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Newsletter Archives

Brown's Rants

Week Ending January 22nd, 2022

Wall Street Correction and Impact on Retail IPOs...

As the stock market opened this morning (1/24), it appeared that the downward trend in pricing was starting to hit correction territory. Market corrections are typically defined as the market losing 10% to 20% of its value during any given time. While corrections signal growing investor pessimism about the market, they aren't necessarily a bad thing. Bear markets, or bearish periods, don't necessarily trigger recessions or worse. For example, there have been 27 corrections in the S&P 500 since World War II, with an average decline of 14%. The market has always recovered and returned to new all-time highs—sometimes within just a few months. Crashes (when indices fall 20% or more within a short period of time) tend to be far less common... but uglier and nearly always a driving force in economic downturns and actual recessions.

As of this morning, the S&P had fallen 10% from its record high on January 3rd. It's enough to have a fair share of economists worried, as well as some legendary investors. Jeremy Grantham, the Chief Investment Strategist of mutual fund GMO, raised concerns last week when he said that the US is [experiencing a "super bubble" in stocks, housing and commodities that is on par with conditions prior to the 1929, 2000 and 2008 economic crises.](#)

Incidentally, at any given time you can always find an analyst or prognosticator to find a "sky is falling" quote. Broken clocks are right twice a day and there is a cottage industry of prognosticators out there (often selling books or hawking alternative investment types) that are always ringing the alarm. The difference here is Grantham has a pretty solid track record.

Valuations have been rich. Very rich. The Shiller Cyclically Adjusted Price-to-Earnings (CAPE) Ratio measures a company's stock price by the average of a company's earnings for the last ten years, adjusted for inflation. It is a metric reportedly favored by Warren Buffett for determining potential bubbles had reached a near-record high of 40.21 (meaning stocks were being priced at an average of 40x earnings) on January 3rd of this year. The last time it had reached this level was in January 2000, shortly before the tech wreck which would culminate in the brief 2021 recession. At that time, it stood at 43.53. As of this morning, the CAPE stood at 35.63.

None of this, of course, means that a market crash or downturn is imminent. At this point a measured correction would be a very good thing—assuming that is what is happening. Better to let a little air out of the bubble, rather than see it burst.

But this does have implications for the recent trend of retail IPOs. Certainly, a major driving factor behind this have been rich valuations. There are roughly half the number of publicly traded companies in the United States today than there were in 1999. This is one of the driving factors behind 2021's record-setting pace of 1,058 IPOs during the year as well as the SPAC craze that started in late 2020. A flood of capital looking for investment in a marketplace where pricing was rich. It has meant some very lofty valuations.

For example, eco-friendly footwear and apparel player Allbirds posted revenues of roughly \$219 million in 2020. Their IPO on Nasdaq initially sought \$15 per share at a valuation of \$2.2 billion. But the stock immediately soared to a first-day peak of \$26.03 per share (more than a \$4 billion valuation). It has since come back to earth at \$12.48 per share (this morning) and a total market capitalization of just over \$1.8 billion. The freneticism of the stock market aside, Allbirds is a fantastic brand that was priced for growth—indeed, it plans on opening 300 US stores over the next five years. But the rich valuations are why retailers, both traditional brick-and-mortar and digital natives, have been clamoring to launch their own IPOs.

Right now, only the S&P is in correction territory, but you can assume that if the trend continues that the rush to go public will likely slow. If we are entering an even sharper bear market, the trend will likely halt. This could have some major repercussions for the recent trend of activist investors looking to drive eCommerce spin-offs from retail brands. Think about it, most retailers have spent the better part of the last two decades trying to get the balance right between bricks and clicks. Most chains have grappled with reimagining their physical stores, reducing store counts, tweaking site selection criteria all while investing heavily in building out eCommerce infrastructure... all with the common goal of creating seamless interactions with the consumer whether online or in the store. This is what the entire drive towards omnichannel has been for a substantial part of our industry for years. The idea of separating out eCommerce capabilities from their brick-and-mortar parents makes little sense in terms of those strategies ([for a great piece on the topic check out this recent editorial from Erin Cabrey of Retail Brew](#)).

