

THE PROPERTY REPORT

Taubman Centers of U.S. targets China, Japan for shopping malls

Company aims to propel its retail growth in Asia through joint ventures

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Dow Jones Newswires

HONG KONG—U.S. mall owner Taubman Centers Inc. expects to form joint ventures to build midsize shopping malls in China and Japan by the end of this year, with an investment of as much as

Taubman aims to build midsize shopping malls in China, with a gross floor area typically of 40,000 to 50,000 square meters in first- and second-tier cities.

US\$100 million for each project.

Morgan Parker, president of Taubman's Asia operation, said the company's foray into Asia is aimed at accelerating revenue growth, which has been "unexciting" in the home market.

Taubman has been building and managing malls in the U.S. for around half a century, and in July

it set up an Asian headquarters in Hong Kong to focus on investing in malls in Japan, South Korea, China and India.

"Asia represents an opportunity to accelerate our growth. It will take a few years to hit the balance sheet because it takes a while to build a shopping center," Mr. Parker said.

Taubman plans to open its first

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tic product to reach \$1,600 to \$1,700 by the end of 2010, from \$850 in 2000.

Taubman aims to build midsize shopping malls in China, with a gross floor area typically of 40,000 to 50,000 square meters in some first- and second-tier cities.

Mr. Parker said the company will be developing malls with outlets selling midpriced products but with a hypermarket anchored to the development to attract shoppers. "Huge malls aren't successful in China and those very, very high-end malls aren't successful because people don't have that much money to spend," he said.

Under Taubman's Asia plan, the company will form joint ventures to build malls with local developers, who will then develop residential properties around the sites. Mr. Parker said Taubman expects to have majority stakes in most of these ventures, although that isn't a "must."

"We expect high-single-digit



Shoppers through a sale table at a store in Beijing. Fast retail-sales growth in China is drawing investment in shopping malls.

to double-digit growth from rents in China, but that will be offset by increasing costs. Things are getting more expensive in China," he said.

However, the country's lack of urban planning and less-developed legal system may cause some setbacks for foreign mall investors, Mr. Parker said. "We think that the Chinese retail market requires greater regulation, not less," he said. "There have been so many ill-conceived and

poorly executed shopping centers delivered to the market.

"If you build a great shopping mall, someone could build one next door to you. That worries you. You can't legally block someone [in China], but in the U.S. you can legally block someone to build a shopping center beside you," he said.

Taubman operates 23 malls in 11 states in the U.S. The company doesn't operate in Europe.