

Tenant Mix Analysis



Shopping Centres

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How to Do a Tenant Mix Analysis

When you manage or lease a retail property or shopping centre, you will know that the tenant mix becomes critical to the performance of the property over time. It is not just a matter of filling the vacancies but instead finding the best tenants for the customer base and the existing tenant mix.

Consider these fundamental questions in your tenant mix review with every complex retail property or shopping centre that you lease or manage:

- Why will a customer come to your property to shop?
- What days are busier from a customer visit perspective?
- What are your more substantial tenants in the property?
- What are your weaker tenants in the property?
- What does the average customer spend by visit?
- What leases do you have that will come to an end in the next 18 months?
- How do you market your vacancies now?
- How long does it take you to solve a vacancy problem?

When you get the mix exactly right, the customers visiting the property are happy with the offering, and the tenants consequently get more sales. That can only mean two things: better rent for the landlord and lower vacancy factors. Those factors then underpin the value of the property and help shape the asset as a performing investment vehicle.

So that is why, as leasing agents, we should focus on a tenant mix and its balance within the property. The property manager, landlord, and the tenants all have the interest to make it work. Most landlords want to have a successful property with minimal vacancies and happy tenants. The risk to the cash flow of the property is thereby lessened.

Develop Your Retail Tenant Services

Indeed, as an agent, build your leasing and property management services in several ways but ensure that you have a detailed tenant mix services program that you can deploy as required for your top clients and quality properties. Leasing will be a part of that. Extra fees can also be generated from that service.

Here are some tips to help you do a 'tenant mix analysis' in your complex and sizeable retail property:

- I. OTHER RETAIL SITES: Check out all other competing properties nearby as they will have some impact on your property and its tenancy mix. You will need to decide if those properties are good or bad in property performance and tenant offering. Some of those competing properties will be a real competitor and possibly influencing your tenants into making a move away from your property. What makes the competing properties successful, and how have they created their tenant mix? Who are the successful tenants for those properties, and why is that? Are your customers the same group demographic that would visit the competing properties? When you answer these questions, you can think about the

differences between the properties and look to any advantages that you can bring into your managed and leased asset.

2. **LOCAL COMMUNITY:** Understand the community demographic surrounding your property and review their shopping patterns. That review will include days of the week, types of shoppers, spending habits, sales per person, sales per merchandise group, and the reasons customers come to your property.
3. **TRANSPORT FACTORS:** The transport analysis to your property will include access roads, buses, rail, and taxis services. The question is, 'Just how do most shoppers get to your property, and when do they do that?' Look at the convenience factors of shopping at your property and the ease of access. Extend that analysis to the car parking on the property. Compare all those things to your competition properties locally. How does your property compare from a 'convenience' perspective?
4. **SHOPPER NUMBERS:** Foot traffic counters on the malls or property access doors will help you understand how people enter the property and move through it. Read the counters frequently, so you then know the days of the week and the times of the day where you have your shopping and customer peaks.
5. **CLUSTERING:** Clusters of shops in your property may influence people to be attracted to or stay in a particular zone. 'Food-courts' are a case in point. The same can be said for fashion (male, female, and children), entertainment, electronic goods, kitchenware, and destination brands. Know your tenant categories and consider how you can place tenants withing groups where 'clustering' generates customer 'retention' and hence more sales.
6. **ACCESS AND COMMON AREAS:** The shoppers will use common areas and walkways in and out of the property in particular ways. What have you got in your common areas that encourage the shoppers to extend their stay in the property? Can you put some entertainment into the common areas?
7. **FUNCTIONALITY AND PRESENTATION:** The presentation of the property is a large factor in underpinning the success of the tenant mix. Customers know when a property looks good and is well maintained; they will return to the shopping centre frequently because of that positive experience.
8. **TENANT ATTRACTION:** Destination shops will focus the foot traffic to the property. Understand where your destination tenants are, and if their customers stay in the property for other things and shopping. Destination retailers are best balanced into complementary tenancy locations where sales can be achieved from customer movement.
9. **BETTER TENANTS:** Successful tenants will stand out in the property in both trade and profile. Why are they successful? Support their actions and strategies to boost sales, as this will give you more customers overall to the property.
10. **RETAIL SALES:** Sales results per shop and merchandise group should be analysed on a monthly and quarterly basis so you can see what tenant segments are more active than others through the year. The analysis can also help you identify poorly performing tenants in a group of good ones. You can then take the appropriate action to help the weaker tenant improve.
11. **MAJOR TENANTS:** Anchor tenants will be the real magnet that gets people into your shopping centre. Work closely with your anchor tenants throughout the term of their lease so you can connect their trade and customers to the other specialties in the same property.

You can add to this list and build on the tenant mix performance in your property.

Most importantly, the mix should be shaped and encouraged, so you get the best outcome for all the stakeholders in the property. The stakeholders being the landlord, the tenants, and the customers.

In closing on this topic and the issues, you can merge this tenant mix logic into the property business plan. That business plan can be updated annually and reviewed quarterly.

NOTES:

What are your action ideas on this?

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IMPORTANT INFORMATION

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