



REDISCOVERING MAIN ST.: STRATEGIES FOR A THRIVING DOWNTOWN

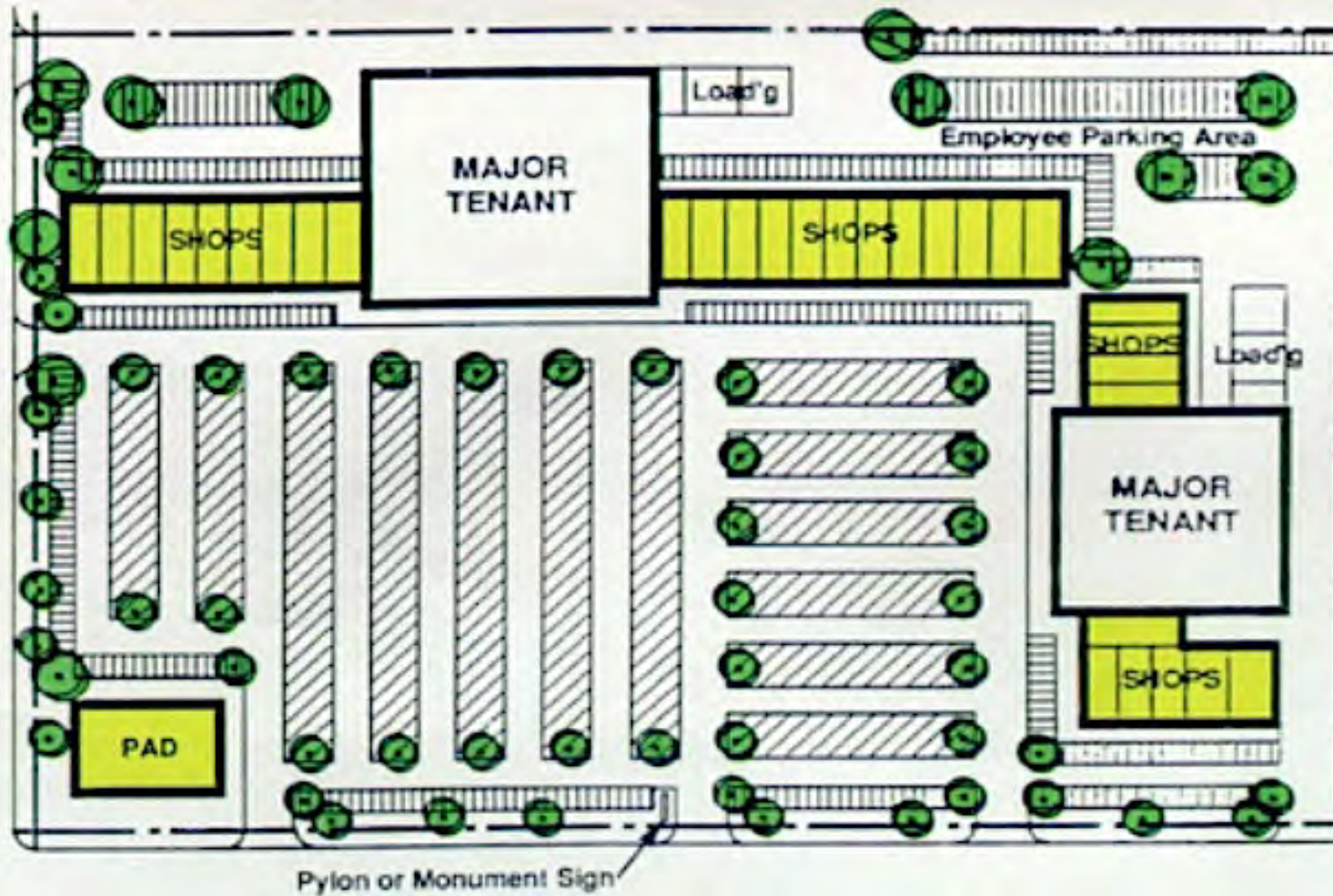
Bay Area Planning
Directors Association
April 28, 2017



