

Open mind
Greater value



CASE STUDY

Nova Arcada, from Zero to Hero

Case Study | Executive Summary

NOVA ARCADA, FROM ZERO TO HERO

Highlights

- Nova Arcada initially designed to be a shopping centre of a Sonae Sierra competitor scheduled to open to the public in 2008 had its inauguration postponed for several reasons, including the adverse economic climate at the time. It was regarded as a hopeless asset with no future being overlooked by retailers and the market.
- In 2012 the asset owner decided to rely on Sonae Sierra to turn around the negative reality into a successful project.
- Nowadays Nova Arcada receives more than 6 million visits per year, has 108 shops and restaurants, is expanding its tenant mix offer with the integration of a hospital unit and registers growth in sales and traffic each year.

Solution

A thorough turnaround assessment was conducted by Sonae Sierra, always in collaboration with the asset owner, and the following measures were implemented:

- The Centre's total area was oversized to the reality of its catchment area due to the already consolidated competition. It was necessary to readjust the Gross Leasable Area globally and specifically in the food hall area;
- A commercial offer strategy of diversification and quality was implemented – the first IKEA in a shopping centre was negotiated successfully, as well as a new health club, a 12-rooms Cinema complex, a hospital unit and the integration of several new brands in the region;
- New architectural concepts were implemented creating leisure spaces, sitting areas, an innovative food hall with green elements for multiple uses and an outdoor extension.

Key Numbers

98%
Occupancy rate

11.7%
Increase in rental income

108
Shops and restaurants

+6M
Visits per year



Architecture and Engineering



Property Management






Abstract

When Nova Arcada shopping centre in Portugal was constructed, its opening was postponed by several years for multiple reasons out of which the peak of the economic crisis in 2008. It was regarded as a hopeless asset with no future being overlooked by retailers and the market itself.

From 2012 onwards the asset owner, a company from Caixa Geral de Depósitos, decided to rely on the know-how and skillfulness of Sonae Sierra to turn around the negative reality into a successful project.

Through a multidisciplinary approach of Sierra's real estate services an effective plan was put into action:

-  Assessment of the needs to readjust the oversized area of shopping centre;
-  Ingenious negotiation to obtain an attractive tenant mix offer;
-  A relentless sense for innovation by always seeking how to enhance the asset and achieve greatness.

All of this made possible to turn Nova Arcada from zero to hero.

Introduction

Nova Arcada had a very adverse track record being regarded as a “forever” postponed project within the retailers and even in the general market due to the discredit obtained by successive deferrals over the years.

In this context, the asset owner selected Sonae Sierra as its partner of choice relying on its experience and expertise of developing new schemes. **The project was completely re-evaluated and from the very outset, it was understood by both Sierra and the owner that the shopping centre's tenant mix would have to be differentiated from the strong and diverse commercial offer that already existed in its catchment area on a very consolidated basis.**





Background

The postponement of its opening over the years even with the construction almost completed, tied with the fact that the owner entity is not geared to directly manage this type of assets, led it to seek the services from Sonae Sierra.

Both in the pre-opening and in the operating phase, Sonae Sierra has provided services in several areas, notably pre-leasing and architectural services. The property management services were and are until this moment crucial, in numerous levels: operational, relationship with tenants and local community, definition and implementation of a bold product strategy, including marketing and communication plans and definition of tenant mix evolution.

Currently Nova Arcada has:



Gross Floor Area (GFA)
of almost 169.000 m²



Gross Leasable Area (GLA)
of 71.319m² with 6 floors and
2.600 free parking spaces

- 4 floors above ground and 2 underground
- 4 floors for commercial and service provision
- 2 floors to parking



108
Stores



825.000
inhabitants in its
closest catchment area
(30 min. by car) and around
6.5 million visits per year

Challenge

After five years of deferments Nova Arcada shopping centre needed to open and be profitable for its investors and tenants, hence was imperative to be compelling for visitors.

