Retail Industry Impact

Barbara Johnson, Columbia Center

Retail Industry Impact

2017 Sales Tax Distributions

Kennewick:	$17,654,974
Richland:	$11,496,467
Pasco:	$11,838,427
West Richland:	$ 1,117,549
Tri-Cities Total:	**$42,107,417**

Outside City Limits

Benton County:	$12,314,363
Franklin County:	$ 3,973,953

Retail Industry Impact

Change from 2016

Kennewick:	+ <1.0%
Richland:	+ 3.0%
Pasco:	+ 6.8%
West Richland:	+ 8.2%
Tri-Cities Total:	**+ 3.0%**

<u>Outside City Limits</u>

Benton County:	+ 10.8%
Franklin County:	+ 4.8%

Retail Industry Impact

Statewide

Clark County	+ 9.2%	Benton County	+10.8%
King County	+ 2.9%	Franklin County	+ 4.8%
Kitsap County	+ 4.5%	Spokane County	+ 8.8%
Pierce County	+ 8.8%	Walla Walla County	+ 15.0%
Snohomish County	+ 6.2%	Yakima County	+ 3.1%

Statewide Total: + 7.4%

THE PREVAILING (FALSE) NARRATIVE

Time
August 1998

The New Yorker
March 2014


Labor Day Sale - Save 50%. Subscribe. »

THE NEW YORKER

ARE MALLS OVER?

By Amy Merrick

When the Woodville Mall opened, in 1969, in Northwood, Ohio, a suburb of Toledo, its developers bragged about the mall's million square feet of enclosed space; its anchor tenants, which included Sears and J. C. Penney; and its air-conditioning—seventy-two degrees, year-round! Two years later, the

CNN
June 2017


CNN Money

Malls are doomed: 25% will be gone in 5 years

THE REALITY IS VERY DIFFERENT—
STORES REMAIN THE DOMINANT RETAIL CHANNEL

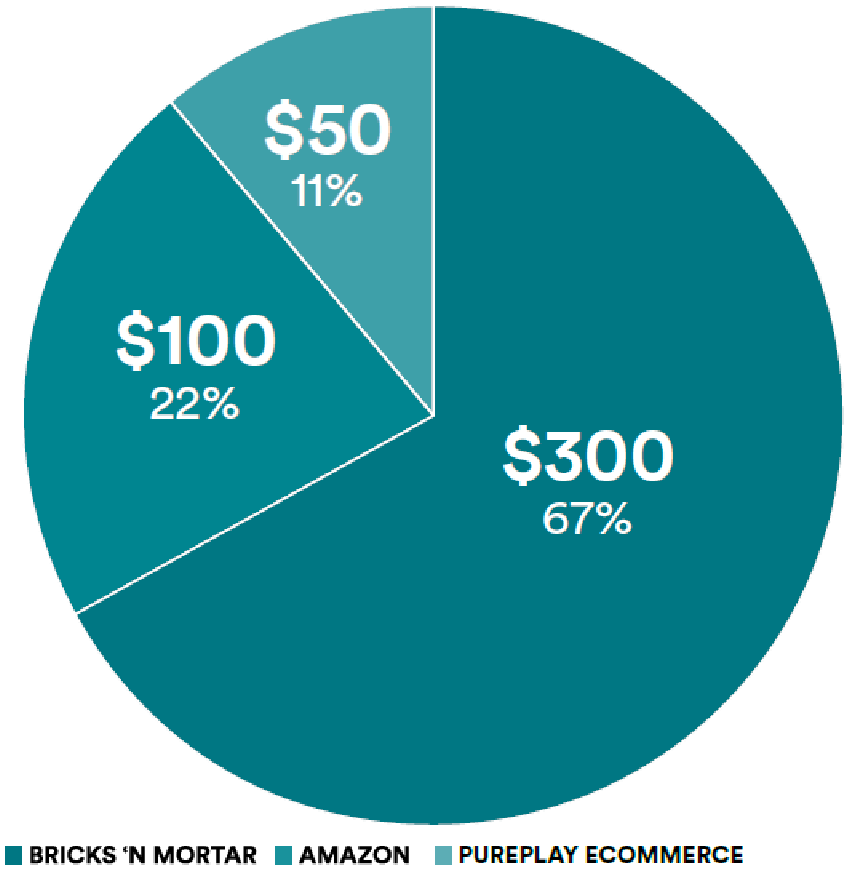
— Stores represent 90% of the total retail sales pie of $4.5 trillion, even more so for the outlet sector

— More than 2/3 of the remaining 10% of retail sales is captured by retailers with a presence in Simon properties

— Consumers like to shop in stores for the purchases that matter

— 72% of Generation Z members visit the mall at least once a month

ECOMMERCE SALES ($ IN BILLIONS)



(1) HRC Retail Advisory Survey, January 2017
(2) 2016 ICSC Thanksgiving/Black Friday Shopping Report
(3) CNBC "Costly Business of Retail Returns," December 16, 2016

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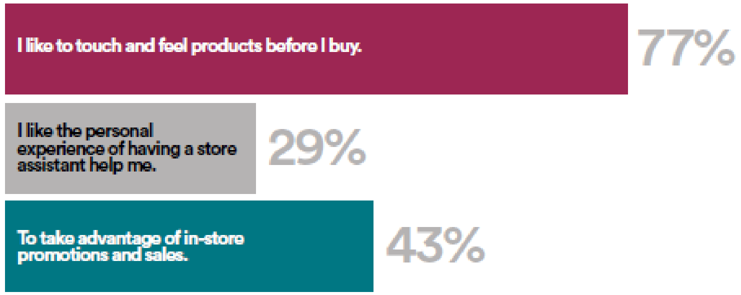
WHY
BRICKS & MORTAR?

