Navigating Retail Disruption: CRE in a World of Changing Supply Chains

Kathy Deck
Director of Community & Economic Research Partnerships
February 9, 2018
Or, what does Mobile, Alabama have to do with the mobile web?
U.S. Employment by Sector - January 2018

- Government: 15%
- Mining and Construction: 5%
- Manufacturing: 9%
- Logging: 0%
- Other Services: 4%
- Leisure and Hospitality: 11%
- Trade, Transportation, and Utilities: 19%
- Information: 2%
- Financial Activities: 6%
- Education and Health Services: 16%
- Professional and Business Services: 14%

Source: Bureau of Labor Statistics
Alabama Employment by Sector - December 2017

- Government: 19%
- Mining and Construction, Manufacturing: 13%
- Trade, Transportation and Utilities: 19%
- Leisure and Hospitality: 10%
- Education: 5%
- Professional and Business Activities: 5%
- Financial Services: 12%
- Other Services: 4%
- Information, and Health Services: 12%
- Logging: 0%

Source: Bureau of Labor Statistics
Change in Alabama Employment by Sector - December 2016 - December

- Construction
- Leisure and Hospitality
- Other Services
- Manufacturing
- Education and Health Services
- Professional and Business Services Non-Farm
- Government
- Financial Activities
- Mining and Logging
- Trade, Transportation, and Utilities
- Information

Source: Bureau of Labor Statistics
Trends

• Mass store closures
• Retail bankruptcies
• Mall mutations
• BOPIS (Buy Online Pickup In Store)
• Showrooming
• Private Label
Mass Store Closures (2016-2018)

- Office Depot closed 400 with 300 more to go
- Sports Authority closed all 460 stores
- Abercrombie & Fitch closed 370
- The Children’s Place closed 325
- Hancock Fabricks closed all 255 stores
- Men’s Wearhouse/Jos. A Bank closed 250 stores
- The Limited closed all 250 stores
- The Finish Line closed 150 stores
- Chico’s closed 120 stores
- Macy’s closed 100 stores
- Sears/Kmart closed 230 stores
- Toys R Us is closing 182 stores
- Bon-Ton is closing 47 stores
Retailer Bankruptcies (2017-2018)

- The Limited
- Wet Seal
- Eastern Outfitters
- BCBG Max Azria
- Vanity
- Hhgregg
- RadioShack
- Gordmans
- Gander Mountain
- Payless
- Rue21
- Gymboree
- Papaya Clothing
What is Outlook for Malls going Dark?
Malls go Warehouse – Mesquite TX

The Best Place for a New Warehouse? An Old Mall

With wide-open spaces and central locations, dead malls are coming back to life as logistics centers for online shopping facilities.

The dramatic shift in the retail industry and growth of e-commerce have led some analysts to estimate that 400 or so of the roughly 1,100 malls in the U.S. will close in the coming years.

Meanwhile, the appetite for industrial space continues unabated. Roughly 247 million square feet of industrial space is expected to be delivered this year, JLL

In North Randall, Ohio, Amazon.com Inc. is considering the site of the former Randall Park Mall as a fulfillment center, according to Port of Cleveland, a local government agency focused on spurring job creation and economic growth in Cuyahoga County.

In Mesquite, Texas, FedEx Corp. next month will open a 340,000 square-foot distribution facility on what once was the site of the former Big Town Mall. Located along U.S. Highway 80
The Final Mile

- In-store pickup
- Private fleet
- Crowdsourcing
- 3PL
- Lockers
- Drones
- Home access
Supply Chain 101

- Operations (Distribution)
- Procurement
- Role Types
- Logistics
- Transportation
  - Ports & ships
  - Rail
  - Trucking
More Supply Chain 101

• Buyers (sourcing)
• Logistics Managers (organizes inventory counts, plans production using sales)
• Nearshoring
• Retail store managers
  • Serve customers
  • Support sales personnel
  • Oversee stocking
  • Make sure signage is current
  • Order fulfillment for shipping (in-store pickup)
  • Handle returns from online orders
  • Deal with stockouts
Toyota Motor Corp. and Mazda Motor Corp. announced in August a joint venture to build a $1.6 billion assembly plant in the U.S. which would create 4,000 jobs and be up and running by 2021.

It is projected to produce 300,000 vehicles a year, with half being the Toyota Corolla and the rest an unspecified Mazda model. For some perspective, Alabama’s Honda and Hyundai plants both produced more than 320,000 vehicles in 2017.

