

nielsen

AN UNCOMMON SENSE  
OF THE CONSUMER™

# THE STATE OF THE SHOPPING CENTER



# BRICK BY BRICK: THE STATE OF THE SHOPPING CENTER

Despite the boom in digital marketing and online shopping, consumers still make the vast majority of their purchases at brick-and-mortar stores. Shopping centers aren't just places to buy things. They're social centers, places for entertainment and employment hubs. They're also transforming what consumers can expect from a shopping experience.

With the increasing diversification and aging of the U.S. population, the line between shopping, entertainment, and community building has blurred. This blending of experiences has created an opportunity for retail to strengthen social ties within communities looking for communal experiences. And, it's not just the new entrants that are getting involved in the trend. Not surprisingly, many big box retailers have downsized their formats to better meet shopper expectations and desires for more of an experience destination.



According to Tama Shor, President, Directory of Major Malls, “One of the great strengths of the larger malls is the ability to constantly re-invent itself to better serve and meet the needs of an evolving community. Those that understand this vital integration of three supposedly divergent--but yet closely aligned influences: demographics of the trade area, retail tenant mix, developer/ landlord-- are the ones that will prosper. Despite how different they may appear-- the Long Island sprawling suburban mall, the downtown complex in Chicago, the destination behemoth in Canada, the sun-drenched colossus in Hawaii, the growing number of entertainment centers in every U.S. market--each follows this broad concept of understanding and adhering to needs of the market.”

In this report, Nielsen takes a look at the trends affecting the size and shape of the shopping center industry, as well as some of the shifting consumer factors affecting the strategic direction of this powerful sector to capture the consumer’s dollar.

What we’ll explore:

- How the bricks stack up across the nation
- The “experience”
- Changes by center type
- Top of the charts
- Regional trends
- Potential challenges for centers
- The changing face of the consumer
  - by gender
  - by ethnic group
- Market deep dives – San Jose, Riverside and Washington, DC
- What does it all mean?





HOW DO THE  
BRICKS STACK  
UP ACROSS  
THE NATION?

The bricks are stacking up well for the shopping center industry. Sales are increasing and shopping centers are growing. Total shopping center sales for 2012 topped \$2.4 trillion – an increase of 2.8% over 2011. Shopping center sales account for over half of retail sales in the U.S.<sup>i</sup>

Shopping centers have also grown in numbers and in gross leasable area (GLA) over the past five years. The number of large shopping centers (200K+ GLA) jumped 65% between 2008 and 2013, while GLA increased 41% during the same period. These large shopping centers account for roughly 7% of total malls/shopping centers. However, despite their small numbers, large shopping centers account for much of the retail space in the U.S., 46% of total mall/shopping center GLA.

Nielsen is seeing similar trends in store-level footprints—they're either going very big or very small. Take Wal-Mart's approach to supersize its already large store footprints in some areas, creating one-stop, one basket shopping destinations.<sup>ii</sup> Alternatively, smaller stores like convenience stores have grown as a destination for quick trips. Convenience stores tend to locate in smaller shopping centers, potentially drawing consumers away from larger shopping centers.

This trend, to super-size, is observed at the shopping center-level as well. Power centers, which include big box retailers as anchors and few smaller tenants, have experienced growth in both size and number in the past five years.



TOTAL SHOPPING CENTER SALES FOR 2012 TOPPED **\$2.4 TRILLION** – AN INCREASE OF **2.8%** OVER 2011.

## SUMMARY OF ICSC SHOPPING CENTER CLASSIFICATIONS

TYPE	SUB-TYPE	SHOPPING CENTER CONCEPT	SIZE RANGE SQ. FT.
MALLS			
	Regional Center	General merchandise; fashion	400,000-800,000
	Super Regional Center	Same as regional; more variety & assortment	Over 800,000
OPEN-AIR CENTERS			
	Neighborhood Center	Convenience	30,000-150,000*
	Community Center	General merchandise; convenience	100,000-350,000*
	Lifestyle Center	Upscale; national specialty; entertainment; outdoor	150,000-500,000
	Power Center	Category-dominant anchors; few small tenants	250,000-600,000
	Entertainment Center	Leisure; tourist-oriented; retail & service	80,000-250,000*
	Value Retail Center	Manufacturer's outlet stores	50,000-400,000

Sources: Runstad Center, ICSC

\*Centers under 200K GLA are not included in the Nielsen analysis.

# THE CONSUMER AND THE SHOPPING “EXPERIENCE”

The consumer wants an “experience.” The trend Nielsen has reported about the proliferation of supercenter stores coexists with the trend of growth in the number of Lifestyle Centers. Lifestyle Centers mix traditional retail tenants with upscale leisure uses, giving shoppers more than just a place to buy—it gives them an experience and a place to gather.

On the flip side, bigger isn’t always better. Some large big box retailers have introduced smaller footprints to accommodate the consumer’s desire for an intimate neighborhood shopping experience, or the quick fix, in between the fill-up your basket weekly trips. Target launched their smaller concept, City Target, in major metros like Chicago, Los Angeles and Seattle emphasizing both creative design and easy access for urban shoppers who don’t want to travel long distances to grab necessity items, electronics, as well as groceries. Target plans to open eight of these new concepts by the end of 2013 to cater to residents, employees in the area, and tourists who forget their toothbrushes.

This desire for a unique shopping experience is coming through loud and clear, as we’ve seen the largest declines in the number of the more traditional malls, regional and super-regional centers—places with more conventional “product-focused” and not “experience-focused” shopping environments.

Community centers have remained relatively constant over the past five years in terms of the percentage of shopping centers in this category between 2008 and 2013. These centers provide neighborhood-serving amenities like grocery stores and dry cleaners, which are always in demand. Value retail centers (with outlet stores) and entertainment centers (with leisure and tourist tenants), have both remained relatively constant in growth over the past five years at 3% and 1% of total shopping centers, respectively.

## CHANGE IN SHOPPING CENTER TYPE (2008-2013)

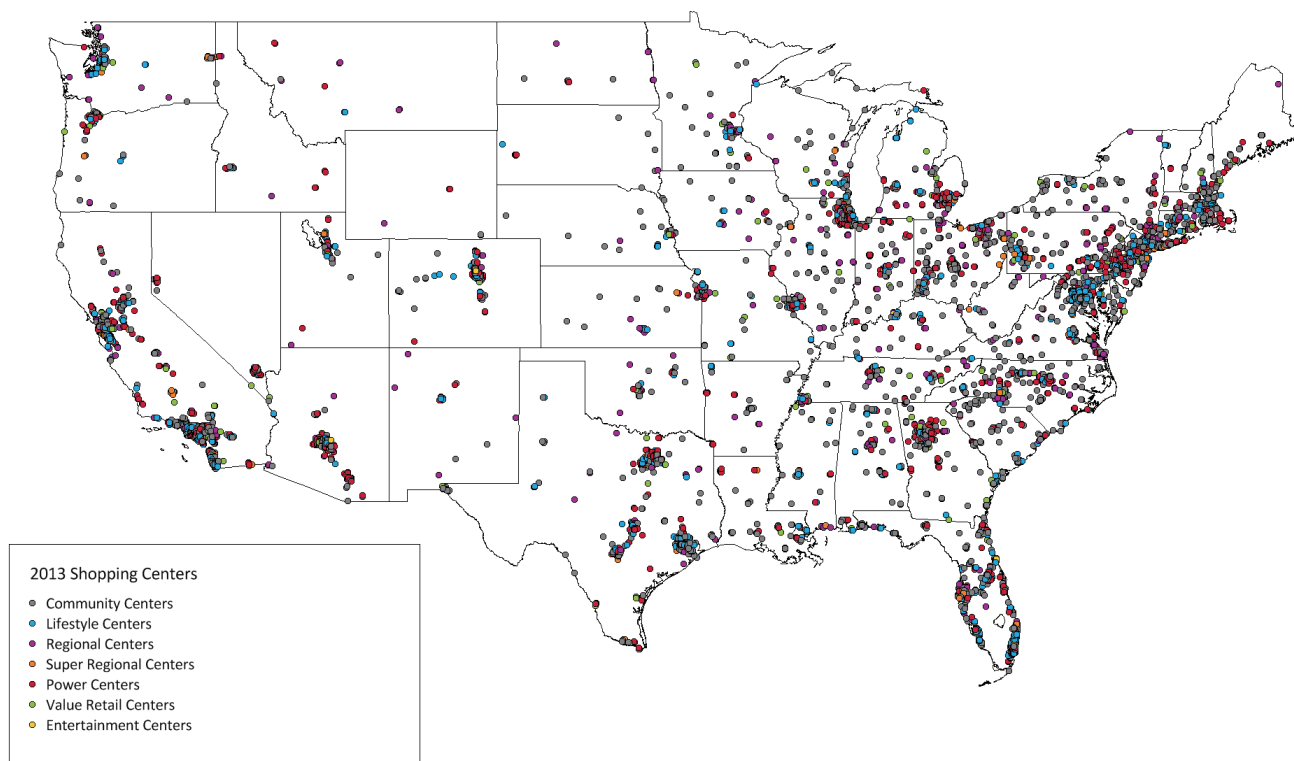
SHOPPING CENTER TYPE	SHOPPING CENTER CONCEPT	2013 % COMP	2008 % COMP	PERCENT CHANGE
Community Centers	General merchandise, convenience	45%	46%	-1
Power Centers	Category-dominant anchors with few small tenants	18%	13%	5
Lifestyle Centers	Upscale, national specialty, entertainment, outdoors	15%	9%	6
Regional Centers	General merchandise and fashion	11%	18%	-7
Super-Regional Centers	General merchandise, fashion, more variety than regional	3%	3%	0
Value Retail Centers	Manufacturer's outlet stores	1%	1%	0
Entertainment Centers	Leisure, tourist-oriented, retail & service			

Source: Directory of Major Malls® (DMM) 2013 and 2008 data

Larger shopping centers (200K+ GLA) tend to be concentrated in the major metros in the East and West Coasts to serve the large consumer populations. On the East Coast, large centers like Westfield Garden State Plaza in Paramus, NJ, King of Prussia Mall in King of Prussia, PA, Roosevelt Field Mall in Garden City, NY and Palisades Center in West Nyack, NY stand out not only as shopping destinations but also as community landmarks. On the West Coast, large centers like South Coast Plaza in Costa Mesa, CA and Del Amo Fashion Center in Torrance, CA draw shoppers from all over Southern California.



