

How the “Bricks vs. Clicks” Battle is Affecting Land Use Planning

October 17, 2017

NEW ECONOMICS & ADVISORY®

LAND USE ANALYSIS & STRATEGIES

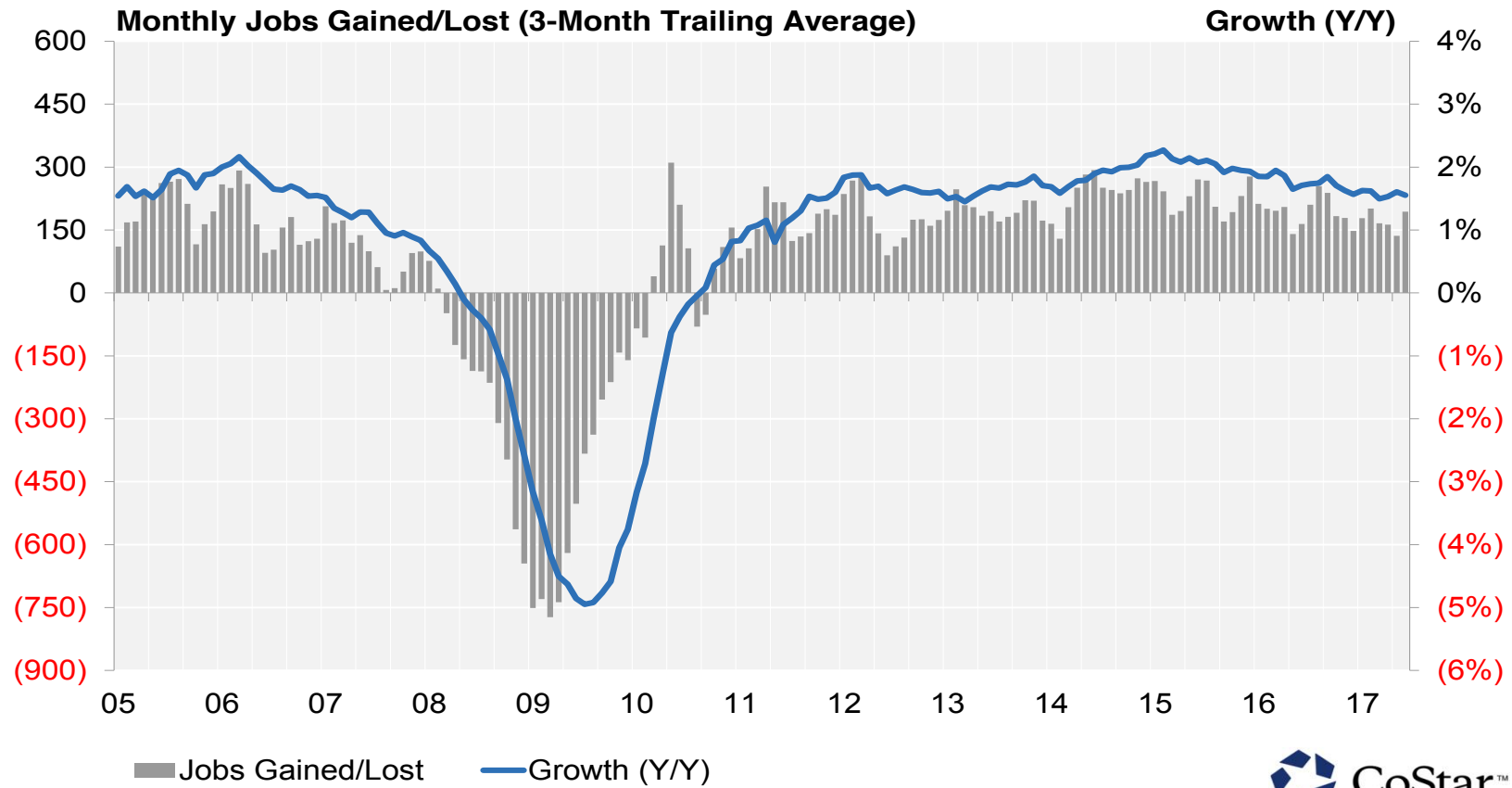
Slide 1

17-1109 A 1 of 30

About New Economics & Advisory

- Provide economic analysis to inform land use strategies to build economically sustainable communities.
- We work for cities, counties, developers, homebuilders, and non-profit entities.
- We serve Northern California and Northern Nevada.

#1: National Monthly Job Gains Reflect Stronger Economy

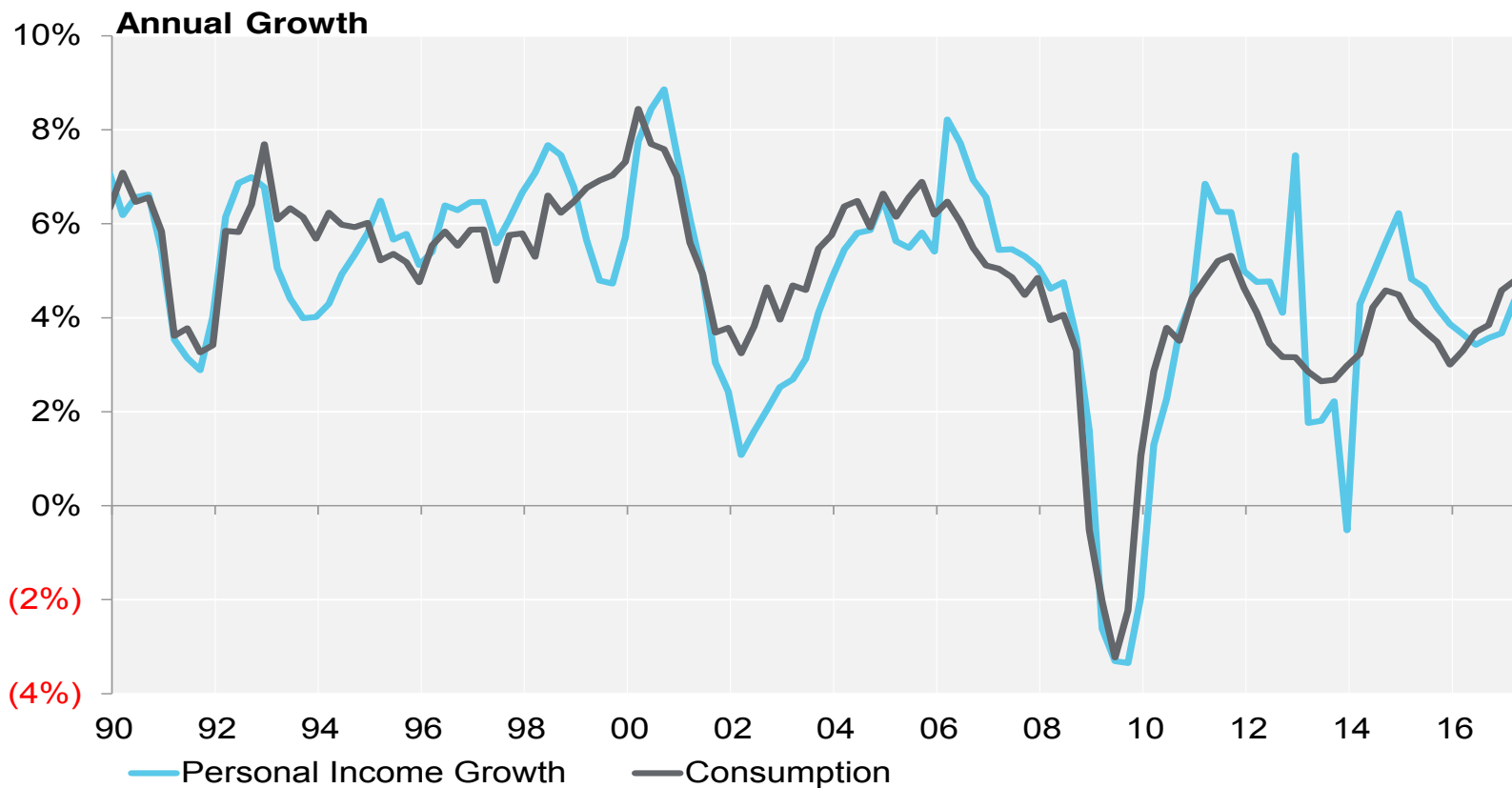


Sources: Moody's Analytics; BLS; CoStar Portfolio Strategy



As of 17Q2

#2: Income Growth & Consumption Also Reflect Healthier Economy

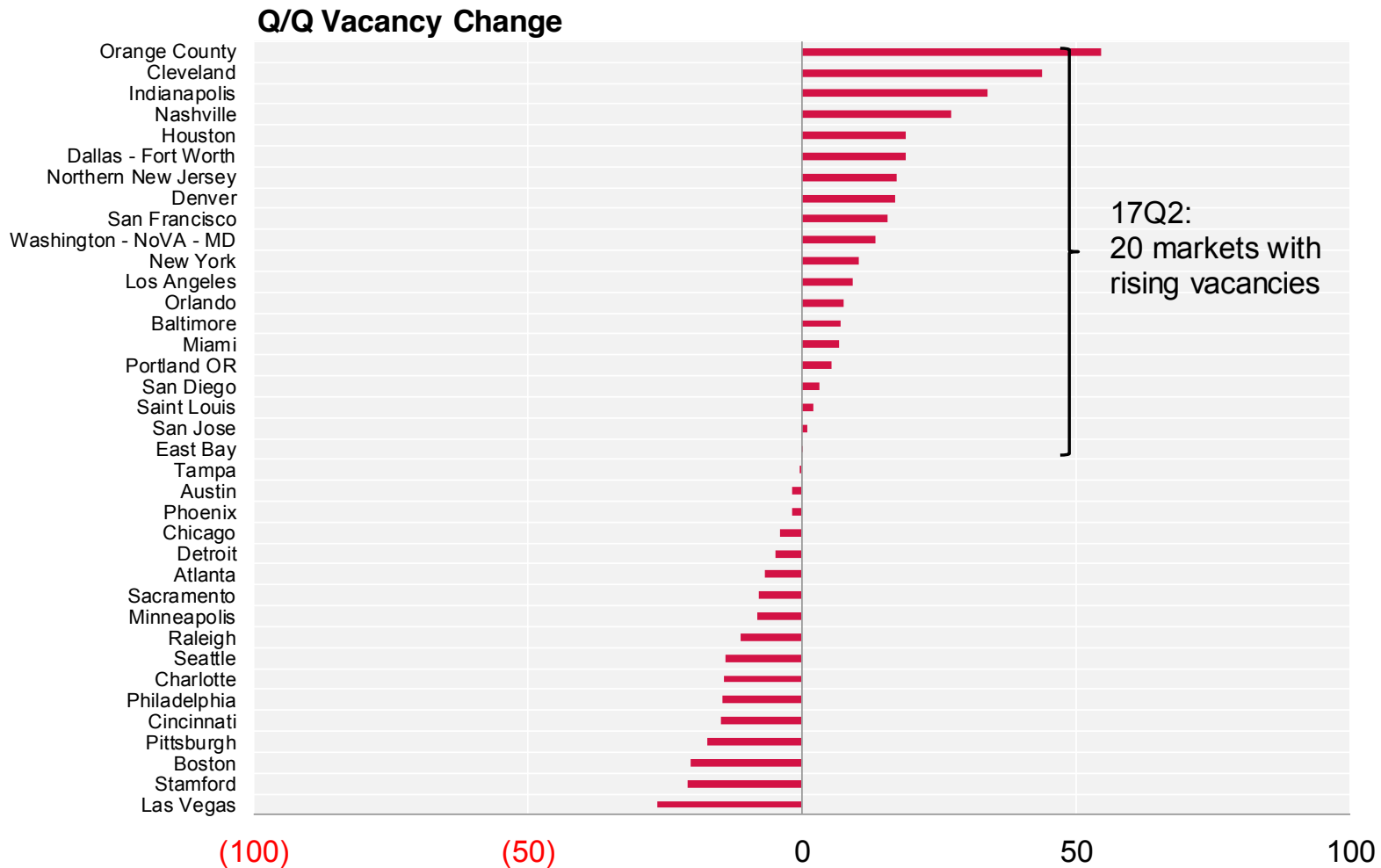


Sources: Bureau of Economic Analysis; U.S. Census Bureau; CoStar Portfolio Strategy



