

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing

3. Development Topics

- t. "Commentary on Shopping Center
Development", and other notes on
shopping center development and
financing, no date

COMMENTARY ON SHOPPING CENTER DEVELOPMENT

- I. Once again we touch on a topic on which we could dwell for weeks. Shopping Centers have been the glamor girl of real estate development. For many they are the only desirable real estate phenomena to be derived from our convulsive move to urbanize our population. Certainly their profit potential in the short run has been over estimated by the lay investor and their long term monopoly value underestimated by all but a few.
 - A. Major shopping centers are returning on the average slightly less than 6% on equity assuming straight line depreciation and return after amortization. Many large centers are still marginal because they have been built to anticipate markets five or ten years in the future and most centers have cost more than the developer ever anticipated.
 - B. But think of the monopoly power the shopping center will have in a few years. Sites of 60-100 acres will not be available at reasonable prices. Primary markets will have to do much of their shopping at the existing center. Discount houses are driving the small strip retailer out of business, not the larger retailing units. Moreover, the center owner will own the whole town as far as his tenants are concerned. Downtown the landlord must compete with many others for the available tenants; in the shopping center there is only one landlord, and probably there is only one premium center serving a given market.
 - C. However, developers have found they can be the victims of the real estate tax monopoly of the city. Often the tenant, on a fixed minimum plus percentage lease for 10 years or more, no longer considers himself as part of the Taxpayers Alliance, so that the developer is a constituency of one and lacking the political influence of the downtown associations who have gleefully pressed for ever higher assessments on their suburban competitors.
 - D. The developer must also face the monopoly of money. The lender who puts up 80% or more of a multimillion dollar cost drives some hard bargains in terms of control, an equity share or sweetener, and in mortgage terms.
- II. In preliminary planning, before you reach the refinements of physical design stressed in CBH, you must relate gross receipts to estimated capital cost. There must be an economic rational for the center, and I would like to plug in some dollar and cents examples into the CBH discussions to give them some imagery and scale.
 - A. First we need to agree on several basic definitions:
 1. Gross Leasable Area - the standard unit of measurement-is the total floor area designed for tenant occupancy and exclusive use. It includes basements, mezzanines, and upper floors, if any. It is expressed in square feet

measured from the center line of joint partitions and from outside wall faces. GLA is all that area on which tenants pay rent. It is the area producing income.

2. Gross Receipts-is the total income received. It includes the rental income from tenants plus other income received as charges payable under certain lease clauses such as common area charges, tax and insurance charges under escalator clauses, and income from facilities that may be provided as features of the center.
 3. Balance After Operating Expenses-is that part of the total income remaining after operating expenses, including real estate taxes, are taken out before deductions are made for depreciation, debt service, federal income taxes, and return on equity. The "operating net" is what remains after operating expenses are taken from gross receipts.
 4. Parking Index-is the number of car spaces provided, not the area of square feet taken up by parking. Parking index indicates technically the number of car parking spaces provided in relation to the gross leasable area.
- B. The Bible of shopping center analysts is the annual ULI study The Dollars and Cents of Shopping Centers. Must reading for the appraiser is the Standard Manual of Expense Accounts for Shopping Centers also by ULI.
- C. The budget for construction cost is geared to income from the guaranteed rent expectancy. The developer must begin with a requisite number of individual leases from several key tenants simultaneously. These leases reflect the average sales which the market analysis indicates are a feasible target for a particular location.
1. Suppose the developer uses average gross receipts for regional centers which is \$2.01 per square foot of GLA. That is, rent plus common area maintenance fees.
 2. The ULI study shows operating expenses for the average center at 66¢ a foot. That would leave \$1.35 available for debt service, depreciation, and return on equity. Lord help those who don't do better than the average.
 3. One expert, Willard G. Rouse of Community Research and Development, Inc. would interpret this \$1.35 as follows:
 4. Presently shopping center mortgage financing requires 6½% interest with a 20 year payout and a 9% cap rate to pay back principle and interest. If you divide 1.35 by 9% you get \$15.00 per square foot of capitalized value. If the mortgage ratio is 2/3 the developer could borrow \$10.00 per square foot of GLA. Let's see what capital cost may be before talking rents for a regional center. The ULI offers a check list for capital cost which is a Bible in the field. Its basic categories are :

