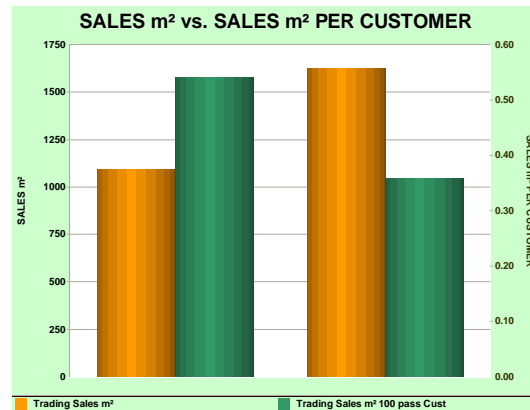


BENEFITS DERIVED FROM CUSTOMER BASED SALES & RENTAL RATIOS

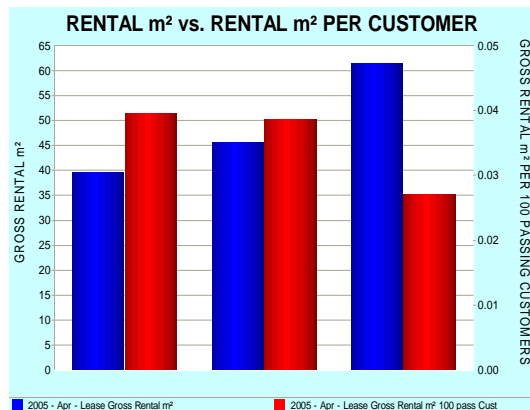
Given the size of the premises occupied by each tenant, the factor that has the greatest impact on the sales they can generate & the rental they can afford to pay is the volume of customers that they have access to.

As customer traffic does not move uniformly through any mall, any comparison of performance m^2 or ft^2 across tenants that does not bring customer traffic into account, provides a skewed perspective of reality.

Take this example of a comparison of the sales performance of two similar tenants in the same mall. The orange bars reflect the sales m^2 of each tenant & the tenant on the right is out performing the tenant on the left. The green bars reflect the sales m^2 per passing customer & in this case the better performer is the tenant on the left. The exact opposite result. In this case the sales m^2 of the tenant on the right is higher because it is located in a busier area of the mall but it is not extracting the value that it could from the customers to which it has access. This tenant is less efficient & has the greatest potential to increase sales but when customer based sales ratios are not used, this is not recognized & nothing is done to realize the potential. Conversely, the tenant on the left is extracting far more value from customers but, because of its low sales m^2 , it will normally be considered less efficient & even run the risk of not having its lease renewed for this reason. However, the reality is that it is operationally efficient. Its low sales m^2 is a consequence of it occupying premises that are too large & the only way to increase sales m^2 is via a reduction on the area it occupies.



The same type of situation arises with comparisons of rental m^2 or ft^2 . The same rental m^2 or ft^2 for similar tenants occupying approximately the same area does not mean they are being treated equally because in all probability the customer traffic passing their shop front differs, which impacts on the value of the premises. The example alongside shows the data of the same tenant occupying a similar m^2 in three different malls. The tenant is paying substantially more rental in the mall on the right than on the left (blue bars). However, the mall on the right is significantly busier than the other two malls & while this is the reason why the rental m^2 is higher, the comparatively low rental m^2 per customer (red bars) indicates that the high customer traffic has not been brought to account to the extent that it should. In this case the tenant in the right hand mall is paying too little rental, despite its rental m^2 being the highest.



This type of situation arises when customer traffic is either not factored into performance assessments or when it is subjectively factored into performance assessments.

The reality is that if performance comparisons do not bring customers to account, the conclusions reached are often flawed & actions based on flawed conclusions produce flawed results.

If sales & rental potential is not correctly identified, it will never be achieved.