

Open mind
Greater value



CASE STUDY

Reinventing retail spaces and
creating value through expansions



Case Study | Executive Summary

REINVENTING RETAIL SPACES AND CREATING VALUE THROUGH EXPANSIONS

Highlights

- Expansions are crucial for adding value to a property, in an evolving retail universe of changing tastes, experiential challenges, and crowded catchment areas.
- These projects are especially effective when executed with minimal impact on current operations during works, and can have a transformative effect on footfall, rents and sales afterwards.
- Sonae Sierra is an expert at executing market-leading expansions, deploying professional services that cover a centre's complete lifecycle to deliver stand-out, commercially viable solutions.
- RioSul Shopping and LeiriaShopping evolved from overperforming hypermarkets to vibrant shopping centres, while Plaza Mayor added a shopping centre to the leisure centre built previously.

Solution

- Every centre transformation starts with an analysis of the asset's strengths and weaknesses, plus an examination of the catchment's potential, balanced with the risks of competition.
- An action plan is devised to expand the centre, depending on degrees of wear and tear, customer expectations, catchment potential and leasing opportunities.
- Transformational strategies for the full lifecycle of the asset are applied to enable our clients to seize the opportunities of a stronger real estate asset in the long term.

Key Numbers

>140%

Increase in
tenant sales

245

Additional shops

>80%

Increase in rental
income

€212M

investment

+55,700 m²

Additional GLA

Abstract

As the retail revolution continues to transform the shopping centre industry, savvy retail real estate owners and managers face rapidly evolving challenges and opportunities on the road to success. Today's omnichannel world means that the role of the shopping centre is shifting. Due to changing consumption trends, the experiential aspect has become more significant than ever in the battle to attract and retain footfall. In turn, creating a diverse tenant mix and compelling experiences in well-equipped, vibrant venues now requires a much broader slate of skills – plus the vision to execute timely upgrades.

Sonae Sierra's multidisciplinary team comprises experts in the field of Market Intelligence, Architecture, Engineering, Leasing, Marketing, Licensing and Urban Planning, Sustainability and Property and Asset Management who understand the full lifecycle of a centre. Our know-how in expansions dramatically expands assets of all types and sizes, to deliver immersive, experience-led placemaking.

The rules for connecting brands and consumers have been utterly rewritten by the digital age. Yet timely expansions are crucial to add value to a centre, by repositioning its role in the urban fabric, and reinventing its significance for multi-generational users. From analysing the importance of Food & Beverage (F&B), leisure and the overall tenant mix, to architectural innovation and even incorporation into ambitious mixed-used developments, we believe that the sky really is the limit.

