



# The U.S. Shopping Center Industry—Size, Shape and Impact

## New Statistics on Size of Industry

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**Abstract:** The U.S. shopping center is a lot larger than previously thought; it also is dominated more heavily by centers that are 100,000 sq ft or less. The industry employs nearly a tenth of the entire non-farm workforce and is a major contributor to state and local government tax revenues. In 2006, the industry performed extremely well with shopping-center-inclined sales jumping by 6.4%—its strongest pace since 1999. On those sales generated for 2006, the industry collected \$124 billion for state coffers.

How large is the U.S. shopping center industry? How many people does it employ? How important is it to the economy and to operations of our state and local governments? These are just a few questions that are routinely asked about the shopping center industry. Not surprisingly, ICSC has updated the answers to these questions regularly. This year, however, some of our answers are different from the past as we take a more comprehensive look at the industry with the help of CoStar’s retail real estate database.

### New Count, New Understanding

Beginning in 2005,<sup>1</sup> CoStar launched its retail real estate sector database initiative with the acquisition of the National Research Bureau (NRB) database from Claritas. Approximately a year and a half later, CoStar unveiled its expanded retail real estate database<sup>2</sup> at ICSC’s Spring Convention 2006. Previously, ICSC’s perspective on the size and breadth of the U.S. shopping center industry was based on the National Research Bureau’s (NRB) database—which included over 40,000

Table 5-1

U.S. Shopping Center Types and Characteristics						
Type of Shopping Center	Gross Leasable Area (GLA) in Square Feet (Including Anchors)	Acreage	Number of Anchors	Type of Anchor(s)	Anchor Ratio*	Primary Trade Area**
Convenience	< 30,000	<3	1	Convenience store	NA	< 1 mile
Neighborhood	30,000-150,000	3-15	1 or more	Supermarket	30-50%	3 miles
Community	100,000-350,000	10-40	2 or more	Discount supermarket, drug, home improvement, large specialty discount	40-60%	3-6 miles
Regional	400,000-800,000	40-100	2 or more	Full-line dept, junior dept, mass merchant, discount dept, fashion apparel	50-70%	5-15 miles
Super Regional	800,000+	60-120	3 or more	Full-line department store; junior department store; mass merchant; discount department; fashion apparel	50-70%	5-25 miles
Outlet	50,000-400,000	10-50	NA	Manufacturers' outlet stores	NA	25-75 miles
Power	250,000-600,000	25-80	3 or more	Category killer; home improvement; discount department store; warehouse club; off price	70-90%	5-10 miles
Theme/Festival	80,000-250,000	5-20	unspecified	Restaurants; entertainment	NA	25-75 miles
Lifestyle	150,000-500,000	10-40	0-2	Large format upscale specialty	0-50%	8-12 miles
Airport Retail	50,000-200,000	NA	0	No anchors; retail includes specialty retail and restaurants	NA	NA

\* The share of a center’s total square footage that is attributable to its anchors; \*\* The area from which 60-80% of the center’s sales originate.

Sources: ICSC Shopping Center Definitions (2004); Appraisal Institute; CoStar

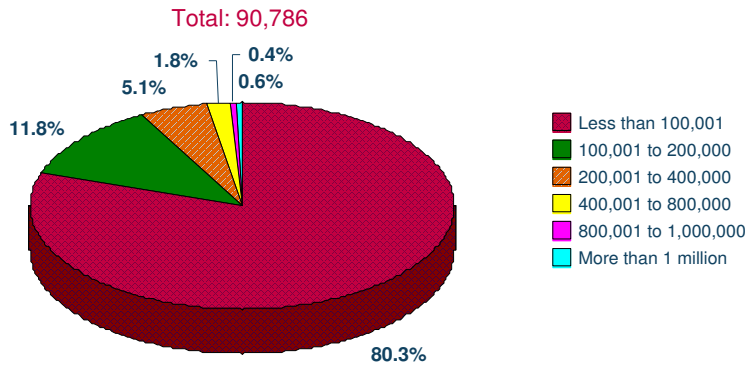
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<sup>1</sup> In CoStar’s January 20, 2005 announcement that it was acquiring NRB, CoStar’s press release noted that “NRB has over 45 years of experience providing information to the retail real estate industry, and provides the most comprehensive database of information on 40,500 shopping centers totaling over 4.8 billion square feet of gross leasable area. In addition, NRB has information on over 70,000 property owners and leasing contacts and over 500,000 retail tenants throughout the United States.”



