If detailed big data is available in one place and it is correct and complete, Artificial Intelligence (AI) and Machine Learning can make a big difference in how we run shopping centres. Industry professions within the retail space took part in the Yardi 'Quality in Focus' round-table meeting to discuss in more detail. **MARTIJN VAN LEEUWEN**

Round-table meeting about the role of big data and AI in the retail property market:

Jan Willem Jeucken, Mark Hoedjes, Property Market journalist, Robert Paling, Baldwin Poolman and Frank Adema (from left to right) exchange thoughts during the Yardi 'Quality in Focus' round-table meeting at the Yardi head office.

Add a cinema to the shopping centre? Computer says no!

The round-table focused on the question of how important the role of big data is in the retail property market. The debate led by Property Market journalist, Robert Paling, took place on 20 February at the Yardi head office in the Vesta building near the Amsterdam Bijlmer Arena station.

Jan-Willem Jeucken, Yardi's regional manager for Europe, concluded that big data and AI are already indispensable for retail property investors. 'For institutional investors, the administrative, financial and soon also operational management of their retail portfolio is unthinkable without big data.' Baldwin Poolman, director of Dynamis Taxaties, recognises that big data is a useful tool, but above all draws on thirty years of property expertise. Frank Adema, head of Valuations & Advisory for Cushman & Wakefield, expects there to be a fusion of human 'property sense' and digital technology. Mark Hoedjes, director of Asset Management Retail for Certitudo Capital, needs much more data before he can allow big data and AI to help actually formulate his retail strategy.

DIGITAL SHOP WINDOW

This does not alter the fact that Certitudo is already fully utilising big data, emphasises Hoedjes. 'Before we invest in retail property, we complete an extended analysis of the property, the retailers and the service area. We study The entire retail structure. The property must, of course, fit into our investment strategy.

If the location is not good and it does not appear to be a healthy long-term investment, a red signal is given. We use a number of datasets about disposable income, the mix of tenants and the rent level. What is the vacancy rate? Do retailers complement one another? Is there a logical flow through-out the shopping centre?

Making a strong selection before purchasing is a requirement, afterwards active management is indispensable, he continues. 'Previously, the performance attained was pretty much self-evident and active management was less of a necessity. Over the past years, the internet has provided an enormous digital shop window.

The consumer first wants to find out what the best price and quality is before he goes off to visit a particular shop. And then there is the question of whether he makes a physical purchase.

There is still too much retail property on the market that has been opportunistically developed, with many municipalities using land issuance as a revenue model. The time for adding has passed. We need to make the best possible use of the existing retail outlets.'

PERMANENT SHOPPING CENTRE

Dynamis Taxaties completes the same stringent analyses, says director Poolman.

'With so many retailers collapsing, you have to rule out any potential risks. If a chain collapses, you want to know how permanent an area is. Is there something enriching in the vicinity, such as a new housing estate or the arrival of a large school or business? Are there options for expanding, is it a contracting area, are employment prospects on the up? I don't have a crystal ball, but I do have thirty years of experience of giving banks or owners the best possible insight.'

According to Poolman there is a simple explanation that the carving up of the retail market is not going well. 'There are just too many shops. Previously we thought that the growth in the number of retail outlets would keep pace with the growth in the population. Thus, the growth from 12 to 17 million residents would go hand in hand with the same additional retail. Municipalities, in particular, have reconsidered this old way of thinking.

Baldwin Poolman, director of Dynamis Taxaties

I too often give the advice not to add any shops. This is not always enough. In certain cases, investors have to be content to offer lower rents. If the rent is too high, your tenants are not able to earn any money. Poorly run shopping centres with fragmented property are in the worst shape. It is not only more difficult to communicate with lots of different owners, but virtually impossible to steer such a shopping centre in the right direction.

PROFITABLE LEISURE

A commonly heard solution is the addition of leisure and Food & Beverage concepts, says property adviser, Adema. But according to him, it's not that simple. 'Rows of shops are no longer enough; consumers are looking for entertainment. A cinema, child-friendly facilities and restaurants are what is required. But that's easier said than done. Is there actually money for a cinema, would it be profitable? Nor can you start adding restaurants willy-nilly. Do people really stay longer, and do they then spend more money? You need to substantiate this requirement. That's where big data and AI come in.