## NATIONAL SHOPPING CENTER DISTRIBUTION



Source: Directory of Major Malls 2013

Tenant composition in shopping centers has remained relatively constant over the past five years with a couple of exceptions. There has been slight growth in the percentage of food stores and restaurants in shopping centers from 17% of tenants in 2008 to 19% in 2013. This parallels findings from the Nielsen Restaurant Growth Index™ (RGI), which charts restaurant openings and sales. This Nielsen research saw a national uptick of 47,161 new restaurant openings in 2012—many of which have been in Lifestyle Centers.<sup>iii</sup>

On the other hand, the number of specialty stores across a range of product categories housed within shopping centers has declined as the percentage of tenants dropped from 16% in 2008 to 13% in 2013. Many suffered as the economy struggled following the end of the recent recession. For example, the Bombay Company closed all of its retail outlets starting in 2008, and The Disney Store has closed one-third of its locations since 2008.

From an employment perspective, the retail sector has been doing more than its fair share of helping get things back on track. In fact, retailers, restaurants and bars were the biggest contributors to April 2013's U.S. employment growth, according to numbers released by the U.S. government and the International Council of Shopping Centers (ICSC). In April, the U.S. shopping-center retail sector added 33,000



jobs, accounting for one-fifth of the 165,000 jobs added during the month, as reported by ICSC. Restaurants and bars hired another 38,000. ICSC's number for retail jobs added is slightly higher than the government's figure of 29,000.

During the 12 months ending in April, U.S. shopping centers filled 213,000 jobs. The industry now employs 12.5 million people, accounting for 9.3 percent of all payroll employment, according to ICSC, which compiles the statistics used by the U.S. Department of Labor. The industry's retail employment had recovered slightly over a half-million jobs through April 2013 since hitting its previous cyclical low in December 2009.

## TAKING A LOOK AT REGIONAL TRENDS

At a regional or core-based statistical area (CBSA)-level, various trends emerge in shopping center composition. One thing is clear in looking at the past five years: operators are shifting away from the traditional enclosed mall and opting for smaller, specialty lifestyle centers. Regional and super regional centers tend to have a large footprint making new development a challenge in a tough real estate market. Lifestyle centers tend to be more heavily concentrated in urban areas, while the larger regional and super-regional centers tend to be more heavily concentrated in suburban and rural areas.

While the New York CBSA tops the charts for having the most shopping centers overall to serve its large population and diversity, it is also a top area for the greatest number of specialty stores. Myrtle Beach, SC tops the charts for most shopping centers per capita. This designation likely results from being a tourist destination that serves the needs of unique visitors.

Washington, DC is home to the most lifestyle centers with entertainment built-in for shoppers seeking more than just shopping. Chicago ranks number one for having the most regional centers (traditional enclosed malls), these remain popular formats for the shelter they provide from harsh winter weather.

While in contrast, Los Angeles residents and visitors are most likely to shop at one of the many entertainment centers focused around leisure and tourist-oriented services.

Here's a look at who's hitting the top of the charts.



● Most Shopping Centers:  
**NEW YORK CBSA**

● Most Power Centers:  
**NEW YORK CBSA**

● Most Specialty Stores  
in Shopping Centers:  
**NEW YORK CBSA**

● Most Shopping Centers per Capita:  
**MYRTLE BEACH, SC CBSA**

● Most Food Stores & Restaurants  
in Shopping Centers:  
**DALLAS-FT. WORTH-ARLINGTON,  
TX CBSA**

● Most Regional Centers:  
**CHICAGO CBSA**

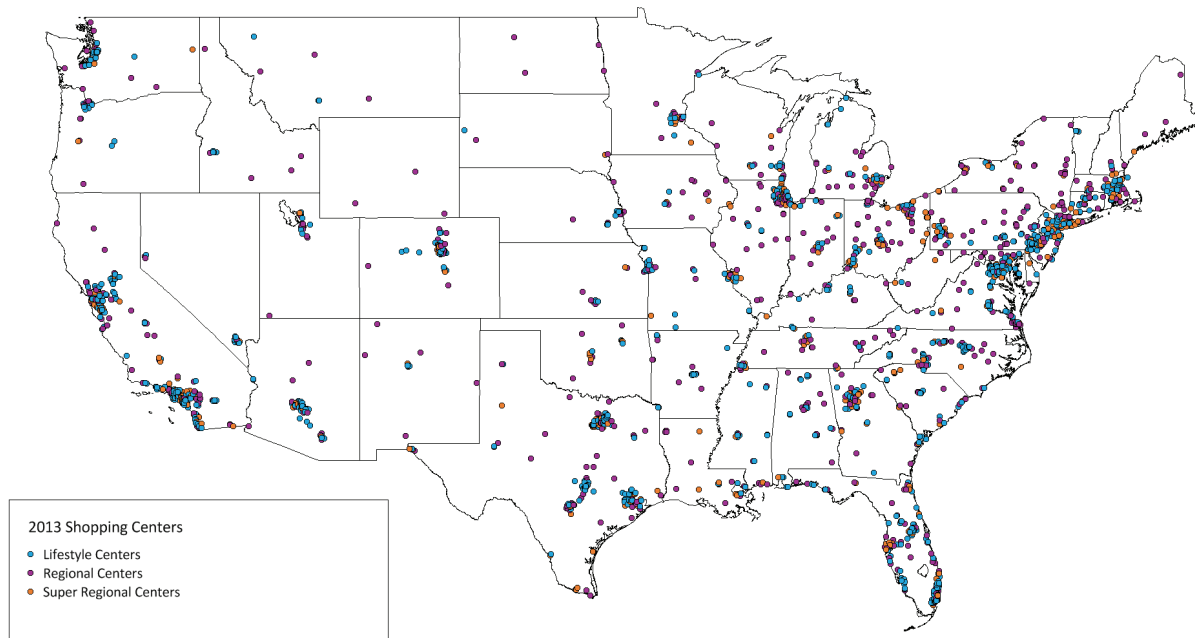
● Most Lifestyle Centers:  
**WASHINGTON, DC CBSA**

● Most Ethnic Grocery Stores:  
**CALIFORNIA**

● Most Entertainment Centers:  
**LOS ANGELES-LONG  
BEACH CBSA**

Source: Directory of Major Malls 2013 and IBISWorld Ethnic Supermarkets Industry Report (IBISWorld.com)

## DISTRIBUTION OF LIFESTYLE CENTERS AND REGIONAL/SUPER REGIONAL CENTERS



Source: Directory of Major Malls 2013

# POTENTIAL CHALLENGES FOR LARGER SHOPPING CENTERS

## CONVENIENCE STORE GAINS

Convenience stores (C-stores) are growing—faster than the overall market, in fact. Nielsen reports C-store growth of 4.9% for the 52-week period ending Aug. 4, 2012, compared with 3.7% growth for the overall market. Twenty-three of the 30 largest C-store operating firms have increased their store counts since 2007. The top 10 chains, as seen on the next page, have added the most stores—almost 1,600.

Smaller retail centers, anchored by convenience stores, are growing even as the larger retail activity landscape is seeing growth of the largest centers. This indicates there is room for large and small shopping centers to coexist in the retail landscape, as well as new formats and concepts, reflected in the high “other” category at 6.2%.

## REVENUE GROWTH BY STORE FORMAT

TOTAL SALES IN BILLIONS



## EXPANSION FROM TOP TIER CHAINS, BUT SMALLER CHAINS AND INDEPENDENTS STILL COMMAND 68% OF TOTAL STORE COUNT

C-STORE UNIVERSE (% OF STORES)	2007	MID-2012	CHANGE	LEADING GAINERS
Top 10	34,838 (23.8)	36,426 (24.5)	+1,588	7-Eleven (+ 1,319) and Couche - Tard (+577)
11-20	6,542 (4.5)	7,144 (4.8)	+602	Pilot Flying J (+183) and Quick Trip (+123)
21-30	3,453 (2.4)	3,939 (2.6)	+486	Sheetz (+79) and Kwik Trip (+45)
All Other	101,461 (69.3)	101,255 (68.1)	-206	-
<b>TOTAL C-STORES</b>	<b>146,294</b>	<b>148,764</b>	<b>+2,470</b>	-

Source: Nielsen 2012 Growing Appetite for C-Stores: More Opportunity for Growth report

# E-COMMERCE GAINS

Although e-commerce is growing, consumers still spend most of their retail dollars at physical stores. People still like to touch the merchandise, compare items and participate in the store “experience.”

Older consumers are more likely to shop at brick and mortar locations rather than in cyberspace. Despite this need to handle the merchandise, e-Commerce still represented 5.4 percent of retail sales in Q4 2012, up from 3.6 percent in Q1 2008. Affluent suburban families are the biggest online spenders. They’re more than twice as likely as the average U.S. household to spend more than \$200 online per year, yet they still manage to shop at luxury retailers in the mall too.

So which channels are topping the growth charts? While Nielsen expects Club, Dollar and Supercenters to grow in the coming years, growth in E-commerce will lead the pack—continuing the trend we’ve seen over the past five years. E-commerce poses a unique opportunity for shopping centers and their tenants—one that should involve embracing this change and employing cross-channel real estate and marketing efforts.

