

Simon Property Group: What should come after the current redevelopment wave?

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On August 4, Simon Property Group was preparing for its next quarterly report, scheduled for August 10. Its most recent reported quarter ended March 31. That Q1 release showed higher occupancy, rents, sales and operating income across the portfolio. At the same time, Simon had a substantial set of development and redevelopment projects in progress, several announced investments expected to begin construction during 2026, and ongoing uses of cash for distributions and share repurchases.

The portfolio metrics did not answer the next question: how much future redevelopment and mixed-use investment should Simon authorize beyond work already underway or announced? A stronger portfolio might support another investment wave. It could also reflect acquisitions, leasing, retailer demand or other factors that would make the historical results a poor guide to the next project.

Portfolio momentum and the investment thesis

Simon owns and operates shopping, dining, entertainment and mixed-use destinations in North America, Europe and Asia. Management has described reinvestment in existing real estate-through redevelopment, densification, mixed-use projects and remerchandising-as a core growth driver. During 2025, Simon reported completing 23 redevelopment and expansion projects. Its annual report forecast more than 60 anchor and specialty tenant openings over the following two years and approximately 1,600 hotel and residential units expected to open between 2026 and 2028. It also listed several construction starts expected during 2026. These are management's reported accomplishments and plans; the public materials available by the case cutoff do not establish the later status of every project. [C3]

On February 4, 2026, Simon announced a program exceeding \$250 million for The Mall at Green Hills in Nashville, Cherry Creek Shopping Center in Denver and International Plaza in Tampa. The announcement described luxury-focused design, tenant and dining spaces, and an open-air expansion at International Plaza. Simon said construction was expected to begin in 2026. These were announced plans, not reported construction results or project returns. [C4]

Simon's Q1 2026 results provided evidence of broad operating strength:

Reported measure	Q1 2026 result	Scope / period
Real Estate FFO per diluted share	\$3.17, up 7.5% year over year	Quarter ended March 31
Domestic property NOI	Up 6.7%	Quarter ended March 31

Reported measure	Q1 2026 result	Scope / period
Portfolio NOI	Up 6.7%	Quarter ended March 31
U.S. malls and Premium Outlets occupancy	96.0%	At March 31
Retailer sales per square foot	\$819, up 11.8%	Trailing 12 months through March 31
Average base minimum rent per square foot	\$61.99, up 5.2%	At March 31

Simon's release attributed results to a mix of leasing momentum, retailer sales and traffic, capital discipline, cash-flow growth and acquisitions. These figures describe the portfolio, not the causal contribution or return of any redevelopment project. Retailer sales per square foot are not landlord profit or tenant margin. [C1]

The existing pipeline and competing uses of cash

Simon's Q1 Form 10-Q reported that its share of costs for all new development, redevelopment and expansion projects under construction was approximately \$1.1 billion. The filing estimated approximately \$416 million of remaining net cash funding to complete under-construction new development and redevelopment projects in the balance of 2026 and 2027. Management said it sought stabilized returns on invested capital of 8% to 10% for new development, expansion and redevelopment. The return range is a stated target, not a reported realized result. In-progress obligations are not assumed to be freely cancellable. [C2]

The filing does not establish whether the February \$250 million three-property program overlaps with the under-construction project cost or remaining-funding totals. Treat them as distinct disclosures unless further evidence clarifies their relationship. [C2, C4]

Q1 cash flows provide context for other capital uses:

Q1 2026 cash flow / expenditure	Reported amount
Consolidated capital expenditures	\$208.4 million
Included redevelopment and expansion costs	\$142.1 million
Included tenant and operating capital	\$63.5 million
Stockholder dividends and unitholder distributions	\$838.8 million
Common-stock repurchases	\$175.3 million

These quarterly cash flows do not constitute a forward budget or demonstrate a fixed conflict among projects. The company described operating cash flow and access to debt markets as sources for recurring and nonrecurring capital needs, including acquisitions, major redevelopments and scheduled debt maturities. Dividends, debt needs, acquisitions and repurchases remain part of the capital-allocation context. [C2]

What can make a center more attractive?

Retail research offers mechanisms to examine, not a forecast for Simon. Piovani, Zachariadis and Batty modeled consumer choice among nearly 99,000 London retail locations. Their model associated retailer attractiveness with store floor area and nearby retail activity. They also cautioned that the model's correlation to a rent-value proxy was not validation and could reflect density. The study concerns retailer locations in London, not redevelopment returns for a shopping-center owner. [A1]

Beiró and coauthors used mobile-network records from Santiago, Chile, to study mall visitation and social mixing. Their comparison found a better statistical fit when social diversity was included in the gravity model, but the authors described its incremental mall-choice effect as tiny or negligible relative to distance and mall size and flagged overfitting and collinearity concerns. Their results do not show that a Simon project would increase visits, spending or inclusion. [A2]

Both studies leave local questions open. Would a particular redevelopment make a center more convenient, more differentiated, or easier to reach? Would it attract new visits, increase sales at existing stores, shift spending among tenants, or mainly improve the experience of customers who already come? Public portfolio averages cannot answer those questions at an asset level.

Your assignment

You are advising a hypothetical portfolio capital-allocation committee as of August 4, 2026. Simon has not disclosed a fixed internal conflict, a pending vote or an approved list of projects competing for a single pool of funds. Recommend how the committee should sequence future redevelopment, expansion and mixed-use investments beyond projects already underway or announced, while retaining flexibility for acquisitions, debt needs and distributions.

Your recommendation should:

- Separate the existing construction pipeline, the announced three-property program and any future projects beyond them.
- Explain how Simon should distinguish demand for a destination from project-level economic value.
- Identify the strongest argument against your preferred approach.
- Specify the evidence and decision gates you would require before an incremental commitment. Label any thresholds you propose as your own assumptions.

Do not assume that the 8%-10% return target has been achieved, that portfolio operating growth was caused by redevelopment, or that any announced project can be cancelled without cost.

Discussion questions

1. What do Simon's Q1 operating indicators say about the current portfolio, and what do they not say about the next wave of capital projects?
2. Which redevelopment mechanisms are plausible, and what would distinguish new demand from remerchandising or spending shifts within an existing customer base?
3. Should Simon accelerate, selectively stage or slow future projects beyond its current and announced pipeline? What evidence would change your position?
4. How should the company compare a proposed project with acquisitions, debt repayment, required distributions and repurchases when asset-level returns are not public?
5. Which measures would you track during construction and after opening, and what would trigger a pause or redesign?

Sources and conventions

Company and academic source details, versions, exact locators and reading depth appear in the research dossier's source register. Claim-level evidence and limitations are in evidence extraction. C1-C5 are company disclosures; A1-A2 are academic studies. Q2 results scheduled for August 10, 2026 and all later outcomes are excluded. The committee and recommendation assignment are teaching assumptions; no private meeting or actual allocation vote is represented.