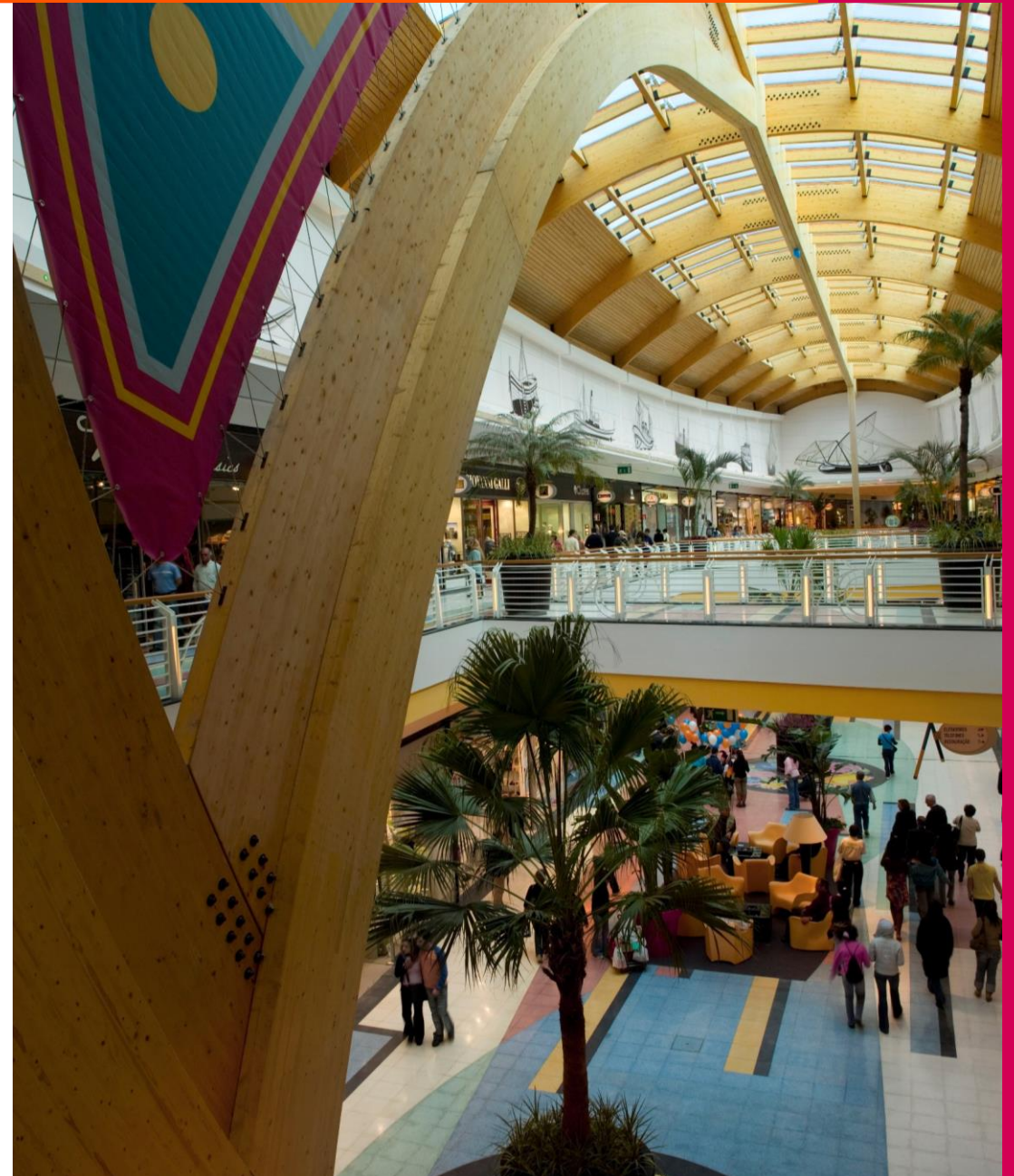


Introduction

After 30 years in the business, innovation is at the heart of everything we do. Our track record in creating amazing places is only matched by our reputation for pioneering change. We have been recognised across the industry for interpreting trends and spearheading a movement that has defined the retail destinations of the future.

Just as in our brand-new developments, our expansion projects balance the bottom line with assiduous market intelligence. Creative problem-solving targets minimum disruption during a centre's transformation, to maintain footfall, rents and sales.

Through the delivery of professional services covering the complete asset lifecycle – from design and execution through to leasing and property management – we enable our clients to seize the opportunities of a stronger real estate asset in the long term.



Challenge

The greatest challenge for a successful expansion programme is creating a commercially viable solution which stands out in a competitive field. Even with a clear vision for what needs to be done, the critical factor remains bringing together the right market know-how and skills in architecture, licencing and urban planning, sustainability, engineering, leasing and property management to deliver this outcome.

All this must be set in a context of an evolving catchment, with the emergence of external rivals – as well as ongoing industry transformation – driving the hunt for innovative and sometimes unique solutions.



Solution

LEIRIASHOPPING, PORTUGAL

LeiriaShopping is the new name for the former Centro Comercial Continente de Leiria, successfully expanded in three phases between 2008 and 2010. Initially comprising a commercial gallery (23,785 m² GLA) with a 9,923 m² hypermarket and 1,142 parking spaces, the site benefited from excellent visibility and access from key highways.

