

# Table of Contents

<b>About the Authors .....</b>	ix
<b>Acknowledgments .....</b>	xi
<b>Foreword .....</b>	xiii
<b>Chapter 1    The Nature of Shopping Centers.....</b>	1
Shopping Center Definition .....	1
Spatial Definitions for Shopping Center Analysis .....	2
Criteria for the Description of Shopping Centers.....	3
Traditional Types of Shopping Centers .....	5
Other Types of Shopping Center Space .....	14
Mixed-Use Development .....	15
Economic Rationale for Shopping Centers .....	17
The Anchor Tenant.....	20
Defining the Appraisal Problem .....	21
Summary .....	22
<b>Chapter 2    Shopping Center Investment Markets .....</b>	23
Shopping Centers as Investments .....	23
Risk .....	25
Ownership and Financing.....	27
The Purchasing Process .....	30
Financing with REITs .....	32
Mixing Retailing and Real Estate.....	33
Recent Trends in Retailing and Shopping Centers .....	34
Retailing in a Shopping Center.....	39
Summary .....	41

<b>Chapter 3</b>	<b>Three Studies and Three Geographic Areas in Retail Analysis.....</b>	43
	Introduction .....	43
	Local Economic Area Analysis .....	43
	Retail Market Area Analysis .....	45
	Marketability Analysis and Retail Trade Area Analysis.....	47
	Conclusion and Summary.....	49
<b>Chapter 4</b>	<b>Local Economic Analysis for Shopping Center Appraisals.....</b>	51
	Major Economic and Demographic Variables.....	51
	Data Sources for Local Economic Analysis .....	60
	Local Economic Analysis: An Example .....	63
	Conclusion .....	72
	Appendix A. Mean Household Income Is the Measure to Use to Estimate Household Purchasing Power .....	73
	Appendix B. Estimating Mean Household Income.....	75
<b>Chapter 5</b>	<b>The Levels of Market Analysis and the Six-Step Process for Market/Marketability Analysis.....</b>	77
	Introduction .....	77
	Levels of Market Analysis.....	77
	The Six-Step Process for Market/Marketability Analysis .....	82
<b>Chapter 6</b>	<b>Site and Building Characteristics of Shopping Centers .....</b>	83
	Introduction .....	83
	Site Characteristics .....	83
	Exterior Building Characteristics .....	97
	Interior Building Characteristics .....	102
	Summary .....	107
<b>Chapter 7</b>	<b>Market Analysis for Shopping Center Appraisals.....</b>	109
	Introduction .....	109
	Definitions and Concepts.....	110
	Market Analysis for Shopping Centers.....	113
	Supply Analysis.....	122
	Demand Analysis .....	125
	Residual Analysis .....	130
<b>Chapter 8</b>	<b>Marketability Analysis for Shopping Center Appraisals .....</b>	135
	Introduction .....	135
	Retail Trade Area Delineation: Concepts and Issues .....	136
	Retail Trade Area Delineation: Judgment .....	141
	Matching the Trade Area to Data Sources.....	142
	Additional Trade Area Delineation Techniques .....	144
	Residual Analysis for the Retail Trade Area .....	144
	Retail Sales Forecasting and Justified Square Footage.....	155
	Daytime Population in the Analysis of the RTA .....	164
	Capture Analysis for the Subject Property .....	166
	Conclusion .....	170

<b>Chapter 9</b>	<b>Applying the Three Valuation Approaches to Shopping Centers .....</b>	171
	Introduction .....	171
	Property Rights and Their Modification .....	172
	Value Definitions .....	173
	Appraisal as a Behavioral Science .....	175
	Highest and Best Use Analysis .....	175
	The Sales Comparison Approach.....	176
	Financing.....	180
	The Cost Approach .....	181
	Economic Lives .....	183
	Functional and External Obsolescence.....	184
	Valuation of Land and Site .....	186
	The Income Approach .....	192
	Consistency in the Three Approaches.....	192
	Preparing a Credible Report .....	193
	Valuation for Financial Reporting (Accounting) .....	194
	Summary .....	195
<b>Chapter 10</b>	<b>Preparing Income Forecasts for Shopping Centers .....</b>	197
	Introduction .....	197
	Important Lease Clauses .....	198
	The Operating Agreement.....	206
	Income Forecasts .....	206
	Two Methods: Stabilized Income vs. Discounted Cash Flow ...	207
	Stabilized Income.....	207
	Forecasting Expenses .....	219
	Sample Stabilized Operating Income Statement .....	228
	Discounted Cash Flow Analysis .....	229
	Summary .....	230
<b>Chapter 11</b>	<b>Capitalization Procedures .....</b>	231
	Introduction .....	231
	Direct Capitalization of a Single Year's Income.....	231
	Limited Discounted Cash Flow Analysis.....	233
	Reversion Estimates .....	233
	Specifying Discounted Cash Flow Assumptions .....	234
	Dedicated Software Simulation .....	234
	Sample Computer-Supported Discounted Cash Flow Analysis ...	238
	Appraising the Problem Property.....	238
	Analyzing "Go-Dark" Value .....	242
	Summary .....	245
<b>Appendix</b>	<b>The Debate About Intangible Assets in Shopping Centers.....</b>	247