



Commercial Classroom: Retail downs and ups - by Ed Smith

February 08, 2022 - Long Island

This column is offered to help educate agents new to commercial and investment brokerage and serve as a review of basics for existing practitioners.

Retail Downs and Ups

Retail stores in the U.S. saw 2021 Black Friday traffic decrease by more than 28% compared to the pre-pandemic period, in a report from Sensormatic Solutions. It says American consumers are increasingly turning towards digital channels for shopping for various reasons, all linked to the COVID-19 pandemic. These include shut-down stores, fears of catching the new Omicron variant, or supply chain disturbances that result in half-empty shelves and late arrivals.

COVID-19's disruption of the supply chain is really being felt this year, Adobe further suggested, finding that out-of-stock messages on retail websites spiked 124% compared to two years ago. It's mostly appliances, electronics, housekeeping supplies, and home and garden items, that are out of stock.

CVS to close 10% of its stores

Another retail shocker was announced on Nov. 18, 2021, CVS Health Corp. said it would be closing about 300 stores, Reuters first reported. But that's just the first phase. The pharmacy chain has plans to close about 300 stores every year for the next three years, resulting in roughly 900 store closures by the end of 2024. The store closures will begin in the spring of 2022, according to CNBC.

Brick and Mortar

Diane Wehrle, marketing and insights director at Springboard was a speaker at the December 2021 ICSC national conference in Las Vegas. In an interview with GlobeSt.com she indicated that the closure of retail stores, due to the pandemic, led to an increased retail spending online. However, "the majority of retail spending continues to remain in store," she explains. "The fact that even a global pandemic has not significantly dented the extent to which consumers shop in stores demonstrates the continuing importance of in-store retailing and reinforces its long-term future."

"The importance of brick and mortar retailing to shoppers is reinforced by the fact that over half of

those consumers who are now working from home have not changed their shopping habits from before COVID (Springboard US Retail Consumer Survey), which demonstrates why a number of pure online retailers are currently investing in brick and mortar stores that will trade alongside their digital offering.”

Overall, she says that while the impact of COVID is likely to be felt for an extended period of time, the basic human desire for person-to-person interaction and sensory stimulus that sit at the heart of in-store shopping will ensure its longevity and ensure that brick and mortar retailing will outlast this global pandemic.

Globe St. also interviewed Hillary Steinberg, senior advisor of MDL Group/CORFAC International, at the ICSC, who echoed similar thoughts.

“We see retail soaring by as much as 13.5% over 2020,” she explains. “People want to get out of their homes and go shopping, they want to see items in person and they want to eat at restaurants while they make their purchases.”

She notes that people are seeing items advertised specifically to their interests on Instagram, Facebook and YouTube, and then are heading to the shopping center for instant shopping gratification. In addition, she says that “New, unique and specialized retailers and restaurateurs are opening with the mindset that they want to own their own store rather than work for someone else. We have some of the best chain restaurants and then some very unique restaurants that you won’t find anywhere else, that’s kind of what we want to be.”

They are also revamping their food court choices of fast-food eateries to provide a variety of food types and price points for everyone.

The 130-store Stamford Town Center Mall in Connecticut is also expanding its “Restaurant Plaza.” Currently occupied by Pieology, Peter Chang and the Capital Grill, they will soon be adding a Brazilian steakhouse Terra Gaucha and the Mexican restaurant Puerto Vallarta. They also continue to provide various fast-food restaurants throughout their mall.

Shopping center owners are preparing for post-pandemic shoppers, focusing on dining choices beyond the food court plus more “pub” type eateries. Some vacant spaces are being filled with entertainment type businesses like bowling alleys, movie theaters and even fitness centers.

To draw consumers back into their shopping centers owners are creating a “shopping-recreational experience.”

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