



# GOODBYE MAIN STREET



# SPUR

September 5, 2018





# How Does Retail Organize Itself in Today's World?

Let's start with the basics!











# TYPES: COMMODITY RETAIL

A retailer selling goods and services which are consumed without emotional connection by the consumer and for which the consumer's **primary motivation is price and convenience.**

Examples include grocery and drug stores, mass merchants such as CostCo, Target or Wal-Mart, office supply stores such as Staples or Office Depot, or electronics, books and music.











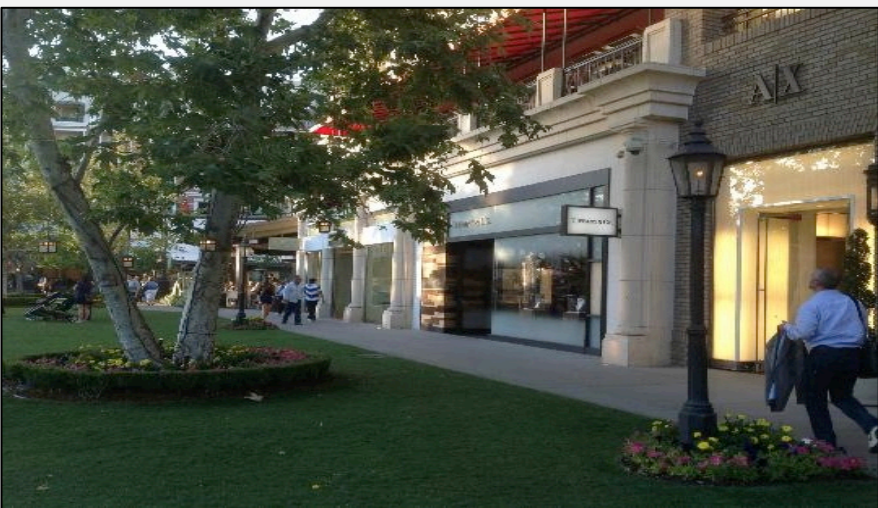


# TYPES: SPECIALTY RETAIL

Retailers selling goods and services which are consumed on a **discretionary** or emotionally-driven basis using discretionary funds/income, and where **experience and a sense of place is a primary component** when deciding how and where to spend discretionary time.\*

Examples include fine dining, clothing, luxury hard and soft goods, or electronic, books and music, and even specialty shopping districts.

\* With the rise of platforms and influencers, the importance of “place is evolving.”







