

State of the Outlet Industry, Part I

2008 Outlet Retailing Report

As of Dec. 31, 2007:

Total No. of outlet chains: 305

Total No. of outlet stores: 11,546

Average outlet chain size: 38 stores

2008 expansion plans: 348 new units (per 66 responding outlet chains)

2009 expansion plans: 302 new units (per 48 responding outlet chains)

Average rent: \$23 psf (per 46 responding outlet chains operating 1,038 stores)

Average sales psf: \$303 (per 76 responding outlet chains operating 5,530 stores)

Number of parent companies operating outlet chains:
261 parent companies

Number of parent companies operating multiple concepts:
51 parent companies operate 140 outlet concepts totaling 6,337 stores.

Largest multi-concept outlet companies

(those operating more than 100 stores)

PARENT COMPANY	TOTAL NUMBER OF STORES IN ALL CONCEPTS
Jones Apparel Group	601
Phillips-Van Heusen Corp.	553
Brown Shoe Company	457
Carter's	314
Gap	278
VF Corp.	237
NACCO Industries*	229
Liz Claiborne	226
Adidas America	212
Hanesbrands	211
Dress Barn	206
Genesco	176
Nike	173
Apollo Management*	161
Charming Shoppes	153
Children's Place Retail Stores	136
Tommy Hilfiger	131
Polo Ralph Lauren Corp.	130
Guess?	123
Perfumania	114
Rue21	114
Totes/Isotoner	110

22 parent companies accounting for 65 outlet concepts and a total of 5,045 stores

*NACCO's chains are Le Gourmet Chef and Kitchen Collection; Apollo's chains are Claire's and Claire's Icing.

As of 12/31/07

VRN looks at outlet retailing with an eye to the future, not to the past

By Linda Humphers

Editor in Chief

For the past 25 years – since 1983 – *Value Retail News* has collected data from outlet chains and outlet-center developers, primarily for use in our industry-related directories, the *Value Retail Directory* and the *Global Outlet Project Directory*. That data is also sometimes used as the basis for stories, as well as the State of the Outlet Industry Report published through the years by VRN.

In past years, VRN has run one State of the Outlet industry report covering both retailers and centers, and has offered a year-by-year comparison of the industry's growth. Beginning with 2008 the report on the industry's 2007 growth will appear in two parts: outlet retailers, which will run in this issue, and outlet centers, which will run in the May issue.

And, after much thought, we've decided to drop the yearly comparisons. We have noted that the comparisons serve only to highlight the industry's consolidation rather than its maturity. Some industry observers, such as the press, view the comparisons and don't characterize stability as an indication of industry health. These observers are buoyed by signs of exuberant growth and dismayed by signs of conservative growth. Thus, the industry is often accused of being in trouble when it is actually gaining productivity and profitability.

We should also point out that VRN's data has been collected by any number of people from any number of people, and on occasion we've included misleading information. For instance, there were many years in which the total number of outlet stores included all the stores in a chain, even those that weren't located in outlet centers. For example, Famous Footwear's 1,078 stores would have been added to the total number of stores, rather than the 192 that are in outlet centers. We are always working to fine-tune our data, and when we do change numbers, they're usually tightened. And tightened numbers, as we previously pointed out, can be misconstrued.

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In the interest of giving you more data rather than less, we'll provide some numbers that we've rarely shared. These include average sales per square foot, rent, discounts and store size. We have chosen not to name the chains that contributed some of this data, even though the information has been published in the new, hot-off-the-press *2008 Value Retail Directory* within the individual listings.

We urge you to use the data as a guide, not as gospel. Take discounts, for instance. A chain may have said that its average discount is 40 percent, but that figure might not take into account those items that aren't discounted at all. Or it might.

We've also looked at the number of parent companies that are operating multiple outlet concepts, a stat that wouldn't have been significant even 10 years ago. Today, many manufacturers recognize the benefits of the outlet distribution channel and have maximized that potential through targeted concepts.

