

Takeaways from ICSC's RECon 2017

Impact from eCommerce, "Negativity in Retail" Dominate Topics at Retail Tradeshow *Words and Photos by Gary Marsh*

Las Vegas, NV, May 30, 2017 -- Before **Barbara Corcoran** gave her keynote presentation at the Tuesday luncheon in Las Vegas, **Kenneth F. Bernstein**, President and Chief Executive Officer of **Acadia Realty Trust** was elected by ICSC's Board of Trustees to serve as the organization's Chairman for the 2017-2018 term. Bernstein is the ICSC's 58th Chairman and succeeds Elizabeth I. Holland, CEO of Abbell Associates LLC.

In Bernstein's 10-minute talk before Shark Tank's Corcoran came on, he addressed the elephant in the room head on. Namely, store closures all across the U.S., big box retailers in retreat, the likely demise of Sears, and the serious disruption to the industry wrought by eCommerce.



Ken Bernstein

"Retail has always been Darwinian and it's always been cyclical. There is no doubt that retail is changing. Bricks and mortar retailers will still have a physical presence but they will do so in the context of being part of the Omni channel. They will use their stores as a critical element in offering their value proposition."

Bernstein went on to say how much Apple has obviously benefitted ("tremendously") by opening stores, and he also pointed out that 90 percent of retail sales still occur in stores and shopping centers. Yet the new Chairman also struck a defensive tone, as we heard in some other

panel events at ICSC, when he said: “It’s important that we help the media write not just the negative stories but what is really going on in our industry.”

In fairness to Mr. Bernstein, we will mention that media has historically latched on to “bad” vs. “good” news.

However, Bernstein’s point was understood in the context of other speakers at RECon. There is so much nuance to industry trends and the way the press covers it that most of us in the business don’t see, or get.

During the Capital Markets panel on Monday, **Mark Gibson**, an ICSC Trustee and Executive Managing Director of **HFF, LP** in Dallas, said (and I paraphrase here) “when the media bundles all retail into one basket, mixing Class B malls with aging power centers and Class A retail, they end up reporting that retail is in the worst shape than all of the real estate sectors; it’s misleading and the analysts give retail a bad rap, because poorly performing retail just happens to outweigh performing retail at the moment.”



Mark Gibson

Similarly, **Michael Graziano**, an ISCS Past Trustee and Managing Director at **Goldman, Sachs & Co.** in New York, said “there is no debate that the U.S. is over-retailed – lenders and retailers agree on that point. But there are still opportunities to build and fill retail space where markets are lacking and demand is there.”



Michael Graziano

From the Monday panel, attracting the Retail Store of the Future to Your Community Now, panelist **Jay Noddle**, President of Omaha NE-based Noddle Companies, said “there is doom and gloom right now but retail has always managed to remake itself.”

There were some other notable quotes from the Capital Markets panel, which was expertly moderated by **Brad M. Hutensky**, an ICSC Past Chairman and the Founder and CEO of Hutensky Capital Partners in Hartford, CT.



Brad Hutensky

Reflecting on the current negativity in retail, Graziano told the audience that Goldman Sachs underwriters want to know the business plans would-be borrowers have in loan applications. Again, hinting at the negative perception the retail industry has at the moment, he said that they ask:

- What's your retail exposure?
- What is the quality of the tenants?
- Any transitional issues pending?"

On foreign investors, Gibson said that “most foreign investors have U.S.-based underwriters helping them to determine and evaluate investing opportunities and today, they are buying equally in prime and secondary markets. And they are looking at everything – in-place property, core, value add, ground up, and looking for operators.”

Perhaps the most surprising comment from this panel came when Gibson said “power centers could have the best risk-adjusted returns in commercial real estate right now.”

Switching over to the retail panel we attended at this ICSC conference, Noddle noted that retail rents are pressing the envelope and tenants are (successfully) pushing back on rent increases.

“We used to say we can make it (profit/revenue) on the shop space but we can’t say that anymore. Plus, the demand for public space has never been higher and that space is harder to

capitalize on.” Farmers markets, space for food truck and music are the most popular uses of public space at shopping centers these days, Noddle said.



Jay Noddle

Baltimore Mayor Catherine Pugh was also a panelist on the Attracting the Retail Store of the Future event, and she said that her city studies demographics closely in determining the best ways to reshape the Mid-Atlantic city.

“With the ongoing trend that 90 percent of our (U.S.) population is moving to urban environments, it’s clear that people want to be near retail and entertainment,” she said. Noting that Whole Foods opened a much smaller than average store in a newly built and highly dense section of Baltimore – and it was highly successful – “people go to that store not just to buy food, but for the entertainment and community connection (there is a bowling alley and movie theater near that Whole Foods).”

The Mayor added: “We’ve got to be focused and ensure that we meet the needs of the people in our city and at the same time, attract the people we want in our city.”



Baltimore Mayor Catherine Pugh

Keynote Speakers Serena Williams and Barbara Corcoran were Fun, Interesting!

