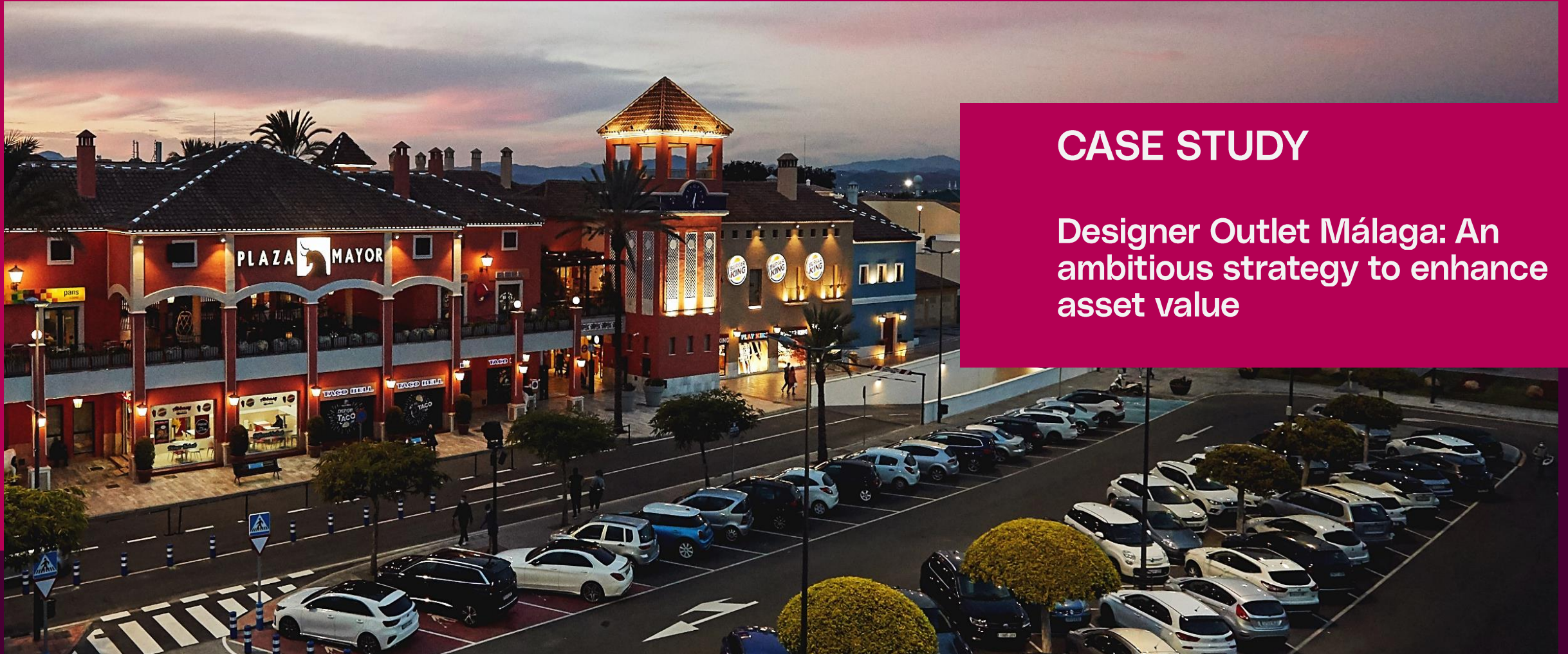


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Greater value



CASE STUDY

Designer Outlet Málaga: An ambitious strategy to enhance asset value

Case Study | Executive Summary

DESIGNER OUTLET MÁLAGA: AN AMBITIOUS STRATEGY TO ENHANCE ASSET VALUE

Maintaining and enhancing the value of an asset sometimes requires an ambitious and complex approach. In Málaga, Spain, Sonae Sierra's development of the McArthurGlen Designer Outlet Málaga and the joining of Plaza Mayor Shopping with Plaza Mayor Parque de Ocio reinforced individual asset value, while creating an even more powerful, combined effect.

