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A Crystal Ball of Adapting Real Estate

MS. KELLY: Just as an FYI, we are asking that if you have a question to speak into the microphone because we are taping today's program. So, we want to be able to capture this on the tape. So, make sure you raise your hand so that our microphone people can try to get to both sides of the room and make sure that your questions are answered.

So, next, I don't know that anyone wouldn't like to have a crystal ball when it comes to real estate. The panel of experts was organized as a follow up to last year's Summit when we explored how communities should best respond to the changes of ecommerce. Now, we want to explore how best to respond to the changes with brick and mortar stores closing because of ecommerce.

Whether it's a mall, or a box store, or a few storefronts in a shopping plaza, vacant real estate is not a good thing. Moderating this panel is Alliance Board Member, Jim Ford. Jim is the managing partner of Trace, LLC, which is a real estate development and consulting firm. Prior to that, he was a partner at CenterPoint

Properties Trust. Jim is going to introduce the other panelists. A warm welcome for Jim and this next panel. Thank you.

JIM FORD: Thank you, Kelly. Good morning everybody. I'm going to start -- like Becky, I'm going to start by standing up for a bit, because I probably think better that way, and then dive into it. So, as Kelly said earlier, for those of you who were here with us last year, we tried to explore the topic of ecommerce and its effects. And, as both my co-panelists and friends can attest to, we see it every day and from the real estate world, from the economic development world; the effects and changes that companies like Amazon, the behemoth, have had on real estate and economic development.

But, what we didn't cover last year, and it's just as an important topic as Kelly had mentioned, is what does that do to other sectors of real estate and economic development? Many people are fearful and concerned that kind of the retail real estate world is going down in a bad way because of these large econ fulfillment centers, and because the supply chain and consumer purchasing habits are changing.

I want to start with some of the good news that we don't focus on, but purely statistically, CBRE, one of the

leading real estate companies in the world, actually put out a study recently, and some of the facts that we don't realize is that despite recent headlines implying that ecommerce is rapidly eroding retail store sales, the fact is that more than 90 percent of retail sales still occur in physical stores.

So, when you say Amazon, the behemoth, or other retailers we'll talk about in a bit, and the effect of their operations and how their supply chain works, it still is less than 5 percent of the actual consumer spending nationwide that occurs online. I know that sounds crazy. We still are individuals that want to touch things, feel things, be impulsive, have an interactive experience, and that's all effective -- it's affected in what we're talking about in the form of retail real estate and what's occurring there.

A good example is Apple, one of the largest, of course, electronic companies in the world, and technology companies in the world. For those of you that don't know, right over here on the Magnificent Mile on Michigan Avenue, they actually rebuilt a store there recently, and it wasn't really necessary to replace their spending patterns, or how their customers are buying or purchasing their products., It was about changing the experience that the customer has.

So, us as consumers still, as I said earlier, want to touch, feel things, be interactive, and want an experience that's going to cause you then to make a purchase. It doesn't mean that it might not happen online. Nowadays, because you do want to, once again, especially something bigger, like a TV or something, it's a lot easier that if you really feel like you're getting free delivery to your house, of course I'm going to take advantage of that, as opposed to historically, bringing your car out, and having to, you know, move it. Furniture, those types of things are all affected by that.

Another interesting statistic that I didn't really focus on and quite realize until I did some research was, online sales are not the exclusive domain of pure-play e-retailers, as more than 50 percent of online sales are still made by brick and mortar, historically, retailers.

William Sonoma is a good example, you know, a huge consumer goods type company. Over 50 percent of their sales, like 52 percent, actually do occur online, but they still need their retail store base to drive those sales. So, once again, and I'm going to pose the questions to the experts here. Once again, is the true definition of retail real estate changing? We believe it is; but ultimately, is it becoming non-existent? Or, as Kelly said with the

crystal ball type of mentality, is it becoming where we don't need that, and we've got to adapt those types of real estate and buildings, strip malls, regional malls, all the types of things we'll talk about in a second here. Does that mean that there's an evolution, you know, adaptation of those to other forms of real estate? Those are all good questions. And that's where this crystal ball mentality, as Kelly mentioned, is something that we're all trying to understand on a daily basis.

