As appeared in…

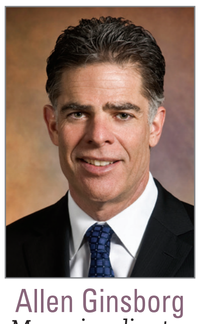
A Colorado Real Estate Journal Publication

August 2018

RETAIL PROPERTIES Quarterly

Retail Trends

Centers must embrace tech to stay competitive



Allen Ginsborg
Managing director and principal, NewMark Merrill Mountain States

Have you been lulled into complacency by an ever-improving economy? The current expansion is presenting different challenges for shopping center owners than any of the cycles of the past three decades. As result, the biggest factors to owning a successful shopping center over the next decade likely will be operational talent and technological innovation. The tried and true mantra of "location, location, location" may give way to "location, costs, data."

As Bob Dylan famously said, "The times, they are a-changin'."

For almost the entire lifecycle of the shopping center industry, having the "A" corner has been enough to attract a first-rate tenant mix and produce a healthy return on investment. We've all read and heard about how online shopping, delivery services and changing consumer habits are challenging the dominance of our properties, no matter how well located they may be. Having an A location with quality amenities, engaging events and a tenant mix that includes entertainment, services, recreation, food and so on have been solid approaches to combat the changes to retailing in the past decade.

However, many retailers continue to struggle to grow sales at stores and are investing the majority of their capital in technology aimed at multichannel means for selling their products instead of new stores. As stores become just another channel for retail sales, I believe that the operating-cost structure of shopping centers will become every bit as important to the success of a merchant as its physical location. And if you haven't noticed, the cost structure of operating a retail store has skyrocketed over the past few years.

"The median projected commercial property value increase in Denver is 20 percent," according to a local business publication report about the latest tax assessment cycle. "Apartment buildings posted a record-setting projected median increase of 45 percent."

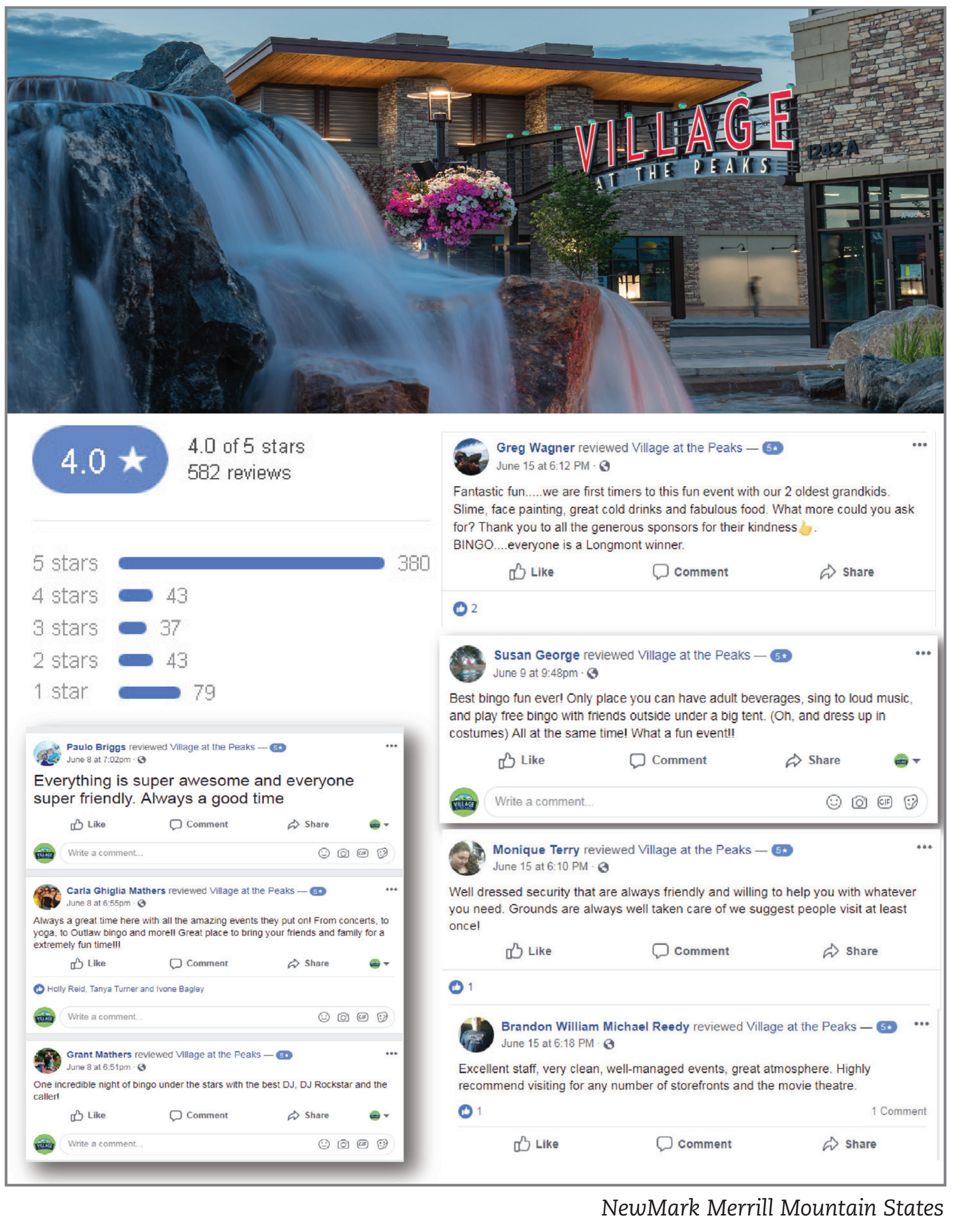
At a recent conference of shopping center professionals, several owners shared that taxes in their centers had more than doubled over the past few years and often are in the range of $8 to $15 per square foot. Wasn't it just a few years ago that the same taxes were $3 to $5 per sf?

