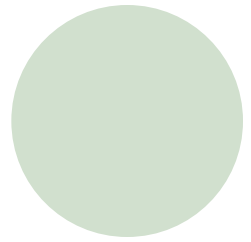
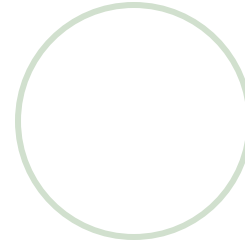
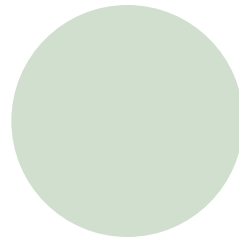
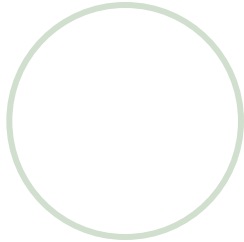
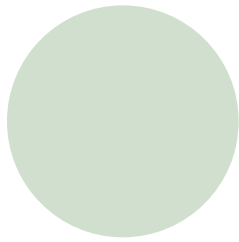


THE STATE OF CENTRAL OHIO
RETAIL REAL ESTATE

February 17, 2010

**TOP 10 RETAIL TRENDS AND ISSUES
TO WATCH FOR IN 2010**

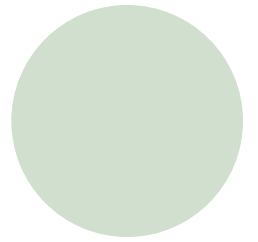
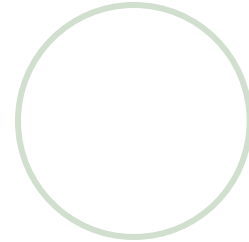
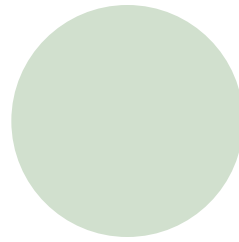
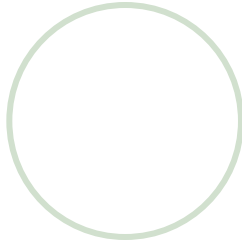
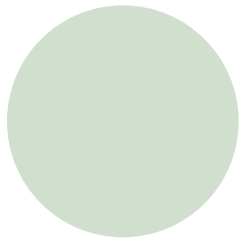
Prepared By:
Chris Boring
Boulevard Strategies
Columbus, Ohio



10. RETAIL REBOUND:

Fragile Recovery Under Way in Columbus Region

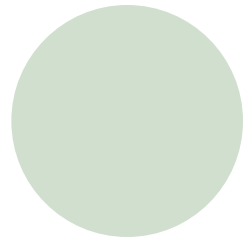
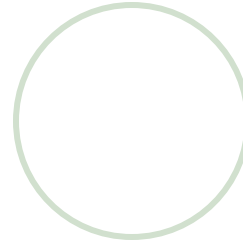
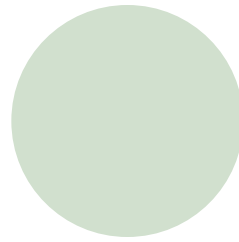
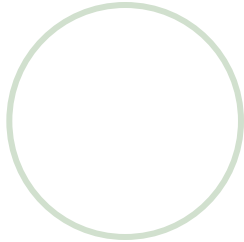
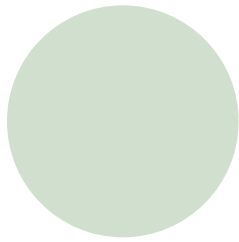
- **But, Is It a “Recovery Only a Statistician Can Love?” (Wells Fargo economist)**
 - **Retail Sales Up 2% in 2009 (ICSC) But Retail Employment Still Off By 5% Since Beginning of Recession (Bill Lafayette, Columbus Chamber of Commerce)**
 - **2009 Growth Does Not Yet Make Up for 6% Decrease in 2008 Nor Inflation (3% for 2009) But Moving in Positive Direction Since September**
- **Increased Labor Productivity Helps Retailers Contain Costs**
 - **But Fewer Paychecks Constrain Consumer Spending (Retail Accounts for About 12% of Total Employment) (U.S. Dept. of Labor)**
 - **7% Underemployed in Addition to 10% Unemployed – Hours Will Increase Before New Hires Occur (U.S. Dept. of Labor)**
- **Consumer Confidence Drives Retail Sales**
 - **The Conference Board’s Consumer Confidence Index = 53 in December 2009 vs. All-Time Low of 25 in February**
 - **90 to 110 Is Considered Normal, on Path to Reach 90 in Early to Mid 2011**



9. TODAY'S RETAIL REAL ESTATE CLIMATE IN COLUMBUS MARKET:

Stable or Stagnant?

