

BUSINESS

Retailing and real estate

It's been well established that the Internet is changing the way we live our lives and do business. Retailing is one area that's seeing major changes from online sales. As a result, the way retailers utilize space and the type of space they need also is changing. Just this past week, Home Depot announced that they will only open one new store this year, but will open two new distribution centers to handle Internet orders. Because of this trend from traditional brick and mortar retailing to more online retailing, it's projected that the amount of overall real estate space used for retailing will likely decline significantly over the next 10 to 20 years.

Suburban shopping malls already are feeling this dramatic shift. Roughly half of the malls that exist today in the United States are projected to close in the next decade. Internet retailing is making suburban malls less popular in much the same way those same malls led to the decline in popularity of Main Street business districts in the 1950s and 1960s.

In 2007, roughly 3 percent of all retail sales took place through the Internet. By 2013, the percentage of total Internet retail sales reached 6 percent. Within the next 10 years, the percentage of total retail sales conducted online could reach 25 to 30 percent, which would have a significant impact on retailing. It's unlikely that the Internet would ever take over the majority of retail sales in the foreseeable future, but the trend is clearly in the direction of a blending of online shopping and in-store shopping. Traditional retailers will work to perfect their online presences, while online retailers will look for ways to create a brick and mortar presence. Customers seem to prefer a blended shopping experience.

Brick and mortar stores are becoming more like showrooms to promote and reinforce the online ex-



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perience while online promotion is geared toward reinforcing the in-store experience. Customers can look at goods in a store and either buy in the store or order items online while in the store for same-day or next-day delivery. Modern retail spaces will need to be technology friendly and be able to meet the rapidly changing needs of the retailer and customer. With a

heavier reliance on online sales and same-day delivery, retail spaces are likely to become smaller as retailers continue to reduce the square footage of stores and make them more efficient spaces.

Real estate investors who invest in retail properties and city planners who approve retail projects need to be aware of these changes. The returns that investors can expect by investing in retail real estate are directly related to how well retailers do in a particular retail location.

Commercial real estate in resort towns like Aspen is heavily weighted toward retail use. It's important for real estate owners and city officials to understand the changing landscape for retailers. Planning officials who are aware of these changes can allow buildings to be built and renovated in a manner that creates the best overall customer experience. Most online sales do not benefit local retailers, nor lead to sales tax revenues. When property owners, retailers and planners understand these trends, everyone benefits from proper planning and execution that can lead to more in-store sales and higher sales tax receipts.

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