


ICSC **RECON** Professional Development Workshop #RECon16

## LEASING STRATEGIES FOR DIFFICULT SPACES

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 **SITWORKS**  
RETAIL REAL ESTATE SERVICES  
President  
Annapolis, MD

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### 21<sup>st</sup> CENTURY RETAIL ALIGNMENT

The **DEPARTMENT** Store Era



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### THE DEPARTMENT IN-A-BOX ERA



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## COMMODITY vs. SPECIALTY RETAIL





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## COMMODITY RETAIL


The Price/Conversion Equation


Highest Price  
Most Convenient


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Lowest Price  
Least Convenient



















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## CREATING SPECIALTY RETAIL


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## E-COMMERCE

### It's NOT the Internet, Stupid!

How big is the INTERNET In US RETAILING?  
As of January 2016...

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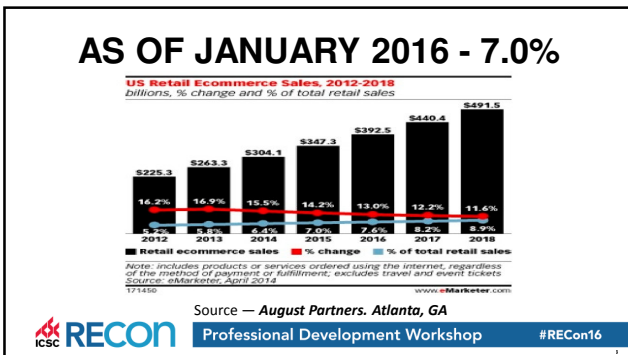
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## ANNUAL RETAIL SALES AS OF JANUARY 2016



**\$90 Billion**



**\$515 Billion**


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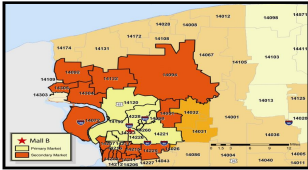
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## TRADE AREA ANALYSIS

- How do you determine a trade area?
  - Commodity vs. Specialty
  - Primary & Secondary
    - License plate surveys
    - Shopper intercept studies
    - Retailer customer profile
- What influences the trade area?
  - Competition
  - Site
  - Anchors
  - Natural barriers
  - Drive time
- GAP (GAFO) Analysis




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## TYPICAL TRADE AREA

MATRX	Commodity Retail		Specialty Retail
	Convenience	Destination	
<b>Property Type</b>	Neighborhood/Strip Center	Power Center Lifestyle Center Community Center	Regional Town Center Regional Mall Outlet Center
<b>Trade Area Size</b>	0-3 Miles	0-5 Miles	0-100 Miles
<b>Tenant Examples</b>	Radio Shack Blockbuster Starbucks, Rtz Camera, Sally Beauty, Drugstore, Grocery	Best Buy, Dick's Sporting Goods, Ann Taylor Loft, Chico's, Target	Basco Pro, Chesapeake Factory, IKEA, Crate & Barrel, high-end luxury (i.e. Gucci, Louis Vuitton, etc.)


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## DEMOGRAPHICS

**WHICH RAW DATA IS IMPORTANT?**

1. Population
2. Age
3. Income
4. Occupation/education
5. Ethnicity
6. Daytime population

	Primary Trade Area	Secondary Trade Area	Total Trade Area
<b>Population</b>			
2007 Population	258,344	382,811	641,155
2012 Population	282,534	398,957	681,491
<b>No. of Households</b>			
2007 Households	110,892	148,055	258,947
2012 Households	119,897	148,892	268,789
<b>Income</b>			
2007 Average Household Income	\$17,541	\$27,009	\$23,998
2012 Average Household Income	\$24,878	\$26,764	\$25,821
2007 Median Household Income	\$10,548	\$21,319	\$16,439
2012 Median Household Income	\$20,548	\$24,142	\$22,865
<b>Occupation (18-70)</b>			
	26,625	28,300	54,925
<b>Ethnicity</b>			
White	82.0%	48.0%	73.0%
Black	9.2%	27.7%	17.9%
Hispanic/Latino	2.2%	1.2%	1.7%
Asian/Pacific	3.4%	1.7%	2.4%
Other	2.0%	1.4%	1.7%
Other/Multi-Race	1.8%	2.0%	1.9%
Non-White Black	1.2%	2.3%	1.8%
Hispanic (Latino)	1.2%	2.0%	1.6%

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## GROWTH OF THE IMMIGRANT MARKET

- 1900-2000: Minority population outgrew Caucasians 34% to 6%
- By 2060: Non-Hispanic white persons will become a "minority"
- Five gateway states: CA, NY, IL, FL, TX
- New gateways: Las Vegas, Atlanta, etc.
- High-immigration cities vs. low:
  - 15% more wealth
  - 20% lower crime rate
  - Higher education levels



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## DEVELOPING A MERCHANDISING PLAN

1. A cluster of tenants arranged in a carefully crafted configuration
  - Critical to a center's productivity and financial success
2. How do you determine Optimum Mix?



