



TECHNOLOGY AND THE BUILT ENVIRONMENT

O UNIVERSITY OF OREGON **URBANISM NEXT**

May 8, 2019

greensfelder
environment

POWERED BY

PechaKucha™



“RETAIL ... WHAT IS IT?”

Let's start at the very beginning...a very very good place to start!

“RETAIL” DEFINITION

re·tail

/ˈrē,tāl/

noun: **retail**; plural noun: **retails**

1. the sale of goods to the public in relatively small quantities for use or consumption rather than for resale.

<https://en.oxforddictionaries.com/definition/retail>

New Era Demands New Thinking

“Real estate as an asset class has matured. Market participants need to realize this and make the appropriate adjustments.”

<https://americas.uli.org/research/centers-initiatives/center-for-capital-markets/emerging-trends-in-real-estate/americas/>



Emerging Trends in Real Estate®

United States and Canada 2019



ULI EMERGING TRENDS 2019 – INFLUENCERS

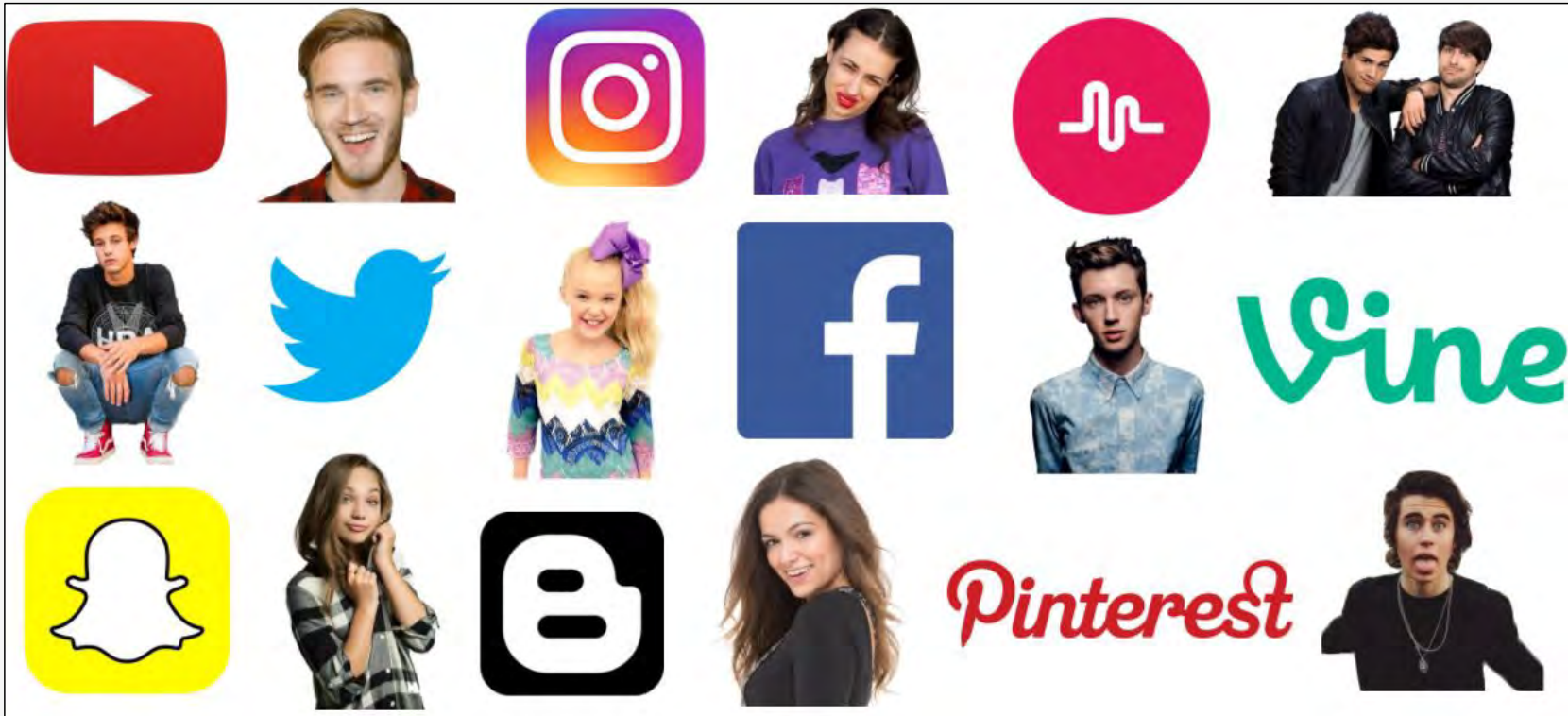
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- **This phenomenon is particularly true with consumables like beauty products.**
- **Social commerce also has particular significance for the resale market where, for example, someone might put or see something on-line, and then tell their friends about it...creating hype**

RETAIL APOCALYPSE NOW



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RETAIL APOCALYPSE ... NOT!!!