Was considered that the Centre's total area was oversized to the reality and context of Braga's region - its primordial catchment area, because of the already existing and consolidated competition.



Solution

In this sense, the GLA of the Centre should be readjusted both globally and specifically in the food court area that was oversized for the needs. After thorough analysis, the following changes were implemented:



The commercial offer was adjusted with the introduction of a health club and a 22.000m² IKEA store, which turned out to be a case study within the retailer itself and studied by several IKEA business areas;



An innovative food hall project with several green elements developed by Sonae Sierra's Architecture department, which not only created both group and individual dining spaces but also offered different zones for multiple uses – study, work, group meetings and/or sports moments;



The leasing of the food hall was based on a strategy of diversity and quality, in a mix of international and local retailers with new ones in Braga and Minho region;



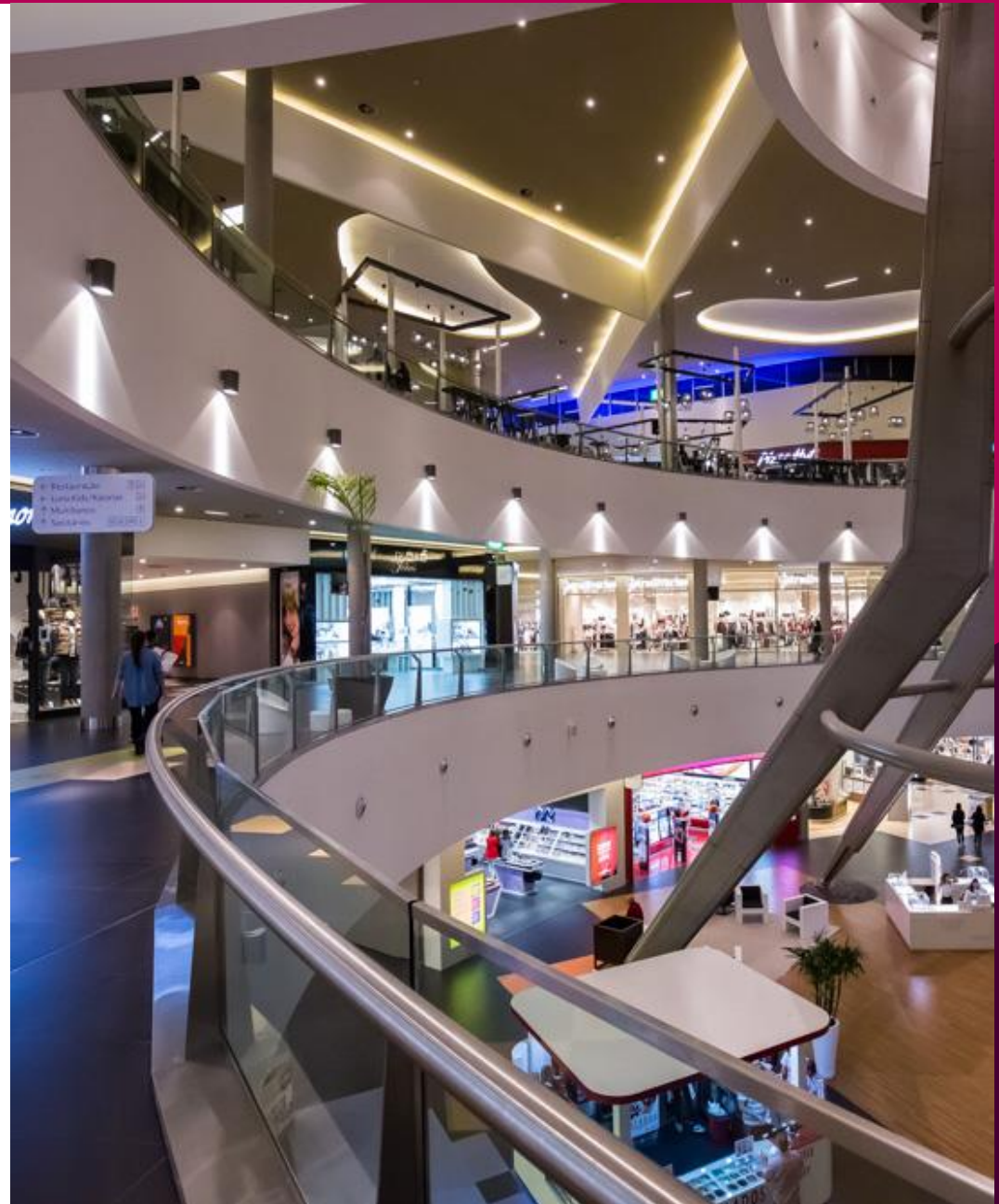
New leisure spaces: a playground (Luna Kids park) and a baby meal dining area (Mission area);



