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RETAIL

Retail can bounce back, if technology is wielded right

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Value Retail's Bicester Village

By BRIELLE JAEKEL

Retailers should focus on scaling back on bricks-and-mortar to focus on digital, but keeping the in-store presence to act as showrooms for customer engagement in the upcoming year, according to CBRE Research.While 2016 was a rough year for retail, 2017 could be poised for a comeback but retailers must proceed with care due to the tumultuous political environment. Many brands are sticking to markets that have proven to be successful due to the uncertainty.

"At times it feels like we are being hit by gale-force winds. Nowadays we use the word 'disruption,' rather than 'destruction,' but the meaning is the same," said Richard Barkham, global chief economist at CBRE Research. "All of the main real estate sectors we review in this outlook for 2017 are in the process of reinventing themselves to accommodate technology-driven changes in business operations.

"Although the rate of change is very rapid, it's the most exciting and interesting time to be involved in commercial real estate for many generations," he said.

Retail and real estate

Ever-changing consumer behavior is making a big impact on retailers and will continue to do so. Within the next year there is potential for cost escalation.

Retail in China

These successful and strategic locations will likely see greater investment from retailers, turning more stores into flagships and betting the customer experience. Secondary stores will be thought of as locations to support the online experience such as pickup.

A decrease in tourism from China to Hong Kong is causing the latter's real estate sector to remain stagnant. On average, global retail had a slow increase with only 1.1 percent in the last year.

Retail in Suzhou

The previous year global retail real estate saw a 1.8 percent increase in 2015. San Francisco, Denver and Moscow are the top of the real estate growth market.

Extra insight
Emigration from China is now the lowest the country has seen in five years and 90 percent of Chinese millionaires are more confident in the nation's economic development, according to another report from Hurun

The report, Chinese Luxury Consumer Survey and Hurun Best of the Best Awards 2017, shows that Apple, Cartier, Chanel and L.V. Moutai are the top five gifts for the Chinese New Year. Real estate moves into the most popular spot for favored investment because of the booming housing market in China (see more).

Western brands should pay attention to consumer behavior in China, which represents 15 percent of the luxury market, and focus on strategies such as chat assistance, online reviews, multi-pay, mobile communication and fast delivery.

Chinese consumers rely heavily on mobile and digital for brand and retailer interactions, and its strong presence as a luxury consumer demographic means this is crucial for luxury marketers. However, in terms of in-store experience in China, European brands such as Tod's, Armani and Burberry are leading the way (see more).

"For the past five years, rapid change has taken place against a backdrop of weaker-than-normal growth," Mr.

Barkham said. "We think there is a good chance that growth will be stronger in 2017.

"The mild recession in the oil and commodities sector is over, unemployment continues to fall and governments are starting to spend more money on much-needed infrastructure upgrades," he said. "Inflation probably is back.

"Generally it will be a comforting return to modest price pressure, but it might be a bit more than this in the U.S., and the situation will have to be carefully watched."