As of 17Q1

#3: But Retail Vacancy Is Increasing



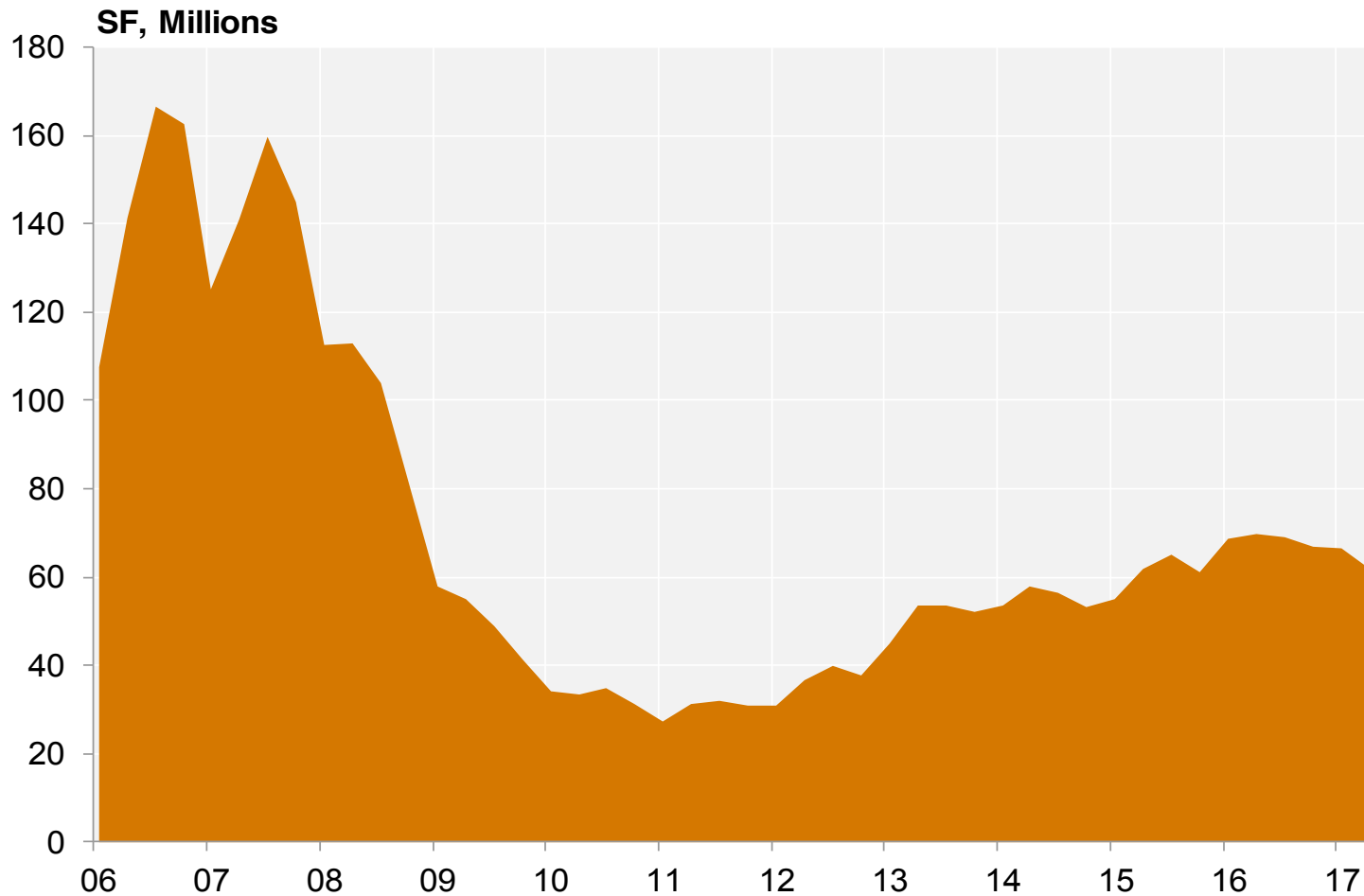
Source: CoStar Portfolio Strategy

Basis Points (hundredths of one percent)



As of 17Q2

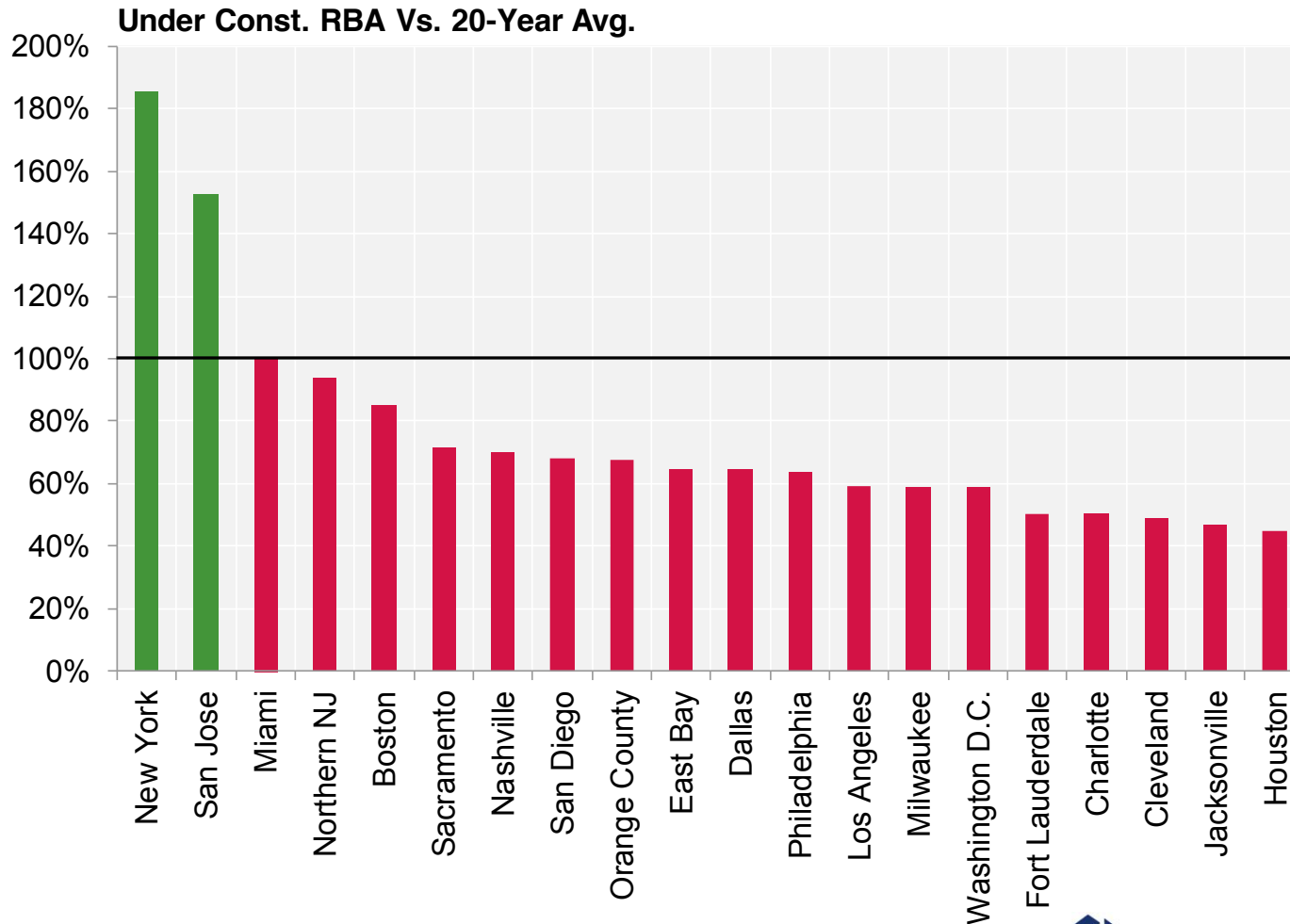
#4: And Construction is Plateauing



Source: CoStar Portfolio Strategy



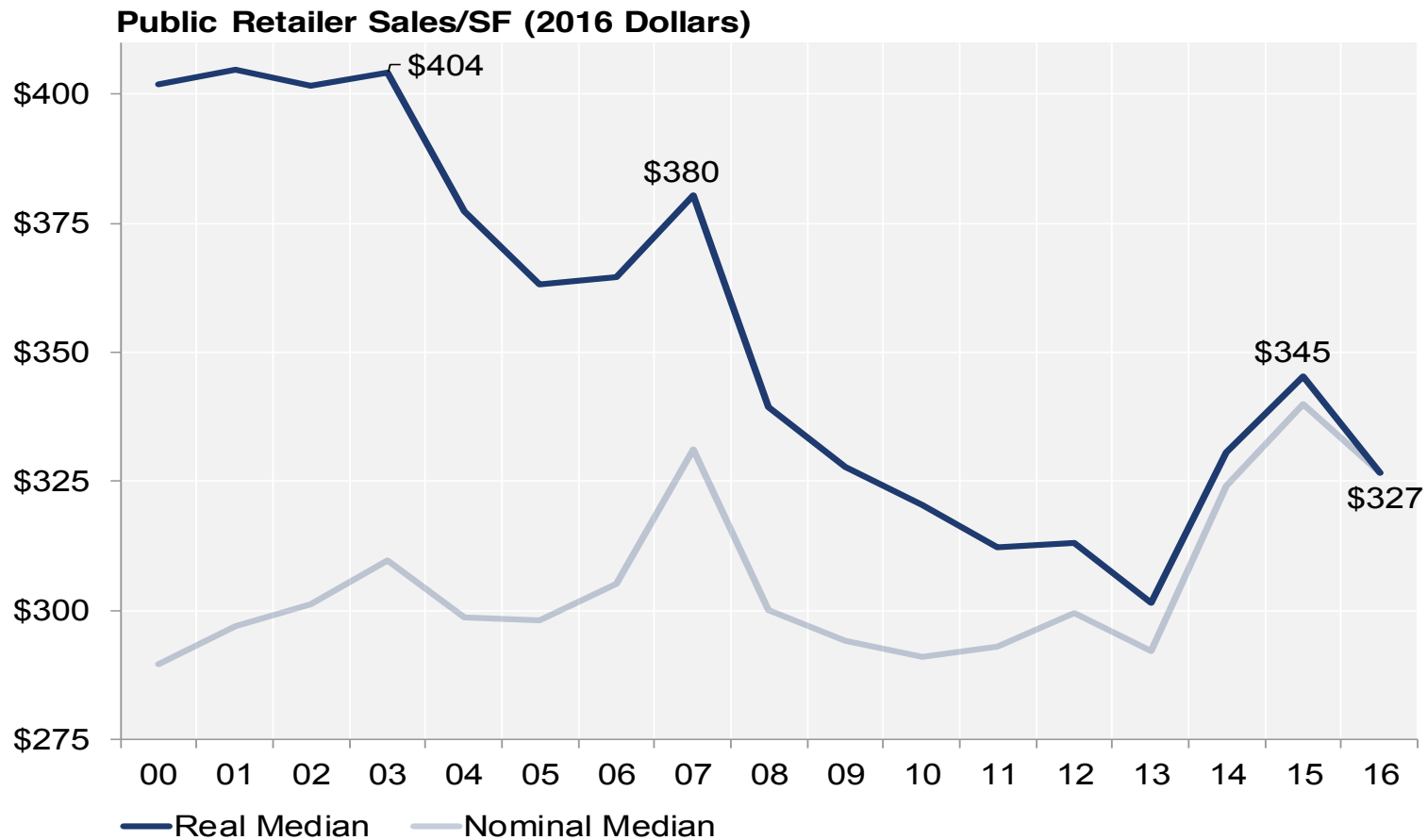
#5: New Supply Is A Fraction of Historic Rates