But given the state of IPO valuations (until the last few weeks) spinning off eCommerce divisions as IPOs makes perfect sense... from a short-term investment outlook. These new eCommerce IPOs would create immense paper wealth virtually overnight and they could be easily sold off for immense profit to an exuberant marketplace... theoretically.

As for whether it might be a terrible idea to decouple stores from their eCommerce infrastructure in the omnichannel era? Well, that matters little if the investment in the retailer was only a short-term means to an end to begin with. That said, if a market correction has begun, those investors may want to rethink this strategy. They likely have already missed their prime window. And I suspect the retailers targeted by this evolving trend will be all the better for it if they have.

Garrick



Top 10

Stories of the Week

[Wall Street's Losing Streak Stretches into Fourth Week; with the S&P Entering Correction Territory](#)

New York Times 1/24

[Why Shoplifting is Soaring Across the USA and Will Get Worse](#)

New York Post 1/22

[Kohl's Receives \\$9 Billion Offer From Activist Investor](#)

Seattle Times 1/22

[NRF 2022: Key Takeaways From Retail Execs](#)

Chain Store Age 1/21

[Amazon Opens 30K SF Amazon Style Store at Glendale's The Americana at Brand](#)

New York Times 1/20

[Retail Bankruptcies on the Decline](#)

Axios 1/20

[The Story of Toys R Us Bankruptcy is Still Unfolding and Here is Why it Matters](#)

Retail Dive 1/20

[Retail Rents Forecast to Grow at Fastest Clip in a Decade](#)

Costar 1/19

[Deloitte: Retail Needs a Revamp to Find Success in 2022](#)

Luxury Daily 1/18

[Retail Investment Strengths Expected to Continue in 2022](#)

Shopping Center Business 1/18

Economic Headlines

Stories of the Week

[How Much are you Willing to Pay for a Burrito?](#)

New York Times 1/21

[No Light at End of Supply Chain Tunnel: The China Syndrome](#)

Robin Report 1/21

[Houses are About to Get a Lot More Expensive](#)

Business Insider 1/20

[Record IPO Rush of 2021 Led to Historically Dismal Returns for Investors with No Relief in Sight](#)

CNBC 1/20

[Sales of Existing Homes Drop For First Time in Four Months](#)

Bloomberg 1/20

[Jeremy Grantham Doubles Down on Stock Market Crash Call; Says Selloff Has Started](#)

Bloomberg 1/20

[Three Strategic Options to Deal With Inflation](#)

Harvard Business Review 1/18



Property Trends

Stories of the Week

[Have Ghost Kitchens Become the New Food Courts in Charlotte?](#)

Charlotte Observer 1/21

[Why Some Atlanta Malls Get Revived and Others Become Zombies](#)

Atlanta Business Chronicle 1/19

[Manhattan's Retail Market Ticks Up Towards Rebound](#)

The Real Deal 1/19

[Three Big Moves Retailers Must Make to Keep up with Big Box Boom](#)

RIS News 1/19

[Mall of America's Newest Tenants](#)

Chain Store Age 1/18

[New Publix-Anchored Mixed-Use Development Coming to Charleston SC](#)

Costar 1/18

[Miami's Economic Forecast for 2022](#)

Florida Trend 1/17

[High End Brands are Turning Texas into a Fashion Capital](#)

Glossy 1/17

Retail Headlines

Stories of the Week

[Stop & Shop Closing 2 New Jersey Grocery Stores](#)

NJ.com 1/22

[Amazon Stays Mum on Mystery North Star Mall Project](#)

My San Antonio 1/22

[Home Depot Opening New Charlotte Store](#)

WSOC-TV 1/22

[PetSmart in Talks to go Public through SPAC Acquisition](#)

Chain Store Age 1/21

[Gucci to Open Store in Downtown Detroit](#)