There was a time when outlet stores operated only in outlet centers, but today, retailers are open to many types of opportunities, although most that were incubated in outlet centers still call them home. For the *2008 Value Retail Directory*, data was collected on more than 485 retail chains that classify themselves as discount, offprice, specialty, warehouse, clearinghouse, superstore, catalog, food and outlet.

Of those 485 chains, 305 operate either primarily, significantly or totally in outlet centers and are the basis for the following report. ■

For ICSC members, *The 2008 Value Retail Directory* is \$275; *The 2008 Global Outlet Project Directory*, to be available in June, is \$195; purchased as a set, \$415. To order, visit www.valuereetailnews.com or call +1 301 362 6902.

2008 Value Retail Directory Outlet Chain Deletions

Outlet Chain Deletions	No. of units
Bombay Outlet	46
Carolee Company Store	2
Carolina Herrera	1
Casio Outlet	2
Hoover	1
Little Me	37
Mikasa	108
Springmaid-Wamsutta	41
WestPoint Home	32
Total units deleted	270

As of 12/31/07

Source: Value Retail News

Average discount: 37 percent
(per 170 responding outlet chains, operating 5,918 stores)

Outlet Chains' Average Discount (discount of 50 percent or more)

CHAIN	AVERAGE DISCOUNT
Zales Outlet	66%
Bottega Veneta	60%
Chico's	60%
Current Factory Outlet	60%
Escada	60%
Home Decor Outlet	60%
Jewelry & Handbag Warehouse	60%
Marmi Shoe Rack Outlet Store	60%
OFF 5TH - Saks Fifth Avenue Outlet	60%
Oneida Outlet	60%
Ashworth	55%
Down East/GK Outlet	55%
Barneys New York Outlet	50%
Battaglia Shoes Outlet	50%
Burberry Factory Outlet	50%
Burlington Brands	50%
Couture New York	50%
DFX-Designer Fashion Exchange/Jay Set	50%
Disney's Character Warehouse Outlet Store	50%
Electronics Outlet	50%
French Connection	50%
Guess? Factory Store	50%
J M Originals Inc.	50%
Jaymar Factory Outlet/HSM Outlet/M. Wile/Thorngate	50%
Jessica McClintock Company Store	50%
Koret	50%
McGregor Socks Outlet Store	50%
Norm Thompson Outlet	50%
Oakley Vault	50%
Pottery Barn /Pottery Barn Kids Outlets	50%
Quiksilver	50%
Scent-Saver/Fragrance Gallery	50%
Shepherd Hills Factory Outlets	50%
St. John Knits	50%
Swank Factory Store/90 Park/Designer Jewelry	50%
Swim 'n Sport Shops Outlet	50%
Tanner	50%
Time Factory Watch Outlet	50%
Tourneau	50%
VF Outlet	50%
Vitamin World	50%
Zegna Outlet Store	50%

As of 12/31/07

Merchandise Categories

	NUMBER OF CHAINS IN CATEGORY	TOTAL UNITS
Apparel		
Apparel - Women	47	1,560
Apparel - Family	32	1,538
Apparel - Men & Women	29	1,445
Apparel - Children	10	596
Apparel - Men	11	317
Athletic Apparel & Footwear/ Sporting Goods		
Lingerie/Underwear/Hosiery	7	322
Accessories		
Accessories	13	444
Jewelry	12	521
Handbags/Luggage/Leather Goods	10	338
Shoes		
Shoes	29	1,839
Home		
Housewares/Tableware/Kitchenware	25	580
Home Decor/Furnishings	14	133
Linens/Domestics	3	10
Other		
Electronics/Appliances	5	83
Books/Music/Video	4	48
Beauty Products/Cosmetics	11	399
Department Store	3	120
Drug/Health	2	168
Food	6	230
General Merchandise	4	42
Paper Goods/Cards/Gifts	3	75
Toys	3	146
Totals:	305	11,546

