Retail Markets:

What do they mean for NW Brooklyn Park

Jay Demma

August 15, 2013

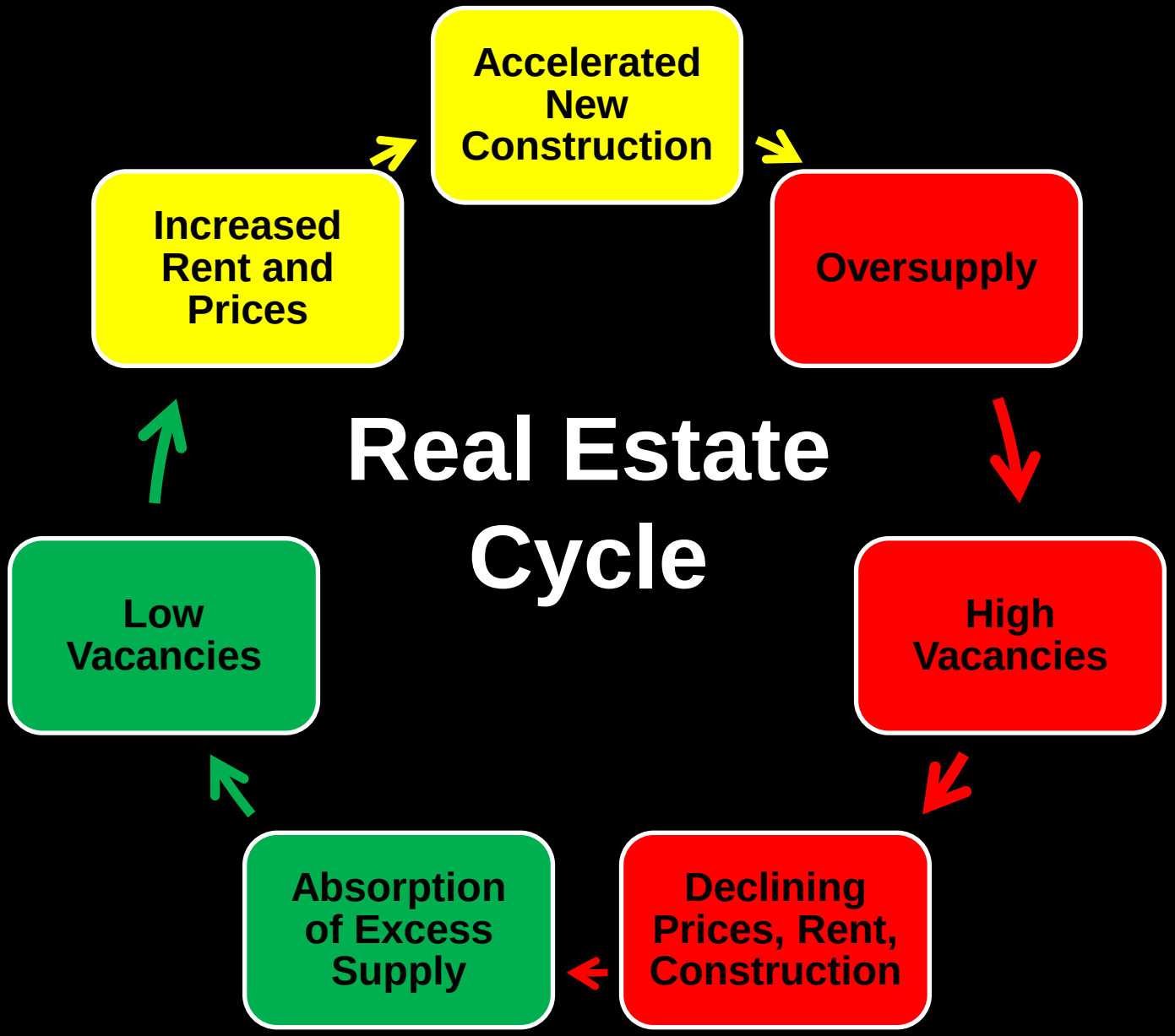
One Team. Infinite Solutions.

Stantec

Outline

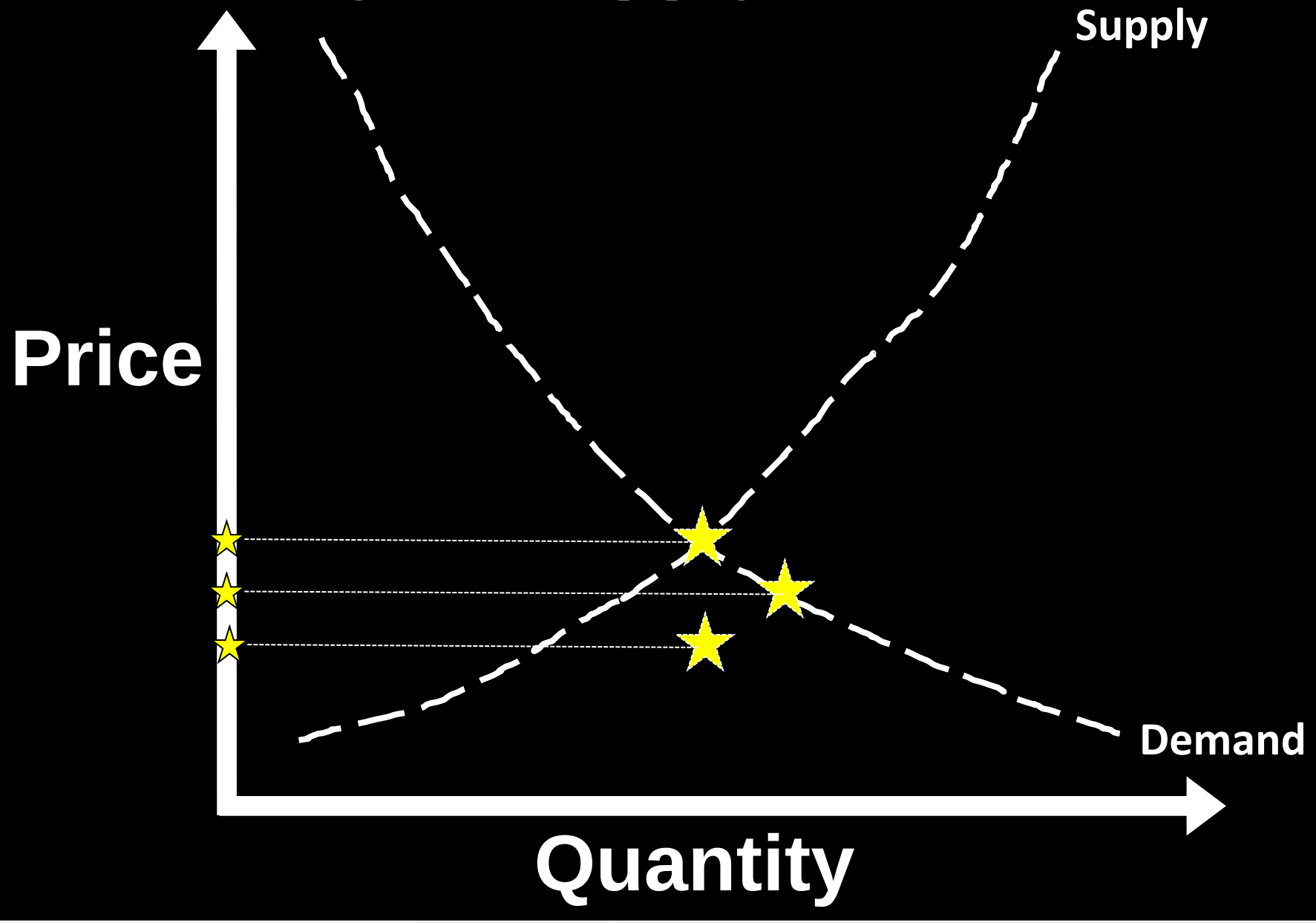
- Real Estate Cycle
- The Basics of Retail Demand
- Restaurant Demand in Brooklyn Park
- Future Trends in Retail

