

ECONOMIC DEVELOPMENT COMMISSION

Thursday, May 12, 2016

IT Training Room

1930 South Germantown Road

The regular meeting of the Economic Development Commission (EDC) was held Thursday, May 12, 2016, in the IT Training Room. Chairman Klein called the meeting to order at 5:30 p.m.

PRESENT: Rick Towne, Jerry Klein, Steven Levy, Jim Lefler, Trey Sowell, Brian Pecon, Bo Adams, Janie Day, Susan Burrow, Janet Geyer, James King, and Alderman John Barzizza

GUESTS: Shawn Massey, CCIM, CRX, CLS, ALC Partner with the Shopping Center Group

ABSENT: Sidney Kuehn

STAFF PRESENT: Cameron Ross, Director of Economic and Community Development

1. A quorum for tonight's Economic Development Commission meeting was met.

2. **Minutes: Approval of Minutes for April 14, 2016:**

Chairman Klein stated the first order of business is the approval of the minutes for April 14, 2016. If there were no additions, corrections or deletions to the minutes, he would entertain a motion for approval.

Mr. Adams moved to approve the Economic Development Commission minutes of April 14, 2016, seconded by Mr. Towne. **The motion was passed.**

3. **Guest:**

Shawn Massey, CCIM, CRX, CLS, ALC Partner with the Shopping Center Group made a PowerPoint presentation on Mid South Retail Market.

- US is still the strongest economy in the world.
- Baseball Game analogy – 7th inning with a good chance of extra innings (Downturn economic cycle) – Garrick Brown.
- Retail impact supports 1 in 4 American jobs.
- In the United States there are 3,793,621 retail establishments.
- 42 million jobs supported.

Stats:

- Physical retail appears to be healthy.
- 2015 National Vacancy Rate just 8%.
- Retail Employment is up.
- National Capitalization rates are down.
- The biggest stat that will affect us in the foreseeable future is construction.
- Average Asking Rental Rates are down about 2.5%, but our key growth areas such as Germantown, Collierville, and Olive Branch are up as high as 3.5%.
- Our highest sub market average rates are in Germantown, East Memphis, and Olive Branch.
- In the highest demand areas, deals are being done close to \$50+ a square foot which is really been unheard of until now in Memphis.
- Currently we are seeing tenant demand exceed new construction nationwide and expect it to continue in 2016.
- Vacancy in Memphis is down to about 8.4%, but in our key growth markets this number can be as low as 4.5%.
- There was roughly 83M square feet of new retail in 2015 nationally and just over a 1M in Memphis.

- An additional 82M sq. ft. still under construction and only another 20.8M SF planned for construction. Of this new space 70% is already committed.
- In Memphis the committed projections are around 83% with only 746K under construction.
- Vacancy in new construction is around 6.2% while the national average is 8%.

Store Closures:

Office Depot/ Office Max – 400, Barnes & Noble – 223, Children’s Place – 200, Aeropostale – 175
Finish Line -170, and Macy’s – 40.

Trends – Global & Local:

- So, is E-Commerce affecting brick and mortar business? The easy answer is yes, but it is not the death knell that many make it out to be.
- E-Commerce sales increased 20% in 2015 which is higher than the 15% average we have seen over the last 5 or so years. We should expect it to continue.
- However, it is becoming clear that online only business need more to survive.
- According to the US Census retail report E-Commerce accounts for less than 8% of total retail sales.
- Though E-commerce will continue to grow, we are seeing a steady decrease as an overall percentage of sales.
- What we are taking away from this is that “Bricks and Mortar” and E-Commerce need each other.
- They are adopting several avenues to achieve sales. This trend is commonly referred to as Omni-Channel retail.

Grocery Stores:

- For several years we have discussed these grocery wars and the most recent battle ground is Germantown.
- In 2015, we saw Sprouts and Whole Foods open as well as Kroger opening their newly renovated store on Farmington in addition to the announcement that Trader Joes will be coming in 2016.
- In 2016, we are anticipating the focus to shift towards midtown and possibly downtown with Kroger preparing to open another 60,000 SF store on Union.
- It is clear Kroger is aware of the impending competition and are acting to secure their business. They have recently announced the relocation of their Arlington Store to Milton Wilson which should be the 60,000 SF model.

Key Retail Statistic Indicators

	National	Memphis
Employment	1.3% ↑	0.9% ↑
Retail Sales	1.7% ↑	2.1% ↑
Cap Rates	5.1% ↓	8.0% ↓



Average Rental Rates by Market



WHERE?????



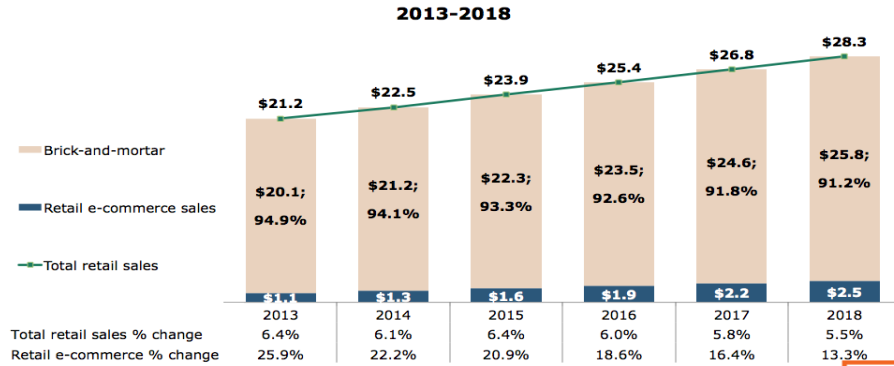


Construction Demand

	National	Memphis
Vacancy	8.0% ↓	8.4% ↓
Absorption	83M ↑	1.06M ↑
Construction	82M ↓	746K ↓
Committed	70% ↑	83% ↑



Global Retail Sales and Forecast



10 TRENDS AFFECTING RETAIL

1. The growing use of mobile among consumers
2. New payment methods are becoming more mainstream
3. Retailers are investing in their workforces to attract and retain top talent
4. Retailers fight discounting with a focus on merchandise
5. Omni channel is not an option for retailers anymore — 'it is just business'
6. Retailers and tech companies are disrupting the traditional delivery model
7. Retailers adjusting store formats and merchandise to target urban customers
8. Brick-and-mortar is becoming more of an experience
9. Commerce is coming to social media
10. Retailers investing more and more in e-commerce

The logo for The Shopping Center Group, featuring the text "THE SHOPPING CENTER GROUP" in a bold, sans-serif font, with "THE" on the top line, "SHOPPING" on the second line, "CENTER" on the third line, and "GROUP" on the fourth line. The text is white and set against a dark grey square background. The square is framed by a thin orange border.

4. The next EDC meeting will be on Thursday, July 7, 2016 at 5:30 p.m.
5. **Adjournment:** There being no further business, the meeting was adjourned.