

ICSC WHITE PAPER

**SHOPPING CENTER INDUSTRY BENCHMARKS—AN INTERNATIONAL
PERSPECTIVE ON THE COLLECTION, ANALYSIS AND DISSEMINATION OF
OPERATING STATISTICS**

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October 25, 2004

INTRODUCTION

As U.S. retailers and shopping center owners exhaust domestic growth options and look increasingly outward at offshore opportunities, knowledge and data regarding the state of the industry in target countries is vital. We think nothing of using common quantitative measures to compare economic development across countries—e.g., income per capita, currency stability, interest rates, GDP. It is also taken for granted that certain social indicators provide key initial insights into how a nation is doing—literacy, infant mortality and population growth are examples that immediately come to mind. Without these data, we would struggle to reach even a basic understanding of what is going in the world. Luckily, the data are available for all but a very few countries. Moreover, a number of internationally-oriented organizations produce handbooks both online and in hard copy that compare these economic and social indicators across countries.

Retail indicators are also usually available, though limited primarily to a measure of sales growth (either “volume” or “value”). Yet, for shopping centers, we have very little standardized data that helps to provide a good “first pass” at the state of the industry in various countries around the globe. In an era of ever-increasing industry mobility, the usefulness of such a resource would seem to be growing.

The value of global shopping center benchmarks is not just limited to being a handy research tool for the foreign investor. Some valuable ideas for U.S. centers could be obtained by studying foreign operators’ benchmarks to identify the factors that drive productivity in comparable centers elsewhere in the world. Are there, for example, differences in the specialty tenant merchandise mix, or in the number and type of anchor stores, that cause regional centers outside the U.S. to be more or less productive than their U.S. counterparts? Without access to a set of fairly standardized data, such questions are unanswerable. With such data, however, these interesting questions can begin to be addressed.

THE SCOPE OF EXISTING BENCHMARKS

So how much shared information on the industry is available outside North America? There is information widely available on, for example, rents and vacancy at specific centers, on specific streets, or specific metropolitan areas around the globe. These kinds of data are sometimes published, more often available only by a well-placed phone call to the right individual.

Also widely available, at least in America, Europe, Australia and Japan, are compendiums of shopping centers with basic information such as size, ownership and tenant rosters.

However, in terms of producing shopping center and consumer shopping benchmarks that assist professionals in their decision making, the US and Australia are well out ahead of the rest of the world:

- ICSC puts out a number of benchmark publications on the performance of North American shopping centers, including SCORE, the Monthly Mall Merchandise Index, and the Monthly Canadian Mall Index
- ICSC also produces annual benchmarks on consumer shopping behavior at malls

- The Urban Land Institute produces “Dollars and Cents of Shopping Centers,” its own compendium of operating metrics for U.S. shopping centers
- UrbisJHD in Australia produces the “Retail Averages,” a three-volume set of data tables on performance metrics at Australian shopping centers. Unlike SCORE, which provides many line items under revenues, expense recoveries and operating expenses for three basic groups of tenants (anchors, non-anchors and outparcels), the Australian effort provides just three data points but breaks them out for all tenant types in the shopping center. The three data points are: (1) space allocation; (2) sales; and (3) total occupancy cost as a percent of sales.

Outside of the U.S. and Australia, there has been interest expressed at various times but so far very little in the way of action. ICSC and others have explored for years the possibility of data-sharing and publication in Europe, beginning with a single country. These exploratory moves have so far not yielded anything tangible.

In Latin America and Asia—both major potential growth areas for the shopping center industry—there is also interest but so far very little in the way of data. Gatekeepers to the data in these countries seem mainly concerned about confidentiality issues and take a “you first” approach that stymies progress.

Mexico is a possible near-term source of data for a compilation of shopping center benchmarks. First steps toward industry-wide compilation of benchmarks have also been taken in Singapore, at a meeting of mall operators at the Singapore Hilton in July 2004. That particular effort will depend on, and be overseen closely by, the Singapore government’s Standards & Productivity Board. However, ICSC can also play a role by encouraging the project and making its research professionals available as a resource. Once Singapore is up and running with a prototype, others in the region will follow.

Beyond these isolated efforts, the increased securitization of retail real estate is causing more operating data to become available. However, the countries where securitization and reporting standards are at the most advanced stage—the U.S., Canada and Australia—are also the countries that already have industry-wide operating benchmarks.

In conclusion then, the amount of data is limited and it will take significant effort on the part of industry professional associations, and in some cases governments, to push the cause forward.

CROSS-COUNTRY ANALYSIS OF SHOPPING CENTER BENCHMARKS

Benchmarks give researchers a window into the performance of an industry at a particular place and time. The remainder of this paper pushes the envelope further by asking the following questions:

- Is there any value in comparing benchmarks across countries? Does the exercise add up to something more useful from a global perspective than simply a set of interesting comparison tables?
- If so, does it make sense to publish such an analysis on an ongoing basis?
- What, if any, additional research does it suggest?