Real Estate Cycle



RETAIL REAL ESTATE THEORY

Theory of Supply And Demand



What Affects Real Estate Supply

Factors that Increase Supply

- New Construction
  - Redevelopment
  - Rehabilitation/Adaptive Reuse
- Changes in capital markets
- Available labor pool
- Changes in technology (i.e., innovation)
- Affordable land

Factors that Decrease or Limit Supply

- Deferred maintenance of properties/blight
- Functional obsolescence
- Demolition of properties
- Lack of properly zoned land for development
- Neighborhood opposition

What Affects Real Estate Demand

Factors that Increase Demand

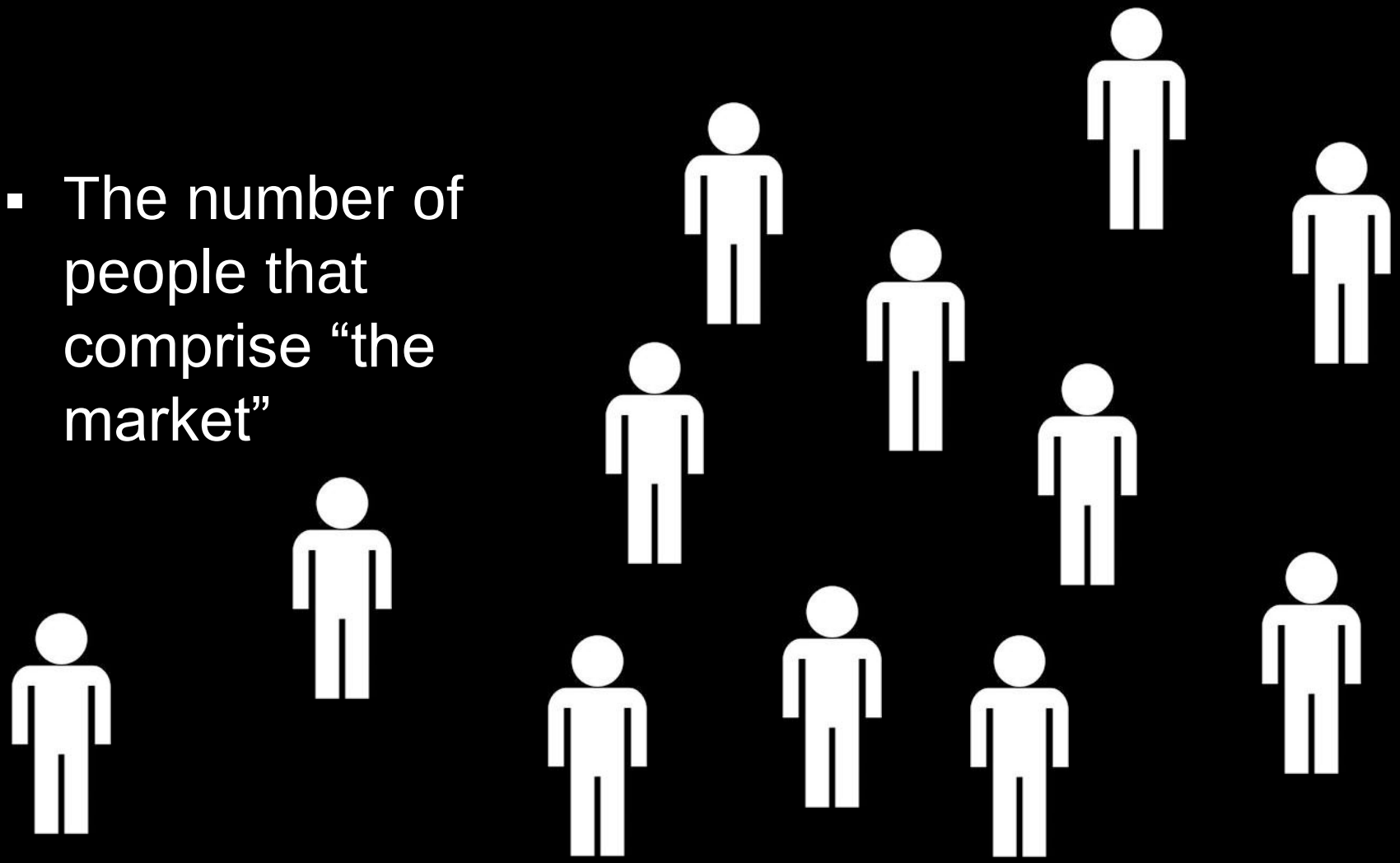
- More people
- More consumer spending (e.g., higher relative incomes or easier access to credit)
- Market certainty
- Changes in technology (i.e., innovation)
- Buzz

Factors that Decrease Demand

- Less people
- Less consumer spending
- Market uncertainty
- Stagnant technology

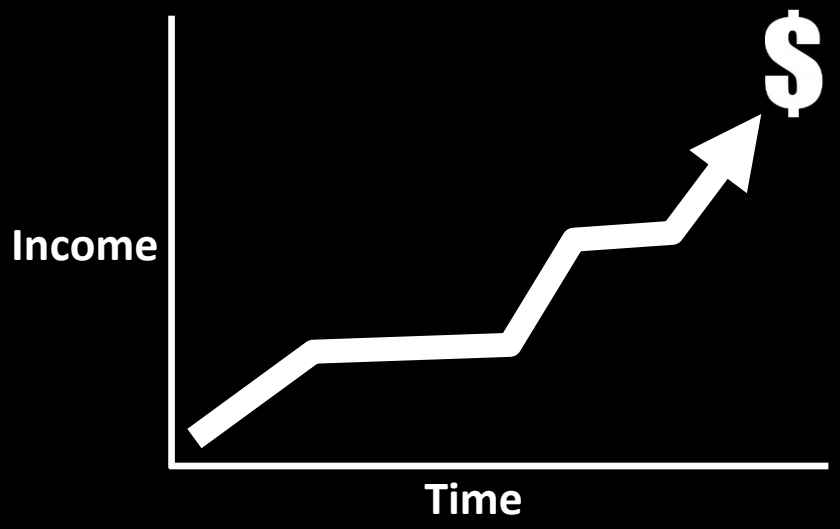
What Affects Real Estate Demand

- The number of people that comprise “the market”



