

## Developing a Risk Rating Tool for Shopping Centres

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**Abstract :** Purpose: The objective of the paper is to develop a tool for the evaluation of the financial risk of a shopping center. Methodology: Important factors that indicate the success of a shopping center were identified from the available literature. Weights were allocated to these factors and a risk rating was calculated for 505 shopping centers in the largest province in South Africa by taking the factor scores, factor weights, and category weights into account. The ratings for ten randomly selected shopping centers were correlated with consumer feedback and standardized against the ECAI (External Credit Assessment Institutions) data for the same centers. The ratings were also mapped to corporates with the same risk rating to provide a better intuitive assessment of the meaning of the inherent risk of each center. Results: The proposed risk tool shows a strong linear correlation with consumer views and can be compared to expert opinions, such as that of fund managers and REITs. Interpretation of the tool was also illustrated by correlating the risk rating of selected shopping centers to the risk rating of reputable and established entities. Conclusions: The proposed Shopping Centre Risk Tool, used in conjunction with financial inputs from the relevant center, should prove useful to an investor when the desirability of investment in or expansion, renovation, or purchase of a shopping center is being considered.

**Keywords :** risk, shopping centres, risk modelling, investment, rating tool, rating scale

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