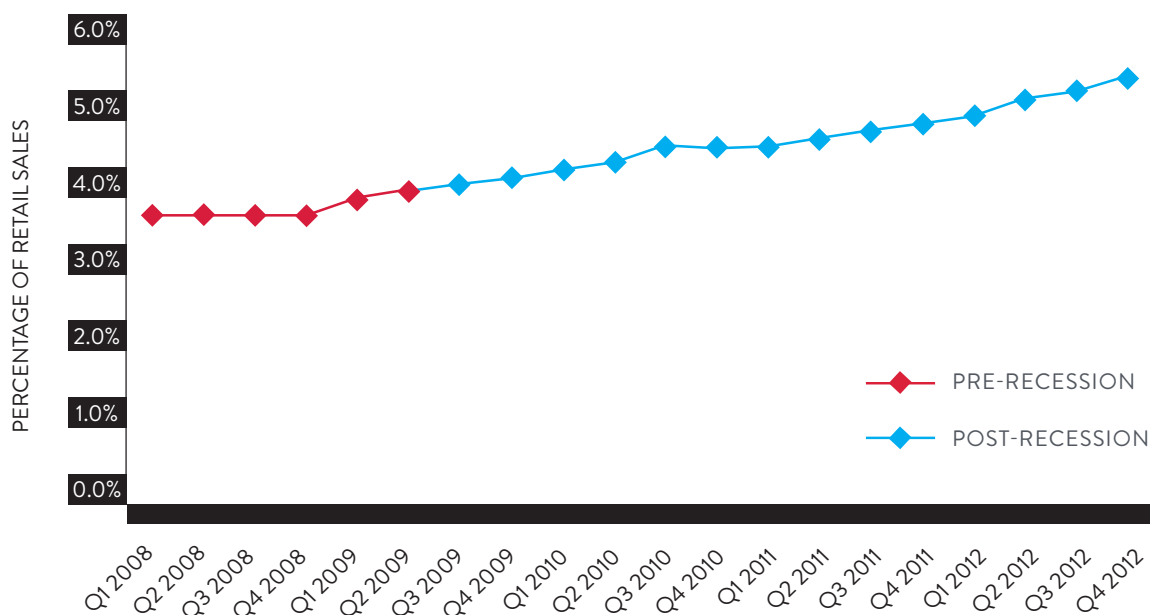
Source: Nielsen Affluence in America Report, Oct. 2012



E-COMMERCE AS A PERCENTAGE OF TOTAL SALES IS VERY LOW, SO BRICK AND MORTAR WILL STILL CAPTURE MOST OF THE SALES.



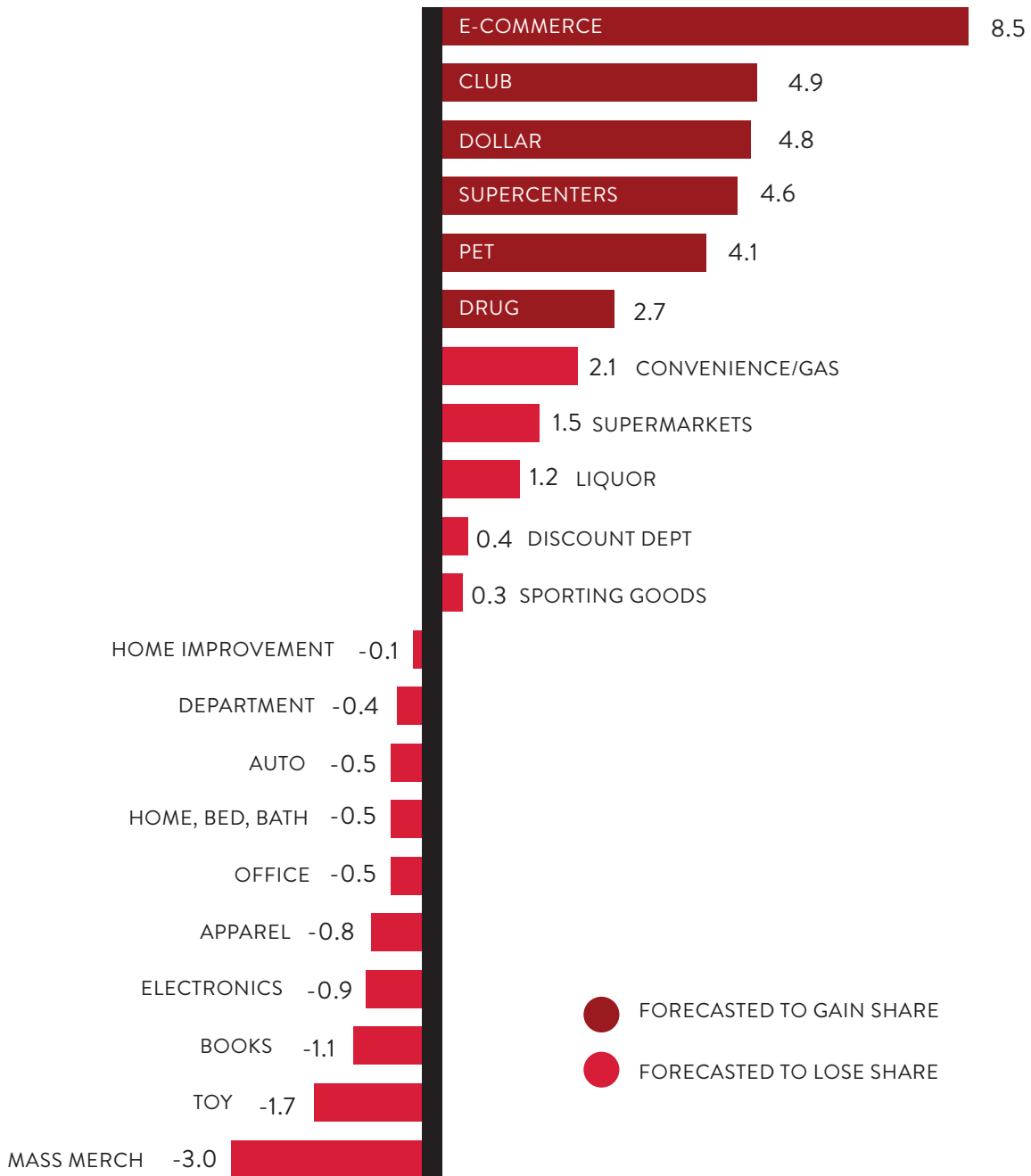
## E-COMMERCE PERCENTAGE OF RETAIL SALES



Source: Retail Indicators Branch, U.S. Census Bureau, 2013

# E-COMMERCE, CLUB, DOLLAR, SUPERCENTERS & PETS ARE THE BIG WINNERS

PROJECTED COMPOUND ANNUAL GROWTH RATE 2010 TO 2016



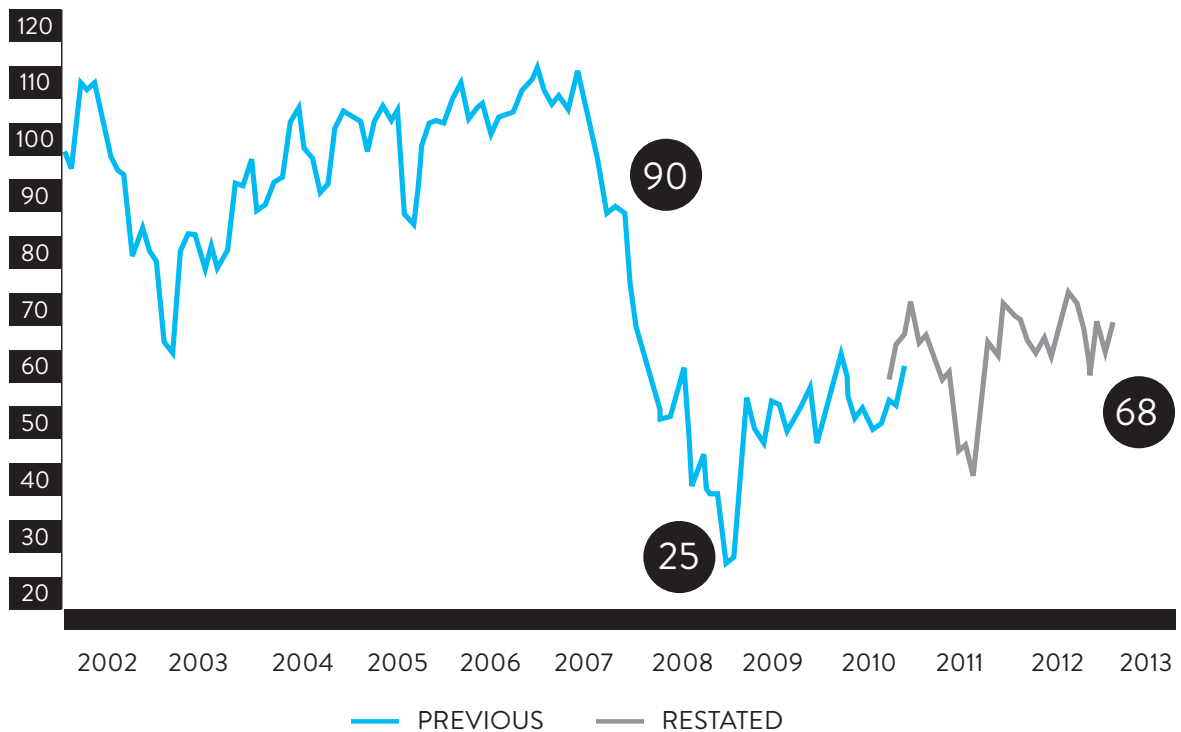
Source: Nielsen TDLinx & Nielsen Analytics

# THE CHANGING FACE OF THE SHOPPER

Shopping center composition isn't the only thing in flux. Shoppers have changed over the past five years as well, largely because of shifting demographics, a shaky economy and tighter discretionary spending. Staying up-to-date with consumer preferences shifts can help shopping centers and retailers ensure they're meeting the needs of the communities they serve.