Source: CoStar Portfolio Strategy



#6: National Retailers Are Achieving Flat Sales Per Sq. Ft. Nationwide

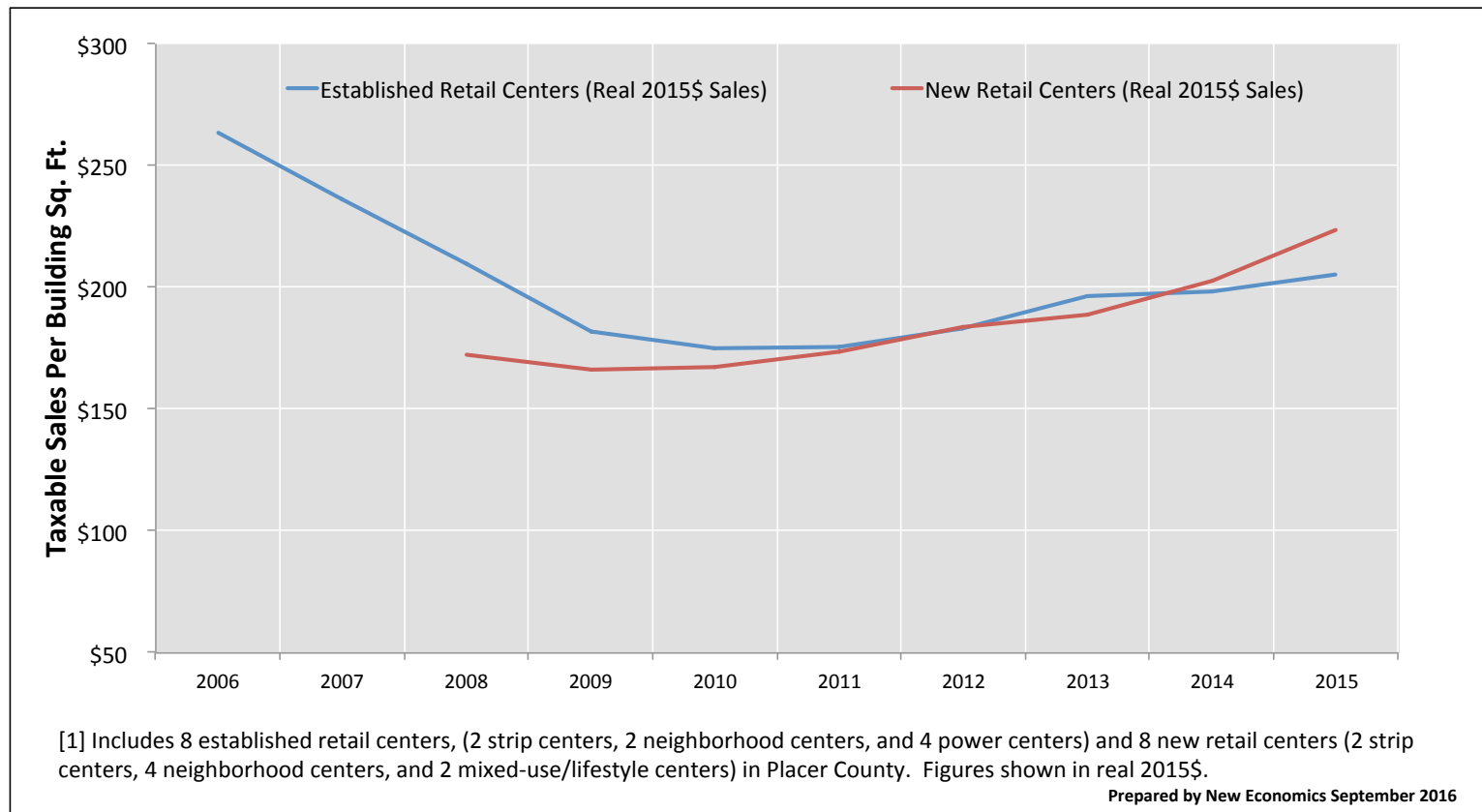


Sources: SEC Filings; Moody's Analytics; CoStar Portfolio Strategy

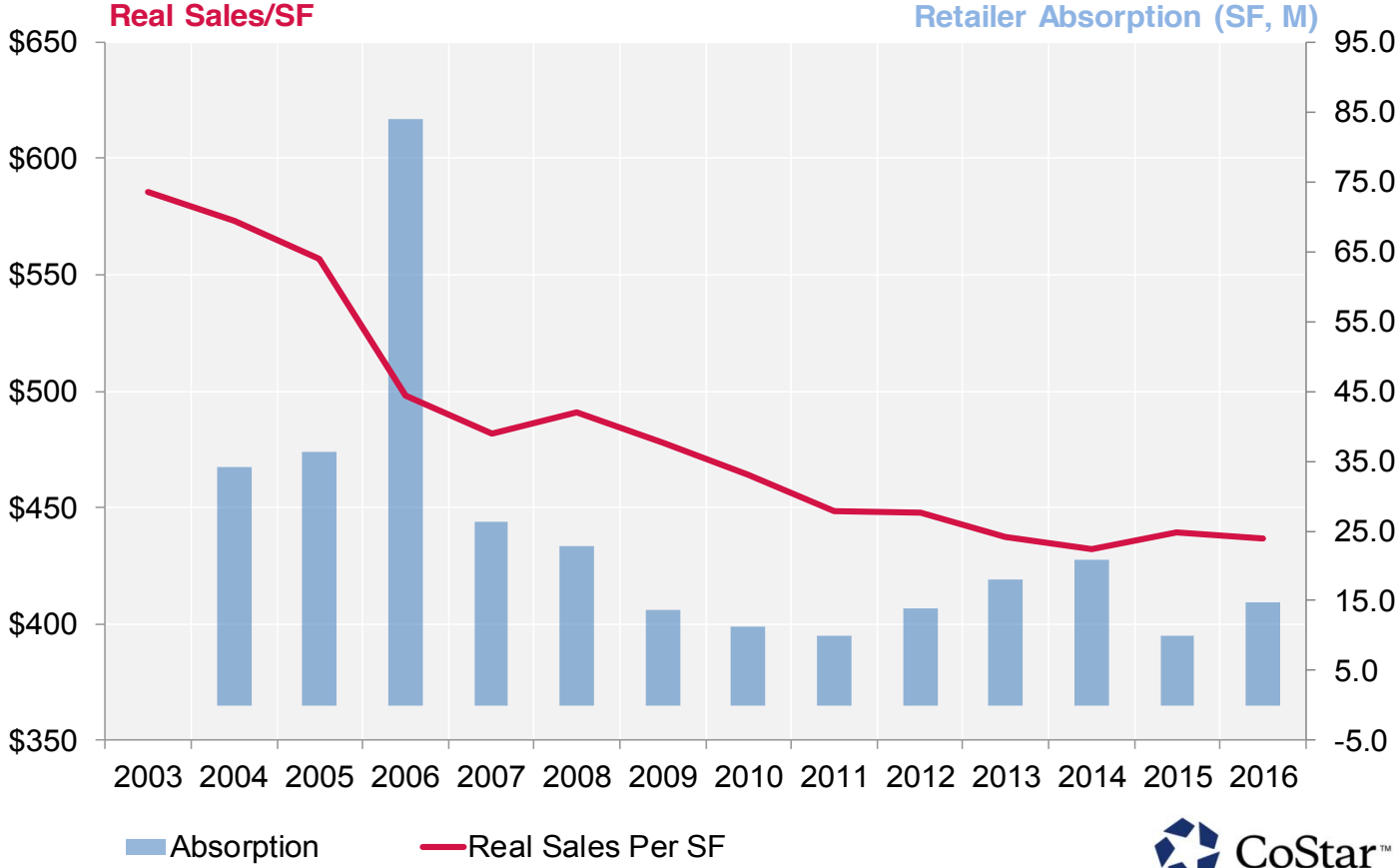


As of May-17

#7: This Trend also Exists in the Sacramento Region



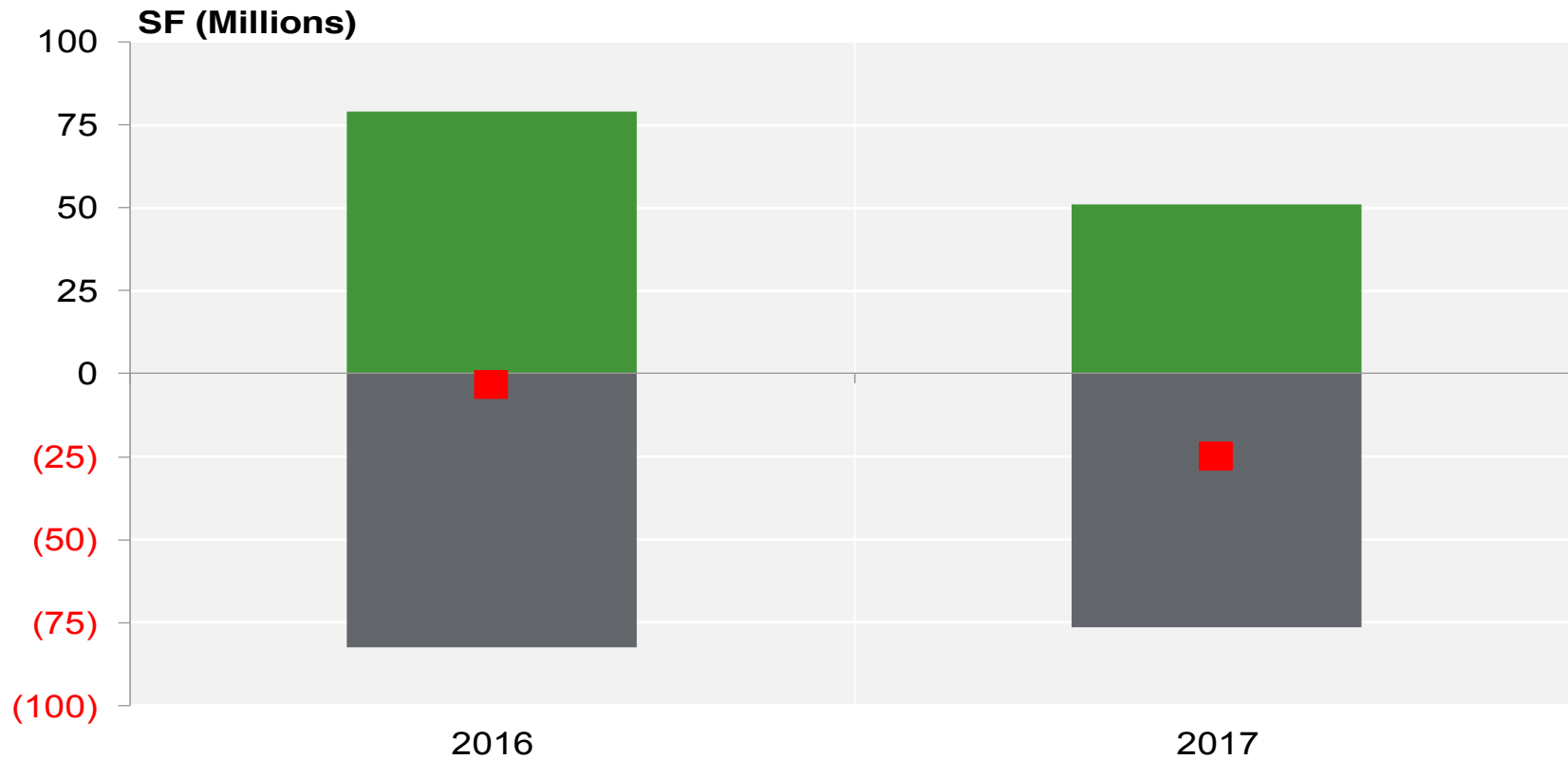
#8: Big Dept Stores Are Slowing Down



Source: SEC Filings; CoStar Portfolio Strategy



#9 Store Closings Outweigh Store Openings

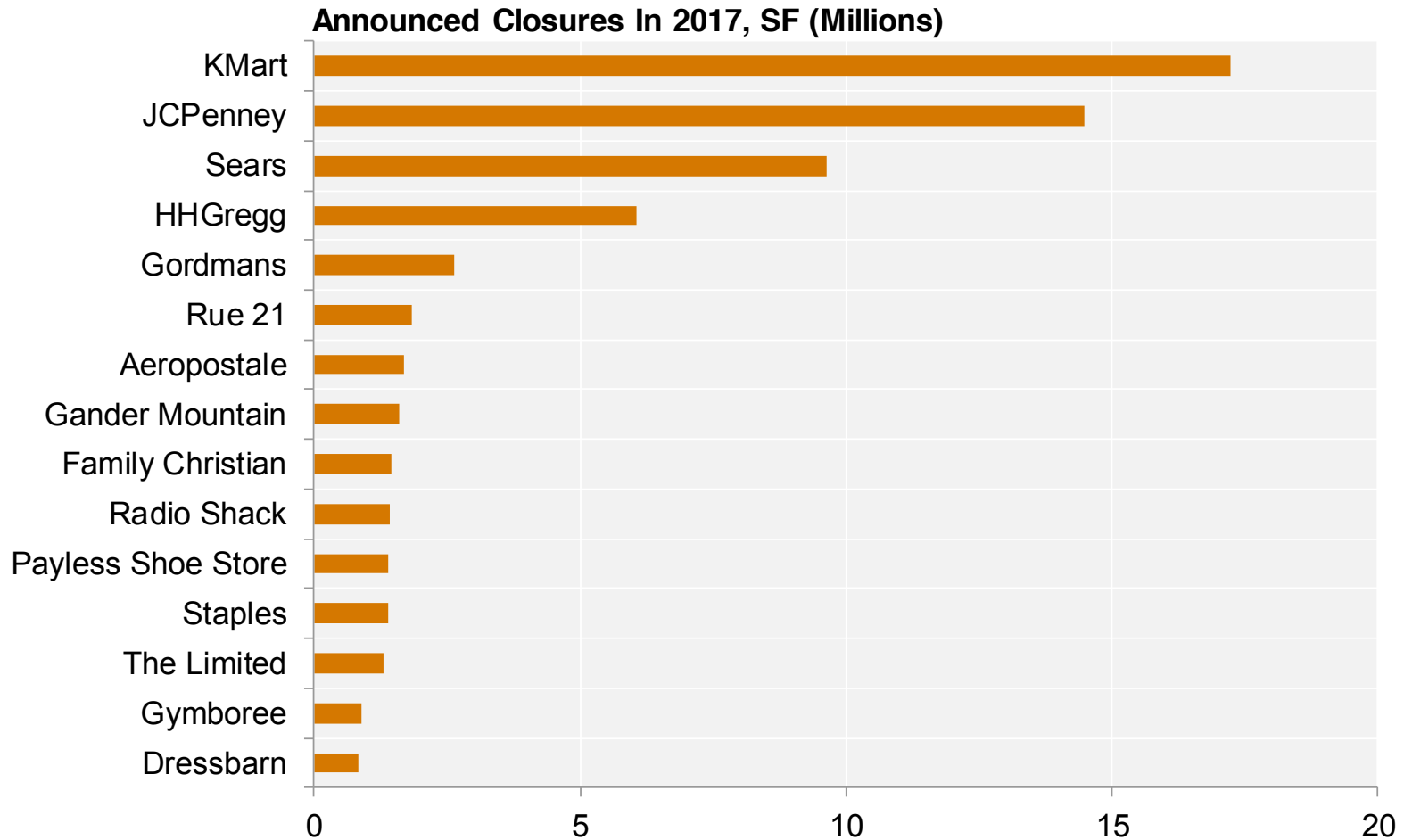


■ Announced Store Openings (SF) ■ Announced Store Closings (SF) ■ Net Change

Sources: Business Insider; Clark Howard; ICSC; SEC Filings; CoStar Portfolio Strategy



