

What's next for the Retail Real Estate Market?



Friday, April 17, 2020



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Jones Lang LaSalle

DOWNTOWN

NEW JERSEY

Education

- Technical Assistance
- Quarterly Newsletters
- Quarterly Round Tables
- Webinars & ZOOM Exchanges
- Annual Conference

Advocacy

- Quarterly Policy Watch
- Real Time Policy Advisories
- Legislative Testimony

Recognition

- Annual Awards
- Quarterly Member Spotlights
- Social Media Shares

www.downtownnj.com/covid



Upcoming Forum:

- April 24: Downtown Budgeting Now
Donna Ann Harris of Heritage Consulting, Inc.
- Send us your suggestions for future forums...
info@downtownnj.com

Past Forums:

- April 4: Survival Marketing Workshop
- March 27: State & Federal Relief Programs
- March 20: Downtown Manager Exchange

www.downtownnj.com/downtown-management-forum-covid



State of Retail and Downtown/Retail Recovery Post Covid-19

MARTA VILLA FOR DOWNTOWN NEW JERSEY

APRIL 2020

Discussion

Market conditions snapshot

New Jersey

Retailer trends

Landlord approach

What to do

COMMENTARY



**MORE THAN 16M AMERICANS
HAVE LOST JOBS**

Jan 20 1:24:53 Canadian F



should be ready for 18 months of
downs in 'long, hard road' as
the Fed's Neel Kashkari

Headlines
this week

China

- Rent relief only February (month of lock down)
- As of 3/16, Apple had re-opened 42 stores.
- Foot traffic is moderate and consumer behavior is cautious
- All but cinemas are open, 8 weeks from enforcement restrictions lifted
- March week over week, sales are 50% of traditional YTD sales
- Suburban locations recovering more quickly, less density
- Social distancing still required, F&B 50% capacity, 1-3 people per table, take out still 30% of income
- Starbucks down 78% February, week of march 5th, down 64%, then 48% last week of March each week going up, expect full recovery in 2 quarters.



Notes from Europe

Wed 4/15

Coronavirus: Denmark lets young children return to school

- ▶ Each European state is mandating a unique approach from severe lockdowns to lifted restrictions.
- ▶ Europe is approximately 4 weeks ahead of US on timeline
- ▶ Example: Austria (pop 9 million)
- ▶ Starting to ease but with warnings to citizens it is dependent on people still abiding by social distancing rules
- ▶ Smaller shops up to 4,500 sq ft can re-open as well as hardware, garden stores – with strict security conditions. Parks will be re-opened
- ▶ Larger shops could re-open on 1st May with restaurants, hotels and other services being phased open after that from mid-May
- ▶ Schools closed until the end of May, public events ban will remain until June
- ▶ If infections rise as a consequence – Government will implement an 'emergency break' and re-introduce restrictions
- ▶ Still a huge caution on international travel, this may not be possible until a vaccination – warned the Chancellor
- ▶ Worth noting, their growth rate in daily infections has dropped from approx. 40% in mid-March to less than 3%

Impacts of Covid-19 on US Retail

- ▶ Essentials vs. non-essential – Essentials prevail with massive sales more than holiday time.
- ▶ Grocers represent 68% of retail hiring.
- ▶ Amazon (175,000), Walmart, Kroger and many more hiring 100,000s of jobs.
- ▶ TJX furloughing 286,000 workers, Macy's 90,000 workers.
- ▶ GAP cancelling summer and fall orders from its suppliers to mitigate store closure fallout.
- ▶ Restrictions won't be lifted until there is a decline for two weeks.
- ▶ Then it will be a gradual loosening and a gradual spending return.
- ▶ The 16 million Americans who lost their jobs could turn into as many as 47 million.
- ▶ (NJ has 9 million people, same size as Austria) We had 750,000 unemployment claims in the last month.

Essentials perform

Essential retailers see March sales surge

Grocery and discount merchandisers saw **spike in March same-store sales**

- Kroger reported a 30% surge.
- Walgreens' same-store sales rose 26%.
- Target reported a 20% jump in same-store sales.



PNC Real Estate Market Research March 2020

- Credit Suisse predicts US **CPG (consumer packaged goods) sales will grow 15% - 30%** from March to May, as consumers prepare more meals at home.