# Retail Channels Explained

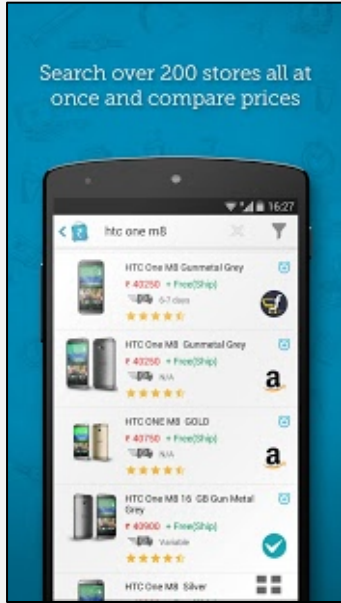






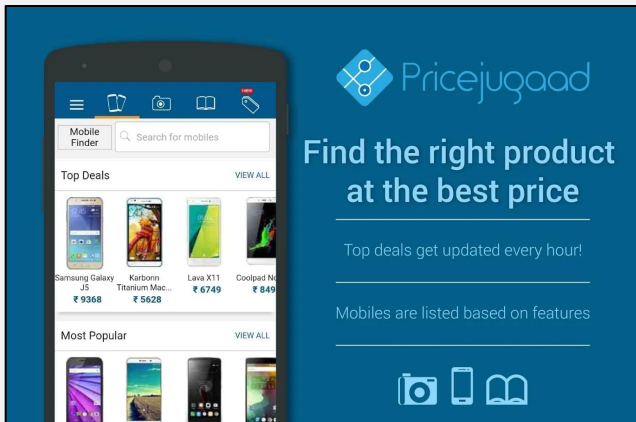
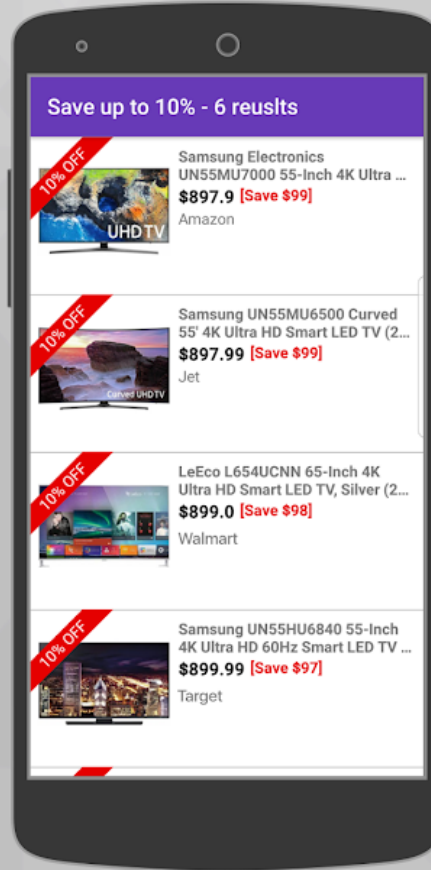


Search over 200 stores all at once and compare prices



deals from 5,000+ retailers and brands

App

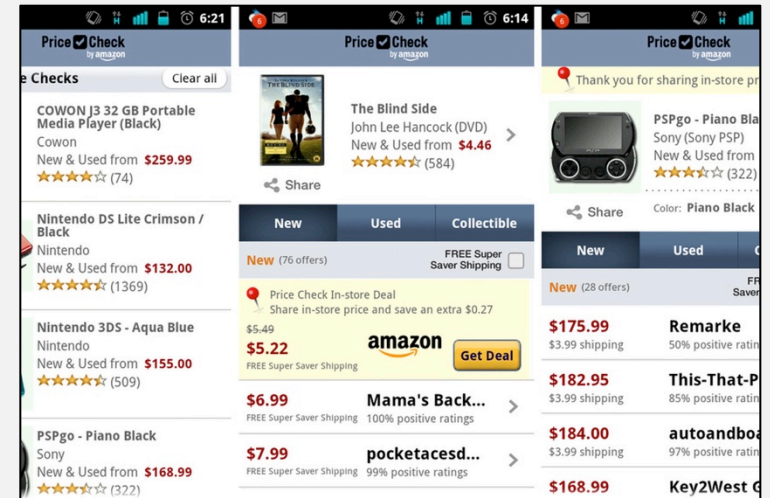


Pricejugood

Find the right product at the best price

Top deals get updated every hour!

