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Let’s talk retail - by Carol Todreas

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The Gap is laying off hundreds of employees, Bed Bath &Beyond is finished and many others are ailing and failing. Retail is in a wild state of flux. Nothing is certain; yet consumers are still buying goods and most interestingly it has been predicted that brick and mortar is in a period of growth despite the other fact that e-commerce is also predicted to gain more of the consumer spending pie. The point is that even though banks may be toppling and there is talk of recession, consumers are still consuming.

With such a vibrant retail scene, there is much to talk about. However, leases and tenants still are fundamental, and they are evolving. Here is a glance at what is now transpiring.

Leases and Related:

• Demand for good locations is greater than supply; much competition for space exists in established malls and shopping streets.

(According to Cushman and Wakefield, the national retail vacancy rate fell to 5.7% at the end of the year, its lowest level since 2007.)

• Lease negotiations continue in the trend that started before the pandemic: they are more individualized and creative with landlords being flexible and working to help each tenant.

• Newer brick and mortar tenants may want only 6-24 months to test the market; other more experienced tenants may want more typical 20-year term leases.

• Leases are tending to have annual increases to keep up with inflation, instead of at pre-scheduled times which was the convention before the pandemic.

• Rents in high-demand suburban locations are now almost the same or the same as in dense urban locations; rents have been increasing as populations migrate and drive demand.

Tenants and Related:

• E-commerce retailers continue to open physical stores.

• Tenants now want creative store design to attract customers.

• Tenants want stores to be sized and configured for ease of circulating and entry/exit.

• Store design needs to accommodate multi-channel selling; the success of tenants depends on being able to coordinate merchandise between Internet and physical store.

• Stores touting a low carbon footprint either because of design and construction or merchandise selection (or both) are noted and preferred by Millennials and Generation Z customers.

• Pop-up tenants remain an important element of any mall or shopping street. It does not matter the retail category, from food to clothes to jewelry, consumers gravitate to something new and different.

• Mixed-use projects can be risky for retail tenants; each project should be evaluated for its retail market potential.

To date pre-owned, resale and second-hand stores are big attractions for consumers. They are exactly on point for those who want to save money, hunt for treasures, and save the environment which happens to be most of us.

In this category look for RaaS or resale as a service. This niche concept began on the Internet but has been far more profitable in physical stores. Specifically it is a partnership between brands and resale platforms. The brand sells its oversupply of merchandise to a third party brick and mortar store. As such the resale store becomes the sales service for the left over merchandise and eliminates the middle man.

The two most recognized national chains in this category are ThredUP and Trove; however, several similar concepts are in the pipeline, and local retailers will be finding some innovative way to add their own twist to the concept. There will be various adaptations of the concept, mixing and matching new merchandise with edited pre-owned, second hand goods in one brick and mortar store.

The take a way: Retail brick and mortar lives and breathes and shoppers buy…….when it is right.

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