

Toward the Global Classification of Shopping Centers

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Executive Summary

Background

The shopping center industry has undergone a number of changes, many of which can be traced to the globalization of the industry. The primary objective of this working paper is to present a conceptual framework that can be used to guide the development of a global classification system for shopping centers to satisfy the informational needs of the global retail industry. A secondary objective is to provide some insights that might help in the development, or refinement, of classification systems for specific countries or regions which might ultimately be rolled up into a global framework without compromising the needs of those in various countries or regions.

- **Importance.** The continued acceleration of the globalization of real estate and capital markets has increased the informational needs of the overall real estate industry. This need is even greater in the case of retail real estate which focuses on an industry that is competitive, dynamic and continuously evolving. As such, existing shopping centers must be able to respond to changing demographics, tenant performance, and new competitive threats. New shopping centers must be able to overcome challenges with respect to assembling sites, securing entitlements, and raising sufficient funds to support capital intensive development. The challenges associated with global shopping center operations are even more complicated due to the need to understand country specific differences in market dynamics, real estate fundamentals, and the drivers of investment performance. To address the risks introduced by these local market nuances, there is a demonstrable need for global information on the shopping center industry. Such data are critical to support fundamental market analysis that focuses on individual projects or countries as well as strategic market analysis which addresses asset allocation and portfolio level decisions. The development of a global classification system for shopping centers is a critical step in the development of a solid foundation for supporting global decision-making. In addition the existence of a global system could provide a number of ancillary benefits including:
 - **Enhanced Market Efficiency.** Given the current state of data on the global shopping center industry, there is a lack of transparency regarding the retail market's composition, structure, balance and trends. This void thwarts the efforts of analysts to conduct fundamental market analysis (i.e., spatial analysis, supply/demand balance) across country and/or regional boundaries. The end result of the "informational inefficiency" can lead to excess supply at an overall level, or to excess construction of various shopping center formats that saturates results in segments of a particular market being oversaturated or underserved. .

- **Improved Market Knowledge.** The absence of access to adequate data on the shopping center industry inhibits researchers from learning about how the market functions and identifying the conditions that lead to advances in the state of the art of retailing and shopping center development and operations. Such knowledge is particularly important in the global arena where the industry is at different stages of evolution and where the “lessons learned” in one country could be extended to other countries. The dissemination of such created knowledge should help improve market efficiency and reduce unnecessary risk.
- **Improved Performance.** In many respects, the retail industry is more competitive than other property sectors. This is due to the dynamic nature of the underlying industry and the constant challenges the various players face. In countries with clear information on the supply side of the market, retailers, developers and managers can focus their energies on understanding the demand side of the industry. This ability to concentrate on consumers is critical since the ultimate determination of success of a shopping center development or retail store, is the ability to create sufficient sales to cover costs and provide an acceptable return on investment. country lines is inherently complex --especially in fast-growing and emerging markets, In the absence of solid supply-side information may make it difficult to justify expansion into otherwise attractive markets. . This situation is particularly true in the case of fast growing and emerging markets which are inherently risky for capital-intensive projects.
- **Increased Capital Flows.** The retail industry has experienced significant growth on the global platform. In order for this trend to continue, capital must be attracted across country boundaries. Since there are a number of ancillary risks attendant with global investing (e.g., currency, liquidity, political risk), real-estate and retail risks be managed. This risk management can be at the property level where solid research helps ensure the success of a particular venture in light of competition for consumer expenditures. It can also be managed at the portfolio level by capturing meaningful diversification benefits can enhance portfolio-level risk-adjusted returns. To support this type of analysis, investors must have access to benchmarks that can be used to support asset allocation studies. The provision of standardized data on retail markets would allow investors to establish benchmarks for retail sales, project performance and market/country performance in global retail portfolios.
- **Urgency.** The development of a global shopping center classification model is of the utmost urgency. Several factors support this conclusion.
 - **Increased Market Demand.** Over the past decade a new wave of retailers, developers and investors have been drawn into the global arena. To maintain this momentum, enhanced, standardized and accessible data on the shopping center industry are necessary. In the absence of such data, real estate decision-makers would be likely to make tactical and strategic mistakes that could have otherwise been avoided. This could create an environment in which risk and market volatility are elevated beyond accepted tolerance levels.

- **Global Economic/Capital Crisis.** The recent economic and credit crises rippling across the globe are forcing those entities to step back and take a hard look at existing operations and expansion plans. This is particularly true in the commercial real estate industry in which many markets are just beginning to experience the full force of an impending cyclical correction. In this situation, they have redoubled efforts to understand market fundamentals rather than relying on capital flows and financial engineering real estate deals. The ability to conduct solid research based on reliable information regarding market structure, trends and comparative performance will be of paramount importance to avoid a pull-back or withdrawal of resources from various markets.
- **Risk of Further “Institutionalization” of Competing Systems.** A number of data vendors, consultants, associations and other organizations have developed country-specific and regional shopping center classification systems. While understandable, the proliferation of such systems may create obstacles to the development of a truly global system that can address the informational requirements of the industry. That is, once proprietary country-specific and regional systems have been developed, implemented and accepted by the market, there will be a heightened resistance to the introduction of another, potentially competing, system. On the other hand, the existence of a global framework can be used by sponsors of other systems --including the Pan-European system-- can take steps to ensure the systems they develop can be complementary or compatible with a global system.
- **Opportunity.** In addition to the growing urgency for creating a truly global shopping center classification system, there are a number of opportunities that can be exploited that make this an ideal time to take on such a venture.
 - **Global Shopping Center Directory.** ICSC Research has launched a Global Shopping Center Directory. While still in the R&D phase, the project resulted in a rather extensive collection of data on some 10,300 shopping centers scattered across the globe. Of the centers in the current database, almost half have been classified according to US standards. The provision of an update option has allowed shopping center owners and developers the opportunity to adopt their own proprietary classifications. The development of this database and the need to edit, complete and refine the data provides a timely opportunity to adopt a global shopping center classification system.
 - **Country/Regional Initiatives.** Over the past decade, in collaboration with support from ICSC Research, a number of countries have developed proprietary shopping center classification systems. These efforts include refinements to the existing US and Canadian systems, and enter the introduction of new systems as in the case of India. More recently, in conjunction with European Research Task Force, ICSC has supported the development of a Pan-European system in an effort to standardize shopping center classifications across Europe. The insights gleaned during the initial stages of these initiatives can identify the compromises that have been struck in the effort to develop a system that the various country representatives can embrace which could be extended to the global initiative. At the same

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- time the arguments necessary to support such an initiative and obtain the buy-in necessary to ensure its success can be carried over to the global platform. Since these efforts are still in the formative stages, it is important that they be put in a broader global framework to avoid creating a system that could address the continental needs of the shopping center industry at the expense of addressing the potentially more pressing needs of the global community.
- **Caveats.** Before exploring how a global classification should be developed, several caveats should be noted. These caveats address the need to focus efforts on the appropriate role of such a system, as well as on the need to avoid cannibalizing or preempting country specific or regional needs that cannot be addressed at a global level.
 - **Role of a Global System.** It is important to note the development of global shopping center classifications should be treated as a means to an end, not an end in itself. That is, rather than establishing the mere development of such a system as an acceptable outcome, the appropriate “end” should be the development of a system that can be used to provide greater transparency and information flows regarding the shopping center industry.
 - **Critical Trade-offs.** Special efforts should be made to balance strict adherence to formal rules of classification (e.g., unambiguous, quantifiable, reliable, politically palatable, implementable) against the need to provide a pragmatic approach that can actually be implemented. The objective of developing such a system should be to support global decision-making and provide meaningful insights into the retail real estate market that improves market efficiency and enhances risk-adjusted returns for the various stakeholders.
 - **Global and Country-specific Compatibility.** The introduction of a new global system should not pre-empt or cannibalize country or region-specific systems but should be complementary, striking a balance between the need for local market insights and global operations.
 - **Information Dilution.** A global system should not represent a watered-down or second-class of information which, while addressing needs of global players, is not useful, supported or embraced by local or regional experts.
 - **Alternative Approaches.** A number of approaches could be adopted in the development of a global shopping center classification system. While there is no one way to approach the topic, each of the approaches has its own merits and limitations. Before recommending an action plan it is useful to explore some of the alternatives.
 - **Rationalization of Existing Systems.** In this approach, representatives of various countries or markets could present their current, or proposed, classification systems. Once these lists were compiled, a set of definitions and classification criteria embraced in the respective systems could be compiled. Comparative analysis of the various categories could be extended to identify obvious commonalities, as well as incompatibilities. Through an interactive
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- process, a consensus approach that would emphasize global standardization could be developed.
- **Reverse Engineering of a New System.** In this approach the development of a new classification system would begin with an analysis of the applications and decision support that such a system should enable. By focusing on the outputs, the classification system could be developed in such a manner that it would have a higher probability of being successful in terms of satisfying the underlying goals and objectives that led to its creation. Once the intended applications have been identified, the dependant issues of data composition, validation, compilation and management could be resolved. It should be noted that the application of a reverse engineering approach would have to be market-based in terms of identifying the key stakeholders (e.g., retailers, developers and investors), their decision-making models, and the type of analysis that either currently conduct --or would-- if a viable global system was available.
 - **Quantitative Analysis.** One of the approaches that could be applied is the reliance on statistical analysis. For example, a representative sample of shopping centers could be identified, along with key data. Once the shopping center database was compiled, multivariate clustering analysis could be used to group centers into a finite number of categories, which are statistically significantly similar within, as well as statistically significantly different among. In addition, multivariate discriminant analysis (MDA) could be conducted to establish equations that could be used to assign new centers to the existing typology. The application of a statistical approach has a number of merits including the elimination of bias that could be introduced by those assigned with classifying centers. However, reliance on a purely statistical model that represented a “black box” would likely be met with distrust and market resistance by those, who are skeptical of purely quantitative analysis. Thus, while such analysis should be encouraged to help develop a better understanding of some of the nuances of shopping centers, it should not be relied on to supplant more intuitively plausible and defensible approaches.
 - **Common Classification Criteria.** Although the objective of this working paper is to provide a framework that can be considered in the development of a global classification system for shopping centers, it is useful to identify some of the more common variables that might be considered.
 - **Size.** A criterion that is common to many classification systems is the size of the center, and/or the size of the land area. Since size has been widely adopted in classifying centers, some measure of size should be included in a classification system. However, several issues must be resolved in applying it to the global market. For example, there must be a clear definition of what is included in the size of a center and whether it refers to the gross area of space, or the space rented or occupied by tenants. In addition, a decision must be made whether space occupied by non-retail tenants is included, especially when such tenants are governmental agencies or non-profit entities such as schools, libraries, and other services.
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Furthermore, it must be clear how to measure centers which have food court, common areas, entertainment venues, theaters and restaurants.

- **Design.** In many classification systems, centers are grouped into open-air and enclosed categories, along with other design features such as the shape, location of anchors, and number of stories. In addition to the type of design, some systems differentiate centers based on the quality of design, as well as the overall sense of place it conveys to the market. One of the challenges posed by such criteria relate to the difficulty in quantifying a concept, which is inherently qualitative, as well as dealing with projects that blend various design aspects and don't fall into a clear category.
- **Location.** In some countries, centers are classified as to their locations including urban core, suburban, or rural. These spatial delineations are also broken down into other categories depending on whether they comprise a node or center of activity, or whether they are part of a larger trade area, which exhibits some agglomeration effects. Some systems also include secondary locational attributes including airport locations, resorts, villages or districts.
- **Number of Anchors/Tenants.** In many respects, shopping centers can be viewed as establishments that feature an "assortment of goods and services." Thus, distinguishing elements can include such criteria as the number of anchors, the nature of anchors (i.e., department stores, variety stores, specialty stores), the price points they represent (e.g., value, discount, high end), and the customer bases they serve. In addition to anchors, some systems incorporate measures of the total number of tenants, as well as the ratio of anchor tenants to in-line tenants.
- **Themes.** The various classification systems include a number of themes or market positioning strategies. Some common themes include: entertainment-oriented centers, lifestyle centers, outlet centers, power centers, convenience centers, high-end centers, discount centers, value centers, resort centers, and other recreational centers. In addition some centers may be targeted toward a particular ethnic group, or to a specific demographics segment of the market using price, value and amenities as differentiating factors.

Recommendations

Approach

As presented in the body of this working paper, the adoption of a hybrid strategy blends two approaches. The first approach is the "rationalization of existing systems" approach, which would focus on identifying commonalities among current country specific and regional systems. The second approach is a "reverse engineering" approach that would focus on output requirements to make sure the ultimate system is capable of supporting the kinds of decisions that justify the time and effort necessary to create a successful system. Once these requirements are specified, the team leaders can back into the natural scope and quality of data that must be built into the system.

Decision Support Standards Task Force

In this approach, a global task force would be engaged. Ideally, this task force would include representation from the major stakeholder groups of retailers, developers, and investors as well as representatives from ICSC's research task forces, which in the aggregate, comprise the Global Task Force. This task force would be charged with compiling a list of the research questions and decisions that must be made by the various stakeholders. It should also identify the types of research questions and analysis undertaken by analysts and experts in the local or country specific markets.

Existing System Task Force

This task force could draw a strong staff support operating under the direction of a number of key members. These lead members would be selected on the basis of their backgrounds and interests, as well as on their relationships and ability to access a comprehensive list of existing classification systems. Once the country specific systems have been identified, they could be dissected to identify the underlying concepts, definitions, classes, and classification rules upon which they were built.

Country Market Structure Task Force

This task force should be created by drawing on ICSC members domiciled in the various countries which are participating in the development of a global shopping center classification system. The objective of this task force would be to develop a standardized framework that can be used to describe the structure of the local or country specific shopping center industry. Once this framework was developed, the members or delegated parties could be charged with compiling country specific data regarding the state of the industry in the respective countries.

Toward a Global Shopping Center Classification System

Strategic Perspective

The development of a successful global classification system for shopping centers must be carefully orchestrated to avoid creating conflicts and resistance among its sponsors, proponents and users of existing country specific, regional, or for-profit approaches. Thus, it is of paramount importance that the project be positioned correctly from the beginning and that the sponsors and developers engage the global and local communities in the venture. To that end, the critical importance of such a system to support continued globalization of the retail real estate industry must be established.

Philosophical Underpinnings: The Search for Local/Global Harmony

Given the existence of a number of viable classification systems emanating from the public, non-profit and for-profit sectors, the introduction of a system should be predicated on the assumption that they must be able to act in harmony with existing systems. As such, special efforts should be taken to ensure that the various systems are compatible where possible and that, when used in combination, will increase market efficiency, support added analytical rigor, and better achieve positive market outcomes. These benefits

would increase business opportunities and decrease the risk associated with operating in an efficient manner.

Timeline

It is recommended that efforts to develop a global classification system for shopping centers be launched in early 2009, with a targeted completion date by the end of the year. Assuming this fairly aggressive timetable can be achieved, the preliminary phase of implementation of the new system should be rolled out in early 2010, with a formal launch in May 2010. Over the next nine months, the system should be marketed to the global community in the form of a State of the Global Shopping Center Industry Report. In addition to a global overview, this report should include country-specific snapshots, and regional profiles to help the global market understand the overall state of the industry. This will help ensure that users can understand how the global information should be tempered or interpreted when looking at specific markets, countries or regions.

To adhere to the proposed timetable, it is important that adequate resources be committed to ensure the project can be pursued in an aggressive, but appropriate, manner necessary to create the momentum that will be needed to ensure its success. In this context, success is measured in terms of the creation, adoption, maintenance and sustainability. To guide the development of the global shopping center classification system and ensure adequate resources are provided, the first phase should focus on development of a strategic plan. These initial efforts could be led by ICSC research, its' regional Research Task Forces, and the Global Research Task Force. Once a strategic plan is developed, other interested parties should be engaged to help in the specification, testing and implementation stages.

Proposed Framework

Shopping Center Definition

One of the prerequisites to the development of a global shopping center classification system is the definition of a shopping center in general, as well as the various categories or subclasses the system should enfold. Indeed, this approach is the dominant approach adopted by ICSC, as well as the majority of shopping center councils across the globe.

- In the US the two major categories are Malls and Open-air Centers. In both cases, the major categories are subdivided into several subcategories with the US breaking Malls into Regional and Superregional, and Open-air Centers into Neighborhood, Community, Lifestyle, Power Center, Theme/Festival and Outlet. To help users understand the system and implement the framework, for each category the US system indicates the general concept, typical size ranges, typical acreage requirements, the number and type of anchors, the anchor store ratio, and the typical primary trade area in miles. Other countries and country-specific vendors use similar systems, although the composition can vary dramatically depending on the structure of the market and its state of evolution.

