

US reit goes shopping for malls in mainland

Taubman Centers is targeting the big cities in its expansion plans across Asia

Sandy Li

Taubman Centers, a New York-listed real estate investment trust (reit) that focuses on shopping centres in the United States, is seeking to make new acquisitions in the mainland as part of a US\$150 million annual expansion programme.

With a market capitalisation of US\$6 billion, the company manages 23 shopping centres in 11 US states. As of September, the occupancy rate at the centres was 88.9 per cent.

The company is considering floating its Asian retail portfolio through reits in the long term.

Taubman Centers' flagship malls include the 900,000-square-foot Beverly Center at Beverly Boulevard, Los Angeles. Tenants include designer brands Louis Vuitton, Jean-Paul Gaultier, Giorgio Armani, Donna Karan, Hugo Boss and Alberta Ferretti.

Morgan Parker, president of Taubman Asia, which opened its office in Hong Kong in July, its first outside the US. He said many US reits were also looking for external growth. The company had identified China, Japan, South Korea and India as its four strategic markets, he said.

In China, Taubman Asia will

focus on acquiring majority stakes at newly completed shopping malls in first- and second-tier cities.

"We are looking at half a dozen opportunities at the moment," Mr Parker said, adding that cities such as Beijing, Shanghai, Chongqing and Chengdu were the company's priority. He expected the firm to clinch acquisition deals for several shopping centres in different countries in Asia over the next three to five years.

Asked whether Taubman would list its Asia retail portfolio as reits in the long term, Mr Morgan said that was the general direction for the mall industry.

Taubman Centers was founded in 1950 by entrepreneur Alfred Taubman. Over the years, the firm has developed 50 shopping centres, covering 80 million sq ft, across the US. At present, it holds 23 shopping malls for long-term investment, 10 of them luxury centres targeted at high-end retailers.

Taubman Asia will be offering potential local partners its expertise in planning, design, management and trade-mix arrangements.

Over the past 50 years the company has developed a network of more than 5,000 tenants in the US shopping centre industry. Mr Parker was confident the com-

pany's reputation would attract reit interest around the world. "Retailers like us, and they are interested in going where we are going," he said.

The average rent in the company's US portfolio last year was US\$477 per sq ft per year, higher than the US average of US\$366 per sq ft for all regional malls in the country. "It is not because we charge the highest rents," Mr Parker said, explaining that Taubman tenants were charged turn-over rents, which meant they had

to pay more when they enjoyed brisk sales.

Besides expanding its Asia portfolio through acquisition, the company was also looking to acquire some "problematic" shopping centres in good locations and restoring their business potential, he said.

He believed China had many shopping centres that were in need of an overhaul.

"They have been poorly planned. They have been poorly leased. They do not have a great tenant mix, and those mall owners are struggling. We believe we can come in and fix those over time," he said.

Mr Parker said Taubman's strategy was to allow retailers to take part in the building process of its shopping centres. In the mainland, many developers built speculatively. "As a result, you have a lot of unsuccessful shopping centres in China. With very low occupancy levels, many of them will become dinosaurs one day," he said.

In the US, the Taubman Centers management believes in encouraging the community to participate in the company's development.

"That's how we create shopping centres that are sustainable and successful in the long term," he said.



Morgan Parker: confident



Taubman Centers is studying shopping malls in Beijing and other first- and second-tier cities. Photo: Bloomberg