ULI EMERGING TRENDS 2019 – PLATFORMS

- Retail isn't dying, it has reoriented to more efficient platforms that give consumers one-stop shopping.



amazon



shopify



threadUP



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Amazon expected to grab 47 percent of online sales



Anne Stych, Contributing Writer
Feb 19, 2019, 9:06am EST



Julie Clopper



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- 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.**
 - **According to the 2018 letter to shareholders, over 5 million Amazon Marketplace sellers account for over 50% of total sales.**
 - **Thredup, Craig's List, and Ebay are examples of how an individual can easily conduct C2C transactions.**

RETAIL – THE OLD AND THE NEW ORDER

- The Old Order is trying to figure out how to get an edge on the Titans, and the Titans are embracing some lessons from the Old Order's playbook.

Broadlines and Food & Drug Technology Continuum



The Tech Titans



Source: CitiBank Research/Weinswig

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- Influencers and Platforms are driving refinements.

Broadlines and Food & Drug Technology Continuum



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MOM AND POP IS EVOLVING

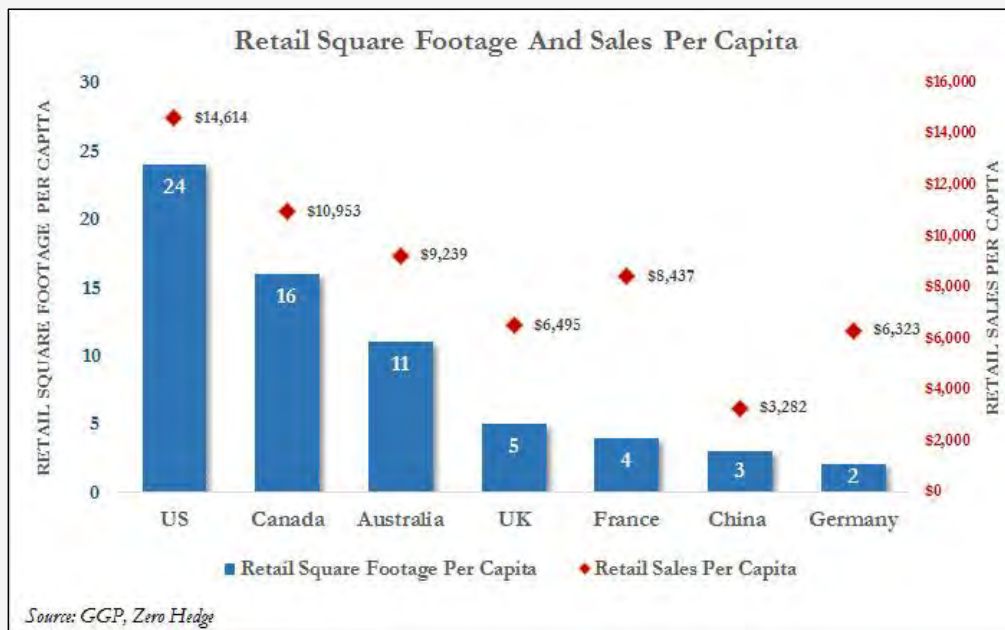


MORE RETAILERS NOW THAN EVER



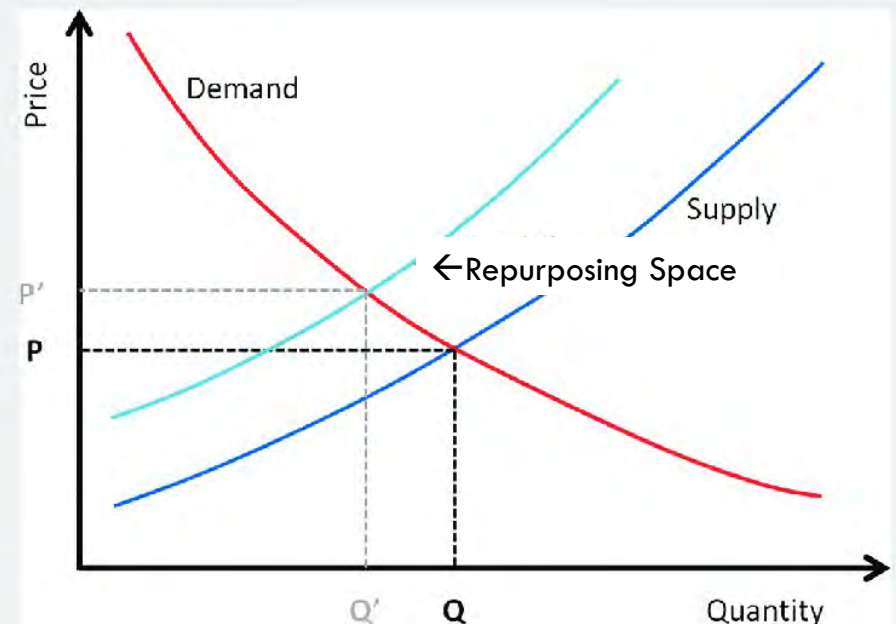
ULI EMERGING TRENDS 2019 – NEW EQUILIBRIUM

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- 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?’**

ULI EMERGING TRENDS 2019 – LANDLORD-TENANT RELATIONS

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- **Successful landlords will ask “WHY?” ... a lot!**
 - **Why should a tenant be in a project?**
 - **Why does the consumer care?**
 - **Why should a 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?**

ULI EMERGING TRENDS 2019 – LANDLORD-TENANT RELATIONS

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- **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.**

ULI EMERGING TRENDS 2019 – LOCATION-LOCATION-LOCATION

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- 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.**





How Does Retail Organize Itself in Today's World?