Impacts of Covid-19 on US Retail

- ▶ Retailers that survive Corona will be stronger than ever. Retailers that were in trouble, the virus will expedite their demise. An anticipated flurry of “filings” 4Q2020 and in 2021 after the dust settles.
- ▶ The 2008 recession saw an 8% vacancy increase. The last hurricane/flood in the SW saw a 25% increase in vacancy according to an IEDC report. **NJ vacancy 1Q was 4.4% before Corona.**
- ▶ Property types to come back first – **OPEN AIR**, power centers, strip centers, not enclosed malls
- ▶ Tenants who are proximate to essential providers will benefit first (i.e. **grocery anchored** centers).
- ▶ **Entertainment** will come back slowly and much later.
- ▶ Retailers say for **every month of recession, it takes 3-4 to recover.**

Covid-19 and Retail

- ▶ There will be an estimated 13,000-15,000 store closures in 2020 including Pier One and Payless.
- ▶ There is a 42% probability that department stores will default. Most have been downgraded by S&P. (Ex. Macy's was \$6 Billion, now \$2.1 Billion)
- ▶ There will be more bankruptcy filings 4Q2020 and 20201.
- ▶ There will be a lag in opening and supply chain. Stores will have Spring merchandise and will be re-opening for Summer.
- ▶ American Dream shifting merchandise plan from 55% entertainment and 45% retail to 70% entertainment and 30% retail to avoid struggling retailers

The logo for Pier 1, featuring the text "Pier1" in white on a dark blue background.The logo for Macy's, featuring a red star and the text "macy's" in black on a white background.The logo for Forever 21, featuring the text "FOREVER 21" in white on a black background.The logo for Chico's, featuring the text "chico's" in black on a white background.The logo for Modell's Sporting Goods, featuring the text "MODELL'S SPORTING GOODS" in white on a red background.The logo for GameStop, featuring the text "GameStop" in black and red on a white background, with the tagline "POWER TO THE PLAYERS" below it.The logo for Walgreens, featuring the text "Walgreens" in white on a red background.

Capital markets

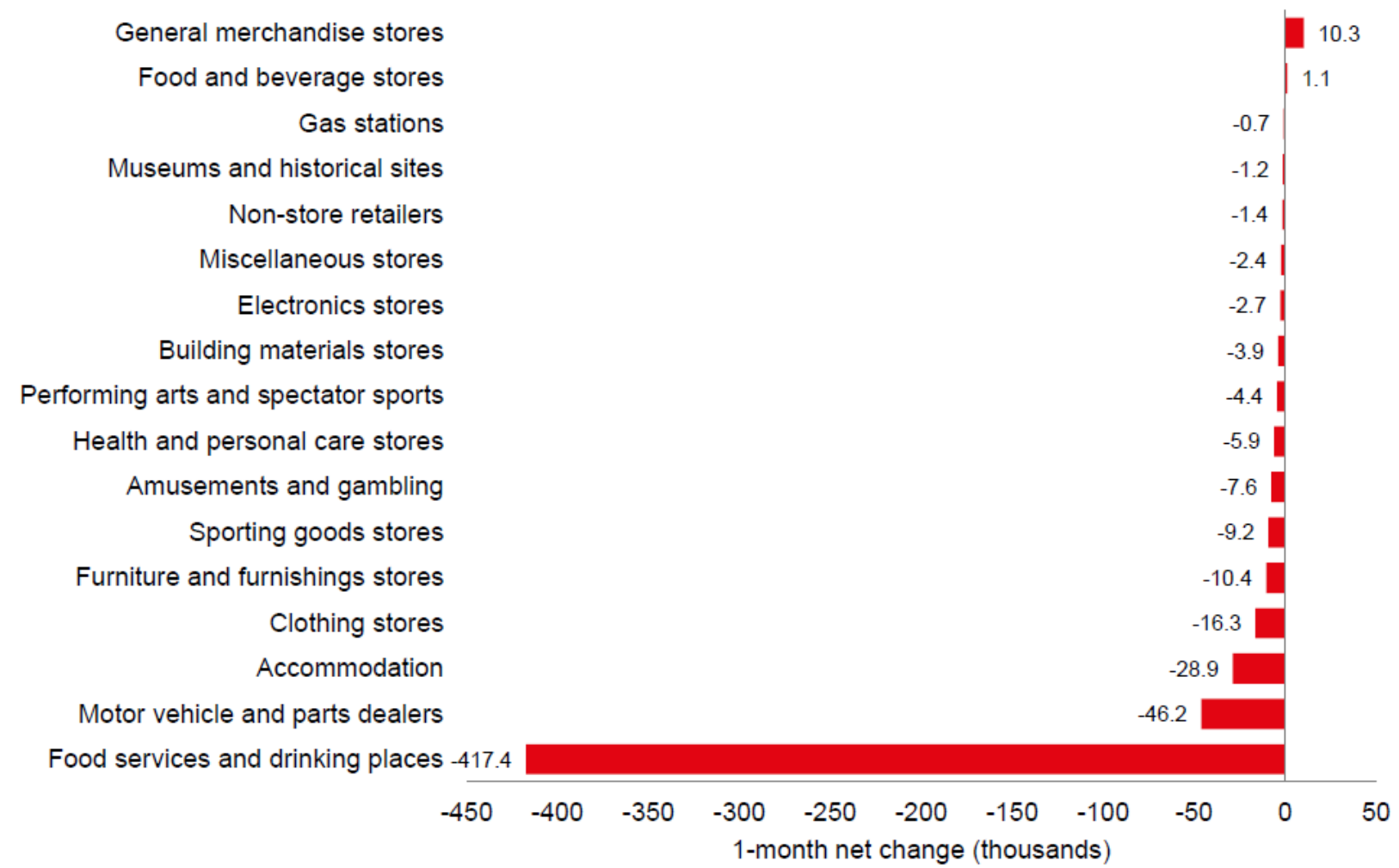
April rent collection in Retail ranged from 22-50% vs. Multi-family 92%