The hypothesis behind this paper is that a joint comparative analysis of the physical characteristics, tenant mix and operating performance of shopping centers in different countries, subject to recognition of the cultural and economic contexts, can yield useful new ideas to be explored in shopping centers that had not previously incorporated them. At the very least it can provide the reader with a broader, global perspective of shopping center performance and innovation, which in and of itself is a useful service.

A CASE STUDY COMPARING SHOPPING CENTER BENCHMARKS: THE U.S., CANADA AND AUSTRALIA

The U.S., Canada and Australia make an excellent cross-country comparison of shopping center benchmarks because:

1. Shopping center benchmarks are available
2. All three countries are advanced “first-world” nations with broad cultural similarity. E.g, median household incomes for the three countries in 2000, adjusted by purchasing power parity (PPP) to eliminate price differences between the three¹, were:
 - United States: \$42,900
 - Canada: \$38,638
 - Australia: \$30,451
3. Shopping center configurations are broadly similar

The major obstacles to making a cross-country analysis are moving exchange rates, differences in the physical characteristics of centers, differing standards of living, and the differing competitive characteristics of each market. These all need to be carefully taken into account but need not dilute the usefulness of the analysis.

In this instance, the most significant factor driving differential shoppingcenter outcomes across the three countries that is *not* related to internal performance is retail space per capita. Table 1 lists estimates of shopping center and retail space per capita for selected countries.

TABLE 1 SHOPPING CENTER AND TOTAL RETAIL SPACE PER CAPITA, SELECTED COUNTRIES (SF PER CAPITA)		
	Shopping Center	Total Retail
United States (2003)	20.2	39.2
New Zealand (2000)	4.3	25.8
Australia (2003)	6.4	20.4
United Kingdom (2000)	3.2	14.0
Hong Kong (2003)	N.A.	12.9
South Korea (2002)	N.A.	12.9
Singapore (2003)	4.3	10.8
Canada (2003)	12.8	N/A
Japan (2002)	3.2	10.8
Source: UrbisJHD, FPD Savills, ICSC, FW Dodge, author's estimates		

¹ PPP rates used in this instance are the 2000 average rates calculated by the Organization for Economic Cooperation and Development. They are, for Canada 1.21, and for Australia 1.32.

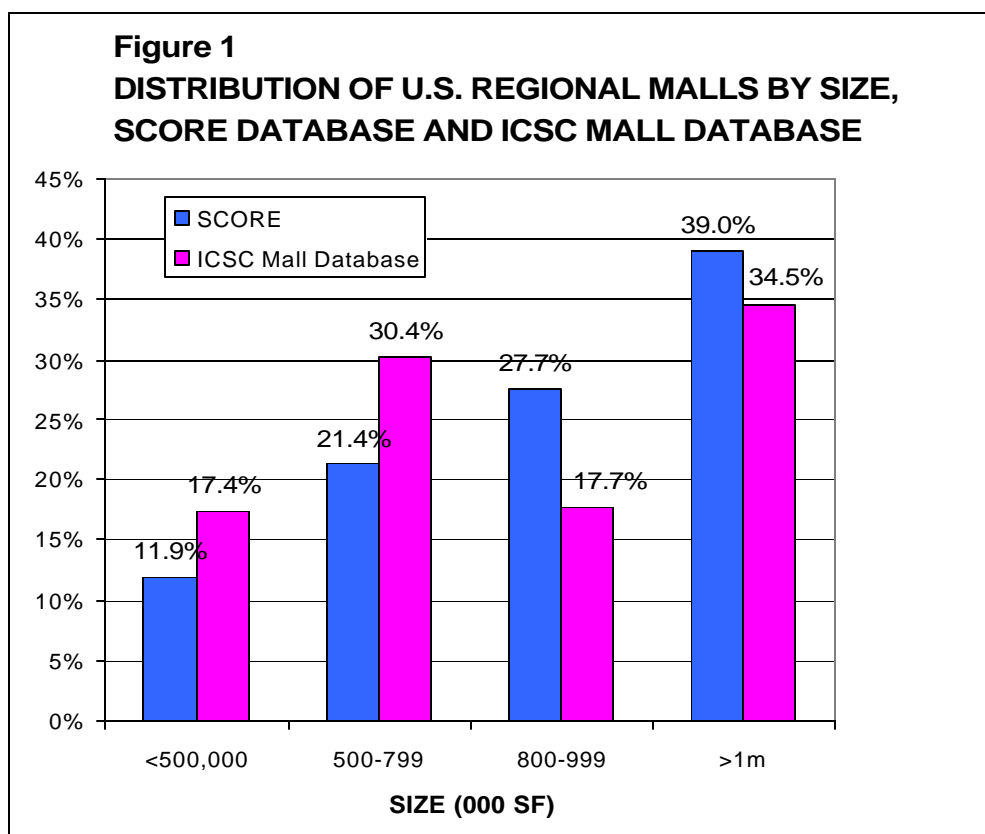
Clearly, the United States is the most competitive market in the world with easily the most shopping center and total retail space per capita of any country. This means that Americans have more choice in terms of where they shop, what they buy and what they pay for it, than in Australia or Canada. It also means that, given roughly equivalent disposable incomes and spending proclivities across the three countries, shopping center space in Canada and Australia should be more productive. Indeed, as will be shown in this paper, even though median household incomes are lower in Canada and Australia, shopping center productivity tends to be higher.

