



The Future of Retailing

Optimizing the Long-Term Value of Shopping Centers

John Breitinger – NorthMarq Retail Advisory

A low-angle, close-up shot of a white sailboat's mast and rigging. The sails are white and partially unfurled, catching the wind. The boat is moving through a deep blue sea, leaving a white wake. The sky is a clear, pale blue with a few wispy clouds. The perspective is from the deck, looking up towards the mast.

where we have been: 1992 - 2008
the wind was at our back



current state of the market



PURCHASE OF 39.50 OR MORE, NOW

Weak retail sales

...began in December of last year.
That makes the recession nearly
...ber employment data could
bring more bad news.

A black and white photograph of a man in a suit sitting at a desk, looking stressed with his hand on his forehead. A bar chart is visible on the desk.

lower rent



**FOR
LEASE**

**391-7696
342-5500**

increased vacancy



reduced transaction volume





Which Way From Here?

7 Questions to help you navigate:



HOPE IS NOT A STRATEGY



Regeneration



1. who are the best
prospects for your
project?



1a. the least-served categories



Gap Analysis

Category	Sub-category	2010		
		2010 Demand	2010 Supply	2010 Gap
Motor Vehicle and Parts Dealers	Total Demand	\$121,431,233	\$171,222,000	\$49,790,767
	Unmet Demand (Demand - Supply)	\$-50,208,100	\$52,878,480	\$2,312,990
	Other motor vehicle dealers			
	Total Demand	\$16,615,010	\$22,258,370	\$42,352,000
	Total Supply	\$72,614,580	\$83,486,190	\$108,029,700
	Unmet Demand (Demand - Supply)	-\$55,999,570	-\$61,227,820	-\$65,677,670
	Automotive parts, accessories, & tire stores			
	Total Demand	\$17,319,790	\$22,996,090	\$43,222,860
	Total Supply	\$29,127,840	\$34,466,090	\$63,851,510
	Unmet Demand (Demand - Supply)	-\$11,808,050	-\$11,470,000	-\$20,628,640
Furniture and Home Furnishings	Furniture stores			
	Total Demand	\$14,474,540	\$19,422,520	\$37,058,120
	Total Supply	\$4,235,369	\$7,806,392	\$13,030,160
	Unmet Demand (Demand - Supply)	\$10,239,170	\$11,616,130	\$24,027,960
	Home Furnishings stores			
	Total Demand	\$14,732,900	\$19,651,870	\$37,197,600
	Total Supply	\$28,312,740	\$30,866,220	\$41,155,440
	Unmet Demand (Demand - Supply)	-\$13,579,840	-\$11,214,350	-\$3,957,835
Building Material, Garden, Supply Stores	Building material and supplies dealers			
	Total Demand	\$68,734,620	\$91,417,260	\$172,211,400
	Total Supply	\$49,013,040	\$80,872,860	\$130,586,800
	Unmet Demand (Demand - Supply)	\$19,721,580	\$10,544,400	\$41,624,650
	Lawn & garden equipment & supplies stores			
	Total Demand	\$9,318,415	\$12,468,820	\$23,667,710
	Total Supply	\$1,871,888	\$5,002,427	\$20,110,680
	Unmet Demand (Demand - Supply)	\$7,446,527	\$7,466,393	\$3,957,032
Grocery Stores	Grocery stores			
	Total Demand	\$124,547,000	\$144,170,100	\$370,088,100



1b. Key Categories

Market Positions



1c. Identify the Limping Zebras



Nature abhors a waste of protein
Waste = Food (for someone)



A close-up, black and white photograph showing a hand placing a puzzle piece into a larger assembly. The puzzle pieces are white with dark outlines. The hand is visible at the bottom left, and the puzzle piece being placed is in the center. The background is a blurred pattern of puzzle pieces.

1d. Review Market Occupancy by Size
what could fit?



2. what do prospective
retailers need to
evaluate your site?

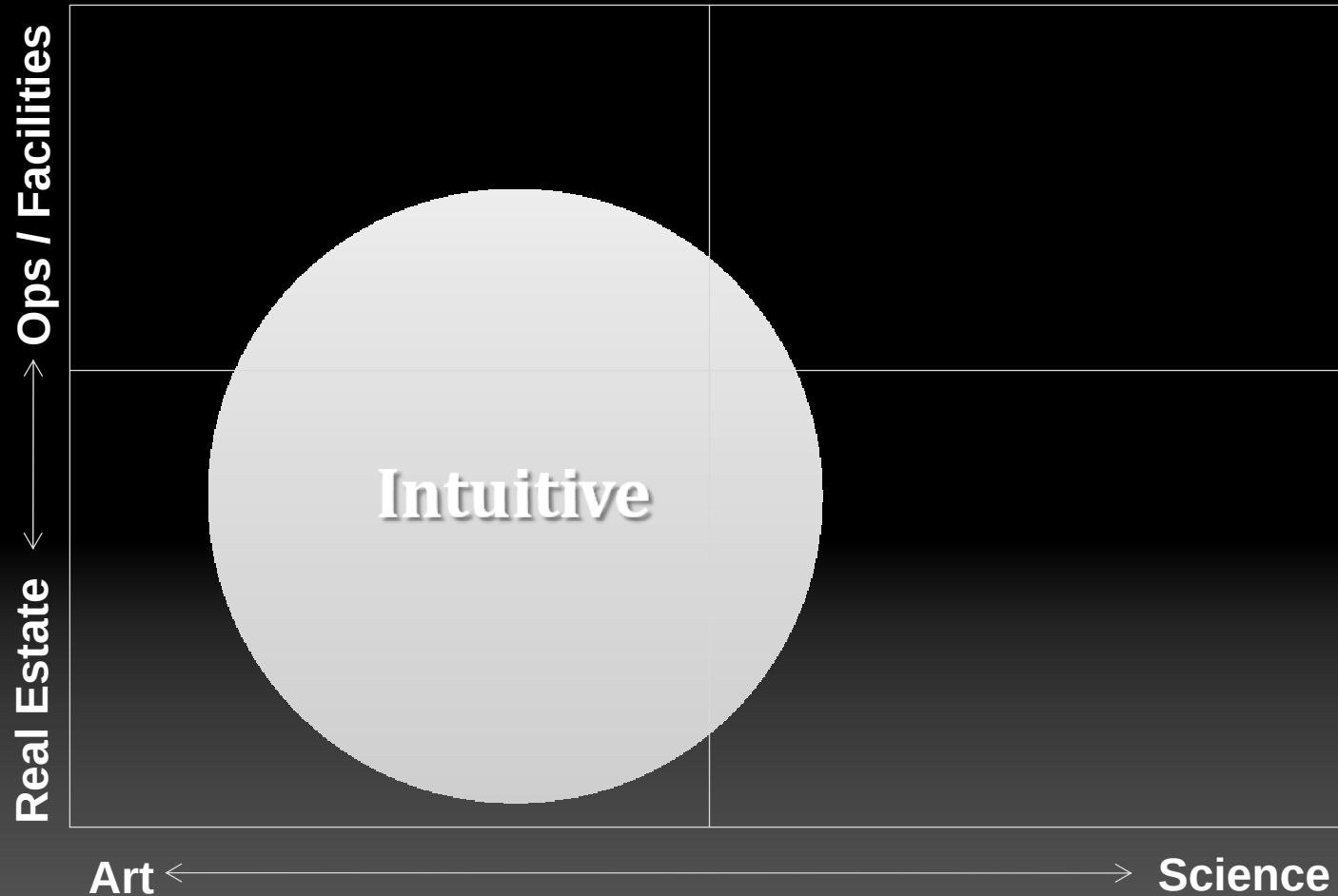


Three critical questions



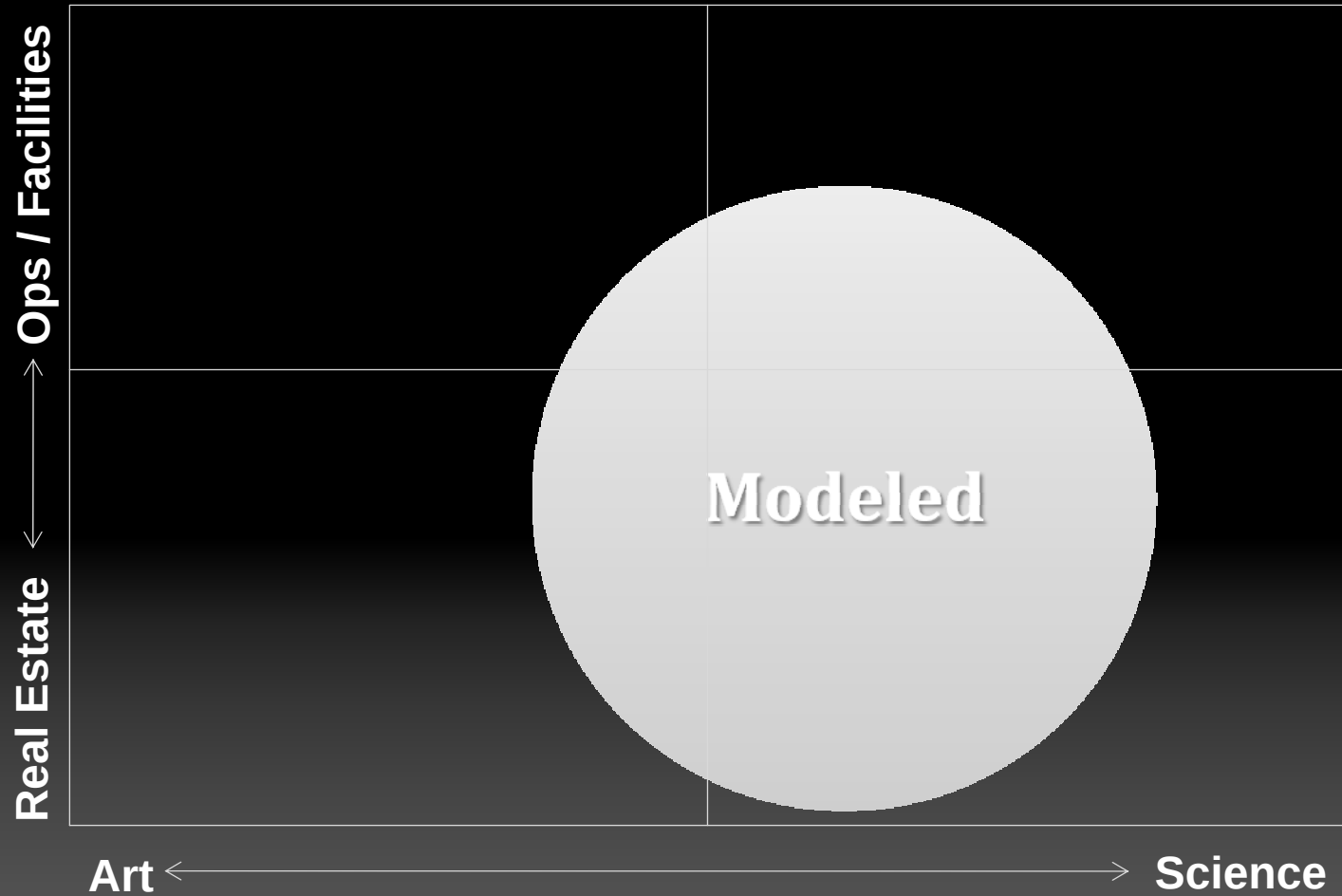
Art or science?

