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## Sizing Up the Retail Real Estate Market in 2018

Consumers increasingly prioritize experiential retail

Jaimee Nardiello, Partner, led a panel discussion on the newest approaches to retail at the **Commercial Observer's "2<sup>nd</sup> Annual Retail Forum"** on April 19, 2018.

The panel, titled "Developing an Experience: How the Industry is Shifting Its Approach to Retail," featured insights from retail market experts **Lauren Adams**, Principal & Strategy Director, Gensler; **Michael Goldban**, Head of Retail Leasing, Brookfield Properties Office Division; **Jeffrey Roseman**, Executive Vice President, Newmark Knight Frank Retail; **Arnaud Simeray**, VP Strategic Partnerships, Storefront; and **Jeffrey Weinhaus**, President & Chief Development Officer, Equinox.

Nardiello began by acknowledging that the nature of retail has fundamentally shifted, and asked each panelist to examine how it has affected their sector of the industry.

Jeffrey Roseman, speaking about the brokerage business, noted that if you look at the retailers that have gone bankrupt recently, they all have one thing in common: they haven't evolved in the last century. Brick and mortar has not lost its relevancy. It is not online sales that are driving business away, but rather an uninspired approach to brick and mortar stores.

The shift from luxury retail to experiential luxury has worked in favor of Equinox, the fitness center firm, according to Jeffrey Weinhaus, who noted that the company began selling experiential retail before the current trend began. Changing consumer behavior has enabled the brand's ability to grow quickly. New gyms have flourished in emerging markets where the wealth has not changed, but consumers' priorities have.

This shift toward experiential retail is apparent across the retail sector, added Lauren Adams. She is seeing a move toward mixed-use stores, where there are cafes at the bank and co-working spaces at the gym. Rather than just selling products, stores are seeking to provide social experiences.

Retail is linked to culture, in Mr. Goldban's view. Its evolution is not being driven by millennials because its roots are in psychographics, not demographics. People, regardless of generation, are valuing the lived experience more and more.

Despite the impact of the internet on consumer spending, Mr. Goldban is optimistic about the future of bricks and mortar retail. Technology may allow brands to find their consumers in an efficient and data driven way, but it only allows them to connect up to a point. More and more, he is seeing ecommerce companies seek out brick and mortar to grow their business and create a brand people can connect with on a personal level. He termed this "de-commodifying the commodity product."

Arnaud Simeray agreed that ecommerce companies hit a threshold of what they can accomplish online. As the VP of a company that connects companies with spaces for pop-ups, he finds that ecommerce companies are using pop-ups to interact with social media influencers. Additionally, pop-ups allow companies to test a market and evaluate strategy before opening a long-term store. Mr. Weinhaus held up Equinox as an example of a brand that has successfully de-commodified their commodity product by creating real results for people.

Design and presentation has been very much impacted by the shift from traditional to experimental retail.

Ms. Adams maintained that because consumers do not have to leave their homes to buy anything, "task has been deleted from retail and all you are left with is experience." Because of this, stores have to look amazing and feel theatrical. She also spoke of the trend toward designing for flexibility because as the selling space is becoming more and more a stage and an immersive experience, art, lighting and technology need to be easily changed.

According to Mr. Goldban, when it comes to design, "bars have been raised and expectations set." They challenge their tenants to do their best with Manhattan West retail properties. They started with food to anchor the neighborhood and help shift the city's center of gravity west. Now, he noted, Brookfield seeks tenants who will build temples.

It is clear from the panel anchored by Ms. Nardiello that while there are challenges to succeeding in the current retail environment, inspiration, innovation and a willingness to redefine the consumer experience are essential parts of a toolkit for brick and mortar stores' success.

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