REGIONAL CENTER LEASABLE AREA AND TENANT MIX

Table 2 shows comparison data for the size of U.S., Canadian and Australian regional shopping centers. Five different benchmarks are used, four of them based on samples. These four are the 2003 SCORE sample, the December 2003 U.S. Monthly Mall Merchandise Index (MMMI), the December 2003 Canadian Mall Index (all compiled by ICSC), and the UrbisJHD Retail Averages for Australia.

	U.S	U.S	U.S	Canada	Australia
	SCORE 2004	Monthly Mall Merchandise Index	ICSC Regional Mall Database	Monthly Canadian Mall Index	UrbisJHD Retail Averages
Non-anchor	319,541	263,475	352,000	209,000	269,022
Anchor	587,550	N/A	506,000	N/A	450,706
Outparcel	48,857	N/A	N/A	N/A	N/A
Total	955,948	N/A	858,000	N/A	719,728

The fifth dataset used (column 4) is a comprehensive list of U.S. regional malls maintained by ICSC research, which includes among other things details of anchor and non-anchor gross leasable area (GLA). The size distribution of U.S. malls according to this database is compared with that of the SCORE sample in Figure 1. It shows that the SCORE sample is skewed heavily toward larger centers.



Nonetheless, all the data indicate that U.S. regional centers are significantly bigger on average than either Canadian or Australian regional centers, exhibiting a size advantage with respect to both anchor and non-anchor GLA.

Note that MMMI non-anchor space, at 263,475 sf, seems low compared to the SCORE and mall database measures, but when vacant and outparcel space are added in the numbers are consistent.

ANCHOR STORES

Anchor space is approximately 50,000 sf greater in U.S. regional centers than in their Australian counterparts. (No benchmark is available for Canada.) The main reason is not that there are a greater number of anchors in U.S. centers (3.7 on average vs. 4.8 for Australia) but rather that the U.S. anchor stores are larger. Nearly 80% of U.S. mall anchors are department stores², which average around 180,000 sf.³ Australian regional centers are commonly anchored by a mix of department stores (averaging 170,000 sf), discount department stores (averaging just over 80,000 sf) and supermarkets (averaging a little over 40,000 sf).

Leaving aside the nature of the anchor types themselves, this greater *diversity* of anchors may be one of the key strengths of Australian regional centers in that shoppers are offered a greater variety of merchandise, price points and shopping formats by these anchors collectively, and therefore a stronger shopping destination.

ANCHOR STORE PRODUCTIVITY

Please note: unless otherwise specified, all dollar figures henceforward for both Canada and Australia are given in \$U.S at 2003 purchasing power parity (PPP). The PPPs used are obtained from the Organization for Economic Cooperation and Development.

According to SCORE, U.S. mall anchors average \$192 psf. Australian department store anchors don't do as well, at an anemic \$168 psf.

Discount department stores at Australian malls do somewhat better than department stores, producing an average of \$220 psf. Note that this figure is higher than the \$192 psf that discount department stores achieve in other centers. Given the weakness of department stores, it is perhaps surprising that the discounters don't do better. The inability of Australian discount stores to capitalize more fully on the fragile competitiveness of their department store competitors runs very much counter to the U.S. experience.

Note that although cinemas are a common anchor at Australian regional centers, the UrbisJHD Retail Averages don't report sales data for these.

Full-line supermarkets, not surprisingly, are the most productive anchor type, averaging \$605 psf.⁴ These are a substantial traffic driver at Australian regional centers but are