So, with that in mind, I first want to introduce Tricia Braun. Tricia is the Chief Operating Officer of the Wisconsin Economic Development Corporation. Tricia is originally from Minnesota, but went to school at the University of Wisconsin, River Falls. She spent a couple of years after school up in Minnesota doing economic development, but brings over 20 years of experience in the economic development world to our panel discussion here today.

Interestingly enough -- and a lot of my background is distribution, and really industrial real estate, as a lot of you know. Tricia has spent years out in Riverside, California, which to me, is part of the overall region, like we see down in Will County here, where it's just massive amounts, hundreds of millions of square feet of

industrial. So, she's very familiar with the early craze of ecommerce and what the effect on that was.

But, since coming back to this Milwaukee Region, I should say the state in general, the whole state of Wisconsin, her focus has been a little bit more broad, from the commercial perspective, and industrial, and a lot of -- seen a lot of the activities and a lot of the discussions that we're talking about. So, I thank Tricia for making it today.

And, secondly, is Steve Horvath. Steve, I'll admit, Steve and I have been friends since third grade. So, I've known Steve a long time, but I felt he was a perfect person to address this topic. Steve is the President of CONLON Commercial Real Estate, which is a well known entity here in Chicago; but, spans up well beyond Chicago up into the Milwaukee region, down south and in many other states. But Steve, as I said, brings over 20 years of commercial real estate experience. He personally has conducted over half a billion dollars in transactions through his career. He focuses on a lot of different areas, from investment sales to 1031 exchanges, to property assemblages, but also has, as I said, a very good knowledge of retail and what its effects are, in general, for the marketplace. So, I thank my two friends who are joining me here today.

And with that, those of you who know me, and especially from last year, know that I think out of the box. I think out of the lines, so, we're very informal in nature, but formal then, because we want to put some structure to this. But, believe me, during our discussion, if anybody has any thoughts or questions, you know, we won't try to make it too complicated, so the mics are flying around the room the whole time. But, we welcome your participation through our discussion.

And with that, I kind of want to start with Tricia, and kind of talk about this overall effect from an economic development standpoint, and what we're kind of seeing from the ecommerce craze, and how that really affects what we call our brick and mortar type mentality or store level, from a retail perspective.

TRICIA BRAUN: Absolutely., Thank you for having me, and thank you, Jim. You know, I think we'll start off with two points. Going back to my Riverside days -- and Jim and I were kind of trading war stories beforehand. You know, when the economy hit the skids in 2007 and 2008, because of the amount of industrial and warehouse and distribution uses that were in that area, and the pace at which it was being built, you know, that was -- it kind of had this bad cycle. It was truly kind of an epicenter of feeling the

effects of that recession. Our vacancy rates were through the roof. Our retail vacancy rates were upwards of 50 percent in some areas. It was -- I think we actually were even featured on some of the, like, CNN, and some of the news shows, as shuttered stores and everything. So, you know, with the retail there, then the ecommerce starts kind of hitting the nail in the coffin, and now you had to be really creative and forward thinking about how you could react to bait that space.

So, now you look at kind of the general where we're all feeling it, and, you know, economic development here, obviously you're all concerned with businesses, jobs, those types of things. But, for communities, you really need that, kind of that heart feed, or that life blood that your commercial uses provide, whether it's your central business district and your main street areas, or it's your shopping centers, your strip malls, or even just a regular mall, because that's kind of that quality of life piece that people are looking for. And as everybody is trying to retain and attract talent, if you don't have those life cell amenities that are healthy and what they're interested in the community, they're going to look somewhere else.

And so, you know, really trying to stay ahead of what, you know, what could happen. You look at, you know,

identifying those businesses that are probably more at risk than others, and then start thinking about as a community how you want to prepare for this; whether it's through more creative zoning; or planning, through even having community sorvetes, when there are a number of store fronts. And then also really having strong relationships with your building owners; and I think, especially in smaller towns. Many of you are from smaller communities but, you know, that can be sort of a make or break, because you've got folks that need to lease their buildings, or if they're absentee landlords, and, you know, what that can do to kind of the vibrancy of the downtown.