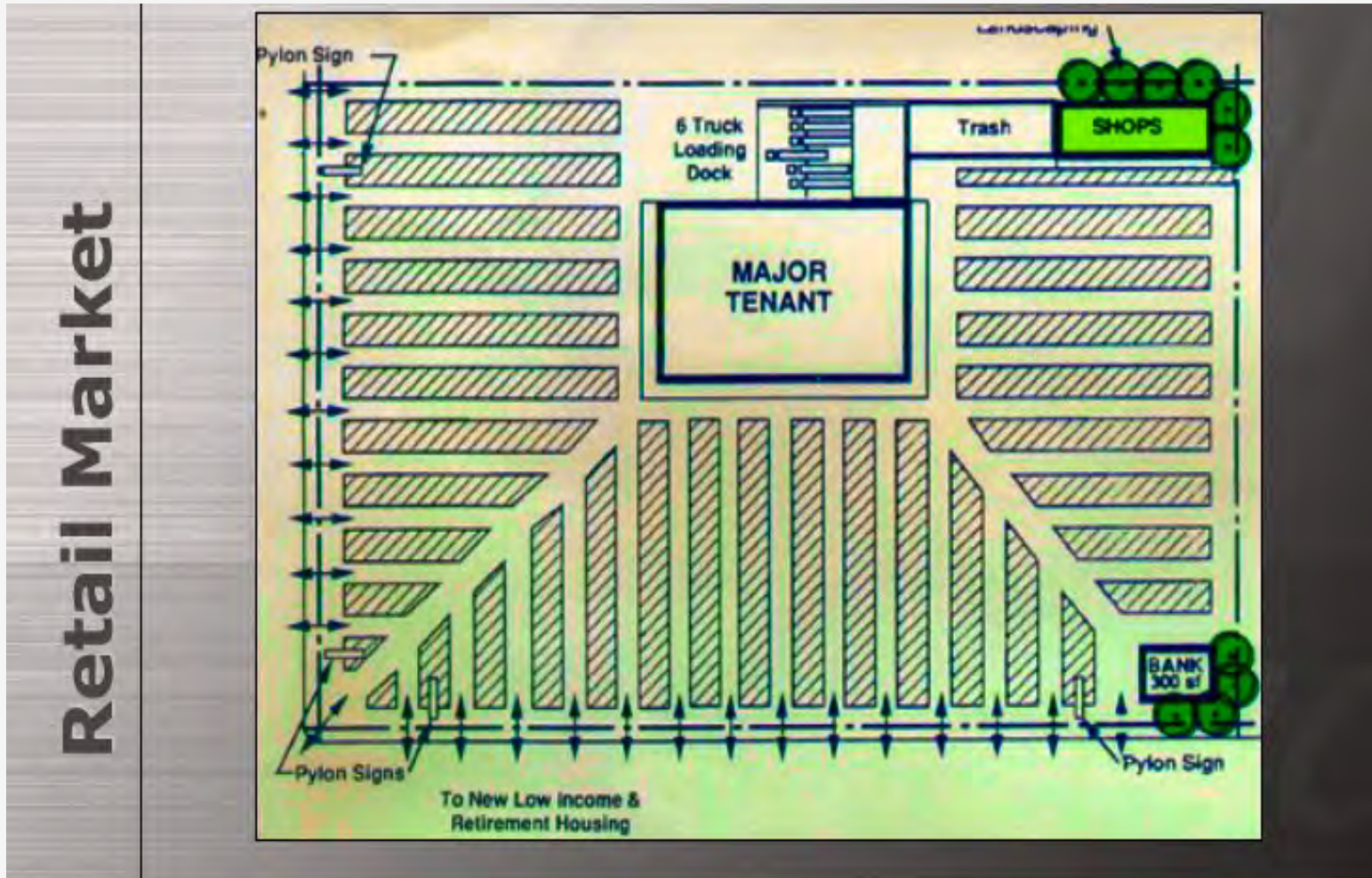
BACKGROUND

His story, her story, and the truth....

