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## Class A mall operators suffering foot traffic slump: Thasos data

By Tom Yeatts and Camilla Yanushevsky

Foot traffic at U.S. malls is down, even among class A mall operators, contrary to recent statements from management, new data shows.

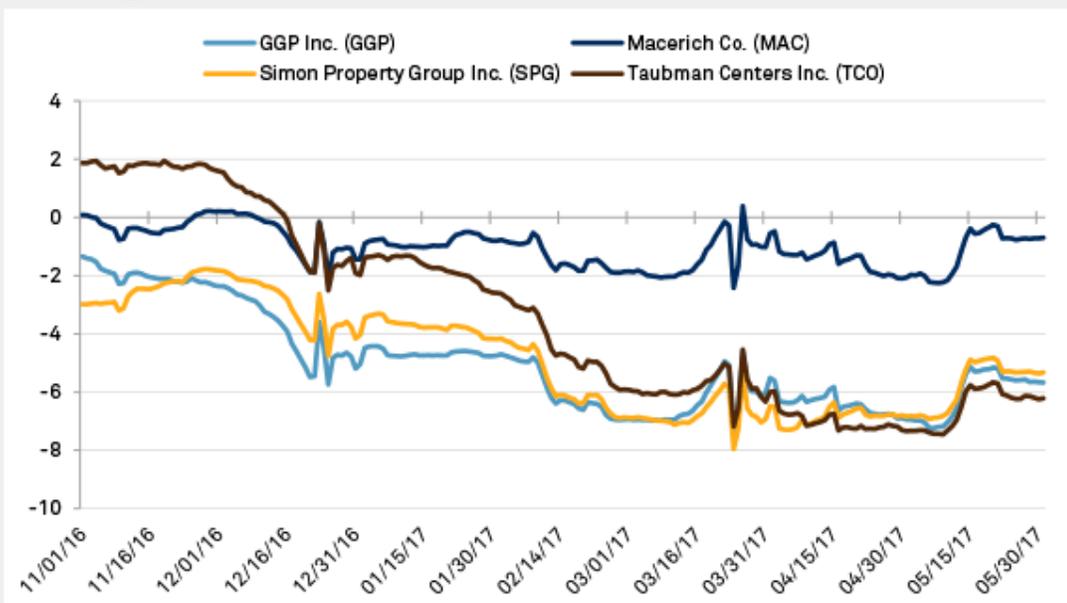
According to data intelligence firm Thasos Group, foot traffic declined 5.4% year over year on a rolling quarterly basis through May 2017 at [Simon Property Group Inc.](#)-owned malls; dropped 5.7% at [GGP Inc.](#) properties; and declined 6.2% at [Taubman Centers Inc.](#) properties. Thasos aggregates and analyzes real-time location data from mobile phones worldwide to produce insights on business, market and economic performance for hedge fund clients.

The findings contradict some REIT management teams' comments on recent earnings calls about stable or increasing foot traffic, as well as the conventional wisdom that higher-quality properties will thrive even in turbulent times.

Foot traffic at [Macerich Co.](#) properties was slightly negative on a quarterly year-over-year basis through May. On a monthly year-over-year basis, the company's [Santa Monica Place](#) property saw traffic up about 40% through March and about 15% through May. CEO Art Coppola attributed that jump to the recent arrival of mass transit.

Class A mall properties on the whole, according to Thasos, have seen traffic drop about 3% on a monthly year-over-year basis through May, compared to average declines of between roughly 6% and 5% for class B and class C malls, respectively, on the same basis. The data firm also noted that the presence of "high-tech" stores like Apple and Tesla had no effect on traffic patterns at class A malls, and traffic was weaker at class A properties with "destination" restaurants like Cheesecake Factory and P.F. Chang's.

### Declining foot traffic at class A malls (%)



Data compiled Aug. 9, 2017.

Plot represents changes in foot traffic on a quarterly year-over-year basis at all malls owned by the specified real estate investment trusts.

Source: Thasos Group

2017 has been a particularly challenging year for retailers and their landlords, but industry veterans generally exclude high-quality property owners from doom-and-gloom forecasts. They argue high-end malls will continue to perform well as the retail life cycle churns and the industry right-sizes.

