



ICSC Master Narrative & Supporting Points

I. BUILDING COMMUNITIES

“Unlike any other “place,” shopping centers are built around the needs of communities, while building value in them, too.”

From Istanbul’s ancient Grand Bazaar to Seattle’s modern-day Bellevue Square, shopping centers build, revitalize and even place entire communities on the map.

- Shopping centers are located in every community across the U.S. – 116,214 in total. *(Source: ICSC U.S. Fact Sheet)*
- Shopping centers are integral to the social fabric of communities by providing a “third place.” They are community centers, providing a place to be with friends or family when not at work or home. Shopping is still a very social event.
- According to the U.S. Census Bureau, the value of shopping center construction reached nearly \$21.8 billion in 2017—a level not seen since 2008. Much of this was spent on redevelopment as the retail real estate industry has successfully constrained the amount of new supply being put into the pipeline. *(Source: U.S. Census Bureau)*
- Although the U.S. dominates in global shopping center GLA, the developing economies of Brazil, Russia, India and China are experiencing the most dramatic changes in their retail landscape across all regions globally. Each of these four economies has seen their shopping center inventory increase significantly over the past decade.

Shopping centers are cultural centers for communities; they bring people of all ages and interests together and an iconic place for consumers to shop, dine, workout or even ride a roller coaster.

- 63% of U.S. adults view malls as valuable assets to their community. *(Source: ICSC 2018 Mall Survey)*
- 76% of U.S. adults say that having a good mix of physical retail and service providing establishments increases the vibrancy of their local community. *(Source: ICSC 2018 Mall Survey)*



- On average, American adults visit shopping centers 5.2 times per month. This equates to a total of approximately 1.3 billion visits per month for all adults. *(Source: ICSC Monthly Consumer Engagement Surveys)*
- During the 2017 holiday season, 72% of adult Americans – more than 181 million people – visited a mall. While 67% of those adults shopped, 42% dined at a restaurant or other eating establishment and 27% saw a movie. *(Source: ICSC 2017 Post-Holiday Shopping Survey)*

Retail’s move toward mixed-use centers is creating a cultural shift where “signature” dining, experiences and services encourage foot traffic that stays longer and spends more.

- Leasing teams work very hard to find the “right” tenant that will best complement the shopping center and meet the needs of the surrounding community. Shopping centers are being far more creative in how they lease their space, with a rise in non-traditional tenants and anchor stores (e.g. Whole Foods or a gym as a mall anchor).
- At shopping centers during the first quarter of 2018, 79% of U.S. adults spent on food and beverage, 64% on leisure/entertainment, 51% on medical/health/wellness and 69% on other services such as dry cleaners/salons. *(Source: ICSC 2018 Non-retail tenants survey)*
- Nearly half (45%) of consumers say the presence of non-retail tenants increases the amount of time spent at the center, while about two-fifths (38%) claim they encourage more frequent visits. *(Source: ICSC 2018 Non-retail tenants survey)*
- New developments anchored by high-end restaurants and surrounded by food markets, clothing stores, office space and residential areas are creating urban multi-use megaplexes focused on “placemaking.” *(Source: Bloomberg, “A \$20 Billion Megaproject’s Key Ingredient: The Luxury Food Court”)*
- 70% of consumers say shopping malls should focus on creating engaging experiences for consumers that combines shopping with entertainment and other services/activities. *(Source: ICSC 2018 Mall Survey)*
- Shopping centers are meeting the needs of the changing health care landscape. According to a recent report by PwC’s Health Research Institute, there are more than 3,000 retail health clinics currently in operation with one in three consumers having utilized their services. *(December 2016)*



II. FUELING ECONOMIES

“The combined power of two of the most influential industries supports the perpetual heartbeat of local, national and global economies.”

Retail real estate is a catalyst of the global economy. A bellwether connecting Main Street and Wall Street, the industry’s impact stretches from the wallet to the global exchange.

