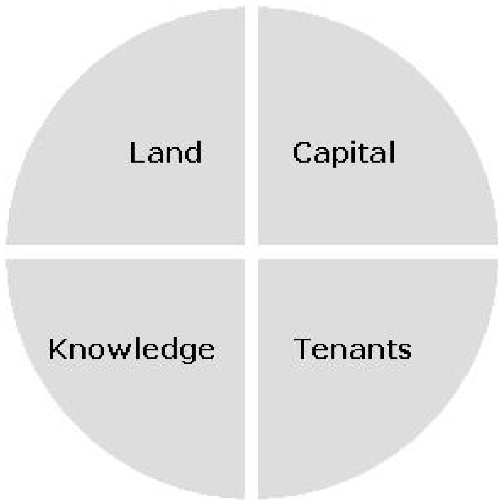


Figure 5: Driving components development (ULI, 2003 p.7)

Knowledge of the target market, in terms of geographic area and/or type of product, is critical for a developer when getting started. Real estate is often local, and staying close to the area where a developer has done business for a number of years is a major benefit. The developer has experience in understanding the dynamics of the local area and in building up personal relationships on skills. Experience with developing shopping centers is a major competitive advantage, because it is a specific market. Development often not only needs a good market study, it requires a perception of the market that other developers do not have (Interview P. Jansen & ULI, 2003 p.10). The other components are often gained from other parties. The track record and the reputation of a developer are therefore crucial in the long run. It sets the tone for the quality of future developments, establishes an image in the marketplaces, creates a network of brokerage, municipalities and other business relationships for future deals, and builds up relationships with bankers and investors. The goal of a developer should always be to deliver a high-quality product that serves the needs of the local market. A financial partner could be an advantage, because time is critical for developers and having a financial partner ready to look at deals quickly is important. On the other hand, having a specific tenant or an investor is also a powerful component in the developing business (ULI, 2003 p.10-11).

Stages of development

The six main stages of development are: feasibility and leasing, design, financing, construction, marketing and leasing and management. The development stages overlap considerably. In the time line, in figure 6, predevelopment covers the period from the initial identification of the site to the start of the construction. The stages feasibility studies, design, financing and marketing occur in this period. The development period runs from the signing of a purchase contract for the land through to lease-up of the building. The operational period runs from the certification of occupancy until the building is sold. This contains the stages leasing and operation and management. Dividing the responsibility, and thereby the risks of a project is one of the reasons to split the time line in a development and an operational period (ULI, 2003 p.18)

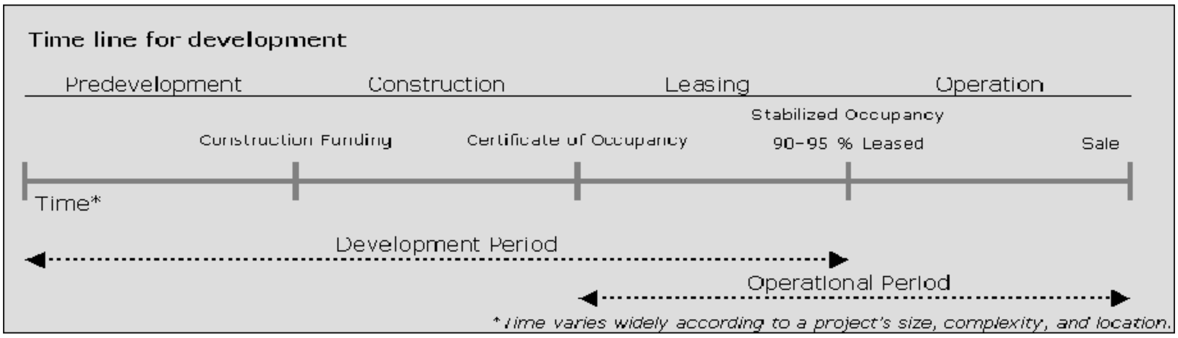


Figure 6: Time line for development (ULI, 2003 p.18)

In figure 7 the common steps of a development are summarized. This development starts with a site, followed by a feasibility study, design, financing and marketing. Development is an iterative process in which the developer obtains more and more precise information about each iteration, until there is enough confidence in the information to make a go/no-go decision. Certain steps can be taken simultaneously, whereas others must be taken sequentially. The level of detail of these steps should correspond to the quality of information available at each stage, like the analyses of the financial parts (ULI, 2003 p.18-19).

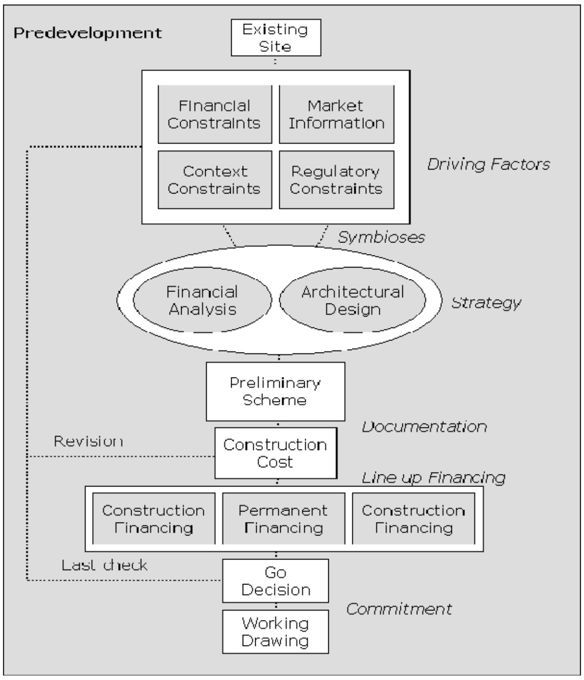


Figure 7: Predevelopment stage (ULI, 2003 p.18

2.3 General concept

The biggest danger in developing a premise is generalization of the concept, but this is almost inevitable. Development is done on the basis of knowledge gained from previous experience, and the demand of the same tenant. The development happens according to common procedures, figure, and concepts show many similarities between the internal qualities of shopping centers. The location, the management and the physical and functional appearances are shaped to (international) expertise and creativity combined with local demand and ambitions.

Location

The location is vital to the success of a shopping center development. A general checklist for the site is given in Appendix I – Site selection checklist, and shows the factors that influence the characteristics and desirability of the site. The most essential steps to making a decision are described in more detail below.

Accessibility

Even if a neighbourhood lies just 10 minutes away, physical barriers,such as a river, mountain, railway or highway, are seen in the eyes of the customers as major obstacles hindering the desire to shop at the center. The shopping center also has heavy demands from the infrastructure of the surrounding area and the supplies of electricity, gas, water, communication systems and sewerage. The site must be easy to reach and its surrounding roads must have the extra capacity to deal with congestion during periods of high traffic. The center has to be connected to an adequate transport network, private and public, for customers and for efficient delivery of goods and servicing to the retailers and the shopping center staff (Schmitz, 2001 p.148). The site must contain sufficient parking spaces for all the visitors.

Visibility

The shopping center has to be visible for the customer. Large, imposing, or distinctive structures as well as signage can achieve visibility. The signage is an integral part of the identity. It is the most basic form of marketing and communication and stimulates impulsive shopping trips and purchases (Beddington, N., 1991 p.11).

Catchment area

The site of a shopping center must qualify its trade area characteristics. First general characteristics of a broad area, perhaps on national or regional levels, must be classified by demographic and economic trends. The next stage is to analyze the demography, density, income level, purchasing power, employment, mobility, spending patron, specific cultural aspects of the residents and spending patterns of non-resident groups in the trade areas. The information is generally supplied by brokerage, consultants and statistical bureaus. The trade areas are often divided into three zones:

- Primary catchment area is the geographical area, which delivers 70 to 80 percent of the regular costumers. The exact size depends on the type of center, but for a typical neighbourhood center the primary trade area is a 5 to 10 minute drive (3 km). Larger centers often have a larger range.
- Secondary catchment area generates 15 to 20 percent of the customers. The extension varies widely.

- Tertiary catchment area is the broadest area from which consumers might be attracted to the center and contains a small part of the customers. Particular centers, such as factory outlet centers and entertainment center may draw tourists or customers from other market areas. The customers are willing to travel the greater distance, because they are attracted to the accessibility, the tenant mix, a specific tenant, the safe and comfortable environment or the low prices (ULI, 2003 p.305 – 307).

Competition

The competition of the shopping center is mainly in its primary catchment area. There is no rule for the exact distance between shopping centers of the same or different type. It is often not the distance, but the population density, purchasing power, consumer convenience, market share, trends, sales figures and planning policies that count. It is important to examine the competition of current and future supply of retail space, vacancy, the type of centers (size & quality) and mix tenants (ULI, 2003 p.305 – 307).

Physical appearance

A shopping center requires a special detailed design and holds challenges which have to be solved by qualified and experienced professionals. Retail architecture is all about creating a design that meets the needs of the retailer, management, investor and the consumer. The design process is to determine the best layout and configuration to optimise the financial performance (ULI 2003 p 318). The major physical characteristics of a shopping center are: open or closed center, multi-level or single level and peripheral location or urban development. Factors that influence this are the natural topography, local zoning, demand of the tenants, parking requirements, the nature of the overall site design and other situational factors. The space is measured in square meter (sqm) and the shopping center's total leasable space is known as its gross leasable area (GLA). (Beddington, N., 1991 p.11).

The configuration

The configuration of a shopping center depends largely on three factors: the shape of the site, the surrounding roadways, and the space requirements of the anchor tenants. Most neighboorhood, community and regional shopping centers are configured from five general shapes, shown in figure 8: L, U, Z shapes, or Linear or Clustern configurations. In reality these basic layouts have some variations. The reasoning behind the usage of these shapes is the visibility for tenants, the easy identification and suitability for the consumer. Good sightlines for most of the storefronts are the ideal layout from a leasing managers perspective. Lifestyle, power, themed and outlet shopping centers and shopping centers in a urban site are often difficult to describe by shape (ULI, 2003 p. 323-324).

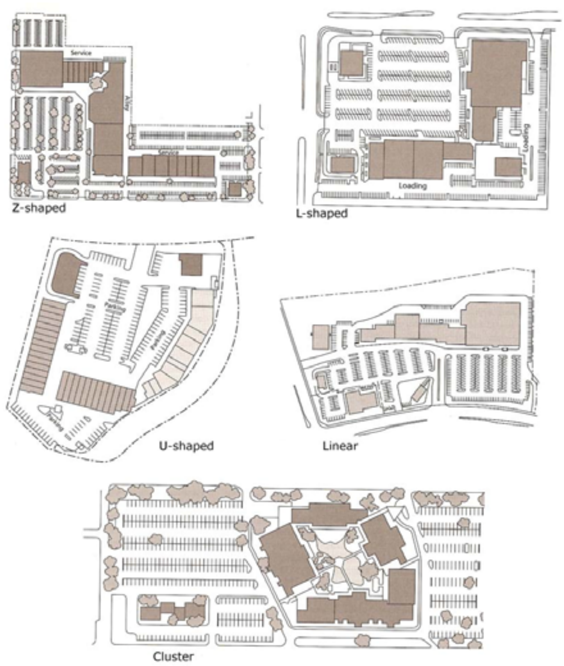


Figure 8: Configuration (Source ULI, 2003 p.324)

Function

The main function of a shopping center is to house retailers that offer goods and services to the consumers. The determination of the functional quality of a shopping center is done by its tenant/branch mix (types of goods/services sold) and its size. The ULI and the ICSC defined eight principals of shopping centers types, shown in the table 8. The shopping center categories are based on market and tenant characteristics and are a standard in the shopping center industry. The definition and the table are a guideline for understanding major differences between the basic types of shopping centers. Several categories shown in the table 8, such as size, number of anchors, and trade area, can be interpreted as "typical" for each center type. It is not always possible to precisely classify a center; a center's concept may be sufficiently unusual and may ultimately lead to a new category as the industry continues to evolve. The trend towards differentiation and segmentation continues to add new terminology as the industry matures (ICSC, 2004 p.4).

Type	Concept	sqm (inc. Anchors)	Acreage	Typical Anchor(s)		Anchors Ratio*	Primery Trade Area (km)**
				Number	Type		
Neighborhood center	Convenience	10,000 - 50,0000	3-15	1 or more	Supermarket	30%-50%	2
Community Center	General Merchandise; Convenience	30,000 - 115,000	10 - 40	2 or more	Discount dept. store; super-market; drug; home improvement; large specialty/discount apparel	40 - 60%	2-4
Regional Center	General Merchandise; Fashion (Mall, typically enclosed)	130,000 - 260,000	40 - 100	2 or more	Full-line dept. store; jr. dept. store; mass merchant; disc. dept. store; fashion apparel	50-70%	5 - 9
Superregional center	Similar to Regional Center but has more variety and assortment	260,000+	60 - 120	3 or more	Full-line dept. store; jr. dept. store; mass merchant; fashion apparel	50 - 70%	3-16
Lifestyle Center	Upscale national chain specialty stores; dining and entertainment	50,000 - 160,000	10 - 40	0-2	Not usallly anchored in traditional sense but may include book store; other large-format specialty retailers; cinema, small departement store	0-50%	3-8
Power Center	Category-dominant anchors; few small tenants	80,000 - 200,000	25 - 80	3 or more	Category killer; home improvement; disc. dept. store; warehouse club; offprice	75 - 90%	2 - 4
Thema/festival Center	Leisure; tourist-oriented; retail and service	26,000 - 80,000	5 - 20	N/A	Restaurants; entertainment	N/A	N/A
Outlet Center	Manufacturers' outlet stores	16,000 - 130,000	10 - 50	N/A	Manufacturers' outlet stores	N/A	16 - 47

* The share of a center's total square meter that is attributable to its anchors *Source: ICSC, 2004, p.4*
**The area from which 60 - 80% of the center's sales originate

Table 4: Shopping center Categories (ICSC, 2004 p.4)

Commercial

Commercial qualities of the shopping center are present to ensure the planned concept of the shopping center is guaranteed to the owner, retailer and consumers. It is the quality that can be controlled directly. The commercial quality consists of marketing, branding and the promotion of the shopping center. It analyses the tenant mix and adjusts it to the preferences of the consumers. It takes care of the appearances of the property and ensures a clean, comfortable and safe environment for shopping is sustained. The commercial quality of a shopping center contains everything concerning shopping center management.

3 Shopping center management

Management plays such a critical role in the operational success of shopping centers, perhaps more so than in all other types of real estate. This has to be considered from the start of the design and development process (Beddington, 1991 p.13). Shopping center management must guarantee the concept of the shopping center and has to anticipate the demands and needs of the share- and stakeholders according to the size and type of the center. This is all done to ensure the shopping center performs and serves the catchment area with a full range of goods, services and activities.

3.1 Main stakeholders

The shopping center management business revolves around the interaction of 4 key parties; the developer, the investor, the retailers and the customer. All have their own interests and relationships with the management. The management also generally has contacts in the municipality, but this party is not directly involved with the center.

Developer

A developer searches for sites in order to provide a use of his expertise and to generate a satisfying return on investment, which is achieved by the rental return from tenants. The developer provides, within the total concept, shopping units for tenants who will are further responsible for shop frontage finishes and internal fitting out. Developers of shopping centers could be classified into several different categories based on their ultimate ownership strategies:

- *Merchant builders*: The developer develops a shopping center in order to sell it quickly after creation
- *Long-term holders*: An investing developer usually holds the shopping center indefinitely or sells it at the point of the perceived peak value

Financial institutions usually provide loans to developers, which fund the initial construction of the shopping centers. Once a shopping center is stabilized after its creation, a developer intends either to sell to an investor or hold the asset (ISCS, 1999 p.15). The developer is generally responsible for the tenant/branch mix of the shopping center during the development stage, figure 6, before delivering it to the owner. Six months before delivery, the shopping center management is involved in the project to assist the developer and understand the concept of the building. In the operational stages the shopping center management is responsible of the tenant/branch mix.

Tenants

The tenants in a shopping center are often retailers. A lease describes in legal terms the key areas of the relationship between the retailer and the owner. The lease states which services should be provided by the owner, through the shopping center management, to the tenant. In addition, the tenants pay rent for occupying space and an extra charge for the services (ICSC, 1999 p.7-9). The retailers can be classified by the nature of their stores, by the size of their brands or chain to which they belong and the space they require in the center.

Figure 9 : Location Anchor tenants

The amount of space can be categorized in 3 types: Anchors (> 750m²), MSU's (mid-sized units, 300-750m²) and units (<300m²). The nature of a retailer is the branch in which it is active. Jones Lang Lasalle categorizes the tenants in 8 branches: Fashion, Leisure goods, Home&Household, Restaurants, Food, Health & Beauty, Services & other and Footwear & Accessories. A few tenants in a shopping center are individual store owners, however tenants belong more often to a company with a group of shops also known as a chain store. Anchor tenants are large brands, who are appealing to the customers and attract people to the center. The anchors are often located in the corners of the center. The underlying principle behind this is that the smaller shops between often benefits from the customer traffic, figure 9. A unique combination of anchor tenants, chain stores and individual stores create the tenant/merchandise mix and is another key principle, which will be explained in the subchapter 3.4 tenant mix.

Investor

Shopping centers are an asset class and require capital. Shopping centers offer an attractive long-term investment. In the beginning, those involved must accept a comparatively low starting return, but this changes once the shopping center matures. The investors form a major source of financing for the shopping centers. Shopping centers are valued based upon their multiple cash flow or operating profitability (ISCS, 1999 p.15). The shopping center industry is based around the ultimate goal for owner and the shopping center management, the creation of value. The ownership of most shopping centers has passed to pension funds, insurance companies, investment companies and real estate investment trusts (REITs). The shopping center annually generates vast amounts of capital, which must be invested to produce consistent financial returns for the eventual benefit of the owners. Real estate has traditionally functioned as a hedge investment amongst a variety of assets held by investors. This is because most real estate formats can theoretically benefit from periods of inflation. This means as costs increase, theoretically so will rents (ISCS, 1999 p.16). Most investments in real estate are done in the home country, but the limits force investors to go international. There are some disadvantages such as restrictions from governments, language, culture and legal differences. The advantages spread the risk, because real estate markets do not move synchronous with each other. Shopping centers are seen as a special asset class that require specific knowledge and experience. Forecasts of the demographical and economical developments of the region are used to get a better perception of the risk of the long-term investment (Wit de, I, 2007 p. 151-155).

Customers

The most important stakeholders to make the shopping center perform are the customers, also known as shoppers or consumers. The consumer purchases the goods and services, which are provided in the shopping center. The main reason people choose to shop in a particular center is a good tenant mix. Further important roles in shopping centers´ success are:

- Variety of stores: The retail (tenant) mix enables customers to find and purchase many different kinds of items
- Convenience: Most people have limited time to spend shopping and generally prefer a center near home or work – one location at which they can shop for different kinds of merchandise.

Other elements are also important to consumers, but are generally subjective perceptions about how comfortable it is to shop. Shopping center management must respond to changing consumer wants and needs, the evolving taste. This requires monitoring customer needs and preferences, without making any generalization about the consumers. This may enhance invalid information. The best way to understand the challenges and opportunities related to consumers is to survey amongst the community and make a short list of the key trends that affect their behaviour and the shopping center business. There are almost infinite varieties of consumer issues and factors that will both drive shopping behaviour and the response to or anticipation of it by shopping centers. Both retailer and shopping center management must anticipate key factors in order to serve consumers in their needs. It is the task of the shopping center management to make the shopping center a part of the community. This is done by organising events for the community and by providing space and time for community activities in the shopping center (ISCS, 1999 p.12,13).

Shopping center Management

The role of the shopping center manager is to find a balance between the different interests of the key stakeholders. The need to serve the consumer, while meeting the need of the owner and the retailer, creates the necessity for a dynamic balance and a consistent challenge in shopping center management. The shopping center management must maintain or maximize the productivity of the property in the evolving nature of the key stakeholders, foremost consumers, along with retailers and owners. Enhancing a shopping center involves long-term teamwork, a strategic plan and a range of services, which are explained in subchapter 3.5 Services. Many supporting disciplines contribute to the operation of a center, ranging from insurance and risk management to on-site and home office administration to various types of legal and other support, depending upon the issue at hand. It is important to keep in mind the two-part complexity of shopping centers while at all times maintaining a vigilant eye on the consumers. Shopping center management requires knowledge of all kind of things, since there is constantly so much to know and evaluate. One goal both the retailers and the owner have is to increase sales and profits. In a business sense, one can only improve profits in one of three ways; by improving income, decreasing costs or achieving both. According to ICSC: *'shopping centers, increasing sales usually leads to improved rents, retailers and consumer loyalty'* (1999 p.9-19).

Staff

The type of ownership and investment goals the owners have for the property determine how the shopping center will be operated day to day and over a longer term. Reits and institutional investors, as owners, have brought a higher level of analysis and evaluation of shopping centers. The owners demand optimised resources and improved net operating income from their shopping center management and are willing to hire professional management to achieve this. The staff can be a cost generator by the expenses of personnel, but can also be the missing link in the performance of a successful shopping center.

The key to any shopping center is the relationship between the tenants and the owner and the acceptance of the shopping center by the community. To achieve good results in both areas effective management of the shopping center is required. The asset management assumes the role of owner and authorizes the expenditure of the funds. The shopping center management implements the plans and works with the tenants to create property income. The marketing director promotes the shopping center to the consumers, figure 10 (Alexander, 2005 p.85)

Figure 10: Organization structure

Asset management – commonly appointed by institutional owners to oversee the financial management and operation of the shopping center. The asset manager acts as the representative for the owner and may be responsible for several shopping center holdings. An asset manager often hires a property management firm and works directly with the shopping center manager. The day-to-day management, operations, and leasing responsibilities are assigned to the shopping center manager. (Alexander, 2005 p.86-88)

Shopping center manager – responsible for 5 areas: Administration, commercial, technical, marketing and legal. Many of the specific duties of management are delegated to administrative or operations personnel. Shopping center managers work closely with the marketing director to develop or administer specific programs directed to the community. They also discuss the content of the lease documents and the tenant mix. (Alexander, 2005 p.88-89)

Marketing director – one of the key members on the management staff. The marketing director has to development and implements a program to effectively promote the shopping center to the consumers. He or she must have strong observational and analytical skills, because the marketing director assists tenants, evaluates the competition, makes marketing budgets and promotes the shopping center. (Alexander, 2005 p.89-90)

Administrational staff – A shopping center has a great deal of administration: controlling the income, invoicing, administer leases and analyzing retail sales etc. There is often an accountant supervisor, two administrative assistants and a leasing agent. (Alexander, 2005 p.90)

Operational staff – A director of operations and a chief of security manage the operational site of the shopping center. They have security guards, janitorial personnel, landscaping crew, and food court service staff. (Alexander, 2005 p.90)

3.2 Rents

Tenants pay rent to the owner for the use of space or property. The rent is based on the open market value and related to the sales turnover. The amount of rent is agreed upon in a contract or a lease with specific terms. The rent may be reviewed at which point it may become adjusted during the term of the lease. This is also known as indexation. The rent can be charged to the tenants in a number of ways, but the three most common ones are: fixed base rent, turn over rent and base rent with a component of turnover rent.

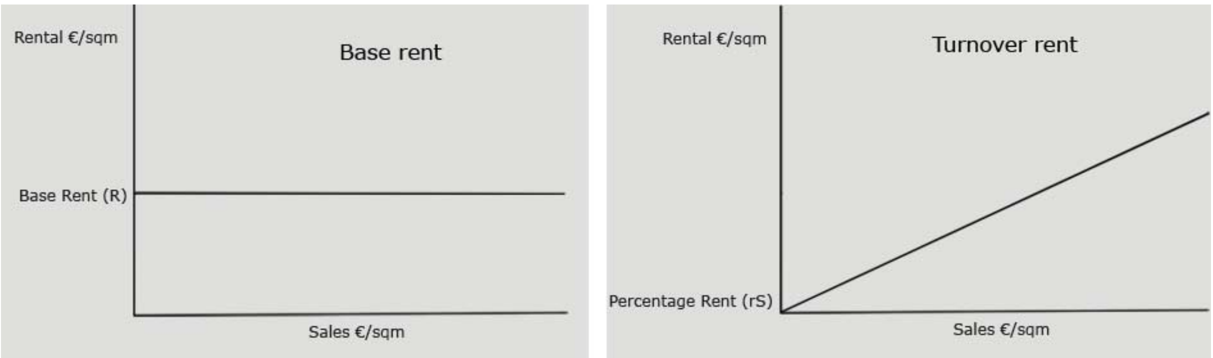


Figure 11: Fixed base rent (left) and Turnover rent (right)

Fixed base rent

Most leases in Real Estate provide a fixed rental payment between the owner and the tenant (left figure 11). The owner of the property bears little risk of the tenants' business. The investment is exposed to a stable income and obtains maximum financing flexibility in debt markets. The downside of this is that there is no incentive to influence the rental income for the investor during a long period of time. This may affect the efficiency with which the shopping center will be run (Wheaton, 1999 p.1). In new markets the base rent will be determined by a certain percentage of the sales forecast. The developer estimates the fixed rent in the predevelopment stage, in figure 7, through the base of indicators of the catchment area, such as macroeconomic factors and previous experience. Just how adequate the estimated base rent wass when the shopping center is operating remains the big question In mature retail markets the base rent is generally determined by the market rent value which is applicable for the concerned shop (Buvelot, 2007 p.16).

Turnover rent

The exception on a fixed base rent occurs in shopping centers, where retail tenants pay a percentage of the sales turnover as rent. A fixed percentage of sales instead of a fixed rental income ensures the owner with a maximization of the rent, which is equivalent to sales maximization. The owner will be more involved in the functioning of the shopping center and will hence profit from a better performance in the long run (figure 11). An increase in consumer expenditure is an incentive to the owner. The retailer profit from turnover rent due to the fact that rent level adapts to the gained turnover also in bad economical times. This is the downside and the risk for the owner's income. Turnover rent may result in the access of debt financing (Wheaton, 1999 p.1). Another risk of turnover rent for the owner is that there is no possibility to change the management of a badly functioning retail store and the checking of the turnover could be time consuming and susceptible to fraud thereby costing extra money. The interference of the owner, the deliverance of confidential data and the higher rent in economically prosperous times may be experienced as negative aspects of turnover rent by the retailer (Vastgoedmarkt/winkel, September 2007).

Base rent with a component of turnover rent

In most shopping centers a percentage of the sales turnover is paid as rent in addition to a minimum fixed base rent, figure 12. The tenant will pay a certain percentage of the realized turnover as compensation to the owner.

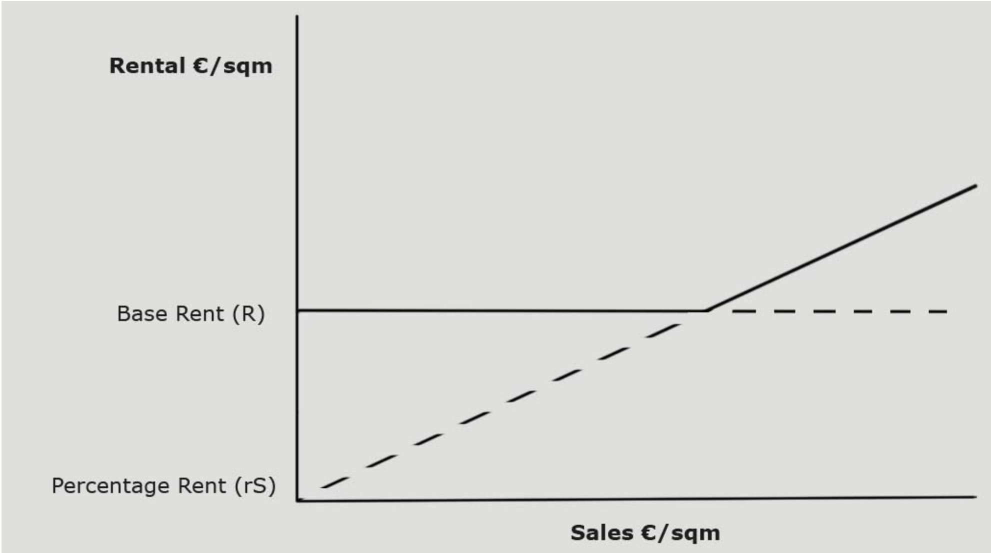


Figure 12: Base rent with a component of turnover rent

The base rent with a percentage of the turnover rent has a greater value to the owner than to the tenant. The percentage of turnover rent provides an incentive to the investor. The investor can profit directly, with an increase of its rental income, when an investment is done in the shopping center. The investment is generally done in the management, marketing or redeveloping/refurnishing of the center. If simply base rent is used, the owner can only increase its rental income at the end of the leasing term. The risk of simply turnover rent is too high for the owner. The combination of these two create a perfect mix, especially in the early years of a shopping center when there is no exact information on the performance in terms of sales turnover (Vastgoedmarkt/winkel, September 2007).

The base rent is often set at 90% of the market value rent level plus a percentage of turnover rent. The opening ceremony of a shopping center is very important to set an image. Shopping centers regularly have a slow start, the introduction period, because there is not yet a loyal consumer base from the catchment area. In this introduction period the tenant profits from lower than market value entree rent. As the owner is more involved in the functioning of the shopping center, the tenants receive extra services, such as assistance from the shopping center management (Vastgoedmarkt/winkel, September 2007).

Rent level

Establishing rental rates that are fair for all parties is critical for assuring the profitability of the shopping center as an investment. A lower-than-market rent attracts tenants to the shopping center, but it will eventually have a negative impact on the property value. If rents are too high, leasing space may be difficult for tenants and vacancies could appear. Vacancy generally has a negative impact on existing tenants, tenant prospects, the consumers and thereby reduces the income for the investor.

Once a fair market rent has been set, the base rent will actually apply only to some of the space in the shopping center. Smaller spaces rent for higher rates per sqm than larger spaces. One reason for this is that smaller spaces have higher building costs per sqm than larger spaces. Also if all spaces were leased at the same rental rate, tenants would only seek out the best locations and the owner would be left with less-desirable spaces. Different types of retail businesses will demand different rental rates. The rent for a particular tenant depends on several factors, figure 13 (Alexander, 2005 p.65-67):

Figure 13: Rent level shopping center

- Size and location of the leased space in the shopping center. Good visibility, heavy pedestrian traffic, main corridors, corner locations, and space close to anchors are factors that increase the rental rates.
- Type of business (nature). A supermarket has a larger sales volume with low profit margins and usually rent a large space for a lower base rent and a low-rate percentage turnover rent. A jeweller pays a high base rent and a substantial percentage turnover rent, because these types of businesses have comparatively fewer sales at high prices and substantial profit margins (Interview M. Pouw, 20-01-2008).
- Desirability of the tenant. An anchor, a premier brand or chain of stores, will add attraction, image and sales. A reduction in the rent, service and marketing costs may be required as a compromise or concession.

3.3 Lease

The lease is the signed agreement between the owner and the tenant that establishes the duties, rights and responsibilities of each with respect to the use and possession of space or property (ICSC, 1999 p.53). There are a variety of lease forms. These can vary in length from a few pages with appendixes, to fifty or more pages. The lease consists of many sections and parts, which can be categorised as followed: Definitions, Economical provisions, Use & control, Tenants obligations, Owners obligations, Majors situations and Legal process. These parts have subsections containing more detailed information. The lease may be between shopping centers, owners, countries and tenants.

The section economical provision states the rent and the yearly rent review, often the Consumer Price Index (CPI). The rent should be paid by the tenant at the beginning or by the end of the month. This specific section also indicates the service cost of the common areas and the marketing budget and outlines when this is to be billed to the tenant.

A copy of the lease is present at the shopping center with a summery to ensure that if a problem were to occur, it could be dealt with quickly and justly. The management often deals with more documents, such as temporary occupancy agreement and specialty licensing agreements, but these will not be discussed further. The management is generally responsible for releasing and for the renewal of the lease. Many leases have a timeline or a contractual term and this is an important issue in the shopping center business. It is the point at which the lease can be reviewed and rents can be adjusted to market value. The owner or the tenant could have restrained a break right in the lease. If needed, the party can terminate the lease earlier than the committed length of the lease. The terms in the lease affect the flexibility to change the tenant mix and thereby the influence of the management and owner.