Crain's Detroit Business 1/21

[BH Cosmetics Files Chapter 11](#)

Retail Dive 1/21

[Amazon 4 Star Coming to Destiny Mall in Syracuse](#)

Syracuse.com 1/21

[Aerosoles to be Acquired by American Exchange](#)

Retail Dive 1/21

[Forman Mills to Take Former Sears Store in Chicago Suburbs](#)

Riverside-Brookfield Landmark 1/21

[Warby Parker Plans New Store at Westfield Galleria](#)

Sacramento Business Journal 1/20

[Luxury Retailers Defy Slump as Full Price Sales Reflect Pent Up Demand](#)

PYMNTS 1/20

[Convenience Store Count Declines for Fourth Straight Year](#)

Vending Marketwatch 1/20

[Select Louisiana Circle K Stores Transitioning to Kangaroo Express Banner](#)

CS News 1/20

[24 Pops Mart Stores Sold as Winnsboro Petroleum Exits Convenience Store Industry](#)

CS News 1/20

[Walgreens & VillageMD Expand Health Care Partnership](#)

Chain Store Age 1/20

[Lego Brings Store of the Future to New York, Barcelona](#)

PYMNTS 1/19

[Wilson Sporting Goods SoHo Flagship is All About Sports](#)

WWD 1/19

[JD Sports Takes Former Forever 21 Space on Chicago's Michigan Avenue](#)

Costar 1/19

[Boot Barn Opening First Delaware Store](#)

Delaware Online 1/19

[Discounter TURN7 Takes Former Lord & Taylor Space at Moorestown Mall](#)

Patch New Jersey 1/19

[Sur La Table Reopening Alexandria VA Location](#)

Alexandria Living Magazine 1/19

[Hobby Lobby Coming to Wilkes-Barre Township, PA](#)

Times Leader 1/19

[Wildcat Capital Invests in Rapid Express Car Wash](#)

PE Hub 1/19

[Ghirardelli Announces Renovation of San Francisco Flagship](#)

Food & Beverage Magazine 1/19

[PopShelf Opening Two Stores in Memphis Area](#)

Memphis Business Journal 1/18

[Pinstripes Bowling: Family Fun in the Midwest](#)

Forbes 1/18

[BJ's Wholesale Adds Another Florida Store](#)

Winsight Grocery Business 1/18

[Sears Closing Last Full-Service Store in Pennsylvania](#)

Philly Voice 1/18

[Abercrombie & Fitch Closing Store at Westfield San Francisco Centre](#)

San Francisco Business Times 1/18

[Are ULTA and Sephora on a Collision Course?](#)

Retail Dive 1/18

[New Buc-ee's in Tennessee is World's Largest](#)

Dallas Morning News 1/18

[Athleta Opens in Alexandria VA](#)

Patch 1/18

[Peloton Considers Closures as Stock Price Plummets](#)

Bisnow 1/18

[Amiri Opens Store in Miami's Design District](#)

WWD 1/17

[Talbots Closing at this Pittsburgh Mall](#)

Pittsburgh Business Journal 1/17

[Foxtrot Heading to Austin](#)

Austin Business Journal 1/17

[Warby Parker Opening at Lehigh Valley Mall \(Whitehall, PA\) This Spring](#)

Lehigh Valley Live 1/17

[Woodland Mall Opens Michigan's First Offline by Aerie Store](#)

Woodtv.com 1/17

[A Perspective on Luxury from a Global Citizen](#)

Robin Report 1/17

[FRANKIE4 Opens First Brick and Mortar Store and HQ in Seattle](#)

Ritz Herald 1/17



Grocery Headlines

Stories of the Week

[Nourish + Bloom, First Black-owned, autonomous grocery, Opens in Atlanta](#)

Tech Crunch 1/21

[Pittsburgh Area Cheesecake Factory Goes on the Market After Lease Signed](#)

Pittsburgh Business Times 1/20

[Lincoln Market Plans First Queens Grocery Store](#)

Commercial Observer 1/20

[Food Lion Opens Charlotte Store](#)