April 2013 saw a sharp increase to 68 in the Consumer Confidence Index™ (as measured by The Conference Board), and we've been watching an increase in retail spending post recession. Shopping centers and their tenants stand to benefit from this increase in confidence and spending as shoppers head to the malls and open their wallets. Now, as consumer confidence starts to steady, consumers are spending more on retail and eating out, as seen in the graph on page 16.

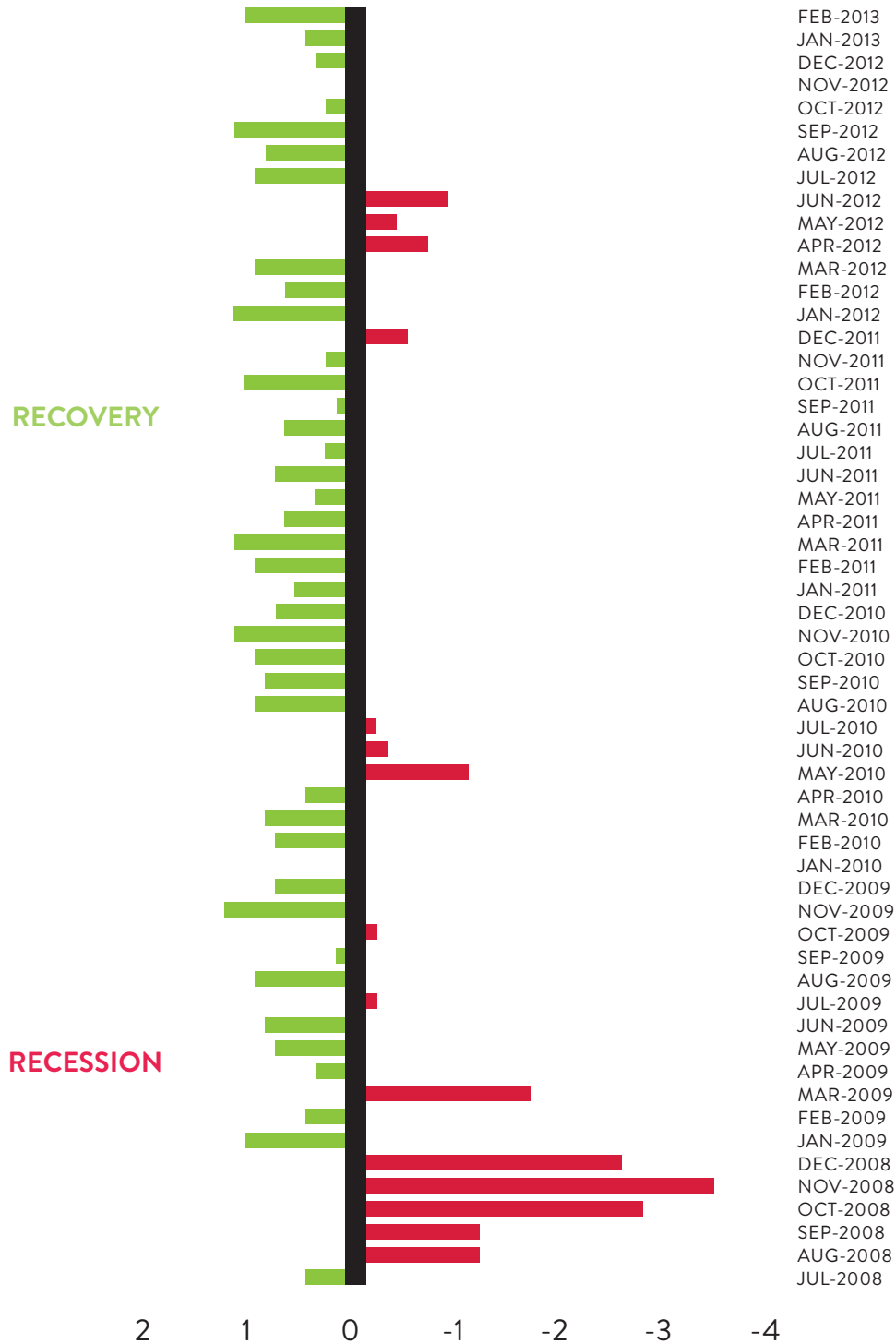
## CONSUMER CONFIDENCE INDEX - JANUARY 2002 THROUGH APRIL 2013



\*INDICATES A CHANGE IN SURVEY METHODOLOGY

Source: Consumer Confidence Index, The Conference Board

## MONTHLY % CHANGE IN RETAIL TRADE & FOOD SERVICES SPENDING - SEASONALLY ADJUSTED



Source: U.S. Census Bureau (44Y72: Retail Trade & Food Service, excluding Auto)



# GENDER DIFFERENCES BY RETAIL CHANNEL

Men shop on Mars and Women shop on Venus. Women are much more likely to visit the larger shopping centers than men. They prefer the variety and specialty stores that these concepts provide and enjoy the destination experience these concepts deliver.

Men are most likely to visit the convenience/gas locations for a quick trip to pick up essential items. They're also frequent shoppers at warehouse clubs and grocery stores, but are much less likely to be seen in dollar stores and mass merchandise retailers.

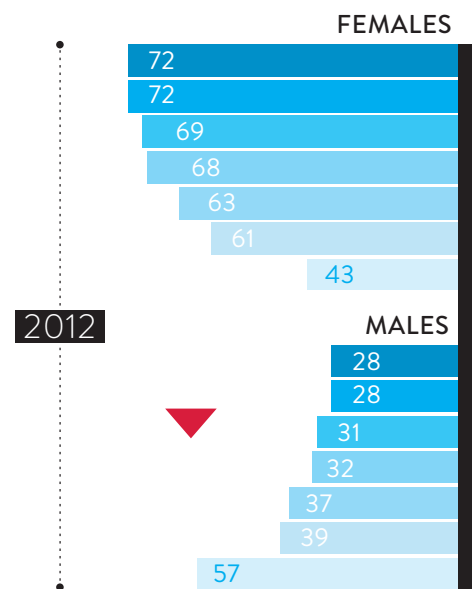
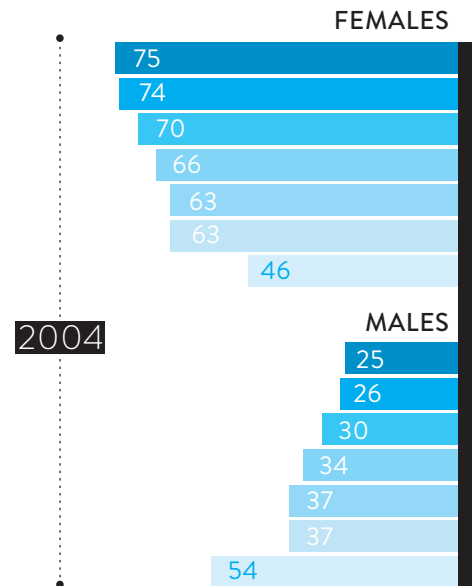
Large shopping centers can capitalize on this continuing trend by ensuring their centers and tenants appeal to female shoppers by improving the overall shopping experience for them, and often, for their children.

Concepts with amenities and entertainment geared to children will also help draw in this valuable consumer. Many shopping centers have added playgrounds, arcades, theaters and bowling lanes to make the experience more pleasurable for families. The Grove, a hip venue in Los Angeles, blends shopping and family entertainment with a mix of traditional retail, movie theaters and restaurants. It even offers guests a trolley train for getting around the mall, creating something of an amusement park attraction that serves as transportation and delivers a fun experience for the kids. It becomes an adventure visiting the mall.



WOMEN LOVE VARIETY AND ARE MUCH MORE LIKELY TO VISIT THE LARGER SHOPPING CENTERS THAN MEN.

## SHARE OF RETAIL CHANNEL SHOPPING TRIPS



- DOLLAR
- MASS
- SUPERS
- DRUG
- GROCERY
- WHC
- CONV/GAS

Source: Nielsen 2013 "Women Control the Purse Strings" report

# SHIFTS IN RACE & ETHNICITY ARE CHANGING THE LANDSCAPE

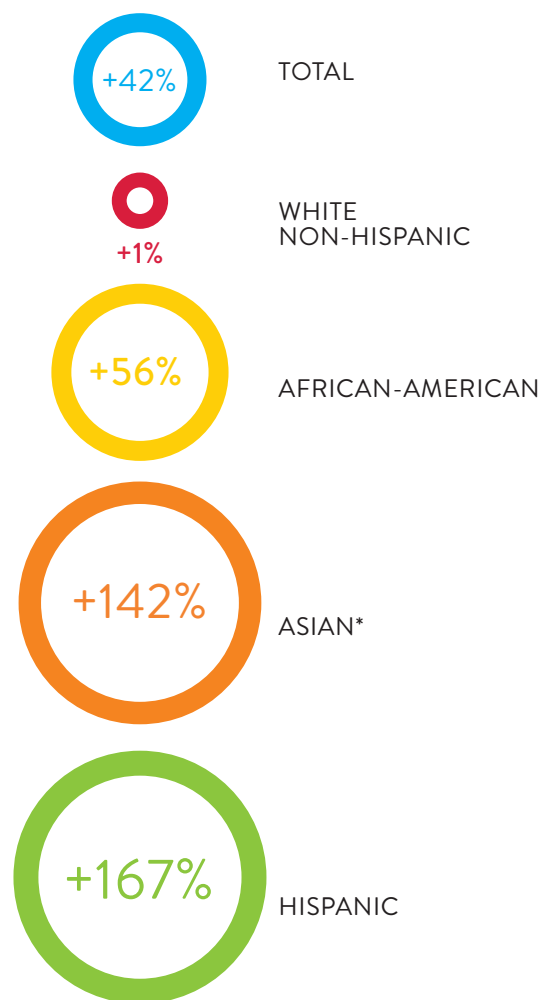
With respect to U.S. ethnic diversity, the Hispanic population has grown 50.6% between 2000-2012 and is projected to grow by 167% over the next 40 years-outpacing the growth of all other ethnic groups. Hispanics tend to be younger and have larger families and look to be the future's more desirable targets for businesses catering to family-oriented products.