Different types of analytics



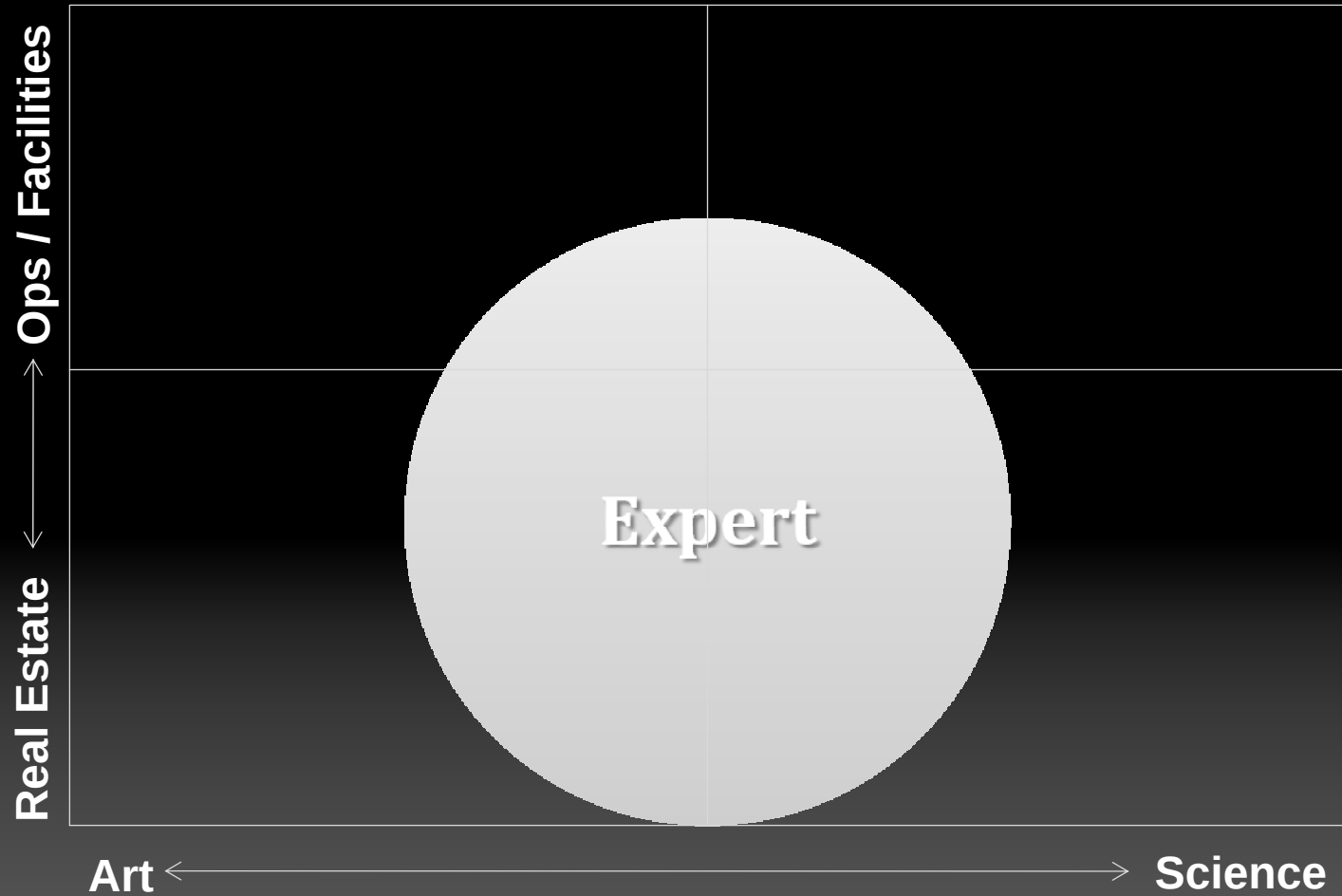
Art or science?

Different types of analytics



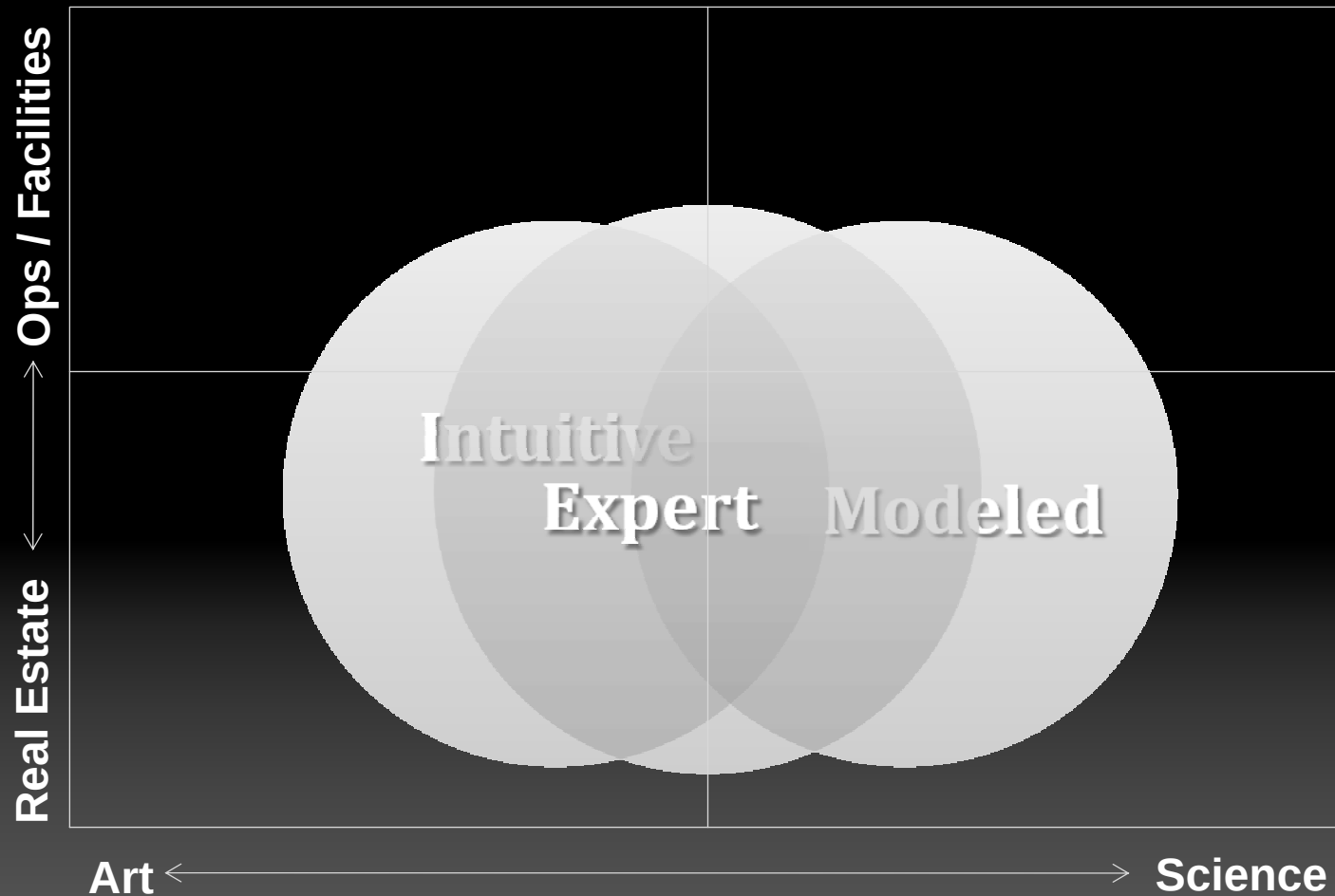
Art or science?

Different types of analytics



Art or science?