**Chart 5-1**

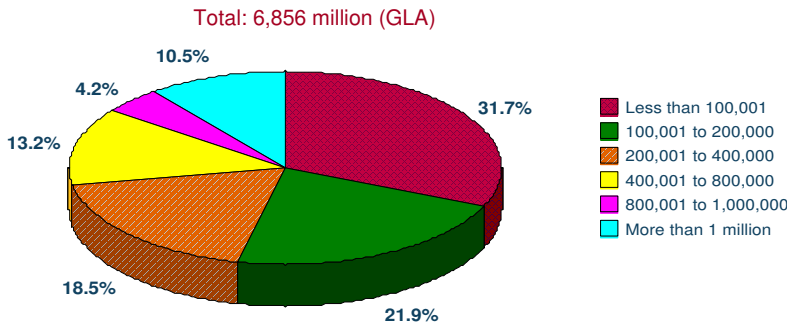
**2006 Distribution of U.S. Shopping Centers By Size**



Source: CoStar.

**Chart 5-2**

**2006 Distribution of U.S. Shopping Centers By Square Feet**



Source: CoStar.

properties listed. NRB then statistically estimated the number of small centers (generally below 30,000 square feet) to determine the “shopping center census.” CoStar’s approach, however, is more comprehensive and based on the identification of actual centers. In so doing, the key difference is that CoStar identifies 90,786 shopping centers in the United States for 2006—about double the last (2005) NRB count that ICSC published. Of that 2006 tally, about half (50.4%) of the shopping center census was for centers that had gross leasable area (GLA) of 30,000 square feet (sq ft) or less, generally convenience centers. The shopping center nomenclature for its segments, size and characteristics is shown in Table 5-1.

Table 5-2 shows the distribution of the number of centers by their size and GLA. Despite the ballooning in the tally of U.S. shopping center properties from what was believed previously to be its size, the 2006 share of GLA accounted for by approximately 45,000 shopping

centers that are 30,000 sq ft or smaller is less than 9% of total shopping center space, which is pegged at 6.9 trillion sq ft. Moreover, by the sheer center count, slightly over 80% of all shopping centers in 2006 were 100,000 sq ft or less, as shown in Chart 5-1. Additionally, centers that are one million sq ft and over account for less than one percent of the total number of centers in the industry, but over 10% of the industry space—as shown in Chart 5-2.

CoStar’s retail space estimates were cross checked at a high level with the net new construction data collected and reported by McGraw Hill Construction. In 2006, CoStar’s retail space roll-up for all markets covered in the United States for both shopping centers and freestanding showed 9.5 billion sq ft of retail space, which was similar in magnitude to McGraw Hill Construction’s estimate of total retail space for 361 metro markets in the United States of 9.9 billion sq ft. To be sure, the aggregate footage statistics are not exactly the same, but neither is the geographic coverage between measures.

In the end, these new data from CoStar provide a more accurate understanding of the size, breadth and importance of the shopping center.

**The Big Five**

Based on ICSC Research estimates, the U.S. shopping-center industry generated \$2.25 trillion or \$329 per sq ft in retail sales in 2006—up 6.4% from the prior year and the strongest annual gain since 1999 (+6.9%). These data are shown in Table 5-1. Indeed, the long-term average annual growth between 1993 and 2006 was a more modest 5.1% per year; the industry’s sales growth outperformed this trend pace for the last three consecutive years from 2004 through 2006.