Asian population growth is slightly higher at 51% between 2000-2012, but follows a close second in future growth, with projected growth to increase by 142% over the next 40 years.<sup>vii</sup> Asians are upscale, educated and metropolitan. They pose a challenge for retailers because although they tend to shop often, they spend less and focus more on getting the best deals. They'll use the internet to compare prices, features and functionality before they buy.

Asian Americans also make up a large percentage of small business owners. According to the U.S. Census Survey of Business Owners, there were approximately 1.6 million Asian American-owned businesses in the U.S. in 2007, an increase of 41% since 2002, that is higher than the 18% growth for all U.S. firms during the same time period. With gross receipts totaling over \$506 billion, Asian American-owned businesses generated more revenue than any other group except non-Hispanic Whites. Asian American small businesses are found across a wide variety of industries, ranging from health and beauty, hospitality, personalized services such as nail salons and dry cleaners to technology and Silicon Valley startups. Their growth will drive the changing landscape of the demand for these types of spaces in Community centers.<sup>1</sup>

## HISPANIC POPULATION GROWTH PROJECTED TO OUTPACE ALL ETHNIC GROUPS OVER THE NEXT 40 YEARS

PROJECTED U.S. POPULATION GROWTH FROM 2010 TO 2050



\*Excludes American Indian, Alaska Native, Hawaiian & other Pacific Islanders

Source: Nielsen 2012 State of the Hispanic Consumer Report: The Hispanic Market Imperative

<sup>1</sup> Nielsen State of the Asian Consumer Report 2-12

## HISPANICS ARE FAST BECOMING PREEMINENT DRIVERS OF GROWTH AND LIKELY TREND SETTERS IN THE U.S. MARKETPLACE



Hispanic buying power is trending to **\$1.5 trillion** by 2015



Hispanic segment is expected to grow **167%** by 2050



**56%** of Hispanics own a Smartphone



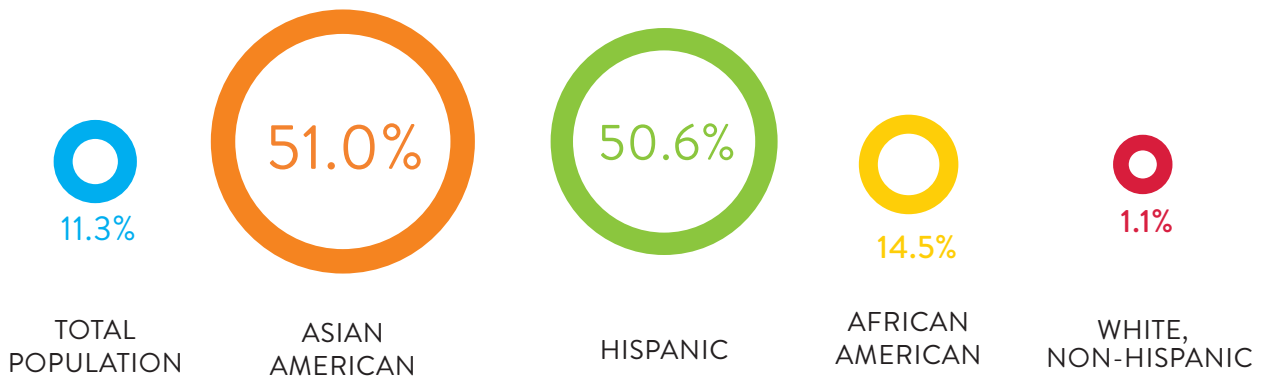
Companies are spending **\$5.7 billion** on Spanish media

Marketers will need to leverage a mix of media and technology options to engage the Latino market's lifestyle, culture and language preferences.

\* Source: Nielsen State of the Hispanic Consumer: The Hispanic Marketing Initiative Report

**“ASIAN AMERICAN BUYING POWER, CURRENTLY AT \$718 BILLION, IS ESTIMATED TO REACH \$1 TRILLION BY 2017, EQUAL TO THE 18<sup>TH</sup> LARGEST ECONOMY IN THE WORLD.”<sup>2</sup>**

### GROWTH RATES FROM 2000-2012

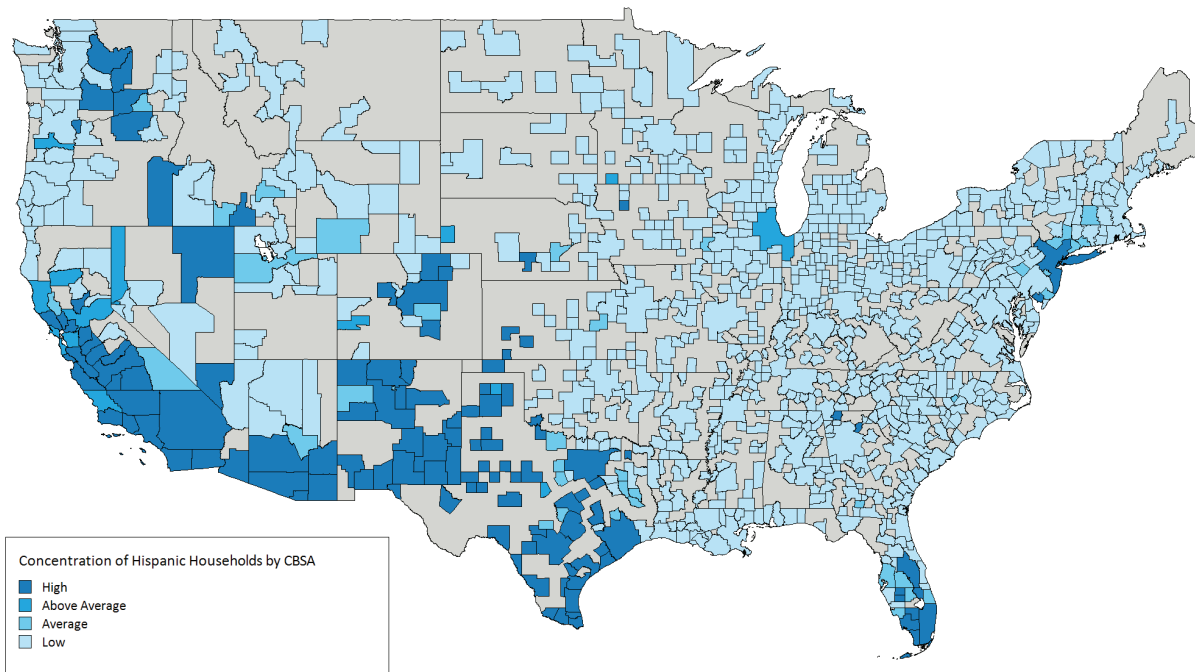


Source: Nielsen Pop-Facts Premier, 2012

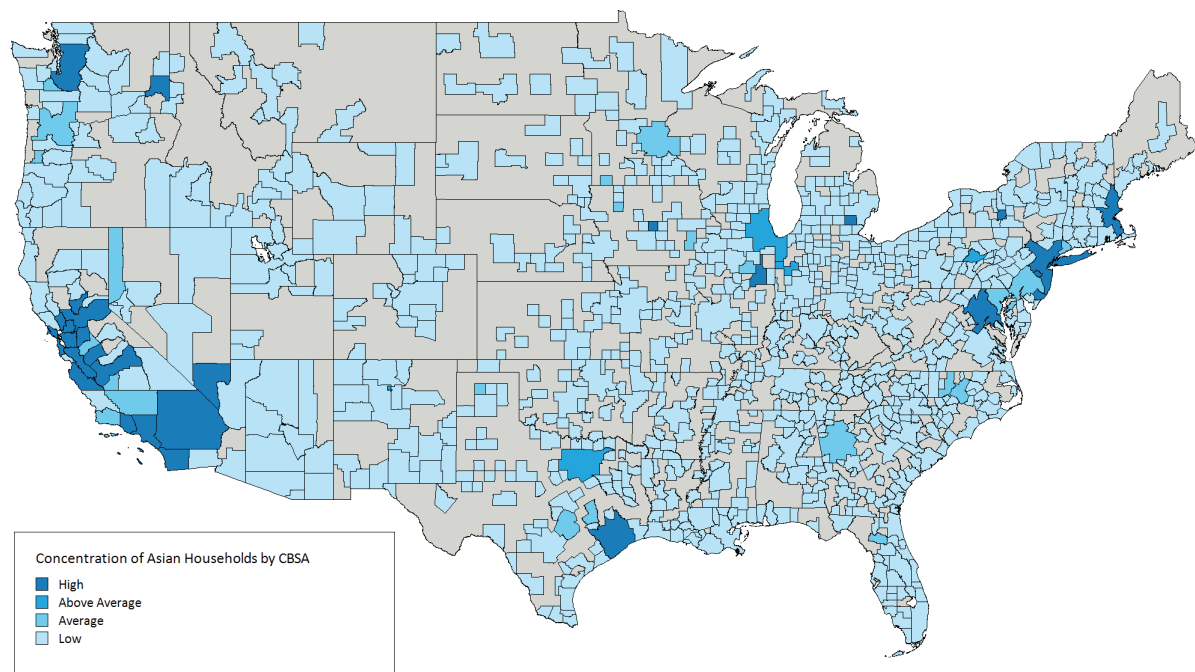
<sup>2</sup> Nielsen State of the Asian Consumer Report 2-12

While Hispanic and Asian population growth has been seen nationwide, some specific areas have particularly high concentrations of these ethnicities. Most parts of California, Arizona, Texas and Florida are 1.5 times more likely to have a concentrated Hispanic population. By comparison, a whopping 33% of the Asians live in just three metro areas – Los Angeles, New York and San Francisco.