- The value of retail real estate stretches far beyond retail sales alone, in fact, the current value of retail real estate in the U.S. is \$3.1 trillion. *(Source: ICSC Economic Impact Infographic 2018)*
- The business of retail influences our entire economy, with a substantial impact on the communities where retail real estate operates; retail real estate sales totaled \$5.7 trillion in 2017. *(Source: ICSC U.S. Fact Sheet)*
- Retail real estate sales make up about 29% of U.S. GDP. *(Source: ICSC U.S. Fact Sheet)*
- In China, total retail sales accounted for 17% of the GDP in 2016. There were 4,150 shopping centers in China in 2015. *(Source: ICSC Country Fact Sheets and the National Bureau of Statistics China)*
- In Australia, total retail sales accounted for 19.5% of the GDP in 2017. There were 1,766 shopping centers in Australia in 2016. *(Source: Australian Bureau of Statistics)*
- In the UK, total retail sales (excluding auto, fuel and food services) accounted for 17.9% of the GDP in 2017, and there were 1,510 shopping centers in 2017. *(Source: ICSC Country Fact Sheets and Euromonitor International)*
- In Mexico, total retail spending accounted for 16.9% of the GDP in 2016. There were 645 shopping centers in Mexico in 2016. *(Source: ICSC Country Fact Sheets and The Socio-Economic Impact of Latin American Retail Real Estate, ICSC)*

Shopping centers are vital resource for local communities, generating billions of tax dollars that fund critical city infrastructure from fire departments and schools, to play grounds and parks.

- Retail real estate generates \$321.8 billion annually in state sales taxes, which help fund critical municipal services such as fire departments, police stations,



schools and infrastructure like roadways and parks. (Source: *ICSC Economic Impact Infographic 2018*)

- Retail real estate is also responsible for \$68.8 billion in local property taxes. (Source: *ICSC Economic Impact Infographic 2018*)
- ICSC members are key drivers for road and utility upgrades in communities across the country, contributing \$390.6 billion annually in property and sales taxes. They work closely with municipalities to update water, electrical, and other infrastructure to better serve the needs of consumers. (Source: *ICSC Economic Impact Infographic 2018*)

Retail real estate isn't just about collecting rent; it helps nearly 13 million Americans pay their rent. From folding tee shirts to developing tomorrow's urban megaplexes, the industry creates jobs.

- There are 34.8 million retail real estate employees in the U.S. This accounts for 1 out of every 6 jobs. (Source: *ICSC Economic Impact Infographic 2018*).
- In 2017, the U.S. reached an all-time high of 15.9 million retail employees. (Source: *ICSC U.S. Fact Sheet*)
- For every 100 individuals directly employed at a U.S. retail real estate property, an additional 67 jobs are supported in the community due to multiplier effects. (Source: *ICSC; Oxford Economics*)
- 48.4% of retail real estate jobs are in non-retail industries including health care, fitness, education and other professional services. (Source: *ICSC Economic Impact Infographic 2018*)
- In China, there were 218 million total wholesale and retail trade employees in 2016, making up 28% of total employees. (Source: *National Bureau of Statistics China*)
- In Australia, 1.3 million total retail employees made up 10.5% of total employees in 2018. (Source: *Australian Department of Jobs and Small Business*)
- In the UK, there were 3,218,243 total retail employees making up roughly 10% of total employees in 2016. (Source: *The Socio-Economic Impact of European Retail Real Estate, ICSC*)



- In Mexico, there were more 7,452,500 total retail employees accounting for 14.4% of total employees in 2016. (Source: *The Socio-Economic Impact of Latin American Retail Real Estate, ICSC*)

The lifeblood of small business owners, from mom and pop shops to boutiques, shopping centers attract customers that drive profits and keep them in business.

- 70% of retail real estate establishments have fewer than 10 employees (Source: *ICSC Economic Impact 2018*)
- 96% of adults in the U.S. shop at the small business located in their town's shopping centers. (Source: *ICSC Small Business Survey 2017*)
- 23.1% of shopping center tenants are in non-retail/non-restaurant industries and include doctors and dentists, personal finance and tax professionals, and institutions of higher learning. (Source: *CoStar Realty Information Inc. (www.costar.com)*)

III. INSPIRING INNOVATION

“The industry’s far-reaching influence uniquely positions it to shape the practices, policies and technologies that impact the future of business and society.”

Today’s showrooms are shaping how consumers will interact, shop, pay and even run businesses of the future.

- Companies are becoming hyper focused on customer service and getting the perfect product to the right person the very first time – this is not solely to benefit brand loyalty, but to curb product returns which can account for a 10-20% loss in sales. (Source: *MIT’s Center for Transportation & Logistics.*)
- Forty percent of the evolved retailers analyzed in one study do not hold buyable inventory in store. Rather, retail formats act as showrooms; store associates place orders online, and the customer leaves empty-handed while their items are shipped home. (Source: *L2 Intelligence Report, 2016*)
- Bonobos bills over 20 of its stores as “guideshops,” where customers can try on clothing to finalize fit, but leave without their purchases. The showroom strategy has also worked well for customized clothing brands such as Proper Cloth, Indochino, and J.Hilburn, all of which operate showrooms that allow customers to receive personal fittings before their purchases are custom tailored. (Source: *L2 Intelligence Report, 2016*)



- Retailers are rushing to see how they can incorporate virtual and augmented reality into the shopping experience. Home Depot has started with home decorating tools and now clothing brands are experimenting with new ways to virtually try on clothes or even shop the shelves. Other examples of new retail technologies besides magic mirrors and smart fitting rooms include: Apple Pay, RFID tags, inventory software, beacons, visual recognition apps, new point-of-sales (POS) checkpoints and delivery innovations.