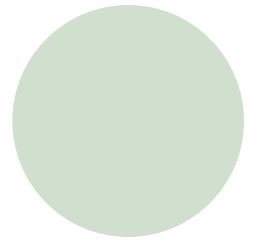
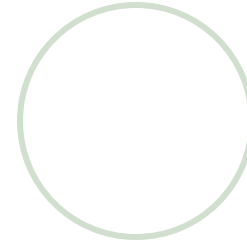
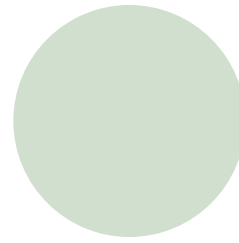
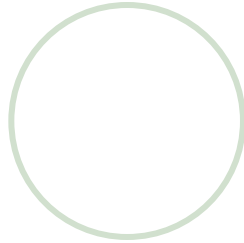
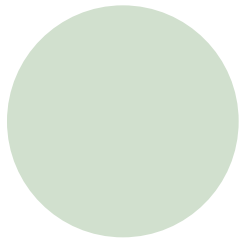
- **The Case for “Stable”:**
 - **Flat Fundamentals vs. 1.7% Increase in National Retail Vacancy Rates and 0.7% Decrease in Effective Rents (CoStar)**
 - **Ranked as 3rd Most Stable Market in USA (Based on Change in Vacancy Rate During 2009)**
 - **Not Overbuilt Anymore: 46 Sq. Ft. of Retail Space Per Capita vs. 52 Nationally (Grubb & Ellis)**
- **The Case for “Stagnant”:**
 - **Meager Amount of New Construction (500,000 Sq. Ft.) in 2009 Offset by Demolition of City Center (1.1 Million Sq. Ft.)**
 - **Capital Reserved for Refinancing/Covering Bad Loans, Not Much for New Builds**
 - **For Sale Properties on Market Average of 275 Days in 2009 (vs. 190 Typical) (Co-Star)**
- **Owners Deploy Special Tactics to Keep Centers Full as Store Openings Decrease 39% in 2009 (Co-Star)**
 - **Temporary Tenants/Pop-Up Stores, Short Term Leases, Rent Deferrals for Struggling Tenants, Selling Storefront Ads, Recruiting Medical Offices, Libraries, Auction Houses, Swap Meets, Museums, Churches, Schools, and Other Traffic Generators**



8. REDEVELOPMENT RULES IN 2010:

Infill Retail Promises to Revitalize Older Communities

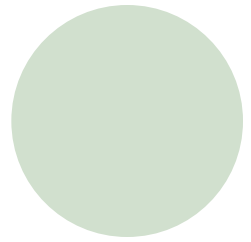
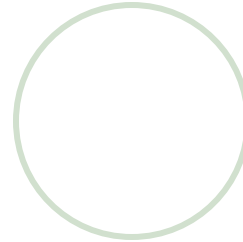
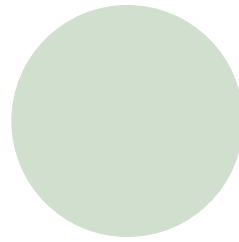
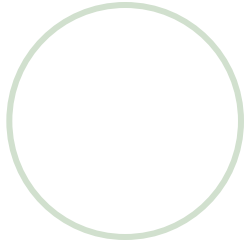
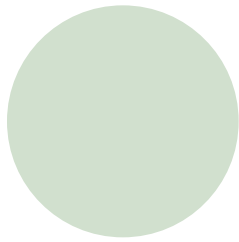
- **Continental Ends Kingsdale Impasse with Purchase from Regency**
 - **Plan \$60 Million Redevelopment Over Next 2 Years Plus UA Investment in Infrastructure**
 - **Phase I: Demolish East Side of Center for 110,000 Sq. Ft. Giant Eagle's Market District Gourmet Concept Plus 128,000 Sq. Ft. for New Tenants/Façade Renovation**
 - **Phase II: 100,000 Sq. Ft. of Office to Be Sold to City of UA**
- **Grandview Undergoing Transformation in Anticipation of Grandview Yard at Former Big Bear Site**
 - **2 New Hardware Stores, New Restaurants on West 5th Avenue, Windsor Project**
 - **6 Story Hyatt Place, 96,000 3-Story Office Building, Urban Active Gym in 1st Phase of Nationwide Realty Investors' Sister Project to Arena District**
- **If Approved, Casino Move to Delphi Site Could Catalyze Economic Revitalization of West Side**
 - **10,000 Patrons/Day on Average, Mostly from Outside of County**
 - **90 Acres Left Over for Hotel, Amusement Park, Golf Course, Outlet Center, Alien Space Ship Landing Port, You Name It**
 - **Plaza Plans for Westland Mall Could Come Closer to Reality**