### HISPANIC CONCENTRATION BY CBSA



### ASIAN CONCENTRATION BY CBSA



Source: Nielsen Pop-Facts Premier 2012

As the U.S. population has become more of an ethnic melting pot, our appetite for new foods and tastes have also expanded. This is evidenced by the increase in ethnic grocery stores and restaurants seen in most major markets. And, the growth isn't slowing. Between 2011 and 2016, projected annual growth in ethnic grocery stores is 3.7%, with the largest spike in California. Ninety-eight percent of ethnic grocery stores nationwide are either Asian or Hispanic, making these groups especially important for growth in this channel.<sup>viii</sup>

## LOCAL MARKET DEEP DIVES

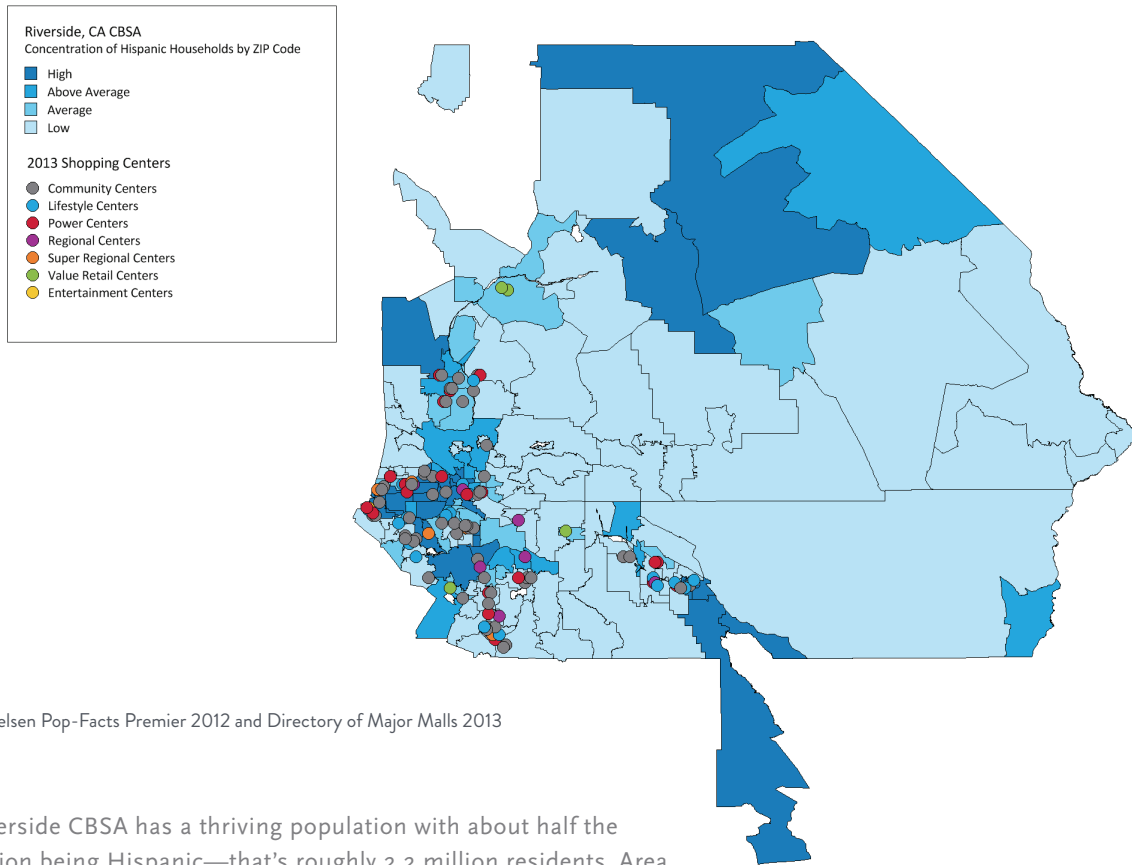
Given the growth of ethnic grocery stores, we examined two thriving ethnic communities in California—Riverside and San Jose. California is typically a national trend leader and opens a window into the future of the U.S. brick and mortar landscape.

### RIVERSIDE DEEP DIVE

Riverside covers the Inland Empire portion of Southern California, east of Los Angeles and north of Orange County and San Diego. During the real estate boom, Riverside experienced tremendous growth with Southern California residents seeking cheaper home prices in new suburban communities.

Shopping centers followed suit with a 64% increase in the number of shopping centers in the past five years. Mirroring national distributions, the largest percentage of shopping centers in Riverside are classified as community centers (46%), followed by power centers. Riverside had a 9 percentage point increase in power centers or open-air malls anchored by several big box retailers, over the past 5 years.

## RIVERSIDE CBSA: CONCENTRATION OF HISPANIC HOUSEHOLDS AND SHOPPING CENTER DISTRIBUTION



Source: Nielsen Pop-Facts Premier 2012 and Directory of Major Malls 2013

The Riverside CBSA has a thriving population with about half the population being Hispanic—that’s roughly 2.2 million residents. Area shopping centers are concentrated in more densely populated areas of Riverside increasingly becoming Hispanic. However, the more rural areas also tend to be heavily Hispanic and present opportunity for new development tailored to these households. Riverside residents spend the largest portion of their household expenditures at Retail Grocers (16%) followed by Departments Stores (13%) and General Merchandise Stores (11%).

WHO LIVES IN RIVERSIDE?	WHERE THEY SHOP? (SHOPPING CENTER MIX)	WHERE THEY SPEND? (TOP 5 CONSUMER EXPENDITURE CATEGORIES)
Total Pop = 4.4 million (4% Growth since 2010)	Community Centers 46%	1. Grocers- Retail (16%)
Median Age = 33	Power Centers 25%	2. Transportation (16%)
Median Income = \$53,156	Lifestyle Centers 17%	3. Department Stores (13%)
Average HH Size = 3.22	Regional Centers 9%	4. Auto Dealers (11%)
Median Home Value = \$211,304	Super-Regional Centers 5%	5. General Merchandise Stores (11%)
50% Hispanic	Value Retail Centers 3%	
	Entertainment Centers 1%	

Source: Nielsen Pop-Facts Premier 2012

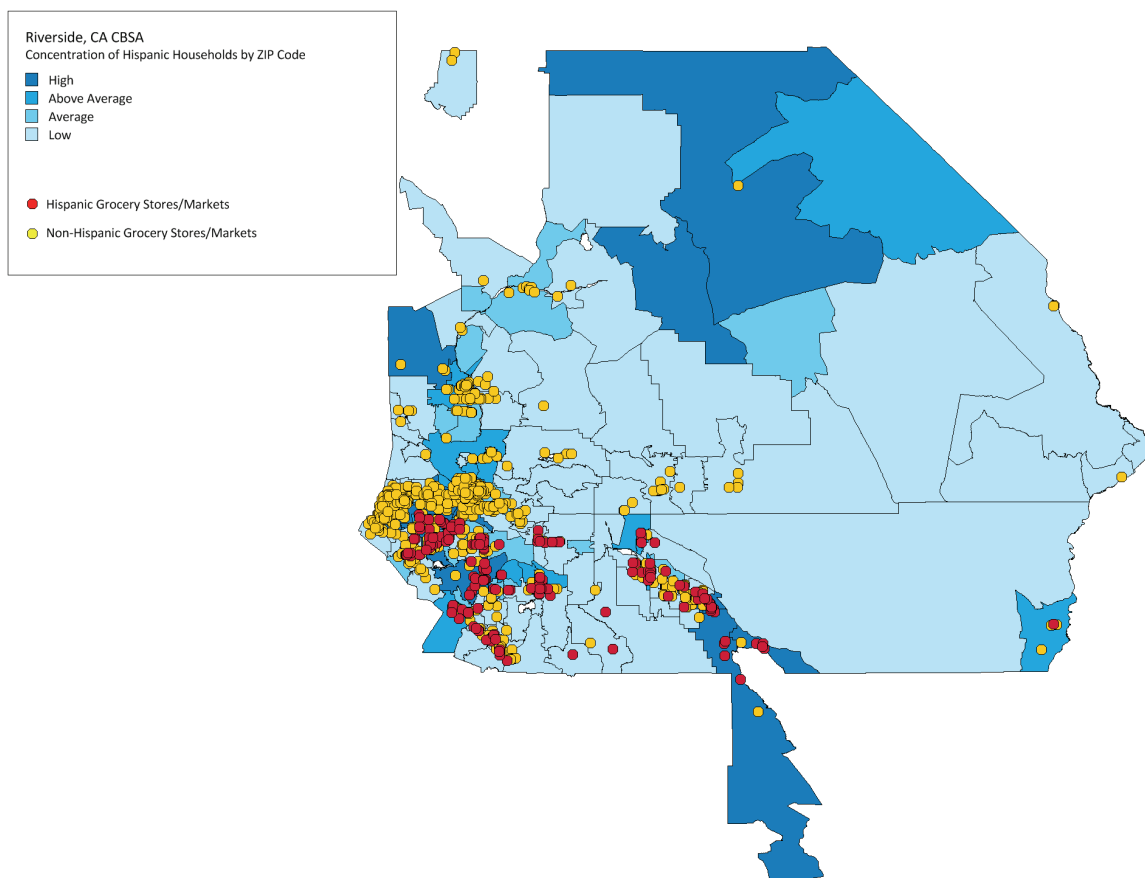
Source: Directory of Major Malls 2013

Source: Nielsen Consumer Buyer Power 2013

With a young, up-and-coming Hispanic population, Hispanic grocery stores are emerging to serve Riverside's communities. Roughly 20% of grocery stores and markets in Riverside are Hispanic-focused.<sup>ix</sup> These Hispanic grocery stores, like Cardenas and Rio Ranch Market, tend to locate in areas with strong Hispanic populations and their concept layout and merchandise is catered to these shoppers.