Let's talk about BEHAVIORS!







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.

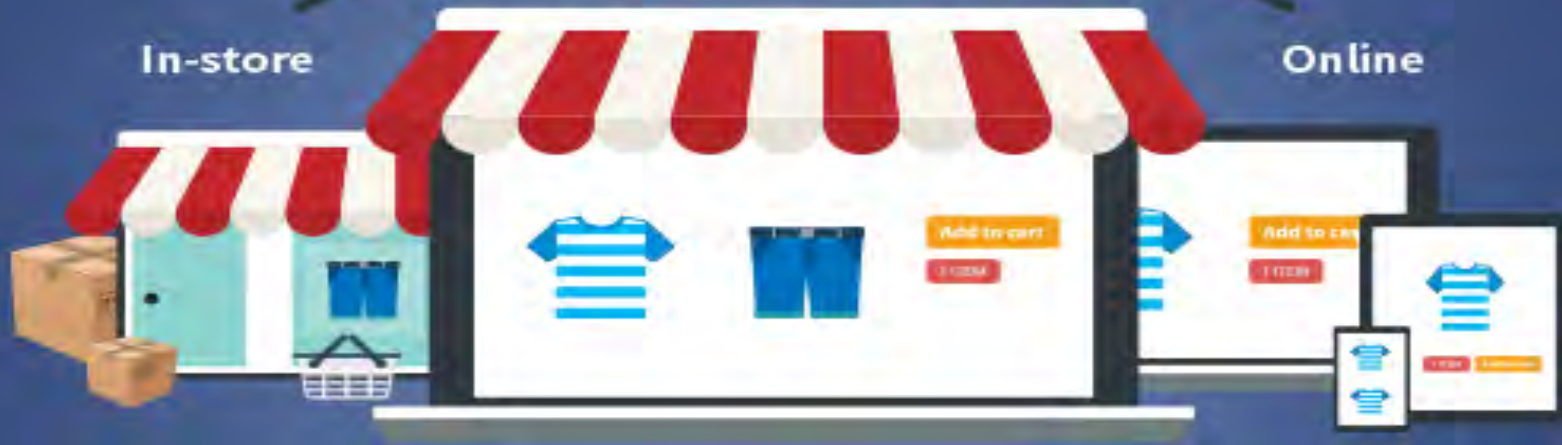
* With the rise of platforms and influencers, the importance of “place is evolving.”



OMNICHANNEL

In-store

Online

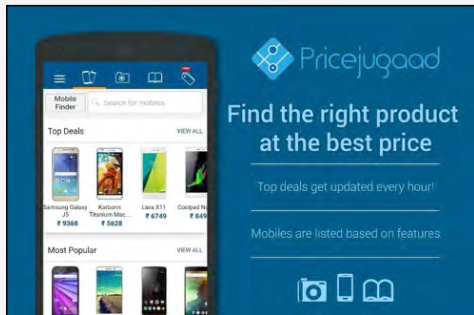
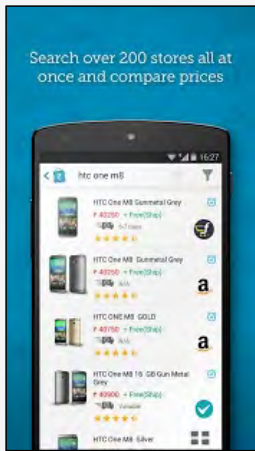


Retail Channels Explained

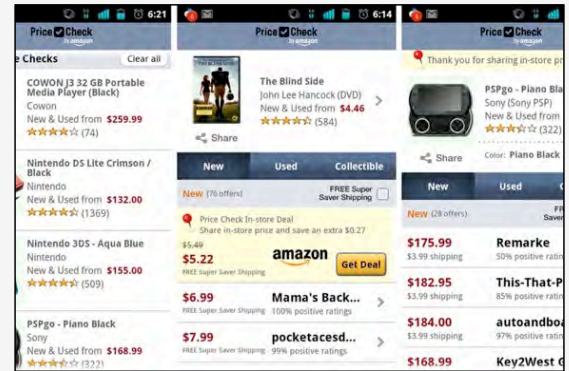
How does this translate into digital retail as opposed to bricks-and-mortar retail?





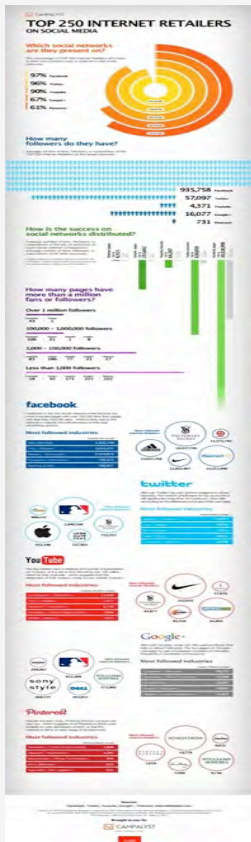


deals from 5,000+ retailers and brands

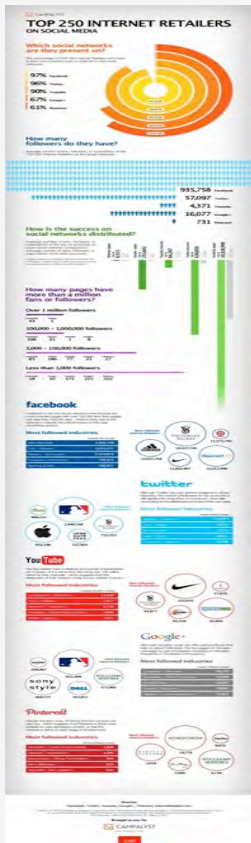


HOW ARE RETAIL CHANNELS USED?