TYPICAL SHOPPING CENTER



TENANT/BROKER PERSPECTIVE



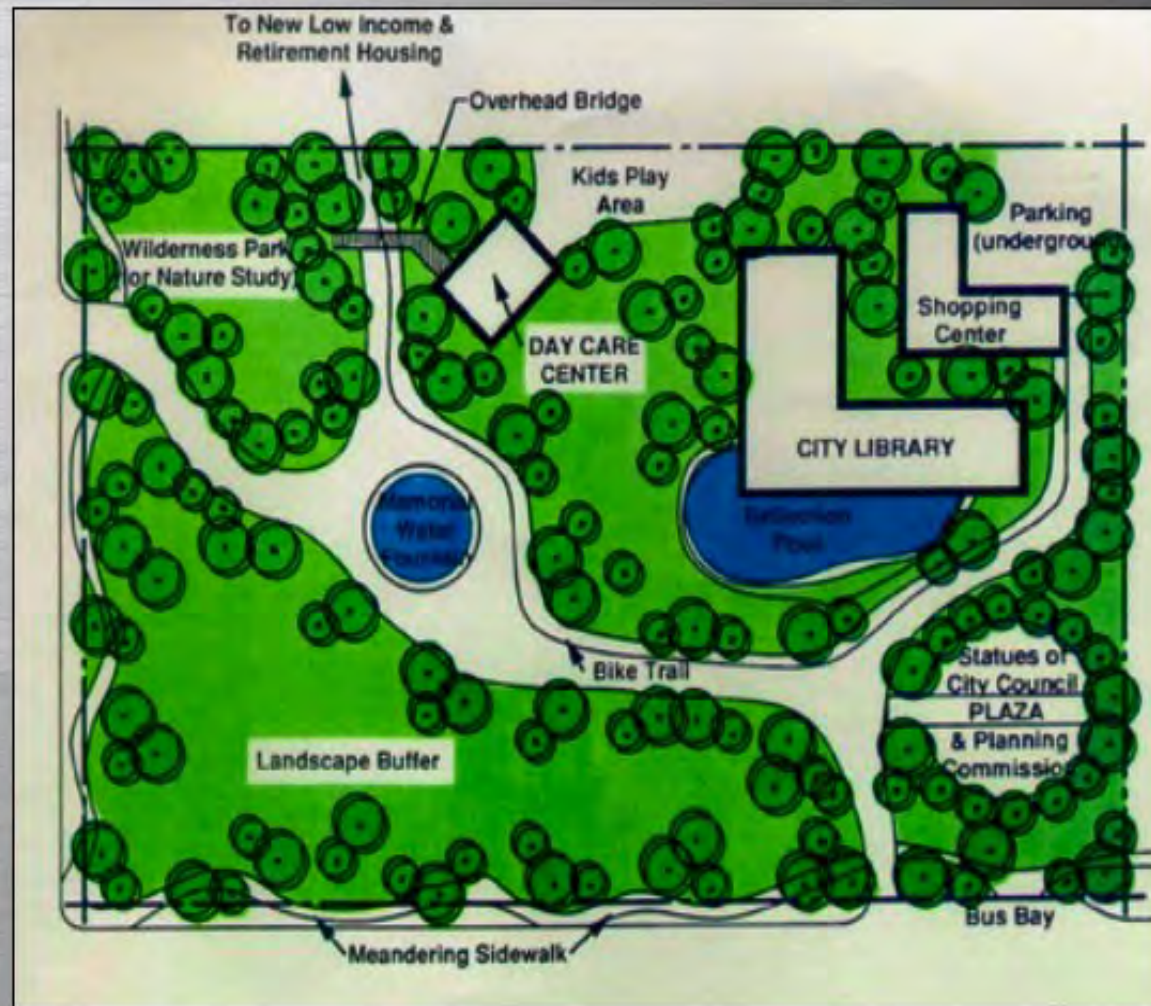
DEVELOPER PERSPECTIVE

Retail Market



CITY PERSPECTIVE

Retail Market



TYPES: ACTIVE RETAIL

Retail where the pedestrian interacts with the space even if he/she doesn't go in to buy something.

Examples include grocery/drug, specialty, mass merchants (Costco or Target perhaps to a lesser extent), and even a karate studio, art gallery, or real estate agency.



TYPES: NON-ACTIVE RETAIL

Retail where the flow of the retail district is broken so that pedestrians don't interact with the built environment, or where there are limited hours so that spaces become dark during non-office hours.

Examples include offices, medical facilities, or auto repair. Inactive retail can be caused by poor design!





HOW RETAIL IS EVOLVING

How do we spend our
money? What's different?

A VERY BRIEF HISTORY OF RETAIL

- Early 20th century ... no cars ... no need for shopping centers.
- Mid 20th-century ... most towns had downtown shopping districts and often homegrown department stores which sold a wide variety of goods.
- Post-WWII suburbanization and cars ... shopping centers began to replace downtowns.
- Discounters (K-Mart) began to erode department store market share.
- Traditional department stores began to enter this world (Dayton Hudson → Target).
- “Big box” and “category killer” retailers ... the next step in retail evolution ... more convenient / efficient → everyday low prices.
- Today, regional malls going away ... difference between commodity and specialty becomes even more distinct.
- Traditional department stores (Kohl’s) abandoning malls and joining category killers.
- Today’s environment is about convenience/price vs. experience.







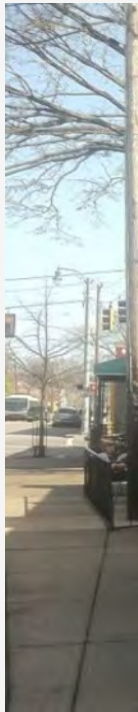
TYPES: COMMODITY RETAIL

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.







