

Rose Paper: Retail Trends

Opposition to Nomination CPN22-LE-001

Combined Properties admits that "there has been notable recovery and growth in the businesses at Rose Hill and look forward to their continued success."

In the February issue of Rose Hill Civic Association's *The Rambler*, the editor interviewed Jon Stollberg, marketing coordinator for Combined Properties, who said, "We have been happy to see that since the pandemic there has been notable recovery and growth in the businesses at Rose Hill and look forward to their continued success."

Source: *Rose Hill Coalition Update*, 2/27/2023 (see New Stores Open in Shopping Center, Rose Hill Shoe Repair Closes", page 4)

<https://rosehillcoalition.org/coalition-updates/>

Contrary to initial forecasts, the need for physical shopping centers will continue to thrive, even in today's digital world. The digital world certainly has improved consumers' options and grown economies worldwide. However, it is important to understand that it has *augmented* shopping, not replaced the need and desire for local, physical shopping options.

E-commerce retailers that rode a surge of online purchases in 2020 are now grappling with the fact that customers are returning to stores. Wall Street Journal reporter Peter Rudegeair tells WSJ What's News host Luke Vargas what this means for online and brick-and-mortar retailers. ...if you want to discover new products, there still really isn't anything like going into a store, looking around, touching and feeling something. So yes, it is more expensive to go from just online to online plus in-store, but you just got to go where the people are and most sales still are happening offline.

Source: *Wall Street Journal*, 4/18/2022

<https://www.wsj.com/podcasts/google-news-update/has-e-commerce-peaked/369f44c6-e453-4095-82bc-f9badc1bdf74?page=1>

The realities of shopping and retail are anything but constant and predictable now. Decisions being made now are based on out-dated data and forecasts. The demise of shopping in person was overhyped and never came to fruition. Retail is becoming more dynamic and nuanced in order to meet the real needs of the public.

Once people order their groceries online and discover they're not getting the wilted lettuce, maybe they'll do that after the pandemic. But we haven't seen that happen across the board. And we'll just have to see where the macroeconomic environment goes.

Source: *Wall Street Journal*, 4/18/2022

<https://www.wsj.com/podcasts/google-news-update/has-e-commerce-peaked/369f44c6-e453-4095-82bc-f9badc1bdf74?page=1>

Investors run to the latest shining dollar without regard for the long-term. In the early 2000s the focus of developers was office buildings to house the growing workforce. Not only did that not happen, but it was brought to a full reversal with the pandemic. We now have a glut of empty office buildings that continues to grow. That results in big losses for investors who are now looking for the next shiny dollar.

Investors are buying more malls as consumers return to buying in person, especially to locations that offer experiences not found on the internet

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Source: *Wall Street Journal*, 8/2/2022

<https://www.wsj.com/articles/los-angeles-shopping-center-shows-strength-of-bricks-and-mortar-retail-11659441600?page=1>

People never stopped buying in person. They were just forced to by short-term circumstances.

Bricks-and-mortar store owners are emerging from the pandemic with surprising strength, posting some of their best numbers in years and plotting expansions as more Americans venture out to buy things again.

Source: *Wall Street Journal*, 10/4/2022

<https://www.wsj.com/articles/retail-real-estate-is-enjoying-its-biggest-revival-in-years-11664875802?page=2>

What once was old is new again. Retailers are learning the new ropes. The message, though, is clear. Brick and mortar is here to stay because people want to get out of the house. Virtual is not all what it's all made up to be.

Barnes & Noble Store Expansion Leads Big-Box Real-Estate Revival in 2023

The bookseller is opening more stores than it is closing, including two in the Boston area in locations formerly occupied by Amazon Books

Source: *Wall Street Journal*, 12/19/2022

<https://www.wsj.com/articles/barnes-noble-store-expansion-leads-big-box-real-estate-revival-in-2023-11671454054?page=2>

The market goes up and it goes down. They say don't try to time the market because you will lose.

Don't Count Out the Consumer Yet: Softer February retail sales were a payback for a strong January

Source: *Wall Street Journal*, 3/15/2023

<https://www.wsj.com/articles/dont-count-out-the-consumer-yet-a21ca097?page=2>

Even prior to the pandemic, companies were racing towards the digital marketplace, but now they doing an about-face. Digital retailers are moving to brick and mortar stores to expand their market share as well as to better “connect” with their customers. Amazon, Warby Parker, VistaPrint, Athleta, and others understand the value of providing physical stores for a fuller consumer experience as well as increased purchasing options.

The Pandemic Was Supposed to Push All Shopping Online. It Didn't: E-commerce retailers that rode a surge of online purchases in 2020 are now grappling with the fact that some customers have returned to stores

Source: *Wall Street Journal*, 4/16/2022

<https://www.wsj.com/articles/the-pandemic-was-supposed-to-push-all-shopping-online-it-didnt-11650081652?page=3>

The e-commerce retail giant, Amazon, is taking a step back. That should tell you that e-commerce is taking a back seat again to in-person shopping.

Amazon, Rivian in Talks to End Exclusivity Part of Delivery-Van Pact: EV maker seeks to sell to others after Amazon order at low end of range

Source: *Wall Street Journal*, 3/14/2023

<https://www.wsj.com/articles/amazon-rivian-in-talks-to-end-exclusivity-part-of-delivery-van-pact-5cea809d?page=3>

Physical retail locations create valuable local jobs. The thing about local retail is that it creates local jobs. The majority of employees and small business owners live in the local neighborhoods.

