



# Envision 2020 Preliminary Report



## **Bold Statement #1:**

### Unification of Bricks-and-Mortar and On-Line

**A consolidation of bricks-and-mortar and on-line retailing, wherein shopping centers will play an expanding role in both the physical retail and E-commerce environment.**

## **Major Trends:**

- Increased presence of shopping centers in cyberspace
- Integrated digital channels in order to improve the convenience and experience of physical shopping
- Rationalization of existing store structure to capitalize on omni-channel deliveries
- Social media supported with additional resources, both financial and managerial, to highlight retail and shopping center brands and engage the consumer on both fronts

## **Bold Statement #2:**

# Adaptive Mall Environments that Engage Millennials

Shopping centers will feature a more customized, personalized appeal to attract and engage the younger consumer. There will be a heightened level of coordination between developers and retailers in creating a seamlessly likable and entertaining environment.

## **Major Trends:**

- Adjusted merchandise mix focused on Millennials
- More engaging and free-flowing retail environment
- New display and marketing concepts with an edgy, authentic appeal
- Customized shopping experience to address individualized consumer interests

## **Bold Statement #3:**

# Unprecedented Intimacy with the Consumer

Developers and retailers will leverage technology to embrace the human experience through a customization of customer outreach both inside and outside of the retail environment.

## **Major Trends:**

- Radically transformed customer communications using technology to create multiple connection points and opportunity for interaction
- An exponentially greater range of opportunities to interact with the consumer
- More personalized customer service through enhanced tracking technology
- Serious impacts to brand loyalty, due to the astounding range of on-line options, will motivate retailers to offer more compelling in-store environments

## **Bold Statement #4:**

### Accelerated Developer-Retailer Collaboration

The relationship between developers and retailers will transform from an adversarial “landlord-tenant” schematic to a truly collaborative partnership, with both sides sharing resources and technologies to maximize consumer engagement.

#### **Major Trends:**

- Aggregated customer insights and trade area data from both developers and retailers to provide a comprehensive overview of market opportunities
- Cooperatively developed technology for engaging and understanding the consumer
- New paradigm of landlord-tenant and occupancy economics
- Mall-wide cooperatives for consolidating procurement orders and reducing costs to both developers and retailers



## **Bold Statement #5:**

### **Flexible Center Formats Incorporating Distribution Sites**

**Shopping centers will evolve from straightforward retail emporiums into a complex assemblage of direct-to-consumer distribution streams. Formats will be flexible physically, technologically, and legally to adapt to trends that change instantly.**

#### **Major Trends:**

- The new shopping center model will provide the ability to house both traditional retail options and a physical distribution plant able to fulfill both bricks-and-mortar and E-commerce orders on a fast-turnaround basis
- Dramatically shifted space utilization and store flexibility to expand and contract physically and legally to adapt to trends that change continuously
- Localized, immediate pick-up, delivery and return that will enhance customer service and retail sales
- Transformed mall usability to create entirely new customer delights while simultaneously decreasing customer pain points

## **Bold Statement #6:**

# Conversion of Shopping Centers Into Communities

The very fundamentals of shopping centers are shifting to a more seamless, open environment through the transformation of traditional retail formats into fully integrated communities, where the retail and entertainment options are fully blended and inter-dependent.

### **Major Trends:**

- Shopping centers will be multi-faceted communities that embrace the lifestyles of their key demographics
- Fewer traditional retail components, as store models shrink and additional chains go out of business
- These will be replaced by an increasing range of non-apparel uses that are daily drivers of visits (grocery, food, medical, education)
- Blended retail concepts, amenities and adaptive re-uses in urban & faux urban environments will predominate as malls become increasingly intertwined with their communities

## **Bold Statement #7:**

# Emergence of a New Blended Rental Model

The current system for establishing and negotiating rents based upon projected sales will transform into a more flexible model incorporating both on-line and in-store volume.

## **Major Trends:**

- Rents determined through a new formula which evaluates sales totals within a specified radius of each store, incorporating sales originating either in the store or on-line
- In-store fulfillment of on-line orders will be considered in the new rental formulations
- Clarity on how rents are calculated related to sales that originate in the store and online; and how sales data is then reported publicly as it impacts the perception of bricks-and-mortar



## **Bold Statement #8:**

### Arrival of a Retail-Friendly Investment Outlook

Lenders will become more knowledgeable and sophisticated regarding the financial attributes of the retail real estate sector, resulting in a higher level of consideration throughout the investment community.

#### **Major Trends:**

- As the mall model transforms, lenders will be more focused on investment opportunities in the newly emerging shopping center formats
- Developers and retailers will provide a more transparent range of data and reporting to instill confidence in the investor community
- With these changes in place, lending fundamentals will increasingly favor the retail real estate sector