Frank Adema, head of Valuations & Advisory
for Cushman & Wakefield

With big data about a service area, an urban analysis and a market potential plan, you can determine the requirements of consumers in a much more targeted manner. Tracking systems in the shopping centre and at the tills, where you can deploy algorithms, also deliver relevant data.'

HAPPY CONSUMER

Yardi manager, Jeucken, argues that no retail investor can ignore this technology anymore. 'Every proprietor or asset manager ought to fully focus on the end users and their data. A happy retailer and a happy shopper are perhaps the most important asset for the proprietor. Without consumers, who seek inspiration and want to enjoy an experience in a shopping centre, the property assumes a less important value.

Proprietors can now aggregate all of the information available on a platform and combine it with data from sensors and IoT applications. Technology companies such as Yardi can create dashboards out of that enormous mountain of data, which all parties can then scrutinise. In this way, the asset or facility manager can properly understand what is happing on the premises and for the end user. With those insights they can provide better service to tenants and users and make better management decisions.'

ENRICHING DATABASES

For Mark Hoedjes, it may sound promising, but now he mainly sees the limitations. 'It is time-consuming and costly to get all of the relevant data on the table. And then we still need to link these databases together. Sometimes the data is no longer up-to-date. And in any case in the Netherlands we don't even have the most important figures - the turnover data from the tenants.

If I really want to navigate big data and AI, then I need more joined up and properly up-to-date data.' Cushman & Wakefield head, Adema, also recognises the problem.

'You can't just access a database and then start work. Many parties have a lack of data. And other parties, who do have data, continue to sit on it. We ought to be able to enrich one another's data with our information files. But that is not possible. Cushman & Wakefield admittedly has an enormously rich database, but it's data about our customers. The Land Registry displays all transaction prices, the Stivad (non-profit property information data platform) figures are not so comprehensive.'

Mark Hoedjes, director of Asset Management Retail for Certitudo Capital

STIVAD PUBLIC

Baldwin Poolman talks about a 'data issue'. 'This has been the subject of endless talk for years. Stivad has been set up, but you still need to become a member of it. Why not just make all data public? In shopping centres as a retailer, you want to make personalised offers on the smart phones of visitors. But privacy protection and GDPR throw up a huge barrier to this. Of course, I see the influence of big data increasing. But I continue to maintain that this technique remains a tool and the property professional's knowledge and skills are critical. But I do hope that AI will soon be able to assist me. I would prefer to leave the task of drafting reports for banks to algorithms.'

Yardi manager, Jeucken, views this as something positive. 'You definitely need to be able to scale. This is essential for making decisions using AI. But I think that we are on the brink of a data explosion. The more data that will become available, the better the analyses.

Only if detailed data is available in one place and it is correct and complete, can AI and Machine Learning actually make a big difference. Then it may potentially be possible to make investment decisions about retail property. It is difficult but not impossible to automatically value retail property based on big data and AI.'

AVM for retail

In spite of the limitations, Cushman & Wakefield remains fully committed to this, adds Adema. 'Our valuation department has already set up an Automated Valuation Model (AVM) for residential property portfolios. We also want to do that for offices and retail. An AVM for retail is really exciting. How do you teach a computer what happens on the floors of a shopping centre, or that consumers and retailers think that an L-shaped layout is less attractive? Every shop is different too. Large-scale investors have already built algorithms, which can predict what is happening in a shopping centre. If you can see where people are walking and what they are buying, you can not only predict but also influence their behaviour. However important AI may become, I will continue to visit retail parks to see whether the shopping experience feels right.'

Jan-Willem Jeucken, regional manager Europe for Yardi

Opportunities in retail

With or without AI, and negative sentiment or not, it isn't stopping Certitudo from investing in retail, Hoedjes asserts. 'Currently, there is a great deal of retail on offer in the market. We can see opportunities there. City centres and individual retail parks are under pressure, with high vacancy rates and falling rents. But local shopping centres and high streets continue to do very well. In our portfolio - mainly comprising local shopping centres and city centre retail - there are hardly any vacancies and footfall is very good. That's why we have a local shopping centre plus in our portfolio in Den Bosch with two supermarkets, amongst other things. Recently we have made the small shops bigger, we've enhanced the look & feel of the centre, optimised parking and thus extended the amount of time people spend there. This kind of retail is future-proof.'

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'With AI you can not only predict the behaviour of consumers, but you can also influence it'