

How to manage a mall – Experiences from Vasaporten in Skövde

Thomas Emilsson, 2011-03-30



Picture of Vasaporten after the renovations

Introduction and background

The property Boktryckaren 2 was purchased in December 2005. The property and mall had then lived a relatively secluded life in Skövde city center for many years. The former owner of the property had no local ties and the development of the mall had halted. The property was built in 1973 and since then had not been developed to any great extent.

The property consists of one building of four stories. Total surface area of the property is 21,984 m². Attached to the commercial part is a multi-storey car park with 500 parking spaces with a total area of about 15,000 m². Total rentable commercial space in the building is 6,984 m². On the ground floor is a large supermarket of about 3,875 m² and a facility at the entrance of 77 m². On the second floor there is an additional 3,109 m² of commercial area spread over several localities.

In 2006 we began planning to find a way of developing the mall from an older, outdated mall into a modern and functional mall.

First we contacted a local architect to help us visualize how the new shopping mall would look. We then contacted a large architectural firm in Gothenburg that helped us to create new drawings and construction documents to implement the redevelopment of the building.

At the beginning of 2008 we began the renovation of the shopping centre and it was completed by October 2008. Only three of the old tenants would remain after the renovation. The remaining tenants became redundant or alternatively moved on their own initiative in order to allow for renovation.

On the first floor we expanded the area for the supermarket and a new entrance was built to enable customers from the supermarket to have access to the rest of the shopping centre. Prior to the construction, the supermarket had a separate entrance and the customers who shopped there had no possibility to go directly from the supermarket to the rest of the shopping mall.

All interior finishes were renovated or exchanged when the renovations were made during 2008. On the outside the façades were renovated and a balcony was constructed for the restaurant on the second floor.

Skövde and its shopping



Picture of Skövde and the location of the three large commercial areas.

Skövde has three large commercial areas competing for customers. Outside the city centre we have the shopping center Elin's Esplanade with around 30 stores built in the district of Norrmalm. Elin's Esplanade has the most well-known shops and is easily accessible with free parking.

Not far from there the commercial area of Stallsiken is located, the area is a so called volume trading area where the largest well-known shops who offer consumer electronics, interior design, garden and furniture. This commercial area was opened in 2008 and includes shops like Mio, Biltema, Media Markt and Plantagen.

The city center of Skövde offers small shops and two larger shopping centers, Vasaporten and Commerce. Currently Vasaporten operates as a complement to Commerce with the largest attraction from the commercial point of view of the city center. The well-known chain stores are established in Commerce and have about 40 different stores in their shopping mall. Commerce has some problems with vacant commercial areas just like Vasaporten; furthermore, they will most likely attract tenants before Vasaporten does.

Operation and maintenance of the property

The day-to-day operation of the property is managed by us. Interior and exterior caretaking is handled by the company Crendo and interior cleaning is handled by a company called HSB.

It is important that we always have a good supervision of the shopping mall and multi-storey car park and this is taken care of besides from us and the caretakers by a security company. Beyond the mere guarding and supervision of the property they are also responsible for the maintenance and emptying of our parking meters.

Because this property is located in the city centre, there are sometimes problems with unwanted persons residing in stairwells and the shopping mall which means that it must constantly be checked and the individuals staying in the building which we do not want are rejected by the security company. We have also installed CCTV in stairwells and parking decks to counter vandalism.

We still need to carry out graffiti removal and repainting of surfaces in stairwells, upper parking deck and elevators for approximately 100,000 SEK per year

Technical installations

The building has central heating and in the basement there is also a large transformer station. This requires constant supervision and service agreements are signed with the company Vattenfall service. Three large ventilation units are on level 4 serving the entire Mall.

The multistory car park

The multistory car park which is connected to the mall has 500 parking spaces and produces an annual income of approximately 2, 8 million SEK. The parking garage has 5 floors spread over approximately 100 parking spaces per floor. In addition to the revenue we receive through regular parking we sell annual and monthly passes for the car park.

We have approximately 150 fixed subscriptions via this action which means that we are not dependent of the regular parking to a greater extent. Our parking fees are by our own choice lower compared with other parking facilities in the vicinity and thus we have a higher occupancy rate.

We have invested in the multistory car park during a 3 year period with several measures that have increased the attraction. All lighting fixtures have been replaced with energy efficient fixtures which regulates the brightness depending on how much daylight there is available.

We have also repainted the whole interior of the multistory car park and upgraded our parking meters so that customers can pay with debit cards and soon will also be able to pay via SMS.

On the 4th floor of the multistory car park are two elevators connecting directly to the 1st floor where the supermarket is located. In the rental agreement we have with the supermarket we as landlord pay for 1 hour of free parking for the customers who shop in the grocery store.

Tenants in the property

Willys

This shop is located in the ground floor and has a commercial space of 3,875 m². This is the only supermarket in the city centre so it has a strong market position. It has an annual turnover of approximately 155 million SEK and a customer flow of approximately 70,000 paying customers per month.

When the renovations began in 2008 a new rental agreement was signed with the supermarket where the rent is based on their turnover which means we try to support the store on many issues to ensure that the turnover will stay on a positive level.

