

—THE RETAIL ISSUE—

# Knowledge Leader

SPRING/SUMMER 2015 / COLLIERS.COM

## WIN WYNN

STEVE WYNN  
HEADS TO  
BOSTON

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### PLUS

#### CONSUMER TRENDS

TIAA-CREF'S JOHN RAGLAND  
EXAMINES RETAIL TODAY

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#### OFF THE MARK

TARGET CANADA CLOSES STORES

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#### BRANDING

EDDIE BAUER RETURNS TO ITS ROOTS





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## RETAIL

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SPRING/SUMMER 2015

COLLIERS INTERNATIONAL BUSINESS MAGAZINE

Knowledge  
Leader



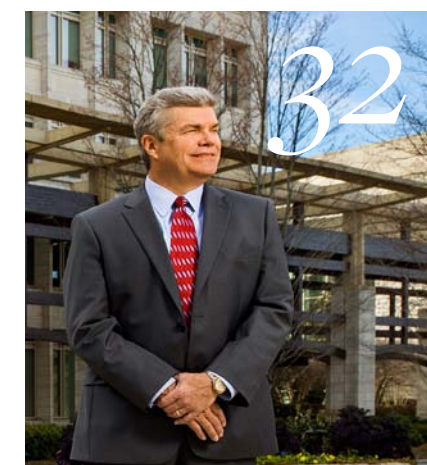
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*By Teresa Kenney*



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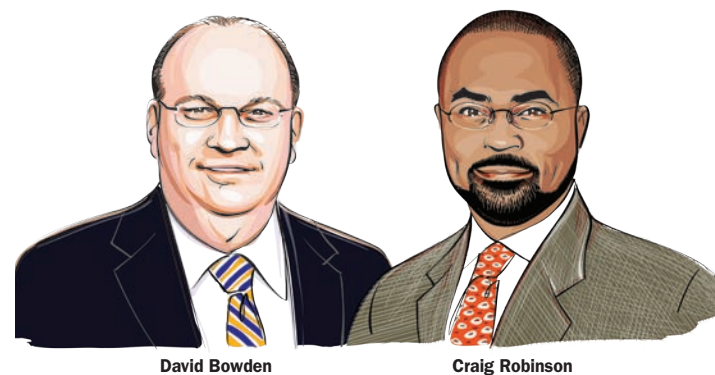
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**Colliers**  
INTERNATIONAL





# The Only Constant Is Change

THESE DAYS, WITH THE WORLD OF RETAIL IN FLUX, it's fairly safe to assume that the only constant is change itself. From e-commerce to 3-D printing to drones to virtual reality technology, retailers across the globe are scrambling to provide customers—including millennials—not only quality goods but unique and memorable experiences lest they become irrelevant.

With a retail-inspired theme, this issue of *Knowledge Leader* shines a light on companies that are staying ahead of the curve—their aim, of course, being to attract greater market share as the industry redefines itself.

*Knowledge Leader* shines a light on companies that are staying ahead of the curve—their aim, of course, being to attract greater market share as the (retail) industry redefines itself.

Seattle-based Eddie Bauer is one such company. With 340 retail stores and outlets, the sportswear company has plans to “right-size” its portfolio and open smaller shops in major U.S. cities, such as New York City and San Francisco, where it lacks a strong presence.

Conversely, Target Canada has missed the mark. Writers James Smerdon and David Bell provide an inside view into the retail behemoth's epic failure, resulting in the shuttering of more than 130 stores. And it begs the question: What on earth will happen to all that square footage?

Additionally, our cover story on casino-resort mogul Steve Wynn and his latest venture, the \$1.6 billion Wynn Everett in Massachusetts, is sure to delight and inspire. “We’re going to bring more people to the facility than the Boston Celtics, the New England Patriots and the Boston Red Sox combined,” says Wynn of his new five-star casino-resort, set to open near Beantown in 2017.

Finally, as chief economist at Colliers International | USA, Andrew Nelson weighs in on the impact of e-commerce on retail markets in his debut column, Economy Matters.

*Knowledge Leader* promises this and much more. We hope you enjoy this issue, and by all means, please feel free to pass it along to your peers and colleagues. **KL**

**Craig Robinson**  
President | USA  
Colliers International

**David Bowden**  
Chief Executive Officer | Canada  
Colliers International

VOLUME 9 / NUMBER 1

# Knowledge Leader

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Publishing services provided by



Tiger Oak Media  
1417 Fourth Ave., Suite 600  
Seattle, WA 98101

Knowledge Leader is published three times annually  
by Tiger Oak Media Inc., with offices at 1417 Fourth  
Ave., Suite 600, Seattle, WA 98101; 206.284.1750.  
2015 © Tiger Oak Media Inc. All rights reserved.  
POSTMASTER: Send address changes to:  
Knowledge Leader, Colliers International, 601 Union  
St., Suite 4800, Seattle, WA 98101. Publications  
Mail Agreement No. 40064408. Return undeliver-  
able Canadian addresses to: Express Messenger  
International, P.O. Box 25058, London, ON N6C 6A8.  
PRINTED IN USA.

ILLUSTRATION BY KATHRYN RATHKE

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RESEARCH

# The Doctor Is In

‘2015 Medical Office Outlook Report’ shows positive outlook for both owner and occupiers.

COLLIERS INTERNATIONAL HAS RELEASED its much anticipated “**2015 Medical Office Outlook Report**,” which presents a comprehensive overview of the medical office building (MOB) segment of health care real estate. The report notes that the landscape is positive for both owners and occupiers who heed the trends and are willing to commit to the market. Key takeaways of the “2015 Medical Office Outlook Report” include:

- Despite uncertainty regarding the full impact of the Affordable Care Act (ACA), overall tenant demand for health care real estate continues to increase. That demand is supported by expectations of an increase in the number of people insured and the aging of the large baby boomer population.
- Medical office vacancy rates are at the lowest level since the recession and continue to decline. However, the market is bifurcated with higher vacancies in older, less adaptable buildings.
- Absorption continues to increase. Modern,

flexible, well-located spaces that facilitate collaboration and are capable of handling rapid changes in technology are in the highest demand.

- The amount of new supply coming online and the amount of space under construction have been trending down since the recession and remained low throughout 2014.
- Rents have remained stable, in part due to the low interest rate climate.



- The investment climate is very strong, particularly for investment- or near-investment-grade properties.
- Capitalization rates continue to compress from already historically low levels. A bifurcation exists, however, with a wide spread between cap rates for investment-grade product and below-investment-grade properties. **KL**

To download a copy of the “**2015 Medical Office Outlook Report**,” visit [colliers.com/research](http://colliers.com/research).

OVERVIEW

# Industrial Revolution

COLLIERS INTERNATIONAL has released its “**North America Industrial Highlights**” report, which offers a comprehensive overview of the industrial market segment of commercial real estate.

The report notes that the U.S. industrial vacancy rate fell to its lowest level in more than 10 years with all regions reporting occupancy gains.

Key takeaways from the report include:

- The North American vacancy rate decreased in the fourth quarter of 2014 by 22 basis points to 6.8 percent.
- Net absorption was robust at 70.7 million square feet (MSF) in the fourth quarter of 2014, an increase of 5.9 MSF

>> **Construction volume** accelerated in both the U.S. and Canada during 2014’s fourth quarter, totaling 178.2 MSF, up 50 percent from one year earlier.

- over the previous quarter.
- The ongoing strength of the market has induced an increase in development. Construction volume accelerated in both the U.S. and Canada during 2014’s fourth quarter, totaling 178.2 MSF, up 50 percent from one year earlier.
  - Although a tentative five-year contract agreement was reached between West Coast dockworkers and ship and port owners in late February 2015, clearing

the backlog of imports and returning to the normal pace of trade flow is expected to take several more months.

- The strength of the industrial market has prompted robust investor activity.
- A wide swath of industrial economic indicators posted strong results through the fourth quarter of 2014 and early 2015. **KL**

To download and read the report in full, visit [colliers.com/research](http://colliers.com/research).

BRIEFING

# People on the Move



DAVID HAND, CEO ASIA PACIFIC

COLLIERS INTERNATIONAL has appointed **David Hand** CEO of Asia Pacific. In his new role, Hand will be responsible for the overall operations and management of Colliers’ Asia Pacific business and will drive the company’s strategic objectives throughout the region.

Hand has 18 years of experience in a variety of leadership roles, most recently as international director, capital markets, based in Hong Kong for a commercial real estate company. He will lead business development activities across the Asia Pacific region with a focus on further integrating Colliers services across geographic markets and industry verticals.

Hand is well respected as an industry leader across Asia Pacific and is a recognized China expert. He has taught real estate courses at Harvard Graduate School of Design and Georgetown University, as well as lectured on China’s property markets at Tsinghua University, Beijing. He is a member of the Royal Institution of Chartered Surveyors and is an advocate for gender diversity via mentorship.

Hand has a postgraduate diploma in town and regional planning from the University of Liverpool and a Bachelor of Science degree with honors from the London School of Economics and Political Science.



DURGESH SHARMA, GLOBAL CHIEF INFORMATION OFFICER

**Durgesh Sharma** has been promoted to global chief information officer of Colliers International. In his new role, Sharma will spearhead Colliers’ development, acquisition and deployment of technology to drive increased market penetration and revenue growth. His team will continue to develop industry-leading technology solutions to enhance brand positioning, client experience and integrated services worldwide, including Colliers 360, Colliers Hub and Office Expert.

Since joining Colliers in 2008, Sharma has been instrumental in leading the transformation of the company’s technology platforms, systems and services, and has added tremendous value in both U.S. and global IT leadership.

Sharma’s experience spans more than 20 years across multiple industries and geographies. Prior to joining Colliers, he worked at Fortune 50 companies such as Oracle, GE and Hitachi, providing management and technology consulting services to Microsoft, Danaher, BNP Paribas, Alcoa, GE Power Systems and others.

Sharma is based at Colliers’ headquarters in Seattle.



# Executive Insight

## VISION

## Anjee Solanki

National Director, Retail Services | USA  
Colliers International

By Kim Fuqua

### Who were some of your role models growing up?

Both of my parents grew up in Tanzania with big families. My grandparents, seeking better business opportunities, emigrated from India to East Africa. When my parents relocated to California, they worked all the time in an effort to build a better life for us. I come from a background of hard work, where education was the most important thing.

While my mom's side of the family is extremely entrepreneurial, my dad's side of the family focused on education. My dad always used to say: "School is the fundamental foundation." I've learned so much from my parents; it's invaluable.

### What was your first job?

I spent a lot of time at my parents' drive-in dairy in California during the summer months. When I was about 6 years old, a friend of my father's stopped by with an old stack of books which he planned to give away, but I had a different idea. As customers passed through for milk, cheese and butter, I resold the books for 25 cents each—launching my first business.

### How did you get started in the commercial real estate (CRE) industry?

While I worked toward earning my finance degree, I decided to sell real estate on the weekends. My big break came when I was introduced to Pete Hollis at Hollis and Associates (formerly with Taubman) and was hired onto the retail leasing and construction team.

