



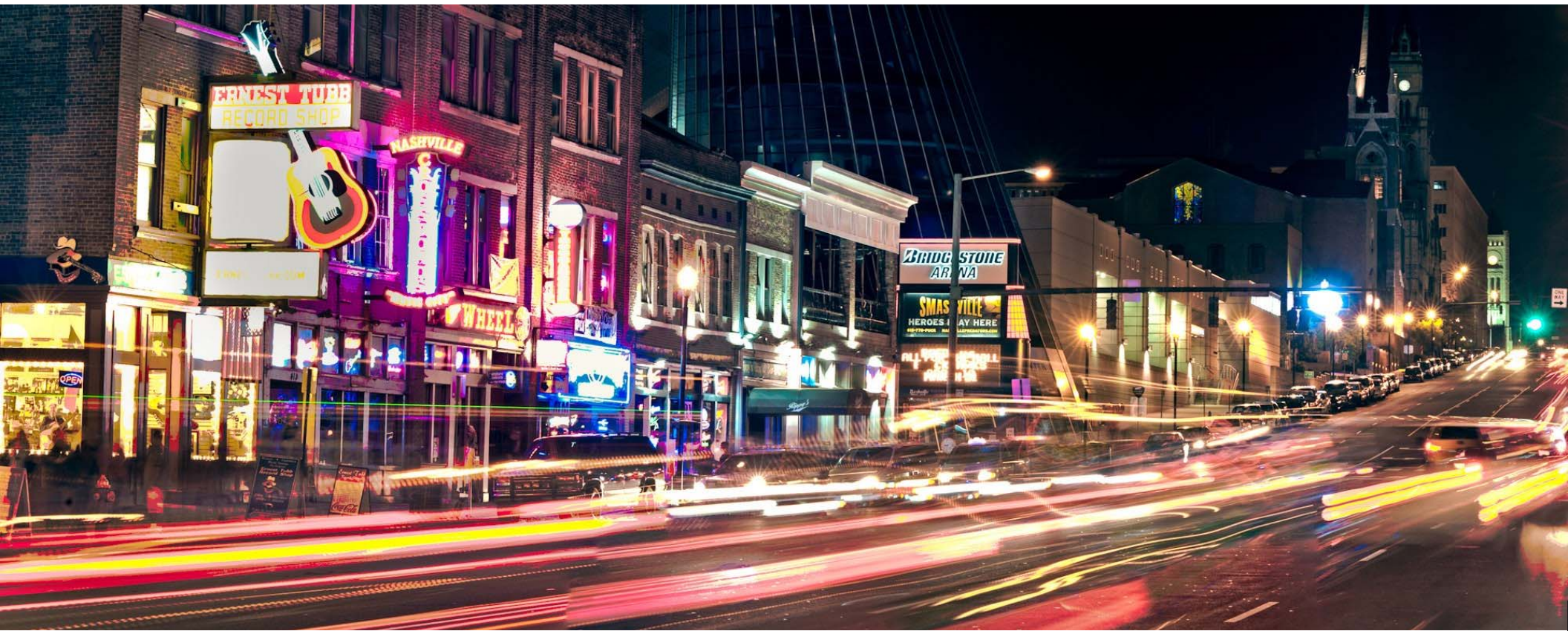
NASHVILLE RETAIL REAL ESTATE TRENDS / OUTLOOK 2019

ALLEN C. McDONALD, CCIM



**Urban Land
Institute**

**Baker Storey McDonald
Properties**
PROVEN RETAIL SOLUTIONS



RETAIL C.R.E. VITALS: Q3 2018

NASHVILLE RETAIL

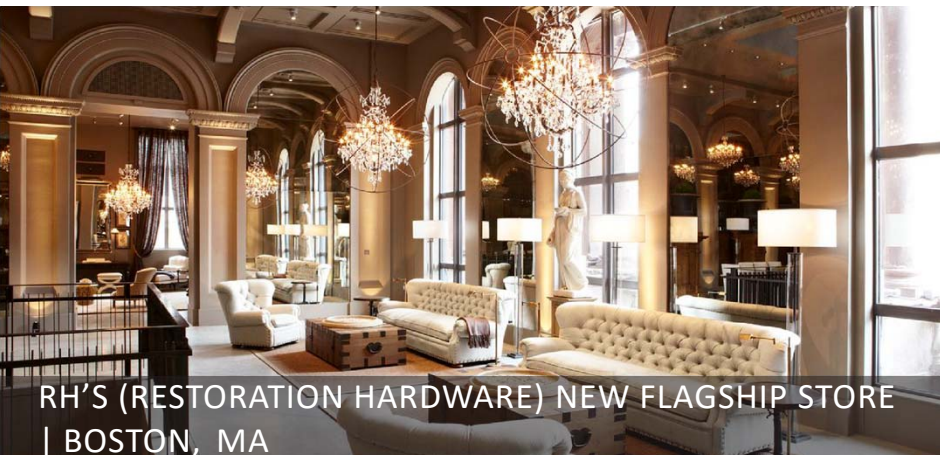
- Total Size: 111.9M
- Vacancy: 3%
- Rental Rates: \$20.56 PSF
- Delivered: 736 S.F. (past 12 months)
- Absorption: 1,047,012 S.F. (past 12 months)
- Rent Growth: 6.6% (past 12 months)

