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BEYOND RETAIL **DEVELOPING** A DESTINATION

PREPARED BY CUSHMAN & WAKEFIELD | THALHIMER

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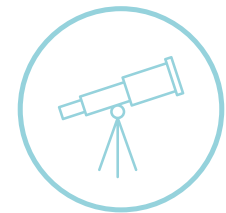
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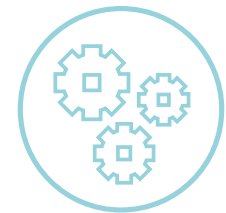


Age of Amazon

In the age of Amazon, physical retail may seem innocuous. E-commerce is fueling demand for warehouse space and innovating logistics networks around the globe. Fulfillment centers are an industry standard, leveraging breakthrough technology for efficiency. On the other hand, retail headlines around the country show once-booming regional malls as defunct, faced with aging infrastructure and fewer patrons. While one might conclude the demise of physical retail is imminent, modern shoppers are drawn to new experiences. The existing retail footprint is opening the doors to the era of [newCommerce](#): driven by **experiences**, **design**, and **convenience**.



EXPERIENCE



DESIGN



CONVENIENCE

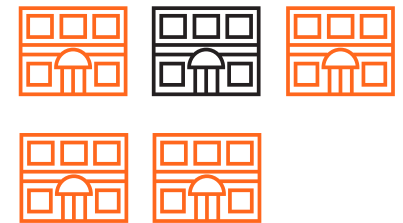


EXPERIENCE

Apparel e-commerce sales are expected to **increase \$73 billion, 20%**, in the next



Complementary services are a necessity to drive retail foot traffic. Apparel e-commerce sales are expected to increase \$73 billion, 20%, in the next five years. Department store consolidation, with struggling retailers shutting their doors or being bought out, continues to have a major impact on Class B and C malls. Coresight Research estimates about one-fifth of department stores, nearly 1,200, will close by 2023. The majority of these closures will occur in lower-tier retail malls. In addition to e-commerce growth, services are becoming a more common discretionary expense. Retail centers that offer a variety of services to cater to shifting demographics and e-commerce sales growth will be strong performers.



ONE-FIFTH of department stores, nearly 1,200, will close by **2023**

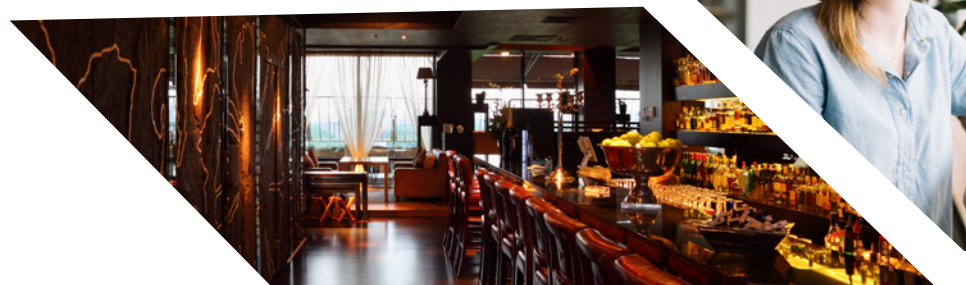


Alternative Uses And Services Are Having Success

53%

of consumers say lower prices will **increase** their movie theater viewership

- **Restaurants:** food halls, fast casual concepts, and local cuisine are leading the way.
Dairy Market in Charlottesville will be one of the first food halls in Central Virginia. The market will be anchored by a local brewery and feature local and regional products and restaurants
- **Movie theaters:** cinema operators are enhancing the movie-going experience with luxury seating, expanded menus, full-service bars, and strategic pricing (53% of consumers say lower prices will increase their movie theater viewership)
- **New Concepts:** axe throwing bars, arcade bars, mini golf, and escape rooms are a few unique retail uses that offer shoppers a new entertainment experience