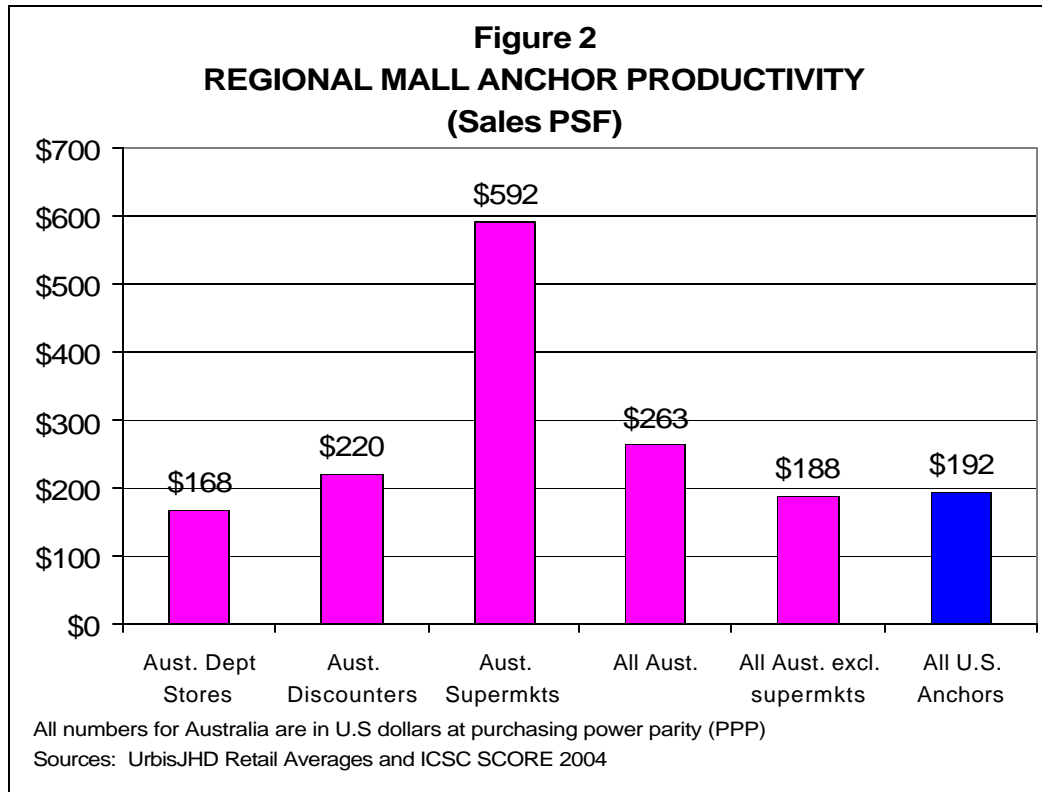
² ICSC research database of regional malls

³ According to their respective 2003 annual reports, Federated Department Stores' average department store size is about 183,000 sf, while May Department Stores' average is approximately 175,000 sf.

⁴ Only full-line supermarkets are included in the average. Centers also have a fairly significant amount of GLA allocated to smaller supermarkets that don't carry a full range of grocery items.

very uncommon in U.S. malls. This, too, may constitute a relative strength of Australian malls over their U.S. counterparts. Consumer research indicates that about one in four visitors to regional centers are supermarket shoppers, and that about half of these also shop for non-food items at other stores during the supermarket trip. Also, the presence of a supermarket brings traffic to the highly productive fresh food specialty stores that cluster near the supermarket entrance,

If supermarkets are excluded, the productivity performance of Australian regional mall anchors is quite comparable to that of U.S. mall anchors. (See Figure 2 below.)



Note that both SCORE and the Retail Averages report results for the bestperforming centers in their respective databases. In the case of SCORE, it is the upper quartile of centers while for the Retail Averages it is the 10 best centers. While U.S and Australian anchor stores at these better centers turn in superior results as expected, the relative differential between the two countries remains the same. Thus, anchor stores at the upper quartile of U.S. malls (again, mostly department stores) generate an average of \$225 psf, department store anchors at the 10 leading Australian malls produce \$196 psf and discount department stores \$240 psf.

NON-ANCHOR STORES

The allocation of in-line mall GLA is broadly similar in the U.S and Canada, with about half of the tenant space allocated to apparel, accessories & footwear, another 30-35% allocated to other GAFO goods, 7-10% to services/entertainment, and 7-10% for food. (See Table 3.)

TABLE 3
AMOUNT AND DISTRIBUTION OF NON-ANCHOR TENANT SPACE IN U.S.,
CANADIAN AND AUSTRALIAN REGIONAL SHOPPING CENTERS

	U.S		Canada		Australia	
	SF	% Non-anchor GLA	SF	% Non-anchor GLA	SF	% Non-anchor GLA
Women's/Childrens' Apparel	51,994	19.7%	42,872	20.5%	37,943	14.1%
Men's Apparel	4,972	1.9%	8,036	3.8%	8,353	3.1%
Family Apparel (A: Jeaneries & Unisex)	44,458	16.9%	36,682	17.6%	23,207	8.6%
Accessories & Specialties	9,299	3.5%	10,890	5.2%	4,004	1.5%
Footwear	22,947	8.7%	11,804	5.6%	12,314	4.6%
TOTAL APPAREL	133,670	50.7%	110,284	52.8%	85,821	31.9%
Home Furniture & Furnishings	10,573	4.0%	10,149	4.9%	32,507	12.1%
Home Entertainment & Electronics	12,534	4.8%	N/A	N/A	14,499	5.4%
TOTAL HOME GOODS	23,107	8.8%	N/A	N/A	47,006	17.5%
Stationery, Cards, Gifts, Novelty/Books	18,829	7.1%	N/A	N/A	17,158	6.4%
Personal Care	4,408	1.7%	N/A	N/A	1,894	0.7%
Jewelry	9,739	3.7%	5,126	2.5%	7,782	2.9%
Drug/HBA	1,042	0.4%	N/A	N/A	12,066	4.5%
Other Merchandise	20,574	7.8%	N/A	N/A	31,797	11.8%
TOTAL MERCHANDISE	211,369	80.2%	179,725	86.0%	203,524	75.7%
SERVICES/ENTERTAINMENT	27,731	10.5%	14,454	6.9%	30,914	11.5%
Fast Food	3,812	1.4%	1,069	0.5%	3,778	1.4%
Food Court	4,276	1.6%	3,801	1.8%	7,718	2.9%
Restaurants	12,163	4.6%	6,521	3.1%	10,753	4.0%
Specialty Food (A: Other Take Home)	4,032	1.5%	3,430	1.6%	4,047	1.5%
Fresh Food	N/A	N/A	N/A	N/A	8,267	3.1%
TOTAL FOOD	24,282	9.2%	14,821	7.1%	34,563	12.8%
TOTAL	263,475	100.0%	209,000	100.0%	269,022	100.0%