3.4 Tenant mix

The tenant mix is the distribution of store types within a retail complex. The tenant mix is one of the critical aspects of a shopping center and sets its functional quality. As explained in subchapter 3.1, the main reason that people shop in a particular center is the variety of stores and the convenience of the supply of different kinds of merchandise. By joining forces under the umbrella of a shopping center, retailers can attract a much larger customer base than separate shops could hope to attract. The shopping center presents the consumer with a diverse but harmonious mix of product categories, sales techniques, and architectural shapes (Halper, 2003, p.16). The tenants who participate in a shopping center are required to create customer traffic to generate sales. The shopping center must have complementary store types that maximize its attraction to prospective customers (Alexander, 2005 p.ix). The primary goals of establishing the right mix are:

- To meet the customers demand for goods that has variety and appeal
- To stimulate traffic to the center
- To prolong the duration of shopping trips
- To encourage cross-shopping within the center
- To meet the center’s productivity demand

The challenge of the shopping center management is to respond to changing consumer wants and needs, a population that continues to diversify, alternative retail venues (internet), the downsizing and upsizing of retailers, the emergence of new retail concepts and the failure of retailers whose concepts are no longer accepted by the consumer. Changing the tenant mix is one of forces behind creating challenges and opportunities for shopping centers to meet the needs of the community and enhance the market position. The possibilities to change the tenant mix are stated in the general terms of the leasing agreement. Stores in a shopping center can fail, shopping center cannot (Alexander, 2005 p.110). Subchapter 3.3 describes the rent level adjusted to the tenant. In the tenant mix the tenants are divided in three groups: anchors, chain stores and individual retailers.

Anchors

An underlying principle of shopping centers is the idea that anchors are the main attraction for shoppers. Smaller stores that occupy nonanchor space benefit from the shopper traffic created by the anchor(s). Most anchors are divided into separate areas or departments within the center. The developer starts to achieve the target tenant mix with six or eight anchors (Midsize units) and often has a large supermarket/hypermarket as anchor tenant. Generally, the anchor store used to be a department store, which sold multiple goods, but there is currently more and more variety in anchor retailers ranging from international fashion brands, such as H&M, Mango and Zara, to electronics stores Dixons Electro World, Fnac and Media Markt. The fashion anchor stores are appealing to consumers, their goal being to increase the purchasing visitor numbers. The fashion branch is becoming a important component of the tenant mix gaining the credibility as a fashionable place to shop considering shoppers prefer defined brand concepts. Hypermarkets are losing the roll of anchor tenant because shoppers rarely combine grocery shopping and speciality retail purchasing in the same shopping trip (Mintel, 2007 p. 26).

Chain stores

In the shopping center industry most retailers occupying space are either part of a national chain or a licensed/franchised operation of a national or regional chain. Many retailers have an affiliation with a company that issues franchises or licenses to operate under its name, and most of the franchisers of major national franchising concepts have a framework of corporate expertise to support them. A local chain store manager usually represents the retailers at the shopping center. The chain store merchants are organized in a pyramidal hierarchy, with district or regional managers overseeing a group or region of stores, often organized geographically. The shopping center management maintains a relationship with both a chain store's local manager and regional manager. The auditing of the turnover is usually done by the shopping center management and the chain store manager and is an ongoing, everyday reality in shopping centers (ISCS, 1999 p.9).

Individual retailer

The smaller stores in shopping centers are often known as specialty or small shops and have a local origin. Their goods are often highly focused around a specific niche or use. These shops benefit from the umbrella of the shopping center, but also have a difficult time keeping up with the regulations of the shopping center. Some developers try to create a concept with international and national chains and some local retailers, but the local retailers often leave the center after a few years. The local retailers bought out by chain stores who take over the leases if they could not deal with the demands of the shopping center. Small local tenants often dislike the internal regulations about the garbage, the layout of stores, the auditing and the interferon’s of the management in their business (Interview L. Pereira, 24-04-2008).

Shopping centers are usually open 7 days a week from 9 a.m. to 9 p.m. and the small, family-run stores have problems with this. Larger stores have more staff members, so it is easier to remain open 7 days a week. Smaller stores often have full-time staff 6 days a week. The familiar face is a service, which customers appreciate. Such convenience is not realistic 7 days a week and the best characteristic of the the smaller shops – familiar service – becomes jeopardized (Cohen, 2003 p.271).

3.5 Services

The shopping center management fulfills the owners´ lease obligations and responds to the tenants, community needs and government mandates. The management fulfills these obligations by providing a wide range of services, which are charged to the service and marketing costs.

Technical & legal

Shopping centers have large sections of common area, escalators, elevators, toilets, alarm systems, etc. The asset management organizes a maintenance program and contracts for these services. The maintenance program is important for the physical condition and thereby the value of the shopping center, but mainly for the safety of shoppers and the tenants. The daily appearances of a shopping center must be consistent and positive in the minds of the customers. Keeping the shopping center in top condition is a primary goal of every operational management. The disposal of trash and waste materials generated on property needs to be collected effectively by waste system and recycling programs. Cleaning is often executed in two phases: general cleaning and polishing of the ground during opening hours and the heavy cleaning and floor care done when the shopping center is closed. An external party generally does the cleaning. For the conservation of energy, mechanical systems to monitor each tenant separately on use of electricity, gas and water and energy-efficient lighting are installed (Alexander, 2005 p.116-146).

The technical services go beyond the maintenance and cleaning of the common areas and equipment, it includes the provision of security to protect to property, the tenants and the customers in the center. The security needs to make the customer feel safe in the shopping center and in the parking areas. The need of security depends on the size, type and location of the shopping center, but typically shopping centers have full-time security. Adequate parking at peak selling, such as during the December holidays, is organized by a traffic officer to help direct the traffic, keep it moving smoothly and direct customers to open spaces. The operational management is responsible for emergency plans. The manager designs procedures for different emergency situations. The management also has a public relation program, to provide accurate information to the media, tenants and community in case of an emergency. Normally the marketing manager does this (Alexander, 2005 p.116-146).

The shopping center needs to have insurance, but the tenant also needs to be insured for injuries to persons and to damage property. The operational manager, commonly alongside a lawyer, needs to administrate this. An external lawyer deals with most legal issues, but at times shopping center management needs to give legal support, litigation services and know about the legal parts in contracts.

Commercial & financial

The shopping center cannot be managed effectively without a reasonable administration program. An effective administration system ensures accurate financial services, such as invoicing, bookkeeping and income control. It is day-to-day work for the administrative and accounting personnel–keeping accurate records of collections, payments and sales turnover information and writing financial rapports. By financially auditing the tenants and by maintaining an overview of retailers sales reports provides a lot of information about the performance of the tenants. This information can be used to assist the tenant. The management talks to the retailer about change in sales and provides the tenant with information, such as the results of surveys of focus groups and pertinent articles. The management can schedule a presentation for tenants by an in-house expert or an outside consultant to bring to light certain matters such as better storefront displays, effective visual merchandising or a change in merchandise altogether. In this way the shopping center management helps the retailer in the goal to attract more customers to the store, maximize consumer purchases at the store and to build up customer satisfaction and loyalty with the store (Simmons, 1987 p.45). The management must have an action plan to deal with these problems and should keep a list of stores who are struggling (Alexander, 2005 p.147 and ISCS, 1999 p.279). This is also important information to consider when adjusting the tenant mix to the changing needs of the consumer. The information of sales turnover alongside market research are the most reliable sources to detect consumer trends.

Marketing

Marketing is important from the start of the development, figure 14. It is crucial to spread the word about a shopping center development amongst the community and differentiate it from potential competitors. The market analyses, is also suitable for a marketing strategy from the start. Part of this strategy includes forming a public relation and advertisements, for example the making of brochures to create positive exposure to the community, tenants and investors. It is important to draw attention to strategic moments, such as groundbreaking.

Figure 14: Marketing shopping center

The opening of a shopping center is crucial, especially in the first year, which is the most difficult one (ULI, 2003 p.50). Local and perhaps national media, depending on the size and location of the center, should cover the opening. The opening must draw a lot of attention from the local community, perhaps through the addition of a famous act or fireworks.

During the operational stage it is important that the image of the center is not only maintained but extended. In comprehensive marketing programs, the shopping center management and the tenants must participate in a marketing program that promotes the individual stores as well as the shopping center as a whole. The marketing campaign may include decoration, events and activities for the community, advertisement and promotional activities. A coordinated marketing plan is generally the most successful and is integrated in the operation of the shopping centers. The goal of marketing is to recruit new customers and to maintain and expand the relationship with existing customers. According to Kotler (1984): '*Marketing serves as the link between a society's need and its pattern of industrial response*'. Holidays are very important time of marketing to generate sales. During the holiday, mainly in December, the shopping center is decorated. The decoration is used for 3 or 4 years and then replaced. The decoration changes the appearance of the shopping center and are often elaborate and expensive. Social responsibility, community service and customer service are also responsibilities of the marketing management. The shopping center often functions as a place where people meet and are socially active. Sometimes the shopping center can organise fundraisers or can function as a public facility, for example a place for people vote during elections.

Resources

Sufficient budgets are crucial to provide all these services. The budgets are often divided in a marketing budget and a service charge. The service charge consists of the common expenses of the services plus the cost of electricity, gas and water per unit. The charge is a projection of what the operation and maintenance of the shopping center during that period may cost. The final settlement will be at the end of the year. The costs of the management are generally in the service charge. The service and marketing cost are not equally divided among the tenants. Anchor tenants often receive a reduction in the service charge of the general areas (corridors, etc.) and marketing payments as a compromise. The other tenants or the owner pays the shortage on the budgets.

The owner of the center is often willing to pay 50% of the marketing budget. Shopping centers are the only property type for which the owner provides funds to promote the tenant's businesses. The reason for this is that the key to the success of a shopping center lies in its sales volume – the sales generated by each of the tenants and by the center as a whole. A high sales volume typically translates into overage (percentage rent of the turnover) that is paid to the owner.

Remuneration

Creating commitment from the shopping center management can be one of key elements in running a successful shopping center. The remuneration of management is one way to create this commitment. The remuneration can consist of fixed amounts and some incentive. An incentive is a factor that provides a motive for a particular course of action, or serves as the decision maker when choosing preference between alternatives. The aim of incentives is to provide value for money and to contribute to the organizational success of the shopping centers. The performance-based remuneration relies on incentives of different budgets and incomes of the shopping center.

4 Strategy

Shopping center management is a business that provides services to other businesses in the real estate industry. The real estate industry is a major business area. Porter (1989 p.1) even claims real estate is a whole sector of economy and shopping centers can be seen as one industry within real estate containing many businesses. The shopping center industry has its own attractiveness. To fully comprehend this attractiveness, real estate companies develop a strategy. The strategy is the direction and scope of the organisation over the long-term: to achieve advantages for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations (Johnson and Scholes, 2005 p.9).

There are strategies at different levels or businesses of a real estate organisation, Figure 18 bussinesslevels. The corporate strategy is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a "mission statement". The business unit strategy is more concerned with how a business competes successfully in a particular market. It converse strategic decisions about choice of products, meeting the needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc. The operational strategy defines how each part of the business is organised to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, people etc (Johnson, 2005 p.11-12).

A strategy can be thought of as having three elements, which provide the framework for the comparative analyses between Portugal, the Netherlands and Poland. The framework is built upon three foundations; strategic choice, the strategy position and the strategy into action, figure 15.

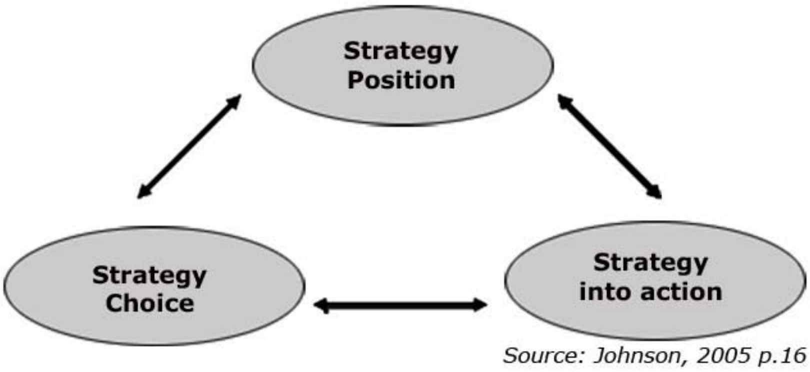


Figure 15: Strategy framework

The strategic choices involve understanding bases for direction and scope at both the business level and corporate level. The strategic position is concerned with the identification of the external environment and the recourses and competence of the organisation. The strategy into action is the next chapter.

4.1 Strategy Choice

Five of the thirteen largest European retail developers are of Dutch origin. Multi, ING, Unibail-Rodamco, Foruminvest and Redevco have planned to develop a sum of 7,9 million square metres throughout Europe. The strategic choice describes a general perspective of a Dutch investing developer with European activities using a competitive strategy concerning growth opportunities. The strategic choice is based on literature and interviews with directors of Multi Corporation (Dhr.Kok), Unibail-Rodamco (dhr. Vermeeren) and ING Real Estate (Dhr. Kruit). The company profiles of these companies are enclosed in the Appendix I - Strategy.

Competitive strategy

To outperform in the real estate industry companies need a sustainable competitive advantage. Competitive strategy is the basis on which businesses might achieve competitive advantage in the market. Porter introduced three different generic strategies by which companies could achieve competitive advantage. These were: overall cost leadership, differentiation and focus. For more information see Appendix I – Strategy - Porters competitive strategy. Porter claims the competitive advantage in real estate can only be ‘low cost’ . In other words, the company has the ability to finance and develop a project and deliver it at a lower cost, which allows them to get a higher margin at prevailing price levels. The other advantage is differentiation. Differentiation is the ability to have some unique skills or resources that allow the company to command a premium price (Porter, 1989 p.4). In 2003 Jonhson (p.242) states there is a hybrid version between these two advantages, because if there are a number of providers the customer will choose which company offers the most value-for-money. This is a combination of price and the customers’ perception of the product and services.

Developers of shopping centers aim for differentiation and not for cost leadership, because shopping centers on prime locations need to stand out in quality. The unique skills of the developer can be found in design, new concepts, relationships with tenants, a particular geographical location or good organisational skills. All these skills in combination with financial resources create the competitive advantage (Porter 1989, p.4). More information on the competitive advantages can be found in the paragraph discussing resources & competence.

Market/product growth

The Ansoff’s product/market matrix is a model to identify the business growth opportunity of the investing developer. It is an approach to understand the direction the companies are going with their business. The Ansoff’s product/market matrix has two dimensions: product and market.

Ansoff Strategy development Directions

		Product	
		Existing	New
Market	Existing	**A** Protect/build	**C** Product development
	New	**B** Market Development	**D** Diversification

Source: Johnson, 2005 p.341

Figure 16: Ansoff strategy development directions

The four growth strategies in the market/product will be looked at separately by the four boxes in figure 16. In practice the investing developer pursues a combination of directions to be successful in the future.

A) Protect/build can be seen as consolidation. The investing developer maintains and strengthens his position in the Netherlands with a current real estate product, retail. This strategy usually tries to establish a good custumer relationship with retailers and municipalities, to work more efficiently and sometimes speculates on land.
B) The knowledge of developing shopping centers and capital is offered to new markets. In this strategy the investing developer tries to introduce retail formulas in foreign markets or make knowledge or capital available for other real estate products, such as commercial buildings.
C) Product development comes into play when the investing developer introduces a modified or new product in an existing market. This may happen when the needs of the customers change stimulating the developer to follow with a new retail concept. This requires high-quality information about the changing needs of costumers and requires creativity to determine how to fulfil these needs as efficient as possible. Product development may also require the development of new capabilities if the desires of the customers change or if other developers can also deliver the same quality products. The investing developer must distinguish itself with extra product/service features.
D) Diversification is a strategy that takes the investing developer into both new markets and products or services. Diversification often brings a lot of risks with it, due to a lack of experience. On the other hand, it decreases risks by spreading activity over more than one market/product. Johnson (2003 p.283-284) describes that diversification can be done in four ways:
   - Vertical integration describes how a company moves into the business of its suppliers or its customers in the value chain. This phenomenon currently occurs between real estate businesses and will be described further in the next paragraph.
   - Horizontal integration occurs when the investing developer develops a new product complementary to its current product and that could appeal to its current customers even if it is unrelated to the existing product.
   - Concentric diversification is when a product or a service has a certain knowledge synergy with the existing product.
   - Unrelated diversification is the development of products or services which have neither a technology or marketing synergy with the existing product, but can sometimes by used as a way to balance a cyclical portfolio with a non-cyclical one.

The growth strategy of the many investing developers is a combination of consolidating in the home market and searching for new markets and products. This research focuses on the diversification direction of the investing developers. It will describe the vertical integration of the real estate business network in combination with concentric strategy and the international expansion of existing/new products (Johnson, 2003 p.340-347).

Vertical integration

Vertical integration can consist of forward or backward integration. Forward integration is when a developer is moving in the real estate management business and backwards integration is when a developer is going into the investment/financing business. The vertical integration is mainly seen in the value chain of real estate in figure 17. This chain shows where companies add value to the product. The real estate value chain is based on the model of ING Real Estate.

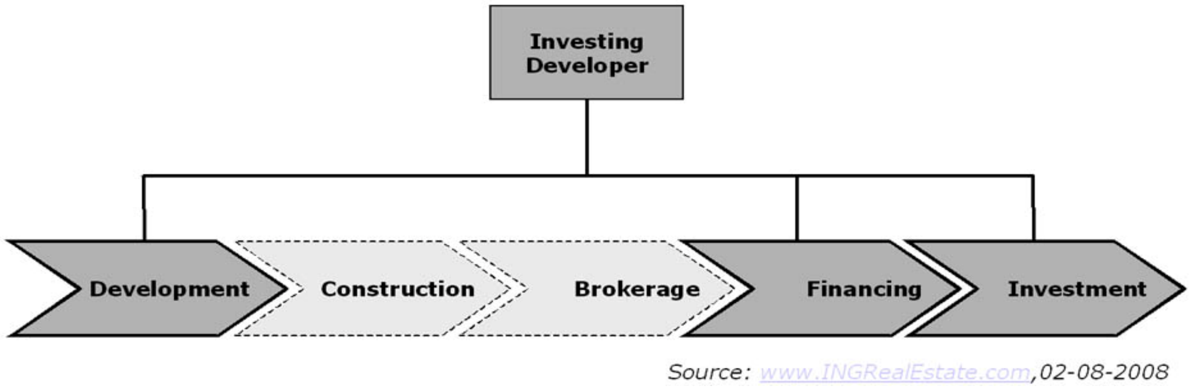


Figure 17: Real estate value chain

In resent years developers and investors have integrated in each other's businesses. This has primarily two reasons. The investor wants to ensure his investment company of a well performing, sustainable shopping center and the developer wants to ensure his company of the best exit strategy. The exit strategy of a developer could be to sell the shopping center quickly after creation or to hold on to the shopping center and sell it at its peak value; this of course requires capital. In the Netherlands there is also integration between building contractors and developers, but this is generally in the residential market.

The add value in the value chain is mainly the result of the vertical integration of knowledge in real estate businesses and can be seen as concentric diversification. The link between knowledge of the different businesses creates an understanding between the in- and output. This creates a synergy and hybrid approach to projects with the main goal of creating the highest end value in the hold process. The moment of the highest end value is determined on a corporate level.

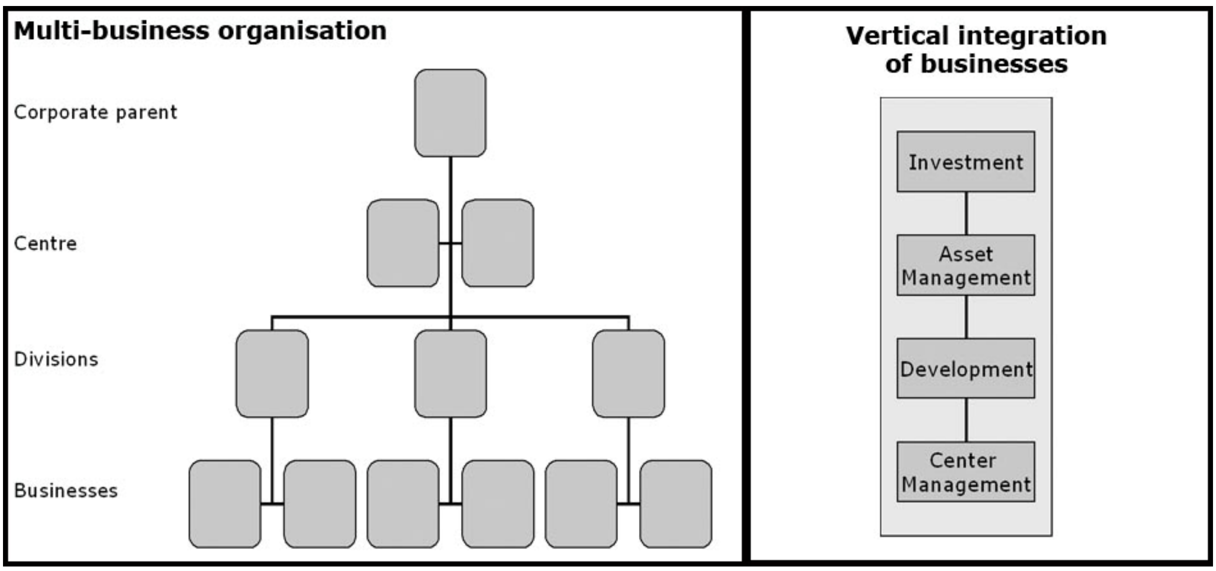


Figure 18: Mult-business organisation (left) and Vertical integration of businesses (right)

The vertical integration in figure 18 in the company of the investing developer is often between the businesses investment management, asset management, shopping center management and development. The knowledge exchange between the businesses will lead to a better end product. The businesses come together in divisions, often per country. The corporate parent heads the divisions. The corporate parent is further assisted by center businesses, such as human resource, administration, legal affairs and corporate branding, ect.

Internationalisation

The globalisation of markets and competition can be seen as both cause and consequence of the internationalisation of individual organisations. The reason for an international strategy of companies generally has two motives:

- Increase return on capital investment. The turnover can grow and a scale advantage can be realized by entering foreign markets.
- Internalisation can stabilise the return on capital investments by spreading the risk in different geographical markets. The company depends less on the economical situation of one market, like the home market, by operating in foreign markets.

In the Netherlands increasing and stabilizing the rate of return on investment for companies can be reached in a limited extent, because of the relatively small home market. That is why Dutch development companies that want to grow will be forced to go abroad and internationalise (Hulleman, 1995 p.349-350).

The way most Dutch developers expand to foreign markets can be narrowed down to a joint venture or a direct investment. A direct investment occurs when a subsidiary company is started or when an existing company is taken over. This often requires a lot of capital and is accompanied with more risks than a joint venture. These risks include losing direct control of the quality level, frauds and competition with local and/or multinational companies. These companies could have an advantage through knowledge on the topics: market, culture, legislation and language. The extra costs of the adjustment problems have to be compensated with the competitive advantages. The competitive advantages could be created by the chosen strategy of the company, see Appendix I Strategy - Porters competitive strategy. The strategy of most internationalising developers is to gain competitive advantage through differentiation and knowledge of land, tenants, capital or a combination of these (Hulleman, 1995 p.351). The number of developments across Europe is not only driven by the developers bypassing the limitations of their home market, but by expanding their markets internationally to increase or sustain a certain turnover. The developer often acts as the supplier and follows retailers, investors and municipalities when these internationalise.

In the retail sector there has been a strong growth of cross border transaction. In order to increase their market share the retailers respond to the changing markets and consumer trend. In 2008, there were about 250 leading retailers from 17 different countries that were active across Europe. The behaviour of consumers is steadily becoming more similar. This makes it more attractive and simpler for retailers to operate outside the borders of their own countries. Europe is, to an increasing extent, seen as one market (www.retail-platform.nl, 22-08-2008). The ING Real Estate Retail-Platfom obversed the following parallel trends in a large number of countries in Europe:

- *An increase in scale and diversification;*
- *The establishment of category killers such as 'Media Markt' and 'Ikea';*

- *The integration of functions as at 'Donner' and 'Tchibo';*
- *Chain integration as with 'H&M' and 'Zara';*
- *The creation of emotional customer value as with 'Rituals', 'Six' and 'Lám';*
- *A multi-format strategy such as 'Albert Heijn', 'Albert Heijn XL' and 'AH to Go,' and 'Inditex-Zara-Berschka-Ousho' and 'Zara living'.*

The retailers rely less on a primary catchment area and approach the consumers through multi-channeling The retailers do not only offer their products on a global basis but are ready and able to exploit the unique advantages associated with particular countries and locations on a worldwide basis (Johnson, 1995 p.291). H&M is a European retailer and is growing through three channels. The stores are H&M's primary sales channel, while internet and catalogue sales strengthen H&M's profile and increase the level of service and accessibility to customers. The location is still crucial for H&M. Every store is unique and has its own commercial condition. H&M analyses the customers and creates concepts applying to different customers groups. The stores are sometimes aimed at teenagers, while at other times to the entire family. When moving to a new market, factors such as demographic structure, purchasing power, economic growth, infrastructure and political risk are analysed. '*The first store of H&M should preferably be a large store in the best business location in a big city, which is subsequently supplemented with a mix of stores offering all or parts of the product range. H&M can then continue to grow by opening stores in other cities* (www.hm.com, 05-09-2008).

The global financial institutes stimulate the internationalisation of retail by lending money to expanding businesses. The global financial institutes are often already active in these countries through banking, investments, insurances and retirement services for the local population, corporations and governments. The experience and expertise in these businesses is used to gain access to other markets, like retail or real estate, and to provide loans to the companies that want to expand to these countries. An example of a global financial institute is the ING Group. The ING group is active in 50 countries all over the world. The ING group is split up in six business lines, which focus on banking, insurances and retirement service. Wholesale banking is one of these business lines and manages ING Real Estate. The extensive network within ING Group and the in-depth local knowledge of economic, social and regulatory matters is exchanged and extended into the other business lines (www.ing.com, 05-09-2008).

Municipalities know retail has the ability to change places. Retail can transform landscapes, the economy and the public by respectively redesigning city centres, generating employment and providing products and services. Places can benefit from high-profile retail institutions and well-known stores act as magnets to attract new businesses. These stores are considered the great treasures of retailing and brand the entire shopping area. Many places try, with the help of developers, to attract investors and retailers that can contribute to an important retail cluster. To attract retailers such as IKEA, Carrefour, H&M, or Zara places offer attractive locations in combination with incentives, tax breaks, road construction or a myriad of other offers and combine them with McDonald's and Burger King in a shopping center. Place-sellers try to create retail locations in such an attractive manner that customers want to visit the stores and pay for the experience, selection and service (Kotler, 1999 p.233-235). The retail sector played a major role in bringing Poland through a period of transition and into the subsequent period of growth. In 1989 the government removed price regulations, stopped administrative rationing and allocation of raw materials, privatized state-owned industries, removed controls on economic activity, encouraged foreign trade, broke up state monopolies, and stabilized currency exchange rates. This was the end of the '*humiliating communist shopping experiences, standing in long lines in front of drab, gray, neglected stores*' and the beginning of fashionable stores giving quality service that locals found almost unimaginable (Waters, 1999 p.319,320, 324). A new chapter in the retail sector after fast-food restaurants, hypermarkets and out-of-town retail schemes is the shopping center, such as Zlote Tarasy in the city center of Warsaw. This multifunctional project is a new landmark for Warsaw and was realised by ING Real estate opening its doors in 2006. The municipality sees the project as a major step in the direction of becoming the financial center of Eastern and Central Europe and attracting more international companies in the city center. More about this subject in chapter 8.3 Case study: Zlote Tarasy.

4.2 Strategy Position

The strategic position concerns the forces that influence, or have to be taken into account when developing a strategy. This is done by the identification of the external environment and the resources and competence of a Dutch investing developer. The history, culture and the different forms of stakeholders of the organisation will not be discussed further.

Environment analyses

An organisation is influenced by external uncertainties which create a business environment. The business environment of a European investing developer is diverse, complex and changes rapidly. To identify the key issues Johnson (2003, p.64) provided a framework of layers, figure 19, to understand the environment in which an organisation has to function. The most general layer is the macro-environment. The starting point is the PESTEL-framework and is useful when comparing countries and contexts and creating forecasts for future possibilities.

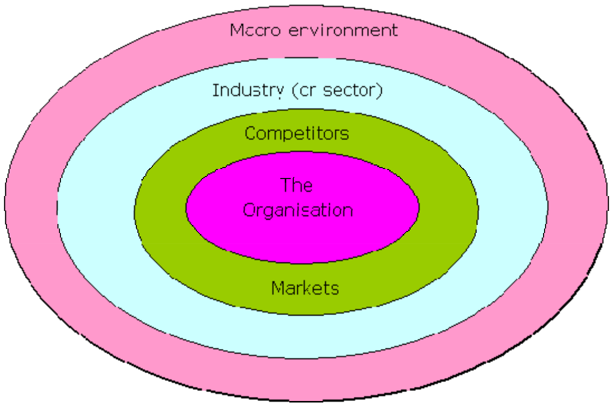


Figure 19: Layers of the business environment (Johnson, 2003 p.64)

In this contextual layer lies the shopping center industry also known as the meso-environment. This is a group of companies producing the same product or service. The most immediate layer of the environment is the micro level. This consists of competitors and markets within the shopping center industry. The micro level concerns the location, the commercial, the physical and functional characteristics of a shopping center.

Macro level

A PESTEL framework in appendix I Strategy – PESTLE Framework is deals with the macro-environment that might influence the shopping center industry and is useful for comparative country analyses. Macro factors are on national and international levels. The PESTEL framework is categorised into 6 main factors: political, economical, social, technological, environment and legal. These factors are not independent of each other, but are often linked. A change in any of these factors could effect the competitive environment in which the investing developer is working (Johnson, 2003 p.65).

It is important to understand the key drivers of change and the impact they may have. If an effect can be forecasted, the management can prepare itself for the change and may take advantage of the situation or avoid certain actions. A PESTEL analysis is useful for internationalisation of the company. By comparing countries it can be determined if there are some similarities or differences that should be taken into account and if opportunities may occur for shopping centers and the services (Johnson, 2003 p.67).

PESTLE analysis is useful for the understanding of "big picture" in the environment in which the company operates, and the opportunities and threats that lie within it. It summarizes the external environment in which the investing developer operates and it must be followed by considering how the business should respond to these influences (Johnson, 2003 p.67).

Industry level

The macro-environment might influence the success or failure of projects, but the impact of these general factors tends to surface through changes in the competitive environment. The industry, also called meso environment, is the group of companies producing the same principle product shopping centers. Porter´s five forces framework Appendix I Strategy - Five forces framework helps to identify the sources of the competition in the shopping center industry. It is important to understand the five competitive forces are connected with the macro-environment and that they are not independent of each other. Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability (Johnson, 2003 p.77-81). These five "competitive forces" are:

- The threat of entry of new competitors (new entrants)
- The threat of substitutes
- The bargaining power of buyers
- The bargaining power of suppliers
- The degree of rivalry between existing competitors

The base of the Porter´s five forces framework will be used to understand the competitive dynamics within and around the real estate industry.

Market level

In the market level for a shopping center, it is the local factors that influence the project. The micro level is the most important level providing information for the shopping center analyses. The macro and meso factors are useful for the context and forecasts. The micro factors have a direct influence on the physical, commercial, functional and locational aspects of the shopping center . A well-known phrase in real estate reads ´Location, Location, Location´. The location, also known as the site, is the centre of attention in analyses of the micro level. A useful tool for the analyses is described in appendix I 'the site selection checklist'. It clarifies the characteristics of the site on topics such as:

- Utilities
- Legal constraints
- Size & shape

- Site condition
- Location & neighbourhood
- Accessibility & visibility
- Zoning & Regulatory environment

The analyses of the site must be accompanied by a market research on the needs of the local customers. The needs of the local customers can be different from the customer needs in another part of the city/country. Customer needs may vary for a whole variety of reasons, see table 5.

Factors of Market segments

Type of factor	Consumer	Competition
Characteristics	Age, sex, race Income Family size Life-cycle stage Location Lifestyle	Type of center Location Size Profitable Management
Purchase	Purchase power Brand loyalty Purchasing behaviour Choice criteria	Purchase power Brand loyalty Purchasing behaviour Choice criteria
Users needs and preferences	Product similarty Price preference Brand preference Desired feutures Quality level	Tenant mix Price levels Brand mix Desired feutures Quality level

Table 5: Factors of market segments

Any of these factors could be identified as a market segment. It is important to consider which different base segmentations are most important and how these are changing with out generalising the customers. Segments could be categorized by buyer behaviour or purchase value. The relative market share within the catchment area is an important consideration. Shopping centers need to build up a relationship with the market segment. The identification of the market segment must be done with help from the availability of consumer data through marketing research and sales data. (Johnson, 2003 p.93, 94).