That was the start of my CRE career, and it was the best thing I ever did. I had the chance to work with some incredibly talented and powerful people, and it was an amazing opportunity. We worked closely with the Irvine Company, and we would sit as a team week after week, looking at the portfolio and talking through every aspect of every project. In those meetings, I learned so much about every discipline within our organization and how we engaged as a team. We had to act as one team, and I've kept that mantra and approach to this day.


After a few years, I was offered a general manager position at Larkspur Landing (now Marin Country Mart) in Northern California—a huge promotion. I was 25 at the time, and while my mom thought it might be time for me to settle down and get married, my father advised me to follow my interests. And that's what I did.

### What role has being of person of color played in your life and career?

Growing up, I was definitely a minority. In fact, there were only four Indians in my high school. For me, the impact of being a person of color was very pronounced. I felt as though I had to work twice as hard to be heard—for people to pay attention and listen. My first team and I worked very well

together. We were all women, and it was just the three of us. It was wonderful. The collaboration was filled with energy and ideas.

### What motivates you?

I love to learn from other cultures. I love observing how diverse cultures look at information differently, and I love trying to get to the seed of their philosophical perspective. I love listening to NPR or TED Talks and figuring out how to take those ideas and bring them back to our daily lives. 

ANJEE SOLANKI provides strategic leadership to more than 450 specialized retail professionals across 83 markets—which means information sharing is critical. Based in San Francisco, Solanki is witnessing firsthand the dramatic changes in the retail landscape and is staying on top of industry trends. Her blog can be found at [insights/colliers.com/author/anjee-solanki](https://insights.colliers.com/author/anjee-solanki).

I come from a background of hard work, where education was the most important thing.

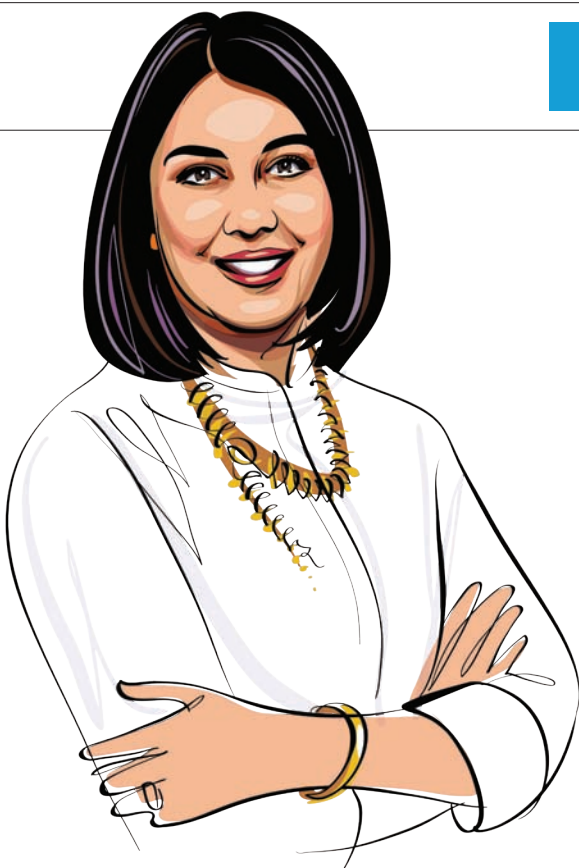
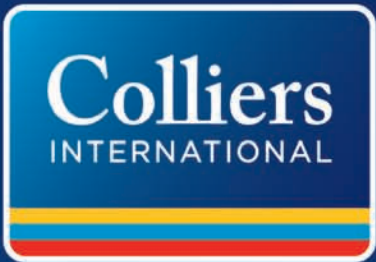


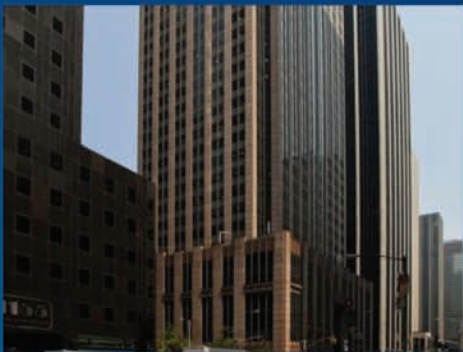
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MANHATTAN  
RERC  
50-Story, 1.0M SF  
Class A Office Building



INDUSTRIAL PORTFOLIO  
UNITED STATES  
PIRET (Canada)  
10 Properties  
FedEx Distribution Facilities



PROMENADE AT RIO VISTA  
SAN DIEGO  
JP Morgan  
970 Units  
Apartment & Ground Level Retail



STORAGE MART PORTFOLIO  
CANADA  
Citigroup  
62 Properties  
Self-Storage Facilities



MHC PORTFOLIO  
UNITED STATES  
Institutional Fund  
51 Properties  
Manufactured Housing Communities



WILLIS TOWER  
CHICAGO  
Venable, LLP  
108-Story, 3.6M SF  
Class A Office Building





RETAIL

# Off Target

With Target Canada stores closing, what will become of all that square footage?

By James Smerdon and David Bell

TARGET CANADA’S BOTCHED Canadian expansion and the closing of 133 stores less than two years after launch is the big retail story of 2015. The closures affect approximately 15 million square feet of floor area (112,500 square feet per store) and 17,600 employees across the country who must now quickly con-

sider their job options.

The reasons for Target’s epic failure to expand in Canada (as Walmart did successfully starting in 1994) run the gamut, and include logistics and distribution challenges, negative pricing differentials with merchandise in its popular U.S. stores, merchandising and stock issues (including limited merchandise

lines), lack of a Target Canada website to rival Target.com and a failure to connect with the Canadian consumer. But the more interesting question, now that its retreat is a fait accompli, is: What next?

Perhaps a more upbeat angle to the news is that exposure to Target was spread across 20 property holders, with some of the larger real estate investment trusts, including RioCan and Morguard, maintaining their stock price through the transition. For RioCan, Target accounts for less than 2 percent of its overall rental revenue and its 26 Target leases are guaranteed by the parent company for more than a decade, thus easing the pain. The downstream implica-

tions of lease provisions, such as anchor tenant clauses, however, still need to be worked out.

Within the Canadian general merchandise retail landscape, there is an interesting battle brewing in the wake of Target’s departure. Walmart will certainly want to consider the best Target locations now that they have become an option. At the same time, Loblaws has a vested interest in keeping the Walmart giant at bay, particularly because of its aggressive grocery business growth strategy. While either company could in theory afford to swallow up the leases at a cost of as much as \$2 billion, a single buyer is highly unlikely, due to the complications arising from a network of existing stores and the resulting overlap and cannibalization that would naturally occur.

What is key is that Target Canada and its landlords reached an agreement on a process that affords Target an opportunity to sell its store leases by a firm deadline of June 30, 2015. If a lease is not sold by the deadline, then the rights will be returned to the landlord. The implications of this are that Target is likely to sell off leases in the most desirable properties and locations with relative ease, leaving a long list of more challenged properties in secondary and tertiary markets.

The most challenging sites will be those in which Target was the sole anchor and where major competitors, such as Walmart and Loblaws, are already operating nearby. Market conditions may necessitate searching for more productive uses for the vacant space in the non-retail sector, with medical offices and call centers likely to be considered by creative mall landlords.

Nevertheless, the reclaiming of Target leases beyond the June 30 deadline can offer landlords an opportunity to replace an underwhelming anchor (in terms of shopper attraction) that was paying below-market rates—between \$6 and \$7 per square foot. By contrast, for RioCan, for which Target’s 26 locations generated only 1.9 percent of its annualized revenue, releasing the vacant space may prove to be a win in terms of both revenue and market share, provided the right replacement uses can be secured. **KL**

WHAT NOW?

## Anchor Away

If you’re a tenant in, or lessor of, a Target Canada–anchored center, here are some answers to your more pressing questions.

**What is the nature of the vacancy and the lease?**

If the tenant is able to sell its lease to another occupant, the landlord may not have any say in what happens to the space. Check for lease exclusions that restrict the use, any sublease restrictions’ “go dark” clauses, and other opportunities for the landlord to exercise control over the space. Also check other leases for anchor tenant clauses to understand the landlord’s full potential exposure.

**How big is the vacancy?**

The vacancy is a daunting 112,000-plus square feet on average. However, if the anchor tenant is on multiple floors, or if temporary hoarding or relocating kiosks in front of the vacancy can conceal it, the effect on shoppers does not have to be as stark. Can other vacancies in the center be concentrated around the anchor vacancy to make a more palatable size for another tenant? Better yet, approach sub-anchors about relocating into the vacant anchor space in a dynamic redevelopment. Today, finding two or three 30,000-square-foot tenants can be much easier than one at 100,000 square feet, particularly given the growth in nontraditional retail tenants like commercial fitness operators, such as GoodLife Fitness.

**Is there an opportunity to re-lease the space?**

In every market there could be opportunities to either locate a new retailer or relocate a retailer that is already in the market. Department stores, discount

department stores, automotive department stores, superstores, fitness clubs, educational facilities, call centers and even health authorities are looking for large spaces.

**What does the market actually need?**

Conduct a market analysis to understand any gaps in the retail environment—not just at the center itself, but

in the broader primary and secondary trade areas. Sometimes new tenants need to be made aware of the opportunities available. Perhaps the center is too large and should be more appropri-

ately sized for the market if the anchors stay closed, though the ratio of commercial retail unit to anchor space should be monitored carefully.

**Does the current zoning/community plan allow for redevelopment of the vacant floor area and/or the surrounding parking field?**

A market analysis and planning review will tell you if the market and the municipality would look favorably on new land uses being developed in place of the vacant anchor tenant. Residential and office uses can be valuable as additions in their own right and increase 24/7 traffic for remaining businesses. Rental residential is often very appealing to planners and counselors, but can make for more difficult rezoning processes. Nevertheless, shopping center sites can be attractive places to live for the young and old alike—especially if they are served by rapid transit and are the focus of community life in their market.



**Closing Time.** Bayers Lake Business Park’s Target Canada store, Halifax, Nova Scotia, Canada.

# Cities to Know

QUICK FACTS AND FIGURES

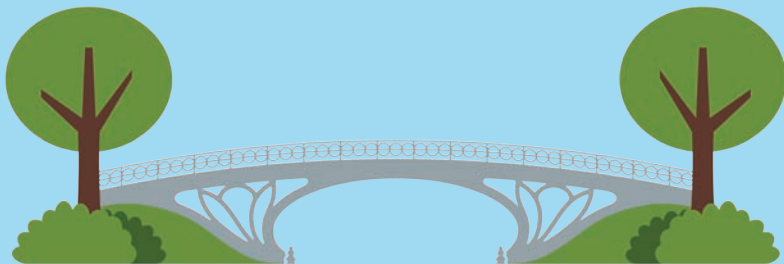


## New York, New York

Knowledge Leader shines a spotlight on the Big Apple.

By Elizabeth Economou

LET'S FACE IT: AS CITIES GO, NEW YORK CITY (NYC) IS ON EVERYONE'S MUST-SEE LIST. From Broadway to Brooklyn to high-end boutiques, the allure of Gotham is simply irresistible. What might not be as widely known, however, is that New York City—the financial and cultural center of the universe—has far more renters than owners and more parks than one could possibly imagine. For information on commercial real estate in the city that never sleeps, contact **Joseph Harbert**, Colliers International's eastern region president, at 212.716.3700 or joseph.harbert@colliers.com.