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- **Pet stores** saw sales increase nearly 5% from the previous year and could become a \$20 billion industry by 2022
- **Specialty fitness clubs** entice health-conscious consumers - smaller format gyms, customized classes, and camaraderie present new options to get active with rock climbing gyms, spin, yoga and pilates studios opening new locations
- **Off-price apparel** has had recent success - discount stores saw a 2.5% increase in same store sales in 2017
- **Beauty and cosmetics** retain customers seeking to try on products in person before purchasing
- **Barbershops** have seen a resurgence - the men's grooming industry is estimated to reach \$26 billion by 2020



discount stores saw a 2.5% increase in same store sales in 2017

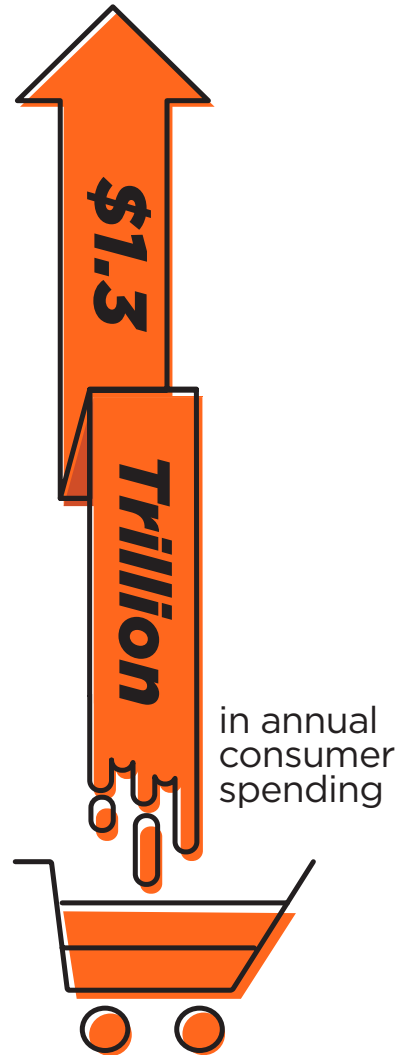




78% of millennials would choose to spend money on a desirable experience over material goods