As presented in Table 5-2, the top five states—California, Texas, Florida, New York and Illinois—accounted for 38% of all U.S. shopping center sales in 2006 and 37% of total shopping-center space. The top states and the District of Columbia with the highest sales productivity (implied from the ratio of the total shopping center sales divided by total gross leasable area) in 2006 were: (1) the District of Columbia (\$509 per sq ft); (2) Connecticut (\$453); (3) New Jersey (\$421); (4) Massachusetts (\$415); and (5) Maryland (\$400). Those states in 2006 with the lowest sales productivity were



Table 5-1

## U.S. Shopping Center Industry at a Glance

Measure	1995	2000	2001	2002	2003	2004	2005	2006
<b>The Industry</b>								
A. Number of shopping centers	75,616	81,184	82,358	83,489	84,777	86,505	88,604	90,786
B. Center count by size (number of centers)								
Less than 100,001	61,124	65,126	66,010	66,852	67,859	69,286	71,062	72,904
100,001 to 200,000	9,124	9,897	10,024	10,167	10,308	10,447	10,578	10,730
200,001 to 400,000	3,509	4,040	4,138	4,236	4,328	4,425	4,529	4,636
400,001 to 800,000	1,170	1,371	1,416	1,450	1,488	1,541	1,609	1,669
800,001 to 1,000,000	259	281	290	295	301	305	310	324
More than 1 million	430	469	480	489	493	501	516	523
C. Total leasable retail area (square feet, billion)	5,512	6,089	6,210	6,319	6,424	6,552	6,702	6,856
Share of total retail space (%)	70.7	69.9	69.6	69.2	69.0	69.0	69.1	69.2
Aggregate center space (in square feet)								
Less than 100,001	1828	1965	1992	2018	2048	2085	2128	2173
100,001 to 200,000	1278	1386	1404	1423	1443	1463	1481	1502
200,001 to 400,000	945	1094	1123	1150	1176	1204	1233	1265
400,001 to 800,000	645	750	774	792	812	840	876	908
800,001 to 1,000,000	231	251	258	263	268	272	276	289
More than 1 million	585	644	659	671	677	688	708	719
D. Shopping-center-related employment (million)	11.47	12.67	12.65	12.46	12.37	12.49	12.70	12.77
Share of total non-agricultural employment (%)	9.8	9.6	9.6	9.6	9.5	9.5	9.5	9.4
<b>The Shopper</b>								
E. Shopping-center-inclined sales (dollars, billion)	\$1,309	\$1,694	\$1,754	\$1,809	\$1,883	\$2,000	\$2,118	\$2,254
Inflation-adjusted center sales (dollars, billion)	\$859	\$984	\$990	\$1,006	\$1,023	\$1,059	\$1,085	\$1,118
F. Consumer expenditures per household (average annual)	\$32,264	\$38,045	\$39,518	\$40,677	\$40,817	\$43,395	\$46,409	---
Highest 20 percent income quintile	\$62,639	\$75,102	\$77,125	\$79,199	\$81,731	\$83,710	\$90,469	---
Fourth 20 percent income quintile	\$39,395	\$46,794	\$48,722	\$50,432	\$50,468	\$50,974	\$54,354	---