7. NEW FRUGALITY RESHAPES A GENERATION:

Backlash Against Bling

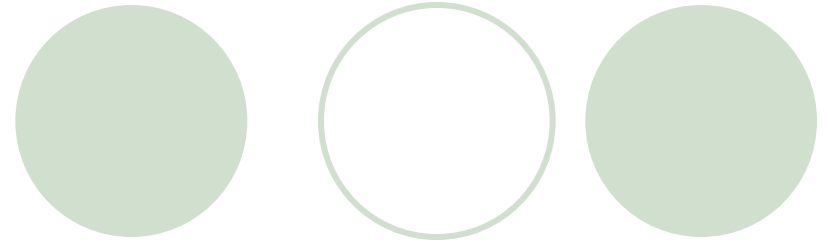
- **Folks From All Walks of Life Flaunt Their Frugality**
 - **63% of Americans Say the Way They Spend and Save Have Changed Forever (Citigroup)**
 - **Households with \$100K+ Income Account for 45% of All Spending vs. 50% 2 Years Ago**
- **Former Shopaholics Employ 3 Types of Behavioral Strategies to Rein in Spending**
 - **Buying Less: Only What They Need, Buying Fewer Things, Shopping Less Often, Sticking to Shopping List, Curbing Impulse Purchases**
 - **Trading Down: Buying Less Expensive Version of Product, Buying More Store Brands, Cooking Instead of Dining Out**
 - **Seeking Deals: Using Coupons, Shopping Sales, Shopping at Discount Stores**
- **Everything I Needed to Know I Learned in Kindergarten: Share and Swap Replaces Grab and Buy**
 - **Share/Barter/Borrow Programs Proliferate, Including Movies, Tools, Camping Equipment, Baby Clothing/Equipment, Books, Community Gardens, Bicycles, and Even Cars**
 - **Goodwill, Thrift, Resale, Rent-to-Own Concepts Thrive in Craigslist Economy**



6. SMART PHONES REVOLUTIONIZE RETAIL SHOPPING:

E-Commerce Gives Way to M-Commerce

- **Hordes of Neo-Hagglers Clutching Handheld Devices Descend Upon Our Malls!**
 - **43% of Smart Phone Owners Check Prices at Alternative Locations While Shopping**
 - **35% Consult Consumer Reviews from Handsets Prior to Purchases**
 - **37% Have Purchased Merchandise Via Their Phones**
- **1-Touch Shopping Replace 1-Stop Shopping for Many Young Adults**
 - **Most M-Commerce Sites Offer Coupons, Mapping/Store Locators, Advertisements for Deals and Promotions in Addition to Product/Price Listings**
 - **Best Foot Forward – Don't Try to Jam Whole Website Onto M-Commerce Platform**
 - **Mobile Electronics – Laptops, MP3 Players, Smart Phones, Wireless Services, GPS Devices – Breaks Out as New Retail Category**
- **Kindle and I-Pad Light Up E-Book Market**
 - **Sales of E-Books (Up 177% in 2009) Surpassed Sales of Hardcover on Amazon.com in December 2009**
 - **Google Attempting to Develop Rival Product That Would Work with Smart Phones**
 - **Next Up: Mobile DTV**



5. SECTOR SPOTLIGHT:

What's Hot and What's Not

Hot

\$1 Flip Flops

- Old Navy Stores Swarmed During May Promotion...

Veggie Freezers

- Freezer Sales Climb as Folks Grow Their Own...

Zhu Zhu Pets

- Toy Hamsters Save Xmas for Toys R Us...

Hunting Superstores

- Cabela's/Bass Pro Shop Coming to Delaware County...

3-D Avatars

- Imax Revolution Drives Blockbuster Box Office Proceeds...

