

# Korpacz Realty Advisors, Inc.

Appraisals, Litigation Support, & Counseling

## KORPACZ REALTY ADVISORS, INC. ACCEPTABLE COST OF OCCUPANCY RATIO SURVEY CONCLUSIONS

### Occupancy Cost to Sales Ratio

<b>Mall</b>					
<b>Classification</b>	<b>As of 1/1/2018</b>	<b>As of 1/1/2019</b>	<b>As of 1/1/2020</b>	<b>As of 1/1/2021<sup>(1)</sup></b>	<b>As of 1/1/2022</b>
Trophy	No higher than 18.0%	No higher than 18.0%	No higher than 18.0%	No higher than 18.0%	No higher than 18.0%
A+	15.75% - 17.25%	15.75% - 17.25%	15.75% - 17.25%	15.75% - 17.25%	15.75% - 17.25%
A	14.50% - 15.75%	14.50% - 15.75%	14.50% - 15.75%	14.50% - 15.75%	14.35% - 15.75%
B+	13.00% - 14.50%	13.50% - 14.50%	13.50% - 14.50%	13.50% - 14.50%	13.30% - 14.35%
B	11.00% - 13.00%	11.00% - 13.50%	11.00% - 13.50%	11.00% - 13.50%	10.50% - 13.30%
C+	10.25% - 11.00%	10.25% - 11.00%	10.25% - 11.00%	10.25% - 11.00%	9.50% - 10.50%
C	9.00% - 10.25%	9.00% - 10.25%	9.00% - 10.25%	9.00% - 10.25%	8.50% - 9.50%
D	Less than 9.00%	Less than 9.00%	Less than 9.00%	Less than 9.00%	Less than 8.50%

All survey participants include minimum rent, percentage rent, CAM, and real estate taxes in their cost of occupancy calculations. Other costs such as utilities, insurance, and merchants' association dues are included for some of the survey participants.

<sup>(1)</sup> Due to the impact of COVID-19 on regional mall store closures, some temporary (due to country-wide shutdowns) and some permanent (due to bankruptcies and national chain store reductions), which caused a reduction of retail sales, the 2021 survey was not published. Our recommendation for those who need to classify regional malls, as of January 1, 2021, is to base the Step 1 procedure (retail sales levels) on the January 1, 2020 survey (pre-COVID-19) and follow the Step 2 process in the normal way. Mall characteristics that result in long-term or permanent impact of the pandemic, such as permanent anchors and inline store closures (bankruptcies, etc.) among other factors, would be the best foundation for adjusting the Step 1 mall classification to a reasonable conclusion.

Source: Korpacz Realty Advisors, Inc. survey; personally conducted by Peter F. Korpacz, MAI, CRE, FRICS