- a. Off-site improvements
 - b. On-site improvements
 - c. Building costs
 - d. Tenant improvements
 - e. Fees
 - f. Land cost
5. Off-site improvements are generally overlooked, but just as in residential development, the developer may have to create streets for entry, sidewalks, run-out utilities, relocate power lines, even install traffic lights at \$5,000 or more a piece.
6. Onsite improvements range from surveys and tests to paving of parking, landscaping, and street hardware. ~~Ek~~house reports these will range from \$2.00 to over \$4.00 but he suggests preliminary plans should allow at least \$3 per square foot of GLA.
7. The next item is building cost which is what most people think of when you say a center costs \$10.00 per square foot. Actually this item runs between \$5 and \$6 a square foot. This includes just the building shell and finishing utilities and landscaping within five feet of the building. Utilities are roughed in and finished public areas including escalators, stairways, and public toilets. One very expensive item is cleanup of the construction mess, an expensive the sharp developer is shifting to his tenant in his lease.
8. Tenant improvements range from \$4.00 as a low to \$6.00 as a high and ~~Ek~~house suggests \$4.50 as a minimum. That is a tight budget for it includes air conditioning along with store fronts, window backs, ceilings, walls, acoustical material, and store fixtures. There is also installation of fixtures for lighting, plumbing, and signs.
9. Beginners always underestimate fees. These costs will exceed \$3.00 a square foot of GLA. There are market and traffic studies, architectural, engineering, legal, and accounting fees. Re-zoning can be very expensive and leasing costs will be in the area of 70¢ per square foot. And there is also all the carrying charges for staff and real estate during the period of development and construction.
10. Now we have spent \$16.00 a square foot of GLA without land and we expect to mortgage for \$10.00. This developer must either put in \$6.00 in equity or secure guaranteed rent leases far above average.
11. Land cost is often distorted by the amateur. A land cost of \$20,000 an acre would suggest a cost of 50¢ a square foot. However, the developer must provide a minimum of 3 square feet of parking for each foot of GLA which means the land cost must be multiple of four or \$2.00 per foot of GLA. Some experts urge ratios of 5 or 6 to 1. At this point we have a total capital cost of \$18.00 or more per GLA.

III. Obviously the developer is going to need more rent than average. to add another \$5 to that mortgage you must increase your rents by 68¢ per square foot for an average rent of about \$2.70.

- A. \$2.70 is not a high rent for a shoe store, bakery, or barbershop. However large space users for food and general merchandise are not about to pay \$2.70. They think in terms of \$1.50.
- B. Studies show 48% of the GLA in the average regional center consists of food stores and department stores. Since they claim to generate the traffic for the other stores, they expect to be subsidized and are. If you expect to average \$2.70 a square foot it will be necessary to add \$1.20 lost on the big space users to the other 50% of the GLA which brings the average rent on the rest of the center up to \$3.90.
- C. A regional center may have 300,000 square feet of GLA. Your market potential must be able to absorb 150,000 square feet at \$3.90 and that may be tough. Several large women's stores may want some rent concessions, and high rent payers like candy stores only need 800 or 1,000 square feet.
- D. It may be necessary to push your key tenants to a \$1.90 or \$2.00 so that the differential is only 70¢ of 30¢ and you can secure the smaller tenants at \$3.40 or \$3.50.
- E. These figures are realistic. It is hard for the developer to make any money and it is almost impossible for him to mortgage out. Amateurs have made too many mistakes so that lenders today look for developments by the professionals in league with experienced merchandisers.