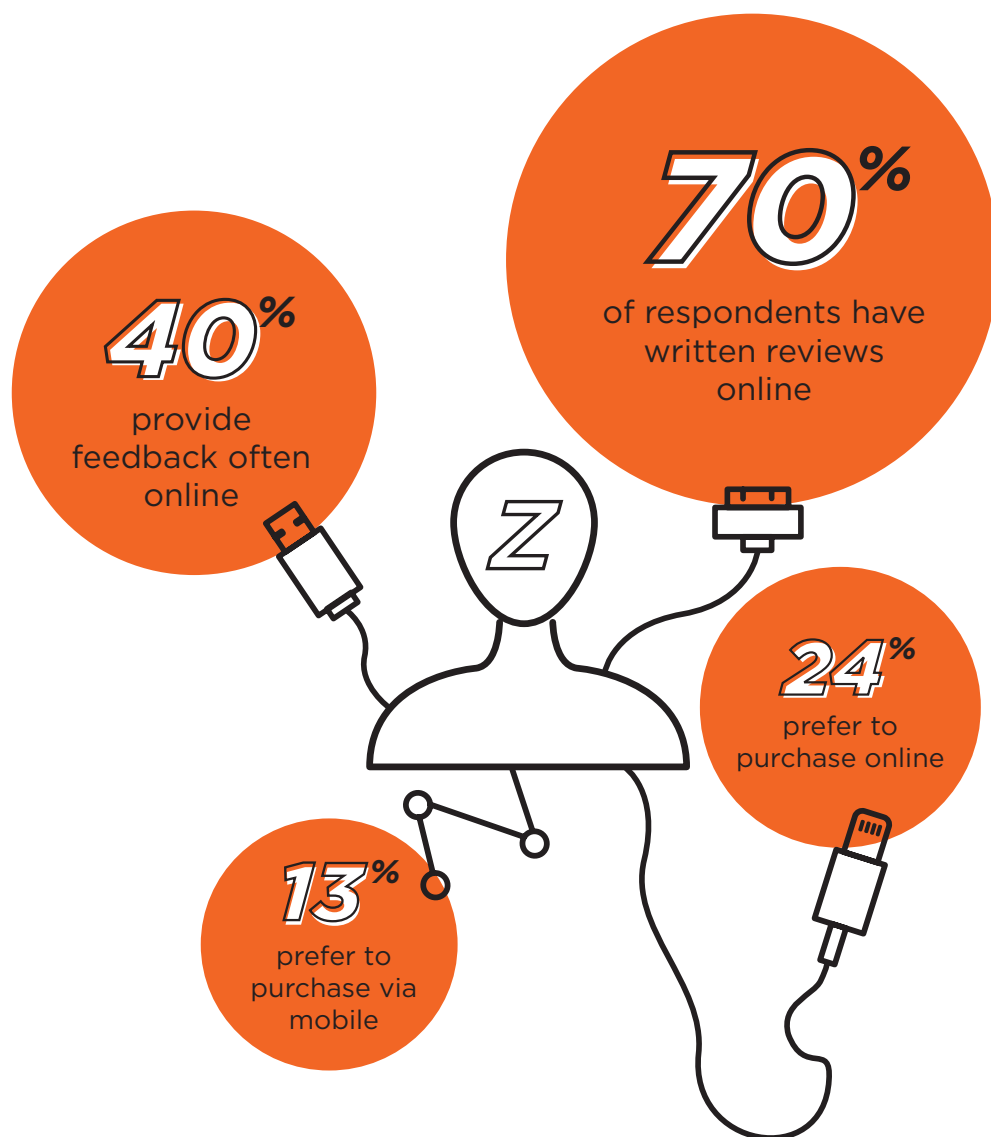


baby boomers are responsible for nearly 39% of all consumer expenditure



Era Of Marketing In A Millennial's World

Retail centers must also cater to a shifting population in order to entertain and engage different demographic groups. Millennials became the largest generation by population in 2016, accounting for \$1.3 trillion in annual consumer spending. They are the driving force behind the shift towards services and experiences. 78% of millennials would choose to spend money on a desirable experience over buying something desirable. Millennials may drive trends, but baby boomers account for the majority of wealth and consumer spending. Baby Boomers are responsible for nearly 39% of all consumer expenditure.



Generation Z And The Digital Age

Still, Generation Z is the most digitally inclined and has the potential to be the largest cohort. They are quick to adopt technology and latch onto trends, but still value the in-store experience when shopping. In a study conducted by Accenture, researchers found that brick and mortar stores are the preferred method of shopping for 77% of Generation Z shoppers. 60% of the survey respondents prefer to make purchase in stores, while 46% will go to stores in person to get more information before making an online purchase. Digital engagement is also growing in Generation Z. In the same survey, 70% of respondents have written reviews and 40% provide feedback often. More than 40% of shoppers purchase more than 50% of their apparel and consumer electronic items online. While brick and mortar is the preferred method, 24% of shoppers prefer to purchase online and 13% via mobile.



Digital Meets Material

Omnichannel is vital for future success in order to create a seamless shopping experience and develop a brand. E-commerce must blend with physical retail to keep customers engaged, providing a streamlined user experience. Leveraging new technology, such as augmented reality to visualize a potential purchase or 3D printing to create custom products in an instant, can bolster a retailer's appeal and drive more sales.



DESIGN



source: <http://www.baskervill.com/the-rise-of-retailtainment/>

Social Media's Influence

Beyond the shopping experience, the retail center and physical store design can captivate shoppers and further a community. Shopping centers should seek attractive and accessible designs. Social media is increasingly intertwined with the shopping experience. Design elements such as wall murals, open kitchens, or vertical gardens can captivate the attention of a visitor who soaks in a unique design feature, snaps a photo, and shares it on their social accounts.