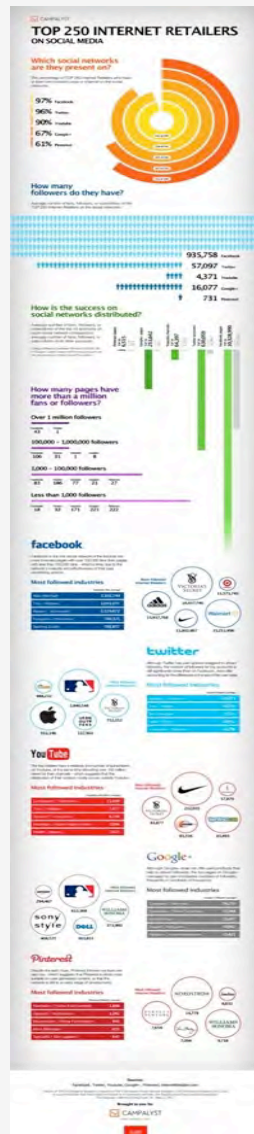
TYPES: SPECIALTY RETAIL

Retailers selling goods and services which are consumed on a discretionary or emotionally-driven basis using discretionary funds/income, and where experience is a primary motivator in choosing 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.



OMNICHANNEL RETAILING



- Omnichannel retailing is an evolution of multichannel retailing BUT it is concentrated on a seamless approach to the consumer experience through all available shopping channels: mobile devices, internet, brick-and-mortar, television, catalog, and so on.
- Retailer / Landlord Opportunity: Combine the touch and feel of the brick-and-mortar experience with the excitement and impulse factor of web/mobile shopping (eg. tweet/food trucks, crowdsourcing...).
- Specialty vs. Commodity: Omnichannel works differently for each.
 - For commodity it's research and purchase options, and
 - For specialty it's driving traffic to a store.

RETAIL TITANS ... AND THE REALITY OF SHOWROOMING

Broadlines and Food & Drug Technology Continuum

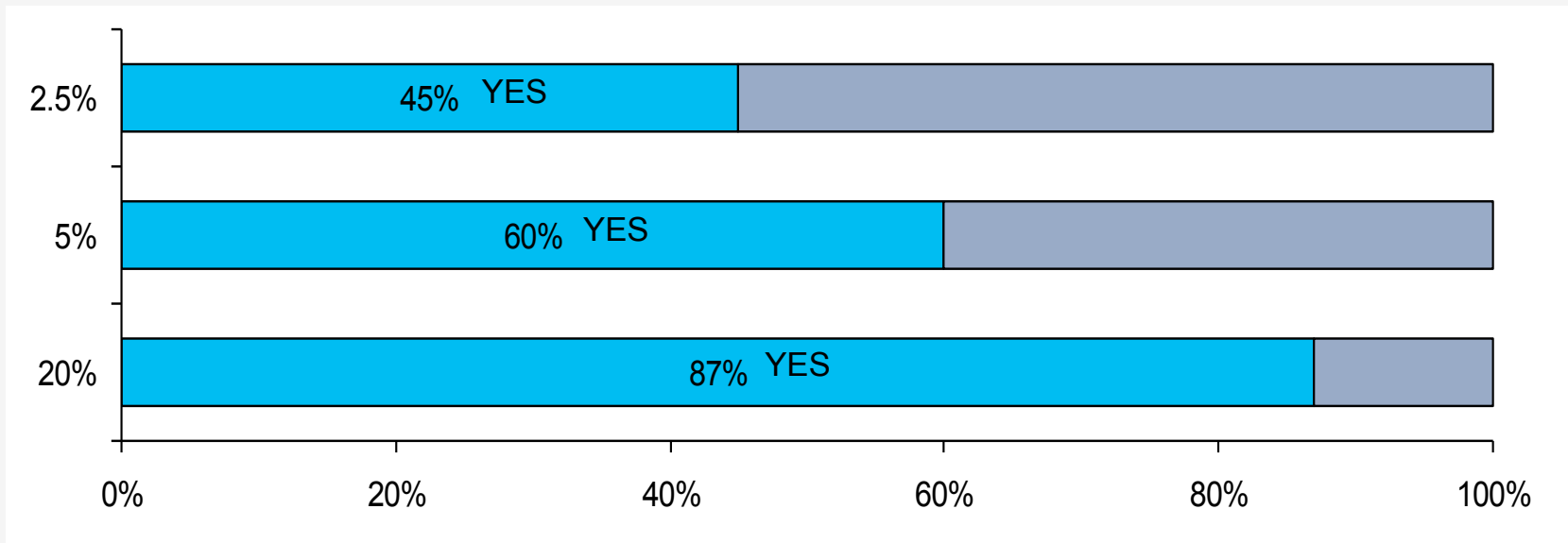


The Tech Titans



TECH TITANS ... AND THE REALITY OF SHOWROOMING

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





DEMOGRAPHIC TRENDS








It's not so much about
forecasts as it's about how
we live!