Omnichannel strategies work differently for commodity and specialty retailers.



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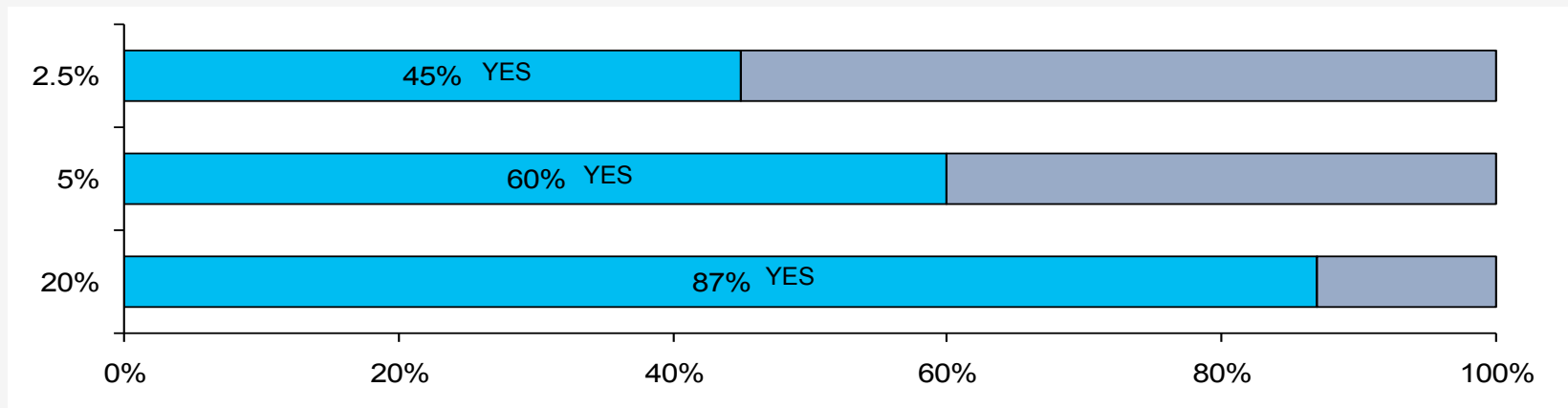


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- For example, multiple retail channels might be used by a consumer in purchasing a particular **COMMODITY** like a television (eg. research online at home, price checking on a phone while at a retail store).

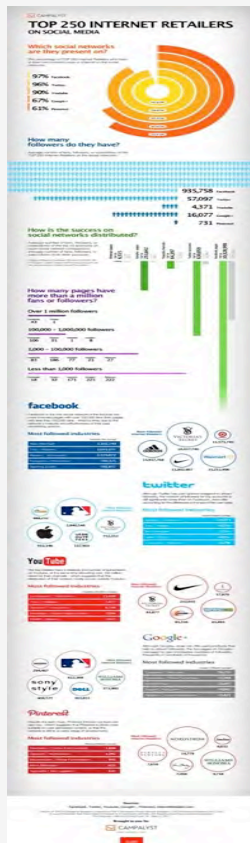
TECH TITANS ... AND THE REALITY OF SHOWROOMING

"I'd Walk out of a Store and Purchase Online for a Discount of..."



Source: CitiBank Research/Weinswig

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- For example, multiple retail channels might be used by a consumer in purchasing a particular **COMMODITY** like a television (eg. research online at home, price checking on a phone while at a retail store).
- 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

- **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, and commodities will continue to dominate on-line.**

