“Build it and they will come” . . .
“RETAIL 101”: BACKGROUND

Let’s start at the very beginning…a very very good place to start!
A VERY BRIEF HISTORY OF RETAIL

- In the early 20\textsuperscript{th} century, without cars, no need for shopping centers.
- By mid-century, most towns had downtown shopping districts.
- Towns had their own homegrown department stores which sold a wide category of goods.
- Post-war suburbanization gave way to malls, which replaced downtowns in an increasingly decentralized urban landscape.
- Discounters like K-Mart began to erode department store market share, and traditional department stores even began to enter this world (Dayton Hudson → Target).
- More efficient “big box” and “category killer” retailers were the next step in retail evolution…more convenient, with everyday low prices.
- Regional Malls began to contract – distinction between commodity and specialty becomes even more distinct. Lifestyle centers were born.
- Traditional department stores (Kohl’s) began to abandon malls and join the category killers.
- Today’s environment is about convenience/price vs experience.
- Online retail is rapidly evolving…it’s not just about convenience any more!
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.
TYPES: MULTI- AND OMNICHANNEL RETAIL

- Retail is now conducted through many channels (e.g. traditional stores, catalogs, online, via mobile devices, television, etc.).

- Omnichannel retail refers to the trend where the consumer experience across these multiple retail channels is made seamless and consistent.

- Omnichannel consumers frequently use more than one channel simultaneously. For example, price checking on a phone while at a retail store.

- Social media lets retailers build relationships with and track consumers.

- Omnichannel strategies work differently for commodity and specialty retailers. For example, multiple retail channels might be used by a consumer to research and assist in purchasing a particular commodity like a television. By contrast, a specialty retailer might use social media strategies to drive customer traffic to a brick-and-mortar store, restaurant, or shopping district.
TYPES: LIFESTYLE AND HYBRID CENTERS

- Urban Land Institute’s Professional Real Estate Development manual states: “Early lifestyle centers successfully combined desirable retail shops with appealing architecture and a variety of outdoor settings spawning the lifestyle center. […]"

- These early centers were, in part driven by a trend in which small specialty retailers faced a shortage of high quality specialty retail space at the same moment that regional mall failures were accelerating.

- The dominant new commodity retail and shopping center formats had, in fact, left small store specialty retailers with few reliable anchors, and developers with no clearly defined shopping center template to replicate, spawning the ill-defined and somewhat chaotic lifestyle center concept.”
SITE ATTRIBUTES

The story is: Equal to or better than...
THE ROLE OF URBAN DESIGN AND RETAIL USES TO CREATE A SENSE OF PLACE
ACTIVE RETAIL
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.
WHERE RETAIL COMES TO LIFE??? (HINT: INACTIVE RETAIL)
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!
STORE AND LOCATION TYPE

Store Type
• Mall vs “lifestyle” vs strip vs High Street.
• Free standing vs in line vs end cap vs pad.
• Office Building
• Downtown

Location Type
• Regional vs community vs neighborhood.
• “Inside?”
• True corner vs corner-by-access vs mid-block.
SITE ATTRIBUTES

Parking Quality
• Little or no parking available vs full availability of parking
• Ease of parking and ease of parking for alternative destinations
• Way finding

Visibility Quality
• Totally obscured vs excellent visibility
• Visibility from one or multiple directions
• Visibility compared with alternative destinations

Accessibility Quality
• Highly congested vs ease of access
• Turning movements
• How accessed – car…public transportation…bike…walking…combination

Retailers think in terms of equal to or better than alternatives/competitors.
MIXED-USE AND URBAN DESIGN

...and a little bit about how retailers think....
MIXED-USE CAN WORK
...BUT SOMETIMES IT DOESN'T!
RETAIL FACILITY ATTRIBUTES IN A MIXED-USE PROJECT

- Well articulated retail presence
  - Visually differentiated from other uses
  - Parking and way-finding clearly identified