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Tech, Finance Companies Continue to Cut Jobs Despite Strong Broader Labor Market: Retailers, hotels and restaurants hired briskly in February

Source: *Wall Street Journal*, 3/10/2023

<https://www.wsj.com/articles/tech-finance-companies-continue-to-cut-jobs-despite-strong-broader-labor-market-2300b66f?page=3>

Growth rates do not show the true picture. While e-commerce grew significantly compared to retail, it's market share is significantly smaller. E-commerce accounts for \$38 billion while in-store retail accounts for \$144 billion. It's the old "We got 200% more apples" trick, but you only started with one.

In-store vs. Online (See Attachment)

Source: *Wall Street Journal*

Shopping centers create value by serving as a hub for activities. Local organizations fund-raise in these plazas. Community interests and activities such as voter registration, petitions, and other community involvement activities are supported and enhanced by these centers. These experiences and activities are unique to a safe, convenient, and community-oriented physical space.

A report from the International Council of Shopping Centers (ICSC) said that 85 percent of U.S. shopping centers are neighborhood and community centers, almost half of which are occupied by locally owned businesses.

According to ICSC's Ceo Tom McGee, "Incorporating small businesses boils down to one simple principle: At its core, they're what the shopping center industry is all about."

Source: CNBC, 6/21/2016

<https://www.cnbc.com/2016/06/21/small-businesses-shake-up-the-mix-at-local-malls.html>

Small businesses are the heart of America.

Small Businesses are where the U.S. economy begins. All of the 18,500 businesses in the United States with 500+ employees began as a small business, including Dart Drug which was started by Herbert and Gloria Haft in the DMV in 1955. Combined Properties is owned by their son, Robert Haft. In 2005, Robert Haft founded MainStreet Lender to provide lending services for small business borrowers. The lending service is now owned by Pacific Western Bank but continues to finance small businesses and "support meaningful and sustainable change led by community organizations focused on advancing social, educational and economic equality."

Source: Pacific Western Bank

https://www.pacwest.com/sites/default/files/2022-10/2021EnvironmentalSocialGovernanceReport_0.pdf

Shopping in person is more than simply buying a product. Shopping is an experience.

It is an opportunity to connect with people, experience the newest products and compare physically before you buy.

Source: Eidi Properties, Toledo, OH, 1/12/2018

<https://eidiproperties.com/2018/01/12/the-resurgence-of-shopping-centers-in-a-digital-world/>

Shopping Centers Create Value to the Community

"It [the neighborhood shopping center] operates in a local community. It's an integral piece of that local city or town. A lot of the tenants in there are folks that live in those towns," he said. "It's part of the value proposition of the industry," he added, saying the level of brand loyalty small stores generate "cannot be understated."

Source: CNBC, 6/21/2016

<https://www.cnbc.com/2016/06/21/small-businesses-shake-up-the-mix-at-local-malls.html>

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The majority of U.S. shopping centers are neighborhood and community centers and half of those are leased by locally-owned businesses.

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The Rose Hill Plaza currently provides a sense of place unique to our area, thereby contributing to the social and economic well-being of the community and the county. Local residents welcome a revitalization of the plaza, but that does not entail eliminating it. Residents want to enhance and embracing what is there. Ideas for improvement include removing one-third to half of the parking area which is not used, and installing green space that welcomes residents and reduces the environmental impact from runoff. Likewise, a facelift of the facade would be welcome to make it more inviting and modern.

Revitalization

Fairfax County is engaged in a variety of initiatives designed to revitalize the older commercial centers of the county. Revitalization programs and initiatives seek to sustain the economic vitality and quality of life in older commercial centers and adjacent neighborhoods.

Fairfax County should encourage and facilitate the revitalization of older commercial and residential areas of the county where present conditions warrant. Revitalization initiatives should encourage business development, promote public and private investment and reinvestment and seek to prevent or eliminate the negative effects of deteriorating commercial and industrial areas. Revitalization efforts should work in concert with other community programs and infrastructure improvements and strive to foster a sense of place unique to each area, thereby contributing to the social and economic wellbeing of the community and the county.

Source: Fairfax County, FAIRFAX COUNTY COMPREHENSIVE PLAN, 2017 Edition

<https://mail.google.com/mail/u/1/#label/Research+Documents?projector=1>

Investing in the plaza, versus tearing it down and eliminating the majority of retail that is a significant resource for residents (especially elderly and physically challenged), is the more logical choice for both the neighborhood and the developer. To spend hundreds of millions of dollars to tear down and build residential units as proposed does not make economic sense. Contrary to calls for more housing, many rental units in the area remain unleased. The Rose Hill Apartments adjacent to the plaza has 67 vacancies. Even the developer's new site at Alexandria South has ~300 vacancies one year after opening. Both sites advertise a free month of rent. In addition, the rent rates for the proposed development will not be at a level that qualifies as affordable housing. The County-required percentage of affordable housing will add only 24 units and those diminish over time.

According to the websites of apartment rental websites and local apartment complexes in Franconia District, including Rose Hill Apartments, rents range from \$1,200 to \$6,200. The following number of vacancies currently exist:

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South Alexandria (owned by Combined Properties; opened in early 2022): ~300 vacancies (<https://southalex.com/>)

Rose Hill Apartments: 66 vacancies (<https://www.rosehill-aps.com/floorplans>)

Franconia District Vacancies

> Apartments.com: 160

> Zillow: 16

> Trulia: 50

> Apartment Finder: 160

Sources:

- <https://rosehillcoalition.org/coalition-updates/>
- <https://www.apartments.com/franconia-va/>
- <https://www.zillow.com/franconia-alexandria-va/apartments/>
- <https://www.apartmentfinder.com/Virginia/Franconia-Apartments>