

Open mind
Greater value



CASE STUDY

The new Anchors in retail real estate



Case Study | Executive Summary

THE NEW ANCHORS IN RETAIL REAL ESTATE

Shopping centres are increasingly anchored by major tenants from the non-retail sector, reflecting changing tastes, economic drivers and urbanisation trends. From health clinics to residential units, co-working spaces to dance schools, the new anchors represent an exciting range of possibilities.



Challenge

Recent headwinds facing the retail sector – exacerbated by the impact of Covid-19 – have affected the make-up of shopping centres. The traditional anchors of yesteryear, such as hypermarkets or department stores, have often been rendered obsolescent by e-commerce.

Rather than replacing them with other fashion or retail brands, shopping centre owners are today charged to consider a much broader landscape of potential occupiers, including non-retail tenants and alternative asset classes.

Furthermore, urban shopping centres are increasingly forced to take into account the evolving needs and wants of their visitors; how they perceive the shopping journey; and what role retail assets play in the urban landscape.

Solution

Thanks to three decades of experience in the world of retail real estate, Sonae Sierra has built crucial relationships with important tenants over the years, whilst charting the evolving occupier scenario, and pioneering the shift towards new anchor types.

Across retail-led and mixed-use properties, our cross-disciplinary teams can access the latest research and know-how in order to discern the right anchors for a scheme. Today, leasing objectives must not only seek economic benefits and surf key trends, but also contribute synergies to changing catchment areas.

From hospitals, dance schools, sports facilities and water parks, the universe of anchor possibilities has never been more diverse or more exciting.



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Outcome

Where anchors are able to respond to work, play and live demands, they become increasingly irreplaceable, attracting high-frequency and high-loyalty visits, while accessing an ever-broader range of potential occupiers.

Highlights

- Shopping centres which embrace the world of non-retail gain access to a broad and compelling world of potential occupiers
- Modern leasing strategies which consider an asset's evolving role in the urban environment are more likely to engage with the right anchor types
- **Projects become more resilient when the tenant mix is dynamic and diverse**, providing a hedge against economic headwinds



Introduction

The traditional retail anchors of yesteryear are in flux. Shopping centres which once relied on hypermarkets or department stores as principal footfall drivers have seen the relevance of such tenants change as e-commerce renders their business models obsolete. Consequently, the owners and operators of shopping centres are increasingly required to seek new kinds of anchors to headline their schemes, while staying abreast of rapidly evolving scenarios.

While the growing importance of food and beverage and leisure occupiers offers one possible solution, **all the signs suggest that some of the compelling anchors of tomorrow lie beyond the world of retail.**

Sonae Sierra's consummate experience across a range of asset classes makes us the ideal partner to help you identify the right types of anchor for any scheme. We understand the importance of key occupiers which not only inspire and delight, but which also fit with changing demographics, tastes and urban trends.

Meanwhile, the growing importance of mixed-use schemes and retail-led projects which are embedded strongly in diverse, urban landscapes opens up an ever-broader world of asset types and potential occupiers.

From health clinics to co-working spaces, to sports facilities and dance schools, the universe of anchor possibilities has never been more diverse or more exciting.



Challenge

Recent challenges facing the retail sector – which have been accelerated by the impact of Covid-19 – have significantly altered the make-up of shopping centres. Tough economic times have sent some familiar apparel brands to the wall; in parallel, questions have arisen about viable alternatives to big fashion tenants.

Shopping centre owners and operators are increasingly charged to consider a much broader landscape of potential occupiers, ranging from leisure and entertainment – including expanded food and beverage provisions – to the world beyond retail.

Furthermore, key urbanisation trends, centred around the desire to live, work and play in cities, coupled with evolving mobility matters, are altering the role that shopping centres play in the busy lives of their users.

The culmination of this evolution is mixed-use developments, and urban retail-led schemes which achieve strategic synergies with adjacent components serving an ever-broader range of needs.

Yet this expanded world requires even greater expertise to manage what can be unfamiliar asset classes, demanding holistic know-how to gauge their appeal, requirements, and drawbacks.

Shopping centre owners and managers who attempt to navigate this world without the right partner or experience risk making costly errors in attracting their largest and most important tenants.



