

Jack Rasor, executive vice president of Westcor Partners, feels the Valley's retail market has been making one of the strongest comebacks the industry has ever seen.

by Cynthia Scanlon

photography by Jeff Newton



Must be Heaven

Developers enjoying strong retail market

Since the recession of the early 1990s, Jack Rasor, executive vice president of Westcor Partners says the Valley's retail market has been making one of the strongest comebacks the industry has ever seen. And the unprecedented migration of people to Phoenix, the growth of jobs and the creation of wealth in the entire nation have all had a huge impact on our retail industry. "We are probably as hot a trade area right now as any in the nation," says Rasor. "We're one of the top markets on anyone's retail chart."

Gary Gregg, president of Fulton Andrews also attributes much of the Valley's retail explosion to people making the Valley their new home. "Retail feeds off the people," he says. "As the people move in, retail follows the residents of development."

Gregg Alpert, vice president and chief financial officer of Evergreen Devco, Inc., puts it simply: "Retail follows the rooftops."



Jim Pederson, president of The Pederson Group, says to foster successful retail projects, developers need to be involved with the community and government entities.

While just having many people in our community certainly contributes to the retail boom, our diversity of population also spells test market success for many products, services and retail store prototypes, says Patrick McGinley, director of property management for Vestar Property Management.

In addition, those stores willing to offer more to customers than just purchasing a product will thrive in the future. "Stores have to be entertaining," says Rasor. "They have to attract you to walk in there, to browse, to shop. I don't think cookie cutters make it anymore." Alpert couldn't agree more. "A lot of people just like the shopping experience of going to a store, looking around and browsing up and down the aisles," he says.

But all of this success does not come without a price for retailers. Costs are skyrocketing for office space, says Gregg, forcing store owners to think of more efficient work spaces and ways to cut costs. "Brick and mortar is the second largest expense next to payroll," says Gregg.

"Now telecommunications and computers equals the cost of brick and mortar, so something has to give. Corporations are unwilling to relinquish any edge they have in technology, so they are finding ways to reduce their brick and mortar expenses."

For some, that has meant the Internet. "Internet retailing is having an affect, and it is growing exponentially," says McGinley. "And it will continue to grow exponentially, but it is still a blip on the radar screen of total consumption and total retail sales. Those retailers that are being affected in a greater way are catalogue or hard-good merchants such as bookstores and record stores."

McGinley adds, "We all need to embrace the concept that e-tailing is here to stay, and we need to incorporate it into our development through web sites and links from our shopping centers to the retailers. We need to make it a cooperative effort."

Some see the Internet not as a threat to retailing, but as an enhancement, a way to complement an already successful way of doing business. "There will always be the need for the brick and mortar stores," says Alpert.

Rasor agrees. "The Internet is here to stay, but I think it will complement the bricks and mortars," he says. "The in-line