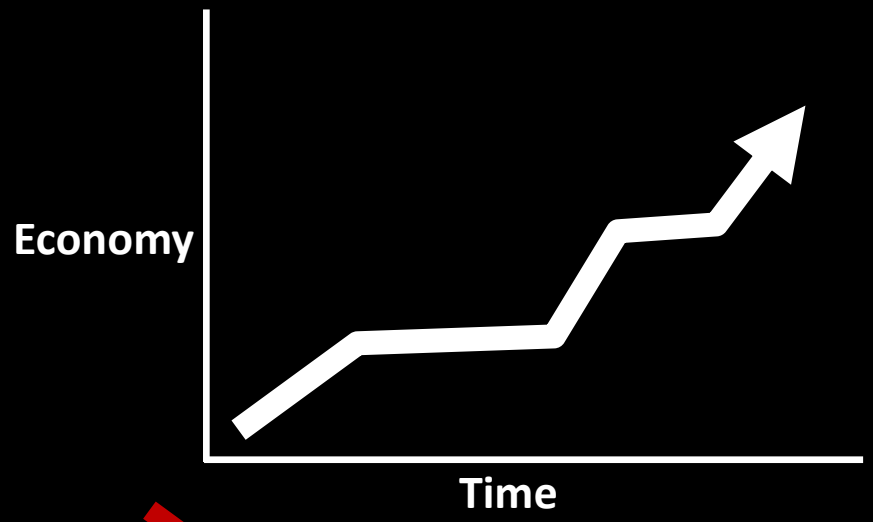
What Affects Real Estate Demand

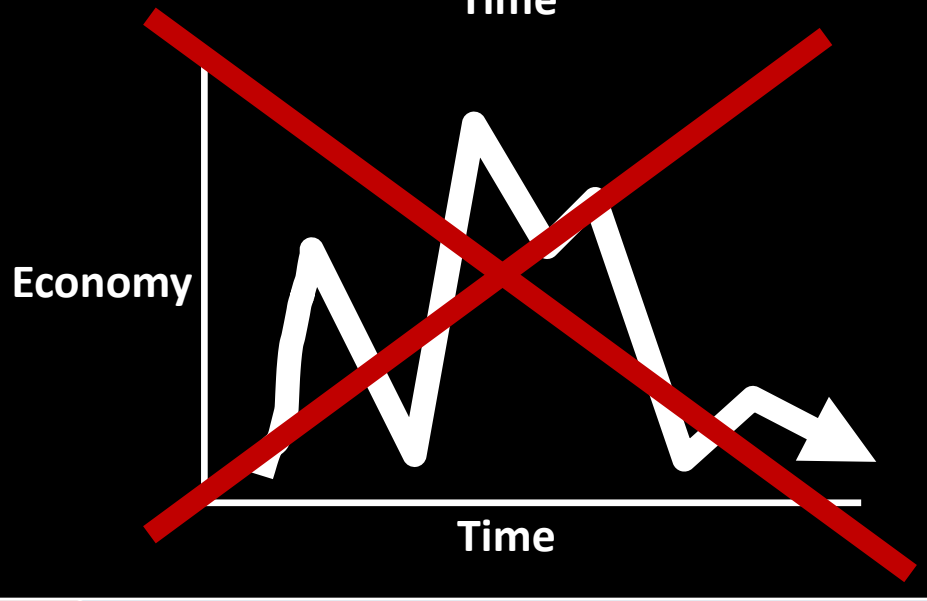
- The level of consumer spending (i.e., higher relative incomes or easier access to credit)



What Affects Real Estate Demand

- Consumer confidence (aka market certainty)





What Affects Real Estate Demand

- Changes in technology (i.e., innovation)

Better Tools

New Ways of Doing Things

Faster Speeds

More Connections

Economies of Scale

What Affects Real Estate Demand

- Buzz

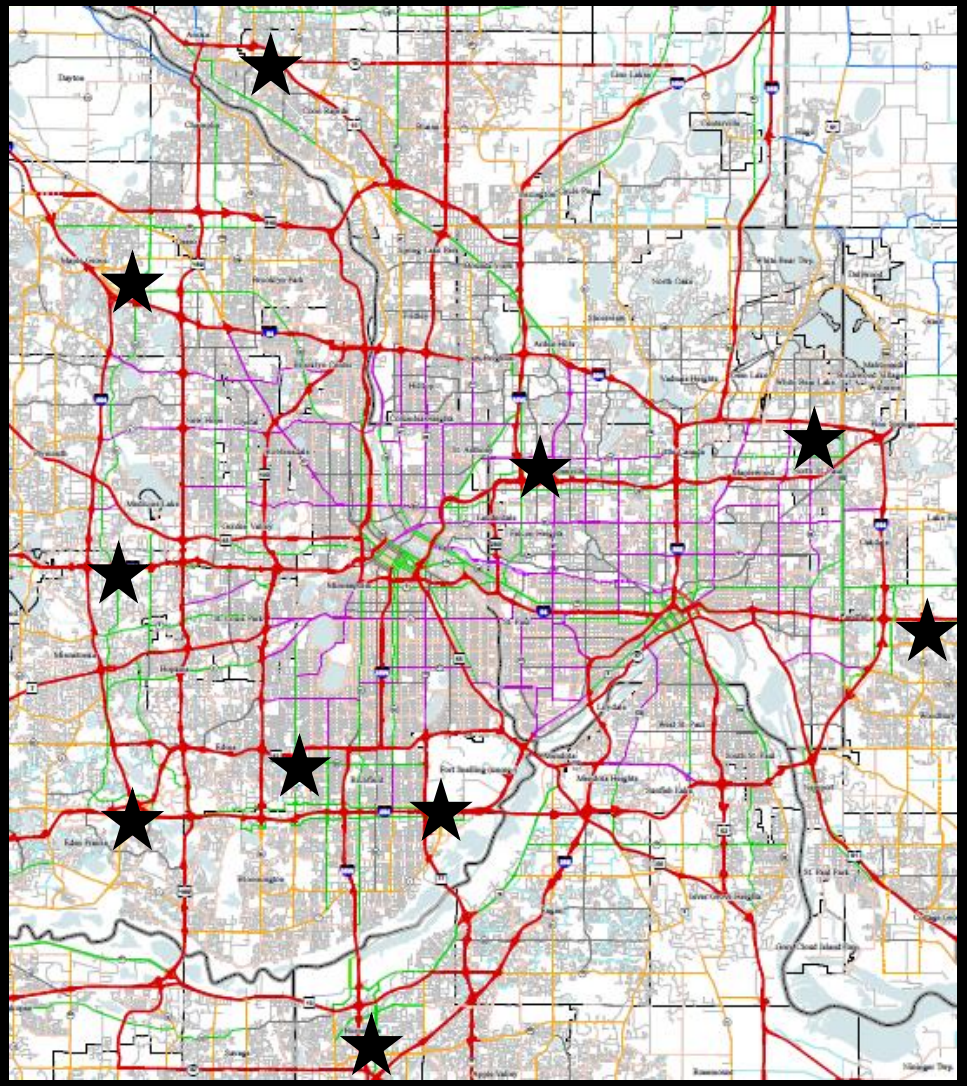
Location

Location

Location

Why Is Location So Important?

- Accessibility
  - Convenient
  - Visible
  - Obvious to Reach
- Experience of Place
  - How do my neighbors affect me
  - Do I want to be there



Why Is Location So Important?

- Accessibility
  - Convenient
  - Visible
  - Obvious to Reach
- Experience of Place
  - How do my neighbors affect me
  - Do I want to be there

Why Is Location So Important?

- Accessibility
  - Convenient
  - Visible
  - Obvious to Reach
- Experience of Place
  - How do my neighbors affect me
  - Do I want to be there

Why Is Location So Important?

- Accessibility
  - Convenient
  - Visible
  - Obvious to Reach
- Experience of Place
  - How do my neighbors affect me
  - Do I want to be there

Why Is Location So Important?