**843 acres**

With more than 800 sprawling acres, Central Park is an undisputed oasis for NYC residents and tourists.

Source: Central Park Conservancy



**13,437**

Taxi medallions in New York City. Yellow taxicabs with medallions are the only vehicles authorized to pick up passengers by street hail in NYC.

Source: 2014 Taxicab Fact Book

**\$840,000**

The average cost of a taxi medallion

Source: The New York Times

**40 million**

The number of tourists who visit Central Park annually

Source: Central Park Conservancy



**\$200,000-plus**

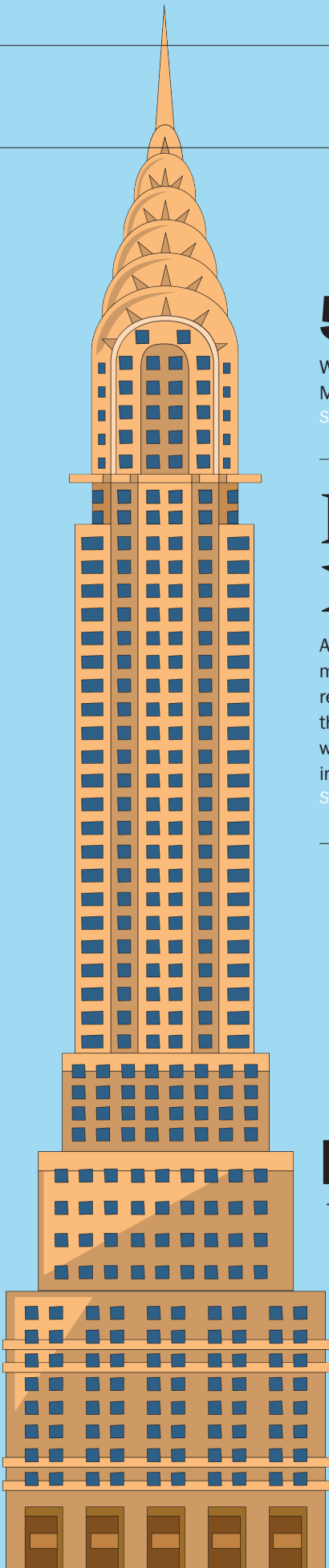
The cost to operate a hotdog stand in and around Central Park

Source: The New York Times



**1,600**

The number of pizzerias in the five boroughs combined according to NYC Pizza Cultural Literacy



**520 million square feet**

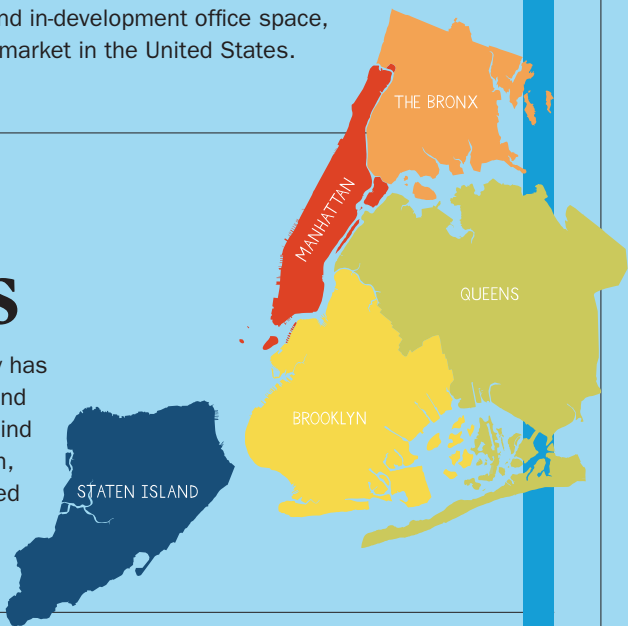
With 520 million square feet of built and in-development office space, Manhattan ranks as the largest office market in the United States.

Source: Colliers International

**More than 1,700 parks**

Across its five boroughs, New York City has more than 1,700 parks, playgrounds and recreational facilities, ranking only behind the elaborate Minneapolis park system, which is considered the best-maintained in the country.

Source: nycgovparks.org



**More renters than owners**

The city's five boroughs (Queens, Manhattan, Brooklyn, Staten Island and the Bronx) have more than 8 million residents, making NYC the largest city in the U.S.

Yet only 31 percent of all New Yorkers own their homes.

Source: Naked Apartments

**\$1,303**

The average price per square foot for a studio apartment in the borough of Manhattan

Source: The Corcoran Report

**\$1.7 million plus**

The average price for a Manhattan apartment in the fourth quarter of 2014

Source: The Wall Street Journal





Today, a virtual reality headset called the Oculus Rift offers users an immersive sensory experience. There are 3-D printers ready to make your dreams come true using a few spools of media. Remote control aircraft equipped with cameras hover overhead, recording information. All of these technologies are having an impact on the commercial real estate industry.

### 3-D Printing

Anjee Solanki, national director of retail services for Colliers International, has written on 3-D printing's potential effects on commercial real estate. She identifies three major areas that the rise of 3-D printing could change for the industry: densification, location and taxation.

Examples of early adopters of 3-D printing include Feetz, an online shoe company that lets shoppers custom design plastic shoes, which are then printed and shipped to customers. Sesame Street sells 3-D printable versions of its beloved characters. And Solanki knows of a jewelry maker in New York who designs necklaces using printed 1-by-1-inch plastic cubes.

Many commercial tenants have already jumped on board with the downsizing trend, forsaking quantity of space for quality. Solanki thinks retailers will continue to densify as 3-D printing will decrease the need for inventory space because orders can be made on demand.

But it's not just the type of space—big or small—retailers using this technology have to consider when setting up shop. They also have to consider the shop's actual address. Because 3-D printing is classified as light manufacturing, it must be located in an industrial area without zoning restrictions. Retailers have to decide whether they want to do the heavy printing at an industrial location with separate storefronts for pickup or do it all at a one-stop shop. Solanki says this decision could also affect how the government decides to enforce taxation.

To some extent, the world of 3-D printers is still shrouded in science fiction fantasies. Imagine, as Solanki mused, having the ability to select a lipstick color in a shade of your choice from the Pantone rainbow, then

printing it on your at-home 3-D printer. That capability doesn't exist yet, but retailers have to consider the potential implications of this technology for their brick-and-mortar stores.

"Do they start to pull back?" Solanki asks rhetorically. "Do they shrink their stores? Do they work only in urban markets?"

Also of concern is the environmental implications that 3-D printing poses. For example, what about those folks printing a new pair of shoes every few weeks? The shoes are made of plastic, so they fall apart after a few wears, Solanki explains, leaving in their wake more plastic to recycle.

This will be one technology for retailers to keep an eye on, especially with tech's penchant for rapid evolution.

### Drones

Another emerging technology that real estate companies continue experimenting with is that of drones. Hari Minhas, director of marketing and market intelligence for Colliers International in Vancouver, British Columbia, says the company recently employed drone technology to create videos of two new listings for lease: a private school and an industrial site.

The videos contained exterior and interior shots captured with drone cameras, as well as motion graphics.

"Historically, when we've had larger sites, we would rent helicopters and go up with a photographer or camera guy and get video tape of the site from an aerial perspective as an overview," Minhas says.

Drones offer companies an opportunity to showcase different perspectives of a property at a lower cost.

For example, Colliers might spend \$1,000



**"You don't have to spend an entire day touring the city. You can sit down with your potential tenants and show them several spaces."**

— HARI MINHAS, DIRECTOR OF MARKETING AND MARKET INTELLIGENCE, COLLIERS INTERNATIONAL, VANCOUVER, BRITISH COLUMBIA

an hour to rent a helicopter, plus pay for the camera operator's time and post-production fees for one video, Minhas says. Using a drone for the same project would likely come in at half the cost.

However, drones aren't necessarily well-suited to capture all listings or even a majority of them. For some properties, like a current 1,100-acre listing, drone cameras can't span that acreage to the degree that the helicopter and camera operator option can.

Minhas says Colliers is mostly using drone technology to record land sites and industrial sites, but he suspects drone videos will be the standard for capturing property overviews in just a few months.

### Virtual Reality

Real estate companies are also incorporating virtual reality technology to promote listings.

Last year, Colliers partnered with a visual effects company, Vividus, to create a virtual reality experience for an office space listing. While the property was under construction, the visual effects company built a fully explorable 3-D environment from a

floor plan, complete with cubicles, boardrooms and offices, which potential tenants could virtually tour while conveniently sitting at their own computers.

"When you're putting on that headset, you feel like you're in a true office space," Minhas says. "We spent a considerable amount of time with Vividus to ensure that we didn't sacrifice any quality. We didn't want to program a space that looks cartoonish just to have a virtual reality space."

Virtual tours have the potential to be a huge time saver for both real estate advisors and prospective tenants.

"You don't have to spend an entire day touring the city," Minhas says. "You can sit down with your potential tenants and show them several spaces, then narrow it down for an in-person tour. It's a great marketing piece for showcasing the client's property."

Technology has proven to be one industry that continues to go "where no man has gone before." And on its journey to newer and better applications, commercial real estate is certain to go along for the ride. **KL**

## Innovation Renovation

Commercial real estate is adopting emerging technologies.

By Marianne Hale

FROM THE PAGES of mid-20th-century science fiction and the minds of turn-of-the-20th-century visionaries came daring ideas and innovations: rooms that transform into the desired scene of its inhabitant, à la Ray Bradbury's 1950s short story "The Veldt" or the holodeck of TV's *Star Trek: The Next Generation*; or remotely controlled

devices that fly, float or drive without someone at the wheel, as seen in the first remote-controlled boat guided by the hand of inventor Nikola Tesla in the late 1800s. These fictional devices and remarkable inventions seemed fantastical at the time. Surely, many believed, they could only be possible or useful in a futuristic world.

Well, as they say, the future is now.





Andrew Nelson

## Q&A

Andrew Nelson, chief economist | USA, shares his thoughts on the impact of e-commerce.

By Elizabeth M. Economou

**A**S CHIEF ECONOMIST at Colliers International | USA, Andrew Nelson is well-versed in economic and market perspectives, and in particular, how they relate to commercial real estate. We asked him about the trends most significantly impacting the retail landscape today – and what strategies retailers can take going forward.

### We've been hearing about the e-commerce threat to retail for so long now. What's your take?

As with many economic issues, there's more than just one story here, and the impacts vary across the retail sector: Some segments are getting devastated while

others are barely touched. But the threat is undoubtedly rising overall.

### How much has e-commerce grown in the past decade or so?

It should come as no surprise that e-commerce is growing rapidly, both absolutely and relative to brick-and-mortar stores. E-commerce sales are up more than 17-fold since 1999, compared to only 64 percent for all retail sales. Currently, e-commerce is growing at least five times faster than in-store retail.

### What are some of the most popular e-commerce segments today?

What people tend to buy online are

books, phones, clothing and other specialty goods. In fact, just three core retail categories—electronics, apparel and hobbies—make up more than half of all e-commerce sales. These sectors are also the fastest growing. Conversely, several important retail categories people just don't buy online, such as groceries, personal care items and cars—at least not yet—and these categories are hardly growing at all.

