



Retail wrap-up: It's still all about experience, experience, experience

We are under-demolished. Flagstaff boasts the No. 1 Sprout's in Arizona. One of the safest tenants to put in a retail center is a veterinarian – they never go out of business.

Those were some of the more interesting takeaways as REIAC Southwest wrapped up its 2018 Breakfast Series at the CoStar offices on November 13 with an update of the Valley's retail market.



The panelists represented a broad spectrum of retail industry experts:

>> Greg Laing, Principal, Phoenix Commercial Advisors: One of PCA's founders in 1996, Laing shared his more than 37 years

of experience in retail brokerage. His current tenants include Costco, Bed Bath & Beyond, Buy Buy Baby, Staples, Kohl's, Michaels, Dick's Sporting Goods, and Main Event Entertainment to name a few.

>> Trenton McCullough, Senior Vice President Retail Investments, LevRose Commercial Real Estate: McCullough specializes in retail investment sales and is responsible for implementing and executing marketing strategies of those assets.

>> Ryan Schubert, Executive Managing Director and Co-Leader, Cushman & Wakefield: With more than 14 years of experience, Schubert's core focus is on the transaction of grocery-anchored and multi-tenant shopping centers in the Southwest specifically Arizona, Nevada, and Colorado.

"We're in the fifth evolution of retail," Laing said. "It seems to always go and rebrand itself. It used to be a successful shopping center was a larger grocer, department store, and pharmacy. We're not creating as many new retail concepts now. And if we are, brick and mortar is getting smaller."

In the heyday of retail, you would see a power center every 5 miles, Laing said. That's not happening now. Money to build new retail centers is harder to come by. In 2006, he said, developers had a blank check to build. Now, nobody has the green light.

“Retail will follow people,” Laing offered. “Homebuilders, we love you guys. But concepts have to change. You see a more food-oriented approach. We just don’t have the density any longer.”



Addressing retail as it relates to capital markets, Schubert said things changed the day Amazon bought Whole Foods. “You read the headlines that they’re tearing down every power center. These are still great pieces of real estate; then can still live and breathe retail. It’s become everyone’s institutional investment.”

Then there’s the experience factor. “People still want to walk away feeling good,” McCullough. “They still want an experience. You’re seeing (restaurant) chains shrinking or going away; its

terrible service or bad food. New concepts are now creating the atmosphere, and in more infill locations. Here they want the tenants that will survive.”

One of the Valley’s key retail markets, the panel agreed, is Downtown Phoenix and between the 7s – street and avenue.

“I’m a Phoenix kid,” Laing “It (the downtown) was then a ghost town. It’s those neighborhoods now, especially along 7th Street, that are coming back. My biggest fear: I’ve seen it five times. Everybody pushes rents to about where the economy can pay for them. It’s very scary; people are working to pay their rent. After a while, you have to take something home. All we need is one little blip and you will see the selling of REOs again.”

What does the future hold for retail?

Healthcare will be a big factor, the panelists agreed. Walmart and Home Depot are coming up with new strategies for their pads. Walmart wants to create its own



town centers on its properties. Opportunity zones might become part of the discussion once the government finalizes the requirements. Aldi knows what it’s doing.

So where is the next area of retail growth in the Valley?

Panelists were in unison predicting Goodyear, Queen Creek, Avondale, Buckeye, and those areas along the Loop 202 South Mountain Freeway and the 303.

“Find the homebuilders and we will follow them,” Laing said. “This time we’re not going to do it as fast. We are plodders, not sprinters.”