



## Commercial Classroom: The Shoplifting Epidemic - by Ed Smith

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Ed Smith

For the most part retail survived (with some major hits) the pandemic. But, now according to the National Retail Foundation, US retailers are closing stores, cutting operating hours and changing product selections due to an increase in crime. In the industry the loss of revenue from various types of crime is called “shrink”, in 2022 this amounted to \$112 billion. This includes internal theft from employees, external theft from shoplifting and organized crime theft for the resale of stolen goods.

Large and small stores are being targeted; from Target, Nordstrom, Dick’s Sporting Goods, Walmart, Best Buy and Macy’s to CVS and Walgreens stores. The organized crime and violence that come with it are endangering employees and customers. Best Buy’s CEO Corie Barry stated the company is being forced to lock up high price items and this is “Traumatizing our Associates and is unacceptable”. They are closing 20 stores this year. Home Depot CEO Ted Decker echoed the same thoughts, “This isn’t the random shoplifting any more”, it has turned into organized retail crime.

As a result of “shrink” Walmart closed four stores in Chicago and one in Portland. Target is closing 9 stores this October including one in Harlem, New York City, 3 in Seattle, 3 in San Francisco and 3 in Portland. Macy’s in 1st quarter 2023 closed stores in California, Colorado, Hawaii and Maryland. They plan to close 125 stores within the next 3 years due to the increase in organized retail crime and the high cost to curtail it; more security guards, updated cameras and surveillance systems.

CVS is shutting 900 stores by 2024, Rite Aid is closing 500 stores and considering bankruptcy all due to rampant shoplifting. A CVS store in the DC area has been attacked daily by a gang of children who routinely strip the stores of merchandise. Street vendors are paying people to go in and steal stuff so they can resell it. These groups of teens, like 45-50 or more, walk in before and after school and at night even stealing food and drinks, which they stomp into the ground outside. The store will be closing.

The number of people in malls has gone up, but the retail sales are still down. Some malls have become gathering places for young adults who frequent casual restaurants and meet with their

friends. Also, mall stores are not immune to the shoplifting issues and many individual stores and the malls themselves are adding additional security personal.

### Positive Innovations

On the positive side stores are re-evaluating their space needs and what to do about it. As an example: Kohl's is now leasing space within their stores to Sephora, Target leases space to CVS pharmacy's. Pharmacies and banks are now commonplace with grocery stores. These concepts fill surplus space in the host store and create another traffic draw to the location.

Macy's looking at dwindling mall traffic and bustling suburbs, will be closing existing stores in malls. Their Chief Stores Officer Marc Mastronardi said that small-format stores are part of the solution. They intend to open 30 stores in strip centers which will be one-fifth the size of their traditional mall stores. The stores will offer a slimmed down mix of merchandise, host local events and have a modern open look. Pairing with existing big-box stores, grocers, and popular off-price retailers like T. J. Maxx, in places that have existing high traffic. The stores will be 30,000 – 50,000 SF and 12 are expected to open by the end of 2023.

### Rebirth of Toys R Us

In 2017 Toys R Us went out of business. They have just announced plans to open 24 new stores in the U.S. next year, citing their "Air, Land and Sea" expansion. Their marketing plan is unprecedented for a retailer; they will be opening small stores in airports and on cruise ships.

They are hoping to revive their customer's emotional bond with the TRU brand, Geoffrey the Giraffe, and its jingle, "I don't want to grow up; I'm a Toys R Us kid".

### Changing the Malls

A JLL survey in June 2023 of 135 malls across the country that are planning redevelopment it found 53.6% include adding housing.

The following is quoted from a New York Times Article

"Facing an existential crisis over empty space, owners are trying to fill malls with residences, building on the live-work-play model sought by young adults.

The Westlake Shopping Center, which opened in the 1950s in Daly City, Calif., is one of the first modern malls in the country. It is currently owned by Kimco Realty, based on Long Island, New York, who owns over 500 shopping centers throughout the country. Over the past seven decades, this mall has survived the rise of online retailers, the shuttering of anchor stores and operating restrictions related to the pandemic. Now comes its latest test: the addition of nearly 400 apartments. Seeking to give the Westlake Shopping Center in Daly City, Calif., a town square vibe, Kimco built a main street through it and added more dining options.