### How do these shopping trends impact retail property markets?

The e-commerce share of retail spending is still less than 7 percent overall, but that figure is deceiving because it includes categories like groceries that people rarely buy online. If you focus just on the segments more amenable to online shopping, the e-commerce share shoots up to 20 percent. Put another way, a fifth of the items that would have been sold in a mall or power center a decade ago are now being sold online. Many of these items were among the top-selling and most profitable categories in stores. This “channel shift” helps explain why so many shopping centers are struggling across the country.

### How else is technology reshaping the retail landscape?

Two huge impacts quite distinct from what people normally view as online shopping: peer-to-peer commerce and the displacement of retail sales by smartphones. First, the diversion of sales to online non-retailers via peer-to-peer networks, such as Craigslist and eBay, ultimately reduces the need for both physical and online stores—a double whammy to retailers. In a sense, Craigslist is just a modern update of garage sales and flea markets. The difference is that technology is dramatically increasing our ability to connect potential buyers and sellers and thereby reducing what economists call transaction costs. This ultimately facilitates much greater levels of peer-to-peer sales—and less in-store shopping.

### And what's the threat from smartphones?

Smartphones are the ultimate retail killer. Not only can you conduct commerce

directly from your phone wherever there's a Wi-Fi connection or cellular signal, but smartphones are replacing billions of dollars of retail sales and services. Think about all the items you used to buy in a store that have been replaced by a single device that fits in your pocket—newspapers, cameras, flashlights, maps, music, movies, clocks, watches, games, calculators. The list goes on and on. And all for free or the cost of an app or streaming service.

So it's not just that online retailers are capturing sales that formerly were transacted in stores and shopping centers. Consumers are also bypassing retailers altogether through peer-to-peer transactions, while smartphones and tablets are replacing many former categories of retail goods and services. And we haven't even mentioned what 3-D printing might mean to retailing in the future.

### Does that mean that shopping malls as we know them are headed for extinction?

Of course not. Shopping centers and retail districts are more than just places of commerce. They've served as social crossroads since the beginning of recorded history. No one should seriously argue that physical retailing will disappear. But clearly there are major changes looming in the retail sector, so retailers and shopping centers must adapt or die.

### What are some strategies retailers should embrace going forward?

There are many ways that stores can compete better with online retailers. Certainly, retailers must embrace technology that enables them to operate most efficiently and empowers them to offer seamless “omnichannel” shopping—for example, allowing, even encouraging, customers to shop online right from the store. Rather than stocking every size in every color, stores can carry a more representative sample that provides shoppers with the look and feel of the product, and then send the exact desired item to their home. The shopper gets the right item while the retailer can carry less stock and ultimately downsize the store.

And stores and shopping centers/dis-



**Smart Shopping.** Mobile devices are changing how, and what, consumers buy.

tricts must leverage what they do best by creating a memorable shopping experience. More retailers are offering in-store eating, while shopping centers are adding more restaurants and other entertainment. Playing up the social aspects of shopping makes the outing more fun and keeps customers shopping longer. And many centers are experimenting with bringing in nontraditional service clients,

such as medical, yoga and massage, not just to fill up space, but to provide a more comprehensive offering. These uses also are much less threatened by online shopping.

### Are there any benefits to this new retail world?

Sure, for both retailers and shopping centers alike. With the greater focus on sales productivity, retailers are finally starting to shrink their store prototypes, reducing overall rent and raising profitability for the retailer—all while refining their concepts to better appeal to their target customer. At the same time, this trend affords shopping centers the potential to include a wider range of more interesting if smaller boutiques and stores, creating a more dynamic shopping experience for the shopper and ultimately more rental revenue for the owner. Of course, not every center will be able to make the transition. But for those that do survive, the future looks brighter and more exciting than ever. **K**

*As Chief Economist | USA, ANDREW NELSON leads the U.S. research team, focused on developing economic and market perspectives for Colliers and serves as a strategic advisor to Colliers' clients. Prior to joining Colliers, Nelson was U.S. Director of research and strategy at Deutsche Asset & Wealth Management (formerly known as RREEF) and served as the company's retail sector and sustainability specialist.*

ILLUSTRATION BY KATHRYN RATHKE





requests from its tenants, as well as from charities focused on the basic needs of the community: food, shelter, clothing, school supplies, youth education and access to health care services.

The Giving Committee was formed in 2007. Its members hold various positions within First Potomac and volunteer their time to serve, meeting monthly. Membership on the committee creates a sense of pride in the company and the work it has done in the local community.

Jennifer Ferrigno, manager of capital improvements and a founding member of the Giving Committee, notes that First Potomac has supported many organizations in making a difference over the years. “I think it’s remarkable that First Potomac has made it a priority to give back to the community,” she says. “I appreciate that we focus on immediate needs—such as food, shelter, clothing, etc.—and love that so many of the employees get involved in volunteer efforts.”

In December, First Potomac’s charitable efforts were focused on one of its own, when Marie Gemmell was tragically killed, along with two of her children, when a plane crashed into their home. Gemmell was an administrative assistant for First Potomac’s construction team. Since her untimely passing, the company has earmarked a donation amount for her husband, Ken Gemmell, and their surviving daughter, Arabelle. First Potomac also offered to match any employee donations beyond the company contribution.

By supporting Marie’s husband and daughter, First Potomac became part of a larger community effort to help Ken and Arabelle when they needed it most. A fundraiser through the GoFundMe website was also established, and donations of clothing, school supplies and gift cards poured in from local residents and businesses for the Gemmell family.

First Potomac’s efforts demonstrate what one company can do to impact a community at large, by donating to medical research or volunteering at a food bank—or aiding a family in need—staying true to its mission to give back and lift up communities and individuals. **KL**

## By Committee

First Potomac Realty’s giving program is employee-approved.

By Shawna Leader

IT’S NOT UNUSUAL for companies to make charitable contributions within the communities they serve. It is unusual, however, for the employees of those companies to have a say in where those charitable contributions go. First Potomac Realty Trust, a real estate investment trust based in Bethesda, Maryland, offers its staff members the opportunity to do just that. The company places the power to choose what issues and organizations it should support in the hands of its employee-directed giving committee. Last year, the committee oversaw the distribution of more than \$300,000 to 76 charities.

Established in 1997, First Potomac has offices and properties in Maryland, Washington, D.C., and Virginia. Most of the commercial properties it owns, manages and develops—more than 9 million square feet in total—are in the Washington, D.C., area.

One of the core company values of First Potomac is building strong local connec-

tions. Through the Giving Committee, First Potomac gives back to its communities in a variety of ways, including donations and sponsorships. Its 172 employees are also encouraged to give of their time, and in 2014, employees volunteered more than 80 hours at food banks, community builds and other charitable activities. That same year, First Potomac matched 26 employees’ personal contributions.

“Giving back to our community is part of our corporate culture,” says executive assistant and chair of the Giving Committee, Heidi Angel. “We believe [the Giving Committee] empowers our employees and makes them feel a part of our overall mission.”

With so many charities to choose from, First Potomac developed a guiding mission for its giving program and established some parameters around who receives contributions. The company focuses on donating to charities with which it has strong business relationships. It prioritizes

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Award Winner. St. George Spirits owner/master distiller Lance Winters

# In Good Spirits

The best distilled sips to sample across the nation.

By Marianne Hale

“WHISKEY,” NOTED PLAYWRIGHT George Bernard Shaw, “is liquid sunshine.” The craft spirits movement is exploding across the country, and today it is a \$10.2 billion business. If you want to know what the fuss is all about, here are some craft distilleries that are sure to add some sunshine to your life.



**CLEAR CREEK DISTILLERY**  
Portland, Oregon  
503.248.9470 | clearcreekdistillery.com

FOUNDED IN 1985, Portland’s oldest distillery got its start with its pear brandy, says Clear Creek sales representative Jody Guither. The distillery now carries 21 types of brandy, all sourced from fruits within a radius of approximately 100 miles, in addition to its whiskey and liqueur offerings. Not in Portland? No problem. Clear Creek products are served in restaurants throughout the U.S. and are easily tracked down in grocery and liquor stores throughout Oregon and Washington. For folks sampling Clear Creek’s offerings at home, Guither offers this quick tip for its flagship **pear brandy**: “Stick it in the freezer. Pour a little bit in a glass and sip it after dinner like you would a digestif.”

PHOTO BY BEN KRANTZ



**ST. GEORGE SPIRITS**  
Alameda, California  
510.769.1601 | stgeorgespirits.com

SITUATED 30 MINUTES OUTSIDE SAN FRANCISCO, this decorated distillery has been honored with the 2015 Craft Whiskey Producer of the Year award by *Whisky Magazine* and named “best craft distillery in America” by Thrillist. St. George makes single malt whiskey, bourbon, rum, absinthe, and several gins, vodkas, brandies and liqueurs. Basically, you name it, they make it, but St. George’s single malt whiskey, **Absinthe Verte**, and its Terroir Gin top the list of crowd-pleasers. This spring, the distillery introduced a trio of vodkas: St. George All Purpose Vodka, St. George California Citrus Vodka and St. George Green Chile Vodka.



**NEW YORK DISTILLING COMPANY**  
New York City, New York  
718.412.0874 | nydistilling.com

“WE ARE TRYING TO MAKE SPIRITS that are purposefully different,” says Allen Katz, New York Distilling Company cofounder, “such as gins and ryes that are unique and original but still easy to use in cocktails.” Take, for example, the distillery’s recently released Mister Katz’s Rock & Rye, a combination of rye whiskey with rock candy sugar, Bing cherries, orange peel and cinnamon bark. “It’s tricky to keep it from being too sweet and versatile enough to use in a cocktail or drink on its own,” Katz says. Cocktail fan favorites include the 700 Songs gimlet, made with Perry’s Tot Navy Strength Gin; The Big Iron or Cave Creek, made with **Mister Katz’s Rock & Rye**; and a Negroni made with Dorothy Parker American Gin. Be on the lookout for the distillery’s first straight rye whiskey, Ragtime Rye, this September.

**NORTH SHORE DISTILLERY**  
Lake Bluff, Illinois  
847.574.2499 | northshoredistillery.com

JUST AN HOUR’S DRIVE NORTH OF CHICAGO, this Midwest gem was the first craft distillery to set up shop in Illinois after Prohibition. North Shore is best known for its gins, which master distiller Derek Kassebaum says he creates using the finest botanicals he can get his hands on. “Our **Distillers Gin No. 6** is by far our best known and one of the highest-rated American-made gins on the market,” Kassebaum says. Case in point: It earned an “exceptional” ranking from the Beverage Testing Institute. Each year, North Shore releases a few special single-batch surprises, which it keeps quiet up until release date. In the past, it’s released gins infused with tea and dates, a spirit inspired by the flavors of wheat beer, and a spirit distilled to have the flavors of a mole poblano. Travelers rolling through Lake Bluff this fall should keep their palates primed for the secret spirit.



## KNOW HOW Sippin’ Tips

New to spirits? Our experts offer some sound tasting advice.

