

# THE SAGE PARTNERS' PERSPECTIVE



**2017 IN REVIEW**

TOTAL SALES <b>\$274</b> MILLION	<b>\$</b>
TOTAL SF <b>1.26</b> MILLION	<b>SOLD</b>
TOTAL SF <b>2.44</b> MILLION	<b>LEASED</b>

## CHANGING THE RETAIL STRATEGY

How Amazon and Millennials are reshaping the industry.

by T.J. Lefler



**T.J. Lefler**  
Executive  
Vice President

Around 8,500 national stores closed in 2017 due to bankruptcy. The closing of brick and mortar storefronts is becoming more common as online retailers expand and Amazon is leading the way. The company's North American profits grew five-fold between 2010 and 2016 from \$16 billion to \$80 billion. The truth is, online sales have been increasing for years, especially in retail subsectors like media and entertainment. As more consumer friendly policies spread into the retail industry, consumers continue to put pressure on the brick and mortar stores to compete with online retailers.

Millennials make up the largest demographic at 80 million. They are the most threatening and exciting generation since baby boomers, but they are also the most earnest and optimistic choosing relationships and experiences over materials. Millennials spend less on clothing and more on travel, food and alcohol. In 2016, for the first time

ever Americans spent more in restaurants and bars than in grocery stores. Not only do Millennials seek experiences, but also the places that will make those experiences social media worthy.

In Northwest Arkansas we are seeing a new era of “New Urbanism” blurring the lines between life, work and play; offering more experiences in a smaller area, all closer to home. It’s grocery with a bodega feel, boutique shopping and personal services such as yoga or salons, all integrated with offices, walking trails and green space. The new retail transactions brokers work are now focusing on entertainment uses or items you can’t easily get on the Internet. Groceries, salons, exercise groups are the norm now in attracting new tenants to vacant spaces.

While much of the country has seen big box retailers board up their doors, Northwest Arkansas is only feeling ripples of the much larger wave. We have lost some, but we see areas like the Pinnacle Hills Promenade Mall in Rogers strive to integrate retail that offers experiences. Their previous food court turned ghost town is host to a Dave & Busters. Bentonville is capitalizing on the explosion of art brought on by Crystal Bridges. The culinary and craft cocktail movements are fostered by developments like the 8th Street Market. Even the experiences must be chalked full of experiences. We are now seeing breweries double as bars and entertainment extravaganzas like JBGB in Fayetteville. This new concept offers the bar scene with craft brews, great live music from national artists and fun



Dave & Busters is located in the Pinnacle Hills Promenade at 2203 South Promenade Boulevard in Rogers.

games like shuffle board, baggo, ping pong, sand volleyball and even a wading pool.

Millennials are reshaping the economy and their affinity for technology is reshaping the retail space. With product information, reviews and price comparisons at their fingertips, Millennials are turning to brands that can offer maximum convenience at the lowest cost. Their unique experiences are changing the ways we buy and sell, forcing developers and companies alike to examine how they do business. The average age of Northwest Arkansas residents is within the Millennial spread and we are betting on what Amazon can’t give them and focusing on exactly what they want: meaningful experiences shared by friends and family that are social media worthy. ☺



JBGB is located at 3615 N Steele Boulevard in Fayetteville.

CENTRAL ARKANSAS

SUBURBAN RETAIL GROWTH

Little Rock is a challenging market for developers due to Downtown and Midtown being mature submarkets.

- Raw land is limited.
- Buildings must be razed to create new development opportunities.
- High site prices are the leading obstacle.
- Land challenges present an opportunity to focus on the suburban markets.

Land challenges in Little Rock have presented an opportunity for users and developers to focus on the suburban markets.

- Benton, Bryant, and Conway have all continued to add residents at a faster pace than Little Rock.

- Raw land in these areas have generally lower barriers of entry than Little Rock.
- Benton has two recent developments anchored by big box tenants.
- Ample land sites for restaurants.
- Large parcel located off I-30 in Bryant sets up well for future junior box retailers and restaurant outparcels.