On recent earnings calls, mall REIT management teams continued to frame store closures and bankruptcies as a normal turn in a cyclical business, a brief storm for which they had already prepared. Still, mall REIT shares remain depressed, and the scrutiny of retailer [tenant health](#) has intensified.

Investors and analysts also have homed in on foot traffic trends, seeking signs of secular change in consumer behavior. Currently, there is no REIT industry standard for reporting foot traffic. Among the REITs that do report traffic figures, some present data from one property, or a few properties, as representative of a portfolio average.

On GGP's Aug. 2 earnings call, CEO Sandeep Mathrani said traffic was up 1.4% year-to-date at the company's centers "as measured by cameras in our properties." He later noted the sample size included only the company's class A assets.

In an interview, John Collins, co-founder of Thasos and its chief product officer, said the sample size for the study was roughly 10% of the U.S. population.

"We thought that, given the attention that this topic was receiving and the information that we had at our fingertips, that it might be helpful for people to have a better picture of foot traffic at these venues and how things are really changing, as opposed to how things are ostensibly changing in the eyes of the operators of these REITs," John Collins, co-founder of Thasos and its chief product officer, said in an interview.

Collins said some of the REITs have reached out to Thasos to inquire about its products, or a potential working relationship.

### Foot traffic growth by mall class (%)



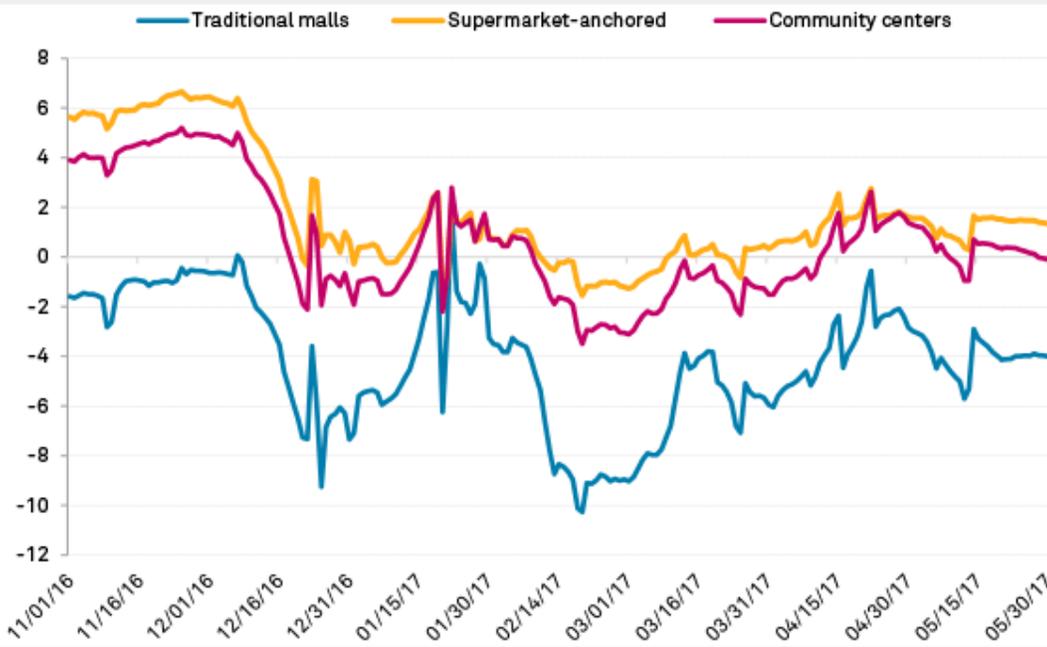
Data compiled Aug. 9, 2017.  
 Plot represents monthly year-over-year foot traffic measured at 276 class A malls, 370 class B malls and 307 class C malls, comprising 98% of all malls in those classes.  
 Source: Thasos Group

In an email, a Taubman Centers spokesperson pointed to the company's tenant sales, which were up 2.9% in the second quarter, as the true measure of a center's health.

Simon declined to comment for this story. A Washington Prime spokesperson said the company does not report traffic at its centers. The other mall REITs did not reply to requests for comment.