Not

\$30 Crocs

- Plastic Sandal Sales Plunge 32%

Frozen Burgers

- Upscale Burgers, Dogs & Fries Take Bite of Fast Food Markets

Mall Rats

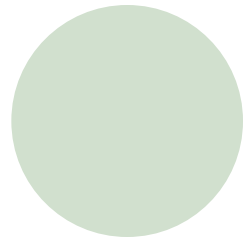
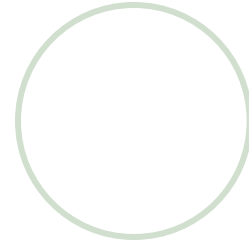
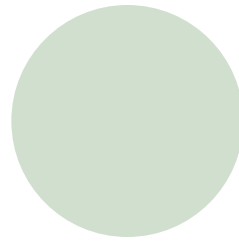
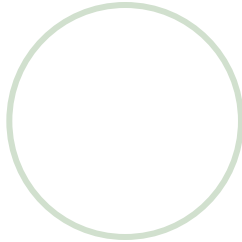
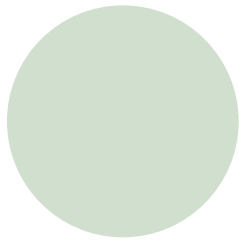
- Teen Spending Down 14% in 2009

Gun Shows

- Westland Mall Gun Shows Pay More Than Retail Tenants

Cinematic Mall Cops

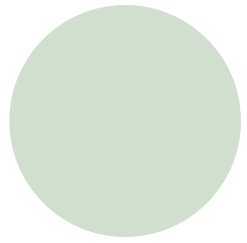
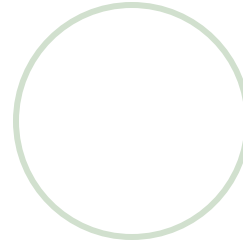
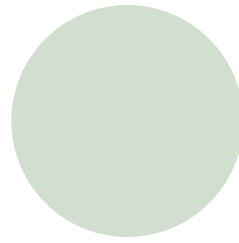
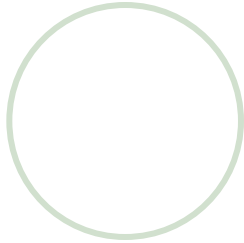
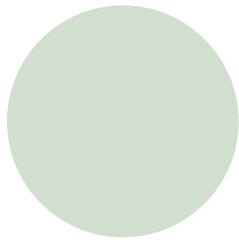
- Immortal Paul Blart, Mall Cop Premieres in January



4. NO GUTS, NO GLORY:

Retail Rebels Buck the Conventional Wisdom

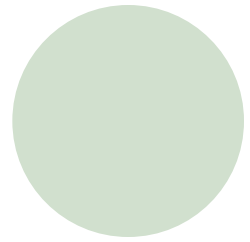
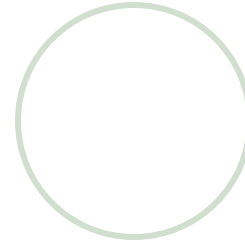
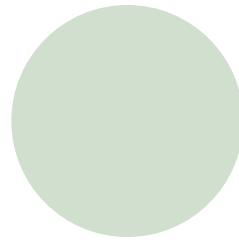
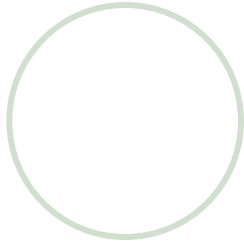
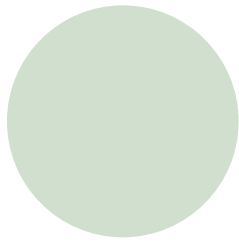
- **Big Lots is Accelerating Store Openings, Moving Into “A” Locations Such as Polaris**
- **Starbucks Introduces Via Ready Brew (“Not Your Mother’s Instant Coffee”) For 83 Cents/Cup vs. 20 Cents/Cup for Folgers Instant**
- **Home Depot Overhauls Its Supply Chain During Construction Downturn to Reduce Out-of-Stocks by 50%**
- **Goodbye Ruby Tuesday? Casual Dining Chain Adds Lobster to Menu, Upgrades Service and Décor in Effort to Move Up in Class (Same Store Sales Down 8%)**
- **Restoration Hardware is Raising Prices 20-30%, More High Ticket Designer Furnishings, Fewer Quirky Items Like Shoeshine Kits**
- **Abercrombie & Fitch Sticking to Its Prices In Spite of Steep Sales Drop, May Add Lower Priced Product Line But Won’t Reduce Prices on Existing Brands**
- **Redbox Increases Its Share of DVD Rental Market From 19% in 2009 to Predicted 30% in 2010 (NPD Group) with Brilliant Business Model**
- **Upscale Food Trucks (Think Vegan Tacos, Gourmet Cupcakes, Thai-Basil Chicken Dumplings, Belgian Waffles), Swarm Streets of NYC**
- **Amazon, American Apparel, Apple, Best Buy, BW3, Cabela’s, Game Stop, J Crew, Petsmart, and Urban Outfitters Among Chains with Most “Sizzle” (STORES Magazine)**