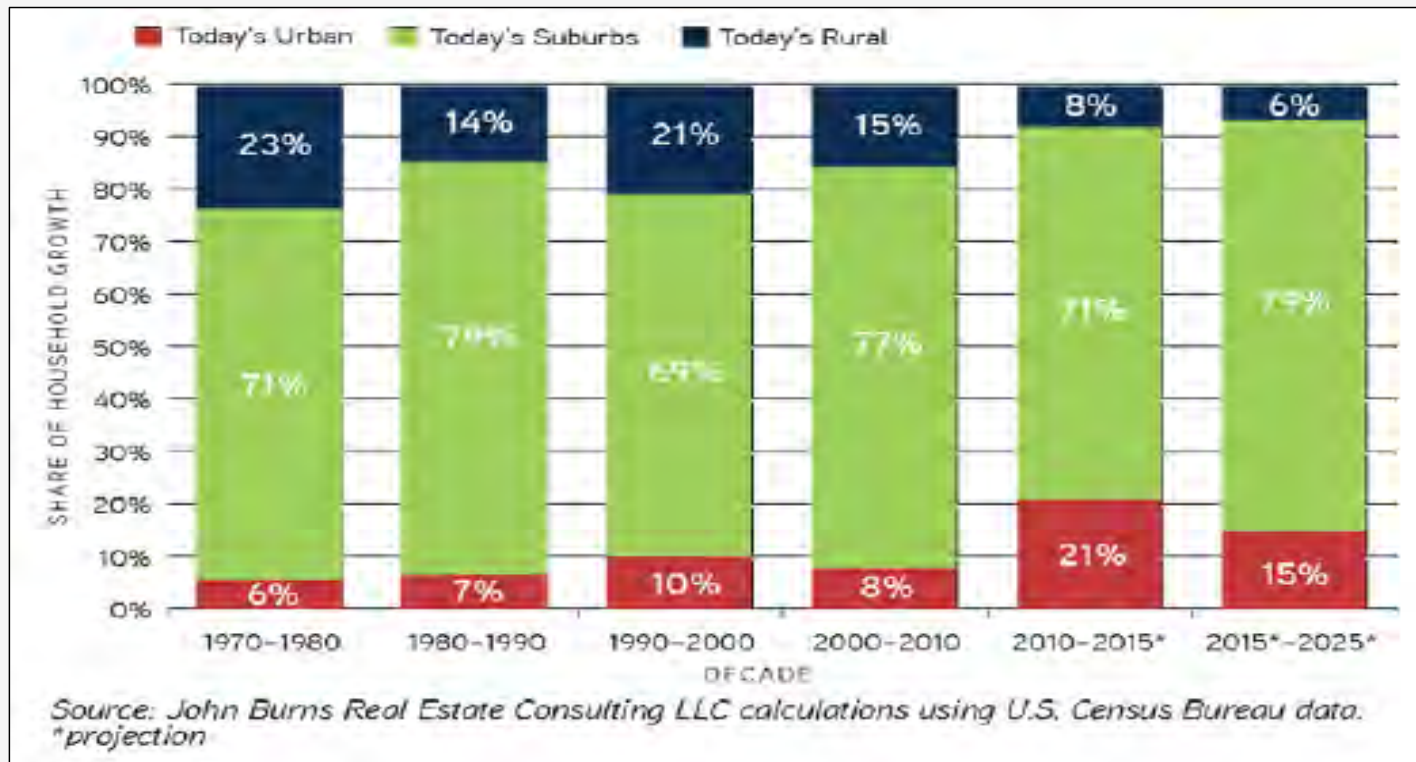
RETAIL TRENDS

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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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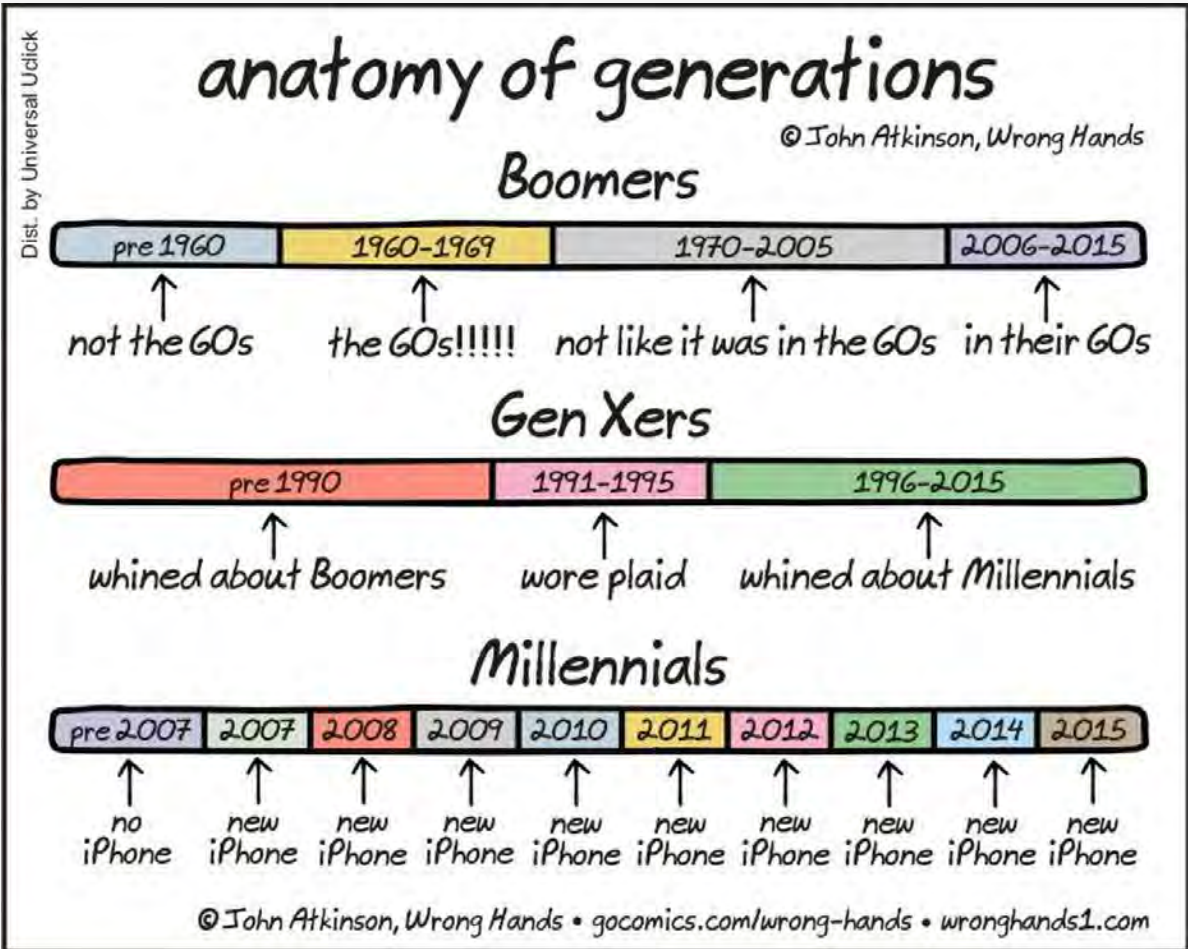
URBAN VS. SUBURBAN