Charlotte Observer 1/19

[Amazon Moving Forward With Havertown, PA Location](#)

Patch 1/19

[Giant Heirloom Market's new Philly Location a Throwback to Golden Age of Shopping Downtown](#)

BillyPenn 1/19

[Sendek's to Anchor Milwaukee Suburban Center](#)

Milwaukee Business Journal 1/18

Restaurant News

Stories of the Week

[Andy's Frozen Custard Eyes Lakewood \(TX\) Location](#)

Lakewood Advocate 1/22

[Wing it On! Begins 2022 with Big Growth Plans](#)

QSR 1/21

[Historic Southern Market Reopening as Food Hall](#)

Lancaster (PA) Online 1/21

[Tropical Smoothie Café Considers Going Public](#)

QSR 1/21

[TGI Fridays Launching New Concept](#)

Chain Store Age 1/21

[PF Chang's Expanding Take Out Concept](#)

Chain Store Age 1/20

[Noodles & Company Eyeing 8% Growth in 2022](#)

QSR 1/20

[Wienerschnitzel Inks Deal for 20 Restaurants in Arkansas](#)

QSR Web 1/20

[Slutty Vegan Heads to Savannah](#)

Savannah Morning News 1/19

[Del Taco Energizes Expansion With 'Fresh Flex' Prototype](#)

QSR Magazine 1/19

[Micro Food Hall Coming to Sacramento Suburb Roseville](#)

ABC10 1/19

[Jet's Pizza Expanding in Chicago](#)

Block Club Chicago 1/19

[Black Rock Coffee Opens in Tucson](#)

Cision 1/19

[Stock + Grain Assembly Food Hall to Revitalize High Point NC Downtown](#)

Yes Weekly 1/9

[Chick Fil-A Opens in Lynchburg \(VA\)](#)

QSRWeb 1/18

[Plans Filed for Phipps Plaza Food Hall](#)

Atlanta Journal Constitution 1/18

[Brooks Brothers Closing Last Non-Outlet Store in St. Louis](#)

St. Louis Business Journal 1/18

[Hampton Social Joins Lineup at Miami's Mary Brickell Village](#)

Shopping Center Business 1/18

[Mo'Bettahs Plots Growth Plan Backed by Hawaiian Values and Culture](#)

QSR 1/18

[Benny's Swims into Virginia Beach](#)

Pizza Marketplace 1/18

[Bonchon Looks to Disrupt Global Chicken Segment](#)

QSR 1/18

[Nathan's Opens in Roanoke](#)

Community Impact 1/18

[Mighty Quinn's Opening Two Brooklyn Locations in 2022](#)

QSR 1/18

[Bojangles Bringing Stores to Austin and San Antonio](#)

Texas News Today 1/16

[New Food Hall Featuring Portland Brands Will Open in Downtown Hillsboro](#)

Willamette Weekly 1/15

[El Pollo Loco Looks to OKC for Expansion](#)

QSR 1/14



REITs, Landlord & Development

Stories of the Week

[Two Gateway Centers Sell in Orange County](#)

Los Angeles Business First 1/21

[Grocery-Anchored Centers the 'Gold Standard' in Atlanta Market: Brixmor's King's Market Center Acquisition](#)

Atlanta Business Chronicle 1/21

[Colorful Shopping Center w/Mexico-Inspired Design Near LA Heads to Auction](#)

Costar 1/21

[Spartan Square Shopping Center in Salem, VA Sells to JV](#)

Shopping Center Business 1/20

[Brixmor Buys Grocery-Anchored Center in Brea CA for \\$85.7M](#)

Costar 1/20

[Invesco Sells Minnetonka Shopping Center for \\$36.3M](#)

Costar 1/19

[Wegman's Hiring Hundreds for Two New DC Stores](#)

WTOP 1/18

[Blackstone Buys Suburban Chicago Center, Springfield Prairie Pavilion, for \\$103M](#)

Costar 1/18

[Glendale Retail Center Sells for \\$64M](#)