- Accessibility
  - Convenient
  - Visible
  - Obvious to Reach

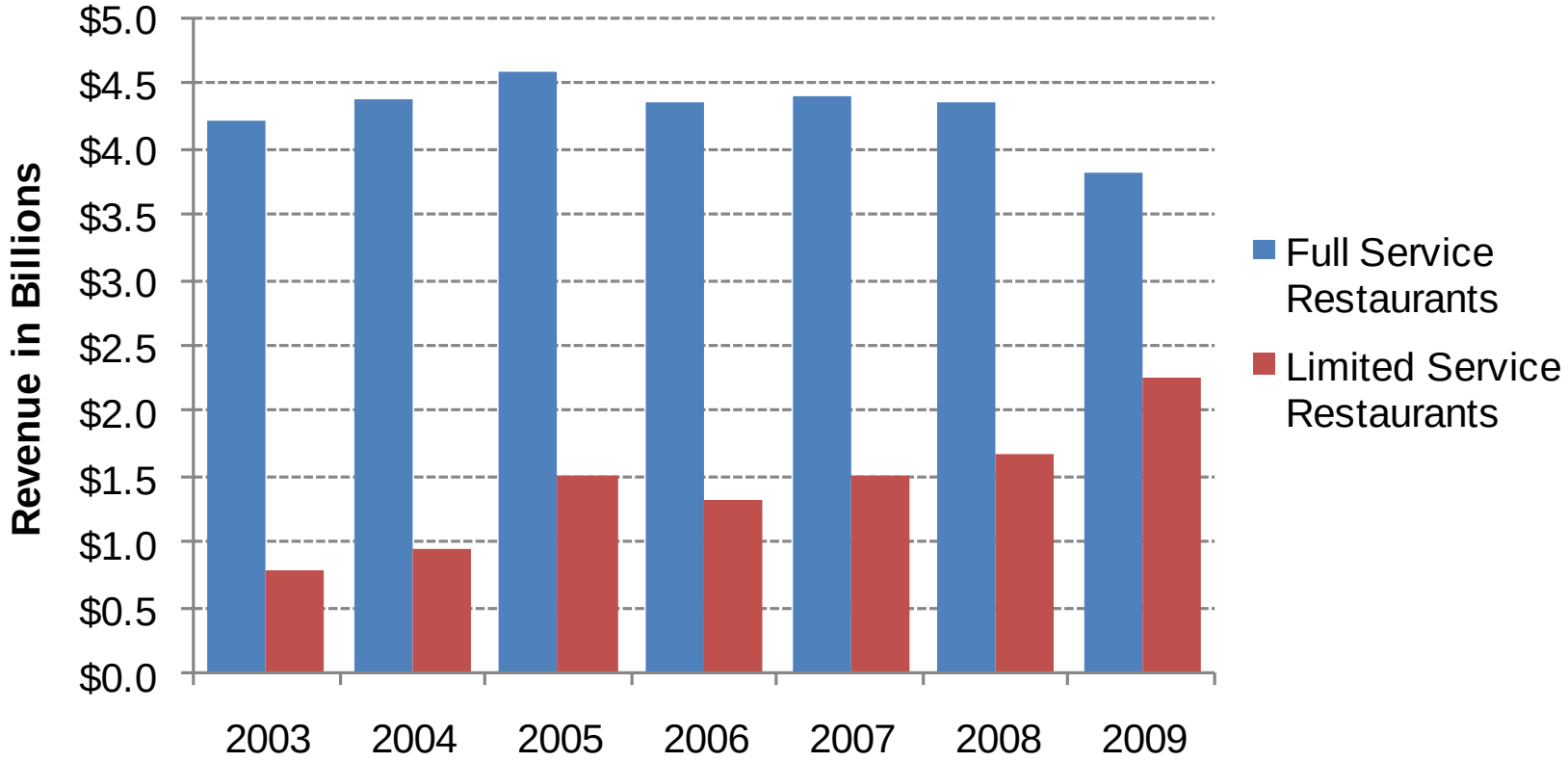
- Experience of Place
  - How do my neighbors affect me
  - Do I want to be there

BROOKLYN PARK RESTAURANT STUDY (2012)

Purpose of Study

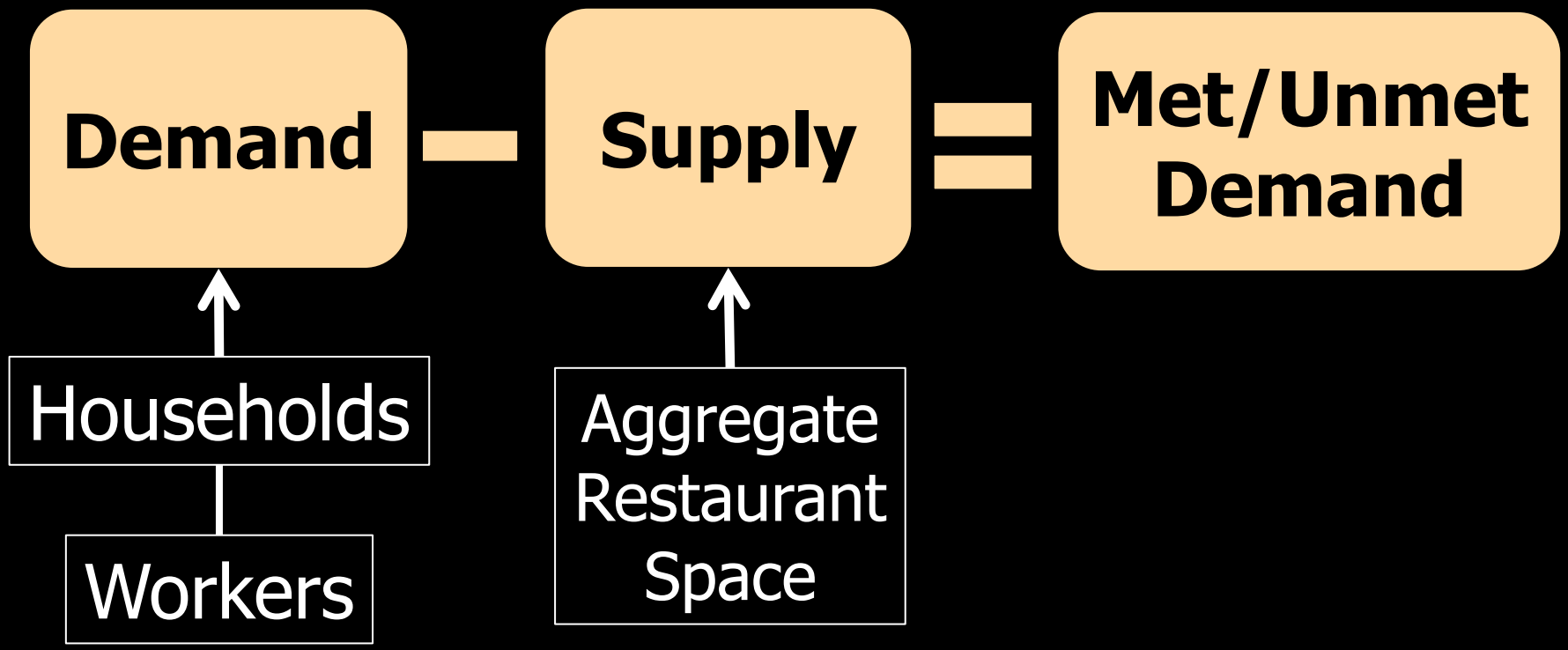
- Can Brooklyn Park support additional sit-down, full-service restaurants?

Minnesota Gross Sales Revenue 2003-2009: Eating Places



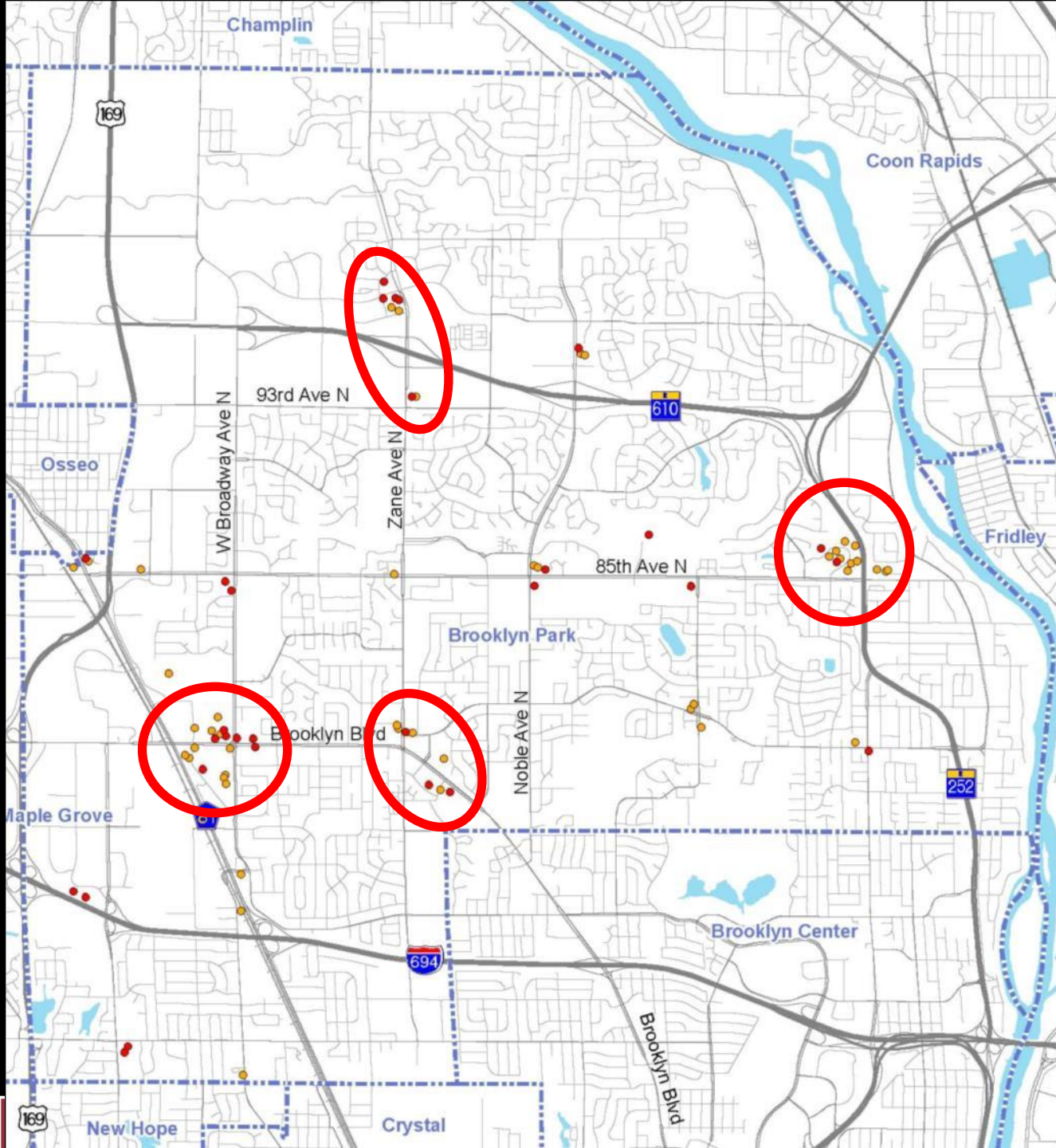
Source: Minnesota Department of Revenue, Tax Statistics

