



RETAIL IN TRANSITION

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BUT FIRST, THE 2019 HOLIDAY SALES...

HOLIDAY SALES ADVANCED 3.4% *

E-COMMERCE SALES HIT A RECORD
HIGH- NON STORE RETAIL

E-COMMERCE SALES GREW 18.8%



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*SOURCE: MasterCard Post Christmas holiday sales Nov 1-Dec 24th

INDUSTRY OVERVIEW

- RETAIL APOCALYPSE?



- NEW PARADIGM- OMNICHANNEL

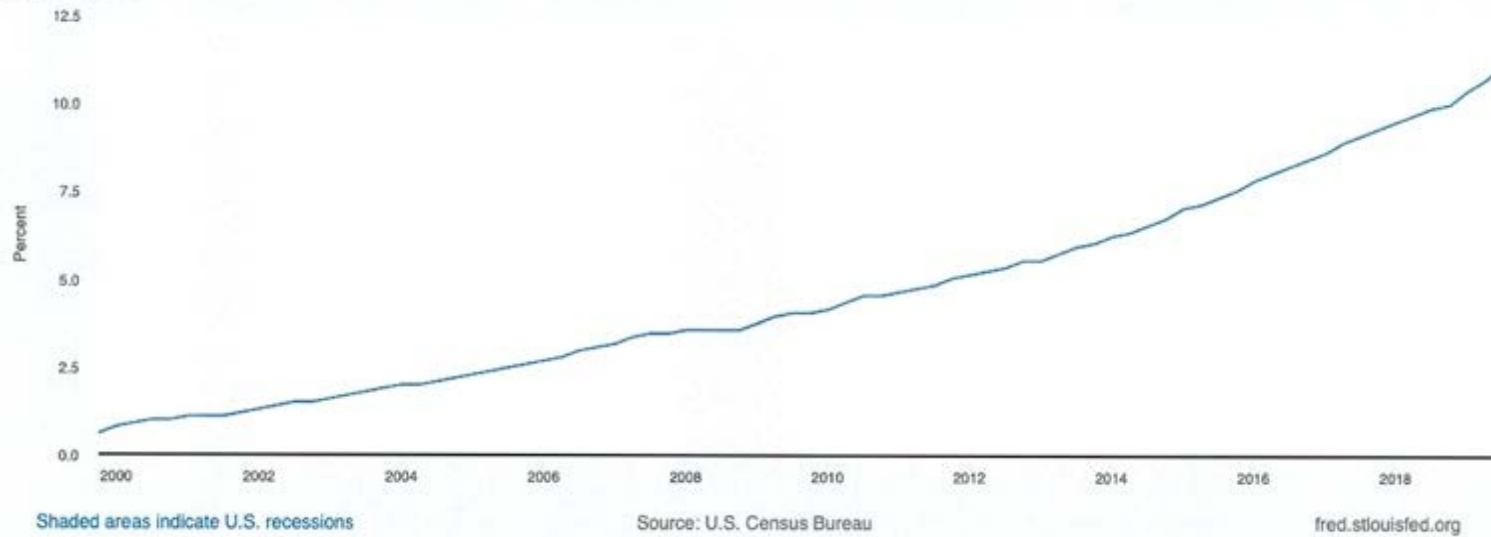


Definition of E-commerce: US Census Bureau

“E-commerce sales are sales of goods and services where the the buyer places an order, or the price and terms of the sales are negotiated over the Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI), electronic mail, or other comparable online system. Payment may or may not be made on line.”

E-commerce sales growth as Percent of Gross Sales since 2000

FRED *stl* — E-Commerce Retail Sales as a Percent of Total Sales



.6%

11.2%

2019: HOW DID WE DO IN SPOKANE?

OVERALL MARKET 2018 VS 2019

- Vacancy up from 6.45% during 2018 to 7.19% in 2019.
- Average rental rates PSF are virtually the same- \$15.72 PSF versus \$15.50 PSF.
- Source: Valbridge Property Advisors / Inland Pacific Northwest

NORTH SPOKANE

- 2019 vacancy rate decreased to 8.55% compared to 9.53% during 2018.
- Average PSF rent dropped a bit to \$16.81 PSF in 2019 from \$17.09 PSF in 2018.

New to market:

- at Home
- Texas Road House
- Shopko Optical
- Dollar Tree

SPOKANE VALLEY

- Vacancy, increased to 5.70% during 2019, compared to 3.87% during 2018.
- Average rent rates remained mostly steady around \$13.00 PSF for both periods.

New to market:

- Duluth Trading Co
- Ulta Cosmetics
- Burlington (proj. open August 2020)

SOUTH HILL

- 2019 vacancy rate of, 12.47 % , compared to 5.72% the year prior.
- The average rental rate remained flat from \$18.71 PSF in 2018 to \$18.49 in 2019.

New to market:

- CHAS Health
- Natural Grocers

DOWNTOWN-URBAN INFILL

- Ground-floor vacancy in Downtown improved from 9.76% during 2018 to 8.32% in Fall of 2019.
- Average rents increasing from \$15.90 PSF in 2018 to \$16.06 PSF in 2019.