Sources: ICSC Monthly Mall Merchandise Index (for the U.S.); ICSC Monthly Canadian Mall Index (for Canada); UrbisJHD Retail Averages (for Australia)

The distribution of space at Australian malls is strikingly different in some key respects. These are as follows:

- Almost 50,000 sf less space is devoted to apparel (including accessories & footwear) than in a U.S. center, and about 25,000 sf less than in a Canadian center. Thus, only 32% of non-anchor GLA is occupied by apparel in an Australian regional mall, compared with 51% in the U.S. and 53% in Canada.
- Approximately three times more space is allocated to home furniture/furnishings in Australian malls than in North American malls. As a result, this category accounts for 12% of non-anchor GLA in Australia compared with only 4-5% in North America.
- Food accounts for significantly more space in Australian regional malls—almost 35,000 sf vs. about 24,000 sf in the U.S. and about 15,000 sf in Canada. The biggest single difference is the substantial (8,267 sf) fresh food offering at Australian centers (e.g. greengroceries not associated with a supermarket) that is almost non-existent at North American centers. Australian food courts also tend to be larger than in the U.S. and twice as large as in Canada. So, in sum, while the U.S. malls sit in the middle when it comes to the food offering, Australian malls offer considerably more and Canadian malls substantially less.

How much of an effect do these differences in allocation of GLA have on mall productivity?

NON-ANCHOR STORE SALES PRODUCTIVITY

Table 4 page 13 is a comparison table of sales productivity for non-anchor tenants at U.S., Canadian, and Australian regional shopping centers. It shows that the overall sales productivity of non-anchor tenants in U.S. centers is lower than that in both Canadian and Australian centers. Note the following in particular:

- U.S. apparel tenants perform much the same as their Canadian counterparts but are more than \$100 psf less productive than apparel tenants in Australian centers.
- U.S. home furnishings tenants are collectively more productive than those in Canadian and Australian centers, but the reverse is true for home entertainment/electronics.
- Food is the category where U.S. centers exhibit the weakest relative performance.
 - Sit-down restaurants at U.S. malls are relatively high quality concepts and tend to be more productive than their counterparts in Canadian and Australian malls.

- U.S. food courts exhibit significantly lower sales psf on average than Canadian and Australian food courts. This is largely attributable to two factors—(1) the superior quality and number of sit-down restaurants at U.S. malls, which take more business from the food courts than restaurants at Canadian and (to a lesser extent) Australian malls; and (2) the high quality of food court tenants at Canadian and Australian centers
- Fresh food, virtually non-existent in North American malls, is an important component of the Australian mall food offering (3.1% of GLA) and also a very productive one, at \$729 psf.

Merchandise sales performance at Australian malls (\$431 psf) is significantly better on average than in the U.S. (\$353 psf) or Canada (\$352 psf). There are at least three possible reasons for this:

1. Fewer alternatives for Australian shoppers because of the more subdued competitive environment
2. The greater number and more diverse mix of anchors that drive traffic at Australian centers
3. The prevalence of supermarkets as anchors in Australian centers, which may drive a meaningful level of traffic to other parts of the center

The second and third of these factors should be of interest to mall operators in North America, while the first is mainly a concern for Australian consumers, who face higher prices and fewer choices than they would in a more competitive environment.

