

Open mind
Greater value



CASE STUDY

Leasing your way to long-term success



Case Study | Executive Summary

LEASING YOUR WAY O LONG-TERM SUCCESS

Highlights

- The evolution of retail in the digital age has altered the expectations and needs of shopping centre visitors
- Just as the ideal tenant mix has changed, so have tenant types and their commercial goals in an omnichannel universe
- Sonae Sierra's professional leasing team helps shopping centre owners, developers and investors meet today's leasing challenges, securing the right occupancy balance for long-term success

Solution

Sonae Sierra has developed an integrated approach to help clients secure the best possible leasing mix, while keeping one eye on the future:

- Leveraging Market Intelligence to assess the requirements and expectations of the asset owner, the catchment area, and current and future shoppers
- Bespoke leasing strategies to balance tenant needs and visitors' preferences
- Full asset life-cycle service provision from occupier analysis through to closing contracts, plus assistance building ongoing tenant relationships for the future

Key Numbers

+6,700

tenant contracts

2.5 Million

m² GLA under management

96%

average worldwide occupancy index across nine countries

95%

average European occupancy index across seven countries



Property Management



Leasing

Abstract

Physical Creating and managing successful shopping centres in an evolving retail universe is one of the principal challenges faced by landlords, investors and developers today. In a world where competition thrives not just in the physical realm but also on-line, offering a diverse and stimulating tenant mix has never been more important.

In the race to attract and retain customers, compelling retail concepts, backed by exciting and rewarding experiences in well-appointed, vibrant venues, becomes a centre's driving force.

All this means that **expert leasing strategies** have the potential to add significant value to mall operations. The right balance of stores, services and experiences combined drives multi-generational footfall, inspiring loyalty and raising revenues.



Introduction

Contemporary retail's evolving trends have transformed the science of leasing. **In today's world, where footfall can no longer be taken for granted, finding tenants which delight, innovate and serve is crucial to reward the physical journey made by shoppers.**

Leasing is an issue which Sonae Sierra has taken very seriously throughout its 30-year history.

95%
OCCUPANCY RATE
AVERAGE ACROSS EUROPE
(7 COUNTRIES)

2019

96%
OCCUPANCY RATE
AVERAGE WORLDWIDE
(9 COUNTRIES)

Taking into consideration considerable differences in culture, per capita income, tastes and even weather, it is clear that these consistently high figures have been achieved with a tailored approach to the idiosyncrasies of each market and shopping centre.

However, high occupancy rates are only a part of the revenue equation. **The identity and performance of the tenants, plus the overall balance of occupants and store types, is crucial for shopping centre success.** The right tenant mix can only be secured through a global understanding of the catchment area, the competitive situation, and the shopping behaviours of local customers to identify the right mix of local and international tenants.

As the world of shopping centres evolves further, mall-goers will also seek out new reasons to make their journey worthwhile, requiring a whole new game-plan.



Background

Sonae Sierra's leasing capabilities have delivered profitable performance metrics across a portfolio of assets for both landlords and tenants, as well as resulting in Sonae Sierra picking up several industry awards.

We have made pioneering progress in our approach to traditional leasing contracts, adapting to a brave new world of tenant needs to create space for exciting, emergent retailers alongside international star acts.

Industry-wide trends, including space-as-a-service and hospitality cues such as concierge provision have driven innovation across a range of shopping centres on four continents.

We see this all part of being able to listen to the market, while aiming to meet customer expectations in terms of compelling shopping and leisure experiences.



Challenge

A vibrant tenant mix has always been at the heart of shopping centre success, driving stable income generation. But in a world where online retail has challenged physical retailers to diversify, getting the occupancy balance right is harder than ever.

The challenge lies in both understanding and responding correctly to the needs and motivations of asset owners and the catchment area, as all sides evolve. **Appreciating the key variants of geography, social framing and consumption types is vital to determining the right leasing mix.**

We recognise that consumers today are demanding memorable, immersive, and creative experiences. In a social media era, creating a mix which inspires visitors to share what they see leads to scenarios that are the talk of the town for months to come.