So, I don't know how much you want me to get into examples, you know, I could keep rambling. So, I think I kind of just, I guess, tease it up to the things that you want to be looking for.

STEVE HORVATH: Yeah, and a couple of points of what you're talking about and how you mentioned this emerging online; and, it is still emerging. You know, when you talk about 3 percent of all retail, that is only 3 percent of all retail that is done from online retailers that do not have bricks and mortar. So, it's such a small market. And it is generational. I mean, what we're all going to talk about here today is it's global, it's generational, it's an

experience.

You mentioned William Sonoma, and it's interesting that, you know, one of the leaders that is about 50/50; you really have to peel back, you know, the onion here to get down to each one of these statistics or examples, and look at it from a global approach. You know, what are they also known for; online registry, right? And, there's an experience, and it's kind of how this ties in together of the bricks and mortar to online is going to be the fabric of our future. They're going to have to work together.

But, the experience of, if you've ever done this, you know, most married people have, you know, the big joy in that is taking the gun around the store and zapping everything that you want. And then it gets set up online, and that's where that statistic gets pushed to 50, but it didn't happen without that experience of people going in and spending the day, or time, and picking those products out. So, you know, I do believe that that effect is going to be great on the bricks and mortar. It's just how is it going to play out in the future? It's a small margin now, but that said, over the past 10 years, 15 percent growth of online sales versus 4.5 percent in bricks and mortar. So, if that gap continues, and that margin over the next 3 to 5 years; that's where we could see a big shift. And as

Tricia was saying, that's where economic development people and government and communities really need to start thinking about all their product and how to utilize it.

MR. FORD: That said, I would agree, Steve. I mean it has brought some thoughts to my mind is that, you know, Crate and Barrel here in Chicago is another good example of that. Or, also, I mean Macy's, right? And people talk about Macy's has closed some stores; it's true. But over 20 percent of their sales, now, they're learning to adapt; over 20 percent of their sales now are online. But still, I mean, to me the old Marshall Field's here in Chicago, or eventually bought by Macy's; to me, that's a location where if I wanted to go and have an experience to look at the latest products that whoever has got, I want to physically go there and see what, you know, what they are.

MR. HORVATH: See, but again, this is why this conversation is so good. And this is why all of you kind of open up your mind because this is a creative, you know, discussion. This isn't, you know, drill down, we have the answers to these questions. This is about the future. And exactly what he just said, this is why it's generational. This is what he wants to do, right? And, no offense, you know, we're the same age, right? But, he is of that age where that's important to him, right? Millennials just

surpassed baby boomers in total population, and that's not a lot of how they think, okay? So, this is where, you know, these gears and these levers start turning to how is all this going to work together as we embark over the next 3, 5, 10 years. Because for people like us that's important, you know. But, to somebody that's 19 to 32 right now, maybe not so important.

MR. FORD: Well, it's, I mean, it's funny where -- and yes, as Steve said, we are the same age. And I pointed out my hair is grayer, but is that -- but even the spending patterns of technologies as an example, right, with electronics, and all that. I mean, I'm still behind the curve on that user type opportunity, you know, mentality. And I always wondered over the past 5 or 10 years of why when I want to still go into a store, like a Best Buy, or an H.H. Gregg, which is now gone, and understand how could they have failed from a physical, you know, bricks and mortar retailer? Whereas, you know, just a couple of years back, I was reading an example of Best Buy, and they're still around, but they started using their actual retail stores as also fulfillment centers. I mean, have either of you, you know, experienced that, where some of these retailers who are learning to adapt and they know they have to do it at light speed, are using their physical retail

stores and locations for the benefit of their ecommerce business?

MR. HORVATH: I have seen it on the smaller retailers, you know, boutique, you know, kind of in middle markets, and smaller boutique towns that do that kind of retail is, you know, they don't have the choice of a big footprint in a lot of states, and so, they will take a little bit of extra space in order to do some fulfillment out of the back of the house.

MS. BRAUN: Yeah, and I think we've seen more in the, like the food uses, where some even sublease space to other tenants, and it might not even be theirs, but where they need like the refrigeration, or something like that. So, there's kind of that creative multi-use.