#10: Announced 2017 Store Closures



Sources: CoStar Portfolio Strategy; About.com; Terranomics; SEC Filings



As of 17Q1

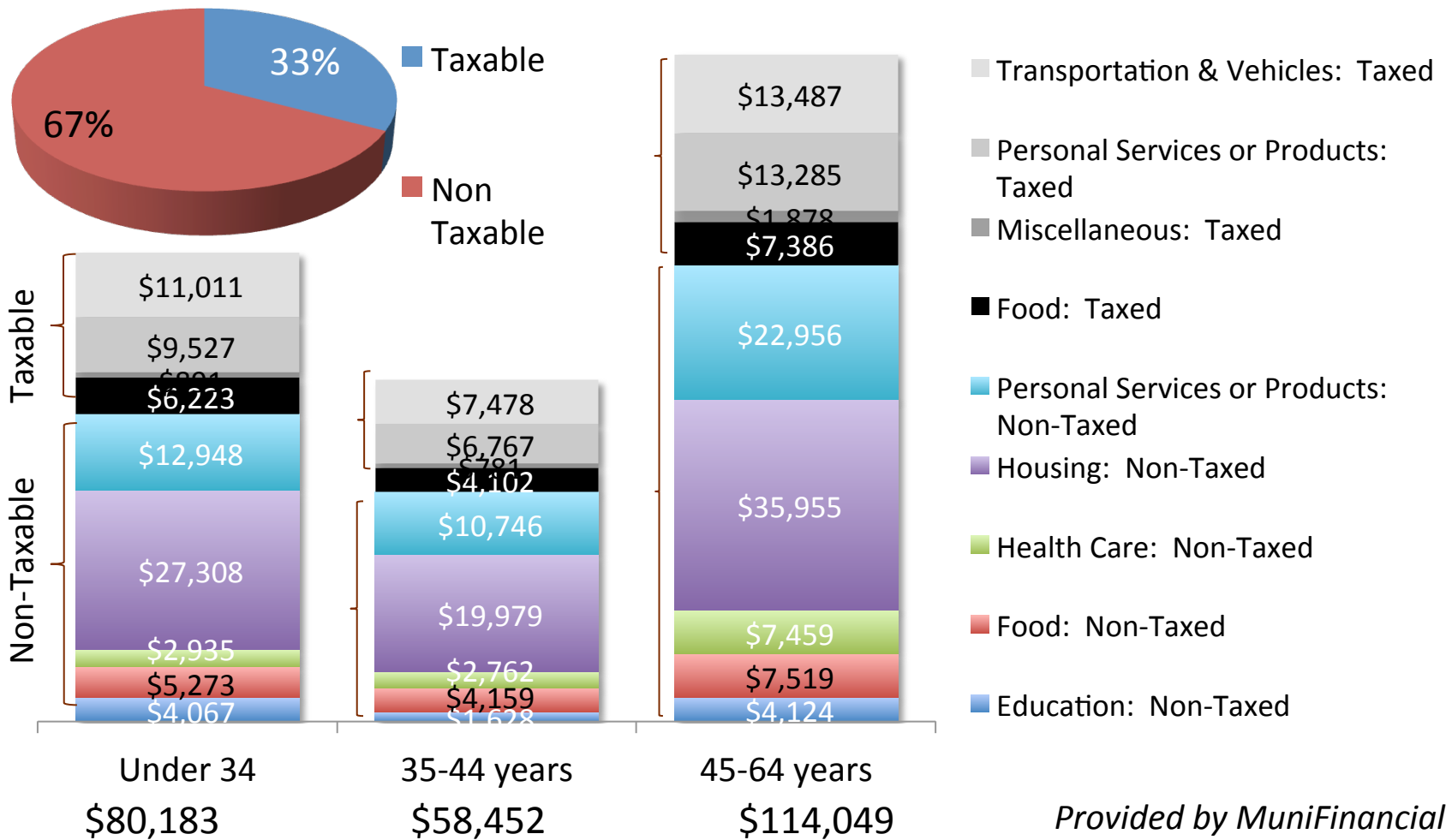
#11: Brick & Mortar vs. Online Sales Tax Growth

Business	Storefront	Dot.com (County Pool)
Amazon	n/a (yet)	25.9%
Macy's	2.5%	28.7%
Nordstrom	-4.9%	17.1%
Target	4.1%	27.7%
Wal-Mart	4.4%	29.8%

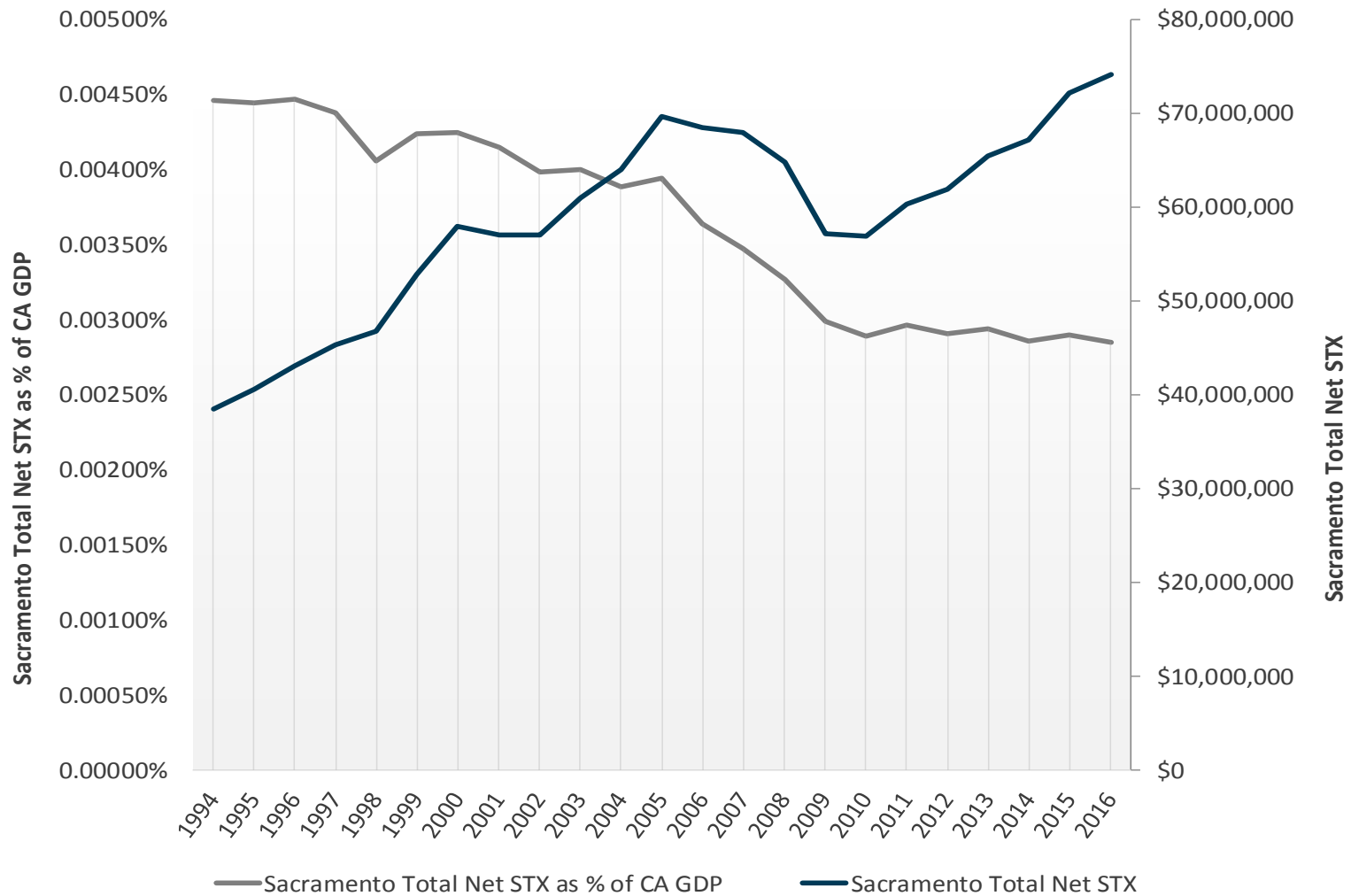
Prepared by MuniFinancial Services, 2017

- \$23B of uncollected sales tax on internet sales nationwide
- Marketplace Fairness & Tax Parity Act would allow States to collect
- Estimated annual loss to Sacramento Valley \$23.4 million