The rent for 2011 based on turnover is 1,250 SEK per m².

However, we have seen a decrease in turnover of the grocery store from 2009 to 2010, this is largely due to a big grocery store which has established themselves in the outskirts of the city center in the autumn of 2010, which has affected sales.

The Phonehouse

The shop sells mobile phones, subscriptions, accessories as well as laptops. This shop is located in the ground floor adjacent to the large entrance. They have a commercial space of 77 m² and pay a rent of about 3,600 SEK/m².

Eric's kök

A restaurant that has been in the property since the building was built in 1973. When the renovation began in 2008 the entire kitchen and restaurant area were demolished and moved to new location on the 2nd floor. A new modern kitchen was built where we as landlord own and are responsible for the maintenance of the kitchen equipment. In connection to the restaurant area a balcony was constructed to further enhance the attraction. Commercial space is 454 m² and has a rent of 1,900 SEK/m².

Intersport

Existing sport shop since 2004 and was open during the renovations of the building. This commercial space which is located on the 2nd floor was virtually the only area not affected significantly in the renovations.

This commercial space was renovated in 2004. Strong brand and in addition to the supermarket Willys, it is this store that attracts the most customers in the mall.

They have a commercial space of 1,112 m² and pays a rent of 850 SEK/m². The reason for the low rent is that they themselves paid for the renovation of their commercial space when they establish themselves in 2004.

Apartment Bostad

We ourselves moved into one of the vacant commercial areas in February of 2011. The space that we are occupying is the one that has a slightly worse location for sales and the assessment was that we wanted to be located in our own building. This property is the only one we have at the city center. We have a commercial space of 110 m² with an internal square meters rent about 1,100 SEK/m².

The other 1,148 m² of commercial space all located on the 2nd floor are vacant at the time of writing.

Rentals

We currently have 1,148 m² of vacant area in the shopping mall that is localized to the 2nd floor. During January of 2011 three of the shops went into bankruptcy. These shops were smaller shops and none of them had a strong brand. We are now working with these spaces in an effort to rent them out. We have recruited a company that specializes in renting out commercial

areas called CBRE. We have signed a contract in which they handle local requests and procurement of local agreements. They receive a fixed remuneration which is based on annual rent on the subscribed contract when the local agreement is signed.

Currently underway are negotiations with a gym on the 2nd floor which will lease approx. 890 m². The disadvantage of this rental is that it will be necessary to invest a lot of money when rebuilding to meet the demands that this tenant has set.

For the remaining 250 m² there are a couple of interested potential tenants.

We see, however, that we need to find a direction for the shopping mall to give Vasaporten a clear identity of city center Skövde. One of the options we are looking at is that the entire 2nd floor will be dedicated to health. Since we already have Intersport as tenant, it may be appropriate to build upon this. Then a gym is a good option. In addition to the gym, there is the sale of medical supplies, body treatments like massage, chiropractor and beauty shop

The idea is also to direct the restaurant to a more health related menu where it also offer shakes, salad bar, health menus, etc.

Market association of Vasaporten

Before the reopening of Vasaporten on the 22nd October we launched a market association for the tenants in the building. The market association's purpose is to strengthen the brand Vasaporten through marketing. The large part of the marketing is done through ads in newspapers, television advertising, and participation in various events in Skövde.

All members had to pay a deposit to the Association based on their commercial area. In addition to this, all members pay a monthly fee, based on the size of their commercial area. Each month, the Association receives 50,000 SEK in these fees.

As this is an association, there is a Board that manages the operation of the market association. The Chairman of the Association has been one of shop owners who previously had much experience of marketing. In addition to the Chairman there are 4 Board members and an auditor.

When then chairman Lars Wallberg resigned due to his shop going bankrupt, there is now a new Chairman of the Association. As the owner of the property, Apartment Bostad Väst AB has the largest share in the Market Association in order to influence and guide the development and marketing as much as possible.

At the time of writing, there are plans to lay the Market Association dormant or terminate it. This is because of the difficulty in finding someone who can manage the daily operation of the Market Association effectively. Instead the plan is that the

Apartment Bostad shall manage the marketing of the brand Vasaporten and the shops will do their own marketing. A General meeting is announced at the end of April when the decision will be made whether or not the Market Association will be laid dormant or terminated.

Summary

We still have some work left before we have a mall that functions well in city centre of Skövde. The big challenge is to find suitable tenants that are well known and can draw customers. The recession that struck at the end of 2008 hit us and the Skövde city centre hard. The large shopping mall Commerce located in Skövde City Centre also has a problem of finding suitable tenants for their vacant commercial areas. Skövde municipality and the designated centre leader have much work ahead to ensure that the city centre trade survives when so much of the shopping is on the external shopping centers.

Soon, a study will be presented in which the focus has been on to see how the distribution of the customer's money is on the various commercial areas. Hopefully this will show the Skövde municipality what the city center merchants are already aware of. There will always be a competition for the customers between the city center and the other large commercial areas and we will have to figure out a way to appeal to the customers to choose the city center of Skövde over the other commercial areas. If the city center can offer a wider array of shops and easy accessible parking we have a good chance of gaining more customers to the city center.