

SUMMER 2019 | RETAIL SPOTLIGHT REPORT



THE FOUNTAIN OF WELLNESS IN RETAIL

TRANSFORMING THE CONSUMER
HEALTHCARE EXPERIENCE



Peter Horvath, CEO
Green Growth Brands

*"The demise of brick
and mortar locations
is a myth..."*

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INTRODUCTION

The development of wellness-focused smart cities, where mental balance plays an important role in managing morale and stress levels, has elevated awareness around what we eat and where we live. With emerging products like CBD tinctures and oils, specialty vitamin drip cafes and organic mattresses, consumers now have access to healthier options to create a quality of life for themselves and their families.

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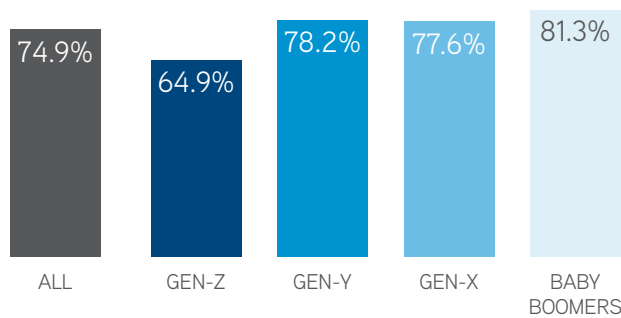
THE EVOLUTION OF RETAIL AND WELLNESS

Wellness — the latest category of interest in retail — is set to become the next mini anchor to backfill vacancies and reinvent the merchandising program. With an eye on recent consumer trends, landlords are favoring health and wellness businesses to deliver real-life experiences that customers cannot replicate online. Although there may be a magic mirror for fitness, personal wellness begins with being present in a physical space.

Approximately 77 million baby boomers seek to outlive prior generations, with 81% planning to spend more on health and wellness products, compared to 19.4% in general retail. The consumer market is saturated with general products and there is an increasing willingness to invest in those products and services that enhance a sense of wellbeing. Experiential retail once believed to be only a millennial need or desire has been adopted by consumers regardless of age. Adapting this ideology of the consumer experience is something everyone can enjoy and represents a major opportunity for wellness retailers and retail properties.

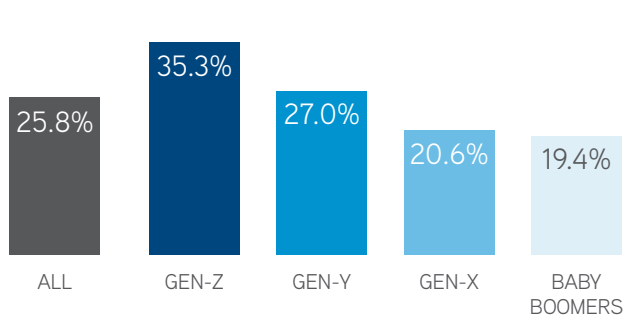
Percentage of consumers planning to spend more on health and wellness products and services over the next few years

Percentage by demographics for each group
Source: GlobalData consumer panel (n=2,000)



Percentage of consumers planning to spend more on general retail products over the next few years

Percentage by demographics for each group
Source: GlobalData consumer panel (n=2,000)



HEALTH & WELLNESS SERVICES IN SHOPPING CENTERS

Not just the usual suspects

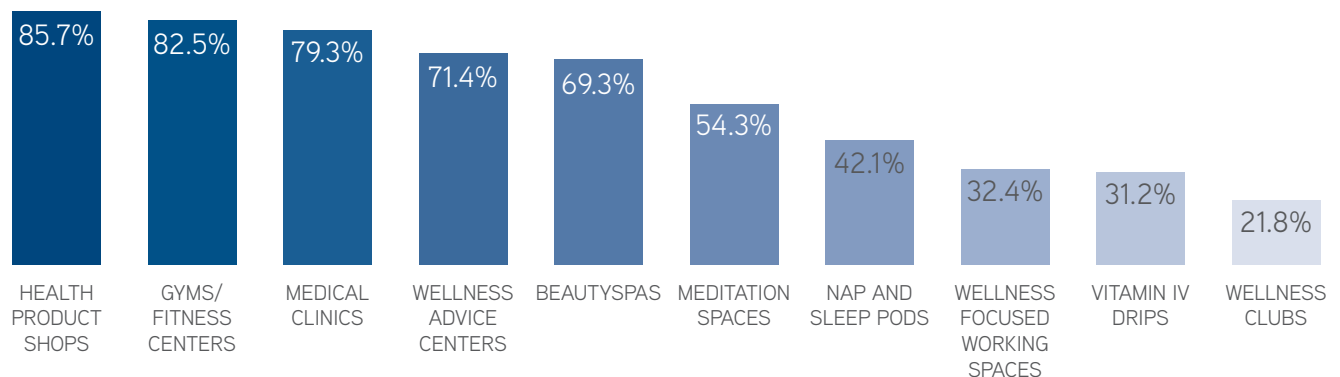
Consumers traditionally frequent shopping malls that feature wellness retailers, health stores, gyms and clinics but a range of innovative services are gaining traction. People are looking for alternative health solutions that allow them to bypass insurance companies and astronomical medical bills for basic services. Some self-care options popping up, include a New York City napping lounge where consumers pay up to \$250 a month to catch up on sleep in private pods. Major markets have seen an increase in meditation spaces that offer consumers quiet reflection and relaxation sessions. And for those that are feeling run down, there are IV hydration studios that provide infusions of vitamins and electrolytes. IV treatments top 2019 wellness services, and as they represent one-tenth of the cost of an emergency room visit folks are consciously deciding to pay out of pocket instead. Many of these wellness concepts have seen growth in mixed-use centers with an opportunity to scale business in a more formal environment.