Resources & Competences

The adequacy and suitability of the resources and the competences of an investing developer are necessary to survive and to prosper. Tangible resources are the physical assets of an organisation and include land, labour and finance. Contrary to these assets are the intangible resources; these are non-physical assets such as information, reputation and knowledge. In a knowledge-based business, such as a developer, intellectual capital is likely to be a major asset of the organisation. Competences are the activities and processes through which an organisation deploys its resources effectively. The threshold capabilities are those resources and competences that are essential for any developer to compete in the market. The threshold capabilities are fundamental, but do not create a competitive advantage. A competitive advantage can be distinguished through a unique resource or a core competence (Johnson, 2003 p.117-120).

A unique resource for many Dutch investing developers is the capital that is easily available. There are numerous examples: ING real estate has the ING Bank, Multi has the financial support of a real estate fund from Morgan Stanley, Rodamco is a real estate fund which is listed on the stock market, Redevco is a holding company and Foruminvest is a investment company. The experience of developing inner-city locations, which was/is necessary in the Netherlands, is now the specialty of the Dutch developer and gives them a distinctive reputation. The combination of this asset with Dutch design, high quality architecture that takes local circumstances into account, and Dutch consensus ability, gained through the experience with the Dutch consensus Policy (‘Poldermodel’) gives Dutch developers a competitive advantage over local and international competitors. These unique resources become core competence through lowering costs, acting quickly and efficiently on the demands of retailers and municipalities and through finding the best locations in cities abroad (PropertyNL nr.8, May 2008 p.62-64).

5 Strategy into action

The understanding of strategic position of the investing developer alongside the consideration of strategic choices means nothing until it is put into action. In a normal company this is a day-to-day process and relationship with existing organisations to see if the intended strategy meets the strategic action. When this is not possible, a strategy & vision is designed for an investing developer and a model for the shopping center is made through a comparative market analysis of the shopping center management businesses of Portugal, the Netherlands and Poland.

5.1 Investing developer strategy

The information in this paragraph is based on the strategies of Multi Corporation, Rodamco-Europe and ING real estate. As one of the leading developers and investors in shopping centers in Europe, ING is active in more than 14 European countries. According to the corporate organizational alignment, all the local teams have the following divisions: investment, development, asset management and shopping center management. The company is especially active in the home market of the Netherlands but also in Poland and Portugal.

Mission

The general vision of the company is to grow a quality portfolio of shopping centers in prime locations in European cities. The combination of the investment capacity, the experience and track record of quality developments and high standards in enhanced value shopping center management creates a unique position in which to be creative, flexible and make partners with suppliers, clients and stakeholders.

Goals

It objective is to build up a diversified portfolio of first class shopping centers throughout Europe to get maximum value over the entire life cycle of each development. The objective of development remains to create an appealing environment for people to live, work in and visit. By monitoring the development, asset management ensures that projects are sustainable and subsequent from the start. Shopping center management's policy is to get the best out of shopping centers for customers, shopkeepers and owners, and to help retailers achieve top performances within an environment of sustainable quality.

Strategy

Shopping centers in prime locations are attractive for both retailers and consumers, resulting in high occupancy and predictable rental income flows. By managing the shopping centers, we are able to enhance the underlying value of the following assets:

- Geographic diversification
- Multi-domestic local structure according to a Group-wide organizational alignment
- Development on prime locations with an innovative nature, architectural flair and a sensitive relationship to the surrounding area
- Ensured sustainability of every project
- Maintenance and growth of the value of the assets
- Strengthened relationships with existing and new clients and suppliers
- Improvement of products and services

- Gained information about shopping center management in Portugal, the Netherlands and Poland

Recourses & competences

The backing of a Real Estate Fund gives us financial strength and investment capacity. The ability to make consensus, our liability and the understanding of quality design makes us a strong and sustainable partner for creating shopping centers across Europe. The reputation and experience with developing inner-city location in our home market of the Netherlands is appealing to municipalities. Local and international retailers want to work with us, because of the fair tenant relationship through our shopping center management service. The capital, the experience and high quality track record of previous development gives us a network of brokerage, municipalities and tenants for future deals. These resources give us the chance to act quickly and efficiently in opportunities that arise against a reasonable price, table 6.

Resources & Competences

	Resources	Competences
Treshold Capabilities	- Indirect financial resources - General knowledge & experience - Labour - Local network	- Service - Relationship municipalities - Relationship tenants - Find land
Competitive advantage	- Direct financial resources - Dutch design - Dutch consensus ability - Experience innercity location - Reputation	- Act quick - Act efficient - Lower cost

Based on model Strategic capabilities and competitive advantage of Johnson, 2003 p.118

Table 6: Recources& competences

Organisation

The investments and development decisions are made with knowledge of the local market and the best European practice. The organization has a bottom-up information structure and works with local teams per country because real estate services the local demand. The businesses of investment, asset management, development and center management come together in international groups to exchange knowledge with each other concerning the market practises per country, figure 20.

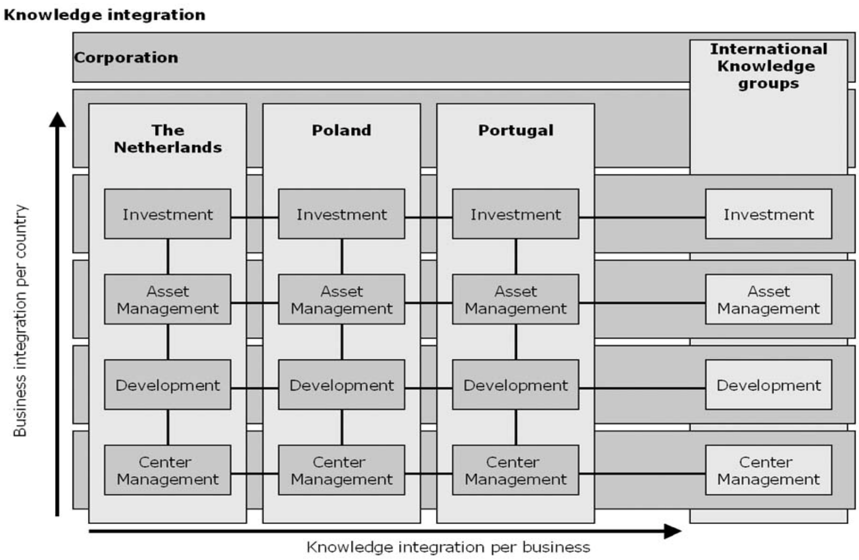


Figure 20: Knowledge integration

The knowledge interaction between the different businesses takes place per country and project. The organisation has a corporate level with different divisions per country and per businesses, figures 21.

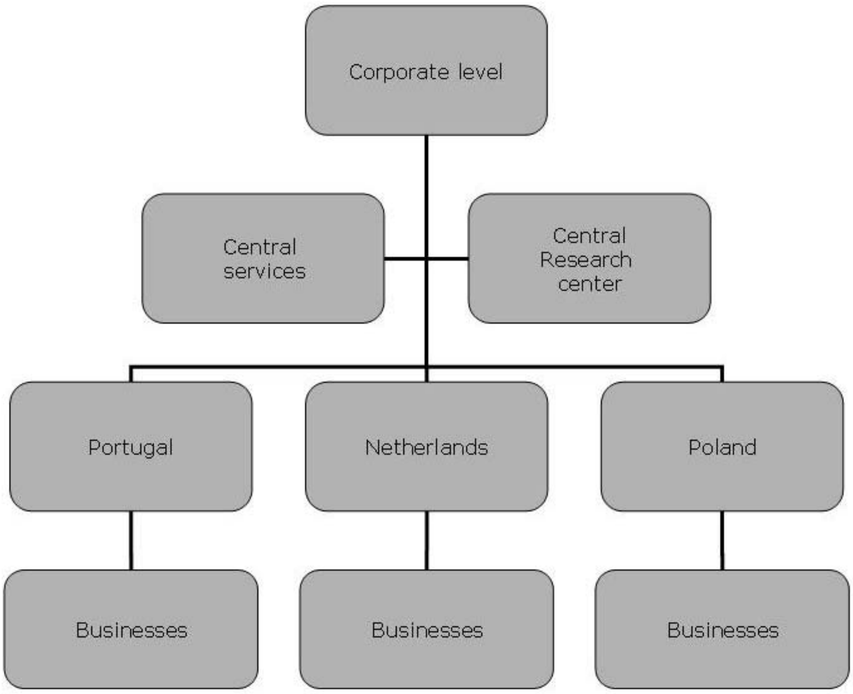


Figure 21: Organisation structure

Shopping center management

The day-to-day management of shopping centers is vital in maintaining quality and increasing investment value through (growth in) rental income and value. This means shopping center management must maintain the dominant position and attractiveness of shopping centers to ensure growth in rental income. The management strives to get the best out of shopping centers for customers, shopkeepers and owners, and to help retailers achieve top performances within an environment of sustainable quality. Through marketing and promotion, we generate high visitor numbers, prominence in the marketplace, outstanding sales performance and growth in rental income. This enables us to provide high returns in investment. Shopping center management is committed to protecting the integrity of the initial concept of development.

Rent

The rental income depends highly on the location, size and function of the shopping center, but it is possible to create a general method to collect the rent. In the integral approach the tenants are required to pay a monthly base rent and percentage of turnover rent agreed on by both parties. The turnover rent is calculated on a monthly basis by the positive difference between a certain percentage of the tenant's monthly gross sales and the principal rent due for the same month. This creates an incentive to the investor, who is more involved in the functioning of the shopping center and will try to hence better performance in the long run.

Lease

A flexible lease is a powerful tool for the to adjust the tenant mix to demand of the changing needs of the consumer. A lease, which is preferred by the integral approach, is with no termination and no prolongation options for the tenants and 10-year terms for anchor tenants and 5-year terms for smaller tenant (table 7).

Leasing Terms integral approach

	Unit size in m²	Break Clause	Term in years	Option for prolongation
Anchors	»750	No	10	No
MSU	300-750	No	5	No
Units	«300	No	5	No

Table 7: Leasing terms integral approach

Services

Service provided by the integral approach

Service	Activity	Service	Activity
Marketing	Mall Dynamization Events Costumer service Public relations Promotion Campaigns Social responsibility and community relation Market analyze Consumer opinion report Marketing report	Commercial	New shops Renewal contracts Shops replacement Temporary spaces extra income Tenant mix analysis
		Financial	Shops performance Income control Shop' audit Sales information Invoicing Financial reports
Technical	Insurance Maintenance Hygiene and comfort Surveillance and security Gardening Technical and constructional advice Services providers management Waste disposal Operational report	Legal	Legal support contracts

Table 8: Services

The services, which are supplies by the integral management, are provided in the table 8. The competitive advantage relies in the services: marketing, commercial and financial. The integral management uses these services to generate higher approach larger visitors numbers and higher sales in the integral shopping center management approach. The other services are crucial as well, but do not create something extra. The organization of the management consist of 8 staff members (figure 8), who are all active on site to understand the context of the shopping center with the tenants and the community it serves.

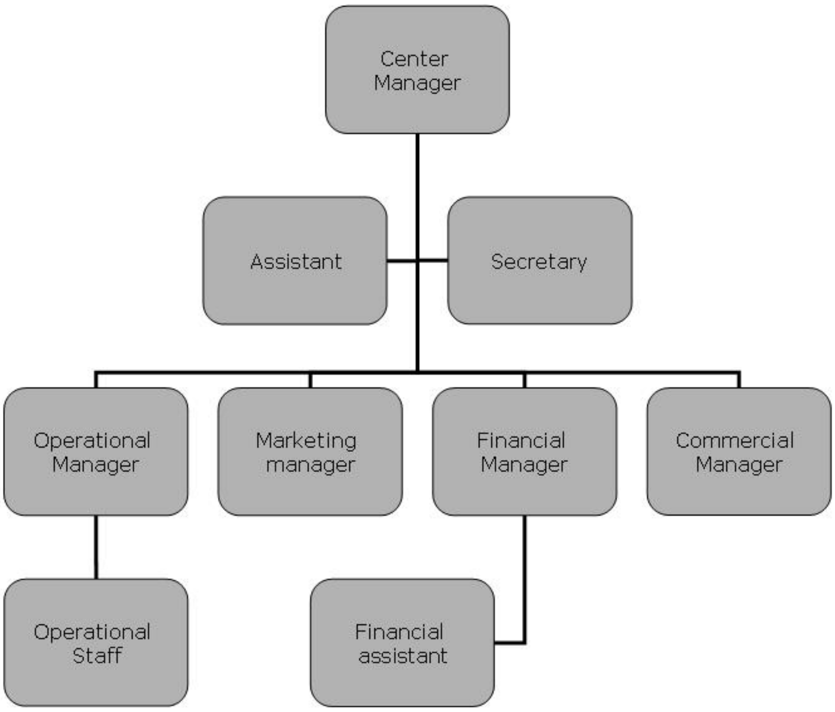


Figure 22: Organisation structure integral approach

Resources

Sufficient budgets are needed to supply the integral approach of shopping center management for a given period. The budgets are split in a marketing budget and in a service charge. As wages and other cost vary from place to place an exact number cannot be given for both budgets, but the most be adequate to the services that are provided.

Remuneration

A fixed remuneration for all the management cost is supplied through the service cost and paid by the tenants. The management works with variable remunerations as an incentive to create commitment, most of them are paid by the owner except the variable fees over the service and marketing budgets, table 9.

Remuneration shopping center management

	Integral model
Fixed remunaration	
Management staff Cost	Tenant
Office cost	Tenant
Cost communication	Tenant
Fixed incentives	
Fee over rent	Landlord
Service charge fee	Tenant
Marketing budget fee	Tenant
Variables incentives	
Temporary-letting fee	Landlord
Turnover-rent fee	Landlord
Key-Money fee	Landlord
Re-leasing	Landlord
Renewals	Landlord

Table 9: Remuneration

5.2 Shopping center management market analyses

The shopping center management business in vertically integrated with other businesses in the shopping center industry and is thereby connected with the investment decision. The growth and internationalisation of shopping centers in Europe demands an exchange of knowledge between countries concerning shopping center management. A comparative analyses model is created for the shopping center management business, figure 23. It provides a guiding concept for a comparison between Portugal, the Netherlands and Poland. The objective of this top-down approach is to develop an understanding of the attractiveness of the foreign markets. Every market has its own risk and rate of return. A wide range of factors determines the rental income and growth in value of the shopping center (Hulleman, 1995 p.354-355).

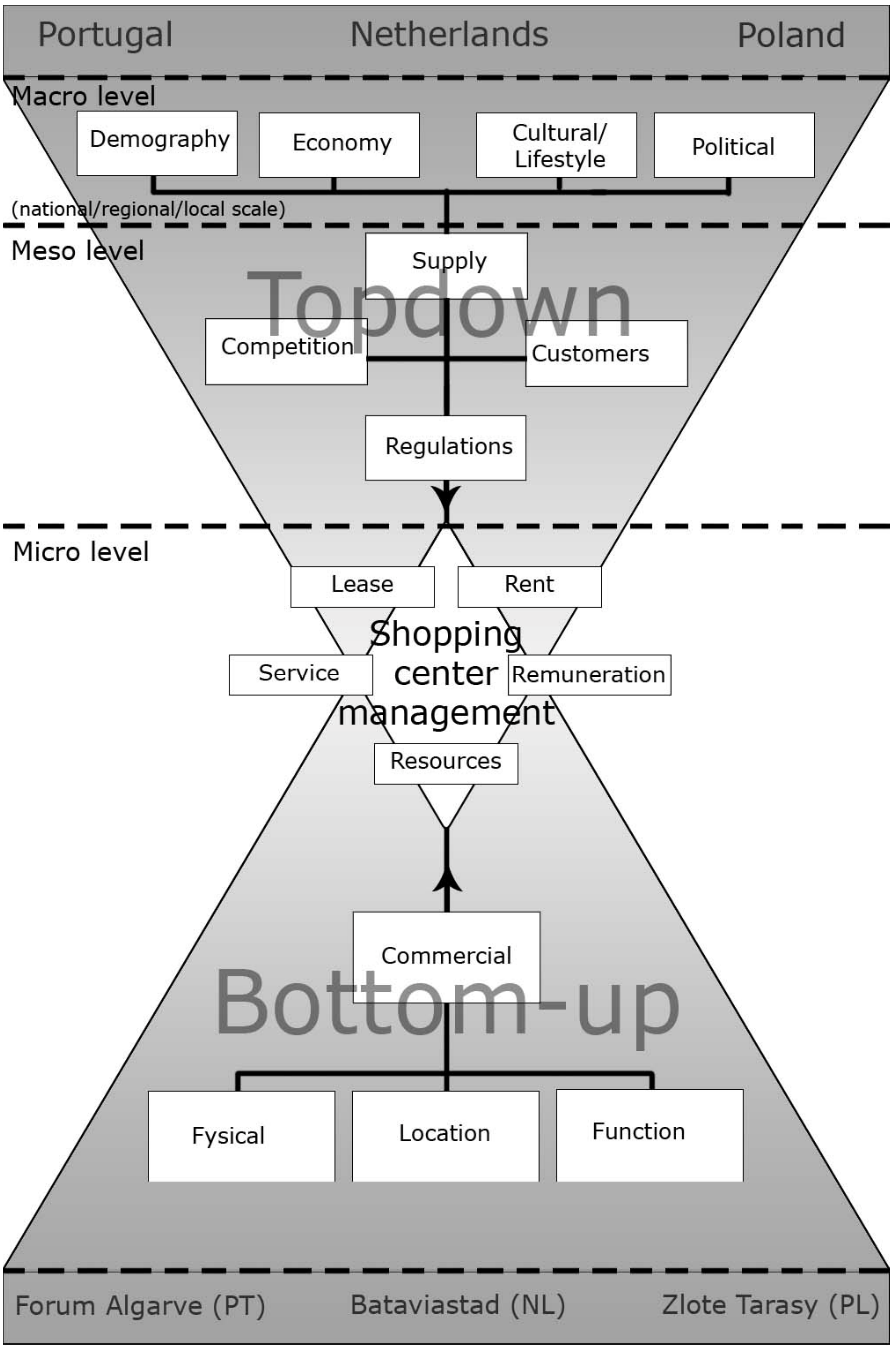


Figure 23: Comparative analyses model

The comparative analyses between the countries is made up of three components. The first two steps have a top-down approach and the comparison is based upon macro and meso levels. The macro data may have an influence on the shopping center industry. After the first analyses on the macro level the similarities and differences between the countries will be clarified. After the macro filter the research will concentrate on the shopping center industry more definitively on the subject, which involves shopping center management. The meso filter clarifies the possibilities in the shopping center management market in Portugal, the Netherlands and Poland (Hulleman, 1995 p.357).

The third component of the comparative analyses is a bottom-up approach. As previously explained, the location, function and physical appearance have a great influence on the commercial performance of a shopping center. In each country a shopping center will be analysed through the aspects of function, physics, location and how these influence the commercial part of the shopping center. This information alongside analyses of macro and meso level can help to identify an integral shopping center management approach, which can be shaped to meet the needs of the local market (Schmitz and Brett, 2001 p.3).

Macro level

Generally national, regional and local level all effect property demand. In this comparison the focus will first be on national level of Portugal, Poland, the Netherlands and the EU 25[1]and in the case description on local level in the countries itself. In the previous chapter the PESTEL-framework for the analyses of the macro-environment was explained. The factors of the PESTEL-framework shape the base of the macro-framework, which is used for this research. It is important to take in mind that these factors are not independent of each other, but are often linked. The main factors for this study are: Politic, Economic, Demography and Culture. The macroeconomic conditions shape consumers confidence and business investment activities. The strength of the national economy influences whether businesses expand, retailers seek more store locations, families move up the housing ladder and travellers book more hotel room nights. Consumer demographics are all critical in the determining how much to build, which product types will sell or rent quickly and which prices or rents is acceptable. Statistic bureaus, consultants and municipalities supply these data (Schmitz and Brett, 2001, p.18-23). The political and cultural factors are not really measurable, but are described in a comparative way. The sub-factors, which are going to be compared on national macro level, are shown in table 10. The definitions are from www.cia.gov/library/publications/the-world-factbook (09-09-2008), if not differently mentioned.

[1] Belgium, Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Ireland, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland, Sweden, United Kingdom

Macro level

Political	- Type of government - Political structure and stability	Demographic	- Population - Population by age class, 2005 (% of total population) - Household size ('000) - Density
Economy	- GDP (PPP) - Development GDP - Inflation - Employment by Sector of Activity in 2006 - Unemployment rate in % - FDI (foreign direct investment) - Consumer expenditure	Cultural/ Lifestyle	- Religon/ethnics - Family & business - Lifestyle (mobility&Quality of Life)

Table 10: Macro level

Politic

Politics consists of social relations involving authority or power and refers to the regulation of a political unit, and to the methods and tactics used to formulate and apply policy. The politically stability is the main concern for an investing developer. The political facts of Portugal, the Netherlands an Poland are summarized and shortly introduced with some geographical and historical facts.

GDP in capital (PPP)

The comparison economical comparison is based on the GDP (PPP). Using a GDP purchasing power parity (PPP) estimation is more useful comparing generalized differences in living standards on the whole between nations, because PPP takes into account the relative cost of living and the inflation rates of the countries, rather than using just exchange rates which may distort the real differences in income. Also the International Monetary Fund and the World Bank use the GDP (PPP).

GDP growth

The GPD is a criterion that represents an approach to relate the production-, income- and spending side with both the development of branches (- structure), the incomes of workers, the suppliers of capital and the development of the consumers spending. This entry gives GDP growth on an annual basis adjusted for inflation and expressed as a percent. The development of the Gross Domestic Product (GPD) is important criterion for investments in retail property (Schmitz and Brett, 2001, p.18-19).

Inflation

The annual percent change in consumer prices compared with the previous year's consumer prices. The change of the prices level of goods and services over time is also called the consumer price index.

Employment per sector in %

This entry gives the percentage contribution of *agriculture*, *industry*, and *services* to total employment. Change in employment by sector of activity and the minimum wage may be key indicators for social changes, like urbanisation.

Unemployment rate (%)
This entry contains the percent of the labour force that is without jobs. Substantial underemployment might be noted. The unemployment rate is linked, just like the GDP, with production, income and spendings. The unemployment rate is because of its mutual differences between countries a useful indicator for economic development and the risk of the investment. The unemployment is less important for the analysis then the GDP. An economically healthy country will be able to maintain or reduce its unemployment rate even if the potential workers are growing. A low unemployment rate is a positive indicator for real estate, because it stimulates the demand for homes, services and sustains retail sales. However, if the supply of available workers is too small, labour costs increase and businesses may look elsewhere for space as they expand. (Schmitz and Brett, 2001 p.24).

Direct foreign investment
The direct foreign investment is a cumulative euro value of all investments done in foreign countries made directly by residents - primarily companies - of the home country abroad and all investments done in the home country made directly by residents - primarily companies - of other countries as of the end of the time period indicated. Direct investment excludes investment through purchase of shares.

Consumer expenditure
The consumer expenditure is a measurement of goods and services bought and consumed by individuals in the country.

Population
A population shares the characteristic of living in a given geographic area. The total population presents one overall measure of the potential impact of the country within its region. The population projection pertains to the recent past and on assumptions about future trends. Understanding the characteristics of the population, and how it changed over time, will shape the conclusion and recommendations for the proposal that is targeting specific population subgroups (Schmitz and Brett, 2001, p.21). It is important to keep in mind that judgement based on local knowledge and experience can be as importance as sophisticated modelling in generating an accurate forecast of future demand. Many countries and municipalities make population projections for the future. Population growth indicates the general demand for retail. (Schmitz and Brett, 2001, p.21).

Population by age class
The age profile of the country will influence the retail market. Shopping center developers are often looking for communities with a high incidence of teenagers and young adults, because the successful chain stores cater those age groups (Schmitz and Brett, 2001, p.21).

Household size (%)
The total number of households and average household size will say something about the need for consumption, because the population may not growth, but the number of household may (Schmitz and Brett, 2001, p.21).

Density (inhabitants/km2)
The population measured by the area of the country in inhabitants/km2. In the shopping center business the density of the catchment area is one of the critical indicator. On national level the

indicator does not influence the shopping center itself, because it does not reflect the density of an urban areas. In this research it is used to look how close the urban areas

Culture

The information on population, age, GDP and consumer expenditure may not fully portray the important differences between the people of the country. Culture and lifestyle influence the behaviour of the consumers. The analysis will describe some general characteristics of the societies of Portugal, Poland and the Netherlands on the topics ethnics & religion, family & bussines and lifestyle. It also describes the mobility of the countries in passengers' cars per 1 000 inhabitants which is often used as a way of measuring the standard of living. The last indicator of cultural which is mentioned, is the "quality of life" index. The "quality of life" index is based on a methodology that links the results of subjective life-satisfaction surveys to the objective determinants of quality of life across countries. The culture and lifestyle analysis will help to determine the shopping preferences of the consumers and may contain answers for other indicators (Schmitz and Brett, 2001 p.24).

Meso level

The shopping center industry is build up out of four components: Regulation, customers, supply and competitors. These are derivatives of the five forces framework of Porter. The influences of the industry on shopping center management are expected to be large, because of the vertical integration of the businesses. The regulations shape the boundaries of developments and the management. The customers of the shopping centers are in this case only the retailer and especially the ones how are cross borders. The supply will show the developments of the retail real estate market. The most important component is competition. It will describe the key factors of this research in Portugal, the Netherlands and Poland. This will provide the input for the integral shopping center management approach. The component are compared on the sub-factors shown in table 11.

Meso level

Regulations	- Planning policy - Opening hours - Lease	Supply	- Supply of retail space - Rent, Yield & vacancy
Customers	- Retailer - Household expenditure	Competition	- Service - Resources - Benchmarks - Organisation - Remunaration - Competitors

Table 11: Meso level

Planning policy

National and regional authorities make planning policies to regulate landuse and construction of new buildings. The planning regimes regulate and/or constrain certain types of shopping center development, like out-of-town developments. The issue with retail planning policies are often the choice between modernising the retail space with out-of-town developments or refurbishing old city centers. This topic is often influences by the discussion of protecting of local independent retailer against larger operators.

Opening hours
Opening hours have a considerable influence on the retail landscape of a country. Social changes, such as less free time, increase of income and the rising numbers of working women, are having a impact on shopping patterns. People have less time to shop and demand the convenience of extended opening hours to do everyday shopping. Besides al other convenience, like the parking facilities and of the diverse offer, shopping center are willing to deliver this service of opening from 10:00 to 23:00, 7 days a week.

Lease
The legal document between the owner and the tenant is a tool, which has the possibilities for the shopping center management to change the tenant mix to the needs of the consumer. It also gives the right to the tenant to use a certain amount of space in the shopping center for selling goods and providing services. The tenants ordered in sizes from Anchor >750m2, MSU (Mid size unit) >300-750m2 and unit 300m2. The general terms of the leasing agreement can be divided in the following framework:

- *Contractual terms* in some jurisdictions the contractual term could theoretically be of almost any length, but the intention here is to indicate what typical market practice for shopping center.
- *Break right* Where contractual lease terms are substantial, it is quite common in a number of jurisdictions for one party or the other or both to have a right to terminate early.
- *Renewal* Statutory right of renewal exist in different forms in a number of jurisdictions. Occasionally leases will also have rights of renewal that have been negotiated on a contractual basis, especially where statutory right do not exist.

Retailers
The customers of shopping center management are in consumers, investors and retailers. The factor customers on meso level treats mainly the retailers, because the investor is part of the same company and the consumer are generally described in the factor culture on national macro level. The retailers are crossing borders and demand modern retail space, which the developer must supply. This influences the functional qualities of the shopping center across Europe. How are the major retailers across Europe and are they the major players in Portugal, the Netherlands and Poland? And are there any similarities between the countries and tenant mixes.

Household expenditure
In a table the household expenditure are given and compared between the countries, to analyse if there are some significant differences.

Supply
The retail market is a specific market with different kind of retail space, like high street, shopping center and hypermarkets. The supply market is a mainly base on the space which is on the market and is planned or under construction. The comparison will show in which development stage the retail markets of the Netherlands, Portugal and Poland are in. The amount of (modern) retail space per 1,000 persons is often used as a indicator of the maturity of the market, but the combination with retail sales and planned developments for 2009 will clarify it even more.

Rent, yields & vacancy
The law and practice relating to rent payable by a tenant to an owner vary considerably from country to country. Rent may be linked to open market value or is related to the sales turnover.

The review of the rent is the mechanism by which the rent may become adjusted during the term of the lease. The rent level for a shopping center in a country is an indication for the demand of retail space. The indication is not a exact rent level, because the rent level can deviate per city, tenant, classification and location in the center.

The yield is a percentage that measures the cash returns to the owners of a security. It is calculated as an internal rate of return (IRR) on investment. Investors and developers are always looking for the highest internal rate of return for an acceptable risk.

The vacancy rate is used to analyse the demand side. It is important to analyse the movements in the market of the overall vacancy as well as the kind of vacancy and in which areas. The vacancy rate provides input for determining a potential project's stabilized occupancy. This will indicate to an annual occupancy rate, which is a key variable in assessing a project's feasibility (Schmitz and Brett, 2001, p.103).

Service

The services provided by shopping center management are mainly marketing, technical, commercial, legal services and financial. These main services contain several activities, which are shown in table 12.

Service provided by the integral approach

Service	Activity
Marketing	Mall Dynamization Events Costumer service Public relations Promotion Campaigns Social responsibility and community relation Market analyze Consumer opinion report Marketing report
Technical	Insurance Maintenance Hygiene and comfort Surveillance and security Gardening Technical and constructional advice Services providers management Waste disposal Operational report
Commercial	New shops Renewal contracts Shops replacement Temporary spaces extra income Tenant mix analysis
Financial	Shops performance Income control Shop' audit Sales information Invoicing Financial reports
Legal	Legal support contracts

Table 12: Services

Resources

Sufficient budgets are crucial to arrange a management organization and provide all these services. The budgets are often divided in a marketing budget and a service charge. The resources are split among the tenants and the owner. The service budget provides a projection of what the operation and maintenance of the shopping center during that period will cost. In a comprehensive marketing budget, the shopping center management and the tenants participate in a marketing program that promotes the individual stores as well as the shopping center as a whole.

Management organisation

The amount of staff and how it is organised is an important element to determinate the relationship of the management with the community, how it is managed and could be a critical part of the service charge.

Benchmarks

The general benchmarks despise which key performances indicators are measured though the financial service in Portugal, Netherlands and Poland.

Remuneration

Creating commitment from the shopping center management can be one of key elements in running a successful shopping center. The remuneration of management is one way to create this commitment. The remuneration can consist of fixed amounts and some incentive. An incentive is a factor that provides a motive for a particular course of action, or serves as the decision maker when choosing preference between alternatives. The aim of incentives is to provide value for money and to contribute to the organizational success of the shopping centers. The performance-based remuneration relies on incentives of different budgets and incomes of the shopping center.

Competitors

The largest competitors in on European and on national level are described and compared in their activities and size.

Micro level

The microanalyses describe the shopping centers Forum Algarve in Portugal, Bataviastad in The Netherlands and Zlote Tarasy in Poland. Shopping center management is one of the internal qualities of a shopping center also known as the commercial quality. The other qualities, physical, location and functional, of a shopping center are local and cannot be described in detail on macro and meso level. These qualities do influence the performance of the management and the shopping center itself. The characteristics discovered on macro and meso level are compared and analyses with the characteristics on micro level. The factors that are analyzed are listed in table 13.

Micro level

Location	- Local characteristics (macro/meso) - Accessibility Visibility - Catchment area - Competition	Fysical	- Architecture - Configuration
Function	- Tenant mix - Category - Parking	Commercial	- Organisation - Goals - Service - Resources - Benchmarks - Remunaration

Table 13: Micro level

Location

First a short reflection of the analyses per country will be given to understand the context. The key characteristics of the macro and meso level will be compared with the local circumstances of the shopping center to be aware of its position and the characteristics of the local market.

Accessibility & Visibility

The qualities of the accessibility and the visibility are vital to shopping centers and will be described to create a complete image of the building.

The premises

Shopping centers require special detailed designs and that meets the needs of the retailers, management, investor and the consumer. That is why the physical qualities and the configuration will be determined of the shopping centers.

Catchment area

The characteristics of the trade area of the shopping center will be qualified in a primary and a secondary catchment area.

