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TOPICS

- Retail Apocalypse?
- Utilitarian vs Experiential Retail
- Retail as a Place-maker
- Implications for Municipalities
- Questions and Next Steps

For Conventional Brick & Mortar Retail, It's Ugly Out There.

Figure 1: E-Commerce Reial Share and Total Sales
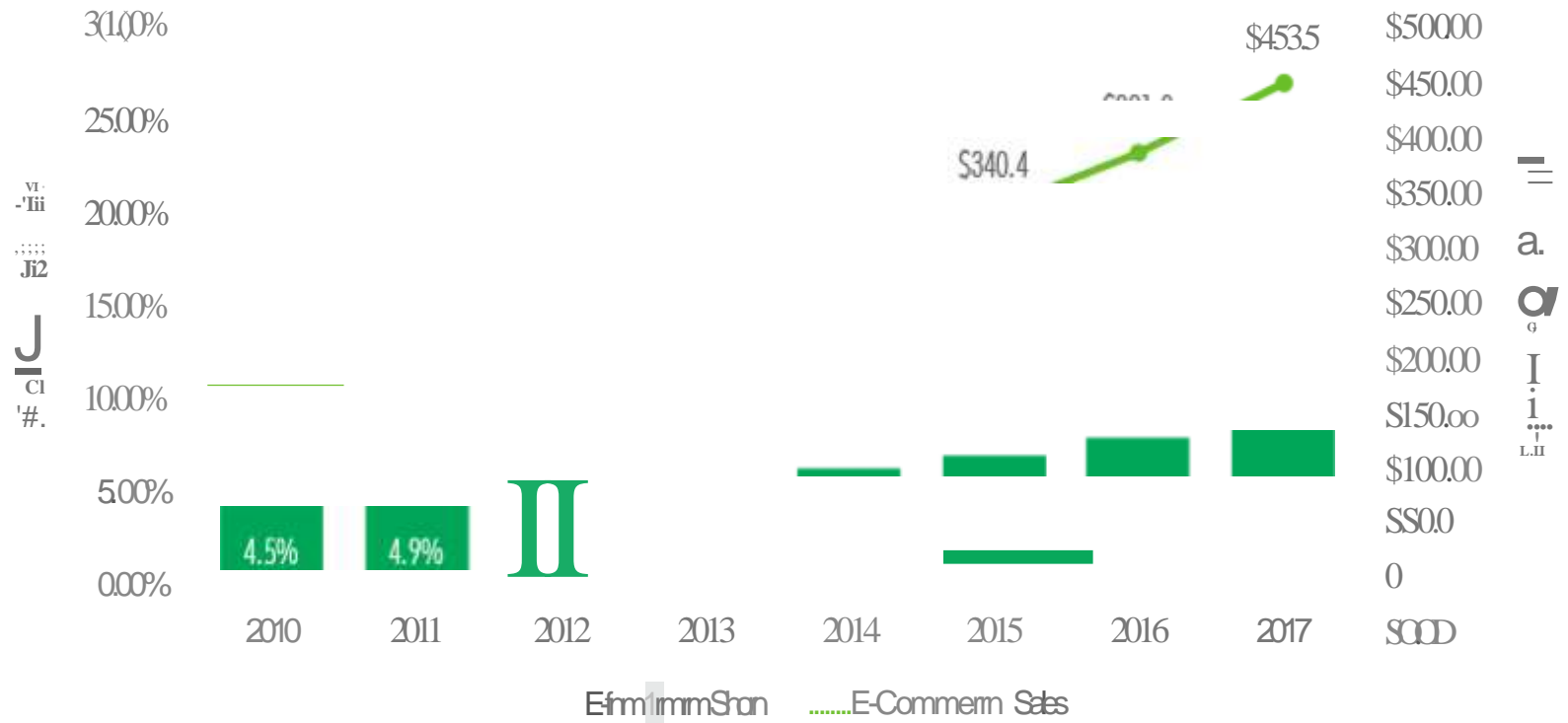
Changing Marketplace

Today's retail environment is a minefield.

The convenience and attractive pricing of online shopping is winning converts and gaining market share.