Fitness centers and other health-oriented businesses within a community can help drive traffic but if they aren't in densely populated areas where consumers congregate, a category-based cluster strategy is not likely to work. Retailers should look to consumer behavior when planning locations. Consider that consumers look to add variety into their workout routine, and we are now seeing health-oriented concepts doing the same. Some like Soul Cycle, Barry's Bootcamp and F45 training, are eyeing spots near high schools and colleges to establish relationships with consumers' fitness routines from the onset.

Types of health and wellness services that consumers want to see in shopping malls

Percentage mentioning each

Source: GlobalData consumer panel (n=2,000)



HEALTH & WELLNESS SERVICES IN SHOPPING CENTERS (cont'd)

Everything under one roof

Wellness services are stretching beyond the fitness industry into alternative medicine, beauty and supplements with the leading grocer and drugstore retailers expanding in-store offerings. With so many wellness services and so much wellness advice, the idea of a one-stop-shop for wellness is appealing to the majority of U.S. consumers. More than half (56%) have stated they would likely frequent a wellness department store. Physical space of big-box retailers are well aligned for this type of one-stop wellness concept, and now is an opportune time for mall owners to craft a similar wellness experience with their tenants.

How likely would you be to use a wellness department store

Percentages
Source: GlobalData consumer panel (n=2,000)

RESPONSE	PERCENT
It is very likely I would use this	14.3%
It is likely I would use this	41.9%
It is unlikely I would use this	24.6%
It is very unlikely I would use this	8.1%
Not sure	11.1%
Total Likely	56.2%
Total Unlikely	32.7



Wellness would drive footfall

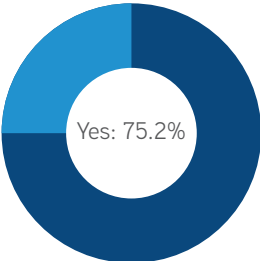
Wellness is likely to drive foot traffic and spending in the mall as consumers access wellness services and continue their shopping experience. Knowing there is an uptick in co-tenancy which drives footfall, landlords are beginning to feature complementary adjacencies: organic grocers, tea houses, vegan cafes and juice bars. There is a definitive emotional connection tied to health and wellness activities. A good workout increases endorphin and dopamine levels which produce positive energy and happiness. When someone's happy and in a good mood, they might be willing to splurge on something for themselves, and that provides an opportunity for retail revenue growth.

Signs point to a beneficial return on investment for a landlord with the addition of wellness shops and services. In a recent survey conducted by GlobalData, 72% of consumers surveyed stated they would spend more money at a retail project if they also had access to wellness concepts. This data represents a strong synergy between fitness, shopping, healthy dining and wellness services.

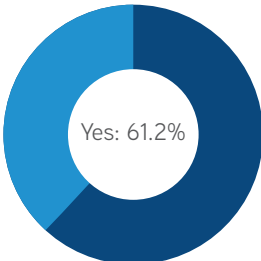
If malls had more wellness services such as gyms, doctors, clinics, spas and so forth, would you...

Percentage responding positively to each area
Source: GlobalData consumer panel (n=2,000)

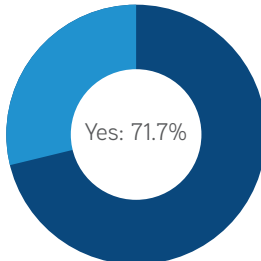
Visit the mall more?



Visit restaurants in the mall more?



Spend more money in the mall?