Competition

The competitive relationship among retail areas controls the movement of shoppers. Quality, tenant mix, size, distance and location are attributes to consider the competition of the center.

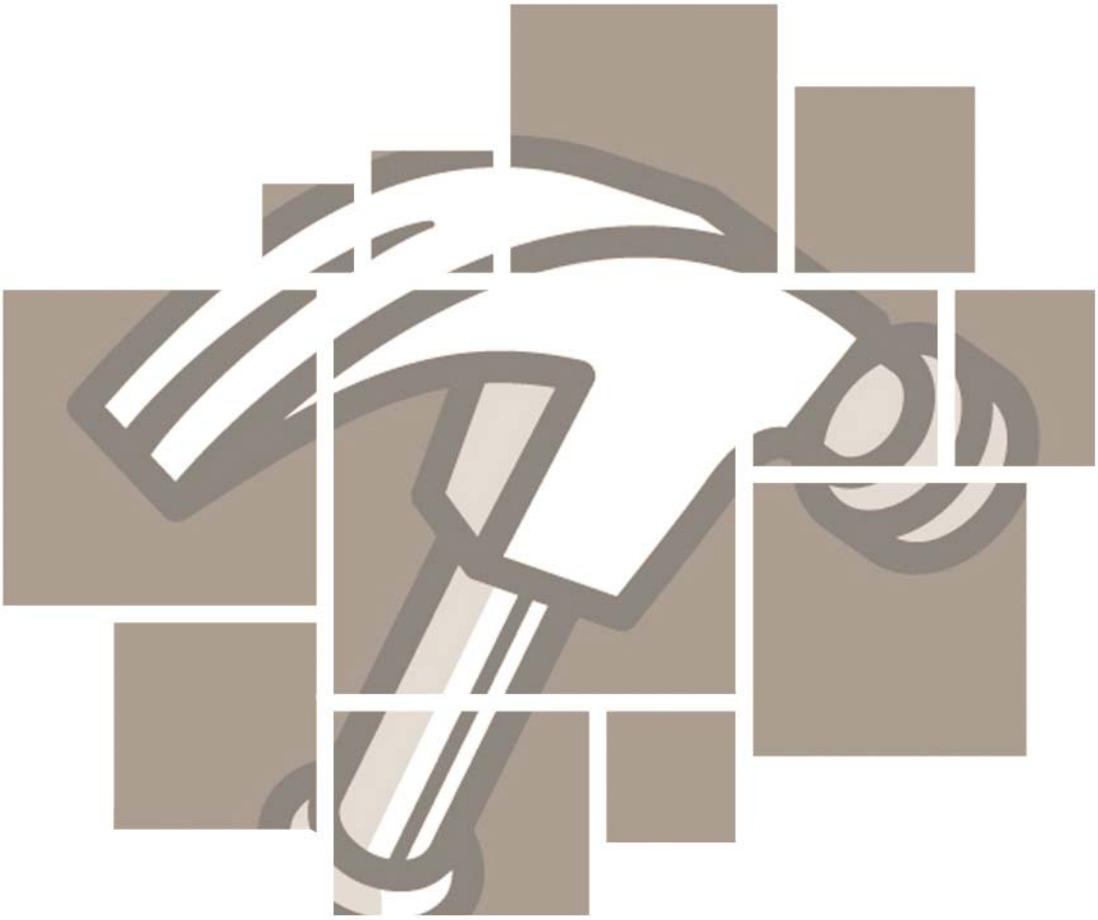
Tenant mix

The branch mix of the shopping center will be compared with the characteristic of branch mix across Europe and the big brands, anchor stores and chain stores are given with the location in the center.

Commercial qualities

The commercial qualities, Management organisation, Goals, Resources, Benchmarks, Services and Remuneration, are compared with the characteristics on the meso level.

Practice



6 National macro analyses

Generally the location of a shopping center is essential for a market analysis, to define both a primary market area and a secondary market area. This research has its starting point at the national level of Portugal, Poland and the Netherlands. The boundaries of the market analysis are the national borders. Extra data can be found in appendix I Macro level

6.1 Political

The Netherlands, Poland and Portugal (figure 24) are all politically stable, some political facts are summarized in table 14. The Kingdom of the Netherlands is a democratic, modern and industrialized country with a total area of 41,529 km2 in Western Europe. It borders the North Sea, and lies between Belgium and Germany. It became independent in 1830 andwas one of the founders of the European Union in 1957. It also helps to found the NATO and it introduced the EURO in 1999. The Republic of Poland has become a democratic and market-oriented country in Central Europe. The total area of Poland is 312,685 sq km. The Baltic Sea and Kaliningrad Oblast serve as its northern borders, while

Figure 24: Portugal, Netherlands & Poland

Czech Republic and Slovakia lie southern of it., Poland shares western borders with Germany and eastern borders with Ukraine, Belarus and Lithuania. Other countries, such as Germany and Russia, ruled over Poland until 1980, when it became independent. Poland joined NATO in 1999 and the European Union in 2004. Portugal is located in South-west Europe, bordering the North Atlantic Ocean and the west of Spain. Its total area is 92,391 sq km. Portugal became a democracy in 1974 and was one of the founders of the NATO. In 1989 it joined the EU and started the privatisation of public companies. Portugal used to colonize Brazil and a number of African countries until 1830 and 1975 respectively. (https://www.cia.gov/library/publications/the-world-factbook/, 24-08-2008).

Summary of Political facts

	The Netherlands	Portugal	Poland
Area	41,526 sq km	92,391 sq km	312,679 sq km
Goverment Type	constitutional monarchy	republic; parliamentary democracy	republic
Divisions	12 provinces	18 districts	16 provinces
Organization	decentralized/centralized	decentralized/centralized	Decentralized
Legal system	based on civil law system incorporating French penal theory	based on civil law system	based on a mixture of Continental (Napoleonic) civil law and holdover Communist legal theory;
Political pressure groups	a number of (labor) unions and federations, media	The Media	Trade Unions, Catholic union
Capital (inhabitants 2008)	Amsterdam (742,880)	Lisabon (564,477)	Warsaw (1,697,600)
International organization participation:	EU (1957), UN ect.	EU (1989), UN, ect.	EU (2004), UN, ect.

Source: https://www.cia.gov/library/publications/the-world-factbook/ (24-08-2008)

Table 14: Summary political facts

6.2 Economy

It is important for an investing developer to understand the specific economic drivers behind Portugal, the Netherlands and Poland. There must be a confidence in the market's continued economic vibrancy and the growing labour force (Schmitz and Brett, 2001, p.18-19).

GDP (PPP), GDP growth & inflation

The Netherlands has the strongest economy in comparison to the other two (table 15), based on the figures GDP (PPP) €4,284,650 mln and the GDP per capital (PPP) €25,795. The Netherlands has almost no natural recourses, but has a strong placement in trading position. Poland has the second large economy of the three, but the GDP (PPP) per capital at €10,921 is lower than that of Portugal. The Polish economy is mainly driven by the privatisation of state-owned companies and its growing service industry. The smallest economy of the three, Portugal with a GDP (PPP) of €1,544,350 mln is also based upon trading goods, such as oil and cork. Tourism is a growing industry since the year 2003, especially in the South.

GDP in mln 2007(purchasing power parity) in Euro

Country	GDP in mln 2007(purchasing power parity)	GDP per capital (purchasing power parity)
European Union	96,346,000	21,641
Portugal	1,544,350	14,539
Netherlands	4,284,650	25,795
Poland	4,160,030	10,921

Source: https://www.cia.gov/library/publications/the-world-factbook/ (24-08-2008)

Table 15: GDP (PPP)

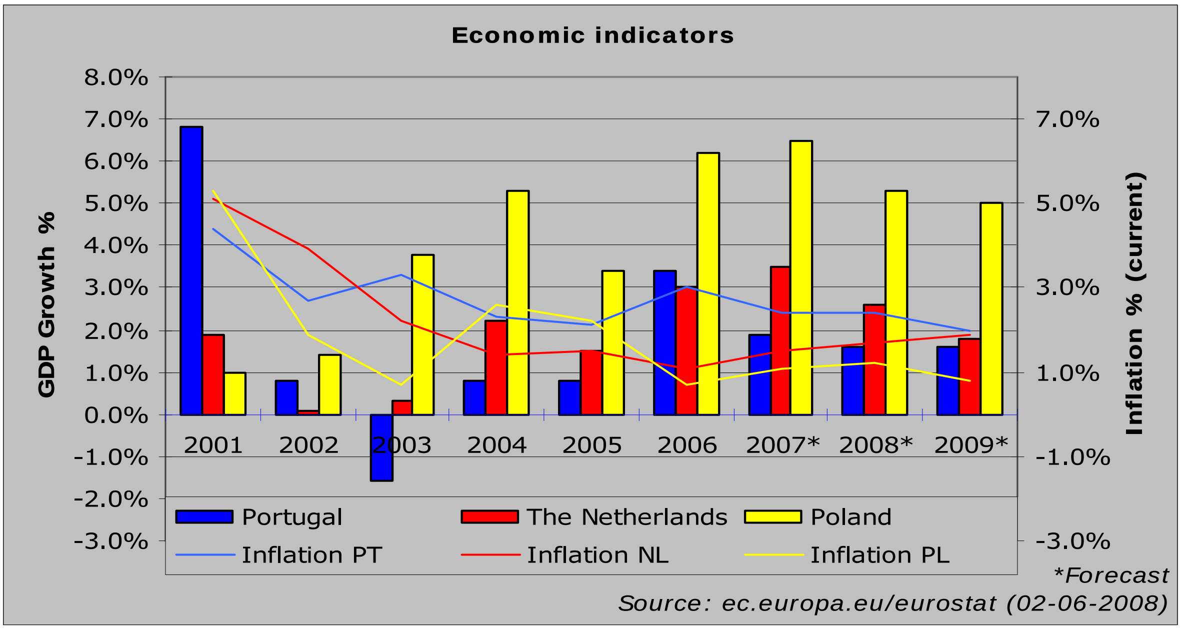


Figure 25: Economic indicators

Figure 25 depicts the struggles of the Portuguese economy. There has been little or no real GDP growth since 2001; in fact, the economy actually contracted (in real terms) in 2003. Since 2001 Portugal has, as a result, been losing out on foreign investments to lower-cost producers' countries in Eastern and Central Europe. The economical funding from the European Union (EU) also decreased in 2001, because of the entrance of new member countries, which also required economic assistance. The GDP growth has revised to 1.9% in 2007 and the forecast for the years of 2008 and 2009 is positive, with a growth in GDP and a drop in inflation. The Polish economy slowed in 2005, but has the largest average growth of the three countries in the period of 2001-2006. The drop of 2005 is a result of the EU accession of Poland in May 2004. There was widespread fear that prices would rise and the people started to stock up goods. This created an artificial economic growth in the first half of 2004. In 2006 the GDP growth was 6.1%. The rapidly developing economy is not slowing down and the projected GDP growth reached 6.5% in 2007. The future of the Polish economy looks optimistic as people are becoming wealthier. The relative economical success of Poland can be seen as the result of a combination of factors. These are the aggressive adoption of a macro-economic reform programme in the mid 1990s, a more advanced institutional and legalised framework, a developed infrastructure capacity with excellent transport and communication links with Western as well as Eastern European countries, a high skilled and yet cheap labour force and relative political stability. These factors also appeared in other Eastern European countries, but an added feature of the Polish market is its large domestic market of about 40 million people which is almost four times bigger than its nearest competitors in Central Europe (Vermeer, 2004 p.50). The Netherlands has a prosperous and open economy. It depends heavily on foreign trade. Industrial activity is predominant in food processing, chemicals, petroleum refining and electrical machinery. The economy is characterized by stable industrial relations, low inflation, an average growth of 1.5% from 2001 until 2006 and an important role as a European transportation hub. It is expected that this will continue until 2009.

Employment by Sector of activity & unemployment

In Europe (EU25) the service sector is the main employer, covering with 70.5%. Poland and Portugal are, considering their values of employment in the service industry stand at respectively 57.7% and 54.2%, not yet on the same level. In Poland the service sector grew by 16.4% from 1990 to 2006. In the same period the service sector grew by 10.1% in Portugal, see appendix ! Macro level - economy. 73.5% of the Dutch employees work in the service sector, only 3% in the agricultural sector and 19.4% in industry. Portugal and Poland have more employees in the agricultural and the industry sectors than the Netherlands.

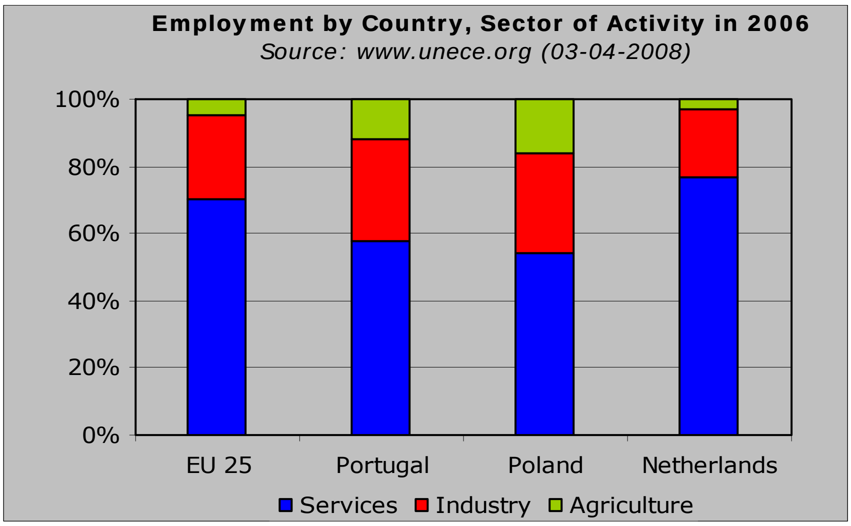


Figure 26: Employment by country, sector of activity in 2006

The unemployment rate (figure 27) in the Netherlands (3.9%) is one of the lowest and most stable in Europe, certainly in comparison to Portugal (7.7%) and Poland (13.8%) in 2006. The outlier of entrepreneurship and lower EU funding, as well as adjustment costs to new technology adaption lead to productivity slowdowns and had a positive influence on the unemployment rate in the period 2001-2006 in Portugal by 3.8%. (Cushman&Wakefield, 2008 p.1). In Poland the situation in the labour market has improved considerably; the unemployment fell by 4% in 2007 to 9.8% as a result of the growing economy and Polish going overseas (Cushman &Wakefield 2007 p.2). The unemployment rate is still high in comparison to the other countries, but it is not the most important criteria for investments in Poland. The unemployment is mainly concentrated outside the large cities and in 2005 10.2% of the unemployment covered long-term unemployment due to the old communistic industry.

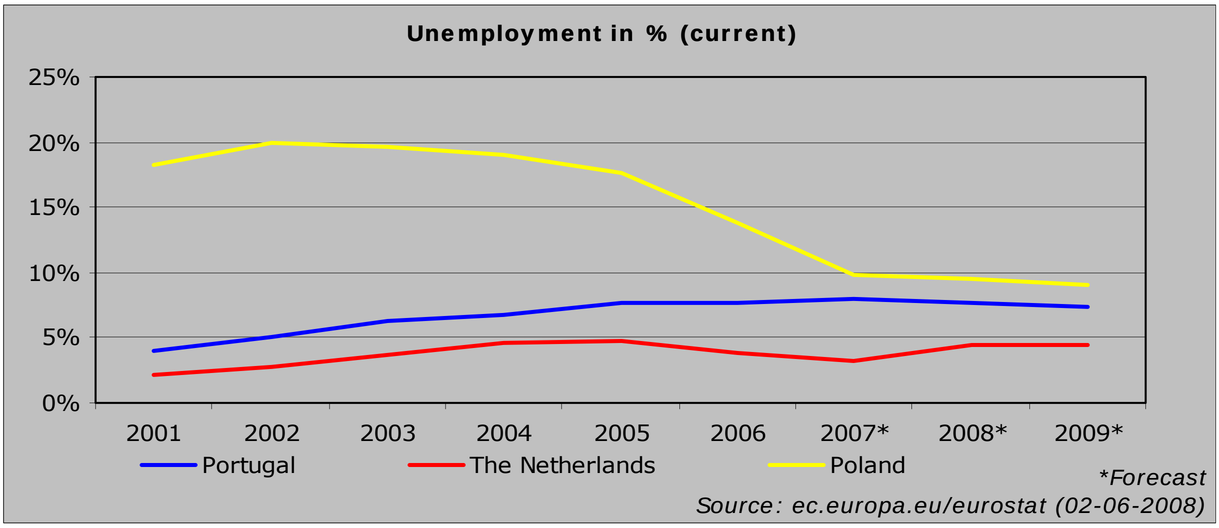


Figure 27: Unemployment rate

Direct foreign investment

In 2007, there was a large difference in the direct foreign investment (FDI) done by companies from abroad into the home country and those done by national companies investing abroad (table 16). The Netherlands, in such a case also in 2007, was the only country with companies who invested more in other countries (€543.6 billion) than vice-versa (€358.5 billion). One of the reasons is that the Netherlands is a small home market and if companies want to spread risk and increase or stabilize their rate of return, they expand by crossing borders and heading abroad. Foreign companies invest €95.2 billion in Poland and €59.7 billion in Portugal, but per capital Portugal attracts more foreign investment. Portugal used to attract more foreign investment because the governments had privatised many state-controlled companies and liberalized key areas of the economy in the nineties. Portugal has been losing out on foreign investments to lower cost producers' countries in Eastern and Central Europe such as Poland. The relative low level of GDP per capital and the expected growth of GDP is one of the reasons why foreign companies have or are planning to invest in Poland. In general investors link a low GPD to the expectation of a higher growth rate (Vermeeren, 2004 p.50).

Direct foreign investment (billion euro 2007 est.)

	The Netherlands	Portugal	Poland
Stock of direct foreign investment - at home	358.5	59.7	95.2
Stock of direct foreign investment - abroad	543.6	36.7	13.15

Source: https://www.cia.gov/library/publications/the-world-factbook/ (24-08-2008) Exchange rate 1USD = 0,67 EUR

Table 16: Direct foreign investment

Consumer expenditure

The consumer expenditure is a measurement of goods and services bought and consumed by individuals in the Netherlands, Poland and Portugal, table 17. Portugal has a high consumer expenditure of €9,177 per capital in 2005. It almost reaches the same height as the EU25 average consumer expenditure per capital of €9,733. Whencomparing the GDP per capital (PPP) the difference is much greater. Seeing as the economy of the Netherlands is strong, the consumer expenditure in the Netherlands is higher than that of the other two countries and the European average. Poland's consumer expenditure per capital is low even though the growth of the consumer expenditure is the highest of the three during the period of 2000-2004, figure 28. The high price inflation coupled with high interest rates and high unemployment has effectively reduced the propensity of Polish consumers to spend. Consequently real growth in consumer expenditure has lay around the 2-3% mark between 2000 and2003. In 2004 real spending dipped to 1.7% as a result of the inflation (Mintel 2007 p.467). In 2003 there was no growth in the Portuguese consumer expenditure because it was adversely affected by the lifting of the VAT rate in 2002. In both 2004 and 2005 there was an increase in the rate of consumer expenditure. Unemployment remains a worry for many Portuguese consumers. The consumer spend is likely to weaken further because the government announced yet another rise in VAT to 21% in 2005 (Mintel, 2007 p.485). It is forecasted that the consumer expenditure will grow slightly at an average of 1.5% per year until 2009. In the Netherlands the consumer confidence fell in 2001. A slight increase in VAT was introduced in 2001. A downturn in equity markets and a general rise in pension fund contributions meant that consumer disposable income was squeezed, thereby further reducing consumer spend. By 2003 this resulted in a fall in real consumer expenditure of nearly 0.9% (Mintel, 2007 p.406).

Consumer expenditure by country and per capita, 2005 (current prices)

	Con. exp. (€bn)	Con. exp. per capita (€)
Portugal	97	9,177
Netherlands	239	14,642
Poland	152	3,951
European total	7,002	EU average 9,733

Source: Mintel 2007p.11

Table 17: Consumer expenditure

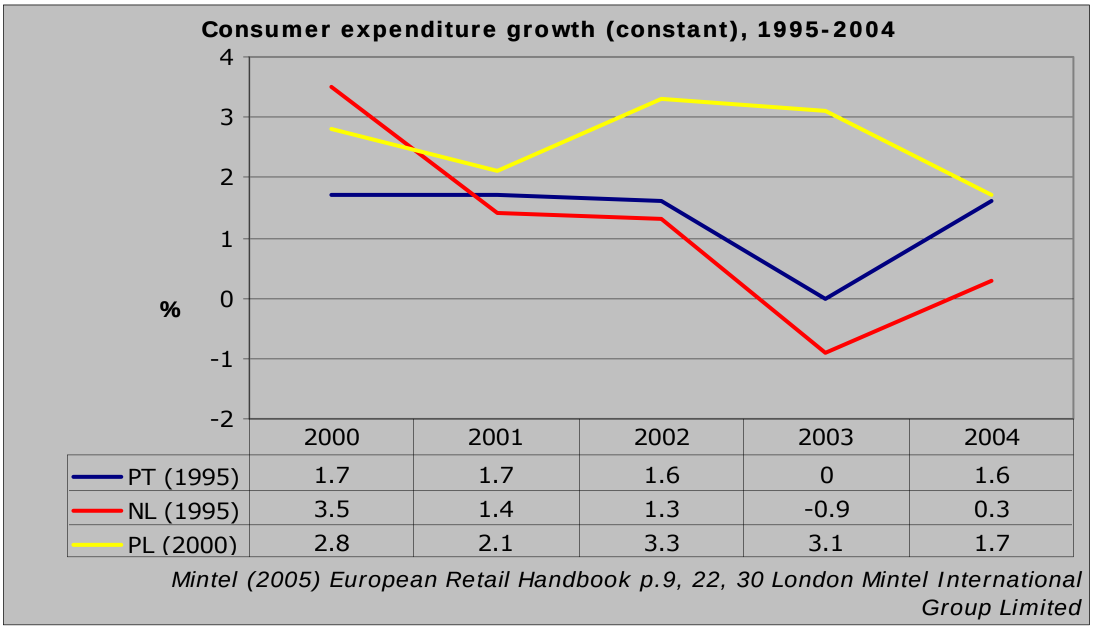


Figure 28: Consumer expenditure growth

6.3 Demographic

The retail market requires detail on trade area demographics. The characteristics of the population in the primary and secondary trade areas are an important indicator. In this stage the research will use the national statistics of the population. (Schmitz and Brett, 2001, p.21).

Population

Poland had with its 38.1 million inhabitants one of the largest populations in Central Europe in 2005. This is seen as an important reason for foreign companies to invest in Poland and maintain their position. The population of Poland has been slowly declining since 2000. The birth rate had fallen steadily for many years and people were immigrating to other European countries. During the period of 2002-2005 Poland's population decreased by 0.3% and data from the Polish National Statistics Office indicate that the population will continue to decline to 37.1 million in 2020 and 33.7 million in 2050 (table 18). The prediction is based on fertility, mortality and migration. In comparison to the other to countries Poland has not only the largest population, but also a smaller proportion of mature adults in the population (figure 29). This is contrary to Portugal and the Netherlands where mature adults account for a greater portion of the population. However, by 2030 this trend is likely to be reversed according to further data from the Polish National Statistics Office.

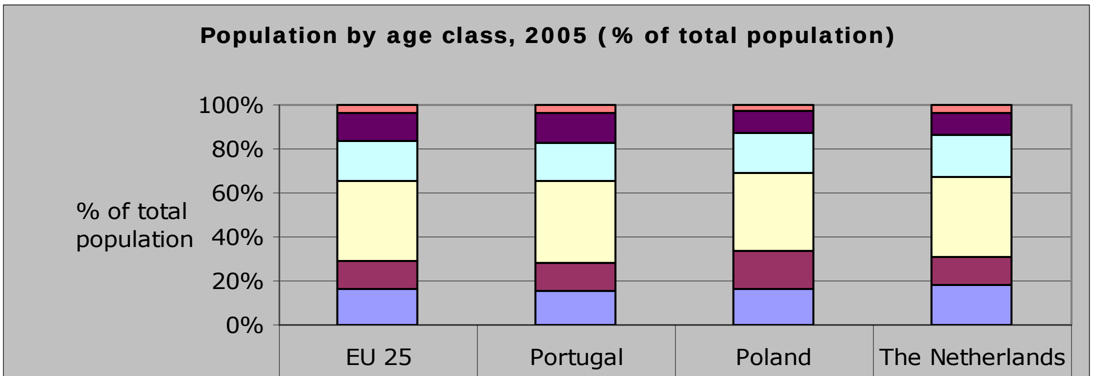
Population projections (in millions)

	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050
EU 25	458.5	464.1	467.3	469.3	470.1	469.4	467.0	463.0	457.3	449.8
Portugal	10.5	10.7	10.8	10.8	10.7	10.7	10.6	10.4	10.2	10.0
The Netherlands	16.3	16.7	17.0	17.2	17.4	17.6	17.7	17.6	17.5	17.4
Poland	38.1	37.8	37.4	37.1	36.8	36.5	36.1	35.4	34.5	33.7

Source: Eurostat yearbook 06-07 p.52

Table 18: Population projections

Portugal had a population of 10.5 million in 2005. The population of Portugal and the EU 25 grew during the period of 2001-2005. The population will continue growing until 2025 and will start decreasing after that. The growth of the Portuguese population is primarily driven by immigration, as the birth rate is declining. Immigrants are mainly from former Portuguese colonies in Africa and South America. A significant number of immigrants are now also coming from Eastern Europe, in the wake of these countries joining the European Union (Mintel 2007, p.483). It is forecasted that the population will continue growing slowly by 3% until 2020. The age statistics of Portugal do not deviate much from the EU 25. Mintel (2007, p.52) Portugal is expected to suffer from an ageing problem in the next 10 years, as the number of people of working age fails to keep pace with the requirements of an increasing number of state dependants. The Netherlands faces the same ageing problem for the next 10 years. The birth rate in the Netherlands is still declining, but immigration compensates for this. The current migration of Dutch people is slowing the population growth down, but it is not clear how this trend is going to develop. The CBS (Dutch statistical office) estimates the population will reach its peak of 17.6 million people in 2040.



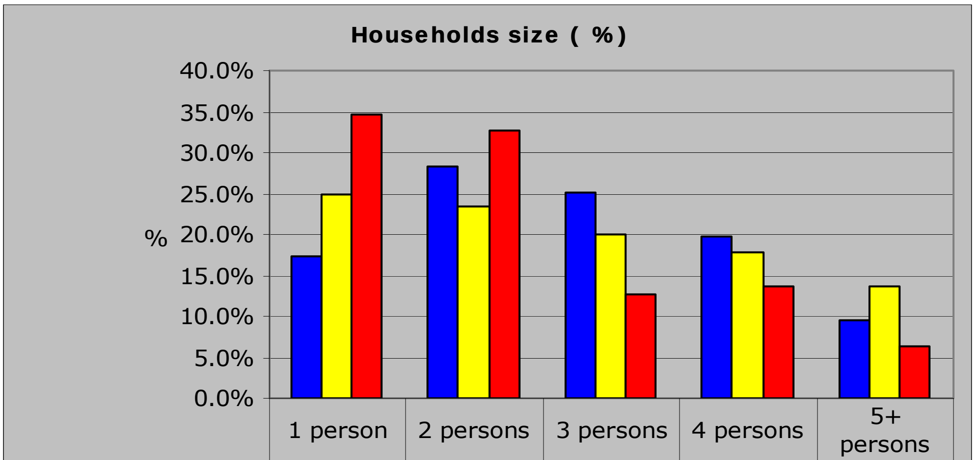
	EU 25	Portugal	Poland	The Netherlands
80 years and more	4.0%	3.8%	2.5%	3.5%
65 to 79 years	12.5%	13.2%	10.6%	10.5%
50 to 64 years	17.9%	17.5%	17.6%	18.7%
25 to 49 years	36.6%	37.2%	36.1%	36.8%
15 to 24 years	12.7%	12.6%	16.5%	12.0%
0 to 14 years	16.4%	15.6%	16.7%	18.5%

Source: Eurostat yearbook 06-07 p.54

Figure 29: Population by age class, 2005

Household size (%)

The most recent household data from Portugal dates 2001. It is characterised by larger household sizes with an average of 2.75. 54.3% of households in Portugal consisted of three or more persons (figure 30). The number of smaller and single person households has most likely increased since 2001 (Mintel 2007, p.483). In the Netherlands the average household size is 2.25. The one and two person households are clearly the largest group with 67.2%.



	1 person	2 persons	3 persons	4 persons	5+ persons
Portugal (2001)	17.3%	28.4%	25.2%	19.7%	9.4%
Poland (2002)	24.8%	23.5%	20.1%	17.9%	13.8%
Netherland (2005)	34.5%	32.7%	12.8%	13.7%	6.3%

Source: Mintel 2007p.464, 474, 485

Figure 30: Households size

The movement to smaller households is a common trend in Europe. In Poland smaller households of one, two and three persons increased over the period of 2002-2006 compared to decreases in households consisting of four persons or more (appendix I: macro level - population). Single person households from 2002-2006 have increased by 1.6 % while two person households have increased by 1.7 % over the same period of time. The average household size has fallen steadily in Poland by 5% in the period of 2002-2006. The average household in Poland (2002) with 2.82 is larger than the average household in Portugal and the Netherlands. The amount of single person households contains almost 24.8% of the total households in Poland. In comparison this number is 7,5% larger than that of Portugal. In Portugal there are more two and three person households.

Density of the population

The Netherlands is a densely populated country with 395 inhabitants per km2. It is an indication that the Netherlands has a small surface area housing 16.4 million people. The density of the Netherlands is high in comparison with that of Portugal (113 inhabitants/km2), Poland (123 inhabitant/km2) and the rest of Europe (figure). Geographically, many towns are located together in the Netherlands as can be seen in figure 31: a map of Europe by night. Just to clarify, the density of the country is not a reflection of the density of its urban areas.

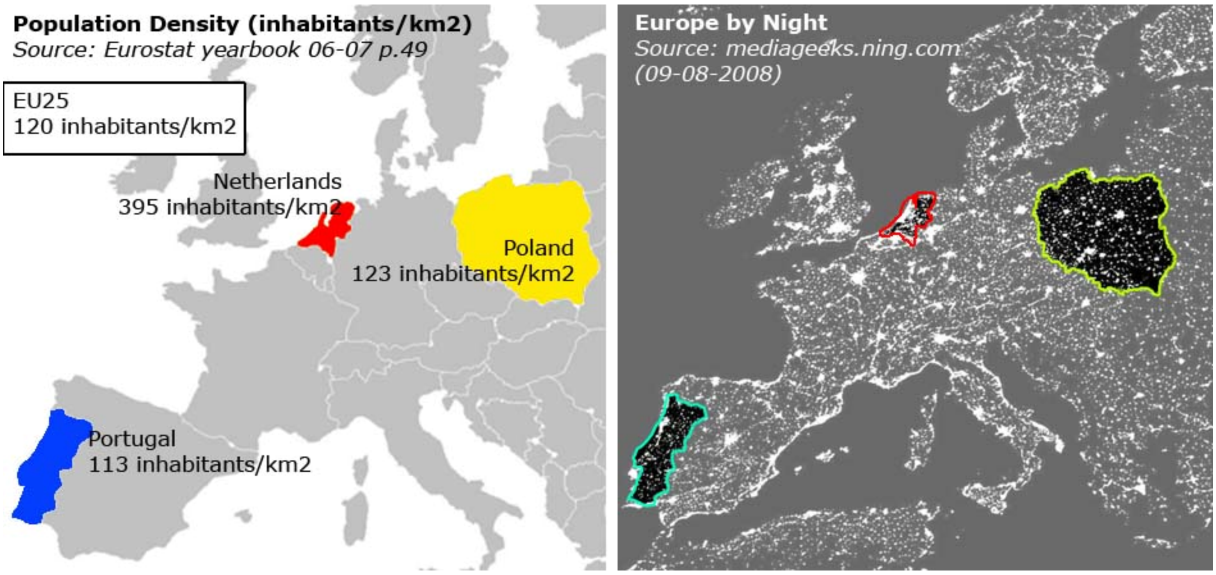


Figure 31: Density of the population (left) and Europe by night (right)

6.4 Culture

Ethics & Religion

Portugal is ethically a homogeneous Mediterranean country with some African immigrants from former colonized countries. Roman Catholicism is the main religion, 94% to be exact. In the Portuguese society religion plays an important role. The Catholic Church also is deeply intertwined with Polish culture. Most of life's milestones are influenced by the religion and approximately 95% of the religious segment is catholic. Ethnically Poland is a homogeneous country. 96.7% of all Polish citizens declare Polish nationality. The people in the Netherlands tolerate a wide variety of lifestyles and individual differences. The country has a variety of ethnic groups with 83% being Dutch and 17% being from other countries of which 9% are of non-Western origin. The Netherlands has a multitude of religions however 40% of its people are unaffiliated. Roman Catholicism is at 31% the most practised religion, primarily in the south of the Netherlands. The Protestants are represented by 21%, Muslims 4.4% and other 3.6% (www.kwintessential.co.uk, www.cia.gov/library/publications/the-world-factbook/, 24-08-2008).