New to market:

- Flatstick Pub
- Cosmic Cowboy Grill
- LUSH Fresh Handmade Cosmetics
- The Falls (2020) Mixed Use

WEST PLAINS

- Stable 2.61% vacancy rate for 2019, unchanged from 2018.
- Average rents in 2019 were \$16.46 PSF, no change since last year.
- North 40 (start- 2020)

Source: Valbridge Property Advisors / Inland Pacific Northwest

TRENDS AND PREDICTIONS

“YOU CANNOT PREDICT THE FUTURE, BUT YOU CAN CREATE IT.”

Peter Drucker, management consultant



GENERAL MARKETPLACE TRENDS

STORE CLOSURES

-MORE CLOSURES/DOWNSIZING/RIGHT-SIZING
AHEAD FOR NEXT TWO YEARS.



CLICKS AND BRICKS CONTINUE MERGER

-OMNI-CHANNEL WILL CONTINUE TO ALLOW THE RETAILERS
TO REMAIN RELEVANT TO OFFER A SEAMLESS SHOPPING EXPERIENCE.



FOCUS ON HEALTH, WELLNESS, AND FITNESS

-HEALTH CARE PROVIDERS SEE CONVENIENCE AND OPPORTUNITY TO
SERVE THEIR PATIENTS, GYMS-A SOURCE OF REPEAT CUSTOMERS.



GENERAL MARKETPLACE TRENDS

MIXED USE DEVELOPMENT REPLACES

TRADITIONAL RETAIL CENTERS

-RETAIL WILL SHARE IT'S PRESENCE WITH RESIDENTIAL OFFICE, LODGING, ENTERTAINMENT, MEDICAL ETC.



22 story residential with street level retail.

MARKETING IN THE FUTURE

GHOST/CLOUD KITCHENS- DELIVERY ONLY

-THIRD PARTY DELIVERY PLATFORMS FACILITATE OFF-PREMISES FOOD PREP OF WELL KNOWN BRANDS.

SAME DAY DELIVERY

-PUSH TO DELIVER RETAIL ITEMS IN SAME DAY WITH DIGITAL TECHNOLOGY, DUE TO INCREASED WAREHOUSE INNOVATION.



Is this pizza still hot?

MARKETING IN THE FUTURE

BOPIS

-BUY ONLINE AND PICK UP IN STORE.

ARTIFICIAL INTELLIGENCE

-ALLOWING RETAILERS TO ALERT THE SHOPPER WITH OPPORTUNITIES BASED ON PAST BUYING PATTERNS AND SEARCH RESULTS.

INTERACTIVE MARKETING

-ENGAGING THERE CUSTOMER WITH PRODUCT EXPERIENCE IN THE STORE.



SOCIAL MOVEMENT TRENDING

HEALTHY CHOICES

-PRODUCT TRANSPARENCY IS STILL EVOLVING. CONSUMERS ARE BASING SELECTION ON WHAT IS BETTER FOR THEIR HEALTH.



ETHICAL SUSTAINABLE CLOTHING

-USED CLOTHING AND RENEWABLE ITEMS ARE A \$7 BIL. BUSINESS.



YOUR KEY TAKEAWAYS

- E-COMMERCE IS GROWING, BUT PHYSICAL STORES ARE AN ESSENTIAL INGREDIENT TO THE SUCCESS OF RETAILERS BY DRIVING DIGITAL ENGAGEMENT AND IMPROVING BRAND HEALTH
- SPOKANE ENJOYS “STATUS QUO” IN SPITE OF STORE CLOSURES, AND OFFERS AFFORDABLE, STABLE RENTS COMPARED TO OTHER METRO MARKETS
- SPOKANE IS BECOMING A DESIRABLE DESTINATION FOR NATIONAL RETAILER EXPANSION
- MEDICAL, EXERCISE/HEALTH/WELLNESS, ENTERTAINMENT & SERVICE PROVIDERS HAVE FILLED OUR RETAIL VACANCIES- OFFERING CONVENIENCE, REPEAT CUSTOMERS TO THE TENANT MIX

- ETHICAL-SUSTAINABLE AND RENEWABLE CONCEPTS ARE PLAYING AN INCREASINGLY PIVOTAL ROLE IN RETAILING
- RESTAURANTS & GROCERY STORES ARE DELIVERING GREATER TRANSPARENCY IN HEALTHY CHOICES
- MIXED USE DEVELOPMENTS WILL BE THE NEW NORM FOR RETAILER PLACEMENT
- RETAIL IS NOT GOING AWAY, BUT BECOMING A SEAMLESS EXPERIENCE IN OUR DAILY LIVES

WITH GRATITUDE

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KEVIN EDWARDS, HAWKINS-EDWARDS

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INTERNATIONAL COUNCIL OF SHOPPING CENTERS

VALBRIDGE ADVISORS/INLAND PACIFIC NORTHWEST

THANK YOU!