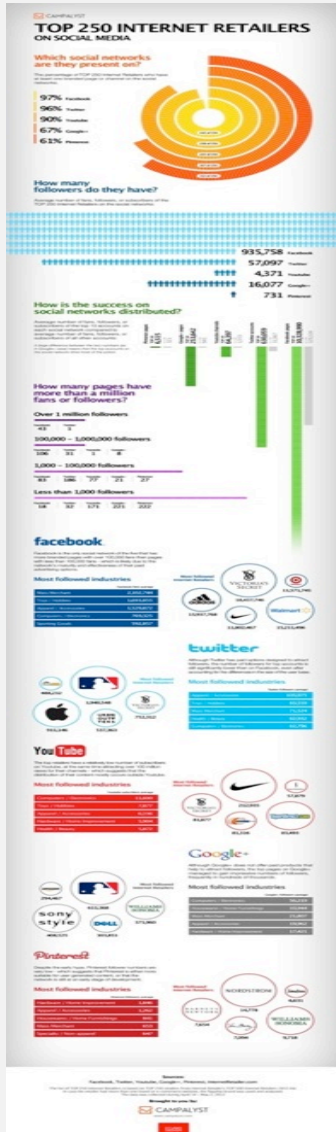
Mobiles are listed based on features



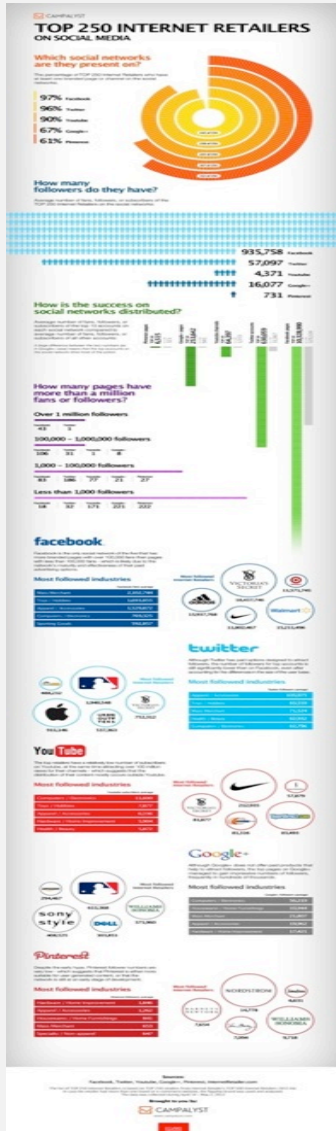


# OMNICHANNEL RETAILING

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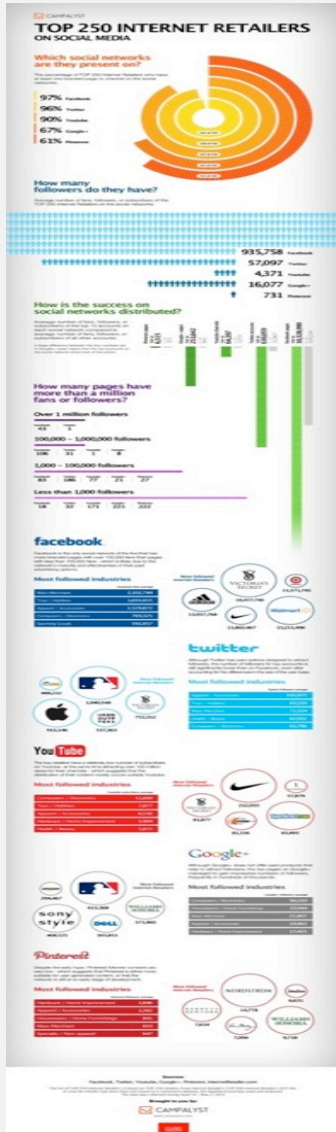
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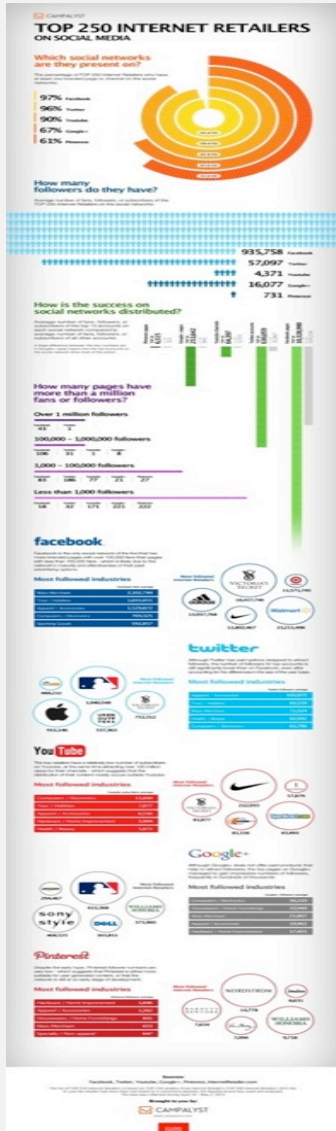
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- Omnichannel opportunity: Combine the **touch and feel** of the brick-and-mortar **experience with the excitement** and impulse of web/mobile shopping (eg. tweet/food trucks, crowdsourcing...).

# HOW ARE RETAIL CHANNELS USED?

Omnichannel strategies work differently for commodity and specialty retailers.