“Make sure you start with a clean glass. I recommend using a tulip-shaped glass and filling up to the level of the widest point of the glass. Don’t swirl the glass—that just volatilizes more ethanol. Start smelling about 6–8 inches from the glass, then gradually come in until your nose is sticking into the glass. Note your impressions of the spirit’s aromatic qualities. Then sip, breathe out over your tongue and then taste again. The alcohol impression will be softer on the second sip, and you’ll be able to get more of the spirit’s flavor.”  
— LANCE WINTERS, MASTER DISTILLER, ST. GEORGE SPIRITS

“We try to tell people to taste the spirits the way they think they’re going to drink them. If you typically drink a vodka on the rocks, you should try it that way.”  
— DEREK KASSEBAUM, NORTH SHORE DISTILLERY

“When using spirits in cocktails, try to discern how the particular spirit is impacting the taste and aroma of the cocktail at the beginning, middle and finish.”  
“Try to taste neat and then with a little water.”  
— ALLEN KATZ, NEW YORK DISTILLING COMPANY

“When you smell a spirit, you should always leave your mouth partly open. It helps you pick out the aromas better and keeps you from inhaling too much of the alcohol vapor.”  
— DEREK KASSEBAUM, NORTH SHORE DISTILLERY





**Unique Boutique.** Consumers have shifted away from cookie-cutter chains and are looking for a unique and local experience.

## Personal Shopping

Today’s retailers are innovating to provide customers unique and customized experiences.

By Naomi Tobin

“RETAIL IS SYNONYMOUS with innovation,” says Ted Chryssicas, executive vice president for retail services at Colliers International. “The best-performing retailers are reinventing themselves every day. The ones that continue to do things the same way, regardless of the region or demographic, will not survive.”

America’s ghost-town shopping malls are vivid reminders of the ones that didn’t make it; the real estate itself embodying the outdated retail model. But the survivors: They’re the ones who remain continually relevant as consumer tastes change. They

do this by listening to their customers—social media offers new inroads here—and innovating in response. The smartest of them are not changing just to change, but to give people what they want and need in an evolving society. A few common threads can be found across innovative retail today: an emphasis on the local and unique, a smoothly integrated omnichannel and a renewed focus on brick-and-mortar as the experiential showroom.

### Breaking the Chain (Store)

A few decades ago, a retail center in Anytown, USA, looked about the same as

a retail center in any other town. “It was cookie-cutter,” says Chryssicas. “You’d see the same tenants everywhere.” Now, however, this trend has shifted dramatically, with a strong emphasis on the unique and local, especially on the coastal markets.

“Something generic means you lose all the cachet. The more local and the more locally sourced, the cooler,” he says. Developers, however, need to be mindful of the right tenant mix. “The right mix is a balance of local color and national credit tenants,” says Chryssicas. The combination of retailers needs to be viable; if too many are wildly unique and local, it might be a challenge to

deal with operators, or some may not have the infrastructure to maintain and innovate.

San Francisco’s legislation is the most dramatic example of this change: The city has banned chains with 11 or more stores. And the same trend can be found elsewhere across the country. Chryssicas points to the example of an office or apartment developer who formerly might have opted for an established chain or bank for their ground-floor retail space, but now looks for more unique retailers that set the desired tone or image for a building.

### Retail Your Way

Want to buy it in the store? Online? Try it out at the store and then buy online? Research online and buy it in the store? Want it tomorrow? In two hours? No problem.

The most innovative retailers are finding creative ways to respond to consumer calls for on-demand merchandise. Amazon, for example, now offers delivery of groceries in New York City within a few hours by leveraging the existing infrastructure of the Uber rideshare service.

In general, retailers are offering on-demand service by seamlessly integrating their many (and growing) retail channels into one “omnichannel,” through which products move fluidly between the online experience and brick-and-mortar locations.

Chryssicas cites department stores like Macy’s and Nordstrom as great examples of leveraging the omnichannel, utilizing stores as warehouses to some degree. Salespeople use iPads and have at their fingertips not just the store’s inventory, but also the inventory of other locations, as well as online. If an item is unavailable in the store, a customer can have it shipped directly to the home or can pick it up in the store later.

The retailers that survive will respond not just to those demands, but will remain relevant by responding quickly to changing consumer preferences, building a brand identity that has innovation at its core.

PHOTOS COURTESY OF iPIC



**Movie Time.** iPic movie theaters offer an elevated movie experience with food and beverage service in a restaurant (above) or at your seat (right).

### Experiential Retail

For innovative retailers, the same brick-and-mortar store that serves as an uberflexible warehouse to maximize the omnichannel will also need to be a destination, an experience in its own right. Chryssicas explains that the emphasis is on creating a brick-and-mortar flagship destination that is a brand ambassador to encourage customer awareness and loyalty. In these experiential showrooms, products are shown in the best light by highly educated salespeople.

A successful example of this is eyewear company Warby Parker. The company started online, but then moved into brick-and-mortar, with their locations now the second-most-productive stores per square foot.

Even traditional experience commodities, such as movie theaters, are innovating to become more experiential. The luxury movie



theater chain iPic was first launched in 2007 and has grown to 11 locations. It offers food and beverage service designed from a culinary perspective. Patrick Quinn, iPic’s vice president of real estate, explains that iPic is “less of a commodity-driven experience... it gives customers the ability to customize and let their experience unfold any way they want it to.” Moviegoers can eat at the theater’s adjacent restaurant or in the theater, and they can use the iPads at their seats to have food delivered directly to them. It’s a new model for entertainment that caters to the way people want to experience movies.

To continue innovating and reinventing themselves, retailers will need to maintain constant awareness of consumer tastes and continually adapt to them. Demand now is for local and unique shops, fast and efficient shopping across channels, and retail as experience, both for online and brick-and-mortar shopping. The retailers that survive will respond not just to those demands, but will remain relevant by responding quickly to changing consumer preferences, building a brand identity that has innovation at its core. **KL**





## History Repeats Itself

Retailer Eddie Bauer is returning to its roots.

By Teresa Kenney

**O**FTENTIMES, the name behind the brand does not always live up to the legend. That's not so, however, with American sportswear company Eddie Bauer. The store's namesake opened his first store, Eddie Bauer's Tennis Shop, in downtown Seattle in 1920. Within a year, he had expanded his offerings to hunting and fishing gear, changing the store's name to Bauer's Sport Shop.

He continued to have local success with his sporting goods shop through the late 1930s, when a fishing trip in the snowy Olympic Peninsula went awry and changed the course of his business forever. During the trip, he nearly died from hypothermia, only to be saved by his fish-

ing companion. Later that evening, safe at home, he began to ponder an outerwear alternative that would be light enough to wear but still keep someone warm in extremely cold weather. The result was the first visibly quilted down jacket to be patented in the United States.

Bauer went on to create the first down flight suit for World War II airmen, developed and patented a regulation badminton shuttlecock that remains the standard today and outfitted the first American team to summit Mount Everest, as well as the first team to summit Mount Kennedy—named in honor of President John F. Kennedy. During that 1965 expedition, the first man to the top—wearing Eddie

Bauer—was the late President Kennedy's brother, Senator Robert Kennedy.

In 1968, Bauer stepped away from the company. Over the years, the brand ebbed and flowed as a retailer with different product lines and owners, including General Mills and Spiegel.

Today, Eddie Bauer is owned by Golden Gate Capital, has a 94 percent brand recognition and has been getting back to basics. The retailer has approximately 340 stores—both outlet and full-price—but lacks, says Eddie Bauer's Divisional Vice President of Real Estate Angelia Powell, a strong presence in major cities. "Currently, our push is to open full-price stores. Our focus is to make sure we have a foothold in metropolitan areas in New Jersey, New York, Los Angeles, San Francisco, Chicago, Boston, Washington, D.C., and Philadelphia. Those are our primary markets for expansion."

The company is also looking to right-size its portfolio. The stores, on average, are approximately 7,000 square feet, which the

company is looking to reduce to approximately 4,000 square feet. "The plan is to open 15 new stores each year. At the same time, we are looking to remodel and right-size 15 stores each year," Powell says.

Also part of its new business strategy is a return to its product roots, developing the quality products for which the company was founded, but utilizing new technology in the process. In addition to its iconic casual business wear, the company's offerings include First Ascent, a highly technical line that is mountain-sports-focused, best-in-class apparel and gear; Sports Shop, for hunting and fishing; Motion, a new outdoor training line; and Travex, for trekkers and travelers.

First Ascent and Sports Shop are both guide tested and approved. "You have to be able to trust your product," says Powell. "The fabric for the Motion line is top quality with the addition of a new 'breathable' technology we developed. It is exciting and different. The Travex line is for a range of novice to the experienced traveler or trekker, and the fabrics transcend from cold to hot and hot to cold for travelers visiting different climates."

The retailer also added a small footwear line. "The shoe line is relevant to our business, adding to the experience," she says.

Eddie Bauer is also transitioning away from its lodge-style store design. "We wanted the stores to disappear so that the product stands out. The new stores are more industrial with a softer edge," says Powell. To immerse its customers in the outdoor recreation experience, the stores have large monitors playing videos of activities, such as downhill skiing or parasailing. "Everyone has their own adventure,

**"We wanted the stores to disappear so that the product stands out. The new stores are more industrial with a softer edge. Everyone has their own adventure, and we want you to connect with that in the store."**

— ANGELIA POWELL, EDDIE BAUER'S DIVISIONAL VICE PRESIDENT OF REAL ESTATE



and we want you to connect with that in the store," she says.

Marketing under the taglines "Live your adventure" and "Eddie. Set. Go," today, Eddie Bauer's ads can be found in the pages of such diverse magazines as *Vanity Fair*, *People*, *GQ*, *InStyle* and *The New Yorker*. Even actor Matthew McConaughey has been spotted keeping warm in an Eddie Bauer jacket.

"People don't believe that the brand has

**Rebrand.** Eddie Bauer's new store design is more industrial and product-focused.

changed—that is what people need to understand: Eddie Bauer is evolving. I challenge anyone to walk into a store and see how it's evolved," says Powell.

One thing remains the same, however: Eddie Bauer's 100 percent lifetime guarantee—a guarantee that started with the man himself when a customer walked into that tennis shop nearly a century ago and demanded a refund on a tennis racquet that had clearly been well-used and abused for years. Instead of arguing, Bauer decided that he would rather have a customer for life than a moment's victory of being right. He promptly took a brand-new tennis racquet off the store wall and handed it to the disgruntled customer, with a sincere apology that the returned racquet wasn't to his satisfaction.

And that type of service is something that never goes out of style. **KL**

PHOTOS COURTESY OF EDDIE BAUER/SCOTT HARGIS





**Steve Wynn.**  
*Chairman of the Board and CEO,  
Wynn Resorts*

# WYNN WIN

BUSINESS MAGNATE STEVE WYNN  
CHARMS AND INSPIRES BUSINESS LEADERS.

BY TERESA KENNEY  
PHOTOGRAPH BY JEROME FAVRE



**N**amed one of the world's 100 most influential people by *Forbes* magazine and one of the 100 best-performing CEOs in the world by *Harvard Business Review*, casino-resort mogul Steve Wynn took the podium as the keynote speaker of Colliers International's 36th annual Trends in the Real Estate Market seminar. Nearly 1,550 guests packed the Boston Convention & Exhibition Center this past January to hear Wynn expound on his latest venture: the \$1.6 billion Wynn Everett, which is scheduled to open in the Boston area in 2017.