IV. The developer must push for higher rents for key tenants or a ~~reduction in~~ cost both for himself and for differentials shifted to smaller tenants. At random I would like to suggest various innovations which are being tried to accomplish this.

- A. Developers look with more favor on granting exclusives to some tenants. Variety may not be the spice of life. For example F. W. Woolworth might pay \$1.60 per square foot if it must share the market with a Grant store. If it is given an exclusive it might pay \$1.90 or more because it will realize a higher volume of sales per square foot.
- B. The allocation of space may reflect sales per square foot of GLA. For example the ULI studies show the highest are meat markets, super-markets, liquor, delicatessen, restaurants, costume jewelry, dairy products, TV stores, and drugs. Sales ranged from \$134 for meat to \$59 for drugs.
- C. The lowest average sales per square foot are theaters, coin-op laundries, furniture stores, gift stores, flowers and photographers where the range was \$27 to \$35. Obviously these tenants must pay a higher percentage of sales as rent but the additional percentage is not so high that one can support much space or expect much overage rent.

- D. The developer must also be careful not to give away excess space to secure the national credit risks sought by the lender. For example figures show that chain shoe stores do a smaller volume per square foot than independent shoe stores. This results when the independent will take 25,000 square feet while the chain store will take 4,000 square feet. With a lower minimum rent the national credit can take more space and hope to expand the business in the future. His speculation is financed by the developer and the local tenant.
- E. From the physical construction standpoint the outstanding trend in centers today is development of the closed mall center. Roofing and air conditioning the mall adds at least 15 days of high volume shopping to most centers in the country. A closed mall fights the heat in Phoenix, the rain in Seattle, and the cold in Minneapolis. Obviously bigger crowds mean higher sales per square foot and they have found it means higher sales and a better distribution of sales per shopper. In uncomfortable weather shoppers tend to bunch in the larger stores or fail to window shop along the mall where it is open to the weather. A closed mall avoids bunching and permits sliding glass store fronts which merge the smaller stores with the mall.
- F. Another type of center is the fashion goods center which features nothing but speciality shops and none of the usual service shops such as super-markets and drug stores.
- G. In an effort to generate more heterogeneity in pedestrian traffic and a wider span of use hours, developers are adding office buildings, theaters, prestige night clubs, and community recreation facilities to the basic shopping center physical plant. Several centers have developed perimeters of hotels, offices, etc.
- H. One mystery is the discount house. Discount houses create a lot of pedestrian traffic, are large advertisers, and require space which is somewhat cheaper to build. On the other hand discount stores hurt the independence more than the larger stores, and these independence must be kept alive if only to subsidize the rent of key tenants.
- I. Several patterns of financing and construction have been used to reduce the burden of key tenants on the developer and the smaller tenant. The developer may lease the ground from the owner on a net net net basis of 6% of appraised value. The owner must take all the care of the construction money lender in assessing the potential of the development before subordinating and the amount of the mortgage to which the lease is subordinated should be stipulated. The developer in turn may sublease ground to one of his key tenants under an agreement which obligates the tenant to build his own store.
- J. The sale or lease of land within a center to a tenant is known as a "carve out". Sale to the tenant permits him to resell it to the lender on a leaseback. The developer achieves a traffic generator without cash investment and perhaps without need to subsidize by means of higher rents for independence.

K. Developers find that activity means business. In Portland they have an ice skating rink in the middle of the center which is not run for profit but to attract people. Many have built community auditoriums available to civic groups at nominal cost. A few have art galleries, more have bowling allies.

V. One specialty building that has been profitable has been the bowling alley. for which some interesting data is available.

A. Bowling alleys demonstrate the profit potential of developing heterogeneous use of a low cost service at regular intervals through the year. The ladies bowl in the early afternoon, the teenagers in the late afternoon, and the men's group in the evening. It provides an excuse for group activity, an occupation for leisure time, and the appeal of mild competitive sports activity. We are all well aware of the tremendous growth which this industry experienced until recently.