As of 12/31/07

2008 Value Retail Directory Outlet Chain New Additions

OUTLET CHAIN ADDITIONS	NO. OF UNITS
A/X Armani Exchange	6
Arden B	4
BCBGirls	7
Berean's Christian Outlet	0 (10 in '08, 10 in '09)*
Bijoux Terner	3
Chef's Outlet	4
Croc's	8 (2 in '08, 6 in '09)
DKNY Jeans	14
Dana Buchman/Ellen Tracy	20
Disney Character Warehouse	25
G by Guess	35
Juicy Couture	13
Justice	5
Kate Spade	5
Limited Too	43
Lucky Brand Jeans	13
Marmi Company Stores	2
Papaya	19
Tourneau	3
Trade Secrets/Beauty Express	10 (30 in '08 & '09)
Under Armour	18 (2 in 2009)
Wet Seal	8
Total additions	265 outlet units

*chain to launch in 2008

As of 12/31/07

Source: Value Retail News

Average store size: 4,520 sf (per 276 responding outlet chains)

Chains with average store size of at least 10,000 sf

RETAILER NAME	AVERAGE SIZE IN SF	STORES IN CHAIN
Carolina Pottery	75000	4
Nordstrom Rack	35000	52
Neiman Marcus Last Call	27000	20
VF Outlet	27000	77
OFF 5TH - Saks Fifth Avenue Outlet	24000	48
Pottery Barn /Pottery Barn Kids Outlets	20000	9
Youngworld	20000	10
Crate & Barrel	15000	14
Nike Factory Store	15000	113
Old Navy	15000	46
L.L. Bean Factory Store	13000	16
Bellach's Leather for Living, Inc.	12000	4
Group USA	12000	27
Party City/Party America/Paper Factory/Card & Party Outlet/Halloween USA	12000	74*
Polo Ralph Lauren/Ralph Lauren/Ralph Lauren Home/ Polo Ralph Lauren Children Factory Stores	12000	130
Restoration Hardware	12000	8
GAP Outlet	10000	168
Lands' End Outlet	10000	15
Libbey Glass Factory Outlet Store	10000	4
Liz Claiborne/Liz Claiborne Woman/Claiborne Outlet/Clearance Centers/Company Stores	10000	136
Talbots Outlet	10000	25
Total number of stores among largest square-footage occupiers		1,000

* in outlet centers

As of 12/31/07

State of the Outlet Industry, Part 2

2008 U.S. Outlet Centers Report

Industry Snapshot,

Dec. 31, 2007 - April 1, 2008

- **Number of U.S. outlet centers:** 217
- **Total outlet center GLA:** 57 million (56,511,459 sf)
- **Average outlet center GLA:** 260,422 sf

OUTLET CENTER OPENINGS

- **Number of U.S. outlet center openings:** Three
- 1. The Outlets Shoppes at El Paso, 378,353 sf;
- 2. Philadelphia Premium Outlets, 553,000 sf;
- 3. Houston Premium Outlets, 427,000 sf
- **Total GLA of those openings:** 1,358,353 sf
- **Average size of those openings:** 452,784 sf

PLANNED OUTLET CENTER PROJECTS BY YEAREND 2010:

- **Planned phase 1 outlet centers:** 35 totaling 11.8 million sf
- **Planned expansions to existing outlet centers:** 18 planned by 2010 totaling 3.34 million sf, plus 2 megamall expansions totaling 89,000 sf (approximately 30,000 sf of outlet space).

AVERAGE HOUSEHOLD INCOME (AHI)

180 of 217 centers replied:

- Among 64 centers specifying a market radius of 10 to 50 miles, AHI was \$58,000
- Among 60 centers specifying a market radius of 60 miles, AHI was \$57,000
- Among 56 centers specifying a market radius of 75 to 100 miles, AHI was \$50,000

OUTLET CENTER OWNERSHIP

- **74 developers own 217 outlet centers.**
- 162 centers are owned by 19 developers; put another way, 75 percent of the centers are owned by 26 percent of the developers.
- 19 multiple center owners account for 47,792,959 sf, or about 85 percent of the 57 million-sf total.

V^RN surveys today's outlet centers in the U.S. and Puerto Rico, focusing on their stable growth and ownership as of April 1, 2008.