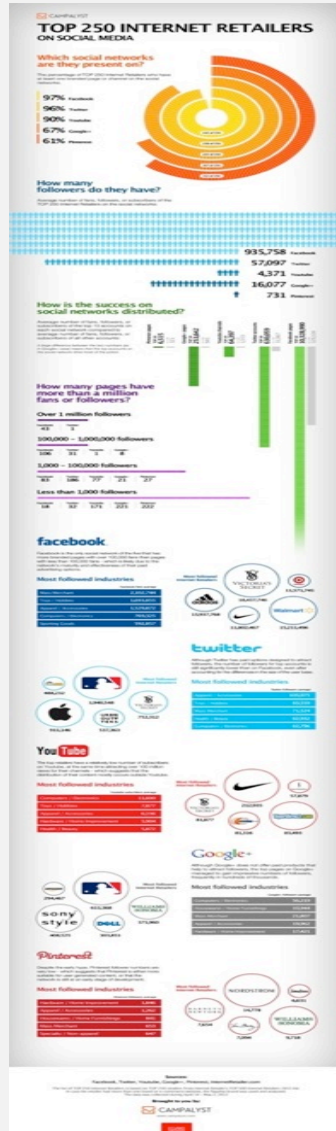




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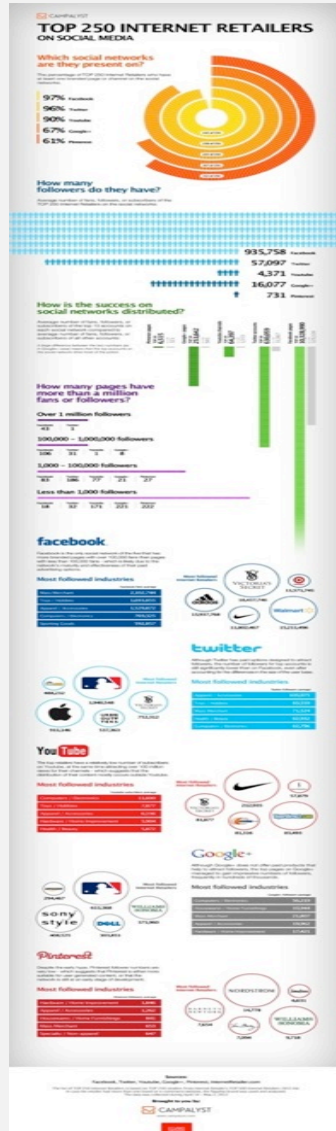
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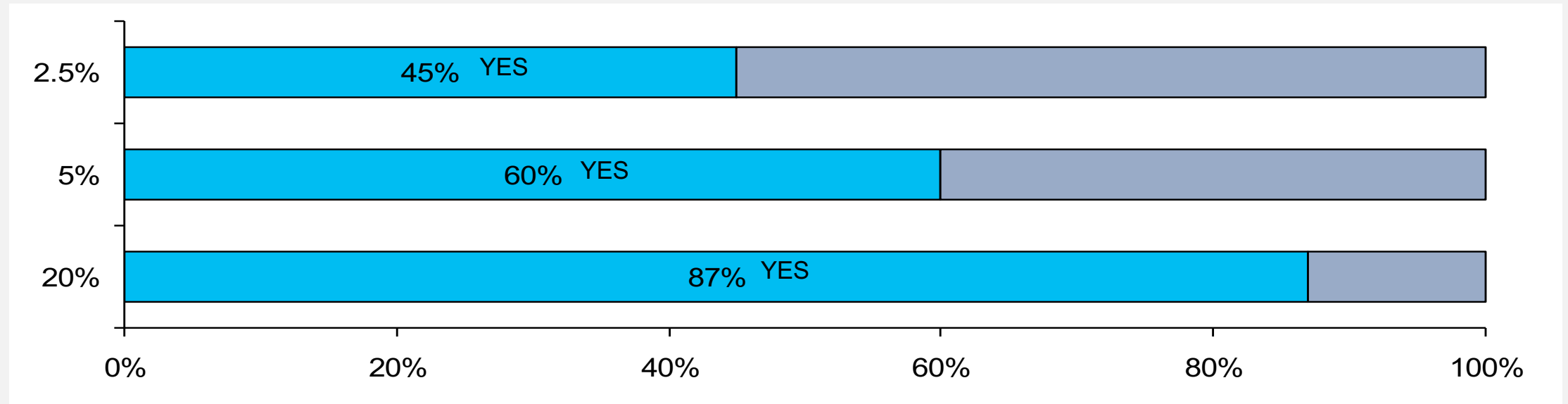
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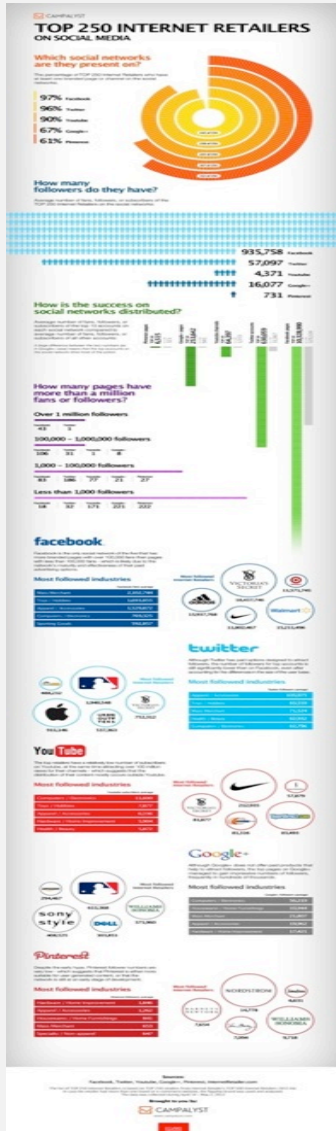
# TECH TITANS ... AND THE REALITY OF SHOWROOMING