- Signage (retailer identity)

- Parking – Access – Visibility

- Adequate clear-height in podium

- Infrastructure:
  - Ventilation, vent shafts for food service
  - Pads for HVAC, refrigeration, and remote equipment

- Service Areas – loading, trash, and storage
ADAPTIVE REUSE OF A LARGE PODIUM SPACE
INCORPORATING A RETAIL ANCHOR TENANT
Viable Smaller Retail Tenants in Podium

5,900SF Retail

3,400SF Retail

Retail Parking

Residential Parking
ACTUAL DEVELOPMENT OF MIXED USE PROJECTS

FLEXIBLE SPACE: RESIDENTIAL, SMALL OFFICE, SMALL RETAIL BY SARES REGIS

GROUND FLOOR DEDICATED TO RETAIL COMMERCIAL BY LEONARD DEVELOPMENT
DEDICATED RETAIL
- VACANT FOR 3 YRS.

FLEX SPACE
- FULLY OCCUPIED WITH RESIDENTIAL & SMALL OFFICE USERS
- CITY HOPES FOR RETAIL IN FUTURE
ANCHOR TENANT ATTRIBUTES
(EXAMPLE: GROCERY STORE)

- Well defined pedestrian and vehicle entries
- Appropriate parking for the building’s urban context
- Safe and comfortable environment
- Adequate and safe-feeling garage
  - Higher garage ceiling clear height
  - Upgrade garage lighting
- Clear building/tenant and way-finding signage
STRUCTURED PARKING
PARKING ATTRIBUTES

- Wide Entry
- Defined Entrance
- 8'6" clear
- 10'0" clear
SIGNAGE

- Store/Identity
- Informational
- Way-finding
PLANNING ISSUES

Balancing competing interests.
ISSUES THAT SEPARATE CITIES AND PROPERTY OWNERS

• Cities needing sales tax revenues.
• Landlords in need of cash flow.
• Cities, wanting quality tenants in their prime retail area.
• Fewer tenants to fill existing retail spaces.
• Private property rights.
• Issues facing smaller vs. larger landlords.
STRATEGIES FOR A THRIVING DOWNTOWN

• 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.
• Manage for change.
• Be an Advocate – Every revitalization effort needs a champion.
• Stand Firm – Know when to say no.
• and ... be extremely lucky!
TRY THIS ON FOR SIZE...

Are our expectations about vibrant areas realistic? Should we be spending so much time regulating to try to achieve vibrant areas which are, in fact, the outliers?

The most vibrant areas are the most organic. Examples: Santa Cruz Ave (Los Gatos), SF retail streets, College Ave (Berkeley/Oakland), D/T San Luis Obispo, State St (Santa Barbara), D/T Petaluma, Healdsburg or Sonoma Square.

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

What areas merit strict standards (“A” space) as opposed to those with more relaxed standards (“B” or “C” centers)?

New/emerging [good] uses that don’t fit into zoning definitions (eg. food trucks, "temporary" or "pop-up" uses).
POSIBLE SOLUTIONS?

Allow poorly-functioning retail to evolve into non-retail uses.

Encourage clustering of non-active uses – where?

Restricting uses can have unintended consequences. If uses are to be restricted, how can this be done constructively?

Work with property owners directly rather than through restrictions.

Shorter lease terms for non-active uses.

Cities to identify their strongest retail nodes, defend those as retail, and allow other areas to evolve through market forces.

Create and fund programs to help property owners analyze available opportunities and execute the strongest alternatives.
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.”
Developing

Want a Trader Joe's? Then add more residents

by David Alpert • December 22, 2010 11:34 am

Residents in many neighborhoods often say they wish their neighborhood had a Trader Joe's or other new retail options. There's only one real way to get such businesses to move in: Add more residents who can shop there.
“That’s all Folks!”

THE END

Whew!
CONTACT INFORMATION

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