MR. FORD: Or, I guess another good example is that Life Time, who's the Minnesota-based wellness, you know, corporation in the fact of building, you know, these large scale, and I don't want to call them health clubs necessarily. It's a bad term because they have so many other amenities to them.

But, Kelly and I were talking about it. We recently saw a discussion about Life Time wanting to maybe look at reuse, or redevelopment of some empty spaces in these large regional malls. You know, maybe that's a good example of

still being about health and benefit to us as individuals, but just as much as looking for some of these regional malls where I shopped as a kid, and, you know, watching that evolution coming in where there might be a good reuse opportunity there.

It's funny that I was at a cousin's wedding yesterday with my mom and dad for quite a bit of that, and they're close to 80, and telling my mom about this panel discussion today. And what we talked about was, you know, The Gap. And The Gap is the big retailer that when I was younger, they were in a mall, and then eventually, they kind of got into more, you know, the regional, and into your backyard neighborhood, and eventually, it came literally into the neighborhood.

And Steve and I both lived in, at times of our lives, the Lincoln Park area, which is a young millennial type of area here in Chicago. And, they have the same in Milwaukee, they have the same in parts of Northwest Indiana, where they eventually were literally where you live. And, now it's almost like a change in dynamic of the ecommerce world affecting, you know, kind of their existence, and where they may be. But, looking for, you know, that adaptation in general.

So, I wanted to jump in a little bit about, you know,

the actual real estate and what we're seeing, you know. As I mentioned, there's maybe two retail type sectors of concern that I've heard. I heard earlier this year down in Florida, and another panel I sat on for the Florida State University Real Estate School about a gentleman who owns a bunch of regional malls. And, I should say more strip center type malls. And his fear of what his tenants are going to be eventually; and that he was going to go from pure consumer retail to, you know, many other types of uses. And, you know, from that perspective, kind of the strip mall type, smaller space mentality, are we seeing, you know, another sector? You know, is it professional services? Is it medical? Is it, you know, more restaurants, as you mentioned earlier, Tricia, that are taking over and creating a new marketplace for those type of spaces?

MS. BRAUN: Well, I think one of the three that you're always going to see in the strip center; you're going to have a donut shop, a coffee shop, a toe/nail place, and something along those lines. So, you'll probably always have those because you can't really get that online necessarily.

But, I think what we're starting to see, especially in communities that are trying to reactivate neighborhoods, is

taking a look at the overall development, or the site itself and seeing if there's a way that you can kind of draw people in more. It goes back to that experience again. It's that experience that it provides where, you know, it makes it more attractive. Whether you put the coffee shop on the front end, you know, have the patio and, you know, just kind of have the dining, entertainment aspects, you know, throughout.

So, I think that's the majority of what we're seeing in terms of revolutionary reuse of it yet. Not so much in terms of tenants, but, Steve?

MR. HORVATH: Yeah, no, I think it is that experience. And smaller retailers, you know, I think that they have as much advantage as big malls that could get repurposed for different reasons.

So, if you look at, you know, a large mall that has a lot of different options that could go to office space, fitness center, medical, hospital, senior living. All these adapted reuses that could happen; small retail strip centers have similar purposes because smaller scale developments a lot of times can pencil out easier than taking down a huge, you know, 200-acre area of parking that may need, you know, to take down tax dollars and stuff that could greatly affect the community. There are some

creative things.

And, those smaller retailers are always going to be there, you know, if you want to go get a beef sandwich, you know, you're probably going somewhere in a strip mall, or a small retail complex to do that. So, I think they have, you know, minimal risk.

MS. BRAUN: From your perspective, are you seeing more flexibility from the communities in which you're working? I know it always used to be those standard formulas of parking and, you know, the 360 architect, or whatever it might be. But, are you seeing more of a, I guess, acknowledgement that they have to have flexibility built in?

MR. HORVATH: They're starting to, okay, and one really big thing that we should all advocate for to anybody that we talk to is that, along the lines of this crystal ball is that they really have to think outside the box right now. And, if you're not, you know, proactive, you're going to be reactive and that may be too late. So, you know, take parking for example. There are major developments happening right now in the multifamily sector, and parking requirements versus where they were even 2, 3 years ago are greatly reduced. Not just in TOD areas either, trans-oriented districts, but across the board.