Challenge

Plaza Mayor was a shopping destination on a strategically important site near the airport. However, the scheme was held back by an excess of leisure, and was vulnerable to future competition.

Any plans to develop and redevelop the centre and its vicinity would require acquiring buildable rights, a very complex urban planning process; and it would have to expand in such a way as not to cannibalize the existing retail offer.

The subsequent step involved negotiations with one of Europe's leading designer outlet operators to develop and manage a brand-new outlet centre, which would complement and enhance Plaza Mayor in a consistent way.

Solution

Sonae Sierra engaged the main designer outlet operator in Europe, McArthurGlen, to partner on the scheme, and create a long-term venture.

It was also important to develop a repositioning project for Plaza Mayor to ensure full alignment with the newly adjacent outlet. This included a comprehensive refurbishment, the consolidation and expansion of the main fashion anchors and a new and innovative upscale catering offer. The McArthurGlen Designer Outlet Centre Málaga was designed to focus on premium and luxury brands, featuring enhanced architecture, tenant mix and good connections to the existing Plaza Mayor Centre. It opened to the public in Q1 2020, with a unique brand mix proposition in Southern Spain.

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Outcome

Adding the DOC and an expanded and refurbished Plaza Mayor proved to be an important move to reinforce asset value in the long term and leverage the shopping tourism opportunity.

The project underlined Sonae Sierra's expertise in identifying the potential of an asset and in executing the envisaged strategy.

Highlights

- **Design an ambitious strategy to integrate a designer outlet centre with an existing mall**, and securing a leading partner for the project
- **Deploying deep market knowledge** about the site's potential and customer needs
- **Execute a full-scale urban amendment plan** with high level of complexity
- **Creation of a core and prime asset**, mitigating future competition and becoming a top 1 retail destination
- **Leveraging the shopping tourism opportunity** for the entire complex



Abstract

Even the most successful assets require constant attention to ensure they are evolving in the right direction.

In Málaga, Spain, Sonae Sierra embarked on an ambitious project to transform Plaza Mayor into an even more dominant retail destination, fulfilling a range of shopping needs. Following comprehensive research, a strategic plan was underlined to improve the attractiveness of Plaza Mayor and develop a designer outlet centre on an adjacent plot.

Requiring complex negotiations and bureaucratic procedures, this strategy was designed to not only maintain and enhance the value of Plaza Mayor, but also defend the asset's supremacy in the face of future competition.

The approach involved partnering with a top developer and manager of designer outlet centres (McArthurGlen), to ensure that the tenant mix, customer services and merger of the assets would create a remarkable yet easy-to-navigate destination, without cannibalizing each of the centres' business models.



Introduction

Sonae Sierra has been an active player in Spain for more than 20 years, gaining expertise across diverse regions and asset classes. In 2002, the group inaugurated the Plaza Mayor Shopping Centre in the heart of Málaga, on a strategic site near Spain's third busiest airport. This dynamic retail destination offered the right fundamentals for significant growth over time, with its wealthy and populated catchment area and more than 10 million tourists per year.

Since its inauguration, Sonae Sierra has been continuously improving and expanding Plaza Mayor, in order to drive its ongoing success. In 2008, we celebrated another important milestone with the significant expansion of its retail offer, increasing the number of brands and visitors.

Today, Plaza Mayor is one of the prime retail destinations in the Costa del Sol region, with an attractive retail mix, adapted to market trends and current demand. With more than 130 stores, including anchors such as Media Markt, Zara, Mercadona, Yelmo Cinemas and McDonald's, the centre benefits from a great, accessible location, as well as a railway station and the dynamism of Bahia Málaga, a 150,000 square meter commercial hub that also includes key operators such as Ikea, Bricomart and Decathlon.