Wynn's parents were from Revere, Massachusetts, just five miles north of Boston, and he spent much of his childhood there, making this new resort a homecoming of sorts. Charming the crowd with his wit and candor, he spoke of his Boston roots, his plans for the resort and the future of gaming.

Situated on more than 30 acres along the banks of the Mystic River in Everett, Massachusetts, the five-star Wynn Everett casino-resort will include more than 600 hotel rooms, a high-end spa, retail, restaurants and meeting space. Along the river will be a year-round harbor walk with paths, picnic areas, waterfront dining, viewing decks and a water ferry to Boston Harbor and Boston Logan International Airport.

"We're going to bring more people to the facility than the Boston Celtics, the New England Patriots and the Boston Red Sox combined. The era of the grand hotel had been over. But now, here in Boston and Everett and Chelsea and Revere, in this great part of Massachusetts, we're going to have hotel rooms that are larger than any hotel room in the United States except for Las Vegas," he told the crowd. "Our smallest room will be 630 square feet. Bathrooms will be 160 square feet. The resort will have shopping, eight to 10 restaurants, theater, entertainment, a spa, an indoor swimming pool and grandeur."

**Well, Blow Me Down!** Jeff Koons' \$28.2 million sculpture of Popeye will greet guests at the Wynn Everett.

**"NO BUILDING THAT I HAVE EVER BUILT, EXCEPT FOR MACAU, HAS GAMING EVER BEEN MORE THAN HALF OF THE REVENUE."**

**STEVE WYNN**

Visitors will be welcomed into the resort by two interior gardens, one on each side of the lobby. Extending approximately 20,000 square feet each, one will feature a carousel, complete with calliope music and moving horses. In the other garden will be a 26-foot-tall Ferris wheel. Both will be sculpted from flowers.

"You'll walk through the middle of the two gardens, and there will be two curved escalators that are tangent in the middle—one going up, the other coming down—that splay at the bottom," explained Wynn. And at the center of the lobby will be the \$28.2 million, 2,000-pound, 6-and-a-half-foot-tall sculpture of Popeye created by renowned sculptor Jeff Koons.

Wynn said the resort casino will be one of the top five private employers in the history of Massachusetts, creating between 10,000 and 15,000 direct and indirect

jobs, including construction. In addition, it will generate \$260 million in annual tax revenue to the Commonwealth of Massachusetts, more than \$170 million in direct wages and more than \$900 million in annual recurring revenue for local businesses generated from consumer discretionary, incremental tourism and procurement spending.

However, Wynn noted that the majority of the revenue generated



**Wynn Everett.** Steve Wynn's new casino-resort near Boston is set along the Mystic River.

will not come from gaming. "We build resorts that are extravagant and fun and theatrical and are possible financially because of the existence of gaming as part of the building. But no building that I have ever built, except for Macau, has gaming ever been more than half of the revenue. It's always been less," he said.

"It's ironic that all of the hotels we've built in Las Vegas, which have broken records sequentially—Mirage, Bellagio, and then Wynn and Encore—every one of those places, each year, has taken the level of revenue for gaming higher and higher and broken its own previous records. But, in each and every one of those hotels, non-casino revenue was more than the casino revenue. That's not an accident. Nobody cares about slot machines. Visitors come for the experience of living large and having fun, for eating and shopping and vacationing, and—at a certain moment in the trip—the excitement and the animation of a gaming area. And then they take their shot against Lady Luck."

With Logan International Airport adding five new international airlines in the past two years—including the addition this past fall of Hainan Airlines and Cathay Pacific with nonstop flights from Shanghai, Beijing and Hong Kong—those individuals testing Lady Luck will come from around the world.

"The Wynn Encore facility [in Las Vegas] is primarily the number-one international destination hotel in America. And we have offices in Monterey, in Rio de Janeiro, in Buenos Aires, Mexico City,

Taipei, Tokyo, Seoul—various cities all over Asia and in Europe. We fill our hotels and our casinos with international business on a very serious level, probably more than any other single hotel in America.

"People will come to Boston from all over the world, as they do already. This state has everything: more than 110 universities, and its medical facilities are among the best in the world. And, if we can jazz it up and have a great hotel, then they'll all fit together. So our customers are going to come from everywhere," said Wynn.

When asked by an audience member if gaming had reached a saturation point, Wynn said that, as with any industry, it's not so much how many businesses there are, as it is about how good they are.

"If [people came to casino-resorts just] for the slot machines, then every casino in the world would be a big hit. And the fact of the matter is, at any given moment, half of the casinos are going broke. It's the non-casino things that bring in the folks. So, when we ask, 'Are we saturating a market,' the real question is 'What are we building?' Are we building a destination attraction? Or are we just trying to latch onto the fact that, hey, there's a slot machine in the corner drug store. I've never bought into that idea of slot machines. I'm a developer of destination resorts. So I don't worry about saturation. My company has made its mark in the world. We have always been in highly competitive, oversaturated markets." **KL**

#### LOCAL ROOTS

## Boston Homecoming

Both of Steve Wynn's parents were born in Revere, and he spent time there as a child.

"I want to be more active in Massachusetts and in Boston every chance I get, because we're going to be citizens, which is not hard for me, because my family are all Bostonians," he said. "I spent my childhood at my aunt's and uncle's house on Dana Street in Revere. My aunt had a millinery shop on Shirley Avenue. And I swam in the cold water and rode the rides at Revere Beach," recounted Wynn.

Of his development being built just miles

from his boyhood haunts, Wynn said he doesn't think his family would have been able to process it.

"My dad was born in 1916, and so was my mother. Neither one of them ever graduated high school. My mother was raised solely by her mother—a Polish immigrant—and she went to work when she was 15. My father's mother died when he was a year old, and his father was a Lithuanian immigrant who was a vaudevillian. He put my father in a foster

home to be raised and sent money every month. The foster family was very lovely—my father had foster brothers and was very happy. But he had only a passing relationship with his dad, who was on the road dancing and playing vaudeville theaters.

"Imagine what it's like, if my mother and father, and my aunt and my uncle, if they knew that little Stevie's company—the kid with the stickball—is going to build a grand hotel for \$1.75 billion."



# Change of Address

Miller Thomson's new Vancouver offices are raising the bar among law firms.

BY MICHELLE SANTOS

PHOTOGRAPH BY OLIVER RATHONYI

**C**REATIVE, INNOVATIVE, PRACTICAL—these three words differentiate Miller Thomson LLP within the Canadian legal profession's competitive landscape. One of Canada's preeminent business law firms, Miller Thomson employs close to 500 lawyers in 11 cities across Canada, including Vancouver, British Columbia, where partners Karen Dickson and Owen Pawson are based. According to them, these adjectives define their approach to client needs, day-to-day operations—and even real estate.

The already prominent firm is generating even more buzz in Vancouver with its bold decision to relocate to the much-coveted address of 725 Granville, the future Canadian flagship location of upscale fashion retailer Nordstrom. Miller Thomson was the first office tenant to secure space in the redeveloped office property, Microsoft was the second, and Sony Pictures Imageworks was the third. The firm will move to its new address in 2016. The 48,000-square-foot Vancouver offices will occupy a single floor of the building.

"It's a statement move that's making waves," says Pawson, the managing partner of the Vancouver office from January 2013 until January 2015. "People are talking about it and watching it closely."



**New Address.** Miller Thomson's Owen Pawson and Karen Dickson pose in front of their new Vancouver, British Columbia, offices.



## CREATIVE WORKSPACE

Miller Thomson's neighbors will include an eclectic mix of high-profile tenants ranging from fashion and retail experts to technology gurus. According to Lou Fico-cell, senior director of office leasing with Cadillac Fairview Corporation, landlord for 725 Granville, "The building's unique floor plate size, high ceilings and natural light, amenity package and transit accessibility round out downtown Vancouver's office offering. It provides for a different way to conduct business."

In a profession commonly perceived as traditional and conservative, it is not every day a firm looks to shake things up.

But then again, according to Dickson, Pawson's successor as the Vancouver office's managing partner, there's significant change happening in the legal world.

## CHANGING DEMOGRAPHICS

FOR ONE THING, there's a visible shift in the demographic of professionals walking the halls of law offices. "They're getting younger," Dickson observes. "We're seeing a transition from boomers to millennials to a more tech-savvy generation."

Which leads to even more changes. "Technology is changing the profession," Dickson says. "It is technology changing how we relate to colleagues and clients. We're able to collaborate better. Our clients require immediacy, and technology lets us address that. Young lawyers are more tech-savvy. With the way they use technology, they now do much of their own work, some needing as little as one-fifth of an assistant's time."

## CHANGING CULTURE

THE FIRM'S NEW ADDRESS says loudly and clearly that it is not just aware of changes within the legal profession, but is embracing and adapting to them to gain a competitive advantage. Uninspired by the cookie-cutter space options they had originally viewed with their ring of exterior offices and internal staff areas, its partners opted to break the mold. Its new offices will offer inside office pavilions with ample lighting for lawyers, modular workstations with options for raised desks for staff, customizable meeting rooms, an expansive café, a balcony and a large, tennis-court-

size, landscaped atrium.

Dickson and Pawson expect the shift in space to bring about a shift in culture.

"It will encourage more collaboration when it is needed," Pawson says. "Certain files require various legal groups to work together. Our space, being all one floor, will make people more accessible to one another. There will be no elevators or stairs, which in themselves are a psychological barrier."

"We will be unified like never before," Dickson adds. "The space will have so much light, we will be able to have views to the outside or atrium from anywhere in the office. There will be more checking in with colleagues, which we don't necessarily have now. The new space will change the vibe. It will bring about a more united purpose, more team spirit."

The open and collaborative spaces will allow new generations of students and associates to have access to, and benefit from, the knowledge and experience of seasoned lawyers, facilitating effective and fluid knowledge transfer between the firm's senior lawyers and junior associates.

"We have a national knowledge transfer management plan," explains Dickson. "We encourage lawyers to delegate work, train our juniors and bring them into files as much as possible. Again, it comes down to collaboration and teamwork, which our

new space will help us achieve all the more. Colleagues will be able to simply pop into the next room or use one of the numerous collaboration areas to ask questions and consult with each other," she continues.

Clients stand to benefit, as well. They will be welcomed in style into the large, flexible reception area and will, weather permitting, be invited to meetings, seminars and client events in the scenic atrium. They will also reap the advantages of an even more cohesive and efficient Miller Thomson team.

## CHANGING PERCEPTIONS

APART FROM A CULTURAL SHIFT and enhanced client relations, Dickson and Pawson recognize their relocation can bring about questions and reactions.

"It's an exercise in change management," Pawson concedes. "Lawyers are trained to be critical. For the partners, it's about engagement. During the programming phase, we gave questionnaires and conducted information sessions. We gathered input on the design of the space. Someone told us, for example, that a previous design wasn't taking advantage of our space's best views. We addressed it and drew up better designs. We make sure everyone has a say."

All the planning, strategizing and coordinating will be worth it. When Miller Thomson moves into its new home, the

firm will be a welcome daily destination for those who work there—and an enviable one for those who want to. An innovative space such as Miller Thomson's is bound to have a positive impact on recruitment.