- Several cross-country classification systems have been adopted.
 - Pan-European Shopping Standard, the Nordic Council of Shopping Centers, and the IPD Databank. The Pan-European system groups various shopping center formats into two main categories: Traditional, and Specialized. These major classes are subdivided into size categories for which general ranges of gross leasable area are noted. Some of the categories are further subdivided on the basis of themes or market niches (e.g., comparison vs. convenience, leisure vs. non-leisure).
 - The Nordic Council of Shopping Centers has adopted a somewhat more straightforward approach, focusing on major categories including: Local, Community, Regional, Super-regional, Thematic, and Power. To help explain these categories, some of the distinguishing criteria are noted including: Merchandise, Price structure, Customer (i.e., number in trade area), Specialization, Primary and Secondary Place of Purchase, and Center Size ranges. A number of “other” classes are also identified, although not consistently reported (e.g., factory outlet centers, retail parks). The individual Nordic countries adopt a variation of these standards allowing users to see which markets have certain classes of properties and which do not cover the full spectrum.
 - The IPD Multinational Retail Digest 2008 - Sample provides some insights into how a private vendor has approached cross-country classification systems. In particular, the IPD appears to have arrived at a multinational system which is based on ground-up local country standards, which are then aggregated into distinct multinational categories in terms of general themes (e.g., Super and Major Regional, Regional Sub Regional, Bulky, Neighborhood, and Other). The specific categories vary among the respective countries, with partial overlap but not absolute compatibility. As noted in Exhibit I-1, the retail data coverage varies by market

Exhibit I-1: IPD Consolidated by Type

Master List	Australia	Canada	Denmark	France	Germany	Italy	South Africa	UK
Super Regional	Super Regional	Super Regional					Super Regional	
Regional	Regional	Regional					Regional	
Small Regional Shopping Centres							Small Regional	
Community centre	Community centre	Community centre					Community Centres	
Neighbourhood	Neighbourhood	Neighbourhood					Neighbourhood	
Shopping Centres			Shopping Centres	Shopping Centres		Shopping Centres		Shopping Centres
Retail Warehouse							Retail Warehouse	Retail Warehouses
Unit/Standard shop							Unit shop	Standard Shops
Dept / Variety Stores								Dept / Variety Stores
Supermarkets								Supermarkets
Other retail	Other retail	Other retail	Other Retail	All Other Retail		Other Retail		Other Retail
All Retail	All Retail	All Retail	All Retail	All Retail	All Retail	All Retail	All Retail	All Retail
All Property	All Property	All Property	All Property	All Property	All Property	All Property	All Property	All Property

Using various fields, IPD also retrieves data and creates subsector benchmarks based on such variables as format, size, age and value. When the data are rolled up into its multinational report, fewer categories are employed to which the country-specific data can be mapped including: shops, retail warehouses, shopping centers, and all retail.

While the existing classification systems vary somewhat, the majority have a number of common elements. However, before trying to classify centers into categories, it is useful to explore the underlying definition of “shopping centers.” As in the case of classification systems, the definition of shopping centers --and sub centers-- varies among the various systems. Addendum I presents an overview of some 25 definitions that have been adopted by various countries, associations, or vendors. While they differ, they do contain some common elements, as well as some distinguishing features among the possible classes of centers. Based on a review of the alternatives, I recommend a global system based on three major classes: Shopping Centers, Specialty Shopping Centers, and Other Retail. This is based on several considerations:

- Such a system would satisfy the rules of definition and classification presented in the body of this report, especially with respect to the criteria addressing unambiguous, meaningfulness, implementable, politically palatable, and comprehensible.
- It is more universal and more intuitively acceptable than some other systems. For example, the US system breaks centers into Malls and Open-Air Centers. While such a classification made sense in the past, the delineation between malls and centers is not obvious, and the lines have blurred over the years. On the other hand, the Traditional vs. Specialized approach adopted in some other models can have a negative connotation, especially with the “Traditional” label which suggests that such centers are static and rigid, that they do or cannot be modified to stay up with the latest trends. Finally, the reliance on two major categories might be appealing in terms of its simplicity, but it fails to: 1) enfold many of the new formats such as lifestyle, leisure, and entertainment centers, 2) respond to recent trends (e.g., infill and urban revitalization), and 3) provide coverage of some of the more complex, harder to quantify retail formats (e.g., main/high streets, free-standing, commercial villages, mixed-use) which, in many countries and markets, comprise a significant portion of the total stock. Without information on such projects, the ability to conduct fundamental market research will continue to be thwarted, creating unnecessary risk which can result in over-saturation or under-serving of local markets.

Recommended Classification: Major Categories

Shopping Centers

- Directed by single ownership with centralized management,
 - Purpose-built, with integrated design and layout including common areas,
 - Banded or marketed as a whole with a common or unified identity,
 - Offering an assortment of goods and services in the merchandising mix with general purpose merchandising appropriate to trade area,
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- Featuring multiple tenants, anchored or unanchored, creating a synergistic mix,
- Comprised of a minimum size to establish a meaningful trade/catchment area, and
- Providing on-site parking to support customers.

Specialty Shopping Centers

- Centers which feature many of the same attributes as Shopping Centers including ownership and management, purpose-built and integrated, and branded and marketed as a whole,
- Differences include
 - May have narrower, more focused niche merchandising,
 - May be differentiated on price points (e.g., discount, outlet) or value propositions,
 - May have special themes including leisure, lifestyle, entertainment, and
 - Tenant mix will often be more complementary than synergistic.

Other Retail

- Individual or fragmented ownership and individualized management,
- Single tenant or narrow tenant mix not coordinated,
- Not subject to, or benefit from, centralized management and oversight, and
- Often location-dependent as in downtowns, retail clusters, villages or unique locations (e.g., airports, transit hubs).

Preliminary Classification System

Overview

To help move the development of a global system forward, it is useful to propose a preliminary framework that can serve as a starting point. To that end, the classification systems developed and adopted by some 35 countries and 6 private or multinational associations were explored. The country coverage is presented in Exhibit I-2. Where possible, the data were extracted from the official shopping center association or governmental agency. In other cases, data were extracted from the working paper commissioned by ICSC-Europe, ISCE European Research Group, and ICSC Research. The detailed information is available to ICSC members on the e-library website maintained by ICSC Research.

Exhibit I-2: Country Coverage

Australia	Latvia
Austria	Lithuania
Belgium	Luxembourg
Bulgaria	Netherlands
Canadian	Norway
Croatia	Poland
Czech Republic	Portugal
Denmark	Romania
Estonia	Russia
Finland	Slovakia
France	Slovenia
Germany	Spain
Greece	Sweden
Hungary	Switzerland
Iceland	Turkey
Indian	Ukraine
Ireland	UK
Italy	US
Japan	

In addition to these country systems, six other systems were explored including the: Pan-European Shopping Center Standard, the Nordic Council of Shopping Centers, the multinational IPD, and the proprietary National Research Bureau and the Major Mall Directory in the US. Finally, the self-report classification data provided by members of the retail companies in the NAREIT Index were explored.

Proposed Global Shopping Center Classification System

Once the major classification systems were identified, a cross-classification system was developed. This involved identifying each of the classes that were reported for the respective systems. Once these classes were identified, they were assigned to categories based on commonalities. These subcategories were then rolled up into major categories of: Shopping Centers, Specialized Shopping Centers, and Other Retail (see: Exhibit I-3). As noted, the country, region and private vendor sources reported 327 distinct types of retail centers, formats or outlets. That is, some of the countries used multiple formats, many of which were in common with other sources and some of which were unique.

Of the total 327 retail concepts/formats, some 132 (40%) could be aggregated or mapped to the “Shopping Center” category which included: Superregional, Regional, Community, Neighborhood and Convenience Centers. Another 199 (36%) were rolled up into the Specialized Shopping Center category which was sub-classified into: Discount, Lifestyle/Mixed-use, Outlet, Power Center, Retail Parks, and

Theme Centers. Finally, the “Other Retail” category included 76 formats/concepts which were grouped into five categories: Freestanding, Main Street/High Street, Other Locations, Retail Clusters, and Village/Suburban properties/locations.

Exhibit I-3: Major Categories and Classes

Major Category	Sub-Category	Num	Share	Total %
Shopping Centers	Superregional Centers	17	13%	
	Regional Shopping Centers	34	26%	
	Community Centers	27	20%	
	Neighborhood Centers	39	30%	
	Convenience Centers	15	11%	
Total		132	100%	40%
Specialized Shopping Centers	Discount	8	7%	
	Lifestyle/Mix Use	11	9%	
	Outlet	29	24%	
	Power Center	29	24%	
	Retail Parks	24	20%	
	Theme Centers	18	15%	
Total		119	100%	36%
Other Retail	Freestanding	27	36%	
	Main/High Street	14	18%	
	Other Locations	10	13%	
	Retail Clusters	16	21%	
	Village/Suburban	9	12%	
Total		76	100%	23%
Grand Total		327		100%

Exhibit I-4: Number by Category and Sub-Category

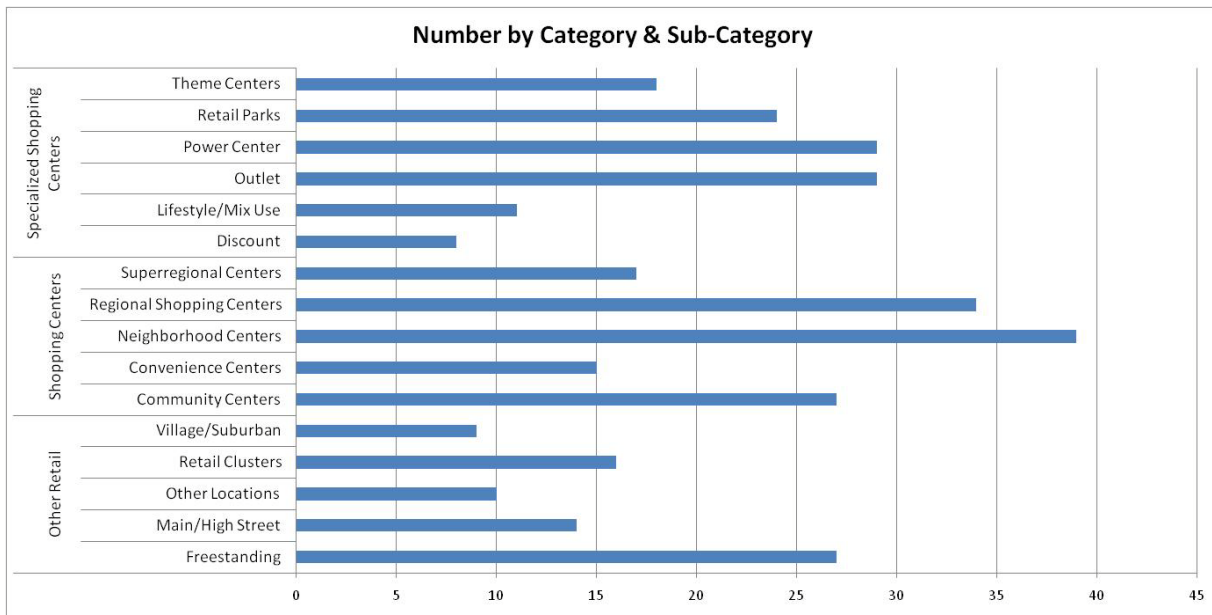


Exhibit I-5 shows the composition of the individual retail concepts/formats isolated in the various classification systems. They were assigned to the groups drawing on the descriptions and common elements.

Exhibit I-5: Shopping Center Composition

Shopping Centers	Community Centers	Average	1
		Community	15
		Intermediate	1
		Mall/Retail Mall	2
		Medium	4
		Shopping Center	4
	Community Centers Total		27
	Convenience Centers	Convenience Centers	2
		General	1
		Neigh-Convenience	2
		Small	6
		Small-Convenience	1
		Strip Centers	3
	Convenience Centers Total		15
	Neighborhood Centers	District Center	10
		Local	5
		Local/Community	2
		Neighborhood	16
		Neigh-Comparison	1
		Shopping Passage	1
		Small-Comparison	1
		Supermarket Based	3
	Neighborhood Centers Total		39
Regional Shopping Centers	Large	8	
	National Coverage	1	
	Regional	25	
Regional Shopping Centers Total		34	
Superregional Centers	Major Regional	2	
	Superregional	13	
	Supraregional	1	
	Very Large	1	
Superregional Centers Total		17	
Shopping Centers Total		132	

Exhibit 1-6 maps the individual retail concepts/formats to the respective sub-categories proposed for the Specialized Shopping Center category. As noted, the components are fairly diverse, but have some commonalities that allow them to be aggregated in a meaningful way. The categories could be further collapsed and/or modified.

Exhibit I-6: Specialized Shopping Center Composition

Specialized Shopping Centers	Discount	Disc. Dept Store Based	1
		Discount Centers	1
		Discount Market	1
		Discount Store	1
		Off-Price Centers	2
		Warehouse Clubs	2
		Discount Total	8
	Lifestyle/Mix Use	Integrated Complexes	1
		Lifestyle Center	5
		Mixed-Use Development	2
		Open Air	1
		Retail Mixed-use	1
		Upscale Fashion Centers	1
	Lifestyle/Mix Use Total	11	
	Outlet	Factory Outlet	12
		Outlet Center	16
		Value Retail	1
	Outlet Total	29	
	Power Center	Home Center	3
		Homemaker/Bulky Goods	1
		Hypermarket	8
		Hypermarket Anchored	5
		Hypermarket Center	1
		Hypermarket Mall	2
		Power Center	9
	Power Center Total	29	
	Retail Parks	Retail Park	17
		Retail Park-Large	3
		Retail Park-Medium	2
Retail Park-Small		2	
Retail Parks Total	24		
Theme Centers	Entertainment Center	3	
	Leisure Park	2	
	Specialized Center	2	
	Theme/Thematic Center	6	
	Theme-Oriented Leisure-Based	2	
	Theme-Oriented Non-Leisure	1	
	Urban Entertainment	2	
Theme Centers Total	18		
Specialized Shopping Centers Total		119	

The final category and sub-categories in the proposed global classification system include the “Other Retail” category. As noted in Exhibit I-7, this category is relatively narrowly defined to avoid becoming a “catchall” that is overused by users who are unclear of whether a retail concept/place fits into another category.

Exhibit I-7: Other Retail Categories

Major Category	Sub-Category	Retail Type	Total	
Other Retail	Freestanding	Bulky Goods	2	
		Consumer Market (store)	1	
		Department/Variety	6	
		Freestanding Shops	1	
		Grocery	1	
		Retail Warehouse	8	
		Retailer's Department Store	1	
		Single Tenant	2	
		Speciality Stores	1	
		Supermarket	2	
		Unit Shop	2	
	Freestanding Total			27
	Main/High Street	City Quarter Center	Commercial Centers	1
			Downtown Centers	2
			Downtown Galleries	1
			Fashion House (High Street)	4
			Main Streets	1
			Trading Areas/Centers	1
			Urban/In-Town Centers	2
			Urban-Low Density	1
			Main/High Street Total	
	Other Locations	Airport Retail	Auto Mall	1
			Other Retail	3
			Stations/Airports	2
			Other Locations Total	
	Retail Clusters	Galleries	Indoor Market	3
			Markets	2
			Retail Center	2
			Shopping Gallery	2
			Underground Arcades	1
			Retail Clusters Total	
	Village/Suburban	County Centres	Metropolitan Centres	1
			Small Regional	1
			Sub Regional Centre	1
			Suburban/Out of Town	3
			Town Center	1
			Village Centers	1
Village/Suburban Total			9	
Other Retail Total			76	

Summary of Proposed System

As noted earlier, the objective of this working paper was not to present a global classification system, but to present a framework that could be used to guide the efforts. However, after exploring the situation and developing a better sense of the need for such a system, as well as the opportunity to build off of recent efforts, the decision was made to include the preliminary system to help stimulate discussion and focus on the key issues. In addition to revisiting these preliminary efforts the following support materials and steps are recommended.

Recommended Support Materials

To ensure the launch of a global shopping center classification system, thought should be given to assembling the necessary reference materials and marshaling the resources necessary to sustain the initiative. While the specification of such materials should be handled by the sponsoring bodies in working taskforces, it is useful to briefly review some of the types of items that should be considered in the initial phases.

Case Study: Global Shopping Center Directory

In order to demonstrate the need to make a commitment to the development of a global shopping center classification system it may be necessary to document how such a system might work and how it could contribute to the industry. ICSC's recent launch of the Global Shopping Center Directory (GSCD) provides a natural testing ground that can be used for some exploratory research. Using this platform as a testing ground, it will be relatively easy to demonstrate the benefits of --and need for-- developing an industry-standard global classification system for shopping centers. This is particularly true since the current GSCD includes some 10,300 centers, which are located across the world. In addition to this broad scope, the directory covers projects in emerging and rapidly growing markets where the need for such information is equally important. This is especially true in the current global economic crisis in which many players have been forced to step back and revisit core and non-core business activities, both at home and abroad. Finally, the fact the GSCD already includes classification of many centers, suggests that revisiting those classifications and extending them to the rest of the centers can help identify some of the issues that must be resolved before the system is finalized and rolled out to the public.

Reference Materials and Projects

- **Bibliography.** A bibliography of shopping center terms, retail concepts, and relevant research should be established. This bibliography should be annotated and provide observers, who are an interested party, ready access to support documentation, as well as help address issues or concerns that may come up during the introductory phase of the project.
- **Glossary of Terms.** A glossary of retail, shopping center and real estate terms should be compiled. This glossary should focus on the development of global definitions, which will be somewhat more generic and robust than some of the proprietary definitions that have been

developed by the various constituencies to this point. This task is further complicated by the language differences among the many markets that will be unfolded and the overall project.