B. The bowling alley depends on the automobile and hence on location, convenience and accessibility. Adequate parking is a must. Pinsetter equipment manufacturers recommend the following formula:

$$\text{no. of lanes} \times 10 \times 80\% = \text{required car spaces}$$

with a minimum of 5 cars per bowling lane in any event.

C. The typical situation features an owner of the building, an investor, and a tenant of the building as operator. The tenant rents on a net lease basis on an annual basis. Presently, this rent for a modern center with a cocktail lounge and restaurant will range between \$1100 and \$1400 per bowling lane, with a national average of about \$1200.

D. The mortgage lender as well as the investor is primarily concerned with the character and ability of the manager. Character will be investigated and ability will be indicated by his initial list of league commitments, since league play is the bread and butter of the operating enterprise. The potential for bowling alley demand is measured in relation to population per lane. Fifteen hundred persons per lane in the primary area (5 or 6 minutes driving time) is considered minimum, and there should not be a competing bowl within 2 miles.

E. Financing of bowling alleys is generally conservative. The total investment will range from \$11,000 to \$15,000 per lane depending on land cost and restaurant decor. A 32 alley building requires in the neighborhood of 30,000 square feet. Conventional lenders will loan about 50% on the value of the property, requiring 100% amortization in 10-12 years, and charging 6½-6¾% interest.

F. The lender on the real estate requires not only personal endorsement but a chattel mortgage on the automatic pin-spotters which may be purchased or leased. For example, Brunswick may require 35% down with the balance payable over a five year span.

**Criteria for Shopping Center, Location, Operating Cost,
and Loan Structures**

I . Weighted Schedule of Vocational Factors Used as Criteria for Shopping Centers as Suggested by Victor Gruen.

Site Factors

Values
Assigned
50

A. Location

- | | |
|---|---|
| 1. Population within 1 mile
Quantity | 5 |
| 2. Population within 1 mile
Quality | 3 |
| 3. Population within 5 miles
Quantity | 7 |
| 4. Population within 5 miles
Quality | 4 |
| 5. Population from rural area
Quantity | 2 |
| 6. Population from rural area
Quality | 1 |
| 7. Pedestrian traffic shopping
at competing stores | 5 |
| 8. Pedestrian traffic nearby
for other purposes | 3 |
| 9. Public transportation | 5 |
| 10. Automobile traffic
Quantity | 4 |
| 11. Automobile traffic
Availability | 4 |
| 12. Direction of Growth | 7 |

2.

B . <u>Area</u>		20
13. Size of site	20	
C . <u>Physical Characteristics</u>		20
14. Shape of site for design	4	
15. Site not divided by traffic arteries	8	
16. Location on arterials for ease of traffic control	4	
17. Cost of clearing and grading	2	
18. Cost of utilities and drainage	2	
D . <u>Availability</u>		10
19. Base of acquisition and time required	6	
20. Cost	4	
TOTAL		100