Third 20 percent income quintile	\$29,125	\$34,716	\$35,660	\$36,881	\$36,213	\$36,980	\$39,098	---
Second 20 percent income quintile	\$22,126	\$26,550	\$26,492	\$27,140	\$26,729	\$27,410	\$28,921	---
Lowest 20 percent income quintile	\$14,607	\$17,940	\$18,883	\$19,061	\$18,492	\$17,837	\$19,120	---
G. Resident population (thousands, as of July 1)	266,278	282,217	285,226	288,126	290,796	293,638	296,507	299,398
H. Personal disposable income per capita (dollars)	\$20,287	\$25,471	\$26,235	\$27,164	\$28,038	\$29,534	\$30,457	\$31,810
I. Real personal disposable income per capita (dollars)	\$22,154	\$25,472	\$25,697	\$26,236	\$26,552	\$27,253	\$27,319	\$27,770
J. Personal saving rate (%)	4.7	2.4	1.8	2.4	2.1	2.0	-0.4	-1.0
K. Unemployment rate (%)	5.6	4.0	4.7	5.8	6.0	5.5	5.1	4.6
<b>Construction</b>								
L. Shopping-center-construction spending (dollars, billion)	\$6.2	\$9.3	\$10.5	\$8.8	\$9.1	\$11.4	\$15.1	\$22.2
M. New retail construction starts (number of projects)	---	---	---	---	7375	7812	7777	7698
N. New retail space (square feet, millions)	---	---	---	---	282	310	320	323
O. Share of new retail space in mall development (%)	---	---	---	---	5.0	5.8	7.6	7.3
Share of new retail space in community center development (%)	---	---	---	---	5.5	7.4	7.0	9.2
Share of new retail space in neighborhood center development (%)	---	---	---	---	7.1	7.3	8.0	8.5
Share of new retail space in mixed-use development (%)	---	---	---	---	6.3	8.1	7.4	11.1
<b>State Sales Taxes</b>								
P. General sales tax revenue (dollars, billion)	\$132.2	\$174.5	\$179.3	\$179.7	\$184.6	\$197.9	\$212.2	\$226.5
Per capita sales taxes in the U.S. (dollars)	\$504	\$621	\$630	\$625	\$636	\$675	\$717	\$757
Q. Sales tax revenue generated at centers (dollars, billion)	\$72.0	\$93.2	\$96.4	\$99.5	\$103.5	\$110.0	\$116.5	\$124.0
Per capita sales taxes in the U.S. (dollars)	\$270	\$330	\$338	\$345	\$356	\$375	\$393	\$414
<b>Analytical Measures</b>								
R. Shopping-center-inclined sales per square foot (E/C)	\$237	\$278	\$282	\$286	\$293	\$305	\$316	\$329
S. Shopping-center-inclined sales per capita (E/G)	\$4,916	\$6,003	\$6,148	\$6,278	\$6,474	\$6,811	\$7,145	\$7,528
T. Average Shopping-Center Propensity to Consume (S/H)	0.24	0.24	0.23	0.23	0.23	0.23	0.23	0.24
U. Marginal Shopping-Center Propensity to Consume	0.20	0.16	0.50	0.16	0.22	0.23	0.34	0.28
V. Shopping-center space per capita (C/G, sq ft)	20.7	21.6	21.8	21.9	22.1	22.3	22.6	22.9
W. Total retail space per capita (sq ft)	39.2	41.0	41.5	42.0	42.1	42.5	42.9	43.3