Family & business

In Porugal, social structure is based around the family ideal and it forms the foundation of stability. Portuguese are traditional and conservative and loyal to the family. It comes before other social relationships, even those of a business nature. Society and business are stratified and vertically structured. People respect authority and look to those above them for guidance and help in decision-making. The origin of this lies in the Catholic Church and the family structure that emphasizes hierarchical relationships. Portuguese retain a sense of formality when dealing with each other, which is displayed in the form of extreme politeness. Business is often done on a base of trust and friendship. Poland is a modern forward-looking country which retains a strong sense of tradition and family. The family is the centre of the social structure. One's obligation is first and foremost to the family. Extended families are still the norm and form a social network. The Polish draw a line between an inner circle and outsiders. Family members are naturally part of the inner circle along with close friends, usually "family friends". In business Poland is a patriotic nation and a family-focused society; the Polish are reliant on the building and maintaining of close personal relationships. It is generally the case that outsiders must earn the trust of their Polish acquaintances before a close relationship can form. Organisations in Poland have a strong respect for hierarchy and authority, with structure and delegation coming from above. In the Netherlands the family plays a different role. A characteristic of Dutch society is that family members are relatively independent of one another, particularly financially. The elaborate national system of social welfare makes this possible. The elderly have special homes and the children generally leave the parental home between the ages of 18 and 24. The Netherlands is historically an open culture, with much international orientation, entrepreneuriality, tolerance and co-operation. Tolerance for individual differences and consensus are important aspects of Dutch society. The Dutch are straightforward and have direct communication. The organisations are generally quite flat and roles tend to be loosely defined (www.communicaid.com, 09-09-2008).

Lifestyle

Appearance is very important in Portuguese society, especially in the cities. People take great pride in wearing good fabrics and clothes of the best standard they can afford. Portuguese embrace modern retail formats, are fashion minded and think that clothes indicate social standing and success. The consumer expenditure of €9,177 per capital is high in combination with a GDP per capital (PPP) of €14,539. Shopping centres in Portugal are generally more popular than high street retail with consumers and retailers alike. Consumers like the convenience of the parking facilities and of the diverse offer, whilst retailers appreciate the professional management and extended opening hours, generally 10:00 to 23:00, 7 days a week. It is possible to spend an entire day shopping and with the cultural and entertainment facilities in most shopping centers there is amusement for the whole family. The people are stimulated with incentives and marketing, especially youngsters. In the cultural life the differences between the urban and rural areas of the country are getting smaller. The growing media, growth in car use and car ownership 53% from 1994 to 2004 (table 19) and the general increase in consumerism has contributed to this effect (ICSC 2008 p.285). Poland can be seen as a nation of fun lovers who enjoy festivities, traditions and century-old customs. The most ancient rituals have become a colourful vestige of the past and a form of amusement. In recent years visiting shopping centers has grown to be one of the most popular ways to pass the time. Polish consumers are getting used to shopping in hypermarkets and discount stores. However, in many cases, small local retailers still have an edge considering car ownership is growing (table 19) even though it is not yet at the same level as that of more mature European markets. The department store format remains popular for non-food purchases although some of the old communist era stores, with their non-food ranges and competitive prices have been modernized (ICSC, 2008 p. 274). Also, more and more sports activities are getting popular. Cycling, visiting fitness centres, bowling and roller-skating are the sports currently gaining in popularity. Just watching television remains more popular with the population watching on average 4 hours a day. Poland has a young population who are relatively uninfluenced by the communist past and open to new ideas and concepts (Waters, 1999 p.325).

Passenger cars (per 1000 inhabitants)

	1994	2004	Growth (%)
EU-25	394	463	18%
Portugal	374	572	53%
Poland	195	314	61%
the Netherlands	366	429	17%

Source: ec.europa.eu/eurostat (05-06-2008)

Table 19: Passenger cars

In the Netherlands shopping is seen as a social activity done with friends. The Dutch consumer used to be known as 'more for less', which means the price was/is more essential than the quality. Appearances are also becoming more important in the Netherlands. This development is particularity expressed by the younger consumers in the age groups of 16-24 and 25-34 years of age. The Dutch habit remains to shop locally and to be conservative about new products. Market research shows it takes 4-5 years until a new product is generally accepted in the Dutch society. In other European countries this takes 2-3 years (www.eur.nl 05-06-2008). The number of passenger cars per 1,000 inhabitants is used as a way of measuring the standard of living. In the Netherlands it only increased with 17% to 429; compared to the average in Europe (463) and Portugal (572), this is quite low.

Worldwide quality-of-life index, 2005 (Score on a scale from 1 to 10)

	Quality of life Score	Quality of life Rank	GDP per person €(at PPP)	GDP per person Rank	Difference in ranks
Netherlands	7.433	16	20,716	15	-1
Portugal	7.307	19	13,085	31	12
Poland	6.309	48	8,593	43	-5
EU-15 score	7.504				

Source: Economist Intelligence Unit, 2005 p.1-4

Table 20: Quality-of-life index

A surprising fact is that Portugal scores high on the "quality of life" index of the Economist Intelligence Unit even though the country's GDP scores low (table 20). The opinion of the Economist Intelligence Unit is that the "'quality of life'" measured by GDP per person cannot alone explain the broader quality of life in a country. The subjects are described in appendix I: Macro level – culture. The Netherlands scores high in the quality of life index, however the GDP per capital is almost at the same level. Poland lacks in the quality of life index in respect to it's counry's GDP.

7 Meso analyses

The shopping center industry is booming business in Europe. Cross-border retailers, expanding investing developers and internationalisation of municipalities created new threats but also opportunities. Regulations and customers, supply and competition play key roles in the industry.

7.1 Regulations

Regulations are legal restrictions from national or local authorities. The following analysis researches planning policy, opening hours and general lease contract. These vary often per country and have a huge impact on retail developments.

Planning policy

National and regional authorities make planning policies to regulate land use and construction of new buildings. The planning regimes regulate and/or constrain certain types of shopping center development, such as out-of-town developments. The issue with retail planning policies is often the choice between modernising a retail space with out-of-town developments or refurbishing old city centers. This issue is often influenced by discussions concerning the protection of local independent retailers from larger operators.

Portugal used to enjoy one of the most liberal retail regimes in Europe. Planning permission for new retail development was subject only to the level of municipalities and there was no specific retail-planning regime. The edge and out-of-town retail schemes were driven by demand from international retailers, as there was little space available in town centres that met the modern requirements, and willingness of municipalities. Eventually this became a threat to the smaller retailers in the town centers and created transport and environmental problems. In 2004 new legislation came into force, whereby the threshold had been tightened in terms of retail licences. The criteria for granting such a licence consisted of: presence or absence of competition and consumer demand, job creation and a relationship with local suppliers (Mintel 2007 p.497). The expectations were that the focus would shift to the town centres, but there remain a lot of out-of-town developments.

The retail market in the Netherlands is mature (282 GLA per 1,000 population, 2004) and highly regulated. Physical developments and retailers that appear to be taking a predominant position in any sector are tightly controlled. Out-of-town retail developments are tightly regulated and result in the absence of a hypermarket. The main reason for this is that the Netherlands has a high population density and many towns are geographically close, housing their own retail schemes. This creates a sensitive balance in retail space between towns. The situation differs greatly from Portugal and Poland where there is more distance between cities and towns. In 1993 a new planning policy (PVD) allowed furniture, furnishings and DIY stores and garden centers to position themselves outside the main shopping areas but within city limits. It also became possible to develop concentrations of large-scale retail parks outside existing retail locations (GDV) and the restrictions of the PDV policy in the 13 largest center of population in the country. The revision of the Spatial Planning Act is a process in progress. The only opportunity for out-of-town retail development is in combination with leisure schemes. Since 2006 local authorities have more control over the interpretation of this policy, however the existing balance between retail space remains of high priority. The positive effect of the tight regulations is that the high streets are the center for retailing and help to characterize lively town centers full of pedestrians (Mintel 2007, p.428).

Poland used to have a free planning environment with foreign investments stimulating the development of hypermarkets and supermarkets in major cities and suburban locations. Since 2004 this has change through the lobbies of smaller retailers to limit the extent of retail developments in the country. A zoning act gives local authorities more power with regards to commercial developments as well as simplifying procedure. Hypermarktes and supermarkets with over 1,000m² of retail space in towns with under 20,000 inhabitants and stores above 2,000m² in larger settlements are specially referenced in the act, Local authorities are responsible for setting out the Local Zoning Plan for developments and can also reject planning applications for such developments. The developer needs to make impact studies for all proposed new schemes to assess potential effects on local employment, transport and existing retail facilities (Mintel, 2007 p.480).

Openings hours

In al the three countries the opening hours of the shopping centers are extended in one way or another to ensure opening hours of 7 days a week. In Portugal shopping centres can trade from 10 a.m. to 12 p.m. seven days a week (Mintel 2007 p.497). This often makes it difficult for high streets to compete, because these have trading hours from 9 a.m. to 7 p.m. on Monday through Friday and 9 a.m. to 1 p.m. on Saturday. The stores traditionally close at lunchtime, but in major cities this is no longer the case. Some stores remain open all day on Saturdays. Sunday opening remains uncommon for Portuguese high shopping streets outside Lisbon and Porto.

In the Netherlands shops are open from 9 a.m. to 6 p.m. on weekdays and usually open later on Thursday or Friday remaining open until 9 p.m. Saturday’s opening hours are from 9 a.m. to 5 p.m. Supermarkets and some DIY stores may open from 6 a.m. to 8 p.m. 6 days a week. Sunday shopping is permitted up to 12 days a year. Tourist cities can open their shops every Sunday. In some towns retailers can apply for a licence to stay open until 10 p.m. during the week. Major cities have evening stores which stay open until 1 p.m. (Mintel 2007, p. 427).

Shopping centres can open 7 days a week, from 10 a.m. to 10 p.m. in Poland. In other trading areas labour laws regulated the number of permitted working hours during the week. Trading hours for food shops are generally from 7 a.m. to 10 p.m. Monday through Friday and for non-food retail from 11 a.m. to 7 p.m. Monday through Friday and 8 a.m. to 4 p.m. on Saturdays. Sunday trading, although permitted, remains uncommon except in newer superstores. There is generally no Sunday trading on streets (Mintel 2007 p. 480).

Lease

In Portugal, developers in the 1990s drifted from the lease contracts regulated by the Portuguese law and created an atypical contract. These contracts regulate extensively the relationship between the owner and the party to whom the right to use space is granted as well as the rights and the obligations of the parties. The atypical contract is based on the concept that the shopping center is an establishment in its own right where tenants are participating in an integrated retail environment. The tenants are being granted the right to use the premises for the operation of a business with a clearly defined use. The tenant receives the benefit of appropriate services provided by the owner through shopping center management. All parties commonly accept this atypical contract. The parties are free to determine the rules of their relationship within the principles of the civil law and not subordinate by the lease law (ISCS, 2007 p.97).

Portgual Leasing Terms

	Unit size in m²	Break Clause	Term in years	Option for prolongation
Anchors	»750	yes	10 - 25	owner
MSU	300-750	no	6	owner
Units	«300	no	6	owner

Source: ISCS, 2007 p.97

Table 21: General Leasing terms Portugal

The contractual term of a typical lease is 6 years, although anchor store contracts often have terms ranging from 10 to 25 years (table 21). Usually neither the owner nor tenants have the right to break the contract. An exception is made for anchor stores that have the option to break the contract after a minimum of years. Renewal option is generally not provided to tenants. It is up to the owner to renew the contract; otherwise it will end after the termination (ISCS, 2007 p.97).

In the Netherlands a lease is entered for a period of 5 plus 5 years by Dutch leasing law. This implies that if a lease is entered for a period of less than 5 years, it is automatically prolonged for another 5 years. If the lease begins as a period between 5 and 10 years, the lease is valid for the agreed period. This lease will also automatically extend for an amount of up to 10 years, unless the lease is duly terminated at end of the initial lease term. The lease will not automatically end at the end of the agreed term. To end a lease, the lease must be terminated by one of the parties with at least 12 months' notice, or its termination be mutually agreed upon by both parties. A tenant needs no specific reason to end a lease. The termination options for an owner however are more limited. If a tenant does not agree with the termination of a lease, the owner must request a court to terminate the lease. If the lease is terminated before the end of the initial period, the owners wishes are only justified if the reasoning is based on grounds listed in the Dutch Civil Code. If a lease is not duly terminated at the end of the current lease term, the lease will be extended for an indefinite period of time, but still be subject to termination by one of the parties. Parties may agree to a contract out of the system described above, but only with approval of the court. The typical lease terms are described in table 22 (ICSC, 2007 p.83).

Leasing Terms Netherlands

	Unit size in m²	Break Clause	Term in years	Option for prolongation
Anchors	»750	Tenant Option	5 - 10	Automatically for the tenant + 5 years
MSU	300-750	Tenant Option	5 - 10	Automatically for the tenant + 5 years
Units	«300	Tenant Option	5	Automatically for the tenant + 5 years

Table 22: General Leasing terms Netherlands

Source: ICSC, 2007 p.83

The leasing law in Poland is not as developed as the Dutch and Portuguese law. It is a contract between the tenant and the owner without interference of the law and is based on market practise. A typical Polish contractual lease term is between 5 and 10 years (table 23). Normally there are no breaking clauses in the lease. Only an anchor tenant has the option for termination after 3 to 6 months, but short leases with options for extension are more popular for such matters (ISCS, 2007 p.91). In such a case, both parties have no statutory right by Polish law to renew the lease on expiry. It can be agreed up on in the lease, but it is not a binding commitment. Either party can terminate the lease, if one of the parties cheats on contractual and essential obligations. Anchor tenants can often prolong agreement for the next 5 years, if the owner receives information 6 months before the end of lease. Other tenants can prolong if both sides accept the new terms and conditions of the renewal of the contract (Interview M. Wroblewski, 28-02-2008).

Leasing Terms Poland

	Unit size in m²	Break Clause	Term in years	Option for prolongation
Anchors	»750	N	5 - 10	N
MSU	300-750	N	5 - 10	N
Units	«300	N	3 - 10	N

Source: Interview M. Wroblewski, 28-02-2008 & ICSC 2007 p.91

Table 23: General Leasing terms Poland

The Dutch leasing law regarding retail space is favourable to the tenants with break and prolongation options. In Portugal, these points win the favour of the owner thanks to the developed atypical contract. In Poland tenants and owners have no statutory right by Polish law to renew or break up a lease. The leasing terms in years are similar between the countries, however a 5-year contract is automatically extended with another 5 years in the Netherlands.

7.2 Customers

The most direct customers of shopping center management are the tenants. Retailers rent space and use it to sell goods or a service. Seeing as retailers are operating more and more outside the borders of their own countries the demand for modern retail space has risen in Portugal, the Netherlands and Poland. The main question here ask who these tenants are and what do they require?

Retailers

Previous chapters described the trend in growth of cross border transaction of retailers. ING Real Estate claims there are about 250 international retailers from 17 countries that are active across Europe and that there are a number of similar trend notes available for 2008 (see chapter 6).

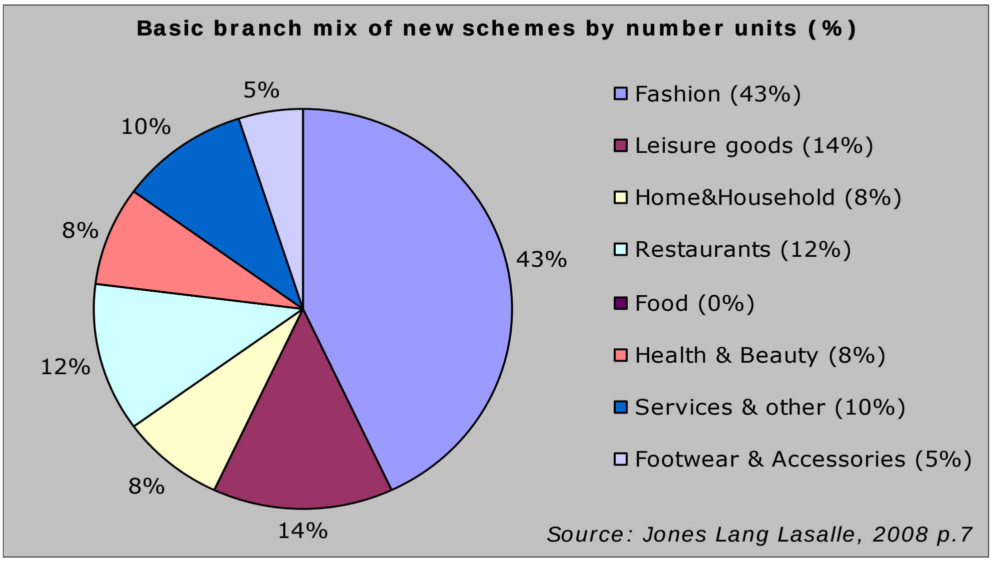


Figure 32: Basic brandmix of new schemes in Europe

Jones Lang Lasalle (2008, p.3) states that certain tenant mixes become formulaic (standard), reflecting the growing internationalisation of the retail sector and a desire to replicate a 'winning' formula (tenant mix). The formulas are often based on the network and experience of the developer with tenants, brokerage and municipalities. In the functional aspects, the brand mix of new shopping centers shows a similar combination across Europe (figure 32). The food branch is not represented in this figure, because generally it is a hypermarket. Fashion is most the predominant branch in recent shopping centers with 43% of the shops. The other branches, including restaurants, take between 5-14% of the shops for their accounting. There are some significant exceptions to the basic branch mix in shopping centers, such as furniture boulevards and fashion factory outlet centers, but the standard mix is occurring more and more.

Hypermarkets

The hypermarket format was pioneered by Carrefour in France in 1963 and combines a supermarket and a department store in a superstore of almost 19,500 m2. The hypermarket, as a food and non-food supplier, is the retailer with the highest turnover in a shopping center, but the profit margin on a product and the rental income per m2 are relatively low. The rental income per m2 is low, because hypermarkets rent a larger amount of space (>750 m2) and create traffic in the center by attracting a lot of daily visitors. Hypermarkets are the key shopping centers anchor and the largest retailers in Europe as seen in table 24. The top four international retailers, based on their turnover, are all hypermarkets. IKEA for example is ranked at 17 in Europe, according to www.retail-index.com, with a turnover of €14.8 billion. The Metro group has next to the hypermarket Metro/Makro Cash&Carry also the brands Real, Media Markt, Saturn, Galeria & Kaufhof.

Top 4 International Retailers

Rank	Retailer	Turnover in Europe 2007 in Billion €	Number of Stores			Source (04-09-2008)
			PT	NL	PL	
1	Carrefour (france)	68.4	340	0	72	www.carrefour.com
2	Metro (Germany)	62.5	18	46	122	www.metrogroup.de
3	Tesco (UK)	55.3	0	0	105	www.resco.com
4	Schwarz (Germany)	48	210	175	200	www.verdi.de
17	IKEA (Sweden)	14.8	2	11	7	www.ikea.com
						www.retail-index.com

Table 24: International Retailers

Carrefour, Metro, Tesco and Schwartz have all been active in the Polish market since the mid-1990s and are equally expanding their chains in Poland. Carrefour and the French retailers Auchan and Intermarché have a dominant position in Portugal as hypermarkets. Metro and Schwarz, with the brands Lidl and Kaufland, have smaller positions in the market. The Netherlands is primarily a supermarket country with relatively little hypermarket development, because of the highly urbanized population and a restrictive planning regime. Metro, with its 46 Makro and Mediamarkt stores, has a dominant position in electrical equipment. The German retailer Schwartz is active in the market with the discounter Lidl with 210 stores. Appendix I Meso level – Customer contains a list of the largest retailers per country. This shows the market leader in the Netherlands is the supermarket Ahold (Albert Hein) with 1,698 stores. In Portugal the leading retailer has 335 stores and the Polish number one retailer in sales Tesco has only 105 stores in 2004.

Fashion

The function of the hypermarket is to attract visitors daily, but it is not clear wether the daily visits are really effective for the sales in other branches. The other anchors, such as fashion and electrical equipment, attract visitors with the purpose of purchasing something. That is why fashion anchors are popular. Shopping center owners look to maximise their rental income and purpose visiting numbers. The profit margin and rent per m2 is higher on fashion products as the retailer rents less space (750-350m2). The same fashion anchors are increasingly found across Europe, take for example H&M, Zara, C&A and Marks&Spencer (table 25).

Top 4 International Fashion retailers in Europe

Rank	Retailer	Turnover (Billion €) in EU 2007	Number of Stores PT	NL	PL	Source (04-09-2008)
1	Marks & Spencer (UK)	11.4	0	0	285	www.marksandspencer.com
2	H & M (sweden)	6.7	15	91	46	www.hm.com
3	Inditex (spain)	8.8	286	20	54	www.inditex.com
4	C & A (The Netherlands)	6	22	118	10	www.c-and-a.com
						www.retail-index.com

Table 25: International fashion Retailers

Marks&Spencer is the largest fashion retailer in Europe, but is mainly active in England and the emerging markets of Europe, such as Poland with its 285 shops. Both domestic and international retailers favour the new shopping centers in Poland. Marks&Spencer already has a strong position the Polish fashion branch. The other largest fashion retailers, H&M, Inditex and C&A, are also noticing the growth potential of the Polish market and entering more and more shopping centers in midsize cities of >100,000 inhabitants. The Spanish clothing group Inditex is the leading clothing retailer with its entire brand portfolio in Portugals 286 stores. C&A, originally Dutch, but now in German hands, is active in the Polish market with 22 shops. H&M entered the Portuguese market in 2003, but is rapidly expending. The Dutch Intres buying group lead the clothing sector in the Netherlands and since 2004 are following the strategy to expend by building an own-store network. The Swedish fashion retailer H&M is the second largest retailer in the Netherlands with 91 stores, including Internet and catalogue sales. The 118 department stores of C&A have a historical position in the retail market in the Netherlands. Maxeda, former vendex KBB, also remains an important player in the Dutch clothing market through its clothing and department store chains Bijenkorf, V&D and Hema (Mintel 2007 p.414, 496, 479).

Household expenditure

Household expenditure, 2004* (in % of total household expenditure)

	Housing, water, electricity, gas and other fuels	Transport	Food and non-alcoholic beverages	Recreation and culture	Clothing and footwear	Other
EU25	21.4	13.4	12.7	9.6	6	36.9
Portugal	13.5	13.7	17	6.6	7.9	41.3
Poland	24.8	10.5	19.4	7.2	4.4	33.7
the Netherlands	21.6	11.4	11	10.3	5.4	40.3

Source: Eurostat new release 2006 p.4

Table 26: Household expenditure

The household expenditure of the countries in Europe divert, as can be extracted from table 26. Portugal spends less money on housing, water electricity, gas and oil, probably because it has a Mediterranean climate. More surprising is the 7.9% which is spent on clothing and footwear and the 17% spent on food and non-alcoholic beverages. Compared to the Netherlands and the rest of

Europe, this is a large difference. In the Netherlands the households spend more money on recreation and culture. In Poland the expenditure on housing, water, electricity, gas and oil are higher. An explanation for this is the shortage of the country's decent housing.

7.3 Supply

According to brokerages Jones Lang Lasalle and Cushman & Wakefield there are different stages of development in the retail market in a country, figure 33. The first step is the introduction stage: Free trading is introduced, retailers start their own business, the retailing starts to concentrate in the high streets and fast-food chain restaurants begin to appear. The economy grows because of the low costs and the open market, which create opportunities and the first international retailers cross the borders in forms of hypermarkets. The first growth stage is translated in large shopping centers/warehouses on the border of the cities, eventually combined with leisure, such as a cinema. If the economy keeps growing more investors and retailers become interested in the market, which means higher rents and lower yields. The retail market then moves into the growth/maturity stage with developments in the centres of the large cities and secondary towns and manufactories of brands start selling their surplus stock in factory outlets. When the shopping center market is mature, regional centers are developed in smaller cities and the initial shopping center becomes refurnished/redeveloped. Naturally, this is a simplified summary of the reality in which the period, government, finance or other factors influence the retail developments and curtain retail formats might not occur in certain countries.

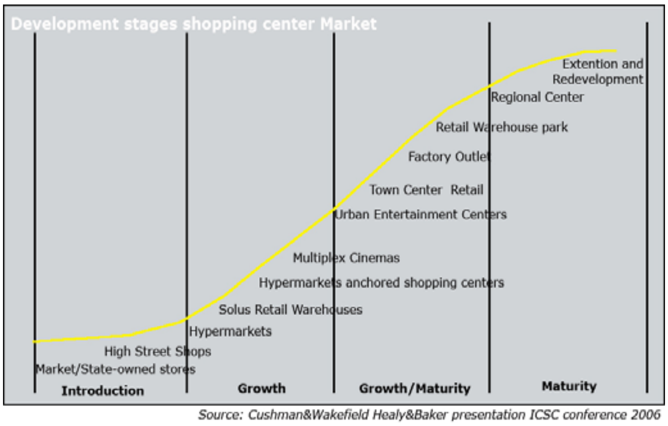


Figure 33: Development stages shopping center Market

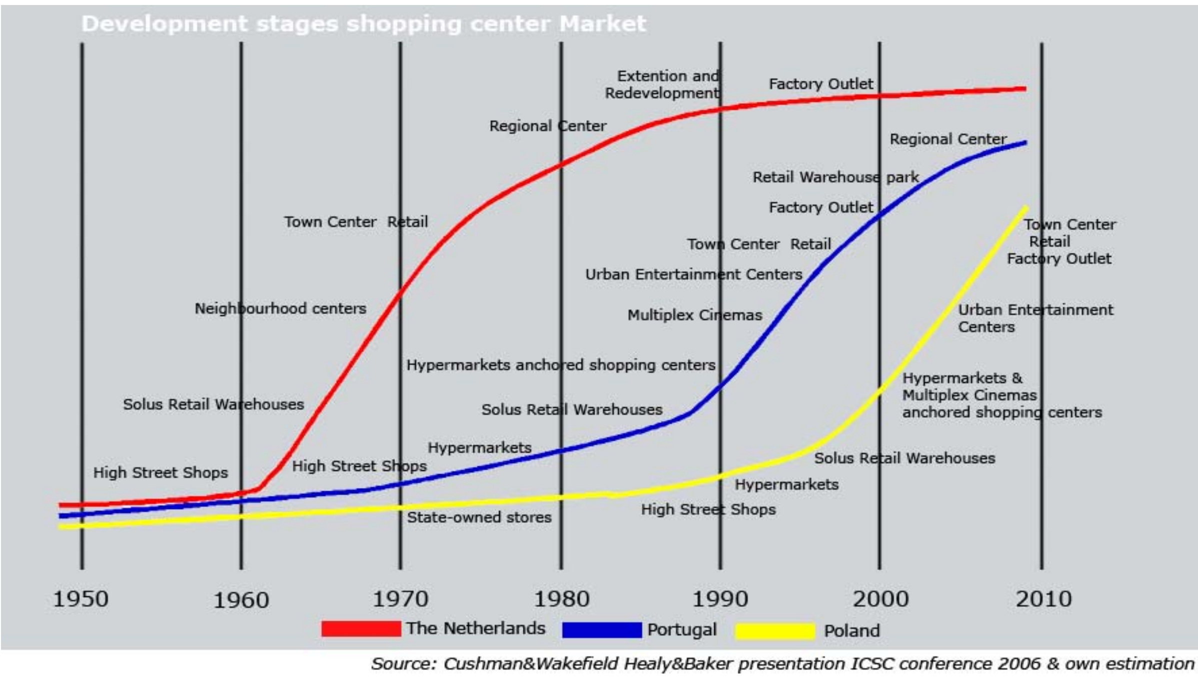


Figure 34: Development stages shopping center Market in time

Figure 34 depicts the development stage of the Netherlands, Portugal and Poland in a timeframe. The Netherlands is in the maturity stage with 291 m2 per 1,000 inhabitants, high retail sales of €4,512 per capital and plans to add +/- 500,000m2 retail space in 2009, see figure 35 and table 27. The Dutch retail market however did not develop according to the development line shown in figure 33. The retail structure in the Netherlands dates back to the 18th century. Until the sixties in the 20th century there were almost no changes in the retail structure, except in the places that were damaged during World War II. The growing economy and the social developments of the 60's, such as mobility by car and the extension of places with neighborhoods, made the old city centers badly accessible due to lack of parking facilities. In all the surrounding neighborhoods, small retail areas between 5,000 m2 and 20,000 m2 of retail pace were created in the order to supply the direct neighborhood/district. This created a sensitive commercial balance in retail space between the neighborhoods and towns (Toorn Vrijthoff, 1998 p.38-39). The government protected this structure with strict planning regulations. This resulted in the absence of big out-of-town retail developments and hypermarket and stimulated the Dutch habit to shop locally in lively high streets/town centers (Mintel 2004 p. 369). The shift to edge-of-town or out-of-town retailing that has been witnessed in other Western European countries during the same period did not occurred in The Netherlands. The developments in the nineties and the 21th century are mainly multifunctional redevelopments and extensions of city centers with retail, leisure, office and residential buildings. Figure 34 depicts the first developments in the Netherlands took place in a totally different era than the developments in Portugal and Poland. Also the leading shopping centers in The Netherlands; Rotterdam Alexandrium, realized in 1984, and 'In den Boogard' in Rijswijk, realized in 1963, see appendix I – Meso level – supply, clarify this. In Portugal the leading shopping centers were realized in 1991 and 1997 and in Poland in 2004 and 2006.

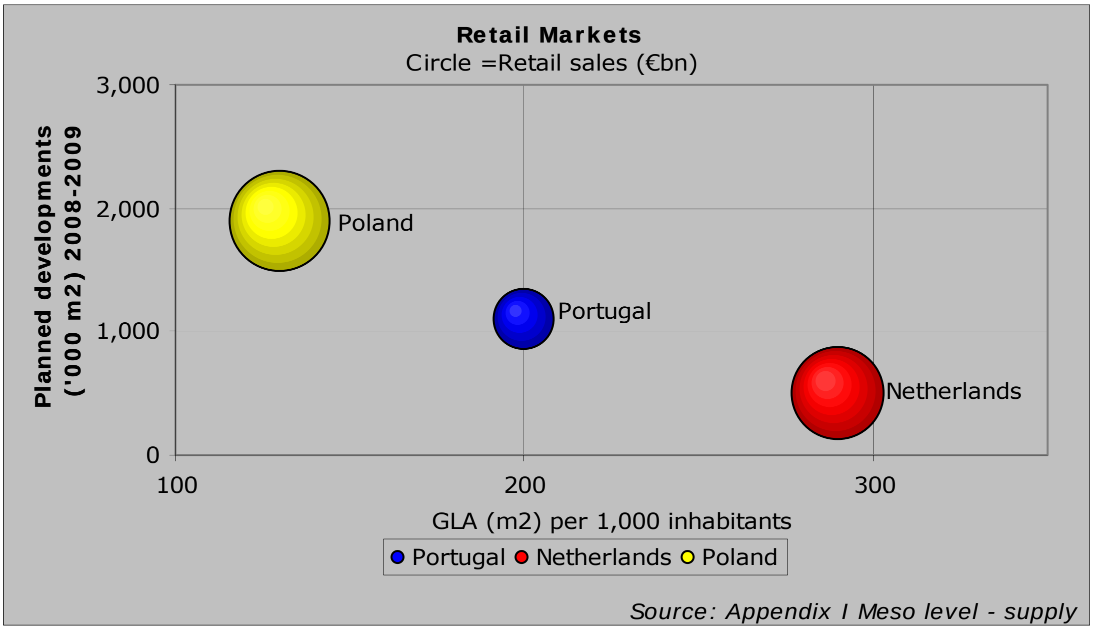


Figure 35: Retail Market

Hypermarkets had already entered the Portuguese retail market, but in 1990 foreign investment groups stimulated the modernization of Portuguese retail and shopping centres with hyper/supermarkets spread widely across the country, figure 34. In the high streets there is still a large concentration of shops in independent hands, but they have a hard time with the growing competition of modern facilities and the lack of good regulations (Mintel 2007 p.483). The shopping centers have developed rapidly and demand for retail space is high, considering that 2009 will bring 1,100,000m2 retail space to the market, figure 35 and table 27. The shopping center density in Portugal grew with 19.4% in the period of 2004-2007 to an amount of 198 m2 per 1,000 inhabitants. This is reasonably close to the average of Europe by 200 m2 per 1,000 inhabitants. Some local and regional markets are above that level, like the capital Lisbon with 682 m2 per 1,000 inhabitants. New shopping center developments are located in the secondary cities that have not yet reached this mature level (ING 2008 p.63). In table 27 the retail sales are divided by the GDP (PPP) per capital. It shows in percentage that the people in the Netherlands spend less money of their income on retail than the people in Portugal and Poland. This may be surprising in an economical perspective, but in a cultural perspective it is not, considering the Polish and Portuguese care more about their appearance than the Dutch. The Polish as well as the Portuguese both embrace shopping as one of the most popular things to do to pass the time.