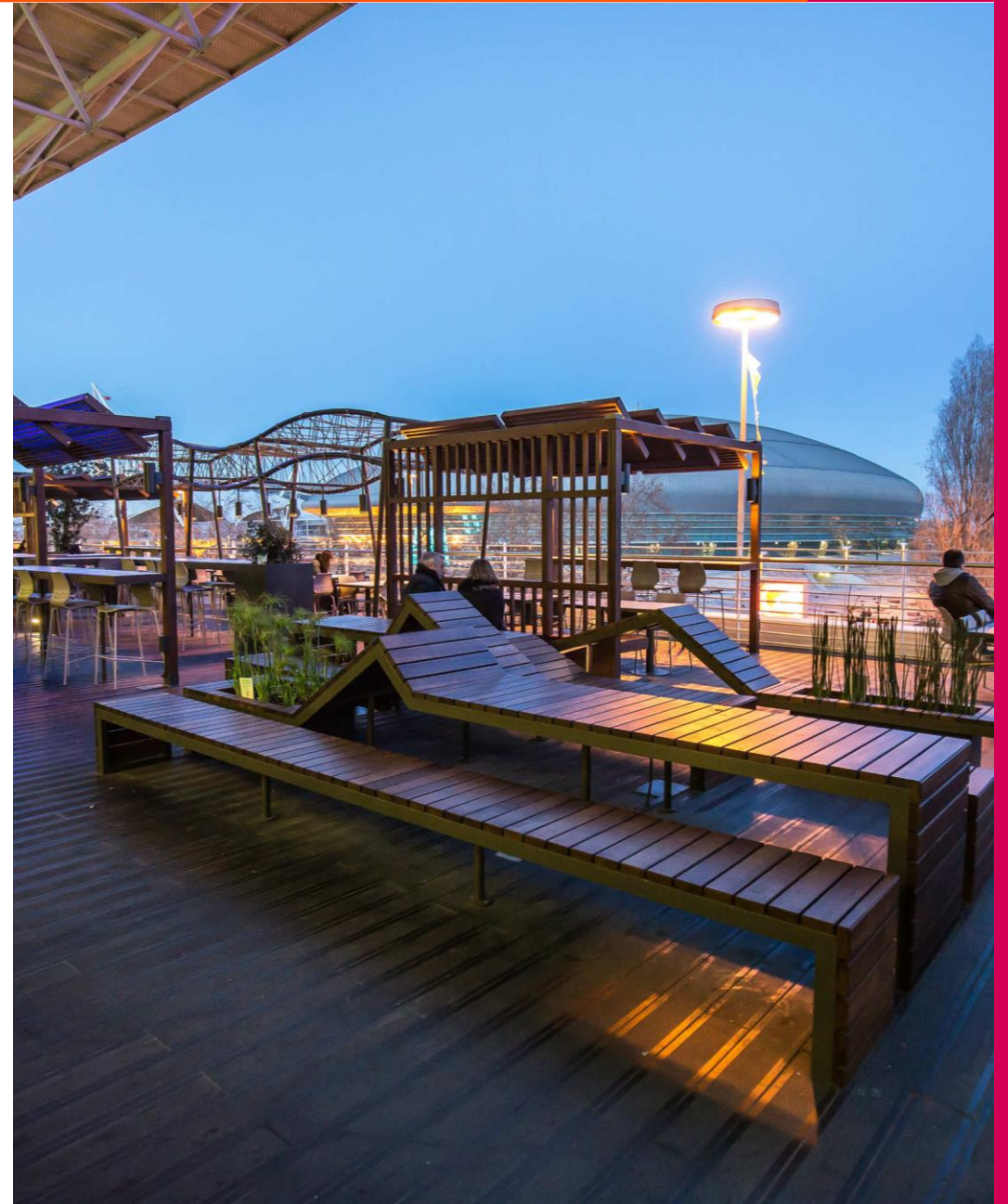
Solution

Our bespoke leasing services begin with:

A COMPREHENSIVE ANALYSIS OF THE ASSET OR DISTRICT, PRODUCED THROUGH MARKET INTELLIGENCE. After defining the catchment area, this study considers the social stratification of population in the area, its income and its types of consumption to propose a certain weighting of different types of commercial offer.

AFTER THIS STAGE, THE LEASING TEAM STARTS TO IDENTIFY WHICH ANCHORS ARE MOST SUITABLE FOR THE SCHEME, BEFORE DEFINING THE REMAINING OFFER. One of the most essential advantage of this pre-leasing phase is that once identified the retailers that are important for the project, Sonae Sierra's team will be able to know their possible interest in it, therefore the developer reduces the investment risks.

WHAT IS ALSO CRUCIAL ON THIS JUNCTURE IS BOTH CAPTURING THE ZEITGEIST, AND ANTICIPATING EMERGING AND FUTURE TRENDS. Tenants themselves are a good source of information, as well as the cities themselves.