TABLE 4 SALES PER SQ. FT. AT REGIONAL SHOPPING CENTERS IN THE U.S. CANADA AND AUSTRALIA (LOCAL CURRENCY AND U.S. DOLLARS AT PURCHASING POWER PARITY)						
	\$US	\$US	\$CAN	\$A	\$US at PPP	\$US at PPP
	U.S	US	Canada	Australia	Canada	Australia
	Monthly Mall Merchandise Index	SCORE 2004	Monthly Canadian Mall Index	Retail Averages	Monthly Canadian Mall Index	Retail Averages
TOTAL APPAREL*	\$322.26	N/A	\$384.67	\$584.90	\$315.30	\$426.94
Home Furniture & Furnishings*	\$340.69	N/A	\$356.41	\$398.70	\$292.14	\$291.02
Home Entertainment & Electronics	\$416.93	N/A	\$843.41	\$949.23	\$691.32	\$692.87
TOTAL HOME GOODS	\$383.05	N/A	\$556.70	\$567.45	\$456.31	\$414.20
TOTAL MERCHANDISE**	\$353.22	N/A	\$429.40	\$590.92	\$351.97	\$431.33
SERVICES/ENTERTAINMENT***	\$299.27	N/A	\$433.63	\$649.67	\$355.43	\$474.21
Fast Food	\$460.54	N/A	\$446.09	\$1,025.65	\$365.65	\$748.65
Food Court	\$649.05	\$654.60	\$1,014.48	\$991.09	\$831.54	\$723.42
Restaurants	\$369.23	N/A	\$376.27	\$485.25	\$308.42	\$354.20
Specialty Food	\$414.07	N/A	\$601.97	\$1,141.31	\$493.42	\$833.07
Fresh Food	N/A	N/A	N/A	\$998.95	N/A	\$729.16
TOTAL FOOD	\$447.81	N/A	\$607.83	\$852.51	\$498.22	\$622.27
TOTAL NON-ANCHOR	\$345.43	\$318.02	\$449.97	\$630.05	\$368.83	\$459.89
ANCHOR	N/A	\$189.89	N/A	\$360.70	N/A	\$263.28
Addendum: Outparcels	N/A	\$283.60	N/A	N/A	N/A	N/A

*Australian number includes pro-rated amount for "mini-majors"
**US number excludes a very small amount of merchandise sales/sf from drug store and other non-GAFO sales
***Australian number is for services only

OCCUPANCY COSTS

Occupancy cost data are not available for Canada. The SCORE report and Retail Averages do report occupancy costs but present the data quite differently. Specifically, SCORE breaks out the various components of occupancy costs—rent, expense reimbursements, CAM administration and marketing—for non-anchor tenants as a group, while the Retail Averages takes each tenant category individually and provides a single occupancy cost ratio for them. A headline occupancy cost ratio for all specialty tenants is also provided.

Using these data, it appears that occupancy costs as a percent of sales in U.S. regional malls are lower on average than in Australia, at approximately 13% vs. 16-17%. However, the significant supply constraints in the Australian market coupled with strong retailer demand for good space suggest that Australian occupancy costs *in absolute terms* may be at an appropriate level vis-à-vis those in America.

NEIGHBORHOOD CENTERS

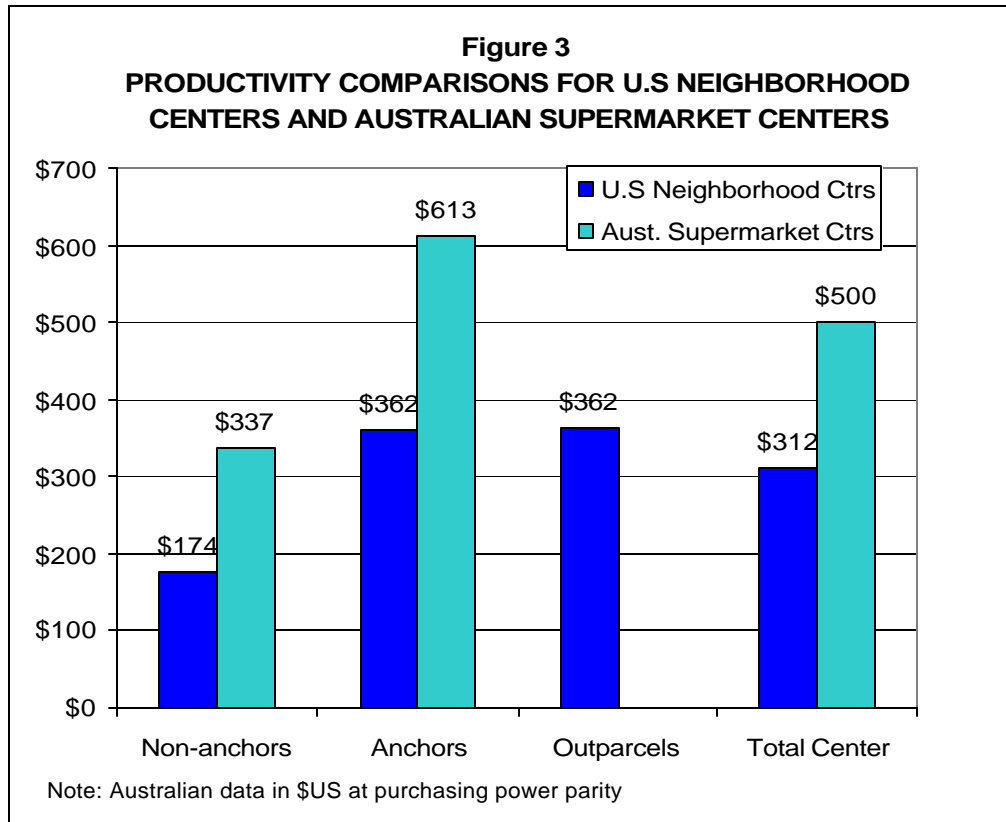
The smallest shopping centers in the U.S. taxonomy are “neighborhood centers”, defined by ICSC as supermarket-anchored centers with GLA typically ranging from 30,000-150,000 sf. Apart from the supermarket itself, co-tenants are usually small, convenience-oriented retailers, often providing services such as hairdressing and video rental. Banks, drug stores and food service establishments are common either as co-tenants attached to the main shopping center building or on outparcels.

