



***What is hot and what is not in the Southeast:  
Exploring the intersection of Industrial and Retail markets***



***March 1, 2021***

*Retail is dead, right?*

“What Retail Recovery? Malls Under Pressure as Stores Close” (Wall Street Journal, April 2019)

“U.S. Retail Stores’ Planned Closing Already Exceed 2018 Total” (New York Times, April 2019)

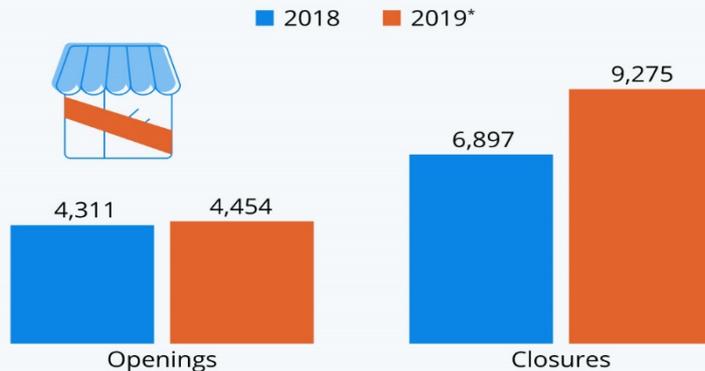
“The Empty Storefront Crisis and the End of the American Dream” (New York Times, June 2019)

“Retail Stocks’ Punishing Year Just Keeps Getting Worse” (Wall Street Journal, July 2019)

“Four of the five worst-performing S&P 500 stocks in the first half of [2019] were retailers” (Otani, 2019)

## Retail Store Closures Spiked in 2019

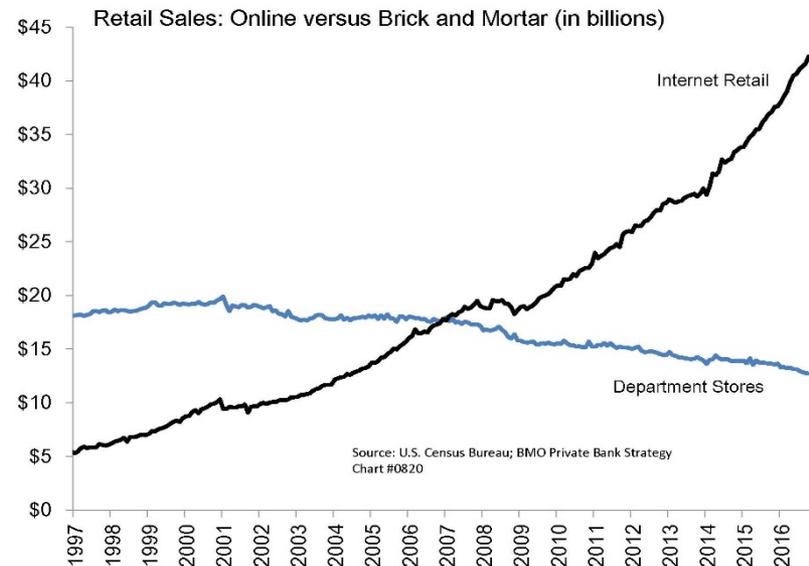
Number of major retail store openings and closures in the U.S. announced in 2018 and 2019