- **Country Specific Structural Analysis of Shopping Centers.** The mere existence of a global shopping center classification system that works at global level is not adequate to support many of the types of decisions that must be made, when operating on a global or regional level. Thus, a standardized set of information should be compiled for each of the countries that are covered by the global system, to allow global players to qualify the kinds of decisions that can be made relying on the global framework alone.
- **Translation/Mapping Matrix.** The ultimate system should include a translation matrix through which local data can be aggregated into the global framework and can be disaggregated to provide the precision and insights necessary to make prudent decisions. This is an important component given the diverse array of centers in dramatically different competitive settings in which they operate that make it difficult to incorporate in a standardized system. The ability to convert from a local or country model to the global model and vice versa will also help avoid resistance from sponsors and users of existing systems which may be threatened by the new competition or acceptance of a single source for classification. It will also help avoid compromising the application of proprietary models and analysis that depend on the detailed, and sometime unique, data contained in current systems should not be compromised in the interest of standardization.
- **Rules of Measurement/Quantification.** To provide meaningful, reliable data that can be rolled up to provide insights into the structure and operation of the shopping center industry across borders, standard rules of measurement and methods of quantifying key items must be established. While this might seem rather straightforward, the different conventions used in different markets and countries, covered with the absence of a global industry standard for measuring space (e.g., gross center, gross retail, net retail, net lettable) makes it more complex.
- **Adoption/Implementation Guidelines.** To ensure valid adoption and implementation at the country level, a set of documents that can be used to guide the process, answer questions and resolve issues that may come up should be developed. In addition to focusing on the specific requirements of the system, this material should address some of the caveats and/or limitations that users should understand to avoid excessive reliance on data that may not represent a suitable use of the data.

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Introduction

Objectives of Paper

ICSC, through its research network, has supported several initiatives to develop industry standards for the classification of shopping centers. These efforts began with a classification of US shopping centers. Since its initial efforts, the classification system has undergone a number of refinements.¹ These changes have been made in response to the continuous evolution of the shopping center industry and the emergence of new shopping center formats. As ICSC expanded its global presence, efforts were extended to develop classification systems for other countries (e.g., Australia, Canada, India), as well as for geographic regions (e.g., Pan-European). In addition, ICSC has provided support for a pilot study to develop shopping center industry benchmarks focusing on the US, Canada, and Australia as a case study.² Based on the preliminary success of these efforts at developing a standardized system and a growing demand for better retail market information, the trend toward developing more country-specific and regional classification systems is likely to continue. In addition, a number of data vendors, consultants and other organizations have developed country-specific and regional systems which are likely to spread and may, result in a proliferation of classification systems. While understandable, the introduction of new systems may create obstacles to the development of a truly global framework. That is, once country-specific and regional systems have been developed, unless consideration has been given to rolling them into a unified global framework, there is likely to be resistance to the introduction of another system. This is especially true with respect to systems that transcend the current systems and create a competitive, rather than complementary, alternative.

Regardless of its geographic scope, the development of shopping center classification systems faces a number of challenges. Even in North America, which has had the longest standing system, the classification system has not been universally adopted, in spite of ICSC's dominant role in the retail industry. For example, although the National Council of Real Estate Investment Fiduciaries (NCREIF) has generally adopted the ICSC system, data contributors have failed to assign existing centers to many of the categories, especially some of the newer ones that did not exist when many of the centers were first reported. In addition, a review of the property listings of many of the major shopping center REITs, reveals that few fully embrace the ICSC standards. Rather, they classify shopping centers according to their own proprietary standards or merely identify them as generic shopping centers.

The challenges faced in developing and gaining market acceptance for a shopping center classification system are even greater when efforts are made to transcend country boundaries. These challenges can be challenging as experienced by those pursuing the development of a Pan-European framework which cuts

¹ DeLisle, James R., Shopping Center Classifications: Challenges and Opportunities, ICSC Working Paper Series, September 2005.

² Baker, Michael, Shopping Center Industry Benchmarks - An International Perspective on the Collection, Analysis and Dissemination of Operating Statistics, ICSC White Paper, October 25, 2004.

across western and eastern European nations, many of which have significantly different retail market structures.³ The on-going efforts to develop country-specific and regional classification systems are understandable and necessary to support fundamental market analysis. However, they are not designed to address the growing appetite for transparent, accessible, meaningful information for those approaching retail and retail real estate from a global perspective. Indeed, regardless of the validity of individual classification systems, unless the various efforts are coordinated and rationalized, the existence of inconsistent classification systems, which cover the same geographic areas, could create confusion. This is especially true in emerging markets and markets undergoing dramatic expansion of shopping centers. For example, advocates in Latvia have proposed adopting a variation of the pan-European standards to classify shopping centers and unite the efforts of various players to improve the understanding of the sector. While they embraced the framework, they recognized a number of the categories are not appropriate to the Latvian market. They also recognized some of the challenges they would face in maintaining such a system due to the speed at which new development was occurring in the country⁴ This observation provides some insights into the importance of a global system to rapidly developing countries in which continued growth is dependent on the ability to attract the development expertise and capital from the global community. In addition to not attracting sufficient capital to support growth, the absence of a standardized framework could also lead to overbuilding that would add to the risk and volatility of global retail markets. This could place a dampener on further expansion of retailers and inhibit cross-border capital flows necessary to sustain growth. .

The primary objective of this paper is to present a conceptual framework that can be used to guide efforts to develop a global classification system for shopping centers which can address the needs of the global community. A secondary objective is to provide some insights that might help in the development, or refinement, of classification systems for specific countries or regions which might ultimately be rolled up into a global framework without compromising the needs of those in various countries or regions.

Organization

This paper is organized into several components. It begins with a situation analysis which presents a brief overview of the continued trend toward globalization which has attracted a number of retailers, developers, and capital sources to the global arena. The objective of this discussion is to help demonstrate establish the importance of developing a global classification to meet the needs of this rapidly expanding segment of the market. The discussion then explores some of the decision-making and information processing requirements of the various stakeholders who are critical to the continued development of the global retail industry. It helps identify the “outcomes” or decision-support that a global framework would facilitate to demonstrate the benefits of developing, implementing and maintaining a global framework.

³ Lambert, Jean, One Step Closer to Pan-European Shopping Center Standard, ICSC Research Review, Vol. 13, No. 2, 2006.

⁴ _____, Classification and Overview of Shopping Centers in Latvia, presented in http://www.latvio.lv/files/tirdzn_centru_parskats_en.pdf .

Based on this background material, the current practices with respect to shopping center classification are explored. This discussion provides an overview of some of the classification systems that have been supported or sponsored by ICSC, and well as those introduced by other trade associations and private data vendors. After identifying current practices, the discussion reviews the “rules of classification” which should be adhered to in developing any classification system. The unique challenges posed by trying to apply such rules to the shopping center industry --especially at the global level-- are then explored, along with some suggestions as to how these challenges can be overcome. The paper then identifies some of the factors or approaches that could be used to classify global shopping centers, as well as some of the difficult issues that will have to be resolved. The paper concludes with a recommended action plan that can be used to move the initiative to the next level.

Exploratory Research

To support the efforts to develop a global framework for shopping centers, several stages of exploratory research were conducted including:

- **Situation Analysis.** An exploration of existing classification systems --both current and pending-- has been completed. This analysis covered systems developed and/or sponsored by trade associations (e.g., ICSC, ULI), data vendors, consultants, and academicians.
- **Rules of Classification.** The presentation of a set of rules or evaluative criteria, which should be applied to the development of a shopping center classification system, has been developed.
- **Challenges.** An identification of the challenges in developing a shopping center classification system in general has been identified, along with the unique challenges posed by efforts to develop a global framework.
- **Approaches.** A review of alternative approaches and/or criteria has been extracted from various classification schemes.

Limitations

It should be noted the objective of this paper is not to propose a global classification system for shopping centers, but to help frame the issue so it can be addressed by various constituencies. This limitation is both pragmatic and appropriate. In terms of pragmatism, the complex and dynamic nature of shopping centers across the globe is daunting. As such, no individual effort or static approach can resolve the complex issues and challenges that must be resolved. This limitation is evidenced by the challenges faced in country-level initiatives where the classification system is continuously evolving in response to changing market conditions and the appetite for objective information. With respect to appropriateness, the creation and implementation of a uniform global classification system depends on the buy-in and support it receives from the industry. In the absence of such market acceptance and adoption, it would be reduced to merely another system which could exacerbate the problem and frustrate efforts to address the needs of the global industry.

Situation Analysis

Globalization of the Real Estate Industry

Globalization has revolutionized business, economic, financial, political and personal domains. Although lagging other industries, globalization has also had a major impact on the real estate industry. Although varying from country to country, going forward this impact is expected to become firmly engrained in the industry. From the US perspective, the first major influx of global capital occurred in the mid-80s. This wave of capital was led by Japanese Life Insurance Companies who developed joint ventures with US counterparts. Since that time, net capital flows to the US have remained a significant source of real estate capitalization although the sources of offshore investing have changed in response to relative economic conditions in the various countries. Despite this success, early efforts to place US institutional capital in global real estate ventures were met with relatively limited success. This slow start was attributable to a number of factors including lower returns in many developed markets, the inability to quantify and manage risks of investing in emerging markets, and the collapse of the domestic real estate market which wiped out appetites for any form of real estate. Several factors have changed since that time making global investing more accepted both by US and offshore investors including:

- **Global Investment Allocations.** Institutional investors were slow to develop global real estate allocations. However, many opportunity funds sponsored by Wall Street firms in the mid-90s to take advantage of the collapse of the US market allocated funds to offshore investments in search of higher returns. Many of these allocations were development-oriented and focused on emerging markets.
- **Global Investment Vehicles.** The emergence of securitized commercial real estate investing (CMBS) and resurgence of REITs, which were a major part of the recapitalization of the commercial market in the US in the latter 90s, has spread across the globe. Thus, investors have a variety of indirect real estate investment vehicles in which to place capital.
- **Globalization of Tenants.** The dramatic growth in demand for international facilities by global companies has reduced some of the uncertainty and complexity of fundamental market analysis. This demand has cut across commercial real estate sectors including office, industrial/distribution, hotel and retail. Indeed, the globalization of retailers has dramatically increased, spanning both developed and emerging markets as retailers seek to grow by expanding into new markets. Over time, as developers and investors began to penetrate more global markets, they have begun to address domestic demand in the various countries.
- **Globalization of Real Estate Services.** Although the real estate industry lagged many others in terms of globalization, this situation has dramatically changed over the past decade. This trend toward globalization is broad-based, ranging from real estate services (e.g., brokerage, investment management, valuation, consultancy) to real estate development companies and has spanned to both the public and private spectrum.

- **Globalization of Professional Associations.** The globalization of the real estate industry has caused a major shift in emphasis among professional trade associations, many of whom have taken on a more global approach. This trend can be traced to the growing needs of existing members venturing into global markets, as well as the opportunity to serve a broader membership base represented by the rapidly growing global real estate market. As a result, many associations have revised their mission statements and business plans to explicitly address this global market.
- **Globalization of the Retail Industry and the Role of ICSC.** The retail industry has been at the forefront of the trend toward globalization, supported in part by International Council of Shopping Centers (ICSC) with its broad-based membership of retailers, developers, investors, financiers and service providers. Indeed, ICSC has created a Global Public Policy initiative centered in its office of Global Public Policy (GPP).⁵ The initial focus of these efforts was on assisting ICSC Europe as it builds ties to the European Union, although it intends to expand operations to other geographic areas, where it can assist ICSC members.
- **ICSC Global Research Initiatives.** In addition to the GPP Office, ICSC Research has formed a Global Research Task Force to help support the research and information needs of its expanding clientele. This global network is designed to coordinate the efforts of research members representing: Africa, Asia & Pacific (Oceania), Latin America and Caribbean, Middle East, and North America. A number of research groups have been established to focus on regional issues including ICSC the Latin America Research Advisory Group, Asian-Pacific Research Advisory Group, Canadian Research Advisory Group, Indian Research Group, European Research Group, and the North America Research Task Force. These groups provide a number of services including information compilation, an e-Library, research articles, publications and research conferences.⁶

Global Decision Support

The development of a global classification system can address a number of informational needs to support retail and retail real estate related decision-making on a global scale. While these needs differ, they share a common foundation in the sense that they all deal with the issue of transparency. That is, clear and open disclosure of fundamental information necessary for the various players to engage in global retailing, real estate development, real estate investment or real estate finance. In the absence of such information, markets and retail formats that do not “fit” into a broader context will tend to suffer from capital shortages due to the inability to assess the relative risk of a particular venture or opportunity. At the same time, the absence of clear and unambiguous information can lead to waves of overbuilding or under building which lead to instability and unnecessary risk. To clarify these concerns, it is useful to explore some of the fundamental types of analysis various stakeholders must undertake as they operate in the global arena.

⁵ This ICSC initiative is explained more fully at [Global Public Policy \(GPP\)](#)

⁶ Niemira, Michael, [Research Director’s Report on Activities](#), 2009 on-line report. For more information, refer to the ICSC Research website at <http://www.icsc.org/research/index.php>

- **Retailers.** In approaching global expansion decisions, retailers face a range of tactical and strategic decisions. At a strategic level, retailers conduct market targeting analysis to identify countries or markets in which to expand their operations. Once these targeted countries have been identified, retailers must develop market penetration studies, which determine how to establish a beachhead in new markets that can be used to expand operations and achieve necessary economies of scale. Retailers must also conduct market positioning analysis to determine the value proposition, price plans, merchandise selection, and merchandising strategies that should be applied to specific market settings. Once these decisions have been made, the retailer must engage in fundamental store location analysis, which may identify targeted geographic market areas and specify specific shopping centers for a particular retail concept. In support of these efforts, analysts must also be able to develop reliable sales forecasts, which can be used to project profitability of individual units. At a country level, the aggregation of these forecasts can be used to determine the feasibility of entering a particular country based in part on performance expectations.
- **Developers.** Developers operating in the global arena will face a number of strategic and tactical decisions. At a strategic level they must be able to select countries and markets offering the best development opportunities. Such analysis will depend on an understanding of the structure of the shopping center industry in the various countries. When combined with trend analysis of recent development activity, this can help identify the countries that offer the greatest probability of success for the types of shopping center in which a developer may specialize or have particular expertise. With objective information on the structure of the shopping center industry in a particular country level, a developer can consider gap analysis to identify viable niches that might support new projects. At the same time, to avoid going into oversaturated markets, the developer can assess the total stock for the various shopping center concepts. Additional market studies and analysis may also be conducted to support fundamental research into market targeting and site selection. When combined with economic and demographic information, as well as trends, developers can use shopping center supply data to determine the feasibility of entering various countries, as well as the likelihood of success for individual projects.
- **Capital Providers.** The term capital providers is used rather broadly to include equity investors and lenders and other sources that provide financial resources necessary to develop, acquire, and/or operate shopping centers operating on an international or global scale.⁷ One of the fundamental challenges global capital providers face is the need to make prudent project level decisions while managing operations at a portfolio level. At a strategic level, capital providers need information to make global asset allocation decisions in which countries or markets are selected and the magnitude of investment in the respective markets is determined. These types of decisions are dependent on an understanding of how particular shopping centers are likely to

⁷The use of classification systems in raising capital can be seen in the PRELIMINARY CONFIDENTIAL OFFERING CIRCULAR for Multiplan Empreendimentos Imobiliários S.A. (*incorporated in the Federative Republic of Brazil*), Issued July 9, 2007

perform overall, as well as in particular countries. This requires access to reliable historical data at a sufficiently disaggregated level to allow comparison of retail among countries, as well as comparison of various shopping center formats. Once countries or markets have been identified, these data can also be used by capital providers conduct acquisition analysis, underwriting, and investment analysis. In most cases, the ability to perform such analysis and develop reliable operating forecasts for particular types of centers in particular market settings, depends in part on access to historical performance data. Once investments have been acquired or financed, capital providers will need market information to develop benchmarks. This is particularly important since many global shopping centers will be sufficiently large and complex that they may involve joint ventures partners, real estate advisors, third party managers who have some form of performance fee structures, which will depend on third-party benchmarks. Some capital providers may also apply attribution analysis to help understand the driving forces behind the performance of individual or aggregate investments. Finally, capital providers operating at a global level need to be able to apply formal Risk Management techniques --most of which are dependent on market data-- to allow them to avoid unnecessary risk, as well as to ensure that risk adjusted returns are acceptable

As noted, a critical building block in each of the types of decisions is access to accurate, meaningful, timely information regarding the shopping center industry. Such data are necessary to allow the key stakeholders to make informed decisions based on accurate supply and investment performance among countries. At the same time, shopping center information must be sufficiently detailed and spatially oriented to support fundamental market analysis when at regarding a particular country or market area. Thus, a balance must be struck between providing globally standardized classifications across countries that support strategic, global decisions and locally-oriented classifications that contains sufficient detail to support fundamental, micro-market analysis upon which success of individual projects ultimately depends. Regardless of how this balance is struck, it is critical that the adoption of a global system does not create a situation in which there are two classes of shopping center information; a general one for “outsiders,” and a more specific, detailed one for local or domestic players.

Shopping Center Classification Systems

Rules of Classification

Regardless of whether a classification system for shopping centers is intended to be Country/Region Specific or Global, there are certain criteria that must be satisfied. These criteria include:

- **Comprehensive.** The system must be capable of covering the full spectrum of shopping center formats bounded by definitions and other limitations imposed by the sponsors. This does not mandate that all formats be included (e.g., freestanding, mixed-use, urban) but that it accommodates the targeted types.
- **Unambiguous.** A classification system for shopping centers must avoid uncertainty. That is, the determination of whether a particular center fits in one category or another must be clear and

unambiguous. In this context clarity refers to the fact that the classification should not be subjective and subject to varying interpretations. However, it should also be recognized that in many cases the lines determining the assignment of an individual center to one category over another may involve some judgment, depending on how the various components are packaged. The important criterion is that the assignments must be applied in a consistent manner.