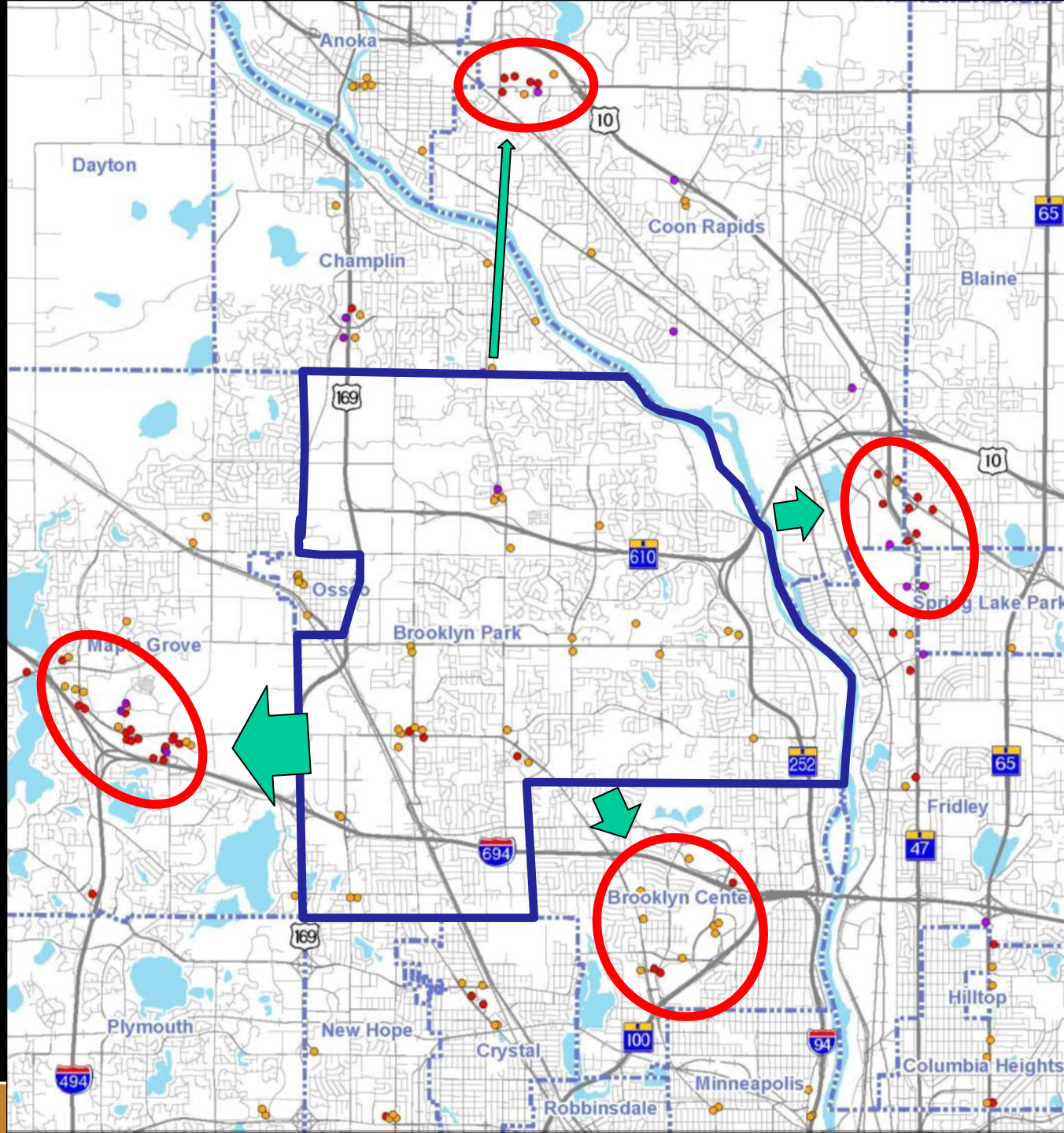
Methodology



30 Full Service

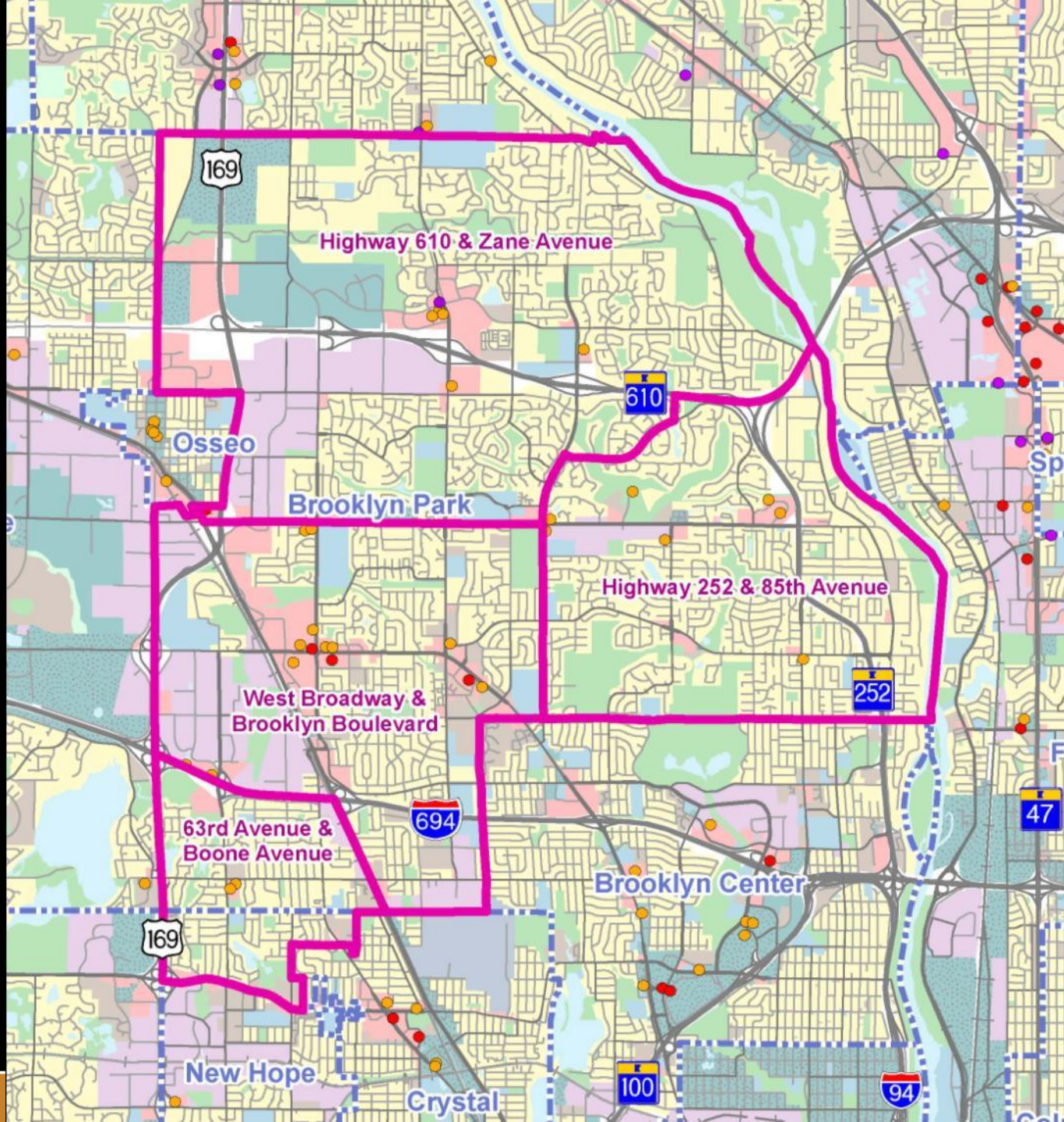
47 Fast Food/
Take Out



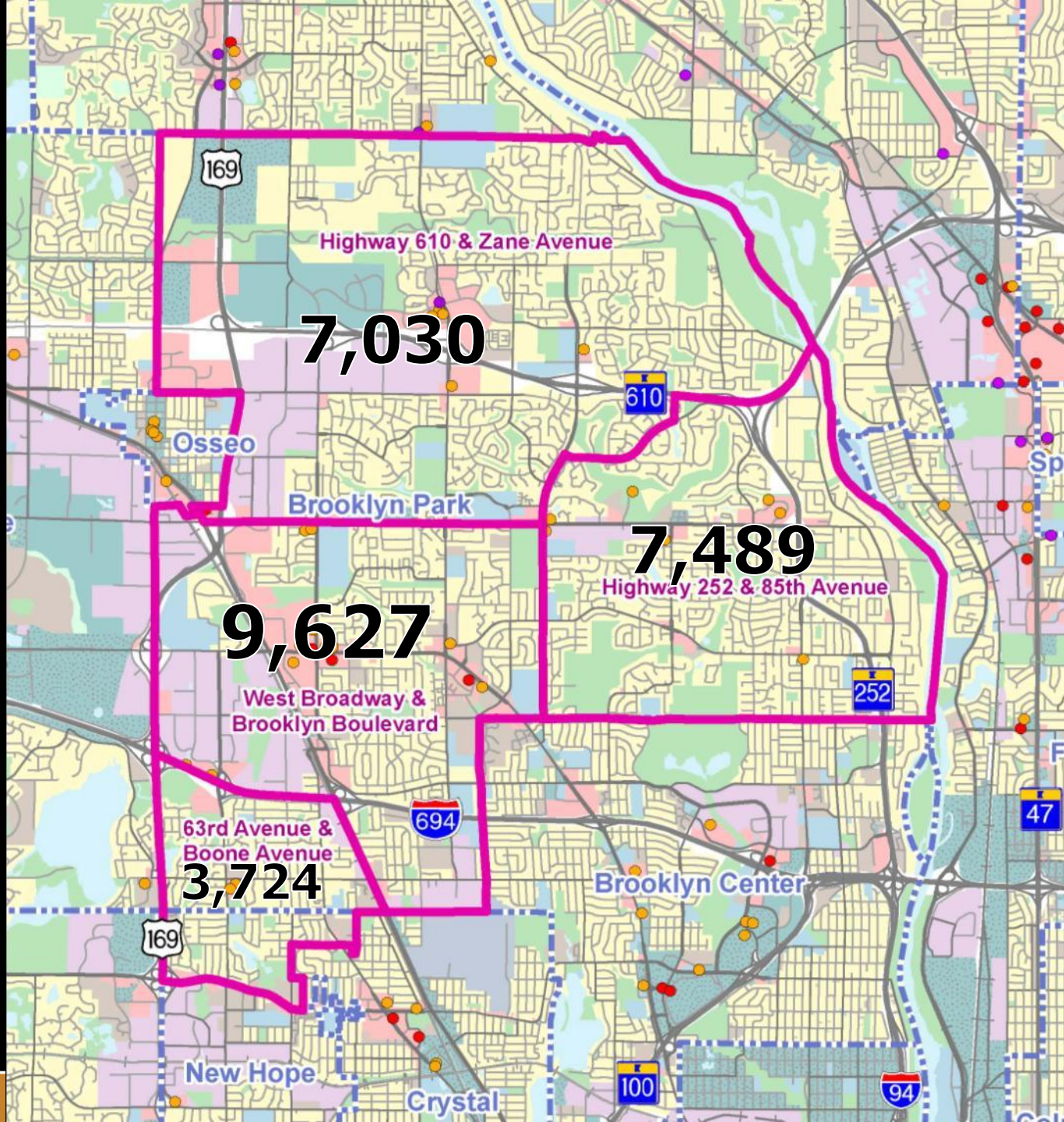


- National Chain Restaurant
- Regional Chain Restaurant
- Independent Restaurant
- City Limits
- Open Water