The opening of a Cinema complex;



Installation of a Hospital unit.



Solution

Regarding IKEA, its entrance itself was an extra challenge of high complexity and implied profound changes in the layout of the centre.

The opening of a store in Braga and by the first time inside a shopping centre proved to be a complex task, which involved a long negotiation, but had the advantage of satisfying both the brand's desire to grow and the wish to introduce in Nova Arcada a unique brand and guaranteed exclusivity.

The IKEA opening constituted a fundamental point for the commercialization of the remaining store spaces, with notorious brands that came to complement the global offer which **guaranteed high occupancy rate at the opening of the Centre (95,6% in 2016)**.



Solution

Up until this day the diversification of the Centre's commercial offer remains a priority to assure constant innovation and relevance. Another powerful momentum in the history of Nova Arcada and the Minho region was the **opening of a 12-rooms Cinema complex** with an exceptional quality of sound and screens.

The introduction of new brands is a continuous work that has allowed Nova Arcada to maintain a distinctive character since day zero. So much so that, in its second year of life (2017) the food hall area was extended to the outdoor terrace, also designed by Sonae Sierra's Architecture and Engineering department.

That same year, and always with the intention of increasing the levels of service and comfort, **new seating areas** were designed and implemented throughout the Centre and all the **baby's changing rooms were reformed**.

Already in 2019, and in order to reinforce Nova Arcada's commercial and service offerings, several departments of Sierra were involved in **the process of installing a Trofa Saúde's Hospital unit of more than 3.500m²**. From the negotiation of the agreement with this operator led by management, through monitoring all the works needed to prepare the all area to become a unit store developed by Engineering Department, until the process of licensing in which Sonae Sierra's Institutional Relations department played a crucial role, Sierra's involvement was decisive to achieve this outcome at the end of 2019.



Solution

Numbers may speak louder than words and, in this case, they assert the positive outcomes of Sonae Sierra's strategy and real estate services delivery:



Nova Arcada opened to the public in 2016 with a **GLA occupancy rate** of 95.6%, in 2018 the value rose to 98% which reflects the success of Sonae Sierra's management model.

Comparing the performance between 2017 and 2019 (complete years of public opening)



Sales growth of 11.7% and 8,6% per year reaching 72M€ (not including Ikea sales);



Traffic grew 4.5% and 4.3% overcoming 6M.