- **Measurable/Quantifiable.** To support a clear and consistent classification of shopping centers, the evaluative criteria must be capable of being measured and must be available in a consistent format --or subject to translation-- to arrive at a definitive conclusion. This does not imply that a system must be purely quantitative, but that the qualitative components must be converted into measurable standards.
- **Reliable.** The classification system must be reliable in the sense that it must have an enduring quality that does not vary over time or market conditions. As the retail market evolves and the need for new categories emerges, the system must be capable of being updated without losing the historical information contained in prior iterations. Furthermore, the assignment of a shopping center to a particular category should not depend on who is making the assignment or the country in which it is located; the application of the rules of classification should result in consistent assignments.
- **Meaningful.** The classification system must result in categories that are meaningful to the market. In this context, meaningful has several connotations.
 - The categories must be sufficiently different to warrant treatment as a distinct class.
 - There must be enough observations in each category to make them significant. This is particularly important in the case of new categories with sparse initial data but which may evolve into a distinct class of centers.
 - The time and effort to treat each category differently must be justified in terms of cost benefit analysis.
- **Robust.** A classification system should be capable of being expanded to respond to new formats that emerge as a natural byproduct of the continuous evolution of the shopping center industry. It must also be able to be extended to new countries as they are enfolded by the system.
- **Implementable.** In addition to establishing categories, the system must be capable of being applied by the market to correctly assign centers to the appropriate categories. The rules of assignment must reflect the fact that some criteria will be quantitative, while others will be qualitative.
- **Defensible.** Regardless of the caveats that are attached to the appropriate use of a classification system, it should be recognized that various parties may attempt to apply the system in a number of unanticipated contexts. To avoid potential liability, as well as to develop market confidence in

the system, the classification schemata must be defensible and capable of withstanding public scrutiny or attack.

- **Politically Palatable.** In order to achieve market acceptance, a classification system must be politically palatable in the sense that it avoids evoking the resistance of various stakeholders or interest groups who may have a hidden agenda and a desire to suppress such information. Thus, efforts should be taken to ensure the system is capable of being defended against the resistance offered by obstructionists, as well as sufficiently attractive to gain the support necessary to ensure it is adopted and implemented. However, it should be recognized that it may not be possible to appease all parties. Thus, the supportive materials and justification for developing such a system should be compelling and consistent with the needs of the shopping center industry, as well as the broader public interest.
- **Auditable.** To maintain credibility, the implementation of a new classification system must be capable of being monitored to ensure compliance. This is particularly true, since in many cases, adoption of the system will depend on voluntary participation and involve self-report data. Thus, careful attention should be paid to developing audit and compliance checks that can ensure the integrity of the underlying data, as well as monitoring its validity and reliability over time

Caveats & Challenges in Shopping Center Classification Systems

The development of a reliable classification system for shopping centers faces a number of challenges due to the complexity of the industry, data limitations, and lack of industry standards in terms of definitions, concepts and practices. Some of the unique challenges are noteworthy and should be considered in the development and implementation phases.

- **Definitional Issues.** One of the major challenges the real estate industry has faced operating on a domestic level, much less a global level, has been the absence of a definitive set of definitions that are universally adopted. The situation is even more complicated in the retail shopping center area with the proliferation of formats, the introduction of new innovations, and the need to respond to changing market dynamics and demographics aspirated labyrinth of shopping center formats, and the underlying concepts they entail. At one level in the existing classification systems, there appears to be general agreement that super regional and regional shopping centers should be separate classes. However, the reality is that how centers are assigned to these categories varies widely and depends on the analyst, vendor, or even the context within which the classification will be used.
- **Scope of Coverage.** On the surface, it might seem a reasonable expectation that a global classification system for shopping centers would enfold all possible retail formats and outlets. However, given the array of possible classes is clear that it may not be practical to try to include all of them, especially in light of “meaningful” criterion reviewed earlier. This conclusion is bolstered by the fact many of the existing systems either ignore some potential categories or aggregate them into a catchall category. However, it should also be noted the importance of

resisting attempts to lump too many formats into such a category. Controls should also be put in place to prevent users from invalidating the system by ignoring the rules of classification and lumping projects into a generic “shopping center” category.

- **Non-traditional Shopping Center Formats.** Although the existing classification systems have a number of differences, the majority focus on more traditional shopping centers that are operated as a single entity under single ownership and/or management. As such, they do not do a particularly good job of monitoring retail spaces that are inherently more complex due to fragmented ownership and may lack centralized management including freestanding stores, retail districts, urban or village centers, and mixed-use projects. Although these formats are inherently hard to identify, quantify and monitor, due to their significant role, some countries and the growing importance of such formats, they have taken on increased importance. This is especially true when analysts are trying to conduct store saturation analysis, store location analysis, and sales forecasts for proposed centers. At the same time, the lack of coverage may make it impossible for retailers and developers to assess the unmet demand or leakage in locations that are contiguous to such activity and/or maturely affected by it in terms of market structure and levels of competition.
- **Proliferation of New Categories.** One of the significant challenges a classification system will likely face is the constant pressure to create new categories. These pressures will be brought by developers, niche players or other vested parties who seek to differentiate themselves or their projects from the broader market. At the same time, in order to stay on top of industry trends and to satisfy the needs of a growing and expanding constituency, a classification system must be able to incorporate new formats when conditions warrant them. The challenge is to determine if a new concept represents an endearing trend, one that will become a sufficiently large component of the industry to justify the resources necessary to retool databases, back cast returns, and make the other adjustments necessary to integrate new concepts into existing frameworks. The challenges these trade-offs involve are clear in the case of lifestyle centers, mixed-use developments and other relatively new shopping center formats to
- **Center Convergence/Overlaps.** On the surface, it would appear that a reasonable expectation is that shopping centers can be unambiguously assigned to respective categories by creating cutoff points that could be strictly adhered to when assigning properties to a particular category. Unfortunately the assignment of shopping centers to respective categories is not subject to a purely statistical treatment. Rather, to be accepted by the market and pass the “intuitive test,” it must combine quantitative and qualitative data in a meaningful manner. At the same time, the typical characteristics of certain classes of centers may overlap that of other types of centers. For example, many classification systems rely on the size of a center to assign it to an appropriate category. While the size of a center is fairly easy to quantify, the application of strict cutoff points is an oversimplification. That is, in many cases it is the combination of attributes which distinguishes various centers from each other, not one quantitative element. Such an approach would not garner market support, the ultimate test of the validity of the classification system.

- **Industry Dynamics and Emerging Trends.**⁸ The shopping center industry is in a continuous state of change responding to trends on the demand side of the equation as consumers and households become more diverse. It also faces changes on the supply side of the equation, where new formats both emerge and disrupt existing harmony in a particular market. Such trends can be dramatic and create significant changes in development activity as in the case where new concepts or capital are “imported” to other markets. The addition of nontraditional competition (i.e., non-store Internet shopping, niche center formats) can also disrupt existing patterns creating the need for developers, owners, investors to respond to new threats to protect market share and investment performance.

Current Shopping Center Classification Systems

Before delving into a global approach to shopping center classification, it is useful to explore some of the regional and country-specific systems that have been developed. Where appropriate, some of the key building blocks upon which country specific, regional or global classifications systems have been built are noteworthy.

ICSC-Sponsored or ICSC-Oriented Initiatives

Given the prominent role ICSC has played in the development of shopping center classification systems, it is useful to review some of the efforts they have extended or are currently underway. The strong global position that ICSC has attained and its credibility in the retail sector have established the US classification system as a model against which other country or regional classification systems are typically anchored.

- **U.S. Shopping Center Classification System.** Over the years, ICSC’s classification system for shopping centers has undergone several modifications and updates. In 2005, it stepped back and took an objective look at the then current system.⁹ The catalyst for this analysis was a growing number of requests from members and industry participants who were seeking a better understanding of the structure of the US market in light of many of the recent changes stemming from the introduction of new shopping center concepts, as well as modifications of existing formats.¹⁰ The current classification system assigns centers to two major categories: malls which include regional and super regional centers; and open-air centers which include neighborhood centers, community centers, lifestyle centers, power centers, theme/festival centers, and outlet centers. The classification matrix presented in Exhibit 1 combines qualitative and quantitative information to facilitate the appropriate classification of individual centers. The data elements include the underlying shopping center concept, a minimum and maximum square footage of the center and site, the number and type of

⁸ Tubridy, M., Defining Trends in Shopping Center History. *ICSC Research Review*, Vol. 13, No. 1, pp. 10-14, 2006.

⁹ DeLisle, James, R. “U.S. Shopping Center Classifications: Challenges and Opportunities,” *Research Review, International Council of Shopping Centers*, Vol. 12, No. 2, 2005; p 96-101.

¹⁰ Examples of new formats included lifestyle centers, mixed-use centers, town centers. Examples of modifications included the addition of entertainment venues and emergence of ethnic-themed centers.

typical anchors, the ratio of anchors to total stores, and the geographic range of the primary trade area.

Exhibit 1: ICSC shopping center definitions for the United States

ICSC SHOPPING CENTER DEFINITIONS—U.S.							
TYPE OF SHOPPING CENTER	CONCEPT	SQUARE FEET (INCLUDING ANCHORS)	ACREAGE	TYPICAL ANCHOR(S)		ANCHOR RATIO*	PRIMARY TRADE AREA**
				NUMBER	TYPE		
MALLS							
Regional Center	General merchandise; fashion (mall, typically enclosed)	400,000-800,000	40-100	2 or more	Full-line department store; jr. department store; mass merchant; discount department store; fashion apparel	50-70%	5-15 miles
Superregional Center	Similar to regional center but has more variety and assortment	800,000+	60-120	3 or more	Full-line department store; jr. department store; mass merchant; fashion apparel	50-70%	5-25 miles
OPEN-AIR CENTERS							
Neighborhood Center	Convenience	30,000-150,000	3-15	1 or more	Supermarket	30-50%	3 miles
Community Center	General merchandise; convenience	100,000-350,000	10-40	2 or more	Discount department store; supermarket; drug; home improvement; large specialty/discount apparel	40-60%	3-6 miles
Lifestyle Center	Upscale national chain specialty stores; dining and entertainment in outdoor setting.	Typically 150,000-500,000, but can be smaller or larger.	10-40	0-2	Not usually anchored in the traditional sense but may include book store; other large-format specialty retailers; multi-plex cinema; small department store.	0-50%	8-12 miles
Power Center	Category-dominant anchors; few small tenants	250,000-600,000	25-80	3 or more	Category killer; home improvement; discount department store; warehouse club; off-price	75-90%	5-10 miles
Theme/Festival Center	Leisure; tourist-oriented; retail and service	80,000-250,000	5-20	N/A	Restaurants; entertainment	N/A	N/A
Outlet Center	Manufacturers' outlet stores	50,000-400,000	10-50	N/A	Manufacturers' outlet stores	N/A	25-75 miles

It should be noted that the sometimes overlapping categories make it difficult to unambiguously assign a center to the appropriate category without applying judgment or other somewhat subjective rules of assignment. While not unacceptable per se and perhaps indicated by the convergence among shopping center formats, this market reality makes it difficult to extend the framework to a global arena, which adds further complexities to the task.

- Pan-European Shopping Center Classification System.** The unification of Europe has created significant interest in Pan-European business activity, including the shopping center industry. In 2005, ICSC Research published a review article which reviewed the various shopping center definitions that had been adopted by various countries prior to unification.¹¹ This article was created in cooperation with members of the European Research Group (ERG) which is affiliated with ICSC. The initial focus of this article was to provide some “local insights” that could be a starting point for creating a Pan-European Standard. Over the next year, the ERG developed a working definition of a European Shopping Centre, “a retail property that is planned, built and managed as a single entity, comprising units and communal areas with a minimum gross leasable area (GLA) of 5,000 square metres (m²).”¹²

Exhibit 2: Pan-European Standard for Shopping Center Types

International Standard for European Shopping Center Types			
Format	Type of Scheme		Gross Leasable Area (GLA)
Traditional	Very Large		80,000 m ² and above
	Large		40,000 – 79,999 m ²
	Medium		20,000 – 39,999 m ²
	Small	Comparison-Based Convenience-Based	5,000 – 19,999 m ² 5,000 – 19,999 m ²
Specialized	Retail Park	Large	20,000 m ² and above
		Medium	10,000 – 19,999 m ²
		Small	5,000 – 9,999 m ²
	Factory Outlet Center		5,000 m ² and above
Theme-Oriented Center	Leisure-Based	5,000 m ² and above	
	Non-Leisure-Based	5,000 m ² and above	

As noted in the table, there are two key formats, “Traditional Centers”, and “Specialized Centers.” Traditional Centers could be either enclosed or open-air and are further classified by size and scheme.¹³ In the Pan-European model, Small centers can either be “comparison-based” or “convenience-based” depending on the value proposition they offer or the market niche in which they are located. Comparison-based Centers include retailers selling discretionary goods (e.g., fashion apparel and shoes, home furnishings, electronics, general merchandise, toys, luxury goods, and gifts)

¹¹ _____, ICSC Research, *Towards a Pan-European Shopping Centre Standard -- A Framework for International Comparison*, International Council of Shopping Centers, New York, 2005.

¹² Jean Lambert, *One Step Closer to a Pan-European Shopping Center Standard: Illustrating the New Framework with Examples*, Research Review, Vol. 13, No. 2, 2006, pp 35-40.

¹³ This differs from the US system in which the main category is labeled “malls” and the other category is labeled “open-air.”

and are typically part of larger retail districts or areas. On the other hand, Convenience-based Centers include retailers that sell essential goods that consumers buy on a regular basis and are typically anchored by a grocery store, either a supermarket or a hypermarket, as well as by drugstores, convenience stores and retailers selling household goods, basic apparel, flowers and pet supplies. The Specialized Centers consist of three “schemes” including Retail Parks, Factory Outlet Centers, and Theme-Oriented Centers. Interestingly, treatment of size rankings differs between the “Traditional” and “Specialized” formats, with size a driver in the first, and theme a driver in the second. That is, Retail Parks are subdivided on size, while Traditional-Small and Specialized-Theme are subdivided on niche or focus of the centers.

To help users understand how the categories would be populated across Europe, several examples were provided. The countries represented in this exercise included: Belgium, Czech Republic, France, Germany, Italy, Netherlands, Nordic Countries, Portugal, Spain, Turkey, and the United Kingdom. In most cases, some representative examples were identified. However, reflecting some of the differences in the structure of the various markets, there were some exceptions in which countries did not report on: Retail Parks (large, medium and small); Theme-based Non Leisure and Leisure; and, Traditional Very Large. Despite the progress that has been made, the system will likely continue to evolve over time. However, the system does make an important first step in establishing cross-country, regional classification system.

- Indian Classification System.** The Indian Research Group, which is affiliated with ICSC, is currently exploring the development of a classification system for shopping centers in India. It is also working toward creating a set of guidelines that would allow users to classify shopping centers in India. While still in a very preliminary state, these efforts point to some of the ways in which existing systems are influencing new systems. One of the starting points for the Indian Research Group was the creation of a basic definition of a shopping center. The working definition of a shopping center is, “a large retail complex containing a variety of stores and often restaurants, multiplexes, and other business establishments, housed in a series of interconnected or adjacent buildings or in a single large building that is usually accessible by common passageways.”¹⁴

Exhibit 3: Proposed Working Classification of Indian Shopping Centers

Standard for Indian Shopping Center Classification		
Type of Shopping Center	Concept	Gross Leasable Area (GLA)
Traditional	Superregional	800,000 sq. ft. and above
	Regional	400,000 - 799,999 sq. ft.
	Local	200,000 - 399,999 sq. ft.
	Neighborhood	Comparison-Based 50,000 - 199,999 sq. ft.
	Neighborhood	Convenience-Based 50,000 - 199,999 sq. ft.
Specialty	Specialty	50,000 sq. ft. and above

¹⁴ This definition and a something classification system were conveyed in an internal memo originated by the ICSC Indian Research Group in December 2008.

It should be noted the development of an appropriate classification system for Indian shopping centers is complicated by the structure of the existing market and the predominance of mixed-use centers, and mixed-use developments. In general, the Indian model embraces the broad categories of traditional and specialized centers advocated by the European research group in the development of the Pan European shopping center classification system. However, the system was modified to reflect the Indian retail environment. For example, comparison-based centers were defined as those including modern retailers providing essential and nonessential consumer goods, while convenience-based centers sell essential goods and everyday services. It is also noteworthy that although the system includes Specialty Centers, such centers are extremely rare in India. This market situation explains the absence lack of a more refined breakdown as in the Pan European model.

- Latvian System.** While not directly supported by ICSC, interested parties have developed a shopping center classification system for Latvia that is also modeled after the Pan-European system.¹⁵ This rapid --and perhaps premature-- market acceptance of a system that is still being refined, demonstrates the appeal of a regional or global system. This is particularly true in developing markets which need to increase transparency and make global players more aware of opportunities as they seek to advance the state of the shopping center industry. To adjust the ICSC definition to the Latvian market, a new shopping centre was defined as “a purposefully planned, built and managed as a single real estate entity with at least 5 separated lease units, with a minimum gross leasable area (GLA) of 1.500 square meters (m²) and with single tenant (i.e., anchor tenant) taking not more than 75% of GLA.”