Different types of analytics



Requirements *analytics types*

	Intuitive	Modeled	Expert
A Model		X	X
Operations Expertise	X		X
Market Data	X	X	X
Knowledge of Competition	X	X	X



3. how well do you
know the trade area?

understanding the character of demand

it changes with different purchases:



Convenience Goods



Intermediate Goods



Shoppers Goods

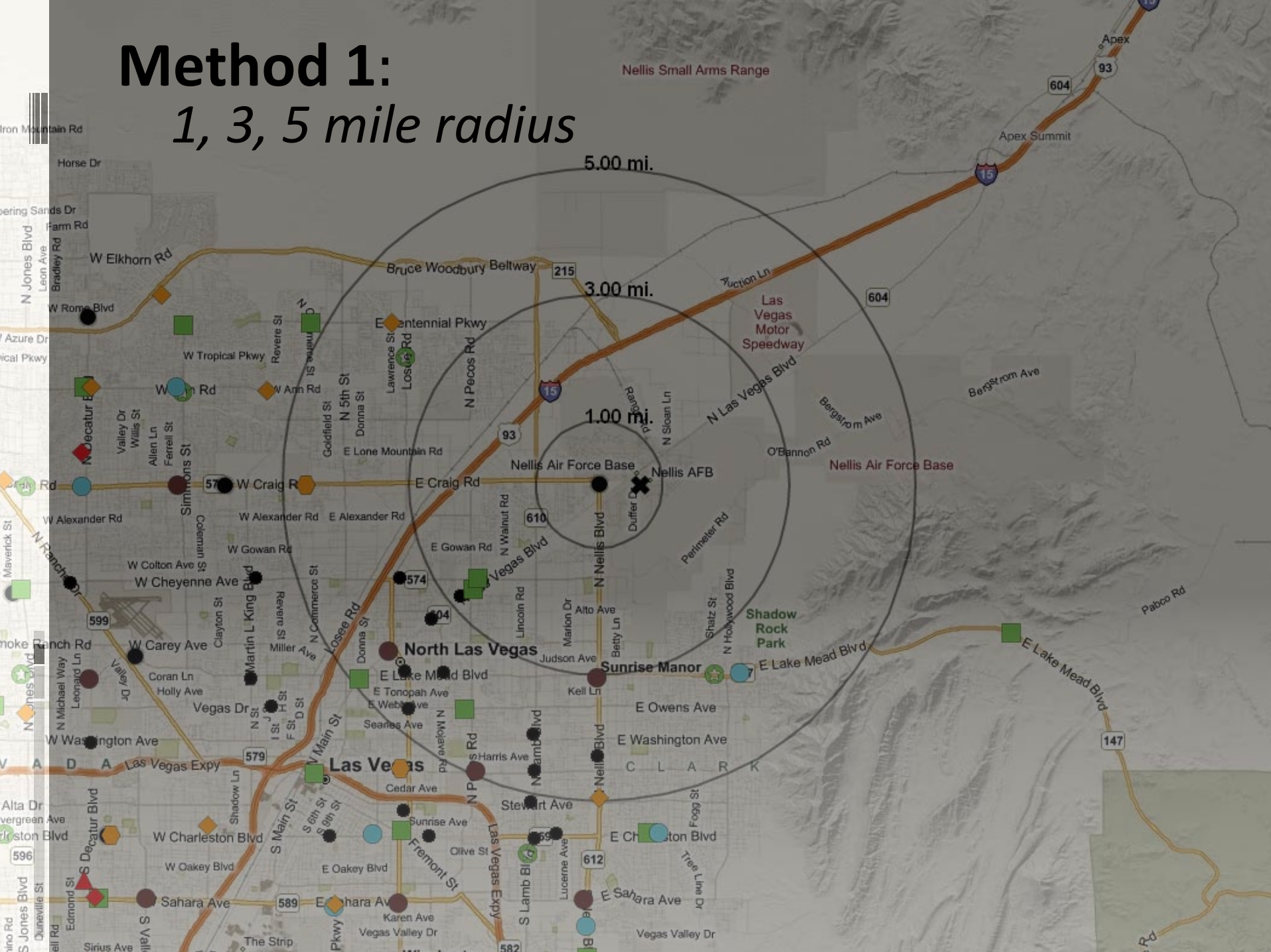
Trade Area Delineation

some generic standards:

Convenience Stores	1 mile
Drug Stores	2 miles
Supermarkets	3 miles
Discount Stores	5 miles
Department Stores	5 miles plus

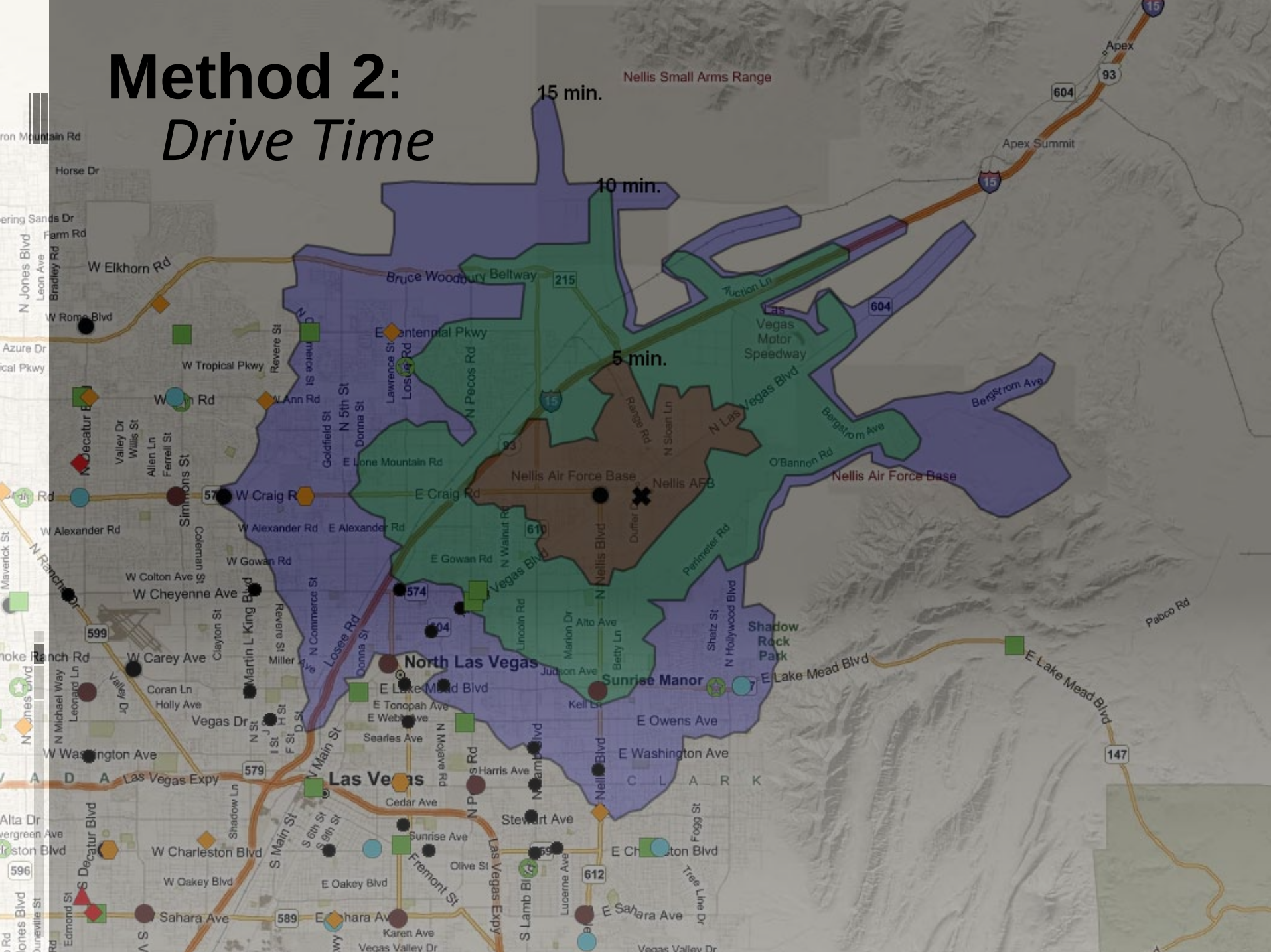
Method 1:

1, 3, 5 mile radius



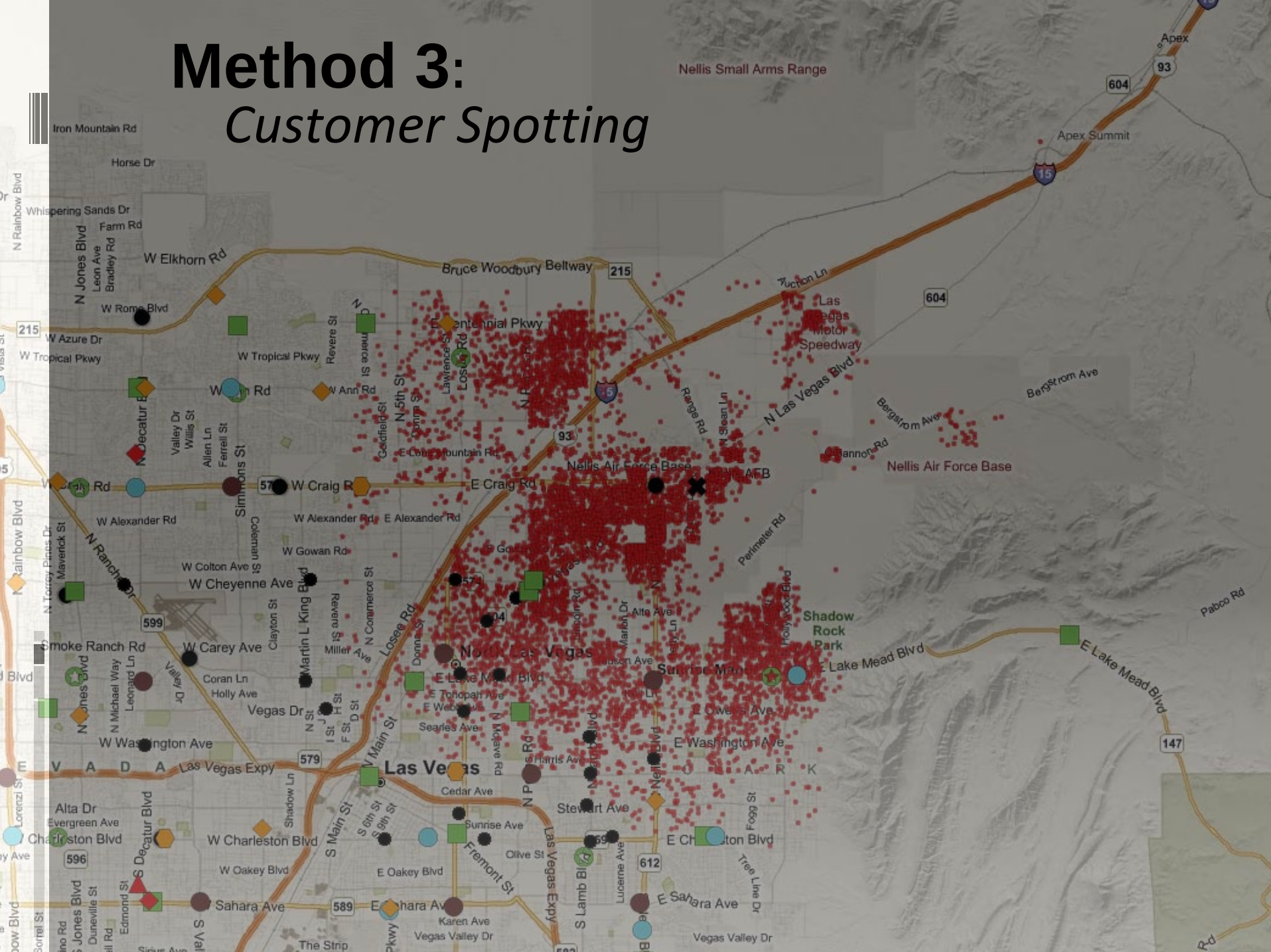
Method 2:

Drive Time

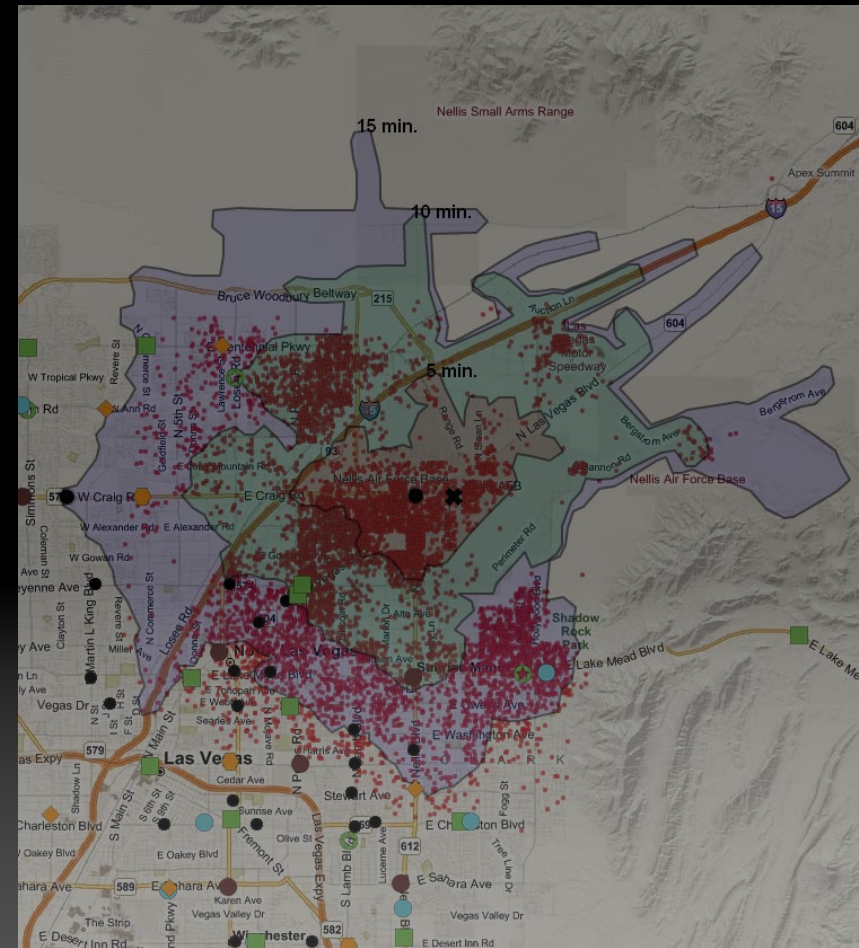
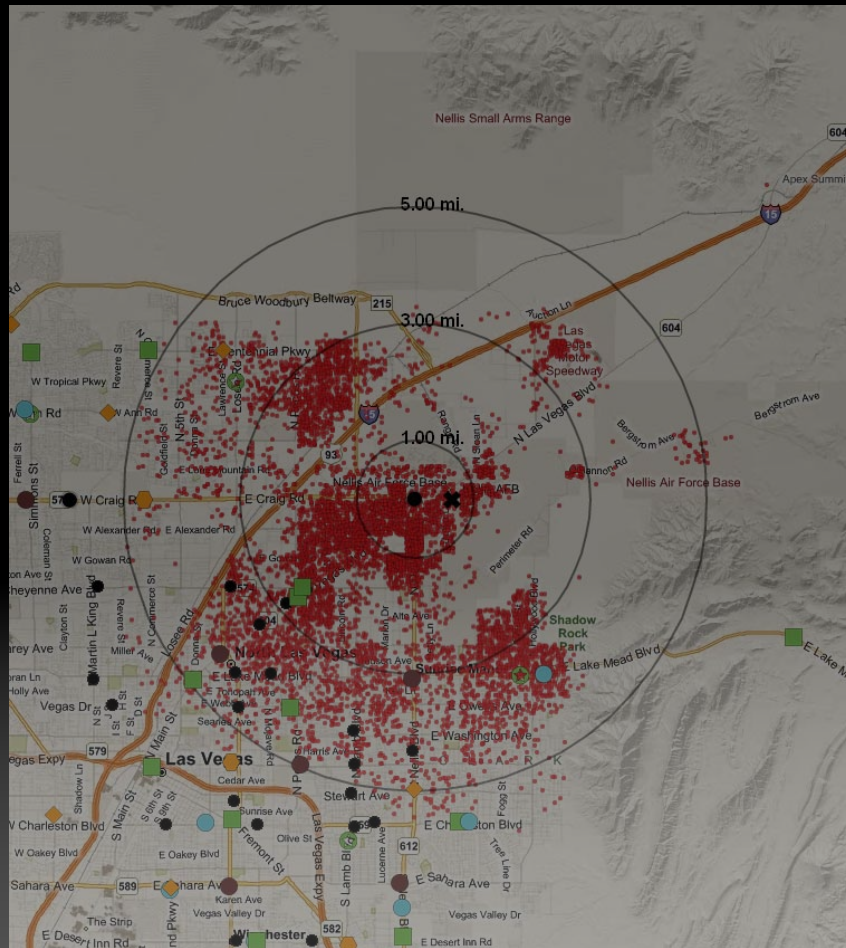


Method 3:

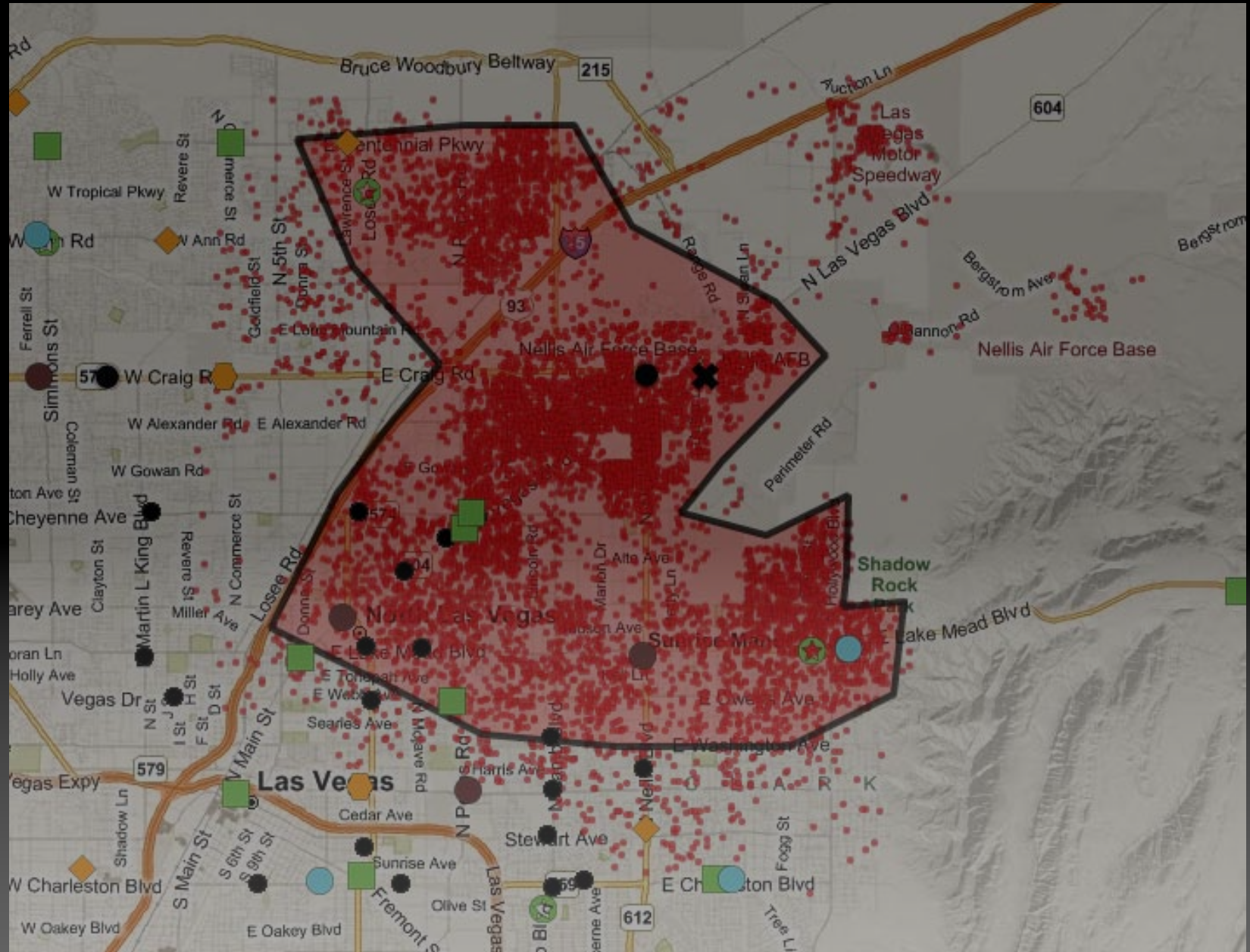
Customer Spotting

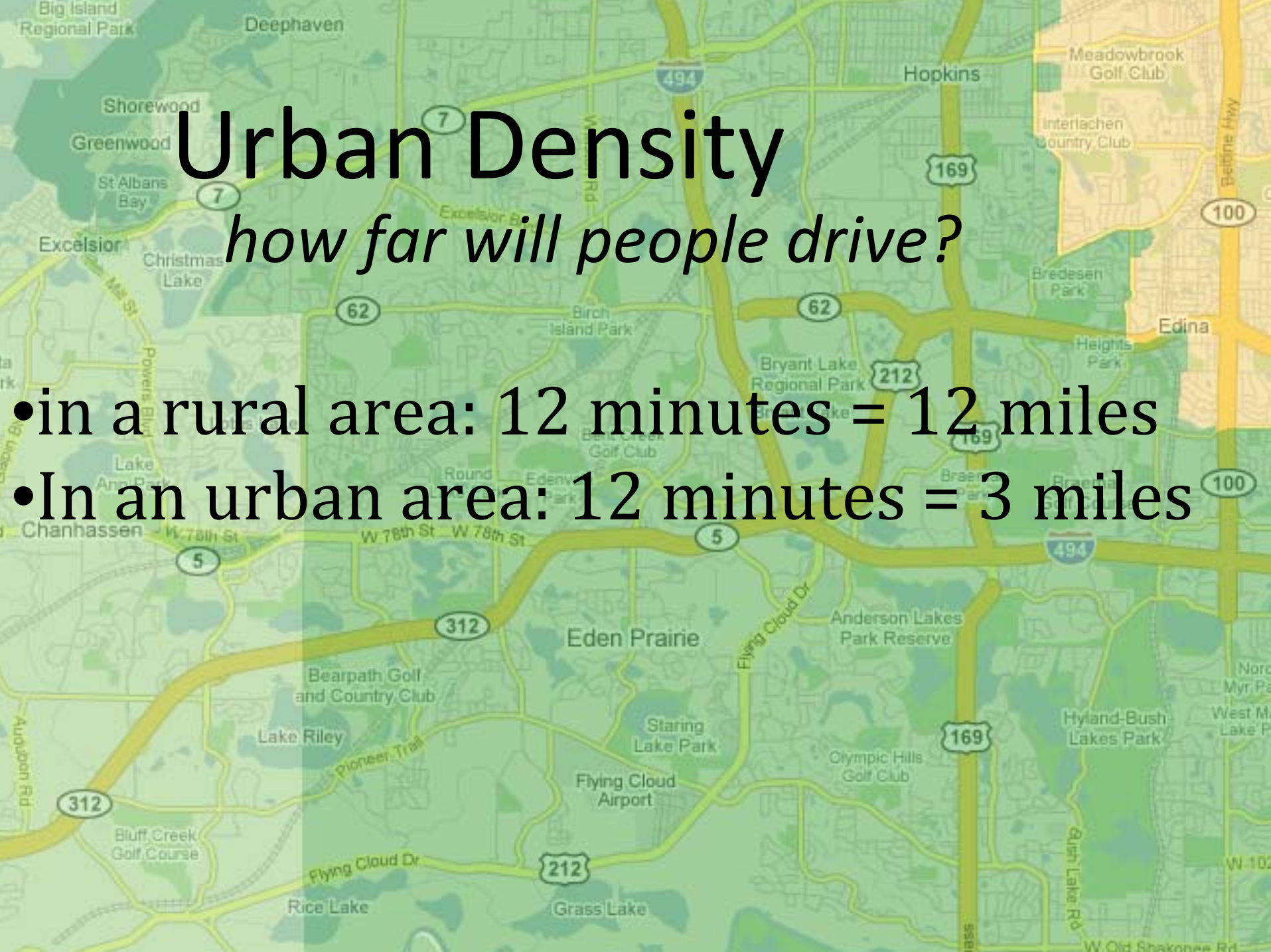


Not Rings, Not Drive Times



Actual Trade Area Estimate



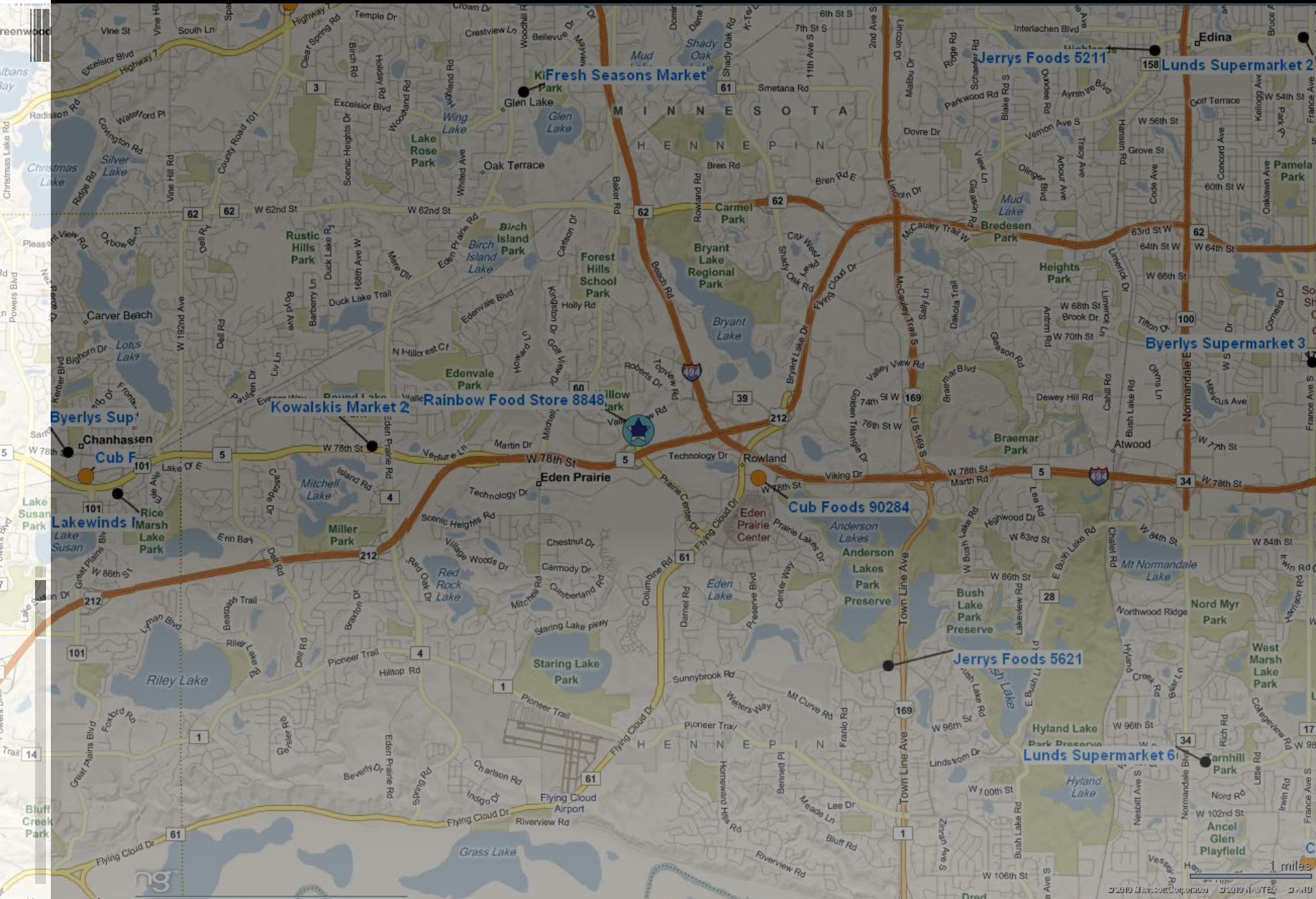
A map of the Minneapolis-St. Paul metropolitan area, showing various cities, parks, and golf courses. Major highways like I-494, I-169, and I-100 are visible. The map is used as a background for text about urban density and driving distances.

Urban Density

how far will people drive?