*“I’d Walk out of a Store and Purchase Online for a Discount of...”*



Source: CitiBank Research/Weinswig

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- By contrast, a **SPECIALTY** retailer might use aps, ads, and social media strategies to drive customer traffic to a brick-and-mortar store, restaurant, or shopping district.





# HOW RETAIL IS EVOLVING

Generational Groups.  
How do we spend our money?  
What's different?

# RETAIL TRENDS

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  - **Retail and residential developers, and cities will need to work closely to create cohesive developments to satisfy this evolving consumer.**
  - **Suburban developments will replace shopping centers.**

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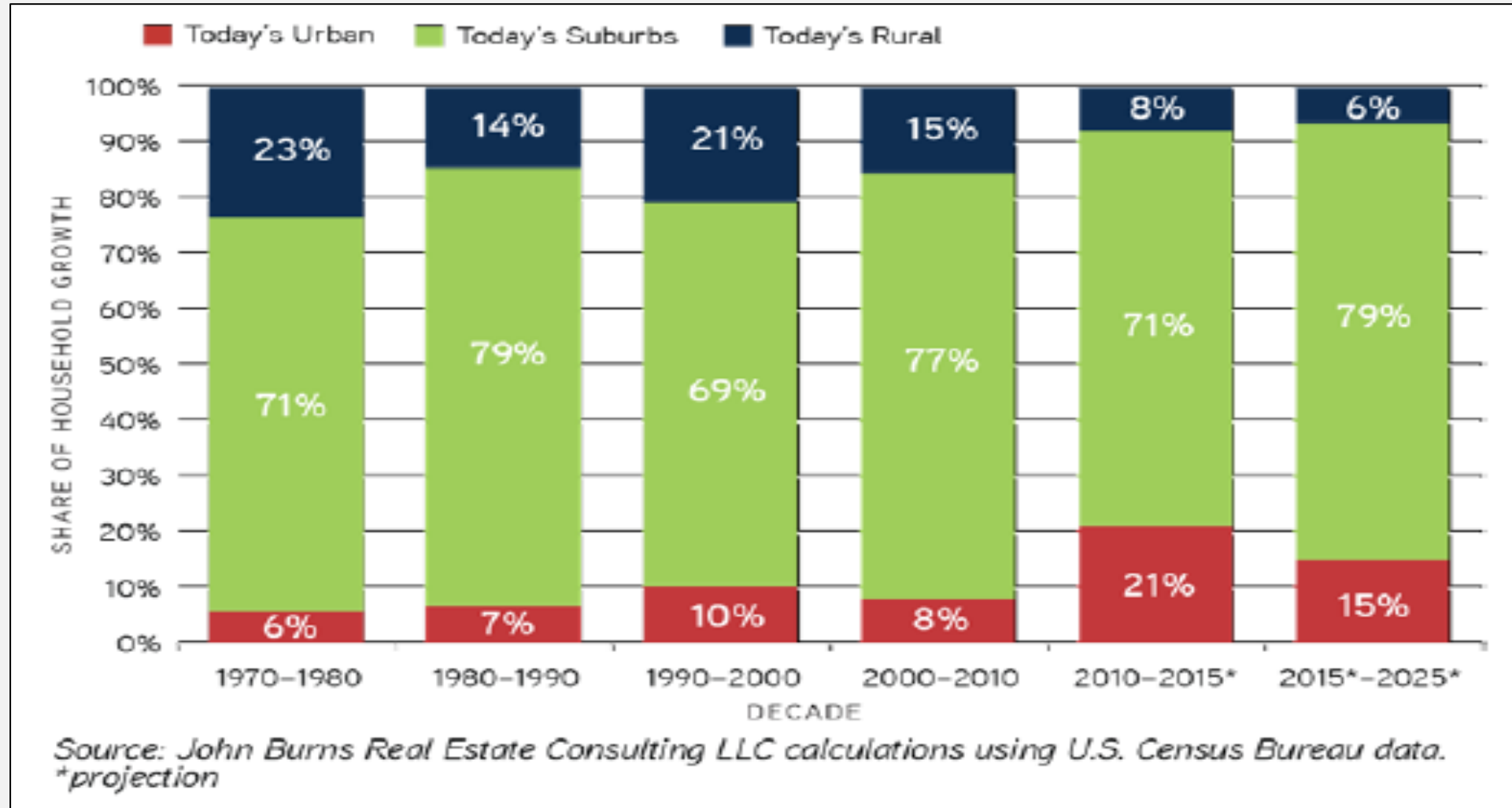
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- This surge will drive purchases in all stores that cater to new households, particularly renters (58 percent of the net new households).
- **Stores and services catering to older buyers will flourish too, thanks to a 38 percent surge in the country's population 65 and older from 2015 to 2025.**

# URBAN VS. SUBURBAN



# INFLUENCERS

- Consumers are interested in what their peers and friends are buying, and *not* buying.
- When an “influencer” buys, endorses, or rejects a product, that message can have a wide-ranging impact, particularly when the influencer has a wide social network.
- This phenomenon is particularly true with consumables like beauty products.
- Social commerce also has particular significance for the resale market where, for example, someone might put or see something on-line, and then tell their friends about it...creating hype



# PLATFORMS

- Retail isn't dying, it has reoriented to more efficient platforms that give consumers one-stop shopping.