GENERATIONAL CLARITY

GENERATIONAL CLARITY usable definitions

Traditional Definitions
19+/- years in length

New Definitions
by decade born

SILENT		BABY BOOMERS		GENERATION X		MILLENNIALS							
EARLY	LATE	EARLY	LATE	EARLY	LATE	EARLY	LATE						
		Retired	Still working	Have plenty of home equity	Have no/little home equity	No internet in grade school	Always had internet						
		Ages: 61-70	Ages: 52-60	Ages: 42-51	Ages: 33-41	Ages: 23-32	Ages: 14-22						
1930s SAVERS		1940s ACHIEVERS		1950s INNOVATORS		1960s EQUALERS		1970s BALANCERS		1980s SHARERS		1990s CONNECTORS	
													

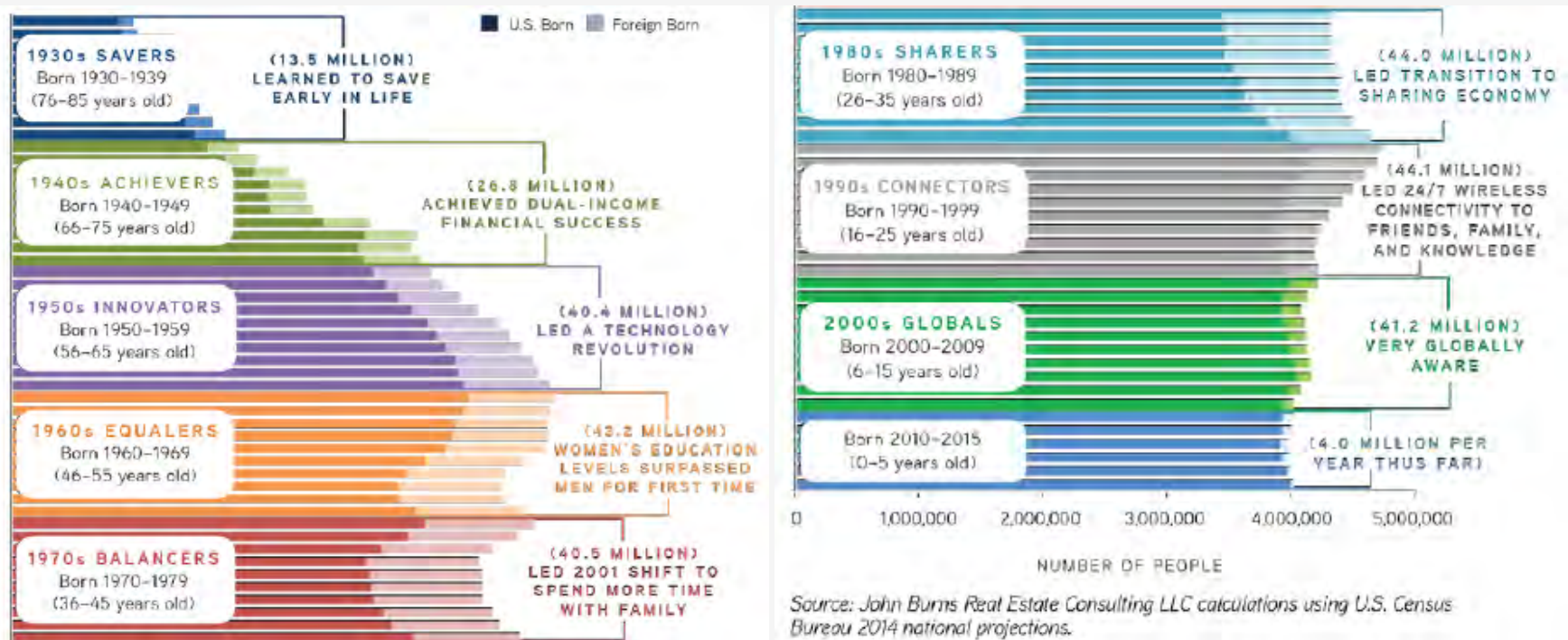
LIFE STAGES

- Young Singles (≤45)
- Young Childless Couples (≤45)
- Young Families (Oldest Kid ≤9)
- Mature Families (Oldest Kid 10-18)
- Mature Couples and Singles*
- Retirement Age



Note: Percentages less than 1% have been left out, and rounding adjustments were made to make totals 100%.
*Household head is either 46-65 years old or has an adult child living with him or her. Data for 2014 rolled forward to 2015.

