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Shopping malls have become the centerpieces for rejuvenation of cities in Lebanon. The concept of a singularly owned and operated multi-tenant commercial property is thriving. The shopping center industry forms an important layer of the mainstay that buttresses the Lebanese economy and society. As a principal facilitator of retail sales, it is a major contributor to private consumption, and has a significant impact on investment. Moreover, shopping centers are a prime generator of employment among young adults and a critical source of flexible working opportunities for students.

The major shopping centers in Lebanon are ABC, Beirut City Center, Beirut Souks, Citymall, Le Mall, and Dunes. The competitive environment that a mall faces today is considerably different from that faced in earlier days when their primary competition was a downtown business district or shopping streets. Today, a mall's primary competition is more likely to be another mall.

Selected Malls in Lebanon

Mall's Name	Year Opened	Location
ABC Dbayeh	1979	Dbayeh
Dunes	1997	Verdun
ABC Achrafieh	2003	Achrafieh
Citymall	2005	Dora
Beirut Souks	2009	Beirut
Le Mall Sin el Fil	2009	Sin el Fil
Le Mall Saida	2010	Saida
Karout Mall	2012	Chiah
Le Mall Dbayeh	2012	Dbayeh
City Center	2013	Hazmieh

Source: Companies' Websites

One of the oldest shopping malls was ABC which opened its first department store in 1936. Over the years, it has expanded all over Lebanon to tend to the largest number of customer base. ABC Dbayeh opened in 1979 on a 17,700 sqm land plot. It was expanded in 2009 to reach 32,500 sqm. ABC Achrafieh opened in 2003 over a 120,000 sqm of built up area with 35,000 sqm of gross leasable area (GLA). According to marketing director, Dalida Nahas, other than being strategically located, ABC malls present to their targeted customers what they expect in terms of shopping, entertainment, F&B, and lifestyle. Furthermore, ABC offers a customer service and experience that, today, is still unmatched domestically.

ABC Department store is the main anchor of ABC. Adjacent to it are international brands such as Zara, H&M, Victoria's Secret, Virgin, and local retailers driving traffic such as Aizone, GS and many others. Moreover, ABC is presently the exclusive franchise in Lebanon for major international brands such as Andre, Carroll, Kookai, Maje, Sandro, Adolf Dominguez, Desigual and Tommy Hilfiger.

Citymall followed in 2004, building a 70,000 sqm shopping center. According to Arlette Nahas, marketing manager at Citymall, the mall's location on the Dora highway and the ease of its accessibility are its main competitive advantages. Its major anchor tenant is BHV, which takes the

largest area among all tenants. Despite its early customer retention and uniqueness, traffic towards Citymall experienced headwind in the shape of the launching of Le mall in Sin el Fil (2009), and Dbayeh (2012).

According to Le Mall marketing department, the major advantage that it benefits from is the brand-mix, targeting the middle class which is considered the biggest social class in Lebanon. Le Mall's anchor tenants are Zara, Decathlon, Gap, Joue Club and Mike Sport.

In 2013, Beirut City Centre was Majid Al Futtaim's first mall to open in the Levant region, with a 62,000 sqm GLA. Total investment in the mall was around \$350M, with almost \$2.5M invested in municipal road infrastructure. The flagship mall features over 200 specialty stores including 40 new brands that opened in Lebanon for the first time, creating a dominant retail and entertainment destination for Beirut. This includes the country's first Carrefour hypermarket and the largest in the Middle East at 13,000 sqm, the first Multi-screen VOX Cinemas offering the latest in cinematic innovations, and the first Magic Planet family entertainment centre. Beirut City Centre also features the first Marks & Spencer store for the Lebanese market, along with the largest H&M and the newest Centrepoint, among many more brands. Beirut City Centre houses over 40 international restaurants and cafés, including a food court with 16 diners and an open-air rooftop terrace with 12 destination restaurants.

Worth mentioning that for the purpose of this focus, other malls were contacted, like Beirut Souks, City Center and Karout Mall, however they either did not answer in a timely manner or they refrained from sharing information.

Most Lebanese shopping centers have seen occupancy rates ranging between 88% and 99%. Both ABC flagships and Le Mall Saida have been registering occupancy rates above 95%, while it reached 99% in Le Mall's Dbayeh and Sin el Fil branches. Le Mall experiences a tenant turnover rate of 3 years, where the mall's management advises each lessee underperforming the average to close down, and replaces it with a new occupier that would be more capable of reeling in more income and consumer traffic. Beirut Souks managed to stabilize its turnover rate in the past year, after it restructured its rental fees.

The evolution of shopping centers over the years has dictated a paradigm shift that has transformed malls to act not only as a point of sale, but also as a place for leisure. As shopping centers seek to broaden their appeal as a consumer destination and not just a shopping location, the tenant mix of schemes has expanded to include a greater proportion of consumer services. Included among these non-traditional tenants are food-and-beverage and leisure occupiers, fitness and spa amenities and a wide array of educational, cultural, and entertainment facilities. For instance, 30% of Dunes consists of entertainment area, 20% goes to F&B, and 20% of it is the Holiday Inn Hotel. ABC has lately fine-tuned its F&B mix to offer a comprehensive mix of both casual and fine dining experience. Most malls in Lebanon include a kids' entertainment area and movie theaters. On the other hand, many malls offer personal care services such as hairstyling, make-up, and car wash. Restaurants, entertainment areas, and personal care services have been proven to increase the strength of shopping malls and drive traffic to the center on a recurring basis. For instance, according to Solidere, the launching of the Cinema, which sold almost 550,000 tickets of the estimated 1,000,000 tickets sold in Lebanon last year, and the opening of the food court afterwards, drastically increased footfall to Beirut Souks.