By Linda Humphers
Editor in Chief

For the past 25 years – since 1983 – *Value Retail News* has collected data from outlet chains and outlet-center developers, primarily for use in our industry-related directories, the *Value Retail Directory* and the *Global Outlet Project Directory*. That data is also sometimes used as the basis for stories, as well as the State of the Outlet Industry Report published through the years by V^RN.

In past years, V^RN has run one State of the Outlet industry report covering both retailers and centers, and has offered a year-by-year comparison of the industry's growth. In 2008 we have decided to make some changes in our report.

For starters, we've switched to covering the industry in two parts: Part 1, which covered outlet chains, appeared last month, in the April V^RN, while Part 2, running in this issue, focuses on outlet centers.

Secondly, after much thought, we've decided to

drop the yearly comparisons.

We have noted that the comparisons serve only to highlight the industry's consolidation rather than its maturity and here's why: Some industry observers, such as the daily press, view the comparisons and then oddly fail to note the annual increase in square footage, focusing only on the number of centers. The observers often don't characterize stability as an indication of industry health and cannot seem to retain an understanding that V^RN's methodology (that an outlet center must have 50 percent outlet occupancy) can make the number of projects vary year by year.

Many industry observers are buoyed by signs of exuberant growth and dismayed by signs of conservative growth. Thus, the industry is often accused of being in trouble when it is actually gaining productivity and profitability. We will also be removing the growth charts from our website, www.valueretailnews.com.

The bottom line is, in 2007, total outlet square footage rose by 863,322 sf; the number of centers went to 217 from 222 in 2006, indicating that expansions are still an industry growth vehicle.

We are always working to fine-tune our data, and when we do change numbers, they're usually tightened. And tightened numbers, as we previously pointed out, can be misconstrued.

In the interest of giving you more data rather than less, we'll provide some numbers that we've rarely shared, such as average household income

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7 Largest U.S. Outlet Center Portfolios

(above 1 million sf, as of April 1, 2008)

DEVELOPERS	NO. OF CENTERS	GLA
Chelsea Property Group	48	17,162,000
Tanger Factory Outlet Centers	33	9,123,818
Prime Retail Inc.	22	7,909,260
Craig Realty Group	11	3,218,785
Horizon Group Properties	6	1,605,715
Ariel Preferred Retail Group	6	1,290,051
Talisman Companies	3	1,060,000
Total	129	41,369,629

* The largest portfolios also represent most of the largest centers; the average center size among the group is 321,000 sf. Some centers are also owned with partners.

Source: 2008 Global Outlet Project Directory

20 largest U.S. Outlet Centers

OUTLET CENTER	DEVELOPER	GLA (SF)	OPENED
Woodbury Common Premium Outlets , Central Valley, NY	Chelsea Property Group	844,000	1985
Prime Outlets International , Orlando, FL	Prime Retail	772,848	1981
VF Outlet Village , Reading, PA	VF Outlet	734,000	1970
Tanger Outlet Center , Riverhead, NY	Tanger Factory Outlet Centers	729,315	1994
Prime Outlets - Birch Run , Birch Run, MI	Prime Retail	679,664	1986
Prime Outlets - San Marcos , San Marcos, TX	Prime Retail	670,978	1990
Wrentham Village Premium Outlets , Wrentham, MA	Chelsea Property Group	616,000	1997
Gilroy Premium Outlets , Gilroy, CA	Chelsea Property Group	577,000	1990
Rockvale Outlets , Lancaster, PA	PA Outlet Management	565,000	1986
Las Americas Premium Outlets , San Diego, CA	Chelsea Property Group	561,000	2001
Tanger Outlet Center , Foley, AL	Tanger Factory Outlet Centers	557,194	1988
Philadelphia Premium Outlets , Limerick, PA	Chelsea Property Group	553,000	2007
Rio Grande Valley Premium Outlets , Mercedes, TX	Chelsea Property Group	550,000	2006
Louisiana Boardwalk , Bossier City, LA	O & S Holdings	550,000	2005
North Georgia Premium Outlets , Dawsonville, GA	Chelsea Property Group	540,000	1996
Las Vegas Premium Outlets , Las Vegas, NV	Chelsea Property Group	540,000	2003
Fashion Outlets of Niagara Falls , Niagara Falls, NY	Talisman Companies	533,000	1982
Prime Outlets - Grove City , Grove City, PA	Prime Retail	532,063	1994
Miromar Outlets, Southwest Florida , Estero, FL	Miromar Development	519,625	1998
Desert Hills Premium Outlets , Cabazon, CA	Chelsea Property Group	500,000	1990