At a recent International Council of Shopping Center (ICSC) local forum, executives discussed the expansion of Hispanic supermarket chains, both at Rio Ranch Market and Cardenas Markets, which have 7 and 29 stores respectively in 19 cities and are expanding rapidly. Cardenas Markets has moved East with three stores in the Las Vegas area to capitalize on these expanding market opportunities.

## RIVERSIDE CBSA: CONCENTRATION OF HISPANIC HOUSEHOLDS AND GROCERY STORE/MARKET DISTRIBUTION



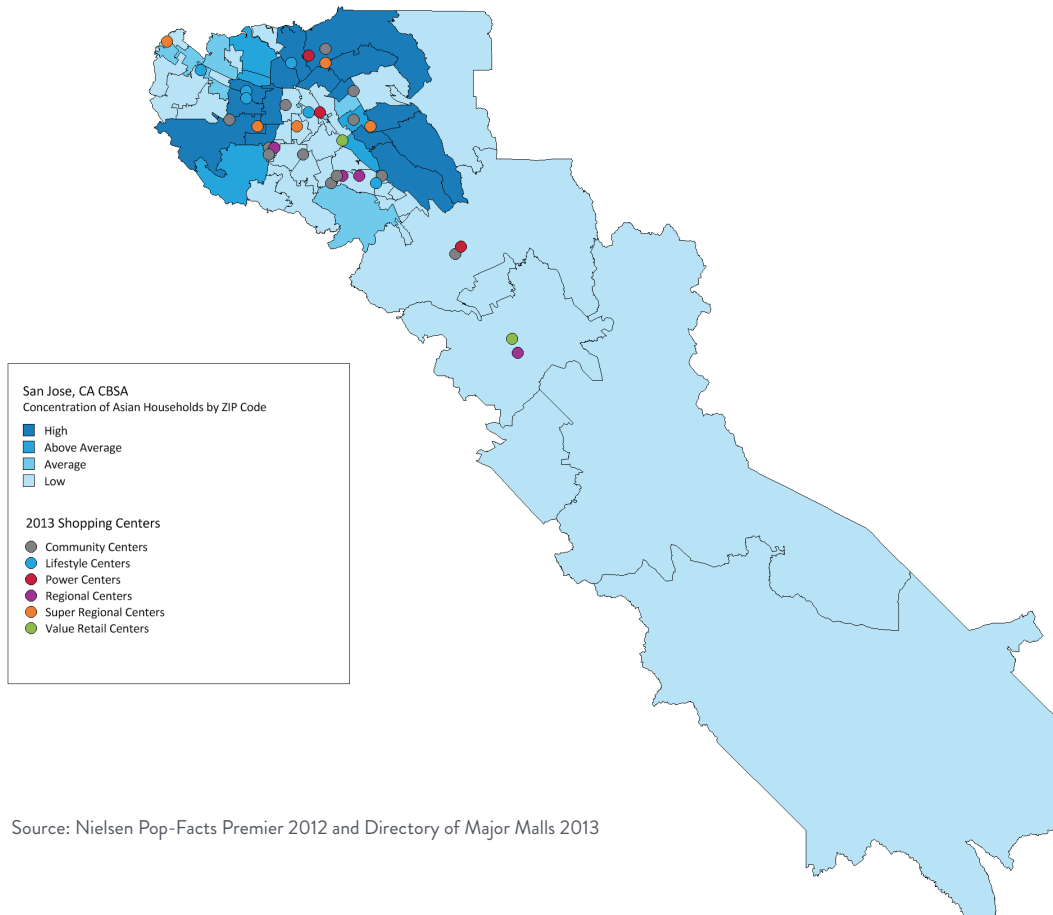
Source: Nielsen Pop-Facts Premier 2012 and Nielsen Business-Facts 2013

## SAN JOSE DEEP DIVE

San Jose lies south of San Francisco, covering the heart of the Silicon Valley with its many technology companies and predominant white collar families. The Silicon Valley tech boom has attracted an upscale, educated and diverse population to the area. Over the past five years, San Jose has seen a 7 percentage point increase in community centers which tend to house grocery stores and markets. Lifestyle centers are also increasingly popular in San Jose, which mirrors the national trend towards “shopper-tainment.”

San Jose is a hot bed for affluent residents whom lifestyle centers are ultimately geared for. These centers now make up 20% of shopping centers in the San Jose CBSA—a 14 percentage point increase over the past 5 years. Alternatively, traditional malls, regional centers and super-regional centers, have decreased as a portion of total shopping centers from 22% and 28%, respectively, in 2008 to 11% and 14% in 2013.

## SAN JOSE CBSA: CONCENTRATION OF ASIAN HOUSEHOLDS AND SHOPPING CENTER DISTRIBUTION



Source: Nielsen Pop-Facts Premier 2012 and Directory of Major Malls 2013



A third of the San Jose CBSA is Asian, making up roughly 619,000 residents. And, while San Jose residents tend to have higher income and affluence than the national average, the Asian population brings home paychecks even higher, with a household median income of \$105K. This means deeper wallets for department stores and grocery chains where they spend roughly 14% and 13% respectively, in total expenditures.

WHO LIVES IN SAN JOSE?	WHERE THEY SHOP? (SHOPPING CENTER MIX)	WHERE THEY SPEND? (TOP 5 CONSUMER EXPENDITURE CATEGORIES)
Total Pop = 1.9 million (3.5% Growth since 2010)	Community Centers 40%	1. Transportation (18%)
Median Age = 37	Power Centers 9%	2. Department Stores (14%)
Median Income = \$86,185	Lifestyle Centers 20%	3. Grocers - Retail (13%)
Average HH Size = 2.9	Regional Centers 11%	4. Auto Dealers (11%)
Median Home Value = \$582,432	Super-Regional Centers 14%	5. General Merchandise Stores (10%)
33% Asian	Value Retail Centers 6%	
	Entertainment Centers 0%	

Source: Nielsen Pop-Facts Premier 2012

Source: Directory of Major Malls 2013

Source: Nielsen Consumer Buying Power 2013

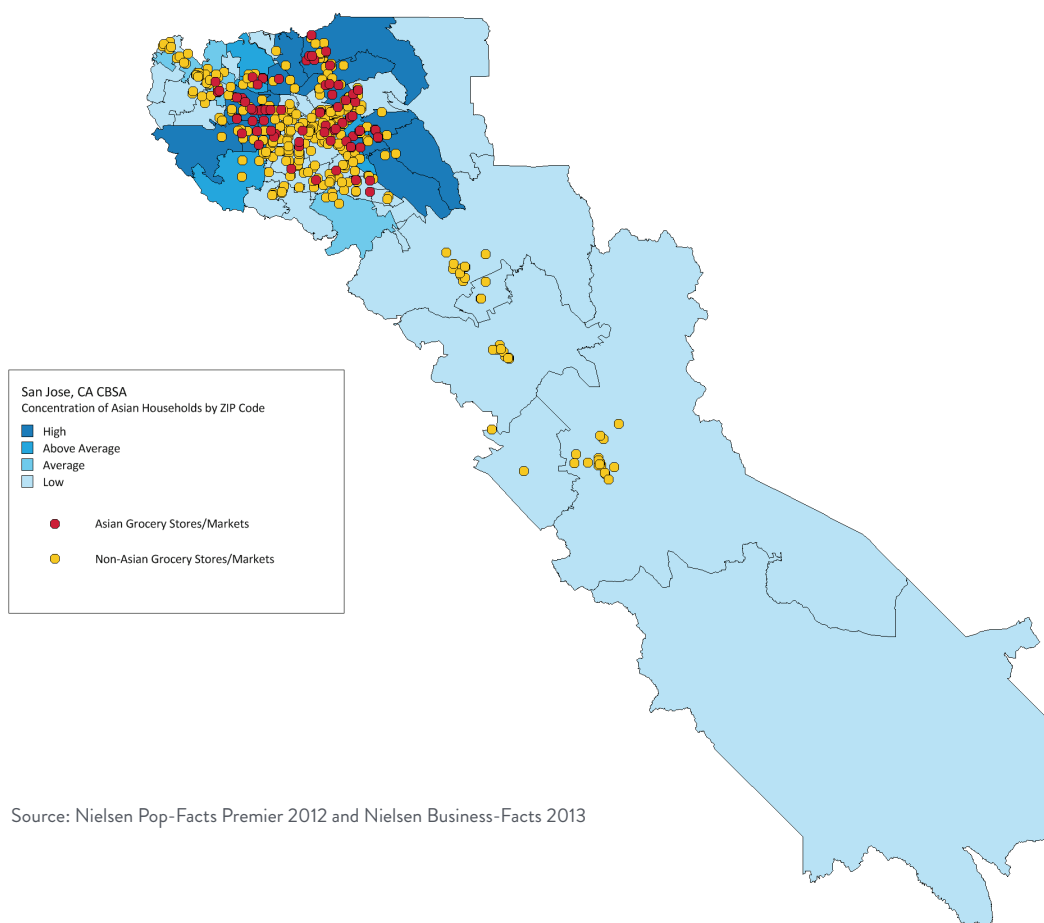
This group of affluent professionals is fueling the growth in Asian grocery stores serving San Jose’s communities. Roughly 18% of grocery stores and markets in San Jose are Asian-focused. These grocery stores and markets range from those with broader Asian appeal like 99 Ranch Market, Seafood City and Lion, to those geared towards particular nationalities. Most of these stores serve hot food items like roast pork and duck, bringing the flavors of home to hard working families.