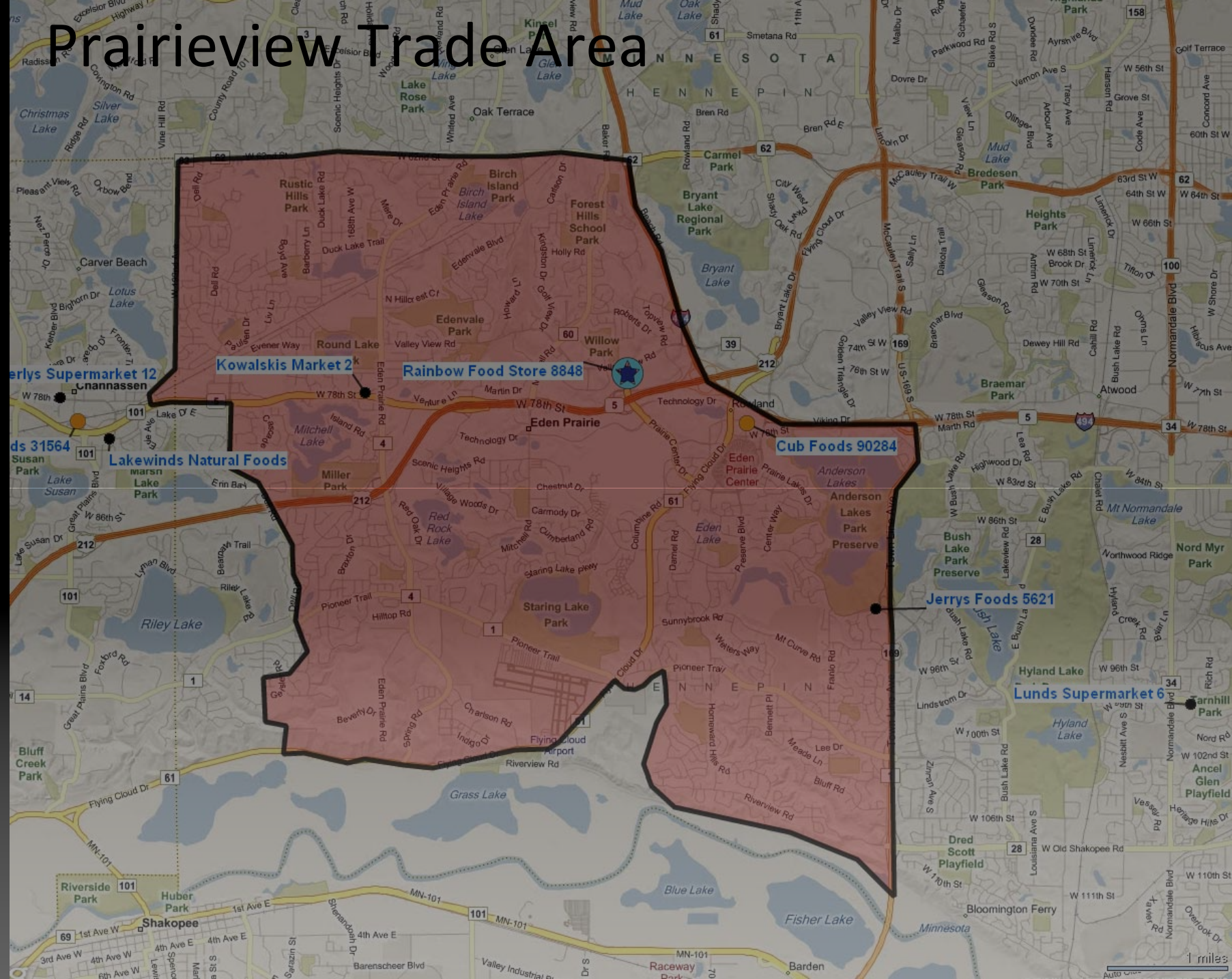
- in a rural area: 12 minutes = 12 miles
- In an urban area: 12 minutes = 3 miles

ng™



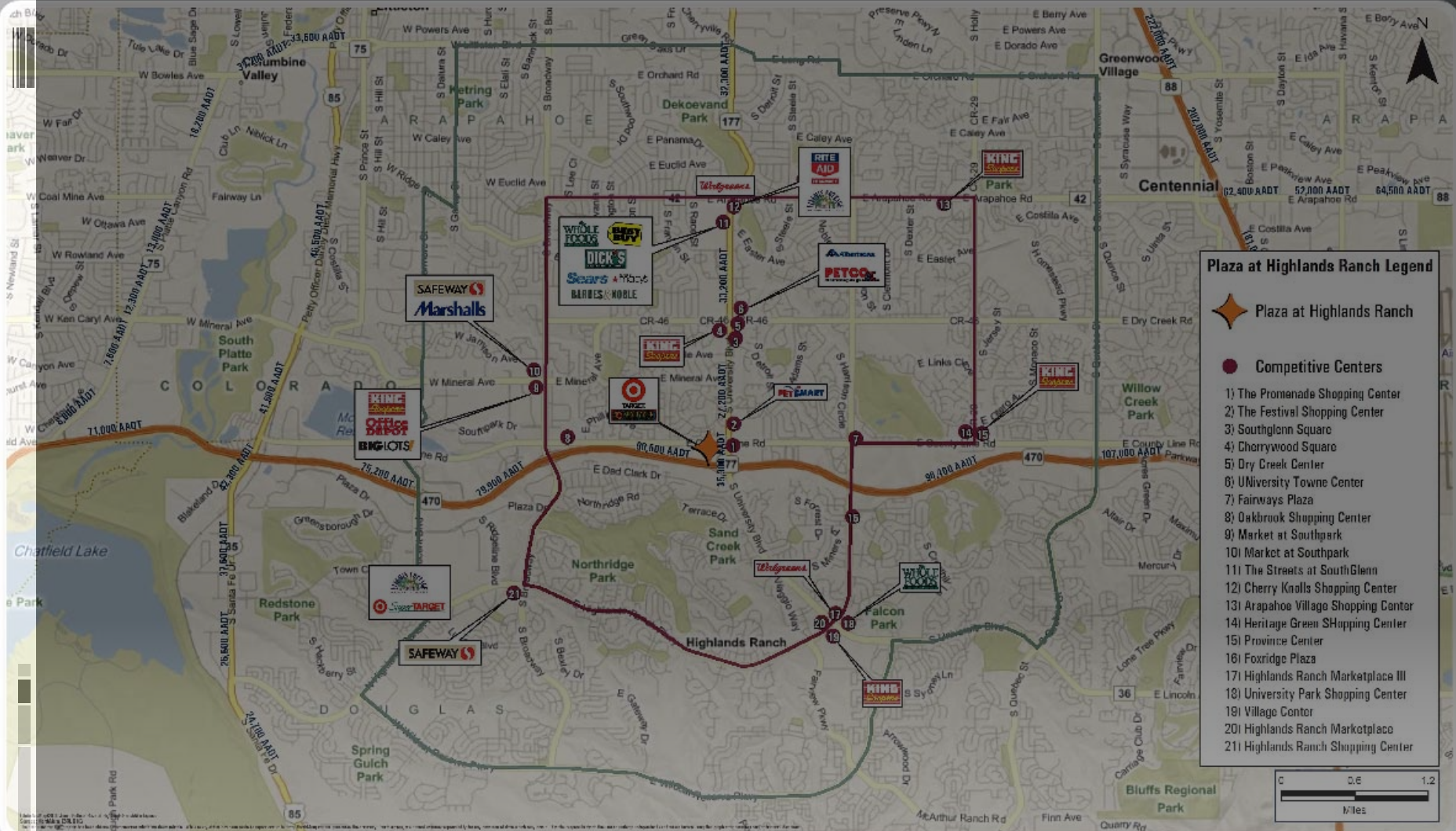
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Prairieview Trade Area

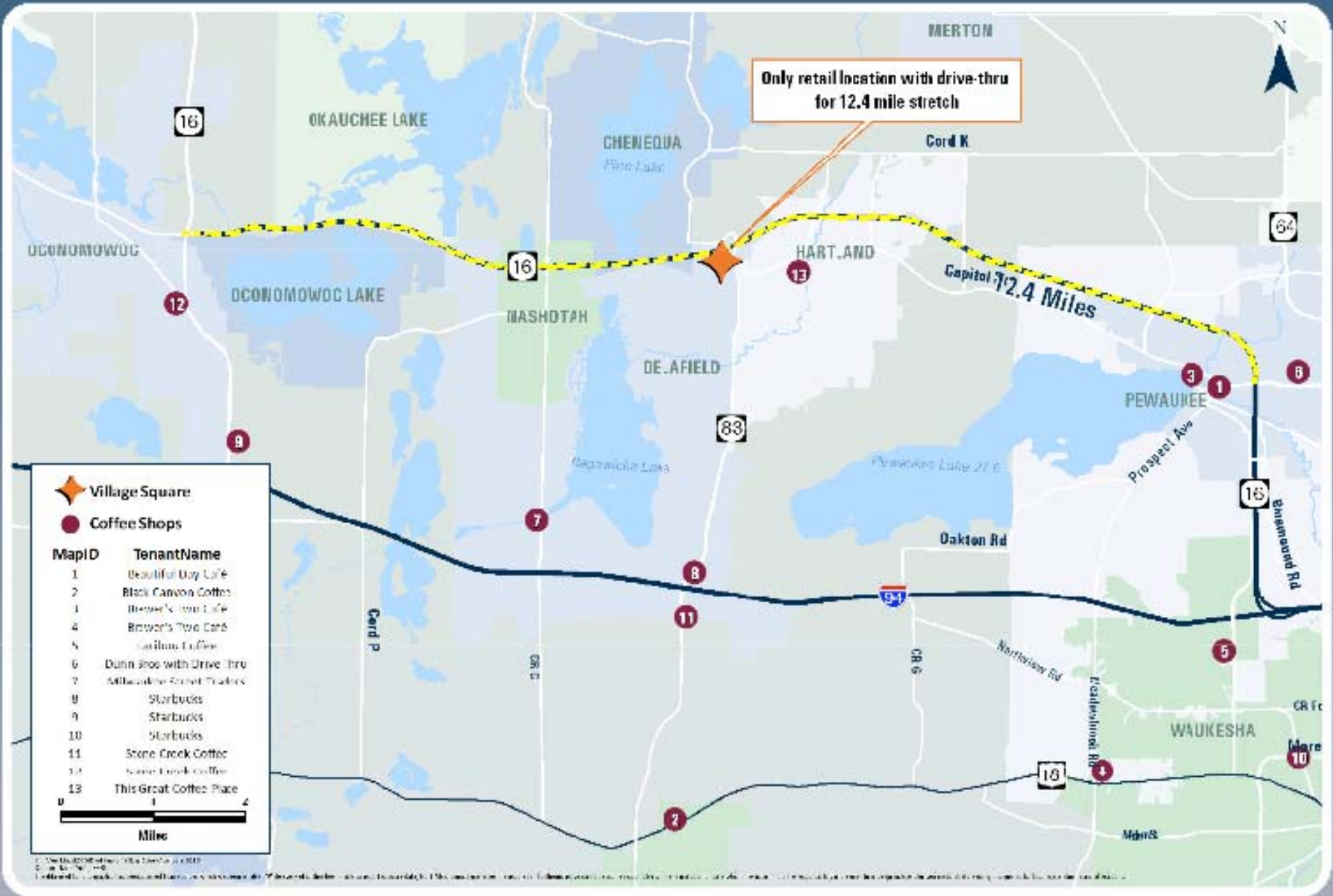




4. how well do you
know your competition?



