# How to Create a Strategic Leasing Plan in Retail Shopping Center Management

by John Highman, International Commercial Coach

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In any retail property today, the leasing process will be critical to the performance of the property over time. On that basis every tenant should be carefully selected and placed within the tenancy mix. When a vacancy occurs within the property, it is not simply a matter of finding a single tenant to fill a vacancy; it is a matter of finding the right tenant to fit within the retail cluster and the customer profile for the property. Every tenant should be chosen to improve the performance of the property overall.

So the leasing a shopping center is a strategic process that is controlled by the shopping center manager on behalf of the landlord. The retail manager will understand all factors of property performance, the tenant sentiment, and the investment requirements of the landlord, the competing retail properties nearby, and the prevailing market conditions. Clear decisions can then be made during the year with leasing, income, and expenditure.

## Retail Shopping Center Business Planning

All property factors come together in a property performance plan that is administered by the shopping center manager. You can say that the plan is a 'Retail Business Plan' for the asset. Each year that plan is updated allowing for local factors and property performance.

Here are some specific ideas to help with improving shopping center performance. Consider your retail clients and retail properties given the following factors:

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1. **Current vacancy levels** – Review all of the leases in the property to understand the differences and risks between monthly tenants, vacating tenants, and existing vacancies. If you have a number of vacancies occurring in close proximity to each other that can be a major weakness or potential risk in sales and turnover for nearby tenants.
2. **Upcoming lease expiry's** – Any lease that is soon to expire should be resolved as quickly as possible and preferably well in advance. That may mean the renegotiation of a lease with the current tenant, a relocation of a nearby tenant, the sourcing of a new tenant, or the expansion of one existing tenant into the same space. It is wise to consider a full tenancy review of the tenancy mix, at least 12 months in advance in an ongoing way. Look for the leases that are soon to expire and resolve the vacancies before they occur.
3. **Occupancy costs** – The costs to occupy premises within a shopping center should be carefully considered and planned each year. Occupancy costs include rental, outgoings, and consumable costs such as energy, water, and gas. Those cost factors will impact the ability of any tenant to trade successfully into the future. Every retail property should be managed to a budget of expenditure thereby maintaining controls over occupancy costs.

4. **Anchor tenants** – The leases for anchor tenants will normally be constructed on different terms and conditions than those that apply to specialty tenants. The size of the tenancy and the length of the lease create the need for differences. It is common for anchor tenants to have a rental structure based on a percentage of turnover and trade in addition to a base rental; this allows the landlord to participate in the growth of the property and the business success of the anchor tenant over time. The anchor tenant will normally be sharing their turnover figures with the landlord or the property manager on a regular monthly basis. The lease will provide for a turnover rental.
5. **Specialty tenants** – Who are your best retail tenants? When you know who your top retailers are, the tenant mix can be adjusted and optimized in groups and clusters. Some retailers integrate into groups of like tenants such as fashion, food, and entertainment. Place your specialty tenants into clusters so you are encouraging sales and retaining the shoppers for longer periods of time in the property.

6. **Turnover figures** – The leases for specialty tenants should provide for the sharing of turnover figures on a monthly basis. Over time the turnover figures can be collated in retail groups allowing the center manager to identify strong and weak retail trade. The manager can also determine tenant problems and step in early to help with lifting sales where a tenant is struggling.
7. **Customer requirements** – Undertake regular surveys in the property at different times of the year; survey the customers and the tenants. That knowledge will help in creating a typical customer profile and hence a retail shopping strategy for the property. That retail strategy then helps at the times of marketing and also leasing vacancies.
8. **Levels of retail competition** – Watch out for the newer retail properties that are soon to be opened locally. New properties can pull customers and sales from your shopping center. Over time that sales decline can influence vacancy factors and new leases. Market rents fall when vacancy factors lift. Incentives have to be provided to keep existing tenants, but those incentives come at a cost to the landlord.
9. **The investment requirements of the landlord** – How long does the landlord want to own the property? That simple question will impact rental negotiations, lease strategies, and property expenditure. If your landlord client intends holding the property for a longer period of time, then stability and growth can be planned across time frames such as 5 to 10 years, and any refurbishment or expansion program in the property can be staged into the lease negotiations and terminations.

10. **Market rentals** – In any large retail property, the levels of market rent will be self-determined across the tenant mix; this makes things easier when it comes to times of market rent review negotiation. That being the case it is still wise to compare your market rentals and occupancy costs with similar properties in the same town or city; you can then see how realistic your expectations are with net income.
11. **Existing lease documentation** – The leases for a retail property should be matched to the intentions and investment requirements of the landlord. In each lease negotiation it is then a simple matter of presenting the landlords lease and negotiating with the tenant on any adjustments that may be required. It is easier to manage the performance of a retail property when you use a standard lease designed to the landlord's targets and intentions.
12. **Marketing plans** – How should your retail property be promoted to pull in more sales? Sales only come from customers, and in an ongoing way you want customers to return to your property to purchase more goods; they will only do that if they like shopping at your property. Retail shopping is an experience process that includes convenience, variety, and shopper interest.

The performance of a retail property is ongoing and continual. Plans should be set allowing for all of the above issues and performance indicators.