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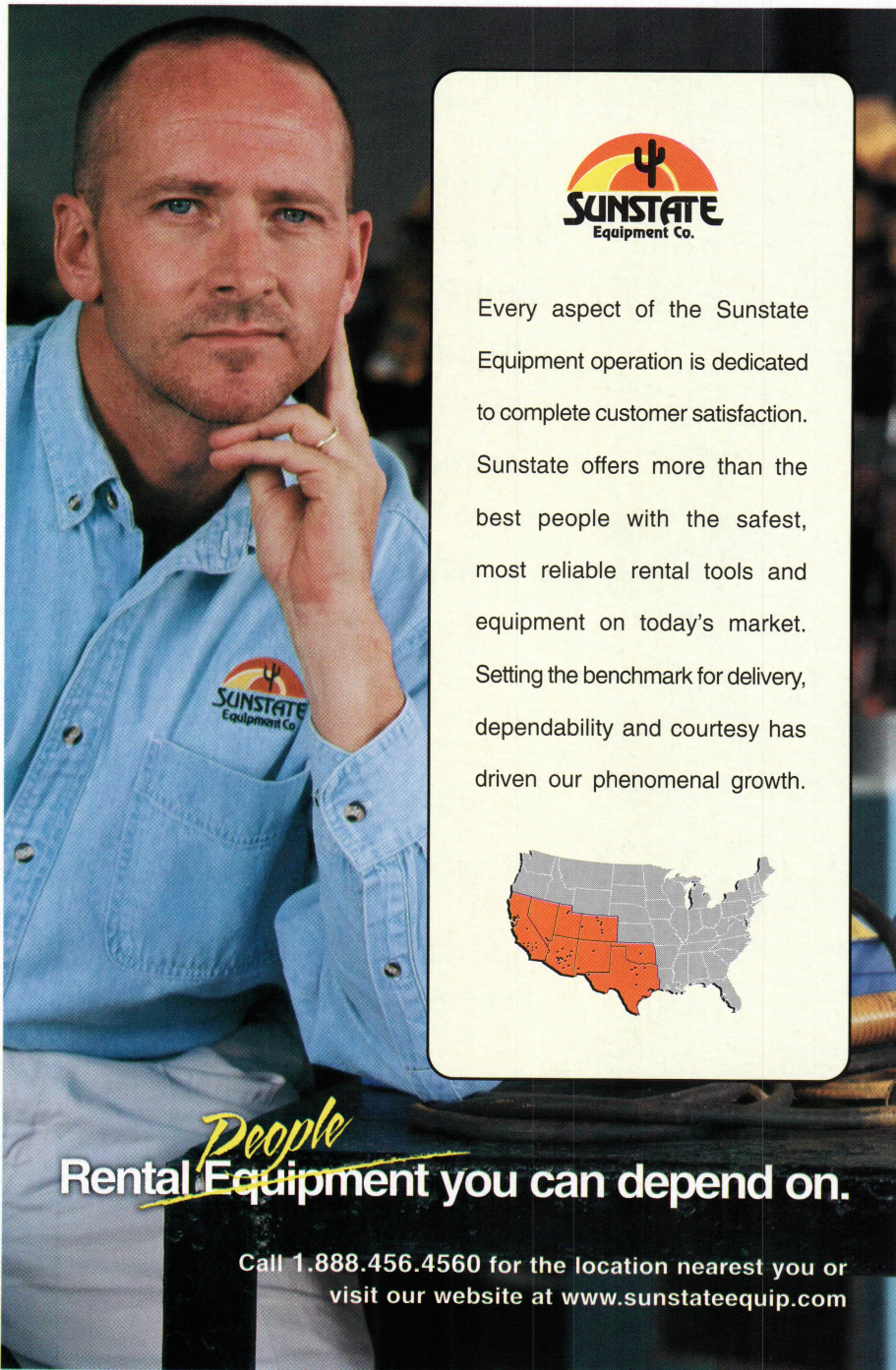
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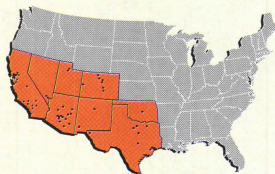


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shops are going to be on-line shops also, but on-line shopping is not going to replace the in-line shop or the in-line shopping experience." But some stores are gearing up to be powerhouses in real and virtual reality. "You've got Wal-Mart coming on-line," says Rasor. "They are probably the biggest and best buyer and seller of goods we've ever seen in the nation and they will be a force to contend with."

Alpert points to Walgreens as another strong retailer embracing technology. "Walgreens offers a complete on-line pharmacy," he says. "They are also building 450 new brick and mortar stores a year."

Rasor adds, though, so far, bricks and mortars have continued to compete very well in the marketplace. "Certain segments are more vulnerable than other segments of the retailing business," he says. "Certainly fashion, entertainment, and dining are a lot less vulnerable than buying a CD or book, but we have not felt a huge impact. Our stores had a good year last year and we expect to have another good year."

Rasor also points out that there was a time when traditional thinking predicted that catalog stores were going to put in-line stores out of business, and then discounters were going to kill the major department stores, and then The Gaps and The Limited's of the world were going to steal all the business from the department stores. "The department stores are now back in the dominant role, and the shops are scrambling to compete with the Nordstroms and Dillards of the world," says Rasor. "So if there is anything you can glean from watching the retail experience is that it is always changing, and it's always about competition. E-commerce is just the recent entry into the field."

McGinley isn't worried about non-virtual reality stores closing up shop any time soon either. "The shopping centers that we develop are still a gathering place for our communities," says McGinley. "That's not going to change."

What may change, says Rasor, is a bricks and mortar's thinking about the customer. "We have to provide a lot of entertainment value to our shoppers," he says. "I think we have to supply extremely good customer service, which is where we can be very competitive with the e-commerce people because we can deal with people personally." He adds, ▶

VALLEY PARTNERSHIP

"People are not stupid. They expect value for their dollar and they also expect service and quality. And you need to put all those ingredients together."

All of which brings us back to people, and shopping, and jobs, and population growth, and smart choices. Which delivers us to the door step of the Governor's Growing Smarter Plus plan, a sweeping growth-management package designed to better plan the Valley's critical issues of urban sprawl and open spaces. In February, the Legislature passed the plan, which will protect up to 3 percent of state trust land (if approved by voters in November), authorize counties to charge development fees and allow cities to determine services for its citizens. The measure will now go to the voters in November.

What does Growing Smarter Plus mean for the Valley in general and retail in particular?

"The governor's initiative was almost totally supported by the business community and the development community because we realize to preserve our quality of life we have to make sure our growth is planned growth," says Rasor.

McGinley concurs. "Growth just for the sake of going out the next mile without having appropriate forethought is not a good thing," he says. "That's what the Growing Smarter Plus plan is designed to do: literally grow smarter in a better way." He adds, "It's going to be a positive plan for the community as a whole, which is a positive plan for the retail community."