The only sales that are happening are really CORE or really OPPORTUNISTIC

People are really scrubbing the numbers with high vacancy, reduced rents and stressing the projections

Underwriting doesn't know what to do

Retail, leisure and hospitality will face the brunt of decreasing consumption



Resilient sectors

- Essential goods and grocery stores
- Home goods stores
- Pharmacies
- Repair shops

At-risk sectors

- Apparel and textiles
- Arts and in-person entertainment
- Car dealerships
- Hotels and accommodation
- Luxury retailers
- Sports and gambling

Retailers who excelled

- ▶ Essentials
- ▶ Superstores
- ▶ Grocery
- ▶ Liquor
- ▶ E-grocery
- ▶ Pharmacy
- ▶ Office Supplies (+41%)



Retailer categories of concern

- ▶ Cinemas
- ▶ Department Stores
- ▶ Food and beverage
- ▶ Hotels
- ▶ Fitness centers
- ▶ Apparel/soft goods
- ▶ Discount
- ▶ Personal services



Cause and effect: Small retailers or franchisees, local business

- ▶ Reserve CASH
- ▶ Reduce costs, tighten up
- ▶ Furlough or LAY OFF employees
- ▶ STOP before expending further capital on construction
- ▶ HOLD off on expansion or future locations
- ▶ Focus on your E-COMM
- ▶ Find short term financing
- ▶ ID long term financing
- ▶ Think about your relevancy for when we can re-open, do you need to remerchandise, downsize, create a better in-store experience?



Working with retailers

- ▶ A chance to take stock – is my store ready to compete post Corona?
- ▶ Time to improve your store and reinvent yourself, take stock
- ▶ Improved customer experience (layout, merchandising, point of sale, design, marketing, interface w e-comm)
- ▶ Technology enhancements
- ▶ Improved customer communication and lifestyle/brand enhancement
- ▶ New reliance upon technology (bricks v clicks)



Landlord issues

- ▶ Loss of rent (67% of retailers interviewed by JLL did not or could not pay April rent and asked for 90 days of rent relief)
- ▶ Response to rent relief requests
- ▶ Dealing w lenders (SNDA)
- ▶ Amending Leases
- ▶ Opportunities to get anchor spaces or other key space back
- ▶ Future rents could be lower (a market "correction")
- ▶ Tenants in default are no longer protected by exclusives



aftermath

DOWNSIDE

- ▶ Increased vacancy
- ▶ Loss of rent/inability to pay rent
- ▶ Lockdown/no customer traffic
- ▶ Loss of key employees
- ▶ Decreased morale
- ▶ Inability to plan
- ▶ Period of no growth

UPSIDE

- ▶ Grow e-comm business, increase technology
- ▶ Look at supply chain
- ▶ Move regionally
- ▶ Downsize store, review layout and flow
- ▶ Improve store planning, merchandising
- ▶ Aggressive marketing
- ▶ Calling customers
- ▶ Provide delivery, pick up
- ▶ Availability of key real estate to come
- ▶ Decrease in market rent?

vacancy rates...