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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).**

SOCIETAL SHIFTS BY FRAME OF REFERENCE, ATTITUDES, AND HABIT



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- **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.**

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- Lower effective rents.
- More marginal tenants with lower credit.
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➤ **Redevelopment opportunities for retail projects that no longer have a reason to be.**

- Substantial reduction in amount of retail space; replace with other commercial and residential uses.
- Focus on the best locations for retail in any given market; do long-range planning for use conversion on less viable locations.



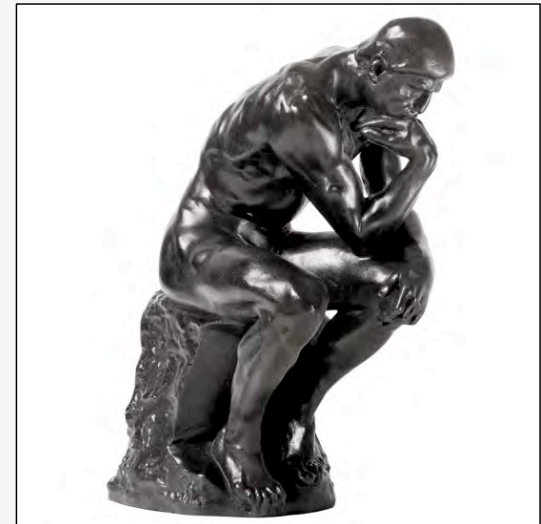
PLANNING ISSUES

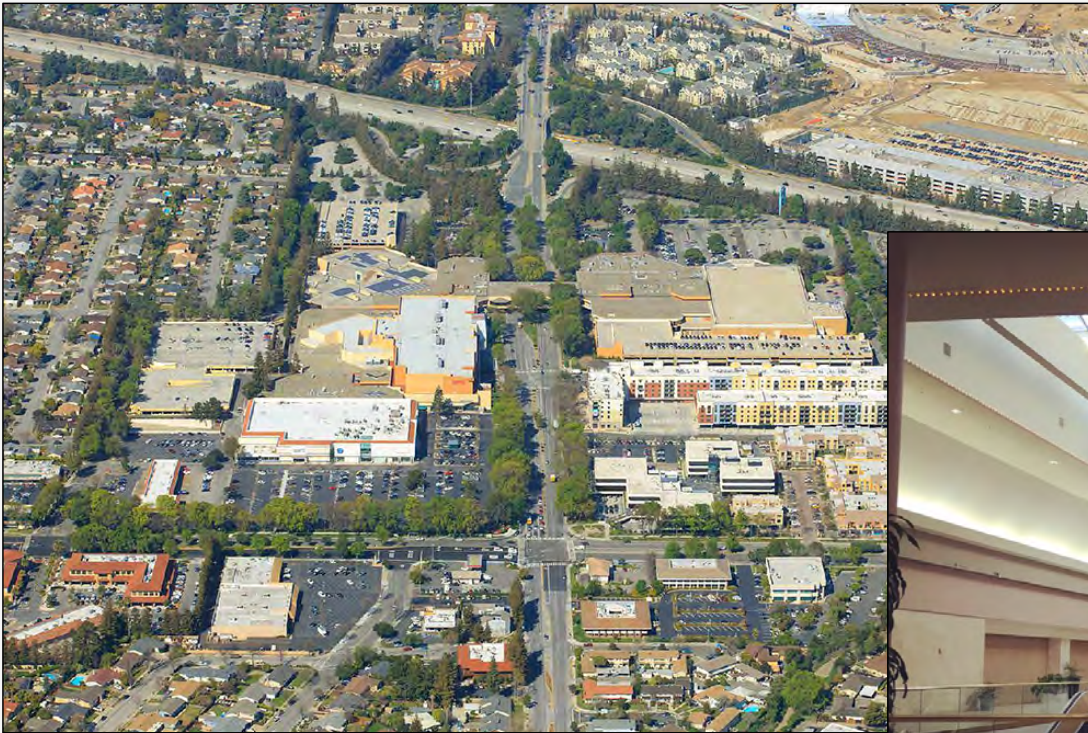
◆ PUBLIC VS. PRIVATE SECTOR

Balancing competing interests.