The 20 largest U.S. outlet projects are in 12 states and operated by 8 developers

Total GLA of the 20 largest is 12,124,687 sf.

Source: 2008 Global Outlet Project Directory

THE 20 LARGEST U.S. Outlet projects are in 12 states (4 in Pennsylvania, 3 in California and New York; 2 in Florida and Texas, plus Nevada, Georgia, Louisiana, Alabama, Michigan and Massachusetts) and are operated by 8 developers (Chelsea 9, Prime 4, Tanger 2, plus PA Outlet Management, VF, O&S, Talisman and Miromar).

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in outlet markets and the number of outlet centers and GLA in each state.

Although all the information in this report can be found in the *2008 Global Outlet Project Directory*, which will be available in June, we've sliced and diced it for your convenience to give you charts on the largest outlet centers, the largest outlet portfolios, the total number of centers and GLA, as well as a list of companies that own more than one outlet center.

For the *2008 Global Outlet Project Directory*, VRN collected data on 318 planned and existing outlet centers and expansions, lifestyle centers and value megamalls. As always, VRN still classifies an outlet center as one in which at least 50 percent of the tenants are outlet chains. For this reason, some centers that choose the "lifestyle" category are included in the total tally, while no value megamalls – those centers that are larger than 700,000 sf of GLA – are included.

The value megamall decision has always been
(Continued on next page)

Multiple Center Ownership

as of April 1, 2008

DEVELOPERS	NO. OF CENTERS	GLA
Chelsea Property Group	48	17,162,000
Tanger Factory Outlet Centers	33	9,123,818
Prime Retail	22	7,909,260
Craig Realty Group	11	3,218,785
Horizon Group Properties	6	1,605,715
Ariel Preferred Retail Group	6	1,290,051
Talisman Companies	3	1,060,000
VF Outlet	2	900,152
PA Outlet Management	2	810,000
Northwest Outlets	5	731,034
Belz Enterprises	2	728,937
Cordish Company	2	670,000
Gilad Development	2	615,813
Cobra Properties	3	598,750
DPI Group	6	571,930
SugarOak Management Services	2	289,554
Howard Realty Group	2	280,000
Greenridge Management Corp.	3	127,700
L & M Associates	2	99,460
19 multiple-center owners	162	47,792,959

Some centers are also owned with partners.

Source: 2008 Global Outlet Project Directory

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debatable since most of those centers do have at least 30 percent outlet tenancy, or over 300,000 sf. Sixty-five percent, or 142, of the 217 outlet centers open as of April 1, 2008, were smaller than 300,000 sf. Ignoring such significant outlet GLA would also cast an incorrect picture of the industry, so we're including a report on outlet tenancy in the nation's 23 megamalls, 1 mega value center and 21 value-oriented centers.

Not found in the project directory, but which is a popular part of our annual State of the Industry Report, is an update on the industry's Big Three: Simon Property Group (with results for Chelsea Property Group and The Mills), Tanger Factory Outlet Centers and Prime Retail. Again, for your convenience we've pulled together numbers from Simon and Tanger's financial reports; Prime Retail has graciously supplied us with occupancy and sales per square foot. ▮

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The Big Three Owners 2007 results (U.S.)