#12: BLS Annual Spending Survey: Taxable v. Non-Taxable



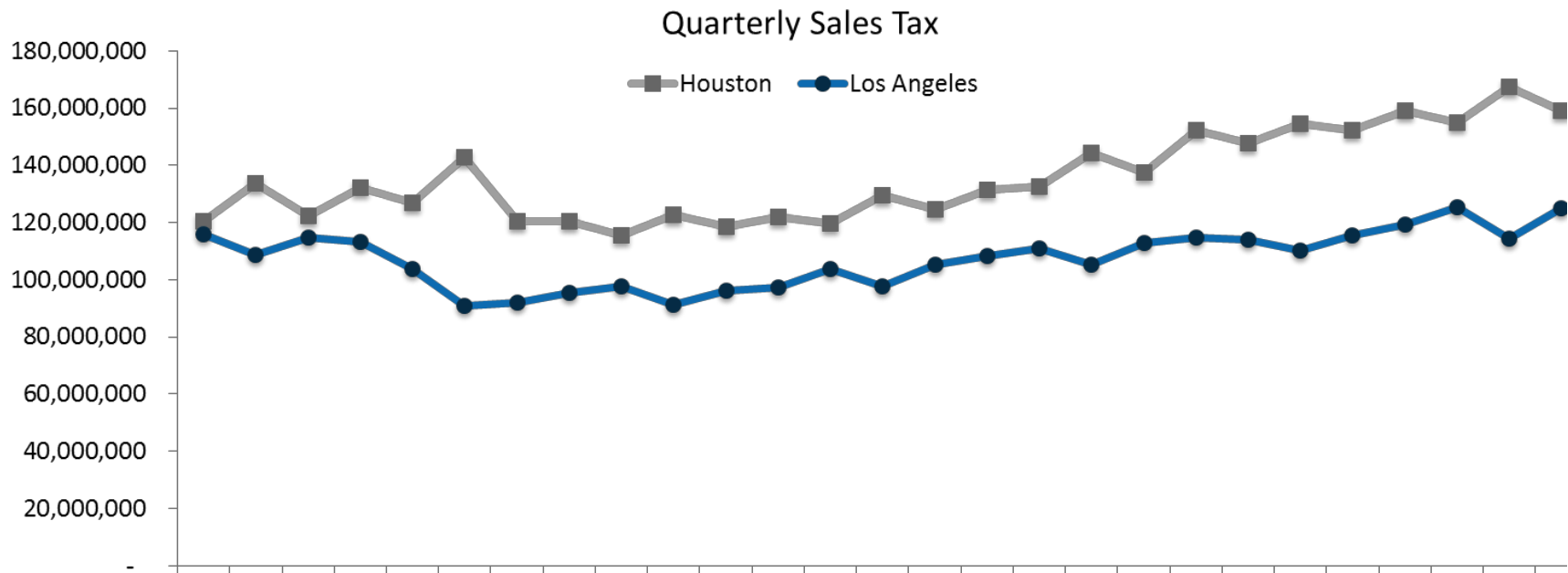
#13: Sales Tax as a % of California GDP



Source: Bureau of Economic Analysis

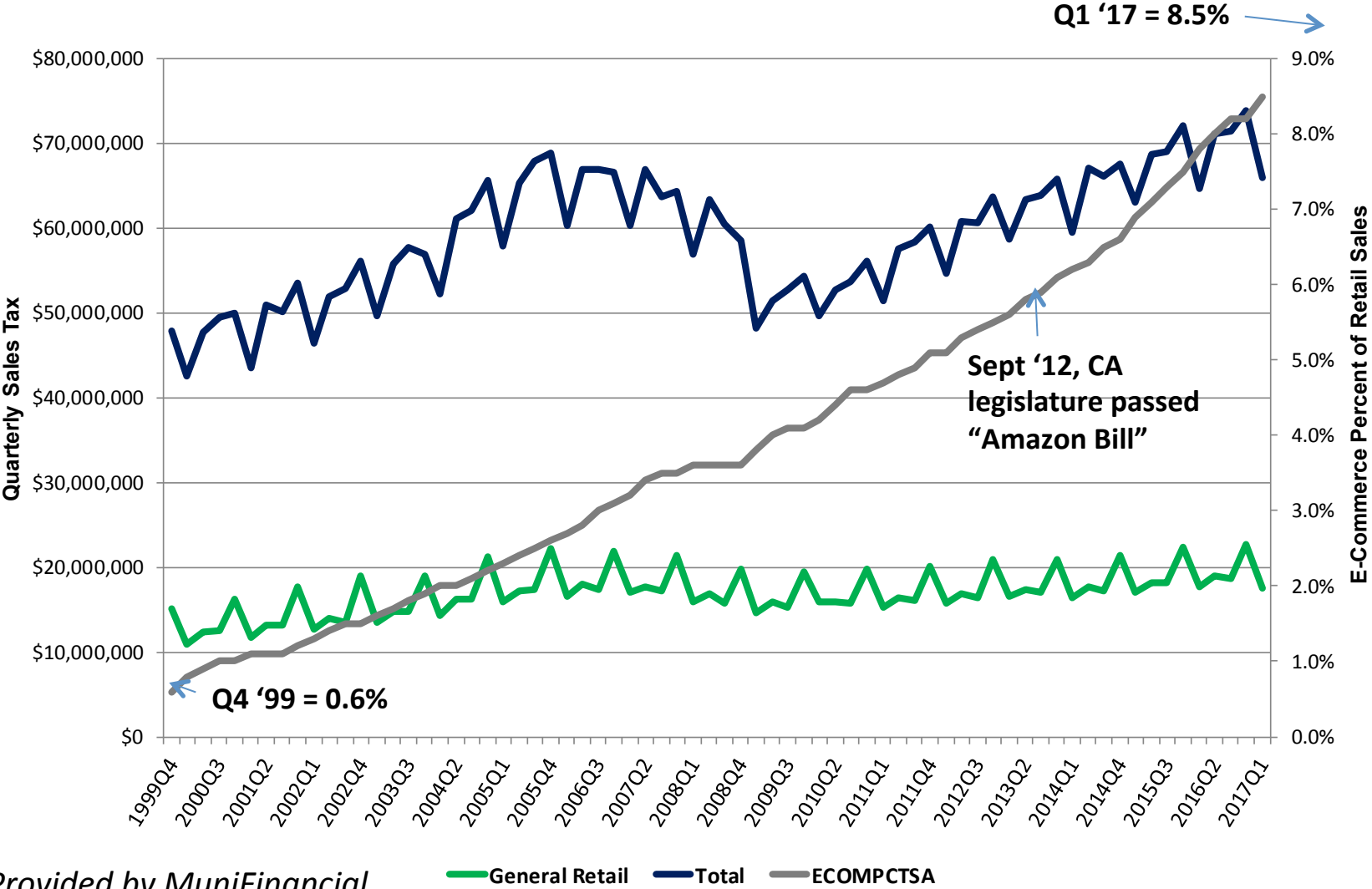
Provided by MuniFinacial

#14: Taxation Stabilization



Provided by MuniFinacial

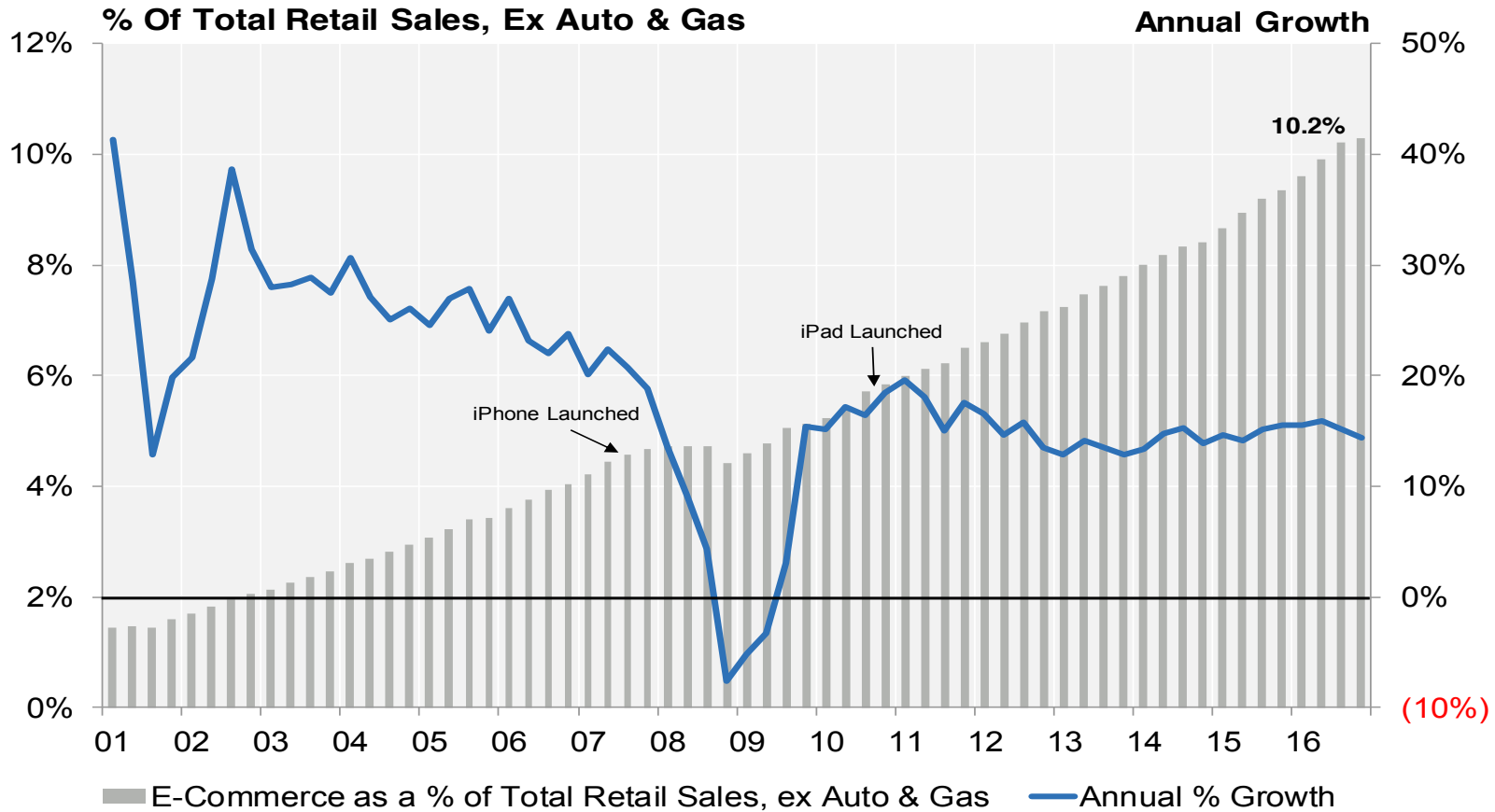
#15: Internet Sales



Provided by MuniFinancial

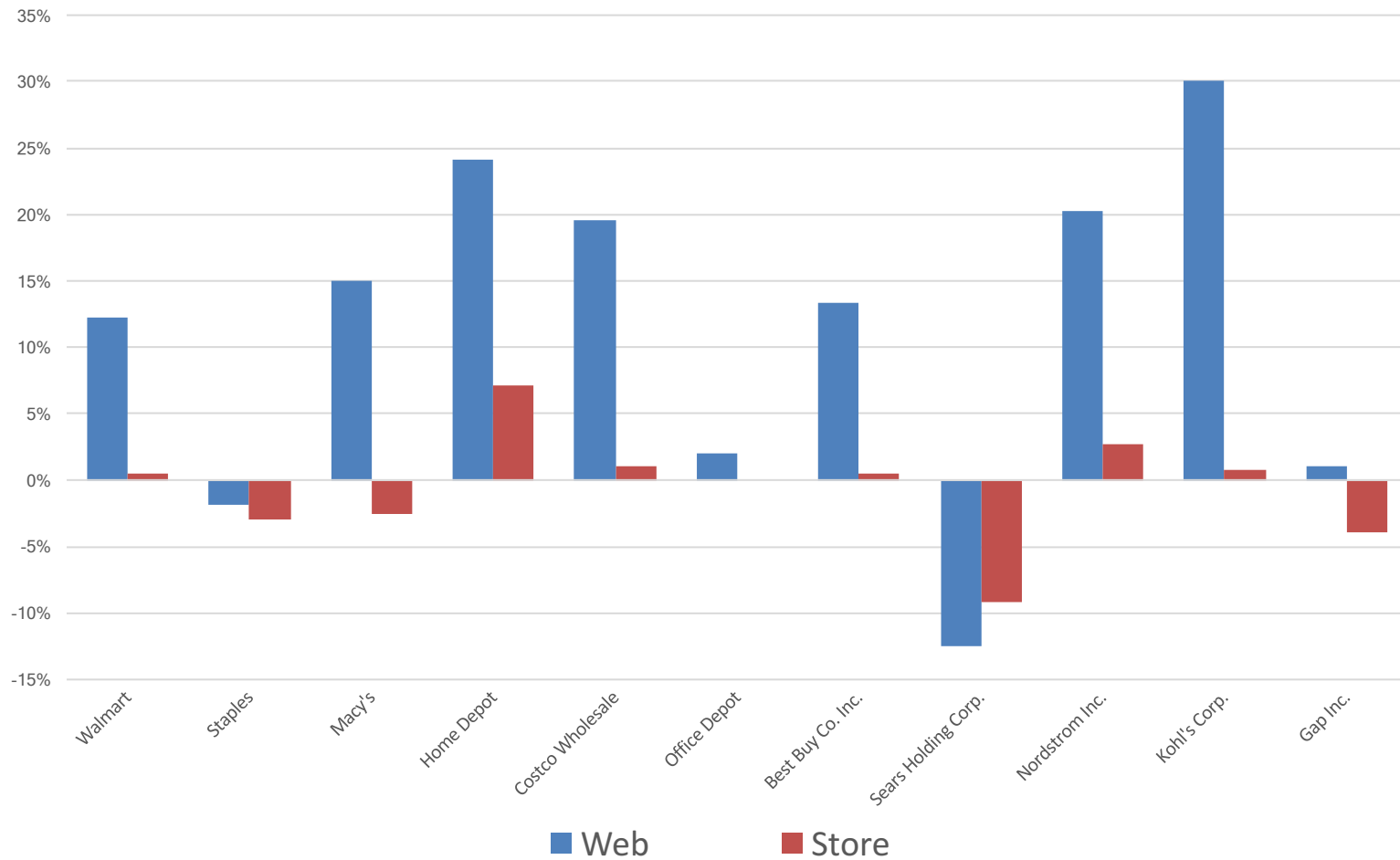
— General Retail — Total — ECOMPCTSA

#16 E-Commerce As A % Of Retail Sales