OCCUPIED



FOR LEASE



FED ANNOUNCES
UP TO AN 18
MONTH
RECOVERY –
DECEMBER 2021

recovery

STAGGERED WORK
SCHEDULE

SCHOOL ADJUSTMENTS

TRAVEL REGS

SOCIAL DISTANCE

CAPACITY CHANGES TO
STORES/RESTAURANTS/GYM
S, DAYCARES, OFFICES

DELIVERY SYSTEM

SUPPLY CHAIN

CLEANING SCHEDULES

STORE/OFFICE SIZE...

ENTERTAINMENT USES?

CONTINUED PPE

"New" normal considerations

“New” normal - Foot traffic and social distancing

BEFORE



DURING



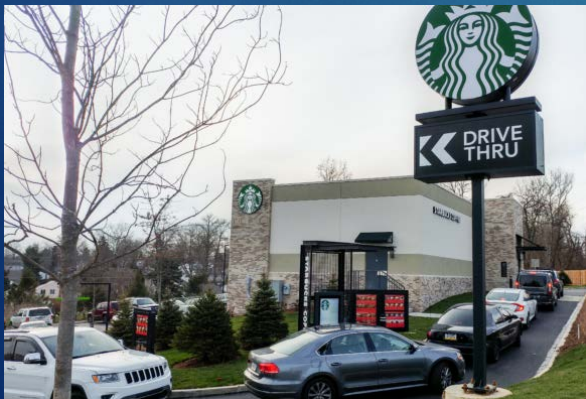
AFTER?





Restaurants as we know them...

reduce capacity, larger footprint, spread out seating, more drive-thrus?





WHAT
HAPPENS TO
GROUP OR
LARGE
SCALE
FITNESS?



INCREASE
IN
INDIVIDUAL
SPORTS?



What
can
BIDs do



Statutory powers

Bid leadership



Gather information



Over communicate



Conduct ongoing surveys of the changing situation, note data points



Organize your team (staff, town, business leaders, county, state, professionals (atty, broker, architect, marketing))



Centralize information on incentives and promote available info



Organize your bank contacts and find out what they are willing to provide

Re-entry



- ▶ Open a street level one stop pop up to assist business owners
- ▶ Work w your LLs and brokers to get ready for new leasing opportunities
- ▶ Host Retailer work shops and round tables
- ▶ Examine zoning to see if an overlay is needed
- ▶ Use of SID funds for necessary business attraction measures (facades, signage, first month free, consulting services, marketing expense, hire merchandiser or store designer)
- ▶ Provide ongoing information (transparency)
- ▶ Help business owners plan their re-entry and improve their retail establishments
- ▶ Consider Amazon and recession resistant uses

leasing – phase one

“prepping
the front
lines”

Renewed marketing effort focused INTERNALLY

(Retailer events, communications, meet and greets)

Preparation – CLEAN, SIGN, LIGHT, MERCHANDISE, define the MESSAGE

Marketing effort focused EXTERNALLY (brokers, business owners, media, architects)

Engage in “feel good” events small, medium and large

Plan larger events 3-4th quarters if possible – target early Fall

Work w media to promote existing businesses, schedule on going campaigns, combine w Social Media, make it personal

Add to your team if needed and continue to re-evaluate

Leasing- phase two real estate marketing

- ▶ Organize storefront vacancy information, look at lease expirations, work w landlords and brokers
- ▶ Look at opportunities to re-position/re-tenant spaces where businesses are likely to leave
- ▶ Create leasing information package
- ▶ Update demographic data, get sales data pre-Covid from key retailers and F&B in your town
- ▶ Look at September and December ICSC as opportunity
- ▶ Plan for this to be a 2-3 year process, like a ground up development
- ▶ Manage expectations each step of the way