3. IT'S GOOD TO BE KING:

But the King Ain't Satisfied Til He Rules Everything

- **Wal-Mart's Next Conquest: To Be the Wal-Mart of the Web**
 - **No. 1 Internet Retailer Amazon.com Has 10 Times Volume of No. 2 Wal-Mart.com But Wal-Mart Is 20 Times Size of Amazon**
 - **Wal-Mart.com Carries 1.5 Million SKUs (Compared to 10 Million on Amazon), 2/3 from Outside Vendors – Cultural Disconnect?**
 - **Thin-Skinned Wal-Mart Initially Stumbled on Facebook But Now Welcomes Feedback**
 - **Amazon Stock Price Remains High In Spite of Thin Operating Margins (4.4%)**
- **Save Money, Live Better: Wal-Mart Moves to the Middle During Economic Crisis**
 - **New Customers Spend 40% More Per Visit Than Existing Customers**
 - **Project Impact Cleans Up Stores with Roomier Aisles, Simpler Signage, and Removal of Clutter**
 - **Significant Upgrade in Electronics Offer with Top Brands (Sony, Apple)**
 - **Home Goods Department Up 10% in Very Difficult Year for Industry**



2. SQUEEZE PLAY:

Private Labels Grow While Stores Shrink

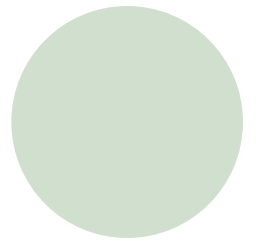
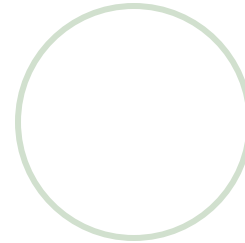
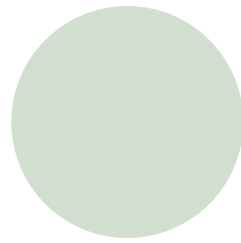
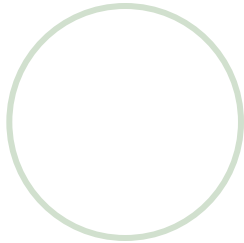
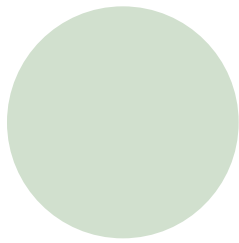
- **Growth in Store Brands Outpace Growth in Branded Package Goods 5.3% to 2.3% in 2009 (Brand Week)**
 - **Private Label Products Provide Higher Margins and Differentiation for Retailers, Value for the Money for Consumers**
 - **Kroger is Leader in Private Label Merchandising – 14,400 Products Account for 35% of Sales (vs. 30% 5 Years Ago)**
 - **Meijer Rolls Out Gold Label Program That Combines Locally Grown Foods with Family Recipes to Create Unique Appeal**
- **At Same Time Nearly Every Chain From Wal-Mart on Down is Experimenting with Smaller Prototypes**
 - **Categories (Examples: Wal-Mart's Marketside, Mobile App Stores)**
 - **Inevitably, This Will Result in Vendors Being Squeezed Out**
 - **Wal-Mart, Walgreens, Others Cutting Back SKUs by 15-20%**
 - **Manufacturers Beginning to Follow Suit, Focusing on Cutting Lead Times on Fewer Product Lines**
 - **Are Options Overrated? Consumers Welcome Editing of SKUs**



1. LET'S GET SMALL:

Start-Ups Positioned for Retail Resurgence

- **Aging Baby Boomers Take the Plunge in Economic Hard Times**
 - **Twice As Hard to Find New Job For Those Over Age 45 (U.S. Department of Labor)**
 - **Those Aged 55-64 Have Highest Rate of New Business Activity (Kaufmann Foundation)**
 - **“Self-Employed” Have Doubled Since Recession Began**
 - **Deeper Pool of Entrepreneurial Talent Than Ever – Similar to Golden Era of 70’s Startups (Microsoft, Southwest Airlines, FedEx, CNN, and Others)**
- **Restaurants and DIY Crafts Among Popular Retail Start-Up Businesses**
 - **2 of 3 New Restaurants Close Within 3 Years**
 - **Hand-Made Nation: Arts and Crafts Retailers Create Multiple Income Streams**
- **Wanted: Entrepreneurs**
 - **Small Businesses Account for 80% of Job Growth in USA (U.S. Dept. of Labor)**
 - **Retail Recruitment Programs Spread Across the State and Midwest Region**
 - **Shopping Center Owners More Receptive to Independents Than in the Past**
 - **Key Issues for Small Retailers are Parking and Rising Debit Card Fees**



Thank You