SOCIETAL SHIFTS BY DECADE



4-5-6 RULE FOR THINKING ABOUT DEMOGRAPHIC SHIFTS

4

THE 4 BIG INFLUENCERS

1. Government
2. Economy
3. Technology
4. Societal shifts



5

DURING PEOPLE'S 5 MAIN LIFE STAGES

1. Childhood
2. Early career
3. Family formation
4. Late career
5. Retirement

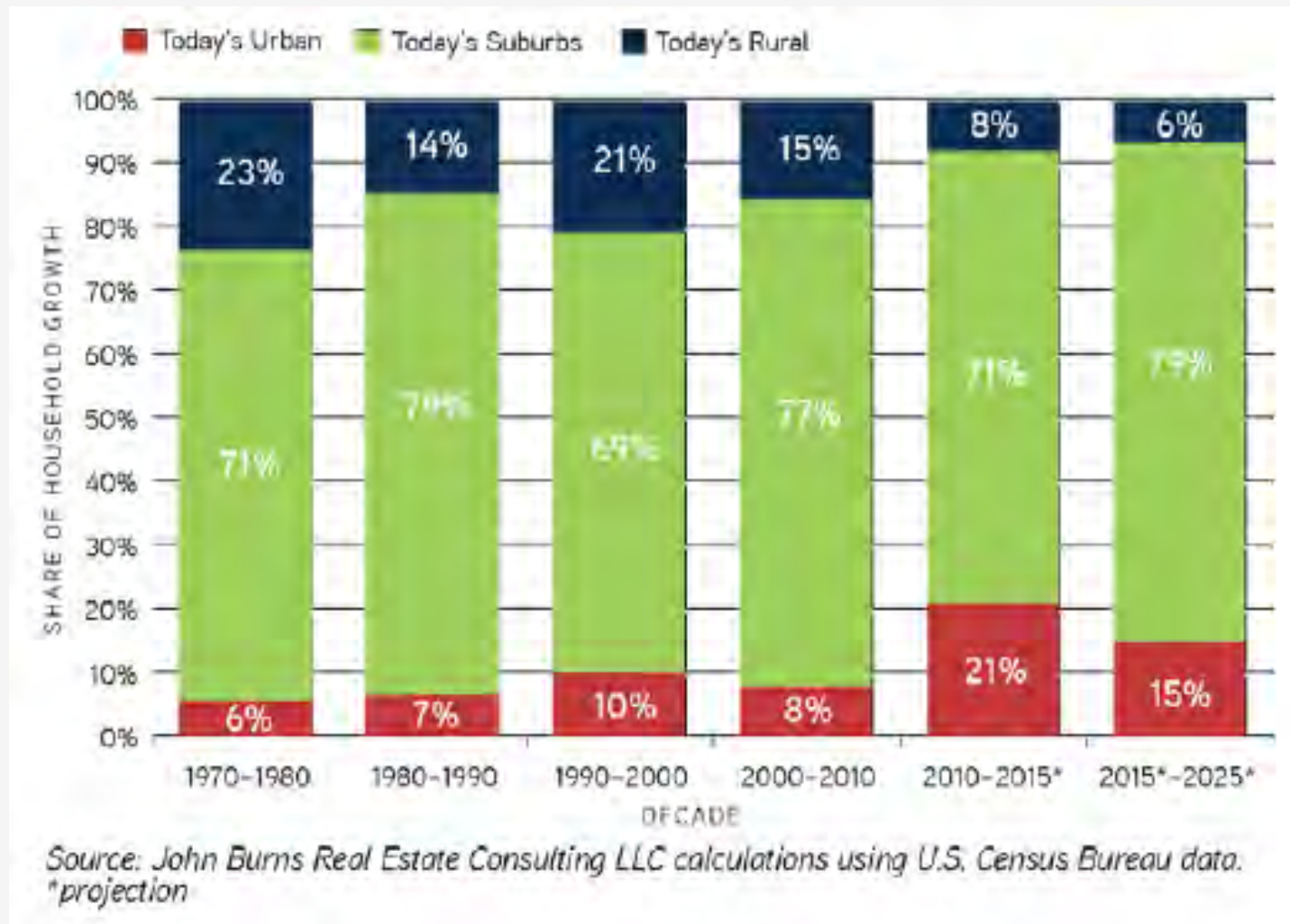


6

HELP ANSWER THE 6 KEY CONSUMER QUESTIONS

1. How many will there be and how much money will they have?
2. What will they purchase?
3. When will they purchase?
4. Where will they live and spend?
5. Who will buy, and who will they live with (spend money on and share expenses with)?
6. Why will they buy certain products and not others?