OVERVIEW & DEMOGRAPHICS

LOCATION

- Corner building for lease in the 50,000 SF Shoppes on Broad retail development
- Located in Downtown Newark, corner of Broad at New Street
- Tremendous visibility from all points of Broad Street and Military Park
- Across from Whole Foods, Petco and City MD

BUILDING E space details

- Size: Approx. 5,211 SF for Lease (Divisible)
- Possession: Arranged
- Asking Rent: Upon request
- 25' ceiling height

	1-Mile	2-Mile	3-Mile
Population	48,736	203,585	359,366
Avg HH Income	\$52,971	\$51,857	\$52,538
Employees	95,666	159,542	203,680
Businesses	3,538	7,547	10,827

102 HALSEY STREET space details

- Size: 1,426 SF for Lease
- Availability: Vacant
- Asking Rent: Upon request
- +/-14' ceiling height

Leasing information

Street address

Property overview
incl zoning

Physical
characteristics

Size, ceiling height,
basement,
storefront
dimension

Demographics

Market aerial

Lease or site plan

Financial details
(rent and NNN)

Co-tenants &
demand
generators

Floor plans (LOD)

Contact info

Demographic information



Population –
1,3,5 or .5,
1,2 or 3, 5, 7,
10



Median HH
Income



Daytime
Pop



Ethnic
breakdown



Age
breakdown



Educational
attainment



Cellphone
data



Retail
leakage

demographics

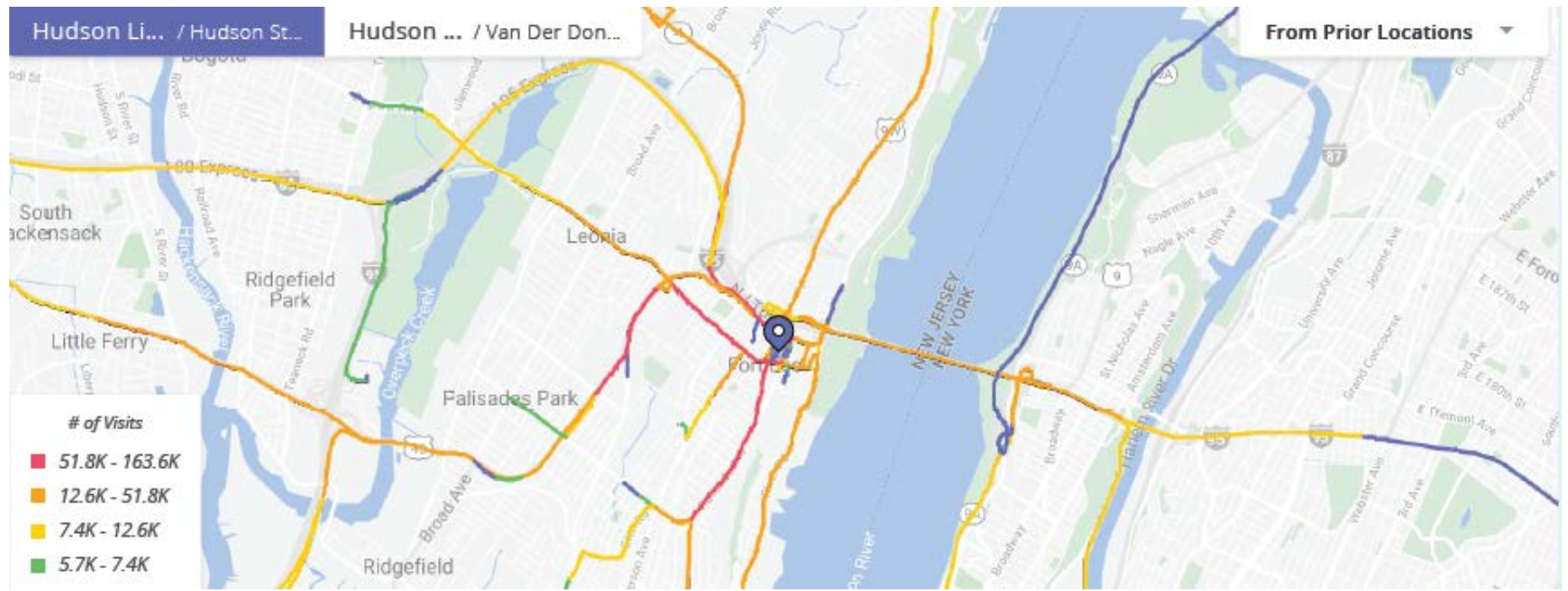


JLL Demographic Summary

2030 Hudson St
 2030 Hudson St, Fort Lee, New Jersey, 07024
 Rings: 0.5, 1, 1.5 mile radii

Prepared by Esri
 Latitude: 40.85222
 Longitude: -73.96847

	0.5 miles	1.0 miles	1.5 miles
Population Summary			
2000 Total Population	11,550	32,320	65,329
2010 Total Population	12,158	32,917	65,979
2019 Total Population	14,847	36,900	70,964
2024 Total Population	16,170	38,858	73,475
2019-2024 Annual Rate	1.72%	1.04%	0.70%