Sources: CoStar Portfolio Strategy; U.S. Department of Commerce

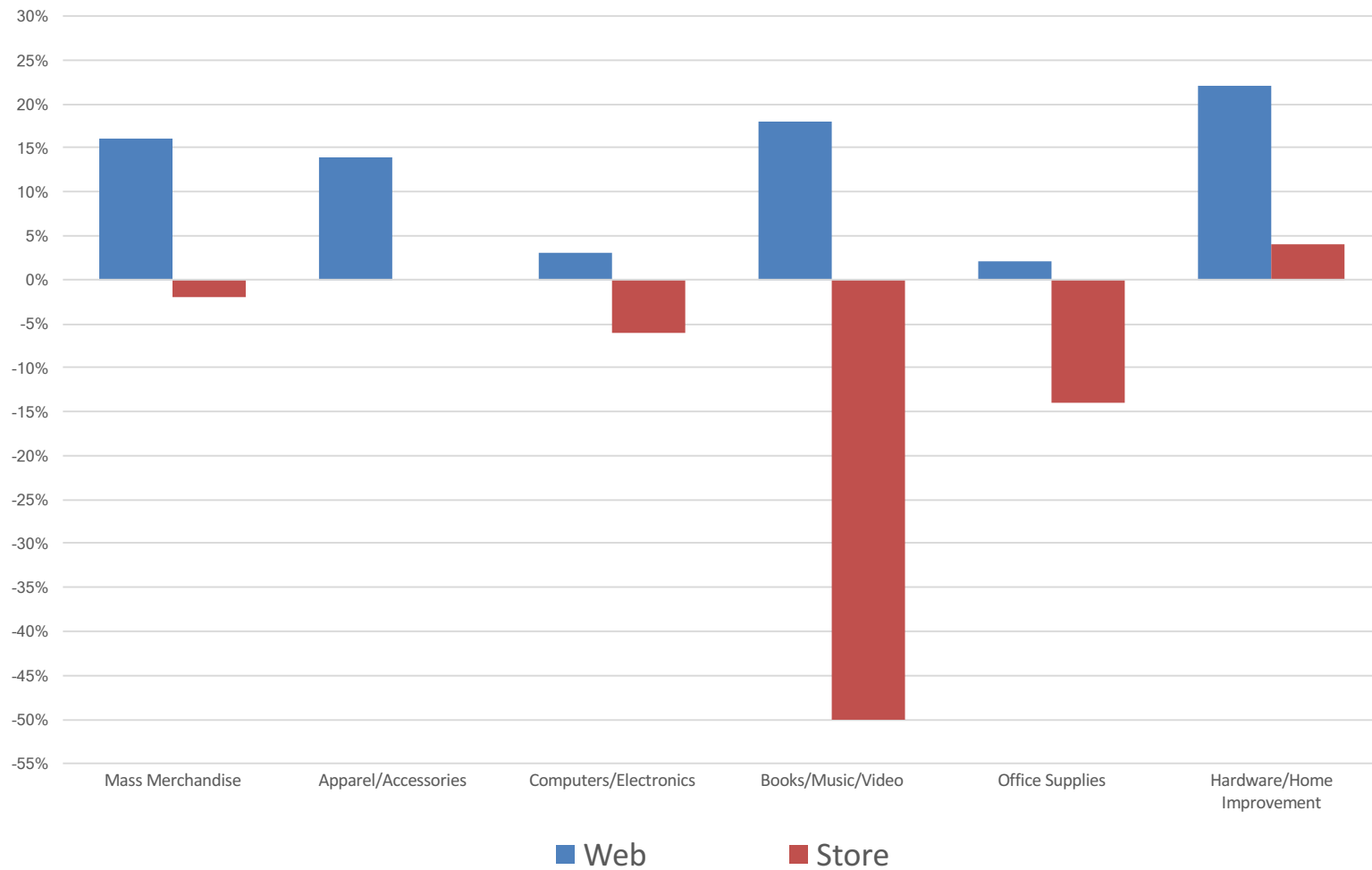
#17: 2015 Growth for Top E-Retailers



Source: Internet Retailer.

Prepared by New Economics & Advisory, August 2017.

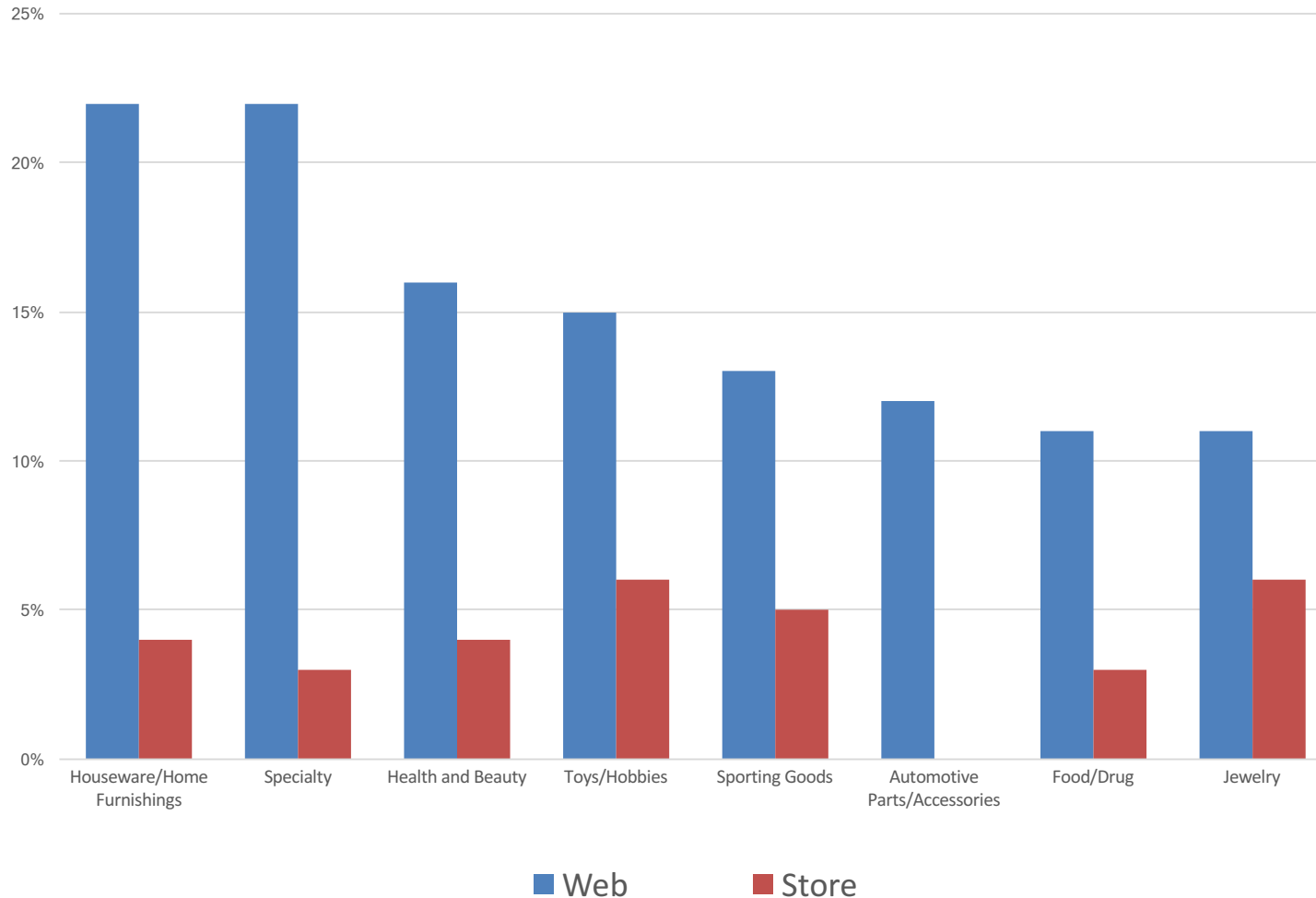
#18: 2015 Annual Growth for Primary Products



Source: Internet Retailer.

Prepared by New Economics & Advisory, August 2017.

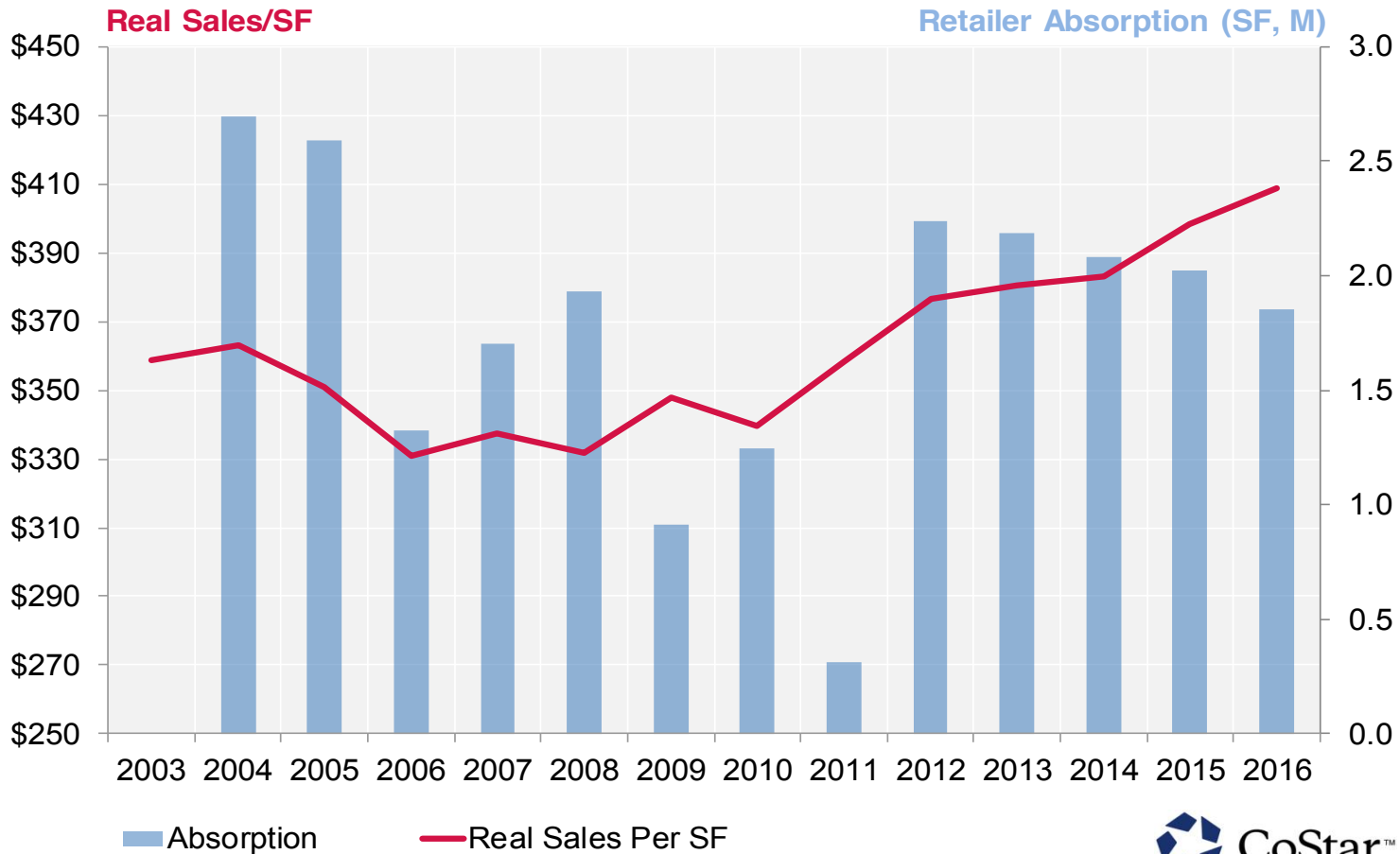
#19: 2015 Annual Growth for Other High Growth Categories



Source: Internet Retailer.