- The media routinely conflates all on-line shopping with Amazon, however, this is not the case.
- Retail is as or more robust and diversified than at any time in memory.
  - For example, the Canadian e-commerce platform Shopify started in 2004. As of 2017, it had 600,000 sellers.
  - Even five years ago, there were over 2 million Amazon third-party sellers worldwide, accounting for over 40% of total units sold.

# LANDLORD-TENANT RELATIONS

- The customization and localization of the shopping experience is more important now than ever.
- Successful landlords will ask “WHY?” a lot!
  - Why a tenant should be in a project
  - Why does the consumer care?
  - Why should LL want it be in a project?
  - What is the retailer’s plan?
  - How they will complement co-tenants to create a mix that’s pertinent today?

# LANDLORD-TENANT RELATIONS

- We can now measure footfalls in projects, and a center with a higher rate of increase of footfalls (think comp store sales), should generate a higher rent.
- A retailer with a larger social following will be sought after just as a retailer with high sales per square foot was in the past
- Every 5 years tenants are reinventing themselves....what tenant lasts for 20 years?
- How are LL's protecting themselves?
- A long lease term on a new tenant is a risk when there is no way of knowing if the tenant will be relevant in 5-10 years.



# LOCATION-LOCATION-LOCATION

- Location remains critically important for retail, however, traditional “beacons” are changing from traditional monument signs to influencers and social media.
- For example, reviews on Yelp and Google Maps drive bricks-and-mortar visits, often to locations other than at the traditional 100% corner or bottom of a freeway off-ramp.
- Traditional retailers need to find new and better beacons than traditional signage for consumers to find and patronize them, and to continue to compete.