Solution

2019



+55 ASSETS
PROVIDING LEASING
SERVICES
ON 4 CONTINENTS



Recent success stories have included the **Arribat Center** in Morocco, for which Sonae Sierra won the management contract at the end of 2019, after originally helping to develop the project. The tenant mix of the centre offers a good balance between national and international players, with big-brand names packing a punch, including H&M, LC Waikiki, Kiabi, Kitéa City-Casa, De Facto, Koton, Samsung, Virgin, Miro Home, Planet Sport, Bershka, Adidas, Reebok, Lacoste, GANT, Lee Cooper-Keïto, as well as restaurants like McDonalds, Burger King, and others.



ParkLake commercialisation was launched few months before the opening of a big competitor in the surrounding area, but due to its design, integration with nature, balanced lay-out, and thus, its value proposition, Sonae Sierra let 96% of the Surface at opening, including best brands present on the Romanian Market, among others the latest concepts of brands like Inditex, or LPP Group.

One of the differentiating factors ParkLake brought on the Romanian market of shopping centers was a revolutionary food-hall, acting like an anchor of the center with brands like McDonald's or KFC amongst the exquisite local tenants. Cinema City with 14 screens and a 1,600sqm Health Club whose swimming pool benefits of impressive views over the adjacent Park and Lake complement the commercial offer.

Solution



In 2016 Portugal's **Nova Arcada** initially designed to be a shopping centre of a competitor came back from a six-year delay with a Sonae Sierra's grand launch, offering at that time the first Ikea in a shopping centre being a key anchor tenant. Altogether 109 stores, 20 restaurants, leisure area, health club, children's playground and family-friendly meal space complete the offer. Towards the end of 2019, the launch of the Trofa Saúde Hospital in Nova Arcada, occupying 3,600 m2 of space, added a complete healthcare alternative for the inhabitants of Braga and the surrounding area. The additions of hospitals in both 8ª Avenida and LoureShopping have also served to transform the performance of these projects.



Parque Dom Pedro, the first shopping and leisure centre fully developed by Sonae Sierra in Brazil, introduced a number of firsts to the country. Launching in 2002 with 13 anchors – a record for Brazil – this super-regional mall attracted several foreign brands making their Brazilian debut, including Polimaia in perfume and cosmetics; Gomes de Sá, Loja das Sopas e Frangos da Guia in food products.



The iconic **Alexa**, located in Berlin's Alexanderplatz, proved one of the country's most successful shopping centres over its decade of life. After ten years, its leasing mix was enhanced with the Alexa First Store Competition, offering innovative brands a trial space in the centre, as well as rewarding successful on-line retailers with an experimental physical space.

Solution



Successful leasing strategies across **Citylife** (Italy), **Fashion City Outlet** (Greece) and **GranCasa** (Spain) all ensured that these schemes launched with a considerable impact on their urban areas.



Meanwhile, speciality leasing services including Mall Activation have proved particularly successful at **Centro Vasco da Gama** (Portugal), while the introduction of health clubs in **CoimbraShopping** (Portugal) and **MaiaShopping** (Portugal) has boosted both centres' traffic.



NorteShopping in Portugal, which brings together many nationally- and internationally-renowned brands, recently inaugurated a new food hall named **The Cookbook**, which enriched the centre's offer with diversity and modernity. A new Galleria at Norteshopping, planned for Fall 2020, will provide an "affordable luxury fashion" offer, allowing the centre to expand its client base.

Solution



Centro Colombo in Portugal, a multi-award-winning centre which opened in 1997, saw its leasing revitalised as part of a series of refurbishments which both revolutionised its food court and pushed up results.

Even though Centro Colombo is already one of Sonae Sierra' shopping centres with the highest sales and rents values by m2 its property management team was able to increase the numbers further between 2014 to 2019 in terms of base rents (+17,74%) sales (+20,18%) and numbers of visits (+7,67%).



CascaShopping in Portugal partnered with Mercedes, in an innovative project aimed at bringing the famous car brand closer to its customers.

This partnership included the redesign of one of the centre's entrances to become a modern and informal merchandising store with 87,36m², with a dedicated sales manager and a car simulator for visitors to enjoy a Mercedes drive experience. Also, within the mall, it was assigned two exhibition spots for the latest models of Mercedes, so that visitors could enjoy them in-person. Lastly, the parking lot has also 3 parking spaces reserved for clients to test drive or to make a check-up of their Mercedes-Benz vehicle while doing some shopping, using the Drop Me service.