Prepared by New Economics & Advisory, August 2017.

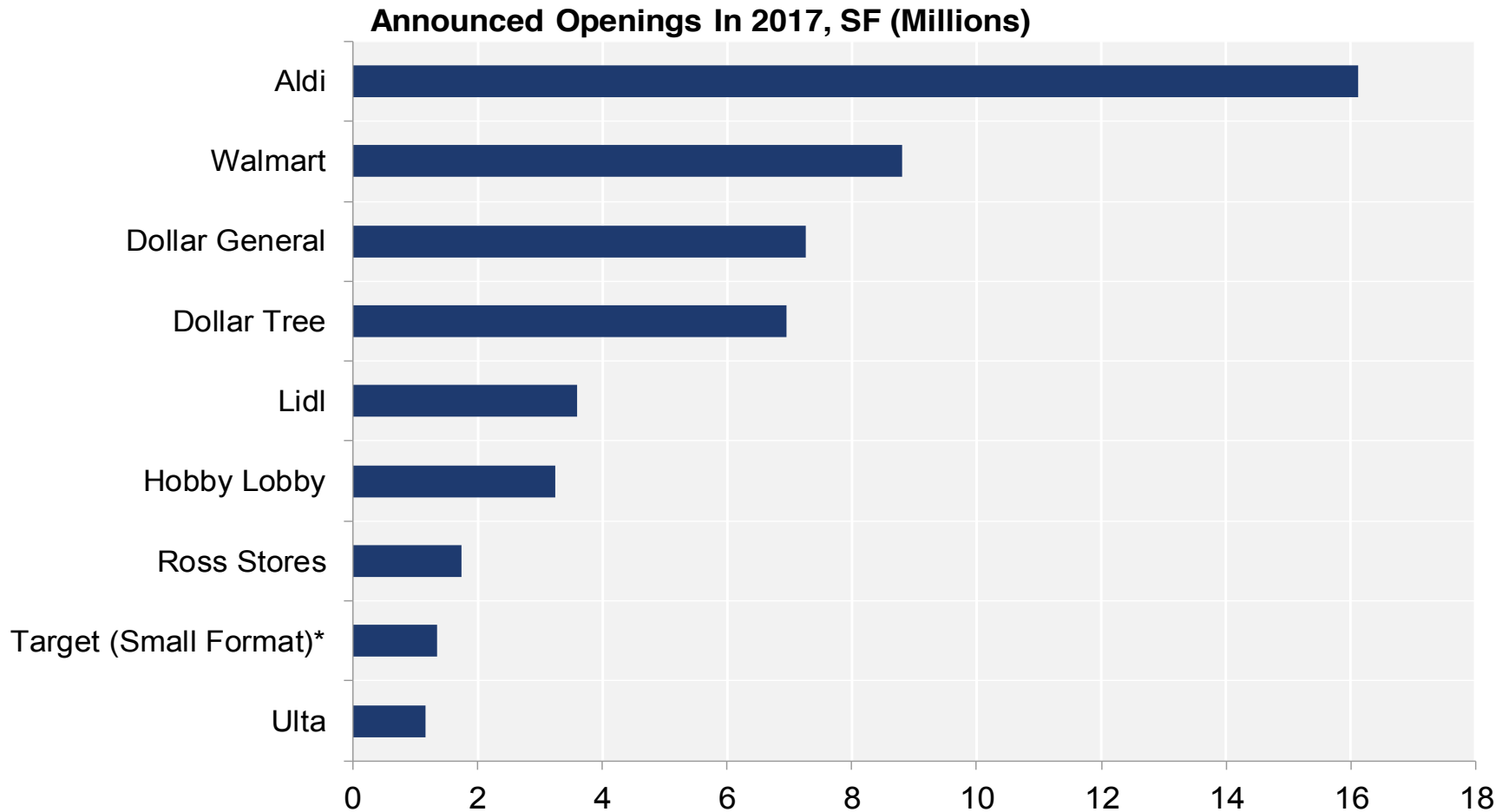
#20: Some Other Big-Box is Growing



Source: SEC Filings; CoStar Portfolio Strategy



#21: Announced 2017 Store Openings

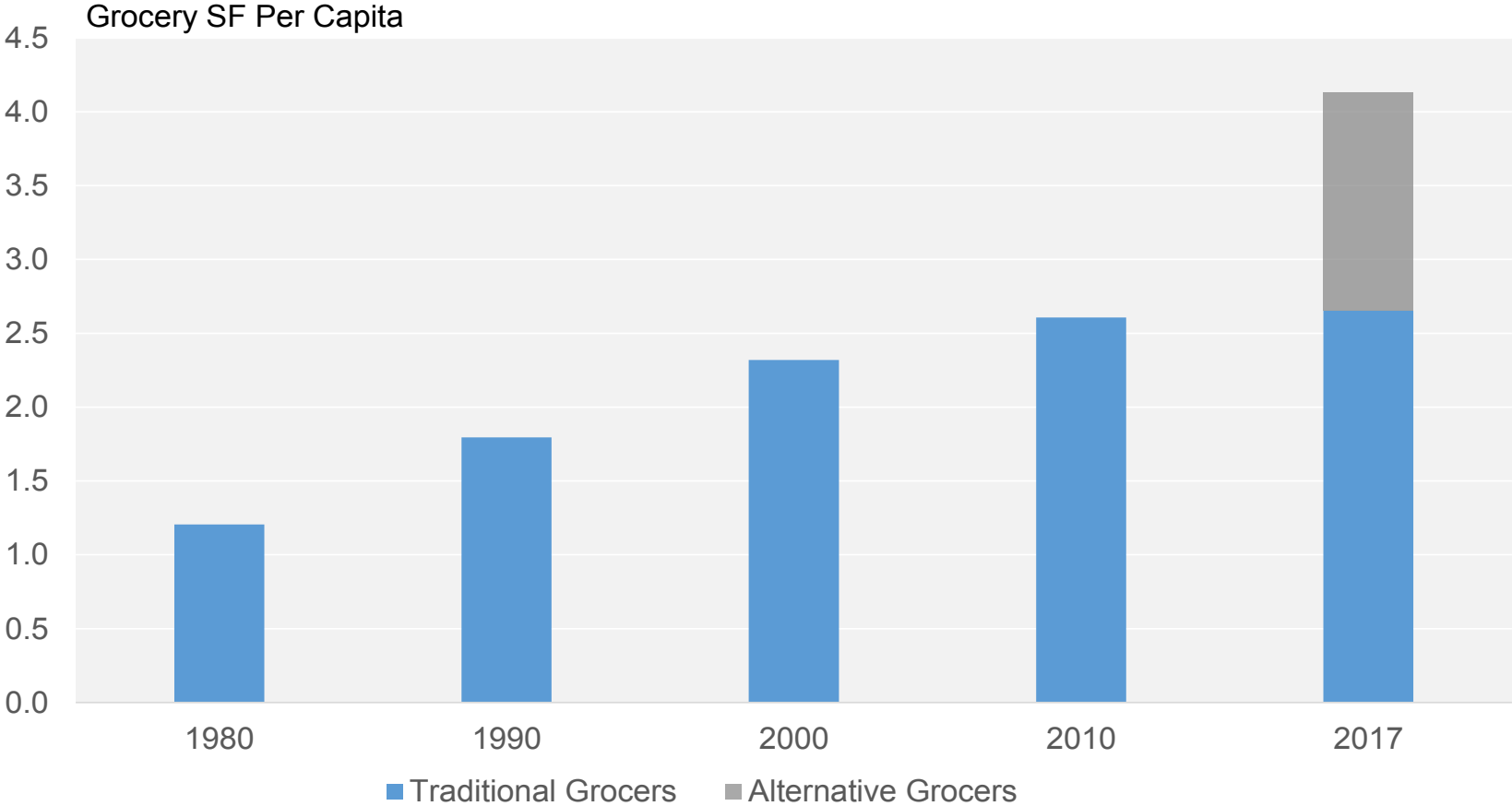


Sources: Business Insider; Clark Howard; ICSC; SEC Filings; CoStar Portfolio Strategy
*Smaller layout designed for high-density areas



As of 17Q2

#22: Traditional & Alternative* Grocery Supply & Inventory Per Capita

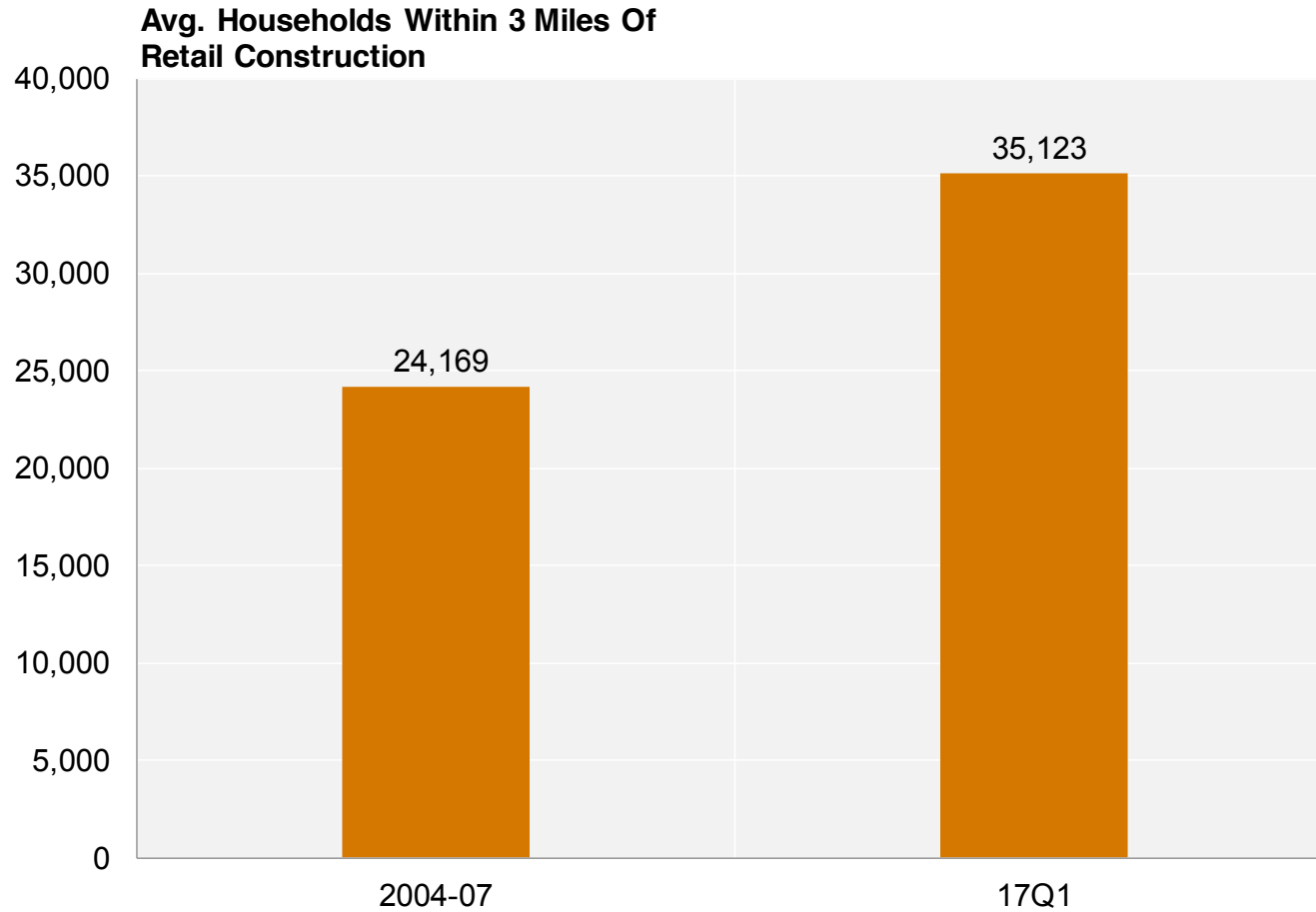


Source: CoStar

*Allocated SF from Walmart, Target, Meijer, Sam's Club, Costco, BJ's, Dollar General, Dollar Tree, Family Dollar, 99 Cents Only