# PLANNING ISSUES

## ◆ PUBLIC VS. PRIVATE SECTOR

Balancing competing interests.

## NEW EQUILIBRIUM

- We have 24 SF of retail per capita in the US. This compares with 16 SF in Canada, and approximately 5 SF in Europe and parts of Asia.
- A new equilibrium with less square feet of retail per capita is likely being established.
- The amount of space devoted to malls, shopping centers and retail districts is declining, with unneeded retail space being repurposed or replaced with new uses.
- Even the strongest retail projects need broad reasons for customers to visit.
- Uses ranging from medical and educational services to distribution activity, with mixed-use or dense settings adding further support.
- The headlines should be “What kinds of Brick-and-Mortar Retail Will Survive” and “How will we repurpose unneeded retail space?”



# RETAIL PRUNING

- Retail consolidation means that there is an increasing amount of underutilized space.
- Increased vacancy in more marginal projects is creating blight for communities, and fiscal problems for both local governments (sales and property taxes) and landlords.

***“Retail isn’t over-built, it’s under-demolished.”***

- Support the adaptive reuse, renovation, or redevelopment of older shopping centers or commercial uses that are no longer viable due to changing market conditions, demographics, or retail trends.
- Such reuse or redevelopment should be planned to help sustain other retail centers, provide opportunities for more intense uses while ensuring that residents continue to have convenient access to goods and services.
- Support rezoning of such centers to other uses based upon evidence justifying the conversion, such as high vacancy rates, poor sales, and/or lack of reinvestment.

Source: City of Fremont, CA

# THRIVING RETAIL DISTRICTS

- Create a Vision - Public/private partnerships, specific plans.
- Think Big - Corridors, city blocks, aggregate parcels.
- Create connections.
- Create pedestrian friendly environments.
- Encourage active building facades & outdoor uses.





# THRIVING RETAIL DISTRICTS



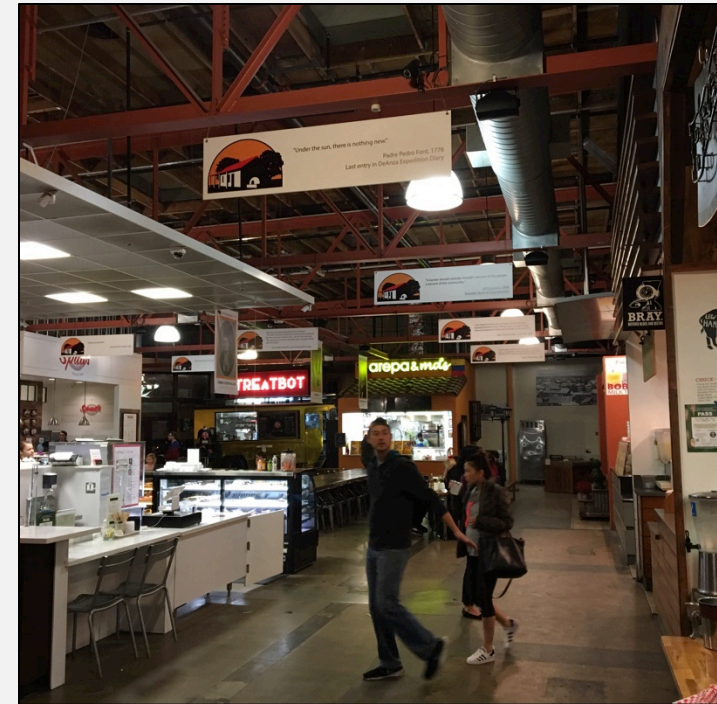
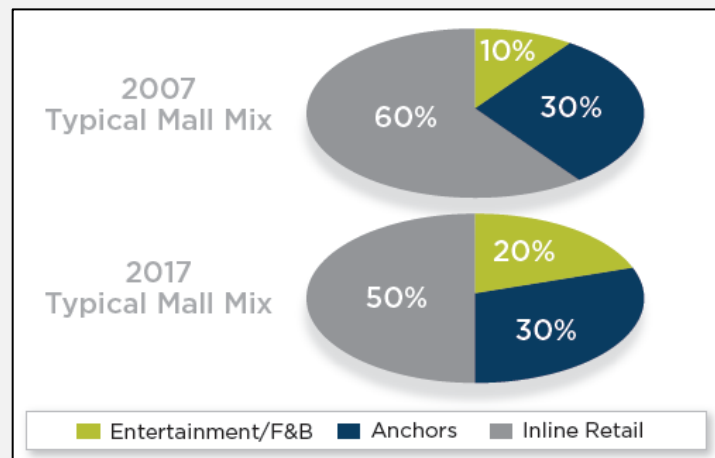
- Manage for change.
- Be an Advocate – Every revitalization effort needs a champion.
- Stand Firm – Know when to say no.
- *and ... be extremely lucky!*