Restaurant Trade Areas

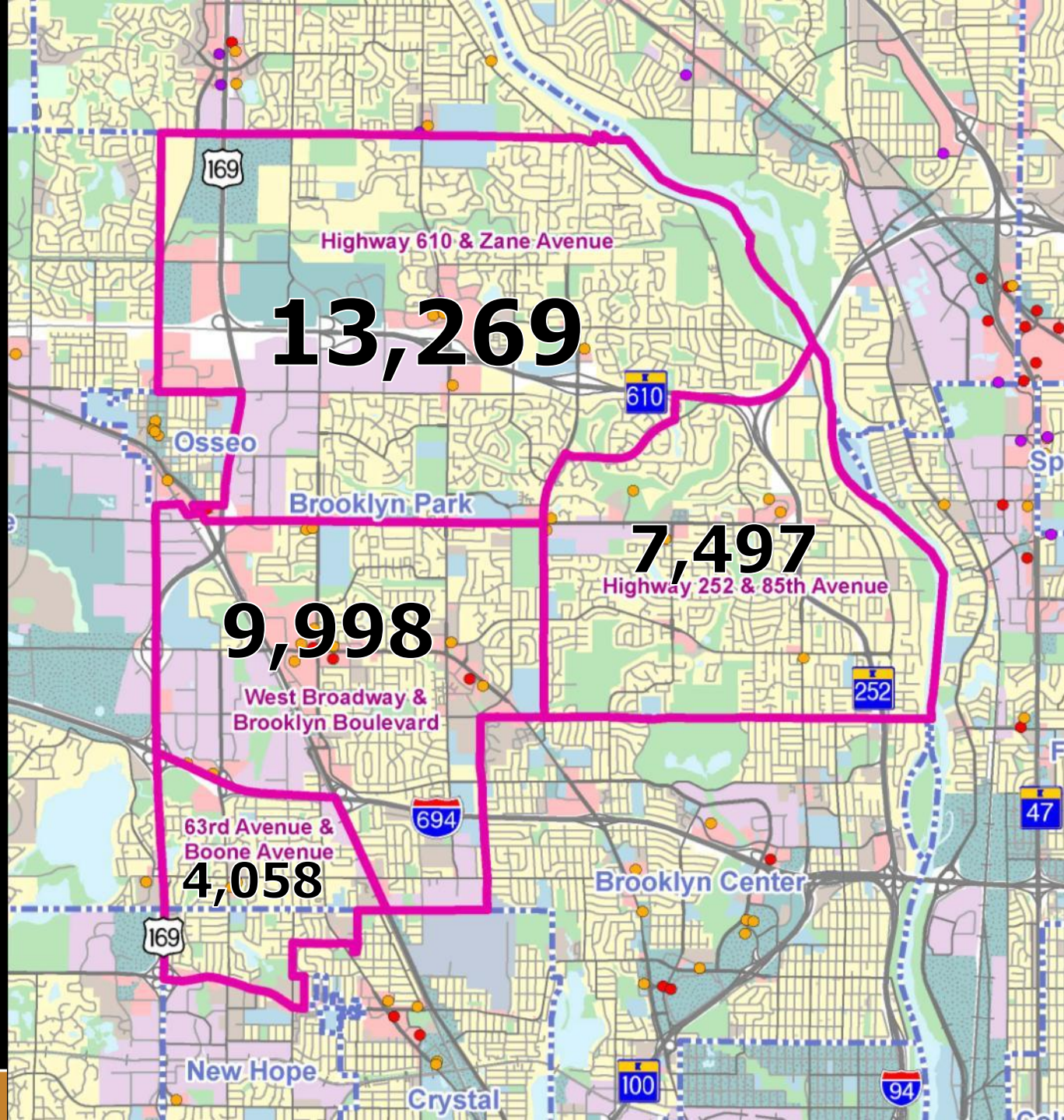


2010 Households



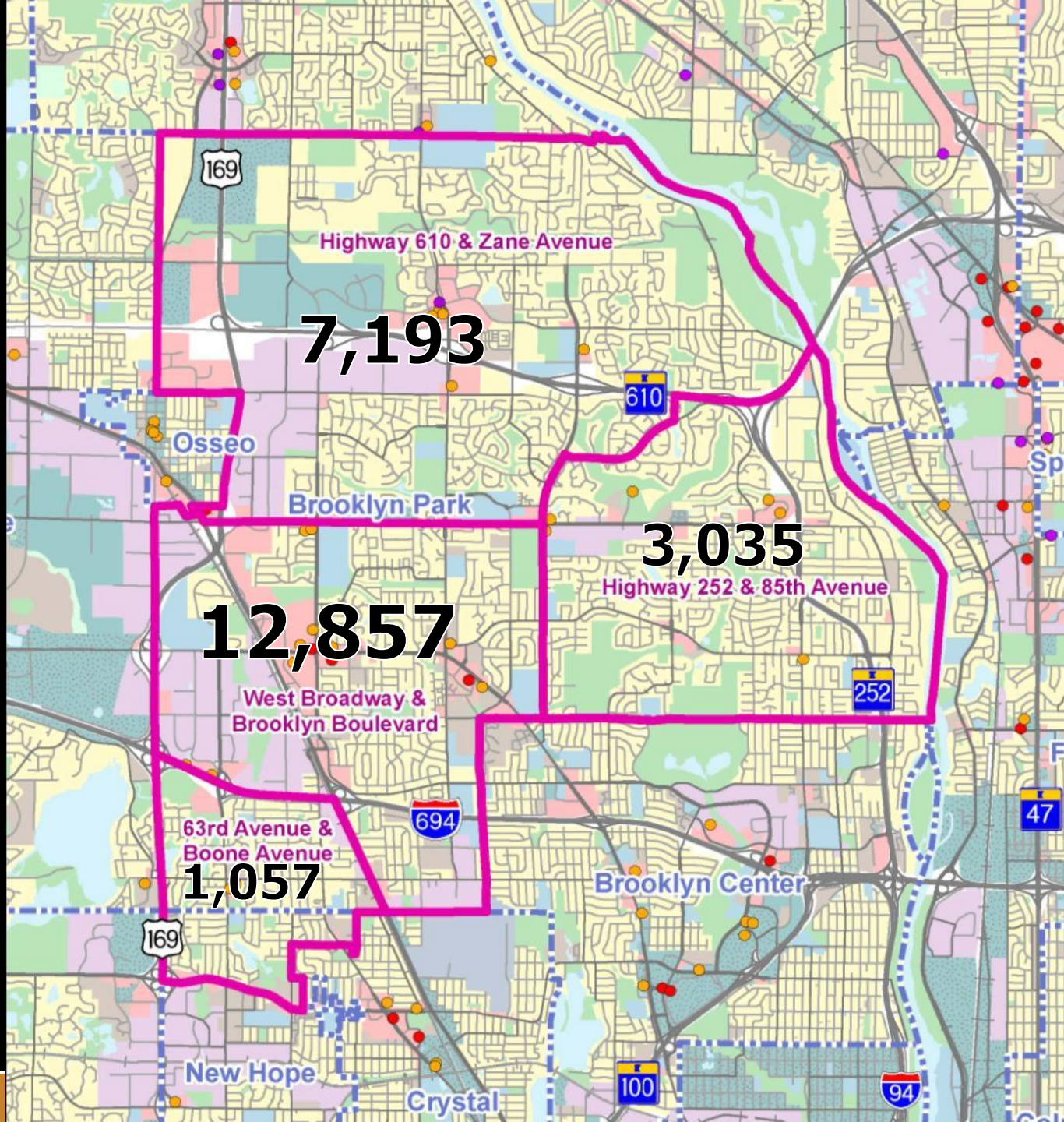
- National Chain Restaurant
- Regional Chain Restaurant
- Independent Restaurant