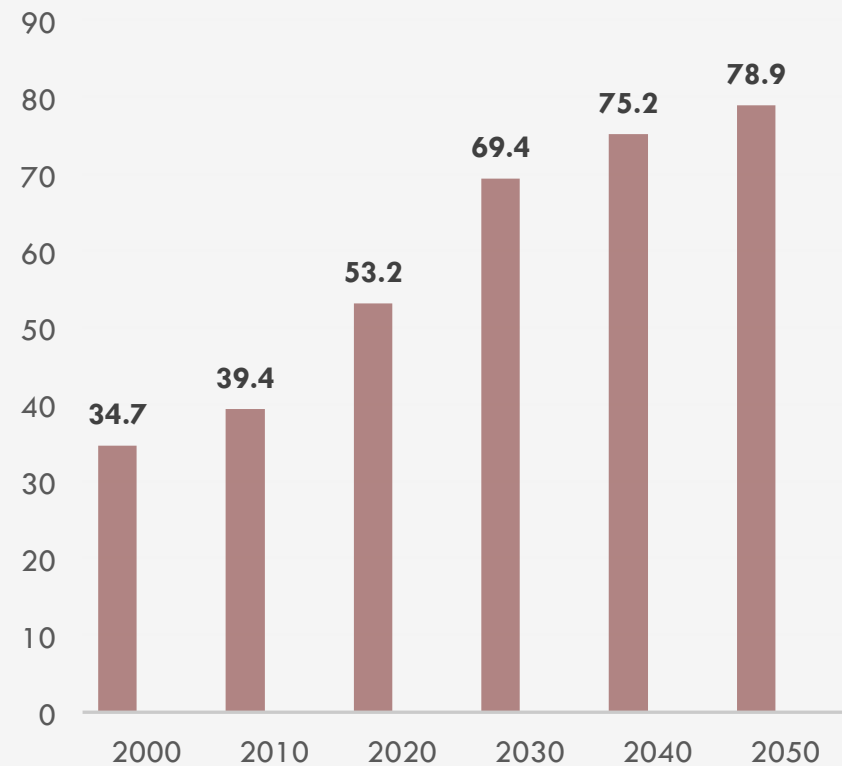
URBAN VS. SUBURBAN



RETAIL TRENDS: AGING BOOMERS

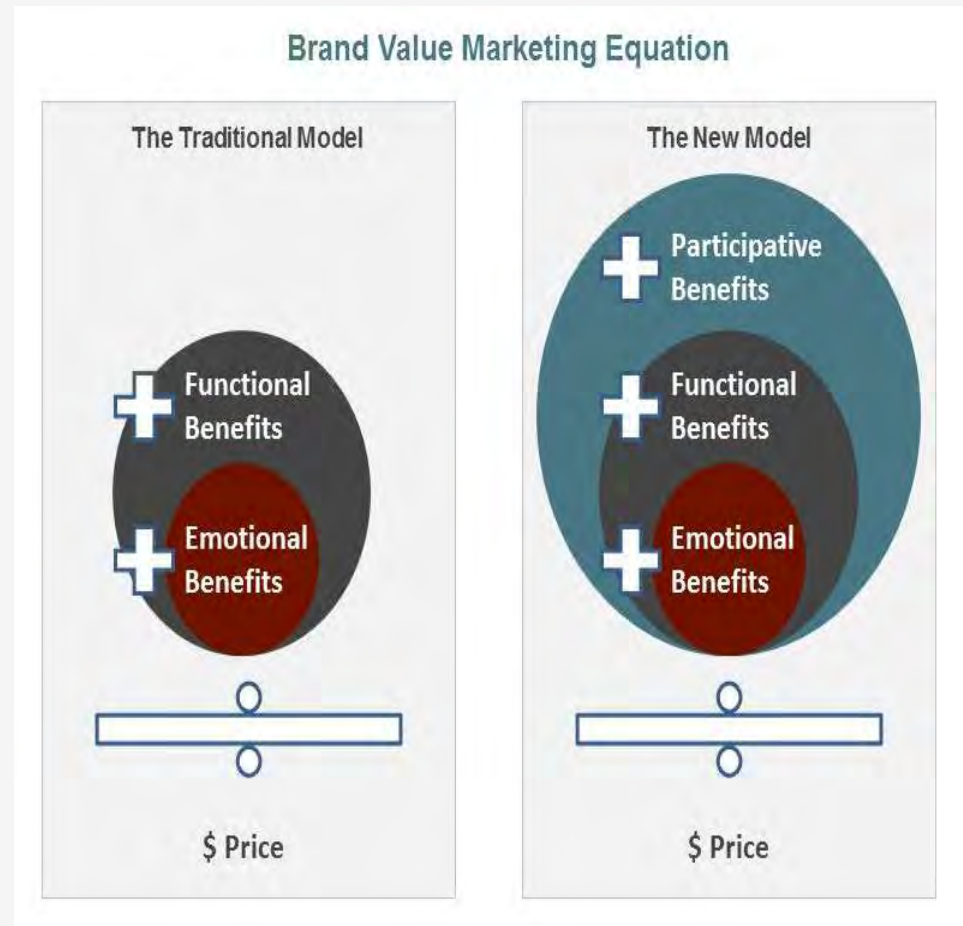
- By 2030, almost 70M will be age 65+, most will be healthy
- What will they want to buy?
 - Food, gifts, housewares, clothes, travel, medical items
- How will they buy it?
 - Accessible stores
 - Internet
 - Delivery services are key

US Population Age 65+



RETAIL TRENDS: MILLENNIALS

- Millennials were born from 1980 to 2000
- Largest generation in US history
- Estimated at 80 million population
- Greater use of technology & internet shopping
- More global and urban
- More emphasis on “green” and social media engagement
- Analysts say millennials are more brand-loyal than their parents
- 52% more likely to buy on impulse
- A retailer “making me smile” was 33% more important to millennials than to boomers





RETAIL FORECAST

Where is it going?