Exhibit 4: The Proposed Latvian/Balkan Classification System

FORMAT	TYPE OF STRUCTURE		IZNOMĀJAMĀ PLATĪBA (GLA)
TRADITIONAL	VERY LARGE		80,001 m ² and more
	LARGE		40,001 – 80,000 m ²
	AVERAGE		21,001 – 40,000 m ²
	SMALL	CHOICE	3,501 – 21,000 m ²
		DAILY	3,501 – 21,000 m ²
	GENERAL		1,500 – 3,500 m ²
	GROCER'S SUPERMARKET (>75% GLA) WITH ADDITIONAL SERVICE		1,500 m ² and more
DEPARTMENT STORE		1,000 m ² and more	
SPECIALIZED	SHOPPING PARK	LARGE	21,001 m ² and more
		AVERAGE	10,001 – 21,000 m ²
		SMALL	1,500 – 10,000 m ²
	FACTORY DEALER'S CENTRE		1,500 m ² and more
	THEMATIC SHOPPING CENTRE	ENTERTAINMENT TREND	1,500 m ² and more
OTHER SPECIALIZATION		1,500 m ² and more	

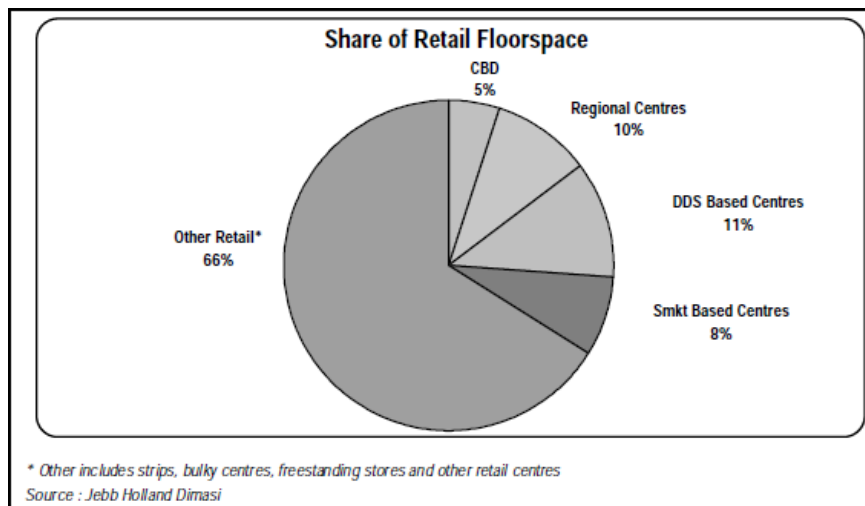
¹⁵ This Latvian system has been discussed in another context represents the efforts of a particular country to modify regional or national standards to meet their own needs. For further information see: <http://www.fbb.ro/english/franchise-news--baltics.htm>

Trade Association-sponsored and Nonprofit Systems

In addition to ICSC, there are other competing classification systems in the US and other countries. While not unacceptable per se, this can add to confusion in the broader market as interested parties adopt potentially inconsistent, competing systems. The opportunity for selective adoption of new formats can create some confusion in the domestic market; the differences can also carry over to other markets or regions which may use one or both as a frame of reference in developing their own system. Furthermore, there are no mandatory data reporting requirements that prevent a user from blending the two into yet another system. In addition, the implementation and market acceptance of the respective systems can vary depending on the situation and/or application. It is useful to explore some examples of potentially competing systems to highlight some of the issues.

- The Shopping Centre Council of Australia.** Using contractors, the Council compiles vital statistics on the shopping center industry in Australia. This commission study provides summary information on the almost 1000 shopping centers in the country. These centers are clustered into three categories including regional centers, discount department store-based centers, and supermarket-based centers. As of 2001, some 45,000 retail shops were situated in the shopping centers for market share slightly over 25%.¹⁶ The property Council of Australia classifies shopping centers located throughout Australia on the basis of several criteria including their floor size and the type of retailers who make up their tenant roles.

Exhibit 5 (a): Shopping Center Classifications in Australia



¹⁶ Dimasi, Tony, Shopping Centers in Australia: Vital Statistics, prepared by JHD for the Shopping Center Council of Australia, 2001.

The Australian classification system includes three categories of regional shopping centers: super regional, major regional, and regional. As noted in Table 5 (a), regional centers comprise some 10% of the total retail floor space in Australia. A second category of centers is labeled discount department store centers. These centers are smaller than regional centers and house one or two discount department stores and one or more supermarkets. Supermarket-based centers are generally smaller and include one or two major supermarkets along with a variety of in-line or specialty shops and business services. The other retail category which consists of almost 2/3 of floor space in Australia includes strip centers, homemaker/bulky goods centers, themed centers, markets and freestanding shops.

Exhibit 5 (b): Shopping Center Classification by Size, Tenancy and Catchment

Centre Category	Catchment (Population)	Tenancies	GFA of Retail Per Centre
Super Regional Centres	200,000+	2 DS, 2 DDS, 2+ SM, 100+SS	100,000+
Regional Centre	70,000+	1 DS, 1 DDS, 2 SM, 60+ SS	35,000 – 60,000
Sub Regional Centre	30,000 – 60,000	1 DDS, 2 SM, 20 – 60 SS	24,000 – 35,000
District or Community Centre	15,000 – 30,000	2 SM, 20 – 40 SS	10,000 – 30,000
Neighbourhood Centre	10,000 – 20,000	1 SM, 5 – 30 SS	3,000 – 8,000
Local Centre	<10,000	3 – 20 SS	< 5,000

DS = Department Store; DDS Discount Department Store; SM Supermarket; SS Specialty Stores

- Canadian Directory of Shopping Centers.** The Canadian shopping center directory has a classification system that is somewhat comparable to the US system. It defines traditional centers to include: Convenience, Neighbourhood, Community, Regional, and Super-Regional; specialty centers which include Power Centres, Factory Outlets, and Lifestyle Centers; as well as Retail Hybrid centers and Retail Mixed-Use projects. In addition to categorizing centers, the directory provides a number of data elements including :year opened; GLA; number of retail levels; total number of stores (leased and un-leased); the existence of a Food Court and if so the number of seats; whether the building is Enclosed/Open/Partially Open; and, the number of on-site Parking Spaces.
- Planned Shopping Centers in Germany.** To help monitor changes in shopping centers in Germany the Institut fur Gewerbezentren has compiled a list of planned shopping centers based on a combination of primary and secondary research. This effort was undertaken due to the recognition that shopping centers are becoming an important component of the German retail market.¹⁷ The report suggests new shopping center developments will dramatically increase in Germany. This suggests there are likely to be significant shifts in terms of overall market structure and a dramatic change in the retail landscape. The flurry of centers in new locations, with innovative store concepts, will continue to be driven by the entry of by new players to the German market. The resultant surge

¹⁷ For more information see www.shoppingcenters.de

in new shopping centers is expected to provide a striking contrast to the more traditional shopping and business centers that have characterized German cities and suburban districts.

- Finland.** The Finnish Council of Shopping Centers has defined the concepts of retail centers on the basis of the name, contents, size and working methods.¹⁸ The objective of this initiative was to standardize, clarify and establish the appropriate use of the various shopping center concepts and classifications. The retail centers identified in the classification include: shopping center, strip center, hypermarket center, retailers' department store, indoor market, Retail Park, (factory) outlet center, home center, entertainment center, lifestyle center, and commercial center.

*Exhibit 6:
Summary Chart of
Finish Shopping
Center
Classifications*

Chart as a summary		
Type of facility	Key attributes	Number of commercial buildings
Shopping center	The facility has joint management and marketing and has one or more anchors. No single outlet has more than 50% of the total retail area. The facility has 10 or more outlets and its GLA is more than 5,000 sq.m.	Typically operates in a single commercial building: the traders face the same interior.
Hypermarket center	Usually one-storey. The hypermarket usually has more than 50% of the commercial space. Has at least 10 traders.	Typically operates in a single commercial building: the traders face the same interior.
Strip center	A strip center has at least 5 traders and its GLA is typically less than 5,000 sq.m.	Operates in a single or more than one commercial building: the traders usually face an exterior space.
Commercial centers	Commercial center is a definition used for centers which differ from other retail centers in some respect.	
Indoor market	Located in a city center, concentrates mainly on specialist grocery retailing. Does not usually have joint management.	Typically operates in a single commercial building: the traders face the same interior.
Retail park	Occupied mainly by specialist retailers. Typically located away from central districts.	Typically operates in more than one commercial building and faces a joint parking area.
(Factory) outlet center	Occupied mainly by specialist traders concentrating on a single brand. The low price level is due to a product range that does not include a number of collections. Located away from city centers. Joint management and marketing.	Operates mostly in more than one commercial building.
Home center	Focuses on home refurbishment and interior design retailing.	Operates mostly in a single commercial building
Entertainment center	Mostly occupied by leisure service providers, including cinemas, gyms, restaurants and leisure goods dealers. Has joint management and marketing.	Operates mostly in more than one commercial building.
Lifestyle center	Has many specialist retailers and restaurants. Standardised design is used to create an urban milieu on particular theme. Lifestyle centers have no anchors but they do have joint management.	Operates in a single or several commercial buildings: the traders usually face an outdoor space.
Retailers' department store	Retailers' department stores have a number of retailers in shared premises. A retailers' department store is in the city center and has joint management and marketing.	Typically operates in a single commercial building the traders face the same interior.

¹⁸ For more information, see: <http://www.ncsc.se/images/finnishshoppingcenters.pdf>

- **Urban land Institute (ULI).** Over the years, ICSC and ULI have engaged in a number of collaborative ventures including merger of the ULI's Dollars & Cents of Shopping Centers with ICSC's SCORE publication. This combined report presents detailed income and expense categories by types of centers including open-air and enclosed centers, along with convenience, neighborhood, community, regional and super regional centers. Despite the progress that this venture made toward a consensus approach to shopping centers, it is important to note ULI maintains its own long-standing classification system. Furthermore, this system has been adopted in some countries, although ICSC's remains the dominant frame of reference across the globe. It should be noted that in many respects the ULI and ICSC systems are complementary. However, there are some differences as in the case of mixed-use, lifestyle and other "specialty centers." These differences may be attributable in part to the constituency of the two groups, with ULI more representative of developers, architects and others, who are more interested in new concepts, as well as those that can help advance the positions of new urbanism and revitalization of central cities. Regardless of the rationale, the existence of conflicting systems endorsed by two industry leaders demonstrates the need for a uniform global industry standard.
- **Real Estate Investment Standards (REIS).** ¹⁹The Real Estate Information Standards were developed through the cooperative efforts of PREA, the National Association of Real Estate Investment Managers (NAREIM), and the National Council of Real Estate Investment Fiduciaries (NCREIF) to "increase the consistency with which (real estate) investments are evaluated and reported." The Standards are reviewed each year and revised or amended as necessary. While the REIS standards focus on accounting and reporting, they are also designed to ensure that benchmarks and performance measures are based on a consistent set of definitions. The most recent classifications updated in early 2008, generally mirror the ICSC definitions. However, the accompanying descriptions are abbreviated and do not explicitly reference ICSCs classification grid presented earlier in Exhibit 1. The major categories include neighborhood centers, community centers, regional malls, super regional malls, fashion/specialty centers, power centers, theme/festival centers, outlet centers, and single tenant properties
- **NCREIF.** Since NCREIF has adopted the REIS standards, the extent to which they are being adhered to provide some insights into the likelihood of market adoption by other vendors and data providers operating in other countries or regions. As of year-end 2008, the NCREIF index included 6287 properties with a gross market value of slightly over \$300 billion. Of that total, 20% of the properties were retail. In submitting data on retail properties, the data contributors must use a pull-down menu. This data entry requirement places pressure on those submitting the data to select one of the specified categories to avoid having to revisit the classification. Exhibit 7 provides a snapshot of the retail

¹⁹ _____, REAL ESTATE INFORMATION STANDARDS (REIS) Last Revised on March 27, 2008. The details are presented in NCREIF's [Data Contributor Manual](#).

component of the NCREIF index by retail subcategory.²⁰ The data includes the starting date at which the category was first reported and the ending date for classes which are no longer included in the index.

Exhibit 7: Retail Composition of NCREIF by Subtype

Shopping Center Classification	Start		End		Current Number	Subtotal
	Year	Qtr	Year	Qtr		
Traditional Classes						
Neighborhood	1978	1	2008	4	302	748
Community	1978	1	2008	4	342	
Regional	1983	1	2008	4	62	
Super Regional	1983	1	2008	4	42	
Specialized Classes						
Single Tenant	1991	1	2008	4	42	195
Power Center	1994	4	2008	4	121	
Fashion/Specialty	1997	1	2008	4	32	
Theme/Festival	2006	2	2007	4	0	
Outlet			No Records		0	
Total Retail	1978	1	2008	4		945

As noted in Exhibit 7, the vast majority of shopping centers in the NCREIF index are in the traditional categories. Within that group, only the neighborhood and community center categories have been in the index since inception in 1978. On the other hand, regional and super regional centers have been in the index since 1983. Single tenant properties were introduced in 1991 followed by power centers in the mid-nineties. The fashion/specialty category has been included in the index for some 10 years, while the theme/festival category was only represented two years. Furthermore, no records have ever been reported for outlet centers. Interestingly despite the wide array of shopping center formats in the United States and the emergence of new niche categories, none of the reported shopping centers fall outside of these traditional classifications. Thus, unless NCREIF members have a narrow range of shopping centers, there is some question regarding the accuracy of how properties are classified. Even if the classifications are accurate, the lack of coverage of some specialty categories is revealing. In part, it suggests the addition of categories in a global system should be carefully evaluated to avoid creating a system that enfolds all possibilities, regardless of how significant they are to the broader shopping center industry.

- **NAREIT.** The National Association of Real Estate Investment Trusts (NAREIT) is a member organization of US REITs. While there are some “diversified” REITs that invest in multiple property types, in many cases, REITs focus on a particular property type or sub-type. Since the retail sector is a significant element of the industry, and many retail REITs are members of ICSC,

²⁰ These data were compiled on January 28, 2009 using a customer query capability. Access to these data is restricted to active NCREIF members of which the author is one. More details can be obtained at <http://www.ncreif.org/index.phtml>.

it is useful to explore how they classify their own properties. Within individual REITs, the classification of properties is up to the reporting companies, with members typically adhering to ICSC classifications. To help position themselves, however, retail REITs may provide a summary of retail holdings using a variety of labels not included in the ICSC typology. To explore the adoption of ICSC classifications, the individual retail holdings of the top REITs were analyzed.²¹ The holdings of the subject REITs were typically assessed through the store listings that were found on their websites. Classifications were based on the definitions of the centers that were used in these listings. In some cases, this was represented in individual fields; in others, it was taken from the short descriptions. For several REITs, data regarding their portfolios was accessed through Storetrax.com, a lease listings website. In some cases, the corporate websites linked directly to the Storetrax website; in others, data was not available for the REIT holdings online, but listings were found in a search of listings.

As noted in Exhibit 8, about 38% of individual REIT holdings are broken down into the major ICSC classes. Additionally, 58% are either classified, or are described with a generic label that includes “Shopping Center” or “Mall”, either individually or in combination with other general terms. The more recent additions to ICSC categories and those for which some argue should be isolated (e.g., Lifestyle, Mixed-Use, Specialty, and Street) account for only 4% of the REIT holdings recorded here.

Exhibit 8: NAREIT Retail REIT Classifications

Retail Type	Number	Total	Share of Type	Share of All
Super-Regional	108		7%	3%
Regional	257		18%	7%
Community	568		39%	15%
Neighborhood	400		28%	10%
Power	71		5%	2%
Outlet	38		3%	1%
Subtotal		1,442	100%	38%
Shopping-Center-Mall *	2,029		92%	53%
Unclassified	182		8%	5%
Subtotal		2,211	100%	58%
Lifestyle	16		10%	0%
Mixed-use	17		11%	0%
Specialty	31		19%	1%
Street	29		18%	1%
Other	67		42%	2%
Subtotal		160	100%	4%
All Retail		3,813		100%

²¹ DeLisle, James R. Shopping Center Classifications: Challenges and Opportunities, *ICSC Working Paper Series*, September 2005.

Private, For-profit Commercial Classification Models

In addition to “official” industry classification systems, a number of proprietary systems have been developed. The primary market targets for such systems include analysts, rating agencies, consultants, developers, REITs, and service providers. Since for-profit data vendors operate in many countries they can provide some additional insights into how the industry classifies shopping centers. .

- **Investment Property Databank (IPD).** IPD is a global information services company that focuses on the provision of independent market indices, benchmarks, and performance analysis to support the real estate industry. PD operates on five continents and service outlets in over 20 major markets. IBD has a diverse clientele including investors, fund managers, property managers, and occupiers. In addition to its international scope, IPD covers the major property types including the retail sector.