- Trade Area Boundary
- City Limits

2020 Households



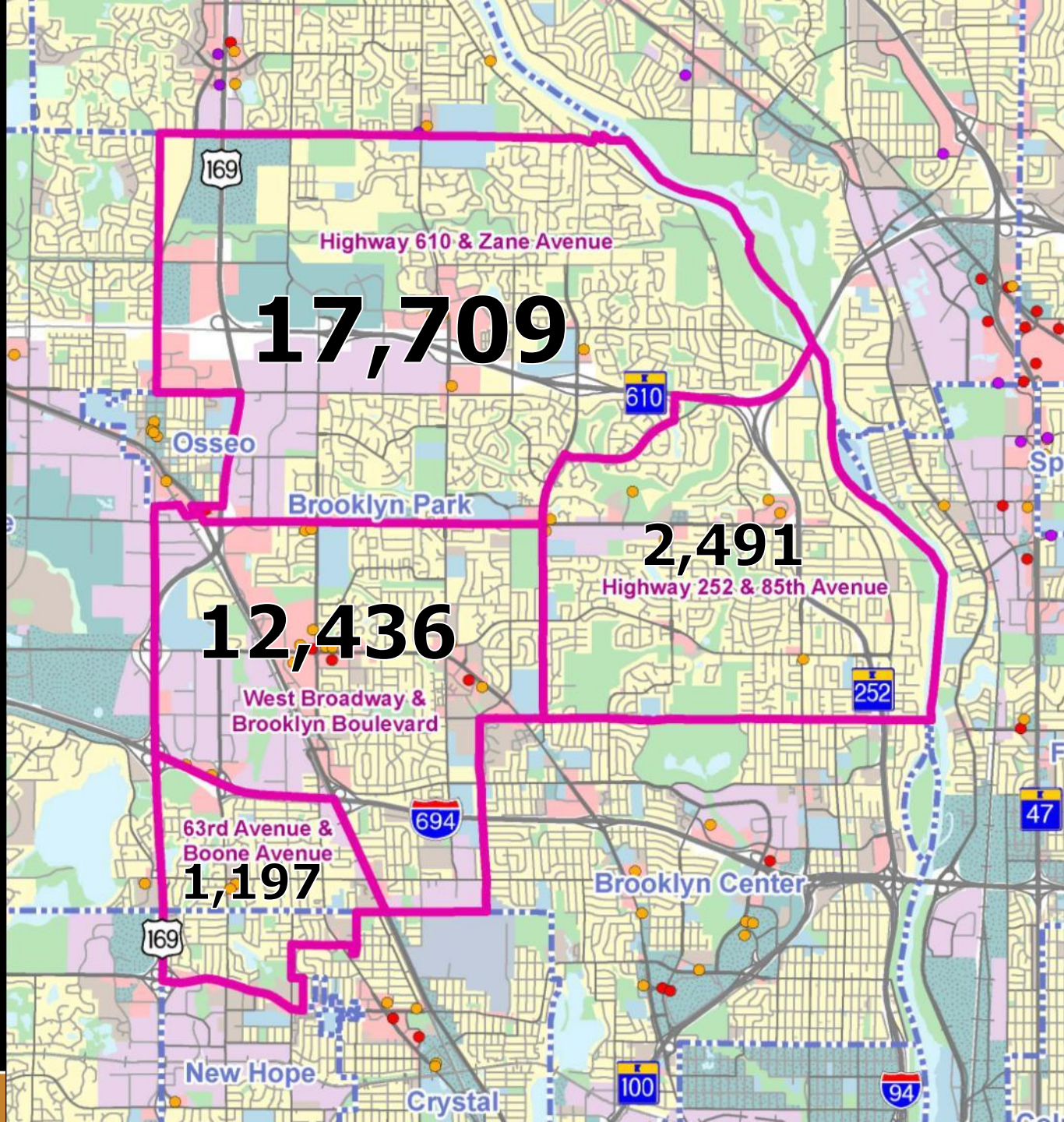
- National Chain Restaurant
- Regional Chain Restaurant
- Independent Restaurant
- Trade Area Boundary
- City Limits