Shopping environments that used to attract shoppers are no longer good enough.

Retailers that fail to adapt, or can't change fast enough, are toast.

Retail is Changing, But the Popular Narrative About a 'Retail Apocalypse' is False.

Reality:

- Last year, 10,123 chain stores and restaurants were closed, but 14,239 new stores were opened!

- In the past five years, 42% of U.S. retailers have added stores while only 15% have gotten smaller. 43% stayed the same.

- In 2017, e-commerce sales totaled less than 9% of total retail sales in the U.S.

- "Retail Apocalypse" makes a good headline, but it's not based on facts.

Brick-and-M ortar Sales v. E-commerce Sales

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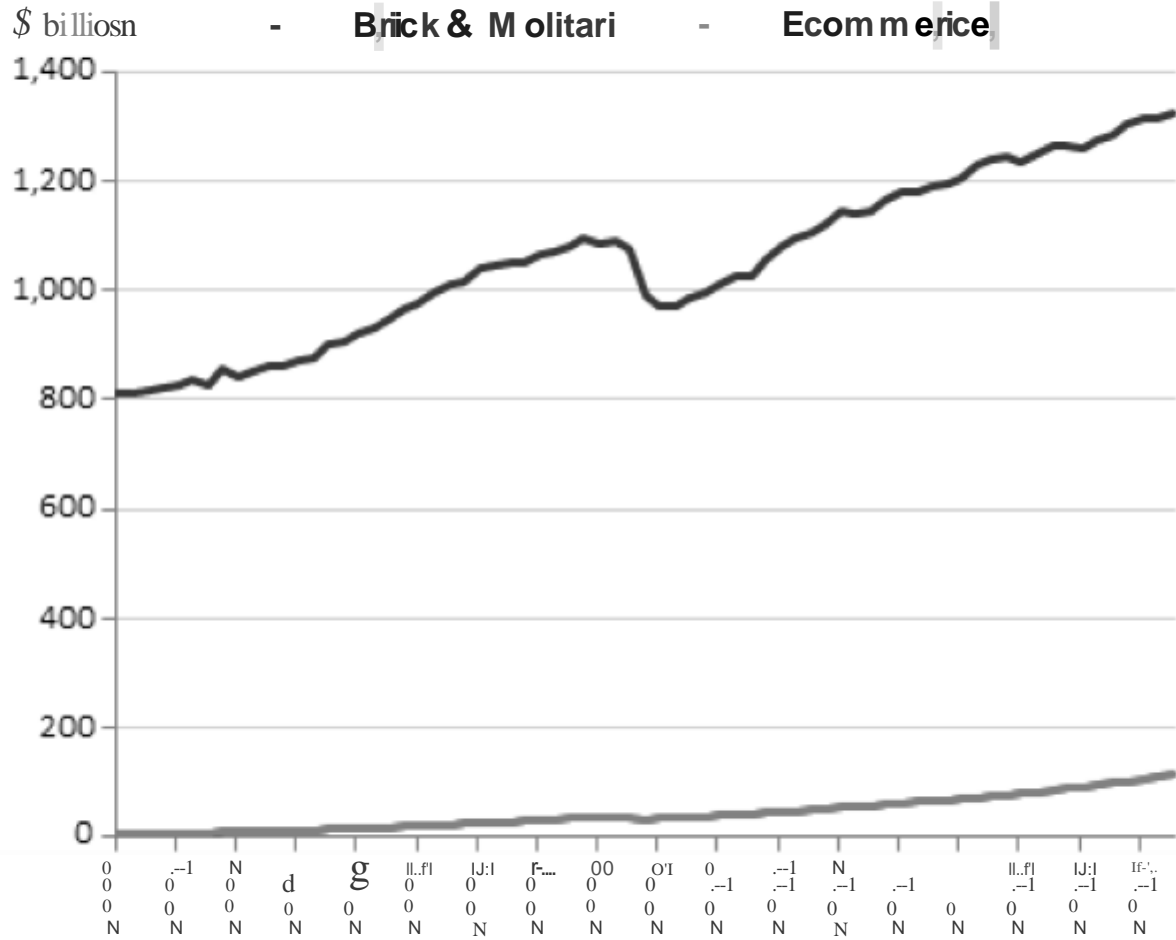
E-Commerce is Having a Big Impact on Retail, but the Biggest Driver for Change Has Been Shoppers' Preferences and Attitudes.

