

RETAIL TRENDS THAT CAUSED CHANGE IN COMMERCIAL SPACES

By Rose Morrison, Writer & Managing Editor, Renovated

October 25, 2022

Retail trends and consumer behavior have changed since before the pandemic. Yet, specific changes have accelerated in adoption as the globe moves through a post-pandemic world.

Now, major opportunities exist for retailers, forcing new operational strategies and changing the overall retail landscape – along with its properties. As these trends create a massive transformation, how are they affecting commercial spaces? And how are real estate investors capitalizing on these emerging trends?

Consumers' shopping habits have altered, but retailers will continue to reimagine in-store experiences. By doing so, these retail trends will entice consumers and bring in-store shopping back to life. Consider the top changes below.

1. INDUSTRIALIZATION AND RETAILERS MIX

Retailers must implement an omnichannel fulfillment strategy as consumers demand faster e-commerce deliveries. Despite more orders moving to the e-commerce space, physical retailers must adopt a consistent shopping experience online and in-store.

However, it depends on the retailer's size when deciding which path to take. For example, larger retailers like Amazon or Walmart pursue a hub-like distribution model. This combines large distribution centers with point-of-sale stores.

By using large distribution centers, retailers can ship large items. In contrast, their physical stores can ship smaller items and handle in-store exchanges. As a result, you see the birth of the industrialization of the retail sector.

For retailers that don't have the supply chain methods like Walmart, this emphasizes the importance of their stock rooms. Smaller retailers still need to accommodate online and in-store orders. Therefore, retailers are increasing their store rooms and downsizing their sales floors.

2. DIGITIZING PHYSICAL STORES

Retailers made heavy investments in reducing the frequency of touch in stores during the rise of the pandemic. Today, touch-free technologies – like contactless payments and augmented and virtual reality – have become the norm and shoppers are quick to embrace this trend.

For instance, some retailers have adopted virtual fitting rooms using AR technology. The digital space allows shoppers to try on clothes virtually, reducing return rates.

“Building Successful Relationships” is our Mission.

The foregoing information was furnished to us by sources which we deem to be reliable, but no warranty or representation is made as to the accuracy thereof. Subject to correction of errors, omissions, change of price, prior sale or withdrawal from market without notice. This article is for informational purposes only.

© 2022 WCRE All Rights Reserved

Other hands-free technology currently analyzes skin tones to offer personalized suggestions. And you can't ignore Amazon Go stores, which let shoppers pay for groceries without needing to go through a cashier.

While most of these technologies are online, you'll see many retailers adopting them in-store. For real estate investors, you can expect this to be the norm in tenant stores moving forward.

3. INCREASED ADOPTION OF TECHNOLOGY AND ARTIFICIAL INTELLIGENCE

Major retailers continue enhancing the shopping experience by experimenting with autonomous technology such as robots and drones. While trials have been slower because of other prioritized projects, the objective remains the same.

Retailers want to adopt in-store robots but must ensure they accurately collect and process data to solve business issues. Meanwhile, retailers use drones and driverless cars to conserve energy and make deliveries more sustainable.

Robots are the future of in-store inventory management and are increasing the speed of fulfillment and distribution centers. While full implementation of robotics technology is years away, the case for last-mile deliveries in urbanized areas is still compelling.

4. HIGHER SUSTAINABILITY PRESSURES

Consumer behaviors have shifted toward going green, driving business response to climate change. Plus, sustainable times are now here as policymakers enforce new regulations, placing more pressure on retailers to adopt a sustainable approach.

For example, the EU's European Green Deal prioritizes reducing and reusing recycled materials, ensuring all packaging is recyclable by 2030. With these practices in mind, retailers will need to shift their focus toward sustainable manufacturing and packaging practices.

To further meet sustainability objectives, retailers are also addressing electricity costs. They're managing energy by moving toward smaller store formats. Various operators lowering their energy consumption are qualifying for incentives.

However, these programs require coordination and collaboration between operators and utility companies. Therefore, retailers will need a connected infrastructure to streamline energy consumption within their buildings.

“Building Successful Relationships” is our Mission.

The foregoing information was furnished to us by sources which we deem to be reliable, but no warranty or representation is made as to the accuracy thereof. Subject to correction of errors, errors, omissions, change of price, prior sale or withdrawal from market without notice. This article is for informational purposes only.

© 2022 WCRE All Rights Reserved

5. MEDICAL RETAIL IS ON THE RISE

One significant impact the pandemic has caused is the quick separation between essential and nonessential retailers. For instance, grocery stores flourished during the pandemic while clothing retailers suffered.

This event resulted in more vacancies by these tenants, creating an opportunity for the health care sector. Now, health care tenant occupancy is rising and filling empty spaces. Most health care in retail settings includes dental, primary care, urgent care and diagnostics. An increasing number of medical tenants will influence commercial space well into the future.

THE FUTURE OF COMMERCIAL SPACE

In reality, accelerating retail trends are taking place because of changing consumer shopping habits. In turn, retailers and landlords face a colossal market shift – closing many outlets for good.

However, real estate owners are working with retailers to reshape their commercial spaces and compete with online shopping. Though consumers have shifted toward online shopping, retailers must provide a high-end shopping experience in-person.

The fact remains that landlords must collaborate with retailers to ensure physical stores remain relevant and attractive to shoppers. Retailers and real estate investors must be closer to where consumers live, work and play. Furthermore, landlords must look toward more developments focusing on residential, hospitality, service and other industries rather than retail.

Commercial landlords are managing these trends by utilizing relevant technologies. They will have to demonstrate the value of retail spaces and can achieve this by analyzing and measuring foot traffic while tracking the customer's journey in stores. Landlords who manage a diverse set of properties will require software to blur the line between commercial and residential tenants by providing a holistic view of available leases.

THRIVING IN CHALLENGING TIMES

Retailers and commercial landlords have endured several challenges during the pandemic. Yet, that doesn't mean they can't adapt to thrive in a post-pandemic world. Now that the vaccine program has rolled out, this brings hope for retailers and investors to focus on the road to recovery.

“Building Successful Relationships” is our Mission.

The foregoing information was furnished to us by sources which we deem to be reliable, but no warranty or representation is made as to the accuracy thereof. Subject to correction of errors, errors, omissions, change of price, prior sale or withdrawal from market without notice. This article is for informational purposes only.

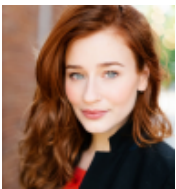
© 2022 WCRE All Rights Reserved

One thing that will help investors capitalize on these trends is by understanding tenants' business plans. Many retailers are focusing on bringing the experiential component of online shopping into stores.

Consider investing time in understanding how retailers plan to use square footage in their store rooms and fulfill online orders. Embracing these trends and having a better understanding ensures your tenants can succeed in paying their rent and you capitalize on the market share.

Rose Morrison is a residential and commercial real estate writer and the managing editor of Renovated. To see more of her work visit: <https://renovated.com/>

FOR MORE INFORMATION CONTACT:



Rose Morrison
rose@renovated.com
<https://renovated.com/>

“Building Successful Relationships” is our Mission.

The foregoing information was furnished to us by sources which we deem to be reliable, but no warranty or representation is made as to the accuracy thereof. Subject to correction of errors, errors, omissions, change of price, prior sale or withdrawal from market without notice. This article is for informational purposes only. © 2022 WCRE All Rights Reserved