NOTES ON SHOPPING CENTER FINANCING

- I. The basic elements of mortgage loan underwriting is an ~~ex~~amination of the elements of pleasure, pain, and bail-out.
 - A. Pleasure component is the cash profit or cash-flow to the developer which is his motivation to manage the property well and make the monthly payments. In large part this depends on the adequacy of minimum rent, the probability of overage rent and the profitability of his fee for running the merchant's association.
 - B. The pain is less a matter of the developer discomfort of losing the center or making the regular payments than it is the capacity of the tenants to withstand the losses of a marginal or losing center while making their payments over the term of the lease. A triple-A tenant like Sears has more tolerance to fulfill lease terms than a local credit with limited assets.
 - C. Bail-out is concerned with an alternative use of management for the project if it should be necessary to foreclose or place the development entity in receivership.
 - D. A positive incentive depends on overage rents and therefor the developer must understand retailing while the tenants who represent the real collateral must show a majority of triple-A statements or their equivalents by means of lease guarantees. Bail-out is directly related to site-linkages for alternative purposes as well as its monopoly characteristics.
- II. The financing alternatives available to a shopping center developer are limited only by his imagination but his financing power first depends on his ability ~~to~~ to secure strong minimum rents and a tenant mix of more than 50% triple-A credits. Given that, his alternatives are:
 - A. Shifting capital expenditures to others by selling pads to department stores, banks, etc. or requiring tenants to provide their own improvements thereby reducing capital requirements.
 - B. Securing 100% financing on a triple net lease to all high credit tenants. Generally, these tenants must demonstrate a history of earnings of 5-7 times fixed charges.
 - C. Lease or sale and lease back of the site on a sub-ordinated basis to the first mortgage loan.
 - D. 100% financing by use of a participation loan which gives the lender in addition to regular interest and principal payments a kicker in one of the following forms:
 1. Warrants to purchase development company stock
 2. Participation in increasing gross or overage rents
 3. Participation in defined net income
 4. Participation in cash surpluses from refinancing or sale in excess of the original contributions of borrower
 - E. An income achievement loan where the loan amount is increased periodically as a function of income where the qualifying income will include overage rentals actually earned for a stated number of periods and this is often used for a project developed in stages or anticipating

some improved linkage in the form of a new highway, office park private or similar major event from which revenue will be derivative.

- F. The wrap-around mortgage is a second mortgage in the amount of existing financing which is assigned the second mortgagee plus an additional amount. The owner makes his payments to the second mortgage lender who then remits the required debt service to the first mortgage. The loan balance may actually increase if the debt service on the old loan exceeds that on the new in which case it's called a "hump back second mortgage". The advantage is a lower average interest cost for the borrower plus additional leverage while the wrap-around lender enjoys an above average yield when leveraging off the first mortgage.
- G. By using multiple lenders, higher average loan ratios can be achieved at rates appropriate to different markets. A developer might use:
 1. A utility bond on his total energy plant, plus
 2. Separate mortgages on distinct major tenant structures, plus
 3. A land lease, plus
 4. A chattel lease on various types of equipment, fixtures, and carpeting,
 5. Plus factoring of accounts receivable, or
 6. A letter of credit or note receivable from a factor to provide net worth necessary to qualify for a loan.
- H. The language of shopping center finance can be colorful and descriptive:
 1. A "basket clause" loan is one which exceeds the permissible loan ratio for an insurance company. Thus there would be two notes secured by a single mortgage. One note would represent a 75% ratio while the second note would be for the excess amount and would be listed in the insurance company balance sheet in that 5% of assets which can be invested in anything and is known of the cats and dogs or basket clause investment.
 2. A land owner who subordinates his position to a leasehold ~~mortgage~~ ^{note} creates a leasehold mortgage with joinder and this is now generally recognized as equal to a conventional fee loan.
 3. A developer of two or more centers can use the equity from his first project to finance his second project by creating reciprocal default provisions so that default on one loan represents default on all his loans which should create sufficient pain to keep the developer well motivated.
 4. Since a leasehold estate is acceptable for mortgage security it can also be bought by a lending institution and it would be possible to purchase a leasehold estate and sub-lease it back to the seller.
 5. Because of the stratification of leaseholds and sub-leasebacks one developer reported a shopping center in which the tenants have the extraordinary status of sub-sub-sub-lessees.
 6. A sale and pregnant leaseback makes provision for further expansion of the center. For example, a sale and leaseback could include an area of unimproved land. The leaseback of the property gave the institutional landlord first opportunity to finance and further expansion by advances of capital improvements with an increase in rent or in the form of a loan secured by a mortgage on the part of the leasehold to be improved. If landlord and tenant could not agree, the land under the expansion would be released from the original leaseback subject to adequate provision for reciprocal parking, etc. and subject to new lease terms which would permit the developer to get independent financing.
 7. Earnout