Total Households	7,312	17,086	30,053
Data for all businesses in area			
Total Businesses:	968	1,704	2,483
Total Employees:	8,183	14,023	19,740
Total Residential Population:	14,847	36,900	70,964
Employee/Residential Population Ratio:	0.55:1	0.38:1	0.28:1
Labor Force By Occupation - White Collar	84.0%	80.7%	77.0%
Labor Force By Occupation - Blue Collar	5.4%	7.7%	8.6%
Median Age			
2019 Median Age	48.5	46.2	44.0
Median Household Income			
2019 Median Household Income	\$86,187	\$82,033	\$82,930
2024 Median Household Income	\$100,091	\$92,770	\$94,966
2019-2024 Annual Rate	3.04%	2.49%	2.75%
Average Household Income			
2019 Average Household Income	\$116,478	\$112,200	\$114,023
2024 Average Household Income	\$132,878	\$128,640	\$131,181
2019-2024 Annual Rate	2.67%	2.77%	2.84%
Per Capita Income			
2019 Per Capita Income	\$56,971	\$51,771	\$48,268
2024 Per Capita Income	\$64,297	\$58,912	\$55,292
2019-2024 Annual Rate	2.45%	2.62%	2.75%
2019 Population 25+ by Educational Attainment			
Total	11,556	28,322	53,791
Less than 9th Grade	2.4%	2.8%	4.3%
9th - 12th Grade, No Diploma	1.6%	2.2%	3.0%
High School Graduate	15.3%	16.0%	16.3%
GED/Alternative Credential	0.2%	0.6%	1.2%
Some College, No Degree	8.6%	9.6%	9.7%
Associate Degree	5.3%	6.0%	5.5%
Bachelor's Degree	38.2%	38.2%	36.1%
Graduate/Professional Degree	28.3%	24.7%	23.8%
2019 Population by Sex			
Males	6,810	17,269	33,621
Females	8,037	19,631	37,343
2019 Population by Race/Ethnicity			
Total	14,848	36,900	70,964
White Alone	48.2%	44.8%	43.9%
Black Alone	3.4%	3.7%	4.2%
American Indian Alone	0.1%	0.2%	0.2%
Asian Alone	41.7%	44.2%	41.3%
Pacific Islander Alone	0.0%	0.0%	0.0%
Some Other Race Alone	3.7%	4.2%	6.8%
Two or More Races	2.8%	2.9%	3.4%
Hispanic Origin	14.5%	14.7%	19.6%