PLANNING QUESTIONS WE'RE ADDRESSING

- There are implications for those who design public policy:
 - Rise of e-commerce has made retail planning more complex.
 - E-commerce will impact urban places.





EXPLORE THE HILLS AT VALLCO

The Hills at Vallco is not only a Town Center for Cupertino but also a new approach to city planning, seamlessly integrating a 30-acre rooftop community park into an exciting mixed-use neighborhood and adding an extraordinary amenity that all Cupertino residents will use and enjoy.





Mixed-Use Regional Hub in the San Francisco East Bay

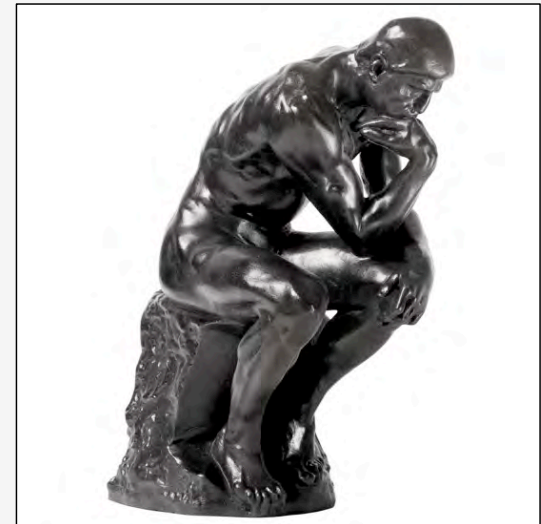
THE VISION

A MIXED-USE REGIONAL HUB IN THE SAN FRANCISCO EAST BAY MARKETPLACE

Perched above the San Francisco Bay complete with a beautiful panoramic view sits Hilltop by the Bay, a vast, fully-entitled 77-acre site that is quickly evolving to emerge as a walkable, mixed-use village that will bring its trade area a new, vibrant and flourishing community destination.

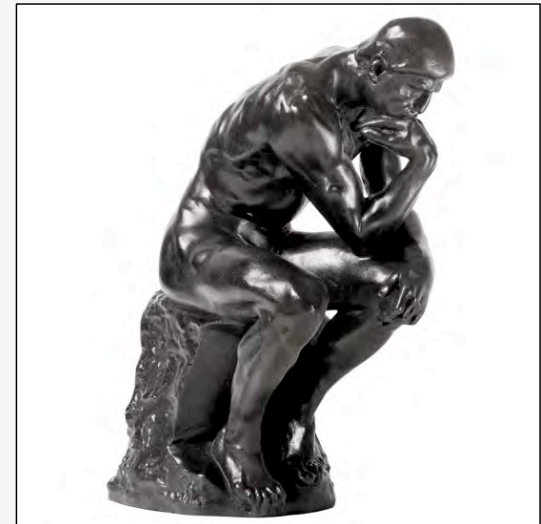
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 - mitigate negative impacts, and
 - take advantage of opportunities.
- Retail is NOT dead, *however...*
 - it is undergoing a period of reorganization
 - it is changing because of social commerce
 - it is changing because of evolving retail platforms



THRIVING RETAIL DISTRICTS

- To attract retailers, projects need to differentiate themselves.



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- To attract customers, projects need to differentiate themselves.