Trading since 1992, the hypermarket had a high penetration rate, serving 70% of the inhabitants in the catchment area and generating an annual traffic of 4.4 million visitors.

One of the driving factors behind the expansion was the lack of modern competition, with the only local retail alternatives including high-street stores and small old-fashioned neighbourhood shopping centres. Furthermore, when compared to similar district capitals, Leiria had a lower ratio of shops per 1,000 inhabitants, creating a good opportunity to absorb consumption. The work was divided into phases to allow the existing units to keep trading, including the well-performing Continente hypermarket.

The expansion included a remodelling of the former gallery, while a brand-new multi-storey carpark completing the transformation. With architecture inspired by the Atlantic Ocean and the Leiria Pine Forest, sources also for building materials, the new centre grew from 23,785 m² to a GLA of 43,419 m². LeiriaShopping proved a catalyst for the local economy, creating 900 jobs and attracting a good balance of local tenants. From 2007 to 2011, with an expansion from 33 to 124 shops, total tenant sales grew 181% after the expansion, while sales per visit rose by 85%, and rental income increased by 455%.

Comparing 2010 with 2012, the shopping centre continued to consolidate its penetration (an increase of 11pp to 86%), average monthly frequency and share of wallet (an increase of 2pp to 3,8%).



Solution

RIOSUL SHOPPING, PORTUGAL

Centro Comercial Continente do Seixal, a sub-regional shopping centre anchored by a Continente supermarket (20,050 m² GLA with 11,348 m² sales area) opened in 1994 near Lisbon. The centre had 27,361 m² GLA with 39 stores over one commercial level. Taking into consideration the lack of competition in the primary area, as well as a generally weak retail offer around Seixal and its neighbouring urban areas, there was plenty of potential to serve a dense and growing catchment area.

While the centre initially performed strongly, the launch of a major competitor in 2002 at 10-minute drive time had a negative impact.

An action plan was devised to expand the centre through its existing parking area, drawing on a modern and innovative architectural design inspired by the history of Seixal. Its two commercial floors are distinguished by natural lighting, as is its food court, with a great glass skylight and external area.

For a total investment of €75 million, the centre grew from 27,136 m² to 44,392 m², with units expanding from 39 to 134, and the restaurants from six to 22. Overall total tenant sales grew 180% after the expansion, while sales per visit rose by 60%, and rental income increase of 294%. The centre has grown at a steady pace, and displayed resilience, despite the economic crisis and the entry of more competitors into the catchment. Also, comparing 2006 with 2008, visitor's spontaneous awareness grew 8 pp and penetration rate 15 pp.



