

<https://twitter.com/paulbeard/status/1180536373440217088>

This is interesting. A couple of things that came to mind...

1. Costco stores are (almost?) always located in outlying areas/suburbs/exurbs, making car travel a necessity.

To make that easier, they sell cheap gas.

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Ryan Reeves

@investing_city

Costco is a fascinating business.

You know all those groceries you buy?

Yeah, they basically sell those at breakeven and then make all of their profit from the \$60 annual membership fees.

Quick [THREAD]

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2. Part of the big box store model is land — owning that scarce resource and extracting rents from it. Some of these chains hold the land in a separate business unit and rent it back to the retail business (which would seem to prove the value of land rents).

3. Costco stores — as well as other similar chains — are measured in acres, not sq ft. That's a lot of land that could be making money for the people who made it valuable by putting in utilities and building the roads that connect it to its customers.

4. The idea of a store that breaks even on sales but makes its profit on membership dues seems vaguely like a nationalized store...what if you paid the \$60 fee as a tax and paid those prices at more places than the distant big box. How much of AMZN's revenue is from Prime?

5. FWIW, I don't care how they make their money...but I wouldn't mind seeing the value of that land returned to the investors in the form of ground rents. It might shake up their business to lose their real estate division — but lower costs to acquire land might ease that pain.

6. Perhaps a ground rent model — vs buying/holding cheap land — might allow something like that to be built w/in reach of transit, in an urban core, vs out on the fringe. Imagine a small one as part of the Northgate redevelopment, as the ground floor of a residential tower.

7. I am not a member — no room to store the large packages, as a non-homeowner — so I have no dog in the fight. But chipping away at car-dependent businesses or developments should be part of any forward-thinking city plan.