

The Future of Careers in Retail Real Estate

BY BRYAN CUNNINGHAM, SENIOR VICE PRESIDENT | SEPTEMBER 2018

Several times a year, I sit down with a young person who is either in college or recently graduated and is interested in a career in commercial real estate.

Recently, I had such a conversation with a young man who was entering his senior year and wondering if real estate was right for him. The topics we discussed ranged from development to Class A office to multi-family to real estate law.

When the subject of retail came up, he asked me a puzzling question:

Will retail development, investment or brokerage be a viable career path given the “headline” that e-commerce will eventually replace brick and mortar shopping centers?

Clearly, retail is undergoing a metamorphosis that will continue as millennials eventually replace the Baby Boomers and Generation X as the primary spenders in our economy. Shopping, dining and entertainment patterns now are far different than they were even when I started my career 16 years ago. I can rarely open the business section of the newspaper or the Wall Street Journal without reading something about the “death of retail.”

What is often overlooked, however, is that retail centers are thriving - particularly in the San Diego market. Rents are at an all-time high, vacancy is near an all-time low and projects such as the Shops at La Jolla Village and Civita have astounding levels of tenant interest. The logical deduction is that the reason retailers are opening in these types of locations is because the retailers themselves are making money.

When Orchard Supply Hardware announced last week that it was closing all 99 of its retail stores, some of which are less than a year old, it sent shockwaves through the landlord and brokerage community. Many (myself included) viewed OSH as an innovative retailer and the answer to vacancies left by defunct retailers such as Sport

ORCHARD SUPPLY HARDWARE ▶

In August 2018, parent company Lowe's announced it would be closing all 99 OSH locations.

Chalet and Sports Authority. Clearly, OSH was not generating enough revenue to survive the ever increasing costs of doing business, particularly in California.

What is interesting about this particular failure is that OSH's parent company, Lowe's, has reported double-digit increases in profitability and their stock is trading at a record high. The thinking that all brick and mortar retail "dinosaurs" will eventually go the way of Circuit City, Mervyn's and Linens N Things is contradicted by the fundamentals of today's leading retailers. The stock prices of Costco, Wal-Mart, Target and Home Depot are all at or near all-time highs and have vastly outperformed other sectors of the S&P 500. Granted, Amazon's stock is at an all-time high also.

So, how does Wal-Mart's stock price affect the career choice for this young man? Simple: if retailers are making money, there will be opportunities for developers, landlords, brokers, architects, attorneys, contractors and people in all other facets of our business to follow suit. Are the days of building one million square foot power centers with 300,000 square feet of small shop space gone? Probably.



However, well-positioned retail projects with the right combination of visibility, access, parking, traffic, demographics and tenant mix will never be replaced. The game has changed, the tenants have changed and the consumer has changed, but the fundamentals remain the same.

The next 10 years will be as exciting as any in our industry. There will be turmoil, there will be vacancy and some projects will no longer be relevant as retail and will become something else. However, I have no doubt we will see retailers continuing to reinvent themselves and staying not only relevant, but profitable, making a career in retail real estate a viable and rewarding path for today's younger generation. In this part of the country, where there are substantial employment opportunities and significant barriers to entry, the well-positioned retail asset will continue to be a key component to our economy and society.

Annual growth in retail sales



Source: Commerce Department via FRED



FLOCKE & AVOYER

Commercial Real Estate

BRYAN CUNNINGHAM
 SENIOR VICE PRESIDENT
 858.875.4664 | LICENSE ID: 01348498
 BCUNNINGHAM@FLOCKEAVOYER.COM