18%

GROCERY STORES AND MARKETS IN SAN JOSE ARE ASIAN-FOCUSED.

## SAN JOSE CBSA: CONCENTRATION OF ASIAN HOUSEHOLDS AND GROCERY STORE/MARKET DISTRIBUTION



Source: Nielsen Pop-Facts Premier 2012 and Nielsen Business-Facts 2013

## WASHINGTON, DC DEEP DIVE

With the rise of lifestyle centers and decline of regional/super regional centers, we see particularly strong growth of lifestyle centers in affluent areas. This is most evident in the Washington, DC CBSA. Washington, DC has more lifestyle centers than any other part of the country. A whopping 33% of the large shopping centers in the Washington, DC area are categorized as lifestyle centers.

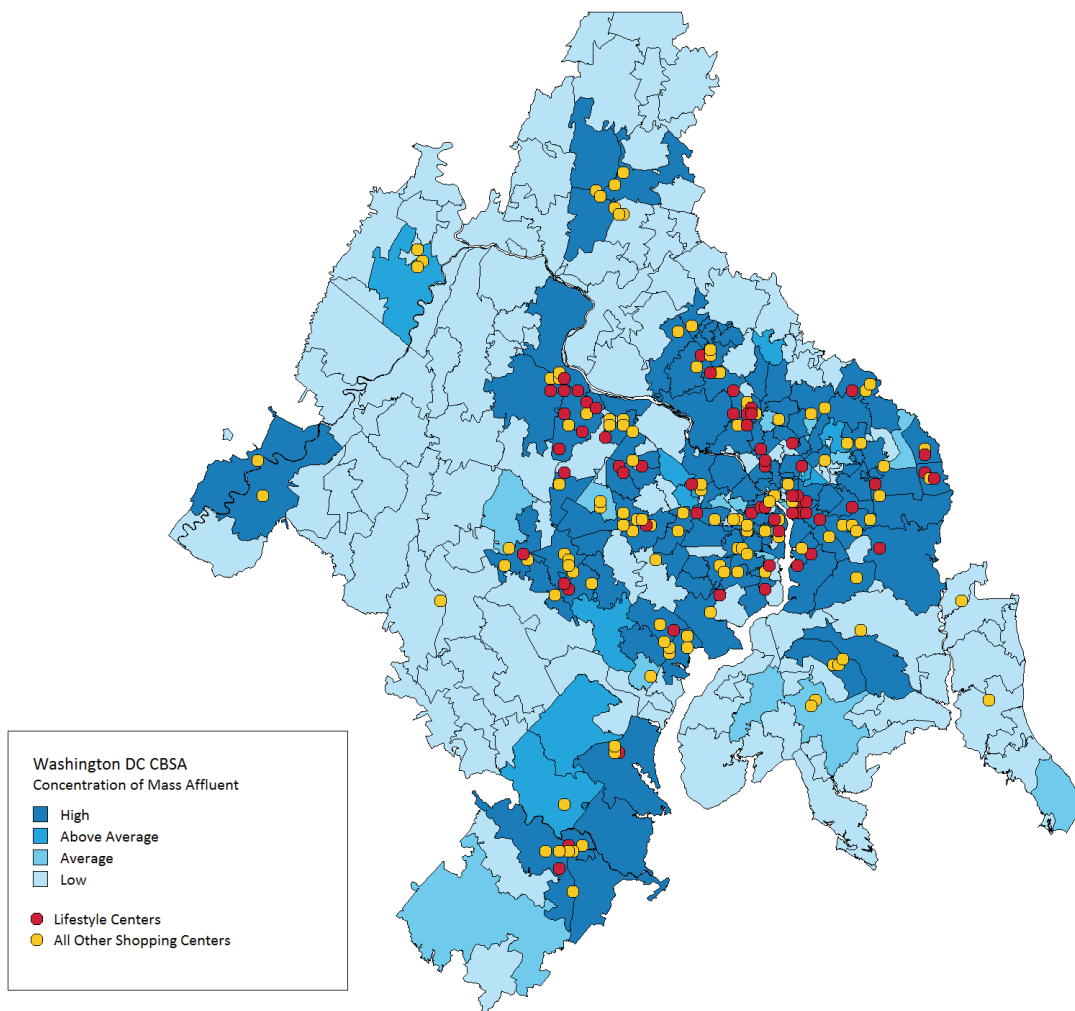
These types of centers blend shopping, dining and entertainment to create an experience for the shopper. An experience that is particularly appealing to the affluent population who are interested in a luxurious, social or memorable shopping event.

Nielsen has identified a portion of the population of affluent Americans known as the Mass Affluent. The Mass Affluent are sophisticated Baby Boomers with Income Producing Assets (IPA) of \$250K-\$1,000K (liquid assets not including real estate).

The Mass Affluent are cautious spenders, with money to spare, especially on high quality, luxury items. And, while they make fewer shopping trips than average, they spend more money per shopping trip.<sup>x</sup>

The Washington, DC area ranks 2<sup>nd</sup> in the nation for concentration of the Mass Affluent – 18.6% of households fall into this upscale, lucrative segment of the population. Lifestyle Centers tend to be located in areas of strong concentration of the Mass Affluent population. One such example is Gallery Place located in the heart of DC which offers shoppers opportunities for shopping and entertainment. Tenants include Regal Cinemas, Aveda Institute, Bed, Bath & Beyond, Lucky Strike Bowling and Washington Sports Club.

### WASHINGTON, DC CBSA: CONCENTRATION OF MASS AFFLUENT AND LIFESTYLE CENTER DISTRIBUTION



Source: Nielsen Pop-Facts Premier 2012 and Directory of Major Malls 2013

# WHAT DOES IT ALL MEAN?

The trends in large shopping centers are moving away from traditional regional centers into lifestyle centers, due to the evolving needs of consumers who want an “experience” when shopping. Smaller shopping centers are also seeing greater diversification and the market still favors “quick trips” as seen in the continued openings of new convenience stores.

Consumers should be at the center of all your location planning decisions. They lead the way to change and those who pay attention are likely to reap the rewards of foresight.

Variety is key. Diversity is king. Grocery stores are becoming more ethnic and specialized driven by the explosive growth of the Hispanic and Asian populations. The Mass Affluent represent a great opportunity and they have deep wallets that they open for luxury goods in specialty chains and department stores. They value quality, reputation, service and the “experience” over price.

As the face of the shopper continues to transform, shopping centers and retailers must adapt as well—whether that means appealing to consumer desires for entertainment, convenience, enrichment or concept. Shoppers want a memorable event.

E-commerce is both a challenge and an opportunity for retailers and centers, but physical stores still account for the overwhelming majority of retail sales. As the Web becomes more of a widespread retail option, retailers with customized cross-channel promotions are bound to come out on top. Older consumers prefer brick and mortar over e-commerce—they still want to see and touch the merchandise they buy and interact with sales staff and fellow shoppers.

Shopping centers need to tailor promotions, choose tenants and base expansion plans on the needs, wants and desires of the surrounding community. Retailers should examine their current customers to explain and anticipate demand for new customers. Segmenting your consumers will enable you to better understand, find and connect with your best customers and find more just like them.

## FOOTNOTES:

- <sup>i</sup> U.S. Census Bureau, 2013
- <sup>ii</sup> Nielsen 2012 Retail USA: What's in Store for 2016? p.2.
- <sup>iii</sup> Nielsen 2013 What's Cooking in the U.S. Restaurant Industry?
- <sup>iv</sup> Nielsen 2012 Growing Appetite for C-Stores: More Opportunity for Growth
- <sup>v</sup> Retail Indicators Branch, U.S. Census Bureau
- <sup>vi</sup> Media Reserch Intelligence 2012
- <sup>vii</sup> Nielsen 2012 State of the Hispanic Consumer Report: The Hispanic Market Imperative
- <sup>viii</sup> IBISWorld Ethnic Supermarkets Industry Report (IBISWorld.com)
- <sup>ix</sup> Nielsen BusinessFacts 2013
- <sup>x</sup> Nielsen 2012 Affluence in America: A Financial View of the Mass Affluent Report

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## ABOUT NIELSEN

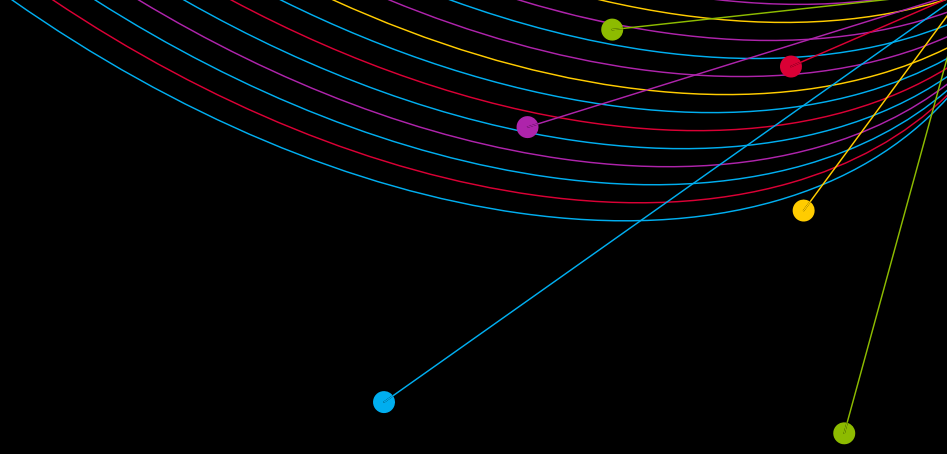
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