Solution

Sonae Sierra's extensive experience in the world of retail real estate has enabled us to not only build crucial relationships with important tenants over the years, but also chart the evolving occupier scenario, **whilst pioneering the shift towards new anchor types.**

Across retail-led and mixed-use properties, our cross-disciplinary teams can access the latest research and know-how in order to discern the right anchors for a scheme. **Today, leasing objectives must not only pursue economic synergies and surf key trends, but also meet the longer-term needs of today's evolving catchment areas.**



HOSPITAL
& CLINICS



HEALTH
CLUBS



PUBLIC
SERVICES



Health & Wellness

The health and wellness trend has increased demand for a broad mix of facilities and amenities, ranging from health clubs and pharmacies, to medical surgeries and hospitals.

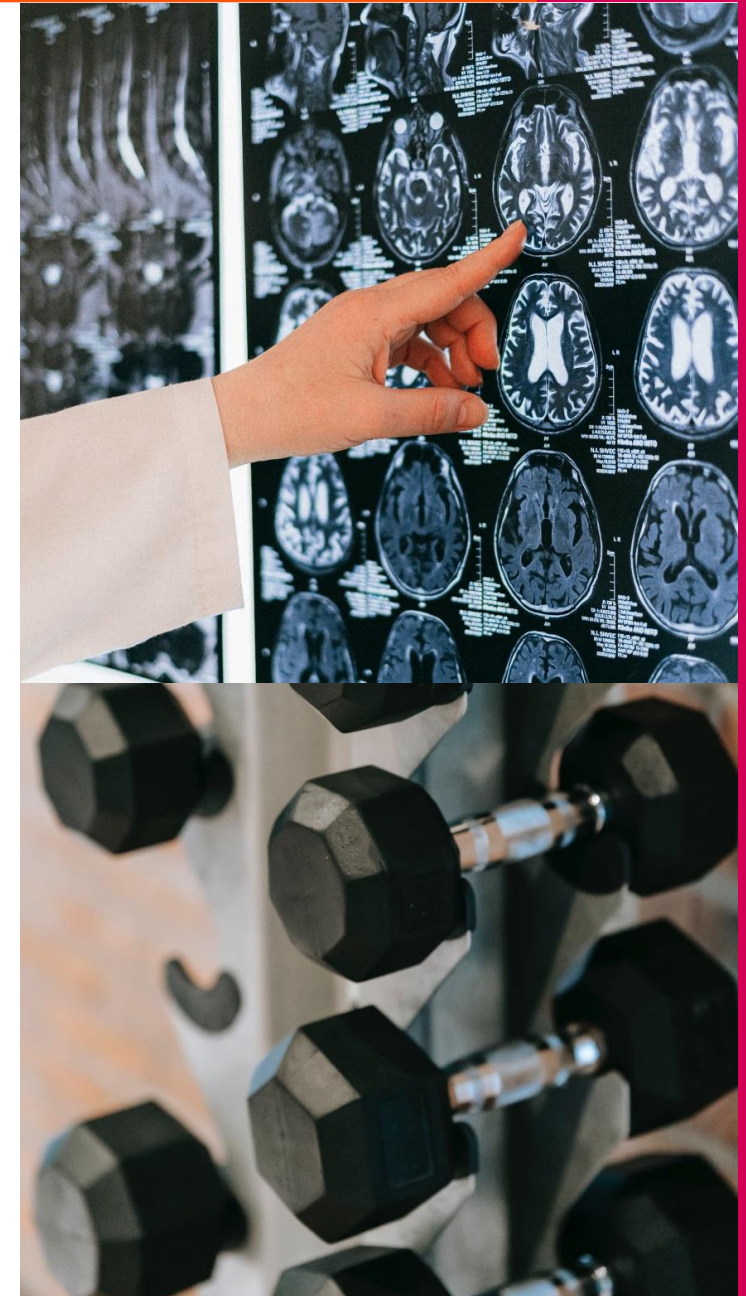
Shopping centres that wish to capitalise on this trend should understand the nuance in the range of possibilities, to fully address the underlying needs of consumers. The attractiveness of wellness-themed occupiers can also be boosted by the provision of health equipment and innovative fitness formats.

A focus on broadening the scope and nature of healthcare and wellbeing offers can capture fresh share-of-wallet (SoW) pools and drive new visitor profiles and motives for visiting the centre.

