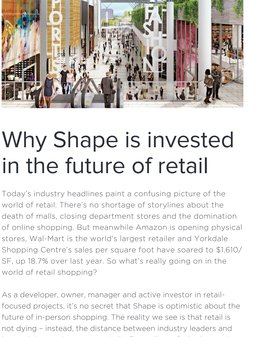
SHAPE PROPERTIES

THE SHAPE REPORT:



Why Shape is invested in the future of retail

Today's industry headlines paint a confusing picture of the world of retail. There's no shortage of storylines about the death of malls, closing department stores and the domination of online shopping. But meanwhile Amazon is opening physical stores, Wal-Mart is the world's largest retailer and Yorkdale Shopping Centre's sales per square foot have soared to $1,610/SF, up 18.7% over last year. So what's really going on in the world of retail shopping?

As a developer, owner, manager and active investor in retail-focused projects, it's no secret that Shape is optimistic about the future of in-person shopping. The reality we see is that retail is not dying – instead, the distance between industry leaders and laggards is growing exponentially. Regardless of whether you're online or brick and mortar, indoor or outdoor, the successful players in this industry have managed to stay ahead of the competition by giving shoppers a culturally relevant offering. Here are five of the factors Shape considered when investing billions of dollars in brick and mortar retail in the 21st Century:

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1 Focus on Experience

With today's technology, it would be possible to work, eat, exercise, entertain yourself and shop without ever leaving home. But physical stores and shopping centres provide an experience that the online world doesn't. With 81% of shopping trips including at least one other person, the shopping experience is a social one. As today's competitive marketplace rewards top performers and quickly eliminates the unexceptional, we see the physical retail world as stronger than ever with sales up 4.2% over the past year Canada-wide.

2 The Impact of the Internet

There's no denying that the internet has been a massively disruptive to physical retail. But even still, 85% of people prefer to shop in-store, making a compelling case for creating vibrant, social shopping experiences. Regardless of the channel, the internet impacts all businesses by giving customers instant access to the competition, price information and reviews. As a result, mediocre players are failing faster than ever while market leaders, both online and offline are enjoying unprecedented levels of success.

3 Movement to Urban Centres

As the world's populations shift to cities (60% of people will live in cities by 2050), retailers are doing the same, favouring urban environments surrounded by a dense customer base. This is because more people in a trade area typically translate to higher sales, but also because shopping is naturally enjoyable in an energetic urban environment that is social by design. When people enjoy themselves they stay longer, return more often and shop more. For this reason, we're not surprised to see connected, centrally located shopping destinations on the rise.

4 Mixed-Use on Transit

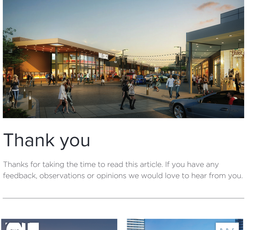
"Mixed-Use" and "Transit-Oriented" are industry buzz words for good reason – the business case is clear when retailers enjoy a built-in customer base of workers from onsite offices, residents from homes and commuters on transit. But we've also observed that as modern life gets busier, people are moving away from single purpose shopping trips and are naturally combining activities like shopping, eating at restaurants, meeting friends and working out. With this shift in behaviour, we see an opportunity to create easy-to-access destinations with a relevant mix of uses that will serve as the one-stop gathering places for their communities.

5 The Real Reasons Retailers Fail

A familiar narrative in our industry is the demise of once dominant shopping centres and big box retailers. The headlines blame online shopping, industry trends and the shifting landscape. But they rarely mention obvious factors like lack of reinvestment, poor customer service and an inability to adapt to shoppers' needs and preferences. We don't see the failure of irrelevant retailers and tired malls as a sign that the industry is in decline. Instead, we see the industry getting stronger through a natural selection process that eliminates mediocrity.

The takeaway

The reality is that there's no single formula or explanation for retail success. Regardless of the format (online, department store, mixed-use, etc.), mediocre players are failing faster than ever while industry leaders are reaching new levels of success. At Shape, we believe there's an opportunity to provide transit oriented, large scale mixed-use projects that are relevant and dominant for the future. This is our strategy, but by no means the only one capitalizing on the changing world of retail.

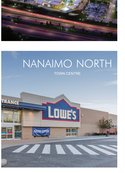


Thank you

Thanks for taking the time to read this article. If you have any feedback, observations or opinions we would love to hear from you.













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