But the venture is more than that, as both companies hope to co-develop electric vehicles, safety features and connected-car technologies, according to published reports last year.

Sources for months have said the decision was between North Carolina and Alabama. The Raleigh News & Observer is reporting that North Carolina lost out on the plant because it does not have the supply chain logistics that the car companies desire.
Ports 101

• Standard sized containers transport cargo
• They are measured in TEU (twenty foot container equivalent) and FEU (forty foot container equivalent)
• Approximately ½ of all containers are owned by shipping lines, while the remainder are leased
• Containers have lifespans of around 30 years
Port of Mobile fast-tracks terminal expansion

Joseph Bonney, Senior Editor | Dec 20, 2017

The $49.6 million third-phase expansion of the Port of Mobile’s container terminal will begin sooner than expected. Port officials say this will enable the Gulf Coast import volume growth leader to remain in the lead — a volume growth rate that is expected to be boosted by the opening of a Wal-Mart import distribution center (DC) near it.

Through October, Mobile had full-container volume of 100,309 TEU in imports and 108,433 TEU in exports, according to PIERS, a sister product of JOC.com. Import volume surged 22.4 percent year over year for imports and 12 percent for exports. Overall traffic rose 16.8 percent to 208,743 TEU.

“We thought Phase 3 would be a year or two from now, but our volume continues to grow and this expansion will keep us well ahead of demand,” said James K. Lyons, CEO of the Alabama State Port Authority.

Lyons said Wal-Mart’s 2.8 million square foot import DC, scheduled to open next May, will support continued volume growth and possible additional services or larger vessels on existing services. CMA CGM this year replaced the Panamax vessels on its PEX-3 Asia service to the Gulf with 6,000 TEU ships.

Also two additional planned expansion phases would increase annual capacity to 1.5 million TEU. No schedule has been set for those expansions. “We continue to look at our projected volumes, and that will guide our decision,” Lyons said.
Port of Mobile

• 41 berths
• Channel depth of 45 feet to the tunnels, 40 feet in the river harbor
• 5 million square feet of warehouse and open yards
• In 2017, there were 1,591 vessel calls
• In 2017, the Port of Mobile handled 28.7 million tons of cargo in 318,889 TEUs.
• The main imports were containers, coal, aluminum, iron, steel, copper, lumber, woodpulp, plywood, fence posts veneers, roll & cut paper, consumer goods, cement & chemicals
• The main exports were coal, lumber, plywood, woodpulp, OSB (flakeboard), laminate, flooring, roll & cut paper, frozen poultry, grain & chemicals
Technology Trends to Watch

• Virtual Reality/Augmented Reality
• Voice Assistants
• Internet of Things
• Autonomous Vehicles
• Blockchain
• In Store Mobile
• Scan & Go
Amazon HQ2 – The 20 Finalists
CCIM / KC Amazon HQ2 Paper


The tech goliath whittled 238 proposals down to a selection of 20 metro areas across North America, including major East Coast markets like Boston, New York City, Newark, Washington, D.C., Atlanta and Miami. **KC Conway, the new chief economist at CCIM Institute — a global real estate organization recognized throughout the industry for its real estate designations — said though the site selection for HQ2 is about talent acquisition and expanding Amazon’s presence across the country, a number of business benefits will also factor into Amazon’s decision. Below are three reasons Amazon is strongly considering the East Coast for its second headquarters, which will house 50,000 Amazon employees and involve an estimated $5B investment, according to the company.**

### Why The East Coast Dominated Amazon's HQ2 Shortlist

January 19, 2018  |  Champaign Williams, National Editor

1. **Amazon Already Has A West Coast Presence**
2. **The Golden Triangle**
3. **Proximity To Business Customers**

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**Top States for Businesses using Amazon Products & Services**

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Total: 860,000  | Total: 865,000  | Total: 526,000

Source: Amazon  | https://www.amazon.com/p/feature/nsoq9t4one/mec9
Amazon’s Short List

• Toronto, Ontario
• Columbus, Ohio
• Indianapolis, Indiana
• Chicago, Illinois
• Denver, Colorado
• Nashville, Tennessee
• Los Angeles, California
• Dallas, Texas
• Austin, Texas
• Boston, Massachusetts
• New York City, New York
• Newark, New Jersey
• Pittsburgh, Pennsylvania
Thank you!
Contact me at kdeck@cba.ua.edu.