Sources: U.S. Department of Commerce; U.S. Department of Labor; McGraw Hill Construction; CoStar; ICSC Research.

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Table 5-2

Shopping Centers -- Number, Gross Leasable Area, and Retail Sales by State						
State	2005			2006		
	Gross leasable area (million square feet)	Retail sales (billion dollars)	Retail sales per square foot (dollars)	Gross leasable area (million square feet)	Retail sales (billion dollars)	Retail sales per square foot (dollars)
<b>United States</b>	<b>6,702</b>	<b>2,118.5</b>	<b>316</b>	<b>6,856</b>	<b>2,253.9</b>	<b>329</b>
Alaska .....	7	2.1	324	7	2.2	337
Alabama .....	96	26.0	271	97	27.3	283
Arkansas .....	35	8.5	244	37	9.5	253
Arizona .....	184	50.8	276	191	54.3	284
California .....	818	276.2	338	838	294.4	351
Colorado .....	135	46.4	343	141	49.5	351
Connecticut .....	89	38.9	435	90	40.9	453
District of Columbia .....	5	2.7	516	5	2.7	509
Delaware .....	24	8.2	340	25	8.6	352
Florida .....	539	168.3	312	551	179.1	325
Georgia .....	253	72.3	286	261	75.6	290
Hawaii .....	23	7.3	316	23	7.5	327
Iowa .....	49	14.2	291	50	15.1	304
Idaho .....	25	6.4	260	27	7.4	270
Illinois .....	258	85.7	332	264	91.7	347
Indiana .....	137	39.2	285	140	41.4	295
Kansas .....	55	16.4	302	56	17.6	314
Kentucky .....	76	19.8	259	78	20.7	266
Louisiana .....	77	17.4	225	78	21.8	281
Massachusetts .....	125	50.1	400	126	52.4	415
Maryland .....	138	53.1	385	140	55.9	400
Maine .....	22	6.1	282	22	6.5	294
Michigan .....	211	63.2	300	213	65.4	307
Minnesota .....	108	36.7	342	110	38.7	351
Missouri .....	128	36.7	287	131	39.0	297
Mississippi .....	47	10.8	228	50	12.0	240
Montana .....	10	2.7	265	10	2.9	275
North Carolina .....	226	64.3	284	235	68.1	290
North Dakota .....	9	2.6	286	10	2.8	296
Nebraska.....	37	11.0	302	38	11.9	313
New Hampshire .....	29	10.1	346	29	10.5	358
New Jersey .....	169	67.9	401	173	73.0	421
New Mexico .....	31	7.9	256	32	8.5	267
Nevada .....	87	28.5	328	90	30.2	336
New York .....	271	99.6	367	273	104.6	383
Ohio .....	300	87.4	292	306	92.3	301
Oklahoma .....	83	22.6	274	84	24.4	290
Oregon .....	67	19.6	295	68	20.7	303
Pennsylvania .....	265	84.6	319	269	89.0	331
Rhode Island .....	22	7.0	322	22	7.3	338
South Carolina .....	115	29.6	258	117	31.2	267
South Dakota .....	7	2.2	299	8	2.3	308
Tennessee .....	142	40.2	283	147	42.9	292
Texas .....	608	181.4	299	621	191.9	309
Utah .....	71	17.9	252	74	19.3	260
Virginia .....	221	75.9	344	225	80.1	355
Vermont .....	9	2.6	300	9	2.7	308
Washington .....	119	38.3	323	122	40.8	335
Wisconsin .....	107	32.6	304	109	34.3	315
West Virginia .....	30	7.1	238	30	7.5	248
Wyoming .....	5	1.6	341	5	1.7	364

Sources: CoStar; ICSC Research.



Mississippi, West Virginia, Arkansas, Utah and Kentucky.

### **Beyond the Industry: Its Economic Impact is Big**

On the \$2.25 trillion of sales occurring at the nation's shopping centers in 2006, ICSC Research estimated—as shown in Table 5-1—that \$124 billion or \$414 per capita was collected in sales tax revenues for the states during 2006. Moreover, shopping centers accounted for 55% of *all* 2006 general sales taxes collected by the states.

The industry is also an important source of job creation. In 2006, the retail real estate industry employed 12.8 million people or a hefty 9.4% of the entire non-farm employment.

A few other performance benchmarks drive home the importance of the industry. In 2006, consumers spent

an average of \$7,528 per year at shopping centers or about a quarter of their personal disposable income. Moreover, in 2006, the marginal propensity to consume—that is, the change in shopping-center sales relative to the change in personal income—was 0.28, which meant that for every new dollar of income, the consumer spent 28 cents of it at shopping centers.

### **The Industry at a Glance**

*So is the shopping-center industry important to the U.S. economy?* You bet. Whether it is for job creation with roughly one out of every ten jobs in the shopping-center industry, sales tax collection for the states or the sheer number of shopping-center properties, the industry has considerable depth, broad-based geographic breadth and it is, most importantly, an important source for meeting consumption needs.

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