Simon Property Group

Chelsea Property Group's Premium Outlet Centers

- 38 Premium Outlet Centers totaling 15 million sf

- Occupancy: 99.7 percent
- Comp sales psf: \$504
- Average base rent psf: \$25.67

The Mills

- 17 malls totaling 24.3 million sf

- Occupancy: 94.1 percent
- Comp sales psf: \$372
- Average base rent: \$19.06

Tanger Factory Outlet Centers

- 33 centers totaling 9.1 million sf

- Occupancy: 97.6 percent
- Average sales psf: \$342
- Average base rent not reported

Prime Retail

- 22 centers totaling 7.9 million sf

- Occupancy: 97 percent
- All sales psf: \$363

Outlet Centers by State

217 centers in 43 states and Puerto Rico

STATE	NUMBER OF CENTERS	TOTAL GLA IN STATE
Alabama	6	1,157,489
Arizona	4	815,580
California	23	5,849,952
Colorado	3	1,076,283
Connecticut	2	563,051
Delaware	4	768,939
Florida	14	4,676,653
Georgia	10	2,487,694
Hawaii	1	210,000
Idaho	2	367,000
Illinois	4	1,064,336
Indiana	4	1,203,925
Iowa	2	389,230
Kentucky	4	466,537
Louisiana	3	921,923
Maine	7	455,663
Maryland	4	1,131,052
Massachusetts	4	1,136,759
Michigan	7	1,744,190
Minnesota	3	789,340
Mississippi	5	862,618
Missouri	7	1,661,992
Nebraska	2	282,000
Nevada	3	1,417,000
New Hampshire	2	483,073
New Jersey	7	1,295,000
New Mexico	1	127,000
New York	9	2,887,775
North Carolina	5	1,120,405
Ohio	3	1,020,624
Oregon	5	1,058,081
Pennsylvania	9	3,765,965
Puerto Rico	2	526,219
South Carolina	5	1,881,428
Tennessee	8	1,768,622
Texas	13	4,713,306
Utah	2	485,883
Vermont	5	351,700
Virginia	3	1,102,712
Washington	5	1,102,421
West Virginia	1	105,000
Wisconsin	4	1,217,039
Totals	217	56,511,459

*No outlet centers operate in Alaska, Arkansas, Kansas, Montana, Nebraska, N. Dakota, Oklahoma (1 planned), Rhode Island, S. Dakota and Wyoming.

Source: 2008 Global Outlet Project Directory

Value Centers with Significant Outlet Tenancy

- 23 value megamalls (ranging in size from 2.3 million sf to 700,000 sf) totaling 29,883,734 sf
- 1 non-mall value mega center (RED Development's 1.1 million-sf The Legends at Village West in Kansas City, Kan., which opened in 2006)
- 21 value-oriented centers (ranging in size from 368,032 sf to 76,521 sf) totaling 4,369,919 sf
- Value-center totals: 45 projects totaling 35,353,653 sf
- Calculating a conservative 30 percent outlet tenancy in each project, outlet GLA: 10,606,095 sf.

10 Largest Value Megamalls

As of April 1, 2008

PROJECT	DEVELOPER	GLA IN SF	AVERAGE HOUSEHOLD INCOME *	OPENING
Sawgrass Mills/Colonnade Outlets Sunrise, FL	The Mills, A Simon Co.	2,300,000	\$59,687	1990
Gurnee Mills Gurnee, IL	The Mills, A Simon Co.	1,800,000	\$73,871	1991
Franklin Mills Philadelphia, PA	The Mills, A Simon Co.	1,700,000	\$67,601	1989
Grapevine Mills Grapevine, TX	The Mills, A Simon Co./ Kan Am	1,600,000	\$64,315	1997
Potomac Mills Woodbridge, VA	The Mills, A Simon Co.	1,600,000	\$80,527	1985
Cincinnati Mills Cincinnati, OH	The Mills, A Simon Co.	1,500,000	\$54,977**	2004
Ontario Mills Ontario, CA	The Mills, A Simon Co./ Kan Am	1,500,000	\$67,884	1996
Great Lakes Crossing Auburn Hills, MI	Taubman Centers	1,360,000	\$74,765**	1998
Dolphin Mall Miami, FL	Taubman Centers	1,315,000	\$62,447**	2001

Totals: 3 developers 14,675,000 sf

* 40 mile radius **radius not specified

Source: 2008 Global Outlet Project Directory