Retail sales, GLA per 1,000 inhabitants and planned GLA by country

Country	Retail sales (€bn) 2005	Retail sales/capita (€)	Retail sales /GDP (2007)	GLA per 1,000 inhabitants 2007	Planned for 2009 (m2)
Portugal	31	2,905	20%	198	1,100,000
Netherlands	74	4,512	17%	291	500,000
Poland	87	2,277	21%	132	1,900,000
European total	2,370	European average 3,294	-	200	-

Source: National Statistics Offices/Mintel2007, ING Jan 2008 p.62, 63, 54 & presentation Corio25-01-2008, JLL 2008 p.2

Table 27: Retail sales, GLA & planned GLA

The retail sector played a major role in bringing Poland through a period of transition and into its subsequent period of growth. The description of the development of the retail market is given in chapter 4.2 and depict in figure 34. The development stages of shopping centers in Poland show a lot of similarities with the developments Jones Lang Lassalle noticed in figure 33. In 1989 retailers gained their own stores and the first Western fast-food chains appeared. The quality of the service was upgraded and fashionable stores were built. It did not take long before the hypermarket entered the Polish market, which at the time had a population of 38 million people (Waters, 1999 p.319, 320, 324). Out-of-town retail schemes were the next step. The past decade was a period of extremely dynamic retail developments in Poland. The average retail space of 132 m2 per 1,000 inhabitants in Poland is well below the average of the Netherlands, Portugal and Europe, and supports the development activities in 2009. Since 2007 every major town in Poland has a modern shopping center. Developers are now aiming their targets at medium sized cities and factory outlet centers are emerging (ISCS, 2007 p.279) and several modern shopping centres are currently under development in tertiary Polish cities of more than 50,000 inhabitants (ING, 2008 p.54). The movement to medium sized cities can be justified by the high density of retail space in urban areas in Poland, such as Warsaw, which approached 500 m2 per 1,000 inhabitants in 2007(Colliers Poland Market Review 2007 p.11).

Rent, Yield & Vacancy

In Portugal tenants are required to pay a monthly base rent and percentage of turnover rent agreed on by both parties. The turnover rent is calculated on a monthly basis by the positive difference between a certain percentage of the tenant’s monthly gross sales and the principal rent due for the same month. Law sets the review of the base rent yearly by public CPI index. If the base rent is a lower than expected the parties can use an alternative criteria for rent review. An example of this is by incorporating part of the value of the previous year's turnover rent into next year's base rent, where in this case, the increase in rent is higher than if reviewed by the CPI index. In Portuguese contracts it is common for the tenant to pay goodwill (key money) for entering the shopping center. This amount may vary between 12 and 18 months rent or base remunerations (ISCS, 2007 p.98-101).

The rent level in Portugal has grown to a level between €180 - €420 per m2 per year and the forecast of ING Real estate is that it will keep growing (table 29). Retailers continue to show interest in opening new units. The big difference between the top and bottom rent depends heavily on the location, for example in table 28 the prime rent in the capital Lisbon is €900 m2/year. This is much more than the top rent in a shopping center. The rent levels and the performance of shopping centers has attracted more international investors. This lowered the yield to 4.00%. Because good products are scarce, the market became more competitive for investors. The increasing maturity of the market is expected to bring some change to the retailer and the developers sharing equal risks but offering better rental terms.

Capital city (DEC 2007)

	Prime Rent (€ /m2/ year)	Prime Yield (%)	GLA per 1000 population 2007
Lisbon	900	6.00	650
Amsterdam	2,200	4.00	400
Warsaw	960	7.25	500

Source:Cushman&Wakefield Netherlands, Poland, Portugal quarter 1- 2008

Table 28: Capital cities

Rent level, Yield & vacancy per country of Shopping centers

	Rent (€ /m2/ year)	Percentage of Turnover rent (%)	Yield (%)	Vacancy (%)
Portugal	180 - 420	5 - 7	5.00	-
Netherlands	60 - 350	-	5.00	7.40
Poland	120 - 360	0 - 8	5.50	1.00

Source: ISCS Europe, 2007 p.255, 271, 285 & Appendix II confidential Interviews

Table 29: Rent level, Yield and vacancy

In the Netherlands base rent and percentage of turnover rent is incidentally used at airports and factory outlet centers. This is due to the Dutch regulations and culture. The main reasons for not using turnover rent are the uncertainties of the rental income and the unfamiliarity with turnover rent (Vastgoedmarkt/winkel, September 2007). The parties already may agree upon shuts a construction out of the system, but it has to be approved by the courts. It is expected that this is going to happen more often, now that international retailers and investors work with these contacts in every other country in Europe. The bottom and top rent level of shopping centers in the Netherlands is much lower than the rent levels in Portugal and Poland. This is due to the low rent level in the district centers at undesirable locations. The demand of retailers and the lack of prime retail locations stimulate the rent level in certain locations. This creates a large gap between prime and secondary locations. In Amsterdam the prime rent sits at €2,200 per m2 a year while the average rent in a shopping center is €205 per m2 a year. Law sets the review of the base rent yearly by public CPI index. When the lease is renewed, both parties have to agree on a rent review. The vacancy in the market of 7.4% is mainly in the center in small towns with retail space that does not meet the modern demands of retailers. The demand of the investors is shifting to peripheral locations and prime locations in smaller cities because of the scarcity of prime investment products. The yields are expected to stabilize at the level 4.0% (ING, 2008 p.14-18).

In Poland the rent generally exists of a base rent with a component of turnover rent. The rent is based on the market value and the turnover provision is normally agreed upon between 6 to 8% of the tenant's turnover. The rent review is standard index-linked to the CPI (consumer Price Index) (ISCS, 2007 p.92). Given the low average vacancy rates, the demand for space in shopping centres remains at a high level. The highest vacancy rates (over 1%) are noted at the most competitive markets of Warsaw (2.95%), Wrocław (2.70%), Kraków (1.90%) and the Silesian Conurbation (1.40%). Rental rates for space in shopping centres differ depending on the project quality and location, reaching levels of €360 m2/year for prime projects in comparison to the average rent of €240 m2/year. In Warsaw the prime rent even reached € 960 m2/year. The yield of shopping centers has dropped to 5.50% with a top yield in Warsaw of 7.4%.

7.4 Competition

As explained in chapter 6, the shopping center management business is highly integrated in the investment and development business of shopping centers, especially on a European level. As the amount of retail space and the rent levels in Portugal, the Netherlands and Poland grow, the competition gets stronger. More parties are entering the market to gain more and to maintain their position in these markets; this lowers the profit margin on projects. To keep a competitive advantage in order to attract consumers, more and more companies have changed the role of the shopping center manager from a facilitator to an all-knowing management team with marking, financial and retail experience. This has influenced services, budgets, organization, remuneration and the number of competitors in the shopping center management business on national and European levels.

Services

In the beginning of the shopping center development stage in Europe the management used to have a facilitating role and operated only for technical support, for example regulating cleaning, maintenance and security of the common areas. The services nowadays can be categorized in five fields: technical, commercial, financial, marketing and legal. If the shopping center market develops according to figure 33 (Development stages shopping centers) the management services also become more and more sophisticated to keep a competitive advantage. Just as the development of the retail market in Portugal and Poland, the shopping center management shows a lot of similarities in the services, see Appendix I Meso level - Competition. In both these countries marketing is as a powerful tool to attract costumers to the shopping centers. The shopping center management requires detailed knowledge of local retail and consumer markets. The marketing team often work together with tenants, associations and community groups to brainstorm plans for events, campaigns and to build a relationship with local consumers. In Poland, the management itself regularly analyzes the effects of the marketing strategy. In Portugal external companies with a neutral point of view do this. The staff of the commercial service works closely together with the staff of the financial service. The commercial service is concerned with the temporary letting of the common areas and with creating an optimal tenant/branch mix that anticipates the consumer trends. The consumer trends are detected by the financial service that collects the income of the owner, audits the tenants and knows which shops/branches perform well and have high sales. The effort index and sales figures are useful indicators to detect what is popular among consumers. This information is used by the commercial service to adjust the tenant/branch mix, which is done through the renewal or releasing space to other retailers. The bookkeeping of the owner, tax advisory, VAT-declaration and debtors balance are generally done by the shopping center management in Poland. In Portugal the asset management usually does this job. The legal service consists of some legal assistants, contracts and litigation service; a local lawyer generally assists the management. The technical services are crucial for the shopping center and cover the most practical jobs such as cleaning, security, gardening and maintenance.

The development of the retail market as was witnessed in Portugal and Poland did not occur in the Netherlands. This also influenced the level of service provided by the shopping center management. Shopping center management in the Netherlands is still more focused on the facility/technical aspects than marketing and retail aspects, see Appendix I Meso level - Competition. Retailers are not used to sharing their sales figures with the owners and the shopping center management. This makes it difficult for the management to assist the retailers and with no clear sales figures and the Dutch leasing law (the period of 5 plus 5 years) it is difficult to persuade tenants to create the optimal branch mix in the shopping center. Also the owners do not invest in the management, because there are no incentives, such as a percentage of turnover rent, key money and temporary leasing in the shopping center. The sensitive commercial balance in the Netherlands makes marketing campaigns unwanted by the large retailers. The large retailers have stores in every (little) town and argue that they would be their own competition and would unnecessarily be moving the consumer, and thereby the sales.

Resources

The service budget provides a projection of what the operation and maintenance of the shopping center during a given period will cost. In shopping centers in Portugal and Poland the service costs are not equally split among the tenants. The tenants are divided by type of business, the amount of sqm (unit, MSU, Anchors) and desirability. Anchors are often reduced in the service costs of the common areas (corridors, etc.) and marketing payments as a compromise for their desirability. The other tenants or the owner pay the shortage of the budgets. In general tenants in the Netherlands will not receive deductions in the service and marketing budgets, but a reduction in rent is sometimes in order. This reduction in rent is also seen in Portugal and Poland. The comparison between the three countries shows some remarking figures, table 30. The Netherlands is economically the strongest of the three, but the tenants pay lower service costs and marketing budgets than in Portugal and Poland. An explanation for this large difference can be found in the amount of services and marketing, management organization and the remuneration of the management. Between the lowest and highest service charges is a wide gap, which is explained by the variety in shopping centers and their functions. It is common in all three countries that the owner of the shopping center is willing to pay 25-50% of the marketing budget.

Service charge & Marketing budget (€ / m2 / year)

	Portugal	the Netherlands	Poland
Service charge	72 - 96	12 - 36	33 - 72
Marketing budget	12 - 24	2.5 - 12	5 - 24

Source: Appendix II confidential Interviews

Table 30: Service charge & marketing budget

Benchmarks

The most important benchmarks of a shopping center are shown per country in table 31. It clarifies that the retailers do not share their sales figures with the management in the Netherlands. This makes it difficult to assist the tenants and to know how the shopping center is really performing. In Poland and Portugal retailers are more familiar with or forced to provide their sales figures in order to calculate the turnover rent and create the best branch mix in the shopping centers.

Benchmarks

	PT	NL	PL
Visitors numbers	V	V	V
Rental income	V	V	V
Rent/visitors	V	V	V
Service costs	V	V	V
Marketing budget	V	V	V
Sales	V	-	V
Turnover rent	V	-	V
Sales per visitor	V	-	V
Sales per GLA(m2)	V	-	V
Effort index = Operational cost*/Sales	V	-	V
Rent/sales	V	-	V
Vacancy	V	V	V

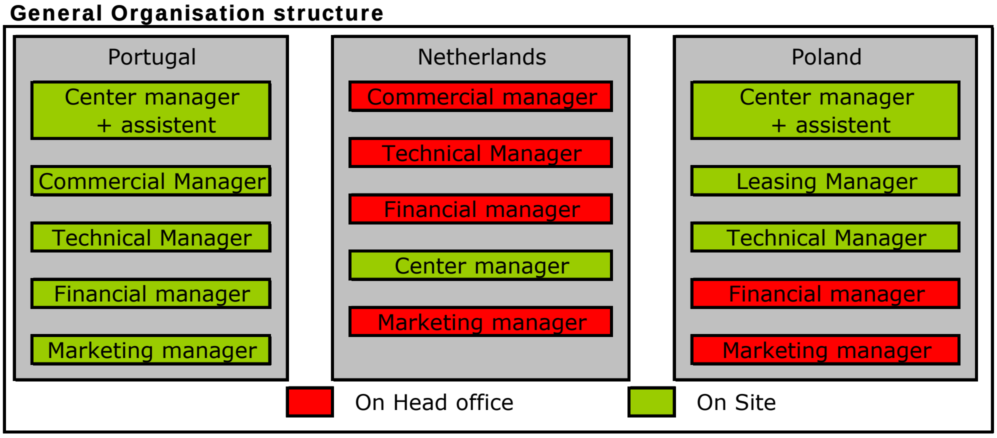
Sources: APPENDIX II confidential Interview
*Operational cost = rent+service cost+marketing cost**

Table 31: Benchmarks

Management Organization

The structure of the shopping center management organization is different per country, see table 32. The organization sometimes works on site and other organizations provide services from the head office. In the Netherlands there are a lot of small retail centers where there is generally only one center manager on site. The other managers are located at the head office and provide services to multiple shopping centers, usually in a certain region. In Poland and Portugal the organization is present on site, because the management has more tasks and the shopping centers are of larger size and are not located closely together. The invoicing and the marketing campaigns in Poland are generally done at the head offices where input is received from the center manager on site.

General Organisation structure



Source: Appendix II confidential Interviews

Table 32: General organisation structure

Remuneration

The difference between the historical retail developments in the Netherlands, Portugal and Poland is also clear in the remuneration of the shopping center management, table 33. In Poland and Portugal the tenants pay the cost of the management in their service charges. In the Netherlands, the owner is responsible for the payment of the staff, office costs and communication costs. This explains the great differences in service costs for the tenants between the Netherlands and the other countries. In Poland and Portugal the shopping centers work with financial incentives to create committed management. The management receives fixed incentives and variable incentives of any extra income from the shopping center.

Remuneration shopping center management

	Portugal		Netherlands		Poland	
Fixed remunaration						
Management staff Cost		Tenant		Landlord		Tenant
Office cost		Tenant		Landlord		Tenant
Cost communication		Tenant		Landlord		Tenant
Fixed incentives						
Fee over rent	4 to 5%	Landlord	-	-	5%	Landlord
Service charge fee	7,5%	Tenant	-	-	13%	Tenant
Marketing budget fee	7,5%	Tenant	-	-		
Variables incentives						
Temporary-letting fee	15%	Landlord	-	-	7,5-10%	Landlord
Turnover-rent fee	15%	Landlord	-	-	5%	Landlord
Key-Money fee	10%	Landlord	-	-	5%	Landlord
Re-leasing	15%	Landlord	-	-	15-30%	Landlord
Renewals	15%	Landlord	-	-	10%	Landlord

Source: Appendix II confidential Interviews

Table 33: Remuneration per country

Competitors

The main European competitors are the 6 largest retail developers according to PropertyNL nr.8, May 2008 p.75-76. There are two national competitors with a large market share analyzed from each country (figure 36, table 34). The six main competitors are Multi development, ING Real Estate, TK Development, ECE Projectmanagement, Corio and Unibail-Rodamco. Four of these parties have their home market in the Netherlands. The Netherlands is a mature retail market and most new projects are redevelopments of inner cities. Developers of a local origin dominate the market. A small home market, the strong demands of tenants and financial partners, and their knowledge on redevelopment, consensus and design forced them to send their businesses abroad. The competition in the shopping center management business has a local character in the Netherlands.

Figure 36: Main Competitors

Unibail-Rodamco and Corio are the two largest shopping center owners who have their own management service in the Netherlands, table 34. ING Real estate does not have a shopping center management service (Appendix I Meso level – Competition), Multi Corporation has only in other parts of Europe experience with shopping center management. The main competitors are SCM (Shopping center management) and Actys Retail BV, who mainly focus on the Dutch market. The management of the shopping center does not have a high priority in the Netherlands, it is more focused on the facility aspects than on retail management.

Number of shopping center created by the Competition

		Number of realized shopping			GLA
Active in	Company (origin)	PT	center NL	PL	(m2)Planned
Europe	1 Multi Development (NL)	15	18	1	3,900,000
	2 ING Real Estate (NL)	1*	11*	4*	1,500,000
	3 TK Developments (DK)	-	-	13	1,100,000
	4 ECE Prjektmanagement (GE)	-	-	6	1,100,000
	5 Corio (NL)	-	65	-	-
	6 Unibail-Rodamco (NL)	-	54	2	1,100,000
Portugal	14 Sonae Sierra (PT)	20	-	-	500,000
	Mundicenter (PT)	7	-	-	0
The Netherlands	SCM (NL)	-	40	-	0
	Actys Retail bv (NL)	-	40**	-	0
Poland	Apsys (FR)	-	-	12	600,000
	Meinl Land Europe (AU)	-	-	14	-

**Only ING Development ** Own estimation the knowledge of 500,000m2 GLA*
Source: PropertyNL nr.8, May 2008 p.75-76, company websites 8-09-2008

Table 34 Number of shopping centers created by competition

The Portuguese retail developments started with the French food retailers constructing sites for hypermarkets. Since 1995 professional developers such as Sonae Sierra, Multi Corporation, Mundicenter and Amorim have been the most active shopping center developers operating in the market. The market is characterized by a dominant position of Multi Dcorporation and Sonae Sierra who both profit their own management with a high competitive level. The investors aim high with shopping center management, because it influences the performance of the shopping center by percentage of turnover rent and extra income. The shopping centers lie often on the border of the cities and marketing is an important tool to attract visitors; they may otherwise shop by the competition.

In the beginning of the 90's hypermarkets, such as Tesco and Carrefour were the leading developers in Poland. Eventually, the market attracted international developers, like Meinl land Europe, Apsys and all of the previously mentioned six largest international investing developers, except Corio. All the large international investing developers manage their own properties except ING Real Estate. ING Real Estate is often a part owner of a shopping center in Poland to share the risk with a co-investor. The co-investor takes care of the management, as done in Zloty Tarasy in Warsaw. Here, the shopping center is developed by ING Real Estate with Unibail-Rodamco as co-investor for 50%, who does the shopping centre management see paragraph 8.3 Case Zloty Tarasy for more information. The management is very professional and is often based upon shopping center management experience from other shopping centers in Europe. The management provides many services to stimulate the performance of the shopping center, see paragraph Service.

8 Microanalyses

Shopping center serve the local community. Macro and meso level often represent averages of, in this case national, characteristics. In the industry the aim is to find that unique (local) target group to attract to the shopping center. The microanalyses describe three shopping centers in Portugal, The Netherlands and Poland. The characteristics discovered on macro and meso level are compared and analyses with the characteristics on micro level. The differences will be explained between the general practices and the case. This will provide input for the integral approach of shopping center management.

8.1 Case: Forum Algarve (PT)

This information will not be made public and is only published in the appendix II – Case: Forum Algarve.

8.2 Case: Bataviastad (NL)

The Netherlands is politically and economically stable and had in 2007 an average GDP (PPP) per capital of €25,795, a high consumer expenditure per capital of €14,642 and a low unemployment rate of 3.2% (table 35). The population projection shows growth until 2035, but also an upcoming ageing problem. The Netherlands holds small households compared to Portugal and Poland with an average of 2.25. The Dutch are known for their open culture, but also for being conservative about changes. The habit remains to shop locally and although appearances are becoming of greater importance. The Netherlands has a very high density with 395 inhabitants per km2 and many towns are located together with their own retail areas. This creates a sensitive commercial balance between the towns. The government protects this structure with strict planning regulations, resulting in the absence of large out-of-town developments and hypermarkets. The lease is generally for a period of 5 plus 5 years with breakup and prolongation options for the tenants.
The Netherlands has a mature retail market with 291m2 per 1,000 inhabitants, but there is an enormous gap between the top and bottom rent levels and a low yield of 4,0%.

Figures macro and meso level of the Netherlands

	Netherlands
Total Population	16,408,557
Density (inhabitants per km2)	395
GDP (PPP) per capital (euro)	25,795
Capital	Amsterdam (742,880)
Divisions	12 provinces
Retail space (m2)	4,758,482
m2 per 1,000 inhabitants	290
Rent level (€ /m2/ year)	205

Multiple source: Mintel, Eurostat, C&W Marketbeat Netherlands 2008

Table 35: Meso & macro figures Netherlands

This is created by the growing demand for retailers and investors and the lack of retail space on prime locations. Shopping center management has more of a facilitating role, as long sharing sales figures, large marketing campaigns and a percentage of turnover rent are not common in the market.

Location

Batviastad is a factory outlet center for international and national brands and has the whole of the Netherlands as its catchment area. The location of Batviastad is on the edge of the city Lelystad and next to Lake Yssel (Ijsselmeer), figure 37. Lelystad is a city with 73,116[2] inhabitants. The city is the capital of the region Flevoland. Lelystad does not have a high density, 300 inhabitants per km2, in comparison with the Netherlands, with a density of 395 inhabitants per km2, and Amsterdam, with a density of 4,502 inhabitants/km2[3].

Figure 37: Location Bataviastad

Lelystad is a self-conscious and vital city with a great deal of ambition. The future plans for Lelystad are collected in a written structure vision until 2015. The city also created a '*Strategic marketing plan Lelystad = sturdy and enterprising!*.' This states that the city wants to grow in quality and not so much in quantity (www.lelystad.nl , 19-08-2008).

One of the most important quality developments is on the coastline of Lelystad by Lake Yssel, where the Factory outlet Bataviastad is located. Around Bataviastad there are already two museums and the municipality is planning to realize 450 apartments, a leisure activity center, a port, a hotel and a yacht club. All despised in figure 38. The new developments are all designed in the same architectural style as Bataviastad. The development integrates urbanism, real estate development, tourism, education and history in a marketing strategy. The goal is to stimulate traffic to the area and make it an appealing environment in which people can stay for a day (www.bataviastadfase2.nl,19-08-08).

Figure 38: Masterplan Bataviastad (www.bataviastadfase2.nl , 19-08-08)

[2] Municipality Lelystad 2008

[3] http://www.rivm.nl/vtv/object_map/o1472n21782.html - National Atlas Public health, 2005

Accesibility& Visibility

In terms of visibility it is not a prime location, it is only connected with the N302, a 10-minute drive from the A6 highway. This highway connects Lelystad with other cities in the Netherlands, figure 39. The building is also only 2 levels high and does not stand out in its location. If travelling by car there are only signs on the side of the road leading from the highway to the outlet center. At the entrance there is a parking area for more than 2,000 cars. The site of Bataviastad is also accessible by boat over Lake Yssel and through public transport by train and bus.

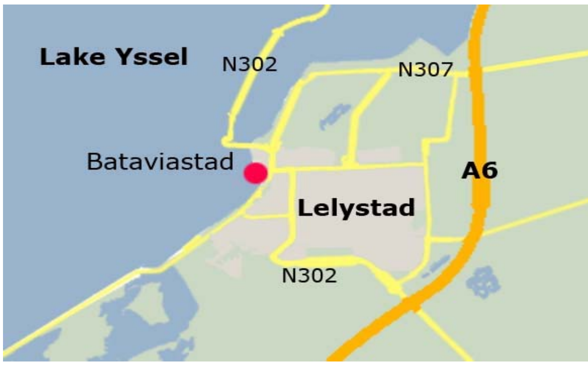


Figure 39: accesibility&visibility

Catchment area

Bataviastad is a factory outlet center. Bataviastad offers brand products for male and female shoppers of every age group. It concentrates more on a lifestyle segmentation than a geographical segmentation and is focused on the mobility of the consumers. This affects the range of the catchment area. According to the retail manager (interview P. Jansen, 13-08-2008) 80% of the customers drive 1 hour and 20 minutes to shop at Bataviastad,. The primary and secondary catchment area of Bataviastad are, according to Stable International in 2008, figure 40:

- Primary area: more than 5 million inhabitants in a 60 minute driving distance
- Secondary area: The Netherlands with 16,3 million inhabitants

Source: www.bataviastadfase2.nl (19-08-2008)

Figure 40: Catchment area (www.bataviastadfase2.nl. 19-08-08)

Purchasing power

The catchment area shows that Bataviastad operates on a national scale. The purchasing power of the people in the Netherlands is one of highest in Europe. According to Eurostat in 2007, the principle is that the average purchasing power of Europe is 100, making the purchasing power in the Netherlands 130. The average Dutch person spent 6.3% of thier expenditure on clothing and footwear in 2006 (www.cbs.nl, 19-08-2008).

Competition

The competitors of Bataviastad are the other factory outlet centers in the Netherlands. In the Netherlands there are three outlet centers: Bataviastad, Rosada in Roosendaal and the Designer Outlet Roermond in Roermond, table 36. The Designer Outlet Roermond is one of the 16-outlet centers in Europe owned by McArthurGlen Group. The Designer outlet Roermond has 2.8 mln visitors per year. Most of them are from Germany. Rosada is the main competitor for Bataviastad, both claim to have the 'randstad' as their primary catchment area (75 minute drive) and the Netherlands as their secundary catchment area.

Competition

Name	Location	Size (sqm)	Shops	Distance	Tenants
Rosada Factory Outlet	Roosendaal	15,660	82	164 km	Nike, Suit supply, Riverwoods, Calvin Klein
Designer Outlet Roermond	Roermond	28,000	120	218 km	Nike, Ralph Lauren, Dolce Gabbana, Hugo Boss

Source: ING Real estate (2007) & www.mcarthurglen.com (17-08-2008)

Table 36: Competition Bataviastad

The city Lelystad with its 3 large shopping areas is no competition for Bataviastad. The shopping areas offer different retail products such as a supermarket, Hema and Gamma and only serve the surrounding neighboorhoods.

The premises

The starting point of the development of Bataviastad was the retail formula Factory Outlet. The phenomenon of a Factory Outlet crossed over from the United States of America to Europe in 1995. In a factory outlet center international and national brands sell their collections a minimum of three months old against discounts of 30 to 70% 7 days a week. The developer Stable International was convinced this retail formula would be an addition to the retail market in the Netherlands and would excite the Dutch consumer who are driven by bargains. The brands and the developer worked together, to overcome the highly regulated retail market in the Netherlands and created a plan with enough distance from the major shopping conurbations. After a lobby network at all political levels the first Factory Outlet of 14,700 m2 GLA and 47 shops opened his doors in the Netherlands in 2001 (www.stable.nl, 13-08-2008).

The owner Unibail-Rodamco sold the project in 2006 to the investment company Shoppingparks for 38 million euro[4]. In 2007 phase 2 of Bataviastad was realized and added an extra 5,300 m2 GLA and 26 shops to the Outlet center (figure 38). The total amount of GLA is now 20,000 m2. The retail manager (inteview, 13-08-2008) claims the expansion was needed to meet the customers' demand for more variety and appealing merchandise and to meet the needs of the retailers to stimulate visits, encourage cross-shopping and to prolong the duration of the visitors. The extension included more than just a new owner. A new management team created a new logo, a

[4] http://www.rodamco.com/Group/English/2.0+Portfolio/2.4+Recent+Transactions/ - Unibail-Rodamco (20-08-2008)

new house style, a new website, a new marketing campaign, new brands and a new strategy. In 2009 Bataviastad outlet center will extend with phase 3; another 5,000 m2 GLA and 38 shops.

Physical qualities

In 1995 a replica of a ship 'Batavia' from the seventeenth century was realized. This inspired the architect to design an authentic village with West-Indonesian colonial characteristics. Inside the outlet center the extensiveness of the polder makes place for a small city fortress. The outlet center is an open-air center, which is surrounded by a city wall with three city gates as entrances. In front of the outlet center is a parking area for 2,000 cars, because cars are prohibited in the pedestrian center. The circulation in the center is very structured with streets and small squares. The outlet center is highly regulated by the management and the 'public' space is clean and well maintained, figures 41, 42.

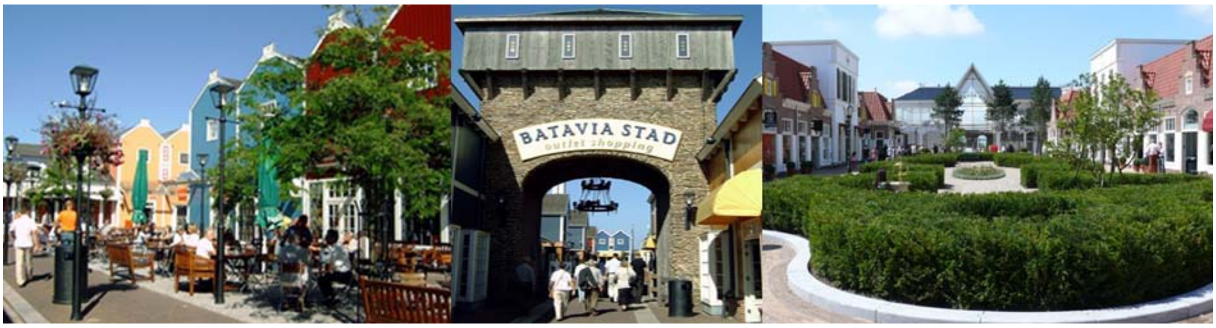


Figure 41: Architecture Bataviastad 1

Characteristics of Batviastad

Type of centre: Factory Outlet Center (open air)

Opening: 2001

Number of shops: 73

Gross Lettable Area: 20,000 m2

Parking space: 2,000

Number of customers annually:

+/-2,000,000 (1,766,000[5])

Open seven days a week from 10 a.m. to 6 p.m., 363 days a year

Figure 42: Architecture Bataviastad 2

5 http://www.holland.com/files/corporate/kerncijfers/rapport%20Bezoekersaantallen%202004.pdf (Dutch bureau for Tourism & Conferences 2004)

Configuration
The configuration of the center is a combination of a U-shape and a cluster. Bataviastad has 3 entrances (arrows). The anchor tenants are coded in red in figure 43 and have aim to create circulation between the shops. The other tenants are coded in black and the common areas are grey.

Figure 43: Configuration

Tenant mix
Bataviastad is a fashion factory outlet center and has 83 shops with a selection of national and international mono-brands. The stores of these brands are often organized in a pyramidal hierarchy with a store manager and a Benelux or country manager. The Bataviastad management maintain a relationship with both the store and the Benelux or country manager. The retail manager monitors the turnover, performance and continuity of the store manager daily for the benefit of regional manager of the brands and the owner of Bativiastad. The branches fashion and footwear& accessories represented with 88% of the shops in the center (figure 44). The anchor tenants are Ralph Lauren, Rivierwoods, Suit Supply and Sportswear like Nike and Adidas. In 2008 a perfumery and a La Place restaurant were added to the tenant mix. The plans for phase 3 are to add more brands of the branches home&households, leisure goods and restaurants.

