ICSC RECON 2019 RECAP

Las Vegas

Our team was excited to attend and be a part of the ICSC 2019 RECON conference which took place in Las Vegas from May 19 – 22nd. This is a global retail estate convention attracting over 30,000 attendees and 1,250 exhibitors; ranging from shopping center owners, retail, tenants, brokers, developers, finance and other industry professionals.

RETAIL IS NOT DEAD

The positive energy and enthusiasm emanating from the Convention was palpable. While we all get mixed signals from the marketplace as to how retail is actually faring (when hasn't that been true in any financial market!), we see promising signs and in some cases counterintuitive alliances forming (consider Amazon.com and Kohl's) that the competitive free market is working. This gives credence to the symbiotic and seemingly quite complementary relationship between BOTH ecommerce and brick and mortar platforms for each to reach their full growth strategies and potential. On the one hand Brick-and-mortar retailers have added powerful online platforms (think Walmart and Target); and many online retailers are experimenting with opening up brick and mortar locations for neighborhood representation, ease of returns, etc. - go figure. But it is strategic and, in our judgment, good for the industry as a whole.

RETAILERS

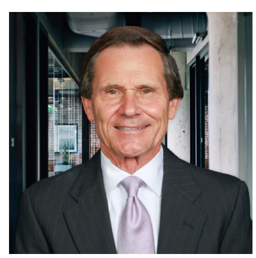
Many retailers are unquestionably still expanding but are becoming ever more discriminating about location, cost of occupancy and most importantly – long term viability of the project they are contemplating going into. The "one size fits all" model is no longer the norm. Downsizing, upsizing, closing stores, remodeling stores and any other "experiments" to increase profits, repurpose company resourses and meet consumer demands are now solidly "on the table."

DEVELOPMENT

Protracted entitlements as well as rising construction and land costs continue to be a stress point in the development community- particularly in our back yard - SoCal. Some projects that were on solid ground as recently as 12 months ago, are now having to be re-evaluate viability. And, in California, where you may not be able to roll a permit until birds finish nesting, toads finish mating and butterflies sing "Bohemian Rhapsody," it can be even more challenging. Overall, from our observations, developers are still trying to forge ahead by cautiously processing their plans while simultaneously collaborating with key tenants to re-calibrate rent structures, discuss allowing additional pads to be built in the common area and analyzing the effects of introducing other disciplines into the project mix such as senior housing, multi-family and self storage – all before a spade of dirt is turned.

To be sure, the myriad of challenges and fear facing retailers, investors and the capital markets in 2018 has not disappeared, however, encouragingly, the industry continues to self correct, dig deep into the retail toolbox and redefine itself in every way possible.

Bottom line – retailers (and therefore owners and developers) are in a struggle to survive and grow. I for one see this as a positive evolution for the industry and the economy as a whole. Finally I am expecting some really inventive solutions to reveal themselves to solve or at least mitigate complicated retail strategic problems in the next 24 months. But in any event, I predict the consumer will ultimately come out on top - as it should be.



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