Plaza at Highlands Ranch - Competition



Without the right anchor...



you're missing the boat!

GROCERY-ANCHORED RETAIL SPACE AVAILABLE AT

VILLAGE SQUARE OF DELAFIELD

3001-3161 VILLAGE SQUARE DRIVE
DELAFIELD, WI 53018

For Lease

NORTHMARQ

Village Square

VS.

Hartbrook Mall

VISIBILITY



VS.



TRAFFIC / ACCESS



VS.



PROS

- + Pic'n Save draws an additional 12,000 customers per week to the center.
- + Grocery anchor greatly increases cross-shopping opportunities.
- + Strong, direct visibility from Highway 10 and County Road 85, with easy access on and off the highway.

CONS

- Vacant grocery anchor keeps traffic at significantly lower levels.
- Hampered visibility from Highway 10 reduces customer awareness and impeded shopping opportunities.
- Difficult access both entering and exiting the center due to lack of interchange at Monro Avenue.

The choice is clear. Call today for information on how to give your business the anchor it needs!



2500 Highway 10, Suite 100, Northbrook, IL 60062 | www.northmarq.com

This is not an offer of any real estate. It is only a general description of the property. It is not intended to be used as a basis for any investment decision. The use of the word "may" is not intended to be a promise or representation.

CONTACT INFORMATION

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5. what is your value
proposition and how
well can you explain it?



A Clear-Eyed Assessment



[illegible][illegible]

PARKING		
90% min.		1
80% " "		4
70% " "		6
60% " "		2
TOTAL PARKING, ALL TYPES AND VARIATIONS		
Independent parking in "as-built" lot		1
Government parking layout (6%)		1
TOTAL		1

[illegible][illegible]



SHOPPING CENTER NAME:		LEASE RATE:	OP EX:	TAXES:
MAIN TENANT(S):		LEASING CONTACT:		
VACANCIES:				
SIZE		NOTES		
	SF			
	SF			
	SF			
	SF			
	SF			
	SF			
NEW DEALS:				
SIZE		NOTES		
	SF			
	SF			
	SF			
	SF			
	SF			
AT-RISK TENANTS:				
TENANT		REASON FOR RISK		
PROSPECTS:				
TENANT		NOTES		
PROPERTY STRENGTHS/WEAKNESSES:				
*All data is preliminary and for informational purposes only. It is not intended to be used for any other purpose.				



6. How will you engage
a prospect?

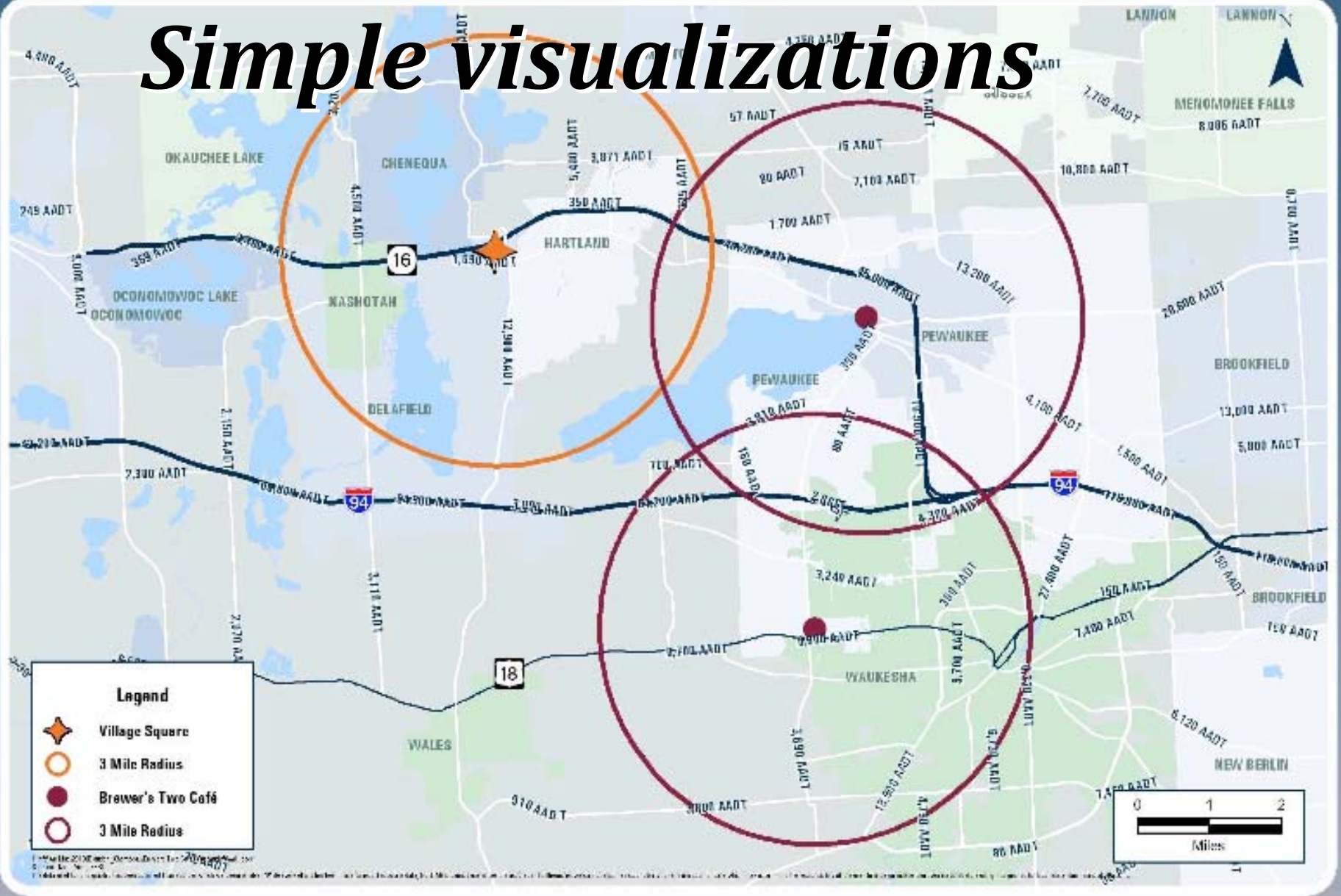


Emotions will win over facts every time.



...but, your science still needs to be good.