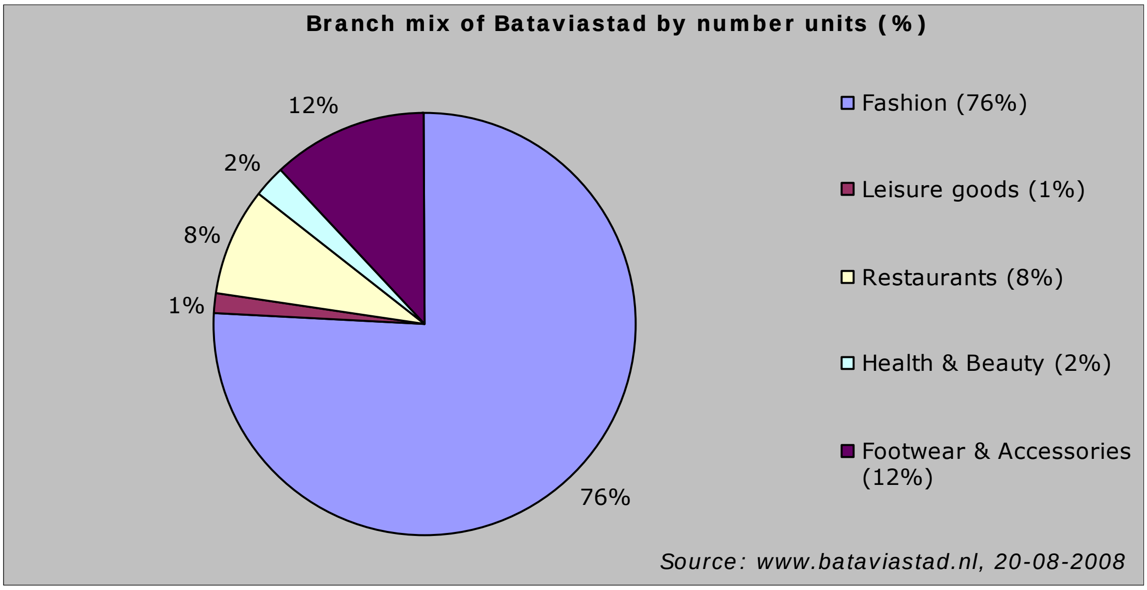


Figure 44: Branch mix Bataviastad

Services

In table 38 it becomes clear that the management of Bataviastad provides a lot more marketing, financial and commercial services than general shopping center management in the Netherlands. The management is almost run as a shopping center in Portugal or Poland.

Services

		NL	Batviastad
Marketing	Events	-	V
	Customer service	-	V
	Community relations	-	V
	Public relations	-	V
	Promotion campaign	V	V
	Social responsibility	-	V
	Market analyses survey	-	V
	Consumer opinion report	-	V
	Marketing reports	-	V
Commercial	Releasing	V	V
	Renewal contracts	V	V
	Temporary letting	V	V
	Tenant mix analysis	-	V
Technical	Insurance	-	-
	Maintenance	V	-
	Hygiene and comfort	V	V
	Surveillance and security	V	V
	Gardening	V	V
	Technical and constructional advice	V	-
	Service providers management	V	V
	Waste disposal	V	V
	Operational report	V	V
Financial	Income control	V	V
	Shop’s audit	-	V
	Effort index/shop performance	-	V
	Sales information	-	V
	Financial reports	V	V
	Invoicing	-	V
	Bookkeeping	-	V
	Landlord bookkeeping	-	-
	Tax advisory	-	-
	VAT-declaration	-	-
	Debtors balance	-	V
Legal	Legal support	-	-
	Contracts	-	-
	Litigation services	-	-
Other	…………..		
	…………..		

Source: interview P. Jansen 13-08-2008

Table 37: Services Bataviastad

Organisation

The new owner changed the management of Bataviastad. Since 2006 the people in the management organisation all have a retail or commercial background. The owner believes the management is there to provide a service and support the retailer instead of just to facilitate them. The management of Bataviastad is split into a marketing team and a retail team. The management staff of Bataviastad is much larger and has more people on site than a normal organization in the Netherlands. The management staff consists of a general manager, a secretary, a retail manager with both an operational assistant and a financial assistant and a marketing manger who also has two assistants, figure 45. The operational assistant of the retail manager takes care of the technical services and works with external security guards, janitorial personnel and landscaping crew. The financial assistant analyses the financial performance of the shops and the center. This is supervised by the retail manager who is, together with the general manager, responsible for new leases and releasing during the operational stage of the center. Before and during the developing phase of the outlet center the developer is responsible for settling the leasing agreements with the tenants. Marketing is one of the key elements to stimulate visitors and sales. Bataviastad does not have a prime location in the aspects of visibility and accessibility. The task of the marketing manager and his two assistants is to create of marketing activities, which are appealing to the customers.

Goals

The new owner and management made the strategic choice to create a shopping center with premium brands meeting the expectations of the customers. The goals for the realization of this choice are as follows.

- More premium brands
- A change in marketing
- A larger target group
- To prolong the duration of the visitors
- More variety and choice of merchandise
- A higher turnover/rent

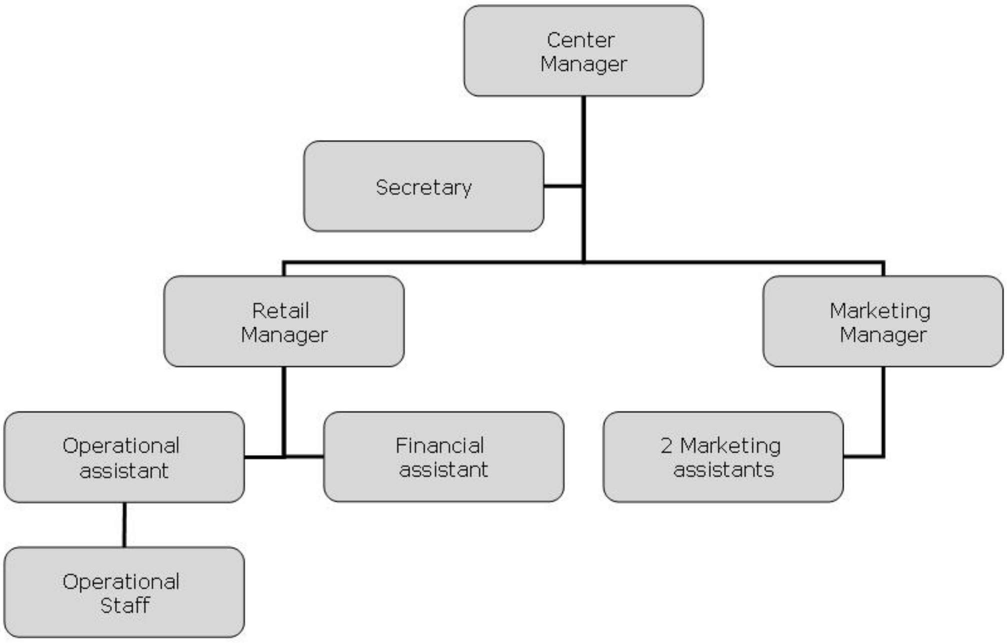


Figure 45: Organisation structure Bataviastad

Marketing management

By looking at the amount of space in the Dutch retail market, people would expect a very competitive market with a lot of marketing to attract customers to a shopping center. This is actually not the case and Bataviastad is an exception to this perception. Bataviastad understands its competitive advantages and uses this in its marketing strategy. Before 2006 Bataviastad used to promote with price reduction and discount, just like every other shopping area in the Netherlands. It was no longer unique, because cities had/have sales almost the entire year round. The new management took a new strategic direction by promoting the premium brands as a unique advantage of Bataviastad. People were familiar with these brands from commercials, sporting events and celebrities. Bataviastad used the perception, the association and the emotional value that people had with these brands in their marketing strategy: *'Bataviastad, built on premium brands'*. The target group in this marketing strategy are people who primarily shop for premium brands, figure 46. The competitive advantages of Bataviastad are now the combination of premium brands, low prices and the safe and comfortable environment. This shopping experience motivates customers to drive more than 60 minutes. The management of Bataviastad understands that the attractiveness of the outlet center depends heavily on the tenant/brand mix, because every brand/tenant has its own target group. The target groups of different brands have to match to create a desirable shopping environment. This is the difficult task of the retail management team (Boomsma, G., 2007 p.6-9).

Figure 46: Marketing campaign Bataviastad

The main target group for marketing are female brand-shoppers between the age of 25 and 40. Cohen (2003, p.281) claims women are the major shoppers of the family. Women enjoy big parking spaces, well-controlled 'public space' and comfortable/safe environments. The women shop for and with the entire family. In approaching this target group, the marketing team organizes events for every family member from men and women to teenagers and boys and girls. The outlet center often organizes events, such as fashion shows, free haircuts and 'pimp my daddy' through the year. The marketing campaigns are advertised in national and regional papers, on billboards, on radio and television.

Retail management

Bataviastad is also exceptional at auditing tenants on their sales and using a percentage of turnover rent. The leasing agreements are reasonable similar to those elsewhere in the Netherlands, see table 22. The shared sales information provides the management with more benchmarks than a normal management organisation in the Netherlands. The benchmarks are at the same level as the benchmarks in Portugal and Poland, table 38. This is used to make day-to-day analyses of the performance of the retailers. The retail management applies this information to adjust the tenant mix actively, although the Dutch leasing law makes this difficult.

Leasing Terms Bataviastad

	Break Clause	Term in years	Option for prolongation
Anchors	Tenant Option	10	Automatically for the tenant + 5 years
MSU	Tenant Option	5	Automatically for the tenant + 5 years
Units	Tenant Option	5	Automatically for the tenant + 5 years

Source: ICSC, 2007 p.83

Table 38: Leasing terms Bataviastad

The auditing and extra benchmarks are mainly implemented for the tenants. The tenants are often organized in a pyramidal hierarchy of store and regional manager. Retail management audits the stores for the benefits the brands and make sure the shop is performing. If needed, the management can assist the tenants with retail or commercial experience. Take for example the retail management; it notices the turnover of a tenant is lower than its main competitors in the shopping center during a certain period. The retail management will contact the retailer to find out what the problem is and assist the tenant with advice. The retail management often has more information on consumer trends through consumer opinion repports or market analyses from consultants. The advice to the tenant may vary from a different shop layout to a change in stock. The technical services of the management are done by the operational staff which consist of external security guards, janitorial personnel and landscaping crew.

Rent & resources

Bataviastad is one of the first developments in the Netherlands where the tenants pay a base rent in combination with turnover rent. The base rent is collected monthly and the turnover rent is calculated annually. This is possible because Bataviastad is a factory outlet center. The developers Foruminvest and Stable International signed the leases with the manufactorors of brands. The manufactorers already had experience with turnover rent in other countries and liked the idea of a supporting management team at the shopping center. The retail manager claims (interview P. Jansen, 13-08-2008) base rent with a percentage turnover rent does not have any disadvantages in comparison to a fixed rent. It creates a synergy between retailers, the investor and the management through the incentive. Everybody profits from a high turnover. The owner and the retailers both support the marketing strategy financially. The owner is willing to do this, because of the incentive of the turnover rent. The retail manager claims there is a significant relation between the marketing campaigns and the sales figures. The marketing campaigns are regional and national and are needed to keep the customers motivated to come to Bataviastad. The management of

Rent level, Service charge & Marketing budget (€ / m2 / year)

	the Netherlands	Bataviastad
Rent level	60 - 350	300
Service charge	12 - 36	72
Marketing budget	2.5 - 12	12 - 24

Source: Own estimation&ING Real estate (2007) Retail Brochure November 2007, The Hague

Table 39: rent level, Service charge & marketing budget

Bataviastad has a policy not to publicise any figures. The figures shown in table 39 are an estimation of the service charges and marketing budget and based on the figures of Portugal considering the amount of staff, services and marketing Bataviastad provides. The rent level of €

300 m2/year[6] is also an estimation based on the rent level of the main competitor Rosada Factory Outlet Center.

Remuneration

The management of Bataviastad is remunerated with a fixed amount paid by the tenants. Normally the owner in the Netherlands pays this. The management also profits from good performance of the center, predominantly concerning staff, because the organization works directly for the investor.

[6] ING Real estate (2007) Retail Brochure November 2007, The Hague

8.3 Case: Zlote Tarasy (PL)

In the period of 2003-2007 the Polish economy grew with an average of 5.0% a year and the prospects were that could continue to grow with this average. The declining unemployment rate and the growing service sector as employer are also positive economical signs even though the GDP (PPP) per capital of €10,921 remained at a low level compared to the rest of Europe which was at €21,641 in 2007. What really attracts foreign investors to Poland is the relatively large young population of 38 million people and it's location in the middle of the northern and eastern European markets. The growing mobility stimulates the developments of shopping centers and visiting shopping centers has grown to be one of the most popular things to do to pass the time (Chapter 6). Since the nineties there has been a period of extremely dynamic retail developments in Poland. The local authorities control the developments with Local Zoning Plans, but are often willing to act on the demand of developers, international retailers and investors. Also tenants and owners have no statutory right by Polish law to renew or break up a lease. In the large cities the competition between the shopping centers is strong approaching 500 m2 per 1,000 inhabitants in 2007. The services of the shopping center management are done at a professional level as a lot of European investing developers brings their standard practices in the market.

Location

The shopping center Zlote Tarasy holds 64,000m2 and is located in the city centre of Warsaw, figure 48. In 2006 the population of the city was 1,697,600 and when including the metropolitan area it reached a total of 3.35 million, table 40. Warsaw, the capital city of Poland, is seen as the major gateway to Eastern Europe as it supports the regional function of trans-national corporations as well as access to the large Polish market. Since 1990 a major transformation has taken place with large-scale office and retail developments in the city centre as well as at out of town locations. Warsaw produces 12% of the national income, the unemployment is 3.4% and the GDP (PPP) per capital of €15,000 is €4,079 higher than the national level. The economic success of the city has the combination of competitive and complementary action within and across national boundaries to thank. The potential of Warsaw to become a regional financial centre is the city´s most important trump to attract foreign companies.

Comparison Macro and meso level Poland - Warsaw

	Poland	Warsaw
Total Population	38.116.000	1.697.600
Density (inhabitants per km2)	123	3.284
GDP (PPP) per capital (euro)	10.921	15.000
Produces National income	100%	12%
Unemployment	9,8%	3,4%
Divisions	16 provinces	11 districts
Retail space (m2)*	5.031.312	1.154.368
Retail space in % of total	100,0%	22,9%
m2 per 1,000 inhabitants	132	680
Average rent level (€ /m2/ year)	240	960
Vacancy	1,00%	2,95%
Retail space pipeline	2.000.000	110.000

Source: Ministry of National Education 2007, p.640-641 & DTZ research, Retail Market update Poland, 2007

Table 40: Comparison Poand - Warsaw

The physical built environment property markets play a central role in this process. The city stimulated this with a positive and flexible image in terms of new developments to boost confidence, maintain and expand investments. Polish cities each have their own planning divisions.

There has been a shift of political and economic power from central to local government as a reaction to the centralized social system taking place just before 1989. The decentralization divided the city of Warsaw in 11 communes/districts. Each commune was independent and had its own urban administration and management functions. The decentralization led in many cases to confusion, conflicts and contested areas of authority, responsibility and competence. A new master plan for Warsaw was introduced in 2002 and has an institutional structure for urban management. Warsaw has the largest amount of modern retail space in Poland with 680 m2 per 1,000 inhabitants. This is much more than the average in Poland of 132 m2 per 1,000 inhabitants. The vacancy rate of 2,95% and the average rent level of €960 per m2/year are the highest in the country. Warsaw also has other specific advantages for property development. It has open spaces for redevelopment and there is the lack of conservation and development regulations. This is the result of missing a real historic core and the high level of war damage in comparison to Budapest and Prague. The high quality of the workforce and its relative low cost are another positive point. On the negative side in addition to image, the high cost/short supply of good housing, a lack of adequate planning at the city level and problems with land restitution and ownership in the centre of the city are seen as major deterrents to future investment activity (Keivani, 2002 p.183-193).

Visibility

These deterrents did not stop ING Real estate from taking the first step in building Zlote Tarasy in the centre of the city. It is located next to the landmark 'the Palace of culture&science' which has a length of 237 metres (figure 48) and close to national and municipal institutes. Zlote Tarasy was and remains a real prestigious project for the developer to establish an image in Poland and Europe. ING Real Estate claims (interview B. Kruit 21-08-2008) to have set the tone for the quality of future developments. It gained a reputation by overcoming the deterrents and creating a network of brokerage and other business relationships for future deals. Figure 47 shows a large imposing building with a distinctive structure to achieve visibility. The glass roof structure and the name Zlote Tarasy are integral parts of the identity, figure 47. It is a real form of marketing and communication to stimulate impulsive shopping trips and purchases. In 2006 the shopping center won the MAPIC Plaza Retail Future Project Awards.

Figure 47: Visibility Zlote Tarsy

Accessibility

Warsaw was heavily damaged during World War II. This explains the absence of a real historical core, the open structure of the city with open spaces and the large avenues. Every citizen can reach Zlote Tarasy in 20 minutes by car and they need not be concerned with parking, there are 1,600 parking places. Warsaw also has a good metro system parallel to the river on the city center side. There is a lack of public transport between the two riversides. Zlote Tarasy is situated between Złota Street, Emilia Plater Street, the Central Railway Station, and Jana Pawła II Ave. It is easily accessible by any public transport method with the Central bus and train station next to it and a metro station close by as can be seen in figure 47. Guests and tourists coming from the international airport are able to reach Zlote Tarasy in approx. 20 minutes. Zlote Tarasy is situated next to the Palace of culture&science, close to the original high streets and the business district with its international offices and hotels.

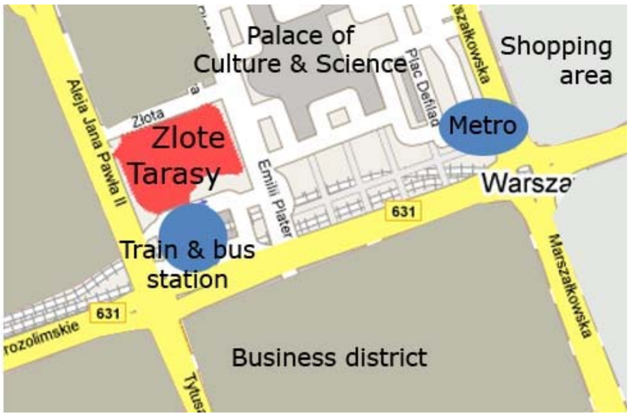


Figure 48: Location (left) and accessibility (right) Zlote Tarasy

Catchment area

Zlote Tarasy has an international image and is well known for its architecture. It attracted 13.3 million visitors in 2007. The figures comparing numers of local customers, foreigners and customers of other regions are not known. Warsaw is a large city with 1.69 million people and 3.35 million living in the metropolitan area in 2007. As the capital city, and the gateway to Central and Eastern Europe, the city attracts a great deal of (inter)national business people and tourists. Disappointingly there are also no figures available for these statistics. Figure 49 illustrates the catchment area of Zlote Tarasy is 1.6 million people in a 15 minute drive (www.retail-platform.nl, 20-08-2008).

Figure 49: Catchment area & competition

The GDP (PP) per capital of €15,000 in Warsaw is much higher than the average in Poland. The catchment of Zlote Tarsay contains almost the entire population of Warsaw. The average purchasing power of the people in Warsaw is 137, if the purchasing power of Poland is 100. If the average of Europe lies at 100, Warsaw has a purchasing power of 69. There is no information available on the purchasing power of other visitors.

Competition

Warsaw is one of the most competitive retail markets in Poland. In figure 49 of the catchment area the locations of most other competitors in Warsaw is visualised. It has the highest vacancy rate at 2.95% and the largest amount of retail space per 1,000 inhabitants of 680m2 compared to the rest of Poland. There were 9 shopping centers created with a GLA>50,000m2 in and near the center of Warsaw in the period of 1999-2007. The shopping centers are located close together, as is illustrated in 40 depicting the distance between Zlote Tarasy and its four largest competitors.

Competition

Shopping center	Opening	Size (sqm)	Shops	Distance(km)	Anchor Tenants	Parking spaces
Arkadia	2004	110,000	209	3.3	Carrefour, Lerroy Merlin, Satrun, intersport, H&M, C&A, ZARA	4,000
Blue City	2004	59,000	162	5.5	Cinema, no information of other tenants	3,000
Galeria Mokotow	2000	59,000	255	5.6	Carrefour, Peek & cloppenburg, Calvin Klein, Adidas, H&M, ZARA	2,600
Reduta Shopping Center	1999	87,000	116	4.9	Carrefour, Peek & cloppenburg, Mango, H&M	2,000

Source: websites of the shopping centers (18-09-2008)

Table 41: Competition Zlote Tarasy

The shopping centers all are trying to attract consumers with appealing architecture, good accessibility and strong marketing campaigns including several events. The tenant mixes of the shopping centers show many similarities, especially when comparing the anchor tenants. All competitors have a Carrefour hypermarket and H&M[7] as an anchor tenants. The other anchor tenants are international retailers such as C&A and ZARA.

The premises

The ING Group was already active in Poland for a while with banking, insurance and retirement services when ING Real Estate Development developed Zlote Tarasy. The development was a Joint venture with the urban management of district Warszawa-Śródmieście, who supplied the land. ING Real Estate provided the knowledge, capital and tenants. ING Real Estate Investment owns Zlote Tarasy for 50%. The co-investor owning the other half is Unibail-Rodamco. Unibail-Rodamco also is the owner of the competing shopping center Galeria Mokotow, which is more of a neighbourhood center of 59,000m2 (interview H. Vermeeren, 19-08-2008). Unibail-Rodamco is responsibile for the shopping center management in Zlote Tarasy. Zlote Tarasy opened its doors in 2007 as a Multifunctional development with retail, entertainment, services and offices. Złote Tarasy is open seven days a week, from 10 a.m. to 10 p.m. Although uncommon in Poland, Zlote Tarasy is open on Sundays from 10 a.m. to 8 p.m. Zlote Tarasy creates a safe and comfortable environment where business can meet leisure and shopping in the city center.

Physical quality

The translation of Zlote Tarasy to English is 'in Golden Terraces' and it refers to the street and the architecture. Figures 50, 51 provide some illustrations of the architecture. The cascading terraces cover two plazas – an internal plaza with fountains and an external one, surrounded by restaurants. Alleys and passages with stores and a main avenue for pedestrians leading from the

[7] 9 H&M's are located in Warsaw

railways station to Złota Street create a very urban atmosphere for the interior of Złote Tarasy. Sandstones, granites and many greenery and water elements create an internal environment that is close to nature. All of this is contained under a folding glass roof, with over a hectare in surface area (www.zlotetarasy.com, 08-08-2008). The architect Jerde Partnership describes the ideal behind the building on www.jerde.com (18-08-2008): *The Jerde Partnership was asked to create a mixed-use project that would bring life back to the city center. Inspired by the historic parks that were saved from wartime destruction, Jerde organized Zlote Tarasy around an ensemble of terraces and a central plaza with an undulating glass roof that recalls tree canopies crowning the city's parks. The innovative roof simulates a draping cloth to translate the natural processes of gravity, wind and water into a complex, yet elegant, spatial surface above the plaza. The terraced retail and entertainment levels rise into upper-level office towers, while culminating below in a lively park built just below-grade, making it easily accessible from the adjacent Warszawa Centralna train station and existing pedestrian tunnels. To reconnect the urban fabric, Jerde designed Zlote Tarasy with a pedestrian network that links the train station with the historic city center, as well as additional entrances that restore the urban grid lost during the war.*

Figure 50: Architecture Zlote Tarasy 1

Characteristics

Type of centre:
Multifunctional urban entertainment center
Opening: 2007
Number of shops: 217
Gross Lettable Area: 64,000m2
Office space: 24,000m2
Parking space: 1,600
Number of customers annually: 13.3 million
Open seven days a week, from 10:00 to 22:00 (10:00 to 20:00 on Sundays).

Figure 51: Architecture Zlote Tarasy 2

Configuration

Zlote Tarasy is a multifunctional development with two modern office buildings and an urban entertainment shopping center with three separate entrances (arrows) on floor 0, figure 52. The configuration of the center is a cluster and the consumers circulate through the center. The anchors, the tenants depicted in red, are located at the corners to create traffic between the shops. The anchor tenant on floor –1 is the supermarket Albert Hein. There is a large cinema with 8 screens and 2560 seats on the third floor, shown in figure 52 in the colour pink. The tenants that fill the non-anchor leasable space are given in the colour black and the common areas are grey.

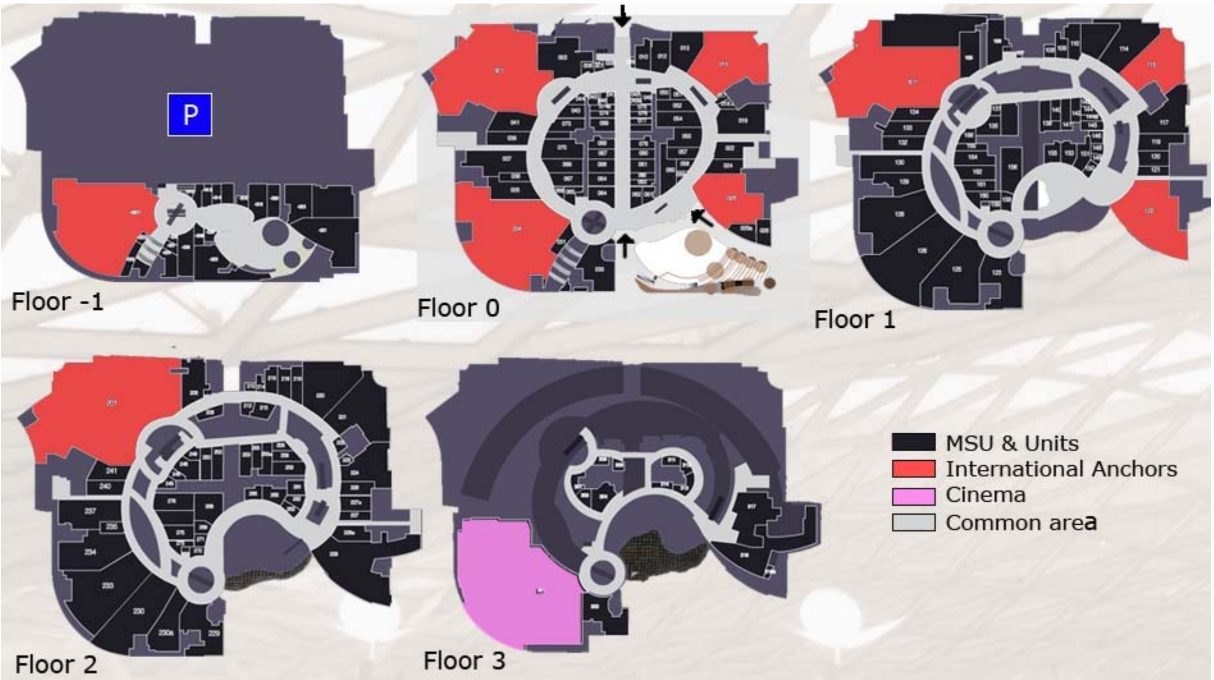


Figure 52: Configuration Zlote Tarasy

Tenant mix

Zlote Tarasy contains of 217 shops and tenants who rent office space. Zlote Tarasy does not have a hypermarket, as its competitors, but an Albert Supermarket as an anchor tenant for the daily groceries.

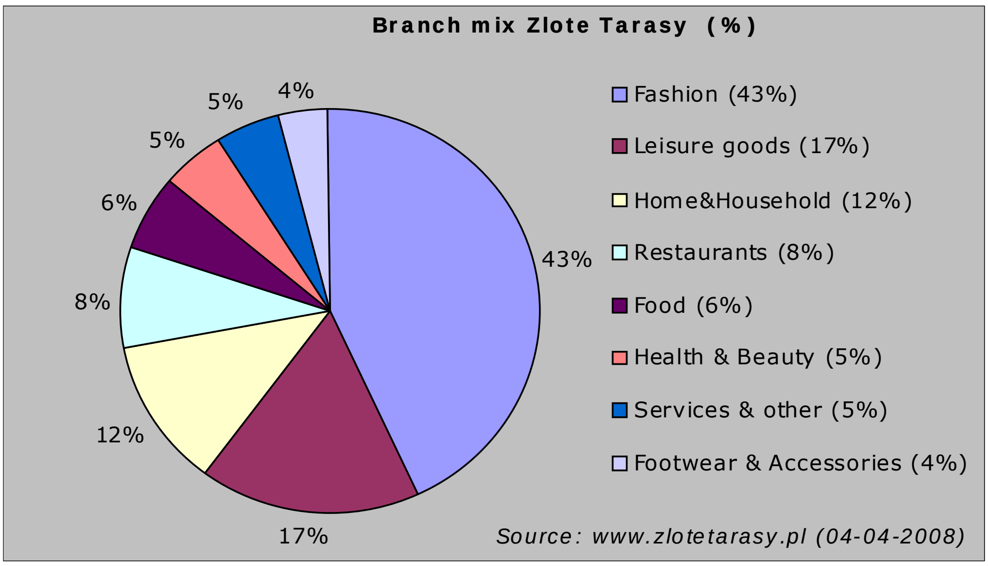


Figure 53: Branch mix Zlote Tarasy

The branch mix corresponds with the standard brand mix of shopping centers in Europe, figure 53. The main branch is fashion at 43% and includes anchor tenants van Graaf, Marks&Spencer, H&M, ZARA, Saturn, Royal Collection, intersport and Flo. The branch Household is represented by 12.0% which is quite large compared to the European standard, but there are less shops in the branch Services & other. The large cinema, a music club, a fitness club and a Hardrock café in the basement supply the center of entertainment. A food court is situated on floor 1 and on floor 3 with international restaurants, such as Subway and Burger King.

Service

The services that are provided in Zlote Tarsay are listed in table 42. The general practice of shopping center management has developed quickly in Poland. The marketing, commercial, financial, technical and legal services are of a high quality, as there is a competitive retail environment. The management team of Zlote Tarasy understands this competitive environment and provides almost the same services save a few financial and legal services.

Services

		PL	Zlote Tarasy
Marketing	Events	V	V
	Customer service	V	V
	Community relations	V	V
	Public relations	V	V
	Promotion campaign	V	V
	Social responsibility	V	V
	Market analyses survey	V	V
	Consumer opinion report	V	V
	Marketing reports	V	V
Commercial	Releasing	V	V
	Renewal contracts	V	V
	Temporary letting	V	V
	Tenant mix analysis	V	V
Technical	Insurance	V	-
	Maintenance	V	V
	Hygiene and comfort	V	V
	Surveillance and security	V	V
	Gardening	V	V
	Technical and constructional advice	-	-
	Service providers management	V	V
	Waste disposal	V	V
	Operational report	V	V
Financial	Income control	V	V
	Shop's audit	V	V
	Effort index/shop performance	V	V
	Sales information	V	V
	Financial reports	V	V
	Invoicing	V	V
	Bookkeeping	V	V
	Landlord bookkeeping	V	-
	Tax advisory	V	-
	VAT-declaration	V	-
	Debtors balance	V	-
Legal	Legal support	V	-
	Contracts	V	-
	Litigation services	V	-
Other	………….		
	………….		

Source: Interview J. Stupkiewicz 11-03-2008

Table 42: Services Zlote Tarasy

Organisation

The management of Zlote Tarasy is organised by Unibail-Rodamco. Unibail-Rodamco is one of the largest investing developers in Europe and aims to set industry standards for the management of shopping center assets so that the value will be enhanced, see appendix I Strategy – Unibail-Rodamco. Unibail-Rodamco refers to shopping center management as retail management. The word retail management already tells a great deal about what Unibail-Rodamco thinks the services of shopping center management should provide; *'These range from tenant liaison, branch mix, marketing and increasingly important security through to the more mundane, though crucial factors of down-to-earth property managment such as cleaning'.* In Zlote Tarasy the organization consists of the following staff (figure 54): 2 Secretaries, a Center manager, Marketing manager, Leasing managers, an Operational manager, Operational assistant and an operational staff of Sodexo and 32 Security guards (24h divided in 2 shifts). The administration (bookkeeping) is done at the head office.