Office complexes right now, also very interesting that a lot of developers, while some savvy ones that, you know, one of the crazy statistics that this ties into is that they say, if you are 6 years old or younger, you will never have a driver's license, with automated cars and Lyft and that technology, is 10 years away. So, you're 6 now, at 16, you will not have a driver's license. So, it's stunning. Some people say that it's, you know, 10 to 15.

So, office developers, and some people that we're consulting with, we're telling them when they're building their parking decks to bulk those decks up, not to meet the minimum 7 feet 8 inches, or 8 feet 2 inches, but to bulk them up so that in 5 years, 10 years, those could be converted to office space for other units, or amenities for building. So, some of that if it goes that way, you know, you need to see those things.

And that's just one example of how, you know, communities or economic development directors need to start thinking, this is what the communities wanted for the past 20 years, and this is what we all vote for on the board, and so, this is what we have to stick to. It's really part of that looking to where we are going to be 5 to 10 years, and how do we have to be converting our mindset outside the box.

MR. FORD: So, I'm actually -- I'm back to my roots here in Chicago in working. I'm developing an ecommerce last mileage is what they call it facility near the old stockyards here in Chicago. And our Alderman down there, you know, has learned that adaptation -- I mean, don't get me wrong, from the planning people in the room, you know, planning is absolutely necessary, you know, and PUDs and all these types of things, you know, are critical to controlling growth and development in general. But, I think as both Tricia and Steve are, you know, talking about and alluding to is being more open minded from a development perspective or planning perspective of saying that what we historically saw in certain districts in certain areas, you know, an evolution of that is coming and that's once again, I think, driven really by the consumer and the experience that they're having. And, the lifestyle that they're living different than, you know, when even I was growing up, and kind of the view of that in general.

Beyond the bricks and mortars of the physical, you know, real estate; I mean, what other thoughts or concerns do we have by this change in this dynamic? My question being brought or raised to Tricia and Steve is, you know, things, probably more in the economic development side. Tricia is, you know, just tax incentives, and tax

structuring incentives, you know, we always talk about, probably one of our major topics is job training, and how is it affected? And, you know, from physically training someone who may not elect to go to a four year school, or does, and gets more consumer finance, or consumer science type of degree. Whether it's being in retail -- I remember one of my aunts actually received a degree in literally retail, you know, years ago. So, her schooling and education was taught to be more on the management side of a retailer. I think, what are these other topics that we're experiencing, you know, beyond the brick and mortar that we're hearing with this change and shift in the real estate world?

MS. BRAUN: So, a couple of comments on that, and then I'm going to come back to the training piece at the end. But, we were just talking about the planning and the zoning aspects. In Milwaukee, and this kind of brings in that talent and also, kind of the future of transportation and connecting your employees with your workforce to your projects is that we've seen a company, ETE Reman, they're a manufacturer of, I guess, transmission remanufacturer that have gone from a Pick 'n Save building, to now a 150,000 square foot Walmart building. And they brought 300 employees, and so that's a huge switch to put a traditional

industrial user in a retail spot. So, that really takes kind of matching what the community is looking for, what the community is, you know, it's obviously still jobs, but that's just a different way of thinking about the reuse of the space.

In terms of what we're -- planning ahead, I think that the training conversation goes back to what the previous presentation was in working with the companies, those leaders, like Amazon, to decide what are we going need? Because I don't think we really know yet, you know, and as Amazon is looking for their second HQ facility, I know economic developers around the country are thinking, okay, what can we do to help them provide the talent? How can we show that we're going to be there ready to train, ready to partner with them to provide those 50,000 people that they plan to employ? I'm not certain anybody has a great idea yet that's come out of that. But, I think it's going to have to be really like the same thing, like the partnership with Rockwell and Foxconn, is building it from scratch almost.