Los Angeles Business Journal 1/17



eCommerce / Omnichannel / Retail Tech

Stories of the Week

[Is it Time for Facial Recognition in Restaurants?](#)

QSR 1/21

[Amazon Says its First Clothing Store Will be Tech Forward](#)

Dallas Morning News 1/20

[Lifeless in the Fast Lane: Robotic Semi-Truck Completes “No Human” Trip](#)

Tucson Weekly 1/20

[Step Aside Luxury Retail: Walmart Enters the Metaverse](#)

Inside FMCG 1/20

[With Automated Drive-Thrus, Checkers Gives Glimpse of Future of Fast Food](#)

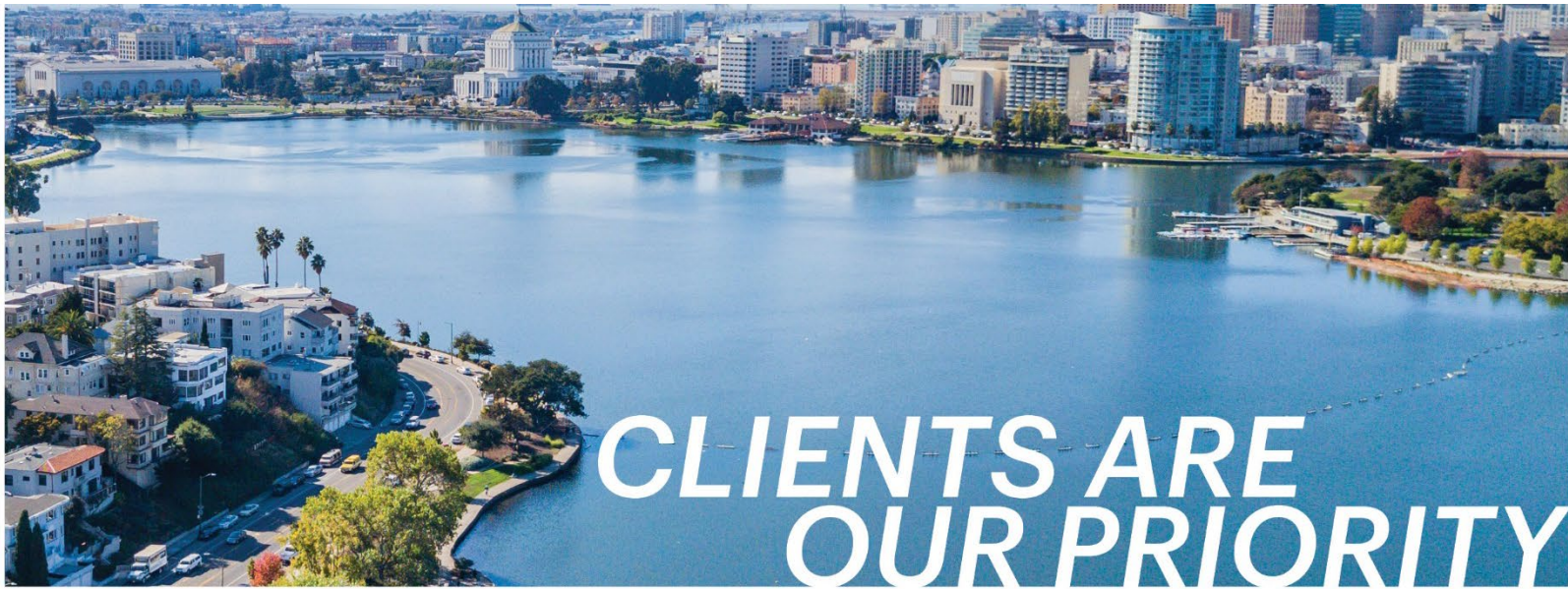
Restaurant Business 1/19

[Why NRF is Taking the Metaverse Very Seriously](#)

Retail Brew 1/18

[Robotic Order Picking Automation Vendor Exotec Raises \\$335M](#)

Modern Materials Handling 1/17



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