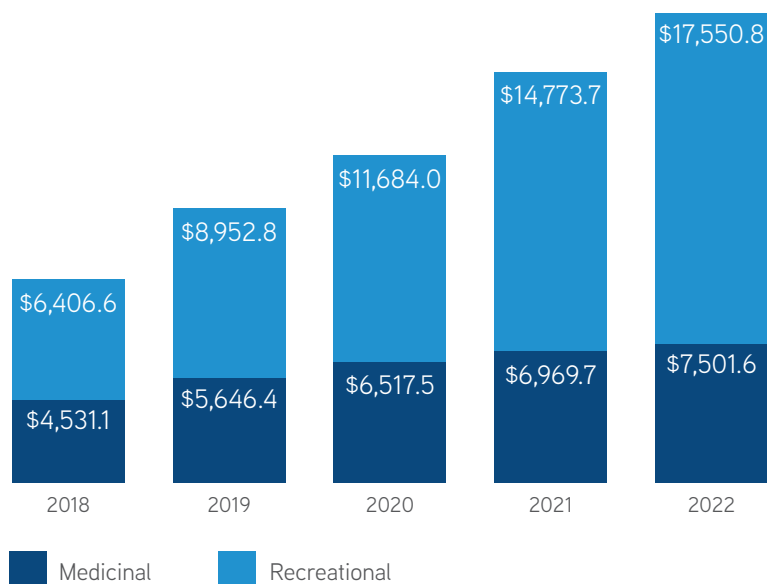


THE U.S. CANNABIS AND CBD MARKET

The cannabis and CBD growth economy is on the rise

Between 2018 and 2022, consumer spending on cannabis and CBD will grow by 129% to well over \$25 billion. The cannabis plant produces several natural compounds, cannabidiol (CBD) and tetrahydrocannabinol (THC) among them. CBD, a non-psychoactive compound, is extracted from the hemp plant and sold in gels, gummies, oils, supplements, extracts and other topical forms — and important to note, the compound will not get you high. The new generation of cannabis users prefers these alternative consumption options, all of which are higher-margin derivatives targeted to the CBD-seeking customer base with little fear of oversupply or pricing pressure.

Market sizing by segment and overall \$US



People are relaxed about cannabis

Views on cannabis and CBD have changed dramatically over the past 10 years. The vast majority of U.S. consumers (76.5%) are either indifferent or welcoming of medical cannabis and CBD shops in malls. However, there are still groups of consumers who object strongly and integration into public spaces will require care and consideration.

One of the major concerns with consumers new to CBD, or cannabis is about the uncertainty of how to identify trustworthy purchasing outlets and where to obtain products. This represents an immense opportunity for retailers and property owners to engage reputable and credible brands to offer formalized shops and services within their portfolio.

Category sizing

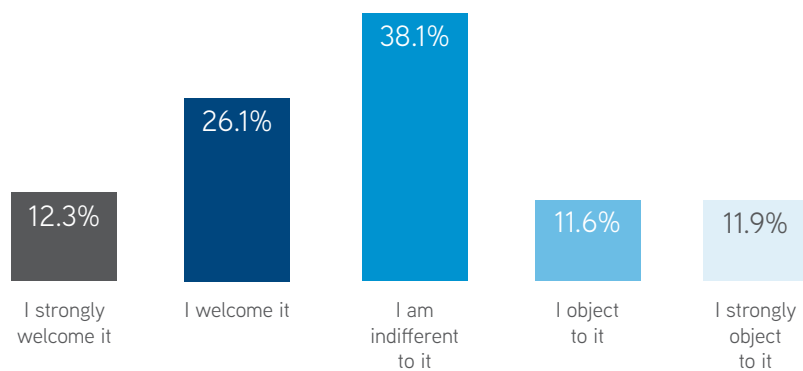
\$US millions / 2018, 2022 and 2018-22 Growth

CATEGORY	2018	2022	PERCENT
Beverages and alcohol	\$473.2	\$2,140.3	352.3%
Packaged food	\$795.1	\$2,592.0	226.0%
Snacks and confectionery	\$1,558.9	\$4,204.2	169.7%
Drugs and medicines	\$1,735.9	\$3,395.3	95.6%
Cosmetics and beauty	\$316.6	\$1,267.7	300.4%
Skin and body care	\$560.4	\$2,162.6	285.9%
Pet care and food	\$10.7	\$325.5	2,973.1%
Raw ingredients	\$5,486.9	\$8,964.8	63.4%

How do you feel about having medical cannabis and CBD shops in malls?