In Conway, Oak Street remains the target area for users looking for high traffic counts, but a limited number of retail and restaurant sites remain.

- Users could shift to Dave Ward Drive, with land opportunities and high traffic counts.
- One outparcel remains at Lewis Crossing.

- Several quick service restaurants have been added across from the University of Central Arkansas on Dave Ward Drive over the past two years.

North Little Rock, Cabot, Searcy, and Maumelle all have new development on their main arterials.

- Further development will likely require creativity or moving to secondary roads.

While Little Rock tends to be the bull’s eye for retailers and restaurants entering the market, the suburban areas are at least part of the target, and are much easier to hit. ☺

— Aaron Nicholson  
Vice President

## RECENT TRANSACTIONS

### MERCY NORTHWEST ARKANSAS

2710 S Rife Medical Lane, Rogers, AR  
Lease Renewal 96,656 SF Medical Office  
Represented Mercy



Photo provided by Mercy.net

### PROCTER & GAMBLE

1303 E Joyce Blvd, Fayetteville, AR  
Lease Renewal 61,017 SF Office  
Represented P&G



Photo provided by Google Images

### CROSSMAR INDUSTRIAL PARK

5000 SW Regional Airport Boulevard,  
Bentonville, AR  
New Lease 100,000 SF Industrial/Flex  
Represented the Landlord,  
CrossMar Industrial II, LLC



### RAINBOW CURVE OFFICE COMPLEX

137,700 SF 7 Buildings & 2 Lots  
Represented Seller  
Morrison Tract Two, LLC  
Haynes & Frisco LLC  
Curve Two LLC  
Rainbow Holdings II, LLC



### DICKS SPORTING GOODS

3929 McCain Blvd, North Little Rock, AR  
50,000 SF Retail Building  
Represented Landlord  
TPP 303 NLR Plaza, LLC



### OTIS CORLEY OFFICE PARK

Otis Corley & 28th Street, Bentonville, AR  
233,546 SF 6 Buildings & 2 Warehouses  
Represented Seller  
DEI Property Management, LLC  
Represented Buyer  
Colby Capital



### CLOROX SALES COMPANY

2200 SE 28th Street, Bentonville, AR  
30,829 SF Office Building  
Represented the Seller,  
CrossMar Industrial II, LLC



### MERCY – THE STRAND

1001 S 52nd Street, Rogers, AR  
New Lease 21,844 SF Medical Building  
Represented Landlord  
The Strand at Metro Park LLC



## WELCOME NEW TEAM MEMBERS



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**ZACH HOCKER**  
Associate



**RICK O'BRIEN**  
Director Business Development



**SIGNA FLANARY**  
Property Accountant

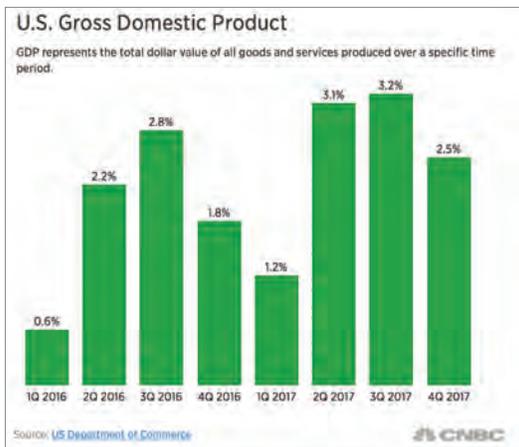


**MISSY WADE**  
Administrative Assistant

## NATIONAL

Sage Partners gathers information from several different sources with regard to national economic trends. We hope you find our research and thoughts helpful, however the information could be disputed due to the sources we rely upon.

- U.S. Economy closed out 2017 with annual growth of 2.5%, compared to 1.85% expansion in 2016. Inflation-adjusted GDP growth advanced at an annual rate of about 3% in the second half of 2017.