Closest in concept to neighborhood centers in Australia are “supermarket based centers.” These are, as the name implies, also anchored by supermarkets. According to the UrbisJHD Retail Averages, centers with one supermarket average about 70,000 sf. in size while centers with two supermarkets average just over 130,000 sf.

Note one important difference between the physical appearance of the U.S. neighborhood and Australian supermarket center—the latter frequently have an enclosed common area so that access to at least some of the stores is not possible directly from the parking lot. In contrast, the U.S. centers are invariably outdoors in a strip formation with all stores facing the parking lot. The fact that the U.S. centers don’t have an enclosed common area makes occupancy costs of the two center types difficult to compare. According to SCORE, median occupancy costs at U.S. neighborhood centers are 8-9% of sales, while the Retail Averages pegs average occupancy costs for single supermarket based centers in Australia at 11.2%. Factoring in the additional common area expenses incurred by Australian centers makes the occupancy costs for both the American and Australian centers fairly comparable.

Figure 3 provides data comparing the sales performance of U.S. and Australian centers. Data for the latter refer solely to the single supermarket variety. Note also that the U.S. data are medians whereas the Australian are averages.

As Figure 3 indicates, the Australian supermarket centers appear to perform better on average, partly due to more productive supermarkets and partly due to substantially superior sales productivity on the part of the small tenants.



What makes the Australian centers so much more productive? Three answers suggest themselves immediately—

1. Again, there is less retail space per capita in Australia and therefore fewer competing alternatives for shoppers. This raises the productivity of both the supermarket anchors and the small tenants.
2. The second factor has to do with the number, size and productivity of small stores in the centers. According to the Retail Averages, single supermarket centers have an average of 19.0 in-line stores with a mean floor space of little more than a thousand sq. ft. In a small store, it takes only modest sales to generate high productivities on a per-sq.-ft basis. Although no actual benchmark data on this is available for the U.S., casual observation suggests that the number of stores in neighborhood centers is typically fewer than 19, and often not more than just a few.
3. The third factor relates to the fact that, unlike in the U.S. where supermarkets have brought many retail and service businesses inside the supermarket itself, Australian supermarkets either--
 - Have not done so at all or not to any great extent (e.g. flowers, coffee, video rental)
 - Have done so but are still not dominant in these “introduced” businesses (e.g. fresh fruit and vegetables, bakery), or
 - Are legally barred from doing so (pharmacy)

Thus, while a typical Australian supermarket center has roughly the same GLA as an American neighborhood center, the supermarket anchor in the U.S. center is usually bigger, includes more businesses under the one roof, and is cōtenanted by fewer small stores outside in the shopping center. In other words, small stores that would be highly productive businesses as supermarket cōtenants are absorbed into the supermarket itself. As a result, while an average Albertsons or Kroger supermarket in the U.S. occupies about 55,000 sf, a full-line supermarket in an Australian center averages only about 36,000 sf.

The small tenants in Australian supermarket-based centers are, however, highly productive—e.g. there is almost always a pharmacy averaging less than 2,000 sf and with a mean sales productivity of almost \$500 psf.

Fresh food stores are also ubiquitous in these centers and highly productive—2.8 stores per center with an average sales psf of \$470.

In conclusion, to the extent that the lesser productivity of U.S. supermarket centers is attributable to fewer and less productive kinds of small cōtenants, it may be useful for ICSC, in partnership with small center operators, to explore a consumer research project on cōtenancies. Specifically, it may be worthwhile to look into consumer responsiveness to certain small tenants that may have overlapping merchandise offerings with the supermarket anchor. For example, would inclusion of a specialty florist or bakery adversely or positively affect the overall productivity of (a) the shopping center, and (b) the supermarket.

OTHER CENTER TYPES

SCORE and the Retail Averages also report data for other, intermediate shopping center types such as community, power and lifestyle centers (U.S.) and discount department store centers (Australia). There are a number of interesting similarities and dissimilarities between the U.S and Australian centers that need not be discussed in this paper. Suffice it to say that while actual operating data can not easily be compared because of differences in the size and physical configuration of the shopping center concepts, there are attractive elements of these centers that would be of interest to (1) investors seeking cross-border opportunities, and (2) to researchers or shopping center operators looking for new ideas from outside.

