

Special Advertising Feature

# A Talk With Tom McGee

THE PRESIDENT AND CEO OF THE ICSC SHARES VIEWS ON THE UPCOMING HOLIDAY SEASON AND THE INDUSTRY'S HEALTH

By Joseph Dobrian

ICSC serves more than 70,000 members in the retail real-estate industry globally. Addressing the perceived rise of e-commerce and how it will affect brick-and-mortar retailing, its president and CEO Tom McGee says the growth of e-commerce is complementary for shopping centers and malls, and for physical stores in general. He sees the two forms of retailing as helping each other and contributing to the overall growth of retail sales.

**Q: Will e-commerce be the death of the shopping mall, as some have predicted, or at any rate will it have a harmful effect on physical retail?**

McGee: Not at all. Online retail continues to grow, but is doing so at a slower rate than in years past. The facts demonstrate the strength of our industry overall. For example, occupancy rates in shopping centers remain very strong—93.4% in the mall segment—and sales continue to grow. While many may perceive online sales as dominating the market, in fact, online-only retailers represent about 3.5% of all U.S. retail sales. The reality is that physical stores continue to dominate retail sales, with the shopping experience complemented by technology.

**Q: Might online sales help the shopping-center industry in some ways? Will the two forms of retailing find ways to work together and help each other out?**

McGee: Yes. Physical stores are the focal point of the omnichannel shopping experiences. For example, consumers often research and price-

INTERNATIONAL COUNCIL OF SHOPPING CENTERS



Tom McGee is the president and CEO of the International Council of Shopping Centers (ICSC).

compare online, sometimes while in a store on their smart phone, but then complete the purchase in store. Further, other consumers may buy items online and then pick them up, same day, in store. Not only is it a convenience for customers, but it benefits retailers by providing an additional opportunity to generate incremental in-store purchases. The costs of customer acquisition and shipping make it very difficult for online-only retailers to compete against traditional retailers. As a result, online-only retailers are increasingly opening up stores, in an attempt to grow sales and generate profit, while focusing on building a brand connection with their customers.

**Q: What are some other trends that might help shopping centers, in terms of technological developments, economic indicators, and demographic trends?**

McGee: Obviously, technology has impacted and will continue to impact the industry. The use of mobile technology will likely accelerate, and future advances—such as driverless cars—will also impact the industry. However, the biggest trend is likely demographic. The millennial generation is the largest population segment in history and really just beginning to enter the prime spending years, which is, of course, positive for retail sales. While some people may have the impression that mil-

lennials only shop online, research supports the conclusion that they enjoy going to stores, actually more than any other demographic group. However, they place a high premium on service and experience, which will be increasingly important for retailers to focus upon to differentiate themselves.

**Q: What changes do you expect to see in the way shopping centers are put together, tenanted and used by the consumer in the next few years?**

McGee: It is always important for a shopping center to represent the specific needs of the community in which it is located, while also

responding to broader consumer trends. Industry-wide, I anticipate continued growth of food and beverage tenants, as well as entertainment, health care, education and services in general. A greater variety of tenants will come into the shopping center, supporting its role as a community hub. We'll be seeing a new generation of retailers opening their doors, including former online-only retailers.

**"PHYSICAL STORES CONTINUE TO DOMINATE RETAIL SALES, WITH THE SHOPPING EXPERIENCE COMPLEMENTED BY TECHNOLOGY."**

**Q: It looks like retailers generally are responding well to change, but is the real-estate industry also stepping up in ways that you consider positive?**

McGee: Overall, the retail real-estate industry has done an excellent job of managing supply and demand in a long period of economic uncertainty. As a result, the industry is well positioned to meet the opportunities presented by a dynamic and changing marketplace.

Joseph Dobrian is a freelance writer specializing in real estate matters.

ADVERTISEMENT

## Business Real Estate & Services

To advertise: 800-366-3975 or [WSJ.com/classifieds](http://WSJ.com/classifieds)

527

MADISON AVENUE

MADISON AVENUE'S FINEST

JOIN THE PLAZA DISTRICT ELITE

■ EXCELLENT TRANSPORTATION ACCESS

■ FULL-FLOOR AVAILABILITIES FROM 7,500 SF TO 13,250 SF

■ OPEN FLOOR PLANS WITH HIGH CEILINGS

■ 10<sup>TH</sup> FLOOR TERRACE FOR BUILDING TENANTS

■ PRESTIGIOUS PLAZA DISTRICT ADDRESS

For Leasing Opportunities:  
James Frederick 212.318.9777  
[james.frederick@cushwake.com](mailto:james.frederick@cushwake.com)  
  
Peter Occhi 212.318.9795  
[peter.occhi@cushwake.com](mailto:peter.occhi@cushwake.com)  
  
[527MADISONAVE.COM](http://527MADISONAVE.COM)

NEW ZEALAND

FOR SALE • 350 QUEEN STREET AUCKLAND

OFFICE AND RETAIL INVESTMENT IN ONE OF THE WORLD'S MOST LIVEABLE CITIES

• Dynamic location: High profile Queen Street corner site in Auckland's thriving international central business and entertainment district

• Freehold land site of 12,679 sq ft

• Nine-level office and retail building with a Net Lettable Area of 52,484 sq ft

• Net passing income of USD 1.7 million per annum

• Income stream anchored by prime retail tenants and long-term government guaranteed lease over five levels

• New Zealand is ranked No.1 by World Bank in 2016 for ease of doing business

INTERNATIONAL DEADLINE

CLOSING MONDAY, DECEMBER 12, 2016 AT 10 PM

(EASTERN TIME)

CBRE (Agency) Limited  
Licensed Real Estate Agent  
(REAA 2008)

WARREN HUTT

+64 27 562 2244

[warren.hutt@cbre.co.nz](mailto:warren.hutt@cbre.co.nz)

Barfoot & Thompson  
Barfoot & Thompson  
Licensed REAA 2008

JOHN STRINGER

+64 21 758 078

[j.stringer@barfoot.co.nz](mailto:j.stringer@barfoot.co.nz)

CAM PATERSON

+64 21 451 666

[c.pateron@barfoot.co.nz](mailto:c.pateron@barfoot.co.nz)