

# Retail Trends: What City Managers Need to Know

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**Buxton**<sup>®</sup>

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# Overview

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- State of Retail Real Estate Market
- Important Retail Real Estate Trends
- Implications for Community Leaders



# State of the Retail Real Estate Market



# What's happening to vacancy rates?



Expected to reach 10.6% nationally in 2017

# What's happening to real estate prices?

1.6%



Increase in prices of retail properties in 2017





# How intense is competition in real estate?

“Small Box retail (1,000-1,400 sq. feet) is extremely competitive. We expect it to get harder to find.”

**Bob Loffredo, VP of Real Estate**

**FANTASTIC SAM'S**  
CUT & COLOR

# What's the state of the American consumer?



Income Stratification



Housing Changes



Employment





# Key Retail Trends Affecting Real Estate Strategy



# Omnichannel Retail

## CLICK AND COLLECT

Click and collect programs allow customers to make purchases online and pick up in store.

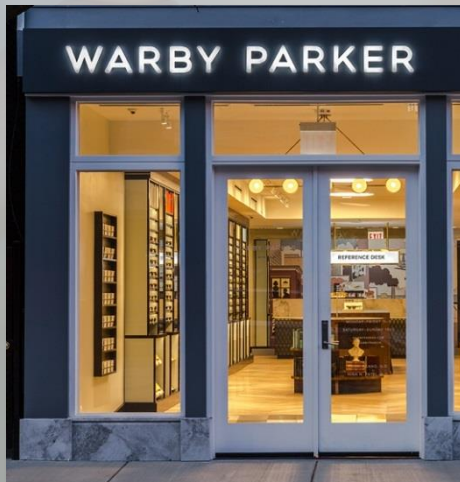
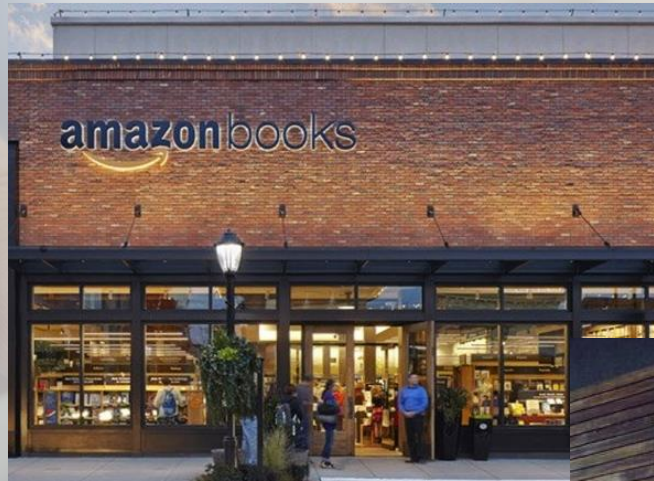


# Clicks to Bricks

“You can experience a brand for the first time, or you know them online, but you’d rather go in the store and try things on. Rent and build out will be less, staffing costs will be less, dead money in inventory will be less, and distribution costs go away for the most part. It’s a model that’s honest and will grow dramatically.”



**Paul Schlesinger**  
Senior VP of Business  
Intelligence, Buxton





# Experiential Retail

“Experiential retail is not going away. This has proved to be one of the best ways for brick-and-mortar outfits to combat e-commerce sales. Live-music performances, in-store demonstrations and classes, technological interactivity and other attractions give consumers a reason to physically enter a location instead of just buying the item on a computer or mobile device.”





A vibrant, multi-story residential building with colorful balconies and a street scene below. The building features a mix of colors including red, orange, yellow, and blue. The balconies are enclosed with glass and have colorful railings. The street below is lined with cars, trees, and streetlights, suggesting a lively urban environment.

# Implications and Advice for Communities



# Prove You Are Worth The Investment

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Since demand for certain types of retail space is outpacing supply, retailers are having to spend more on each site.

Community Response:  
Prove that you are a good  
investment.

# Tips to Prove Investment Potential

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- Describe customers in terms of psychographics, not just demographics
- Analyze your drive-time trade area to show full potential
- Compare your site to sites where the retailer already has a location in terms of customers and competition
- Provide retail leakage estimates



# Emphasize Small Box Opportunities

Small box retail space is a hot commodity.  
Big box retail is not.

**Community Response:**  
Consider working with real estate owners to divide up vacant big box space into smaller spaces.

## Study Your Targets

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While some retailers have strong financial momentum, others are struggling.

### Community Response:

Research the financial stability of the firms you are trying to recruit. This will help you to determine which ones will realistically consider new growth opportunities.



# Create Experience, Plan Mixed-Use Development and Lifestyle Centers

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Retailers want to be in locations that foster an inviting customer experience.

## Community Response:

Consider mixed-use development that emphasizes community gathering places or redeveloping historic spaces with a unique aesthetic.

# Brick and Mortar Isn't Dead

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Retailers are growing their online presence, but aren't giving up on brick-and-mortar stores.

## Community Response:

Don't assume that brick-and-mortar retail is dead. There are still growth opportunities in this space.



# Franchisees Fuel Growth

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With access to capital tight, many retailers require franchisees to fuel growth.

## Community Response:

Identify residents who are willing to invest in a franchise in order to speed up the recruitment process.

# Find Your Right Fit

Even if your community is a great fit for a retailer, a specific development project may not be the right fit.

## Community Response:

Build relationships with developers but also help retailers find the “hidden” opportunities in vacant buildings and underserved areas of town.





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