Sonae Sierra has 7 shopping centres which directly incorporate health clubs in the mix, with another two that benefit from adjacent facilities. We have also opened hospitals covering around 2,600 m2 in two shopping centres under management. On average, this resulted in:



MOST
IMPACTED
CATEGORIES
(SALES)



Health & Wellness

New health club formats including low-cost models have appeared in recent years. **They usually prove to be consummate traffic builders, generating high levels of loyalty and visit frequency.**

One of their benefits is the fact that the sales weight per month tends to be maintained year-round (+/- 8%) due to annual memberships and regular class schedules. Operators generally range in size from 900 m2 to 4,700 m2.

Sonae Sierra research into health club users reveals that:



Proximity, price and quality are all relevant drivers of choice



Regular users (daily or several times per week) prefer early morning and late afternoon visits



The majority of visitors make purchases in other stores when going to the health club



F&B, groceries and fashion are the top ancillary shopping destinations



Dance schools

New types of non-retail amenities have been appearing in shopping centres in recent years which successfully target different demographics. Dance schools differ from traditional gyms by appealing to families with children, whilst often inspiring further actions in the shopping centre journey.



Ana Dance School in ParkLake, Romania, offers modern dance, ballet, gymnastics and street dance lessons for children, a Dance Hall for teenagers, and Zumba & Kangoo jump classes for adults, including mothers.



This pleasant and spacious environment promotes the practice of dance, gymnastics or ballet, while offering a space to parents while they wait.

Occupying a 1,652 m2 unit, the resource serves around 500 children through subscriptions. **Despite indoor lessons being put on hold due to the pandemic, the school has successfully shifted classes to the park in front of the shopping centre.**

Health Clubs

New health club formats including low-cost models have appeared in recent years. They usually prove to be consummate traffic builders, generating high levels of loyalty and visit frequency, thanks to annual memberships and regular class formats.

When selecting a health club, consumers are influenced by factors including proximity, price and quality. The majority of health club visitors also make further purchases in the shopping centre, with F&B, groceries and fashion the most popular destinations.

XtraFit, in Wandsbek Quarree, Germany was the perfect solution for an underperforming area. The gym presents a very high-quality offer for a low price and will bring a new life and increased traffic to the 2nd floor of Hamburg's shopping centre.



Community Services

The provision of community services is a good example of the integration of non-retail uses within a shopping centre. They frequently prove to be excellent traffic drivers, while creating synergies with other shopping journeys.

Sonae Sierra has established a branch of Portugal's Department for Social Services, *loja do Cidadão*, in Arrábida Shopping, while ParkLake in Romania benefits from a passport renewal office, *Directia de Pasapoarte Bucuresti*.

Despite the opening hours of these services differing from the retail stores, these facilities complement the retail mix by creating a public service destination. Users are often able to access those resources directly, even on Saturdays.

ArrábidaShopping's Loja do Cidadão was inaugurated in 2011, and is situated on the first floor, covering 1.192 m² of space. It is open during weekdays from 9:00 to 19:00, plus Saturday mornings. It offers several services for 17 public entities focusing on citizens. The space opening during an economic crisis when visits to shopping centres were decreasing across all assets; however, in its first three months of opening, visits rose +3.9%.

Bucharest Community Public Passport Service occupies a 500 m² space on the 1st floor of the ParkLake shopping centre. It includes 17 counters in total, 14 counters for receiving applications, and another 3 for issuing passports. Although only open on weekdays, this service has created a vital resource for the area. Passports in the Bucharest-Ilfov region are currently only issued at two locations, one of them is ParkLake.



Conclusion

While the rapidly evolving retail landscape has placed shopping centre owners and managers on high alert to economic risks, the new occupier landscape represents a universe of possibilities.

Today, successful anchor tenants not only entertain the wishes of visitors in terms of leisure and free-time, but increasingly fulfil a range of daily needs, increasingly their centrality in the lives of their end-users. This goes far beyond the conventions of convenience centres, to often overlap fully with workplace and family matters.

Where anchors are able to respond to work, play and live demands, they become increasingly irreplaceable, attracting high-frequency and high-loyalty visits.

This in turn defends the long-term value of the asset, which is further strengthened by a flexible approach that is sensitive to the catchment's evolving requirements.

Sonae Sierra's experience in the diversification of portfolios and assets makes us the partner of choice in discerning the right anchors and mixed-use elements across any kind of scheme.



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