\* 2019 figures as of Dec. 27, 2019  
Source: Coresight Research



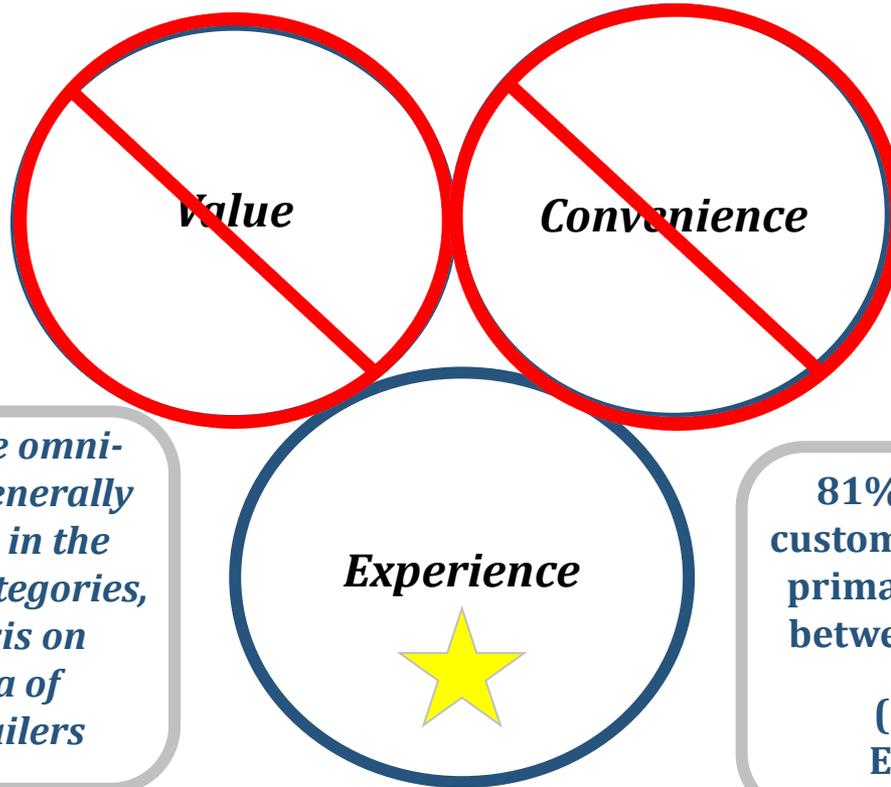
statista



Source: U.S. Census Bureau; BMO Private Bank Strategy  
Chart #0820

## What's driving the shift?

*Prior to e-commerce, traditional retailers could differentiate in ONE of these areas and be competitive*



*The mass adoption of the omni-channel approach has generally leveled the playing field in the Value and Convenience categories, increasing the emphasis on Experience as an area of differentiation for retailers*

**81% of marketers expect customer experience to be the primary area of competition between businesses in 2019**

**(Gartner Customer Experience Survey)**

## OMNICHANNEL



# HOW ARE RETAILERS DIALING UP THE EXPERIENCE?

## *Understand and Engage the Consumer*

### ❑ **Consumer Data**

- “**Warby Parker** leverages data on its online customers to determine store locations and customize the in-store experience... and salespeople use tablets to pull up customer purchase history, including which styles they’ve saved online.” (Safdar, 2017)
- “Being digitally native, we have the luxury of utilizing data to identify where our biggest customer bases are located” (**Bonobos** Chief Revenue Officer)

### ❑ **Consumer Engagement**

- “Internet is the primary source of new product and brand discovery for the **Millennial consumer**” (2013 Deloitte Ipsos survey)
- “Retailing is about understanding what motivates and drives people to buy, and for the millennial, they really want to purchase something to be a part of an overall **lifestyle**. They want to buy something they love and share it on **Instagram**” (Parachute CEO Ariel Kaye)

### ❑ **Consumer Experience**

- **Lululemon** is referring to its newest store concept in Chicago as the “experiential store”
- **Restoration Hardware** CEO: “We are moving from creating and selling products to conceptualizing and selling spaces”



Lululemon “Experiential” Store – Chicago



Restoration Hardware Mansion - Charlotte

*These 10 digitally native brands alone have opened over 1000 bricks and mortar locations*

WARBY PARKER

*allbirds*

AWAY

  
KENDRA SCOTT

UNTUCKit  
SHIRTS DESIGNED TO BE WORN UNTUCKED

BONOBOS

SUITSUPPLY

 PELOTON®

**smile**  
DIRECT CLUB

ALEX AND ANI



**Peloton Store**



**Warby Parker Store**



 JLL®

*United States | 2018*

E-commerce retailers  
plan 850 physical stores  
in the next 5 years

*Retail Research Point of View*

*In the early days of fashion company Everlane, CEO Michael Preysman said he **would never bring the company into physical stores**. According to The Washington Post, he even said he **would shut down the company before going brick-and-mortar**.*

[Women](#) [Men](#) [Denim](#) [About](#)

EVERLANE

[Search](#)

[Log In](#)

[Sign Up](#)



## Stores

We're reopening select stores at limited capacity. We're prioritizing the health and safety of our community by increasing sanitation throughout our stores, implementing contactless checkout, and providing our team with masks and hand-washing breaks. We're also asking all customers to please wear face masks, pay with card, and maintain six feet of distance while shopping. Select your store below to see more about opening dates and hours. We're excited to see you again IRL.



NEW YORK  
Prince Street



BROOKLYN  
Williamsburg



BOSTON  
Seaport

## ❑ *Inventory Outsourcing*

- \$1 billion in incremental e-commerce generates 1.25 million SF of warehouse space demand (CBRE 2021 US Market Outlook)
- Retailers will continue to shrink footprints and offer minimal inventory onsite, instead focused on experience, which requires warehouse space for direct to consumer fulfillment



## ❑ *Necessary Proximity*

- As omni-channel retailing continues to demand speed and efficiency of delivered product, industrial real estate will more closely emulate retail real estate than it ever has before
- Last mile distribution in urban markets will challenge traditional size and configuration of typical industrial real estate



## ❑ *Hybrid model*

- Target uses it's 1900 store locations as fulfillment centers, fulfilling 80% of its first quarter digital sales in store (CNBC)
- <https://www.cbre.us/research-and-reports/US-Future-Hybrid-Store-Integrating-Retail-and-Logistics-2020>