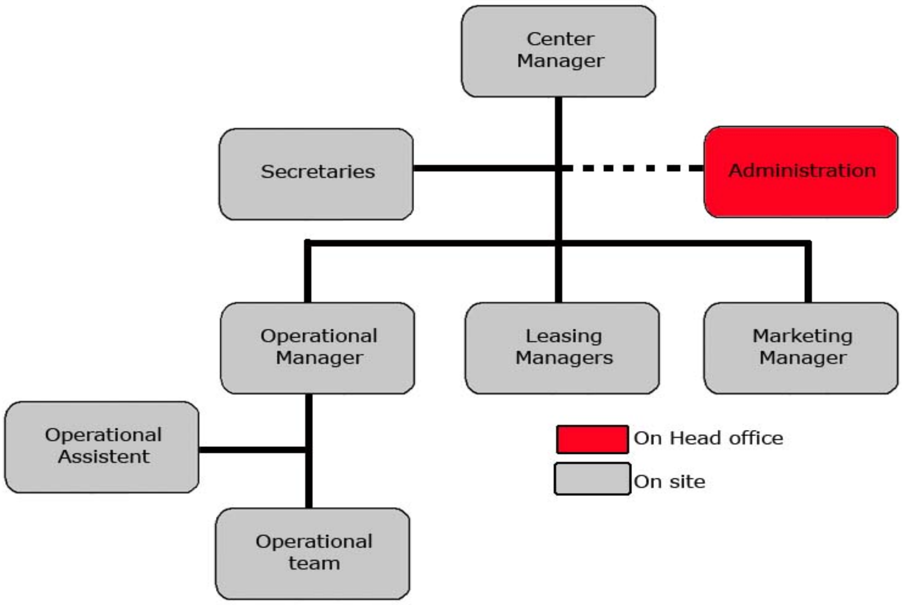


Figure 54: Organisation structure Zlote Tarasy

Goals

The goal of the management is to maintain a dominant position and the attractiveness of shopping centers to ensure growth in rental income and enhance the value.

- Measure the Key Performance Indicators
- Deliver high quality service to our clients
- Gain knowledge of local retail and consumer markets
- Manage every aspect of the shopping center
- Increase turnover/rents

Marketing

Unibail-Rodamco looks at every shopping center is a 'brand'. This starts at the opening, which in the case of Zlote Tarasy, was a spectacular show. This sets the reputation and competitive advantage of the shopping center. Zloty Tarsay stands for international, high quality shopping and entertainment. In Poland the marketing manager generally works at the head office, but Unibail-Rodamco feels that the marketing manager needs to be on site to work together with the tenants association and the center manager to fully understand and maintain the image and the position of the center in the market and community. In the marketing campaign Zlote Tarasy as a whole is the main focus and not the individual tenants or special offers. Other important marketing tasks are the loyalty program and the customer service, which is situated at the front of the main entrance.

The transparent roof and its structure are often used as trademarks and covers the signature of the center, the terraces. The terraces create a central indoor courtyard, which is designed and used for concerts, fashion shows and similar events.

Financial & commercial

The financial administration of Zlote Tarasy is done at the head office, which is common in Poland. It covers all the financial services for multiple shopping centers of Unibail-Rodamco. The administration applies the general Polish benchmarks (table 31) or Key Performance Indicators (KPIs), such as occupancy, sales/square meter ratios, rental income/sales and visitor numbers. The administration has contact with the center manager, marketing manager and the leasing managers. The information of the financial services and market research is used to assist tenants, to adjust the branch/tenant mix to the changing needs of the consumer and to keep a dominant position in the competitive market. The owner nor the tenant has the power to break up a lease, which is set for 5 years for small tenants and 10 years for anchor tenants (table 43). This is a normal procedure in Poland. Only the prolongation option for the anchor tenant is an exception to the general lease in Poland. In Zlote Tarasy the management works primarily with successful retail chains of national and international operators. Unibail-Rodamco works with a Key Retailer Program, initially designed to meet the expansion needs of these retailers and for internal exchange of retailer knowledge and experience (www.rodamco.com, 20-09-2008).

Zlote Tarasy Leasing Terms

	Unit size in m²	Break Clause	Term in years	Option for prolongation
Anchors	»750	-	10	Tenant
MSU	300-750	-	5	-
Units	«300	-	5	-

Source: Interview Janusz Stupkiewicz 11-03-2008

Table 43: Leasing terms Zlote Tarasy

Rent & Resources

The rent of Zlote Tarasy is comprised of a base rent of an average of €1,080 m2/year and a percentage of annual turnover rent (table 44). This combination is generally accepted in the Polish retail market. The average rent in Zlote Tarasy is slightly higher compared to the average rent of €960 m2/year in Warsaw. The unique location next to the central station, the business district and the main touristic attraction of Warsaw 'the Palace of culture & science' might be an explanation for this. Zlote Tarasy is popular among retailers, housing a high occupation rate of 100%. The service charge of €120 m2/year is high. The high energy costs of cooling and heating the common areas and maintenance costs of the transparent roof could be the explanation for this. The owner pays the improvements and large repairs and 25% of the marketing budget. The marketing costs are relatively low, because the marketing manager is only maintaining the brand 'Zlote Tarasy'. The turnover of the center is, according to Unibail-Rodamco Annual Report 2007 was 161 million in 2007 (p.74-75). This is a turnover of € 2,515 per m2 and would mean that 43% of the turnover is meant for the rent. This would be really high, compared to the figures shown in the case of Algarve.

Rent level, Service charge & Marketing budget (€ / m2 / year)

	Poland	Warsaw	Zlote Tarasy
Average Rent level	240	960	1,080*
Service charge	33 - 72	78	120
Marketing budget	5 - 24	36	12
Overall turnover of the complex (€ millions)			161

Source:www.retail-platform.nl/projects/poland/Warsaw_ZloteTarasy.jsp (20-08-2008)&Shopping centre portfolio - 2007 Unibail-Rodamco Annual Report (31-12-2008 p.74-75)
**DTZ research, Retail Market update Poland, 2007 p.2*

Table 44: Rent level, service charge & Marketing budget

Remuneration

The remuneration of Zloty Tarasy is similar to the general practices in Poland. The management would not provide the percentages, because this is classified information. The tenants pay the cost of the management in the service charge. The management of Zlote Tarasy works with financial incentives to create committed management. The management receives fixed incentives and variable incentives of the extra income of the shopping center.

9 Conclusion & Recommendations

The theory and the practice of this research come together in the conclusion and the recommendation. The sub questions will be answered and the findings of the practices in Portugal, the Netherlands and Portugal are compared. The outcome of the conclusions will provide the input to make recommendations about future retail development per country and the role of shopping center management.

9.1 Conclusion

'A combination of local demand and ambitions with international expertise and creativity'[8]

In ten years time the shopping centers industry has become more and more of a financial market. The stable rate of return of long-term investments and the relatively low risks, in comparison to other investment categories, is appealing to investors. The internationalisation and the extension of the market by investors and retailers create opportunities. These investors and retailers are driven by similarities in behavior of consumers, in combination with the relatively low rate of quality shopping areas in Europe and the willingness of municipalities. The vertical integration of real estate businesses connected capital, knowledge and a network of tenants striving for the same goals (find land, create a sustainable shopping center that is appealing to the local consumer, benchmark the financial performance and enhance property value) with overall experience in which the shopping center management had a critical contribution (Interview H. Kok, H. Vermeeren & B. Kruit, 2008). This created the need for an integral approach to shopping center management. The influence of the planning policies and the development of the retail market were noticeable in the distinctions made between shopping center management in the comparisons of the practices in Portugal, the Netherlands and Poland. These contextual elements are of great importance in understanding the differences between the main and sub questions, and in ensuring these were answered to satisfaction.

Rent

Shopping centers are valued based upon their multiple cash flow or operating profitability. That is why the rent income is of major importance to the investor and to the management. Generally, in real estate the rental income is a fixed amount, which is reviewed once a year by the CPI. In the integral shopping center management approach, tenants are required to pay a monthly base rent and percentage of turnover rent agreed upon by both parties. This creates an incentive for the investor, who is more involved in the functioning of the shopping center, and will therefore try to better performance in the long run. In shopping centers in Portugal and Poland this is commonly done. In the Netherlands it is more difficult to apply base rent and percentage of turnover rent. Shopping centers mainly work with a fixed rent due to the Dutch regulations and culture. Opportunities may appear, if there is collaboration with international retailers. International retailers have experience with base rent and percentage of turnover rent due to cross border transaction. Both parties must agree upon a construction out of the system, such as the atypical contract in Portugal, which is approved by the courts. Base rent and percentage of turnover rent is

[8] ING Real Estate, B. Kruit, Director Retail Management Europe (21-08-2008)

already incidentally used at airports and factory outlet centers in the Netherlands. In Bataviatastad this resulted in hiring professional management, which brought a higher level of marketing, analysis and evaluation of the shopping center to improve the net operating income.

A remark must be made about the large gap between rent levels of prime and secondary locations of shopping centers in the Netherlands. Due to the demand of retailers and the lack of prime retail locations the rent level rises at prime locations. The district centers at situated at undesirable locations and who are physically unattractive struggle with vacancy and low rent level. The gap between rent levels at prime and secondary locations in Poland and Portugal are much smaller, but the danger of surplus supply is present at both locations.

The lease

The lease, which is commonly used in Poland, corresponds most to the preferences of the lease of the integral shopping center management approach. The lease is the most flexible to work with for the management and flexible lease is a powerful tool to adjust the tenant mix to the demand and the changing needs of the consumer. Leases in Poland generally have no break-up and no prolongation rights for tenants and vary in length between 5 and 10 years. The Portuguese atypical contract also creates more flexibility for the management to change the tenant mix by not granting the tenant with an option for prolongation. The terms of the contract are generally 6 years for smaller tenants and 10-25 years for anchors. Keeping the long term in mind, the anchor tenant is often granted with the right to terminate the contract after a few years. The danger however, that the anchor tenant will leave the center does exist. Such would have a negative effect on the visitor numbers and the sales, and thereby bring the center and the other tenants in danger. The lease in the Netherlands is the least flexible of the three countries, creating little room to change the tenant mix. The Dutch law grants the tenant with a 5-year contract, which is automatically extended by another 5 years. The options of termination for the owner are limited and in favour of the tenant. If a lease is not duly terminated at the end of the current lease term, the lease will be extended for an indefinite period of time. There are possibilities to agree upon a contract not within the boundaries of the system, but this needs the approval of the court that represents the rights of the tenant. The only option is to adapt the lease of the integral shopping center management approach to the Dutch lease.

Services

The integral approach of shopping center management stands for a high level of services. The conclusions are summarized per service category.

Organization

In general there should be no problem having all staff on-site in Portugal, the Netherlands and Poland. This is an important feature of the integral approach because its implementation ensures the management has a good understanding of and creates a good relationship with the local community. It is clear the organizational structure needs to adapt to the location, function and size of the center. When considering the general organizational structure, Portugal corresponds largely with the organizational structure of the integral approach. The general structures of the Netherlands and Poland are often more organized from the head office outwards. In the Netherlands this is the result of the sensitive balance of retail space and small-scaled shopping centers that do not need fulltime management.

Commercial & financial

The commercial and financial services bring a high level of analysis and evaluation of the shopping center with them. These services give the investor the possibility to gain extra property income by stimulating sales and renting the common area to small businesses. In Portugal and Poland this is very common and similar to the integral approach. The commercial service is concerned with the temporary letting of the common areas, assisting tenants and with creating an optimal tenant/branch mix by releasing and signing new tenants. The tenant/merchandise mix is adjusted to the changing needs of the consumer. The consumer trends are detected by the financial service, which is mainly responsible for auditing property income and analyzing performance of the tenants. In the Dutch market these services are not generally appreciated and tenants do not share their sales figures. This makes it difficult for the management to assist the retailers and to adjust the tenant mix on the grounds of performance. Although this is often the case in the Netherlands, there are some exceptions such as Bataviastad. This creates possibilities in the market and with the assistance of international retailers this may change over time. Auditing and regulating the merchandise mix already occurs in the Netherlands on a different level of high street specialists who group together within buying organisations. The buying group creates a harmonious mix of merchandise among the individual retailers in the high street. An example of this is the buying group Intres, who has its own-store network. The question remains; is it really necessary to change the tenant mix as the same retailers are increasingly found across Europe and the tenant mixes become more formulaic (Jones Lange Lasalle, 2008 p.3)?

Marketing

'A place's image is a critical determination of the way citizens and businesses respond to place. Therefore, a place must try to manage its image' (Kotler, 1993 p.141)

This is exactly what marketing tries to achieve. Marketing is a powerful tool which creates a competitive advantage for the integral approach. It manages the image, generating larger visitor numbers and higher sales. In Poland and Portugal, marketing contributes to the competitiveness in the market by organizing all kinds of activities, such as fashion shows in Zlote Tarasy and science events in Forum Algarve. Such events make the shopping center a part of the local community. '*Using retail as an anchor for a community live*' states Jones Lang Lasalle (2008 p.10). In the Netherlands the sensitive commercial balance leads to an almost non-marketing activity, apart from exceptions such as Bataviastad. The will to compete with each other, except on discounts, is not present by the retailers. The owner is also not motivated due to the fact that there is no incentive. If this changes with the possibility of auditing the tenants, marketing could be a useful tool to gain a competitive advantage in the Netherlands.

Technical & legal

The technical service is crucial to the center, but the legal service is not important when creating a competitive advantage. The cleaning, maintenance, security, ect. remains an issue that needs to be attended to. This is the case in Portugal, the Netherlands and Poland. The legal services divert, but are not crucial and can be adjusted to market practices, depending on the legal system of a country.

Resources

Sufficient budgets are needed to supply the integral approach of shopping center management for a given period of time. In the Netherlands the budget with €12-36 m2 m2/year is much lower than the €72-96 m2/year the tenants are willing to pay in Portugal. Also in Poland the service budgets are generally higher with €33-72 m2/year. Thereby taking into account the wages in the Netherlands are higher and the budget would not be not sufficient enough to sustain the services and staff which is needed for the integral approach. One way to solve this problem could be that the investor, if willing, would pay for the management from its net rental income. Again, another option is to collaborate with the same international tenants. The budgets in Portugal and Poland are estimated to be sufficient enough to support the management. The integral approach suggests the budgets should be split equally among the tenants, although this is generally not done in Poland and Portugal. It is common in all three countries that the owner of the shopping center is willing to pay 25-50% of the marketing budget.

Remuneration

In the remuneration, the same problems occur as those present in the resources of the shopping centers in the Netherlands. Following the Dutch system is not adequate enough to support the total management staff of the integral approach. The investor pays a fixed amount directly to the management from its net rental income without incentives to create committed management. In Poland and Portugal fixed and variable remuneration are more common and easily applicable in the market. Tenants pay the fixed management costs and the owner acquires variable remunerations similar to the integral approach.

Integral approach

The general approach of shopping center management in Portugal and Poland showed a lot of similarities with the integral approach and it could easily be implicated in these markets. The integral management approach may even become a part of the 'winning' formula known in the tenant mix and the anchors across Europe. It could build upon the competitive advantage through marketing and analysing the performance of the center (Jones Lang Lassale, 2008, p.3). It must be noted that if this were the case, shopping centers would become even more alike, despite the fact that the developers are trying to create a unique identity that completes the social and shopping experience. The integral approach of shopping center management could give a shopping center in the Netherlands a good competitive advantage with marketing and an appealing tenant mix, supplying the changing needs of the consumer. Unfortunately this is more difficult than expected in an open society such as the Netherlands. The retail structure, with its strict regulations, conservative culture and the sensitive balance between retailers and retail areas, creates many boundaries to make the integral approach applicable and profitable.

9.2 Recommendations

The integral shopping center management approach, similar to the shopping centers themselves does not fit all shopping centers in Portugal, Poland and the Netherlands. However, a great deal can be learned from past developments. It shows shopping center management can transcend in the three markets and with the distinctiveness of the local demand an advice can be provided to investing developers to integrate the shopping center management approach in future developments in Portugal, the Netherlands and Poland.

Portugal

In 1989 Portugal became a member of the European Union and a lot of companies were privatised. This stimulated the economy and attracted foreign direct investment and international retailers. At the same time the first shopping centers started to appear due to opportunities that were provided by the liberal planning policies. The shopping center concepts that started to appear were mainly based on experience in other Western European countries and combined with local preferences. The concept started with the hypermarket combined with shopping centers and evolved in to entertainment and regional centers.

Alongside these developments the institutional investors have brought a higher level of analysis and evaluation of shopping centers. This became possible through an atypical contract, which was created in the 1990s by developers, and is based on the concept that the shopping center is an establishment in its own right where tenants are participating in an integrated retail environment and are obligated to share sales figures, pay a base rent with a percentage turnover rent and have no prolongation rights.

In 2004 new legislation came into force, whereby the threshold had been tightened in terms of retail licences and the concentration of the developments is shifting to secondary cities as large cities, such as Lisbon, have a surplus supply. The opportunities for new developments are mainly neighbourhood/community center and redevelopment of city centers and the old shopping centers.

Neighbourhood/community centers

The average GLA of 198 m2 per 1,000 inhabitants in Portugal is reasonably close to the average of Europe with 200 m2 per 1,000 inhabitants and developers are moving their activities to smaller cities that have not yet reached this level. These cities offer opportunities for shopping centers, such as neighbourhood or community centers depending on the catchment area. In size these shopping centers may vary between 10,000 – 50,000 m2 (GLA) and have 2 or more anchor tenants. Originally these tenants are often supermarkets, hypermarkets, drug store and home improvement stores to provide daily groceries. The expectations are that fashion anchors, such as a C&A, and restaurants will also take a more dominant position in these smaller schemes as shopping centers are a place were people are socially active in Portugal. The center manangement will apply the atypical contracts of 6 years with base rent (€180 - 420 m2/year) and among 5.0 – 7.5% of turnover rent. The linked remuneration will ensure the commitment of the management and the investor in the shopping center. The shopping center management is based on the integral approach with less staff, because these shopping centers are smaller. Some tasks can be done by one staff member or can be coordinate from head quarters, if the investor holds multiple smaller centers, to lower the service cost (€36 - 72 m2/year) for the tenants. A well considered marketing plan should set an image during development of the center that can easily be maintained with a small marketing budget (€6 -12 m2/year) during the operational stage.

Modernizing shopping centers

The first generation shopping centers entered the market in Portugal in the beginning of the 90's. During the past period the industry continued to evolve and some of these shopping centers may need to modernize the physical, functional and commercial qualities. In this redevelopment process the base rent (€180 - 420 m2/year) with a percentage of the turnover rent can be crucial for an investment decision, because the investor can profit directly with an increase of its rental income. The advantage of redeveloping/modernizing a shopping center is the existing consumer base. This can be used as a starting point for a comprehensive market research to determine a new marketing strategy, a new design and an improvement in the tenant mix to eventually attract more consumers. Depending on the existing service and the marketing budget the integral management approach can be made applicable to the current situation and is upgraded when the tenants need to release their space.

Urban Regeneration

The redevelopment of inner cities is a trend seen across Europe, such as in the Netherlands. The expectations are this will also happen in Portugal, as the high streets lost a lot of visitors to out-of-town shopping centers. The inner cities are generally unique locations with a lot of qualities, such as cultural and historical value, which can be used as a competitive advantage. Urban regeneration project often contain multifunctional developments with retail as a key element in creating a rounded lifestyle concept. The complexity with urban redevelopment is the multiple landownership and the different interests of the stakeholders, who need to work together for a long period. An investing developer needs to gain strategic property/land positions, often-smaller plots, in the inner city to play a part in the urban development. The goal of the investing developer will be to extent and upgrade the amount of retail space to gain a higher return and make the location attractive for international (fashion) retailers. In an atypical contract a lower base rent, estimated between €200 - 500 m2/year with 8.0 % of turnover rent can be useful during the start of the project to convince these tenants to start up a business on these locations. This can changes once the inner city matures and a part of the value of the previous year's turnover rent can be incorporated into next year's base rent. These urban redevelopments are difficult to classify in a type of center, in size or the number of anchor tenants. The catchments area usually contains a high density of inhabitants and tourist, but also more competition.

The design of the management organization in the inner city development asks for a different approach than a shopping center, because it generally holds fewer shops and it is part of a larger urban development with different kind of properties. A good relationship with other property owners, tenant association and the municipality is more essential, because of the external factors the property management cannot control. In this case the quality of a (anchor) tenant or the architecture may be of greater importance than the commercial quality to the property. The property is usually not an enclosed comfortable environment and could be connected with other functions, which need to be accessible 24 hours a day. The marketing strategy may be an alliance with other stakeholders to promote the city or the shopping area as a whole. The commercial and financial tasks of the management will also be more complex if the data only encloses the shops on the property and the performances cannot be compared to other shops in the branch on the same location. A decision need to be made by the investor if a management team on site in the inner cities location is worth the effort, because the control of the total concept of the shopping area, marketing and branch mix is limited.

The Netherlands

The Netherlands is a high-density country with 395 inhabitants per km2. The economy is relatively stable and it is one of the founding countries of the European Union in 1959. The retail structure, with 291 m2 of retail space per 1,000 inhabitants, is based on the high streets of 18th century and the neighbourhood centers, which were realized during strong social changes and economical growth in the 60's. This structure creates a sensitive commercial balance between retail areas, which is protected by government with strict planning regulations. This resulted in lively town centers, but also in the absence of large out-of-town developments and a lack of prime retail locations. The lack of prime retail locations and the demand of retailers create a large gap between the rent on prime and secondary locations, such as in Amsterdam with a prime rent of €2,200 per m2 a year and the average shopping center rent of €205 per m2 a year.

The retail developments also influenced the organization of the shopping center management, which are mainly small in scale and are focused on the facilitating/technical aspects of the property. This may as well be influenced by the historical and dominant position of the Dutch retailer in the market. The retailers often have stores in every town on strategic locations and their own marketing activities. Tenants are also well protected by the Dutch leasing law through a 5 plus 5-year leasing period and termination options. The tenants are often used to paying a base rent and not sharing the sales figures, which makes assistants of the management difficult.

Since the 90's the main retail developments are on regulated PDV locations and multifunctional redevelopments and extensions in the inner cities of large urban areas. Currently the demand of the investors and retailers is shifting to peripheral locations and prime locations in smaller cities. This demand may also provide opportunity for new out-of-town retail development in combination with leisure schemes.

Smaller cities

The shift in demand to smaller cities offers prospects for new retail developments. The high streets have historically a strong position in the Dutch retail landscape. The powerful combination of culture, leisure and retail is attractive to the consumers. These kinds of retail developments are often part of a master plan to upgrade the inner cities and contain a mixture of functions and the cooperation of multiple stakeholders with different interests. An investing developer can share risks and create a competitive advantage during these developments by taking a strategic partner, such as a larger retailer, a property owner or the municipality. The main goals should be to upgrade the design and add extra retail space to increase the ambience of the shopping environment and thereby increasing the rental income, which is estimated between €60 - 350m2/year. The implementation of the shopping center management approach in these smaller city centers may only be attractive if the investing developer is capable to gain a property of at least 20,000m2 GLA with cooperative tenants, who are willing to pay more service cost than the general €12 - 36 m2/year and a percentage of turnover rent. The implementation in smaller developments will be difficult, because of the multiple functions in the development and the dominant position of the Dutch retailers. In this case there may be possibility to prolong the cooperation and the synergy between the tenant association, municipality and the investors during the operational stage of the area in the field of marketing and split the costs equally.

Lifestyle/theme center

The high demand on prime retail location by retailers and investors create an opportunity for a lifestyle/theme shopping center in the Netherlands. The investing developer should collaboration with international retailer to convince the governments on all political levels to approve the development outside the strict planning regulations. The developer could also make it a component of a larger urban development with a mixture of functions and phase the development, such as the factory outlet center Bataviastad. The lifestyle/theme center will be an addition to the Dutch retail market and will focus on fashion, dining and entertainment to create social interaction between consumers. The architecture and the brands associated with the retailers will create a sense of identity and is a part of the integral marketing strategy, such as the shopping center Zlote Tarasy. The size of the shopping center will be between 50,000 – 100,000 m2 GLA with 5 or more anchor tenants, such as Zara, H&M, V&D, Bijekorf, Mark&Spencer, Mediamarkt, restaurants and Albert Hein XL. The idea is to work mainly with international brands, which want to extent their position in the Netherlands and have experience with the synergy and commitments in a shopping center. This will also creates opportunities to implement the shopping center management approach to maintain and extent the concept of the shopping center during the operational stage of the premises. These international retailers have more experience with providing sales information and paying higher service (€50 - 72 m2/year) and marketing cost (€12 - 24m2/year) to gain a higher level of marketing and services. In a construction out of the system, with approval of the courts, the owner and the tenants can agree upon a base rent of approximately between €1,000 – 1,500 m2/year with a component of 5.0 - 7.5% turnover rent. The lease will be according to the Dutch law for 5-year lease, which is automatically extended by another 5 years and has termination clauses for the tenant. This may create less room to change the tenant mix, but this is inevitable. The management will exist of a center manager, a marketing manager, a financial manager, a commercial manager, an operational manager and an operational staff. The management cost will be incorporated in the service cost, which is paid by the tenants. The investor pays the variable remunerations.

Poland

Poland has a large population of 38.1 million inhabitants and the prospect is the economy will keep growing with 5% next year. In 1989 the government removed most of the communist regulations and started to privatize state-owned industries. The retail sector played a major role in bringing Poland through a period of transition and into the subsequent period of growth. In the beginning fast-food restaurants brought fashionable stores and give quality service. It did not take long before hypermarkets and out-of-town retail schemes, driven by the demand of investors and retailer, changed the retail landscape in Poland. The larger (urban) shopping center entered the market in the large cities in 2004. These shopping centers are often bases on experiences of Western developers, who have bring contemporary design, such as Zlote Tarasy, to the market.

Similar to Portugal investors and developers applied a high level of shopping center management. The analysis and evaluation of the shopping centers is general practice. The lease, usually 5 – 10 years with no breaking or prolongation options, is an agreement between both parties and has no statutory right by Polish law. The expectations are this will change in the near future and more rights are granted to the tenants. The shopping center often functions as a comfortable environment where people are socially active. Therefore creating and maintaining an identity through design and marketing activities, such as events and fashion shows, is seen as a necessary aim to a developer.

The average retail space of 132 m2 per 1,000 inhabitants in Poland is well below the average of Europe, but in most urban areas there is already a high density of retail space. Developers are now focusing their targets at tertiary Polish cities of more than 50,000 inhabitants.

Regional and community shopping centers

The developers aim on regional and community centers with a size between 30,000 – 100,000 m2 gross leaseble area in these tertiary cities. These shopping centers have 5 or more anchor tenant, such as a hypermarket, C&A, Mark & Spencer and Saturn. Consumer shop here for multiple reasons from daily grocery to general merchandize and fashion. In the overall concept there maybe room for a shop specialized in sport, because these are gaining popularity in Poland. The main difference between the two center is that the catchment area of a regional center is larger, which may bring a larger marking budget to attract consumers from a greater distance. Again, setting a successful concept with the right location, architecture and tenant mix should create an appealing environment to the consumer. The management will be responsible for caring out the concept during the operational stage. The general practice shows many similarities with the integral management approach that can be applied in this concept. The leases will be between 5 – 10 years with no prolongation and breaking options. The base rent will be set among €120 – 360 m2/year with a component of 8.0 % turnover rent. The staff members, consisting of a center manager with assistant, a secretary, a leasing manager, a marketing manager, a financial manager with assistants and an operational manager with staff will manage the property. The management costs should be incorporated in the service charge, which is estimated between €33 - 50 m2/year. The marketing activities have an estimated budget among €6 - 12 m2/year to make regional commercials, organize events and fashion shows.

9.3 Personal reflection

In the beginning of the research it was difficult to understand the problems with transferring a management approach to different countries. During the process the differences shifted from macro to meso level and micro level. The main problem, before starting to find answers, was trying to understand how certain systems work, which stakeholders are important and what kind of circumstances influenced the decision making process in the shopping center industry. This all was needed to understand the role of shopping center management in the industry.

The research has the point of view of shopping center management incorporated in an organization of an investing developer. An interesting addition would be to gain more information about the opinion of the international retailers on the developments in the retail market and on the topic of shopping center management. The research concentrated on the differences between the countries and the differences in management between the shopping center categories is mainly discussed in the cases studies and in the recommendations to the investing developer. It would be interesting to make the management and marketing strategy a part of shopping centers categories and maybe in combination with the formula of the brand mix describe by John Lang Lasalle. The formularization would assist the developer to act quicker on opportunities in the market and adept the concept to the local demand. Of course this might stimulate the strong growth of shopping center even more across Europe, which may already be in need of some academic reflection.

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Glossary

Acre

The acre is a unit of area in a number of different systems, including the imperial and U.S. customary systems. The most commonly used acres today are the international acre and, in the United States, the survey acre. One international acre is equal 4046.8564224 m2.

Brand

A name, symbol or other identifying mark for a seller's goods or services. It is distinct from other sellers.

Category killers

A large retail chain store that is dominant in its product category. This type of store generally offers an extensive selection of merchandise at prices so low that smaller stores cannot compete.

Chain store

One of a number of retail stores under the same ownership and dealing in the same merchandise.

EU 25

Belgium, Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Ireland, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland, Sweden, United Kingdom

Factory outlet concept

The factory outlet concept offers manufacturers of brands the chance of selling their surplus stock with a profit margin. An additional advantage is that outlet shopping gives the manufacturers the ability to keep the distribution in their own hand to keep. Before the existence of outlet shopping the distribution of the surplus stock found another way to the market: The products of the brands were offered at undesirable places against low prices. This had consequences for the sale of new products. Outlet shopping prevents this.

Franchising

Are a range of retail stores which share a brand and central management, usually with standardized business methods and practices for a fee and a percentage of sales or profits. It is called franchising. The "franchisor" authorizes often provides national or international advertising, training, and other support services. This generally requires audited books, and may subject the franchisee or the stores to periodic and surprise spot checks. Failure of such tests typically involves non-renewal or cancellation of franchise rights.

Gross leasable area (GLA)

Gross leasable area (GLA) in the retail development industry is a term applied to shopping malls, lifestyle centers, outlet malls and other retail centers to indicate the amount of floor space available to be rented. Specifically, gross leasable area is defined as the total floor area designed for tenant occupancy and exclusive use, including any basements, mezzanines, or upper floors. It is typically expressed in square metres (although in some places such as the United States and Canada, the square foot is used). It is measured from the center line of joint partitions and from outside wall faces. That is, gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the property owner.

Gross domestic product

The gross domestic product, or GDP, of a country is one of the ways of measuring the size of its economy. GDP is defined as the total market value of all final goods and services produced within a given country in a given period of time (usually a calendar year). It is also considered the sum of value added at every stage of production (the intermediate stages) of all final goods and services produced within a country in a given period of time, and it is given a money value. The most common approach to measuring and understanding GDP is the expenditure method:

GDP = consumption + gross investment + government spending + (exports − imports), or,
GDP = C + I + G + (X-M)

Incentives

In economics, an incentive is any factor (financial or non-financial) that provides a motive for a particular course of action, or counts as a reason for preferring one choice to the alternatives. Since human beings are purposeful creatures, the study of incentive structures is central to the study of all economic activity (both in terms of individual decision-making and in terms of co-operation and competition within a larger institutional structure). Economic analysis, then, of the differences between societies (and between different organizations within a society) largely amounts to characterizing the differences in incentive structures faced by individuals involved in these collective efforts. Eventually, incentives' aim is providing value for money and contributing to organizational success. (Armstrong, Michael (2002). Employee Reward. CIPD House)

Marketing

A social process, which satisfies consumers’ wants. The term includes advertising, distribution and selling of a product or service. It is also concerned with anticipating the customers' future needs and wants, often through market research.

Management

Comprises directing and controlling a group of one or more people or entities for the purpose of coordinating and harmonizing that group towards accomplishing a goal. Management encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources.

Premium brand

A qualty brand which typically costs more than other products in the same category.

Purchasing power parity

A PPP (purchasing power parity) is a price relative which measures the number of units of country B’s currency that are needed in country B to purchase the same quantity of an individual good or service as 1 unit of country A’s currency will purchase in country A.

Reciprocal easement agreement (REA)

REAs have govern both parties' rights, obligations and, often, the specific operating details of a center-such as exterior building signage limitations for the whole center or the number of parking spaces required to support the anchor store, specifically, and, usually, the entire center.

REITs (real estate investment trusts)
REITs are highly specialized entities that offer its investor's special benefits. REITs must distribute 95 percent of earnings to investors annually as dividends, and, as a result, they do not pay the usual corporate taxes. (ICSC,1999)

Shopping center
A group of retail and other commercial establishments that is planned, developed, owned and managed as a single property. On site parking is provided. The center's size and orientation are generally determined by the market characteristics of the trade area served by the center. The two main configurations of shopping center are malls and open-air strip centers (international Counsel of shopping center, 1999 p.5).

Stock of direct foreign investment - abroad
This entry gives the cumulative US dollar value of all investments in foreign countries made directly by residents - primarily companies - of the home country, as of the end of the time period indicated. Direct investment excludes investment through purchase of shares.

Stock of direct foreign investment - at home
This entry gives the cumulative US dollar value of all investments in the home country made directly by residents - primarily companies - of other countries as of the end of the time period indicated. Direct investment excludes investment through purchase of shares.