Geo placer data

Market aerial





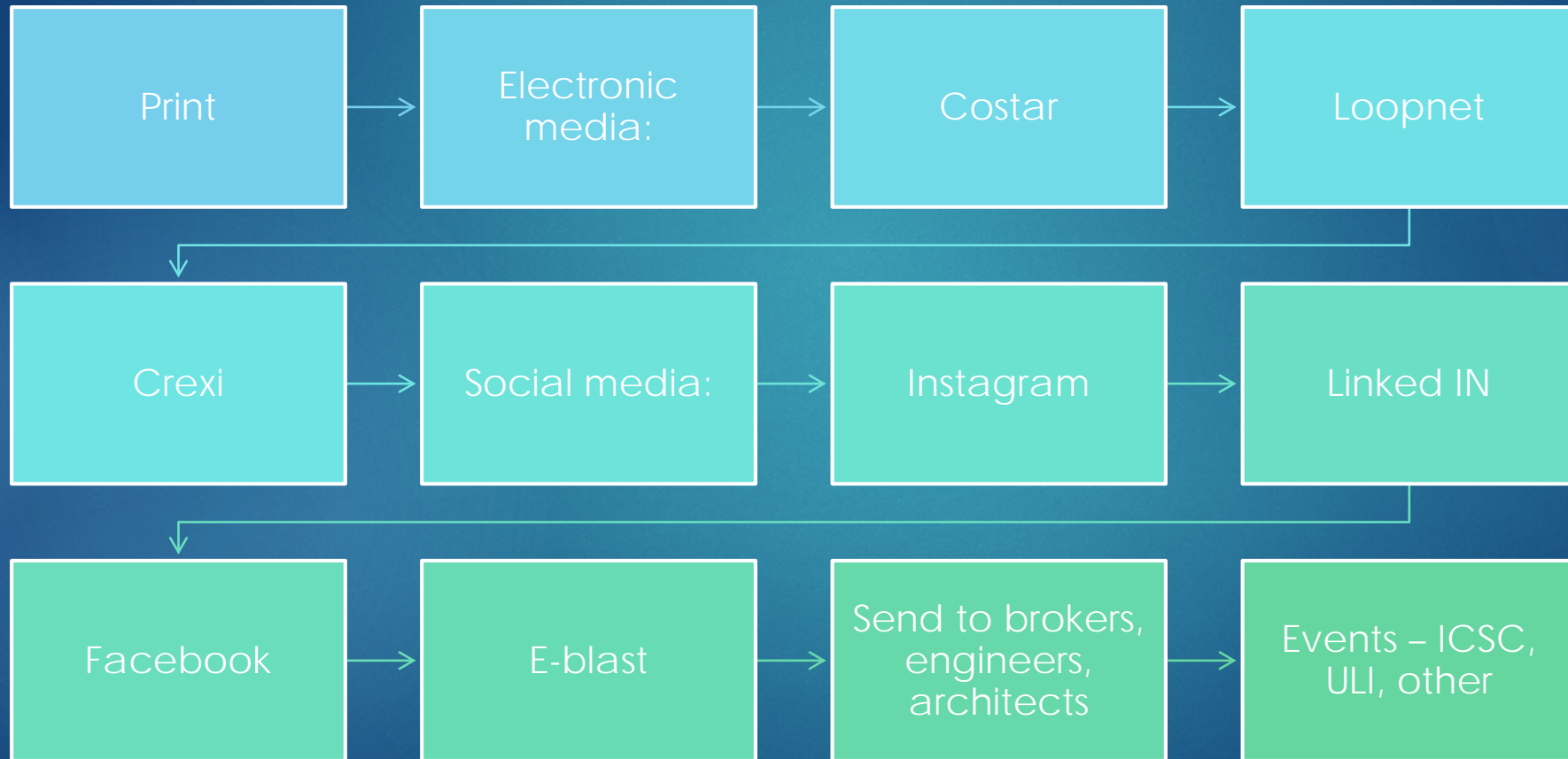
Leasing plan

LEGEND

- LEASED
- AVAILABLE

SHOPS	TENANT	FLOOR AREA
1	Available	6,500 SF
2	Available	1,645 SF
3	Available	1,068 SF
4	PRX	3,977 SF
5	Available	3,825 SF
6A	SEE SAW	2,259 SF
6B	Available	1,844 SF
7A	CITY PERCH	5,257 SF
7B	IPIC THEATERS	33,892 SF
8A	BEAN AND BEAN	1,811 SF
8B	Available	1,615 SF
8C	PARIS BAGUETTE	3,508 SF
9	CAPITAL ONE	3,800 SF
10	Available	4,300 SF
11	Available	1,500 SF
12A	CYCLE BAR	3,267 SF
12B	Available	1,971 SF
13	GAYEON	6,462 SF
14A	Available	2,681 SF
14B	European Wax	2,102 SF
14C	TUTTI NAILS & SPA	1,720 SF
15	ANTHONY FRANCO'S PIZZA	3,168 SF
16/17	TANG TWO RESTAURANT	6,926 SF
18	Available	5,369 SF
19	LINWOOD WINES	7,161 SF
20	NEW BANK	2,003 SF
21	COLDWELL BANKER	5,500 SF
22	CVS	13,494 SF

Info distribution





Celebrate wins

ANNOUNCE EVERY LITTLE VICTORY

MEDIA RELEASES

E-BLASTS

SAME ELECTRONIC MEDIA

AND AGAIN