Utilitarian Retail

Strip Centers

- The pinnacle of post-WWII suburban design

- Huge parking fields separating stores from the street

- Increasingly rejected by consumers as shopping locations, other than for groceries, drugstores, and service retail such as nail salons, veterinarians, kids' haircuts, or QSR's

- Absent a quality grocery store anchor, expect high vacancy, high turnover, low rents

- Huge opportunity for infill redevelopment, as many are now sub-institutional grade assets

Power Centers

- Still a viable project type for utilitarian retail

- Destination stores, not casual shopping

- Tilt-wall construction with lipstick

- Neutral to negative impact on nearby residential property values

- Big-Box format and huge parking fields mean pedestrians tend to move their cars if they need to go from one store to another

- Pad locations dominated by fast-food where people drive through and eat in their cars

- Markers for Success: Popular stores, clean/fresh appearance, conveniently located

Starbucks Effect?

- Zillow made headline in 2016with research suggesting homes near a Starbucks appreciate faster than other homes.

- Only true in urban locations and within 1,300 feet

- Correlation rather than causation, as Starbucks site selection favors neighborhoods on the rise

- Zillow's own research shows Starbucks has a slightly negative to neutral effect in more suburban locations, like Phoenix or Denver

Experiential Retail

Indoor Malls

- Typically only one truly viable indoor mall location per million population, located in more affluent areas

- Under pressure because traditional department store anchors are a dying breed

- Best mall operators are well financed and constantly reinvest, re-tenant

- Increasingly common to incorporate an outdoor shopping environment

- Self-contained, not 'place-makers'

'Unicorn' Big Box

- Think people don't want "big box" in their area? One word. Costco.

- Strong concepts with unique positioning and steady demand, like IKEA or Whole Foods Market

Outdoor Malls

- Most popular in locations with favorable climates, though with surprising ability to overcome heat/cold

- Enjoyable for casual shopping, social outings, strolling

- Tend to attract upscale tenants and more affluent shoppers

- Mostly national credit tenants

- Invariably include a variety of food & beverage options, and often entertainment

- Lifts the value of nearby real estate

Mixed-Use Town Centers

- Typically include shopping, dining, office, entertainment, and residential

- Often a mix of national credit tenants and regional/local credit tenants. Very few non-credit start-ups.

- Positioned as the gathering place for the entire area, with special events & programs

- Strong positive effect on surrounding property values

- Best examples include hospitality and residential, as well as retail and office

Urban Redevelopment: Heritage Districts

- Usually involves redevelopment of an obsolete, dilapidated area

- Rustic, historic character is celebrated

- A haven for local, artisanal tenants

- May have a food hall or public market

- Activated by live music, farmers markets, local festivals

- A point of pride for the entire area

- Massively positive catalytic effect

Suggestions for Municipalities

Suggestions for Municipalities…

- Encourage and incentivize desirable uses that will have a positive catalytic effect

- Don't force suburban codes and standards on new mixed-use districts

- Be less obsessive about height and density. Low-density mixed-use redevelopment doesn't pencil and doesn't perform well if built.

- Don't impose ludicrous height step-back schemes that make infill on tight sites economically infeasible

Suggestions for Municipalities (cont.)

- Don't force ground floor retail in locations where it's doomed to fail. Focus instead on flex-space that is readily transformable based on market conditions.

- Be open to participating in public-private parking solutions, as it's the parking costs that kill big redevelopment projects

- Be more courageous in supporting truly beneficial projects. Nimby-driven land-use decisions are often very bad for the population at large.

Suggestions for Municipalities (cont.)

- In suburban municipalities, don't roll over for the fire chief or solid waste department. Their perspectives are important, but they're happiest with pedestrian-unfriendly suburban planning where the automobile is king.

- City-owned strategic land assemblages can result in gravity-changing new development and accelerate urban revitalization.

Questions, Comments, Discussion