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Northeast shopping centers dominate revenues in 2014 survey

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In 2012, Trepp partnered with the International Council of Shopping Centers (ICSC) to create Center Benchmarks, an analysis of shopping centers in the United States. Now in its second year of collecting data from shopping center owners and operators, the partnership has analyzed the financial statements for more than 9,000 properties nationwide. While all recorded aggregate data are broken down into 900 reports - segmented by shopping center type, metro area and submarket - certain operating performance trends are observable in the U.S. retail real estate market from the 2014 survey (data reference year 2013). All average per s/f (PSF) amounts are weighted by property size.

Community Shopping Centers

Among community shopping centers, those in the Northeast region had the highest revenue, with an average of \$19.43 PSF. However, the West region had the highest net cash flow (NCF), at \$12.50 PSF. In the prior 2013 survey (data reference year 2012), the West led all regions for community shopping centers with average revenue of \$19.89 PSF. In the 2014 survey, the San Diego metro area led the way in profit margin, with NCF as a percentage of revenue (73.0%). In the prior year's survey, the Las Vegas metro had the highest profit margin, at 71.1%.

In both the 2014 and 2013 surveys, New Jersey recorded the highest real estate taxes (\$6.84 and \$5.63 PSF, respectively). The highest total operating expenses were found in Utah, at \$13.16 PSF. In the prior year's survey, the top spot was occupied by Maryland at \$10.97 PSF.

Neighborhood Centers

The Northeast region had the highest revenue for neighborhood centers, at \$22.07 PSF, as well as the highest NCF at \$14.25 PSF. The Northeast also led neighborhood center revenue in the 2013 survey, with \$24.59 PSF. The DC metro led the way in profit margin with NCF as a percentage of revenue (67.1%). In the 2013 survey, the Las Vegas metro posted the highest profit margin with a slightly lower 67%.

The highest real estate taxes for neighborhood centers were found in New York at \$5.11 PSF. The state also had the highest real estate taxes in the 2013 survey at \$6.08 PSF. Among metros in the most recent survey, Washington DC recorded the highest total operating expenses at \$12 PSF.

Convenience Centers

By region, the Northeast had the highest convenience center revenue at \$43.24 PSF, as well as the highest NCF at \$28.57 PSF. The Northeast also led all regions in revenue in last year's survey (\$47.66 PSF). The Los Angeles metro area recorded the highest profit margins with NCF as a percentage of revenue (68.8%). In the 2013 survey, the Pittsburgh metro area led profit margins for this center type with 68.8%.

New York State reported the highest real estate taxes for both the 2014 and 2013 surveys (\$12.18

and \$11.47 PSF, respectively), as well as the highest total operating expenses (\$21.47 and \$21.56 PSF, respectively).

Regional Malls

For the 2014 survey, regional malls reported the highest revenue and NCF in the West region at \$34.55 PSF and \$21.81 PSF, respectively. The West also led all regions in revenue in this center type in the 2013 survey (\$33.17 PSF). The Houston metro led the way in profit margin with NCF as percentage of revenue (69.9%). In the 2013 survey, Atlanta outpaced the other metro areas in regional mall profit margin with an average of 64.9%.

The highest real estate taxes for regional malls were in New Jersey (\$5.77 PSF), which compares to \$4.71 in Illinois in the 2013 survey. The highest total operating expenses were \$11.63 PSF in the West region, as they were in the prior year's survey, at a slightly higher \$13.63 PSF.

The data collected in the Center Benchmarks survey come from a dynamic set of properties based on information from Trepp and participating ICSC members, such as some of the largest REITs in the industry. The individual submarket and metro area Benchmark Reports offer detailed insights on line-item level operating performance trends, and can be accessed for each investor's relevant markets.

As an ICSC member, you are afforded access to over 50 free regional Benchmark Reports. These are sorted first by region, then by shopping center type. For additional Benchmark Reports, ICSC members receive a discounted rate.

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