Bricks and clicks are not an “either or,” they are a relationship. When done right, omnichannel is a sales driver, improving service and convenience, and delivering experiences that make brands relevant to consumers.

- Consumers’ changing habits are fueling an unprecedented investment by retailers to build out omnichannel services that provide seamless customer experiences both on and offline – this is not a shift in one direction or the other – it’s a two-way street.
- 90% of millennials shopped at a physical location during the 2017 holiday season, further proof that brick and mortar is vital to future of the industry. *(Source: ICSC 2017 Post Holiday Survey)*
- Pure-play retail can serve as a test market for products, helping to determine demand and consumer interest. If successful, brands like UNTUCKit, Warby Parker and Bonobos can then open their brick and mortar locations to target an even larger audience. In essence, online can lower the barriers to entry for entrepreneurs.
- Omnichannel shoppers shop more frequently and spend 3.5 times more than single-channel shoppers. *(Source: ICSC America’s Marketplace Report)*
- In-store conversion rates are four times higher than online-only conversion rates. *(Source: ICSC America’s Marketplace Report)*
- Once in a store, shoppers are much less likely than they are online to leave empty-handed. Store conversion rates average 25% to 45%, while online conversion is only 2% to 5%. *(Source: Bain & Company, Retail Holiday Newsletter 2015-2016)*
- Forty percent of customers spend more money than planned during in-store visits, vs. 25% of online shoppers. *(Source: Bain & Company, Retail Holiday Newsletter 2015-2016)*



- Digital channels and the ability to conduct research prior to a purchase have positioned consumers further along the purchasing funnel, making them more motivated and informed when they arrive at a store. During the 2017 holiday season, 71% of shoppers conducted research online before shopping in-store. *(Source: ICSC 2017 Post-Holiday Survey)*
- A majority (68%) of shoppers use a mobile device while shopping in-store. The top uses are to compare prices (53%), retrieve digital discounts/coupons (36%), check availability (37%) and take pictures of items that may be purchased (30%). *(Source: ICSC 2017 Post-Holiday Survey)*
- The rise of click-and-collect exemplifies the convergence of physical and digital retail. According to ICSC's Post-Holiday consumer survey, 40% of shoppers purchased an item online to be picked up in-store; 90% of those shoppers made additional purchases at that store or an adjacent store when picking up the item(s). *(Source: ICSC 2017 Post Holiday Survey)*
- E-tailers with a physical presence enjoy greater organic site traffic and lower customer acquisition costs via paid search and email. *(Source: L2 Intelligence Report, 2016)*
- Nearly three quarters of multichannel retailers are more profitable than their single-channel counterparts, and Rent the Runway, Blank Label, Bonobos, and BaubleBar all report higher average order values in-store than online, where customers are more likely to make both high value and incremental purchases. *(Source: L2 Intelligence Report, 2016)*
- According to the U.S. Census Bureau, in 2017, 86.7% of all retail sales occur in a physical store, while e-commerce sales only account for about 8.7% of sales. Furthermore, the e-commerce total includes sales from the online channels of brick-and-mortar retailers (3.5%). *(Source: U.S. Census Bureau, 2018)*

Amazon, Warby Parker and other online retailers recognize consumers' innate need to interact. Our industry was built on catering to this need, creating the defining moments that allow brands to establish emotional ties with consumers.

- There are people that will never buy a product that they cannot see and touch; as a result, businesses such as Amazon, Fabletics, and Warby Parker have all made the move from pure-play to omnichannel, instantly reaping the rewards of a larger consumer base.



- When polled about the reasons shoppers buy in-store rather than online, 60% of consumers cite the ability to see, touch, and try merchandise, 53% appreciate the ability to get product immediately, and 33% of consumers turn to stores to be certain about the fit and suitability of items. (*Source: L2 Intelligence Report, 2016*)
- Stores allow customers to interact directly with sales associates, who can encourage additional purchases and allay fit concerns, a process that Rent the Runway credits directly for its higher in-store transaction sizes. (*Source: L2 Intelligence Report, 2016*)

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