- Kiplinger Reports predicts in the first quarter, business spending likely contributed more

to growth than consumer spending, because businesses have reacted to their tax cuts faster than consumers have. First-quarter growth is likely to be the slowest of the year and should come in at about 2.3%.

- Employment Trends- From December through March job growth has averaged a healthy 213,000 per month. Job gains may moderate in coming months, as employers find it difficult to fill skilled positions from the current workforce. Still, the steady influx of new workers, which gives employers more hiring options than the low unemployment rate might otherwise suggest, may be holding back overall pay growth.
- March hourly pay increased 2.7 percent compared with a year earlier. If pay hikes continue to spread, companies may raise prices to cover some of the cost of higher wages, increasing inflation. The fed funds rate was increased in March by 25 basis points and should be followed by at least two other increases during the remainder of 2018.

The U.S. economy has been expanding for the last eight and a half years, but how much longer will this expansion last?

- The expansion has been remarkably slow with economic growth averaging just 2.2 percent a year — about a percentage point below the historical average
- Goldman Sachs economists raised concerns recently about U.S. deficit spending approaching “uncharted territory,” highlighted by the Trump administration’s \$1.5 trillion tax cut package and the new budget passed by congress.
- However, March factory orders expanded at a reasonable pace after having grown in February at the fastest rate since 2004, according to a private survey.

We feel it’s safe to predict the economic expansion will continue for the next 24 to 36 months. Current conditions in Washington DC create a slippery slope for trying to make long term predictions regarding the economy.

—Tommy Van Zandt  
Senior Vice President

## STATE

As has been the trend in recent years, census figures show that many of Arkansas’ smaller counties shrank in population, but larger counties saw growth. This is a shift is happening not just in Arkansas, but nationwide, as younger generations gravitate towards areas that have more amenities and economic opportunities.

- Arkansas’ unemployment rate in February 2018 was 3.8 percent, as reported by the U.S. Bureau of Labor Statistics, which is historically low.
- The national unemployment rate was 4.1 percent in February.
- Arkansas ranks 16th in the country in personal income growth with a 3.2 percent increase in 2017.
- Arkansas’ 3.2 percent growth beat the

national average of 3.1 percent according to U.S. Bureau of Labor Statistics.

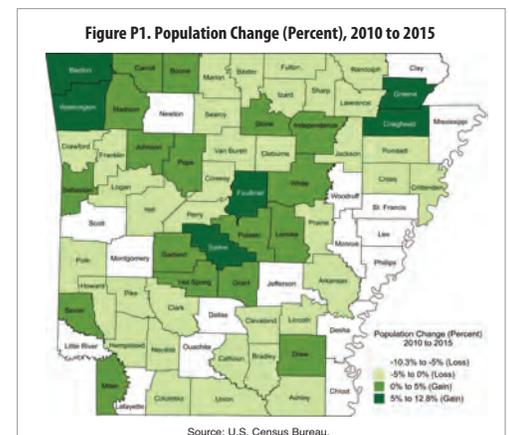
- The average Arkansan earned \$40,791 last year.

Northwest Arkansas is the fastest growing area in the state, with 11 out of every 12 jobs in Arkansas being created in NWA.

- The region ranked among the nation’s fastest-growing places in the most recent year, and a conservative estimate shows the region should soon be among the nation’s 100 largest metropolitan areas.
- Northwest Arkansas ranked No. 14 in the nation in its growth rate between July 2016 and July 2017, adding almost 34 people a day.
- The majority of Northwest Arkansas’ new residents arrived from other states.

- Of the nearly 34 people per day added to the region’s population, out-of-staters accounted for 18.8 per day; 4.4 people arrived from other countries.

— Marshall Saviers  
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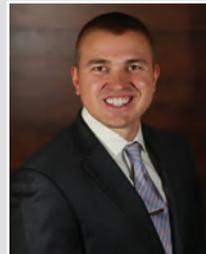
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