Exhibit 9(a): Aggregation of IPD Retail Categories by Country

	Australia	Canada	Denmark	France	Germany	Italy	UK
Common Categories							
Super & Major Regional		Super Regional					Super Regional
Regional		Regional					Regional
Sub Regional							Small Regional
		Community Centre					Community Shopping
			Shopping Centres	Shopping Centres		Shopping Centres	
Neighbourhood		Neighbourhood					Neighbourhood
Other Retail		Other Retail	Other Retail	Other Retail		Other Retail	
All Retail		All Retail	All Retail	All Retail	All Retail	All Retail	All Retail
Unique Categories							
Bulky Goods							Retail Warehouse
							Unit shop
Metropolitan Centres					Major Cities		
Country Centres					Other Cities		

As noted in Exhibit 9(a), the shopping centers in the countries that constitute the IPD universe can be classified into a fairly reasonable cross classification matrix.²² As noted, in some cases this

²² This matrix was compiled by exploring the composition of the **IPD Multinational Retail Spreadsheet** from the perspective of a nonsubscriber. For more information see: <http://ipd.com/OurProducts/ResearchMarketData/IPDMarketData/IPDMultinationalRetailspreadsheet/tabid/1821/Default.aspx>

process identifies common categories which are present in more than one country, as well as ones that are country specific. It should also be pointed out that the roll up process employed by the author of the study ignores some of the more subtle differentiation that may exist among the definitions for the specific categories that have been adopted in the respective countries. Nonetheless, it does provide some insight into how a global system could be compiled without compromising need for more country specific classifications.

Exhibit 9 (b): IPD Retail Coverage by Size

Australia	Canada	Denmark	France	Germany	Italy	UK	
						Centres	Ret Whrs
		< 1,250 sq m	< 3 000 m ²	< 2,500 sq m	0 - 2,500 m ²		0 - 2,500 m ²
		>= 1,250 and < 2,500 sq m	3-6 000 m ²	>= 2,500 and < 5,000 sq m	2,501 - 5,000 m ²		2,501 - 5,000 m ²
		>= 2,500 and < 5,000 sq m				0 - 7,000 m ²	5,001 - 10,000 m ²
		>= 5,000 and < 10,000 sq m	> 6 000 m ²	>= 5,000 and < 10,000 sq m	5,001 - 10,000 m ²	7,001 - 14,000 m ²	
		>= 10,000 sq m		>= 10,000 and < 20,000 sq m	10,001 - 25,000 m ²		10,001 - 15,000 m ²
< 30,000				>= 20,000 sq m		14,001 - 25,000 m ²	15,001 + m ²
30,000 to 50,000					More than 25,000 m ²	25,001 - 50,000 m ²	
> 50,000						50,001 + m ²	

In addition to the subprime category presented in Exhibit 9(a), for many of the countries performance data are also compiled and reported for property size as noted in Exhibit 9(b). The overlap of the size ranges among some of the countries may emanate from market norms that were likely in place at the time the IPD index was expanded to cover the respective countries. Furthermore, in the UK, unique size ranges were presented for specific types of centers, including those labeled shopping centers, retail warehouses, and single-let shops.

- **NRB Online.**²³ NRB Online, which was acquired by CoStar, provides an extensive list of shopping center formats. In alphabetical order, these formats include: airport retail, auto mall, community centers, convenience centers, discount centers, factory outlet centers, festival entertainment centers, home improvement centers, lifestyle centers, mixed-use development,

²³ For more information refer to <http://www.costar.com/>

neighborhood centers, off-price centers, power centers, retail centers, strip centers, super regional centers, theme/specialty centers, and upscale/fashion centers. This extensive list includes a general description of the characteristics of the respective centers based on size, anchor stores, tenant mix, price points, targeted market niches, or other distinguishing attributes.

Directory of Major Malls.²⁴ The DMM provides information on some 5,000 shopping centers and malls in the United States and Canada with gross leasable areas (GLAs) of approximately 225,000 square feet and above, as well as Lifestyle/Specialty centers of any size. The data are collected from owners/developers and their authorized agents. The shopping center classification includes: Community Center - 225,000 - 499,999 sq. ft. in size; Regional Center - 500,000-999,999 sq. ft. in size; Super-Regional Center - over 1 million sq. ft. in size; Power Center which are usually open-air in design and with 3 or more big-boxes; Value Retail in which tenants are predominantly outlets, discount, off-price retailers; Entertainment Center which focus on themed entertainment and restaurants, theaters, attractions, with more limited retail; and Lifestyle / Specialty Centers which are usually open-air & anchorless with an upscale mix of tenants.

Toward Global Shopping Center Classification Systems

Challenges Facing Global Classification Systems

Before the evaluative criteria that must be satisfied by a classification system for global shopping centers can be translated into an action plan, it is important to note the unique challenges posed by trying to establish a global framework that can respond to the needs of the market. A basic caveat that must be kept in mind is that to be truly global, a shopping center classification system must be capable of being applied to all countries regardless of their stages of economic development and the structure of the retail market. Satisfaction of this criterion is complicated by several factors.

- **Structural Market Differences.** In a number of countries, the state of the shopping center industry differs dramatically from some of the more mainstream markets that have a more developed industry. This is particularly true in the cases of emerging markets that are experiencing dramatic growth, part of which may be attributable to global capital flows, which have stimulated new construction and investment. On the other hand, even some of the more traditional markets that have resisted growth are being subjected to global pressures that create a tension between the “old and the new.” This is particularly true in markets, which have long been focused on small town, urban villages, or central city shopping districts that are being threatened by the influx of larger shopping center formats that are located in different regions. In these cases, the absence of particular shopping center formats should not be taken as an opportunity, without some insight into why the void exists. Thus, global players must be able to understand the structure of markets, as well as the underlying rationale that might explain their differences.

²⁴ For more detailed specifications and subscription information see: <http://www.directoryofmajormalls.com/>

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- **Specialized/Unique Center Formats.** In addition to differences in the overall market structure, some market traditions and consumer tastes have supported the emergence of unique formats that are not found in other countries or markets. While those based outside of such countries might tend to ignore such idiosyncratic places, they comprise a material component of the market and understate the competition for scarce consumer dollars. This phenomenon is especially likely to occur across markets that are widely different in a stage of economic development, consumer welfare, economic drivers, and cultural values and tastes.
 - **Extendable.** In the case of country specific classifications systems, the geographic scale to which they must be applied is relatively finite. On the other hand, a global system must be capable of being extended to new countries and or/regions as the opportunity unfolds and the level of market demand justifies its extension. Since these new countries or regions may be characterized by structural market difference in specialized or unique shopping center formats, the global system must strike a fine balance between providing sufficient detail to support empirically-based decision-making at a local level, while avoiding the mandate to make major revisions to the existing global system, which may have been adequate before the scope of operations was expanded.
 - **Transparent.** In some markets there will be a natural resistance to the disclosure of data, which up to this point may have been considered proprietary and a competitive advantage with respect to outsiders or others whose main sphere of operations had been in different industries or sectors of the economy. The assignment of centers to various categories must be clear and open to avoid introducing any biases or parochial concerns that could destroy confidence among domestic or global users.
 - **Transferable.** Regardless of the success in developing a global classification system, players who specialize in individual countries and regions are likely to maintain proprietary systems. In general, when compared to a global system, local data systems may include more specific data to, reflect the key drivers in a local market. To avoid conflicts, a global system must be capable of being overlaid on top of existing systems in a complementary rather than competitive sense. It must also be possible to move back and forth from the local to the global system so that knowledge gleaned from one is transferable to the other.
 - **Market Acceptance/Adoption.** At some level, the mere development of a global shopping center classification system and its rollout in various countries or regions may be seen as a measure of success. However, unless the market accepts such data and begins to rely on it in analysis and decision-making, it will be of little pragmatic value. In the absence of a positive value proposition, over time the cost benefit of compiling and maintaining such data will be lost and will eventually force the local sponsors and advocates to drop the initiative. This will be necessary over the long haul to justify the resource commitment such efforts entail.
 - **Market Resistance.** In some closed markets, there will be a natural resistance to the disclosure of data. This is especially true in markets where information has been considered proprietary and

viewed as a competitive advantage over outsiders or others, whose main sphere of operations was in different industries or sectors of the economy. This situation may be most challenging in the case of undeveloped markets that may have operated on informal and inefficient information flows. At the same time, local sponsors or data vendors may resist the move toward greater information flows to avoid added competition for data or services that a more open market could trigger. Depending on how firmly entrenched these stakeholders are in their own approach, special efforts may have to be undertaken to prevent them from blocking the introduction or extension of a global classification system to a local market.

Caveats in Development of a Global Classification System

- **Role of a Global System.** It is important to note that the development of global shopping center classifications should be treated as a means to an end, not an end in itself. That is, rather than establishing the mere development of such a system as an acceptable outcome, the appropriate “end” should be the development of a system that can be used to provide greater transparency and information flows regarding the shopping center industry.
- **Critical Trade-offs.** Special efforts should be made to balance strict adherence to formal rules of classification (e.g., unambiguous, quantifiable, reliable, politically palatable, implementable) against the need to provide a pragmatic approach that can actually be implemented. The objective of developing such a system should be to support global decision-making and provide meaningful insights into the retail real estate market that improves market efficiency and enhances risk-adjusted returns for the various stakeholders.
- **Global and Country-specific Compatibility.** The introduction of a new global system should not pre-empt or cannibalize country or region-specific systems but should be complementary, striking a balance between the need for local market insights and global operations.
- **Information Dilution.** A global system should not represent a watered-down or second-class of information which, while addressing needs of global players, is not useful, supported or embraced by local or regional experts.

Alternative Approaches

A number of approaches could be adopted in the development of a global shopping center classification system. While there is no one way to approach this task, each of the approaches has its own merits and limitations. Before recommending an action plan it is useful to explore some of the alternatives.

Rationalization of Existing Systems

In this approach, representatives of various countries or markets could present their current, or proposed, classification systems. Once these lists were compiled, a set of definitions and classification criteria embraced in the respective systems could be compiled. Comparative analysis of the various categories

could be extended to identify obvious commonalities, as well as incompatibilities. Through an interactive process, a consensus approach that would emphasize global standardization could be developed. This approach would have several advantages and disadvantages. On the positive side, it could provide a pragmatic solution that can be embraced by various stakeholders. On the other hand, it would mandate the sacrifice of country specific data which may be critical in understanding the structure of the shopping center market in a particular country. This is particularly true in markets which have attributes that are not shared or common with other countries and thus are not germane to a global classification system. While not unacceptable per se, local players would not likely be willing to conduct analysis that relied on partial or incomplete information. This could create a situation in which local participants would continue to compile and analyze proprietary information while global participants would be forced to rely on more general, standardized information. This could lead to further market inefficiencies, less transparency, and unnecessary risks that would put global players at a disadvantage relative to their local counterparts.

Reverse Engineering of a New System

In this approach, the development of a new classification system would begin with an analysis of the applications and decision support requirements behind the push for such a system. By focusing on the outputs, a classification system could be developed in a manner that would provide it would have a higher probability of being successful in terms of its ability to satisfy the underlying concerns that led to its creation. Once the intended applications have been identified, the dependant issues of data composition, validation, compilation and management could be resolved. This might appear to be a less direct approach and one that may not provide benefits as quickly as the previous system. However, it would have a much higher probability of being successful in the long term and would be more likely to be able to satisfy the initial goals and objectives. It should be noted that the application of a reverse engineering approach would have to be market-based rather than normative. That is, it must begin with identifying the key stakeholders (e.g., retailers, developers and investors), their decision-making models, and the type of analysis that they either currently conduct --or would-- if a viable global system was available.

Quantitative Analysis

One of the approaches that could be applied is the reliance on statistical analysis. For example, a representative sample of shopping centers could be identified, along with key data including quantitative information on the size of the center, number of anchor tenants, total number of tenants, land area, number of parking spaces, and number of floors. Some of the “qualitative data” regarding design, open/closed air, theme, price points, entertainment, life style orientation and other variables could also be compiled and converted to some quantitative base. Alternatively, these qualitative variables could be used as dummy variables or to stratify a sample. Once the shopping center database was compiled, multivariate clustering analysis could be used to group centers into a finite number of categories. These categories would be statistically significantly similar within themselves, as well as statistically significantly different among other categories. In addition, multivariate discriminant analysis (MDA) could be conducted to establish equations that could be used to assign new centers to the existing typology.

In some respects, the application of a statistical approach has a number of merits including the elimination of bias that could be introduced by those assigned with classifying centers, along with greater validity in the sense there would be some assurance that the classes were meaningfully different. However, reliance on a purely statistical model that represented a “black box” would likely be met with distrust and market resistance by those who are skeptical of purely quantitative analysis. Furthermore, due to the nature of the statistical modeling, it would be difficult to provide a concise and plausible layman’s explanation of what the various clusters actually represented. Thus, while such analysis should be encouraged to help develop a better understanding of some of the nuances of shopping centers, it should not be relied on to supplant more intuitively plausible and defensible approaches.

Common Classification Criteria

Although the objective of this working paper is to provide a framework that can be considered in the development of a global classification system for shopping centers, it is useful to identify some of the more common variables that might be considered.

- **Themes/Concepts.** The various classification systems include a number of themes or market positioning strategies. These can be divided into two major categories: general or traditional; and, specialty. Some common themes include: entertainment-oriented centers, lifestyle centers, outlet centers, power centers, convenience centers, high-end centers, discount centers, value centers, resort centers, and other types of recreational centers. In addition some centers may be targeted toward a particular ethnic group, or to a specific demographics segment of the market using price, value and amenities as differentiating factors.
- **Size.** A criterion that is common to many classification systems is the size of the center, and/or the size of the land area. In addition to being widely adopted by current systems, such a measure is consistent with gravity modeling, a fundamental tool in store location analysis. While some measure of size should be included in a classification system, several issues must be resolved in applying it to the global market. For example, there must be a clear definition of what is included in the size of a center and whether it refers to the gross area of space, or the space rented or occupied by tenants. In addition, a decision must be made whether space occupied by non-retail tenants is included, especially when such tenants are governmental agencies or non-profit entities such as schools, libraries, and other services. Furthermore, in the case of mixed-use properties, a decision must be made as to what kinds of non-retail spaces are included. For example, it must be clear how to measure centers which have food court, common areas, entertainment venues, theaters and restaurants. Similarly, when assessing shopping districts, which contain other uses, rules of measurement and delineation of the boundaries of the retail area must be specified.
- **Design.** In many classification systems, centers are grouped into open-air and enclosed categories, along with other design features such as the shape, location of anchors, and

- number of stories. In addition to the type of design, some systems differentiate centers based on the quality of design, as well as the overall sense of place it conveys to the market. One of the challenges posed by such criteria relate to the difficulty in quantifying a concept, which is inherently qualitative, as well as dealing with projects which blend various design aspects and don't fall into a clear category.
- **Location.** In some countries, centers are classified as to their locations including urban core, suburban, or rural. These spatial delineations are also broken down into other categories depending on whether they comprise a node or center of activity, or whether they are part of a larger trade area, which exhibits some agglomeration effects. Some systems also include secondary locational attributes including airport locations, resorts, villages or districts.
 - **Number of Anchors/Tenants.** In many respects, shopping centers can be viewed as establishments that feature an “assortment of goods and services.” Thus, distinguishing elements can include such criteria as the number of anchors, the nature of anchors (i.e., department stores, variety stores, specialty stores), the price points they represent (e.g., value, discount, high end), and the customer bases they serve. In addition to anchors, some systems incorporate measures of the total number of tenants, as well as the ratio of anchor tenants to in-line tenants.
 - **Themes.** The various classification systems include a number of themes or market positioning strategies. Some common themes include: entertainment-oriented centers, lifestyle centers, outlet centers, power centers, convenience centers, high-end centers, discount centers, value centers, resort centers, and other types of recreational centers. In addition some centers may be targeted toward a particular ethnic group, or to a specific demographics segment of the market using price, value and amenities as differentiating factors.

Recommendations

Organizational Suggestions

Process

As presented in the body of this working paper, the adoption of a hybrid strategy is recommended. This strategy would blend a “rationalization of existing systems” approach with the “reverse engineering” approach. The reverse engineering process should begin with a critical assessment of the outcomes, analysis and decision support requirements of a global shopping center industry. Once these requirements are identified, the nature scope and quality of data that must be built into the system can be specified. At this point, the “rationalization approach” could be applied to identify the commonalities among existing country specific and regional systems that could be enfolded in the ultimate system. This hybrid approach will help ensure that the ultimate product satisfies the needs of the market, and achieves the desired goals and objectives. At the same time, it will help avoid creating dual classes of information that would

undoubtedly be maintained by various interest groups with specific needs not addressed by the project. . Finally, the process should help quantify the resource commitments that must be made to establish it as a world-class prototype for shopping center classifications.

Decision Support Standards Task Force

To implement these recommendations, a global task force would be engaged. Ideally, this task force would include representation from the major stakeholder groups of retailers, developers, and investors as well as representatives from ICSC's research task forces which in the aggregate, comprise the Global Task Force. This task force would be charged with compiling a list of the research questions and decisions that must be made by the various stakeholders. This compilation would include current applications as well as best practices. It should take a holistic approach and identify the enhanced level of decision support that could be generated if a viable global classification system for shopping centers existed. It should also identify the types of research questions and analysis undertaken by analysts and experts in the local or country specific markets.

Existing System Task Force

This task force could draw on a support staff operating under the direction of a number of key members. These lead members would be selected on the basis of their backgrounds and interests, as well as on their relationships and ability to access a comprehensive list of existing classification systems. Once the country specific systems have been identified, they could be dissected to identify the underlying concepts, definitions, classes, and classification rules upon which they were built. The task force could also explore market acceptance of such systems, as well as a list of improvements or enhancements that could be added to make them more useful.