"It will make recruitment that much easier," Dickson says. "We're already getting good feedback on our move. It's generating excitement. Our corporate culture is reflected in the design of our space, setting Miller Thomson apart from other firms."

Pawson adds: "All the firms are competing for the same talent. Our new space reflects our innovative approach and positions us as a thought leader, which make us an especially attractive prospect for articling student recruits. Given all the firms that have typical offices, they will definitely remember which one is Miller Thomson's."

## CHANGING NEEDS

PART OF BEING A THOUGHT LEADER is having the insight to plan for the future. This is exactly what Miller Thomson is doing in choosing its new space, one that will accommodate the firm's needs through the next 15 years, according to Dickson. The team has jump-started the process of maximizing its new space, starting with paper.

"We don't want to store a bunch of paper in the new office," Pawson explains. "So we're starting to get rid of as much paper as possible. The profession's focus on paper

is changing; courts now accept electronic files and evidence, for example."

Lawyers and staff can also take advantage of Miller Thomson's comprehensive document management system through which they can readily access file information by computer.

With Miller Thomson—and the legal profession as a whole—increasingly doing away with hard copies, the firm is seeing its own law library "dwindle slowly."

"Information is so much more accessible now electronically that we are slowly doing away with books," says Dickson. "Our new 'library' will not be a library anymore, but will be dispersed by discipline. Our lawyers will have areas with casual seating where they can look up information they need."

## CHANGING CONVENTIONS

PAPER, BOOKS AND LIBRARIES are not the only conventions the law profession is shedding. It is also breaking the notion that the profession offers limited opportunities for women, particularly those who wish to have both a career and a family.

Dickson is living proof that the practice of law and family can indeed go hand in hand. For 11 years, while her three children were young, she worked as a partner at Miller Thomson with reduced time commitments.

"It is a challenge to be a lawyer and have

**725 Granville.** Miller Thomson's new Vancouver home is the future flagship location of Nordstrom (left) and has been completely renovated.

a family," she states. "But you can find ways to continue your career while raising a family. These days, law firms can easily accommodate female lawyers who choose to do so. Women can take leave when they need to or work less than full-time. Most major law firms, including Miller Thomson, have parental and part-time policies in place that lawyers can use when needed."

"The fact is, women can be just as successful as men in law with the appropriate organizational support," she says.

Dickson once again references technology, crediting it to be an important factor in ensuring business continuity and efficient client service, while also accommodating lawyers' needs. "We sell service, so it's important to have lawyers available to do that. Technology makes it easy for our lawyers to be flexible, to attend to clients' needs, remotely if necessary, like at a playground, for example, while they attend to their families. We trust our lawyers to understand their clients' needs and respond accordingly."

Colin Scarlett, executive vice president with Colliers International in Vancouver and head of the company's national law firm practice group, has traveled to 14 cities around the world, researching and observing where the profession is headed. Scarlett, along with Dan Jordan, vice president with Colliers in Vancouver, assisted Miller Thomson with the process of finding its new offices at 725 Granville. Having seen innovative workspaces in law firms in Europe, he says he knew "Miller Thomson would be one to embrace the future" in Vancouver.

Miller Thomson is making people talk and heads turn by raising the bar on what a law firm can offer its people and clients—and the mark it can make in the field through its move. There is no doubt changing addresses is not the only big move the firm will make.

After all, according to Dickson, "We're excited to make a splash." ■

ILLUSTRATIONS COURTESY OF CADILLAC FAIRVIEW CORPORATION



INDUSTRY OUTLOOK

# CONSUMER TRENDS

TIAA-CREF Senior Director  
John Ragland offers an  
expert perspective  
on today's retail.

BY CHERYL REID-SIMONS  
PHOTOGRAPH BY PATRICK SCHNEIDER



**Expert Perspective.** John Ragland is head of retail asset management for TIAA-CREF.



Despite what you’ve been hearing for more than a decade, e-commerce isn’t taking down regional malls, says TIAA-CREF Senior Director John Ragland. And he should know—Ragland is head of retail asset management for the company, which has more than \$800 billion in total assets and \$82 billion in real estate assets under management, making it the second-largest institutional manager of commercial real estate in the world.

Ragland recalls sitting on a panel of experts on the subject of malls some time ago. “The title of the panel was ‘The Death of the Mall.’ That was in 1993,” he observes dryly. “Obviously, malls didn’t die.” At that time, the theory behind the presumptive demise of regional malls was that catalogs and big-box retailers were going to take market share. “Now with e-commerce the conversation is much the same,” Ragland notes. But he still believes that, to paraphrase Mark Twain, reports of the death of the mall are greatly exaggerated. In fact, more than 20 years later, e-commerce has largely killed the catalog business or forced it online, but brick-and-mortar retailers are figuring out how to succeed, Ragland says.

Ragland’s real estate expertise comes from decades in an industry he accidentally fell into while on his way to become a lawyer like his father. “I came out of college and started working for a law firm as a paralegal,” he recalls. “The law firm was building an office building, and they needed somebody to be a liaison with the developer and architects. I just caught the real estate bug.”

Law school plans gave way instead to working for a real estate consulting firm, and eventually Ragland joined the Rouse Company, where he worked in asset management, development and leasing for 23 years. In 2010, he joined TIAA-CREF. His decades in the business give him a long-term perspective on the relative health of shopping malls and other retail spaces.

A key component of Ragland’s success comes from his insight that a landlord needs to understand the brands his tenants represent, says Anjee Solanki, Colliers International’s national director for retail services. “He understands the retailers’ business and their brands and how they merchandise,” Solanki says. “Ultimately, it’s about the sales and identifying the right fit for a storefront. You’re not solving for their real estate issue, you’re solving for their brand positioning.”

And that brand positioning is evolving as consumer habits change. “Full-price retailers have always adapted to challenges,” Ragland says. “The growth of value retailers and outlet retailing was supposedly going to lead to dramatic loss of market share for full-price retailing. But regional malls have provided strong growth for traditional

national retailers, and regional malls are obviously still a preferred retail investment vehicle of many financial institutions.”

Of course, not every mall has survived the past few decades, and the death of some of those struggling centers helped reinforce the notion that malls, in general, were dead. “The mall sector was overbuilt in the ‘80s and ‘90s,” he acknowledges. “It’s survival of the fittest.” That means malls not supported by necessary population density or quality income demographics will continue to be culled from the herd while the stronger malls continue to grow. The malls that are in danger of dying are typically privately owned with sales of less than \$300 per square foot, he says. Even in good locations, those malls are being redeveloped into other types of uses or retail formats. “The malls that are dying, many are still in good locations,” Ragland says. “It’s simply that their locations have become a little over-retailed.”

Just as retailers have to change to meet changing consumer needs, landlords must evolve to meet the changing needs

of retailers. “There’s certainly been a constriction with department stores,” Ragland acknowledges. “But the best malls have converted that department store space into theaters or grocery stores or health clubs or a collection of specialty stores.” Good restaurants, fast Wi-Fi access, entertainment and an inviting “town center” atmosphere draw the kind of foot traffic that retailers depend on.

“There is a much greater focus on leisure and entertainment than there used to be,” he says. “If you’re doing more of your shopping online, then what do you come to shopping centers for? It’s for socializing. It’s to eat.” In addition to national restaurant chains, those dining options can include local chef-driven restaurants that make the mall feel more like a part of its community rather than simply any anonymous shopping center.

The best malls focus on those amenities today, Ragland says, and commit to reinvesting in improvements that keep shoppers, and therefore, retail tenants, happy to stick around. And it pays off. “If you look at malls held by financial institutions, they tend to be quality malls....If you look at basic metrics used to rate assets, super-regional malls have outperformed all other asset



classes over the past 30 years.”

That’s not to say e-commerce isn’t having an impact. But the more successful stores are using the Internet to enhance and grow their brick-and-mortar sales and vice versa. “The buzzword used today is ‘omnichannel retailing,’” Ragland says. “There’s a general acknowledgement that you need physical retail to complement anything you’re doing online,” he says. “Online sales within five miles of a physical store are two to three times greater.”

Retailers are developing different strategies to leverage an online presence. Some, like The Gap or REI, developed a “click-and-collect” strategy—customers can order something online and then pick it up immediately at a local store, where associates have an opportunity to add another item or two to the sale. Restoration Hardware has dramatically changed its physical presence in response to online sales, Ragland says. “They used to have smaller stores and a number of them in each metro area.” Now, the focus is on large stores that draw people from as far as 50 miles away and don’t really look like stores. “They’re creating mansions that are showcases for their goods,” Ragland says. “Retailers are experimenting and evolving strategies. And obviously as you deal with online sales, there is a lot of information you can compile about your customers.”

While malls represent half of TIAA-CREF’s retail assets under management, Ragland says the company is also moving into more urban, high-street locations. “As retailers are trying to drive top-line growth, they’re looking back to the cities, where there is a large workforce, growing residential base and typically strong incomes,” he notes. These major cities also get an influx of international visitors who “tend to come there and open their wallets on vacation or business,” he says.

**“THERE IS A MUCH GREATER FOCUS ON LEISURE AND ENTERTAINMENT THAN THERE USED TO BE. IF YOU’RE DOING MORE OF YOUR SHOPPING ONLINE, THEN WHAT DO YOU COME TO SHOPPING CENTERS FOR? IT’S FOR SOCIALIZING. IT’S TO EAT.”**

It is often difficult to find large-scale urban centers similar to what is seen in the suburbs, so instead, retail investors are looking at retail condominiums with two or three ground-floor retail tenants beneath residential or office space in high-end destinations like San Francisco’s Union Square, upper Fifth Avenue in New York, north Michigan Avenue in Chicago and Newbury Street in Boston. “These types of properties have typically been held by families, and they have, in this most recent cycle, decided to put those on the market and take advantage of the institutional appetite for this category of assets,” Ragland says.

TIAA-CREF also has substantial international retail assets, and last year entered into a partnership with Henderson Global Investors for a pure-play worldwide real estate asset management venture called TH Real Estate. “We’re all learning from each other and capitalizing on partner and retailer relationships,” Ragland says.

“It’s amazingly similar to what we’re seeing on all sides of the globe in terms of responding to how retailers are changing,” he says. Part of that change is the migration of brands. “It’s taking place in both directions.” Just as H&M, Zara and Sephora made inroads into the U.S. markets by first infiltrating major cities before radiating out to the suburbs, U.S. retailers such as J.Crew and Banana Republic are opening in major European cities. “As American retailers have reached their saturation point, they are moving into international markets in order to drive some of their top-line growth,” Ragland says.

But while urban storefronts will be the first stop for retailers moving into a new market anywhere around the world, Ragland remains confident in the health of the U.S. suburban mall: “They’re an enduring part of the retail landscape in the United States, and that will not change.” **KL**



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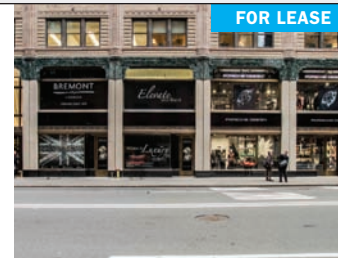
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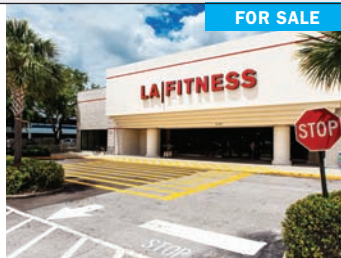
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INNOVATION

Leading by Example

Sustainability is the cornerstone of how Schneider Electric does business.