# FOOD HALLS

According to the National Restaurant Association:

- 2 in 5 consumers say that restaurants are an essential part of their lifestyle.
- 7 in 10 consumers say their favorite restaurant foods provide flavors they can't easily duplicate at home.
- 8 in 10 consumers say dining out with family and friends is a better use of their leisure time than cooking and cleaning up.



Source: CushmanWakefield and Greensfelder Commercial Real Estate

# FOOD HALLS

## CONSIDERATIONS FOR DEVELOPMENT

- **Who is the core consumer?**
  - Urban / suburban
  - How far will the consumer travel: car, public transportation or walk?
- **“Cool street” location: Where is the area in its cycle?**
- **Size? Tenant mix? Single or multiple operators?**
- **New construction, existing development or historic rehab?**
  - Base building: What does it provide and/or cost?
  - Historic building: real costs of upgrades; hindrances; local incentives available?
  - Economic incentives?



Source: CushmanWakefield and Greensfelder Commercial Real Estate

## LAST MILE — DEFINING THE ISSUE

- Last mile delivery is the movement of goods from a final distribution hub to a final delivery destination, typically a residence or office.
- It's the most significant trend in real estate today!!!
  - Consider that the New York MSA is home to about 20 million residents.
  - There are about 2.4 million commercial deliveries daily in the New York MSA, or about 0.12 per resident.
  - Nationwide approximately ten years ago, about 0.04 private deliveries (such as on-line purchases) were made per person per day.
  - Today, the rate is about 0.12, a 3X increase in private deliveries ... a nearly 2X increase in total deliveries...in less than ten years.
  - In Manhattan proper, as many as 1/4 of all ZIP codes do not have enough street space for deliveries!

## LAST MILE — WHAT TO DO?

- We live in a world where customers do not pay for the full cost of the convenience of deliveries
- There is a conflict between the need to facilitate easy and inexpensive returns (in order to generate consumer confidence and in turn sales), and the economics of those returns.
- On-line retailers and delivery companies subsidize deliveries and returns in order to generate top line sales growth, a common side effect of Wall Street's demands.



## LAST MILE — WHAT TO DO?

- City planning departments need to start developing policy to address supply chains.
- There will be an increasing contest for space of all sorts, in particular public space.
- Should a city's general plan add a demand management element?
  - Should deliveries be aggregated and delivered to each household once or twice a week (how many deliveries truly are urgent)?
  - Public works departments need to address managing deliveries holistically, as part of their overall transportation management plan
- The solution lies in managing externalities!



**KEEP  
CALM  
AND  
TAKE  
CONCLUSION**

## **CONCLUDING THOUGHTS**

Thought he'd never get here!

# LUCK IS NOT A STRATEGY

In the real estate industry, competitive strategies tend to focus on ways to perfect imperfect markets, products and/or services.

Words and phrases such as “build it and they will come” exemplify expectations whilst highlighting strategic insanity.

Roman philosopher and statesman Seneca said: “Luck is what happens when preparation meets opportunity.”





*“That’s all Folks!”*

Isberg®

**THE END**

(WHEW!)



# QUESTIONS AND ANSWERS



## DEVELOPMENT AND CONSULTING

- STRATEGY AND PLANNING
- MARKET/LOCATION INTELLIGENCE
- DEVELOPMENT MANAGEMENT

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