Country Market Structure Task Force

This task force should be created by drawing on ICSC members domiciled in the various countries. The objective of this task force would be to develop a standardized framework that can be used to describe the structure of the local or country specific shopping center industry. With this framework developed, the members or delegated parties could be charged with compiling country specific data regarding the state of the industry in the respective countries. Although the structural data would vary from country to country depending on the nature of the industry, the presentation of such materials would allow potential users and global parties to understand the idiosyncrasies or nuances of the specific markets. Such data would be invaluable in allowing global players to focus on strategic decisions that may draw on experiences in other countries without ignoring the unique structural differences in the targeted countries. At the same time, the information would allow interested parties to understand the state of the evolution of the shopping center industry in the respective countries, as well as determine the diffusion of innovation of new retail concepts and shopping center formats. To make information more meaningful, discussions should also include some summer economic and demographic data that could provide insights into the likelihood of new innovations and trends being successful if extended to that market.

Toward a Global Shopping Center Classification System

Strategic Perspective

The development of a successful global classification system for shopping centers, must be carefully orchestrated to avoid creating conflicts and resistance among its sponsors, proponents and users of existing country specific, regional, or for-profit approaches. Thus, it is of paramount importance that the project be positioned correctly from the beginning and that the sponsors and developers engage the global and local communities in the venture. To that end, the critical importance of such a system to support continued globalization of the retail real estate industry must be established. At the same time, the downside risk that the absence of such a system could bestow on an already fragile global economic, retail and real estate industry should be documented. Sponsors also anticipate the resistance that might occur and develop if compensatory approaches to offset it and where possible turned into additional support.

Philosophical Underpinnings: The Search for Local/Global Harmony

The existence of a number of viable classification systems emanating from the public, nonprofit, and for-profit sectors argues that the introduction of a system should be predicated on the assumption that they must be able to act in harmony with existing systems. As such, special efforts should be taken to ensure that, where possible, the various classification systems are compatible and when used in combination, can increase analytical rigor. This degree of integration and coordination should help achieve market outcomes that increase business opportunities and decrease the risk associated with operating at a global scale.

Timeline

It is recommended that efforts to develop a global classification system for shopping centers be launched in early 2009, with a targeted completion date by the end of the year. Assuming this fairly aggressive timetable can be achieved, the preliminary phase of implementation of the new system should be rolled out in early 2010, with a formal launch in May 2010. Over the next nine months, the system should be marketed to the global community in the form of a State of the Global Shopping Center Industry Report. In addition to a global overview, this report should include country-specific snapshots, and regional profiles to help the global market understand the overall state of the industry. This will help ensure that users can understand how the global information should be tempered or interpreted when looking at specific markets, countries or regions.

To adhere to the proposed timetable, it is important that adequate resources be committed to ensure the project can pursue in an aggressive, but appropriate, manner. This support should also help gain the momentum necessary to gain market recognition and market acceptance. To guide the development of the global shopping center classification system and ensure adequate resources are provided, the first phase should focus on development of a strategic plan. These initial efforts could be led by ICSC

research, its' regional Research Task Forces, and the Global Research Task Force. Once a strategic plan is developed, other interested parties should be engaged to help in the specification, testing and implementation stages.

Case Study: Global Shopping Center Directory

In order to demonstrate the need to make a commitment to the development of a global shopping center classification system, it may be necessary to document how such a system might work and how it could contribute to the industry. ICSC's recent launch of the Global Shopping Center Directory (GSCD) provides a natural testing ground that can be used for some exploratory research that can demonstrate the benefits of developing an industry-standard classification system for global shopping centers. This is particularly true since the current GSCD includes some 10,300 centers. These centers are located across the globe, covering both rapidly developing and emerging markets where the need for such information is especially important. At the same time, the efforts to apply such a system to the GSCD can be used to identify some of the issues that must be resolved before the system is finalized and rolled out to the public.

Recommended Support Materials

To ensure a global shopping center classification system can be implemented, thought should be given to assembling the necessary reference materials and marshaling the resources necessary to sustain the initiative. While the specification of such materials should be handled by the sponsoring bodies in working taskforces, it is useful to briefly review some of the types of items that should be considered in the initial phases.

Reference Materials and Projects

- **Bibliography.** A bibliography of shopping center terms, retail concepts, and relevant research should be established. This bibliography should be annotated and provide observers and users ready access to support documentation, as well as help address issues or concerns that may come up during the introductory phase of the project. Of particular importance will be research that indicates how such a system can improve market efficiency and help avoid unnecessary exposure to risks.
- **Glossary of Terms.** A glossary of retail, shopping center and real estate terms should be compiled. This glossary should focus on the development of global definitions. These definitions will be somewhat more generic and robust than some of the proprietary definitions that have been developed by the various constituencies to this point in time. To make it easier to follow, the distinguishing features of the definitions should be noted, as well as references to "local" or country specific variations. This task is further complicated by the language differences among many markets that will be unfolded in the overall project.
- **Country Specific Structural Analysis of Shopping Centers.** The mere existence of a global shopping center classification system that works at the global levels is not adequate to support

many of the types of decisions that must be made when operating on a global or regional level. This is particularly important for the various countries which will be at different stages of evolution with respect to shopping centers, retail, economic development, and consumer consumption. Thus, a standardized set of information should be compiled for each of the countries that are covered by the global system. Based on this information, global players could familiarize themselves with the idiosyncrasies that are of a unique nature to a particular market to help qualify the kinds of decisions that can be made relying on the global framework alone.

- **Translation/Mapping Matrix.** The underlying goal of assigning all shopping centers to a standardized or fungible level is very attractive. However, it is clear that such a goal may dictate sacrifices in terms of the insights that may be provided by current systems. This might create a situation in which local players resist throwing away important data to merely allow outsiders or global players to compete on an equal playing field. Thus, the ultimate system must be designed to retain the added precision and detail currently offered by local or proprietary systems, as well as to accommodate new knowledge that is generated by analyzing the data from a global perspective. This can be achieved by developing a translation matrix through which local data are aggregated into a global framework with a many to one relationship. If the system is properly designed, such data can be disaggregated to provide the precision and insights necessary to make prudent decisions.
- **Rules of Measurement/Quantification.** To provide meaningful, reliable data that can be rolled up to provide insights into the structure and operation of the shopping center industry across borders, standard rules of measurement and methods of quantifying key items must be established. In addition, standards should be established to ensure that accurate and consistent data are captured on quantitative items, such as size and number of tenants. For example, the guidelines and implementation materials should describe how Gross Leasable Area (GLA) should actually be measured. While this might seem to be a minor issue, there can be dramatic differences in what is included, as in the case of common areas and other areas not actually occupied by tenants.

Adoption/Implementation Guidelines. To ensure valid adoption and implementation at the country level, a set of documents that can be used to guide the process, answer questions and resolve issues that may come up should be developed. In addition to focusing on the specific requirements of the system, this material should address some of the caveats and/or limitations that users should understand to avoid excessive reliance on data that may not represent a suitable use of the data.

Addendum 1: Shopping Center Definitions

Pan-European

As a working definition, this study defines a European **shopping centre** as a retail property that is planned, built and managed as a single entity, comprising units and “communal” areas, with a minimum gross leasable area (GLA) of 5,000 square metres (m²).²⁵

“Although there are no two centres alike, most countries do have an accepted definition of a shopping centre that includes common features. They are: (1) centrally managed; (2) planned and developed as single entity and (3) purpose-built.”²⁶

Country-Specific

Argentina

Argentine Council of Shopping Centres (C.A.S.C)

A “shopping center” is the commercial enterprise that holds the following characteristics:

- It has a centralized administration which coordinates and supervises the retailer’s performance as well as it aims at the excellence in terms of customer service amenities, and security.
- Its tenant-mix is composed by a wide range of products and services.
- Its owner is the person/society that manages the center at its own risk in an exclusive basis with the sole exception of the anchor stores which can be independent properties. The qualifications of such anchor stores is determined by CASC’s Board of Directors.
- It must exist as a tenant’s promotion fund contribution.
- Shopping Center provides a parking area with adequate number of spaces. This parking area can either be part of the complex can be placed in a location.²⁷

²⁵ _____, *Towards a Pan-European Shopping Centre Standard: A Framework for International Comparisons*, Study Commissioned by ICSC-Europe, ICSC European Research Group, ICSC Research, ICSC, 2005, p. XI.

²⁶ Ibid, p. 15.

²⁷ _____, Argentine Council of Shopping Centres (C.A.S.C), www.casc.org.ar

Austria

A shopping centre is a consistently designed, planned and managed scheme occupied by a large number of independent retailers, service providers and gastronomic operators with a minimum gross lettable area (GLA) of 4,000 m² and not less than 20 businesses, or not less than 10 providing there are at least two anchors from different sectors.²⁸

Belgium

The main shopping centre definitions in Belgium are from the BLRW. They relate to different types of shopping centres but do not cover other retail formats including factor outlets and retail warehouse parks.

Definition of Integrated Shopping Centers: An integrated shopping centre is defined as a commercial property structure that is built and managed as a single entity, comprised of both units and “communal” (mall) areas.²⁹

Brazil

The Brazilian Association of Shopping Centers (ABRASCO) is the entity that officially represents the industry in the country with 32 years of operation, comprises among its members the leading entrepreneurs, managers, service providers and retailers in the sector and aims at the strengthening of industry at the national level.

The organization includes some 200 affiliated malls across the country, a total of 377 shopping centers. Most units are located in the Southeast (55%), other 20% in the South, 13% in the Northeast, 9% in the Midwest and 2% in the North.³⁰ The definition is available in a large PDF report, but not accessible at this time.

Canadian

The following are the major categories used in Canada³¹

Traditional: Convenience, Neighbourhood, Community, Regional, Super-Regional

Specialty: Power Centre, Factory Outlet, Lifestyle

Hybrid: Retail Hybrid

Other: Retail Mixed-Use

²⁸ _____, Pan-European, p. 25.

²⁹ _____, Pan-European, p. 27.

³⁰ Brazilian Association of Shopping Centers (ABRASCO); Google translation of:
www.portaldoshopping.com.br%2Fsobreabrasce.asp

³¹ Canadian Directory: <http://www.mondayreport.ca/mondayreport/cdsc.cfm>

Czech Republic

No official definition, but generally accepted definition from C&W/H&B:

“A shopping centre as a centrally managed, purpose-built facility with gross lettable area of over 5,000 m² and comprising 10+ retail units.”³²

Denmark

A concentration of shops planned, built and marketed under a joint name.³³

Finland

A shopping center consists of a commercial building in which retail outlets and services open inwards onto a walkway or concourse. The gross leasable area is generally at least 5,000 sq.m. Shopping centers have at least 10 retail outlets. A mall has one or more anchor tenants and a number of key traders as well as other retailers and services. The services may be either commercial or public. A single trader may not exceed 50% of the total commercial space. Shopping centers have joint management and marketing.³⁴

Another definition is presented in the Pan-European report: “A mall consists of a commercial building in which retail outlets and services open inwards onto a walkway or concourse. The gross leasable area is generally at least 5,000 m². Malls have at least 10 retail outlets.”³⁵

France

National Council of Shopping Centres of France (CNCC)

A shopping center is defined as a set of at least 20 stores and services with a total commercial space useful (the surface GLA) at least 5 000 m, designed, built and managed as an entity.³⁶

³² _____, Pan-European, p. 31.

³³ _____, Pan-European, p. 32.

³⁴ The Finnish Council of Shopping Centers, presented on-line at:
<http://www.ncsc.se/images/finnishshoppingcenters.pdf>

³⁵ _____, Pan-European, p. 36.

³⁶ National Council of Shopping Centres of France (CNCC); Google translated from:
<http://www.cncc.com/index.php?rub=18&srub=28>

France (another definition)

“A Shopping Centre is a scheme conceived, built and managed as an entity, including at least 20 stores, with a surface higher than 5,000 m² GLA³⁷

Germany

The following definition is based on ULI and ICSC standards.

“A group of retail or other commercial establishments that is planned, developed, owned and managed as a single property. On-site parking is provided. The centre’s size and orientation are generally determined by the market characteristics of the trade area served by the centre. The two main configurations of shopping centres are malls and open-air strip centres.³⁸

The verdict of the *Bundesverwaltungsgericht* (Federal Administrative Court), dated April 27 1990 (BVerwG 4 C 16.87), stressed the publicly perceived commonality of the retail companies involved:

“A shopping centre in the sense defined by Section 11, Subsection 3, Paragraph 1, Clause 1 of the BauNVO 1977 (German Zoning Laws) normally consists of a building which from its outset has been uniformly planned, financed, built and administered at the same time containing numerous retail premises of varying type and size—most frequently combined with diverse service companies. If, without such conditions applying to the planning of the complex, several companies are to constitute a shopping centre in respect of the law, they must, in addition to their close spatial proximity, clearly demonstrate a minimum of degree of joint organisation and cooperation, rendering the combination of several companies a deliberately evolved and thereby interrelated whole.”

Greece

The Hungarian Council of Shopping Centers (HCSO) defines a shopping centre as follows:

- The shopping centre is an architecturally integral, planned and constructed trade complex that includes shops of different type and size and various service enterprises, managed as a single unit, to supply the population of a given area.
- The shopping centre serves predominantly retail purposes but may contain other units as well, for example catering or entertainment units.

³⁷ _____, Pan-European, p. 38.

³⁸ _____, Pan-European, p. 41. The generally accepted definition of this specialised form of commerce is that applied by the Urban Land Institute, Washington, which has also been used for many years by the International Council of Shopping Centers (ICSC), New York

- There is usually one or more units with a large trade area playing a central role and attracting other tenants.
- The shopping centre is at least 5,000 m².³⁹

Ireland

Retail Mall: Purpose-built centres (either in-centre or out-of-centre) incorporating a mix of larger stores and individual shops usually concentrating on comparison goods, together with some convenience shopping and sometimes commercial leisure and/or a food court.

Regional Shopping Centres: Out-of-town retail malls generally of 50,000 m² gross retail floor space or more, typically embracing a wide range of clothing and other comparison goods, with extensive dedicated car parking. Regional shopping centres do not normally incorporate retail warehouses.⁴⁰

Italy

A shopping centre is an architecturally homogeneous unit of independent establishments that is planned, developed and managed as a single property.⁴¹

Japan

A Shopping Center is an aggregate of business and service facilities planned, developed, owned and managed as a single entity and in many cases provided with a parking area. It has a role as an urban function being a community facility satisfying the needs of the residents by providing a variety of choices, conveniences, amenities and entertainment in accordance with its location, scale and composition.⁴²

What is a Shopping Center?

Unlike markets or downtown shopping areas which originate spontaneously, a shopping center is a commercial aggregate developed and planned according to a clear concept and managed as an integrated entity by a single managerial body.

³⁹ _____, Pan-European, p. 46.

⁴⁰ _____, Pan-European, p. 48; *Retail Planning Strategy for the Greater Dublin Area*.

⁴¹ _____, Pan-European, p. 50; *Consiglio Nazionale dei Centri Commerciali (CNCC, national council of shopping centres*

⁴² Japan Council of Shopping Centers, on-line: http://www.jcsc.or.jp/english/what_sc/index.html

SC consist of large stores such as , department stores, GMS (General Merchandise Stores), SM (Supermarkets), home centers and discount stores in addition to specialty stores (apparel and variety stores), restaurants and cafes, clinics, hotels, public and other service facilities.

The main types of SC encountered show a great degree of variety such as large scale retail facilities centered around department stores or GMS, integrated complexes combining theaters, hotels, public service facilities and the like but also fashion malls, station buildings, underground shopping arcades, outlet malls and power centers.

Latvia

A shopping centre (SC) is purposefully planned, built and managed as a single real estate entity with at least 5 separated lease units, with a minimum gross leasable area (GLA) of 1.500 square meters (m²) and with single tenant (“anchor tenant”) taking not more than 75% of GLA.⁴³

Lithuania

A shopping centre is a “retail location with at least one anchor tenant (at least 20% of floor space) and several other retail tenants. In this case bank branch, post office, café, hairdresser and similar services will be considered as additional retail tenants. [That said], there [. . .] are shopping centres, consisting of a significant amount of small, market stall-type shops, without any anchor. The cluster has to cover at least 600 to 800 m² with some common facility (i.e.—lobby, etc.), to be considered as a shopping centre.”⁴⁴

Netherlands

Shopping centre definitions in the Netherlands are largely governed by town planning laws, which define where shopping centres should be located and what type of “functional level” they should be (e.g., neighbourhood centre, district centre—see below).⁴⁵

The definitions of “retail areas” mean that no distinction is made between high streets and purpose-built retail schemes. As long as there is a critical mass of retail units of over five units, one of the retail area definitions can be applied. Some of the categories detailed above can be broken down further—in total there are 21 categories of retail centre that are defined in HBD’s *Referentieset*.

⁴³ This system was presented in http://www.latio.lv/files/tirdzn_centru_parskats_en.pdf It is based on the ICSC Pan-European system but modified to reflect the structure of the Latvian retail industry.

⁴⁴ _____, Pan-European, p. 56. There is no official definition, although this one is provided by Ranka, a Latvian property developer.

⁴⁵ _____, Pan-European, p. 61.

At a more aggregate level, Locatus also defines a shopping centre as ‘all areas with a cluster of three or more retail shops and a minimum of 2,500 m2 gross area.’

Foruminvest does not use any standard definitions of shopping centers, but there is a general understanding that a shopping centre is a group of shops that is an entity in itself and has its own entrances (i.e., the units do not have individual street frontages and entrances). It is typically more than 5,000 m2 and comprised of a supermarket of around 1,000 m2 plus 20 or more unit shops. In Belgium, where Foruminvest also operates, a shopping centre is understood to be typically larger than in the Netherlands, and more often found in an out-of-town location and anchored by a hypermarket rather than a supermarket.

