

## State of the Outlet Industry, Part 2

# Outlet Centers Report, 2010



Daniel Corp.'s Shops of Grand River in Leeds, Ala., is one of two phase 1 outlet projects to open in 2010.

## Industry Snapshots,

Number of U.S. outlet centers: **179**  
 Total Outlet Center GLA: **67,474,286 sf**  
 Average Outlet Center GLA: **376,951**  
 Average Outlet Center Age: **17 years old**  
 Total industry sales: **\$22.4 billion** (based on retail chain sales psf of \$331, see page 8 for details)

## Planned Outlet Center Projects:

Planned Phase 1 new construction through 2013: **35**  
 Planned conversions to outlet centers through 2013: **10**  
 Planned expansions to existing outlet centers through 2012: **8 totaling 736,576 sf**  
 (see the January-February 2011 VRN for a full list of planned projects)

## 3 LARGEST OUTLET CENTER PORTFOLIOS

(as of Jan. 31, 2011)

Developer	Number of centers	Outlet GLA in SF
Premium Outlets, Simon Property Group	70	26,279,452
Mills, A Simon Company	7	10,836,000
Tanger Factory Outlet Centers	33	10,285,550
<b>Totals</b>	<b>110</b>	<b>47,401,002 sf</b>

Source: Value Retail News

## 2010 Outlet Center Openings

Number of U.S. outlet center openings: **2**  
 Total GLA of the two centers: **668,990 sf**  
 Average size of the centers: **334,495 sf**

## Outlet Center Ownership

- 51 developers own 179 outlet centers
- 40 developers own one outlet project, which total 11.5 million sf
- 11 developers own two or more outlet centers for a total of 139 centers totaling 56 million sf
- 3 developers have outlet portfolios of more than 10 million sf; those 3 developers own a total of 110 centers totaling 47.4 million sf, or 61 percent of the centers and 70 percent of the outlet GLA.

A close look at outlet center tenancy leads to a new industry size.

By **Linda Humphers**  
 Editor in Chief

**T**here's a saying that the United States is the easiest place in the world to go into business and the toughest place to stay in business. The same principle could be applied to the outlet sector, except that opening an outlet center isn't easy, nor is keeping one leased with outlet tenancy a walk in the park.

That difficulty in maintaining outlet tenancy is what primarily led to VRN's outlet-center tally for 2010 being 37 fewer than the tally in 2009. VRN is now counting 179 outlet centers totaling 67.5 million sf. Compare those numbers to the 216 centers totaling 58.6 million sf from the last State of the Outlet Industry projects report, published in November 2009.

To explain why the number of centers went down and the GLA went up, we should first explain that the data for each SOI comes from information collected for each VRN Global Outlet Project Directory. The data for the latest SOI – and the current 2010-2011 project directory – was gathered through Aug. 30, 2010 and includes updates on new openings, expansions and ownership changes through Jan. 31, 2011.

VRN has been publishing annual SOIs since 1996, and we periodically review the data to make sure that it is still presenting a true picture of the outlet industry. This year we realized we needed to thoroughly scrutinize each center's tenancy, and in so doing, we discovered that many older and smaller projects simply didn't meet VRN's standard that an outlet center must have at least 50 percent occupancy by manufacturers' outlets.

We also made sure that centers with low occupancy weren't being included in the outlet database just because half of their few tenants were outlet. Additionally, centers

(Continues on page 14)



**OUTLET MEGAMALLS**

Value Megamalls with more than 50 percent outlet tenancy

Center	City	State	Developer	GLA	Percentage outlet tenancy	Opening
<b>Sawgrass Mills/Colonnade Outlets</b>	Sunrise	FL	Mills, A Simon Company	2,300,000	67%	1990
<b>Potomac Mills</b>	Woodbridge	VA	Mills, A Simon Company	1,636,000	53%	1985
<b>Grapevine Mills</b>	Grapevine	TX	Mills, A Simon Company	1,600,000	55%	1997
<b>Ontario Mills</b>	Ontario	CA	Mills, A Simon Company	1,500,000	57%	1996
<b>Great Lakes Crossing</b>	Auburn Hills	MI	Taubman Centers, Inc.	1,360,000	52%	1998
<b>Great Mall</b>	Milpitas	CA	Mills, A Simon Company	1,300,000	56%	1994
<b>Concord Mills</b>	Concord	NC	Mills, A Simon Company	1,300,000	52%	1999
<b>Katy Mills</b>	Katy	TX	Mills, A Simon Company	1,200,000	50%	1999
<b>Legends Outlets Kansas City</b>	Kansas City	KS	Morgan Stanley	1,100,000	51%	2006
<b>Legends at Sparks Marina</b>	Sparks	NV	RED Development	750,000	51%	2009
<b>10 outlet megamalls</b>		<b>8 states</b>	<b>4 developers</b>	<b>14,046,000</b>		

Source: Value Retail News

(Continued from page 14)

one listing. Specifically, Tanger Factory Outlet centers in Rehoboth, Del., Hilton Head, S.C. and Riverhead, N.Y., became three listings rather than the six that appear in the 2010-2011 *Global Outlet Project Directory*. We also consolidated L&M Associates' two centers in Lake George, N.Y., and Greenridge Management's two centers in Manchester Center, Vt., to one each for database purposes.

With all the outlet center consolidations, the industry GLA stays the same, but the number of centers drops. Incidentally, *VRN* originally consolidated 27 centers for the SOI more than a decade ago, but a few had crept back into the database as separate projects.

Examining centers for outlet tenancy also meant looking at the value megamalls that have long been fertile grounds for outlet space, often operating more outlet GLA than

many fully leased outlet centers. But because of their size and merchandising mix, outlets have accounted for only about 35 percent of megamall tenancy.

Now Mills Corp. and Taubman Centers are actively increasing the outlet tenancy at their malls, even marketing them as outlet projects. After methodically going through the tenant lists, *VRN* was able to add Taubman's Great Lakes Crossing Outlet in Auburn Hills, Mich., and seven Mills' malls – Concord (N.C.) Mills, Grapevine (Texas) Mills, Katy (Texas) Mills, Ontario (Calif.) Mills, Great Mall in Milpitas, Calif., Potomac Mills in Woodbridge, Va., and Sawgrass Mills/Colonnade Outlets in Sunrise, Fla. Those eight megamalls total 12.2 million sf.

Finally, we added in the two phase 1 projects that opened this year in Leeds, Ala., and Mebane, N.C., for an additional 668,990 sf of outlet GLA.

We have seen other higher outlet center counts floating around, but the industry itself seems to prefer a leaner, more stringently examined list.

Steven B. Tanger, CEO of Tanger Factory Outlet Centers, says, "The industry has maybe 150 outlet centers of significant size and tenancy, totaling maybe 50 million sf."

David Ober, president of PA Outlet Management and the Developers of Outlet Centers & Retailers, says, "It's important for *VRN* to maintain the integrity of the outlet list. Don't let developers just ask that their centers be included, or assume that their centers will always be on the list. Make them earn the right to call their centers outlet centers." **V**

For more information on the 2010 State of the Outlet Industry, contact Linda Humphers, Editor in Chief at lhumphers@icsc.org or +1 727 781 7557, ext. 3.



**The Colonnade** is the upscale outlet extension of Simon Property Group's Sawgrass Mills, the 2.3 million outlet megamall near Fort Lauderdale.