It's been wonderful to see Colorado's 2.9 percent unemployment rate lead the nation. However, it has made it difficult to recruit and retain quality employees at all levels of retailing. Added to that, our minimum wage is now $10.20 per hour and set to increase to $12 by 2020, a 50 percent increase in seven years. Many of our merchants are beginning to feel the pressure of these increases on their bottom line. We also are seeing these wage increases impact construction, security, landscaping, sweeping, snow removal and other large-cost components of operating shopping centers, putting pressure on common area costs.

So, what's a shopping center owner to do? Skilled operators will focus on operational fundamentals that make our merchants successful, as their sales are the wind behind their sails.

Of course, we must be aggressive about managing every line item in our common area pool while maintaining the quality amenities our patrons have come to expect. We can challenge commercial property valuations at the county level and lobby state legislators to change the way property values are assessed. Being politically reflexive is no longer an option. We need to support our trade organization's efforts to change valuation methods.

Embracing new technology is a key operational distinctive that will separate retail winners and losers in the future. We created technology that monitors our customer counts, so we can show prospective and existing merchants traffic patterns within our centers, net new customer attraction, time-of-day patterns and the impact of our marketing activities. At our Village at the Peaks center in Longmont, we have earned a four-star Facebook ranking by achieving over 150 five-star reviews in the last year and cultivated over 10,000 Facebook followers who attend our dozens of yearly events and participate in our merchant promotions.



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Social media and online ratings matter. The Village at the Peaks center in Longmont has earned a four-star Facebook ranking by achieving over 150 five-star reviews in the last year and cultivated over 10,000 Facebook followers who attend the center's dozens of yearly events and participate in merchant promotions.

We collect tenant sales data religiously and aggregate social media reviews from Google, Yelp and Facebook, so our marketing professionals can provide real-time feedback to merchants about ways to improve their top line. Someday soon, I expect our retailers to integrate their point-of-sale data with our site-specific technology to help us attract new customers and more carefully target promotions and on-site events.

It's time to follow David Bowie's advice about change and "turn and face the strange" by operating our centers in innovative ways, engaging our local governments and embracing technology.▲