Nordic Countries: Denmark, Finland, Iceland, Latvia, Norway and Sweden

A shopping center is a commercial area with minimum 5.000 sqm of GLA and 10 stores, run as an entity with common marketing and management Using that definition, Denmark, Finland, Norway and Sweden together have over 700 centers.⁴⁶ According to Pan-European report, some Nordic countries deviate from this in practice due to different market structure.

According to the Pan-European report, shopping centres in Sweden have traditionally been defined as having a minimum 3,000 m2 retail floor space and 10 stores, planned and managed as an entity. However, new formats have forced the Nordic Council to remove the term “planned”. In common practice, even retail warehouse parks are not fully managed as an entity, but with marketing under one name are considered shopping centres, as they often also contain a shopping centre part.⁴⁷

The Pan-European study also cites the Swedish Shopping Center Directory definition, “... a group of architecturally unified commercial establishments built on a site that is planned, developed, owned and managed as an operating unit related by its location, size and type of shops to the trade area that it serves. The unit provides on-site parking in definite relationship to the types and total size of the stores.” It notes this definition would exclude many centers which are generally accepted as centers and points out to some other differences in classifications.⁴⁸

Norway

The Ministry of Environment defines a shopping centre as retail trade activity in buildings and building complexes that are constructed, operated or appear as a single unit as well as retail outlets that require a customer or membership card to gain access. This definition thus covers shopping centres selling one or

⁴⁶ Nordic Council of Shopping Centers (NCSC), http://www.ncsc.se/index.php?option=com_content&task=section&id=15&Itemid=66

⁴⁷ _____, Pan-European, p. 77.

⁴⁸ _____, Pan-European, SSCD treats power centers and retail parks as the same; trading areas/centers are distinct from retail parks and power centers but almost equal, p. 78

more groups of goods. All types of retail trade such as small shops, larger supermarkets, department stores and furniture shops are considered shopping centres in this connection. The activity does not have to be located in one building to be considered a shopping centre but can be grouped around a square, a pedestrian street or an open square.

Poland

Poland has around 3.6 million m² of shopping centre space contained in 182 schemes including hypermarket malls. Most shopping centres are located outside city centres and are anchored by a supermarket and retail warehouse units.

A shopping centre definition according to PRCH is a group of at least 20 shops & services, with at least 5,000 m², and conceived and managed as one entity.⁴⁹

Portugal

Portuguese Association of Shopping Centres (A.P.C.C)

A Shopping Center is a development of trade in a building or contiguous buildings, planned, built and managed as a single entity, comprising the retail units and common areas, with a minimum area of 5000 m² of Gross Leasable Area (GLA) and 12 stores.⁵⁰

Another definition included in the Pan-European study, the definition indicate a “shopping centre shall mean any business development, meeting all the following requirements:

- Comprising a minimum number of 12 business establishments and a minimum gross area of 500 m², the majority of these business establishments carrying out diversified and specialised business activities, according to a predetermined plan;
- All shops shall be located in one single building or in interconnected adjoining buildings, with common areas through which the access to the shops located in the building or buildings will be made;
- The entire business development shall have a management unit, being understood as such, the implementation, management and coordination of technical and commercial common services, as well as the supervision of the compliance with all internal regulations;
- The various business establishments shall have the same business hours (opening and closing times), with the exception of those, which due to the specific nature of their activity deviate from the normal business hours of the other business activities of the development.”⁵¹

⁴⁹ _____, Pan-European, p. 64.

⁵⁰ Portuguese Association of Shopping Centres (A.P.C.C.). Google translated from <http://www.apcc.pt/tipologia.php>

Romania

There is no generally accepted set of standard definitions used in Romania. Activ Consulting's definitions of types of retail centre include:

Shopping Centre: Generally refurbished structures (i.e., existing structures, usually former state department stores, redeveloped to resemble a purpose-built shopping centre), with more than 10 tenants, on multiple levels with at least two anchors, one of which should be a supermarket operator, e.g., Unirea Shopping Centre, Bucharest.

Mall: Generally a purpose-built scheme with the same characteristics as for shopping centres above in terms of having more than 10 tenants, multiple levels and at least two anchors, but with the additional features of a food court, multiplex cinema and a large atrium/communal mall area, e.g., Bucuresti Mall, Bucharest.⁵²

Russia

There is no formal definition of shopping centers in Russia. However, the basic definition is a retail building, professionally designed, constructed and managed.⁵³

Slovakia

The shopping centre market in Slovakia emerged only recently, and there are now about 20 schemes. Hypermarkets with a handful of unit shops comprise the bulk of these centres, mainly in small and medium-sized towns. The trend now is towards larger, purpose-built schemes on two or more floors. Retail warehousing is often attached to hypermarket schemes, but there are no factory outlet centres.⁵⁴

Slovenia

There is no official definition due to the general absence of centers. However, a handful of big shopping centres, anchored by hypermarkets, have been developed on the edges of the larger towns and along important transport routes.⁵⁵

⁵¹ _____, Pan-European, p. 66. Definition from: "*Portaria n.º 424/85 de 5 de Julho*".

⁵² _____, Pan-European, p. 69.

⁵³ _____, Pan-European, p. 70. For more information, see:
http://www.develop.com.ua/index.php?lang_id=3&content_id=6255

⁵⁴ _____, Pan-European, p. 73.

⁵⁵ _____, Pan-European, p. 74.

Spain

A shopping center is a collection of independent shops, planned and developed by one or more entities, with the criterion of unity, whose size, business mix, common services and activities are related to their environment, and provides a permanent image management unit.⁵⁶

Switzerland

According the Pan-European report, there is no official definition of shopping centres in Switzerland. Rather, each of the 22 districts has their own classification systems. In general, the types of retail centre are: neighbourhood, intermediate, regional, large specialist unit centres (retail warehousing) and hypermarkets.⁵⁷

Turkey

The Pan-European report suggests there is no standard definition of shopping centres in Turkey. However, shopping centres generally fit into two categories: those anchored by a hypermarket and those composed of shop units only. In addition, there is a general category umbrella simply known as shopping centres.⁵⁸

Ukraine

As in some other eastern European countries, there is no formal definition of shopping centers in the Ukraine.

United Kingdom

Interestingly, the complexity of the shopping center industry in the UK coupled with the qualitative nature of the industry has pre-empted the development of official definitions of shopping centers. However, some private vendors have adopted definitions including CBRE which restricts centres on its master list to those that:

- contain at least 50,000 ft² (4,645 m²) gross lettable retail area
- be built and let as an entity
- comprise three or more retail units
- include a purpose-built pedestrian area outside component shops or be served by (joint) parking facilities

⁵⁶ Spanish Association of Shopping Centers, <http://www.aedecc.com/index>

⁵⁷ _____, Pan-European, p. 81.

⁵⁸ _____, Pan-European, p. 82.

United States

A group of retail and other commercial establishments that is planned, developed, owned and managed as a single property, with on-site parking provided. The center's size and orientation are generally determined by the market characteristics of the trade area served by the center. The three main physical configurations of shopping centers are malls, open-air centers, and hybrid centers.⁵⁹

⁵⁹ _____, ICSC Shopping Center Definitions: Basic Configurations and Types for the United States, International Council of Shopping Centers; www.icsc.org 2008.

Addendum II: Global Shopping Center Directory

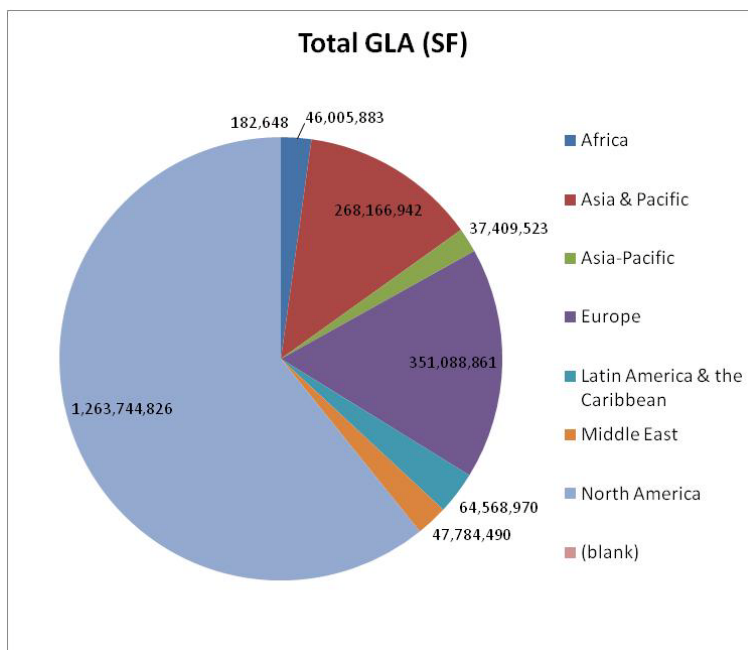
Overview

One of the more recent initiatives undertaken by ICSC Research has been the compilation of a global shopping center directory that was requested by ICSC Trustees. The Global Directory has been published on ICSC's website as a service to members.⁶⁰ Although still in research and development, a brief review of the global database is useful to illustrate the importance of developing a global classification system.

Geographic Scope

- As of mid-January 2009, the database consists of some 10,300 centers. As noted in Exhibit 8, the geographic scope of the Global Directory spans the globe, covering the key regions and countries.

Exhibit 8: Regional Composition of Global Shopping Center Directory (in SF)



- Number of Centers by Country. Of the 10,300 centers in the Global Shopping Center Database, almost half indicate the country in which they are domiciled. Exhibit 9 lists the number of centers per country with more than 5 centers. In addition, a number of other countries have minor coverage.

⁶⁰ This database is available to members at http://icsc.org/srch/rsrch/globalSCdir_login.php

Exhibit 9: Country Composition of Global Shopping Center Database

Australia	1373
Austria	71
Bahrain	10
Botswana	10
Canada	481
Denmark	13
Egypt	6
France	18
India	123
Italy	165
Kuwait	7
Latvia	73
Mexico	83
Namibia	22
Norway	16
Oman	8
Philippines	22
Portugal	18
Puerto Rico	38
Saudi Arabia	47
Singapore	48
South Africa	1043
Spain	353
Sweden	12
United Arab Emirates	49
United Kingdom	36
United States	822
Venezuela	95
Grand Total	5062

Global Centers by Size

- Size is one of the key variables used in classifying shopping centers. It is also one of the more readily available quantitative measures which partly explain the prominent role it plays. In terms of size distribution, the largest number of centers falls in the smallest categories. As noted in Exhibit 2, over half of the centers fall in the “under 50,000” square feet of Gross Leasable Area (GLA) category.

Exhibit 10: Number of Centers by Size



SF Size	Total SF	Number in each Category
0-50k	85,494,245	3,481
50-100k	172,882,185	2,361
150-200k	166,798,633	1,368
200-250k	124,133,789	719
250-300k	96,795,192	435
300-350k	72,731,572	268
350-500k	65,925,684	204
500-750k	187,762,612	456
750k-1M	241,134,259	398
1-1.5M	217,505,720	253
1.5-2M	358,786,231	304
2-10M	176,493,836	54
TOTALS:	1,966,443,956	10,301

- Although the largest number of centers falls in the lower size category, when looking at the total GLA by category, the picture is quite different. Indeed, although only 6% of the total number of centers is in the three categories that make up the “over 1 million SF” group, they contain some 38% of the total GLA.

Exhibit 11: Total GLA by Size Category



Global Shopping Center Tenancy

One of the classification components used in the US system is the number of anchor tenants. The Global Directory has relatively sparse data on this variable, although around half of the centers classified by property type report the number of total tenants. For example, there are 785 Community Centers that report the number of tenants.

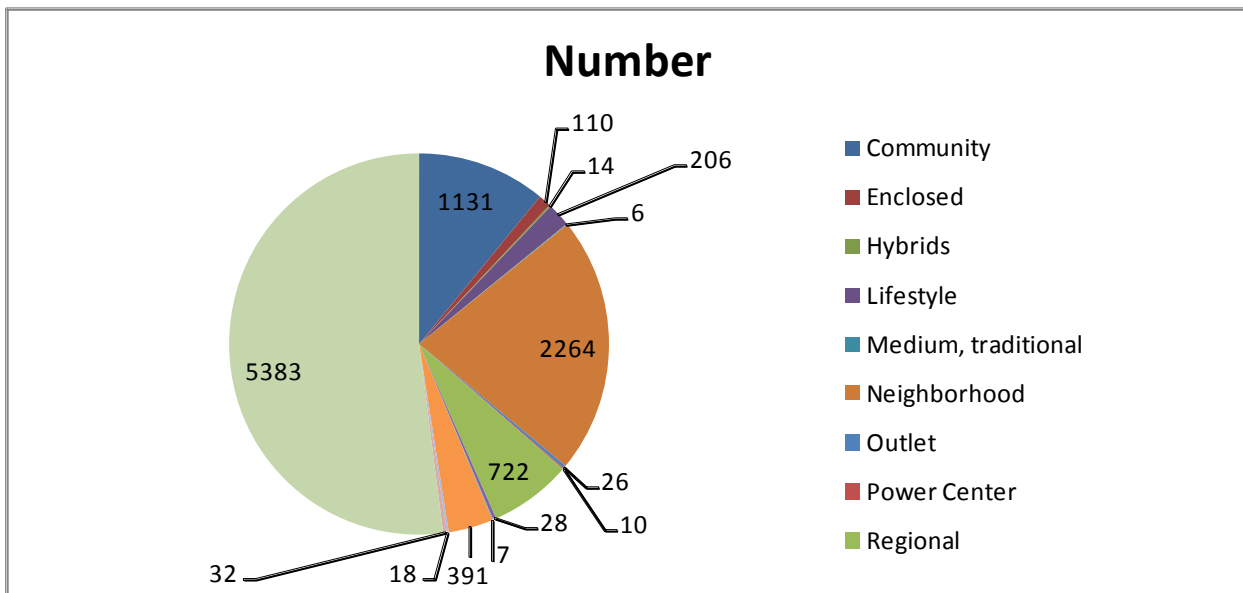
Exhibit 12: Number of Centers Reporting Number of Tenants by Type of Center

Community	785
Enclosed	34
Lifestyle	15
Medium, traditional	6
Neighborhood	1808
Outlet	16
Power Center	10
Regional	486
Small, convenience, traditional	27
Small, traditional, choice	6
Super Regional	196
Supermarket with extra services	18
Theme/Festival	27
(blank)	2410
Grand Total	5844

Global Shopping Center Directory Classifications

- With respect to shopping center types, some 50% of the centers in the global directory have been classified. Exhibit 3 presents the relative concentration of the classified centers in the major categories. It should be noted that the classification system drew from the US system, with special emphasis on the “size” of the centers. Some of the categories that are not size-based were added by the center owner/manager through an on-line update feature. In addition, categories with less than 10 observations were eliminated from this graph.

Exhibit 13: Global Shopping Center Classification



Recommendations for Global Shopping Center Directory

The pilot Global Shopping Center Directory project launched by ICSC Research provides a clear example of the importance of a Global Classification system. In addition, it raises a number of related issues and questions including:

- **Ownership.** Assuming a global directory is developed, who should take ownership of the overall project and the various components? Should the ownership be vested with ICSC Research or some assignee, or should it remain with the respective country/regional research councils or task forces from which it emanates?
- **Classification System.** What classification system should be applied to the global database? Should that system be unique and focused on the informational needs of the global market, or should it be aligned with the local classification systems that have been, and are likely to be, developed?

-
- **Data Compilation.** How should the data be collected? Should it be on a voluntary basis from contributing entities or should it involve primary research? What sources should be used to generate the initial datasets as well as expanded datasets.
 - **Data Integrity.** Are the data on individual centers verified by third parties or are they accepted as valid? What data integrity checks are included to avoid data entry errors? How are data updated? How are errors or corrections managed to avoid inconsistencies?
 - **Data Completion.** In a number of cases, the records are incomplete with respect to various data items. Which data items are mandatory and which are optional? How are cases with missing data handled?
 - **Database Management.** How is the data managed and maintained? Is the data compiled at a local level or is it fed to a centralized repository for validation and data entry. How are records structured to allow longitudinal tracking over time? Are data maintained in a real-time sense or are they archived to allow monitoring of project level modifications, expansions and renovations?
 - **Confidentiality and Data Masking.** Will the underlying database contain proprietary information which is protected by confidentiality or will it all be publicly available? Will data be masked in generating reports and conducting analysis? Who will ensure confidentiality, if appropriate?
 - **Database Mining.** What kinds of standard analysis and/or reports will be generated from the database? Will customized data queries be generated and if so, what guidelines will be applied? How will the data be used in terms of private and public applications? What is appropriate use?
 - **Data Access.** Who will have access to the individual records and customized queries? Will the data be licensed for benchmarking or other purposes? Will the data be made available to non-ICSC members? Will academics have access to the database for research?
 - **Resource Requirements.** What resource commitment will be necessary to create, maintain and manage the global directory? Will these resources be donated by ICSC and/or other collaborative groups? Will the project be self-sustaining or subsidized and if so, by how much and by whom?
 - **Timetable.** What timetable should be adopted for the initial rollout and for subsequent updates? How often should the data be updated? Who is responsible for updating the data? How are data updated?
 - **Caveats and Liabilities.** What caveats should be attached to the global database project? What are the intended uses and what are prohibited or inappropriate uses? What disclaimers and waivers should be accepted by potential users.