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Outlet Retailing in America

New York, May 2003—The outlet center, defined as a shopping center in which at least 50 percent of the tenants are operated by manufacturers, traces its roots back to the early 1800s and is rooted in practicality and ingenuity.

As early as 1880, manufacturers who had excess stock held periodic clearance sales, open only to their own employees. By the 1930s, manufacturers were not only opening these sales to local residents, but were also renting space for these sales in nearby buildings. They found that they could get rid of excess inventory quickly, increase revenue, and improve their relationships with their commercial accounts.

Over the next decade, several different manufacturers would rent space alongside each other to hold "factory clearance sales," creating the first factory outlet centers. One of those early clearance sites still operates today: VF Factory Outlet in Reading, Pa. In 1970, VF Factory Outlet decided to find a broad mix of manufacturers to operate outlet stores in a former hosiery mill it owned. Word soon spread that the prices were great, selection was vast, and eventually, the idea to open more such centers began to germinate.

As the years progressed, more and more manufacturers

realized that an outlet chain could solve inventory problems, increase revenue for the parent company, and serve as a showcase store where a complete selection of everything the manufacturer produces can be displayed.

In 1979, Belz Enterprises opened the first newly constructed outlet center near Memphis, Tenn. Today, more than 20 years later, the industry supports more than 250 outlet centers accounting for nearly 60 million square feet of gross leasable space. The centers are tenanted by more than 400 companies operating more than 14,000 stores. In 2002, outlet center sales were estimated to exceed \$16 billion.

Consumer demand has led to a number of outlet-industry improvements, such as attractive stores, liberal purchasing and return policies, and first-rate customer service. Outlet retailing is truly a mature industry being refined and fine-tuned by the professionals who operate the centers and chains.

Founded in 1957, the **International Council of Shopping Centers** (ICSC) is the global trade association of the shopping center industry and services its over 40,000 members in over 77 countries by assisting in the development of their businesses through professional education, conferences and conventions, publications, research and legislative action.

10 Largest Outlet Centers

OUTLET CENTERS	SIZE (MILLIONS OF SQ. FT.)	OWNER
Woodbury Common Premium Outlets Central Valley, N.Y.	841,000	Chelsea Property Group
VF Outlet Village Reading, Pa.	734,000	VF
Prime Outlets at Birch Run Birch Run, Mich.	731,286	Prime Retail
Belz Factory Outlet World Orlando, Fla.	722,000	Belz Enterprises
Prime Outlets at San Marcos San Marcos, Texas	640,000	Prime Retail
Belz Factory Outlet World Las Vegas, Nev.	635,000	Belz Enterprises
Wrentham Village Premium Outlets Wrentham, Mass.	599,000	Chelsea Property Group
Gilroy Premium Outlets Gilroy, Calif.	579,000	Chelsea Property Group
Tanger Outlet Center at Millstream Lancaster, Pa.	565,000	Tanger Factory Outlet Centers
Riviera Centre Factory Stores Foley, Ala.	552,301	Charter Oak Partners

Source: Value Retail News (VRN)