MR. FORD: Steve, here is that when we saw the redevelopment of the west side here, the near west side. And now we're kind of seeing it, you know, going out, you know the River North corridor, and seeing what's happening

there. It's not just to say that McDonald's and Google and Microsoft and others moved down here, you know, put a regional headquarters, or literally brought their entire corporate headquarters down here, but all of a sudden it affects everything. I mean it affects the whole area, the whole neighborhood, the whole dynamic, for the multi-family to the retail to the need for restaurants and all that. It's, you know, an evolution area in general. And I kind of see that we're all in agreement of even, you know, some of these types of physical bricks and mortars of real estate may be changing; it doesn't mean that the re-adaptation or retrofit type mentality is something that can't be overcome or thought about, or worked through.

MR. HORVATH: Yes, one of the things, Jim, that I think is a buzz or going to be a buzz that we'll all hear a lot about is over the next 5 years in online sales, there will be \$211 billion of sales tax not paid in online sales. So, I think that as this evolves with the effect on bricks and mortar, one of the things it's going to have to follow suit is where does that additional income come from for areas that count on it for their economic growth? I look and think that there's going to be, you know, we're in a transition right now. This is not totally moved that way, but it is happening. And in the meantime, everybody is

trying to balance and react to it. Even retailers are trying to react to it. Where do they keep products? How many sizes do they keep, you know, in their merchandise? Is it easy to just tell the customer; we don't have it here, but we're going to order it and it will be at your house in two days. Is two days quick enough? It goes to fulfillment, and the last mile, and that's a discussion point for us too, but I mean, somewhere those dollars have to be back and recaptured and brought to the communities. I think that's going to be a hot topic that we're all going hear about in the next year or two.

MR. FORD: Please, while we're there?

Q In the beginning to give the Internet a start, they didn't tax the sales tax. I thought that was all gone now. Am I interpreting it wrong? Is it just the location where the tax goes to?

MR. HORVATH: It's also unfortunately who is doing it and which state it's going to. So, you may have larger national retailers that follow that to the letter of the law, because they're, you know, publicly traded, and then you may have regionals or locals that ship to 20 states and, you know, 12 of them require it, but I don't know, I'm not quite sure which ones require it, or? So, it's easier to not, you know, pay it.

MS. BRAUN: We have a question over here also.

FEMALE SPEAKER: Hi, I'd love to hear the panel comment on Amazon and what they're solving with Whole Foods in one part, and what you see that impacting to the industry.

MR. FORD: My view, and it's maybe myopic, I think Amazon -- and I've been lucky to have done business with Amazon from the real estate perspective, or Walmart now has a whole ecommerce division that very few people realize. But, their whole supply chain and distribution changed just to focus on specific locations for ecommerce. One of the first was towards Indianapolis; they've done one now in Atlanta. So, these massive facilities you see up in Kenosha, like Amazon's, or the one that's being completed down in Manteno, there's a couple of others around Chicago here. That whole supply chain is evolving from a retail perspective as well.

The Whole Foods answer that I would have is that Amazon's not naïve to the fact that we as consumers and spenders still like an experience sometimes. And I don't believe that the whole bricks and mortar retail end of Whole Foods is going to disappear, but ultimately, we all, you know, are naïve that one of the main reasons why Amazon purchased Whole Foods was because now they want to jump

deeper into the food and beverage business in general, and the grocery business as we call it, you know, to jump deeper into that. I saw recently something about the pharmaceuticals, you know, you want to get into the pharma business, and then as a company in general, and just watching that evolution of the complete supply chains to me is, you never know what the next step is going to be, and it's an amazing process.

MR. HORVATH: Let me give you a correlation to your question that could fit, because, you know, we really don't know, right? But, it's a great question. I've advised clients at different times that -- and we'll take the grocery industry for example, that open up 30,000 to 60,000 square foot grocery stores -- when I have seen a triple net retail mall that's grocery anchored on the market, advise them to purchase it, you know, they're in the grocery business. Maybe it has seven to ten years left on a lease, maybe with a five year option. And, it's a deal, right? You're going to get a 6 percent to 7 percent return on your investment. So, it's a good, you know, sound investment. You're not losing money annually, so the deal stands on its own.