Shopping Center Retail Potential →

- I. The concept of a retail trade area can be applied to virtually any kind of consumer oriented space, golf courses, or drug stores, campgrounds, or office projects.
 - A. Obviously different types of services have different primary and secondary trade areas, so a shopping center with a broad variety of services cannot simply rely on some rule of thumb such as six minutes driving time.
 - B. Indeed there is good evidence that the size of a real estate project is a demand generating factor itself. There is also an image component.
 - C. The general model for retail trade area determination, be it for a store or entire city, has a simple, well-known structure. It is composed of three factors:
 1. The shopping utility of the retail facility to a potential patron.
 2. The cost of reaching the facility by that person
 3. The strength of competing retail centers.

- D. Mathematically, these elements are usually joined as follows:

$$P(H_a/X_1) = \frac{U_a/C_a}{\sum_{i=1}^g U_i/C_i}$$

This states that the probability of the hypothesis that shopper X_1 will choose facility "a" is equal to the ratio of "a's" drawing power, shopping utility divided by cost, and the sum of the drawing power of all "g" centers under consideration.

- E. Trading ranges are determined by evaluating the patronage probabilities of consumers located at varying distances from the various centers.
- II. Shopping utility and cost are, of course, but shorthand for notations that represent rather complex human value systems.

- A. The shopping utility of a center derives from two ^Sources.
 1. One is a mass component which defines the range of goods and services available in the center. Mass provides utility by reducing "...the time and effort required for individual transactions." Mass makes multi-purpose shopping trips economical and facilitates inter-store comparisons.
 2. The second source is an image component and depends upon consumer perception of the center's price level, its physical plant, and social class orientation.
 3. The cost element of the model is a function of consumer expenditure in

(Shopping Center (cont.))

- III. Doubt that mass will be adequate is brought to mind because of difficulties experienced by researchers attempting to evaluate inter-store trading areas. At this level of disaggregation, the image content of shopping utility evidently becomes the controlling factor.
- A. This point is suggested by the method the retail industry uses to cope with locational problems. This procedure is stated succinctly by Kane, who says, "The best way to determine the trading area of a proposed super-market of similar size, location type, and operation characteristics commands, preferably one from the same chain or group as the proposed store". This analogue approach, as illustrated by Applebaum in a recent article, is essentially empirical in nature.
 - B. The rationale is that image controls drawing power, and the best way to determine a trading area is to project image from comparable situations.
 - C. Apropos of this technique, the power of the chain organization in the past and the galloping growth of franchising today probably stems from this capability of projecting trading areas. The independent merchant builds a unique establishment. If he guesses shrewdly, or luckily, his trading area will extend over sufficient purchasing power to afford him an adequate volume of sales. The chains need not guess.
 - D. In a scale of disaggregation, the intra-urban shopping center lies somewhere between the individual retail store and the urban entity itself. The issue is raised, consequently, of the relative importance of mass and image in determining the level of utility for some given center. Herein, the hypothesis is advanced that mass will retain much of its significance, but that individual consumers will perceive its value diversely. Two corollaries follow:
 - 1. The first is that the utility of a given center size will vary among segments of the consumer market and will differ with the character of the shopping problem that the consumer seeks to solve.
 - 2. The second corollary is that a center's utility will not necessarily be proportionate to its mass.
 - E. By grouping the variables into four general categories and undertaking this type of analysis with respect to each, one may arrive at the following interpretation of intra-urban shopping patterns.
 - 1. Distance - The role of distance is conveyed by three variables. The first is the straight line distance between each respondent and the primary center. The second is the straight line distance between the respondent and the nearest secondary center. The last is a rough location of the respondent on a north-south axis. No distance data to tertiary centers were computed because of the very large number of such facilities.
 - 2. Shopping Plan - The second most important set of variable coefficients computed by the discriminant program relates to the shopping plan of the respondent. Here, for example, one may see that those shoppers who took their trip in the evening by-passed both the primary and secondary center in favor of the tertiary center. Travelers by bus tended to go to downtown Oakland; car users went elsewhere. Where a child accompanied the parent, secondary centers received the heaviest patronage. When the shopping plan involved a large number of different stops, the tertiary centers were avoided.