RETAIL TRENDS

- **The shift toward enjoying experiences more than purchasing goods (commodity vs. specialty) will continue to move retail stores toward selling experiences rather than selling goods.**

RETAIL TRENDS

- The shift toward enjoying experiences more than purchasing goods (commodity vs. specialty) will continue to move retail stores toward selling experiences rather than selling goods.
- **Both consumers and cities want retail that is walkable from housing.**
 - **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.**

RETAIL TRENDS

- The shift toward enjoying experiences more than purchasing goods (commodity vs. specialty) will continue to move retail stores toward selling experiences rather than selling goods.
- Both consumers and cities want retail that is walkable from housing.
 - 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.
- **There will be an 86 percent surge in household formations to 12.5 million households over the coming decade in comparison with the prior decade.**

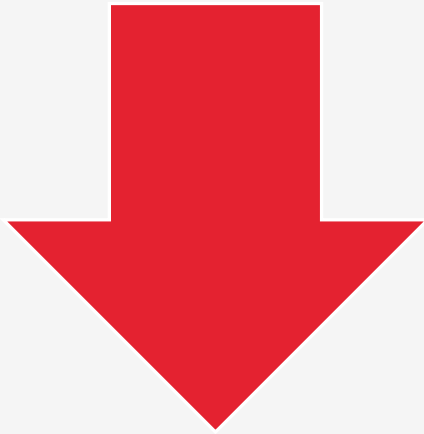
RETAIL TRENDS

- The shift toward enjoying experiences more than purchasing goods (commodity vs. specialty) will continue to move retail stores toward selling experiences rather than selling goods.
- Both consumers and cities want retail that is walkable from housing.
 - 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.
- There will be an 86 percent surge in household formations to 12.5 million households over the coming decade in comparison with the prior decade.
- **This surge will drive purchases in all stores that cater to new households, particularly renters (58 percent of the net new households).**

RETAIL TRENDS

- The shift toward enjoying experiences more than purchasing goods (commodity vs. specialty) will continue to move retail stores toward selling experiences rather than selling goods.
- Both consumers and cities want retail that is walkable from housing.
 - 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.
- There will be an 86 percent surge in household formations to 12.5 million households over the coming decade in comparison with the prior decade.
- 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.**

RISKS & OPPORTUNITIES



Risks

- Smaller Formats
- Tenant Consolidations
- New ADA and Environmental Standards
- Tenant Migration to Newer Centers

Opportunities

- A Properties in B Markets
- B Properties in A Markets
- Strip Center Re Use
- Ethnic Grocery Anchors
- SF's Emerging Neighborhoods

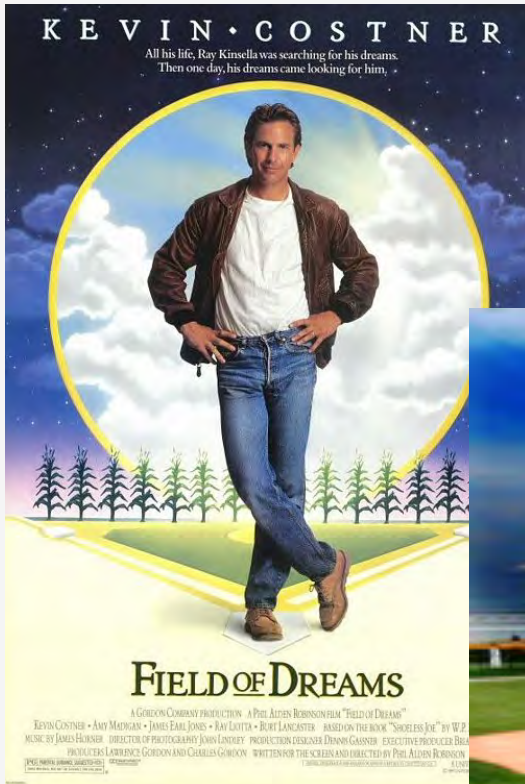




KEEP
CALM
AND
TAKE
CONCLUSION

CONCLUDING
THOUGHTS

Thought he'd never get
here!



“Build it and they will come” . . .



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!

CONTACT INFORMATION



GREENSFELDER COMMERCIAL REAL ESTATE LLC

DAVID S. GREENSFELDER, *MANAGING PRINCIPAL*

510.708.8927 TEL | DAVID@GREENSFELDER.NET

DEVELOPMENT AND CONSULTING

- RETAIL
- HOUSING
- LAND USE
- ECONOMICS

