



HINDSIGHT IS 2020 IN 2021



**FLOCKE &
AVOYER**
Commercial Real Estate

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While the official 2020 Q4 and 2020 - year end retail sales numbers continue to reveal themselves, there have been some surprising and not-so surprising outcomes. On the one hand, electronics and clothing sales plummeted, and in fact, retailers saw the largest annual economic decline since records began in 1996. On the other hand, fast feeders and grocery sales have spiked. What is even more surprising are the transformational and sociological factors fueled by the Covid phenomena.

“Covid has acted like a time machine: it brought 2030 to 2020,” said Loren Padelford, Vice President at Shopify, Inc. “All those trends, where organizations thought they had more time, got rapidly accelerated.” Many tenants, landlords and brokers quickly figured out how to get the job done by being creative in meeting the Covid challenges for the customer as well as for the retailers.

Here are some observations from the FA frontline:

Sense of Community

The commercial real estate brokerage community came together enthusiastically on social media to encourage and support our

local shops and restaurants. As professionals who work with shop owners every day, the brokerage community recognized firsthand how hard these retailers work and how much they give back to their communities. Events such as Step Up to the Plate Challenge, Small Business Saturday, Buy Local, Support Local or Else; popped up across the country allowing neighborhoods, patrons and CRE professionals to pitch in. Hats off to all who have and continue to participate and cheerlead.

We have seen neighbors helping neighbors in a variety of ways even assisting with personal shopping and errands. Many community Facebook and Nextdoor groups rallied to help the elderly with shopping and to support families with home schooling groups.

Retailers immediately answered the call to protect both customers and employees. “Throughout this year’s extraordinary circumstances, retailers have remained dedicated to protecting their customers, employees and the communities they serve regardless of how and when consumers choose to shop,” says National Retail Federation President Matthew Shay.

America is responding despite

widespread pain and uncertainty.

Reshaping of Retail Stores

E-commerce has provided a financial boost to many retailers. To meet this soaring demand, retailers have redesigned stores to facilitate both in-store and curbside pickups. Efficiency and speed in getting customers their products, in the way they wish to get them, is paramount; and retailers are doing it.

Stores now have dedicated curbside areas near store entrances, dedicated pick up parking stalls and personnel to service them. Stores have installed clearly marked in-store signage to get their customers quickly directed to where they need to go. These are just a few of the components that more retailers will be looking to make permanent in their shops.

Retailers and restaurants can all agree on this: Job 1 is keeping a steady and critical eye on your customers and how to serve them.

Adaptive Reuse of Non-Class A Retail Centers

The U.S. has about 300 Class B Malls according to Green Street Advisors. These middle tier malls were already facing challenges prior to the pandemic. Many had several anchor vacancies which contributed to the lack of traffic and synergy in the center. With the center economics not producing, and no funds for improvements, the downward cycle continued. That opportunity to re-deploy the space has given rise to multi-family, health care services and bioscience options within shopping center projects.

For Many Retailers, 2020 was a Great Year

With many restaurants and bars closing, the demand for a cocktail or two did not go away. In fact, just the opposite. Alcohol sales skyrocketed to meet the demand. Home liquor cabinets sales are at an all-time high. Many restaurants were quick to offer take out cocktails – and very successfully I might add.

Walmart and Target have been hiring aggressively to handle their increased business demands. Target Corp. is giving out bonuses to store and warehouse staff, and earlier this year even raised its starting wage to \$15 an hour as its sales sharply increased.



NASDAQ reports that Walmart (WMT) shares were up about 25% in 2020, outpacing the S&P 500's 16.2% gain. However, discount retail competitor Target even outshined Walmart, gaining about 35% year to date. Five Below is a specialized off-price retailer that offers products priced at \$5 or less. Their stock has rallied 56% over the last year, outpacing the benchmark S&P 500 index, which is up 16% for the period. Dollar General reported 62.7% EPS growth, 17.3% revenue growth and 12.2% same-store sales growth in the third quarter, and the stock is up about 37% year to date. Consumer spending jumped



with COVID initiated home improvement projects. Home Depot was a top performer in 2020. Floor & Decor rode the same home improvement wave. In the third quarter 2020, the company reported 18.4% same-store sales growth compared with a 20.8% decline in the second quarter. In early December, Costco reported 13.4% same-store sales growth for the month of November.



Consumers Still Need to Shop

The most recent U.S. Retail Sales Report shows a decrease in retail sales in December, dropping 0.7% since November, but up 2.9% since this time last year. Total sales for October through December 2020 were up 4.0% year over year.

The decrease in sales was caused by two main factors; A., households have less money to spend since some of the relief programs (stimulus and unemployment benefits) have ended; and B., there is less opportunity to spend money due to the commercial social distancing restrictions and closures.

The holiday season saw year-over-year gains in six out of nine retail categories, led by double-digit increases for online sales, building materials stores and sporting goods stores. Specifics from key retail sectors during the November-December holiday period, all unadjusted year-over-year, include:

GAINS

- Online and other non-store sales, up 23.9 percent
- Building materials and garden supply stores, up 19 percent
- Sporting goods stores, up 15.2 percent
- Grocery and beverage stores, up 9.6 percent
- Health and personal care stores, up 5.4 percent
- Furniture and home furnishings stores, up 2.2 percent

LOSSES

- General merchandise stores, down 0.1 percent
- Electronics and appliance stores, down 14.4 percent
- Clothing and clothing accessory stores, down 14.9 percent