(shopping center. cont.)

3. Motivations - A third group of variables found important are related to specific shopping reasons. For example, those respondents looking for items of apparel clearly find tertiary centers unsuitable for their needs. However, when price is volunteered as a reason in the store choice, tertiary centers are given the best rating.
 4. Demographics - The demographic variables, in general the weakest of the four groups, reveal the importance of income as a factor affecting patronage at the primary center. Shoppers from better neighborhoods, with better incomes, are shown to favor downtown Oakland.
 5. The Role of Mass - The data reviewed above suggest that in terms of intra-urban shopping, the role of mass dominates that of image and supports the validity of employing gravity models for the study of this subject. Image factors, however, were not without significance. This appears particularly with respect to social class perceptions where *Blacks* largely rejected the secondary centers in preference for the primary center. It is also to be found in the differential perception of price held by consumers, as well as that of past satisfactions, for the three centers.
 6. The data also intimate that the values mass provides are not constant among various market segments of shoppers. They bear out an earlier prediction by Kelley that "...the core of convenience analysis lies in the areas of consumer psychology and sociology." Without doubt, the primary center had a greater attraction for the higher social strata while the tertiary centers had greater affinity for the price conscious, and the secondary centers for those who were concerned about convenience.
 7. Mass maximizes return by reducing search cost - that inter-store travel the consumer must make to resolve satisfactorily his shopping objectives. Yet the circumstances which create value for the consumer have been grossly stated at best. Several patterns of value are suggested by the coefficients reported above.
- F. Under some circumstances it is of extreme importance to the consumer that multiple store visits be made to satisfy her shopping task. Such a need might be defined as a requirement for "full search". Several indicators of the presence of such a need exist. One relates to the product. When consumers are looking for an item with high "social visibility," such as apparel, it becomes imperative for them to examine market offerings. Partly this is because of rapid style change, but also because the proper choice is psychologically necessary.
1. Associated with this factor is the consumer's place on the social ladder. The farther along she is, the keener is the appreciation of making the proper product choice. The data suggest that shoppers living in better neighborhoods and holding higher occupation status (husbands*) place a higher value upon the primary center.
 2. Higher income provides the necessary purchasing power not only to make the appropriate purchase but also to make more of such purchases. Hence, these persons are more apt to make more multi-product shopping trips and value mass more highly as a result. They are also likely to be more sensitive to advertisements directing their attention to product availability.

(shopping center - cont.)

- G. Directed Search - Directed search involves a pattern of "limited Search". It connotes the consumer's concern for the purchase, particularly with respect to price, but that considerable inter-store search would not be worthwhile. This is due, primarily, to the fact that where savings in price only are stacked up against the cost of any degree of inter-store shopping, it requires an extremely expensive item to show positive gains. This is particularly true where the item involves the husband in the purchasing process, and his search time must be considered as well.
1. Under these conditions the value of mass takes a new form. Unless the shopper is totally uninformed about the character of alternative centers available to her, she or her husband is likely to possess an image of a store - or at least type of store - which carries the necessary quality product in an acceptable price range.
 2. Advertising plays a role here, too, but less directly than in the case of full search. Because of the low probability that an advertised sale for a larger-ticket item will reach any specific family with immediate intentions of buying that product, advertising has considerable value in creating the image as well as the quick response.
- H. Casual Search - Casual search is another form of limited search. In this instance, there are no compelling social or economic reasons that motivate the shopper to undertake an extensive shopping tour. This condition is, of course, not unknown with regard to many inexpensive items sold in drug, variety, hardware, and food stores. The point is that it applies as well to many shopping goods with values extending to perhaps 15 or 20 dollars - or more in the case of the affluent. It takes into consideration that shopping is an exhaustive process and that a payoff will not exist for most items the household purchases.