Despite its ongoing popularity, we anticipated further opportunities to cement the destination's supremacy. In 2018, we opened the refurbished Plaza del Azahar, and in 2019, Patio Gourmet. At that time, we started working on the asset's most ambitious project: the development of an adjacent designer outlet that would connect Plaza Mayor's separate buildings, future proofing the whole complex.



Background

With more than 30 years of experience in developing, investing and managing real estate assets across four different continents, Sonae Sierra is an expert in ensuring that retail destinations can evolve to fit the industry's exciting future.

Maintaining and adding value is an essential part of the services we offer throughout the lifecycle of an asset. As an operator, we understand the potential of the centres under our management and the need to fully up-to-date them with key retail trends. But our competence goes far beyond this. **As a truly integrated retail specialist, we are capable of setting up multidisciplinary teams that are able to design and execute innovative projects on budget and on time.**

For us, real estate management means attracting the best tenants and brands to a retail asset, creating the best shopping experience, assuring operational and safety top performance and pave the way for the future.

In the case of Plaza Mayor, understanding its present success also meant charting a path to reposition the asset to ensure its longevity, and to determine how it could benefit from the addition of an adjacent outlet.

Developments like McArthurGlen Designer Outlet Centre Málaga represent unique challenges, requiring a high level of coordination between the design, construction, financing and leasing teams.



Challenge

While **Plaza Mayor** was a successful shopping destination, it had an area with over 7,000 sqm dedicated to leisure which over time has become less attractive to our customers.

Its supremacy was also potentially challenged by a potential development of a larger scheme in the area.

However, Sonae Sierra realised that **any plans to develop and redevelop the centre would require acquiring buildable rights and change the the use from leisure to retail, a very complex urban planning process given the necessity to change the general plan of the city of Málaga.**

Yet these key permissions would be crucial to engage a leading designer outlets operator to invest in the project, and in turn, focus the scheme towards a premium and luxury outlet, to avoid cannibalising the existing retail offer.

Beyond that, there would be the development challenge itself. **It was necessary to maintain the activity, operation and the objectives of Plaza Mayor in terms of its commercial offer in parallel with the construction works,** despite disruptions such as more limited parking.

On top of the outlet centre development, we also wanted to execute a significant refurbishment and expansion programme for Plaza Mayor, and join its two existing centres, as the parking lot historically represented a barrier between its separate parts. Again, the challenge would be to effect a sizeable transformation without compromising the visitor experience, or lowering the high standards that shoppers had come to expect from Plaza Mayor.



Solution

The solutions for these challenges came in several stages, requiring the collaboration of our expert teams in Investment Management, Property Management, Architecture and Engineering, Sustainability Services, and other departments.

We partnered with the leading outlet operator in Europe, McArthurGlen, and created a long term constructive and trusting venture with Sonae Sierra.

With the arrival of the designer outlet, it was also important to develop a repositioning project for Plaza Mayor to ensure that this centre would fully benefit from the newly adjacent outlet.

Thus, several minor projects were implemented in Plaza Mayor, including the creation of a new, high-end gourmet area next to one of the designer outlet entrances; the refurbishment of an area with historical vacancy to attract important new anchors; and the expansion and consolidation of the main fashion anchors. Finally, we executed a general refurbishment of the existing scheme including new toilets, added several architectural and artistic features, and transformed the car parking facilities.

All these works were carefully planned, and appropriate signage was also added, to ensure that the highest quality standards of customer experience were maintained throughout the construction and refurbishment phase.



Designer Outlet Development

The McArthurGlen Designer Outlet Centre Málaga was designed to focus on premium and luxury brands, featuring enhanced architecture, an outstanding tenant mix and good connections to the existing Plaza Mayor Centre. It opened to the public in Q1 2020, with a unique brand mix proposition in Southern Spain.

For both the development and subsequent operation of the designer outlet it was essential to create a strong partnership with McArthurGlen, that is the property manager of this scheme.