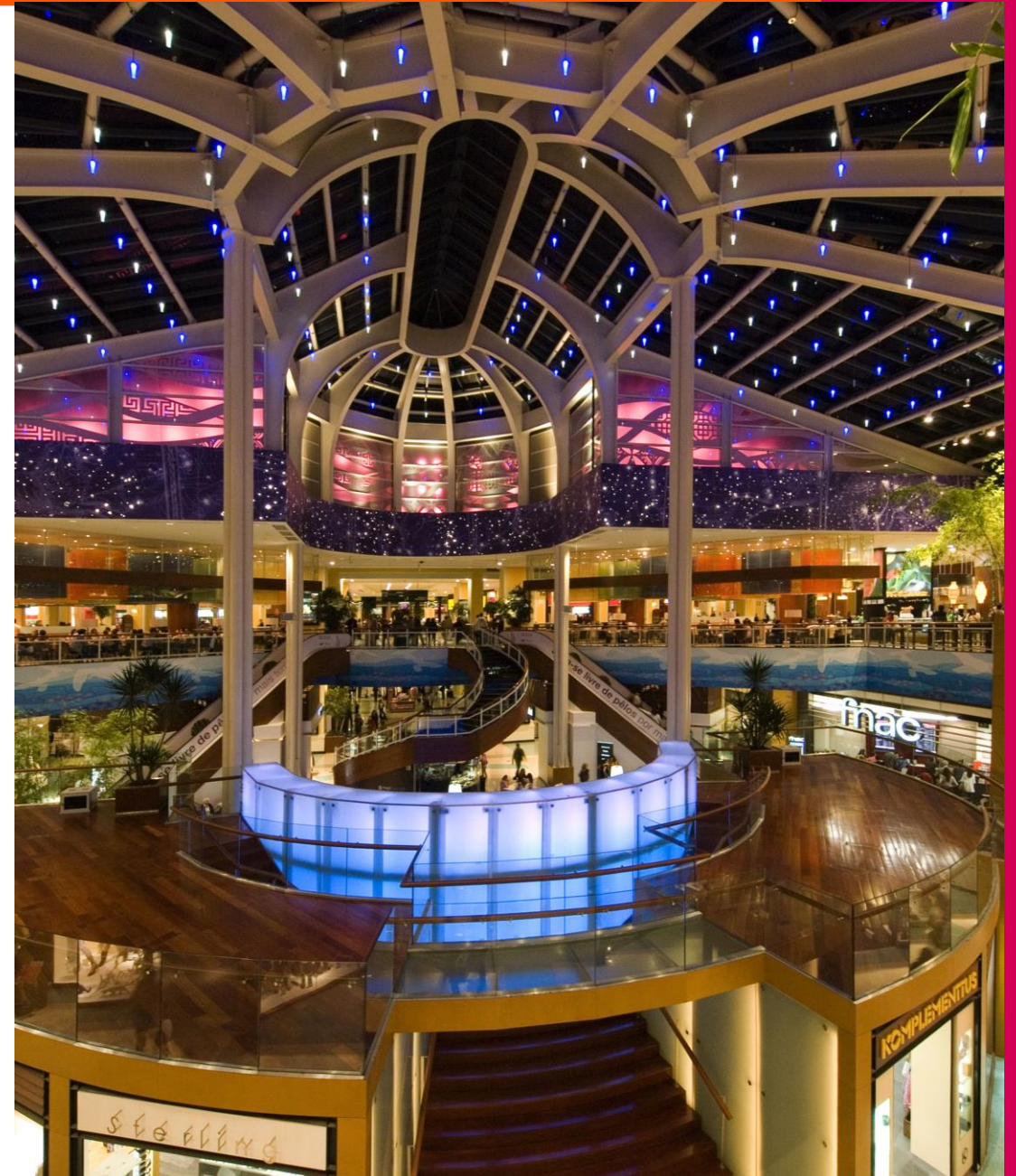
This project reinforced the attractiveness and distinguished offer of CascaiShopping to its visitors.

Conclusion

Effective leasing strategies aren't merely the means to deliver higher revenues for shopping centre owners and tenants. They can also mark the difference between success and failure in an increasingly competitive world. **Physical rivals in the shopping space and the online dimension mean that a clear, forward-looking approach to leasing is vital to survive and thrive.**

Looking to the future, shoppers and mall-goers will also seek out new physical experiences to make their shopping centre journey worthwhile. This may mean attracting further pure service players such as kindergartens and healthcare centres, or revisiting ideas of what leisure means to different communities. In a not-too-distant future, it could even imply incorporating further mixed-use elements into malls, welcoming office, hotel, or even residential tenants.

By selecting the right partner for leasing services, you can navigate today's leasing challenges with confidence, ultimately securing the right occupancy balance for long-term success.



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