The strategy, which is being closely watched by retail experts, is expected to increase foot traffic

and generate more revenue from the new residents who may be more inclined to shop in their own neighborhood.

“They’re able to feed off each other,” said Conor C. Flynn, chief executive of Kimco Realty, the real estate investment trust that owns Westlake. “It’s almost like an ecosystem where the customer shops your retail, the retailers will support the apartments and drive a premium for the apartments.”

The combination of malls and apartments is not a new concept, but more landlords across the country are rethinking their use of space in this way. The strategy builds on the live-work-play communities that are built to accommodate the needs of its residents and have been become popular in the past decade with young adults seeking amenities within walking distance.”

Danbury Fair Mall, CT October 10, 2024

DANBURY — The city Zoning Commission unanimously approved a new zone that would allow the Danbury Fair mall to build 140 or more apartments in the empty former Lord & Taylor store praising the mall for “changing with the times.”

“We don’t want to see any seller or property owner getting into a desperate situation because...they haven’t been able to change with the times,” said Theodore Haddad, the commission chairman, shortly before a Tuesday night vote. “I think this petition is changing with the times.”

Haddad was referring to a master plan by Danbury Fair to stay competitive during a time when big retail is declining by rebranding itself as a “24-hour environment” with apartments, entertainment and other non-retail uses. The first step in the mall’s master plan was accomplished Tuesday night when the commission approved a new zone that will give the mall flexibility to attract non-traditional tenants to its 1.3 million-square-foot space.

Connecticut Post Mall

The Milford Planning and Zoning Board at its Oct. 3, 2023 meeting approved changes to the zoning regulations that would allow the mall’s owners to pursue building up to 750 apartments on the property.

Commenting on the owners, Centennial Real Estate, approval, Mayor Richard Smith said, “We need this development as much as they (Centennial) do, if not more, I think our knight in shining armor did gallop in, but it’s not Amazon. This is exciting.”

One difference in the new proposal by Centennial is the designation of 10 percent of the apartments as deed-restricted affordable housing – helping Milford increase the number it needs to meet affordable housing targets.

Whitney Livingston, president of Centennial, said her industry has seen dramatic changes in the last decade. She said that most malls were built as an enclosed space with a few large anchor retailers surrounded by numerous smaller retail operations, largely centered around selling apparel and accessories. But those have been eroded by the fall of department stores, the rise of online shopping and retailer bankruptcies.

“Consumers today are looking at more than just apparel shopping,” Livingston said. “They want

experience, which means we as mall owners must deliver entertainment, better food and beverage, health, wellness, beauty, lifestyle service, all alongside apparel and accessories in a very different environment. We must offer a fun, walkable, indoor and outdoor experience that includes amenities like art, music, entertainment and vibrancy.”

Livingston pointed out that the Post Mall has been steadily losing tenants under its current setup. As Milford’s largest single taxpayer, it has paid out about \$250,000 less in taxes to the city each year – meaning a larger share of city revenue has to come from other sources, including residential property owners.

Smith echoed Livingston’s point in his remarks. Smith related that he had been meeting recently with credit rating agencies, who he said were pleased when they heard that he would be speaking in favor of the mall development.

“We need to be partnering with the Centennials of the world to put them back online so that we can realize the tax revenue and other residual benefits.”

The plan Centennial proposed would be completed in three phases over approximately 10 years and include outdoor plazas and green spaces. About a third of the residential units would come on board in each phase.

#### White Plains Mall, New York

The fate of the 50 year old mall in White Plains took a different turn. Unfortunately, this mall lost tenants and eventually became functionally obsolete, changed ownership and was demolished last year.

Plans call for the construction of four multifamily buildings totaling 860 apartments including 78 affordable units. Located two blocks from the Metro-North train station the redevelopment will include dining, retail and other commercial spaces.

“This is going to bring life, it’s going to bring public space, dining and street life,’ Mayor Thomas Roach said. The project is being developed by RXR and the Cappelli Organization.

We continue to watch the ever changing retail world!

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