The background noise is that you're in the grocery business, so, whatever the grocery anchored tenant is, when

they come up for the lease expiration in 7 years, don't you love owning a mall that you can plug and play your own brand into and not renew their specific lease. Or, that you could say, here's your leasing terms. And take your 7 percent investment to a 14 percent. So, it's kind of a global approach.

Back to Amazon now, is we don't really know why, right? But, they did a buy a ton of opportunity and space and footprint to be able to do future distribution out of these locations. If they have to convert 10,000 of a 60,000 square foot store, or 30,000 or have a kiosk for direct pickup, or, you know, getting trucks out to, you know, one last mile delivery and distribution, those are things that I think, you know, they really look at outside the box to say, these are the presence we want to be in. These are the markets, and this is the easiest way to be there. Let's stop trying to redefine and go, hey, how do we get this density surrounding a new building that we want to build? Let's just buy the income that's already in place from a successful business and control the future of what we can do out of this space.

MS. BRAUN: Wouldn't you also say that these locations just happen to be in the demographic areas that match the profiles of who their customers will be?

MR. HORVATH: Yeah, 100 percent.

MR. FORD: I've heard another one recently is that they're in major metroplexes and that's across the country with the Whole Foods acquisition is that now they're exploring that they'll be able to deliver things like wine to your house within three hours. So, the only way you can do that is with a whole different network than they've had historically of -- people like that, I guess. Let's throw a party. Give me three hours to set it up. People like that type of stuff and the perspective is that, you know, you can make that decision last minute.

I mean you think about it, even 3, 4, or 5 years ago, anywhere you were in the country is that, you know, a UPS truck or USPS would show up to your house, or a FedEx truck would show up to your house with your Amazon delivery. Now it's these white vans flying all over the major metroplexes. We'll get to that in a second because I know we're getting close on time.

But, one other curve ball that I want to throw to the two of you is the medical world. And the medical world once again, and my mom was probably my best preparer for these topics in general today, Kelly, was that she's a nurse, a retired nurse, and we're talking about when I was a kid, if I got hurt, I went to the emergency room. Then

eventually this evolution started occurring, there was a lot of consolidation of the medical industry from a provider perspective, less the bio, or, you know, the device world or all that kind of stuff, but really from a provider perspective.

And then all of a sudden we started seeing these primary cares popping up, and these, you know, secondary cares, and what does all that mean? Then eventually, you know, my doctor's office ended up right down the street from me in a retail type, you know, setting in general. Talking about this smaller scale or more regional retail concern from a bricks and mortar perspective, is there going to be another level of this change in our medical world from getting to physically, going to see, visiting your doctor, because it keeps coming closer and closer to us?

MR. HORVATH: Whoever can get me the Z-Pak the fastest. So, if that's log on and, you know, show them symptoms, I'm in.

MS. BRAUN: I think it's also looking at the range and the scale of that boutique, whether it's, you know, like dental, or your orthodontist. I know that when I lived out in California I think you went to one building for labs, you went to another one for if, like, you're pregnant, or

for your scans.

MR. HORVATH: I should know this, I did one last week.

MS. BRAUN: And what is it called? So, I think you're already seeing a lot of it, but more and more as people's tapes get, they just want to be more specific.

MR. FORD: I did an MRI recently for something and I went to a specific location, which is more on a retail, what I would picture, as a retail type physical location, and it was for my MRI, in more of a store front and got my MRI done.

MR. HORVATH: A lot of it is just cost based. A lot of everything that we're talking about today, it is a creative idea plus math equals a result. And that math is such a key component of everything that we're talking about because, you know, these are adaptive reuse places that you typically wouldn't see medical in, but you are now.

And it's probably because, you know, I bet the place you went to wasn't in Oak Brook Mall. It was probably in a class D or C retail mall that's \$12 per foot because the retail industry evolved, and that's a low-cost alternative because the equipment is expensive. And if you want to put that into a medical district or area, you're paying \$35 triple net. So, some of that evolves and it's going on with office space right now.

MR. FORD: Thank you, and we've got a couple of more minutes for questions.

