Abstract
The loss of an anchor tenant in a shopping center can have far-reaching effects. Not only are the remaining local tenants affected by the reduction in drawing power of the center, but the community in which the center is located can be affected by the erosion of its tax base. This chapter examines the effect of the loss of a shopping center anchor tenant on the remaining tenants and the value of the shopping center. Of special interest is the effect on rental rates for remaining tenants. We present the scenario of an actual Central Florida condemnation case. The result of losing the anchor tenant, a nationally known department store, is examined. We attempt to show a systematic method for measuring the effect on the occupancy rate and the rents. Two alternative regression procedures are applied to data for neighborhood shopping centers in Georgia and Florida. The results estimate that rental rates for nonanchor tenants decline approximately 25 percent in response to the loss of an anchor tenant.
Introduction

As Eppli and Benjamin (1994) show in their overview of research on shopping centers, retail shopping behavior has changed dramatically over the past century in the United States. Studies such as Eppli and Benjamin (1994) and Sirmans and Guidry (1993) reveal several findings: (1) customer drawing power is important enough for smaller retailers to pay rental premiums to be located in centers with high-order customer drawing power, (2) some tradeoff between base rents and overages is apparent through negotiations between tenant and landlords, and (3) retail rents are influenced by a number of factors, which include physical characteristics of centers, type of anchor tenants, market conditions, occupancy rates, location, and demographics such as population and income.

One aspect of shopping centers that has emerged from the literature is that rental rates are at least partially determined by the opportunity of smaller tenants to locate near a major anchor tenant. This being the case, the loss of an anchor tenant can create significant problems for the remaining tenants, shopping center owners/managers, and property tax appraisers. This chapter examines the effect of anchor tenant loss on shopping center ownership and the remaining tenants. Data for small- and moderately sized shopping centers that are comparable, except that some centers suffered the loss of a major anchor tenant, are used to examine the effect on rent and occupancy. A regression model is used to determine statistically the relationship between the loss of an anchor tenant and changes in rent and vacancy.

The loss of an anchor tenant potentially has far-reaching effects. First, the remaining tenants who primarily offer specialized services or products are affected by the decline in customer drawing power of the shopping center. This results in reduced sales for the remaining tenants and can affect rents either by affecting the overage rent or by decreasing the ability of these so-called local tenants to pay the contracted rent. Over time, some remaining tenants would seek to relocate to better locations. Since, as with other assets, the value of income-producing real property is a function of the income accruing to the asset, the value of the shopping center would decline as well. In addition, an area experiencing a significant number of centers losing anchor tenants can potentially experience erosion of its tax base. Thus the loss of an anchor tenant can have significant effects on shopping center tenants, both anchor and nonanchor (typically referred to as local tenants) and the area or municipality in which centers are located.