Serena Williams

Looking very pregnant, the greatest woman athlete of all time, **Serena Williams**, kicked off the 2017 iteration of RECon with a keynote address and interview Sunday by **Sandeep Mathrani**, CEO of Chicago-based GGP (NYSE: GGP) and an ICSC Trustee.



The 35-year-old tennis star and entrepreneur won her 23rd Grand Slam tennis title in Australia earlier this year (a record in the modern era) and told a full auditorium of attendees that she was enjoying her time off the court. After all, Serena turned pro at 14, won her first Slam at 17, and the tennis season is a long one – January through November with December usually dedicated to training for the next season starting with the Slam Down Under.

The budding fashion design star shared some of her personality traits that none of us ever see watching her play tennis – except this one: “I love to compete,” she said.

Serena attributed her competitive nature to an innate being, yet also said that she works on it by focusing on getting past “good” and striving for greatness.

“I’m always thinking of how I can get better. I never want to blend in, and I don’t say that in an eccentric way, but in an achievement way. Tennis has helped me shape this attitude and I bring it to all of my business endeavors,” she said.



As to the other things we learned about Serena... when Mathrani asked her what surprises people most when they get to know her, she said she wasn't as fierce as her competitors think she is, and that she's basically sweet inside – “but don't let my competitors know,” drawing a laugh from the crowd. She also said that when she's with a smallish group of family and friends, she often provides the comic relief in the room.

Related, Mathrani revealed the youngest of the Williams's sisters (there is Venus, plus three others) is the first African American woman to be an NFL team owner (Serena is a limited partner in the Miami Dolphins).

Serena earned a Fashion Design Degree from The Art Institutes in between tennis tournaments and appears poised to pursue that career when she hangs up her sneakers. Whether she continues playing professional tennis after giving birth is unknown, and we wish Mathrani had asked that question – but I guess that is for a Sports Illustrated audience, not a retail real estate audience.

Barbara Corcoran

Don't mistake the petit woman with the close-cropped hair for your sweet aunt in Kansas City, which if you have seen her on ABC's Shark Tank, you wouldn't do anyway.



At RECon, Corcoran was energetic and intense, as expected, and unexpectedly funny at times.

“The viciousness of my ego kept me going when times were tough,” Corcoran told the lunch crowd on Tuesday at ICSC.

Editorial comment: that is one of the most courageous, honest and candid statements I have ever heard. Courageous, because most people would never admit to it, even if true.

The context to that statement was when Corcoran relayed the story of getting started in the residential real estate business in New York. Corcoran was working as a diner waitress when she met her future boyfriend who loaned her \$1,000 to start a real estate business, with him as a “silent partner.”



But first, they became partners in a more intimate sense, and Corcoran was funny telling that part of the story.

“The first time I met Ramone, I knew I was going to lose my virginity to him. But in reality, it’s not that I lost it him – no one before had ever asked me for it.”

Within a short period they had built up a firm with 14 agents when one day, her boyfriend told Corcoran that he was going to marry *her* secretary.

“It took us about three minutes to end our business relationship and close the business we had. Just like picking kids for a pickup basketball game in the neighborhood, we “drafted” 7 agents a piece, alternating our picks, and within a week I had an office and started The Corcoran Group (in 1973) on the Upper East Side in New York with my 7 people, she said.

Before they parted company forever, however, her ex-boyfriend told Corcoran: “You’ll never succeed without me.”

At that juncture everyone applauded Corcoran and she followed the applause with those words, “the viciousness of my own ego kept me going when times were tough.”

Corcoran sold her real estate company for \$66 million. The Corcoran Group now has 2,500 agents in several New York City offices, The Hamptons and South Florida, and generates more than \$18 billion in real estate sales annually.

How Barbara Corcoran built the business would take way more space than we will give it here, but in short, she embraced competition, learned the value of public relations early, recognized humans for what we are (“there are two types of people in the world – expanders and containers”) and recruited accordingly. She also introduced fun into managing and running a business while investing consistently to grow the business by spending as much as possible on advertising and other promotions.

And one other thing, when only a select few government employees knew what the Internet was in the early 1990s, she learned about it from her Navy Captain husband, set up a site, quickly sold two New York homes to people from London, then promptly registered all the names of her competitors. One by one, her competitors had to buy their domain names from Corcoran.

Corcoran said successful sales people and entrepreneurs have the ability to handle failure better than others and “get over the feeling of being sorry for yourself” faster than others.

Demonstrating her competitiveness, she relayed the story when legendary television and film producer Mark Burnett called to ask her if she would participate in a new television series he was going to produce, Shark Tank. Corcoran said yes, and was later told they had selected someone else for one of the two female slots. She didn’t accept the rejection readily, and wrote Burnett a letter in which she suggested that he conduct a tryout with her and the other finalists. We know how that ended.

Barbara Corcoran Inc. is her business now. She’s a business coach and also invests and coaches startup businesses that appeared on Shark Tank. She’s a book author and active public speaker. One of 10 children from a small town in New Jersey, Corcoran is a true American success story.