Source: CoStar, Q3 Report



DEATH OF RETAIL? (NO CHANCE)

- Retail CRE Media Coverage Is Wrong
 - Definition of a mall
- Wrong Asset/User - Wrong Time
 - One Bellevue Center: demo of Bellevue Mall
 - Edge Hill Village: former dry-cleaner plant
 - Hill Center: Murray, Ohio office building
- Modern Retail Anchors/Alternative Box Users
 - Indoor Climbing Gyms
 - "Experiential" Bowling (concepts like Pinewood Social)
 - Food Halls
 - Self-storage: East Nashville Neighborhood Walmart
 - Habitat for Humanity: South Nashville K-Mart
- "Location, Location, Location" Still Key Success Driver
 - McHenry Center: Madison, TN
 - Belle Meade Plaza: Belle Meade, TN
 - Brentwood Place: Brentwood, TN
 - Cool Springs Festival: Brentwood, TN



RH'S (RESTORATION HARDWARE) NEW FLAGSHIP STORE
| BOSTON, MA



WARBY PARKER

NEW RETAIL LANDSCAPE IN THE POST-AMAZON AGE

- Retail/Landlord Relationships
 - Joint-dependency to be successful
 - Customer experience: a place to gather as a community
- Creating a Sense of Place
 - Sense of Place = Experiences
 - Case Study: Parkside Murfreesboro
 - Focused Tenant-Mix: Synergy
 - Customer Target: Healthy Lifestyle Convenience
 - Anchors: 30K SF Climbing Gym, Neighborhood Park
 - Merch Mix: Day Spa/Salon, Chef-Driven Restaurant, Outdoor Outfitter, Hip Coffee Shop, Brew Pub
- Good Retailers Adapt - Bad Retailers Just Die

DYNAMIC BRANDS



RH
RESTORATION HARDWARE



BONOBOS

WARBY PARKER

PLRCH

RETAILER PARALYSIS

RadioShack.

claire's

NINE
WEST.