Malls displayed opposing footfall trends in the past 3 years. ABC and Le Mall witnessed positive footfall trend, although some months were a bit challenging. To ensure that this trend will keep on growing and in order to protect the business of operating tenants, ABC has been very keen on addressing the economic situation by investing in new brands and by implementing an all year round marketing calendar. On the other hand, Dunes and Citymall suffered from a declining trend, to the extent where lessees at Dunes pressured owners, and succeeded at decreasing rent costs. Dunes is highly affected by tourism activity as a large part of the mall's clientele are the visitors at its hotel, The Holiday Inn.

Looking at rental costs, most shopping center apply sales overage, an international best practice in which occupiers pay a percentage of their sales to mall owner in addition to a fixed rent. The average rent/sqm is very dependent on the location. For instance, average yearly rent costs in Le Mall vary from \$350-\$400/sqm in Saida, \$800/sqm in Sin el Fil and \$1000/sqm in Dbayeh, and the percentage of sales is around 10%. Citymall charges its tenants 10% to 15% of total sales, while ABC's sales overage is reliant on the business itself and the industry of the operator. According to Cushman & Wakefield's report "Main Streets across the World", ABC Achrafieh ranked the 37th most expensive retail rent charges worldwide with a quote of \$2,000/sqm annually. Dunes apply a similar strategy to

the above mentioned malls; however it is only enforced on the tenants in the F&B sector. It charges a fixed rent for the retail sector.

Due to the increase in the number of shopping centers, most malls are taking steps towards renewal, to remain competitive in the industry. For instance, plans to renovate Citymall are being examined, ABC is constantly trying to innovate and offer unique, more and better services, and Le Mall is hosting many events and game-competitions.

Nevertheless, shopping centres displayed optimistic expectations for the coming years, and implied that the market is still underserved, as there are a lot of expansion plans. ABC is in the process of building its 3rd flagship in Verdun over a 150,000 sqm built up area that will offer 50,000 sqm GLA. ABC Verdun is expected to house the world’s most renowned brands in fashion, F&B and a top notch entertainment. Le Mall has ideas of launching branches both in and outside of Lebanon. Citymall and Dunes also are planning on expansions however they kept this information confidential. Majid Al Futtaim is also opening its second mall in Lebanon, the Waterfront City Center, which is expected to open in 2017. This regional mall sits at the eastern edge of the Waterfront City, along the Beirut-Tripoli highway in the Naccache-Dbayeh area. With its 3 levels of retails (150 retail shops), a roof top cinema and restaurants section, it aims to serve the new city as well as the surrounding area.

Selected Malls Expected to Open in Lebanon

Mall's Name	Expected Year to Open	Location
Centerfalls	2016	Elissar
Cascada Mall	2016	Bekaa
Waterfront City Center	2016	Dbayeh
The Spot	2016	Choueifat
The Spot	2016	Tayouneh
Baabda Outlet Mall	2016	Baabda
ABC Verdun	2017	Verdun

Source: Companies' Websites

New malls are also expected to be launched in the coming years. Centerfalls, a premium outlet mall selling high-end brands at discounted prices, is expected to open in November 2016 in Elissar, Metn. Centerfalls, the first designer outlet resort in the Middle East, integrated 50,000 sqm shopping resort concept (18,500 sqm of GLA), breaking new grounds in Lebanon by bringing to its visitors the widest selection of luxury goods, sold all year long at discounted prices of 30% to 70% off. Additionally, quoting Bilal Yamout, SIDCOM’s head of development and leasing, “the mall has succeeded in reaching a high occupancy rate till now and will certainly open 100% leased”. The mall will have a rooftop, “Sky Village”, that includes cafes and restaurants overlooking natural landscape and sea views. Bilal Yamout stated that like all malls, Centerfalls will also apply sales overage; however, base rent costs would be 40% less than the average in Lebanon. Centerfalls’ main aim is to attract people from wider Beirut.

Cascada Mall is also under construction in the Bekaa and is expected to open in April 2016 over a 135,000 sqm of built up area, offering 54,000 sqm of GLA. It will consist of 200 retail spaces spread over 2 floors, a spacious food court, an entertainment center, and an 11 screen multiplex movie theatre to be operated by Empire Cinemas. Besides the movie theatre, Hypermarket Carrefour will be among the mall’s anchor tenants, spreading over a 10,000 sqm space. To date, despite having difficulties convincing some local retailers to rent in the Bekaa, 62% of the retail spaces have already been leased. New operators will be attempting their first venture in Lebanon at Cascada Mall, such as the children’s entertainment center, which will be run by the Italian company Terra Magica. To attract shoppers from all over Lebanon, Cascada Mall will have a wide range of prices that caters all budgets.

In addition, other malls are expected to open, such as “The Spot” anchored by Spinneys in Tayouneh and Choueifat, and Baabda Outlet Mall.

It seems that shopping centers in Lebanon are following the theory of “Build it! They will come!” as they became the biggest entertainment places of today’s life, welcoming people of all ages. Shopping centers will remain at the forefront of Lebanese commerce as they continue to adapt to meet the changing needs and wants of consumers.

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