Alpert sounds a word of caution, however. "We need to be careful with the quantity and type of things we are building now," he says, but adds optimistically, "the lion's share of things being done today are well thought out and make a lot of sense. We are responding to the needs of the market. It's smart planning involving more citizen participation than has happened in the past."

Jim Pederson, president of The Pederson group, feels to foster successful retail projects, developers need to be involved with the community and government entities. This is becoming more and more often a key portion of retail projects, he says, adding the relationship benefits developers and cities alike.



The Valley's diverse population propels retail store prototypes, says Patrick McGinley, director of property management for Vestar Property Management.

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Along with citizen participation, cooperation between business and government has and will continue to play a key role in both community development and retail success, says Rasor. "If there's anything I am impressed with, it's how well the business community and the development community organized itself and got behind responsible growth management," he says. "Twenty years ago, you couldn't have gotten to first base talking about these issues."

For the future, Alpert and Pederson both see continued partnerships between state and city governments, the people and the development community. "I think we will continue to see projects that are responsive to what the market is telling us," Alpert says. "We're going to see projects that are responsibly planned with a quality that maintains high standards."

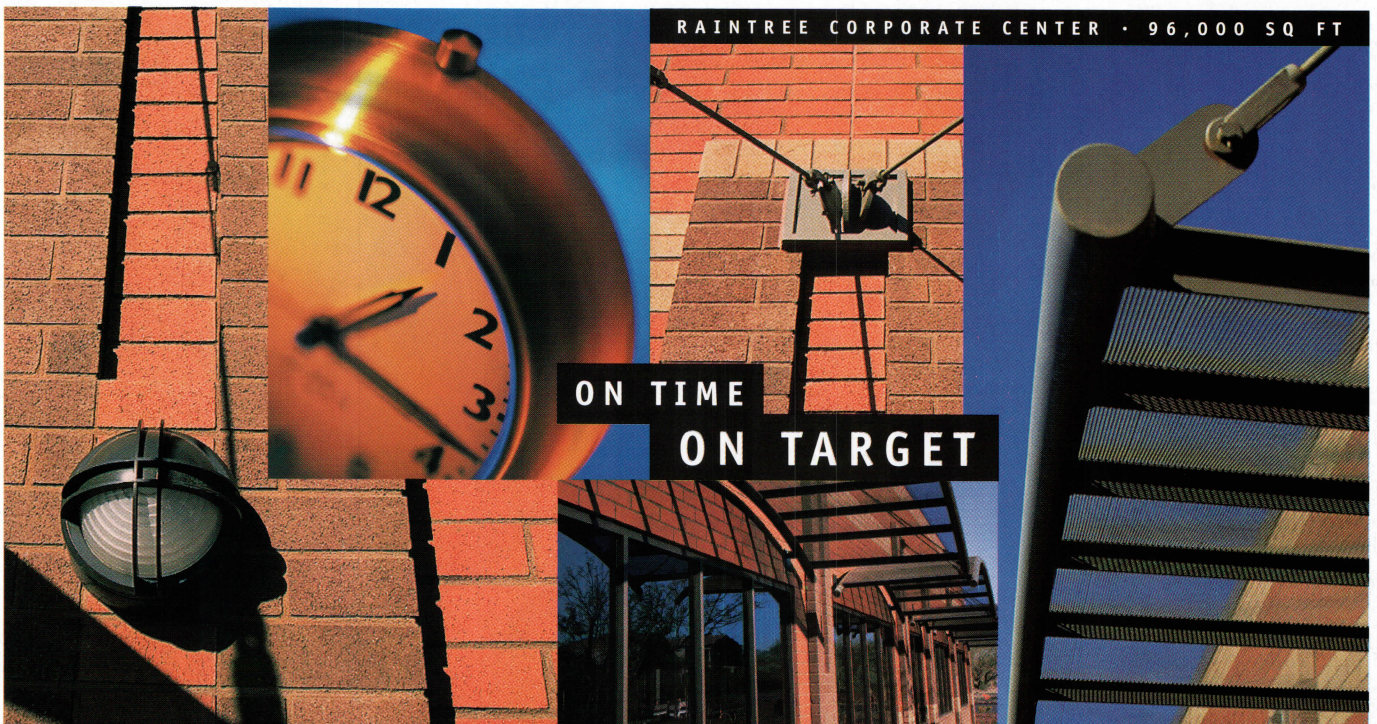
Planned correctly, the Valley could end up a big winner. "The Governor's package recognizes that the people are going to come, we are not going to be able to stop them from coming, nor should we try," says Alpert. "But we need to recognize that this is a pretty unique place to live and we want to maintain a livability standard. There is still a lot of undeveloped land, and we have a unique opportunity to plan well for future generations."

AB

Cynthia Scanlon is a Phoenix free-lance writer.



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