Simple visualizations

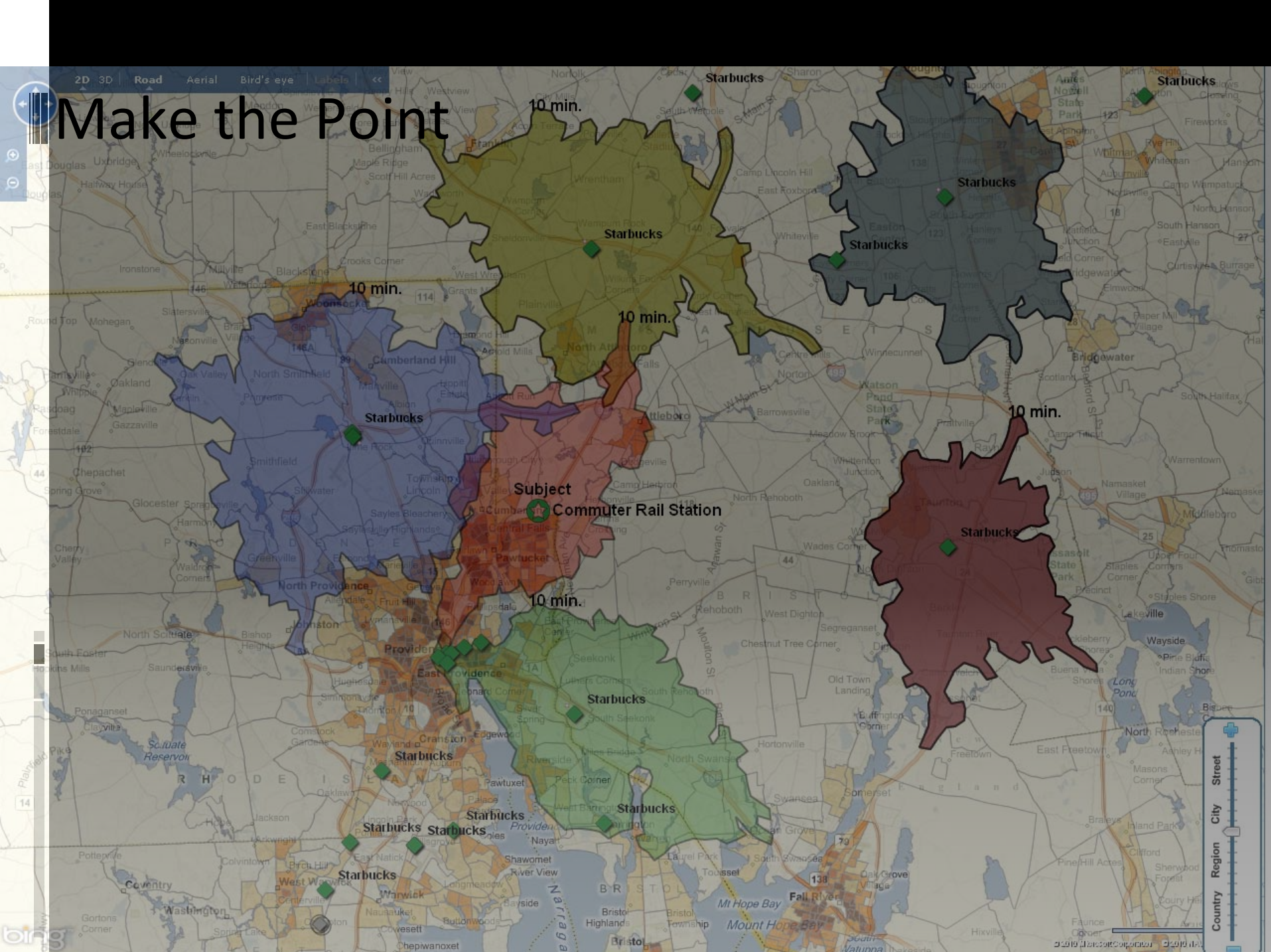


Benchmarking for context

Brewer's Two Cafe vs. Village Square - Delafield

Store Location Radius	Village Square Delafield 3 Miles	Brewer's Two Cafe Pewaukee 3 Miles	Brewer's Two Cafe Waukegan 3 Miles	Village Square as % of Pewaukee	Village Square as % of Waukegan
SITE CHARACTERISTICS					
Drive Thru	Yes	No	No	r/n	r/n
Highway Interchange	Yes	No	No	r/n	r/n
Traffic Counts at Intersection	approx. 48,000 vpd	less than 6,000 vpd	approx. 15,000 vpd	r/n	r/n
# of Competitors in 3 Mile Radius	1	2	2	r/n	r/n
POPULATION					
2009 Total Population	19,550	22,536	41,174	87%	47%
2009 Total Households	7,980	9,622	16,643	77%	44%
2009 Population Density	822.1	848.9	1,476.13	55%	56%
2009 Population per Competitor	9,775	7,512	13,722	130%	72%
POPULATION GROWTH					
2000-2009 Pop. Annual Growth Rt	0.37%	0.50%	0.50%	r/n	r/n
2000-2009 HHs Annual Growth Rt	1%	1.37%	0.70%	r/n	r/n
2000-2009 PCH Annual Growth Rt	2.90%	2.50%	2.50%	r/n	r/n
FUTURE POPULATION GROWTH					
2009-2014 Pop. Annual Growth Rt	0.5	0.6	0.3	r/n	r/n
2009-2014 HHs Annual Growth Rt	0.7	0.8	0.4	r/n	r/n
2009-2014 PCH Annual Growth Rt	1.3	1.1	1.1	r/n	r/n
EDUCATION					
2009 Pop 25+ Educ. Attain. Base	13,013	15,786	27,909	82%	47%
2009 Pop 25+ by Educ. - 49th Grd	234	226	590	99%	23%
2009 Pop 25+ by Educ. - Some HS	704	724	1,872	96%	39%
2009 Pop 25+ by Educ. - HS Grad	3,151	4,661	7,916	66%	46%
2009 Pop 25+ by Educ. - Some Coll	2,820	3,677	6,156	79%	47%
2009 Pop 25+ by Educ. - Assoc Deg	1,426	1,898	2,182	87%	56%
2009 Pop 25+ by Educ. - Bach Deg	3,270	4,122	6,267	86%	54%
2009 Pop 25+ by Educ. - Grad Deg	1,607	1,990	2,846	101%	56%
INCOME					
2009 Median HH Income	\$86,655	\$88,394	\$71,250	110%	124%
2009 Average HH Income	\$117,583	\$98,146	\$83,123	120%	141%
2009 Per Capita Income	\$49,736	\$42,411	\$34,244	106%	131%
2009 Aggregate HH Income	\$667,760,998	\$842,462,533	\$1,383,183,256	82%	82%
2009 Median Disposable Income	\$69,746	\$68,811	\$52,821	110%	123%
2009 Avg Disposable Income	\$88,421	\$76,214	\$69,791	116%	136%
EMPLOYMENT					
Total Businesses	504	1,360	1,948	72%	47%
Total Employees	8,773	18,173	28,400	49%	32%
CONSUMER SPENDING					
Food Away From Home/Total	\$9,821,848	\$40,676,973	\$5,711,928	89%	61%
Meals at Restaurants/Other/Total	\$8,170,354	\$28,884,018	\$2,044,186	88%	62%
Nonalcoholic Beverages/Total	\$1,650,493	\$11,792,955	\$1,710,960	88%	59%
Food/Total	\$21,176,327	\$122,472,111	\$15,849,567	88%	62%
Spending Potential Index	262	240	123	116%	136%
Average Amount Spent	\$5,393.78	\$4,642.73	\$3,971.32	116%	136%
MARKET POTENTIAL:					
Fast food/drive-in last 6 months/breakfast					
Expected Number of Adults	4,567	5,211	9,101	82%	57%
Percent	3.1%	3.5%	28.5%	r/n	r/n
HH	0.2	0.4	0.4	98%	108%

Notes: 1) The "Spending Potential Index" is a measure of the potential for a business to succeed in a particular market. It is calculated by dividing the market's total population by the number of potential customers. 2) The "Expected Number of Adults" is a measure of the potential for a business to succeed in a particular market. It is calculated by dividing the market's total population by the number of potential customers. 3) The "Percent" is a measure of the potential for a business to succeed in a particular market. It is calculated by dividing the market's total population by the number of potential customers. 4) The "HH" is a measure of the potential for a business to succeed in a particular market. It is calculated by dividing the market's total population by the number of potential customers.



Make the Point

10 min.

10 min.

10 min.

10 min.

10 min.

Subject
Commuter Rail Station

Country
Region
City
Street

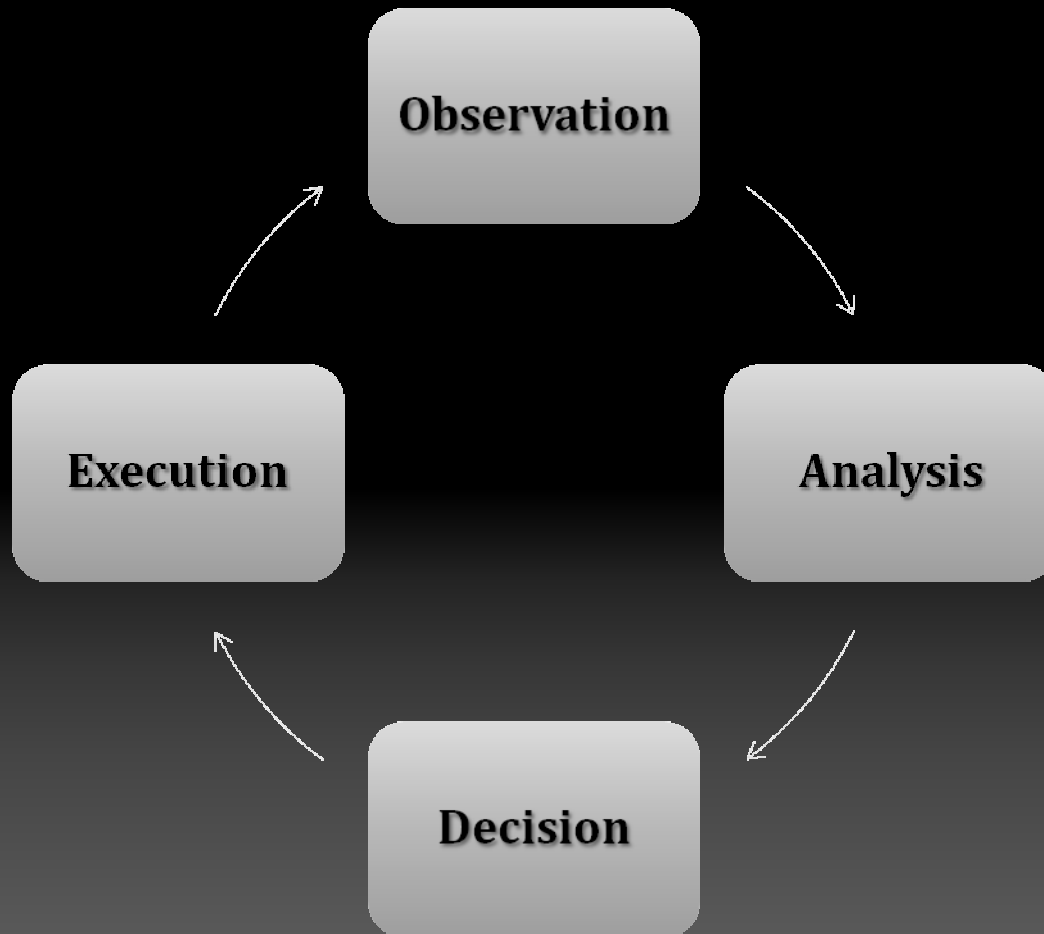
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7. Are you willing to
change the way you work?

The Operational Intelligence Loop

A virtuous cycle of five parts



planning / decision process