2010 Employment



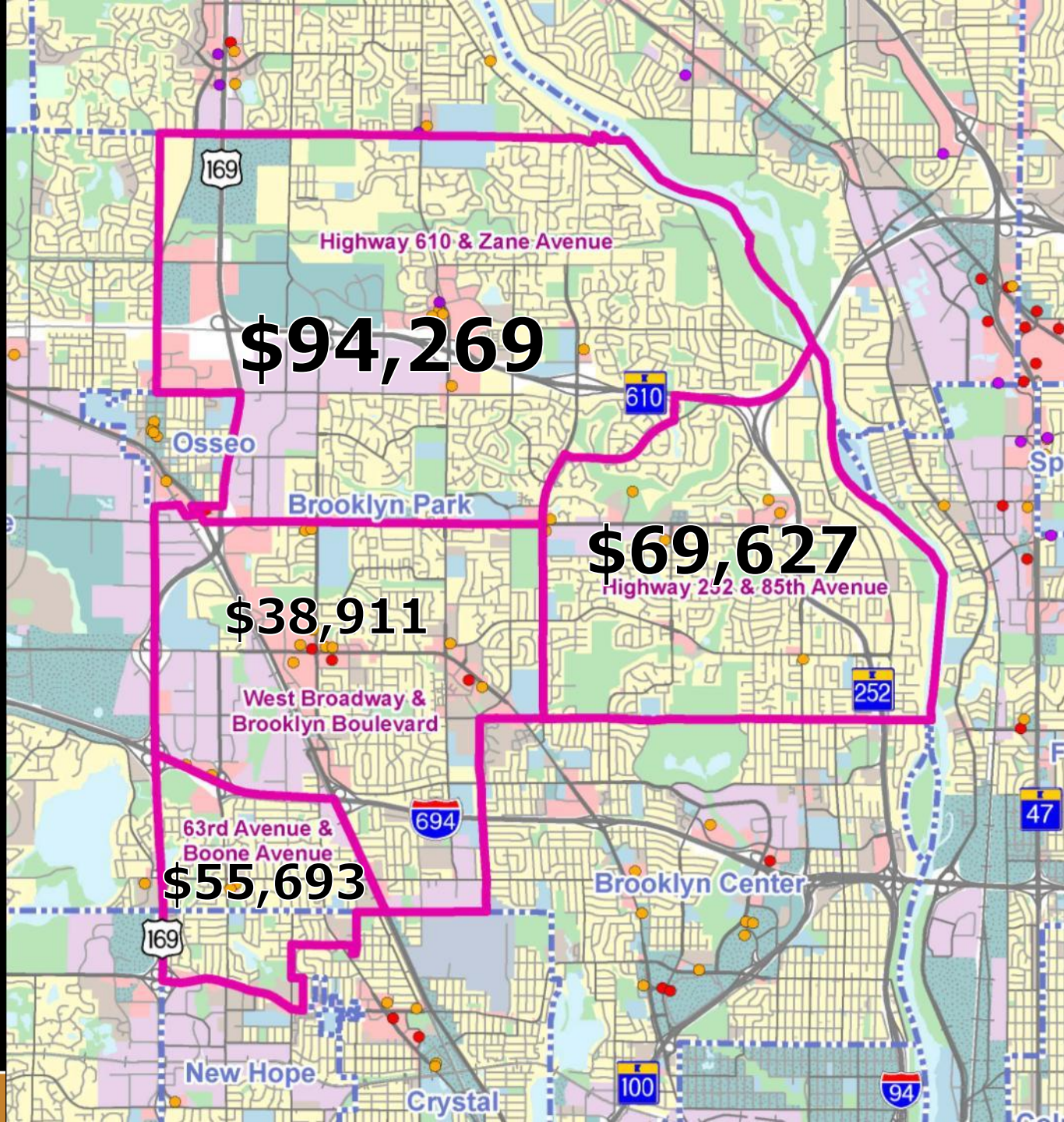
- National Chain Restaurant
- Regional Chain Restaurant
- Independent Restaurant
- Trade Area Boundary
- City Limits

2020 Employment



- National Chain Restaurant
- Regional Chain Restaurant
- Independent Restaurant
- Trade Area Boundary
- City Limits

2010 Median Household Income



Full-Service Restaurant Demand

Brooklyn Park Restaurant Trade Areas	2010			2020		
	Supply (sales capacity)	Demand (purch. power)	**Over/Under Supply**	Supply (sales capacity)	Demand (purch. power)	**Over/Under Supply**
W Broadway & Brooklyn Blvd	$20,053,000	$11,005,650	**-$9,047,350**	$20,053,000	$11,228,236	**-$8,824,764**
Highway 252 & 85th Ave	$10,092,500	$10,087,796	**-$4,704**	$10,092,500	$9,990,460	**-$102,040**
Highway 610 & Zane Ave	$11,594,000	$12,178,147	**$584,147**	$11,594,000	$23,854,478	**$12,260,478**
63rd Ave & Boone Ave	$3,547,500	$4,009,178	**$461,678**	$3,547,500	$4,380,951	**$833,451**

Full-Service Restaurants: Possible Development Strategies

- 610 & 169 Corridors have greatest potential; make sure to encourage developers at the earliest stages of development to consider sit-down options
- Encourage developers to add as much amenity to the retail environment as possible (e.g., Centennial Lakes in Edina)
- Sit-down restaurants do not want to be in strip centers; encourage developers to leave highly visible lots available for sit-down options

FUTURE RETAIL TRENDS

Experiential Retail

- Consumers go shopping with more information than ever before
- Despite growth in E-Commerce, purchase decisions are still made in stores
- Shoppers respond to positive experiences
- The more senses satisfied the better: touch, smell, sight, sound, and taste
- Counterbalances the virtual experience

Advances in Logistics

- Just-In-Time (JIT) Techniques
- Inland Ports
- Urban Big-Box formats

Social Media and Other Technologies

- “Herding”
- Millennials (aka Gen Y) will need to be actively engaged – touch, sight, smell, sound, and taste
- Attention spans are shortening; product lines will need to change rapidly

The Future of Retail

- Changing demographics will alter store formats and locations (e.g., less driving and more wellness)
- Less growth in “High Consumption” age cohorts will result in fierce competition among retailers (i.e., more innovation)
- E-Commerce will force certain goods out of stores altogether (e.g., books & music)

The Future of Retail

- Bricks and mortar stores will not go away, though retailers will have to adapt to the Internet-age (e.g., pop-up stores and food trucks)
- Big chains will thrive by segmenting their markets through advanced logistics and Internet marketing (e.g., rapid product turnover)

QUESTIONS?