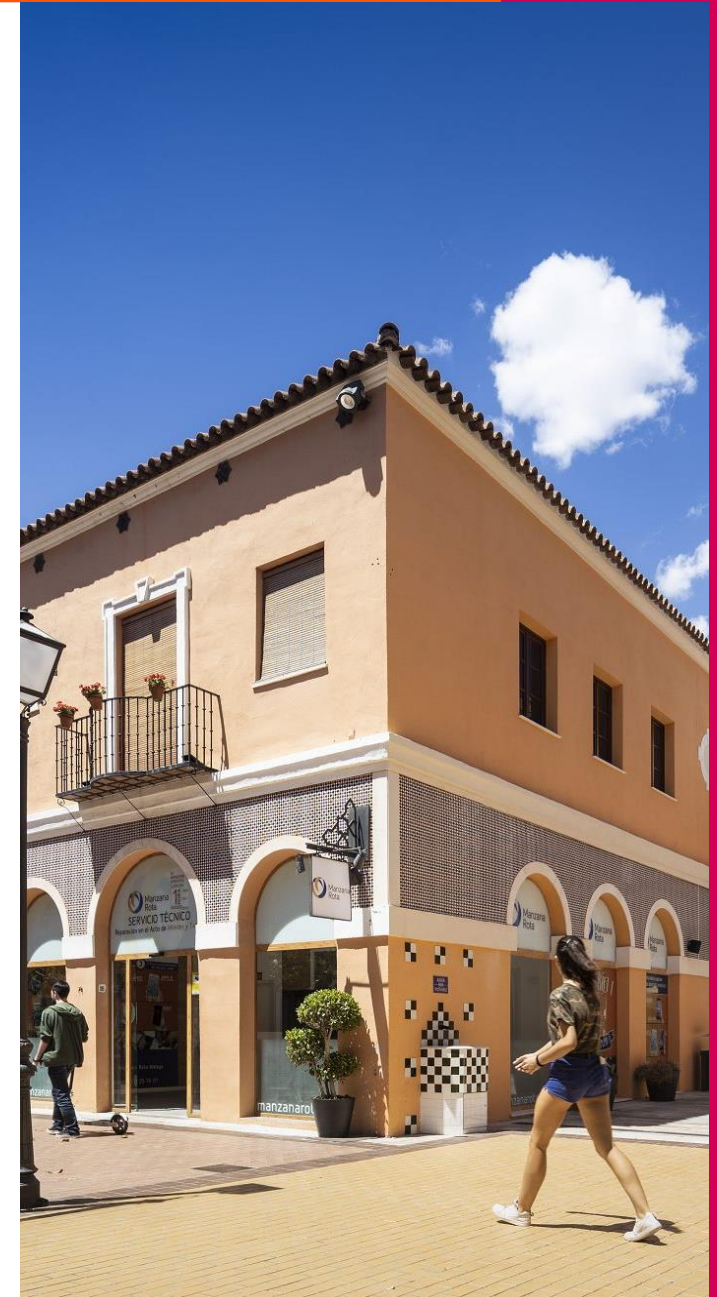
Solution

PLAZA MAYOR, SPAIN

Plaza Mayor Parque de Ocio opened in 2002 with 34,192 m² of GLA and 92 units. It was considered one of the most important leisure and retail references in Málaga, with a strong identity due to its innovative concept focused on leisure. Anchored by a 20 screen-cinema multiplex and a 20-track bowling alley, plus health club, restaurants, night-time leisure and retail, it also had good accessibility and visibility from the highway, train and bus stations. Conceived as an open-air mall, its unique and thematic architecture was modelled on a traditional village of Andalucía, serving Spain's tourism hotspot, Malaga.

An analysis revealed that Plaza Mayor needed a complementary retail offer, especially at midday and on weekdays, to reinforce shopping habits in the area and avoid a loss of visits caused by future competition. The resulting action plan delivered retail units to the leisure mix and kickstarted the development of a second building, Plaza Mayor Shopping, with fashion units and a supermarket.

Maintaining the Mediterranean theme in the architecture, Plaza Mayor Shopping opened in October 2008 with 18,812 m² GLA, including a 2,448 m² Mercadona supermarket and a shopping mall with nearly 60 fashion-focused units – all 100% let. Overall, the scheme grew to nearly 53,000 m² GLA, with 88 fashion stores, Malaga's biggest cinema complex and a supermarket, creating some 850 local jobs and bucking the economic crisis to outperform the Spanish portfolio on average. From 2007 to 2009, with an expansion from a total of 92 to 151 units, traffic increased 92%, total sales rose 140%, and total rents climbed by 83%. Also, comparing 2008 with 2009, the shopping centre continued to consolidate its position with an increase in visitor's spontaneous awareness of 10 pp and top of mind of 4pp.



Conclusion

The implementation of these expansions led to outstanding results. While some common themes emerged for adding value, a bespoke analysis of every shopping centre's performance was key to unlocking the potential of each asset.

In conclusion, expansions are highly effective ways to add value to a property, especially when they occur without noticeable impact on the running of current operations. In the long term, they can have a transformative effect on footfall, rents and sales.

For more than 3 decades, Sonae Sierra is an expert in transforming assets of all types and sizes and to deliver immersive, experience-led placemaking. Our track record in creating amazing places is only matched by our reputation for pioneering change.

Forging unforgettable retail experiences is about know-how, skills and passion. But it's also about aligning clients' commercial goals with their visitors' desires.



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