- **For consumers, bricks & mortar remains the channel of choice**[1]
  - Shopping is a **tactile sport**, where touching and trying on clothes is important
  - Shopping in the physical environment is **fun and social** in a way that can't be duplicated online
  - Stores offer shoppers instant gratification
  - Malls, with their broad array of stores, offer shoppers the opportunity for **discovery** (66% discover something new on a shopping trip)
  - **Dining and entertainment** options add to the mall's appeal
- **For retailers, the store is the foundational element of their omnichannel strategies**
  - Retailers prefer to drive consumers to their stores for good reason
    - Higher basket sizes
    - Lower returns
    - Lower/no fulfillment costs
- **Stores provide a fully immersive branded experience for shoppers**
- **Stores are evolving into forward distribution centers to fulfill more cost effectively on online orders**
  - Last mile economics
  - Leveraging in-store inventory
  - Click and collect

Q: Why do you prefer shopping in-store versus online?



Death of Pureplay Retail: Net Sales Given Omnichannel Capabilities

	Initial Purchase Value	Return/ Exchange Loss	Pick-Up Recoup	Returns Recoup	Net Sales
Pureplay Ecommerce	100%	-23%	NA	NA	77%
Buy Online Return In-Store	100%	-23%	NA	+18%	95%
Buy Online, Pickup + Return In-Store	100%	-23%	+12%	+18%	107%

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BRICKS & MORTAR IS ACTUALLY GROWING
NOT DECLINING

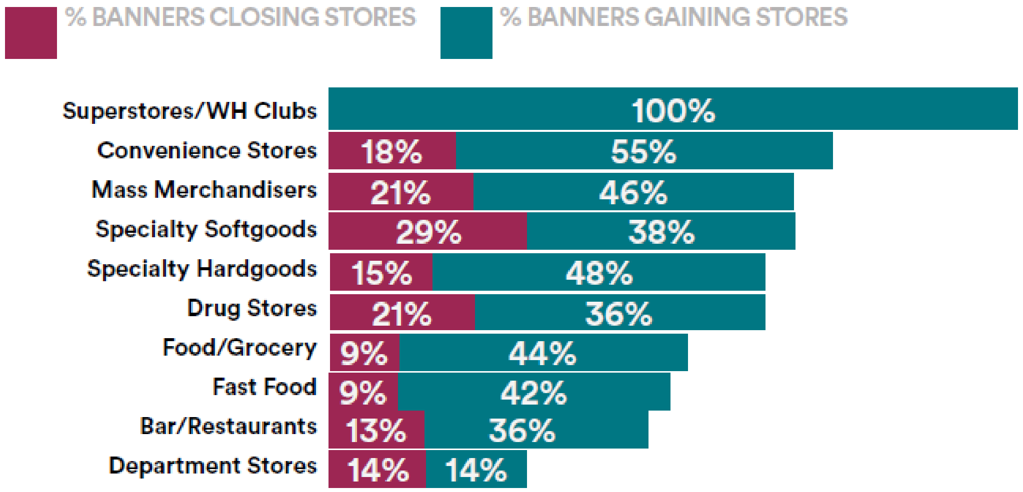
Nationally, 5 chains represent 28% of announced closures, 16 chains represent 48%.

+4,080 Net Store Openings

(14,248 OPENS 10,168 CLOSURES)

Segment	Net Store Growth
Supermarkets	674
Drug Stores	345
Superstores/WH Clubs	82
Department Stores	-400
Specialty Hardgoods	153
Specialty Softgoods	-3,133
Mass Merchandisers	1,905
Convenience Stores	1,700
Bar/Restaurants	728
Fast Food	2,026

% NET STORE OPENINGS VS NET STORE CLOSINGS



For each company closing stores, 2.7 are opening stores

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Source: IHL Group, Company Reports

THE MALL
OF THE FUTURE

SIMON

Retailer Industry Impact

Local Shopping vs. Online

- Tri-Cities is well positioned for local retail shoppers.
- Tri-Cities is a regional shopping hub.
- Limited Competition.
- Closest mall competition is over 100 miles away.
- The “tangible” shopping experience.

Retailer Industry Impact

In summary

- Tri-Cities continues to experience healthy increases in retail sales.
- Positioned well as it relates to competition.
- Consumers still have a need for physical retail locations.
- Market still emerging and lacks many “New to the Market” retailers.