

Retail Insights

Retail Real Estate Report

“ Without question this pandemic will change things, but we remain bullish on the retail market.

One of the biggest challenges we often face when recruiting retail to a market is finding the right site for a retailer. Retailers are extremely calculated with their site selection strategy and sales projections. Expanding retailers assess five to ten times as many sites as stores they will open.

We field calls every day from communities who qualify demographically for a retailer and ask, “Why aren’t they located in my market?” It’s not you – it’s the real estate. And it’s not as easy to understand as demographics alone.

Ultimately, retailers follow revenue and the path of least resistance. If your market does not check the right real estate boxes – your market will be left off of the list for new stores.

This is where our team steps in to be the conduit to allow that path of least resistance to flow from your community.

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A New Reality

The reality that we face today is that retail and restaurant sales have taken a historical hit across the board. Retailers who were on the ropes before the pandemic are staggering into the corner if they have not already thrown in the towel and closed up shop.

No one could predict the current situation, but in hindsight we now see that the retailers who had the foresight to make their products and services easy to get into their consumer's hands are the ones who are enduring the challenging reality.



The Retail Shift in Consumer Behavior

The way we shop, socialize and go about our daily lives has been permanently altered. It takes 30 days to form a habit and we are well past that threshold.

Grocery and food delivery services like Shipt, Amazon Fresh, and Instacart have exploded in use and continue to add new users.

Consumers who were once opposed to this type of service or technology have adopted it and are now accustomed to the ease-of-use and convenience. Most will not live their post COVID-19 lives without this technology.

We are going to see a widespread correction by restaurants to add drive-thru's when possible, and at the very least, dedicated curbside pickup parking spots.

With the change in consumer behavior and spending, brick and mortar will see a renaissance that the industry might not have otherwise realized. Over the next few months, we will know more about this shift in behavior by monitoring data and consumer behavior reporting and will adapt our approach to our client's markets.

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Real Estate from the Front Lines

Our team of Retail Recruiters have kept their foot on the gas when it comes to understanding the real estate landscape.

Here is what our team is reporting:

Retail tenant reps have been very open to providing feedback and are in constant search of sites so when the pause in the market ends, they will be at the forefront and be ahead of their competition.

Types of real estate to keep a close watch on are the national, free-standing restaurants that are at risk of closing. (e.g. Logan's Roadhouse, Old Chicago Pizza, Rock Bottom, etc.)

As of right now, **property owners** by and large are not reducing the price of their land, but they are evaluating the situation before making rash decisions. Our Retail Recruitment team is on the phone with property owners daily to ensure we have accurate contact and site information, and have a plan in place for when this turns around.

Shopping center owners with large groups are moving forward with leases that will have store openings in 2021. Many current deals in the pipeline are on hold or have been pushed back for 60 days. Also, most firms are currently processing tenant rent relief requests from landlords. There are many variables that are unique to each user, however it is good to hear most groups are being extremely cooperative.

Industry-Specific Valuation



Grocery

The spike in sales at grocery stores during March was unprecedented. The food-at-home spending trend is likely to taper a bit, and while trips to the store might decline with the increase of delivery or curbside pick-up, the size of cart will remain higher than previous.

We expect to see operators with strong long-term growth strategies continue opening new locations. Regional powerhouses like Publix and HEB show no signs of slowing down.

Curbside pick-up will continue to grow with grocers spending capital to implement additional space for this at existing locations.



Dollar Stores & Discount Stores

Dollar Stores that are located in shopping centers will likely be looking for opportunities to build freestanding locations, then begin to evaluate new markets.

Discount retail such as TJX Companies and Five Below are still looking for new locations.



Quick Service & Fast Casual Restaurants

Corporate operators and franchisees alike have not seemed to slow down on finding sites during this time.

They are pushing forward and continuing to work on existing deals and find new sites.

Del Taco, Guthrie's, Arby's, Popeye's, and Biscuitville are a few specific concepts our team has seen continue forward on new site locations during this time. We feel this sector of the market will continue with strong growth in the future.



Automotive

Oil change, tire and lube, and auto parts retailers are those that we continue to expect will grow. In a time of tightening pocketbooks, consumers tend to take a more "do it yourself" approach to their cars and take care of their cars to make them last longer.

Industry-Specific Valuation



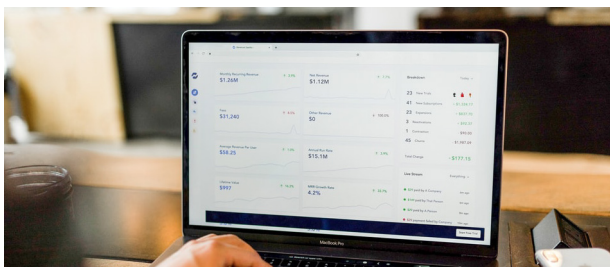
Essential Businesses

There has been very little slowdown for those businesses that the government has deemed essential. From urgent care clinics to hardware stores to liquor stores, these types of businesses are actively looking for new real estate opportunities. If a business has remained open during the pandemic, the likelihood that they are continuing with previous expansion plans is high.



Hospitality

This category has been hit extremely hard with many employees being furloughed. Some hotels that own prime real estate may be more inclined to sell - specifically older, tired brands that were previously experiencing low occupancy rates.



Expanding Retail Brands

Additional brands that have announced they are continuing with expansion include Chipotle, Crunch Fitness, Harbor Freight, Urban Air and Jersey Mike's.

Forward-Looking Statement

Post-Covid retailers will continue to expand and take advantage of open properties and consumers will flock to areas that have a sense of place. The old adage of "Location, Location, Location" will be more important than ever for expanding retailers.

Making sure your community is on the list for evaluation just became more important to the health and future of your city.

While you tackle Covid-19 issues and assist your community in getting back on track, we can act as an extension of your team to support local business, and attract new businesses that increase quality of life, create jobs, and bolster tax revenues that fund your city.

We tailor everything we do to your specific needs from Main Street to Interstate exits.

As a retail partner, we advise and provide resources to grow your community.