Percentage responding positively to each area

Source: GlobalData consumer panel (n=2,000)



THE CBD EFFECT IN RETAIL

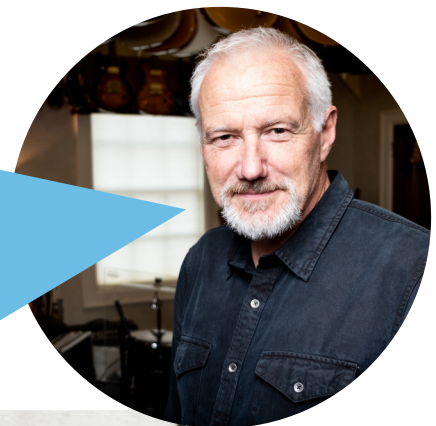
GREEN GROWTH BRANDS

When building a brand in an emerging retail category, it helps to have support and expertise from some of the best, brightest and seasoned retail executives out there. Green Growth Brands, a nascent retailer in the CBD space, has this backing and so much more. Led by Peter Horvath, its executive leadership team holds the key to securing leases based on trusted, long-standing relationships with some of the nation's leading retail properties, specialty retailers and brands. The wealth of retail knowledge and expertise represented by Green Growth Brand's leadership team comes from a vast experience among leading consumer brands both domestic and international, including American Eagle Outfitters, Bath & Body Works, Calvin Klein, DSW, L Brands, L'Oréal, Luxottica, Proctor & Gamble, Tommy Hilfiger and Victoria's Secret.

Since opening its first brick and mortar in February 2019, Green Growth Brands has been on a strategic growth track to scale its retail concept. Partnering with the Simon Property Group and Brookfield Properties, they plan to open 100 branded shops by the end of Summer 2019. Preferring indoor open-air locations in central hallways, the company leans toward 'evolved malls,' ones that offer personal care services and entertainment with brand tenancies that are properly aligned to the consumer's interest and lifestyle. The 200-square-foot walk-in kiosks are designed with a thoughtful and intimate layout for trained associates to introduce Green Growth Brands' line of Seventh Sense Botanical Therapy CBD products to consumers.

"The demise of brick and mortar is a myth. The top shopping centers are actually evolving and growing year over year. These are the centers we have chosen to place our Seventh Sense shops in — and we were given the most prime locations within these centers. These leases are incredible marketing, they lead to millions of consumer impressions each year, drive business to ShopSeventhSense.com and ultimately result in the stickiest, most loyal customers. We are confident that our network of mall-based CBD shops is the strongest vertical distribution network of CBD in the industry."

PETER HORVATH, CEO
GREEN GROWTH BRANDS



Seventh Sense Botanical Therapy is the first of Green Growth Brands to launch in the market and there are plans to expand their consumer offering later this year. Their mission is to provide CBD products that are consumer demographic neutral, focused on the emotional connections driving individual consumption. For instance, Green Lily, which will premier in stores this fall, appeals to women at each life stage managing their health and well-being. Seventh Sense provides botanical therapy CBD-infused personal care and beauty products promoting a natural healing system inclusive across age and gender. The bath and body therapeutic line offers nearly 100 SKUs at an affordable price point.

At the time of press, Green Growth Brand's CBD products were available in 41 states, across tier 1 American shopping malls, their e-commerce site, and wholesale partnerships. Their recently inked distribution deals are with specialty

retailers like Abercrombie & Fitch, American Eagle and DSW. In addition to the CBD retail segment, Green Growth Brands also manages a network of cannabis dispensaries. Its recent partnership with Moxie, a marijuana extract producer and distributor, aims to expand Green Growth Brands' operations coast to coast, solidifying it as a major player in the cannabis category. With this level of national coverage, it appears Green Growth Brands may be preparing itself for the holiday shopping season.

As for the future, Green Growth Brand is riding the waves of its self-created momentum, monitoring consumer engagement and the demand of return customers, potentially for a subscription model. Green Growth Brands' powerhouse team has been the contributing factor to its acceleration with nearly 900 locations for the consumer — a reminder to retailers everywhere that building a solid brand starts with a dream team.

CONCLUSION

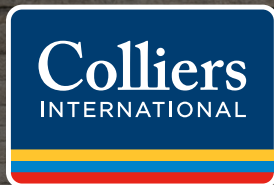
Health and wellness retailers are a perfect balm for what's ailing shopping centers today.

Health and wellness retailers are providing in-demand products and services that support healthier lifestyles for everyone with convenient community-based locations and one-stop shops.

As with restaurants and cafes, the service and ambiance of wellness concepts are a critical component to the retail offering, one that cannot be duplicated online. Health and wellness tenants complement the move to more experiential retail offerings, and although not a full "miracle cure," offer retail centers welcome support and vitality.



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Accelerating success.

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