CONCLUSIONS AND SUGGESTED FURTHER ACTIONS AND RESEARCH

CONCLUSIONS

Data Collection and Dissemination

1. ICSC's SCORE is hopeful to maintain adequate and representative sample sizes. However, much of the data that are collected, particularly individual line items under revenues and expenses, are probably not being utilized to an extent that justifies their cost of collection. There are several possibilities for changing SCORE. One of them might be as follows:
 - a. Reduce the scope of the U.S. data collection process by eliminating from the questionnaire line items under revenues, expense recoveries, operating expenses and perhaps others. Collect only headline numbers
 - b. Break out non-anchor tenants into a few major tenant categories, such as apparel, home furnishings, and jewelry.
 - c. Disseminate SCORE data both as a stand-alone publication as it now is, and secondarily as part of an international handbook on the shopping center industry, incorporating comparable statistics and analysis from other countries' data collection efforts.

In this way, ICSC could broaden the reach of its publications to an international audience, leverage its own efforts better and also the efforts of others, and enhance its prestige as an international real estate organization.

International Comparison

1. U.S. regional centers are larger, on average, than in Canada or Australia, with a size advantage both in anchor and non-anchor space. Non-anchor sales productivity is lower.
2. U.S. regional centers are far more dependent on department store anchors than in Australia, where a mix of department stores, supermarkets and discount department stores is a typical anchor tenant mix.
3. Department store anchors in U.S. regional centers appear to perform more strongly than in Australia, which is a surprising result given that Australians have significantly fewer shopping alternatives.
4. Discount department stores don't appear to be taking advantage of their competitors' weakness in Australia. Their productivity advantage over department stores in regional centers is considerable (\$220 psf vs. \$168 psf.); however, in centers other than regionals their performance is weaker than in regional centers and certainly worse than their U.S. discounter counterparts. The lack of competitiveness of Australian discount stores runs counter to the U.S. experience.

5. Notwithstanding the relative weakness of both department stores and discounters in Australia, the very fact of a *diverse* anchor tenant mix that includes both them and supermarkets may be a key competitive advantage of Australian regional centers over their U.S. counterparts.
6. Unsurprisingly, supermarkets are the most productive anchors in Australian regional centers. However, they have been slow to absorb ancillary businesses into the supermarket fold (e.g. flowers, pharmacy, coffee). Moreover, they have also failed to dominate the fresh fruit and vegetable sectors despite the formidable market power of the main players in what is essentially a duopolistic supermarket industry structure. Thus, fresh food specialty operators still thrive in the vicinity of supermarkets at Australian regional centers.
7. Food courts in U.S. regional malls are smaller than in Australian centers, and much less productive than in both Australian and Canadian centers. This seems to be partly due to the high quality of the food court operators in Australia and Canada, and partly to the relatively more numerous and high quality restaurant options in the U.S.
8. Apparel plays a much more important part in the non-anchor tenant mix in U.S. and Canadian malls, while food and home furnishings are relatively more important in Australia
9. Occupancy costs at U.S. regional centers appear to be lower than in Australian centers. This is likely due to the fact that planning policy in Australia has constrained shopping center supply and resulted in a limited menu of location options for retailers. It is also partly due to highly concentrated mall ownership.
10. In small neighborhood centers, U.S. supermarkets are bigger in relation to the total size of the center, having absorbed ancillary businesses into the supermarket
11. Non-anchor tenants in Australian neighborhood centers are numerous, small, and operate in highly productive merchandise types; e.g. pharmacy and fresh food, thus boosting non-anchor productivity over U.S. centers. However, a more aggressive push by supermarkets into the ancillary businesses could put significant stress on the non-anchor tenant mix over time.
12. In contrast to regional centers, occupancy costs at U.S. neighborhood centers appear to be roughly comparable to those in Australian supermarket centers.

Further Research

1. Retail space per capita is clearly an important driver of productivity—other things being equal, the more retail space there is, the more competitive the retail environment, the lower the average productivity of the space, and the lower the prices. However, there is still no objective standard for determining whether a country, a city or a neighborhood, is “over-stored” or “under-stored.” It would be

extremely helpful in furthering the discourse on this issue to develop some objective standards on what the “right” amount of retail space is.

2. Does *variety* of anchor types make a difference to mall productivity? E.g., do regional centers with three department stores perform better or worse in the U.S. environment than centers with a department store, a book store, and a discount store?
3. Are supermarkets viable anchor tenants at U.S. regional centers? What do they bring to Australian centers that another anchor type, or additional small specialty tenants, do not? E.g., do they make a meaningful number of impulse purchases at other stores in the center that would not otherwise have been made?
4. In what circumstances is it viable to have small tenants in U.S. neighborhood centers with merchandise offerings that overlap those of the supermarket anchor? In Australian centers, small tenants are very numerous and cover a wide variety of merchandise types—are U.S. neighborhood center operators overlooking opportunities?
5. Why do department stores and discount department stores perform so poorly in Australia despite significantly less competition?

Final Thoughts

Global shopping-center benchmarking opportunities exist for the International Council of Shopping Centers. The collection of a narrower, but globally broader, data set might be the initial step towards the eventual goal of a comprehensive cross-border benchmark. This paper has demonstrated that the international project is doable, desirable and long overdue.