THE 5TH ANNUAL

**ENTERTAINMENT
EXPERIENCE EVOLUTION**

FEBRUARY 12-13 2019 - BEVERLY HILLS

PRODUCED BY FRANCE MEDIA AND SHOPPING CENTER BUSINESS

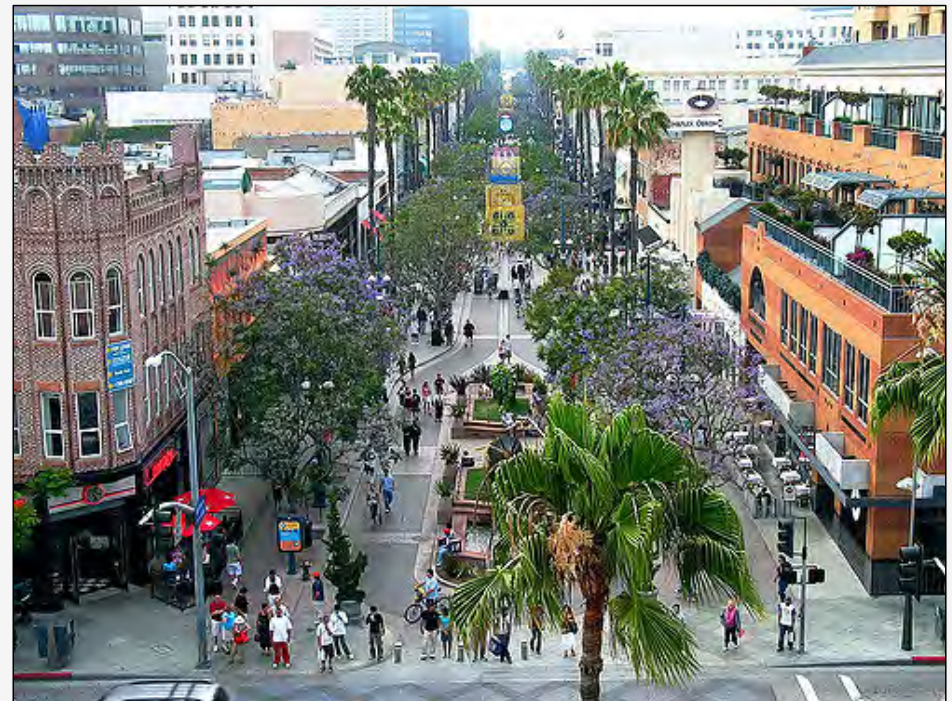
SOCIAL/RETAIL ENGINEERING

- **Are our expectations about vibrant areas realistic?**



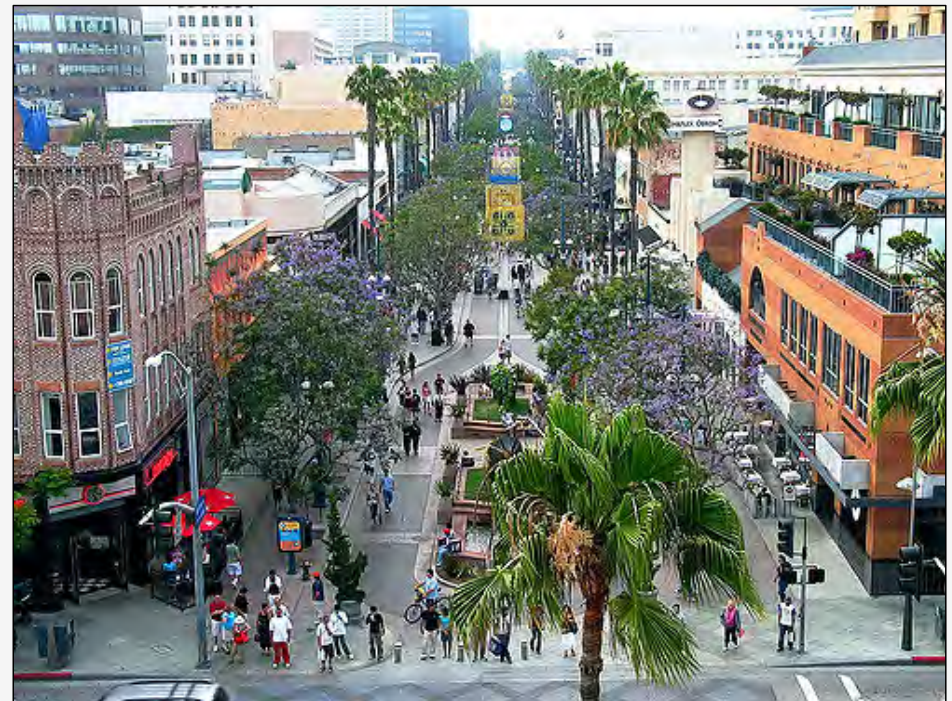
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- Are our expectations about vibrant areas realistic?
- **The most vibrant areas are the most organic. Examples: Pearl District (Portland), Ballard (Seattle), SF retail streets, College Ave (Berkeley/Oakland), Willow Neighborhood (Phoenix), Bucktown (Chicago), Healdsburg and Sonoma Square.**



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- **Encourage natural retail evolution and do not force retail where it does not meet basic retail criteria.**



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.

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- Manage for change.
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- *and ... be extremely lucky!* (...in an opportunity meets preparation kind of way)



**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!)

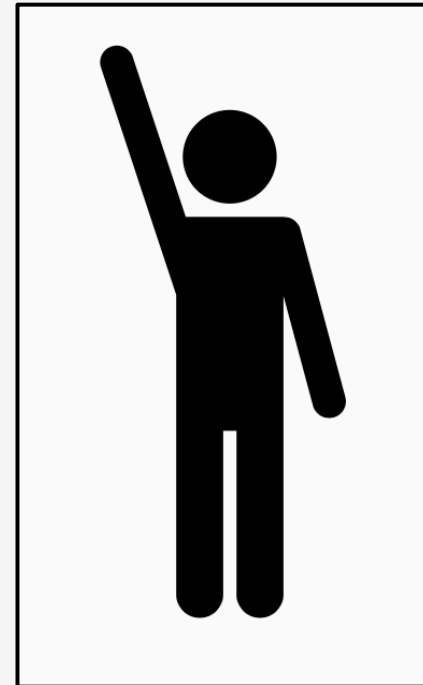
QUESTIONS AND ANSWERS



RETAIL RESILIENCY CONSULTING

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

DAVID S. GREENSFELDER, *MANAGING PRINCIPAL*
GREENSFELDER COMMERCIAL REAL ESTATE LLC
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LAST MILE – DEFINING THE ISSUE

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 - 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.

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 - 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

Externalities and Market Failure

Externalities are a major cause of market failure and occur in nearly every market – be clear on effects for producers and consumers

- Externalities are **spill-over effects** arising from production and consumption for which no appropriate compensation is paid
- Externalities lie **outside the market transaction**
- Externalities cause **market failure** if the **price mechanism** does not take account of the **social costs** and **social benefits** of production and consumption
- Externalities can be **positive** and/ or **negative**



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- **The solution lies in managing externalities!**