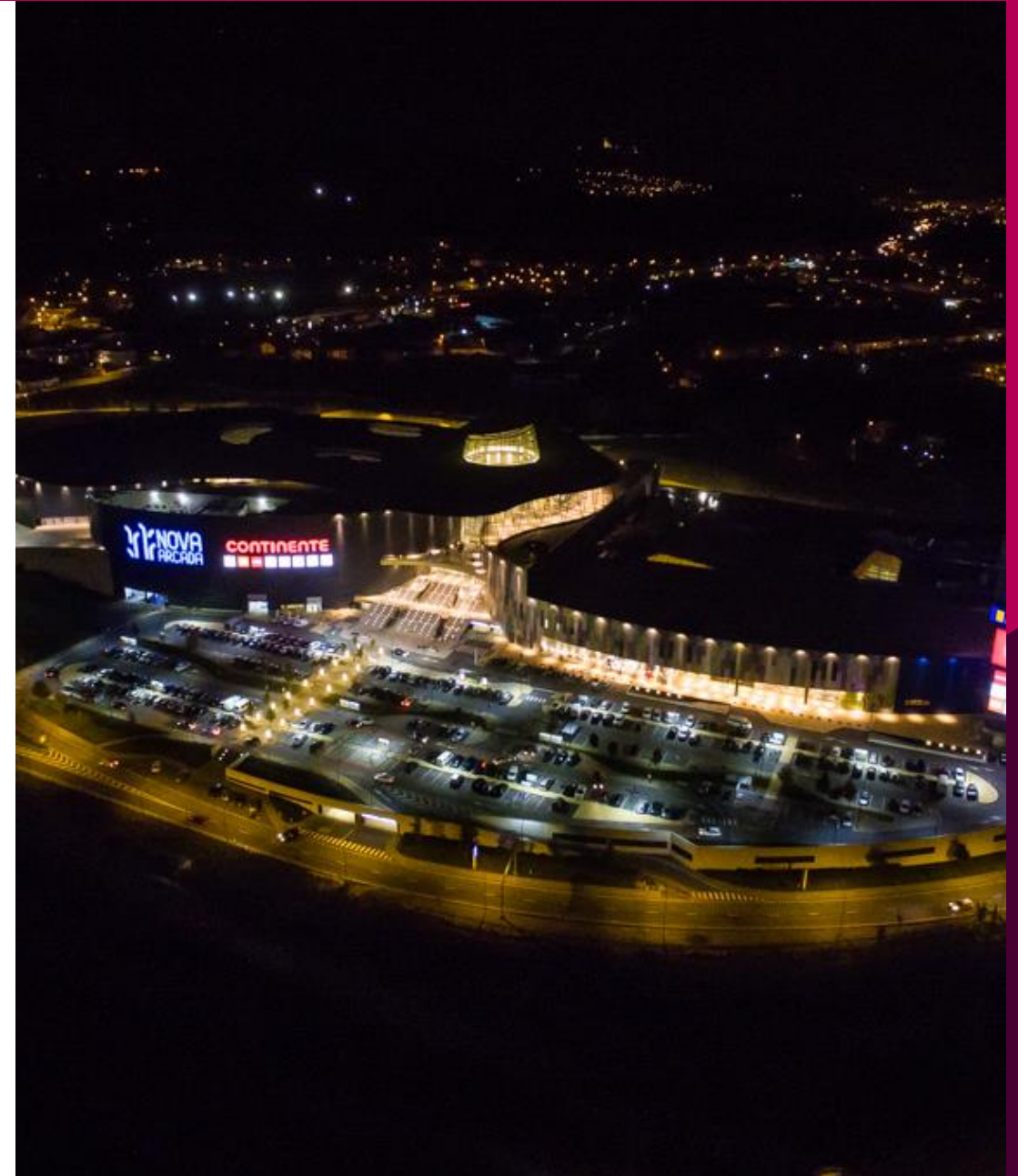
Conclusion

The most critical success factors were the fine-tuning and joint effort between Sonae Sierra's and the asset owner in projecting the Centre into a new reality and paradigm that would differentiate Nova Arcada from the existing market offer. All of this in full collaboration with Braga City Council which contributed greatly to overcoming initial barriers.

The combination of changes in the GLA area, the introduction of new architectural concepts in the shopping centre, with the vision of leasing based on differentiation as well as exclusivity and the Centre's marketing and promotion strategy were fundamental and critical factors to ensure the success of the project.

The strong relationship with the market in general and with local institutions, based on a policy of openness and Proximity to the local community dispelled the initial doubts and resistances that the project encountered and ensure that Nova Arcada is perceived as a constantly growing and consolidating shopping centre within its catchment area.

Nova Arcada is clearly an example of Sonae Sierra's ability to turn around projects in a successful way.



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