Community

Common areas and shared spaces are creating opportunities for designers to implement urban design features and new technology to engage visitors. Comfortable seating, free-wifi, play areas, or dog parks can cater to a family or working professional. These amenities may lead to more sales, while also increasing the likelihood of patrons to visit the shopping center again. A retail space can provide much more than goods, they can be transformed into gathering spaces.



High-Visit Frequency

While retailers focus on methods to drive foot traffic through the omnichannel experience, mixed-use retail developments can help support retailers looking to draw customers to their stores. A variety of uses caters to different needs throughout the course of a day. A potential shopper may head to the gym before grabbing a cup of coffee and getting a haircut. Incorporating residential uses to a retail center can further develop a community and increase the frequency of customer visits.



CONVENIENCE

15



Class A Malls

The emergence of fast casual restaurants, pop up shops, and showrooms is indicative of the changing retail landscape. Class A malls continue to stay relevant by embracing experiential and interactive retail. Convenient options are relevant for both shoppers and retailers: technology, transportation, and logistics are paving the way for a seamless shopping experience.



Technology

Technology is creating new options to test products and facilitate purchases

- **Wallet-less purchases:** using your phone or even retina recognition to make a purchase
- **Augmented reality:** visualizing an outfit through an interactive mirror or imagining a piece of furniture in your living room
- **Beacon technology:** using cellular data to track previous purchases or where you are in a store to individualize the experience
- **New categories:** nontraditional channels are estimated to reach \$17 billion in sales by 2023, largely in place of traditional retail. These categories include rental, resale, and subscription services that are cheaper or more convenient for consumers.



A photograph of a yellow train moving through a subway station. The train is blurred, suggesting motion. The station has a curved platform with a tactile paving strip. A white text overlay is positioned in the center of the image.

Transportation: shopping centers as the focal points of a transportation network.

Bus stops, bike storage, or e-scooter stations can make accessing a shopping center even easier and lead to more foot traffic. Retail centers will have to anticipate and accommodate the next generation of transportation.

An aerial photograph of a port facility. On the left, a building with a red roof and a large array of solar panels is visible. To its right is a paved area with various equipment, including a yellow crane and a white truck. A ship is docked at a pier on the right side of the image. The water is dark blue.

Logistics: fulfillment center demand is not slowing

- **Interdependence** between retail and the supply chain is imminent
- **Proximity** will be vital to transport goods quickly and efficiently
- **Retail** centers can help support same day or last mile delivery



Retail Trends Coming to Virginia

Several major retail centers are in the midst of renovations in Virginia and are poised to elevate the standard for consumers – Regency and Carytown Exchange in Richmond, and Chesapeake Square Mall in Chesapeake.

Despite national headlines touting widespread retail closures, retailers that have adapted to the digital age are thriving along with the economy. Shopping centers must also adapt in order to remain attractive to prospective tenants and retain customers.

Retail is immersed in our daily lives as e-commerce becomes even more convenient and social media influences modern trends. By focusing on customers and an experience-driven retail environment, physical retail will continue to attract shoppers as they compete in the digital age. Shopping centers have an opportunity to become iconic destinations.



Regency

Originally built in 1974, Regency, located in Richmond's West End, is being redeveloped and will include several experiential retail options. The updated center will feature a *movie theater*, *indoor trampoline park*, and *several fast casual dining options*. Additional retail space will also be built to accommodate new tenants, significant roadwork will improve the site's visibility, while a multifamily development is also planned neighboring the site.



[click for more](#)





Carytown Exchange

Carytown Exchange in Richmond will incorporate a high-visit frequency grocery with Publix as an anchor to accompany retail space. The retail space will reflect Carytown's local character in its design and a best-in-class, upscale merchandising mix of local and national, service and retail tenants.



[click for more](#)





Chesapeake Square Mall

Chesapeake Square Mall is undergoing a major redevelopment to include 180,000 SF of office, 70,000 SF of entertainment, 250,000 SF of retail space and nearby residential development. The mixed-use development is designed to drive foot traffic and leverage its central location in Hampton Roads.



[click for more](#)





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