Thasos data found that shopping centers with grocery and consumer-staples tenants recently have fared better traffic-wise than malls. Properties characterized as community centers saw flat traffic performance on a monthly year-over-year basis through May, while traffic at those characterized as supermarket-anchored was up about 1.3%.

### Foot traffic growth by retail property type (%)



Data compiled Aug. 9, 2017.

Plot represents monthly year-over-year change in foot traffic measured at select properties for most retail real estate investment trusts.

Traditional malls defined as properties with department store anchors and high-end discretionary goods.

Community centers defined as properties with consumer staples and discretionary stores but no major department store anchors.

Supermarket-anchored properties are primarily strip centers and open-air shopping centers generally anchored by a supermarket and containing more consumer staples than traditional mall and community center properties.

Source: Thasos Group

The REIT shopping center landlords with greater exposure to grocery stores and other consumer staples tenants have seen favorable, or neutral, foot-traffic trends. [Brixmor Property Group Inc.](#), [Regency Centers Corp.](#), [Kimco Realty Corp.](#), [Federal Realty Investment Trust](#) registered positive quarterly traffic gains year over year through May 2017, the best-performing by as much as 3% year over year, while [DDR Corp.](#) saw only a slight traffic decline during the same period.

Some planned tenant mix changes suggest the mall REITs have registered the positive impact of having a grocery and consumer staples orientation. A Whole Foods will soon open at Pennsylvania REIT's [Exton Square Mall](#) in Exton, Penn., and a 365 By Whole Foods Market, the retailer's burgeoning value concept, will open soon at Simon's [College Mall](#) in Bloomington, Ind. At GGP's [Natick Mall](#) in Natick, Mass., a Wegmans supermarket is under construction in space formerly occupied by J.C. Penney.

## Back to basics: Mall landlords' and their food-and-staples tenants

US mall REIT (ticker)	Tenant
CBL & Associates Properties Inc. (CBL)	BJ's Wholesale Club Inc. Cub Foods Inc. Earth Fare Inc. Harris Teeter Inc. Price Chopper Operating Co. Inc. Whole Foods Market Inc. (WFM-NasdaqGS)
GGP Inc. (GGP)	Costco Wholesale Corp. (COST-NasdaqGS)
Macerich Co. (MAC)	BJ's Wholesale Club Inc. Wal-Mart Stores Inc. (WMT-NYSE)
Pennsylvania Real Estate Investment Trust (PEI)	BJ's Wholesale Club Inc. Costco Wholesale Corp. (COST-NasdaqGS) Giant Food Stores LLC K-Mart Weis Markets Inc. (WMK-NYSE)
Simon Property Group Inc. (SPG)	Costco Wholesale Corp. (COST-NasdaqGS) Earth Fare Inc. Fairway Group Holdings Corp. Hy-Vee Inc. Retail Services & Systems Inc. Shaw's Supermarkets Inc. The Fresh Market Inc. Wegmans Food Markets Inc. Whole Foods Market Inc. (WFM-NasdaqGS)
Washington Prime Group Inc. (WPG)	BJ's Wholesale Club Inc. Food Lion LLC H.E. Butt Grocery Co. Harris Teeter Inc. Hy-Vee Inc. Longs Drug Stores LLC Lucky's Market Parent Co. LLC Marsh Supermarkets Co. LLC Safeway Inc. Shoppers Food Warehouse Corp. Spec's Family Partners Ltd. Trader Joe's Co. Wal-Mart Stores Inc. (WMT-NYSE) Whole Foods Market Inc. (WFM-NasdaqGS) Winn-Dixie Stores Inc.

Data compiled Aug. 9, 2017.  
Includes selected S&P Capital IQ-covered food and staples retailers that were disclosed as a tenant of a U.S. mall REIT within the past two years.  
Landlord/tenant information collected from subject companies' annual reports; press releases; exhibits in forms 10-Q, 6-K and 8-K; and business intelligence research documents.  
Source: S&P Global Market Intelligence

### Product Tips



To see the top 30 tenants and markets for a user selected company, peer, and period, check out the [Real Estate Top Tenants and Markets](#) template.