#23: New Retail Wants More Density

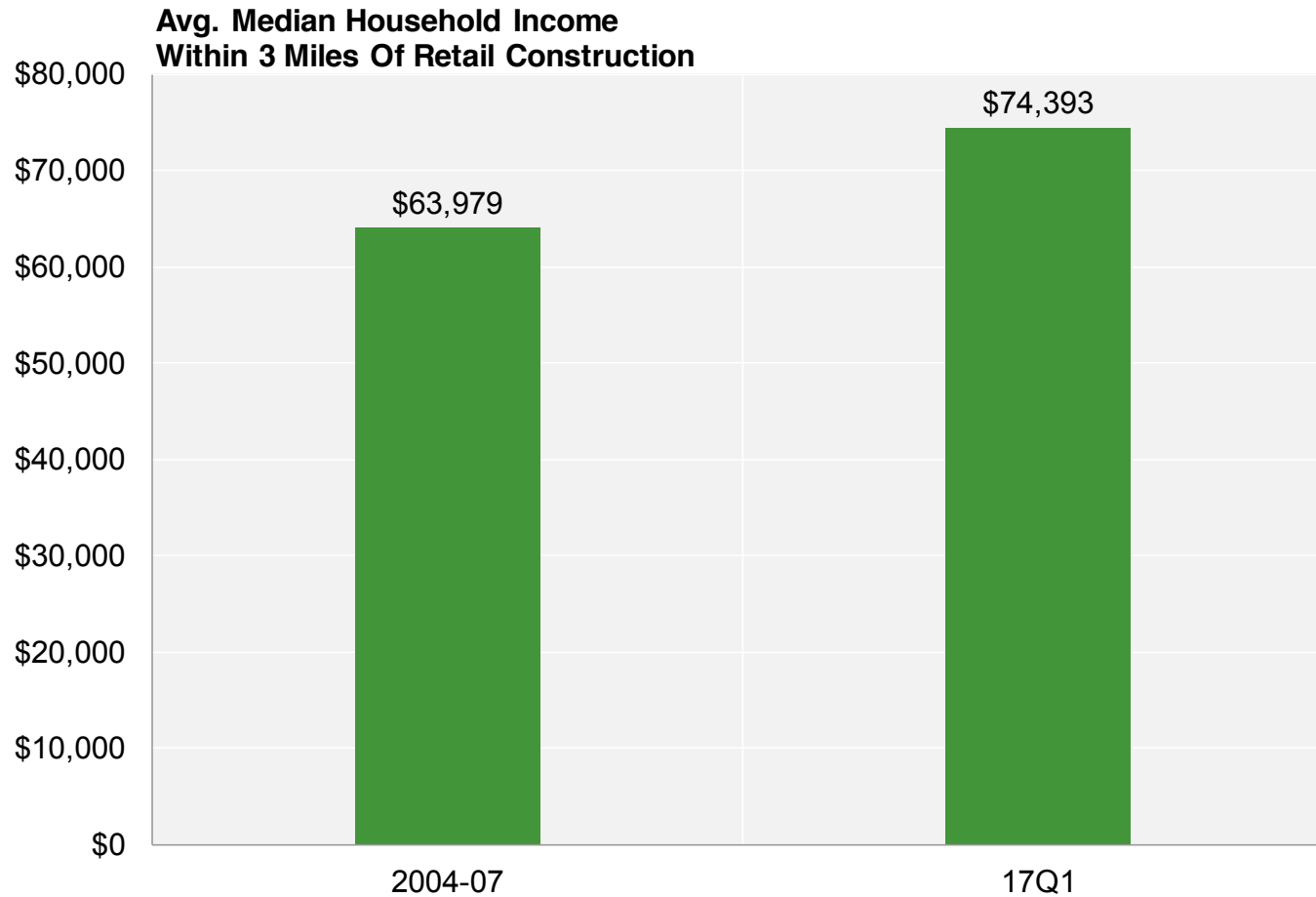


Sources: Neustar, CoStar Portfolio Strategy



As of 17Q1

#24: And Higher HH Incomes

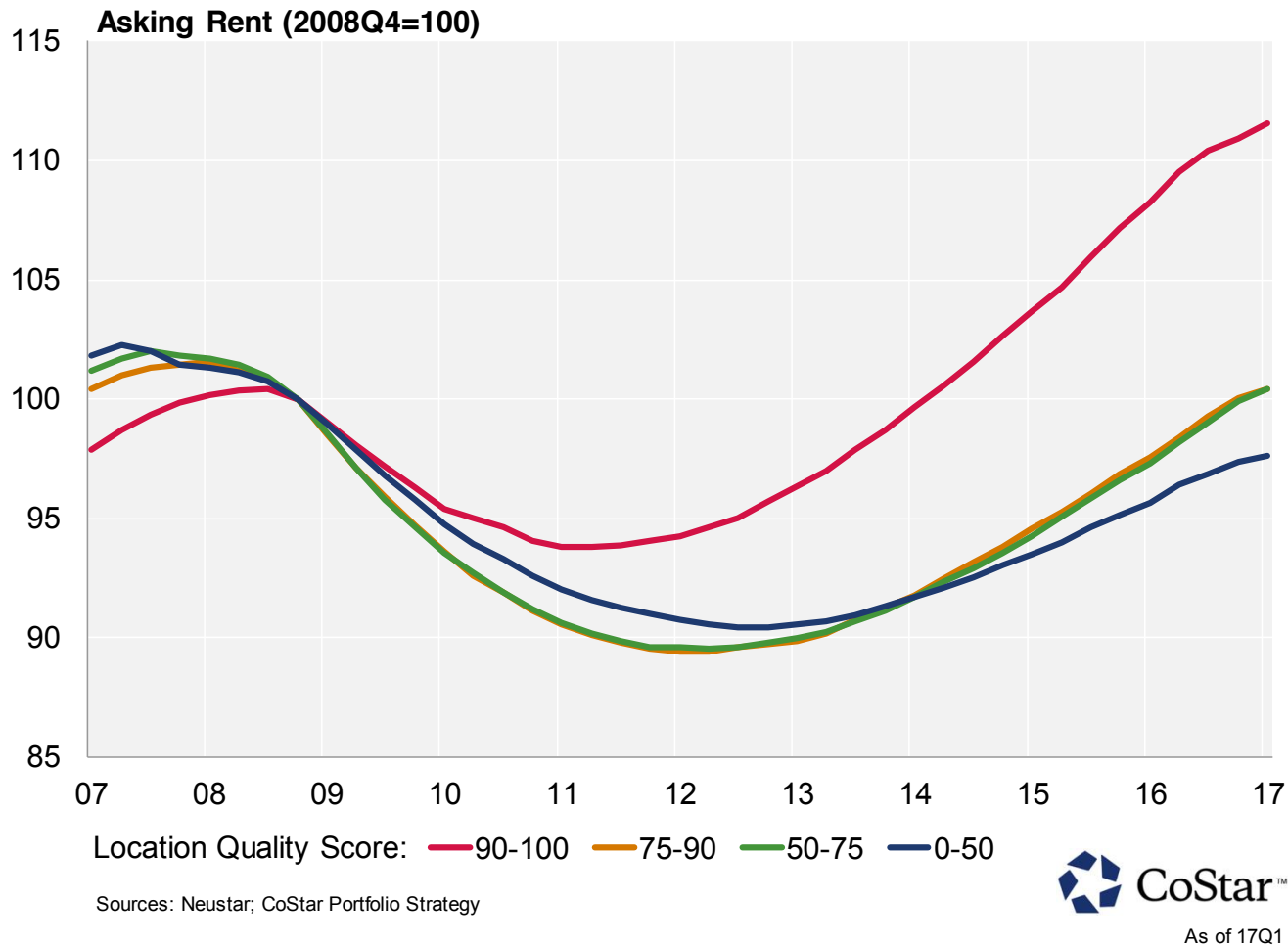


Sources: Neustar; CoStar Portfolio Strategy



As of 17Q1

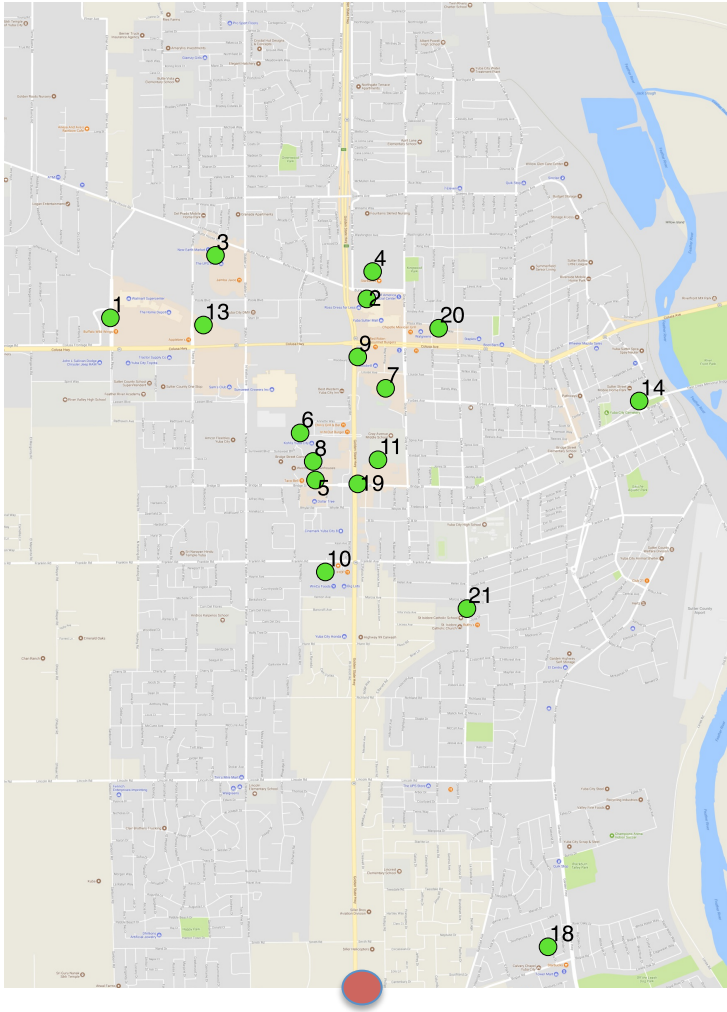
#25: Location Matters More Than Ever



#26: Land Use Implications

- Taxable sales will be harder to come by
- Keep as much existing brick and mortar as possible (capture share of on-line shopping).
- Struggling retail centers may not make it; at that point, they are no longer “taxable sales” generators.
- Existing retail centers that survive e-commerce will need more density nearby.
- Some retail markets have too much grocery; could be next wave of retailers to struggle.

#27: Example Urban Decay Study



- Retail Center Typology is Converging
- How far will people travel for brick and mortar retail (and for what)?
- Which existing centers will survive E-commerce?
- Can others be repositioned?
- Which new development sites are best for more retail?

NEW ECONOMICS & ADVISORY[®]

LAND USE ANALYSIS & STRATEGIES