Part 2: 2-6 Terms of Occupancy

Retailers or store groups with multiple stores usually lease buildings for their retail stores instead of owning real estate. Small stores or regional groups may build their own buildings to specifications and control all aspects of the physical building. There are pros and cons for both types of occupancy, depending on the geographical region of the country, the store type and number of stores, and the liquidity of the assets of the retailer.

Usually stores in a shopping center or mall are leased and the retailer pays a monthly rent based on a dollar amount per square foot of rented floor space. Sometimes, the retailer must also pay rent based on both floor space and the sales volume the store realizes during a year's operation. In addition to rent, the retailer frequently pays either a center or mall maintenance fee for upkeep of the commons area inside the center and/or for grounds maintenance in order to cover the cleaning of the parking and landscaped areas. Most centers or malls charge a fee for the promotional efforts of the mall marketing department. Some centers charge both of these fees or a single fee which covers all center operating costs in order to operate a lucrative shopping center that attracts a variety of target consumer segments.