sears

MATTRESSFIRM

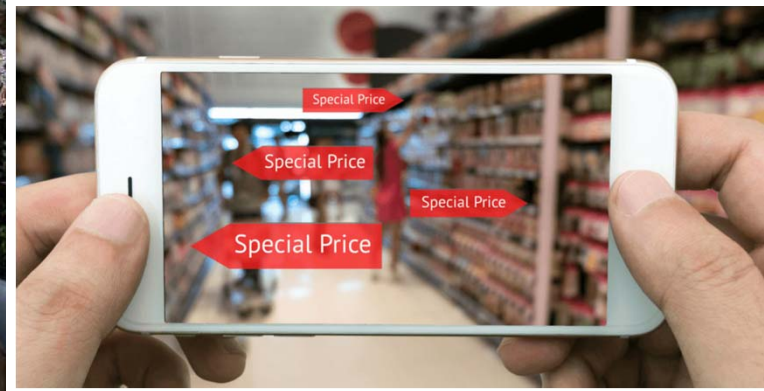
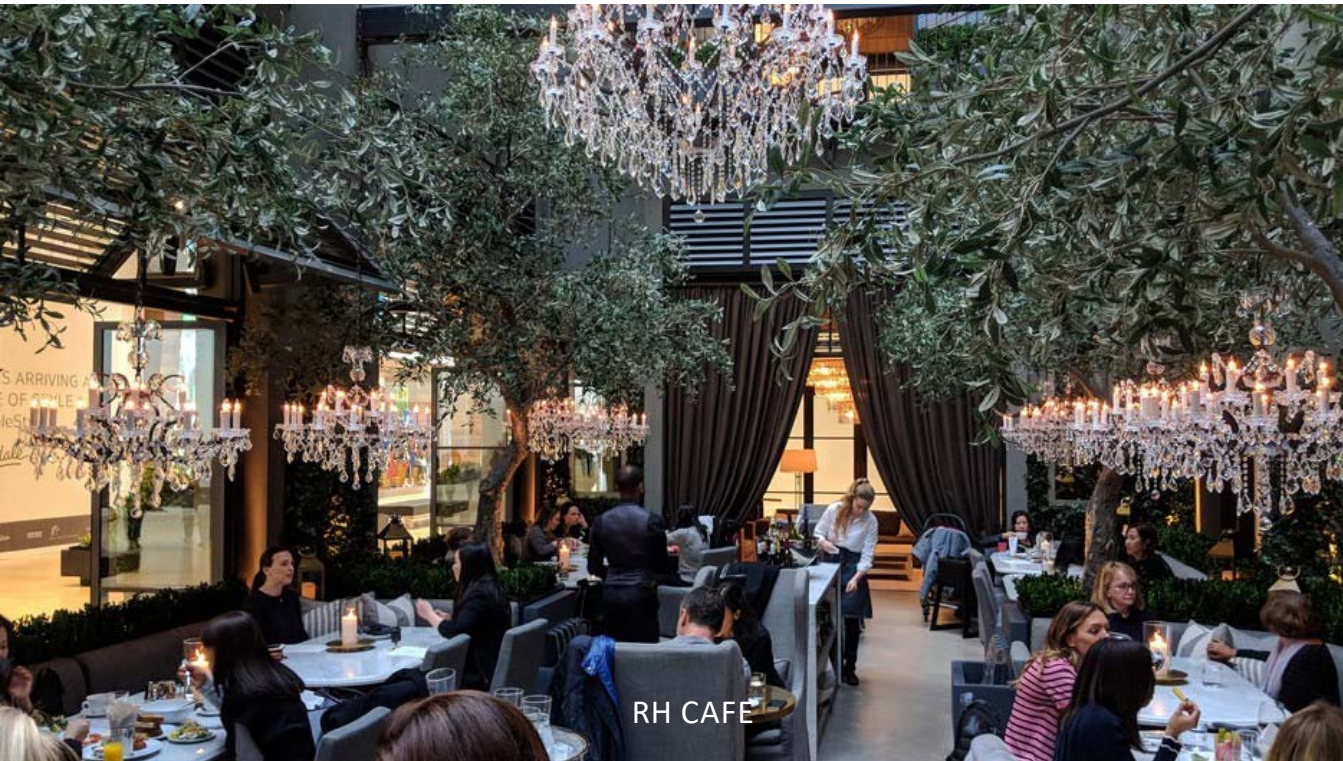
TOYS 'R' US



LENDING TRENDS

CAPITAL IS FEARFUL

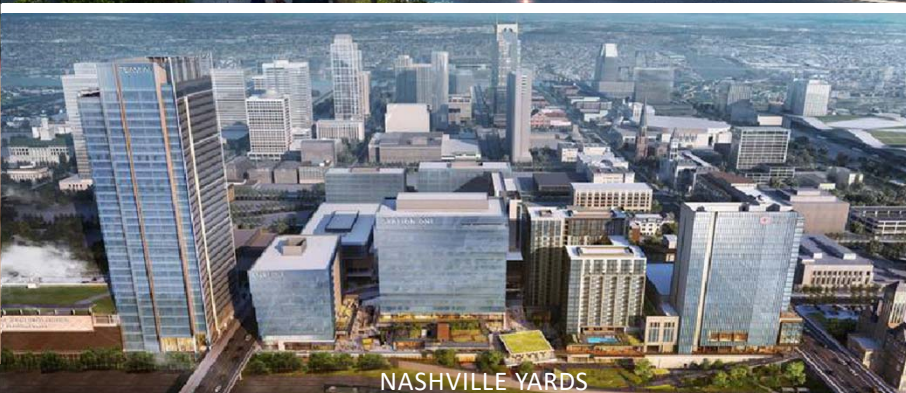
- Lenders don't like ongoing change in the retail landscape
- Buyers asking, "Whose funeral is next?"
- Retail Cap Rate Trends: stable for neighborhood; tick up for others



WHAT'S NEXT

FUTURE OF RETAIL

- Brick-and-mortar drives e-commerce, and vice versa
 - 37% increase in web traffic after new store opening
- Move from mediocre and boring to unique and memorable
- Food & Beverage
 - More Millennials = More Dining Out = Creativity/Opportunity in F&B
 - Retail is merging with F&B (RH Café)



NASHVILLE'S RETAIL FUTURE

- Retail & Community will continue to be reintegrated
 - Watch: Hickory Hollow submarket
 - Watch: Rivergate Mall
- Nashville F&B
 - Trending F&B concepts see Nashville as premier test market
 - Strong demographics & tourism; low costs relative to NY/LA
 - F&B competition getting steeper with growing population and more discerning food tastes.
- Convergence between retail and healthcare
- Limited new construction except mixed-use projects
- Expect 4-6 new grocery stores in the next 12-18 months
- Experiential design and placemaking initiatives will be the dominant theme
 - Watch: RiverNorth
 - Watch: evolution of One Bellevue Place
 - Watch: The Nations submarket