Overall, our experience and ambitious vision allowed us to implement something truly innovative - a properly integrated complex offering full-price retail and designer outlet stores, a very rare combination in Europe.



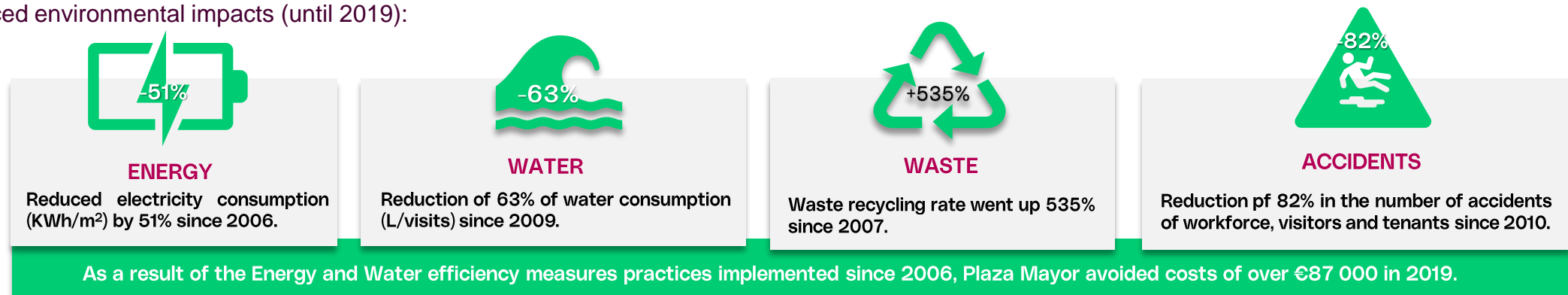
Sustainability aspects

Our Sustainability Services team, which oversaw the certification of Plaza Mayor for ISO 14001 in 2006 and OHSAS 18001 in 2009, also proved vital in managing the environmental aspects of this important expansion. Any increase in an asset's size or success means a surge in energy and water use, as well as the waste produced – raising both costs, and the negative impact on the environment.

In 2020 **Plaza Mayor West Building received a BREEAM IN-Use certification** rating of "Very Good" in Asset Performance (63%) and of "Excellent" in the Building Management (71.9%). The **East Building** achieved a score of "Very Good" in Asset Performance (64.1%) and a rating of "Excellent" in Building Management (73.1%).

Plaza Mayor's Safety, Health and Environmental (SHE) management system ensures that the shopping centre is always at an ideal level of energy and water efficiency, despite any increase or decrease in the asset's performance. Likewise, the system ensures that waste management costs are optimised, and the lowest level of environmental impact is maintained.

Reduced environmental impacts (until 2019):



On an ongoing basis, risk and environmental impact evaluations are performed across all the building areas, and reviewed every three years, or when significant changes occur. An annually-defined communication and participation plan targets internal and external stakeholders, covering everything from potential risks to good practices. A training plan is also established on a yearly basis. Furthermore, tenants and service providers have contractual obligations to comply with several SHE rules.



Conclusion

Experience, insight and competence are essential for maintaining and enhancing retail properties. **Ambitious strategies reward the philosophy of 'who dares, wins' - but only in expert hands.**

Refurbishing Plaza Mayor and adding the McArthurGlen Designer Outlet proved vital both as a proactive and as a defensive strategy.

The designer outlet centre has expanded Plaza Mayor's catchment area to up to 90 minutes, and, as the first of its kind in the South of Spain, improved the attractiveness of all the complex to both locals and tourists. The effect raises the inherent long-term value of Plaza Mayor.

The project once again underlines Sonae Sierra's expertise in identifying the long-term potential of the assets it manages, and its experience and know-how in designing and executing complex strategies.

While the effects of the global pandemic and current business environment are being closely monitored, Sonae Sierra is confident in the robust fundamentals of Plaza Mayor and McArthurGlen Designer Outlet Malaga, and its potential to evolve still further.

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