By Niki Stojnic

WHEN THE CITY OF BOSTON needed to up its sustainability game, it turned to Schneider Electric, a French power company with a worldwide reputation for getting energy systems—lighting, security, data and more—in place. To help the city meet its efficiency and environmental goals, Schneider set up tracking tools that would give Boston, and its residents, a view into real-time energy consumption, says David Bonn, vice president of sourcing and sustainability services at Schneider Electric. That meant tracking 64,000 streetlights, 850 traffic lights, 3,100 city vehicles and 350 facilities.

“We wanted to create visibility for the city, which they didn’t have in the past, to create a culture change,” says Bonn. “Part of that was to not only understand how they were using energy, but also to be public with that information.”

Boston is just one example of how Schneider uses software to help clients build strategies around goals, such as reducing waste and increasing energy efficiency. For the 180-year-old company, however, sustainability is more than a 21st-century trend—it’s Schneider’s *modus operandi*, and has been, since nearly the founding of the business. “While it wasn’t called ‘sustainability’ 10, 20, 200 years ago, the reality is that we’ve played in this space, primarily on the energy-efficiency side, for decades,” says Bonn.

That’s true of both the services Schneider provides and how the company conducts itself. More than a decade ago, it created the Planet and Society Barometer, a sustainability scorecard



that presents the company’s objectives and quarterly results. And Schneider was ranked in the top 10 Global 100 most sustainable companies in the world for two years running.

The global company’s roots lie in iron, steel, heavy machinery and shipbuilding, but reinvented itself as an electric company in the late 1800s. Today, it connects and manages energy systems for companies, municipalities and manufacturers worldwide, and counts clients in 190 countries. Software is an increasing part of the energy business. “With the push towards big data in the last five years,” Bonn says, “our focus has been on software and services that help clients make sense of their energy and resource data.”

He adds that the drive toward sustainability and environmental awareness is entering all aspects of business, from production to product. “It continues further up the supply chain, to the ink that goes on the box [of the product]. It’s no longer just about the perceived sustainability of the actual product or brand itself.”

That is prompted, in large part, by finances. Sustainability turns out to be

profitable; it saves companies money and attracts customers. “Ultimately, it has to translate into dollars or more customers in the door,” says Bonn. “If you’re reducing kilowatt hours or BTUs [British thermal units] or water usage—while those things are also sustainable, reducing those things is also reducing cost.”

Schneider has also collaborated with the Sustainable Apparel Coalition, which includes retailers and manufacturers such as Adidas, Columbia and Nike, to improve the Higg Index, a benchmarking tool for companies to measure various environmental metrics, from water usage to waste to labor. Schneider ushered in version 2.0, getting it online and providing users with the ability to share data and customize what they want to measure even further.

Heavy industrial customers are making use of Schneider’s software as well—kiosks and iPads “show the living heartbeat of the facility,” says Bonn. “Every employee has an understanding of their impact.”

That’s ultimately the key to Schneider Electric’s success: helping people visualize what the sometimes nebulous terms “environmental impact” and “sustainability” mean, day to day. **KL**

COMMUNITY

New ZIP Code

MG2’s new Seattle address showcases a reimagined way of doing business.

By Niki Stojnic

WHEN MG2 Senior Principal Architect Gary Larson arrived at the empty concrete building at Second Avenue and Spring Street—which sat, nondescript, in the shadow of Seattle’s skyline-defining high rises—to scout a potential new home base for his global architecture firm, he balked. “He said it looked like a bunker,” says Colliers broker Tony Ford, laughing, who had brought him to the space.

Convinced it was simply a diamond in the rough, Ford (who actually knew of another architecture firm that nearly grabbed the space) coaxed Larson into giving it a look. The architect walked in, observed the open space with high dramatic ceilings and realized it was perfect: “We looked into the rooms, looked at each other and said, ‘This is it,’” says Larson, who was later surprised that the building was still available in the increasingly crowded downtown landscape.

The four-story building certainly sparked Larson’s imagination. Designed by Paul Thiry in 1967, it features waffle slab ceilings and other unique period details, as well as large windows looking west to the waterfront. He recognized that the wide-open, column-free floor plan would be easy to customize into a stunning open studio space, making it a fantastic foundation for MG2’s (formerly known as MulvannyG2 Architecture) planned refresh.

“It is very conducive to what we wanted to create,” says Larson. The firm’s headquarters move to Seattle from Bellevue represents a connection both to the local community and global clients. The city



is more central to recruiting young talent and is more familiar to international clients from all over the world.

Moving into this unique piece of local architectural history versus building a brand-new property makes a statement about green design and recycling great materials which appealed to the firm as well, says Ford.

MG2 renovated three floors to meet Leadership in Energy and Environmental Design (LEED) Gold certification standards and created a public welcome to its work. The first floor features a street-facing charette exhibit space where clients, visitors and passersby can get a sense of the company’s design ethos. The third floor includes a reimagining of what the firm calls its “town square,” a space used heavily in the Bellevue office for everything from meetings to impromptu project chats to lunches.

“We’ve morphed that into a new type of environment that’s more focused on lounge and community and takes advantage of the third-floor view,” says MJ Munsell, MG2’s retail market design leader. The firm’s workspaces accommodate many types of work styles and needs—individual workspaces, team bars, quiet rooms, conference rooms—“all the way up to the board room,” says Munsell. “We’ll have wide-open studios to bring our teams together and open our

work to each other and to our clients to form a continuous space.”

Munsell’s extensive retail experience adds another dimension to MG2’s new approach to how it presents itself and its work, says Larson, who is excited about what he sees as bringing two worlds together: consumer-savvy retail with design- and use-focused architecture.

“The office will reflect opportunities for change similar to the way consumers and retail are evolving. This will come through in how we work differently, how we adapt, how we display new thinking to clients and the community, and how we present our brand and our stories. I think that’s one of the most exciting things about our new office space,” says Munsell.

The renovation—and the company culture it is intended to evoke—reflects trends in the marketplace, says Munsell. Putting teams of different disciplines together helps deepen the firm’s ability to communicate with customers across different markets. The firm counts Costco, Nordstrom, UNIQLO and HomeStreet Bank among its retail clients. “These are all consumer-facing businesses. [In the new space,] we have the opportunity to do that work differently, bring a host of diverse minds together and bring a fresh new perspective to our process and to our clients.” The firm moved into its new headquarters in the spring. **KL**

ILLUSTRATION COURTESY OF MG2



## Fighting an Unspoken Threat Colliers Stands Up to Corruption

IN THIS ERA OF CORPORATE TRANSPARENCY, government scrutiny and an unforgiving 24-hour news cycle, it might surprise you to learn that corruption in our industry—along with related infrastructure industries like construction and engineering—is on the rise. It's costing well-meaning businesses significant sums of money and, even worse, eroding the already fragile trust between consumers and corporations. Colliers CEO Doug Frye shares his views on this pressing issue and offers some potential solutions.

### How is this issue playing out around the globe?

Anyone who has been in this business as long as I have has found themselves on the wrong side of corrupt business practices at one time or another. But it wasn't until I got involved with the World Economic Forum (WEF) that I became aware of how big—and how destructive—corruption really is. It's a universal problem, impacting businesses and individuals in wealthy countries, and devastating poor countries and communities with precious few resources to waste.

Contrary to popular belief, corruption isn't always limited to a few “bad apples” within a corporation. According to a recent Organization for Economic Cooperation and Development report, senior business officials often know about, and even engage in, corrupt practices. The problem must be tackled by the highest levels of business and government.

### Why is the particular issue of so much concern to you?

“Doing well by doing good” is more than a catchphrase at Colliers. As CEO of one of the fastest-growing global companies in commercial real estate, I consider it my responsibility to take a stand for our industry. Colliers International's global scale and size means that we can have a real impact on this problem, and when a global leader like Colliers is committed to fighting the chain of corruption, we believe others will follow.

### What are businesses around the globe doing to solve the problem?

On December 9, 2014, International Anti-Corruption Day, the members of the WEF's Infrastructure and Urban Development Partners community delivered a strong statement on their commitment to fight corruption across the engineering, construction and real estate sector industries.

This community—made up of more than 50 infrastructure- and urban-development-related companies—has pledged to raise business standards and contribute to a more competitive, transparent,

accountable and ethical business society in order to create a level playing field to improve the world.

I'm proud to be an active member of this group, which includes a number of global infrastructure industry heavyweights. I'm particularly proud of the progress we've already made in identifying corruption in the industry, illustrating key operational challenges companies may face and exploring how organizations can respond. But above all, I'm excited about this group's commitment to, and passion for, creating positive change on a global scale.

### How are companies in our industry responding?

Colliers International was the first commercial real estate firm to sign WEF's Partnering Against Corruption Initiative (PACI) three years ago. I'm thrilled to note that, since then, we've been joined by a number of other significant players in CRE. But there is still much more we can do.

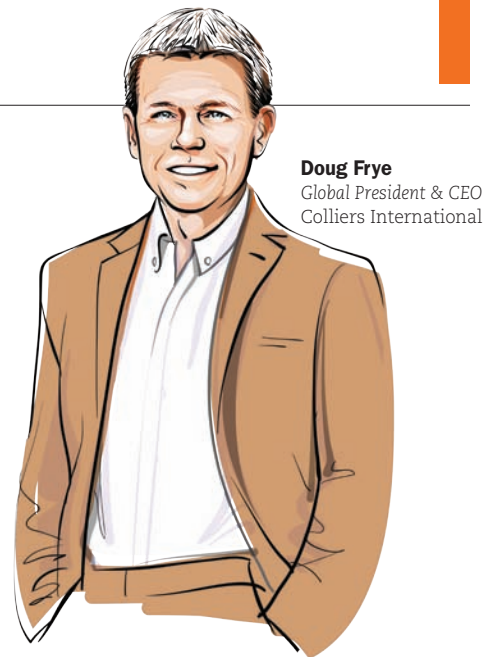
In a recent survey of our industry, more than 90 percent of respondents believed that corruption impacts company brand, while a similar percentage indicated that it has a negative impact on the entire industry. Corruption is a critical issue for commercial real estate worldwide, and only when the entire industry comes together can we begin to eradicate the problem. That's why I'm urging my peers in commercial real estate and related industries to take a stand and get involved in the Partnering Against Corruption Initiative. When an entire industry combines forces and resources to get something done, it typically does just that.

### What is Colliers' commitment to dealing with corruption?

At Colliers International, we strive to uphold the highest ethical standards in everything we do.

That approach has made Colliers the only global commercial real estate firm honored every year since 2006 among the International Association of Outsourcing Professionals' Global Outsourcing 100. Even more important, it has earned us the trust of our clients and partners.

In my view, when we remain committed to the highest possible standards each and every day, the 16,300 employees of Colliers International can not only fight corruption, we can set a clear example for others to follow. And that's a stand we're proud to take. **KL**



**Doug Frye**  
Global President & CEO  
Colliers International

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