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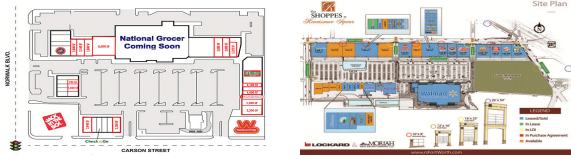
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## COMMODITY RETAIL LEASE PLAN



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## SPECIALTY RETAIL LEASE PLAN



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## DEVELOPING A MARKETING PACKAGE

Commodity Retail



Specialty Retail



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## PROSPECTING FRAMEWORK

The key to understanding this process is to understand the underlying analytical levels and metrics of the center. This may include:

**Competitive analysis:**

- i. Critical in saturated markets
- ii. Do not underestimate competition

**Retail and leasing trends:**

- i. The tenant mix must remain relevant to the trade area
- ii. Do you know the ascending retail brands?

**Space allocation and merchandize mix:**

- i. Key measure: *occupancy cost to sales ratio*
- ii. Space allocation vs. similar projects
- iii. Merchandize mix vs. market needs

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## PROSPECTING BASICS

Where do "prospects" come from?  
Let's start with The easy ones..

- Directories and leasing plans from other centers;
- Trade shows: such as, ICSC, restaurant shows, toy show, electronic shows, and others.
- Trade and other conventions (Retail Tenants Association, CCIM, ULI)




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## SOCIAL MEDIA

Diversification  
Of Leasing

Office  
Medical  
Education  
Religious




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## KEY PROSPECTING SOURCES

### Industry News Sources

- ICSC Smart Brief
- ICSC Meeting & Trade Shows
- Shopping Center Business
- Retail Drive
- Chain Store Age
- Internet Retailer
- E-Marketer
- Women's Wear Daily

### Brokers

- Local
- Regional
- National
- Specialty
- Restaurants
- Theaters
- Entertainment
- Residential



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## TOP 10s

### DESIGNERS

- POLO RALPH LAUREN
- GUCCI
- LEVIS
- NIKE
- TOMMY HILFIGER
- ABERCROMBIE & FITCH
- DOLCE & GABBANA
- GIORGIO ARMANI
- ADIDAS
- DIOR

### SPORTSWEAR

- NIKE
- ADIDAS
- REEBOK
- PUMA
- UNDER ARMOUR
- CONVERSE
- NEW BALANCE
- K-SWISS
- ASICS
- UMBRO



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## OTHER PROSPECTING SOURCES

*Anything and Everything!*

- Magazines
- Travel Blogs
  - Banks
- Financial Institutions
- SBA Loan Applications
- Anyone Who Calls You
  - Accountants
  - Lawyers



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## VOID ANALYSIS

Property	Address	City	State	Zip	Market	Manager	Notes
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## HOW DOES A PROSPECT BECOME A TENANT?

- Site Visit
  - LOI
- Provide Acceptable Financials
- Demonstrate A Business Plan
  - Financial Ability
- RE Committee/ Partners Approval

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## TRACKING YOUR "PIPELINE"

THE OAKS CALL SHEET			
ACTIVE	CONTACT	PHONE	STATUS
Diamonds	John Smith	(440) 480-0319	Market Tour 2/1/08. Sent Proposal 2/6/08. Received LOI 2/9/08. In Committee 3/15/08.
Rugs	Mary Dealmaker	(643) 480-3000	LM 12/24/07. LM 1/2/08. Spoke w/ on 1/15/08 and have preliminary interest. Sent Marketing Package 1/16/08. Reviewed plan and Unit 250. Will call week of 2/15/08.
Linens	Mark Smith	(440) 999-1234	Expanding into Richmond in 2008. Market tour 12/17/07. Proposal sent 12/19/07. Final Committee 2/15/08. LOI received 1/15/08. Committee reviewed on 2/1/08.
INACTIVE	CONTACT	PHONE	STATUS
Rainbow Christian Bookstore	Sally Church	(216) 555-5555	One (1) store operation. Met w/ owners on 12/15/07. Not interested in any expansion. Recall 6/1/08.
Mark's Jewelers	Mark Levinson	(999) 888-2525	3 store chain averaging sales of \$650K. 12/17/07 concerned about demographics and has no capital to expand. Revisit in 3/08.
Banks Clothing			Visited store on Broad Street 12/1/07. One (1) store operation. LM on 1/4/08. 1/8/08. 1/15/08. Revisit store next site visit.

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**Questions**

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### Course Evaluation

**Please Complete Your Evaluation Now.**

1. Take Out Your **Smartphone** or Tablet
2. Go to [survey.icsc.org/2016RECON](http://survey.icsc.org/2016RECON)
3. Select this course:  
**Leasing Strategies for Difficult Spaces**

*Remember!*  
*Your Opinion matters*



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