MALE SPEAKER: Thank you. So, how do the -- I represent 130 mayors from the Great Lakes Region. How do the mayors deal with the situation that you're, in essence, presenting to them, which is they had the industries -- and I don't worry as much about the large cities simply because they have their own, almost their own economy. But, your smaller and medium sized cities have their industries, and these industries picked up and left. So, then these small industrial towns suffered. So, they tried to recreate themselves. So, from the tax base perspective, you're taking away their tax base, malls and retail are failing, and yet when you talk about growing, you're growing big boxes out by the highways, which now, number one, they add to congestion, and number two, they reduce the amount of tax revenue the cities have coming in. How are they going to survive if they don't even have the tax revenue to build the quality of life that you want for the young kids that are going to be there?

So, what I worry about is our smaller and medium sized cities going through another industrial revolution that's a reverse industrial revolution. You're just moving everything out and then you're transporting it back and

forth, which adds to our climate issues. It may be simple for people, but the cities lose the retail and tax perspective. How do they grow? How do we prevent that from happening?

MS. BRAUN: I think I'll start with that one just because we've seen it a number of times. And those communities that have done it well, you know, and their mayors are engaged, not just with, you know, the community and the constituents, but their universities and talent that's coming out of them, or companies that are tapping into that talent and bringing them there, Champs in Eau Claire is a great example. Or, working with the communities to build incubation centers in the downtown, so you're kind of bringing business in and you're developing talent, you're creating ideas. You're creating new potential, but it's kind of like, you know, you can't just expect some big company to come and land there. You really have to start thinking about how to grow it yourself, in all honesty.

And one thing, speaking of that, is in some of these smaller communities they had, like, a large -- not a big box retail in the downtown, but you have like a Steinmart or a maybe a JCPenney or something like that. The university, if you've got a local university, or even a

regional play can be a big partner in that. Like, you know, things like art centers, or in Riverside we had the Community College Culinary Arts located in the downtown. So, now you've not only activated space, but you've brought people in there. You've intentionally brought people that will always be cycling through there. So, that's just another tenant to be thinking about in the downtown area.

MR. HORVATH: I'm not sure the, you know, on the population and size of these mayors that you're talking about and some of the areas I'm sure that it's diverse or in different spots. But, one of the things that I think is happening, or going to definitely happen, is that some of them unfortunately, there's no -- there may not be an answer for them. They may be dust in the wind because, you know, there's larger areas that these younger generations are going to, and in these smaller towns, it's hard for them to gain that impact of that lost revenue or business. And unless you are, you know, kind of a sexy destination that people want to go to or drive through, the economic growth of that when they're losing all those factors is very difficult to overcome, and the changing, evolving, you know, workforce and structure in some of the smaller communities, you know, does young talent want to go back to those areas?

You know, we've seen it in Chicago, but they all want to live in the west loop and River North. And, you know, the last thing they want to do is be back in those communities. So, those mayors, to answer your question, for me is, they really have to be in touch with all generations in their community. Because the people that are going to be coming and moving the needle on their elections are probably not the future, you know, of their community. That's the people they need to touch and involve and activate and bring back.

MS. BRAUN: That's a great point, and I'm going to tap on that. So, one of things that Wisconsin has done, and I think I can see Ian over here who is involved in this, is they -- Milwaukee and the Milwaukee area had a very strong kind of millennial kind of focus in terms of building millennials, creating a space, creating an environment where they felt that they could thrive. And so, we tapped into that and leveraged what they've done and helped other communities throughout Wisconsin through their work build capacity in their young professional groups and getting them engaged. But, the other piece of it is to Steve's point is helping the existing leadership understand that they need to be talking to them. They need to be including them in, like, their planning commissions, or even city

councils or elected seats because if they're wanting to nurture that sort of population you have to understand them.

MR. HORVATH: If you don't give them a voice, they're gone.

MS. BRAUN: Yes.

MR. FORD: John, we'll see if our president continues his earliest discussion about bringing manufacturing back to shore, and that is to me, being an industrial person, one of the biggest things that should happen or could happen, and needs to happen for a lot of those small towns that you're referring to in the manufacturing world that get the people to the location you need to be, to be able to create those retail and those types of bases. I know we're out of time. One more? Thanks, Kelly.

(END)